

MARKETBEAT

Cleveland, OH

Office Q2 2018



CLEVELAND OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Cleveland Employment	1,058k	1,067k	▲
Cleveland Unemployment	5.7%	4.8%	▼
U.S. Unemployment	4.3%	3.8%	▼

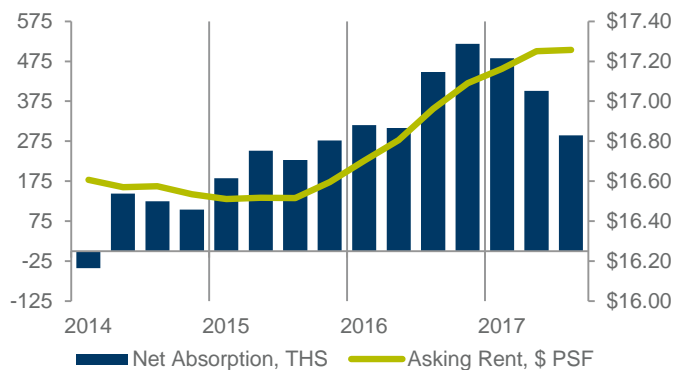
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	11.0%	8.6%	▼
YTD Net Absorption (sf)	306k	519k	▲
Under Construction (sf)	730k	671k	▲
Average Asking Rent*	\$17.29	\$17.50	▲

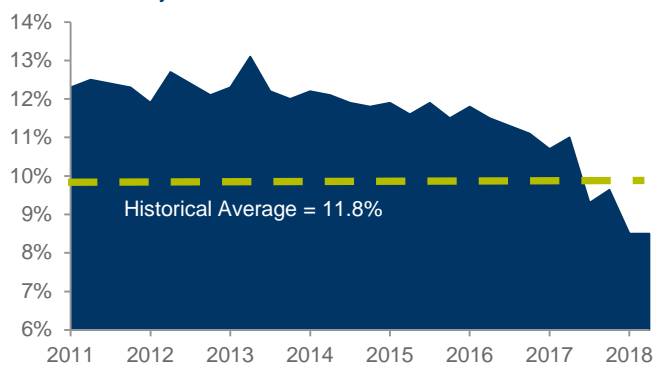
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic

Business activity in Northeast Ohio expanded at a moderate pace as customer demand held steady and consumer confidence remained high. Hiring improved slightly, though it remained moderate. Employers are raising wages to attract talent, but the increments are moderate, and the labor pool is limited. Rising commodity prices, especially for lumber and steel, are pressuring goods producers and increasing the cost of new construction both in the housing market and in the commercial real estate market. Seasonal factors aside, clothing retailers, department stores, and food retailers noted stable demand. Retail sales activity in the District was reported to be in line with activity seen throughout the United States. Despite the positive momentum across most sectors, producers of goods are increasingly concerned of the possible impact of Chinese tariffs and rising interest rates.

Market Overview

The second quarter of 2018 was a strong quarter for commercial real estate across northeast Ohio, driven by an increase in activity in the CBD and healthy activity in the east and south submarkets. With 10-year lows, market vacancy rates held steady at 8.6%. Major transactions this quarter included the transfer of 925 Euclid Avenue to Millennia Companies for redevelopment, the planned relocation of the Cleveland Police Department to 1801 Superior Avenue, and Medical Mutual's occupancy of 324,000 square feet (sf) at the former American Greetings headquarters in Brooklyn, OH. Two new office buildings also delivered, with Link 59 in Midtown and the Van Aken district office complex adding new Class A space to a market with relatively low vacancy rates and increasing asking rents.

Outlook

Despite a slight dip in absorption for this quarter, we anticipate continued moderate growth in the commercial real estate marketplace. Rental rates continue to rise in both suburban and CBD markets, and we expect that trend to continue as low vacancy rates persist. Despite rising interest rates and continued questions over how international trade tariffs may impact the U.S. economy, local economic indicators remain solid. Northeast Ohio will continue to provide value to owners and end users as a cost-effective place to do business.

MARKETBEAT

Cleveland, OH

Office Q1 2018



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 UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	31,537,783	4,444,206	78,378	14.3%	-234,714	-122,519	78,684	\$19.53	\$22.15
Akron	27,645,023	1,700,677	2,500	6.2%	148,856	313,321	44,505	\$15.63	\$18.70
Chagrin, East & Lander	13,597,814	762,015	17,078	5.7%	6,947	76,160	147,120	\$21.14	\$22.44
Stark County	12,109,008	664,864	12,384	5.6%	-24,582	-5,924	0	\$14.49	\$18.00
Rockside & South	9,536,658	892,907	53,709	9.9%	-11,161	-62,715	0	\$18.68	\$21.66
West	8,864,573	728,543	3,787	8.3%	1,714	3,723	154,000	\$16.03	\$18.08
Southwest	8,797,510	937,005	98,080	11.8%	-13,713	3,850	0	\$15.28	\$20.63
Northeast & Lake County	9,036,395	644,522	3,360	7.2%	27,437	56,719	0	\$15.81	\$25.00
Midtown	7,103,332	481,750	17,998	7.0%	-31,380	30,410	10,000	\$18.43	\$22.39
Lorain County	5,704,374	284,464	0	7.8%	-7,521	9,666	89,225	\$14.57	n/a
Fairlawn & Montrose	4,149,662	367,114	1,804	8.9%	-47,760	-41,138	68,333	\$17.31	\$21.82
Portage & Geauga	4,183,822	224,239	0	5.4%	-12,299	17,172	0	\$15.97	\$23.77
Southeast	4,100,385	244,786	6,582	6.1%	74,240	224,748	0	\$16.98	\$16.69
Medina	3,071,694	156,292	0	5.1%	31,059	8,599	22,352	\$14.27	n/a

*Rental rates reflect gross asking \$psf/year

CLEVELAND TOTALS	149,438,033	12,533,384	295,660	8.6%	-92,877	512,072	643,435	671,465	\$17.50	\$21.43
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	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	28,914,408	2,738,270	97,757	9.8%	230,976	425,822	453,042	\$21.52	\$21.43
Class B	75,422,362	7,570,028	85,567	10.4%	-266,547	157,157	218,423	\$16.93	\$17.02
Class C	45,101,263	2,225,086	112,336	5.2%	-57,306	-70,907	0	\$14.04	\$14.11

Key Lease Transactions Q2 2018

SF	TENANT	TRANSACTION TYPE	SUBMARKET
1 American Way	Medical Mutual of Ohio	New	South
1468 W 9 th Street	Advance Ohio	New	CBD
33001 Solon Road	Bryant & Stratton College	New	East
5885 Landerbrook Drive	Cedar Brook Financial Partners	Renewal	East
1660 W 2 nd Street	AON Insurance	Renewal	CBD

Key Sales Transactions Q2 2018

SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
925 Euclid Avenue Cleveland, Ohio	Hudson Holdings/ Millennia Companies	\$38,460,000 / \$29	CBD
1300 E 9 th Street Cleveland, Ohio	Optima Internationals/ Rugby Realty	\$38,000,000/ \$65	CBD
10 N Main Street Akron, Ohio	Signet Enterprises/ Akron Board of Education	\$9,100,000/ \$96	Akron
6225 Oak Tree Boulevard Independence, Ohio	Oaktree Properties/ 6225 Oak Tree Blvd Real Estate LLC	\$4,775,000/\$115	South

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