Despite Rising Vacancy, Market Demand Holds Strong

▲3.9%
Vacancy Rate

▼(166,047)
SF Net Absorption

▶0
SF Construction Delivered

▶324,000
SF Under Construction

▲$5.89
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

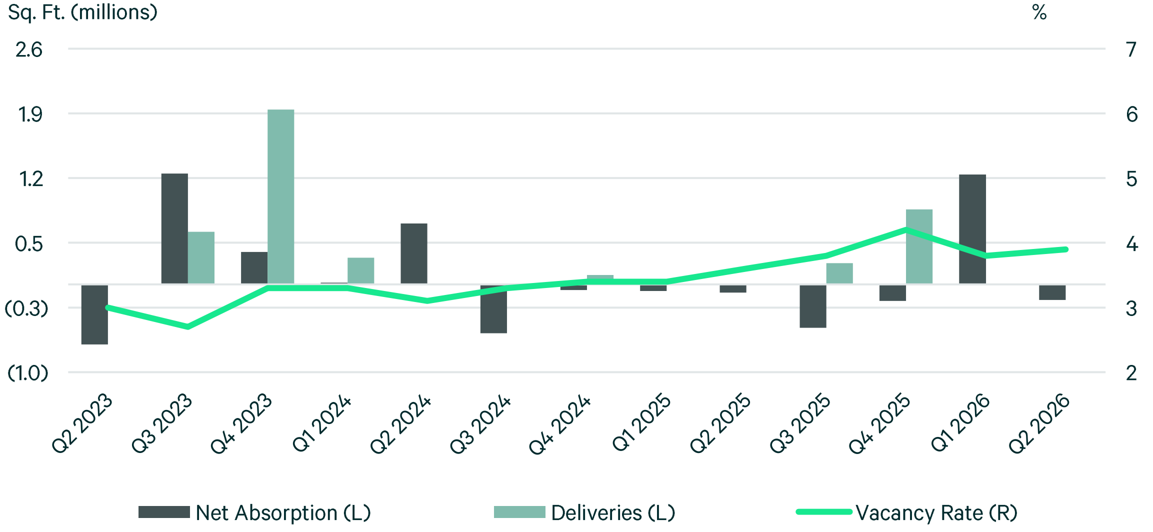
Market Overview

The Cleveland industrial market showed signs of modest softening in Q2 2026 following tighter conditions earlier in the year. Vacancy increased 10 basis points quarter-over-quarter to 3.9%, up 30 basis points from one year ago. Availability measured 6.0%, declining slightly from the previous quarter but remaining above year-ago levels.

Net absorption totaled negative 166,000 sq. ft. during the quarter, contributing to the slight increase in vacancy. While occupancy losses were recorded, the resulting increase in available space may create additional opportunities for tenants seeking larger or higher-quality blocks of space that have been difficult to secure in recent years. Despite the quarterly decline, long-term demand remains positive, with cumulative net absorption exceeding 1.2 million sq. ft. since Q2 2023.

Development activity remained limited. The construction pipeline was unchanged from the prior quarter at 324,000 sq. ft., and no new deliveries were completed during Q2. Ford's 200,000-sq.-ft. assembly plant in the Northwest submarket remains the largest project underway and is expected to deliver later this year. Two speculative developments totaling approximately 124,000 sq. ft. are also slated for completion before year-end.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

