Class A Demand Stabilizes as Broader Office Market Weakness Persists

▲20.2%
Vacancy Rate

▼44,220
SF Net Absorption

▶56,000
SF Under Construction

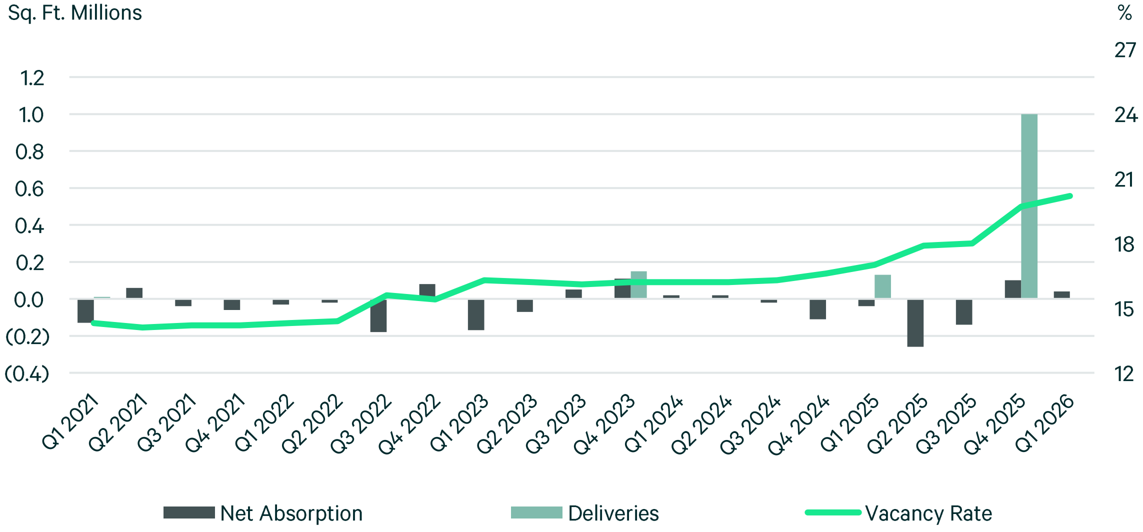
▲$19.29
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

The Cleveland office market showed early signs of stabilization in Q1 2026, with net absorption returning to positive territory for the first time in a year. However, overall market conditions remain constrained, as incremental demand has not yet been sufficient to offset elevated vacancy levels. Net absorption totaled 44,000 sq. ft., reversing the net move-outs recorded in Q1 2025. Demand was highly concentrated in select suburban submarkets, particularly the Southwest and East corridors, while Downtown continued to experience net occupancy declines, reinforcing the market's ongoing bifurcation. Overall vacancy increased 50 basis points to 20.2%, rising both quarter-over-quarter and year-over-year. While Class A vacancy remains below the broader market, vacancy increased across all asset classes, underscoring persistent structural oversupply. Asking rents remained effectively flat at $19.29 per sq. ft., reflecting limited landlord pricing power despite modest improvements in demand. New supply is no longer a near-term risk. Following the delivery of the Sherwin-Williams headquarters in late 2025, the office construction pipeline has contracted sharply, with only 56,000 sq. ft. under construction, all of which is fully pre-leased and expected to deliver in late 2026.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total office vacancy rose to 20.2% in Q1 2026, reflecting continued imbalance between supply and demand. Vacancy increased 50 basis points quarter-over-quarter and 320 basis points year-over-year, extending a multi-year upward trend. Performance varied meaningfully by asset class. Class A vacancy increased to 17.8%, remaining below the overall market but continuing to trend upward. Class B vacancy rose sharply year-over-year to 21.5%, driven by tenant migration toward newer, higher-quality assets. Class C vacancy, while still elevated, declined modestly from the prior quarter. The vacancy spread between Class A and Class B widened significantly over the past year, with Class B now materially more vacant than Class A. This shift underscores growing obsolescence risk for mid-tier assets amid changing tenant preferences. Submarket performance further reflected this divergence. Downtown vacancy remained elevated across all classes, while the East and South submarkets posted comparatively lower vacancies, supported by newer inventory and stronger tenant demand.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall market average direct asking lease rate remained stable at $19.29 per sq. ft. in Q1 2026, increasing modestly quarter-over-quarter but declining on an annual basis. Average rates remain broadly unchanged from early 2021 levels, despite a substantial rise in vacancy over the same period. Performance varied by asset class. Class A asking rates increased modestly, supported by demand for newer, amenity-rich buildings and prime locations. In contrast, Class B asking rents declined year-over-year, reflecting competitive pressure from higher-quality space and elevated availability. Class C rates increased marginally but remain constrained by limited demand depth. By submarket, the East corridor recorded the highest average asking rates, followed by Downtown. Downtown Class A space continues to command a premium relative to older CBD inventory, highlighting the widening gap between modernized assets and legacy product. Overall, rent trends indicate limited near-term pricing power for landlords, particularly outside top-tier assets and locations.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q1 2026

