

FIGURES | CLEVELAND OFFICE | Q2 2026

Leasing Momentum Builds Despite Occupancy Headwinds

▲ 19.9%

Vacancy Rate

▼ (45,759)

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 56,000

SF Under Construction

▲ \$19.44

FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

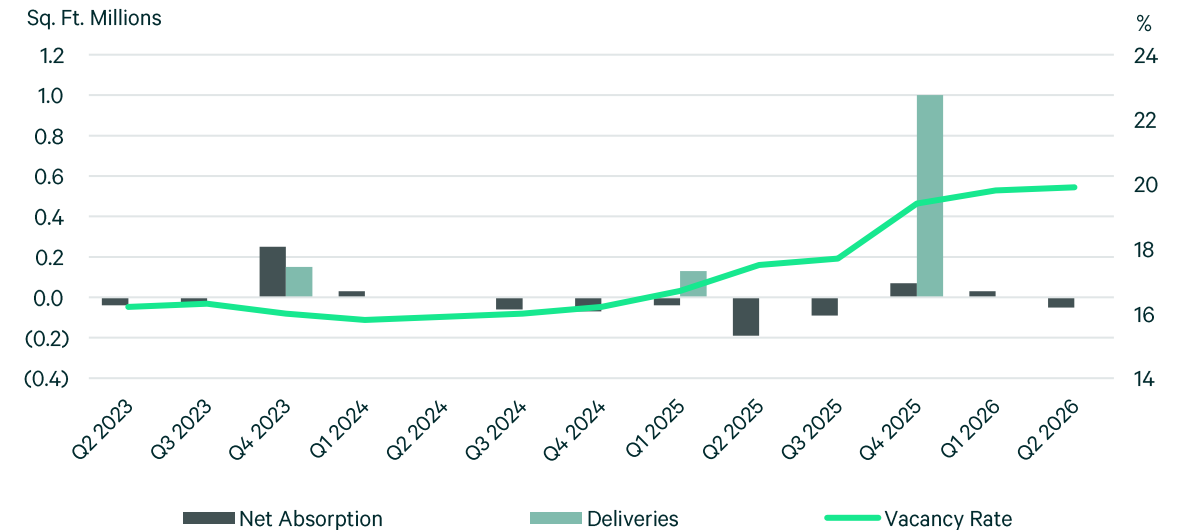
Market Overview

The Cleveland office market remained under pressure in Q2 2026, though fundamentals improved relative to a year ago. Net absorption totaled negative 46,000 sq. ft., reversing the prior quarter's gains, while vacancy held essentially flat at 19.9%. Despite the quarterly setback, absorption improved substantially from Q2 2025, when the market recorded nearly 188,000 sq. ft. of occupancy losses.

Market conditions remain bifurcated by asset quality. Class A vacancy declined year-over-year to 18.2%, while Class B vacancy climbed to 21.6%, reflecting continued tenant preference for higher-quality space. Leasing activity gained momentum, increasing 58% from Q1 to 310,000 sq. ft., led by transactions Downtown and in the West submarket. Asking rents remained stable at \$19.44 per sq. ft., demonstrating pricing resilience despite elevated vacancy.

New supply pressures have largely dissipated. No projects delivered during the quarter, and the construction pipeline has contracted to just 56,000 sq. ft.—down nearly 95% from one year ago. As limited new inventory enters the market and leasing activity improves, Cleveland's office market appears to be moving toward a more balanced supply-demand environment despite persistent occupancy challenges.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

By Q2 2026, overall vacancy stood at 18.2% in Class A, 21.6% in Class B, and 17.2% in Class C. Compared with Q1 2026, vacancy decreased slightly by 10 basis points (bps) in Class A and Class C, while Class B increased by 20 bps. Year-over-year, Class A vacancy declined by 60 bps and Class C was unchanged, but Class B rose by 500 bps. Over the last three years, vacancy increased by 180 bps in Class A and 630 bps in Class B, while Class C vacancy contracted by 420 bps, underscoring a pronounced divergence by asset class.

