

Cleveland Office Market Overview

Market Observations

Economy

- In the first quarter of 2025, the Cleveland-Elyria-Mentor metro's economy gained back a modest number of jobs, as total nonfarm employment increased annually by just 0.2% in February. The unemployment rate for the Cleveland-Elyria-Mentor MSA remained flat at 4.0% in both January and February 2025.
- Five of 11 industry sectors in the Cleveland market saw employment gains from February 2024 to February 2025. Two of the three office-occupying industries experienced annual job gains, with the Business and Professional sector leading the way at 2.5%. The Financial Activities sector accrued year-over-year job gains at 0.6%, while the information sector came in at negative 1.7% year-over-year.
- The number of office-using jobs in the Cleveland market as of February 2025 was approximately 242,014, which was the highest figure since September of 2023.

Major Transactions

- Office building sales activity wasn't plentiful, but did yield some notable transactions. The office portion of the large mixed-use retail, multi-family, and office complex in the East submarket fetched the highest price per square foot for the quarter. The 150,000 SF office component of Pinecrest, located at 100-200 Park Ave. in Orange, was purchased by Tanger Factory Outlet Centers, Inc. for an allocated \$30.6 million, or \$204.07/SF, well above what traditional office buildings have sold for in recent quarters. Also in the East, the 130,000 SF 3401 Enterprise Pkwy. in Beachwood sold to private investor 3401 EP Holdings, LLC for \$15.0 million, or \$115.38/SF. A notable transaction in the Central Business District (CBD) was the transfer of the 88,448 SF mixed-use office/apartment building located at 425 Lakeside Ave. in the Warehouse District to 425 Lakeside Investment, LLC for \$4.8 million, or \$53.82/SF.
- On the leasing side, KPMG inked a 15,656 SF lease in the CBD submarket at 1500 W. 3rd St., with a planned occupation at the beginning of 2026. A couple of extensions were signed in the South submarket: Checkpoint Surgical, Inc.'s 13,771 SF at 6050 Oak Tree Blvd. and Spectrum Reach's 12,939 SF at 9100 S. Hills Blvd.

Leasing Market Fundamentals

- The Cleveland office market accrued 252,729 SF of positive absorption in the first quarter of 2025, giving it four quarters in a row in the positive. The positive absorption caused the quarterly overall total vacancy rate to decrease to 22.7%, down 50 basis points from the prior quarter.
- Total first quarter 2025 leasing activity for non-owner-occupied office buildings measuring 10,000 SF and greater in the Cleveland MSA was 240,121 SF, the second lowest quarterly total in the last 16 years behind the fourth quarter of 2021's tally of 196,850 SF. The 16-year annual leasing activity average was 2.3 million SF.
- The quarterly total overall average asking rental rate increased by \$0.33/SF from the fourth quarter of 2024 to \$21.11/SF in the first quarter of 2025. As a result, the 2025 year-to-date average asking rent total was higher than the 2024 total by \$0.59/SF, though the year-over-year asking rent growth rate dipped to 2.9%.

Outlook

- Despite a lackluster 2024 and first quarter of 2025 in terms of leasing activity, companies continue to lean towards heavier and consistent return-to-office mandates, which could provide a boost to leasing going forward. In fact, a trend that is emerging on the tenant side is the need for speed. Many have begun making decisions in a shorter timeframe and moving quickly.
- Tenant interest has been heavier in the suburban submarkets and will remain there going forward, particularly the South submarket. Absorption should catch up in most of the suburban submarkets as tenants begin to sign deals and take occupancy as the year advances.
- Parking garages and lots in the CBD have continued to look fuller as 2025 has progressed. However, economic uncertainty and continued difficulties with financing could prove to be stumbling blocks along the way.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

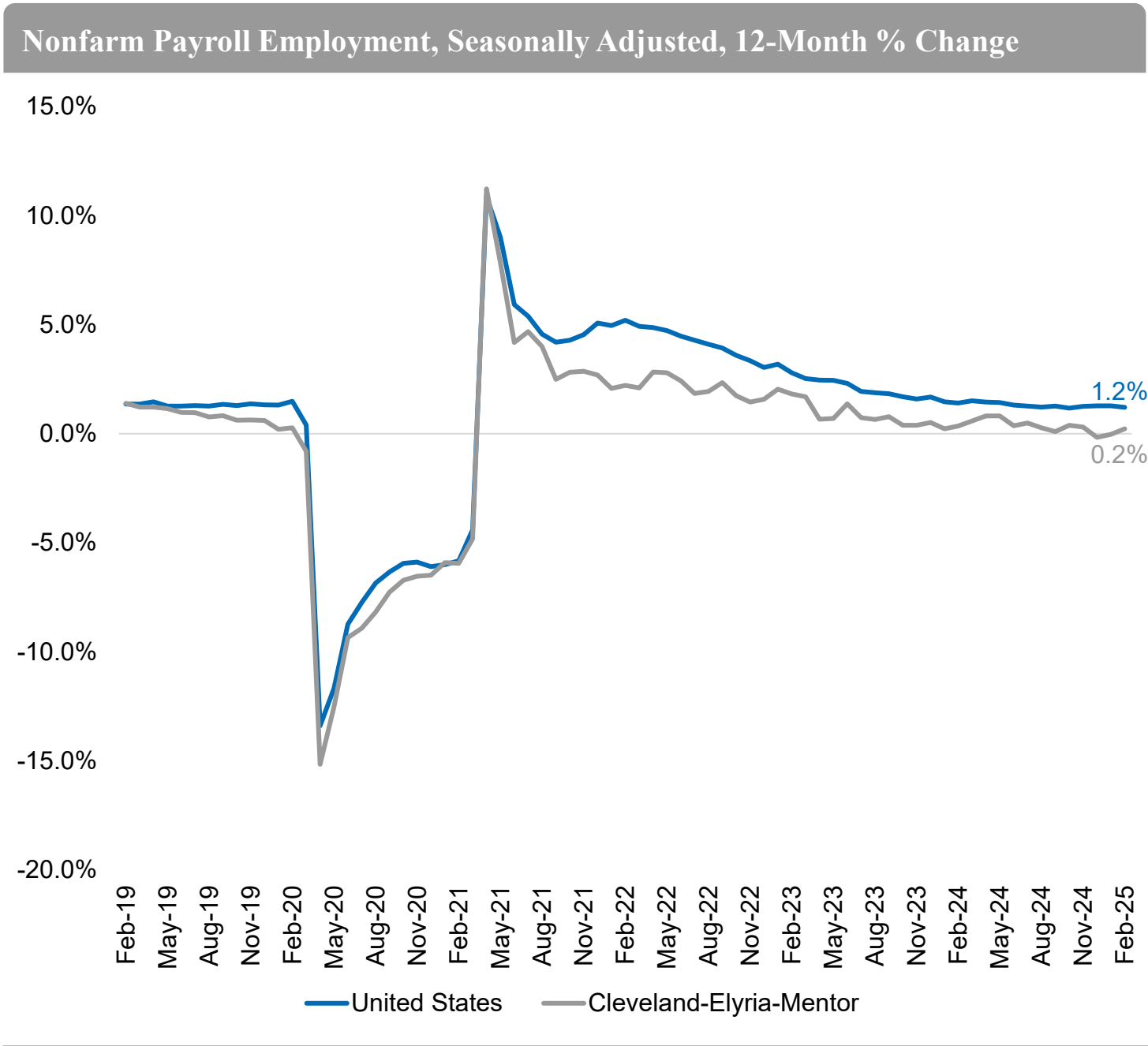
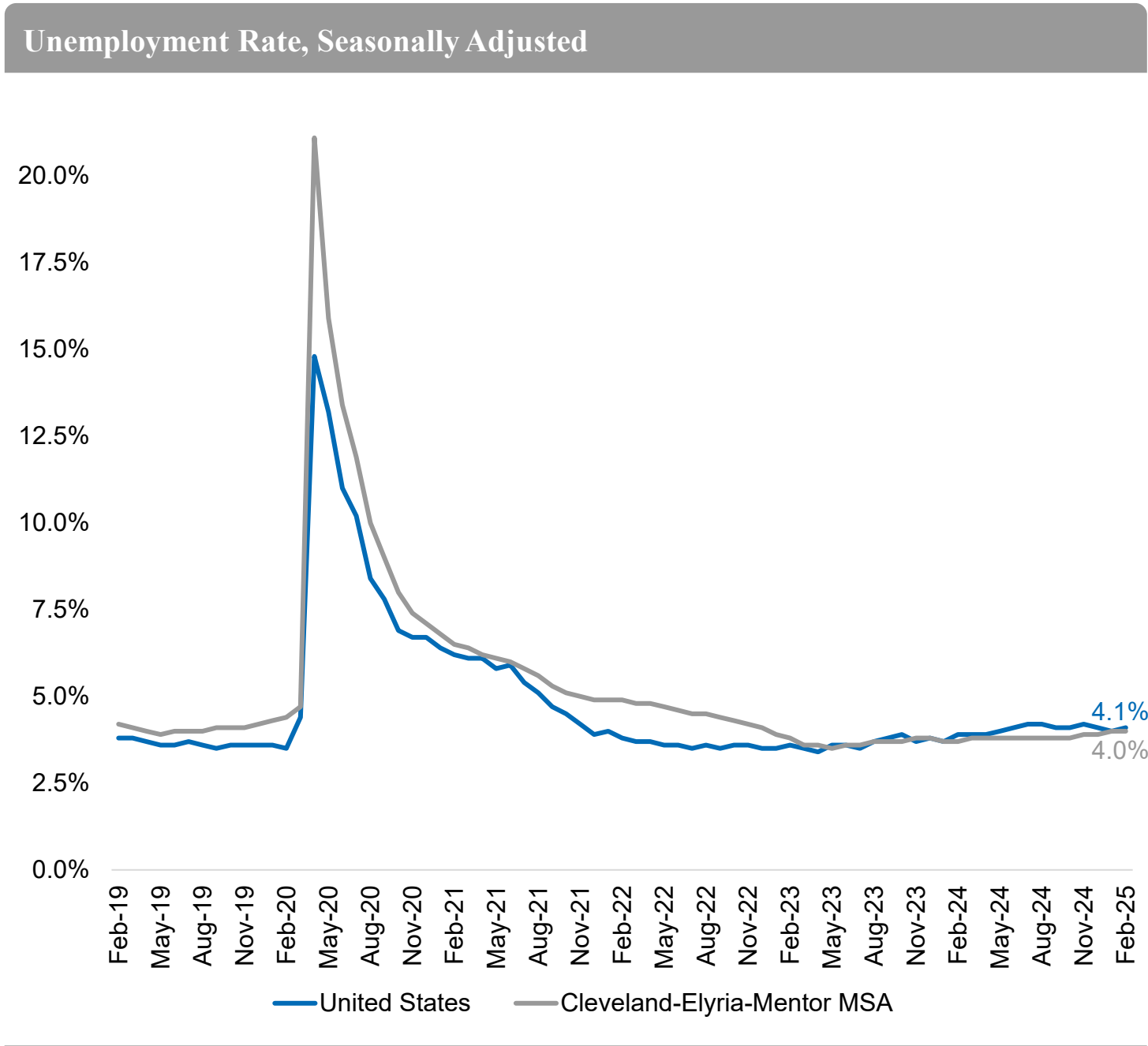
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Economy



