



AVISON  
YOUNG

# Cleveland Office Insight Report

Q3 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 high of 21.8 percent at the height of the pandemic to **5.3 percent as of August 2021**.
- Job growth within the Cleveland MSA has increased **23.6 percent** since the height of job losses in April 2020 to current adding nearly **175,000 jobs**.



## Recovery rate

- The Greater Cleveland Regional Transit Authority reported a total of **1.3 million ridership** for the month of June 2021, an 11% increase from June of 2020.
- The proportionate vaccination rate in Cleveland has just surpassed the U.S. **average of 54.8 percent**, an important metric as the variant strand of Covid continues to spread.



## Office demand

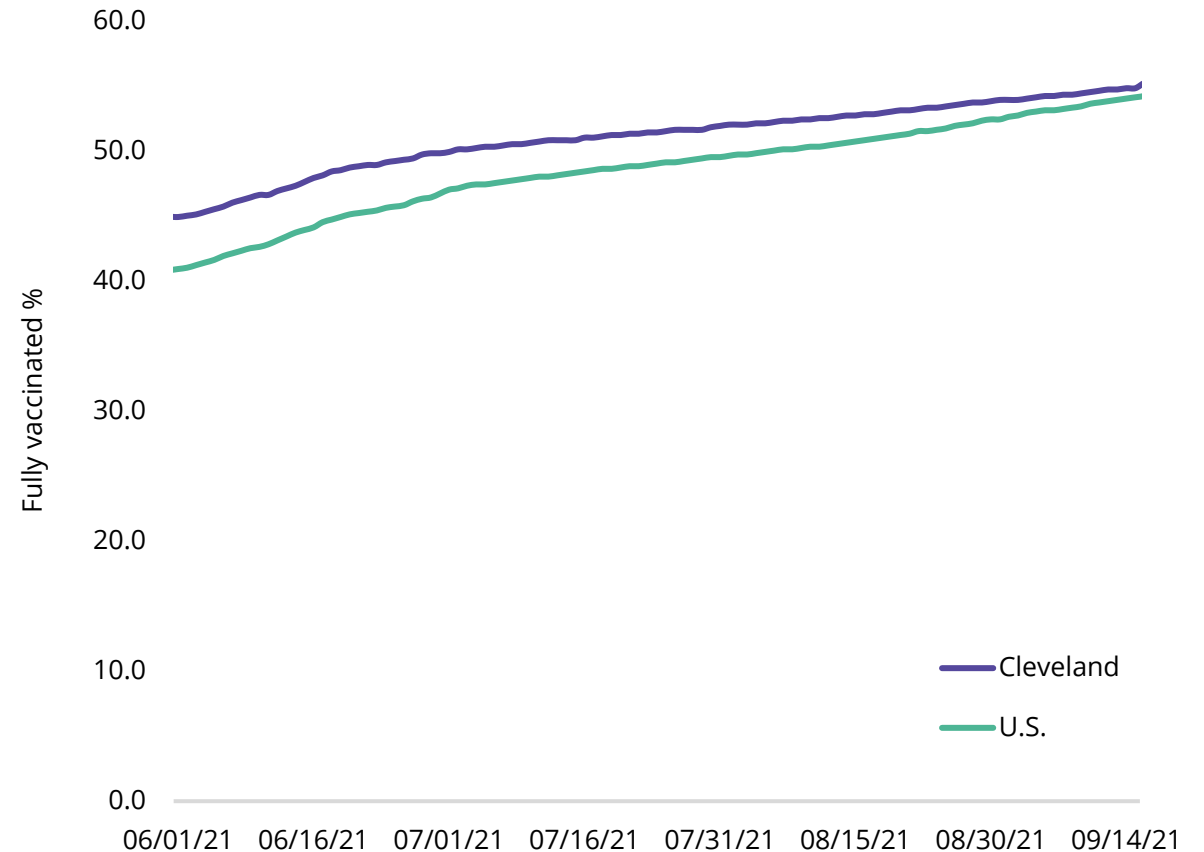
- Leasing activity has paused, decreasing by **46.6 percent** compared with long-term historical averages.
- Shorter term lease transactions are becoming more common in the **post-COVID leasing activity** as Companies are uncertain of their office needs long term.
- An increase of office buildings are being converted to Multi-Family properties in **downtown Cleveland** with several projects underway and in the planning phases.

