Akron posts low activity in the first half of 2022

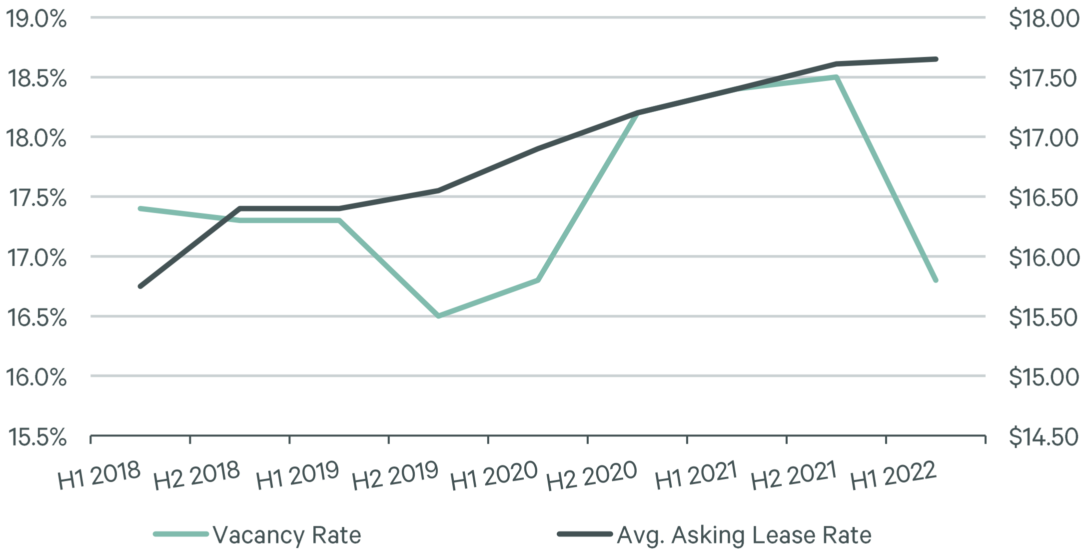
16.8%	(2,991)	0	$17.65
Vacancy Rate	SF Net Absorption	SF Construction	Gross / Lease Rate

Note: Arrows indicate change from previous quarter.

Summary

- Akron office saw a rise in absorption for the suburban market following the past two years of low activity. The suburban market saw 5,576 sq. ft. of positive absorption; however, the overall Akron market saw (2,991) sq. ft. of negative absorption.
- Average direct asking lease rates rose from $17.40 in H1 2021 to $17.65 in H1 2022.
- Akron experienced a large decrease in the vacancy rate, from 18.5% in H2 2021 to 16.8% in H1 2022. This was due to a few office building conversions such as the Goodrich Apartments at 530 S Main St., which previously accounted for around 250,000 sq. ft. of vacant office space.
- The Richfield submarket saw the most Class A activity with 2,809 sq. ft. of positive absorption. Class A availability has decreased while overall availability has remained consistent.
- The market saw 545,722 sq. ft. of sublease space available with over 70% being Class A space. Fairlawn hosts most of the available sublease space at 207,786 sq. ft.
- A notable office property sale was the $16.6M purchase of 50 Executive Pkwy by the Benedict Realty Group in March 2022. The building is roughly 69,000 sq. ft. and is the headquarters of Diebold Nixdorf, Inc.

