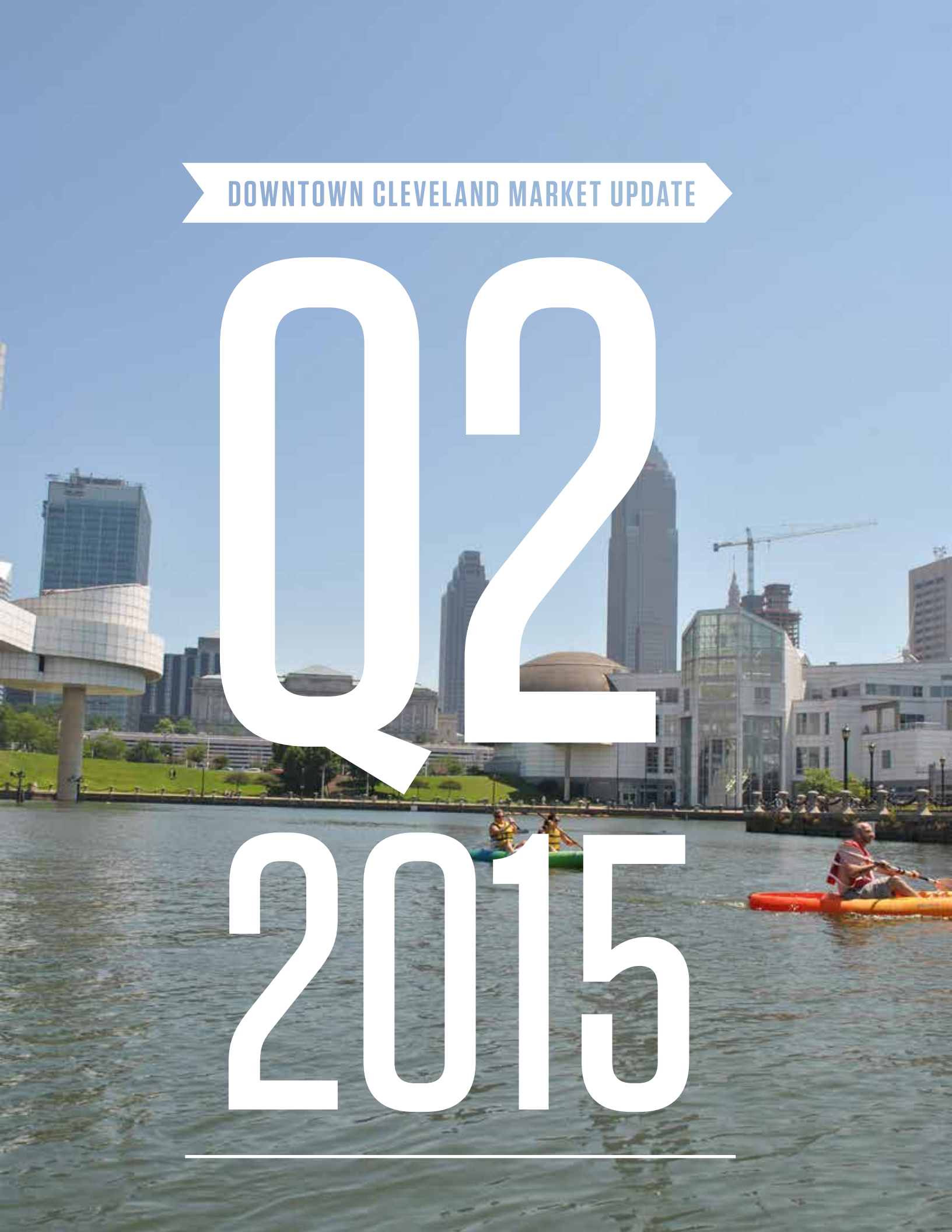


DOWNTOWN CLEVELAND MARKET UPDATE

Q2 2015



**ATTRACTING AND
RETAINING TALENT IS A
KEY FACTOR LEADING
EXECUTIVES TO CHOOSE
AN OFFICE WITH A
DOWNTOWN ADDRESS.**

 **Downtown Cleveland Alliance**SM
1010 EUCLID AVENUE, THIRD FLOOR, CLEVELAND OH. 44115

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DOWNTOWN CLEVELAND MARKET UPDATE - QUARTER 1 SUMMARY

Downtown Cleveland continues to offer fertile ground to employers seeking talent. Demand for downtown housing still far exceeds supply, as the downtown occupancy rate remains high at **97.5 percent** and more than **1,800 people are on waiting lists for downtown living**. Businesses are following this talented pool of workers from the suburbs to downtown locations with more amenities and transportation options.

This trend is not limited to Cleveland according to “**Core Values: Why American Companies are Moving Downtown,**” a national report from Cushman & Wakefield Real Estate, the George Washington University School of Business and **Smart Growth America**, a national organization dedicated to researching, advocating for and leading coalitions to bring smart growth practices to communities nationwide. This report includes **interviews with 500 executives**, including several from Downtown Cleveland, who recently moved their offices into urban environments. The report found that **attracting and retaining talent** was a key factor leading executives to choose a downtown address.

In addition to large employers, retail development is following Downtown Cleveland’s population growth. In 2015, **more than 20 new retailers** opened in or committed to Downtown Cleveland.

Other Q2 Highlights include:

- **Flashstarts** selecting Downtown Cleveland as the future home of **StartMart which will occupy 30,000 SF in Terminal Tower** and provide a co-working and resource hub for entrepreneurs and start-ups.
- Apartment occupancy remaining high at **97.5 percent** despite adding nearly 350 apartments over the last year.
- **Geiger’s**, a popular Northeast Ohio outerwear and activewear provider, announcing plans to occupy the ground floor of The Ivory on Euclid next door to Heinen’s grocery store.
- Downtown Cleveland leading Cuyahoga County in “**Brain Gain.**”
- Cleveland Play House winning the **2015 Tony Award for Best Regional Theater**, drawing attention to Cleveland’s world-class arts and culture scene.
- A successful advocacy effort to protect and continue the critically important **Ohio Historic Preservation Tax Credit**, a financing tool essential to meeting demand for Downtown Cleveland work-live opportunities.



DOWNTOWN CLEVELAND EMPLOYMENT TRENDS SHOW JOB GROWTH

Contrary to conventional wisdom, the **Cleveland metropolitan area's workforce is among the most educated in the nation** and the growth of the office sector continues to generate jobs.

