



MULTIFAMILY REPORT

Cleveland Carries On

October 2024

Rent Growth Outpaces US

Job Market on Shaky Ground

Occupancy Dips Below National Average

CLEVELAND MULTIFAMILY



Rents Solid Despite Slowing Economy

Cleveland advertised asking rents increased by 0.2% on a trailing three-month basis through August, outperforming the national average. Rates were up 3.0% year-over-year, to \$1,196, well above the 0.8% national rate of growth, which brought the U.S. average to \$1,741. The metro's occupancy rate decreased by 40 basis points year-over-year, to 94.5% as of July, just below the 94.7% U.S. figure.

In June, Cleveland's unemployment rate was 4.3%, while Akron settled at 5.3%, according to data from the Bureau of Labor Statistics. Both figures were higher than the national average of 4.1%. Cleveland employment gains were meagre, with only 2,600 net jobs added in the 12 months ending in June, for a 0.4% expansion. Ahead of groundbreaking, the Interdisciplinary Science and Engineering Building at Case Western Reserve University received more than \$100 million in private donations. The 189,000-square-foot building is scheduled to open in the fall of 2026.

The metro had 4,152 units under construction as of August and an additional 15,000 units in the planning and permitting stages. Transactions during the first eight months of the year consisted mostly of Renter-by-Necessity properties, which accounted for \$200 million of total volume. Meanwhile, this year's sales have already outpaced 2023's sluggish transaction volume of \$170 million.

Market Analysis | October 2024

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Recent Cleveland Transactions

Easthaven at the Village



City: Beachwood, Ohio
Buyer: The Solomon Organization
Purchase Price: \$70 MM
Price per Unit: \$195,030

Midtown Towers

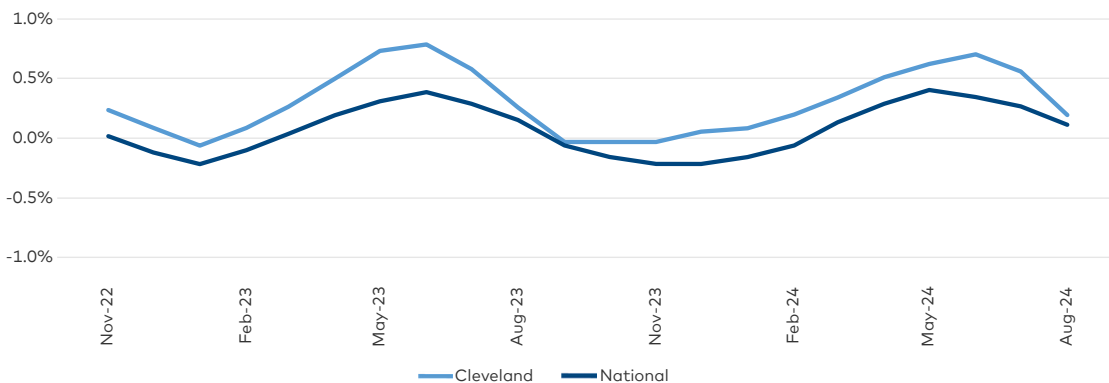


City: Parma, Ohio
Buyer: Oakmark Management
Purchase Price: \$47 MM
Price per Unit: \$73,386