Cleveland and United States Unemployment and Nonfarm Employment Trends

In the first quarter of 2025, the Cleveland-Elyria-Mentor metro’s economy gained back a modest number of jobs, as total nonfarm employment increased annually by just 0.2% in February. National nonfarm employment increased by 1.2%. The unemployment rate for the Cleveland-Elyria-Mentor MSA remained flat at 4.0% in both January and February 2025 – up 10 basis points from the 3.9% it finished November and December 2024 with. Prior to those two months, Cleveland’s unemployment rate stayed flat at 3.8% for the months of March through October 2024. The national unemployment rate rose higher than Cleveland in February, to 4.1%.

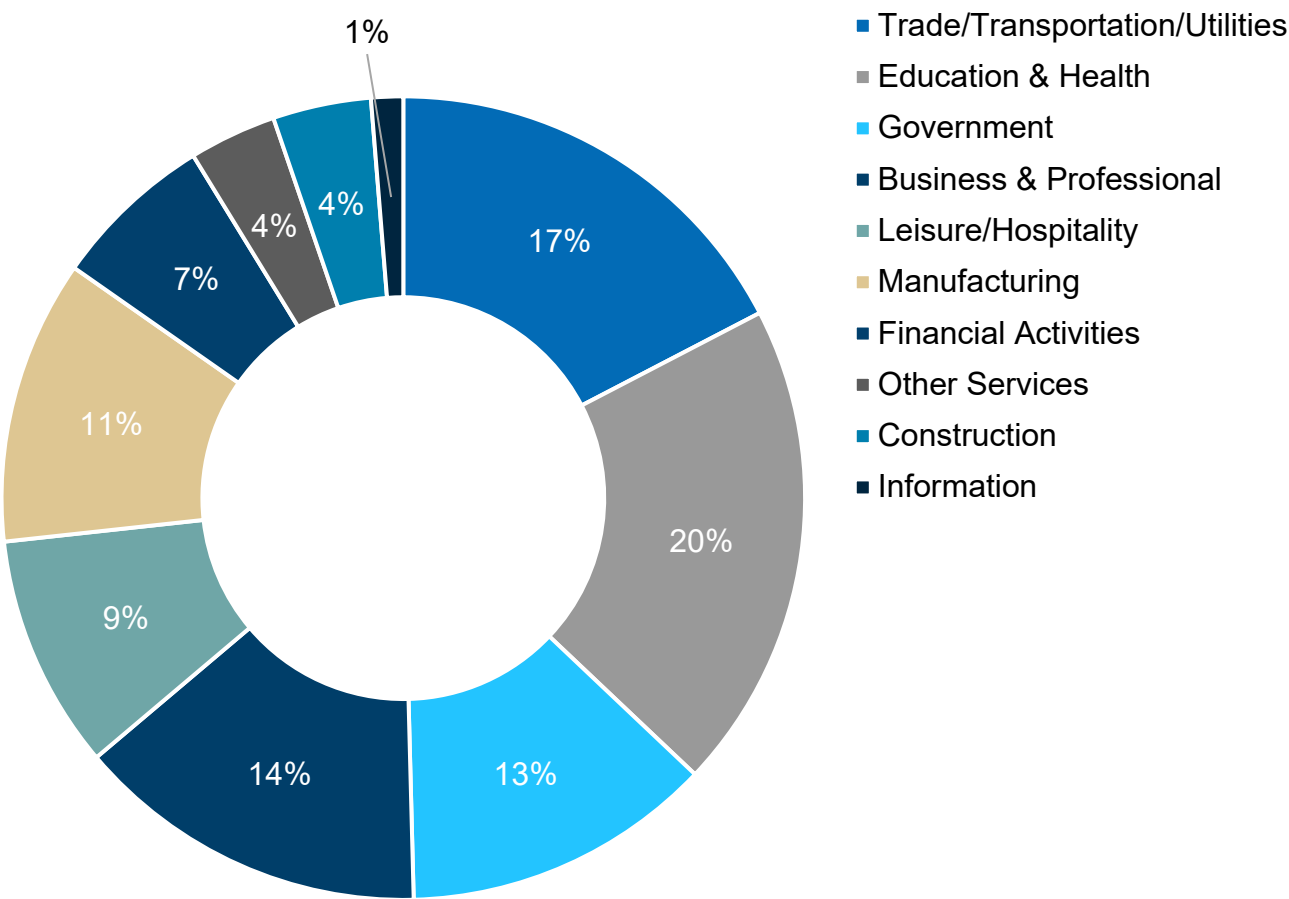


Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA

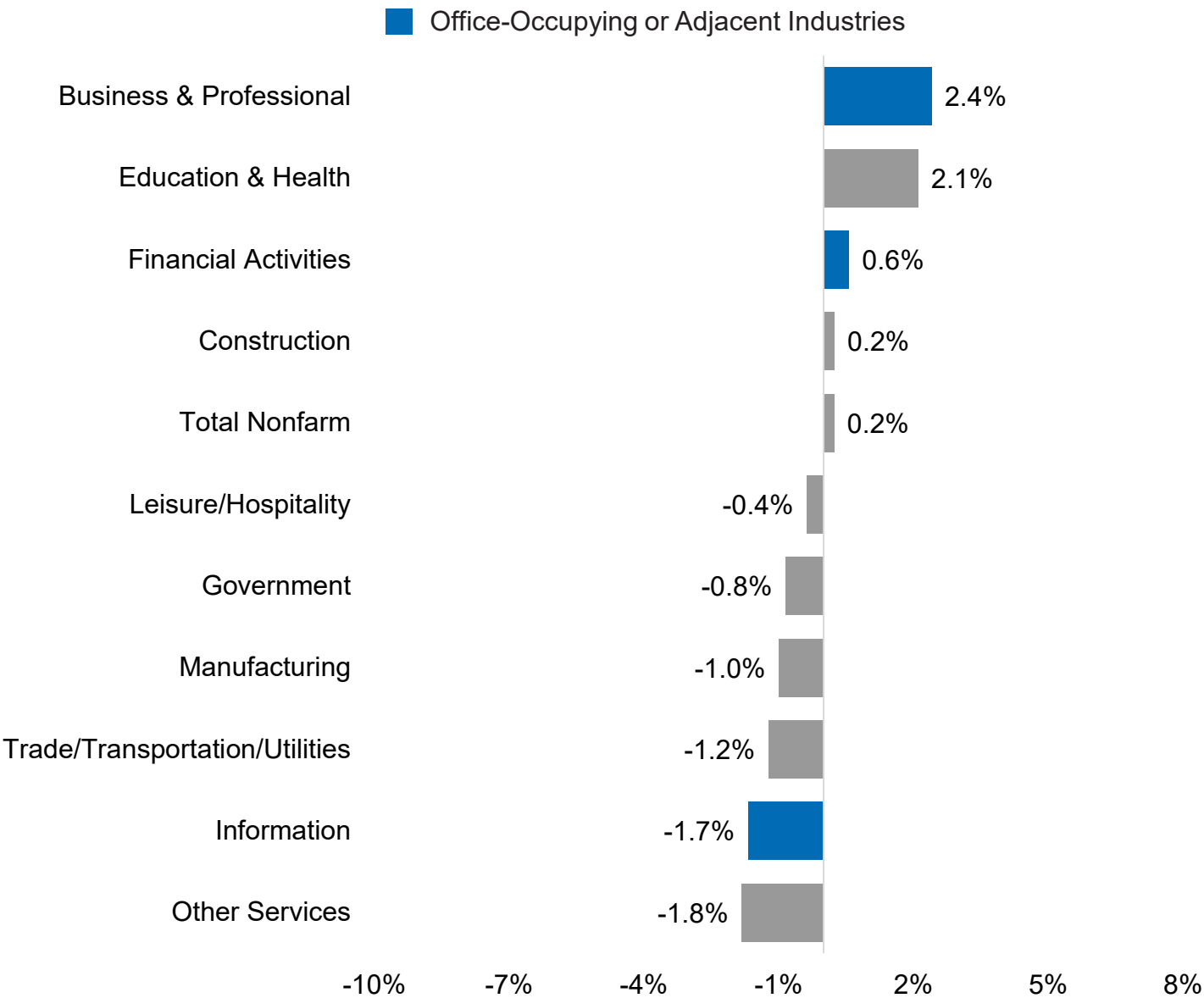
Job Gains in Two of Three Office-Occupying or Adjacent Industries