Downtown Cleveland leads Cuyahoga County in brain gain between 2000-2013 with a **125 percent increase in college graduates and advanced degree holders**. This success is rippling out to Downtown's neighbors to the east and west, which are also experiencing brain gain. The growing concentration of talent in Downtown Cleveland and its surrounding neighborhoods increasingly attracts business relocation, consolidation, and expansion.

According to Cleveland State University's Center for Population Dynamics, Cleveland **ranks fifth nationally** in the percent increase of advanced degree holders. This is higher growth than cities like Boston, Seattle, Austin, Atlanta, Chicago, Portland, Minneapolis, Denver, Charlotte, and Columbus have experienced.

Between 2000 and 2013, Cleveland experienced a **25 percent increase** in science, technology, engineering, math, and health-related jobs. Creative class job growth in Cleveland between 2015 and 2022 is projected to **exceed the projected national average** of 12.5 percent.

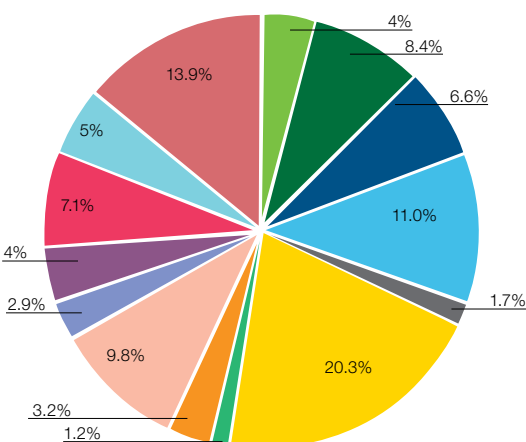
This growth is significant. Each highly skilled job creates an additional five professional or service jobs.

Talent attraction is especially strong among the millennial generation. Cleveland **ranks eighth nationally** in the percent of 25-34 year olds in the workforce who hold an advanced degree, again placing Cleveland ahead of cities like Atlanta, Chicago, Denver, Minneapolis, Portland, and Seattle. Much of this talent is relocating to Cleveland from out of state, with **nearly 50 percent** relocating from cities like Atlanta, Brooklyn, Chicago, Detroit, Manhattan, and Pittsburgh.

In a report published in conjunction with Cushman & Wakefield and the George Washington University School of Business, **Smart Growth America** surveyed **500 business executives** and concluded that talent recruitment and retention is a key consideration for businesses deciding to locate in a downtown. In the last four and half years, over 50 companies have relocated, consolidated, expanded or started in Downtown Cleveland.

125,000 PEOPLE WORK DOWNTOWN*

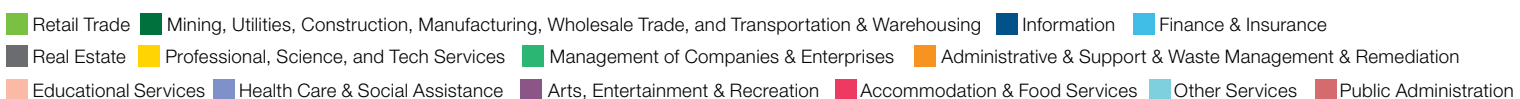
Downtown employees work in the following industry breakdowns:



LARGEST PRIVATE EMPLOYERS IN DOWNTOWN CLEVELAND

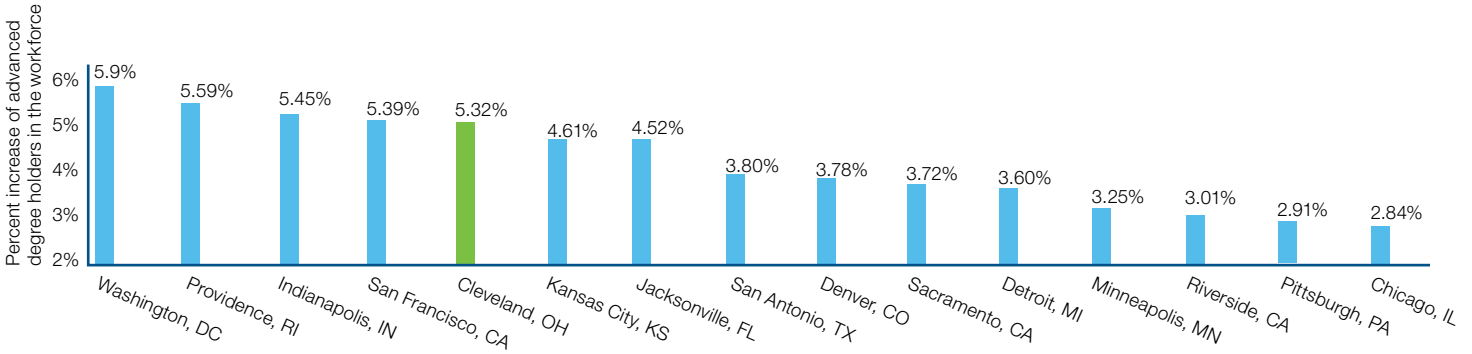
KeyCorp	4,812
Sherwin-Williams	3,430
Caesars Entertainment CO	2,080
Medical Mutual Of Ohio	1,800
Ernst & Young LLP	1,178
Healthspan	1,103
Ohio Savings Bank	841
St Vincent Charity Medical Center	837
Huntington National Bank	785
JPMorgan Chase & Co	736

Source: Crain's Cleveland, 2015 Book of Lists



CLEVELAND'S A NATIONAL LEADER IN DEGREE HOLDER GROWTH

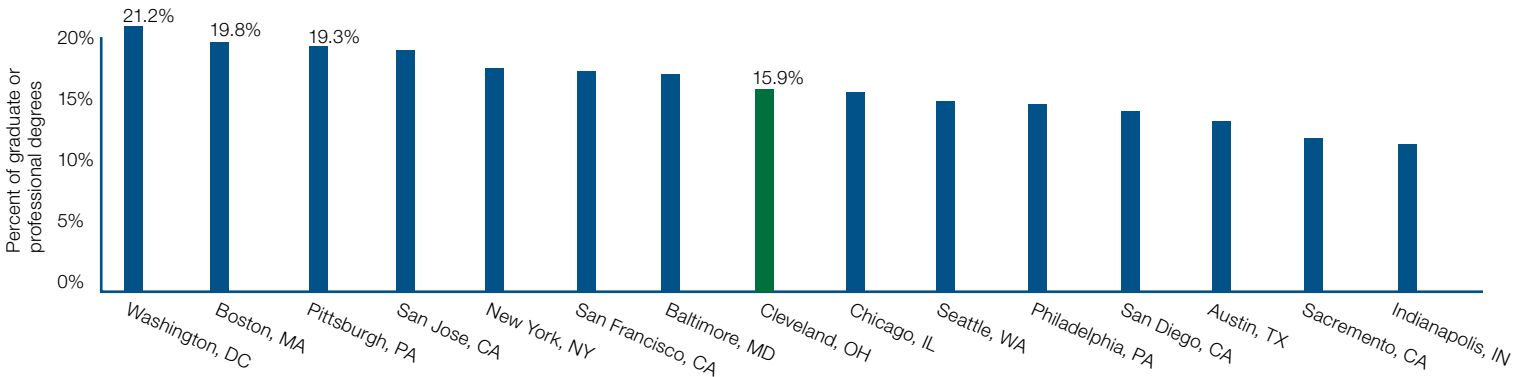
Cleveland ranks fifth in the percent increase of advanced degree holders in the workforce (2005-2013), trailing only Washington, DC; Providence; Indianapolis; and San Francisco.



