



AVISON  
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# Cleveland Office Insight Report

Q2 2021

**AVANT**  
by AVISON YOUNG

# Key takeaways



## Economic conditions

- Reopening efforts and higher vaccination rates have allowed the Cleveland unemployment rate to rebound from a COVID-high of 21.8 percent to **4.6%**.
- Office-using job losses in have totaled **2.7%** compared with 7.6% for other industries' job losses, underscoring the disproportionate impact the pandemic had on the discretionary segments of the local economy.



## Recovery rate

- Vaccination rates across the Minneapolis-St. Paul continue to outpace total U.S. numbers as 50.2% have received a COVID-19 vaccine.
- Cleveland office occupiers continue to navigate their return-to-work strategies differently, but office traffic continues to increase especially in banking and financial companies.



## Office demand

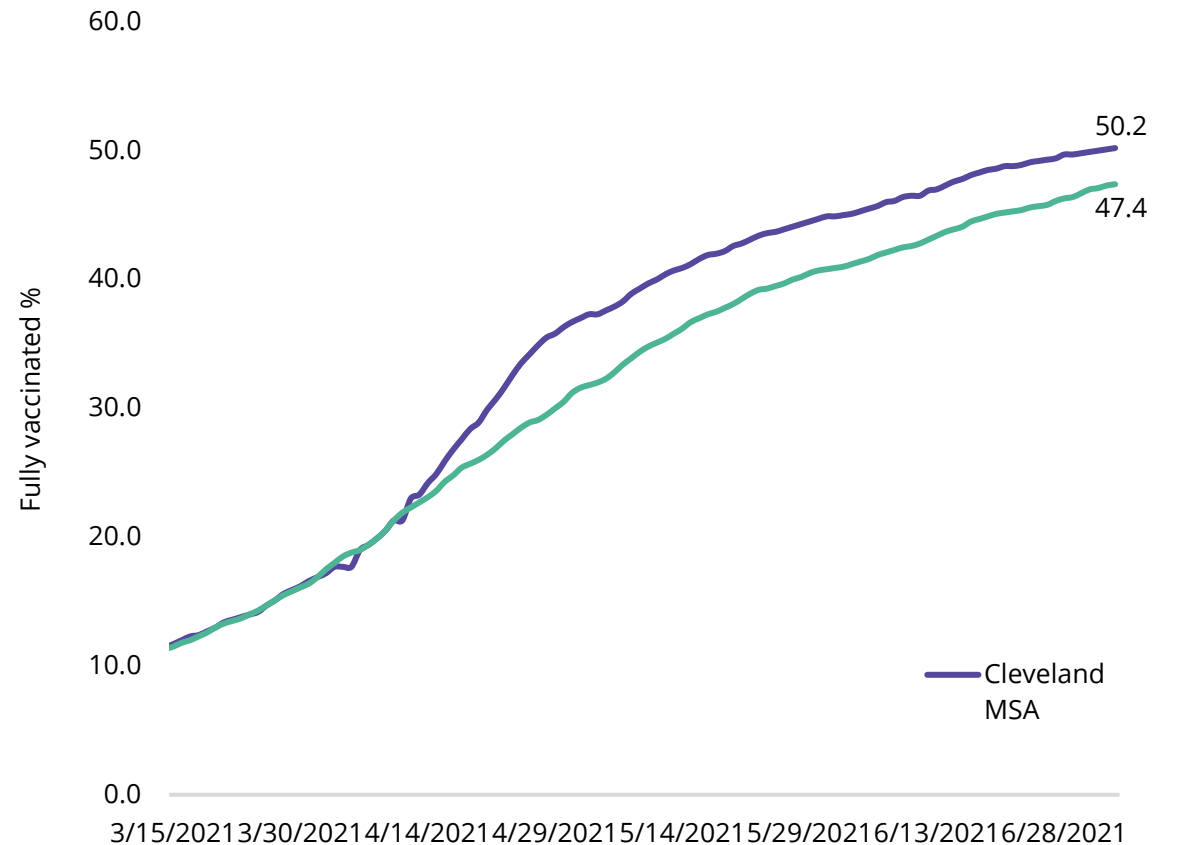
- Leasing activity has paused, decreasing by **46.9%** compared with long-term historical averages.
- Short-term, COVID-era lease renewals are coming to term as tenants re-enter the market and navigate workspace strategy.
- Vacancy was recorded at **8.8%** at the end of the second quarter 2021, up 80 basis points from pre-pandemic level of 8.0%.

