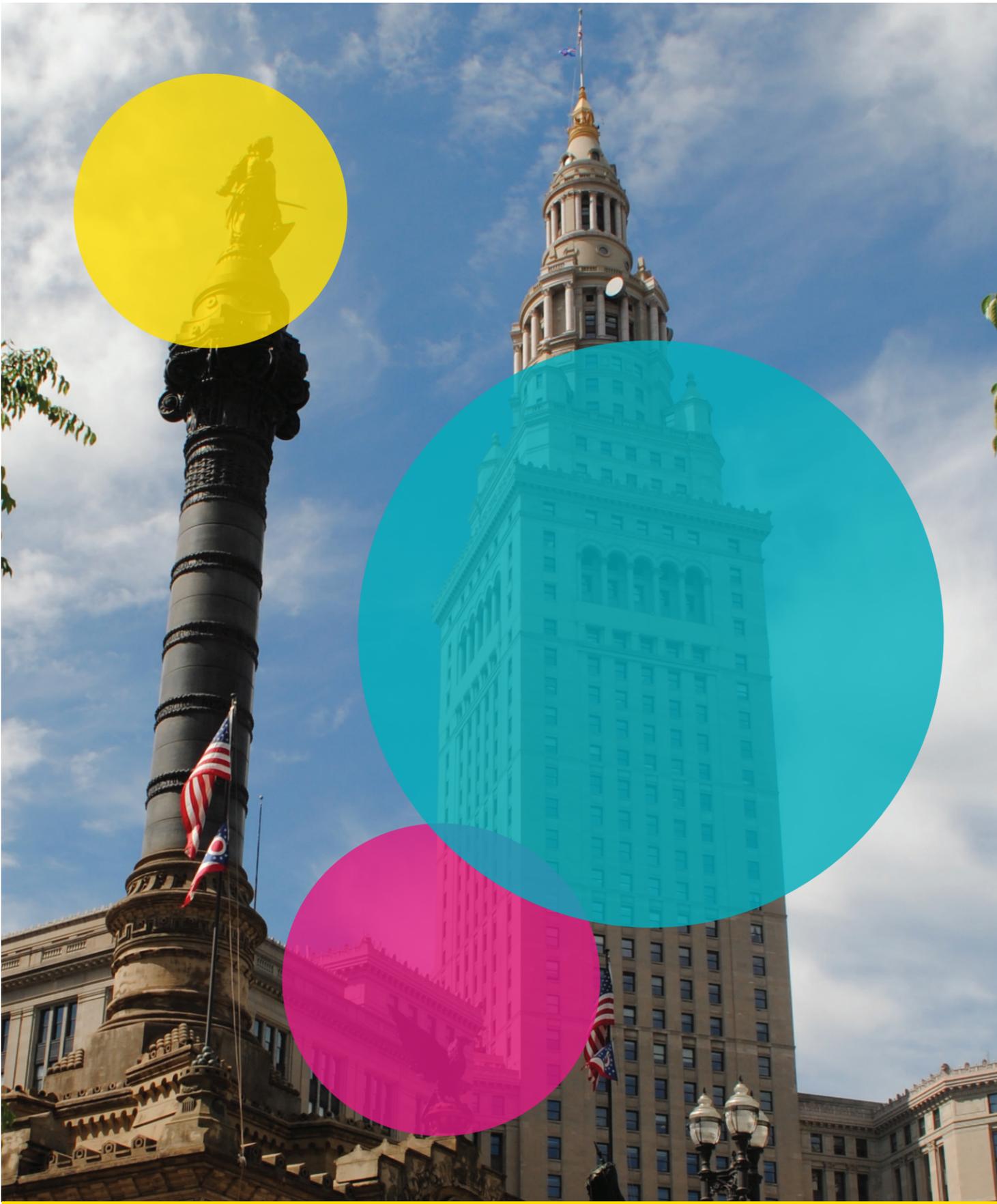


# Q1

**DOWNTOWN CLEVELAND  
MARKET UPDATE**

# 2017



# Q1 2017 QUARTERLY SUMMARY

## DOWNTOWN CLEVELAND Q1 BRINGS RESIDENTIAL AND RETAIL GROWTH

As Downtown Cleveland entered 2017, the central business district continued to feed off the success of 2016, while still working to improve livability, connectivity and decrease commercial vacancy. This quarter, Millennia Companies purchased Key Tower and announced the move of their staff to the building. This announcement was followed by Forest City Enterprises announcing they will keep their headquarters in Downtown and move into Key Tower on Public Square. Additionally, 2017 will be an important year for residential growth. While few units were added in 2016, this year an estimated 1,100 units will be added to the market, bringing the downtown population to 16,000 by early 2018. As new apartment units are added, retailers are adding amenities new residents will value.

Downtown is now home to two quick service health care providers, Cleveland Clinic Express which opened in mid-2016 and MetroHealth Walk-in Clinic at the Downtown Parker Hannifin Downtown YMCA in Q1 2017. Other resident focus retail includes work-out facilities. In Q1 2017, Downtown Cleveland became home to Yoga Strong, Barre Fly and Inner Bliss with Harness Cycle Downtown under construction in the Garfield Building. These retail additions mean residents don't have to leave Downtown to complete their daily routines and add to the critical mass of retailers Downtown needs to spur further development.

Also in Q1 2017, Hospitality announcements like the award-winning Hamilton musical coming to Playhouse Square and the 2019 All-Star MLB Game coming to Progressive Field show that the success of 2016 is propelling Cleveland forward as a tourist destination.

### Additional Q1 2017 highlights include:

- » Hotel Occupancy, Average Daily Rate and Revenue Available per room all exceeding 2016 comparisons, despite the addition of 1,000 new hotel rooms since the same time last year.
- » 12 Downtown Office locations recommitting to Downtown Cleveland.
- » K&D's Residences at Leader welcomed its first wave of residents.
- » Cuyahoga County Council approved financing for the Q Transformation project, which will update the arena to compete with others in the nation for concerts and shows. Cleveland City Council separately approved financing in April.
- » The 41st Cleveland International Film Fest set record attendance by welcoming more than 106,000 visitors into Downtown Cleveland and announced it will return to Downtown in 2018.
- » Downtown Cleveland Alliance hosted Downtown Cleveland Restaurant Week in February and welcomed more than 500 people to the Restaurant Week Kick-off Party in The Arcade.



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# Q1 2017 Office Market Update

## Class A Vacancy Rates Continue to Decrease

The Downtown office market attracted new jobs and investment, while retaining an iconic, historic Cleveland company in Q1 2017. Millennia Companies, a homegrown Northeast Ohio housing development and management company, dominated Q1 office market news with its purchase of Key Tower and plan to relocate its corporate headquarters from Independence.

In addition, Millennia announced that Forest City Enterprises will relocate its corporate headquarters from its historic home in Terminal Tower to Key Tower. The space that Forest City will vacate is slated for conversion into apartments by K&D. Millennia announced this quarter that the organization will be renovating to re-invigorate the lobby of Key Tower with new seating areas, artwork created by local artists, new lighting and introducing new retail and event spaces. The combination of office-to-residential conversions and new and expanding office tenants is rapidly increasing occupancy rates. The Millennial generation now represents the largest portion of the workforce and this cohorts preference for living and working in vibrant, walkable urban centers is driving both of these trends.

Class A occupancy rates increased in Q1 with the top tier buildings collectively exceeding 93 percent occupancy according to JLL.

# Q1 2017 Office Market Update

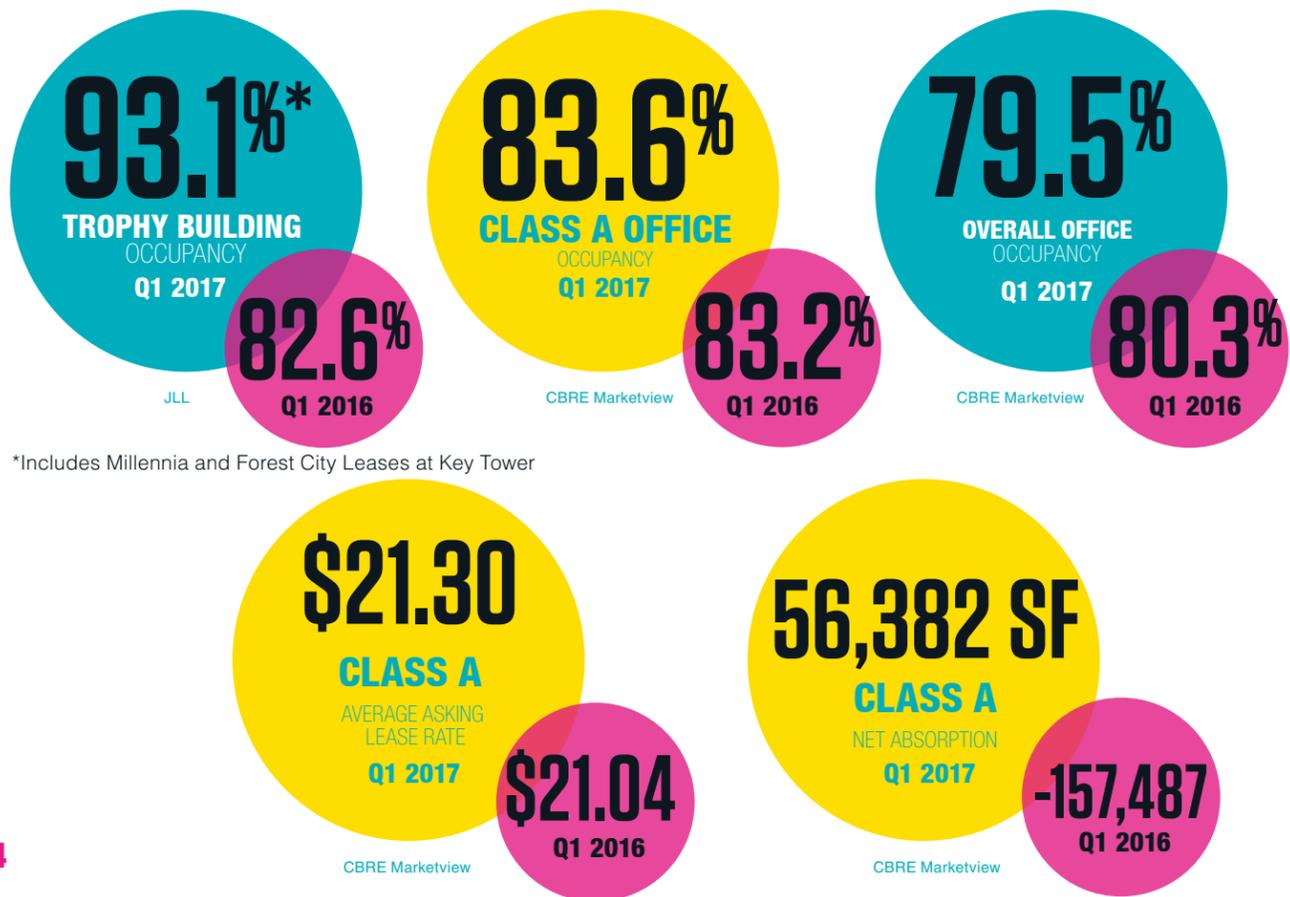
## Cleveland Central Business District Compares Favorably to Suburban Markets

Projections show the tightening of the top-tier spaces in the Downtown Cleveland office market will continue through the remainder of 2017 and beyond, but the central business district still has a diverse range of products to meet the needs of professional services, technology, and medical businesses. Downtown's average asking lease rates compare favorably with the suburban markets that Downtown regularly competes with for office using businesses. In addition, Downtown provides far greater value in terms of walkability, amenities and other factors critical to talent recruitment and retention.

SUBMARKET	AVG ASKING LEASE RATE (CLASS A AND B)	NET ABSORPTION (CLASS A AND B)	OCCUPANCY (CLASS A AND B)	WALK SCORE*	TRANSIT SCORE**
Downtown	\$19.21	71,268 SF	79.5%	90, Walker's Paradise	84
Chagrin Corridor	\$19.58	13,763 SF	87.1%	37, Car-Dependent	N/A
Lander Corridor	\$19.82	13,533 SF	87.3%	33, Car-Dependent	N/A
Rockside Corridor	\$18.26	15,335 SF	83.6%	35, Car-Dependent	N/A

\*Walk Score is a number between 0 and 100 that measures the walkability of any address.  
 \*\* Transit Score is a patented measure of how well a location is served by public transit on a scale from 0 to 100.

## DOWNTOWN CLASS A BY THE NUMBERS



## Q1 2017 Office Attractions and Retentions

- » Forest City Enterprises - 147,795 SF
- » Price Waterhouse Coopers - 88,000 SF
- » Lewis Brisbois Bisgaard & Smith LLP - 16,028 SF
- » McDonald Hopkins - 79,000 SF
- » Taft - 52,000 SF
- » Hyatt Legal Plans - 48,000 SF
- » Millennia Companies - 45,072 SF\*
- » CEOGC - 45,000 SF
- » Global X - 18,666 SF
- » FormFire LLC - 13,349 SF
- » Michael Baker International - 11,932 SF
- » OnShift - 11,000 SF

\*Attraction



# Q1 2017 HOUSING MARKET UPDATE

## New Housing Units Continue to Propel Downtown Residential Growth

While 2016 added few residential units to the market, 2017 will add an estimated 1,100 units. So far this year, The Residences at Leader and Sankofa Village have begun to welcome new residents. Sankofa Village features 110 market rate and workforce-oriented apartments in the Campus District, while the Residences at the Leader is home to 224 luxury apartments in the Gateway District. Additional units coming online this year also include The Garfield Building and The Standard Building. With 1,091 apartments hitting the market in 2017, DCA projects that the downtown residential population approach 16,000 by early next year.

### APARTMENTS COMING ONLINE IN 2017

NAME	DISTRICT	UNITS
The Edge	Playhouse Square	237
Garfield Building	Gateway District	130
Leader Building	Gateway District	224
Milton Townhomes	NineTwelve District	16
Sankofa Village	Campus District	110
Standard Building	Civic Center	285
Worthington Yards	Warehouse District	89
		<b>1,091 IN TOTAL</b>

Residences at Leader



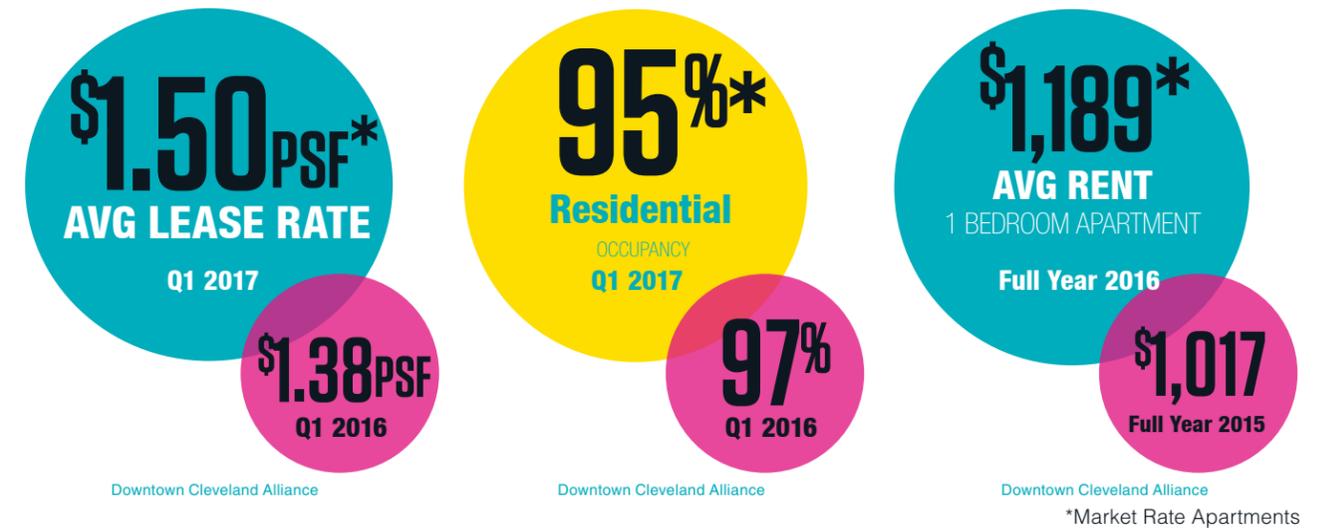
The Standard Building

# Q1 2017 HOUSING MARKET UPDATE

## Downtown Cleveland Occupancy and Property Value Rise Together

Over the last six years, Downtown Cleveland has maintained an average occupancy rate of more than 95 percent while adding more than 2,000 additional apartment units to the market. During this same time, the downtown population has increased from less than 9,000 residents to 14,000 residents today and is projected to reach 16,000 residents by early 2018. Also during this time, asking lease rates for Downtown apartments have increased. Today, the asking lease rate for downtown rentals is \$1.50 PSF, up from \$1.38 PSF in Q1 2016. The value of a condo unit in Downtown Cleveland is currently averaging \$223.33 PSF, up from \$196.06 PSF in Q1 2016. The steady occupancy of downtown apartments as the prices increase and new units come online shows the continually growing demand for urban living.

### APARTMENT RENTALS



### CONDO PURCHASING



## Q1 2017 RETAIL MARKET UPDATE

### New Housing Units Propel Downtown Retail Growth

The strength of the Downtown Cleveland trade area continued to attract retail amenities to help residents, office workers, and visitors meet their daily needs. Recent additions like Monica Potter Home, J3 Clothing, Geiger's, Heinen's Grocery Store have made it increasingly easier for residents to meet their daily needs without leaving Downtown. Changes in Americans' post-recession consumer behavior are shaping Downtown Cleveland's retail patterns. Since the end of the recession, Americans are buying more goods online and spending more on travel and dining out than on clothing and other soft goods.

The 10 shops and restaurants that opened in Q1 reflect these trends. Amazon announced plans to open a storefront in the Campus District for residents to pick-up and drop-off online purchases and returns. The downtown restaurant scene continued to thrive with four new restaurants opening in Q1, several more openings announced for later this and 2018, and new restaurateurs lining up to take vacated spaces virtually as quickly as they become available.

The most recent wave of retail in Downtown focuses on health and wellness, including the opening of two health clinics, Cleveland Clinic Express Care and the MetroHealth walk-in clinic at the Parker Hannifin Downtown YMCA. Niche fitness establishments like Harness Cycle, Barre Fly, Inner Bliss Yoga, and Yoga Strong joined Revelation, Vibe Yoga Studio and Restore Cold Pressed in bringing more health conscious businesses to the downtown neighborhood.

### Q1 2017 Retail Attractions

- » Barre Fly
- » Yoga Strong
- » Inner Bliss
- » Chagrin Valley Soap and Salve Company
- » MetroHealth Walk-in Clinic
- » Little Shop of Cookies
- » Puente Viejo
- » Chicago's Home of Chicken & Waffles
- » Yours Truly
- » Ruth's Chris Steakhouse

**10**  
New retail locations in Downtown  
in Q1 2017



Chagrin Valley Soap & Salve in 5th Street Arcades

## Q1 2017 HOSPITALITY MARKET UPDATE

### Q1 Events and Announcements Draw Attention to Downtown Tourism Market

2017 got off to a great start for Downtown Cleveland's tourism industry as Playhouse Square announced Hamilton as the star, for a six week run, of its 2017-2018 KeyBank Broadway series. Additional Q1 announcements included the selection of Downtown's Progressive Field to host the 2019 Major League Baseball All-Star game; First Energy Stadium and Progressive Field to host major concerts by U2 and Billy Joel, respectively; First Energy Stadium to host the CONCACAF 2017 Gold Cup; and Quicken Loans Area to host March Madness again in 2020. Cleveland was also recognized by On Call International as one of the best cities in the United States for Business Travel. The 41st annual Cleveland International Film Fest broke records by bringing more than 106,000 people into Downtown in Q1 2017. Additionally, Downtown Cleveland Restaurant Week and its kick-off party welcomed tourists and locals to try out the local food scene in Q1.

At their annual meeting in Q1 2017, Destination Cleveland, the city's destination marketing and management organization, announced that their team pursued 17.4 percent more leads in 2016 than in 2015; that 2.8 percent more hotel rooms were purchased in Cleveland in 2016 versus 2015; and that the convention services team provided event planning expertise and support to 271 meetings and conventions. Destination Cleveland announced Cuyahoga County attracted 16 million visitors in 2015, the most recent data available, and established the goal of attracting 20 million annual visitors to Cuyahoga County by 2020. The 2016 numbers, in connection with the Q1 2017 tourism announcements, prove that Downtown Cleveland is well positioned to lead the way in achieving this goal.

HOTEL STATS	March 2017	March 2016
Average Hotel Occupancy	64.9%	63.5%
Average Daily Rate	\$129.75	\$123.41
Revenue per Available Room	\$84.18	\$78.40



Playhouse Square announced their 2017-2018 Key Bank Broadway series in Q1 2017

Closing Ceremonies of the 41st CIFF. Photo credit: Danny Murtaugh

## Q1 2017 MAJOR DEVELOPMENTS

### Q Transformation Moves Forward

With the strong support of Downtown Cleveland Alliance, Cuyahoga County Council and Cleveland City Council has approved the renovation of Quicken Loans Arena. The renovations will make The Q more contemporary, more inviting and more marketable. The design will add large public gathering places for event attendees prior to events, during breaks and for satellite activities occurring at the same time with main events in the arena bowl. The Q is a huge magnet for Downtown Cleveland, hosting more than 200 diverse ticketed events and over 1,400 private events that draw over 2 million patrons each year – many of whom reside outside of Cuyahoga County.

### Beacon to Begin Construction Summer 2017

The city's design-review committee approved Stark Enterprise plans, and Cleveland City Council approved Tax Increment Financing for the 187-unit apartment building. Located on top of the parking garage currently at 515 Euclid, the 19-story residential building should be fully financed and beginning construction in mid-2017.

### Residents Move into Residences at Leader

The first residents began moving into the Residences at Leader in early 2017. When completed, the 15-story building will be home to more than 224 apartments. In addition, the first floor features retail space including a coffee shop, pizzeria, pastry house and deli, barber shop, dentist office and cigar shop. The building is just a few steps from the new Public Square as well as East 4th Street, Playhouse Square, Heinen's Grocery Store and other major downtown favorites.

### Campus International School to Open in Fall 2017

2017 will welcome a new home for Downtown Cleveland's International Baccalaureate school. The Campus International School is a collaboration between the Cleveland Metropolitan School District and Cleveland State University, which opened with a wait-list in 2010. With it's new home currently under construction, the four-story, \$24.2 million school building will house kindergarten through eighth grade classes. The school is a sign of the growing population of residents who are choosing to stay in Downtown as their families grow and change.



