

Office Snapshot Q3 2015

Cleveland, OH



CLEVELAND OFFICE

Economic Indicators

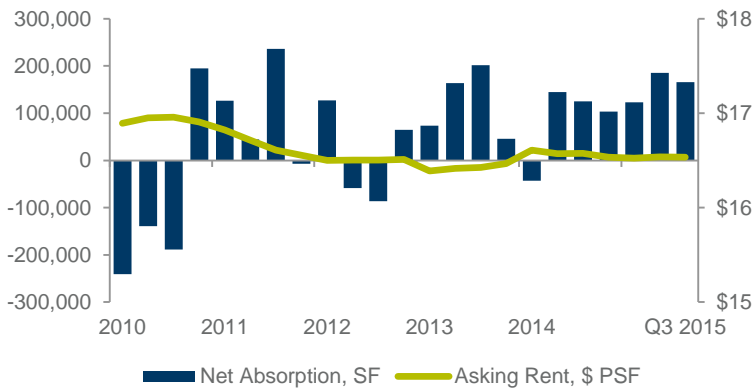
	Q3 14	Q3 15	12-Month Forecast
Cleveland Employment	1,038k	1,055k	▲
Cleveland Unemployment	6.0%	5.7%	▼
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

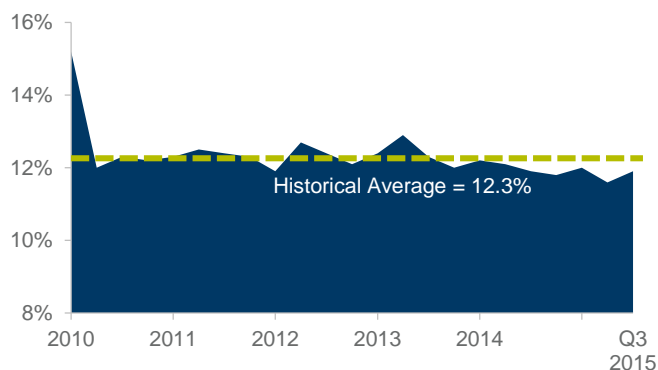
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	11.9%	11.9%	■
Net Absorption	212k	132k	▲
Under Construction	685k	1,182k	▲
Overall Average Asking Rent	\$16.58	\$16.57	■

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The economy for Northeast Ohio and the region covered by the Federal Reserve's Fourth District expanded at a nominal pace during the past quarter. The housing market improved, with higher unit sales and prices. Nonresidential building contractors regarded backlogs as strong or strengthening, while retailers reported flat revenues over the quarter, as compared with the prior year. New and existing single-family home sales rose about 8%, average sale prices increased by almost 6%, compared to 2014, and construction starts also picked up this quarter. Builders attributed the strong housing market to a potential rise in interest rates, an improving labor market and rising consumer confidence. Nonresidential contractors report continued robust activities over the quarter, with revenues rising above those of last year. Demand has been strong across multiple segments, especially commercial (including office), educational, government contracts (including roads) and multifamily. Demand for affordable housing has grown, mainly due to increased rents which has priced out low and moderate income individuals from prime multifamily units.

Market Overview

The Cleveland market continued to show improvement. The unemployment rate and office vacancy rates have declined, and net absorption increased compared to the same period in 2014. Demand for new office space prompted the announcement of new projects for class A space in the East suburban submarket, adding to the momentum caused by a demand for new build-to-suits. Investment activity in the region remained robust, with a string of recent portfolio acquisitions of existing buildings in suburban districts, as well as trophy properties and additional redevelopment transactions within the Central Business District. Leasing activity continued at a reasonable pace and rental rates are still showing signs of firming.

Outlook

For the remainder of 2015, area builders project that material prices will increase for drywall and concrete, while many in the construction industry see an ongoing shortage of laborers, skilled craftsman and construction professionals. This will likely result in upward pressure on construction costs. Companies continue to compete for top-tier talent in the acquisition and retention of employees, so many organizations are evaluating their facilities in a more strategic way to ensure that their current real estate decision-making process will support their long range staffing needs into the future.

MARKETBEAT

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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	194	32,702,622	40,178	5,800,178	17.9%	(82,727)	(43,823)	377,000	\$19.18	\$21.57
Akron	1513	26,475,359	15,351	3,234,495	12.3%	(7,368)	16,768	28,310	\$15.31	\$21.79
Chagrin, East & Lander	359	12,143,377	24,031	777,823	6.6%	(6,825)	46,288	0	\$18.95	\$22.07
Stark County	1,107	11,127,466	16,500	967,204	8.8%	13,370	(14,427)	0	\$13.24	N/A
Rockside & South	376	9,527,154	11,772	937,946	10.0%	19,779	186,435	17,210	\$18.25	\$20.97
West	488	7,892,401	4,684	810,452	10.3%	26,112	72,064	660,000	\$14.50	\$18.60
Southwest	527	8,590,298	38,737	795,600	9.7%	56,702	12,751	92,242	\$15.07	\$23.64
Northeast & Lake County	524	8,194,655	1,190	944,758	11.5%	32,458	55,299	16,100	\$15.30	\$19.48
Midtown	198	6,793,250	15,998	833,530	12.5%	37,901	56,191	0	\$13.83	\$20.86
Lorain County	596	5,417,417	0	493,026	9.1%	(385)	44,822	12,000	\$12.74	N/A
Fairlawn & Montrose	170	4,147,541	2,500	414,798	10.0%	8,035	53,228	0	\$16.55	\$20.42
Portage & Geauga	479	3,826,911	420	231,948	6.0%	4,471	4810	0	\$14.28	\$17.50
Southeast	200	3,516,452	0	391,079	11.2%	22,785	44,266	0	\$17.97	\$19.61
Medina	395	3,057,060	3,972	231,061	7.7%	7,435	29,176	0	\$15.76	N/A
CLEVELAND TOTALS	7,126	143,411,963	175,333	16,863,898	11.9%	131,743	563,848	1,202,862	\$16.57	\$21.34

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	150	24,765,317	51,209	2,618,789	10.8%	-94,634	68,113	1,202,862	\$21.34	\$21.49
Class B	2,187	73,877,110	59,776	9,079,200	12.3%	153,720	379,972	0	\$16.31	\$16.28
Class C	4,789	44,769,536	64,348	5,165,909	11.7%	72,657	115,763	0	\$13.80	\$13.78

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6111 Oak Tree Blvd, Independence	24,000	Sedgwick Claims	Direct	Rockside & South
6000 Lombardo, Independence	20,000	KA, Inc.	Direct	Rockside & South
3900 Park East Drive, Beachwood	12,000	Glenmede Trust	Direct	Chagrin, East & Lander

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
Skylight Office Tower, 230 W Huron, Cleveland	321,000	Forest City/Hertz Acquisition Corp	\$35,400,000	Cleveland CBD
6085 & 6095 Parkland Blvd, Mayfield Heights	171,000	Piedmont Office Realty Trust / Founders Properties, LLC	\$18,500,000	Northeast
25825 Science Park Drive, Beachwood	89,000	Lone Star Funds / Shelbourne Global Solutions	\$11,250,000	Chagrin, East & Lander

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