RENT TRENDS

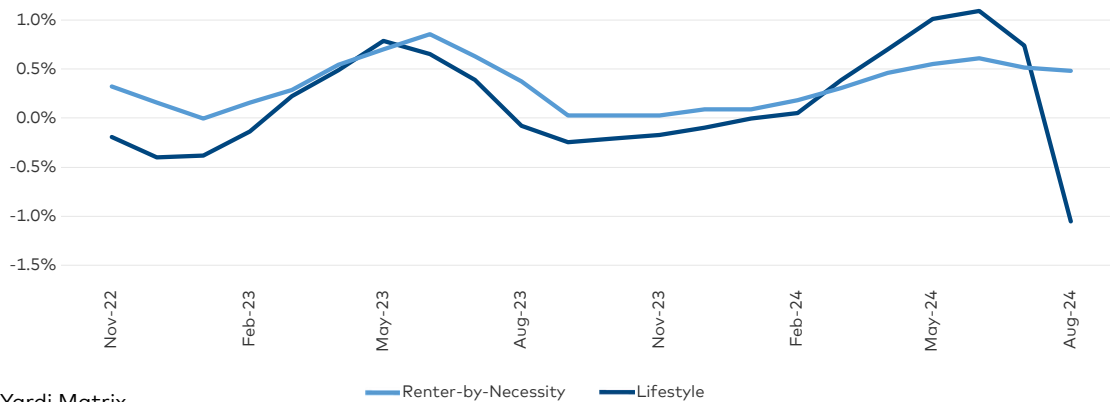
- ▶ Cleveland advertised asking rents increased 0.2% on a trailing three-month (T3) basis through August, which was double the national average. Cleveland rates were up 3.0% year-over-year, far exceeding the national figure of 0.8%.
- ▶ The metro's average advertised asking rent in August was \$1,196, considerably lower than the \$1,741 national figure. Local rent growth was driven by the working-class Renter-by-Necessity segment, with advertised asking rents up 0.5% on a T3 basis, to \$1,105. Lifestyle figures dropped 1.1%, to \$1,779. Year-over-year, RBN rent growth was as high as 3.9%, while Lifestyle rates contracted 0.6%.
- ▶ The overall occupancy rate in stabilized assets decreased 40 basis points year-over-year, to 94.5% as of July. The slight decrease brought it just below the 94.7% U.S. rate, which had remained flat. Occupancy in the Lifestyle segment declined 100 basis points year-over-year, to 93.3%. Meanwhile, occupancy for RBN assets fell 30 basis points, to 94.7%.
- ▶ Most of Cleveland's 65 submarkets recorded positive rent development. Strongsville led gains with a 9.7% increase, to \$1,319, followed by Shaker Heights (up 8.8% to \$994) and Broadview Heights (8.3% to \$1,165). At the opposite end, the Ohio City submarket experienced the largest decline, with rents falling 6.0%, to \$1,928. Even with this decline, the submarket remained the metro's most expensive.

Cleveland vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Cleveland Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Cleveland's unemployment rate increased 10 basis points month-over-month, to 4.5% as of June, based on data from the Bureau of Labor Statistics. Akron's unemployment rate also rose, up 60 basis points, to 5.3%. Meanwhile, the state's figure was 4.4% and the national unemployment rate stood at 4.1%.
- Greater Cleveland added just 2,600 net jobs in the 12 months ending in June, marking a 0.4% increase. The growth rate was less than a third of the 1.3% U.S. average. Despite the overall positive movement, the metro job growth has been under 1.0% since October 2023.
- Five sectors added jobs, while the other five contracted. Education and health services stood out with the highest job growth, gaining 6,700 positions. Meanwhile, the manufacturing and financial activities sectors struggled the most, losing a combined 5,900 positions.
- Case Western Reserve University is one step closer to breaking ground on the \$300 million Interdisciplinary Science and Engineering Building. In addition to century bonds, CWRU has secured more than \$100 million in private donations. The 189,000-square-foot building will include modular labs, adjustable spaces such as wet and dry labs, and a ground-level cafe. ISEB is expected to come online in the fall of 2026.

Cleveland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	265.3	18.7%
80	Other Services	52.5	3.7%
90	Government	174.2	12.3%
70	Leisure and Hospitality	141.3	10.0%
15	Mining, Logging and Construction	58.3	4.1%
40	Trade, Transportation and Utilities	258	18.2%
60	Professional and Business Services	205.2	14.5%
50	Information	17.7	1.3%
30	Manufacturing	155.4	11.0%
55	Financial Activities	88.1	6.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In 2022, Cleveland-Akron lost 4,703 residents, a 0.2% year-over-year decrease. By contrast, the national population grew by 0.4% during the same period.
- Since 2010, the metro area has seen a decline of 6,830 residents, for a 0.3% decrease.

