

MARKETBEAT CLEVELAND

Office Q2 2022



YoY Chg 12-Mo. Forecast

7.0%
Vacancy Rate



-220K
Net Absorption, SF



\$19.37
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

1.06M
Cleveland
Employment



5.5%
Cleveland
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Office Market Stabilizes

Similar to the first quarter, Cleveland's overall office market vacancy remained flat in Q2. The average rental rates increased slightly by \$0.23/SF, while the vacancy rate increased from 0.2% to 7.0% over the past quarter. Post-pandemic, vacancy rates in the CBD have finally begun to stabilize to 9.3% percent, up only 0.2% from last quarter. The overall asking rent for all classes in the CBD climbed slightly from \$20.85 in Q1 to \$21.16 this quarter, slightly above the average for the suburban markets.

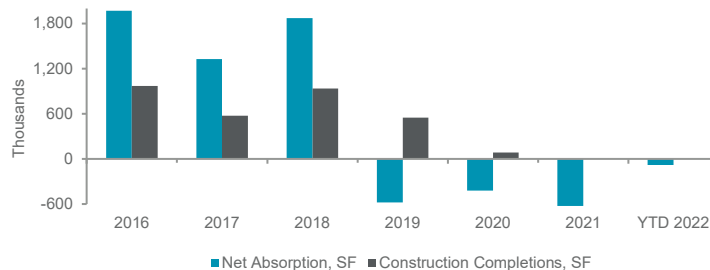
CBD Office Market Stabilizing

Two trends have balanced out COVID-related softening of Cleveland's office market: the flight to quality and the continued conversion of dated office product to downtown residential. As occupiers return to making long term commitments for leased space, tenants are choosing Class A over lesser classes, or expecting similar fit and finish inside lesser class buildings. While there are few new occupiers in the CBD, and many occupiers downsizing their footprints, vacancy rates and rents remain stable because of the significant amount of available office space slated for conversion to residential use. In 2022, three buildings have announced or started conversions of more than 80% of their office inventory: 55 Public Square, Erieview Tower and the United Church of Christ (office) building.

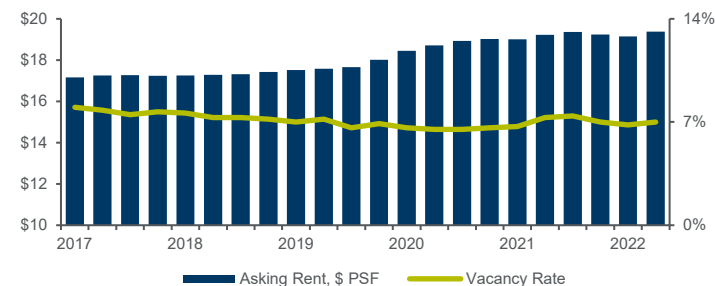
CHANGE IN OWNERSHIP: Notable Deal Inked

A notable office building sale in the second quarter of 2022 occurred in the Chagrin, East and Lander Submarket, and was New York-based investment group, Shelbourne's purchase of 1 & 2 Chagrin Highlands. The two buildings, located at 2000 & 3000 Auburn Drive in Beachwood, total 224,133 SF and were sold for \$39,000,000. At the time of purchase, the two buildings were 91.6% leased.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	30,818,913	84,827	2,777,078	9.3%	54,527	-51,892	1,350,515	1,003,000	\$21.16	\$22.28
Akron	27,516,823	366,080	1,630,484	7.3%	6,847	134,894	75,632	171,234	\$19.42	\$20.57
Chagrin, East & Lander	14,859,757	37,479	946,112	6.6%	-167,596	-26,258	105,256	50,000	\$22.48	\$24.39
Stark County	13,437,195	36,529	680,304	5.3%	80,914	79,088	50,759	-	\$14.89	\$17.51
Rockside & South	9,894,388	84,487	1,210,079	13.1%	-77,206	-148,635	137,523	725,000	\$19.40	\$20.60
West	10,148,524	15,205	562,012	5.7%	-72,749	-49,529	99,935	-	\$19.16	\$20.34
Southwest	9,857,799	1,824	631,829	6.4%	60,581	153,559	45,108	34,697	\$18.21	\$21.50
Northeast & Lake County	9,557,870	4,600	427,505	4.5%	-38,142	1,549	46,807	15,000	\$16.58	-
Midtown	7,714,519	0	186,992	2.4%	10,164	32,382	32,467	99,000	\$20.34	\$25.36
Lorain County	6,632,833	4,488	384,361	5.9%	-10,032	-193,840	8,455	70,940	\$18.72	\$22.52
Fairlawn & Montrose	4,228,138	0	336,602	8.0%	-26,408	-31,279	22,235	32,727	\$20.99	\$22.73
Portage & Geauga	4,374,534	1,000	120,912	2.8%	30,615	34,361	15,122	100,000	\$9.01	-
Southeast	3,674,406	8,600	271,663	7.6%	-48,100	-37,159	21,168	600,000	\$19.68	\$21.49
Medina	3,457,984	0	110,134	3.2%	-23,619	23,318	50,996	40,970	\$13.31	\$12.00
CLEVELAND TOTALS	156,173,683	645,119	10,276,067	7.0%	-220,204	-79,441	2,061,978	3,063,038	\$19.37	\$21.48

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5885 Landerbrook Drive	Chagrin, East & Lander	University Hospitals	10,805	Renewal
1400 W 10 th Street	CBD	Sterling Associates	10,192	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2000 & 3000 Auburn Drive	Chagrin, East & Lander	SCS One Two Chagrin LLC/GAON LLC	224,988	\$39M/\$173
6001 Cochran Road	Southeast	Rockside Corporate Woods LLC/ JMR Acquisitions LLC	49,469	\$3.19M/\$64
30455 Solon Road	Southeast	30455 Solon Road LLC/ Rancho Coachella Properties LP	41,236	\$8.27M/\$200
5025 Royalton Road	South	Harold Lapine/Broadview Heights LLC	39,200	\$2.25M/\$57

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