At the submarket level in Q2 2026, Southwest posted the lowest overall vacancy at 11.9%, followed by West at 12.7%. Downtown recorded the highest vacancy at 25.0%, more than double the rate in Southwest, with 3.4 million sq. ft. of direct space sitting idle. East, Northeast, South, and Southeast fell in between, with overall vacancy ranging from the mid-teens to just above 20.0%.

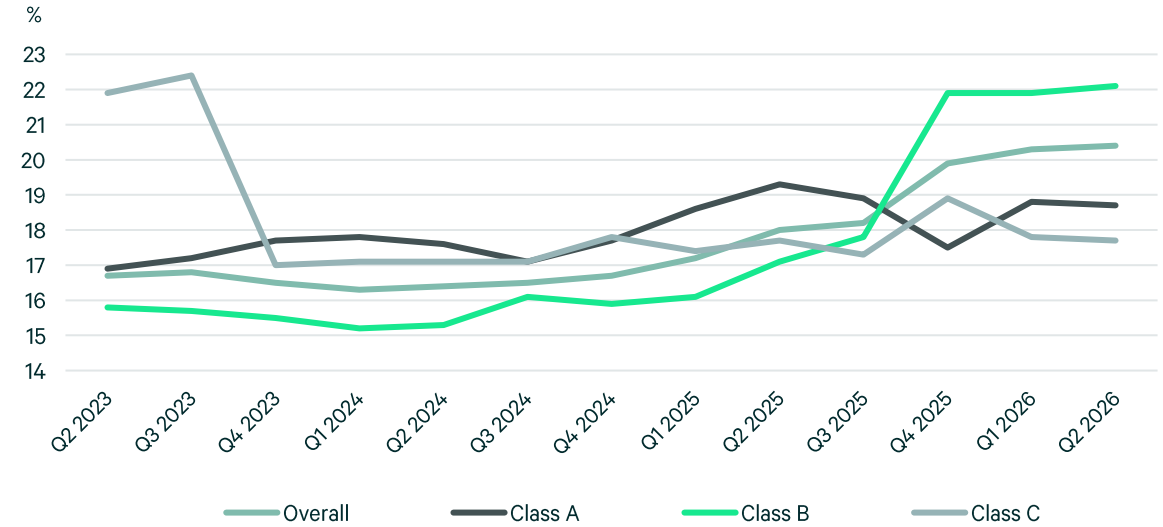
Sublease vacancy remained a modest component of the market, with rates holding steady quarter-over-quarter at 0.6% in Class A, 0.3% in Class B, and 1.5% in Class C. Across all submarkets, total sublease availability reached 185,000 sq. ft., representing about 2.7% of the 6.8 million sq. ft. of vacant space.

Asking Rent

In Q2 2026, the overall average asking rent stood at \$19.44 per sq. ft. FSG per year. This was essentially unchanged quarter-over-quarter, and modestly below the \$19.62 recorded in Q2 2025, a 0.9% decline year-over-year. Over the past three years, rents have eased by 1.4%, from \$19.71 per sq. ft., while Class A asking rents have risen 2.2%, from \$23.36 to \$23.88 per sq. ft., leaving Class A space priced at a \$4.44 per sq. ft. premium to the market in Q2 2026.

