

MARKETBEAT CLEVELAND

Office Q4 2022



YoY Chg 12-Mo. Forecast

7.6%
Vacancy Rate



-901K
Net Absorption, SF



\$19.84
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

1.05M
Cleveland Employment



5.1%
Cleveland Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMY: Vacancy Rates Increase as Net Absorption Falls

The fourth quarter of 2022 saw a slight vacancy rate increase in the Cleveland office market, raising 60 basis points (bps) to 7.6%. This was due to an influx of available space, much of which has yet to be occupied. Net absorption dropped significantly, from -129,527 square feet (sf) in the third quarter of 2022 to -901,554 sf in the fourth quarter of 2022. Sublet space accounted for -351,261 sf of the total negative net absorption, with American Greetings vacating their headquarters located at 1 American Boulevard in Westlake accounting for nearly 250,000 sf of available sublet space. The combination of increasing vacancy rates and negative absorption rates indicate that the demand for office space in Cleveland is lower than the available supply, likely due to many companies committing to the remote-work environment.

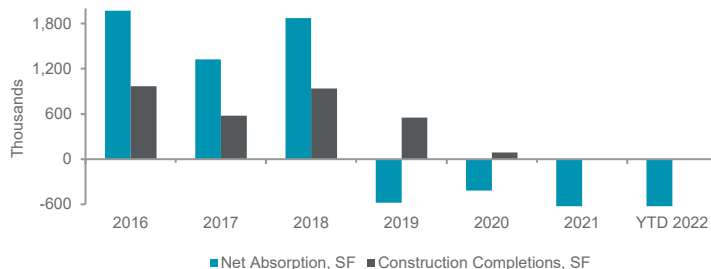
CBD: Playhouse Square Provides Flexibility in Times of Uncertainty

The Cleveland Central Business District (CBD) office market has seen some positive signs in a time of transition due to the rise of hybrid work. Leasing activity has been strong with 1.8 million sf leased in the past year, and some key tenants have moved in. However, the current vacancy rate in the CBD stands at 9.8%, which is a 110-bp increase from the third quarter of 2022. Class A office space shows an even higher rate of 14.8% vacancy. Despite this, there is still demand in the CBD market. Playhouse Square District has been a popular choice for employers, and two new tenants, Dix and Eaton (1501 Euclid Avenue) and The City Club (1317 Euclid Ave) are moving in. Playhouse Square District is also taking a new approach and will be opening BACKSTAGE, a new co-working space in early February 2023. This co-working space will offer fully amenitized and furnished office space with flexible terms at a competitive rate. Overall, the CBD makes up over 30% of Cleveland's market and is making strides in the right direction, but still faces many challenges in this new office environment.

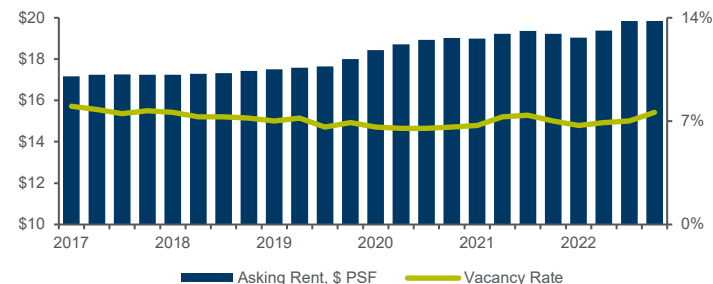
CHANGE IN OWNERSHIP: Sherwin-Williams Sells Majority Stake in HQ

The Sherwin-Williams headquarters located at 1 Frankfort Avenue in the CBD, was a major sale in the fourth quarter of 2022. The nearly 1 million sf headquarters is still under construction and expected to open by the end of 2024. Sherwin-Williams decided to perform a sale-leaseback on the property which included selling a majority portion of the property and putting themselves in a long-term lease position. Sherwin-Williams sold a 90% stake in the building to Benderson Development Company, based in Florida. The price paid for the majority stake was \$210 million.

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	31,607,809	151,171	2,929,055	9.8%	-258,114	-454,268	1,845,699	1,003,000	\$20.89	\$23.16
Akron	27,291,440	353,504	1,673,237	7.4%	-165,820	-109,805	189,604	171,234	\$19.57	\$20.82
Chagrin, East & Lander	14,791,468	54,521	998,280	7.1%	-135,190	-128,335	224,406	50,000	\$22.98	\$24.35
Stark County	13,480,111	58,150	985,179	7.7%	-6,959	-257,941	76,542	-	\$15.38	\$23.09
Rockside & South	10,082,952	88,497	1,258,314	13.4%	-41,062	-194,992	264,570	725,000	\$19.11	\$20.97
West	10,217,481	265,205	602,375	8.5%	-225,202	-251,645	132,740	61,900	\$19.08	\$20.05
Southwest	9,680,622	6,768	610,552	6.4%	-37,735	99,146	98,334	52,297	\$18.00	\$12.00
Northeast & Lake County	9,526,177	10,252	424,796	4.6%	52,581	21,690	94,113	45,000	\$18.47	\$34.77
Midtown	7,635,848	0	210,540	2.8%	-27,246	28,719	71,363	99,000	\$20.03	\$24.86
Lorain County	6,617,364	4,488	366,758	5.5%	7,643	-173,527	18,259	70,940	\$20.06	\$22.52
Fairlawn & Montrose	4,227,804	0	307,584	8.9%	-3,852	-65,501	78,790	32,727	\$21.03	\$22.60
Portage & Geauga	4,448,018	1,000	123,366	2.8%	50,418	142,089	23,502	100,000	\$17.56	-
Southeast	3,714,556	8,600	262,257	7.3%	-112,278	-142,594	270,215	600,000	\$19.72	\$21.64
Medina	3,363,848	0	117,007	3.5%	1,262	24,646	76,056	60,970	\$25.70	\$12.00
CLEVELAND TOTALS	156,685,498	1,070,848	10,869,300	7.6%	-901,554	-1,462,318	3,464,193	3,072,068	\$19.84	\$22.35

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
18013 Cleveland Parkway	Southwest	Sea-Land Chemical Company	16,003	Direct
1317 Euclid Avenue	CBD	Dwellworks LLC	14,858	Renewal
1317 Euclid Avenue	CBD	The City Club of Cleveland	14,834	Direct
6095 Parkland Boulevard	Chagrin, East & Lander	Smartsoda Holdings, Inc.	14,132	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
20325 Center Ridge Road	West	Fairview Capital LLC/ Wolfe Pintus	97,870	\$2.35M/\$24.01
320 Springside Drive	Fairlawn/Montrose	Heritage Inn & Suites Of Akron Inc/ Supreme Bright Ohio V LLC	97,000	\$3.59M/\$36.99
3659 Green Road	Chagrin, East & Lander	PDC Building LLC/ PDC Building Professional Suites	70,118	\$3.53M/\$50.27
35350 Curtis Blvd	Northeast	Curtis Blvd. Associates/ 35350 Curtis LLC	45,204	\$1.13M/\$25.06

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