# Vaccination rates

# 55.5%

**Share of total Cleveland population  
that is fully vaccinated**

The proportionate vaccination rate in Cleveland has just surpassed the U.S. Average of 54.8%, an important metric as the Delta variant of COVID continues to spread.



Source: CDC

# Employment and unemployment rate

# 5.3%

**Cleveland unemployment rate as of August 2021, decreased 120 basis points since the prior quarter to 5.3%**

Historically tightened labor market conditions were halted by the pandemic with over 231,000 job losses between February and April 2020. However, reopening efforts enabled the economy to add 23.6% jobs since April 2020.



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

# Office-using job gains and losses

# -3.1%

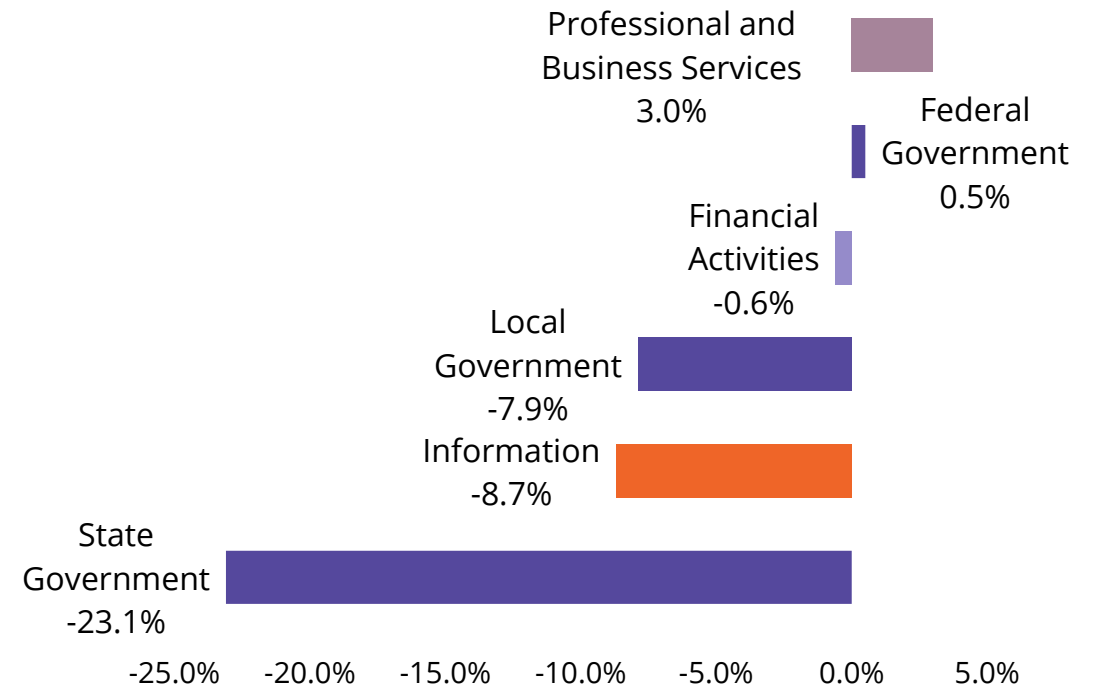
## Change in office-using employment during the pandemic

Cleveland MSA job losses have declined by 4.2% since the start of the pandemic, though office-using jobs contracted by 3.1%. Job growth has increased 23.6% since the height of Cleveland job losses in April 2020 adding nearly 175,000 jobs.

