

# MARKETBEAT CLEVELAND

Office Q4 2023



YoY  
Chg

12-Mo.  
Forecast

**10.8%**

Vacancy Rate



**-523K**

YTD Net Absorption, SF



**\$19.75**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2023

YoY  
Chg

12-Mo.  
Forecast

**1.06M**

Cleveland  
Employment



**3.8%**

Cleveland  
Unemployment Rate



**3.7%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMY: Rental Rates Remain Flat, Negative Net Absorption For The Year

Cleveland's office market has experienced a year-to-date negative net absorption of -522,569 square feet (sf), remaining in negative territory throughout 2023. The overall average asking rates stand at \$19.75 per square foot (psf) across all submarkets, with the Central Business District (CBD) rates at \$20.37 psf. There has been a minimal increase of \$0.01 in overall average asking rates from Q3, aligning with the expectation from previous quarters that rates would remain relatively flat going into 2024. In Q4 2023, the CBD vacancy rate was 11.8%, while the non-CBD rate stood at 10.4%. The overall office vacancy rate, currently at 10.8% across all submarkets, is considered a conservative estimate and is likely to trend upward.

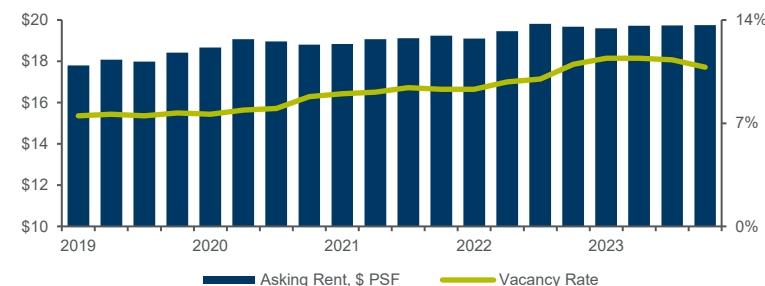
## MARKET ACTIVITY: Leasing Activity Elevated, LabConnect Signs Key lease in Midtown

In Q4, leasing activity reached 349,280 sf, surpassing Q3's 320,000 sf. The year-to-date total is now at 1,426,588 sf. Throughout 2023, leasing activity has remained relatively consistent, but what stands out is the trend of tenants signing smaller-sized lease deals. Tenants are realizing the need for employees to be back in the office, albeit not every day of the week. This suggests a shift towards a more permanent hybrid workplace model. A noteworthy long-term lease in the Midtown submarket at 3201 Carnegie Avenue involved LabConnect, LLC, which focuses on delivering Central Laboratory Services and Functional Service Provider Solutions for clinical research trials. They will occupy 32,100 sf, creating over 160 jobs in Cleveland—a significant win for Midtown. The fourth quarter of 2023 saw over \$87 million in sales volume, a notable increase from the nearly \$40 million in Q3. However, despite this quarter's improvement, sales volume still lags significantly compared to pre-pandemic levels. This is likely influenced by the stability of the office market and the cost of debt. For context, sales volume totaled over \$174 million in Q3 2019 and \$157 million in Q4 2019. Currently, the Cleveland Office Market has 1,925,091 sf under construction, with over 1,000,000 sf attributed to the construction of the Sherwin-Williams Headquarters downtown.

## 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	25,096,913	248,340	2,734,842	11.9%	-90,791	-390,459	299,586	1,003,000	\$20.37	\$20.99
Akron	14,226,933	259,925	1,089,312	9.5%	138,028	23,580	200,491	-	\$20.10	\$21.59
Chagrin, East & Lander	8,167,738	11,827	955,284	11.8%	-11,798	-14,997	167,802	23,846	\$22.60	\$23.32
Stark County	6,215,466	13,688	514,882	8.5%	-20,815	-30,645	62,771	-	\$16.64	\$20.78
Rockside & South	6,771,602	77,025	1,222,889	19.2%	116,363	-52,867	209,023	725,000	\$19.62	\$22.73
West	6,034,967	258,678	614,444	14.5%	-30,595	-60,160	126,422	-	\$18.10	\$19.65
Southwest	5,173,223	9,407	540,382	10.6%	-31,839	-65,527	117,920	17,600	\$16.11	\$35.82
Northeast & Lake County	3,998,415	7,852	234,821	6.1%	-4,478	53,008	39,569	-	\$16.76	\$15.69
Midtown	4,116,028	-	256,200	6.2%	-32,252	-5,825	21,918	-	\$20.93	\$24.86
Lorain County	2,485,634	-	79,311	3.2%	16,139	-13,265	30,278	-	\$23.17	-
Fairlawn & Montrose	3,077,978	49,162	301,716	11.4%	-13,431	-21,797	62,741	-	\$20.46	\$21.81
Portage & Geauga	2,076,524	-	116,039	5.6%	-9,784	-8,595	15,656	135,645	\$19.57	-
Southeast	1,869,515	8,338	179,898	10.1%	-11,076	23,048	60,063	-	\$18.79	-
Medina	1,493,750	-	47,493	3.2%	7,247	41,932	12,348	20,000	\$17.77	\$17.77
<b>CLEVELAND TOTALS</b>	<b>90,804,686</b>	<b>944,242</b>	<b>8,887,513</b>	<b>10.8%</b>	<b>20,918</b>	<b>-522,569</b>	<b>1,426,588</b>	<b>1,925,091</b>	<b>\$19.75</b>	<b>\$21.86</b>