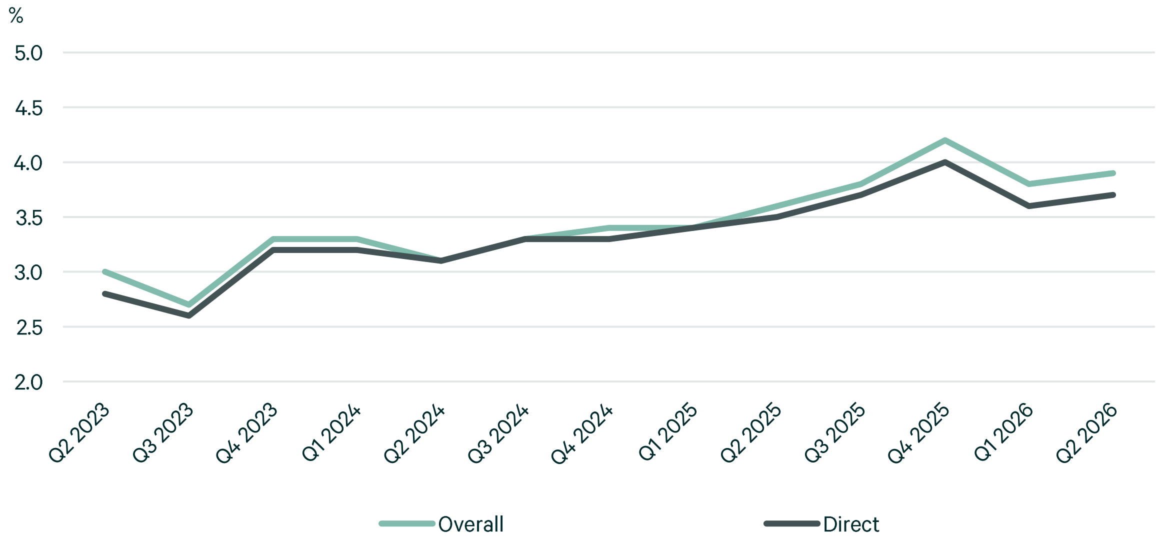
Vacancy Rate

Overall vacancy registered 3.9% in Q2 2026, up 10 basis points from 3.8% in Q1 2026 on a quarter-over-quarter basis. Compared with 3.6% in Q2 2025, this represents a 30 basis point increase year-over-year, while direct vacancy followed a similar path, reaching 3.7% and rising 10 basis points quarter-over-quarter and 20 basis points year-over-year. Over the past three years, overall vacancy increased from 3.0% in Q2 2023, a 90 basis point rise that included a temporary peak at 4.2% in Q4 2025 before settling near current levels.

At the submarket level, East recorded the lowest overall vacancy at 1.9%, followed by Southwest at 2.5%, both well below the market average. Out of Submarket posted the highest vacancy at 21.5%, while Southeast also trended above average at 5.1%, underscoring a wide spread in submarket performance.

Sublease vacancy stood at 0.1% in Q2 2026, down 10 basis points from 0.2% in Q1 2026 on a quarter-over-quarter basis. In aggregate, sublease space totaled 354,098 sq. ft. market-wide in the current quarter.