Five of 11 industry sectors in the Cleveland market saw employment gains from February 2024 to February 2025. Two of the three office-occupying industries experienced annual job gains, with the Business and Professional sector leading the way at 2.5%. The Financial Activities sector accrued year-over-year job gains at 0.6%, while the information sector came in at negative 1.7% year-over-year. The combined office-occupying employment figure was a 1.6% gain.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

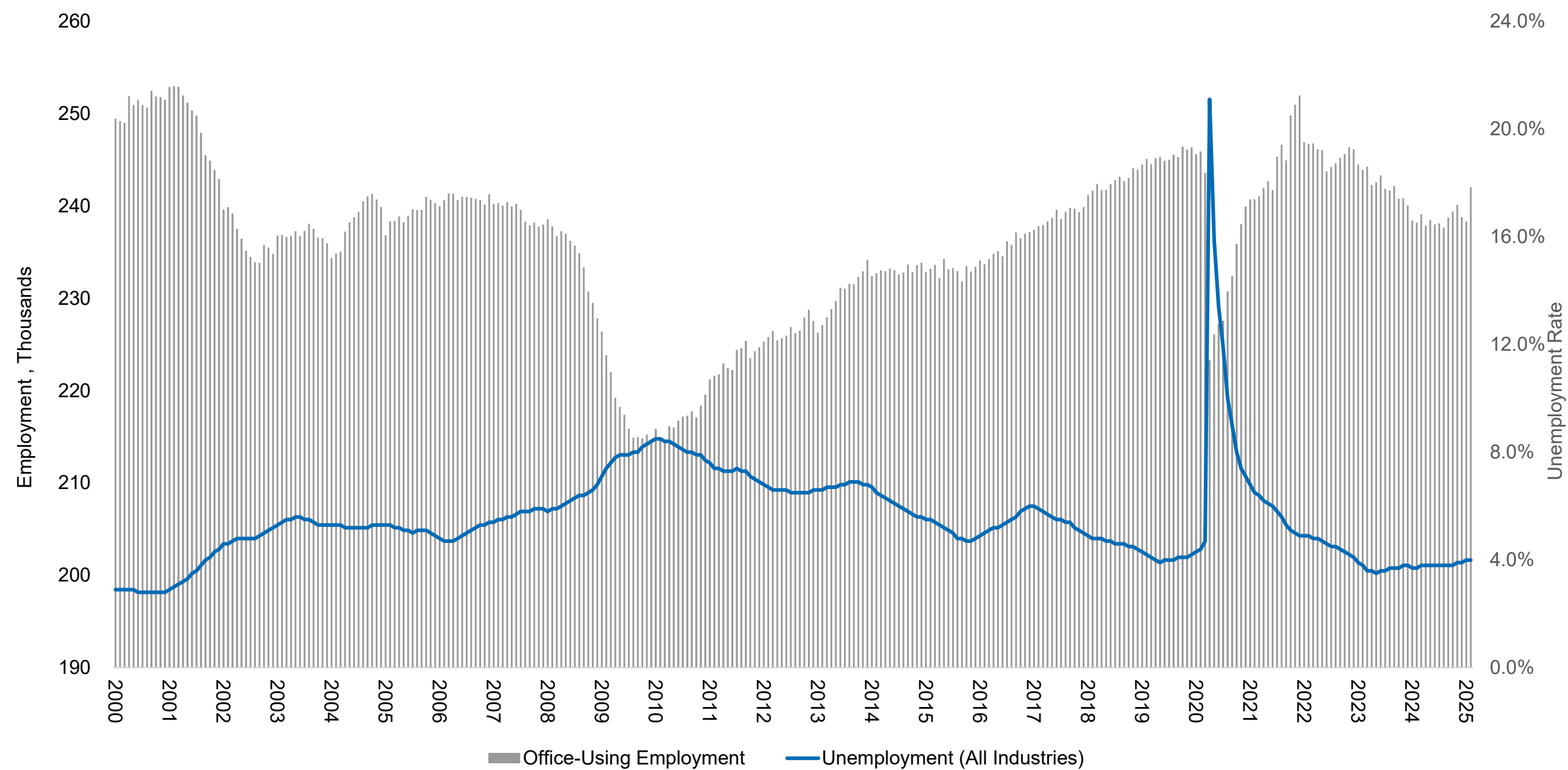


Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA

Office-Using Employment

The number of office-using jobs in the Cleveland market as of February 2025 was approximately 242,014, which was the highest figure since September of 2023.

Office-Using Employment* and Unemployment Across All Industries, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

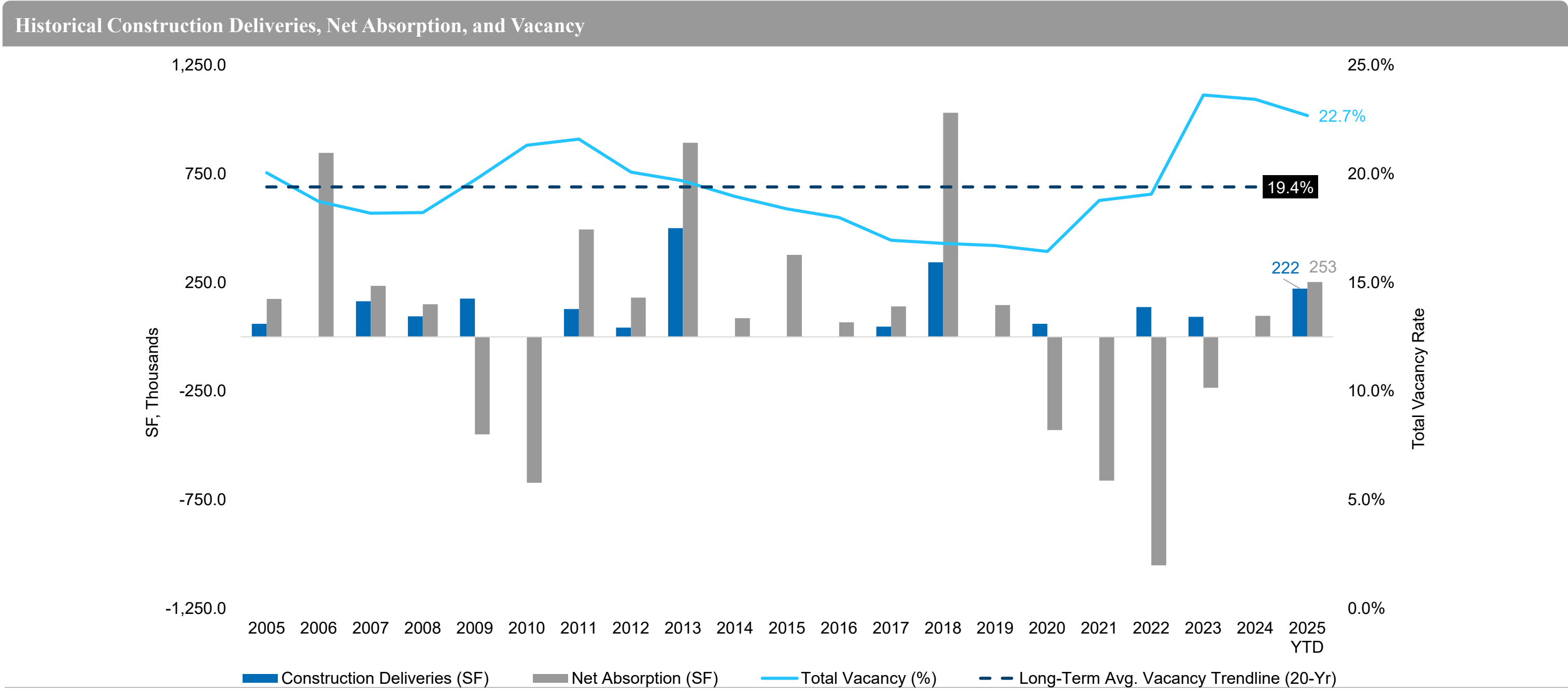
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Leasing Market Fundamentals



