

Cleveland IQ 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$1,152 IQ 2024



IQ 2024 RENT CHANGE
2.9%



OCCUPANCY RATE
92.3% IQ 2024



ANNUAL OCCUPANCY CHANGE
-160 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL CHANGE
4.1% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
5.9% (FEB 2024)

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- **Top Ranked Rent Performance:** Cleveland saw a 2.9% year-over-year rise in average effective rents to \$1,113 per month, outpacing the national average and ranking third among major apartment markets.
- **Continued Rental Growth:** By year's end, Cleveland is projected to experience a 4.1% annual rent increase, propelled by stabilizing occupancy rates and a slowdown in new developments.
- **Positive Impact of Capital Projects:** Major investments, like Cleveland Clinic's expansion within the \$565 million Innovation District and Sherwin-Williams' new \$600 million HQ and research center, are expected to create thousands of jobs over the coming years, boosting Cleveland's economy and laying the foundation for apartment demand.

Supply & Demand

IQ 2024

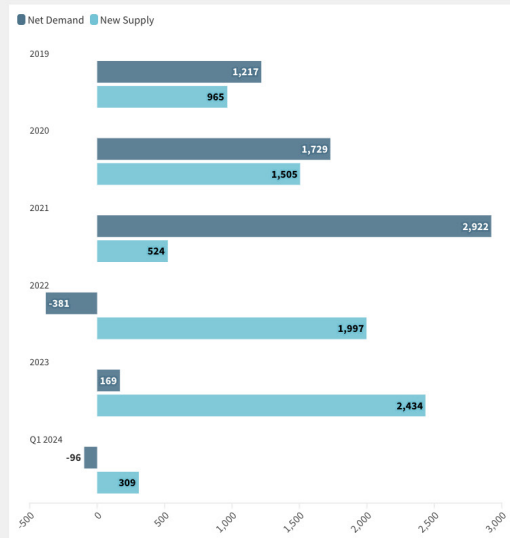


-96 Units
QUARTERLY DEMAND



309 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



• A Flourish chart

Demand Trends

In the first quarter of 2024, Cleveland's apartment market stumbled, with net absorption turning negative. Despite this, Downtown Cleveland remained a key demand hub, with area renters absorbing 30 units. While the first quarter recorded negative absorption, annual demand remained positive. The strongest demand has been in areas with recent additions of Class A units, particularly Downtown Cleveland, which absorbed a total of 419 units.

Construction Trends

In the first quarter of 2024, the Cleveland apartment market saw the delivery of 309 new units, following a year of record completions. Currently, 3,241 units remain under construction, with an additional 1,754 units expected to be completed over the next four quarters. Over the past 12 months, East Cleveland led in the number of new units with 1,018 completed.

Occupancy & Rent Trends



A Flourish chart

OCCUPANCY TRENDS

The elevated number of deliveries to the Cleveland market in 2023 has put downward pressure on occupancies across the metro area. Negative absorption over the past few quarters led to a 140-basis point year-over-year decline in occupancy. Due to the influx of new supply, occupancy among luxury properties is the lowest in the market at 89.4%, while Class B and C properties average around 92.7%.

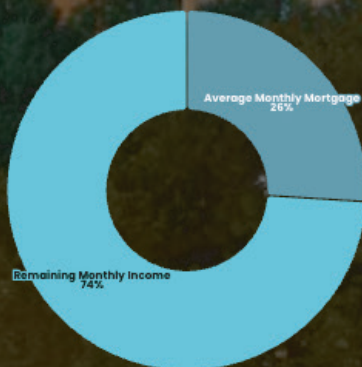
Looking ahead, occupancy in Cleveland is expected to tighten through the second half of 2024. With a slowing construction pipeline leading to fewer new units in the near term, net absorption is likely to rebound during the historically strong leasing periods of spring and summer.

RENT TRENDS

In the first quarter of 2024, Cleveland's multifamily market experienced a 2.9% year-over-year increase in average effective rents for new leases, reaching \$1,113 per month. This growth outpaced the national average of 0.8% and ranked third in rent performance among major U.S. multifamily markets. By the end of the year, Cleveland is expected to see a 4.1% annual rent increase, driven by stabilizing occupancy rates and a slower pace of new developments.

The most notable rent growth that occurred in Cleveland was located in the desirable Avon/Westlake submarket, which saw a 4.5% increase. More affordable areas like Brooklyn Heights also experienced significant growth, with a 7.5% rise due to limited new supply. With the exception of Southeast Cleveland, all submarkets reported positive year-over-year rent changes.