# Vaccination rates

# 50.2%

Share of total Cleveland MSA population that is fully vaccinated

Cleveland proportionate vaccination rates continue to outweigh U.S. averages as state and local regulations have remain at ease.



Source: CDC

# Employment and unemployment rate

# 4.6%

## Cleveland metropolitan unemployment rate as of April 2021, dipping below the height of the financial crisis

Historically tightened labor market conditions were halted by the pandemic with over 230 thousand job losses between February and May 2020. However, reopening efforts enabled the economy to add 23.6% jobs since May 2020.



Note: Not seasonally adjusted data.  
Source: Bureau of Labor Statistics

# Office-using job gains and losses

# -2.7%

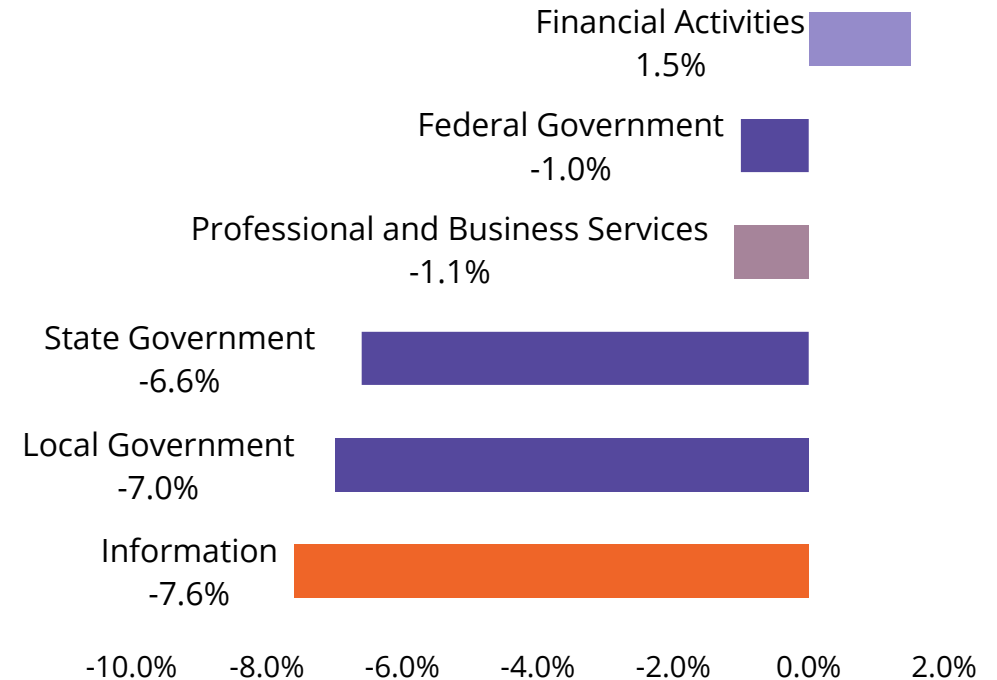
## Change in office-using employment during the pandemic

Cleveland MSA job losses have declined by 4.8% since the start of the pandemic, though office-using jobs contracted by just 2.7%. This recession's impact on the office-using labor market has been less severe than the global financial crisis, when Financial Activities job losses totaled 6.2%.