Net Absorption

Net absorption totaled 44,000 sq. ft. in Q1 2026, marking a return to positive demand following net move-outs one year earlier. While this shift signals improving occupancy trends, gains were modest and unevenly distributed. Absorption was concentrated in suburban submarkets, led by the Southwest (54,000 sq. ft.) and East (27,000 sq. ft.) corridors. In contrast, Downtown posted the largest net occupancy decline, reflecting ongoing challenges within the CBD. By asset class, absorption gains were driven primarily by non-prime Class A and Class C assets, while Prime Class A space posted net move-outs. This pattern suggests that recent leasing activity reflects selective, cost-conscious decision-making rather than a broad-based expansion in office demand.

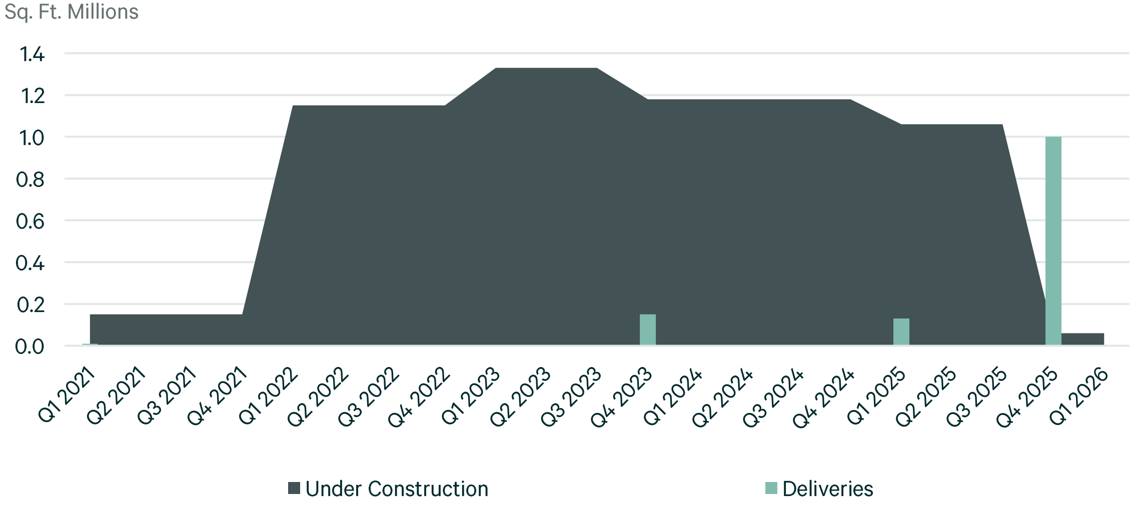
Figure 4: Net Absorption Trend

Source: CBRE Research, Q1 2026

Construction Activity

Office construction activity in Cleveland remains extremely limited. As of Q1 2026, just 56,000 sq. ft. of office space was under construction, with no new deliveries during the quarter. Active construction has declined by nearly 95% year-over-year, following the completion of large build-to-suit projects in late 2025. All space currently under construction is located in the South submarket, consisting of a single fully pre-leased Class A project scheduled to deliver in Q3 2026. No speculative office projects are underway across the remainder of the market. While the lack of new supply will help contain future vacancy growth, existing availability remains elevated, suggesting that construction restraint alone will not drive near-term market tightening.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