Office Market Starts Year With Net Positive Absorption

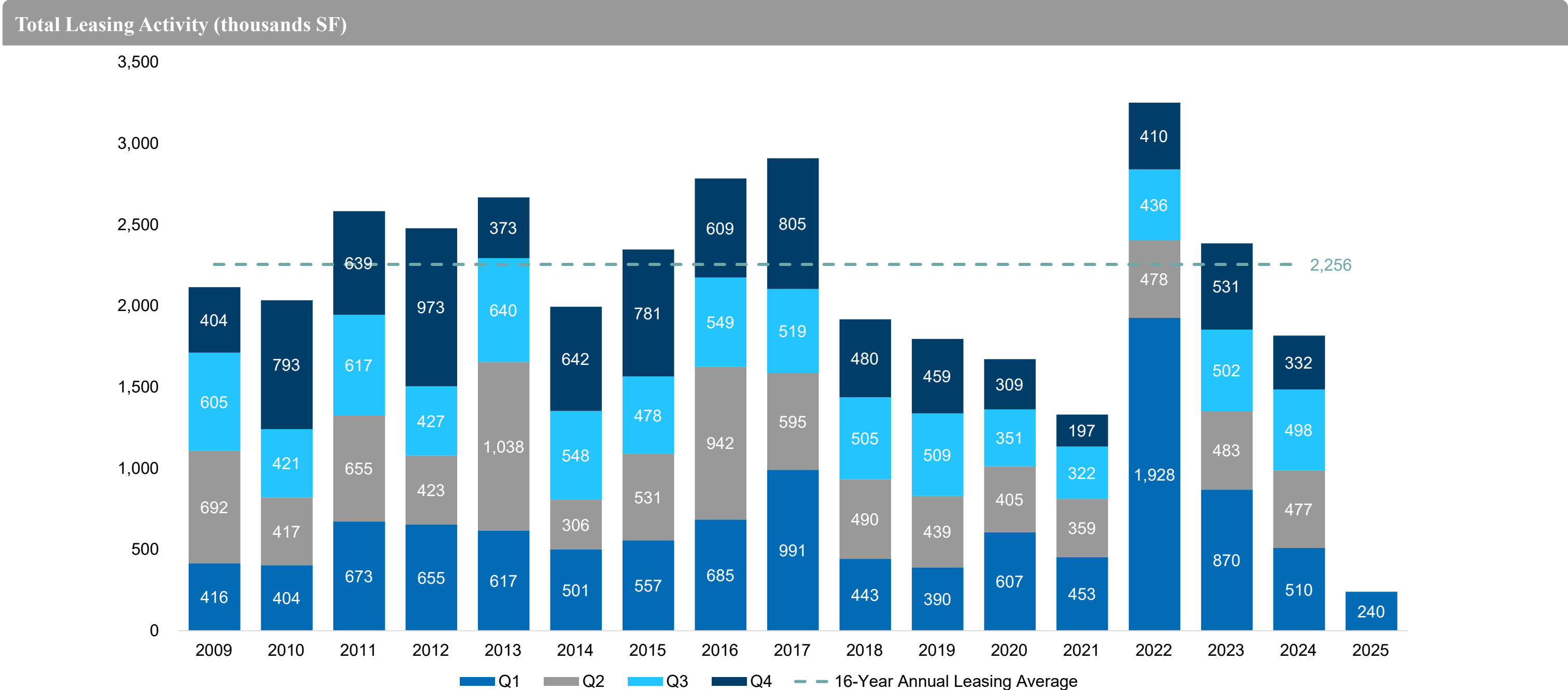
The Cleveland office market accrued 252,729 SF of positive absorption in the first quarter of 2025, giving it four quarters in a row in the positive. The positive absorption caused the quarterly overall total vacancy rate to decrease to 22.7%, down 50 basis points from the prior quarter. The 22.7% vacancy rate represents the year-to-date total so far for 2025, whereas or the year 2024 the vacancy rate came in at 23.4%, 20 basis points lower than the 2023 year-end total. The current vacancy rate of 22.7% is still higher than the long-term 20-year average vacancy trendline of 19.4%. Tenant interest has been heavier in the suburban submarkets and will remain there going forward, particularly the South submarket. Absorption should catch up in most of the suburban submarkets as tenants begin to sign deals and take occupancy as the year progresses.



Source: Newmark Research

First Quarter Leasing Activity the Second Lowest in 16 Years

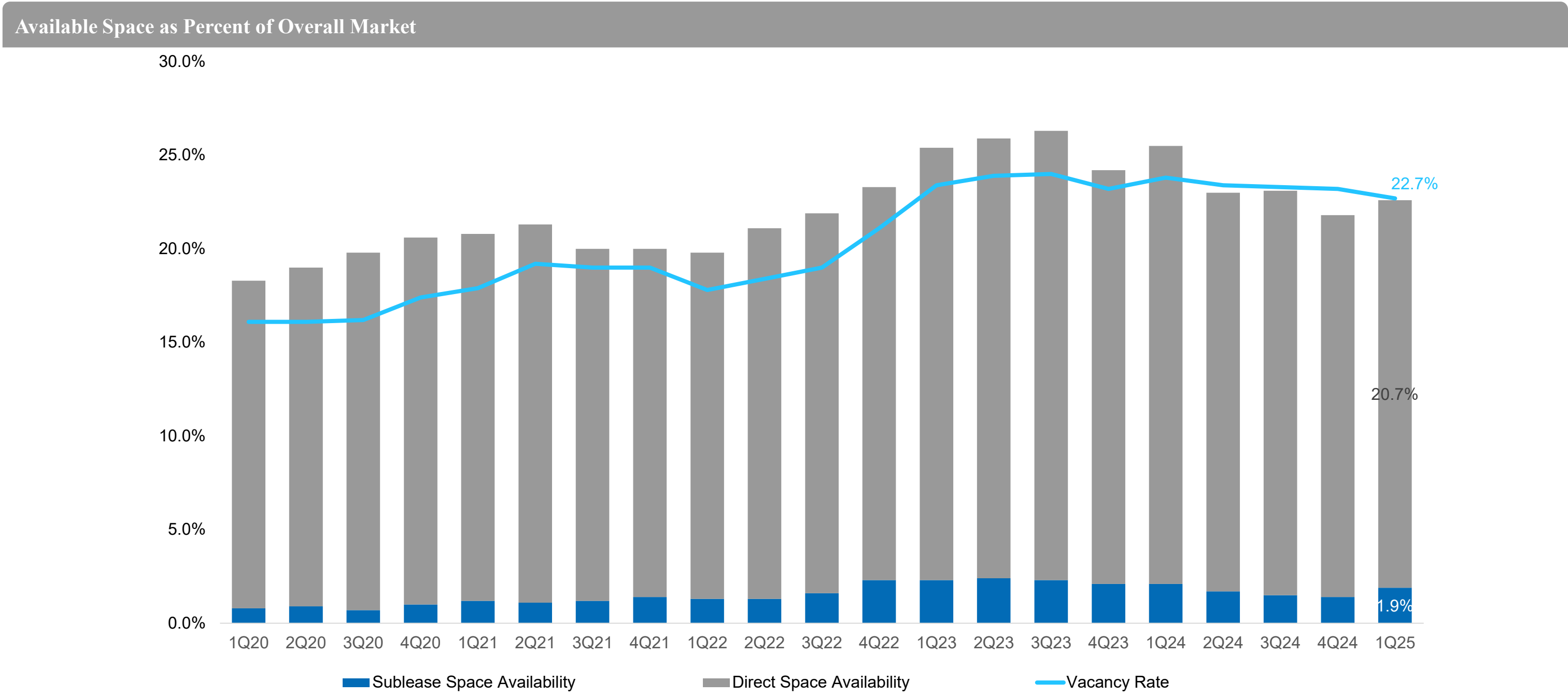
Total first quarter 2025 leasing activity for non-owner-occupied office buildings measuring 10,000 SF and greater in the Cleveland MSA was 240,121 SF, the second lowest quarterly total in the last 16 years behind the fourth quarter of 2021's tally of 196,850 SF. The 16-year annual leasing activity average was 2.3 million SF. Despite a lackluster 2024 and first quarter of 2025 in terms of leasing activity, companies continue to lean towards heavier and consistent return-to-office mandates, which could provide a boost to leasing going forward. In fact, a trend that is emerging on the tenant side is the need for speed. Many have begun making decisions in a shorter timeframe and moving quickly. However, economic uncertainty and continued difficulties with financing could prove to be stumbling blocks along the way.