FIGURE 1: Historical Total Vacancy Rate vs. Average Asking Lease Rate



Source: CBRE Research

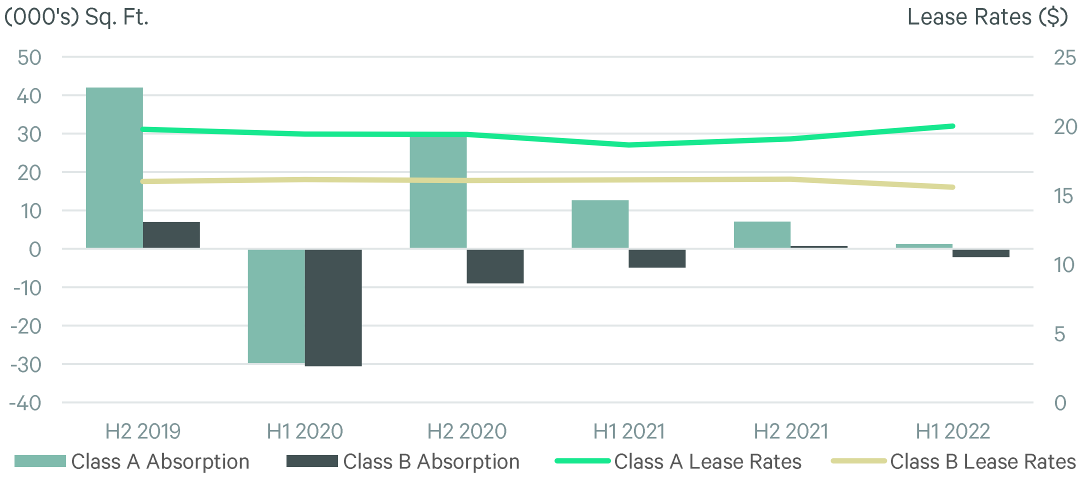
Submarkets

The overall Akron suburban market saw the highest net absorption with 5,576 sq. ft. while downtown posted (8,567) sq. ft. of negative absorption. The CBD saw a decrease of Class A product absorption by 5,897 sq. ft. from H2 2021 to H1 2021.

Class A lease rates are trending upward in the CBD, Hudson/Stow, and Richfield submarkets sitting at $19.98, $20.85, and $20.46, respectively. The CBD also saw an increase in the vacancy rate by 10% from H2 2021 to H1 2022.

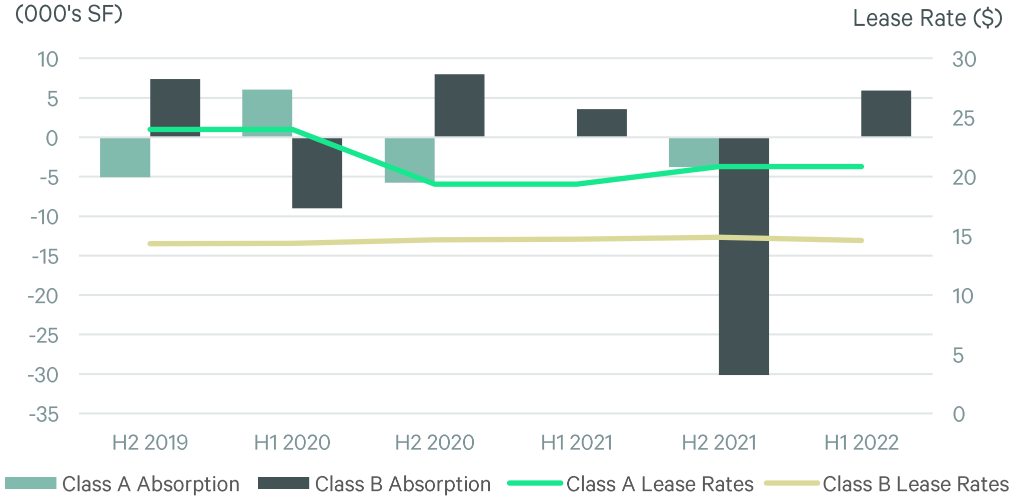
Richfield and Hudson/Stow housed 98,835 sq. ft. and 66,429 sq. ft. of available sublease space, respectively.

