

MARKETBEAT CLEVELAND

Office Q2 2023



11.4%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-375K

YTD Net Absorption, SF



\$19.72

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

1.05M

Cleveland
Employment

YoY
Chg



12-Mo.
Forecast



3.9%

Cleveland
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS

ECONOMY: Vacancy Continues to Rise while Tenants Gain Negotiating Power:

The Q2 2023 Cleveland Office Market is going through a prolonged period of challenge and uncertainty. Landlords, tenants, brokers, lenders and everyone involved in this asset class have seen a changing environment post-COVID. The current statistics show Cleveland's vacancy rate sitting at 11.4%, which is a conservative number considering the continued increase in vacant space we have seen in the Cleveland office market over the last couple of years. Overall vacant space available in the Cleveland market is sitting at 10.2 million square feet (msf), and nearly 1 msf of that space comes from sublet space. Sublet space available has increased nearly 60% year over year. A few things we've noticed in the market; office tenants are renewing leases in their current spaces for shorter lease terms, renewing and taking significantly less space (25-30% less), or moving to higher quality spaces while leasing a smaller footprint. Overall, tenants seem to be evaluating their needs to accommodate a hybrid model, or completely work-from-home workforce. As vacancy rates continue to rise, rent growth is likely to stay flat, or even fall moving towards 2024. Average asking rental rates sit at \$19.72 in Q2, rising \$0.12 from Q1 2023. With less demand in the market, it likely means less negotiating power for landlords, and better deal terms for office tenants.

MARKET ACTIVITY: Leasing Activity Slows, Trend Toward Smaller Space Continues:

Leasing activity for the quarter was 300K square feet (sf), nearly 100K sf lower than the previous quarter. Year-to-date leasing activity has risen to over 700K sf thus far in 2023. A notable lease transaction signed in the Central Business District (CBD) for the quarter was BrandMuscle leasing 12,800 sf at 1500 West 3rd Street. BrandMuscle is vacating their prior space at 1100 Superior Avenue, leaving behind a nearly 55,000 sf space and reducing their overall office size by over 80%. This move confirms the current trend towards smaller, higher-quality spaces for tenants. The total office under construction is over 2.1 msf, with more than half of that number coming from Sherwin-Williams HQ located in the CBD, along with their new research and development facility being constructed in Brecksville. Build-to-suit projects comprise most of the offices currently under construction. A few notable sales for the quarter were the acquisitions of 155, 175, and 202 Montrose West Avenue, located in the Fairlawn/Montrose submarket. This represented over 130K sf of office space for a total price of \$4,000,000.

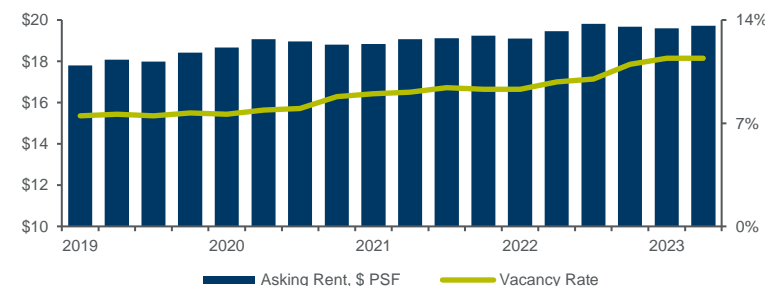
CHANGE IN OWNERSHIP: Bedrock Continues Acquisitions for Cuyahoga Riverfront Master Plan

Dan Gilbert's Bedrock Enterprises made another major purchase in Cleveland during the second quarter of 2023. Bedrock acquired the Landmark Office Towers (Sherwin-Williams corporate offices), the Breen Technology Center, which includes 9 acres of developable land, and the Baltimore & Ohio Railroad terminal. Public records show the transaction at 48.5 million for all the properties, with 38 million accounting for the Landmark Office Towers. The transaction aligns with Bedrock's continued effort on their Cuyahoga Riverfront Master Plan, a 3.5 billion 15–20-year vision.

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	24,546,498	195,213	2,992,667	13.0%	-61,500	-218,443	177,292	1,003,000	\$20.65	\$21.88
Akron	14,686,582	265,791	1,219,783	10.1%	75,631	-106,217	129,743	69,113	\$20.25	\$22.60
Chagrin, East & Lander	7,929,713	97,362	930,425	13.0%	4,941	-48,635	91,715	23,846	\$22.81	\$24.07
Stark County	6,289,833	13,775	556,360	9.1%	1,450	-70,009	37,515	-	\$16.83	\$20.78
Rockside & South	6,839,982	69,664	1,253,362	19.3%	6,647	-23,904	105,560	725,000	\$19.41	\$21.66
West	5,942,199	257,578	578,468	14.1%	10,907	41,136	43,153	61,900	\$18.38	\$19.62
Southwest	5,136,540	9,407	573,544	11.3%	3,494	-52,661	23,321	23,321	\$16.39	\$12.00
Northeast & Lake County	3,980,108	5,652	208,775	5.4%	81,565	86,831	45,000	45,000	\$16.04	\$16.04
Midtown	3,915,574	-	211,962	5.4%	27,843	6,614	50,000	50,000	\$21.87	\$24.86
Lorain County	2,515,631	-	118,294	4.7%	-34,259	-33,204	14,780	-	\$23.23	\$23.23
Fairlawn & Montrose	2,879,640	45,372	264,016	10.7%	8,223	14,540	34,110	32,727	\$20.01	\$22.67
Portage & Geauga	2,009,189	-	91,701	4.6%	971	1,282	4,565	-	\$18.92	\$18.92
Southeast	1,957,068	8,338	244,698	12.9%	13,112	6,556	51,552	-	\$19.21	\$21.49
Medina	1,385,487	-	47,362	3.4%	-7,453	21,108	2,667	51,000	\$16.00	\$16.00
CLEVELAND TOTALS	90,014,044	968,152	9,291,417	11.4%	131,572	-375,006	757,015	2,158,907	\$19.72	\$22.11