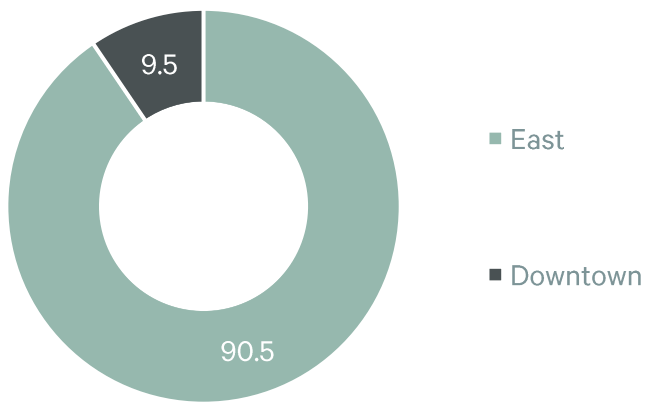
Leasing Activity

Leasing activity over 10,000 sq. ft. totaled 113,000 sq. ft. in Q1 2026, representing a significant decline both quarter-over-quarter and year-over-year. Activity remains well below historical norms, indicating a cautious tenant environment. Leasing volume was highly concentrated, with approximately 90% of activity occurring in the East submarket, driven by a small number of Class A transactions. Downtown activity was limited, and few meaningful transactions occurred elsewhere in the market. The narrow distribution of leasing reinforces the lack of broad-based tenant demand and highlights the importance of asset quality and location in current leasing decisions.

Figure 6: Leasing Activity Trend (over 10,000 sq. ft.)
Sq. Ft. Millions

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity over 10,000 sq. ft.)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Client	102,000	New Lease	6055 Parkland Blvd	East
Confidential Client	11,000	New Lease	250 Huron Rd	Downtown
Woodside Health	9,419	Renewal	2 Summit Park Dr	South
Legacy Construction Services	8,000	New Lease	30575 Bainbridge Rd	Southeast
Miami University & Cleveland Clinic	7,350	New Lease	10900 Carnegie Ave	East
Epicor Software, Inc.	7,090	New Lease	23000 Millcreek Blvd	East

Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	7.67	17.1	20.6	18.0	2.6	22.23	48,000	48,000	-	56,000
Class B	11.43	16.8	21.7	21.2	0.6	16.22	20,000	20,000	-	-
Class C	1.24	7.4	9.8	9.8	-	14.50	33,000	33,000	-	-
Total	**20.33**	**16.3**	**20.6**	**19.3**	**1.3**	**18.35**	**101,000**	**101,000**	**-**	**56,000**

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Under Construction (SF)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)
Class A	5.22	18.9	21.9	21.1	0.7	26.02	-	(40,000)	(40,000)	-
Class B	6.92	29.4	33.5	32.6	0.9	18.30	-	(17,000)	(17,000)	-
Class C	1.67	33.7	34.0	31.3	2.7	15.55	-	-	-	-
Total	**13.82**	**26.0**	**29.2**	**28.1**	**1.0**	**20.12**	**-**	**(57,000)**	**(57,000)**	**-**