Cleveland vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Cleveland	2,056,898	2,053,137	2,084,462	2,079,759

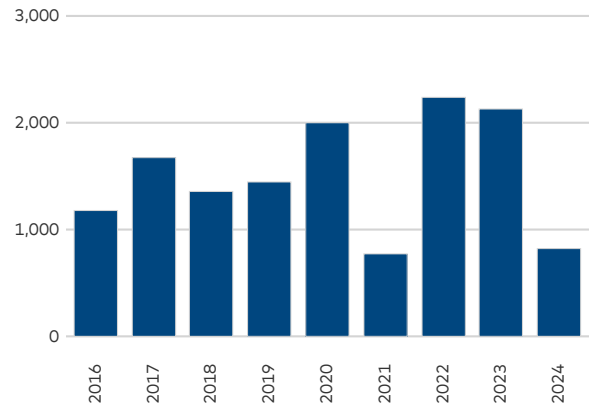
Source: U.S. Census

SUPPLY

- ▶ As of August, Cleveland had 4,152 units under construction. Nearly 7% of units underway were in fully affordable developments, although no project had more than 100 units. Most of the units were in Lifestyle projects, while only 6% were within RBN developments. Additionally, the metro's pipeline included 15,000 units in the planning and permitting stages.
- ▶ Cleveland developers completed 825 units year-to-date through August, approximately 600 fewer than during the same period last year. Completions represented 0.5% of the total stock, which was less than a third of the 1.7% national rate.
- ▶ Developers broke ground on five properties totaling 925 units in the first eight months of the year. This marked a nearly 50% decrease compared to the same period last year, when developers started work on 1,779 units.
- ▶ Of the 65 submarkets tracked by Yardi Matrix, 15 had 50 units or more in multifamily projects underway. With 855 units under construction, downtown Cleveland continued to lead activity. It was followed closely by Broadway (850 units), while other urban submarkets with significant activity included Cleveland Heights (694 units) and Geauga (331 units).

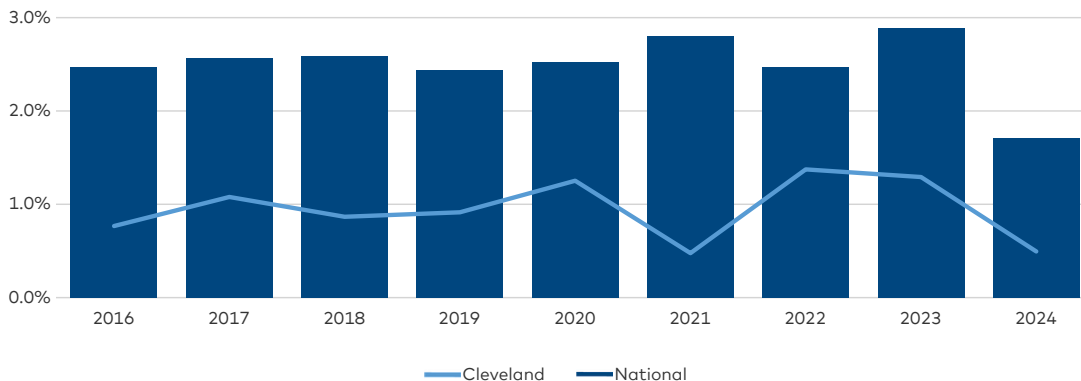
- ▶ With 250 units, VC Station in Akron, Ohio, was the largest property completed in 2024 through August. Developed by Vision Development, the 28-building property was built with the help of a 25-year ground lease held by The Development Finance Authority of Summit County. The developer also secured a \$36 million construction loan from Peoples Bank, according to Yardi Matrix data.

Cleveland Completions (as of August 2024)



Source: Yardi Matrix

Cleveland vs. National Completions as a Percentage of Total Stock (as of August 2024)



