

MARKETBEAT OFFICE SNAPSHOT

CLEVELAND, OH

A Cushman & Wakefield Research Publication



Q2 2015



ECONOMIC OVERVIEW

The Federal Reserve for the Fourth District reported that this region's economy expanded at a slight pace since their last report. Nonresidential contractors reported a strong boost in building activity. Retail sales were marginally higher than those of a year ago. Although staffing firms saw a pickup in the number of job openings in healthcare, IT and manufacturing, job placements did not keep pace because of difficulty in finding qualified applicants, especially for technical positions. Upward pressure on wages is limited to experienced and technically skilled personnel. Confidence in the job market has prompted highly skilled employees to show little hesitation in seeking new employment opportunities. As a result, budgets for retention initiatives are increasing.

Capital spending by general contractors mainly focused on new equipment, technology and maintenance. Material prices were stable during the most recent period. Over the course of this year, the commercial builders anticipate price increases of about 3%, primarily for concrete, wood, and fabricated metal products. Subcontractors remain busy and are tested by a labor shortage resulting in a more selective bidding process. Subcontractors are pushing through rate increases, which they attribute to capacity constraints and a need to raise margins.

OCCUPIER FOCUS

The Cleveland office market overall vacancy rate for Q2 posted 11.6%, continuing a solid trend of positive results. In the Central Business District (CBD), direct vacancy was 17.5%, showing a respectable improvement from 17.9% for Q1, while the suburban vacancy rate decreased to 9.7% from 10.1% from the prior period. Class A direct vacancy rates improved quarter-over-quarter in both CBD and suburban sectors. In the CBD, the rate decreased to 13.2% from 13.9% while suburban vacancy dropped to 7.8% from 8.2%.

INVESTMENT FOCUS

Investment activity in Northeast Ohio continues to move in a positive direction with a number of notable transactions in Q2, including the 500,000-square foot (sf) Fifth Third Center and the 1.4-million sf Huntington Building. In addition to these significant CBD office properties sold to out of town investment groups, 3800 Embassy Parkway, consisting of 116,000 sf in suburban Akron sold in April 2015. These transactions along with several others, show an ongoing

interest in acquiring well located properties with stable rent rolls or redevelopment opportunities with substantial upside potential for attractive returns in the future.

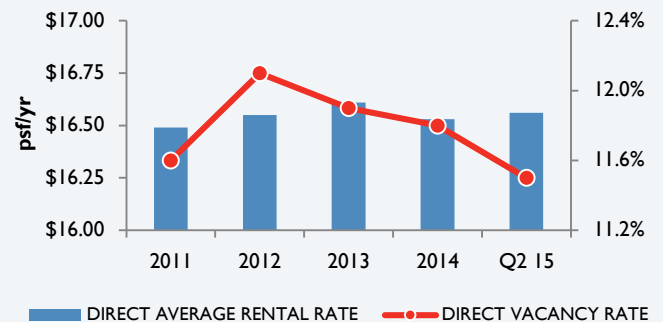
OUTLOOK

The news is good from this region. We foresee additional interest from a number of out of town investors and other parties seeking to participate in the vibrancy of this market. The bullish outlook continues for owners with occupancy rates still improving, rental rates firming and activity showing positive signs for another quarter. Multifamily, entertainment and hospitality sectors remain vibrant and all indicators give no sign of a change in the near term.

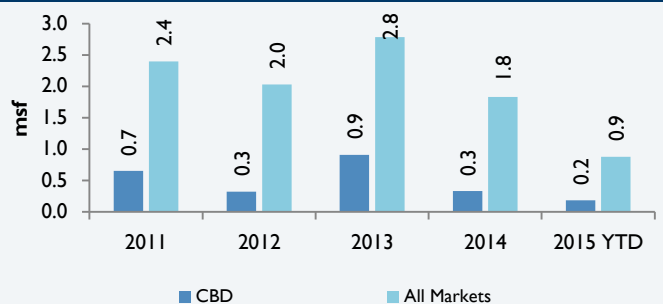
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.1%	11.6%	-0.5 pp	▼
Direct Asking Rents (psf/yr)	\$16.56	\$16.56	0%	▲
YTD Leasing Activity (sf)	990,113	880,201	-11.1%	◄