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Under Construction (SF)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)
Class A	12.89	17.8	21.1	19.3	1.8	24.01	56,000	8,000	8,000	-
Class B	18.35	21.5	26.2	25.5	0.7	17.30	-	3,000	3,000	-
Class C	2.91	22.5	23.7	22.2	1.5	15.38	-	33,000	33,000	-
Total	**34.15**	**20.2**	**24.0**	**22.9**	**1.2**	**19.29**	**56,000**	**44,000**	**44,000**	**-**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Deliveries (SF)
Downtown	13.82	26.0	29.2	28.1	1.0	20.12	(57,000)	(57,000)	-	-
East	5.54	17.5	20.0	19.2	0.8	21.62	20,000	20,000	-	-
Northeast	1.52	16.4	17.9	17.9	-	15.08	(3,000)	(3,000)	-	-
South	6.37	18.3	25.2	23.6	1.6	18.45	20,000	20,000	56,000	-
Southeast	0.98	21.5	23.4	23.4	-	16.11	9,000	9,000	-	-
Southwest	2.11	12.3	14.2	13.7	0.5	15.47	54,000	54,000	-	-
West	3.81	12.1	17.5	14.7	2.8	16.75	-	-	-	-
Total	**34.15**	**20.2**	**24.0**	**22.9**	**1.2**	**19.29**	**44,000**	**44,000**	**56,000**	**-**

Source: CBRE Research, Q1 2026

National Economic Outlook

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Source: CBRE Research

Cleveland, OH Employment Update

3.4%
Unemployment Rate

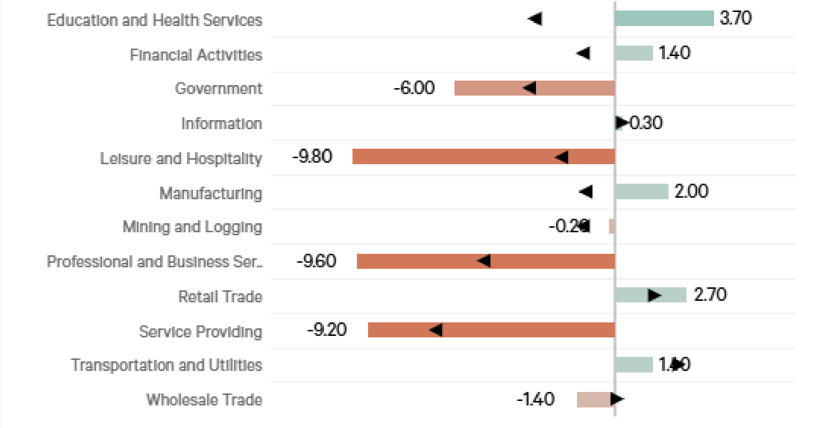
1.1M
Labor Force

610.8k
Office Using Jobs

348.4k
Industrial Using Jobs

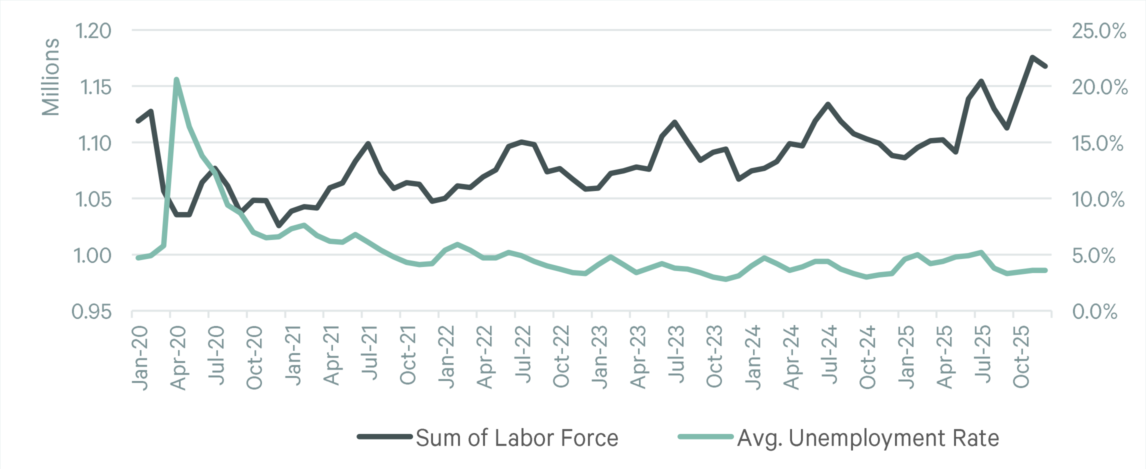
251.8k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