Source: Newmark Research, CoStar

Direct and Sublet Space Both Rise in Availability

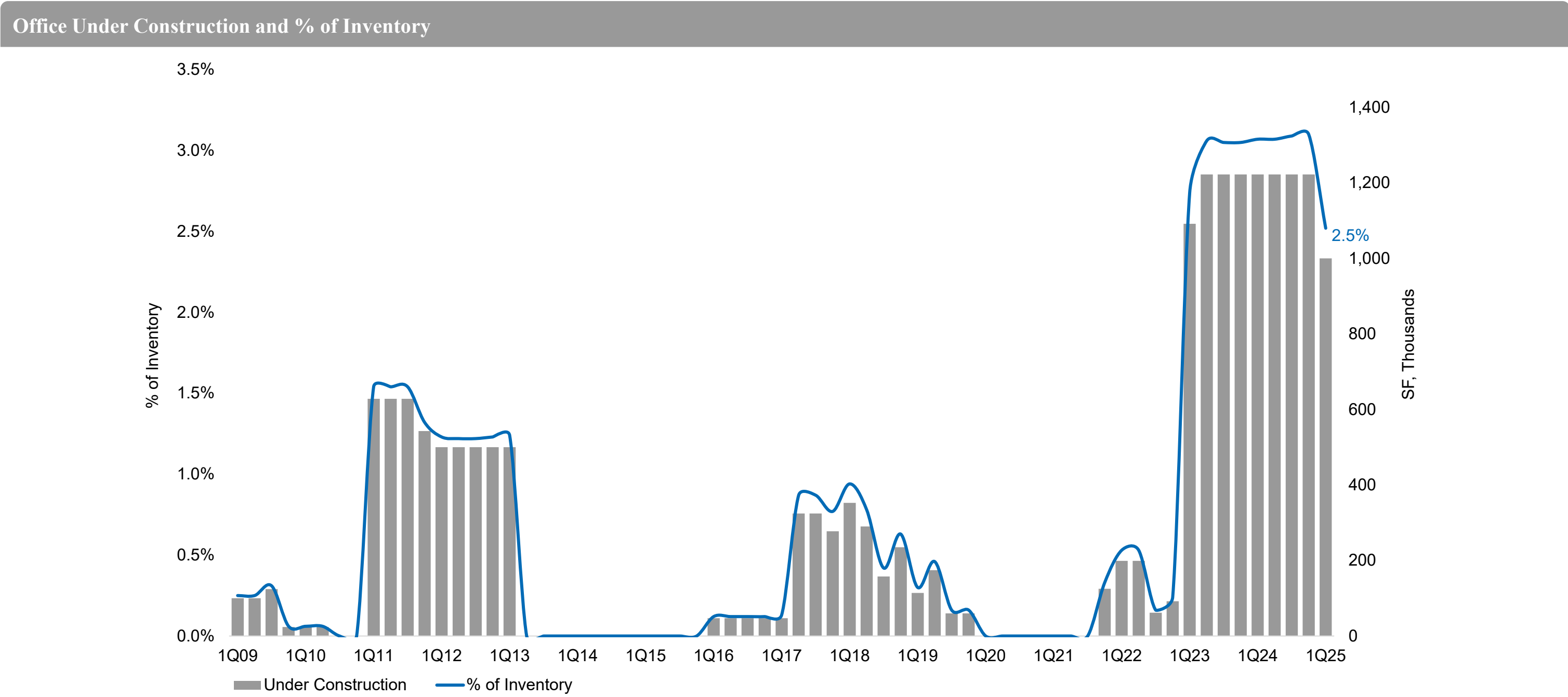
Direct space availability increased in the first quarter of 2025 by 30 basis points from the previous quarter to 20.7%, representing about 8.2 million SF. Despite the increase, this is one of the lowest direct space availability tallies in the last several quarters. Sublease space availability also ticked up, by 50 basis points to 1.9%, as its available square footage increased to 765,643 SF. After a fairly steady and slow downward trajectory since the fourth quarter of 2022, the past quarter’s increase reversed that trend. Overall total vacancy decreased to 22.7%, down 50 basis points from the prior quarter. Despite another quarter of lukewarm leasing activity, the vacancy drop can be attributed to occupations taking hold from lease signings that took place in previous quarters, as well as several spaces being removed from listings.



Source: Newmark Research

Sherwin-Williams IS the Office Construction Activity

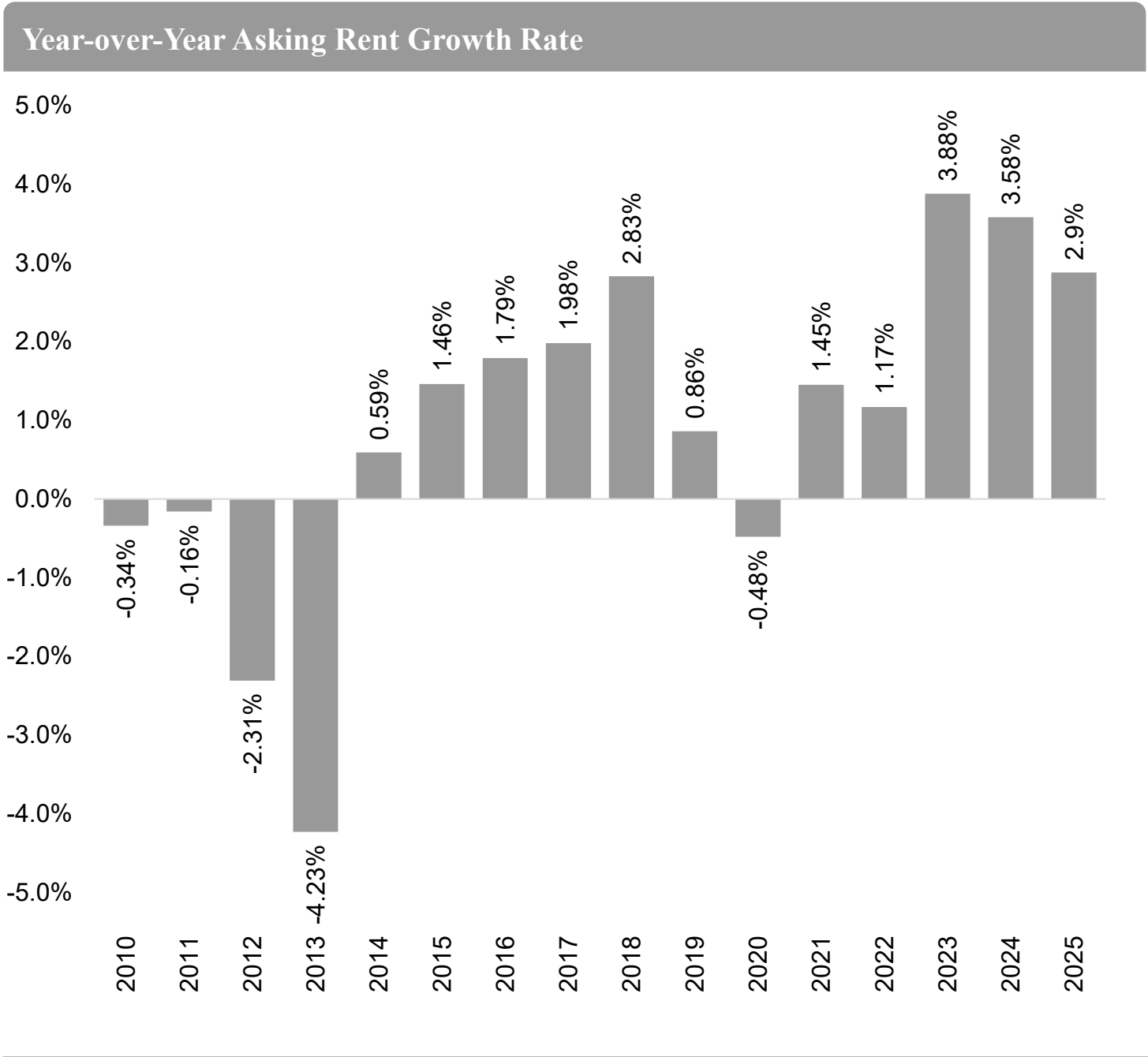
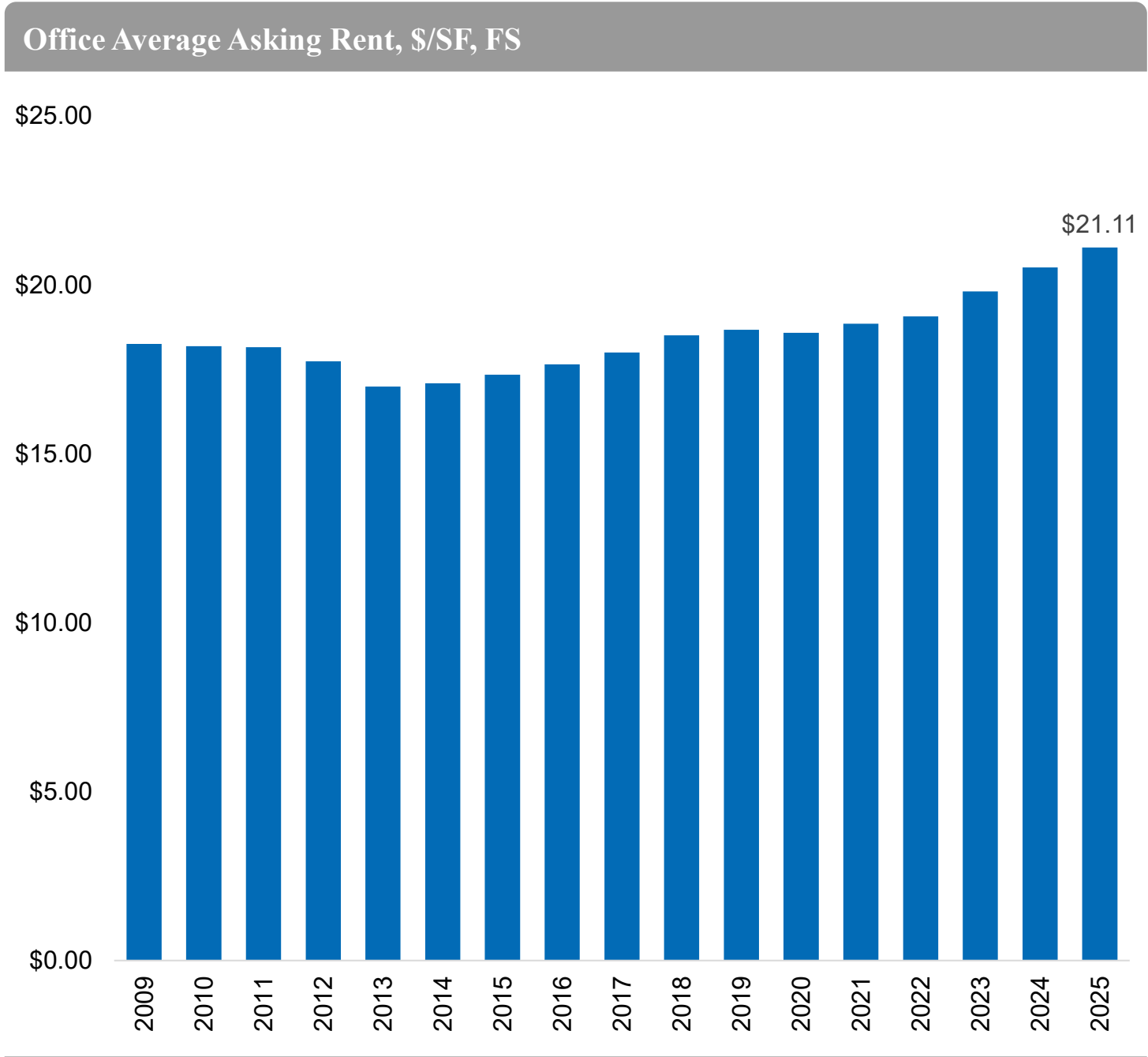
The 1.0 million SF Sherwin-Williams headquarters project in the CBD is the largest office development in years and now makes up the entirety of the trackable office construction in the market. That project should deliver by the end of 2025 but was delayed by the company because of concerns with a protective coating used in the process. Construction activity amounted to 2.5% of inventory. Phase one of the 127,253 SF Valor Acres office component delivered in the first quarter, with DiGeronimo Companies having pre-leased approximately 76,000 SF for their new headquarters. Just under 51,000 SF remains available. The MidTown Collaboration Center, a 95,000 SF office/academic/healthcare hub, also delivered.



