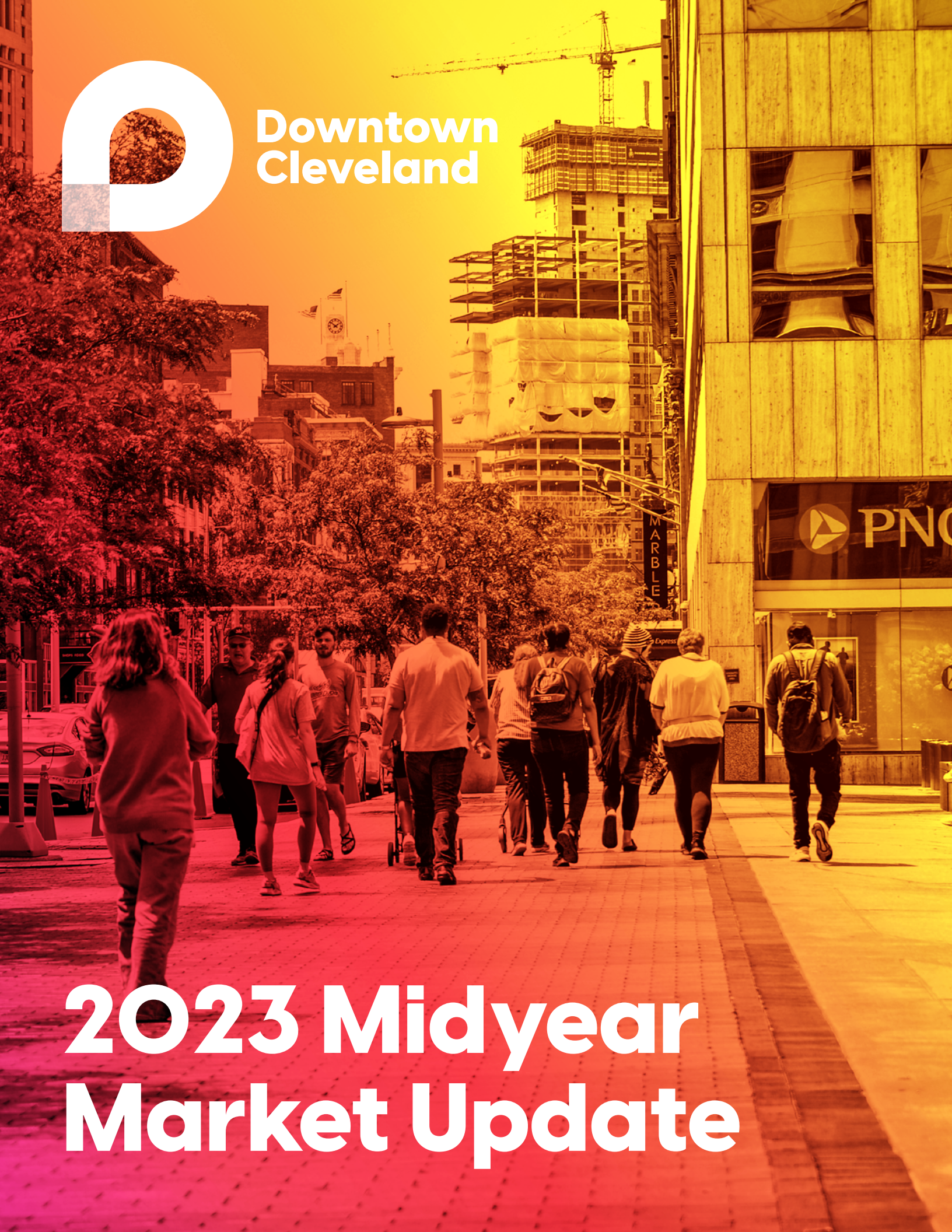




**Downtown
Cleveland**

2023 Midyear Market Update



Introduction

The first half of 2023 brought greater stability and direction to the Downtown Cleveland market than we have seen since before the pandemic. While the impact of the pandemic is still felt, especially within the office market, Downtown is more strongly positioned than most to meet the challenges of the moment.

The data illustrates Downtown's stability. Foot traffic reached 87 percent of pre-pandemic levels. Apartment occupancy rose to over 91 percent with over 1700 apartments, townhomes, and condominiums under construction. Over \$1 billion in development is underway.

Even the office market, slowed by lingering remote work policies, increased in recovery. Overall, there is a 61 percent rate of return among Downtown's office workers.