Figure 2: Vacancy Rate



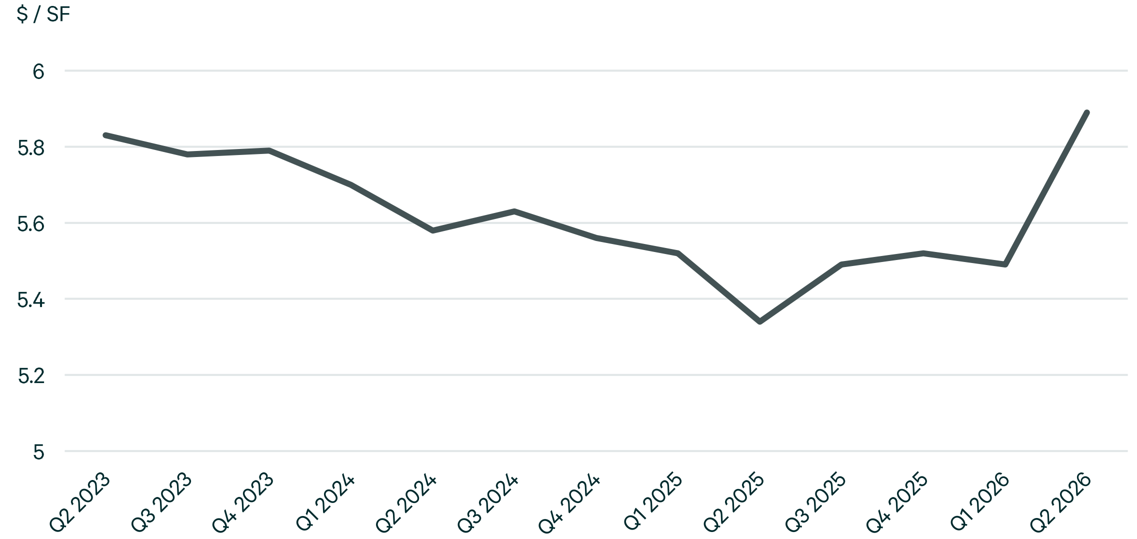
Source: CBRE Research, Q2 2026

Asking Rent

Average asking rent reached $5.89 in Q2 2026, up from $5.49 in Q1 2026, a 7.3% quarter-over-quarter increase and a 10.3% year-over-year gain. From Q2 2023 to Q2 2025, average asking rent generally moved lower, declining from $5.83 to a low of $5.34 in Q2 2025, when it recorded a negative 3.3% quarter-over-quarter and negative 4.3% year-over-year change. Since that low, rents have edged higher, leaving the current level modestly above the starting point of the data series.

In Q2 2026, East posted the highest average asking lease rate at $29.41, while Northeast recorded the lowest at $4.00, underscoring a wide spread in pricing across submarkets. Most other submarkets clustered in a relatively narrow band, with South at $6.36, Lake County West at $5.86, Southwest at $5.78, Northwest at $5.76, Southeast at $5.71, Downtown at $5.09, and Geauga West at $4.91.

Figure 3: Average Direct Asking Rate



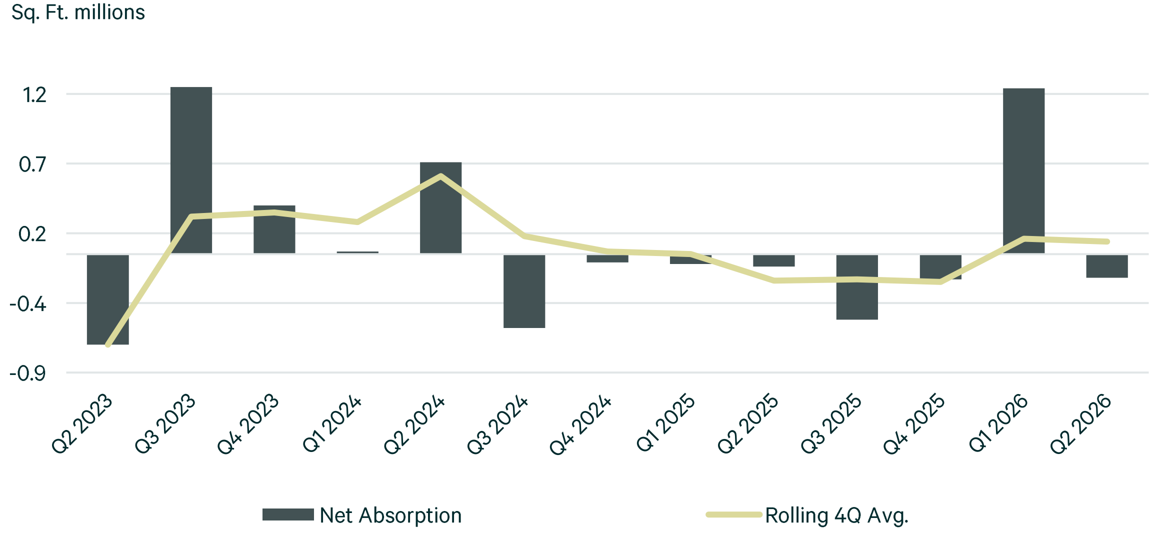
Source: CBRE Research, Q2 2026

Net Absorption

In Q2 2026, the market posted negative 166,000 sq. ft. of net absorption. This total was below the prior quarter's 1.2 million sq. ft. of positive absorption, a negative 114.0% change on a quarter-over-quarter basis. It was also below the negative 89,000 sq. ft. recorded in Q2 2025, as net absorption became 86.5% more negative year-over-year. The rolling four-quarter average net absorption stood at 91,250 sq. ft., representing a negative 17.4% change quarter-over-quarter.