Source: Newmark Research

Overall Total Asking Rental Rate Continued to Increase Year to Year

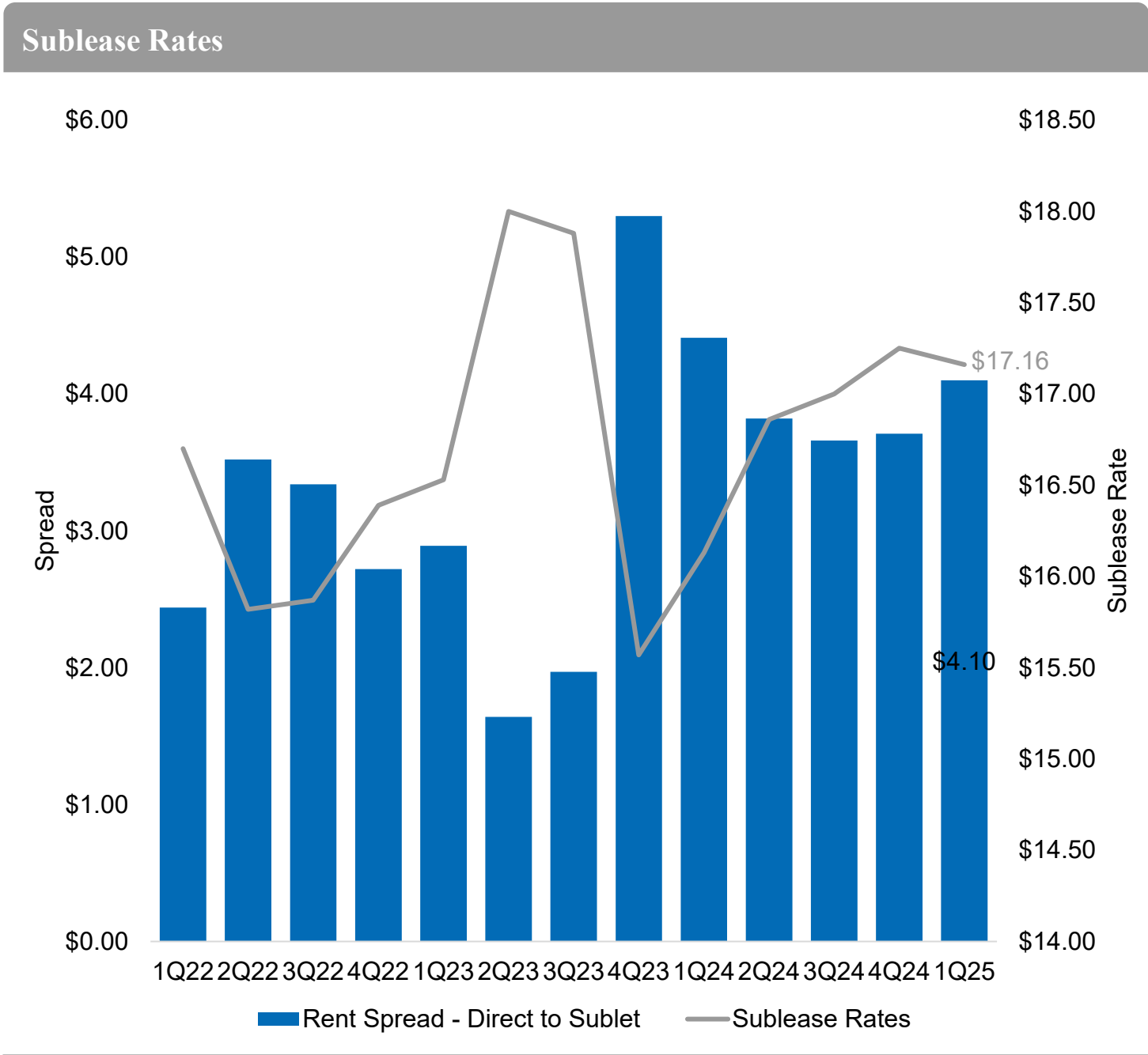
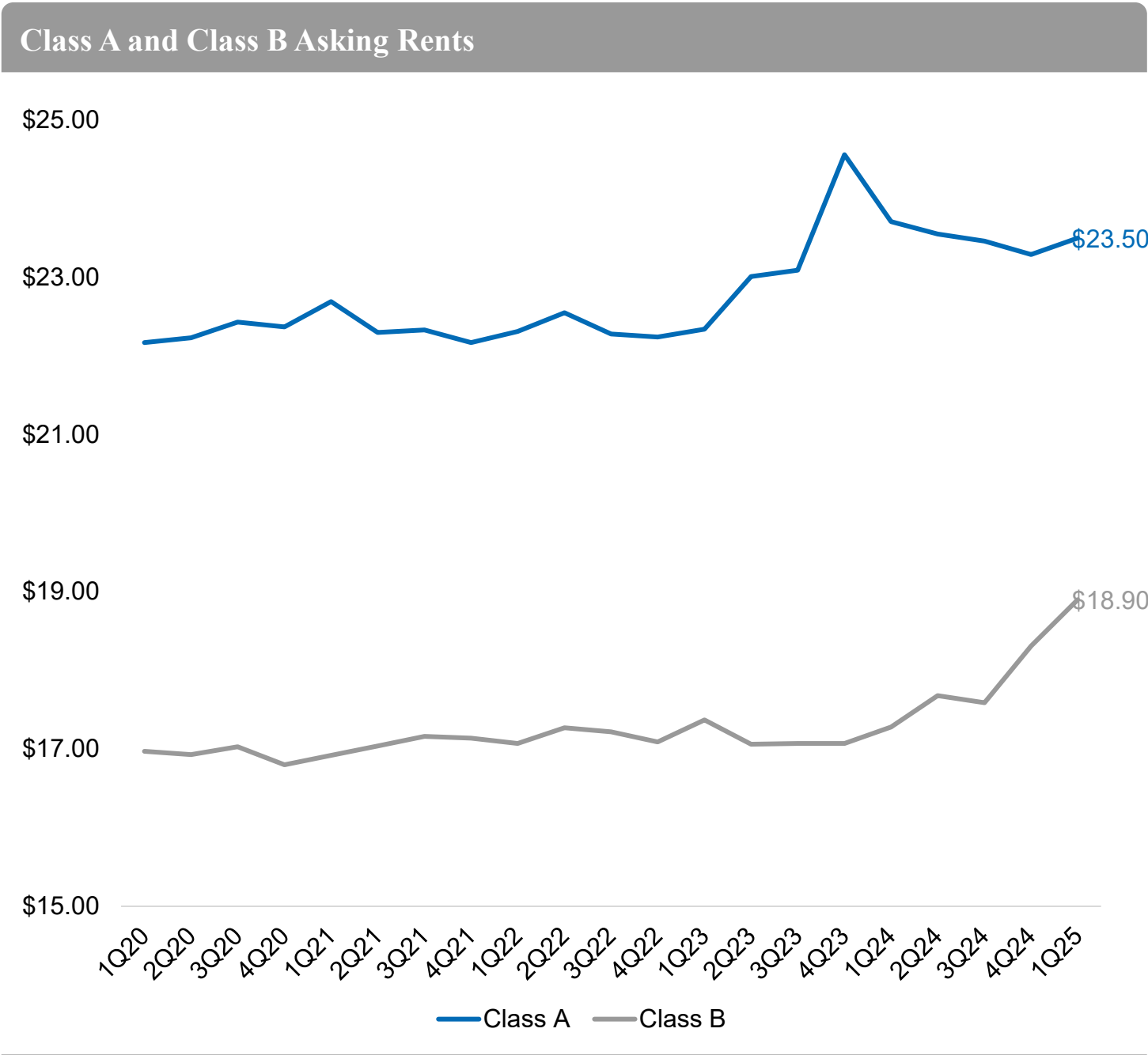
The Cleveland office market’s quarterly total overall average asking rental rate increased by \$0.33/SF from the fourth quarter of 2024 to \$21.11/SF in the first quarter of 2025. As a result, the 2025 year-to-date average asking rent total was higher than the 2024 total by \$0.59/SF, though the year-over-year asking rent growth rate dipped to 2.9%. Despite slowing over the last couple years, 10 of the last 11 years, and 2025 so far, (the exception being 2020 as the pandemic took hold) have all seen year-over-year asking rental rate growth.