Source: Yardi Matrix

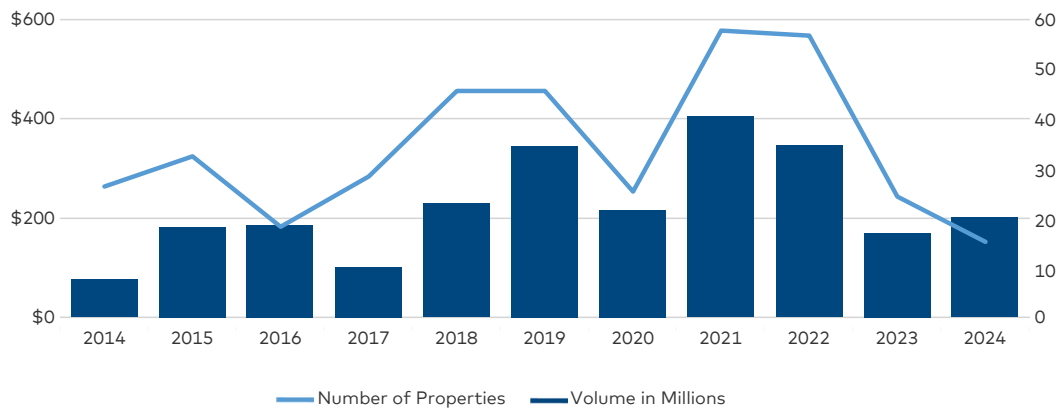
TRANSACTIONS

- ▶ Cleveland's transaction volume reached \$200 million in the first eight months of this year, a substantial increase from the \$130 million that traded in the same time frame of 2023. This year's volume also exceeded 2023's \$170 million total and is on track to reach the five-year annual average of \$297 million by the end of the year.
- ▶ In line with historical trends, most sales involved RBN properties. The segment accounted for 14 of the 16 sales recorded. This brought the aver-

age price per unit to \$105,527 as of August. This was considerably higher than the \$69,749 average recorded in the same period last year but was well below the \$184,269 national figure.

- ▶ In the 12 months ending in August, investors traded \$246 million in assets. However, only 10 of the metro's 65 submarkets had any activity at all. Of these, Solon, Parma, Portage and downtown Cleveland carried the bulk of investment volume—\$203 million.

Cleveland Sales Volume and Number of Properties Sold (as of August 2024)



Source: Yardi Matrix

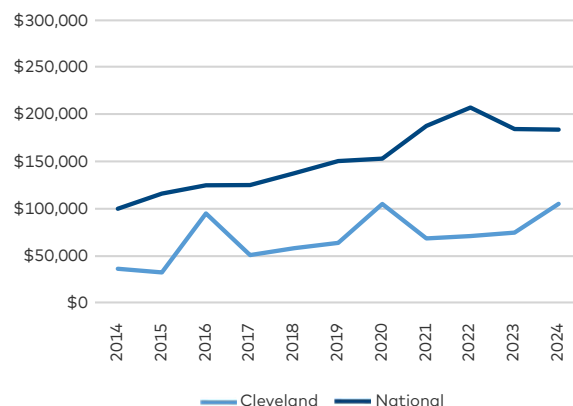
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Solon	70
Parma	50
Portage	42
Cleveland-Downtown	40
Eastlake	16
Brookpark	12
Bedford	8