By submarket, Southwest recorded the highest positive net absorption in Q2 2026 at 144,000 sq. ft., with Northwest following at 57,000 sq. ft. On the downside, Southeast posted the most negative net absorption at negative 153,000 sq. ft., followed by Northeast at negative 78,000 sq. ft. Downtown, South, Lake County West, and East also reported negative net absorption, ranging from negative 12,000 sq. ft. to negative 49,000 sq. ft.

Figure 4: Net Absorption Trend



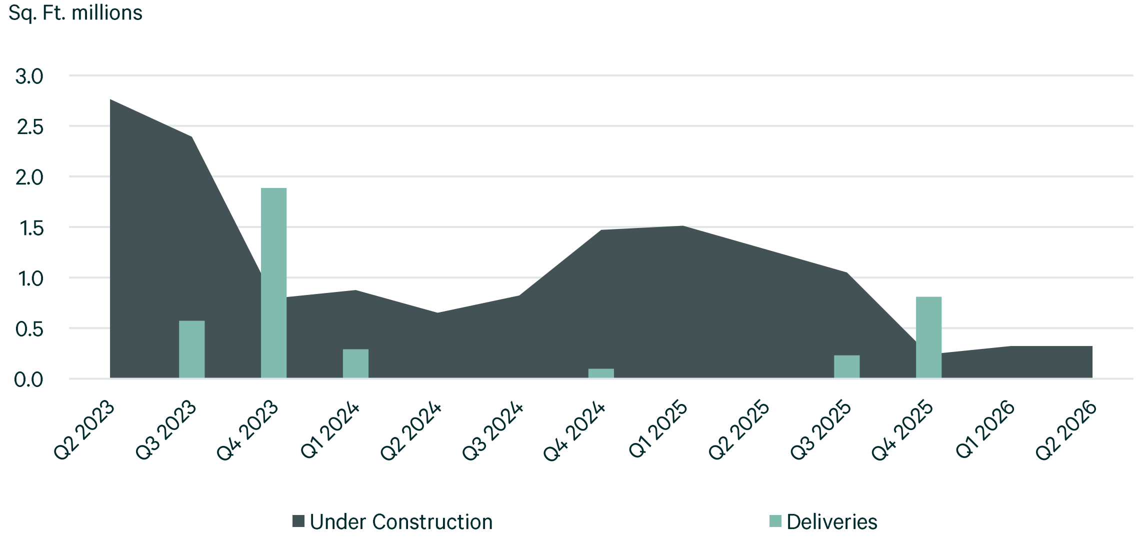
Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market had 324,000 sq. ft. under construction and no new space delivered. Under construction volume was unchanged quarter-over-quarter but declined 74.7% year-over-year from 1.3 million sq. ft. in Q2 2025.

Submarket construction is heavily concentrated in the Northwest, which has 284,000 sq. ft. underway across two projects, with the remaining 40,000 sq. ft. in the South. The largest project is Ford's Assembly Plant in the Northwest at 200,000 sq. ft. and 100.0% pre-leased, while the South's 40,000 sq. ft. and the Northwest's additional 84,000 sq. ft. distribution/logistics buildings are fully speculative at 0.0% pre-leased.