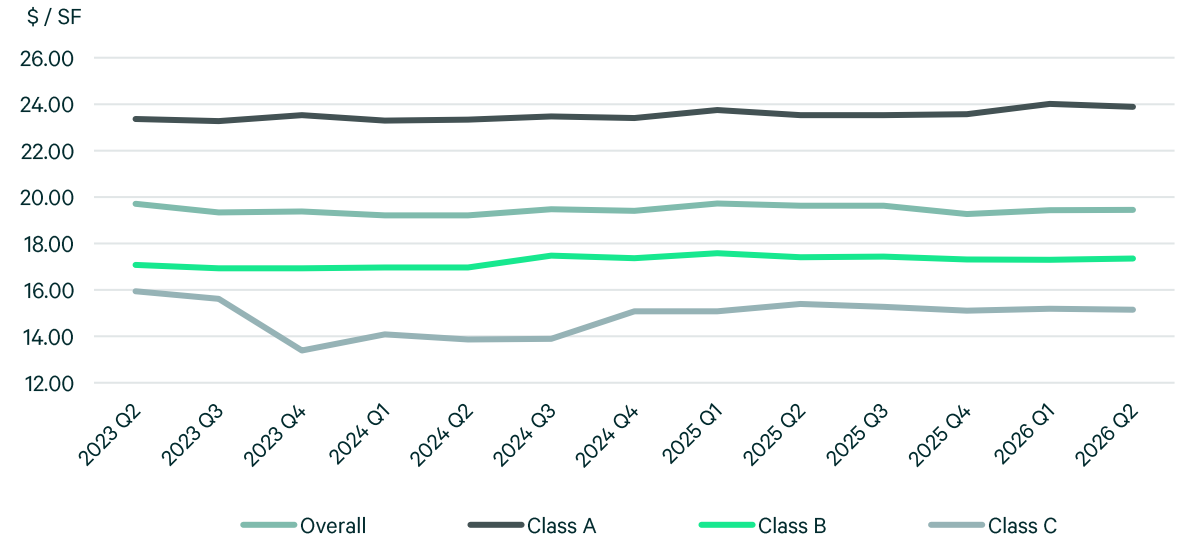
Within Class A inventory, Downtown and East command the highest asking rents in Q2 2026, at \$25.51 and \$23.81 per sq. ft., with South also elevated at \$22.78 per sq. ft. Class B pricing ranges from \$19.39 per sq. ft. in East and \$18.28 in Downtown down to \$14.95 in Northeast, while Class C rents span from \$18.00 per sq. ft. in South to \$8.00 in East, underscoring the wide spread in secondary and tertiary space by submarket.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Q2 2026 was negative 46,000 sq. ft. across all property classes. This was below the 34,000 sq. ft. recorded in Q1 2026, a quarter-over-quarter decline of 80,000 sq. ft. Even so, on a year-over-year basis, Q2 2026 absorption exceeded the negative 188,000 sq. ft. posted in Q2 2025 by 142,000 sq. ft. Class A and Class B collectively remained net negative, offset partially by a modest 3,000 sq. ft. gain in Class C.

In Q2 2026, East and South posted the strongest positive net absorption among submarkets, at 27,000 sq. ft. and 25,000 sq. ft., respectively. Among the remaining areas, Northeast was the only submarket with positive net absorption above 10,000 sq. ft., at 11,000 sq. ft. On the negative side, South recorded the most negative net absorption at negative 71,000 sq. ft., followed by East at negative 20,000 sq. ft., highlighting the wide range of outcomes within these locations.

Construction Activity

Under construction inventory in the market totaled 56,000 sq. ft. in Q2 2026, with no space delivered during the quarter or in the same quarter a year earlier. Under construction volume was unchanged quarter-over-quarter but declined 94.7% year-over-year from 1.1 million sq. ft. in Q2 2025, while deliveries remained at 0 sq. ft. quarter-over-quarter and year-over-year.