MONTHLY MORTGAGE AS A SHARE OF INCOME



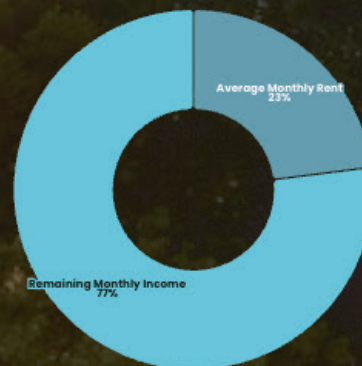
A Flourish chart



\$1,296

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



A Flourish chart



\$1,152

Average Monthly Rent

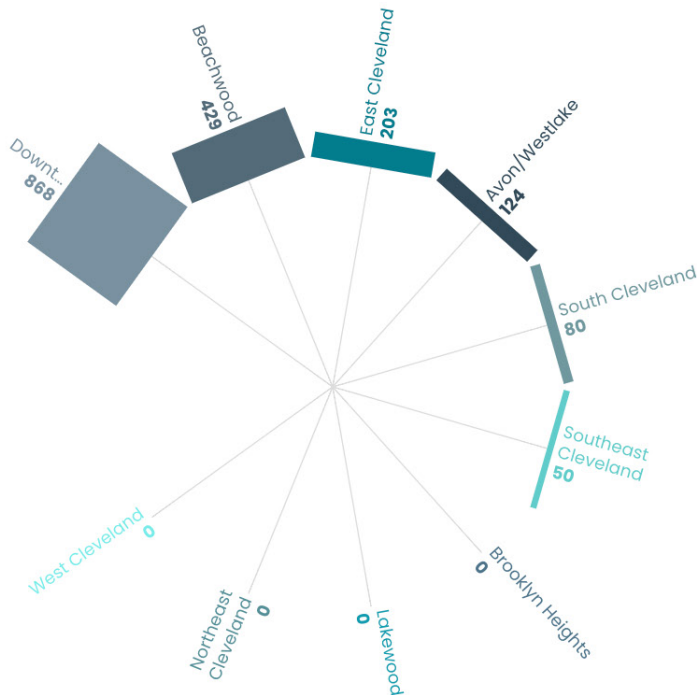
Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Avon/Westlake	94.6%	-1.5%	4.5%	\$1,158
Beachwood	94.4%	-0.6%	2.5%	\$1,310
Brooklyn Heights	89.1%	-4.8%	7.5%	\$856
Downtown Cleveland	89.1%	-1.7%	1%	\$1,605
East Cleveland	87.7%	-2.2%	1.8%	\$987
Lakewood	95%	-1.7%	4.4%	\$976
Northeast Cleveland	96.1%	-0.7%	4.9%	\$1,089
South Cleveland	95.4%	-0.9%	5.3%	\$1,338
Southeast Cleveland	92.9%	-1.9%	-0.6%	\$1,315
West Cleveland	92.2%	-1.7%	3.5%	\$837

A Flourish table

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



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A Flourish hierarchy chart

Sales Activity

After a lull in deal activity for much of 2023, the Cleveland apartment market experienced a rebound in the first quarter of 2024, recording its highest quarterly sales total since 2022. The total deal volume for the quarter reached \$55.3 million across two transactions. In recent years, institutional acquisitions were scarce, and the majority of significant deals were driven by private buyers, including developers and private equity firms. While developers continue to be involved in prominent transactions, individual buyers are now increasingly filling the gap.

TRANSACTION VOLUME

\$55.3M

YTD Transaction Volume

695%

Y-O-Y Change

2 YTD

Individual Transaction Count

\$61.3k*

Price Per Unit

-4.8%

Annual PPU Change

* Preliminary Data from RCA - Individual transaction \$2.5M +

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$1,077.01	6.1%
Recoverable Expenses / Occupied Unit	\$44.23	14.1%
Other Income / Occupied Unit	\$73.51	4.9%
Total Income / Occupied Unit	\$1,194.75	6.3%
Rental Income	\$1,001.28	4.7%
Recoverable Expenses	\$41.12	12.6%
Other Income	\$68.32	3.5%
Total Income	\$1,110.72	4.9%

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$122.80	6.9%
Repairs & Maintenance	\$58.80	9.1%
Leasing	\$36.33	4.7%
General	\$27.67	5.6%
Marketing & Advertising	\$11.95	19.2%
Repairs & Maintenance	\$110.81	3.7%
Cleaning	\$21.01	6.8%
Roads & Grounds	\$21.90	6.0%
General	\$67.90	2.2%
Administrative	\$43.74	6.3%
Security	\$6.70	20.5%
General	\$37.04	3.9%
Management Fees	\$47.65	2.9%
Utilities	\$98.64	1.3%

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Electric	\$19.76	-4.9%
Gas	\$14.69	-8.3%
Water/Sewer	\$64.19	5.9%
Real Estate & Other Taxes	\$126.61	0.1%
Insurance	\$30.85	16.8%
Other Operating Expenses	\$2.84	
Total Operating Expense	\$595.90	4.1%

— Net Operating Income

	Value / Unit	Year Change (%)
Net Operating Income	\$514.82	5.9%

Market Outlook

Cleveland's multifamily market exhibited impressive rent performance in the first quarter, ranking third among major U.S. multifamily markets. With a shrinking construction pipeline, occupancy is expected to stabilize in the near term. Rent growth is projected to remain strong, with forecasts predicting an annual increase between 4% and 5% by 2025. The market's demand will be bolstered by ongoing capital investments. The healthcare sector remains a pillar of Cleveland's economy, with Cleveland Clinic and University Hospitals as the metro's leading employers. Cleveland Clinic has pledged to create thousands of high-skill jobs by late 2028 as part of the \$565 million Innovation District, which includes a new global center for pathogen research and human health. This expansion is supported by Ohio's 15-year job creation tax credit. In addition, Fortune 500 company Sherwin-Williams is set to invest \$600 million in a new headquarters and research facility in northeast Ohio, employing over 3,500 people. With continued growth in the education and health services sectors, Cleveland is emerging as a hub for job opportunities and economic expansion.

Sources: U.S. Census; MSCI; Yardi Matrix; Costar.

TO GAIN FURTHER INSIGHTS INTO THE CLEVELAND MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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