Figure 5: Construction Activity



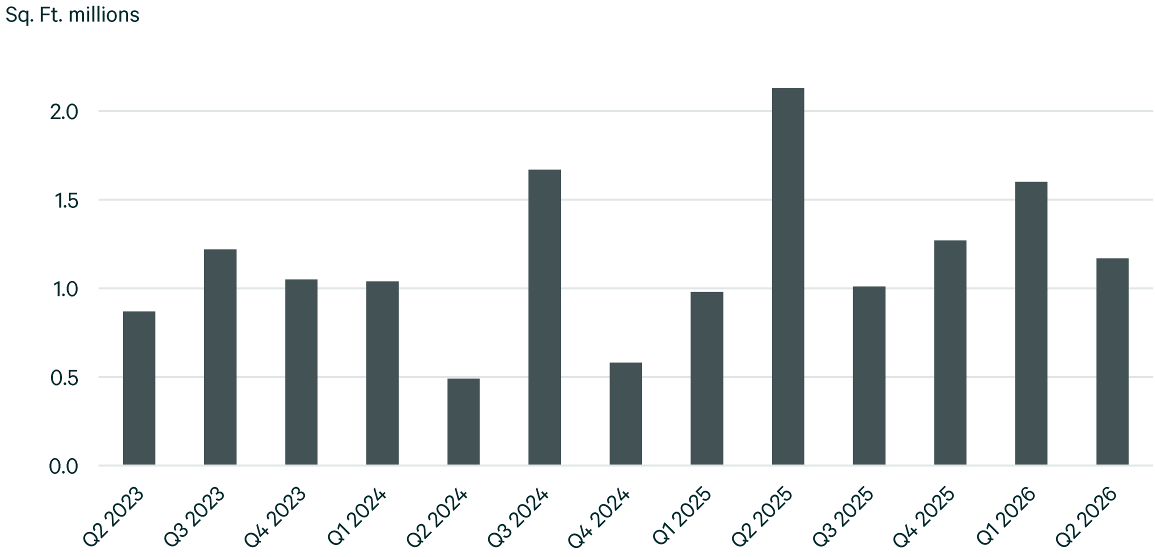
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity totaled 1.2 million sq. ft. in Q2 2026, while full-year 2025 volume reached 5.4 million sq. ft. The latest quarter represented a negative 26.9% quarter-over-quarter pullback and a negative 45.1% year-over-year decline, highlighting a marked slowdown relative to both Q1 2026 and Q2 2025.

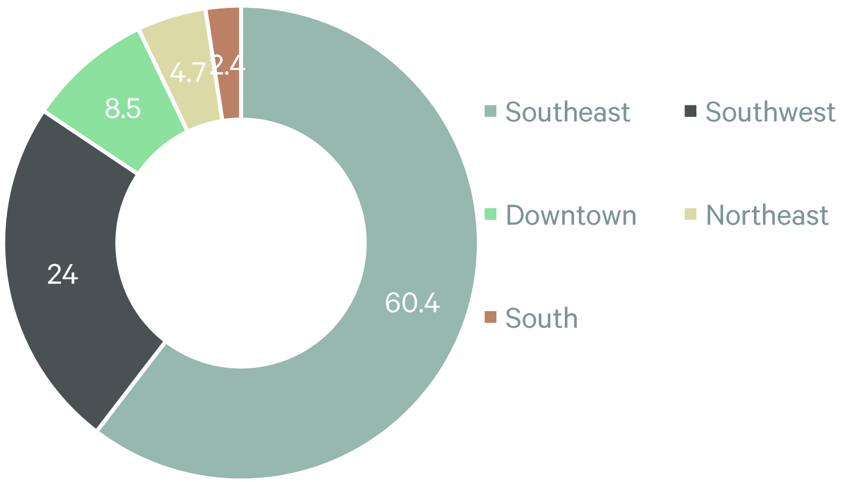
At the submarket level, Southeast recorded the highest leasing volume at 707,000 sq. ft., followed by Southwest at 280,000 sq. ft., together accounting for most of the activity captured in the submarket dataset. Positive but smaller levels of leasing were reported in Downtown with 99,000 sq. ft., Northeast with 55,000 sq. ft., and South with 29,000 sq. ft.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
American Spring Wire Corp.	114,000	Renewal	26300 Miles Rd	Southeast
Supply One	105,000	Renewal	26801 Fargo Ave	Southeast
OnTrac	74,000	Renewal	19683 Commerce Pkwy	Southwest
Confidential Tenant	62,000	New Lease	900 E 69th St	Downtown
Confidential Tenant	61,000	New Lease	8500 Clinton Rd	Southwest
Am Castle & Co	57,000	Renewal	17382 Foltz Industrial Pkwy	Southwest
Confidential Tenant	53,000	New Lease	26300 Miles Rd	Southeast