Source: Yardi Matrix

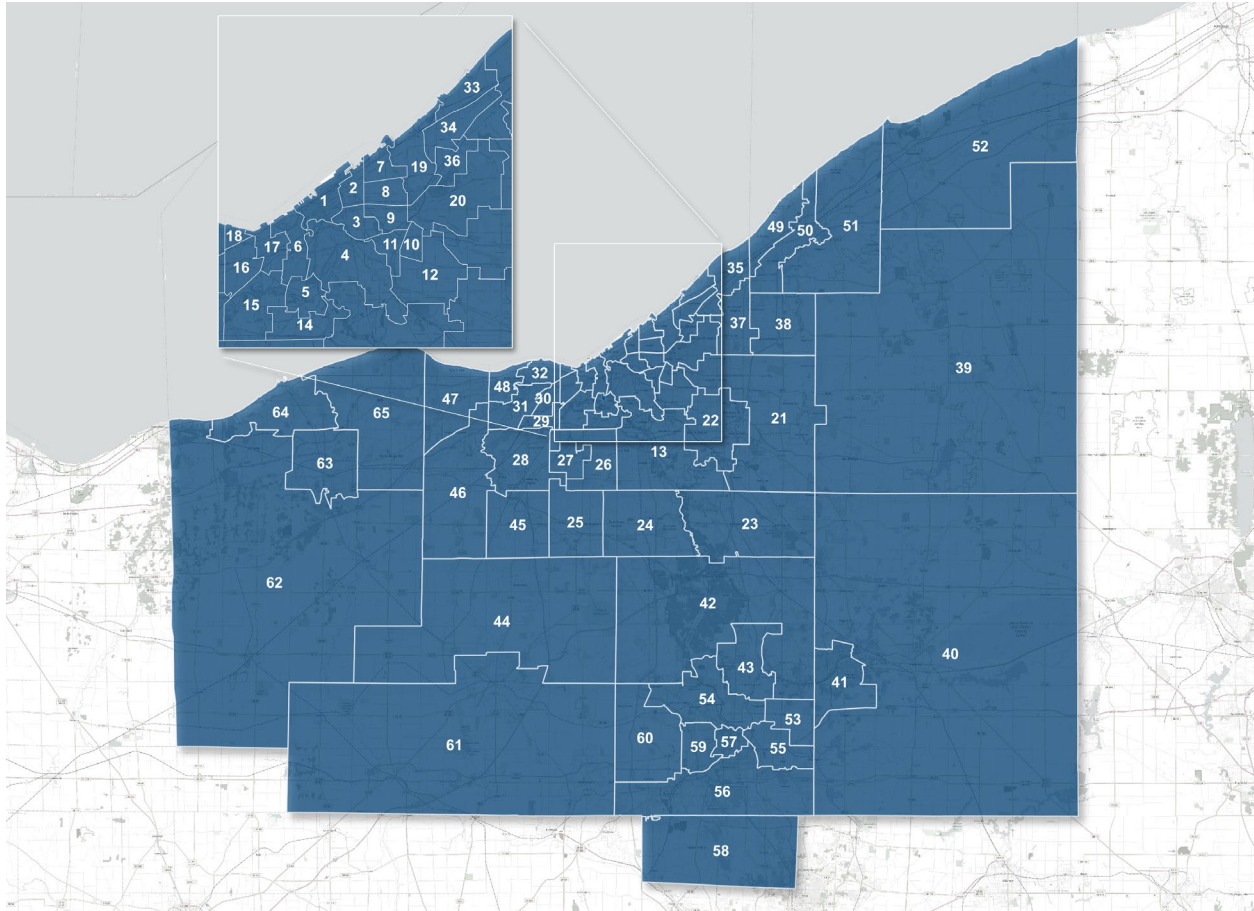
¹ From September 2023 to August 2024

Cleveland vs. National Sales Price per Unit



Source: Yardi Matrix

CLEVELAND SUBMARKETS



Area No.	Submarket
1	Cleveland–Downtown
2	Goodrich–Kirtland Park
3	Central
4	Broadway
5	Brooklyn Centre
6	Ohio City
7	St. Claire–Superior
8	Hough
9	Fairfax
10	Woodland Hills
11	Kinsman
12	Shaker Heights
13	Garfield Heights
14	Old Brooklyn
15	Brooklyn
16	Cudell
17	Shoreway
18	Edgewater
19	Glenville
20	Cleveland Heights
21	Solon
22	Bedford

Area No.	Submarket
23	Twinsburg
24	Broadview Heights
25	North Royalton
26	Parma
27	Parma Heights
28	Brookpark
29	Puritas
30	Jefferson
31	Fairview Park
32	Lakewood
33	North Collinwood
34	South Collinwood
35	Euclid
36	Cleveland–East
37	Richmond Heights
38	Mayfield
39	Geauga
40	Portage
41	Kent
42	Summit
43	Cuyahoga Falls
44	Brunswick

Area No.	Submarket
45	Strongsville
46	Olmsted
47	Westlake
48	Rocky River
49	Eastlake
50	Willoughby
51	Mentor
52	Lake
53	Tallmadge
54	Akron–North
55	Akron–East
56	Akron–South
57	Akron–Downtown
58	Uniontown
59	Akron–West
60	Copley
61	Medina
62	Lorain
63	Elyria
64	Lorain–Downtown
65	Avon

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.



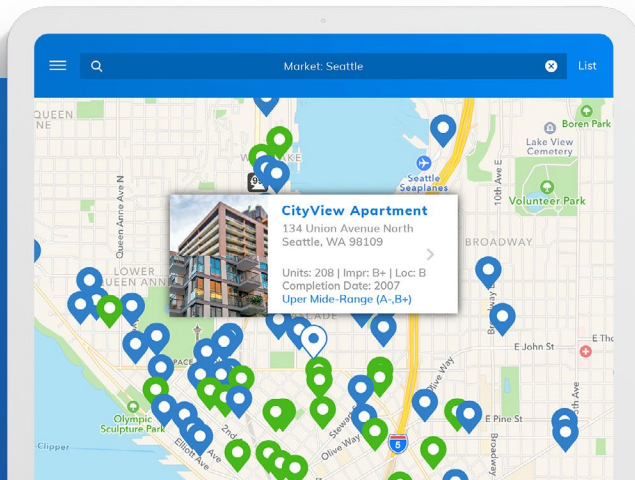
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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