FIGURE 2: Akron CBD Net Absorption vs. Lease Rates



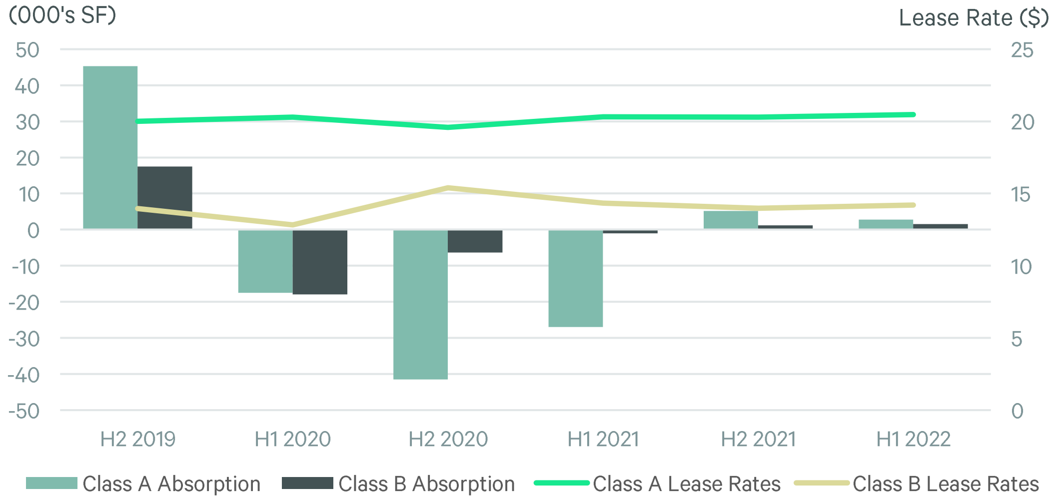
Source: CBRE Research

FIGURE 3: Hudson/Stow Net Absorption vs. Lease Rates



Source: CBRE Research

FIGURE 4: Richfield Net Absorption vs. Lease Rates



Source: CBRE Research

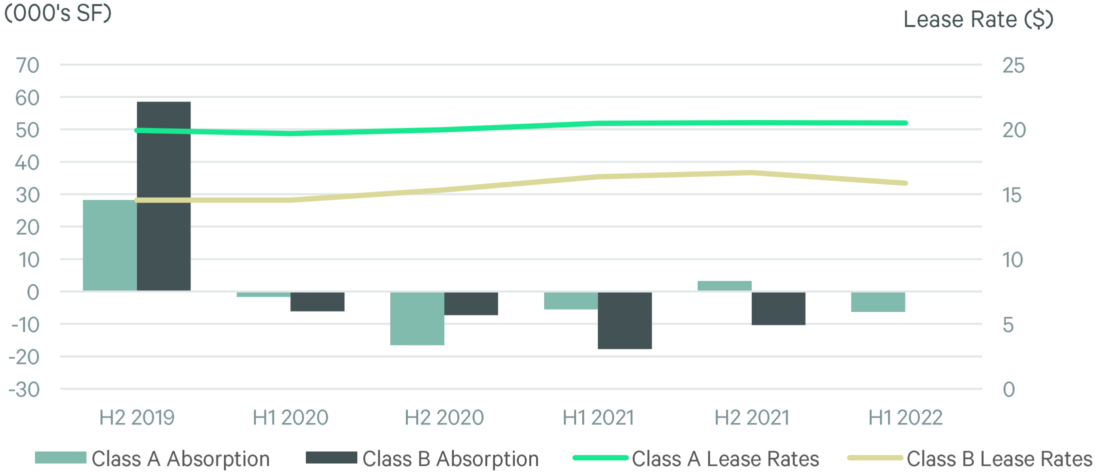
Submarkets

Net absorption was minimal throughout the submarkets. Only two submarkets experienced positive net absorption while the CBD, Akron-Outer Ring and Fairlawn submarkets saw negative absorption

The highest volume of activity occurred in leases under 10,000 sq. ft. and were centered in the Fairlawn submarket. Approximately two thirds of these leases were in Class A buildings.

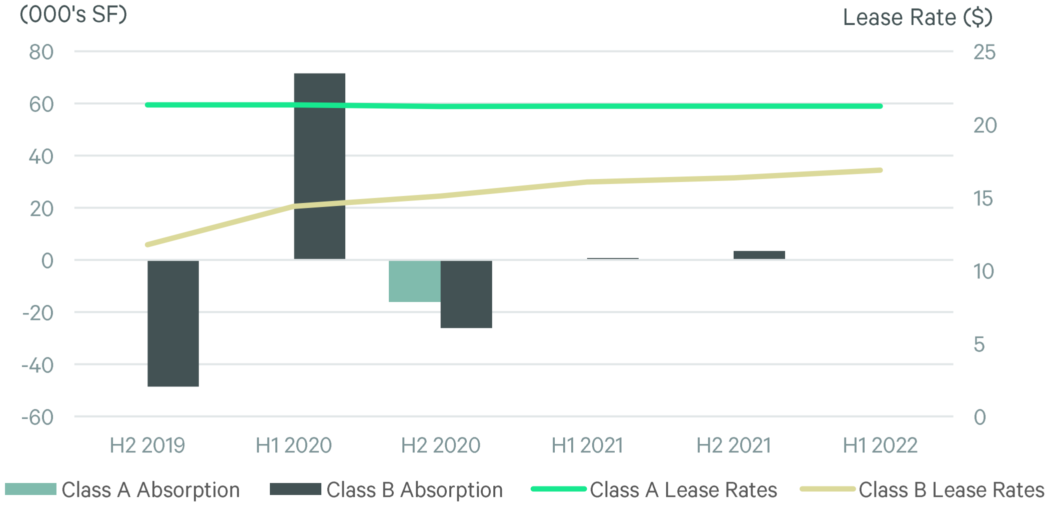
Akron-Outer Ring houses 172,672 sq. ft. of available sublease space, whereas Green houses 0 sq. ft. of available sublease space.

