

Just in Time for LeBron: Downtown Cleveland Stages a Comeback

Long maligned for crime, corruption and pollution, the area is now home to luxury apartments, warehouse lofts and a new burst of optimism

By NANCY KEATES Aug. 28, 2014

Hipsters battling to rent warehouse lofts. Trendy bars, espresso shops and music venues. A funky, celebrity-chef-owned restaurant serving bone marrow and crispy pig ears.

This isn't Brooklyn or Portland. It is downtown Cleveland. Nicknamed the "Mistake on the Lake," the much-maligned city on the shore of Lake Erie has long had a reputation for crime, pollution and corruption. Over the years, Cleveland's downtown became almost a ghost town at night.

Now, Cleveland's fortunes seem to be turning around. LeBron is headed home! The 2016 Republican National Convention is coming! The Browns nabbed quarterback Johnny Manziel in the draft! There is lots of exuberance and chest thumping in Cleveland, accompanied by lofty predictions of the positive economic impacts of these events.

But these events come on the back of more than a decade of steady and methodical steps taken by the city to tackle its economic and social issues. Last year, more than \$600 million worth of investments were sunk into downtown projects, including a new convention center. A 484-room Westin opened last May, and there are five other hotels planned, including a Kimpton and a Le Méridien.

More people are moving downtown: Between 2000 and 2014, the city's downtown residential population increased 60% to about 13,000. Over 3,100 apartments were created over that same period, according to the Downtown Cleveland Alliance, a nonprofit that works with downtown property owners, with another 2,200 units either under construction or planned.

This past May, Rob Briggs did something he'd never have considered a decade ago and bought a 4,200-square-foot, three-bedroom condo in a downtown area called the Flats. Formerly an industrial shipping area long considered seedy and crime-ridden, the Flats are getting cleaned up, with restaurants, offices and even an aquarium now on the west side.

A corporate attorney who heads an educational nonprofit, Mr. Briggs, 73, and his wife, Alyssa Lenhoff, paid \$700,000 for their condo, which has marbled hallways and bathrooms in a building with a concierge, free parking and a gym. "It used to be super negative here," says Mr. Briggs. "The spirit is a 180 degrees from what it was."

Right now, the hottest segment of the downtown market is rentals. Roughly 98% of downtown Cleveland apartments are occupied, up from 95% occupancy just a few months earlier, making renting downtown a very competitive exercise.

"It came to a point where the first question I'd ask, even while we were already there looking at the place, was whether it was still available," says Richard Lobas, a 24-year-old law student working at a Cleveland

firm over the summer. He and his girlfriend looked at eight apartments in two months before they finally snagged a 1,000-square-foot, one-bedroom for \$1,085 a month in July. Five times—either while he was touring an apartment or a few hours before he was supposed to meet the real-estate agent—he was told the unit had just been rented.

Mr. Lobas said there was never any question they would live anywhere but downtown. "It was a pretty obvious choice. Everyone is trying to live downtown," he says.

Following that demand, more high-end residential buildings are coming online, most of them renovations of old office spaces. Residences at 1717 will have modern finishes, a fitness center and city views; its 223 apartments go for as much as \$2,615 a month for a two-bedroom unit. At the 9, which offers housekeeping, valet and concierge services, a two-bedroom, 3½-bath penthouse unit rents for as much as \$5,995 a month.

In contrast, the purchase market hasn't yet recovered from the regional economic recession and the housing bust, which sent foreclosure rates soaring. According to a February report by online real-estate firm Trulia, buying a home was 56% cheaper than renting in Cleveland, a higher differential than almost every other city in the country.

This summer, Angie Nadiak, a 48-year-old health-care professional, and her husband nixed their idea of renting downtown and bought a 1,900-square-foot, two-bedroom condo for \$320,000, \$20,000 less than its asking price. In a former cloak factory, the unit has large windows, an open floor plan and a private outdoor area. "It just feels more alive downtown than it used to," says Ms. Nadiak, who had lived in the affluent suburb of Shaker Heights for 25 years. She says she goes out almost every night to listen to music and to eat dinner.

Still, downtown Cleveland can't be called bustling. Its wide streets can often feel oddly empty, with few pedestrians strolling the sidewalks. Retail stores are scarce. There is no supermarket, though local grocery chain Heinen's recently announced plans to open one.

Then there is Cleveland's bumpy economic history. An industrial and shipping mecca in the early 20th century, the city took a particularly hard hit during the Great Depression; it came back in manufacturing, only to suffer in the late 1970s and 1980s as manufacturing across the Rust Belt declined. The city diversified into health care and biotech and came back again in the 1990s, only to be hit by the housing crisis. Earlier this year, United Airlines announced it was killing its hub at Cleveland Hopkins International Airport.

"To turn Cleveland into a hip swanky town—that's not something that's going to happen overnight," says Mark Vitner, managing director & senior economist at Wells Fargo. Nevertheless, he is optimistic the current changes will be lasting.

Mr. Briggs is, too. His large deck overlooks the much-cleaner Cuyahoga River, where he watches people row and sail. "It is beautiful," he says. "Really."