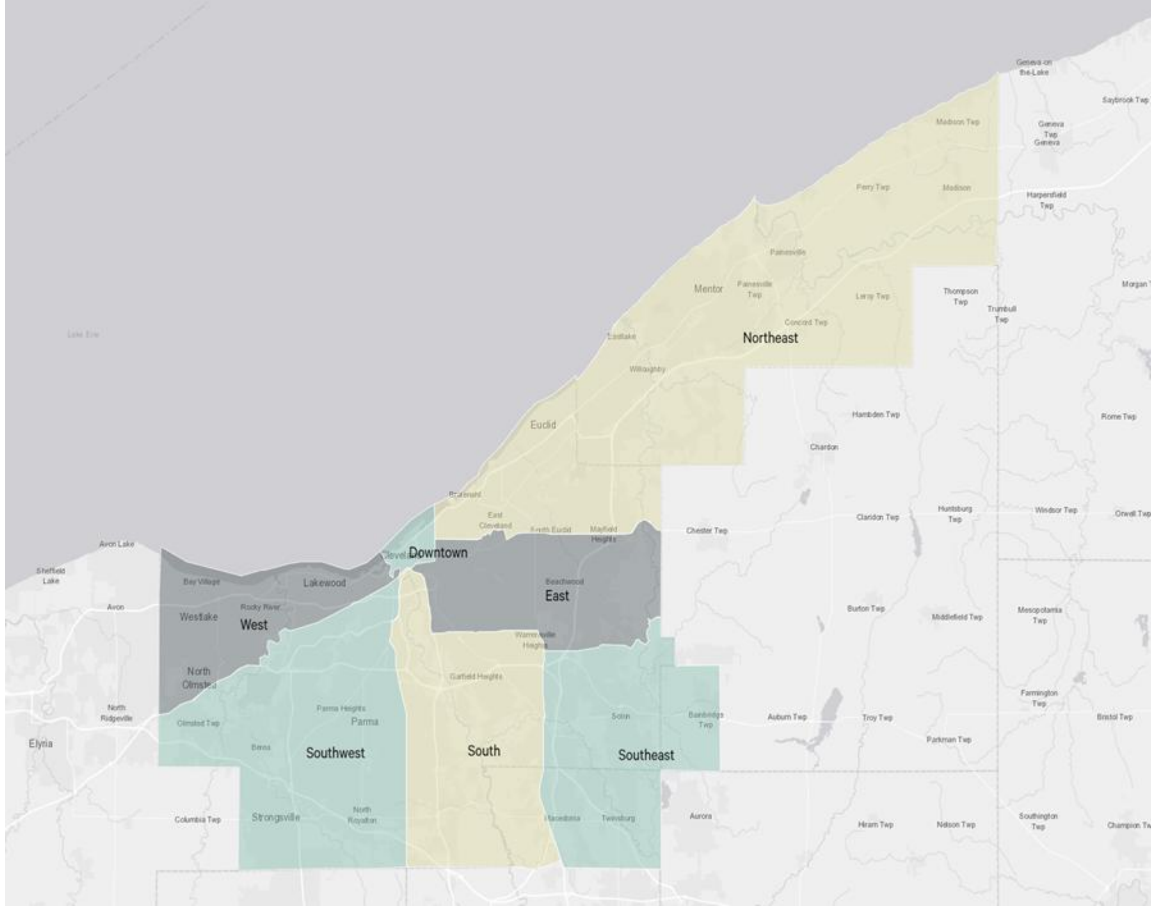
Source: US BLS, December 2025

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, December 2025

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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