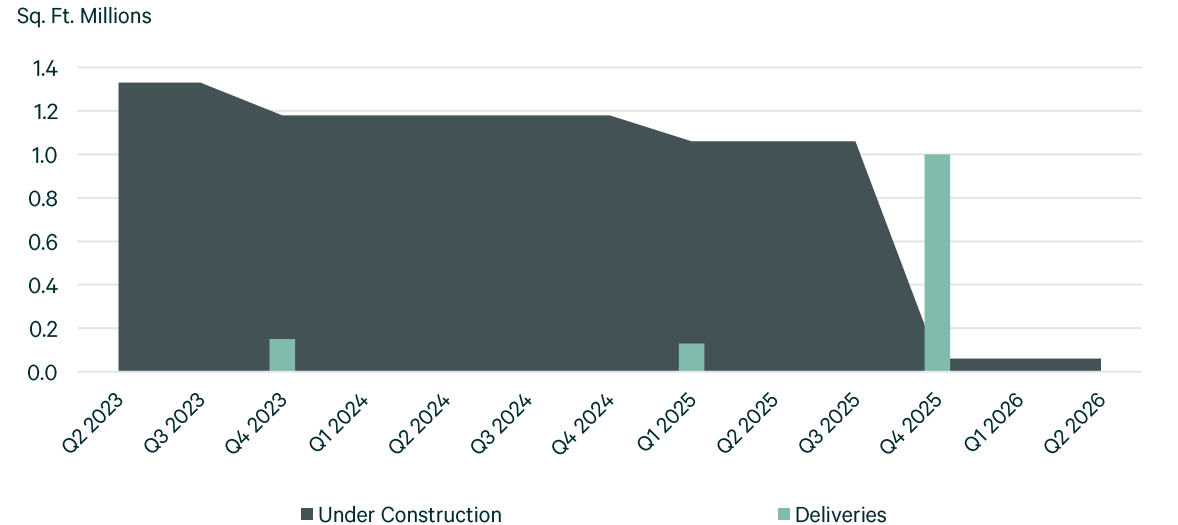
In Q2 2026, all 56,000 sq. ft. under construction is in the South submarket, driven by Valor Acres 2, a 56,000 sq. ft. general office project on Miller Rd that is 100.0% pre-leased and scheduled for delivery in Q3 2026. No other submarkets have projects under construction.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



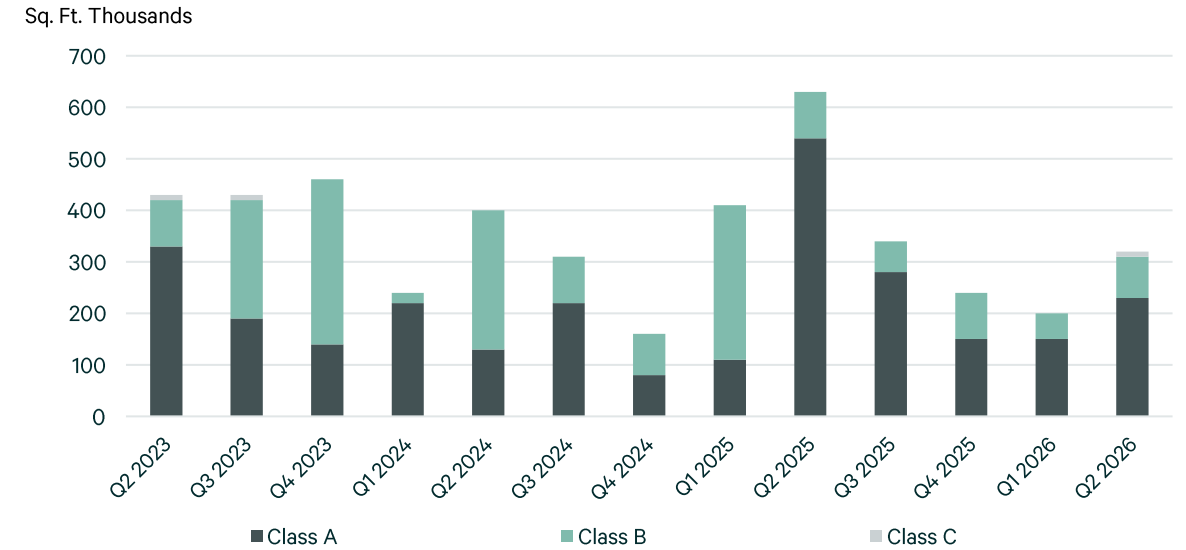
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity in Q2 2026 totaled 310,000 sq. ft., up 58.2% quarter-over-quarter from 196,000 sq. ft. in Q1 2026 but down 50.4% year-over-year from 625,000 sq. ft. in Q2 2025. Class A accounted for 229,000 sq. ft., or 73.9% of quarterly volume, while Class B contributed 81,000 sq. ft., or 26.1%, with both classes registering strong quarter-over-quarter gains yet remaining below prior-year levels.

