

Akron Office, H2 2018

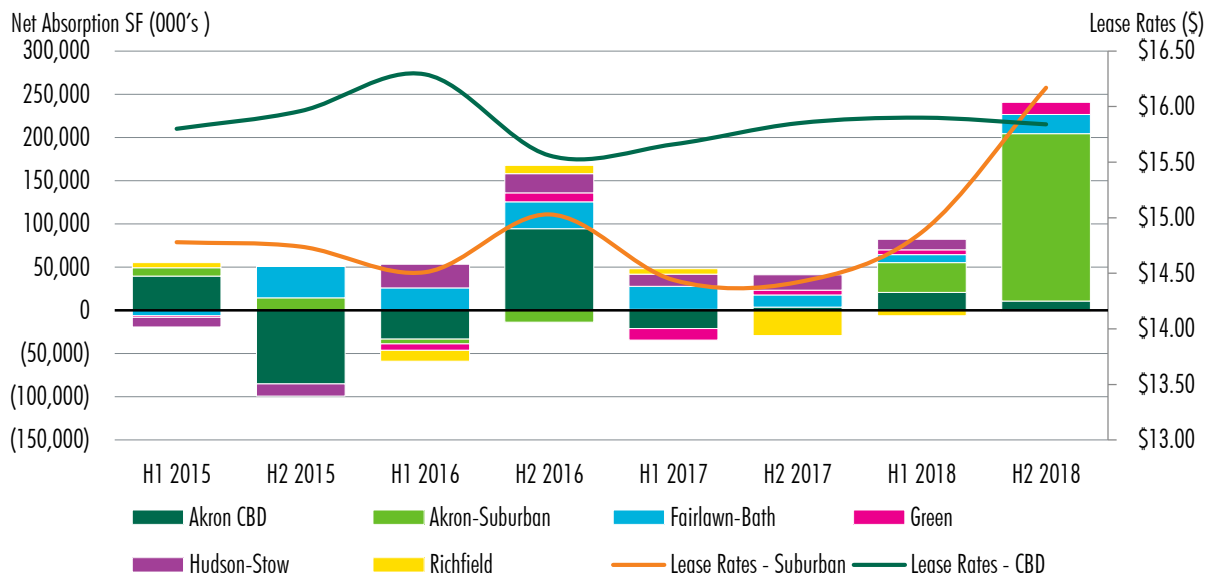
Large HQ relocation announcement highlights

busy end of 2018 in Akron Office Market

▼ Vacancy Rate **15.1%**
▲ Lease Rate **\$16.01 PSF**
▲ Net Absorption **215,204 SF**
▼ Under Construction **52,742 SF**

Figure 1: Akron Office Absorption & Lease Rates by Location & Class

*Arrows indicate change from previous quarter.



Source: CBRE Research, H2 2018.

- The Akron market ended 2018 with a total net absorption of 114,936, the second highest year-end total in the last five years due to a major announcement by Babcock & Wilcox (see next bullet point). Increased activity has had positive effects on metrics like asking lease rates, which have increased over \$1.00 since H2 2017.
- Babcock & Wilcox announced its decision to consolidate its local sites and move its headquarters from Barberton to the East End. The global leader in energy and environmental technologies also noted that it will relocate its operations from Charlotte, N.C. The relocation will bring 700 jobs to the city.
- In Fairlawn, Tufin, a cybersecurity firm, leased over 12,000 sq. ft., expanding one of its most important offices outside of Boston, MA. This news comes at a time when the University of Akron announced a cybersecurity partnership with local school districts.

Akron's office market carried strong momentum from H1 2018 into the second half of the year. Net absorption surpassed 215,000 sq. ft. due to several major tenant announcements and relocations, including Babcock & Wilcox, which will move operations from Charlotte, N.C. The global energy and environmental technology leader will take 180,000 sq. ft. at the East End development on East Market St, an office property that introduced new, quality space to Akron's Suburban submarket. Because of the project, asking lease rates in the Akron suburbs increased by \$1.30 to \$16.17 per sq. ft., positively affecting the overall market's rate in the process. Vacancy declined from 18% in H1 2018 to 15.1%, with suburban rates outperforming downtown.

Figure 2: Notable Lease Transactions

Property	Submarket	Sq. Ft.	Tenant	Industry	Type
The East End	Akron-Suburban	180,000	Babcock & Wilcox	Energy	New Lease
3200 West Market	Fairlawn/Bath	20,000	Cedarwood Companies	Real Estate Development	New Lease
3700 Embassy Pkwy	Fairlawn/Bath	12,258	Tufin	Software	New Lease
Richfield Courtyard Commons II	Richfield	7,000	Receivable Management Services Corporation	Debt Recovery Services	Renewal
789 White Pond	Akron	6,280			New Lease
540 White Pond Drive	Akron	6,000	Prime AE Group, Inc.	Engineering	Expansion

Source: CBRE Research, H2 2018.

Figure 3: Market Statistics

Submarket/ Class	Net Rentable Area (SF)	Vacancy Rate (%)	H2 2018 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking FSG Rate (\$/SF)
CBD Class A	1,494,534	9.5	(24,806)	17,152	-	19.67
CBD Class B	1,559,524	27.4	0	(6,365)	-	15.32
CBD Class C	164,706	50.0	2,300	7,370	-	11.46
CBD Total	3,218,764	20.3	(9,916)	30,027	-	15.84
Suburban Class A	1,799,471	16.7	201,591	210,974	52,742	20.36
Suburban Class B	2,312,513	12.7	26,979	39,604	-	13.95
Suburban Class C	447,310	15.9	(3,450)	13,866	-	12.12
Suburban Total	4,559,294	14.6	225,120	264,444	-	16.17
Akron CBD	3,218,764	20.3	(9,916)	30,027	-	15.84
Akron – Outer Ring	938,594	30.2	193,549	219,645	-	17.37
Fairlawn/Bath	2,200,039	10.1	25,240	34,648	42,742	15.88
Green	266,089	5.1	8,473	14,091	-	12.67
Hudson/Stow	631,490	12.0	(1,837)	2,773	10,000	13.94
Richfield	523,082	13.4	(305)	(6,713)	-	17.09
Metro Total	7,778,058	16.9	215,204	114,936	52,742	16.01

Source: CBRE Research, H2 2018.

AKRON - CBD

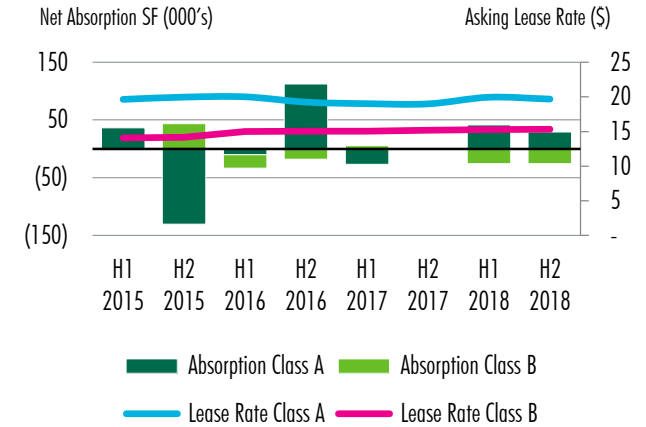
Downtown Akron’s office market experienced 9,916 sq. ft. of negative net absorption, bringing the year end total to 30,027 sq. ft. of positive absorption. Vacancy rates hover just above 20% as the area’s leasing activity remained flat. The conversion of non-competitive office product into multi-family and hotel properties will continue to stabilize these rates. The United Building, the Law Building, and CitiCenter are examples of buildings that will be given new life within the coming years.

Downtown Akron is undergoing a physical transformation. Projects like the Bowery and Main Street’s redesign will bring much-needed amenities to the city’s urban core. However, the growth does not come without challenges. As a major thoroughfare, South Main Street’s temporary closure will adversely impact both businesses and employees. Road work is currently being performed between Cedar and State Streets, which will bring new pavement, sidewalks, and landscaping to the corridor. Additional challenges stem from the removal and replacement of the State Street bridge, which will impact tenants in buildings around the intersection of State & Main Streets. Once the construction is complete, the neighborhood will become more pedestrian-friendly and should complement private sector investments in the area.

AKRON SUBURBAN

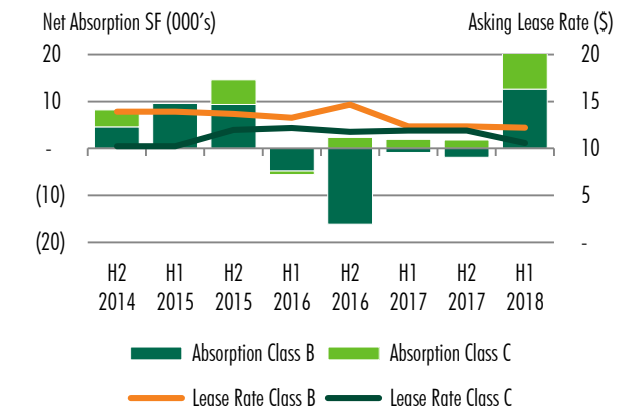
The suburban office market was more active than Akron’s Central Business District. Construction on two Class A office buildings— 242 Portage Trail Ext. W and 3600 Embassy Pkwy—totaling 52,742 sq. ft. are underway. Vacancy rates ticked up 14.6% while asking rates increased to \$16 per sq. ft., a sign of the East End’s newly added space being put on the market. After tenant shuffling at 3200 W Market Street, the property executed a 20,000 sq. ft. lease with Cedarwood Companies. The company will relocate from its current offices at 1765 Merriman Rd.

Figure 4: Akron CBD Absorption & Lease Rates



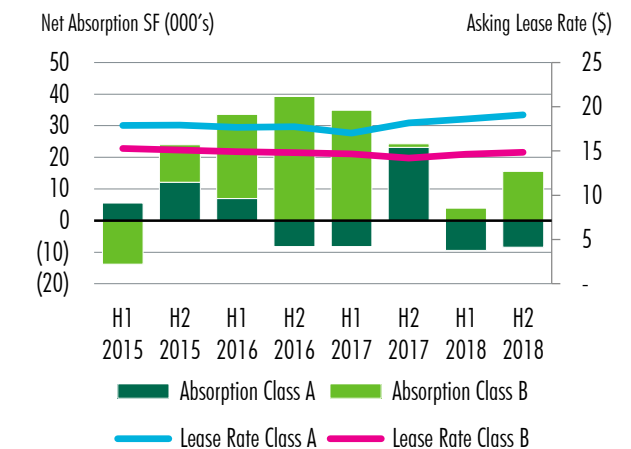
Source: CBRE Research, H2 2018.

Figure 5: Akron - Outer Ring Absorption & Lease Rates



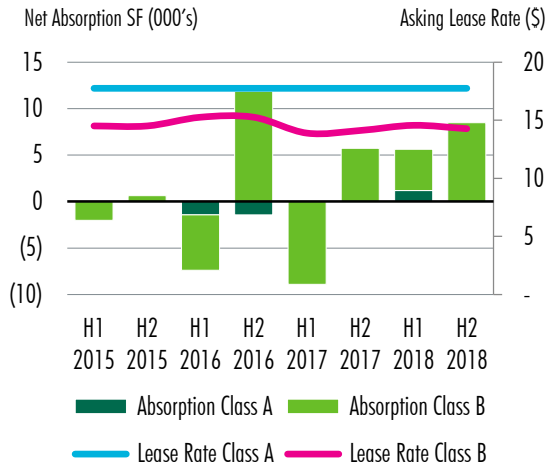
Source: CBRE Research, H2 2018.

Figure 6: Fairlawn/Bath Absorption & Lease Rates



Source: CBRE Research, H2 2018.

Figure 7: Green Absorption & Lease Rates



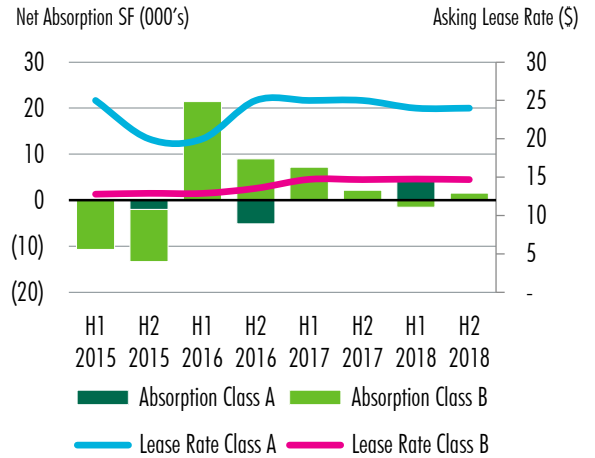
Source: CBRE Research, H2 2018.

LEASING ACTIVITY

Led by Babcock & Wilcox's major announcement, the market outperformed the prior five years with over 215,000 sq. ft. of positive net absorption. As noted in Figure 10, a large portion of the space was absorbed in the Akron Suburban and Fairlawn-Bath submarkets, which accounted for 94% of the square-feet leased in H2 2018. This demonstrates the impact and unique nature of the B&W lease. Deals of that size don't occur very often in markets the size of Akron's, so H2 2018 numbers are the anomaly rather than a trend.

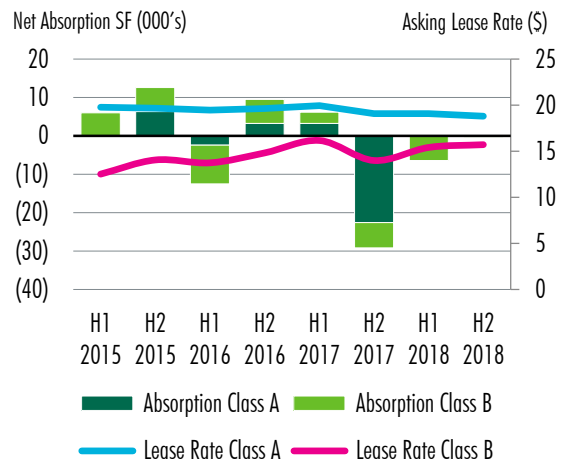
81% of leasing activity took place in Class A properties. As Akron continues to add quality product to its inventory via the East End and the Bowery project, companies will be able to find quality space in a market that has lacked opportunities in the recent past.

Figure 8: Hudson/Stow Absorption & Lease Rates



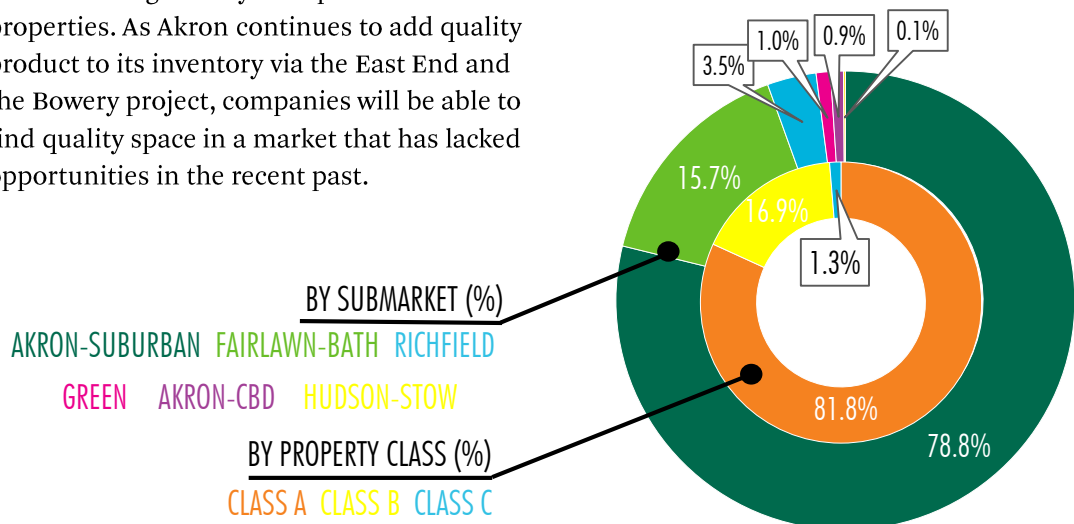
Source: CBRE Research, H2 2018.

Figure 9: Richfield Absorption & Lease Rates



Source: CBRE Research, H2 2018.

Figure 10: H2 2018 Leasing Activity



Source: CBRE Research, H2 2018.

AKRON ECONOMY

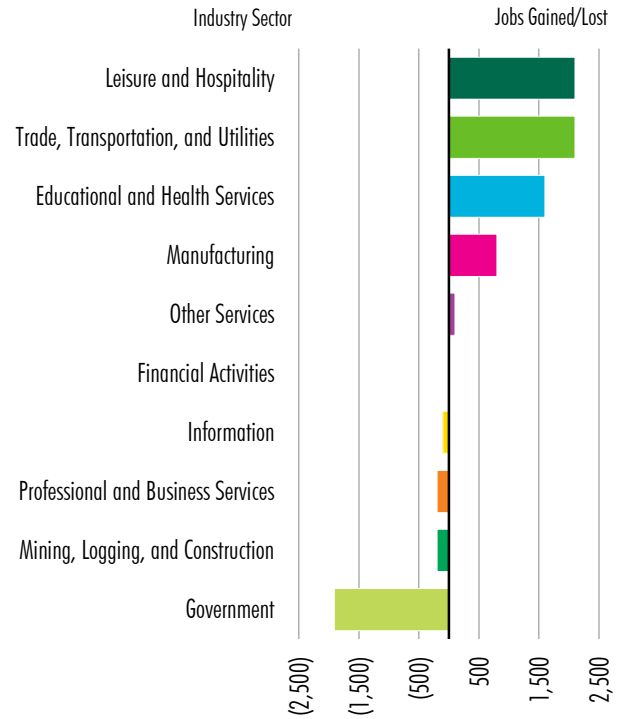
The Akron market experienced a year-over-year net gain of 4,290 jobs. These jobs were added primarily in Leisure/Hospitality and Trade/Transportation sectors, but a gain of 800 manufacturing jobs is very much noteworthy.

Often called the City of Invention, Akron continues to live up to its reputation. Verizon recently recognized the city as one of the top-50 most innovative communities, the only Ohio city to earn this designation. Patent activity in the region is incredibly strong and is anchored in both academic and industrial institutions. Between 2013 and 2017, the University of Akron produced over 1,100 patents, with a significant number of those focusing on polymer research.

Patents generated in Akron have been cited around the globe. From digital data processing in Florida to medical devices in Boston, the City of Invention continues to leave its mark on product development and commercialization.

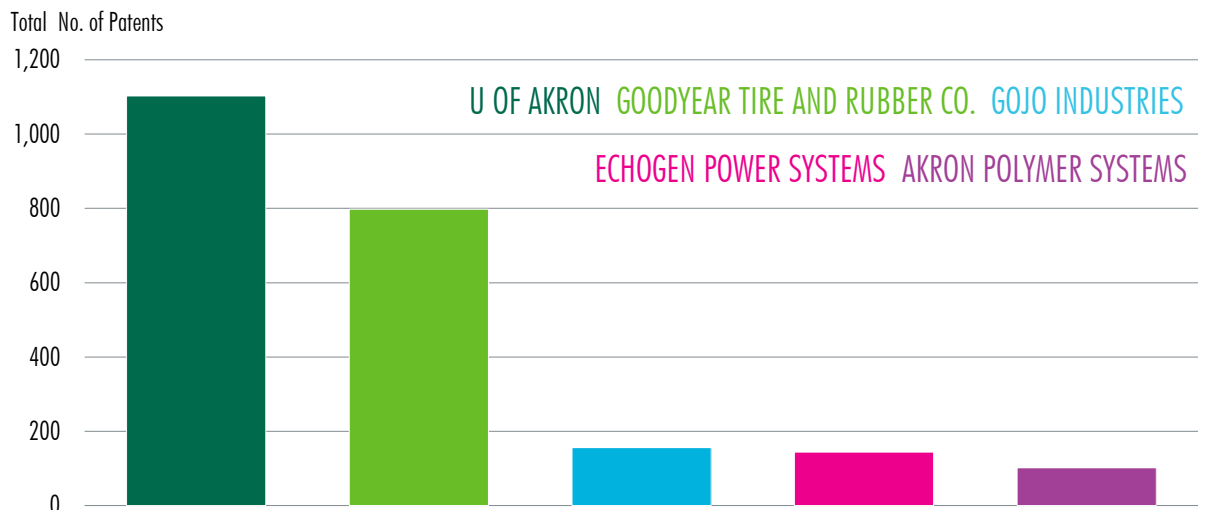
As previously mentioned, the expansion of Tufin in the Fairlawn-Bath submarket comes at an incredibly opportune time. In the Fall 2017, the University of Akron launched a Cybersecurity program to equip students with the skills to pursue a career as a cyber security analyst. The creation of a technical talent pipeline could entice occupiers to consider Akron as a place to locate as business operations continue to move online.

Figure 11: Year-over-Year Change in Jobs by Industry

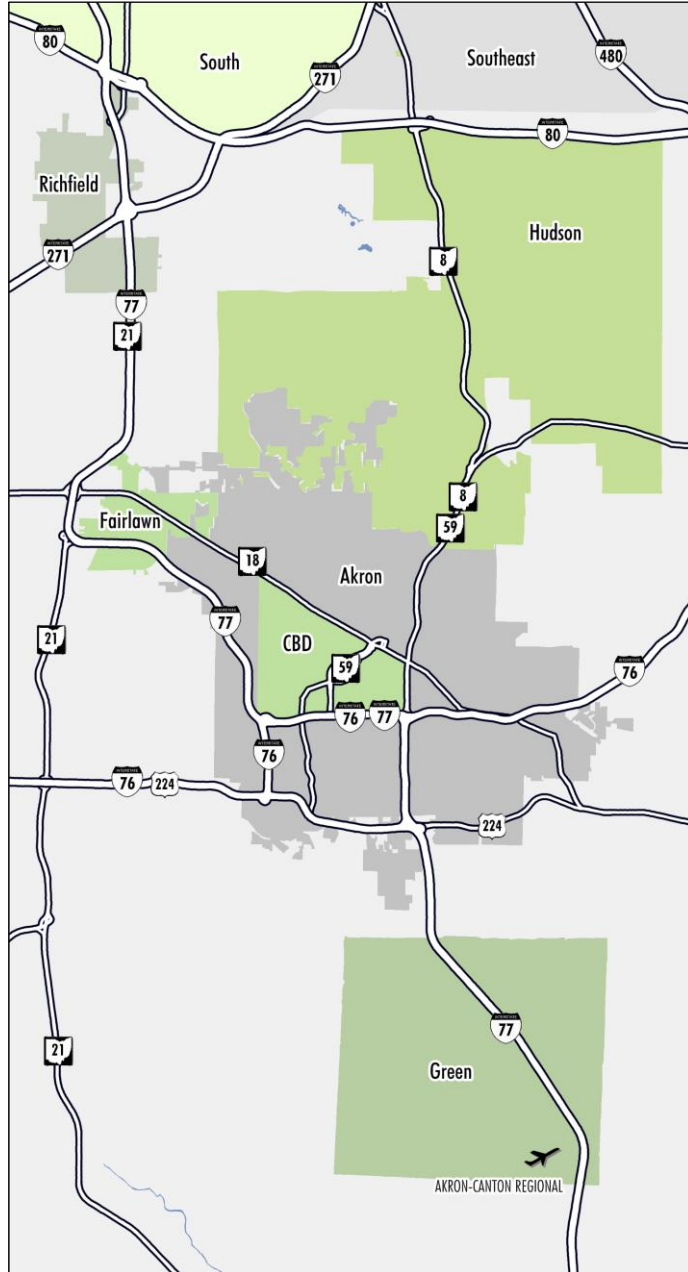


Source: Ohio Dept of Job and Family Services, November 2018.

Figure 12: Top-5 Patent Generating Organizations, 2013-2018



Source: US Patent and Trademark Office, PatentView.org.



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