Renderings of the Q Transformation



Interior of Residences at Leader



The Beacon

## Q1 2017 MAJOR DEVELOPMENTS

### Cleveland State University's New Washkewicz College of Engineering Building Scheduled to Open in 2017

Cleveland State University, along with donors and foundations, is investing \$60 million into a new 100,000 square foot building for the Washkewicz College of Engineering. The facility is under construction on Chester Avenue near E. 24th Street. The new four-story facility will feature the Parker Hannifin Motion and Control Laboratory and the Dan T. Moore MakerSpace where students can transform their ideas to reality using state-of-the-art technology. The facility will also include multiple flexible research laboratories, teaching laboratories, simulation labs for computer modeling, student collaboration spaces, a large conference room, general classrooms and office space. The new engineering building is scheduled to open in December 2017.

### Tri-C Renovations Update the Metro Campus

Currently under construction, the Tri-C Metro Campus will be substantially renovated over the next several years. The goal is to create a more welcoming and student-centered environment. The new design maximizes the building's existing on-site footprint, adding 11,000 square feet of usable space. The roomier accommodations expand student social areas as well as classroom and meeting space while updating the external look of the campus building.



Construction of Washkewicz College of Engineering



Rendering of Campus International School



Rendering of Tri-C's new Metro Campus Center

## Q1 2017 DCA UPDATE

### DCA's Business Development Center

DCA's Business Development Center serves as a single point of contact for business leaders and decision makers, commercial real estate professionals, developers and investors. The Center's services include advocacy, marketing, research, site selection assistance, public and private financial assistance consulting and technical support.

#### During Q1 2017, DCA's Business Development Center team:

- » Conducted 148 business attraction, retention and engagement meetings
- » Provided research, advocacy, and technical assistance to 10 projects representing more than \$60 million of potential investment
- » Tracking 13 business attraction leads representing an estimated 600 jobs
- » Advocated for City of Cleveland and Cuyahoga County approval of The Q Transformation plan and continuation of Ohio and federal historic tax credit programs, City of Cleveland residential tax abatement programs, Community Development Block Grant Program, and increased state and federal funding for public transportation.

### DCA's Clean & Safe Ambassadors complete Spring Cleaning

DCA's Ambassador program employs more than 60 people who are dedicated to keeping Downtown Cleveland's streets clean and safe and welcoming for visitors all year round. The Ambassadors can be seen patrolling Downtown's neighborhoods from W. 10th Street to E. 18th on foot and on bicycles. They act as mobile concierges and as maintenance staff. Reach an ambassador by calling 216-621-6000 anytime between 7 a.m. and midnight.

#### During Q1 2017, DCA's Business Development Center team:

- » Collected 94,077 pounds of trash from Downtown streets
- » Provided 429 safety escorts
- » Served as concierges to 4,025 visitors



## Q1 2017 STEP UP DOWNTOWN

### Step Up Downtown Works to add Playground Amenity for Downtown Families

During Q1 2017, Downtown Cleveland Alliance continued to work with neighborhood partners to increase downtown connectivity through Step Up Downtown. The vision and tactical plan identifies connectivity as the overarching theme necessary to take Downtown Cleveland to the next level, and identified 18 key connections to improve Downtown's walkability.

This quarter, Downtown Cleveland continued toward increasing amenities for the growing number of downtown residents. Working with the new class of City Advocates, DCA's civic engagement program for young professionals, DCA began the process to identify the need for and location of a downtown playground for the increasing population of children under the age of 14. DCA and the City Advocates worked with neighborhood partners to host a forum with residents to brainstorm ideas and gather input on the playground. Next steps include a mobile playground to test locations as well as additional community input sessions.



## ABOUT DOWNTOWN CLEVELAND ALLIANCE

Downtown Cleveland Alliance (DCA) is a not-for-profit organization dedicated to building a dynamic downtown. By working with property owners and neighborhood based partners, DCA is able to provide economic development opportunities, business attraction and retention efforts, the Clean and Safe Ambassador Program as well as strategic marketing initiatives for Downtown Cleveland. In 2014, DCA unveiled Step Up Downtown, a vision and tactical plan that sets the course for the future of Downtown Cleveland. The five-year strategy is available to read at [DowntownCleveland.com](http://DowntownCleveland.com)



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