[VIEW DASHBOARD](#)

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

February 2020 to July 2021



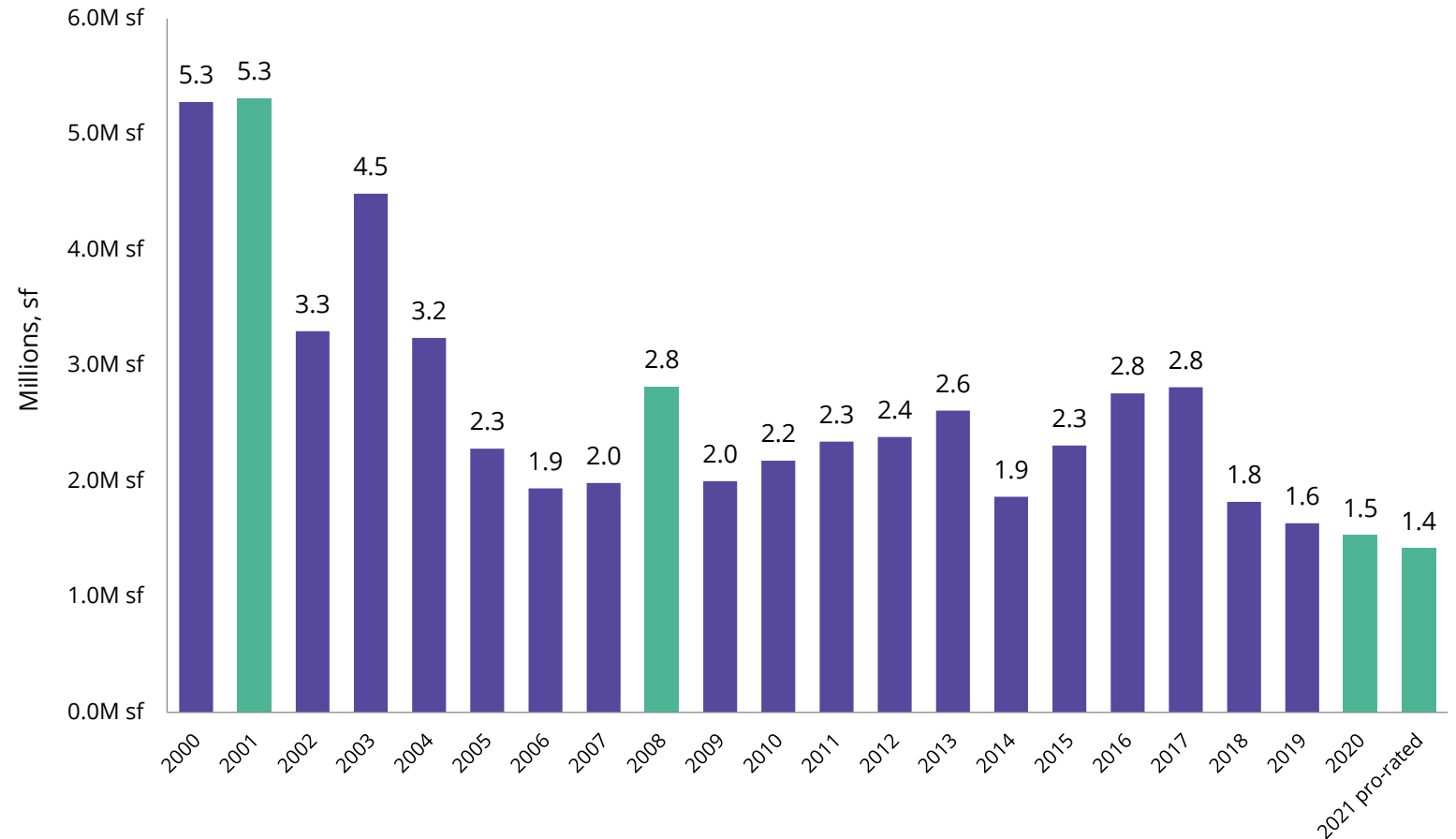
Note: Not seasonally adjusted data. \*Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Office leasing activity

# -46.6%

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

Post-COVID annualized leasing activity has slowed by 46.6% when compared to the 20-year historical average. However, demand is expected to increase in 2022 as companies have a better understanding of the Delta variant.

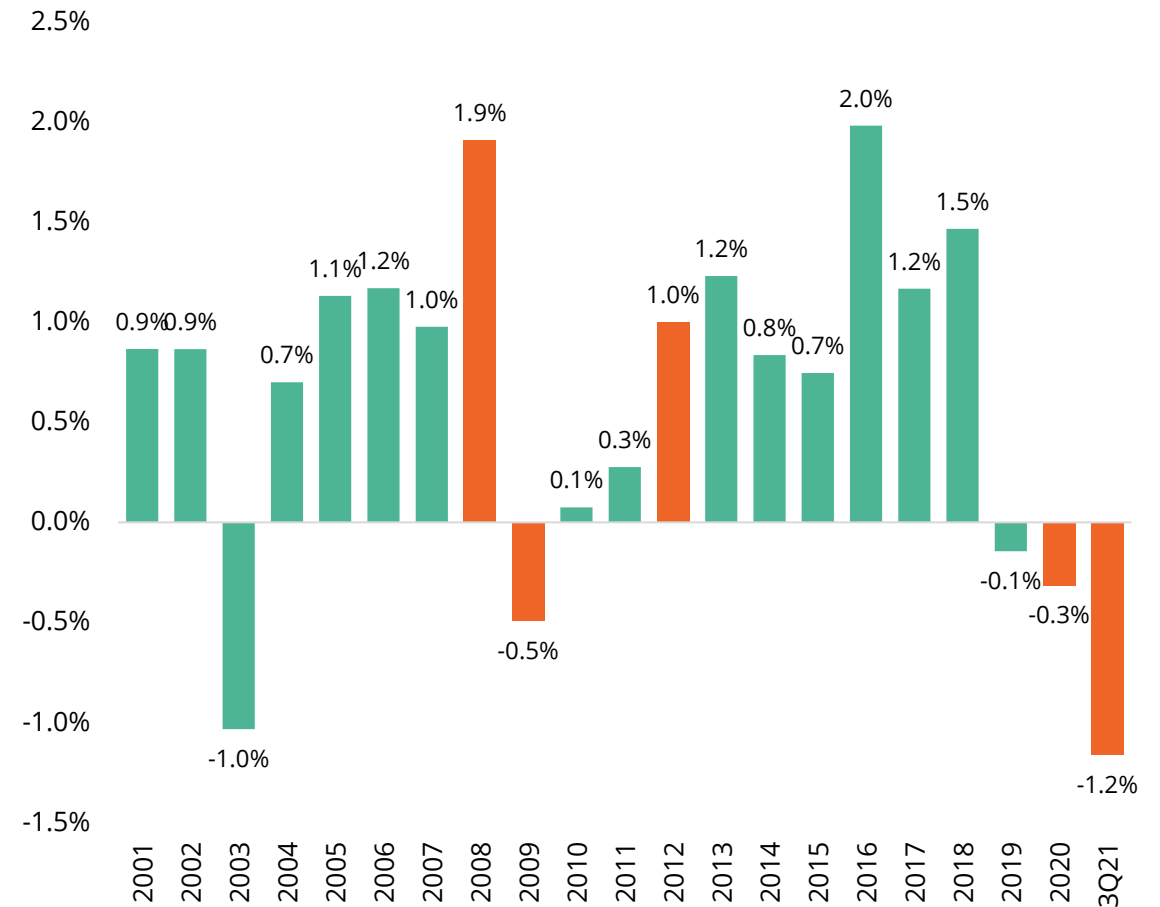


Source: AVANT by Avison Young

# -1.5%

## Net absorption as a percentage of inventory

Negative absorption from 2020 to 3Q21 has totaled 1.2 million sf, totaling 1.5% of the existing inventory. While absorption is negative it does appear that larger tenants are not vacating space at a high rate during this uncertain time which has slowed the negative absorption.



Source: AVANT by Avison Young

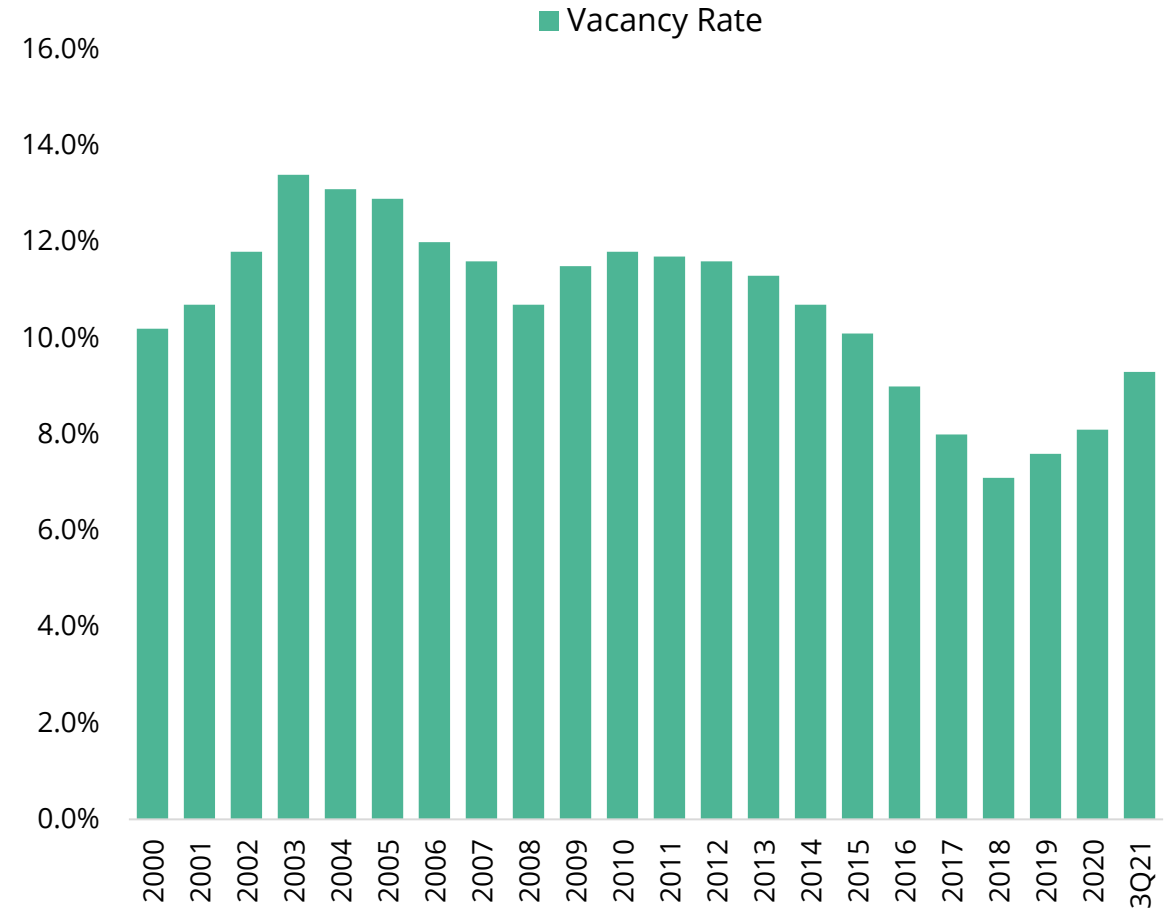


# Vacancy rate

# 9.3%

**Cleveland vacancy rate as of Q3 2021**

Vacancy increased 120 basis points year-to-date 2021 ending the third quarter at 9.3%. Cleveland has not seen a drastic increase in sublet space as observed in other markets throughout the pandemic with only 0.6% sublet availability.



Source: AVANT by Avison Young



# Office development pipeline

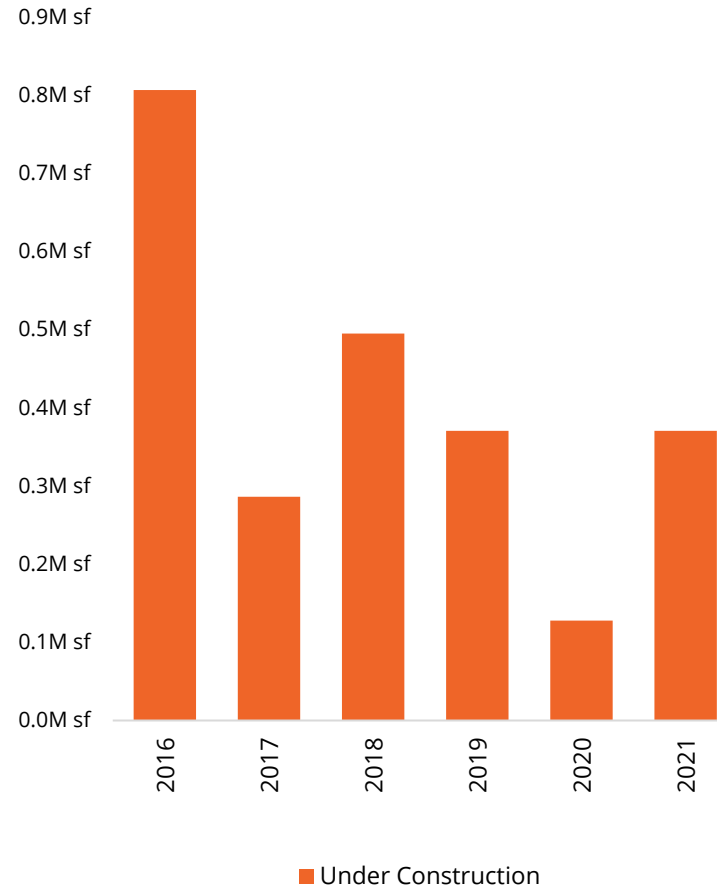
**4 properties**

currently under construction

**370,940 sf**

under development

Construction activity is expected to increase as the new Sherwin Williams HQ breaks ground on the 1 msf, 36 story premier building downtown.



Source: AVANT by Avison Young



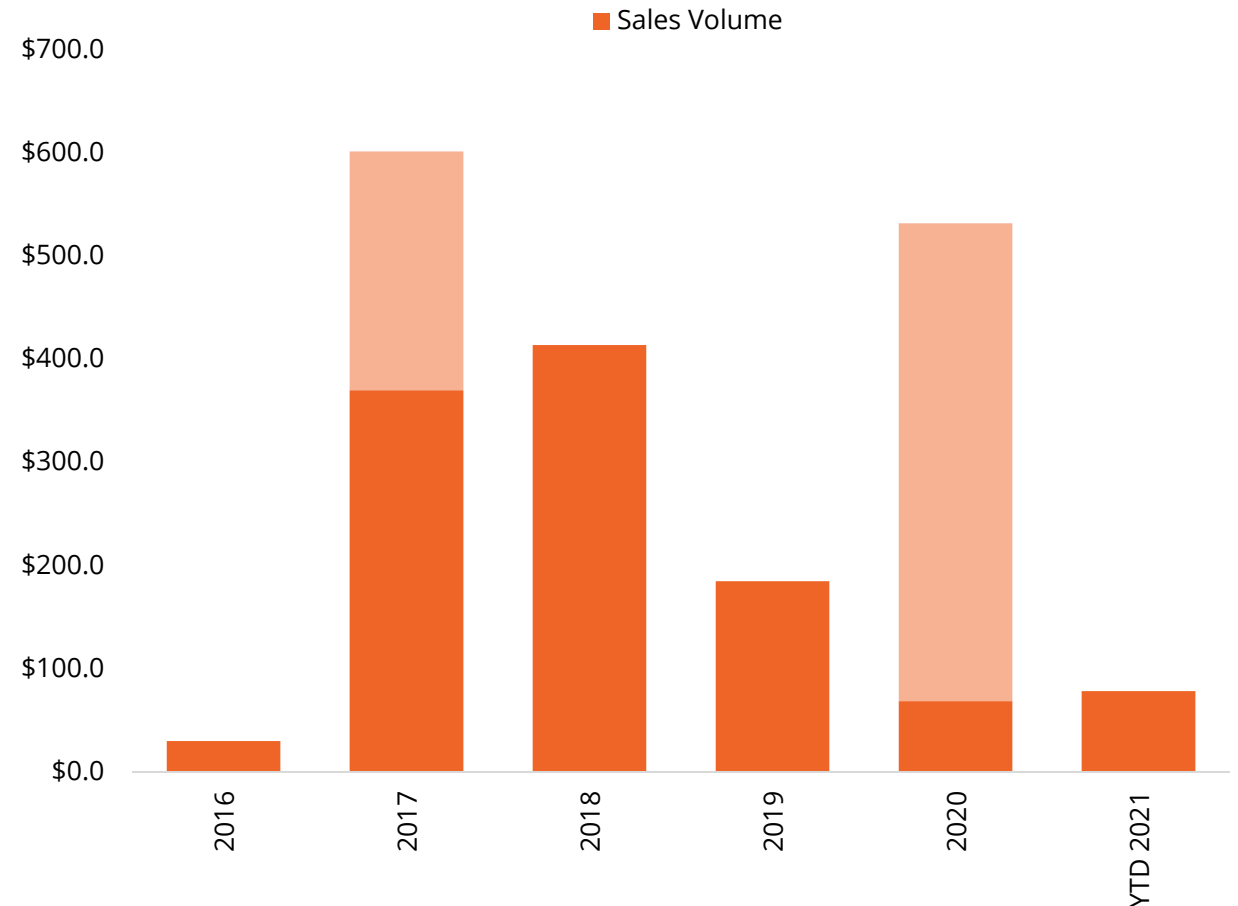
Rendering of Sherwin-Williams Headquarters

# Office investment dollar volume

# \$610M

## Cleveland office dollar volume 2020 to present

Office sales activity was not impacted during the pandemic as there was a slight uptick on an annualized rate of 15.5% 2020 to YTD 2021 when compared to the prior five-year average dollar volume invested. The increase can be attributed to the sale of 100 Public Sq in the CBD in 2020.



Source: AVANT by Avison Young, Real Capital Analytics  
 \*2017 & 2020 included \$231M & \$463M respectively single transactions;  
 if excluded, transaction volume fell within line of 5-year market average

# Looking forward



## Here's what we can expect

- Bellwether **companies are pushing back the return to the office**, a leading indicator that is slowing the recovery of rejuvenated office demand. After much anticipation of an increase in activity after Labor Day the Delt variant has complicated companies' decisions on RTO.
- Anticipating an **increase** in the coming months of employees working remotely with an estimate return date of early 2022.
- **Office leasing demand has been paused** as many companies are waiting on further direction on vaccination mandates and policies.
- The **new Sherwin Williams HQ** is anticipating breaking ground in the fourth quarter of 2021 which will be a premier addition to the city skyline adding 1 msf and will be one of the tallest buildings downtown.



# Get in touch



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# Let's talk

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