Source: A Newer Geography of Jobs: Where Workers with Advanced Degrees Are Concentrating the Fastest, Cleveland State University, Levin College of Urban Affairs

CLEVELAND AMONG LEADERS IN MILLENNIAL "BRAIN GAIN"

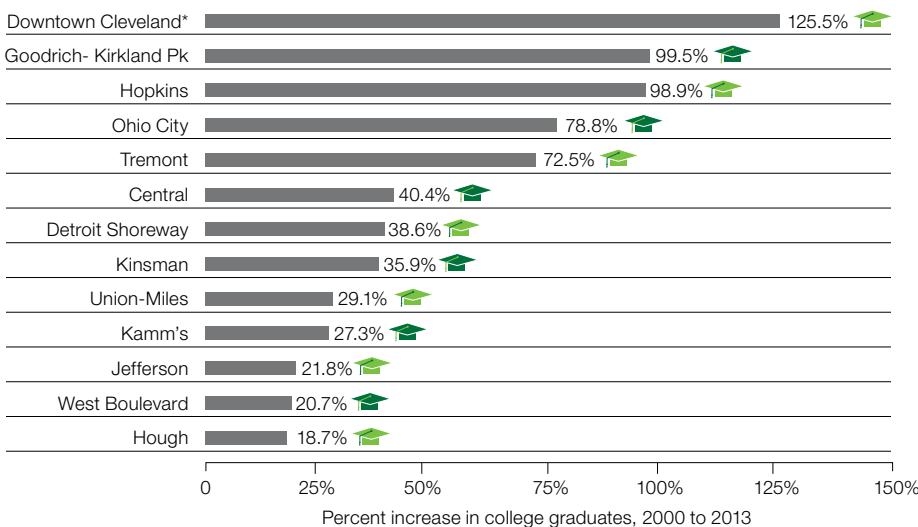
Cleveland ranks eighth nationally in the percent of 25-34 year old advanced degree holders in the workforce, ahead of competing cities like Seattle, Chicago, Minneapolis, and Denver.



Source: Ranking America's Top Young Adult Labor Forces: A Rust Belt Rising? Cleveland State University, Levin College of Urban Affairs

DOWNTOWN LEADS CUYAHOGA COUNTY IN RESIDENTIAL AND TALENT POOL GROWTH

Downtown's residential and talent pool growth are having a ripple effect on surrounding east and west side neighborhoods.



*Includes Cuyahoga Valley
Source: Mapping Adult Migration, Cleveland, Ohio, Cleveland State University, Levin College of Urban Affairs

DOWNTOWN CLEVELAND FOLLOWS NATIONAL TREND IN BUSINESS ATTRACTION

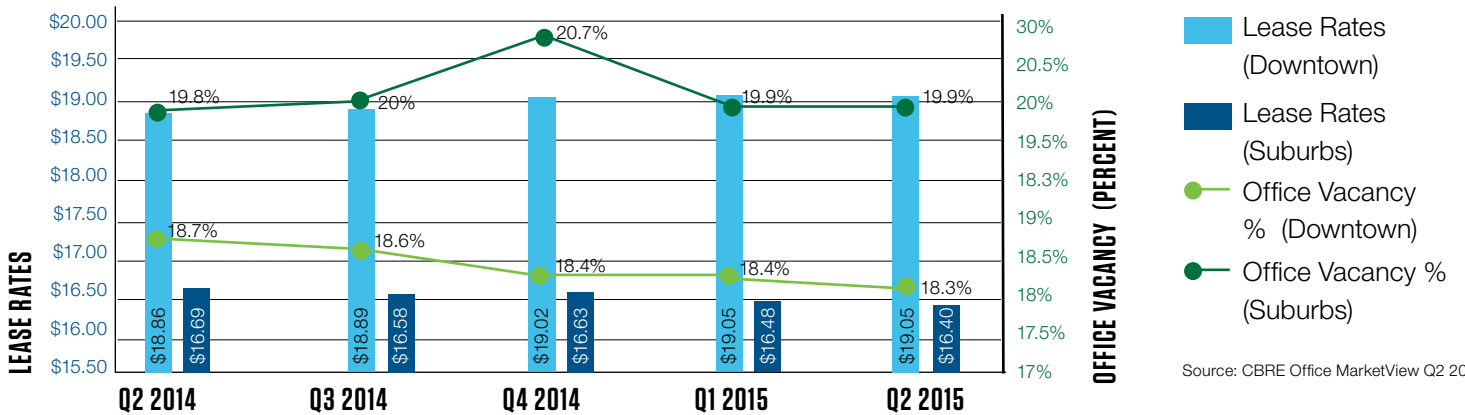
Downtown Cleveland continues to grow as an employment center. Already, our urban core is the **largest job center in Northeast Ohio**. As DCA and partners work toward making Downtown Cleveland the most connected and walkable neighborhood in Ohio, business owners and their employees are taking notice and finding the value in having a downtown address. **StartMart**, one of the largest lease transactions of the quarter, selected Downtown Cleveland over other locations to better appeal to entrepreneurs and emerging talent.

This trend is well-documented in Smart Growth America's recent report "**Core Values: Why American Companies are Moving Downtown.**" In the survey of 500 business executives, this report found that attracting and retaining talent is a key factor leading executives to choose a downtown address for their businesses. In a local example, **Gas Natural, Inc. CFO Jim Sprague** explained, "We wanted a place that would be conducive to getting the job done and also a place where our employees feel comfortable living their life. The Downtown Cleveland Alliance helped us feel like this was a place where our employees would be comfortable... It made us more confident that our employees would feel welcome here."