In Q2 2026, Downtown posted the highest leasing with 160,000 sq. ft., led by 122,000 sq. ft. of Class A deals and 38,000 sq. ft. in Class B, followed by the South submarket at 63,000 sq. ft., split between 36,000 sq. ft. of Class A and 27,000 sq. ft. of Class B. Positive but more modest activity was recorded in the West and Southwest submarkets, each at 43,000 sq. ft.; West was entirely Class A, while Southwest combined 28,000 sq. ft. of Class A with 15,000 sq. ft. of Class B.

Figure 6: Leasing Activity Trend



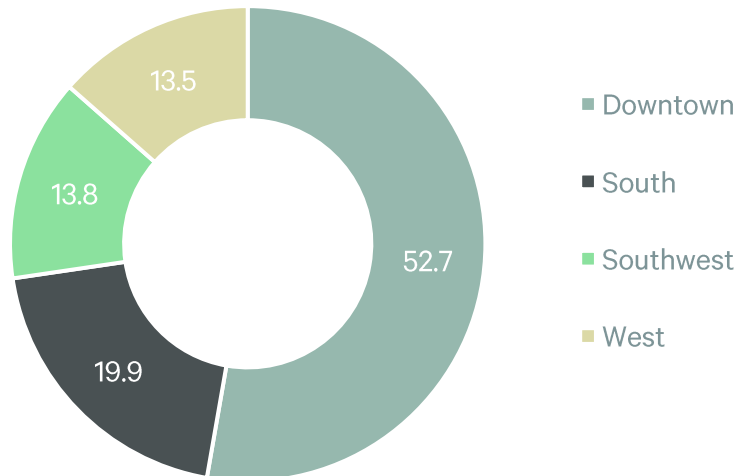
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	61,000	New Lease	1300 E 9th St	Downtown
Victory Capital Management	28,000	Renewal	4900 Tiedeman Rd	Southwest
Nations Lending Corp.	28,000	Renewal	4 Summit Park Dr	South
Sequoia Financial Group	24,000	New Lease	1 American Blvd	West
Embrace Pet Insurance	20,000	New Lease	4141 Rockside Rd	South
The SpyGlass Group	18,000	New Lease	1 American Blvd	West
Turner Construction Co.	12,000	New Lease	1500 W 3rd St	Downtown

Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	13.09M	18.2	21.6	19.8	1.8	23.88	(7,000)	(5,000)	-	56,000
Class B	18.27M	21.6	26.1	25.2	0.8	17.35	(42,000)	(43,000)	-	-
Class C	2.91M	17.2	18.2	16.6	1.5	15.14	3,000	36,000	-	-
Total	34.28M	19.9	23.7	22.4	1.3	19.44	(46,000)	(12,000)	-	56,000

Source: CBRE Research, Q2 2026

Figure 10: Suburban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	7.65M	17.1	21.1	18.6	2.5	22.43	-	36,000	-	56,000
Class B	11.35M	17.0	20.7	20.0	0.7	16.25	(29,000)	(9,000)	-	-
Class C	1.24M	7.5	9.6	9.6	-	14.38	(1,000)	32,000	-	-
Total	20.24M	16.5	20.2	18.9	1.3	18.59	(30,000)	58,000	-	56,000

Source: CBRE Research, Q2 2026

Figure 11: Urban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	5.44M	19.8	22.2	21.3	0.9	25.51	(7,000)	(40,000)	-	-
Class B	6.92M	29.2	34.9	33.8	1.1	18.28	(13,000)	(34,000)	-	-
Class C	1.67M	24.4	24.6	21.9	2.7	15.35	4,000	4,000	-	-
Total	14.04M	25.0	28.8	27.5	1.2	20.17	(16,000)	(70,000)	-	-