FIGURE 5: Fairlawn/Bath Net Absorption vs. Lease Rates



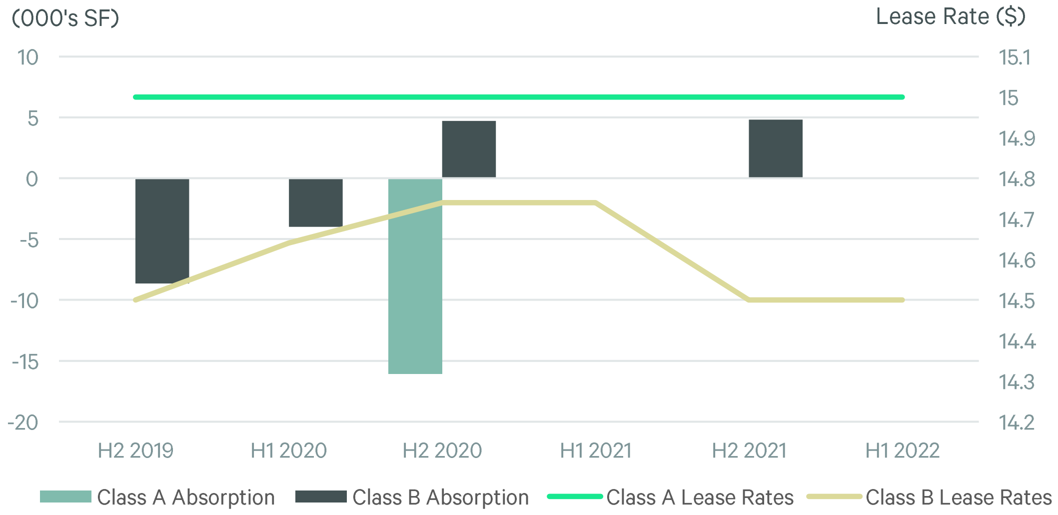
Source: CBRE Research

FIGURE 6: Akron – Outer Ring Net Absorption vs. Lease Rates



Source: CBRE Research

FIGURE 7: Green Net Absorption vs. Lease Rates



Source: CBRE Research

Vacancy

The Akron market has seen an increase of vacant space since the start of the pandemic in 2020. Vacant space grew from 1.3M sq. ft. in H2 2019 to 1.5M in H2 2021. For the first time since then it has settled near pre-pandemic levels to 1.3M sq. ft.

In the first half of 2022, the overall vacancy rate was 16.8% and the Class A rate reached 17.7%. Class C properties posted the highest vacancy rate of 21.5%.

The CBD submarket contains the largest inventory of office space but also has the largest concentration of vacant space, currently at 456,940 sq. ft.

The nation is experiencing a flight to quality trend with tenants seeking Class A properties at growing speeds. Akron has been slow to follow in national trends and is still recovering from the pandemic. Overall occupancy has been low, and occupiers are slow to make long-term decisions.

Over 70% of leases signed in the CBD since January 2021 were under 10,000 sq. ft. Work-from-home office environments and ongoing economic uncertainty has caused the CBD to see decreased activity and occupancy.

Lease Rates

Year-over-year, average asking lease rates for Class A product have increased \$0.14 and now sit at \$20.46. The average asking lease rate in the suburban market sits at \$17.84 and \$17.26 in the downtown market.