Similarly, **downtown tenant BDO**, celebrating their second year in Downtown in November, opened a satellite office in the Hanna Building to compete with other businesses who are recruiting the same young talent. Executive staff at BDO agree that their downtown address has given them access to clients and connections they didn't have before opening the downtown location.

DEMAND FOR DOWNTOWN OFFICE EXCEEDS SUBURBS

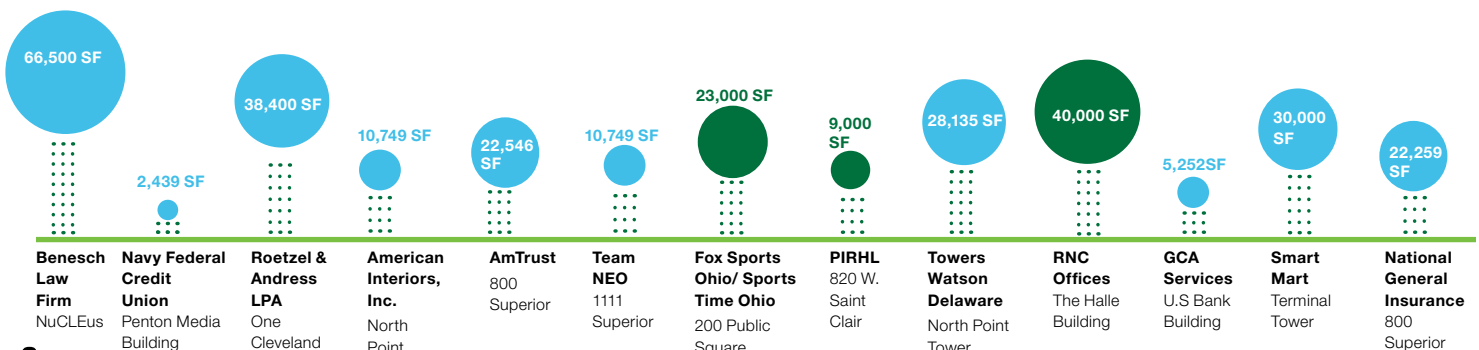
The downtown office vacancy rates continued to be lower and the average asking lease rates higher than surrounding suburban markets, indicating that demand for downtown office space continues to exceed demand for suburban space.



Source: CBRE Office MarketView Q2 2015

MAJOR TRANSACTIONS

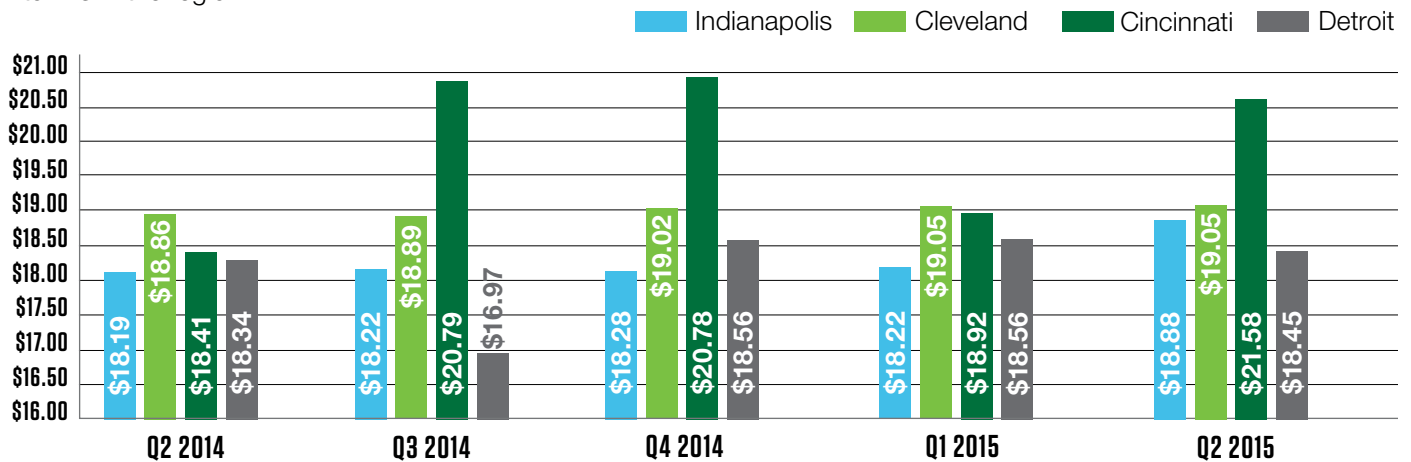
Attraction Retention



Sources: CBRE, Colliers International, Downtown Cleveland Alliance, JLL, Newmark Grubb Knight Frank, Xceligent

PEER MARKET AVERAGE ASKING LEASE RATE COMPARISON

Downtown Cleveland commanded the second highest average asking lease rates among similarly sized downtowns in the region.



Source: CBRE

STARTUP CORNER – DOWNTOWN EMERGES AS REGION’S TECH HUB



The second quarter marked exciting milestones for the entrepreneurial community in Downtown Cleveland. **StartMart** selected Downtown Cleveland to house the region’s first resource hub for entrepreneurs, makers and innovators. Located in Terminal Tower in the heart of Downtown, StartMart will offer **co-working space, a one-stop connection to Northeast Ohio’s resources for entrepreneurs, and a \$15 million venture capital fund.** A project of the FlashStarts business accelerator, StartMart joins Bizdom, the Incubator at MAGNET and the Cleveland Public Library’s Tech Central to form a downtown environment conducive to creativity, collaboration and entrepreneurship.

Over the last two and half years, downtown’s accelerator programs have launched **74 businesses** attracting **over \$5.6 million in investment.** In an effort to further improve the investment environment, the City of Cleveland convened the TechniCLE Speaking forum at the downtown offices of Jones Day to strengthen links between entrepreneurs, investors, and the public sector.

Downtown Cleveland also hosted the **TechPint Startup Summit** in the second quarter for the second consecutive year. This year’s Summit brought over 400 startup founders and investors to Cleveland from across the Midwest. The summit connects accredited investors with local startups seeking further funding rounds.

DOWNTOWN CLEVELAND STARTUPS MAKE NEWS:

- **Class6ix News**, a personalized video newscast for mobile devices, made national news as one of TechHives’ **“Ten best hard-to-find apps.”**
- New York based **Barclays** accepted **Remesh**, a FlashStarts graduate, to represent Cleveland in its accelerator program.
- Tech Ohio featured **Triple Analytics**, another FlashStarts company, which helps physicians design focused and specific treatment plans for patients.