Source: Newmark Research

Class A and B Asking Rents Rise While Gap Still Tightens

The overall Class A average asking rental rate in the first quarter increased by \$0.21/SF from the fourth quarter of 2024 to \$23.50/SF, while the Class B rate increased by \$0.59/SF to \$18.90/SF, which helped to further narrow the gap between Class A and B rents to \$4.60/SF from \$4.98/SF in the previous quarter – the closest gap between the two classes of office buildings in recent history. The first quarter’s average sublease rate decreased by \$0.09/SF to \$17.16/SF, which widened the gap between sublease and direct rents to \$4.10/SF from \$3.71/SF the previous quarter. The rent spread between the direct rate and the sublease rate has increased for two quarters in a row after decreasing for the three previous quarters from the fourth quarter of 2023 to the third quarter of 2024.



Source: Newmark Research

Lease and Sale Transactions in 1Q25

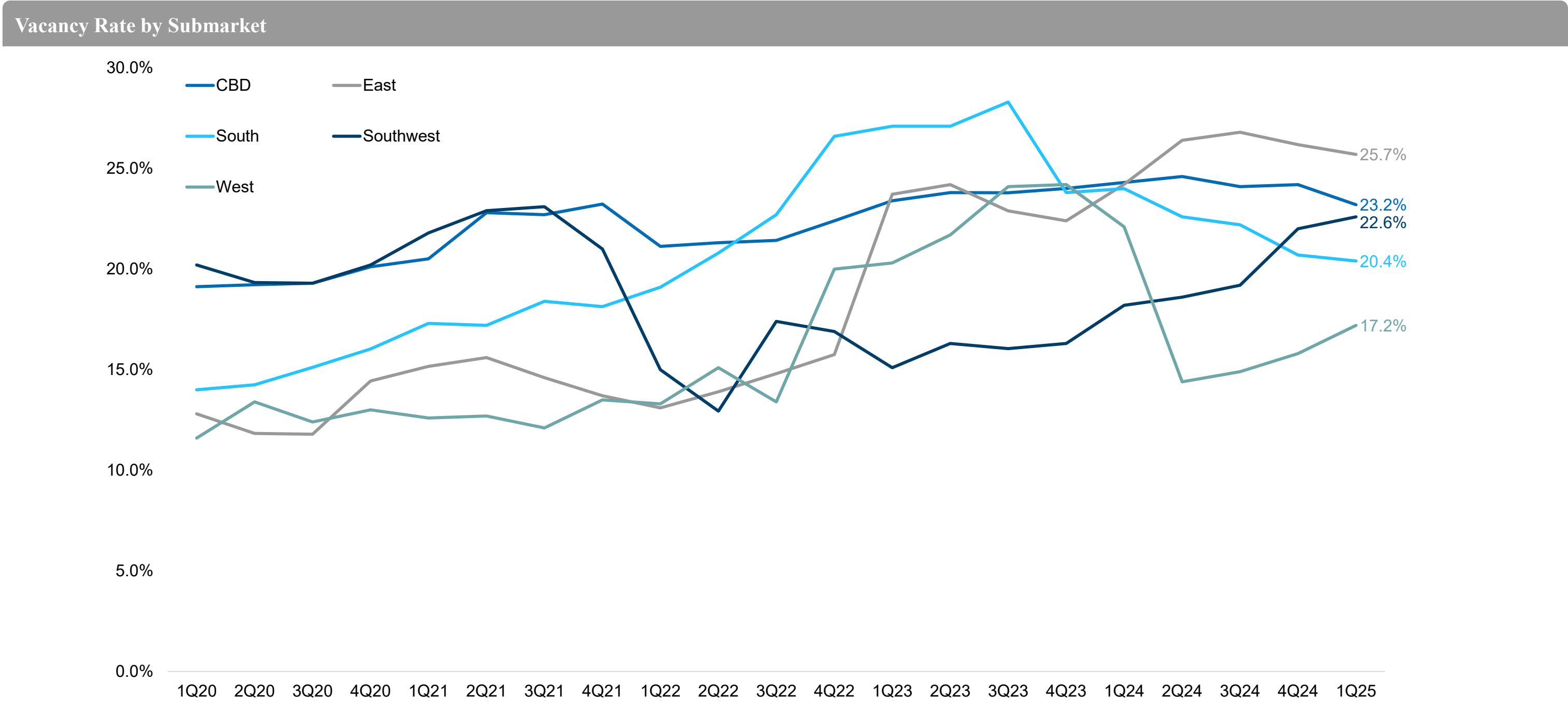
Select 1Q25 Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
KPMG	1500 W. 3rd St.	CBD	Direct	15,656
Checkpoint Surgical, Inc.	6050 Oak Tree Blvd.	South	Extension	13,771
Spectrum Reach LLC	9100 S. Hills Blvd.	South	Extension	12,939
Junior Achievement of Greater Cleveland	668 Euclid Ave.	CBD	Direct	10,900
LPL Financial	6150 Oak Tree Blvd.	South	Direct	6,058

Select 1Q25 Sale Transactions					
Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
Tanger Factory Outlet Centers, Inc.	Offices at Pinecrest: 100-200 Park Ave. <i>(allocated; part of a portfolio sale)</i>	East	\$30,609,881	150,000	\$204.07
King's Church Ohio Inc.	15422 Detroit Ave.	West	\$2,900,000	23,000	\$126.09
3401 EP Holdings, LLC	3401 Enterprise Pkwy.	East	\$15,000,000	130,000	\$115.38
Beachwood Chagrin Commerce LLC	24300 Chagrin Blvd.	East	\$2,100,000	25,282	\$83.06
Reign Capital	750 Huron <i>(allocated; part of a portfolio sale)</i>	CBD	\$27,062,486	460,237	\$58.80
425 Lakeside Investment, LLC	425 W. Lakeside Ave. <i>(mixed-use office/apartment)</i>	CBD	\$4,760,000	88,448	\$53.82

Source: Newmark Research, CoStar

The East Submarket Continued to Have the Most Vacancy (Supplemental Slide)