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Class A Asking Rent (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown	14.04M	25.0	28.8	27.5	1.2	20.17	25.51	(16,000)	(70,000)	-	-
East	5.50M	17.3	20.9	19.8	1.0	22.10	23.81	7,000	11,000	-	-
Northeast	1.52M	15.7	17.3	17.3	-	15.01	-	11,000	8,000	-	-
South	6.33M	19.0	23.4	21.9	1.6	18.52	22.78	(46,000)	(23,000)	-	56,000
Southeast	983,000	21.2	21.0	21.0	-	16.50	17.74	3,000	12,000	-	-
Southwest	2.11M	11.9	13.6	13.1	0.5	15.69	21.50	7,000	62,000	-	-
West	3.79M	12.7	18.3	15.7	2.6	16.84	18.70	(12,000)	(12,000)	-	-
Total	34.28M	19.9	23.7	22.4	1.3	19.44	23.88	(46,000)	(12,000)	-	56,000

Source: CBRE Research, Q2 2026

Economic Overview

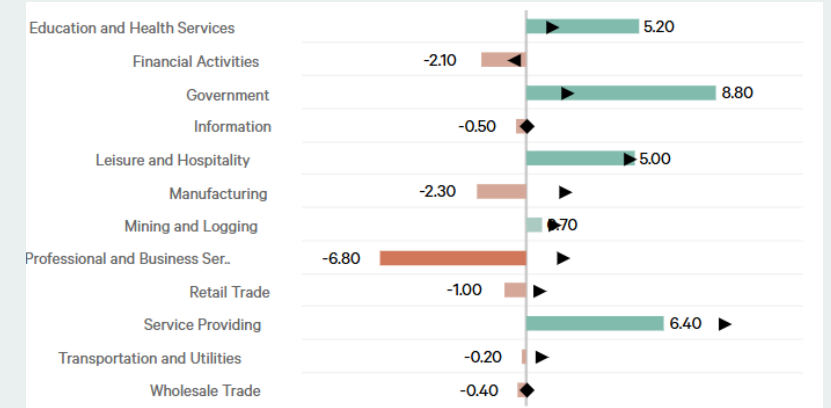
The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but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

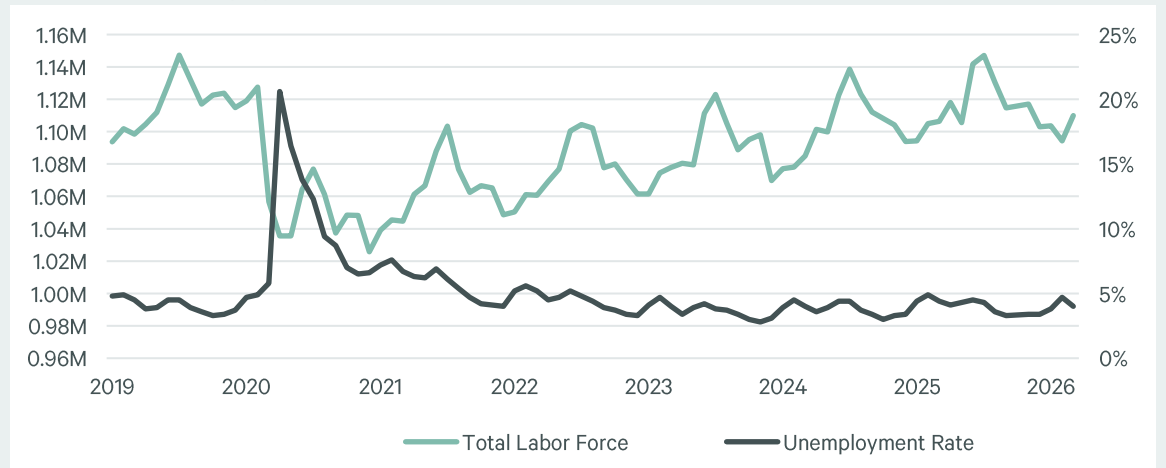
- ▼ **4.0%**
Unemployment Rate
- ▲ **1.1M**
Labor Force
- ▲ **561.3k**
Office Using Jobs
- ▲ **336.5k**
Industrial Using Jobs
- ▲ **242.7k**
Retail Using Jobs