Market Activity

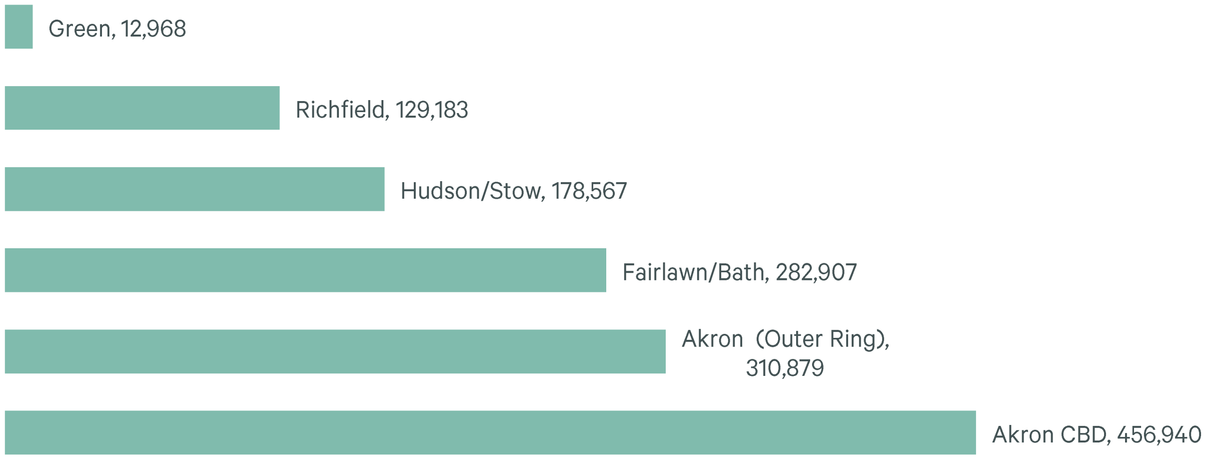
Akron houses a significant number of troubled assets, some long vacant, which are now up for active auction. This includes 150 E Market St. and 1799 Akron Peninsula Rd. Both buildings are Class C and house 33,000 sq. ft. and 21,860 sq. ft., respectively.

In March 2022, construction completed at the new TrustedSec headquarters in Fairlawn. Located at 3485 Southwestern Blvd, the three-story building totals 20,000 sq. ft.

In the same Fairlawn Corporate Park as the new TrustedSec headquarters, there are plans to build a data center for the Summit County Public Safety Fiber and Communications Network. The Akron Beacon Journal notes this project includes a 125-mile fiber optic ring and a \$22M data center, which will be completed by 2025.

4500 Munson St., a 150,000 sq. ft. Class A office building, has been vacated by Synchrony Financial earlier this year and is now available.

FIGURE 8: Vacant Space by Submarket (Sq. Ft.)



Source: CBRE Research

Tracked set for office buildings: 10,000 sq. ft. or greater.

Economic Outlook

Economic conditions have changed considerably from just a few months ago. Persistently high inflation that is increasingly being driven by higher food and energy prices, sparked by supply-demand imbalances and Russia's invasion of Ukraine, has greatly impacted conditions. The U.S. is particularly vulnerable to higher gasoline prices, which directly impact consumption. As of late June, gasoline is more than $5 a gallon, up 50 percent from the beginning of the year. Meanwhile, consumer sentiment has declined to levels reminiscent of periods of economic stress, suggesting consumers are very concerned despite a tight labor market and wage growth.