DIRECT RENTAL VS. VACANCY RATES



OVERALL LEASING - CBD VS. ALL MARKETS



CLEVELAND, OH

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	32,646,546	17.6%	17.5%	179,424	377,000	0	(44,887)	17,760	\$19.11	\$21.98
Akron	27098349	10.6%	10.6%	184,631	15,000	371,185	29,897	29,897	\$14.33	\$21.81
Chagrin, East & Lander	12,701,386	6.2%	6.1%	194,281	0	0	42,677	48,932	\$18.79	\$22.53
Stark County	11,104,115	9.0%	8.8%	29,619	0	16,144	(10,066)	(20,132)	\$13.46	N/A
Rockside & South	9,478,840	10.4%	10.2%	90,312	0	0	149,596	151,826	\$18.24	\$20.71
West	7,881,638	10.8%	10.7%	33,618	660,000	0	38,274	38,274	\$14.52	\$19.44
Southwest	8,511,606	9.8%	9.3%	26,726	4,742	0	54,131	25,848	\$15.13	\$23.54
Northeast & Lake County	8,164,249	12.1%	12.1%	11,849	6,500	0	18,163	20,499	\$15.29	\$19.48
Midtown	6,836,435	13.1%	12.8%	14,042	0	0	11,640	11,640	\$14.00	\$20.83
Lorain County	5,413,430	9.3%	9.3%	32,025	12,000	0	40,707	40,707	\$12.75	N/A
Fairlawn & Montrose	4,162,541	10.5%	10.4%	54,475	0	0	19,478	38,193	\$16.50	\$20.42
Southeast	3,609,075	12.1%	12.1%	60,218	0	0	3,600	3,600	\$17.69	\$19.85
Medina County	3,046,689	8.1%	7.9%	18,359	0	0	17,041	17,041	\$15.42	N/A
Portage County	2,363,932	6.1%	6.0%	1,000	0	0	97	97	\$15.08	\$25.27
Geauga County	1,502,897	5.7%	5.7%	8,819	0	12,950	21,323	21,323	\$16.20	N/A
SUBURBS	111,291,874	9.9%	9.7%	695,570	698,242	400,279	406,558	407,811	\$15.53	\$21.21
TOTALS	143,938,420	11.6%	11.5%	880,201	1,075,242	400,279	361,671	425,571	\$16.53	\$21.60

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
31500 Solon Road, Solon	Southeast	Saint-Gobain Performance Plastics	A	54,000
1100 Superior Avenue	CBD	Penton Media	A	27,000
1301 East 9th Street	CBD	Cingular Wireless PCS	A	24,610
800 Superior Avenue	CBD	National General Insurance	B	22,259
SIGNIFICANT 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
925 Euclid Avenue	CBD	Hudson Holdings	\$22,500,000 / \$16	1,400,000
600 Superior Avenue East	CBD	Hertz Investment Group	\$53,750,000 / \$106	508,397
3800 Embassy Parkway, Fairlawn	Fairlawn & Montrose	Alexander Scharf	\$22,200,000 / \$190	116,553
5319 Hoag Drive, Elyria	Lorain	Doc-5319 Hoag Drive Mob LLC	\$3,900,000 / \$87	44,646
7061 E Pleasant Valley Road	Rockside & South	Brotherhood of Locomotives Engineers and Trainmen	\$1,850,000 / \$46	40,441
1001 East Edgerton Road, Broadview Heights	South	Club Motor Estates of Bridgefield	\$1,200,000 / \$32	37,681
15900 Snow Road, Brook Park	Southwest	Community Healthcare Trust, Inc.	\$3,650,000 / \$198	18,444
5201 North Abbe Road, Elyria	Lorain	Scott Nagy DDS LTD	\$845,000 / \$74	11,400
SIGNIFICANT 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
1725 S Arch Avenue, Alliance	Stark	Stark State College	Q2 2015	16,144 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Crocker Road, Westlake	West	American Greetings	Q2 2016	660,000 (100%)
10324 Carnegie Avenue, Cleveland	CBD	Cleveland Clinic Cancer Institute	Q1 2017	377,000 (100%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS