



Cleveland office market report

Q2 2023

Cleveland office market trends

1.2 msf

Average leasing volume post Covid

Leasing activity has slowed within the Cleveland market as several tenants continue to downsize real estate footprints. Law Firms on the other hand have recently been increasing presence within the market. Construction activity has been idle within Cleveland which has limited the Class A options and in return decreased leasing volume.

0.9%

Vacant sublet space

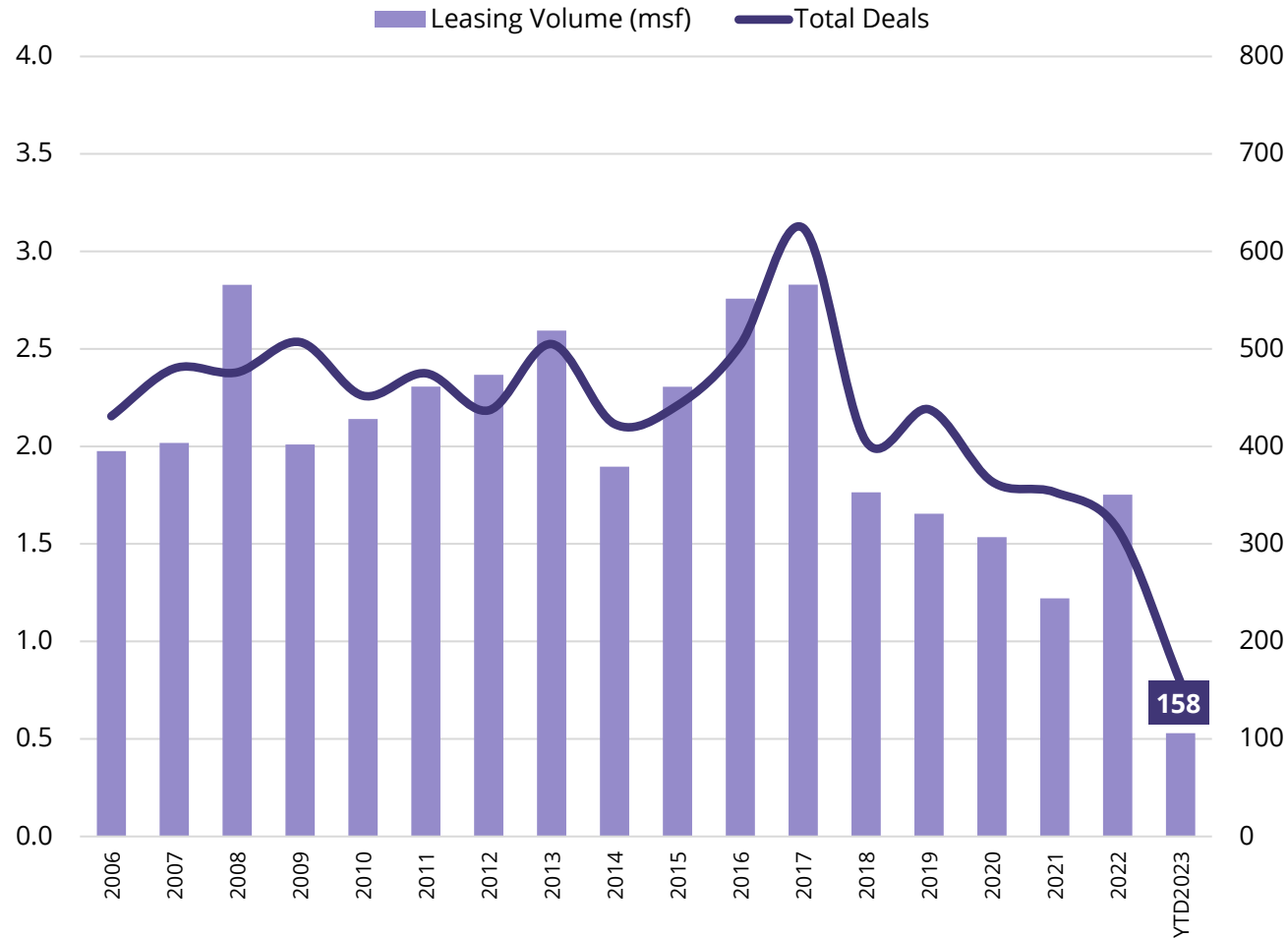
Sublet vacancy has been on the rise since the start of the pandemic however remains below 1 msf. Cleveland has been aggressively converting Class C buildings to residential which has helped keep the vacancy lower. The market had a massive shortage of Multi-Family options and has since repurposed several large office buildings to residential.

-1.1%

Net absorption as % of inventory

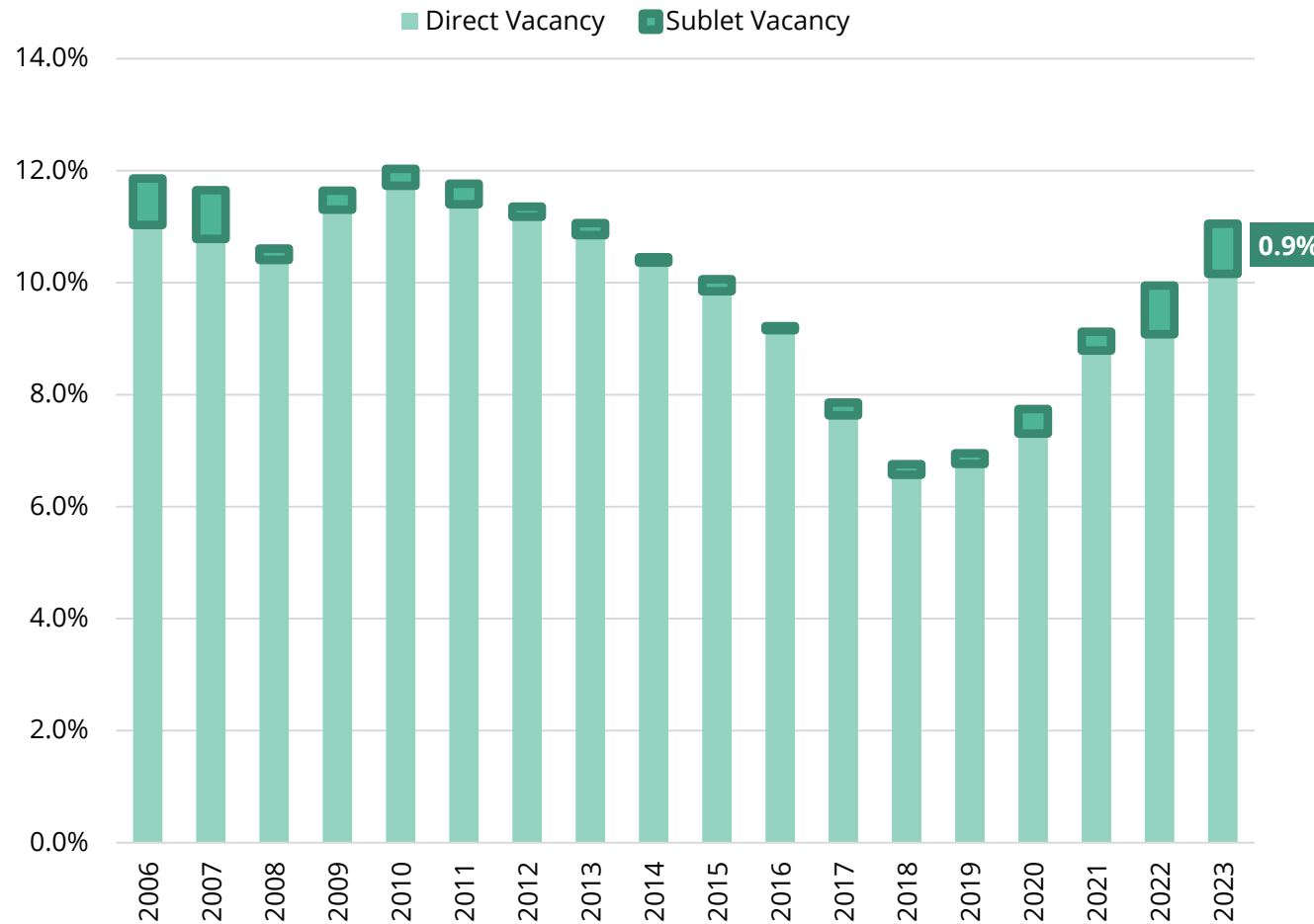
Cleveland started the first half of 2023 with loss in occupancy representing -1.1% of the total inventory. Sublet vacancy has increased since the pandemic with 622,000 sf available, as companies give back space and try to rite size space requirements.

Decreased leasing volume



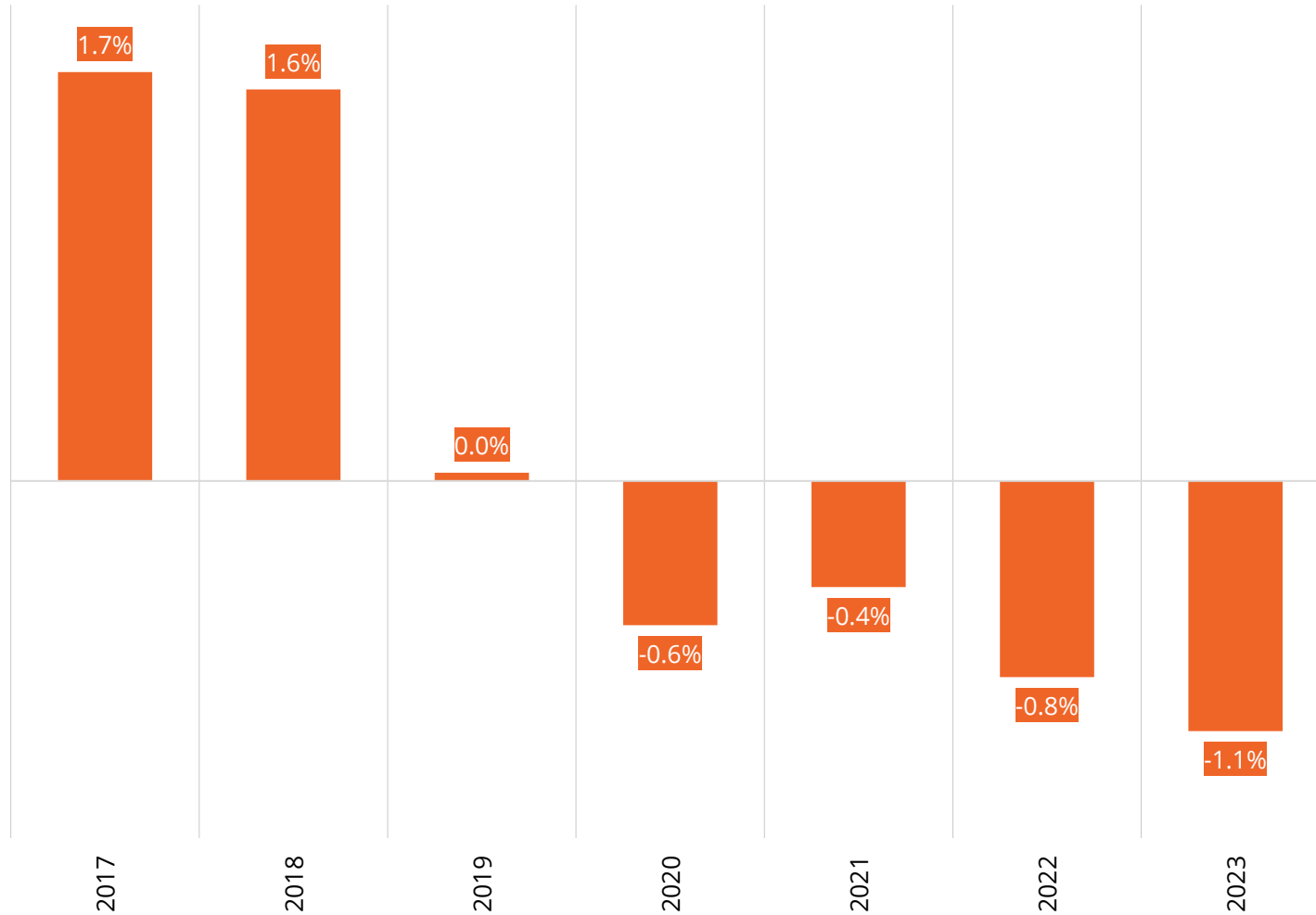
Leasing volume post covid is averaging 1.2 msf per year, down 50% compared to the prior 5-year average from 2016-2020.

Sublet vacancy on the rise

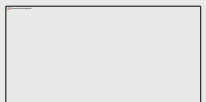


Sublet vacancy increased during the pandemic however remains relatively low with only 622,000 sf available.

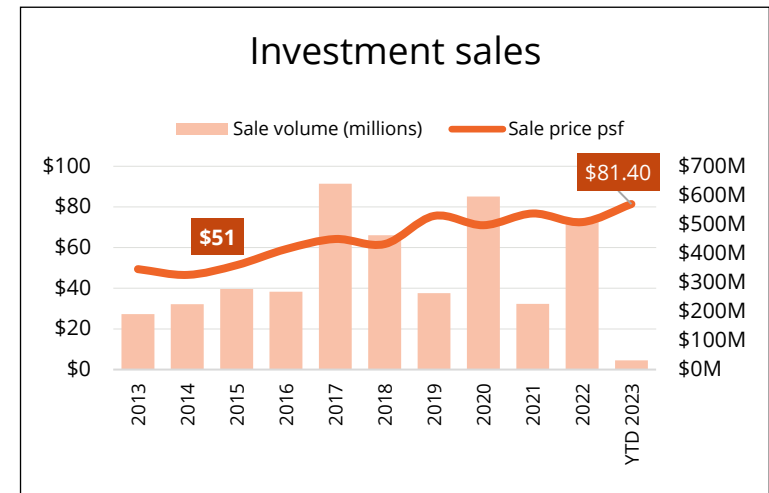
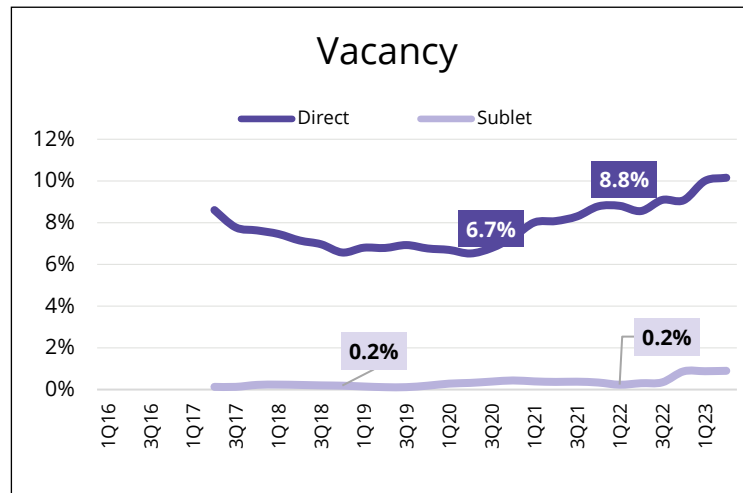
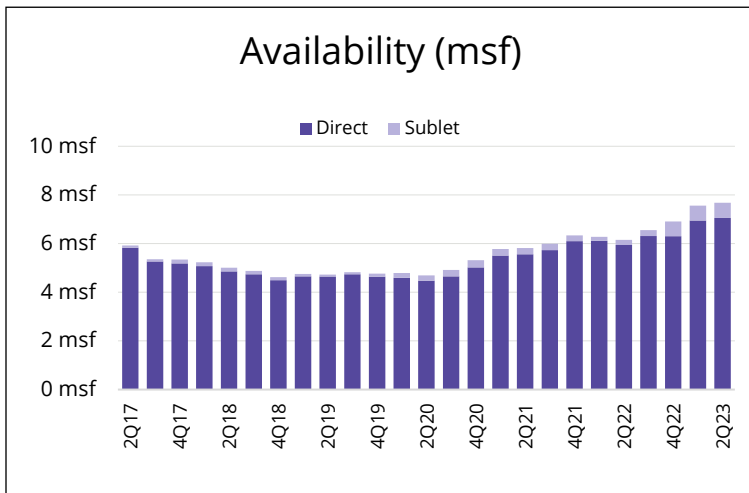
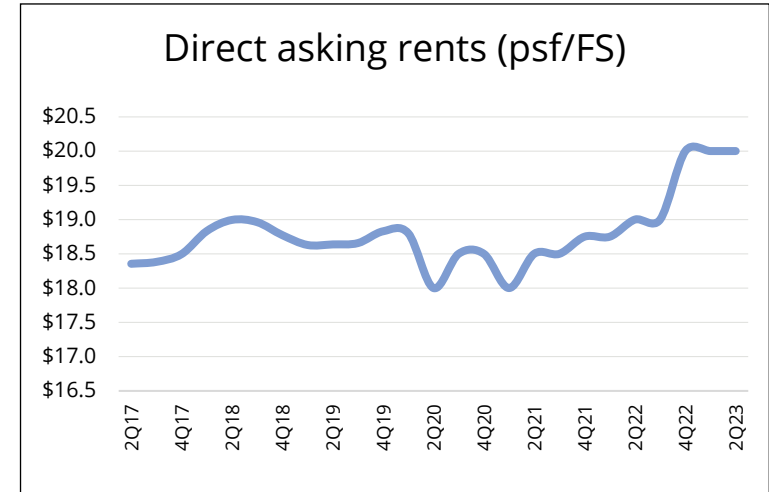
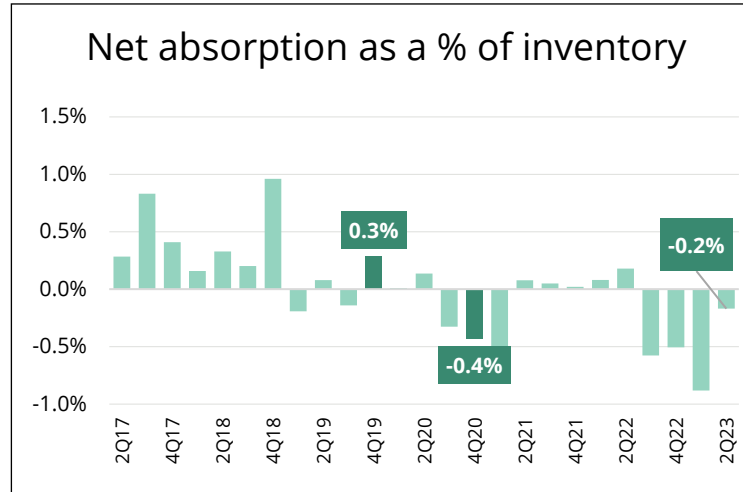
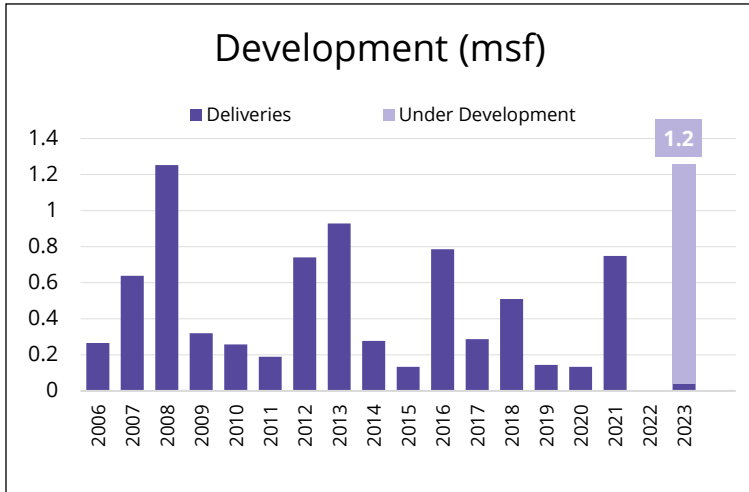
Net absorption as a percentage of inventory



Net absorption ytd 2023 was recorded at -729,947 sf, as companies continue to downsize and balance real estate needs and flexible work options.



Cleveland office market indicators



Cleveland office market stats

Submarket name	Inventory (sf)	YTD deliveries (sf)	Under development (sf)	Direct Availability	Sublet Availability	Net absorption sf (YTD)	Net absorption sf (q2 2023)
CBD	26,476,245	-	1,000,000	15.2%	0.85%	-587,236	-84,228
Chagrin Corridor	5,095,699	-	-	10.7%	0.87%	7,499	3,363
East	3,593,004	-	-	3.4%	0.00%	-27	9,390
Geauga	228,918	-	-	5.4%	0.00%	2,617	-
Lorain	1,487,244	-	70,940	4.4%	0.00%	-15,892	-21,192
Lyndhurst-Landerhaven	2,418,562	-	-	20.9%	3.59%	-187,457	-39,963
Medina	971,852	40,970	-	4.0%	0.00%	66,709	-1,528
Midtown	4,587,214	-	-	7.1%	0.00%	-49,334	20,394
Northeast	4,644,610	-	-	15.0%	0.12%	47,394	-4,933
Rockside	4,087,257	-	143,792	17.9%	2.57%	88,981	36,453
South	3,294,388	-	-	20.3%	0.00%	-58,328	-29,967
Southeast	2,236,590	-	-	20.3%	1.08%	-7,656	5,253
Southwest	4,449,997	-	-	10.9%	0.08%	-59,572	-8,566
West	5,733,638	-	-	10.5%	4.71%	22,355	-2,236
Market Total	69,305,218	40,970	1,214,732	13.4%	1.10%	-729,947	-117,760

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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Peter Kroner

Director, Industrial
Supply Chain & Logistics
+1 312 273 1494

Kathleen Cavanaugh

Insight Analyst,
Market Intelligence
+1 312 940 6266