Q2 2015 RETAIL MARKET UPDATE

RETAIL OPPORTUNITIES GROW WITH MORE FEET ON THE STREET

Although Downtown Cleveland's **125,000 workers** and **over 13,000 residents** already work and live within a **5 minute walk** from an average of 15 restaurants, bars, and cafes, demand for new amenities is on the rise. Downtown's growing worker, residential, and visitor populations mean more feet on the street and more opportunities for retailers. The map below provides average daily pedestrian traffic near highly desirable retail locations.



Source: Nelson Nygaard

DOWNTOWN RETAIL CONTINUES TO EXPAND AND THRIVE

The first half of 2015 marked a turning point for downtown retail. Following the grand opening of Heinen's grocery store, suburban retailers **Metro Home Furniture**, **Play by Color Nation Salon**, and **Geiger's Outfitters** announced plans to open in Downtown Cleveland. **Over 20 retailers** have already opened or announced plans to open this year, expanding downtown's retail growth from an uptick in downtown restaurants to include an increase in downtown shopping destinations.

New downtown retail continues to cause excitement. In Q2 of 2015, Restore Cold Pressed, selling fresh cold-pressed juices and smoothies, sold out of product on opening day, showing the eager audience of downtown shoppers.

NEW RETAIL IN Q2 – TURNING FROM RESTAURANTS TO SHOPPING RETAIL

- Blue Edge Small Box - Opened
- Metro Home - Opened
- Edible Arrangements - Opened
- Restore Cold Pressed - Opened
- Blazin Bistro - Opened
- We Bleed Ohio - Opened
- C'est Macaron - Opened
- Pizza 216 - Committed
- Rising Star Coffee - Committed
- Play by Color Nation - Committed
- Geiger's - Committed
- Rocket Fizz - Opened
- Culture - Opened
- L' Amour Du Noir - Opened



Restore Cold Pressed

GROWING POPULATION HELPS DOWNTOWN CLEVELAND ATTRACT BUSINESS, RETAIL

The Downtown Cleveland housing market is struggling to keep up with the increasing demand. Despite adding 350 units over the last year, apartment occupancy remains high at **97.5 percent** with most vacancy attributable to a seasonal drop-off in university students, faculty, and staff living downtown over the summer months.

Over **1,800 people** are on waiting lists for downtown housing as of the end of Q2.

Even as new housing developments command lease rates over \$2.00 per square foot, the **average one bedroom rental rate of \$1,000 per month** remains affordable for a high percentage of Cleveland households. Condominium sales are also on the rise with the average sale price rising from \$228,771 and \$164.68 per square foot in **Q2 2014 to \$342,140 and \$226.79** per square foot this past quarter.

OVER 1,800 PEOPLE ARE ON WAITING LISTS FOR DOWNTOWN APARTMENTS



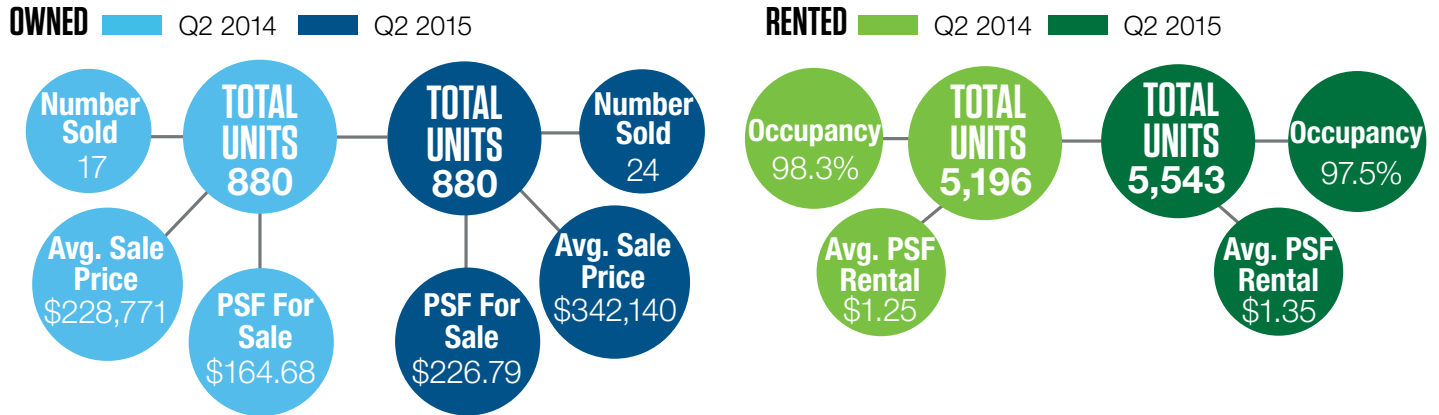
The Ivory on Euclid, which opened 100% leased in Q2 of 2015