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## Total change in Cleveland MSA\* job gains/(losses)

February 2020 to April 2021



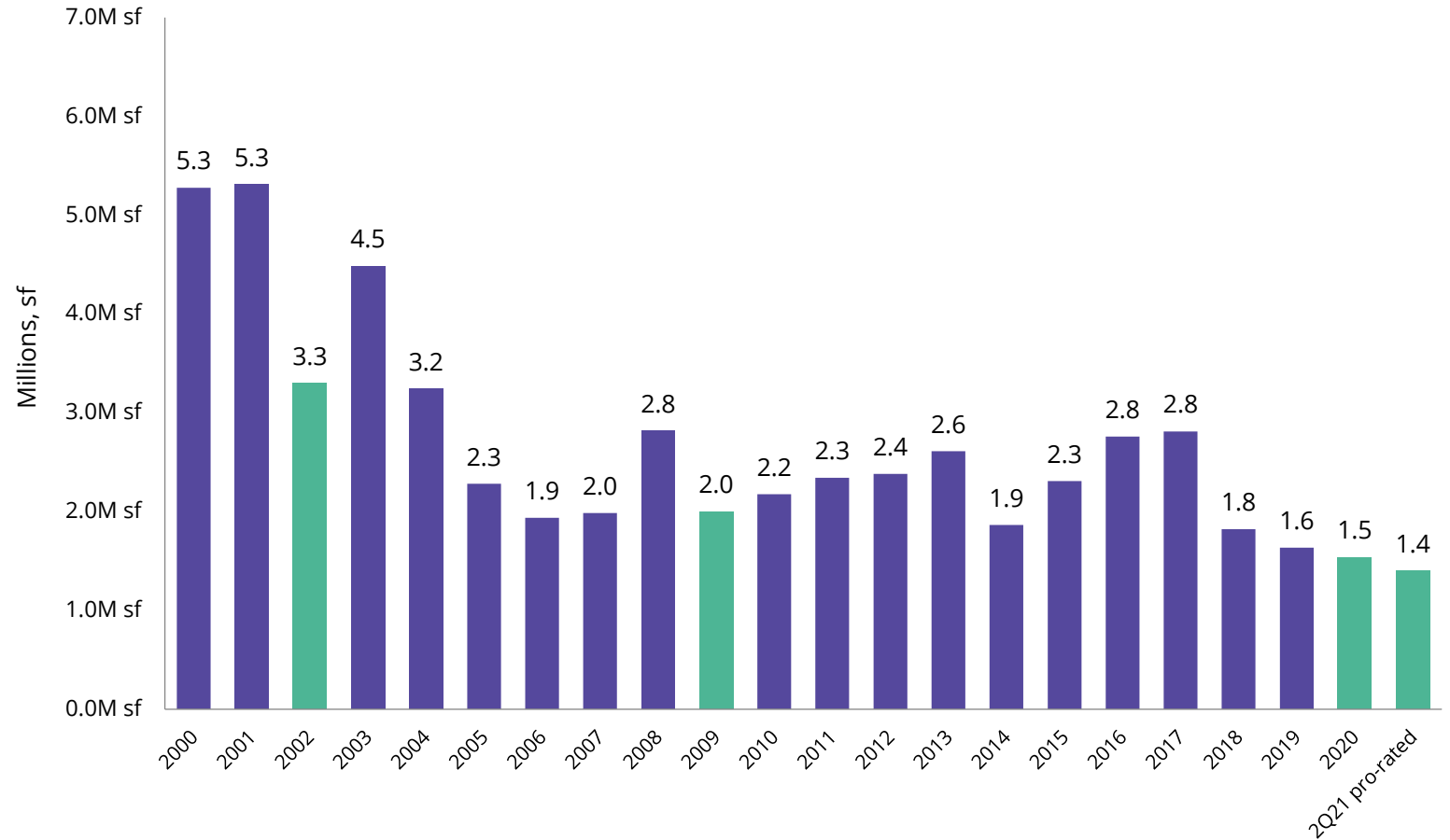
Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Office leasing activity

**-46.9%**

**2020-pro-rated 2021 vs.  
prior 20-year annual  
average leasing activity**

There is no modern precedent for the post-COVID slowdown in leasing activity—not 2001 nor 2008—due to the sudden change in office occupiers’ future workplace strategies and the 2020 recession.