Downtown Cleveland has a clear direction with strong public-private support to build upon this foundation. Earlier this summer, we supported Mayor Justin Bibb in announcing Reimagining Downtown, a framework for completing Downtown's transformation from a traditional central business district to a vibrant, mixed-use 18-hour city center. Reimagining Downtown will guide our work in enhancing Downtown's economy, experience, and environment.

In the first half of 2023, we completed a transformation of our organization. As a result, we are prepared to lead and deliver what Downtown needs most: an engaging public realm coupled with the policy and business environment to create the conditions for economic growth.

The 2023 Midyear Report provides information on how the Downtown market is performing and puts it all in context. It also provides a high-level overview of how our organization is supporting market growth. The report geography is bound by the Cuyahoga River to the west, North Coast Harbor to the north, E30th to the east and the innerbelt to the south. It explores trends in the office, retail, development, and hospitality sectors.



Foot Traffic

27M Visits in H1
Peak 87% Recovery

Housing Market

91% Occupancy
+1700 Units Under Construction

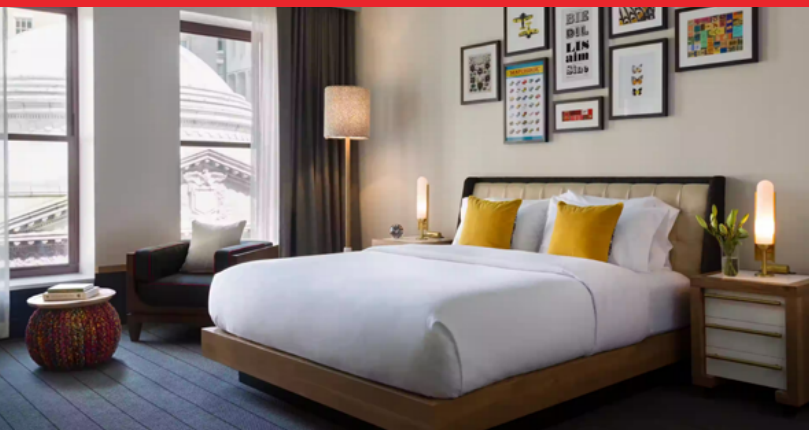


Office Market

81.9% Overall Occupancy
61% Return to Office

Development

17 Projects
\$1 Billion + Underway



Hospitality

54.2% Occupancy
Peak 68.8% In June

Office

The office market displayed encouraging resilience through the first half of 2023. Flight to quality and shrinking real estate footprints defined the office market. Office-based employers migrated to amenity-rich buildings and reduced their real estate footprints due to more flexible work schedules. Office workers steadily returned to offices. Office-based employers including Sherwin-Williams, CrossCountry Mortgage, Benesch, Cleveland Cliffs, and others continue to invest in office space. Steady occupancy in the Class A market and declining occupancy in the Class B market reflect

the trend of office tenants migrating to amenity-rich buildings. These buildings also enjoy a higher rate of return among office workers.

Most Downtown employers continue to offer flexible or hybrid work schedules. Tuesday, Wednesday, and Thursday remain the most popular days for employees that have the choice of when to come in. Using data collected from Placer.ai, surveys, and building security swipes, we estimate that on average, 60-65% of employees are back Downtown.

	Overall Q2 2023*	Overall Q2 2022*	Class A Q2 2023†	Class A Q2 2022†	Class B Q2 2023*	Class B Q2 2022*
Avg. Lease Rate	\$21.55	\$20.34	\$25.97	\$24.99	\$17.86	\$18.00
Net Absorption	-6,865 sf	58,616 sf	-5,806 sf	-31,395 sf	-3,277 sf	8,034 sf
Occupancy	81.9%	85.6%	85%	85%	79.4%	85.5%

Sources: *CBRE, †JLL

What Downtown Cleveland is Doing

Our public policy advocacy and market research drive business attraction, real estate development, and investment to the core. The City’s Reimagining Downtown plan identifies business attraction as a key priority. We worked with the City of Cleveland to create a new Job Creation Tax Credit.

We continue to advocate for policies to modernize office buildings and streamline local processes for new and growing businesses.



Transdigm invests in a large new lease at the US Bank Building

Notable Leases

	Lease Type	Size	Location
Walter Haverfield LLP	New Lease	39,545 sf	Post Office Plaza
Burns White LLC	New Lease	---	Terminal Tower
Brand Muscle	New Lease	12,880 sf	Post Office Plaza
Cresco	New Lease	5,000 sf	Halle Building
Cleveland Cliffs	New Lease	31,628 sf	200 Public Square
Transdigm	New Lease	25,983 sf	US Bank Building
JP Morgan Chase Bank	Expansion	5,981 sf	1300 E. 9th St.



In My Bag Collection at Tower City

Retail

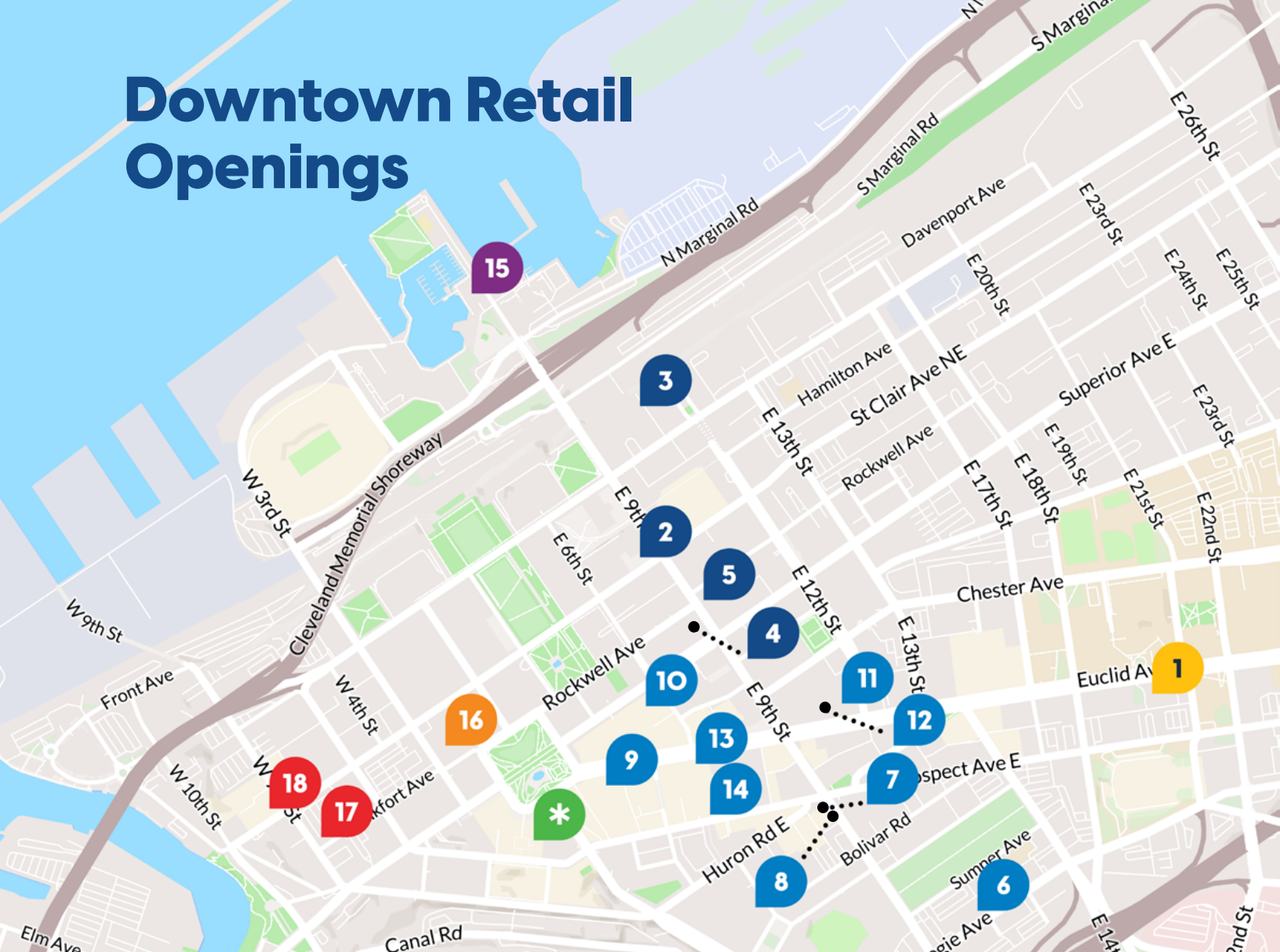
Downtown Cleveland welcomed a steady stream of new businesses, with much of the leasing activity concentrated in Tower City and the Gateway District. In total, 27 storefront businesses joined the market in the first half of 2023, with many more set to open by the end of summer. Overall, Downtown Cleveland has 2.9 million square feet of retail inventory, approximately

80% of which is currently occupied. High profile business openings like Five Iron Golf and Fahrenheit signal the promise of unique, experience-based concepts for populating Downtown's storefronts. We expect to see continued stabilization in the storefront economy as overall foot traffic activity picks up.