Q2 2014 **98.3%**
occupancy

Q2 2015 **97.5%**
occupancy

Q2 2015 HOUSING MARKET UPDATE

HOUSING MARKET



DOWNTOWN CLEVELAND RESIDENCE MAP

Residential Units Built Since 2007

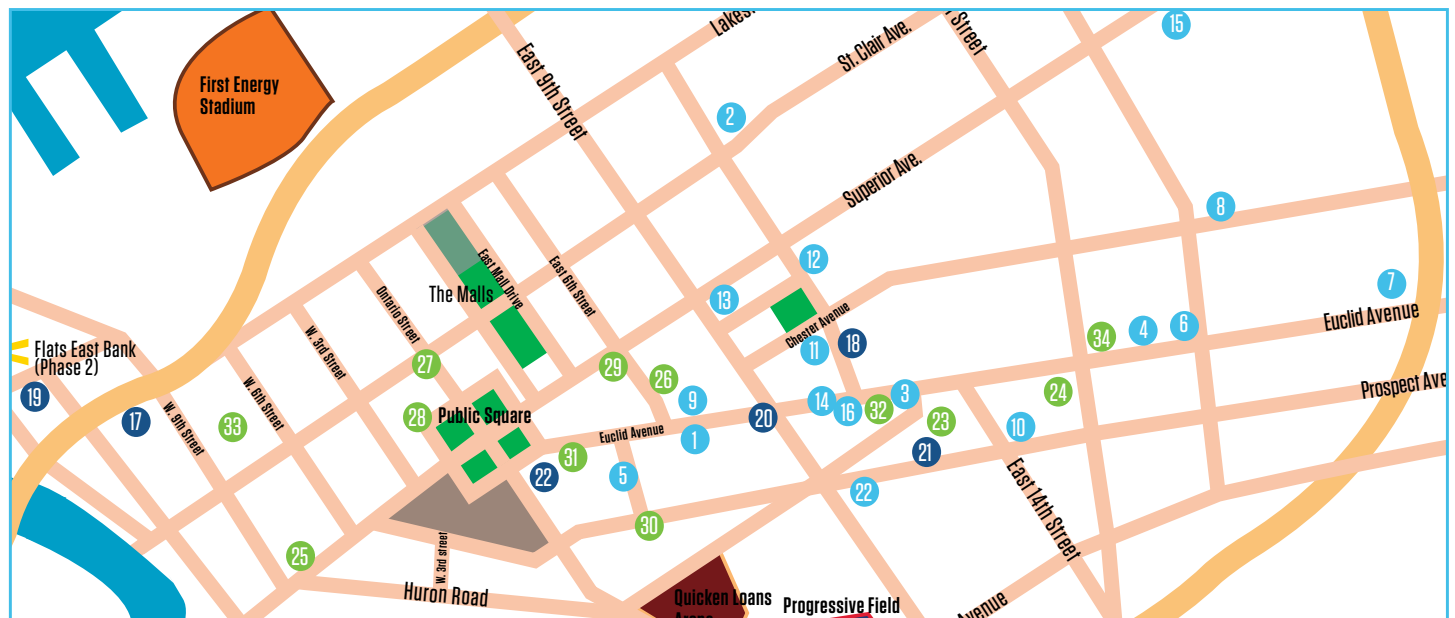
- Residences at 668
- Avenue District Apartments
- Joshua Hall Building
- University Lofts Apartments
- Euclid Block
- University Lofts Condos
- University Studios
- Langston
- Lofts at Rosetta
- Residences at Hanna
- Seasons at Perk Plaza
- Reserve Square
- Residences at 1717
- Residences at The 9
- 2320 Lofts
- Ivory on Euclid

Under Construction/Renovation

- The Archer
- The Sphere
- Flats East Bank
- Schofield Building
- The Creswell
- Park-Southworth Building

Residences Planned

- Starr Gennett Building
- CSU West Residential
- Superior Warehouse Lofts
- Corning Place
- Standard Building
- 75 Public Square
- Leader Building
- nuCLEus
- May Company Building
- Halle Building
- Johnson Court
- 925 Euclid



DOWNTOWN HOTEL OCCUPANCY AND INVENTORY ON THE RISE

Cuyahoga County hit a 5 year high for visitors in **2014 with 16.9 million people** coming into the county. As a destination for tourists, many of these visitors headed into Downtown venues and hotels. Q2 delivered thousands of visitors to Downtown Cleveland for the Rock & Roll Hall of Fame Induction Ceremony and the Cavaliers' exciting playoff run.

The downtown hotel market benefited from this surge in visitors. Despite adding **150 hotel rooms** over the last year, occupancy rates increased from 74.9 percent to 79.7 percent, **average daily rates jumped 13.5 percent**, and **revenue per available room rising 20.8 percent** over last year.

Over the next year, **nearly 1,000 hotel rooms** will be added to the downtown market. With the growing interest of Cleveland as a tourist destination and the upcoming Republican National Convention, as well as an expected 2016 Cavaliers' playoff run, hotel occupancy is expected to continue to increase over the coming year.

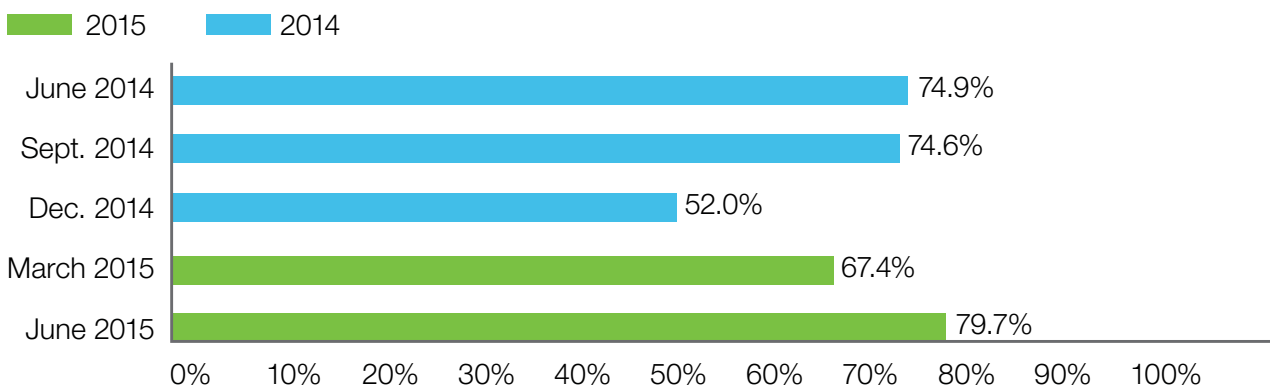
AVERAGE DAILY RATE

JUNE 2014 **\$135.01** JUNE 2015 **\$153.26**

REV. PER AVAILABLE ROOM

JUNE 2014 **\$101.16** JUNE 2015 **\$122.18**

HOTEL OCCUPANCY RATES



CLEVELAND ARTS & CULTURE SCENE CATCHES LOCAL, NATIONAL ATTENTION

Cleveland's reputation as a sports-oriented city was on full display in Q2 of 2015 with the Cavaliers' playoff run, but the City's equally impressive arts and cultural amenities received national accolades this quarter as well.

THEATER

The **Cleveland Play House**, America's first regional theater, housed in Playhouse Square, won the **2015 Tony Award for Best Regional Theater**.

Playhouse Square, home of the world's largest outdoor chandelier and the highest number of Broadway Series subscribers in the U.S., began work on **restoring the Ohio Theater lobby** to its original grandeur, lost to a fire in 1964.

MUSIC

Jacobs Pavilion at Nautica, located on the West Bank of the Cuyahoga River, was named **one of the top seven outdoor music venues** in the U.S. by Livability.com.