*Rental rates reflect full service asking *Statistics are based on 10,000 SF+ Multi-Tenant Office Buildings

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
1500 West 3 rd Street	CBD	BrandMuscle	12,800	Direct
6100 Rockside Woods Boulevard	Rockside & South	Cushman & Wakefield CRESCO Real Estate	11,410	Direct
905 Corporate Way	West	Precision Dialogue MKT	12,117	Direct
2450 Prospect Avenue	CBD	Pheonix Village Academy	25,642	Direct

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
101 W. Prospect Ave.	Downtown	The Sherwin Williams Company / Bedrock Management Services LLC	900,000	\$38M / \$42.22 PSF
175 Montrose West Avenue	Fairlawn & Montrose	Centre Point Ltd. / RL 175 Montrose LLC	50,000	\$2.5M / \$50.00 PSF
4301 Darrow Road	Akron	Interchez Properties LLC / GME Enterprises LLC	41,000	\$1.1M / \$26.83 PSF
8748 Brecksville Road	South	Ganley Real Estate Co. / Damm Holdings LLC	31,773	\$1M / \$31.47 PSF

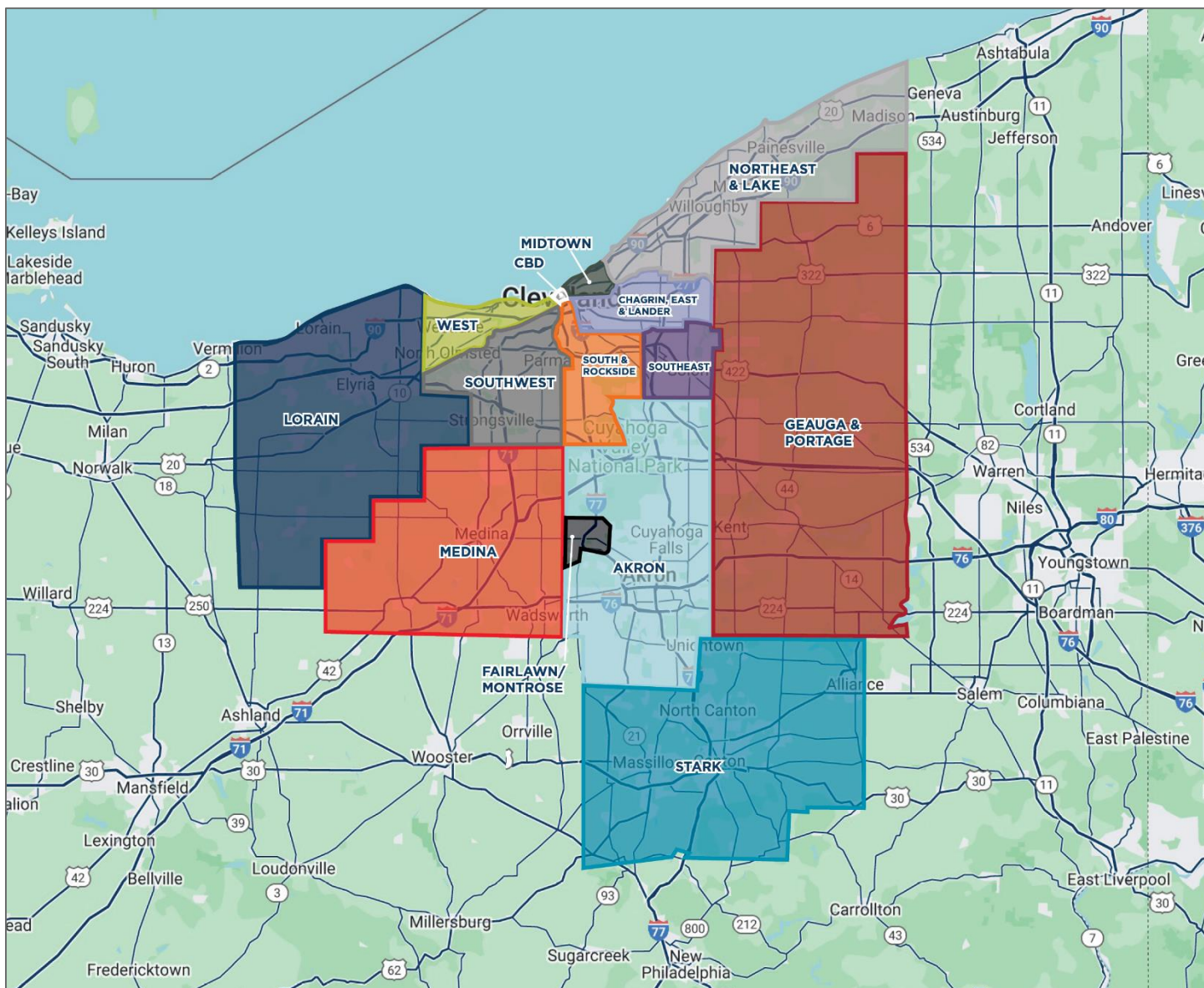
MARKETBEAT

CLEVELAND

Office Q2 2023



OFFICE SUBMARKETS



Alex Valletto

Research Analyst

Tel: +1 216 525 1485

avalletto@crescorealestate.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environment, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com