What Downtown Cleveland is Doing

Downtown Cleveland - with support from Destination Cleveland - has engaged Streetsense, selected due to their expertise in the connection between placemaking and retail development, to develop a Downtown Retail Action Plan. The plan will align property owners, real estate professionals, the public sector, and civic partners behind a clear strategy and action steps for strengthening Downtown Cleveland's storefront economy. The Retail Action Plan will be completed by early fall.

Downtown Retail Openings



Campus District

- 1. Tailgate Sports Bar & Grille

Erievue Historic District

- 2. Colossal Cupcakes Cafe
- 3. Bistro at North Point
- 4. leasha's Cupcake Cafe
- 5. Pizza Melt

Gateway District

- 6. Solstice Roasters
- 7. Parlay
- 8. Re:Bar La Plaza
- 9. DP Dough

- 10. F45

- 11. Image Studios
- 12. Five Iron Golf
- 13. Lionheart Cafe
- 14. Geraci's Slice Shop

North Coast Harbor

- 15. Intro Boutique

Public Square

- 16. Fahrenheit

Warehouse District

- 17. KUR Modern Medical Aesthetics
- 18. Hip Hop Smoothie Bar

*Tower City

- Blush Gallery
- Cleveland Sandwich Co.
- Eahora EBikes
- Echelon Brand
- Everybody Eats/It's Fresh
- In My Bag Collection
- Kouture Kreationz
- Median Luna Bakery
- Milk & Honey

Housing & Development

Over \$1 billion of construction activity underway and much more planned is building needed population and job density in the city's core. By the end of next year, new buildings will bring life to former surface parking lots in critical parts of Downtown - Euclid Avenue (City Club Apartments) and Public Square (Sherwin-Williams HQ). The Bell, a national model for converting a 1980s office building, will add hundreds of residents to the Erieview Historic District. MRN's Residences at the Guardian and Knez's Avenue Townhomes are meeting demand for for-sale housing. Somera Road's Ten60 and 1020 Bolivar projects are revitalizing an entire block in the Gateway District. Playhouse Square is completing the conversion of Bulkley Buildings offices into apartments.

The City's North Coast Connector Lakefront Plan, Bedrock's Cuyahoga River Master Plan, Cleveland State University's Master Plan, and other major planning efforts signal that Downtown Cleveland is building for an exciting and equitable future.



What Downtown Cleveland is Doing

Downtown Cleveland started the year with the release of an updated Downtown Housing Demand Study in collaboration with Greater Cleveland Partnership. The study, conducted by Urban Partners, showed sustained demand for Downtown housing. As development progresses, we are working with the City, County, NOACA, and property owners to plan and advocate for public realm improvements that stitch private investment into a seamless urban fabric. Through the end of the year, we will work with OHM Advisors and key stakeholders to develop human-centered solutions to multimodal circulation, curb management, transit waiting environments, and the pedestrian experience surrounding Public Square.

Hospitality

Downtown Cleveland continues to see growth in the hospitality industry with occupancy rates and revenue per average room steadily increasing. Though the early winter months tend to be quieter, events like Cleveland International Film Festival and the St. Patrick's Day Parade attract visitors from all around, bringing vibrancy and spending into Downtown in March and April.

We expect hotel occupancy to remain strong through the end of the year. In October, Downtown will host six local and national tech-related events, including the Forbes 30 Under 30 Summit. Looking ahead, 2024 is on pace to become a record-breaking year with major demand-drivers like the Solar Eclipse in April, the 2024 NCAA Women's Final Four, and a strong pipeline of conventions.

	Occupancy Rate	Avg.Daily Rate	RevPar
Jan. 2023	41.5%	\$151.51	\$62.82
Feb. 2023	45.4%	\$159.10	\$72.17
Mar. 2023	53.6%	\$165.00	\$88.47
Apr. 2023	57.6%	\$179.29	\$103.24
May 2023	58.5%	\$177.99	\$104.07





WinterLand Tree Lighting Ceremony



Juneteenth Freedom Fest



What Downtown Cleveland is Doing

Our Downtown Ambassadors provide a visible, unarmed, and uniformed presence working seven days a week, year-round to create a clean, safe, and welcoming environment for all. We lead the collaboration with the City of Cleveland, law enforcement, and social service agencies to enhance safety, public space maintenance and beautification.

We produce unique urban experiences, animating Downtown's streets, parks, and public spaces through all four seasons. We create opportunities for pedestrians to engage with public art, street performances, and frequent events that embody Cleveland's distinctive personality. Providing a safe, clean, welcoming, and active environment in Downtown bolsters the hospitality market by creating uniquely Downtown Cleveland experiences that leave visitors coming back for more.



**Downtown
Cleveland**

www.DowntownCleveland.com