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



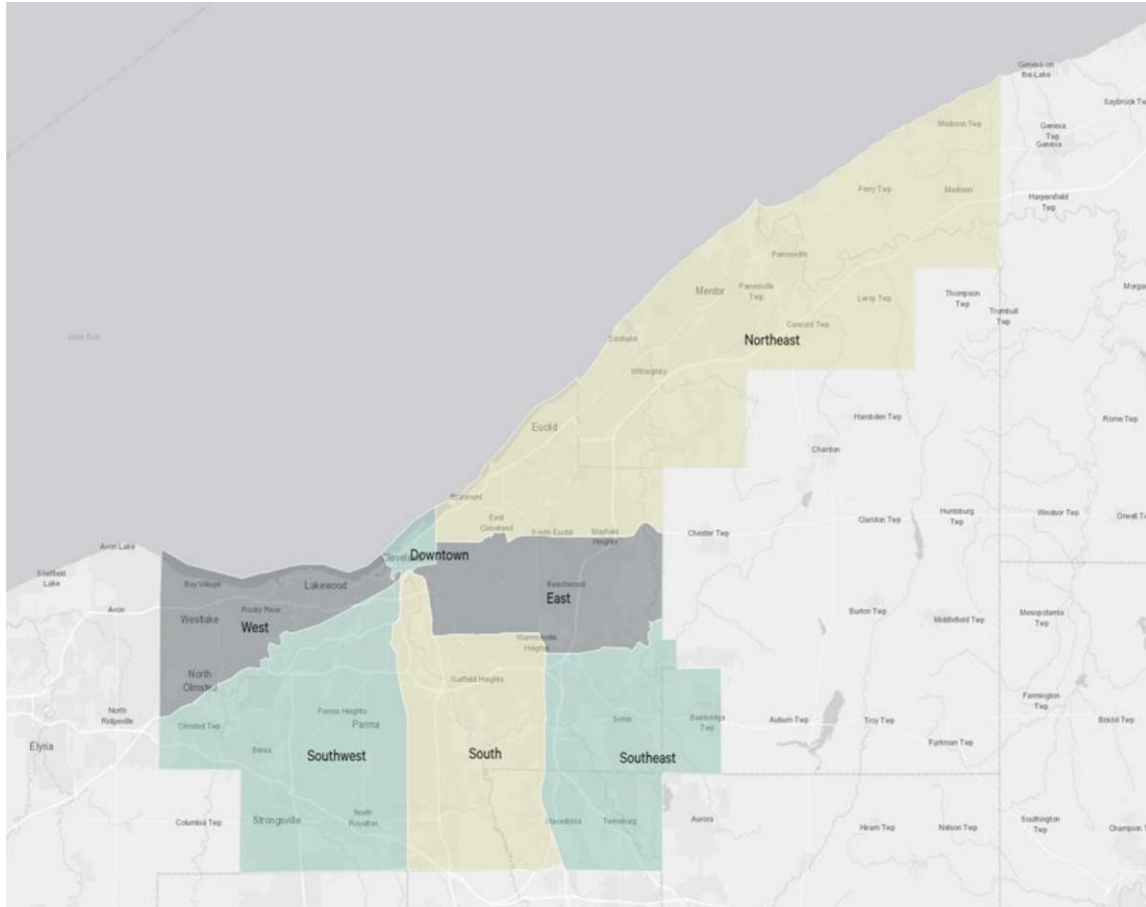
Source: US BLS, April 2026

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

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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