

MARKETBEAT

Cleveland, OH

Office Q1 2018



CLEVELAND OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Cleveland Employment	1,057k	1,059k	▲
Cleveland Unemployment	5.9%	5.2%	▲
U.S. Unemployment	4.7%	4.1%	▼

Numbers above are quarterly averages; .

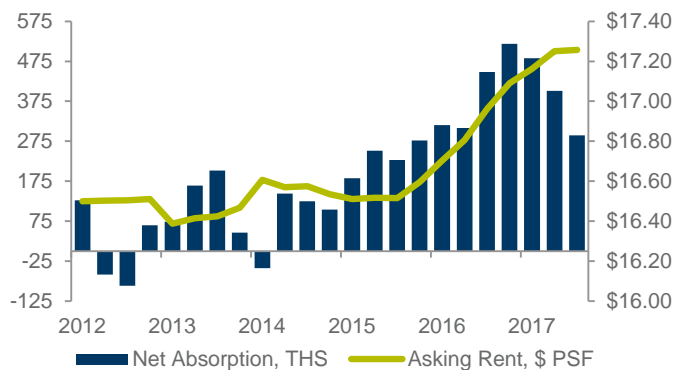
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	10.7%	8.5%	▼
YTD Net Absorption (sf)	306k	652k	▲
Under Construction (sf)	730k	1.4M	▲
Average Asking Rent*	\$17.21	\$17.25	▲

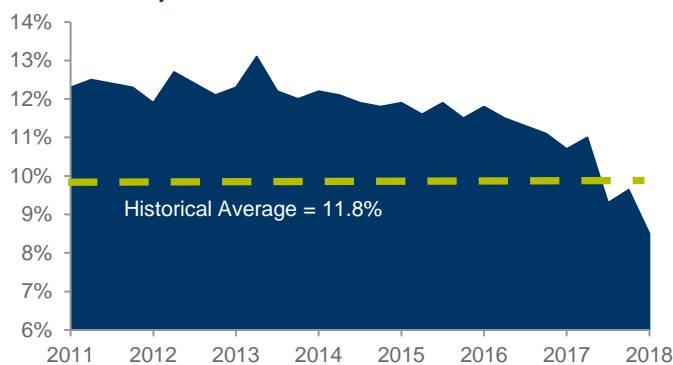
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic

Business activity in Northeast Ohio expanded at a moderate pace in Q1 2018. Labor demand remained strong, but worker shortages limited firms' ability to hire. Competition for qualified workers has led employers to raise wages. Firms were generally able to increase prices and retailers reported a continued boost in sales, which was attributed to higher levels of consumer confidence. Retailers reported a continued boost in sales, and they attributed this boost to stronger consumer confidence. Housing and commercial real estate markets remained buoyant while manufacturing output trended higher. Hiring was strongest in manufacturing and construction.

Market Overview

Q1 2018 was a strong quarter for the office market across northeast Ohio, as the market continued to build on gains made in 2017. Vacancy rates dropped significantly in the first quarter of this year, as occupiers in both the CBD and the suburbs absorbed more space. Accordingly, average asking rental rates ticked up. The CBD, East, and South submarkets continued to be the most vibrant submarkets for leasing and sales activity. Class A vacancy rates ended the quarter higher than in years past, due to an influx of new Class A space on the market available for lease, particularly in the East submarket.

Outlook

After a first quarter of 2018 that saw positive absorption paired with stable asking rents and dropping vacancy rates, we anticipate continued growth in the commercial real estate marketplace and a positive outlook throughout 2018. Despite the stock market uncertainty and questions over how international trade tariffs may impact the U.S. economy, local economic indicators and consumer confidence are generally positive, encouraging occupiers and owners to continue expanding their businesses in Northeast Ohio. As long as consumer confidence remains high, expect continued positive, albeit modest, growth across suburban and CBD markets.

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SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	32,155,672	4,319,291	52,378	13.4%	190,007	190,007	36,449	0	\$19.73	\$22.15
Akron	27,476,728	1,809,937	2,500	6.6%	367,641	367,641	23,745	543,820	\$15.73	\$18.70
Chagrin, East & Lander	13,480,415	737,468	17,880	5.6%	12,615	12,615	32,277	462,984	\$20.88	\$22.44
Stark County	12,044,021	667,081	12,384	5.6%	33,721	33,721	13,294	0	\$13.38	\$18.00
Rockside & South	9,487,264	830,110	58,905	9.4%	-21,763	-21,763	70,010	13,328	\$18.57	\$21.66
West	8,723,250	667,648	6,337	7.7%	-6,456	-6,456	14,490	126,600	\$15.13	\$18.08
Southwest	8,776,983	640,847	93,330	11.2%	-160,483	-160,483	17,337	0	\$16.53	\$20.63
Northeast & Lake County	9,050,637	756,051	3,360	8.4%	10,014	10,014	12,024	4,804	\$15.76	\$25.00
Midtown	7,048,609	433,242	15,998	6.4%	70,428	70,428	0	10,000	\$18.13	\$22.39
Lorain County	5,672,002	552,538	0	9.7%	-1,083	-1,083	11,129	105,375	\$12.66	n/a
Fairlawn & Montrose	4,141,202	354,608	1,804	8.6%	11,081	11,081	8,447	63,591	\$17.23	\$21.82
Portage & Geauga	4,096,242	214,582	0	5.2%	26,579	26,579	3,016	0	\$16.65	\$23.77
Southeast	3,966,058	290,459	6,582	6.5%	132,890	132,890	8,863	0	\$16.72	\$16.69
Medina	3,076,102	214,663	0	7.0%	-12,899	-12,899	10,004	22,352	\$14.67	n/a
CLEVELAND TOTALS	149,195,185	12,488,525	271,458	8.5%	604,949	604,949	261,085	1,352,854	\$17.25	\$21.22

*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	28,737,390	2,776,534	102,953	10.0%	219,382	219,382	33,991	1,191,446	\$21.33	\$21.22
Class B	75,347,709	7,564,838	89,387	10.1%	20,969	20,969	220,920	161,408	\$16.65	\$16.73
Class C	45,110,086	2,147,153	79,118	5.6%	364,598	364,598	6,174	0	\$14.89	\$14.91

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1701 E 12 th Street	57,000	Western Reserve Area Agency on Aging	New	CBD
1301 E 9 th Street	20,300	Boyd Watterson	New	CBD
250 West Huron	48,000	Electronic Merchant Systems	New	CBD
1975 E 61 st Street	20,000	MCPc	New	Midtown
812 Huron Road	11,561	Cuyahoga County Land Reutilization	New	CBD

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1 Allen Bradley Drive Mayfield Heights, Ohio	462,000	Norman Rockwell LLC/ Mohr-Mayfield LLC	\$52,000,000 / \$113	East
6450 & 6480 Rockside Woods Blvd. Independence, Ohio	226,498	Five Mile Capital Partners/ Corporate Plaza LP	\$23,400,000/ \$103	CBD
29125 Chagrin Boulevard Beachwood, Ohio	32,000	Wi-Fi Pepper Pike LLC/ Jewish Family Service Association	\$3,050,000 / \$95	East
2200 Prospect Avenue Cleveland, Ohio	88,000	Asset Plus Companies / River Caddis Development	\$6,000,000 / \$68.18	CBD

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About Cushman & Wakefield

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