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

## KEY LEASE TRANSACTIONS Q4 2023

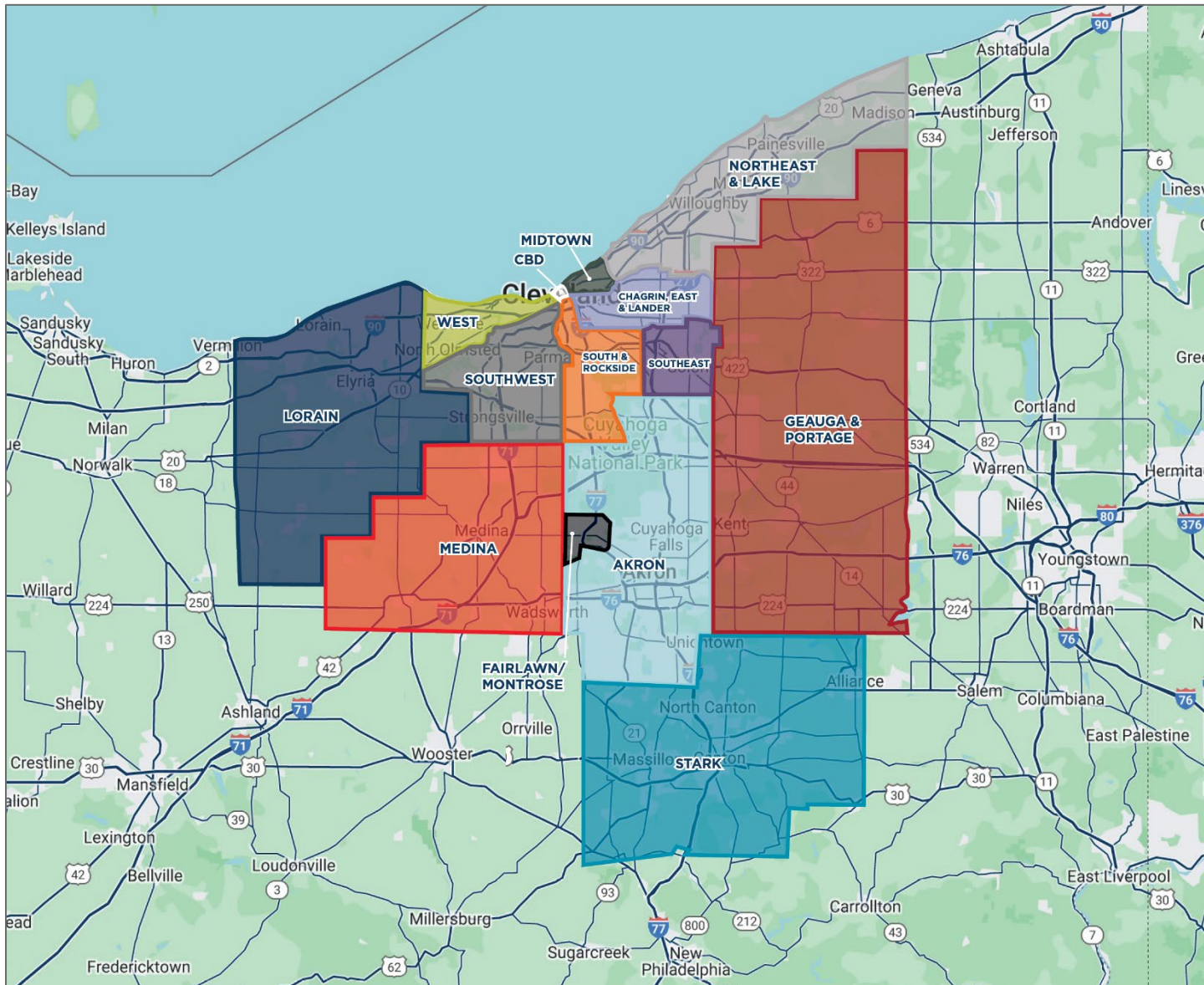
PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
3201 Carnegie Avenue	Midtown	LabConnect, LLC	32,100	Direct
158-191 American Boulevard	West	Palmer Holland, Inc	24,594	Direct
50 Public Square	CBD	Nicola, Gudbranson & Cooper, LLC	16,870	Direct
767-781 Beta Drive	Chagrin, East, & Lander	Target ABA LLC	12,149	Direct

## KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
76 South Main Street	Akron	McKinley, Inc. / First Energy Corp.	335,736	\$49.1M / \$146.23 PSF
21100 Southgate Park Boulevard	Southeast	Maple Heights Commerce One LLC / Jack Trocki Development Co.	96,262	\$3.58M / \$37.17 PSF
1550 Corporate Woods Parkway	Akron	Direction Home Akron Canton Foundation / 1550 Corporate Woods LLC	21,796	\$2.2M / \$100.94 PSF
8300 Tyler Boulevard	Northeast & Lake	Mentor Medical I, LLC / NEO RE Investment II LLC	18,696	\$1.4M / \$74.88 PSF



## OFFICE SUBMARKETS



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