

# MARKETBEAT

# Cleveland, OH

Office Q1 2017



## CLEVELAND OFFICE

### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Cleveland Employment	1,055K	1,058K	▲
Cleveland Unemployment	4.9%	5.8%	▲
U.S. Unemployment	4.9%	4.8%	▲

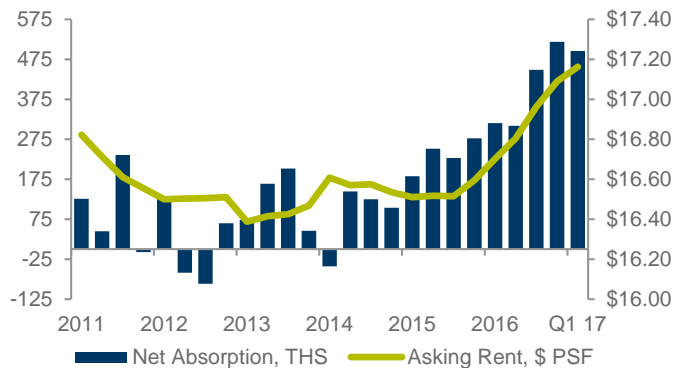
### Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	11.8%	10.7%	▼
Net Absorption (sf)	396K	306K	▲
Under Construction (sf)	952K	730K	▼
Average Asking Rent*	\$16.92	\$17.21	▲

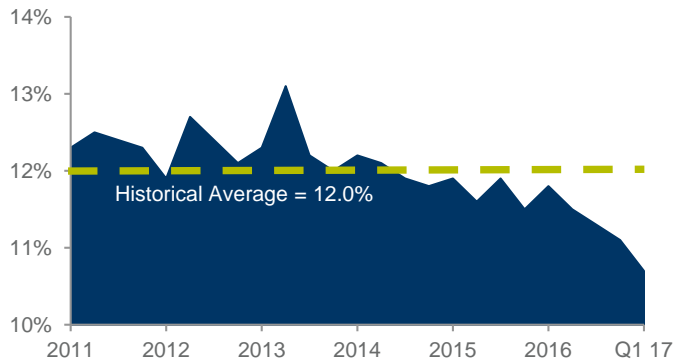
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

Economic activity in the last quarter show a somewhat steady growth as interest rate increases were defined. Construction, retail, and banking sectors in the Cleveland region revealed the clearest signs of change, with retail closures being the most apparent. The U.S. unemployment rate reported a slight decrease as jobs began to uptick in many sectors. The housing market has picked up after a stall from election results and the winter months. Demand for construction services remains strong.

## Market Overview

Office space in Northeast Ohio remains in demand and market conditions exhibit further signs of advancement. The regional vacancy rate declined by 0.9 percentage point to 10.7% and rental rates grew, as compared with Q1 2016. In first quarter, the Central Business District (CBD) posted the greatest positive overall net absorption of 2016, and this trend continues into 2017. Leasing activity, absorption and upward movement on rental rates continue to promote additional investments in office product throughout the region. Multi-family demand and redevelopment activity remain steady, keeping CBD Class A office space in demand. The transfer of the most iconic skyscraper in the Cleveland CBD, Key Tower, a 1,325,000-square-foot (SF) office and hotel property, to Millennia Companies at record pricing of \$202 per SF is a showcase to the office product price increases. With this transaction, Forest City Enterprises will relocate and occupy 147,795 SF, filling the majority of office vacancy in this property.

## Outlook

Office and multi-family sectors remain strong in and around the Cleveland CBD. As unemployment decreases, the millennial talent demand comes to the forefront as companies relocate into the urban environment. CBD multi-family redevelopments continue trying to keep up with this growing demand in the downtown live-work environment.

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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 AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	32,060,105	40,694	6,236,469	19.6%	35,398	35,398	284,200	0	\$19.49	\$22.16
Akron	26,895,892	5,610	2,845,349	10.6%	76,362	76,362	217,647	174,929	\$15.70	\$18.96
Chagrin, East & Lander	12,748,425	4,000	700,548	5.5%	-21,040	-21,040	21,133	373,000	\$21.75	\$27.62
Stark County	11,749,856	16,500	875,498	7.6%	134,312	134,312	13,556	78,012	\$13.52	0
Rockside & South	9,653,108	5,196	740,570	7.7%	-14,122	-14,122	36,098	0	\$17.47	\$20.68
West	8,525,205	7,234	632,041	7.5%	-24,904	-24,904	70,241	22,186	\$15.41	\$19.05
Southwest	8,590,315	25,547	870,278	10.4%	81,504	81,504	12,583	4,400	\$17.14	\$22.84
Northeast & Lake County	8,585,109	1,190	711,873	8.3%	3,080	3,080	21,542	50,000	\$14.95	\$24.00
Midtown	6,824,218	15,998	460,658	7.0%	29,050	29,050	2,099	0	\$15.97	\$20.86
Lorain County	5,517,956	0	534,446	9.7%	20,315	20,315	9,746	20,325	\$12.94	0
Fairlawn & Montrose	4,154,444	1,804	328,662	8.0%	-16,278	-16,278	14,213	0	\$16.29	\$20.49
Portage & Geauga	4,080,752	3000	253,090	6.3%	34,336	34,336	15,322	6,755	\$16.17	\$23.77
Southeast	3,710,212	8,200	223,017	6.2%	-37,831	-37,831	9,008	0	\$17.26	\$18.61
Medina	3,011,073	0	126,141	4.2%	5,509	5,509	9,248	0	\$14.65	0
<b>CLEVELAND TOTALS</b>	<b>146,106,670</b>	<b>134,973</b>	<b>15,538,640</b>	<b>10.7%</b>	<b>305,691</b>	<b>305,691</b>	<b>736,636</b>	<b>729,607</b>	<b>\$17.21</b>	<b>\$22.41</b>

\*Rental rates reflect gross asking \$psf/year

	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)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	26,970,525	39,758	2,304,240	8.7%	112,487	112,487	384,457	428,502	\$22.45	\$22.41
Class B	74,523,313	52,900	8,859,618	12.0%	205,082	205,082	243,841	301,105	\$16.45	\$16.49
Class C	44,612,832	42,315	4,374,782	9.9%	-11,878	-11,878	108,338	0	\$14.73	\$14.71

### Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
127 Public Square	147,795	Forest City	New	CBD
4059 Kinross Lakes Parkway	115,500	National Interstate Corp.	New	Akron
1228 Euclid Avenue	61,707	Undisclosed	New	CBD
388 South Main Street	55,000	Homeside	New	Akron
127 Public Square	45,072	Millennia Companies	New	CBD

### Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
127 Public Square	1,325,000	Columbia Property Choice / Millennia Housing Corp.	\$267,500,000 / \$202	CBD
6050, 6100, 6150 Oaktree Blvd	422,259	Five Mile Capital Partners / FMC Investment Opportunities...	\$49,950,000 / \$188	Rockside & South
5800 Rockside Woods Blvd	239,000	AP/Aim Independence Suites LLC./ AHIP OH Cleveland Properties LLC	\$43,000,000 / \$180	Rockside & South
55 Erieview Plaza	94,080	2105 Ontario, LLC / Alto Partners	\$1,530,000 / \$16	CBD

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