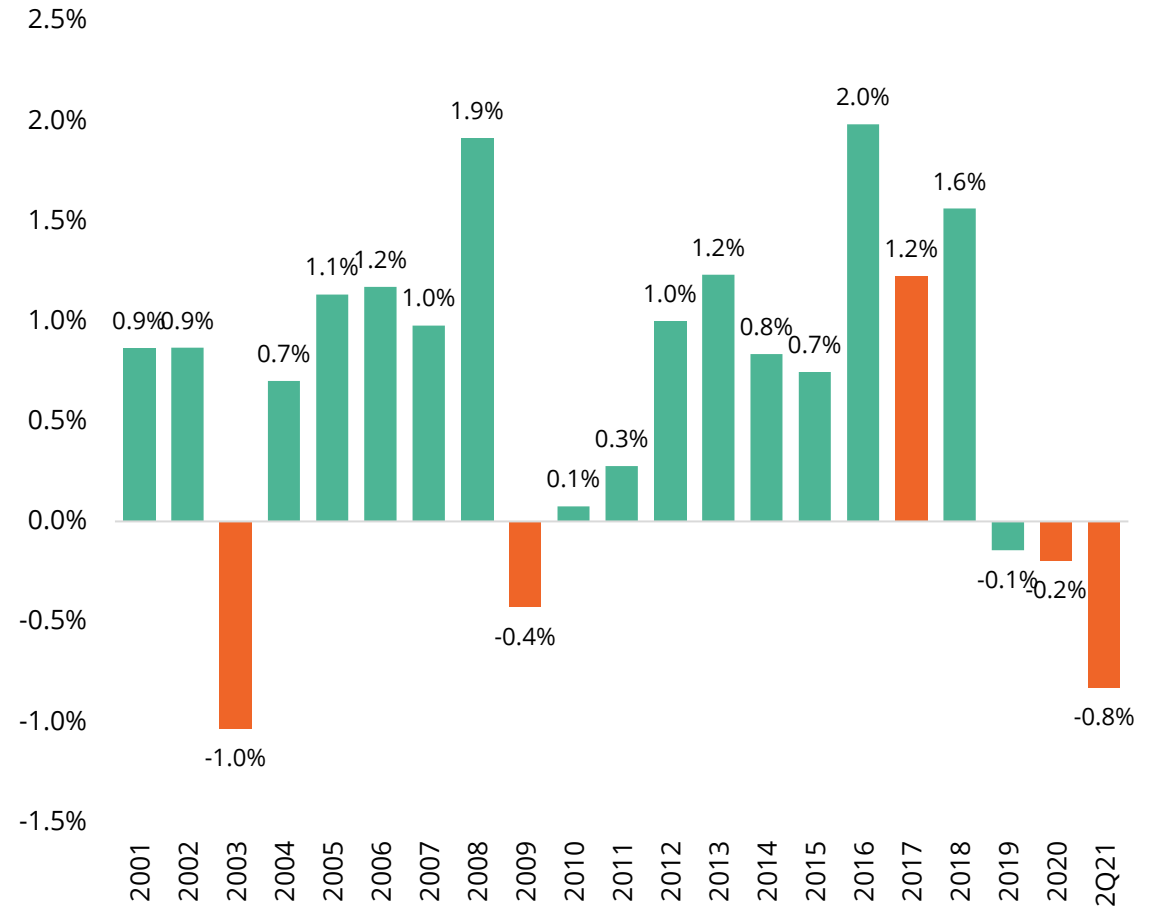
Source: AVANT by Avison Young

# Absorption

# -0.8%

**Net absorption as a percentage of inventory, 2020 through Q2 2021**

Negative absorption from 2020 to 2Q21 has totaled 880 thousand sf. This negative absorption approaches the lows of the early 2000's recession (-1.0%) and global financial crisis (-0.4%).