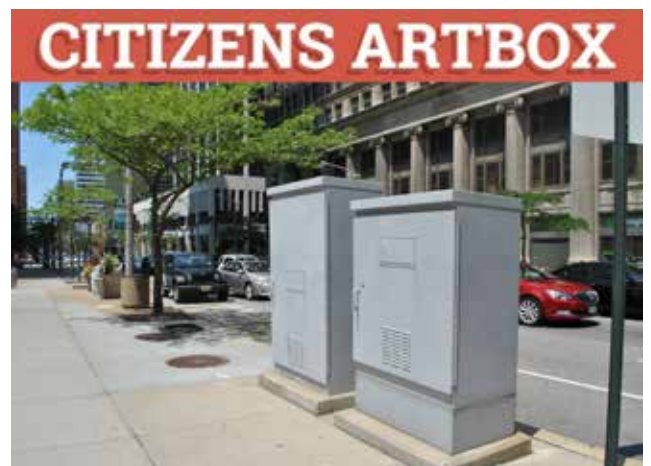
ART

The **Hilton Downtown Cleveland Hotel** is incorporating **Cleveland-inspired art into its lobby design** by asking Cuyahoga County residents to submit selfies taken in recognizable Cleveland locations for use in a mural.

DCA and its City Advocates are spotlighting local artists through a partnership with **Citizens Bank and the City of Cleveland** through its **Citizens ArtBox Project**. In an effort to beautify Downtown Cleveland, area artists have been invited to submit digital **artwork proposals for this public art project to be displayed on utility boxes** in Downtown Cleveland.

FOOD

Travel & Leisure Magazine named Cleveland one of the **top ten American cities for foodies**. Already home to Iron Chef Michael Simon, **Jonathan Sawyer**, chef/owner of two downtown food destinations The Greenhouse Tavern and Noodlecat, won the **2015 James Beard Foundation Award for Best Chef in the Great Lakes Region**.



LAKEFRONT DEVELOPMENT

Cleveland's long-discussed **lakefront development** took steps forward this quarter, as developers **signed a lease with the city to gain control of the land**. Plans for the project currently include a restaurant with outdoor seating and a rooftop bar, permanent public-restroom building, bocce courts and three sand volleyball courts. Groundbreaking for phase one is planned for fall of 2015.



HISTORIC TAX CREDIT AWARDS

Two Downtown Cleveland buildings received **Ohio Historic Preservation Tax Credit awards** in June: the **Leader Building**, 526 E. Superior Ave., and the **Stuyvesant Motor Car Co. Building**, 1937 Prospect Ave. The Leader Building won **\$5 million in tax credits** and will be renovated to include 234 market-rate apartments as well as limited office and retail spaces. Stuyvesant Motor Car Co. Building, or City Blue Building was awarded **\$877,438 in tax credits**. The owners, the Woda Group of Columbus, are planning a renovation into apartments for this building as well.



FLATS PHASE II

The **first residents** in the second phase of the **Flats East Bank** moved into their new river-side homes this quarter. Additional projects including restaurants, entertainment venues and a 50 feet extensive riverfront boardwalk are not far behind. Many facilities have plans for openings in early to mid-Q3 of 2015.



925 EUCLID

The historic **Huntington Building at 925 Euclid Avenue** was purchased by **Hudson Holdings** for more than **\$22 million** in Q2 of 2015. The new owners **plan a \$280 million project**, to convert the landmark into a vibrant mix of apartments, office space, hotel rooms, restaurants, stores and banquet and conference space. The new owner stresses that the renovations will also preserve the history of the building, including the beautiful façade and the massive bank lobby, for which the building is known.



HILTON DOWNTOWN CLEVELAND HOTEL

Slated to open **June 1, 2016**, the work on the **600-room Hilton Downtown Cleveland Hotel** is visible every day. In Q2 of 2015, the Hilton Downtown Cleveland Hotel announced plans to feature Cuyahoga County-inspired mural in their lobby. The hotel is asking Cuyahoga residents to submit selfies taken in recognizable Cleveland locations for use in a mural to be displayed in the hotel lobby.



BUSINESS DEVELOPMENT CENTER

Downtown Cleveland Alliance's Business Development Center provides a single point of contact for businesses seeking to expand or relocate to Downtown Cleveland. DCA works with property owners, real estate brokers, the City of Cleveland and many other public and private partners to attract and retain businesses to the vibrant city core. Whether your business is already located Downtown or is considering a move, the Business Development Center connects businesses with market research, loan and grant information, site selection assistance and advisory services. For more information, visit downtowncleveland.com/business and see what Downtown's **\$5.5 billion investment** boom can do for your business.

CLEAN & SAFE UPDATE

DCA's Ambassador programs employs more than **60 hard-working people** who are dedicated to keeping Downtown's streets clean and safe year-round. The DCA Ambassadors can be seen patrolling Downtown's neighborhoods by foot and by bike, acting as both mobile concierges and an incredible cleaning staff. No matter what your needs are, the Ambassadors are there to assist you quickly and efficiently, just call **216-621-6000**.

In Q2 of 2015, DCA's Ambassadors:

-  PROVIDED **1021 SAFETY ESCORTS** TO & FROM DOWNTOWN DESTINATIONS
-  ASSISTED **539 MOTORISTS**
-  COLLECTED **161,090 POUNDS** OF TRASH FROM DOWNTOWN STREETS
-  SERVED AS CONCIERGES TO **15,125 VISITORS**

ADVOCACY UPDATE

In Q2 of 2015, DCA successfully supported two of our main advocacy priorities. A budget amendment in the Ohio Senate threatened the continuation of the **Ohio Historic Preservation Tax Credit program**. DCA's Advocacy Committee, in partnership with other Cleveland-area and state-wide advocates for the program, vigorously supported the uninterrupted continuation of the tax credit program, communicating the **\$1.4 billion in additional investment** the program has brought to Cleveland and other cities. DCA will continue to work with partners across the state to build support for this vitally important program.

DCA also supported the successful **removal of a proposed parking tax from the state budget** with the support of the Cleveland Parking Association, the Ohio Parking Association, Greater Cleveland Partnership, BOMA and others, helping to keep Downtown Cleveland parking affordable for the future.

TRANSPORTATION UPDATE

In December of 2014, RTA upgraded the #55 bus line as the **Cleveland State Line**, a bus-rapid similar to the Healthline. The CSU sponsored bus route serves the communities of Westlake, Bay Village, Rocky River and Lakewood and delivers them into Downtown Cleveland, ending at the Cleveland State Campus. This new line doubled the capacity of the previous #55 with an average commuter hour service of every 5 to 7 minutes. The ridership increased almost **15 percent between Q1 of 2015 and Q2 of 2015**, and ridership is up 23.3 percent over the Q2 of 2014. In addition, ridership on the free trolleys in Downtown Cleveland continues to grow.