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	127.39M	4.8	7.7	7.1	0.6	5.68	(200,000)	1.42M	-	124,000
Manufacturing - General	100.31M	3.1	4.4	4.2	0.1	4.99	8,000	(443,000)	-	200,000
R&D/Flex	15.57M	2.6	3.3	3.3	0.1	19.20	26,000	41,000	-	-
Other Industrial	4.86M	0.3	1.4	1.4	-	5.87	-	7,000	-	-
Total	**248.14M**	**3.9**	**6.0**	**5.6**	**0.4**	**5.89**	**(166,000)**	**1.02M**	**-**	**324,000**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	34.50M	2.3	3.3	3.1	0.3	11.82	(68,000)	128,000	-	40,000
50K-99,999 SF	47.65M	4.5	5.3	4.9	0.4	6.08	(157,000)	(197,000)	-	84,000
100K-249,999 SF	70.21M	3.4	5.8	5.3	0.5	5.84	(28,000)	(181,000)	-	200,000
250K-499,999 SF	41.04M	4.2	6.4	5.9	0.5	4.36	37,000	981,000	-	-
500K-749,999 SF	15.73M	6.4	10.6	10.6	-	4.62	-	1,000	-	-
750,000 SF +	39.00M	4.0	7.1	7.0	0.1	5.24	50,000	291,000	-	-
Total	**248.14M**	**3.9**	**6.0**	**5.6**	**0.4**	**5.89**	**(166,000)**	**1.02M**	**-**	**324,000**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown	37.70M	3.8	4.0	4.0	-	5.09	(12,000)	16,000	-	-
East	5.81M	1.9	3.0	3.0	-	29.41	(49,000)	(46,000)	-	-
Geauga West	1.46M	3.7	8.0	8.0	-	4.91	-	(10,000)	-	-
Lake County West	21.19M	3.7	4.6	4.6	-	5.86	(40,000)	(88,000)	-	-
Northeast	24.85M	2.9	5.0	5.0	-	4.00	(78,000)	(158,000)	-	-
Northwest	28.77M	3.7	6.4	5.6	0.8	5.76	57,000	364,000	-	284,000
Out of Submarket	2.85M	21.5	22.1	21.5	0.6	-	-	557,000	-	-
South	31.12M	3.6	5.2	4.9	0.4	6.36	(34,000)	4,000	-	40,000
Southeast	52.86M	5.1	7.6	6.7	0.9	5.71	(153,000)	413,000	-	-
Southwest	41.55M	2.5	6.5	6.3	0.2	5.78	144,000	(30,000)	-	-
Total	**248.14M**	**3.9**	**6.0**	**5.6**	**0.4**	**5.89**	**(166,000)**	**1.02M**	**-**	**324,000**

Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Cleveland, OH Employment Update

4.0%
Unemployment Rate

1.1M
Labor Force

561.3k
Office Using Jobs

336.5k
Industrial Using Jobs

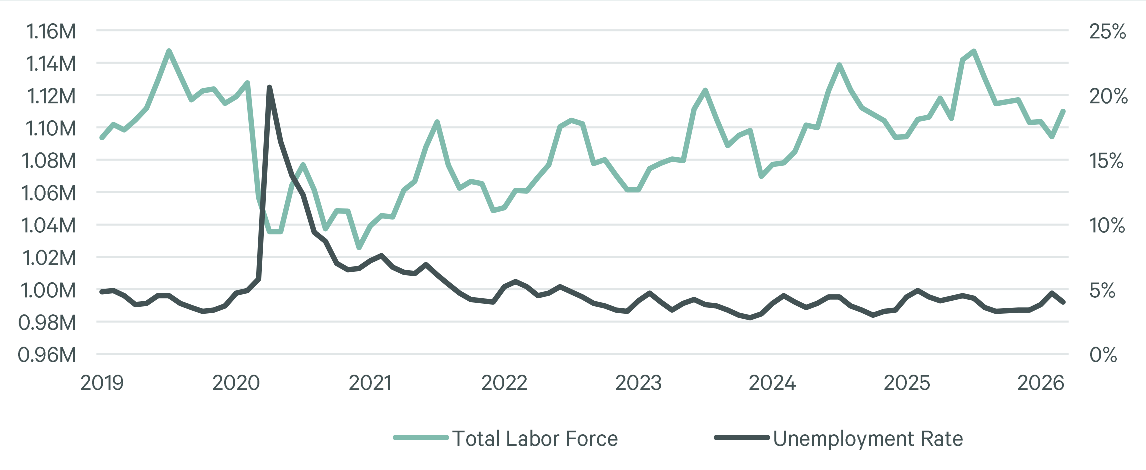
242.7k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend

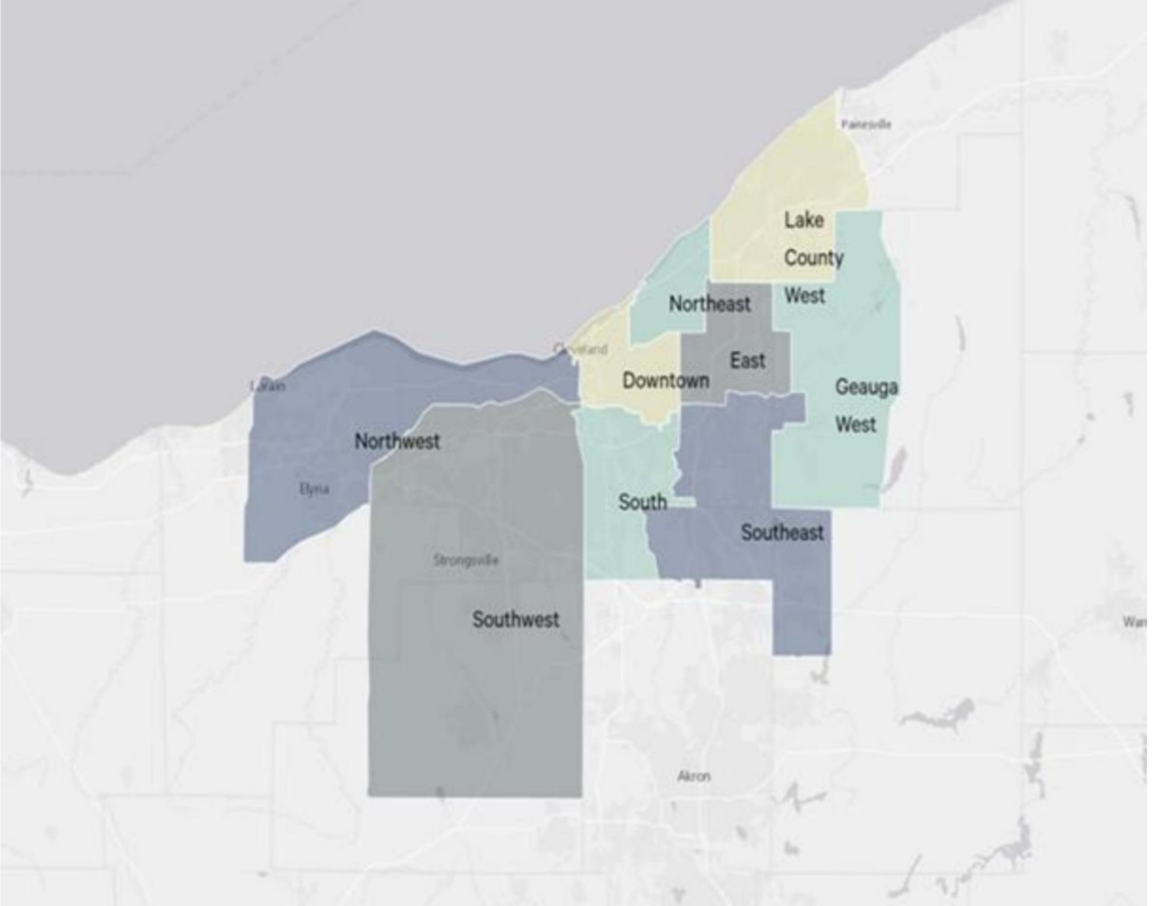
Source: US BLS, April 2026

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, April 2026

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. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

[Insert survey Criteria here. Contact your manager for specific criteria]

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