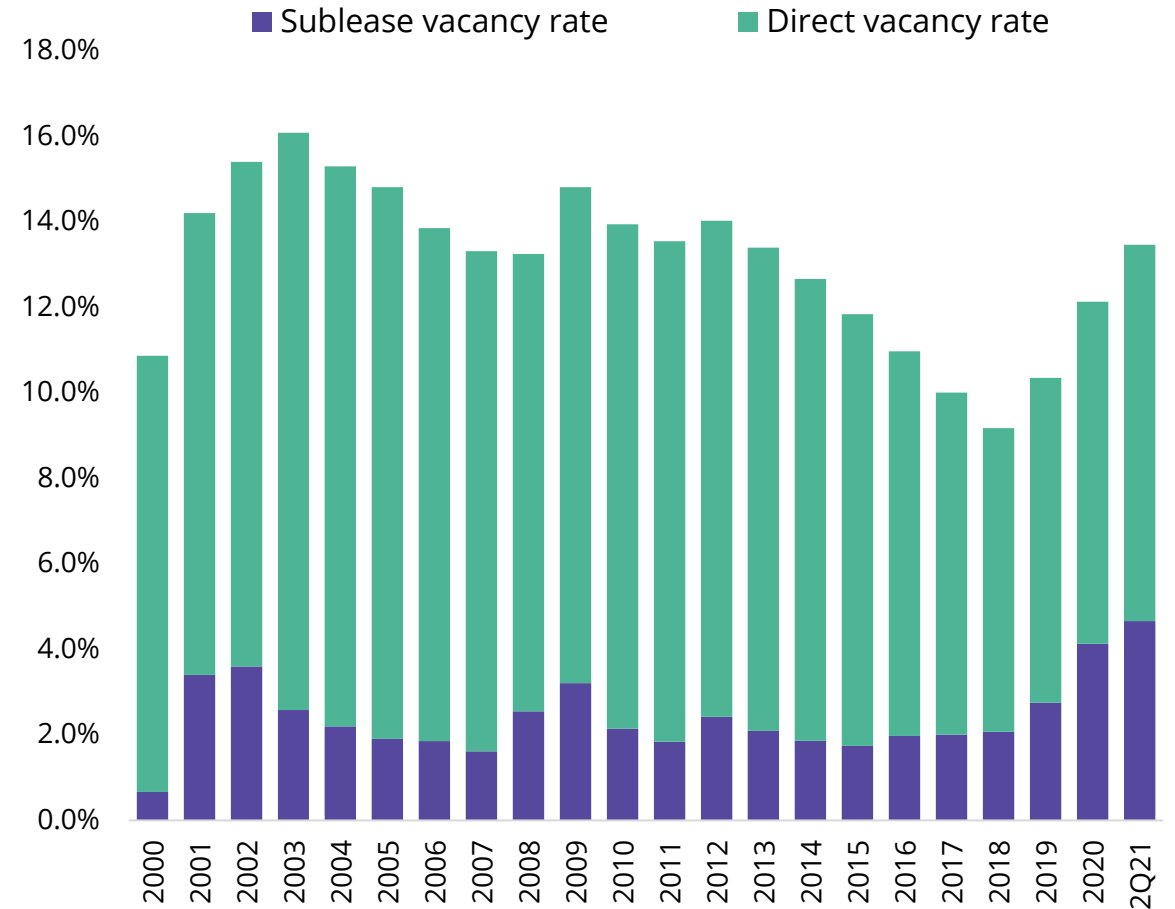
Source: AVANT by Avison Young

# Vacancy rate

# 8.8%

## Record high Cleveland vacancy as of Q2 2021

The Q2 2021 vacancy rate is a record high in terms of sublease, direct and total percentages. When the ratio of sublease-to-total vacant space reaches 26.0%, it is historically accompanied by a double-digit rent decline. That ratio stands at 29.4%.



Source: AVANT by Avison Young