CSU RIDERSHIP: QUARTER 2

2014 118,775 **2015 146,489** **23.3% INCREASE**

TOTAL TROLLEY RIDERSHIP: QUARTER 2

2014 375,209 **2015 389,823** **3.89% INCREASE**

STEP UP DOWNTOWN

Step Up Downtown is DCA's **vision and tactical plan for linking and enhancing downtown development districts, public spaces, and assets.** Unveiled in 2014, DCA and partners in the advancement of Downtown have already made great strides towards the completion of the Quick Wins outlined in Step Up Downtown. In Q2 of 2015, Step Up Downtown tactics took shape across the neighborhood.

Q2 of 2015 Step Up Downtown initiatives included:

MAIN AVENUE BRIDGE UNDERPASS IMPROVEMENT PROJECT

Downtown Cleveland Alliance and a formal jury are currently deciding between the three finalists for the **Main Avenue Bridge Underpass Improvement Project:** Balmori of New York City, Latent of Chicago and PORT of Chicago. This project is one of Step Up Downtown and is going to make the connection between downtown's **Warehouse District and The Flats' East Bank** a more pedestrian friendly route with increased lighting and artwork.

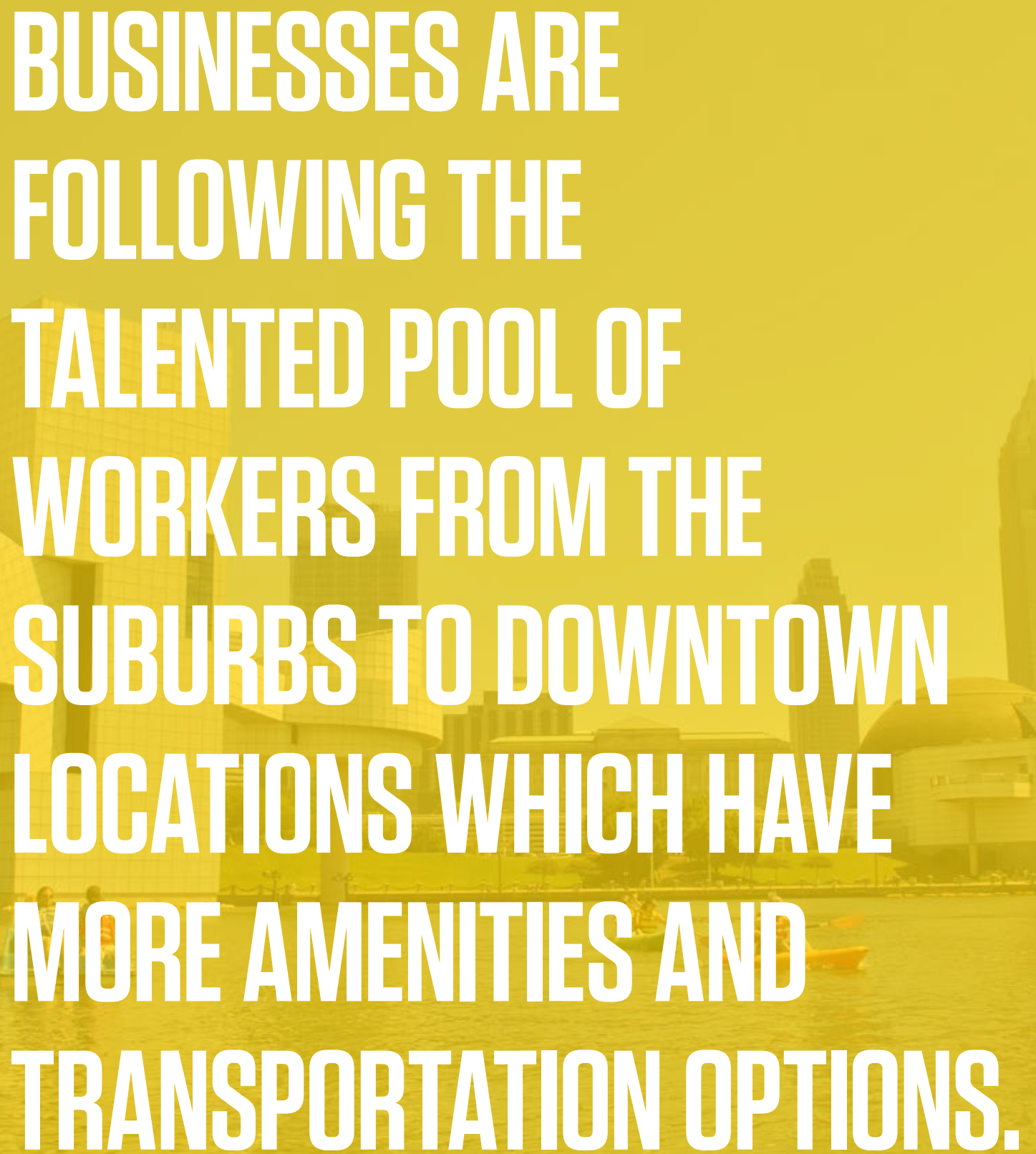
PUBLIC SQUARE RENOVATIONS

As construction continues on another of Step Up Downtown's 18 key connections, Public Square, plans for the use of the space are coming to life. The Group Plan Commission and a team of designers unveiled dramatically revised designs for the outdoor cafe that will be a principal centerpiece in the **\$32 million renovation of Public Square.** Designed by nARCHITECTS from New York in partnership with Westlake Reed Leskosky of Cleveland, the design calls for a structure of folded steel. The **2,250-square-foot cafe** will sit on the southwestern quarter of the redesigned square.

GATEWAY DISTRICT PARKLET

In June, the City of Cleveland planning commission **approved the design** for a parklet—a tiny outdoor space designed for social activities—in the **Gateway District in Downtown Cleveland.** Compact enough to fit into a single street parking stall, the **"outdoor living room"** will brighten the walk down downtown's main drag with benches, stools and tables.



A city skyline is visible in the background, featuring several tall buildings and a prominent tower on the right. In the foreground, there is a body of water with a few people and kayakers. The entire image is overlaid with a yellow filter, and the text is in white, bold, uppercase letters.

**BUSINESSES ARE
FOLLOWING THE
TALENTED POOL OF
WORKERS FROM THE
SUBURBS TO DOWNTOWN
LOCATIONS WHICH HAVE
MORE AMENITIES AND
TRANSPORTATION OPTIONS.**