

Office Snapshot 2Q 2016

Cleveland, OH



CLEVELAND OFFICE

Economic Indicators

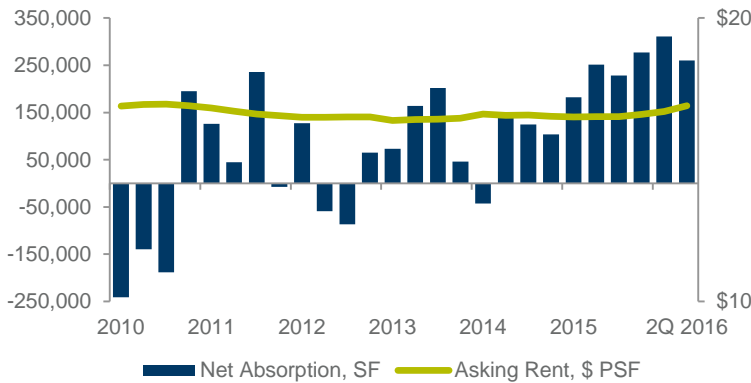
Average Unemployment	2Q 15	2Q 16	12-Month Forecast
Cleveland Employment	1,045k	1,056k	■
Cleveland Unemployment	5.1%	5.3%	■
U.S. Unemployment	5.4%	4.9%	▼

Market Indicators

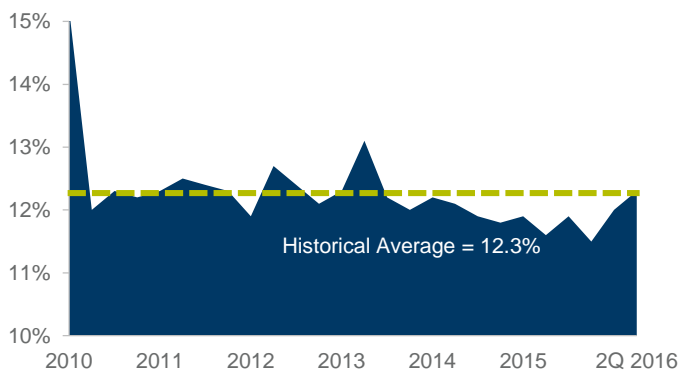
	2Q 15	2Q 16	12-Month Forecast
Overall Vacancy	11.6%	12.3%	■
Net Absorption	421k	243k	■
Under Construction	1.1M	854k	■
Overall Average Asking Rent	\$16.53	\$16.91	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to the Federal Reserve's Fourth District report, total business activity in Northeast Ohio grew at a modest pace since 1Q 2016. Manufacturing output reported a slight increase and the housing market continued to advance with higher unit sales and prices. Backlogs continue to grow and pipelines are solid for non-residential contractors. Pressure on wages was most apparent in high-skilled jobs across industries and in the retail sector. Job increases in construction and banking were offset by decreases in manufacturing and freight hauling. Sales of new and existing homes prices increased modestly compared to those of 2Q 2015. Low interest rates and improved consumer confidence reduced inventory of existing homes, raising prices.

Business conditions remain promising for nonresidential contractors. The passage of the congressional five-year highway bill in December 2015 has increased demand for speculative industrial construction, allowing commercial contractors to increase billing rates. The market continues to experience wage pressure, especially for attracting and retaining high-skilled, high-performing employees. Subcontractors remain very busy and are confronted by labor shortages, resulting in selective bidding for new projects and rate increases to cover rising labor costs. Consolidation continues across the retail sector and small, local businesses are either becoming part of a franchise or exiting the market. Staffing adjustments were limited to store openings and closings. Concern over future retail staffing stems from recent proposals to increase the minimum wage.

Market Overview

Improvement continues in the Cleveland office market. Quoted rental rates for office space are edging upward and activity remains strong. Class A office space continues to have the lowest vacancy rates across the region. The \$50-million, 15 month-renovation of Cleveland's Public Square is now complete. Numerous new hospitality and dining venues are ready for the more than 50,000 expected visitors, including 15,000 members of the media, who will be in town for the Republican National Convention in mid-July.

Outlook

The region is in the midst of a revival. Activity in Cleveland's CBD is robust. Public enthusiasm and city support is running high. Officials estimate that over a million people flocked to the CBD to honor the Cleveland Cavaliers and celebrate the first major sports championship in over 50 years. The Cleveland Indians are leading their division after a 14-game winning streak, the longest in franchise history. The positively charged climate in Cleveland bodes well for local businesses.

MARKETBEAT

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Cleveland, OH



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
CBD	191	32,674,936	31,384	6,506,445	20.0%	98,188	164,485	0	\$18.99	\$21.77
Akron	1,513	26,867,887	10,889	3,135,116	11.7%	133,012	161,085	41,802	\$15.93	\$21.50
Chagrin, East & Lander	360	12,614,884	8,052	750,111	6.0%	-3,391	14,167	47,000	\$19.91	\$24.14
Stark County	1,114	11,722,264	16,500	1,043,701	9.0%	2,848	-110,034	0	\$13.07	N/A
Rockside & South	375	9,477,378	11,772	785,009	8.4%	-22,748	94,391	0	\$17.94	\$20.48
West	497	8,057,343	13,771	768,022	9.7%	3,655	11,400	660,000	\$14.72	\$18.72
Southwest	526	8,467,177	117,099	895,928	12.0%	-137,809	-137,639	57,500	\$16.17	\$22.98
Northeast & Lake County	542	8,229,695	1,190	730,951	8.9%	90,259	98,469	8,500	\$15.32	\$24.00
Midtown	198	6,881,387	15,998	782,926	11.6%	2,388	48,151	0	\$15.34	\$20.86
Lorain County	611	5,494,387	850	447,765	8.2%	21,314	38,042	17,000	\$12.88	N/A
Fairlawn & Montrose	171	4,140,746	2,500	326,292	7.9%	4,025	50,720	0	\$16.85	\$20.08
Portage & Geauga	484	3,883,458	0	193,402	5.0%	39,124	42,143	22,000	\$15.81	\$25.27
Southeast	200	3,574,836	0	183,647	5.1%	11,188	90,784	0	\$20.35	\$19.73
Medina	393	3,024,258	1,500	168,427	5.6%	1,115	54,041	0	\$15.33	N/A
CLEVELAND TOTALS	7,175	145,110,636	231,505	16,717,742	11.7%	243,168	620,205	853,802	\$16.91	\$21.60

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

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	152	26,052,008	121,789	2,571,858	10.3%	72,188	80,186	750,500	\$21.60	\$21.72
Class B	2,214	74,255,824	49,400	9,363,225	12.7%	-20,238	387,458	103,302	\$16.57	\$16.55
Class C	4,809	44,802,804	60,316	4,782,659	10.8%	191,218	152,561	0	\$14.20	\$14.18

Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 Public Square, Cleveland	107,296	New York Life	Direct	CBD
100 W Prospect Avenue, Cleveland	81,000	Quicken Loans	Direct	CBD
2824 Woodlawn Avenue, Canton	46,130	Not Disclosed	Direct	Stark

Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
4500 Munson Street NW, Canton	150,000	Fitzpatrick Realty / Envision New York	\$16,500,000 / \$110	Stark
3101 Euclid Avenue, Cleveland	90,000	Crystal Kingdom / Inspiron Group	\$1,750,000 / \$19	Midtown
5105 Som Center Road, Willoughby	73,773	Kaiser Foundation / Lake Hospital	\$4,000,000 // \$54	Northeast & Lake County
6701 Rockside Road, Independence	54,848	Dennison Development / CHCT Ohio	\$10,350,000/ \$189	Rockside & South

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