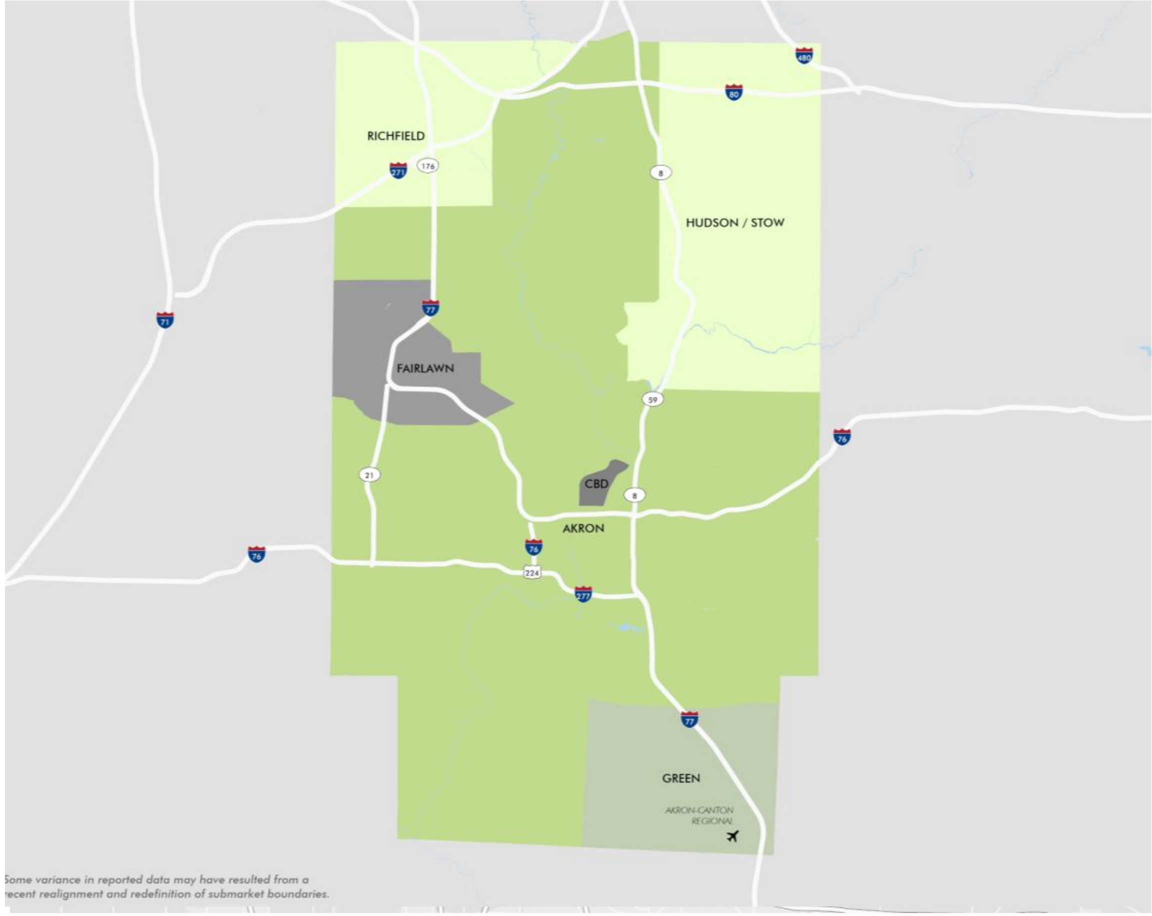
The Federal Reserve's attention is now centered on fighting inflation, evidenced by a 75-basis-point rate hike in June that rattled credit markets. We expect this will be followed by at least two 50-basis-point hikes through September. Our baseline view expects the Fed will be able to restrain inflation to roughly 7 percent by year-end 2022, but this will come at the cost of economic growth and a recession is expected in coming quarters. Already, rate hikes are filtering down to 'Main Street' via falling home sales and more cautious business expansion plans. The labor market will also soften, with the unemployment rate increasing to the mid-4-percent range. Once inflation is tamed, both capital and real estate markets should become more predictable again.

FIGURE 9: Market Statistics

Submarket / Class	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Availibility Rate (%)	H1 2022 Net Absorption (Sq. Ft.)	Asking Rate ($/Sq. Ft.)
CBD Class A	1,646,123	10.3%	13.2%	1,214	$19.98
CBD Class B	1,378,783	16.6%	19.9%	(2,156)	$15.56
CBD Class C	164,706	35.4%	35.4%	(7,625)	$12.82
CBD Total	3,189,612	14.3%	17.3%	(8,567)	$17.26
Suburban Class A	2,064,758	23.6%	41.4%	(3,534)	$20.67
Suburban Class B	2,417,141	14.2%	18.7%	7,429	$15.78
Suburban Class C	502,402	17.0%	32.3%	1,681	$12.53
Suburban Total	4,984,301	18.3%	29.4%	5,576	$17.84
Akron CBD	3,189,612	14.3%	17.3%	(8,567)	$17.26
Akron – Outer Ring	1,281,358	24.3%	49.2%	(548)	$18.74
Fairlawn / Bath	2,117,432	13.4%	16.6%	(4,102)	$17.70
Green	222,429	5.8%	7.5%	0	$14.85
Hudson / Stow	620,863	28.8%	33.0%	5,917	$14.75
Richfield	742,219	17.4%	35.5%	4,309	$19.64
Metro Total	8,173,913	16.8%	24.7%	(2,991)	$17.65

Source: CBRE Research

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Office buildings 10 000 sq. ft. or greater. Excludes single-tenant owner-occupied buildings, Government owned and occupied buildings, or Medical buildings.

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