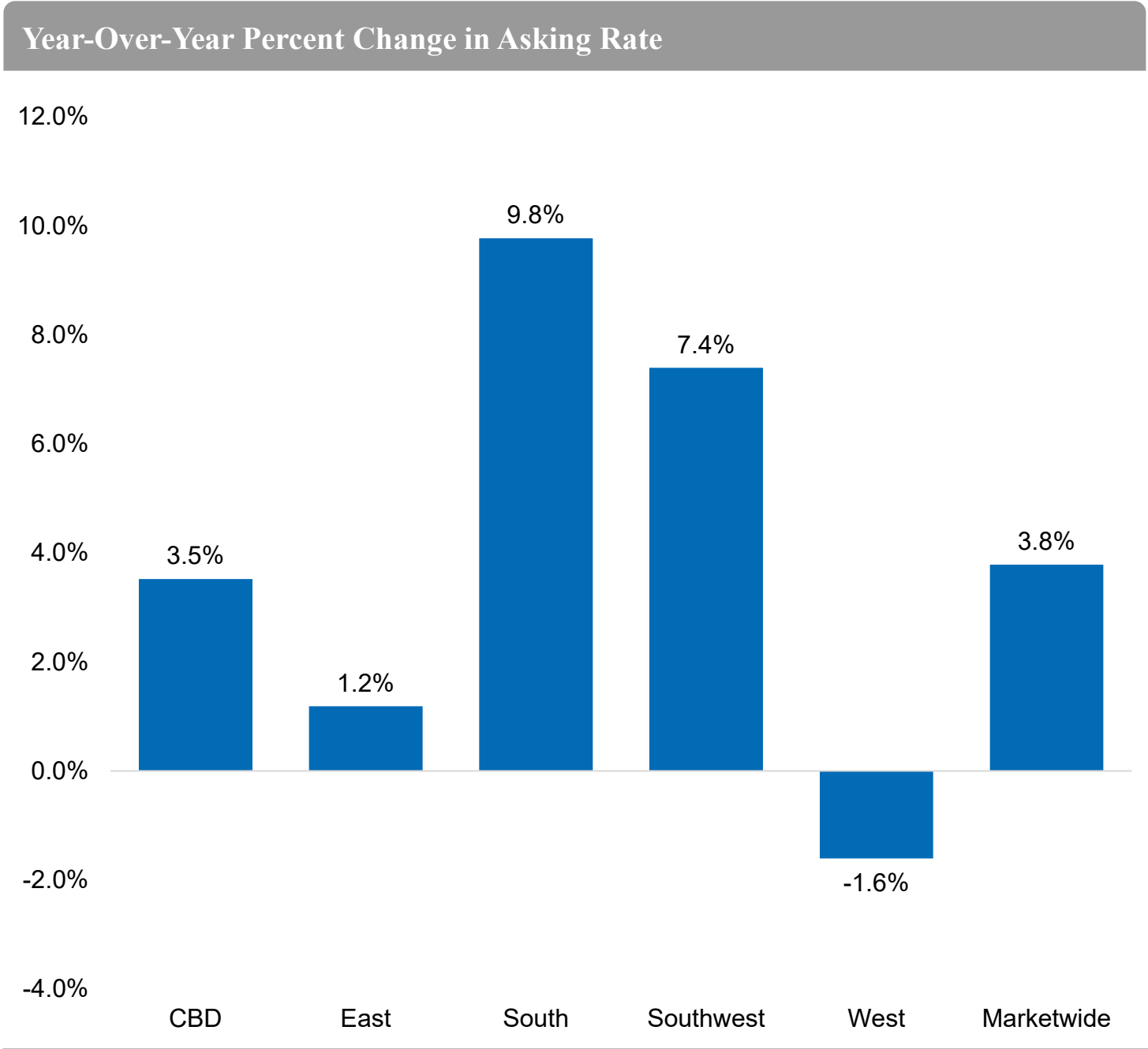
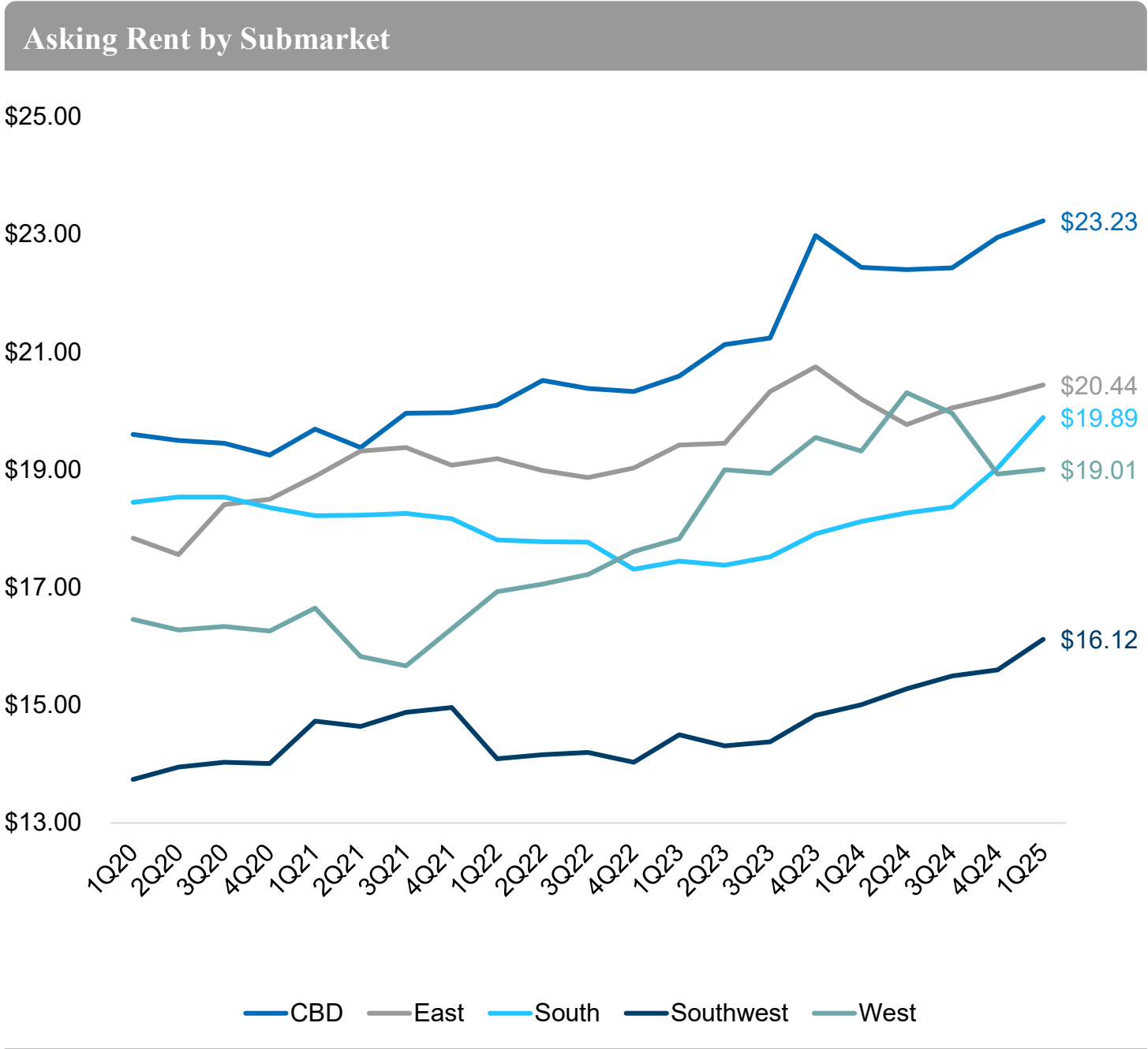
The East submarket’s vacancy rate decreased by 50 basis points to 25.7% this past quarter yet remained the highest of all submarkets for the fourth quarter in a row. Despite a significant occupancy gain for the quarter, the CBD remained the second-highest vacancy of the submarkets at 23.2% for the first quarter. The Southwest lost 8,651 SF of space in the first quarter of 2025 and tallied a vacancy rate of 22.6%, which was up 60 basis points from the previous quarter for the third highest vacancy in the market. The South dipped slightly to 20.4% as the quarter ended, and the West netted 86,197 SF of negative absorption, the largest loss of any submarket, which increased its vacancy rate to 17.2%, still the market’s lowest.



Source: Newmark Research

All But One Submarket Asking Rents Up Year Over Year (Supplemental Slide)

In the first quarter, four out of the five submarkets in the Cleveland office market experienced an increase in average asking rental rates compared to the previous year. The South submarket saw the largest increase, with rates rising by 9.8% year-over-year. The Southwest was close behind, reporting a 7.4% year-over-year uptick. On the other hand, the West submarket's asking rental rate decreased the most, dropping by 1.6% year-over-year. Overall, the Cleveland office market saw a 3.8% increase in asking rents from the previous year. The Central Business District (CBD) had the highest average asking rent in the market, at \$23.23/SF. In contrast, the Southwest offered the lowest rate among submarkets at \$16.12/SF, despite a \$0.52/SF increase from the previous quarter



Source: Newmark Research

1Q25

Appendix



Historical Statistical Overview (Supplemental Slide)

Entire Cleveland Office Market, Recent Quarters, Descending							
	Total Inventory (SF)	Total Available (SF)	Total Availability Rate	Total Vacant (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Total Average Asking Rental Rate
1Q2025	39,622,689	8,978,548	22.7%	8,988,260	22.7%	252,729	\$21.11
4Q2024	39,448,012	8,571,085	21.7%	9,138,900	23.2%	69,157	\$20.78
3Q2024	39,573,974	9,149,108	23.1%	9,240,345	23.3%	96,220	\$20.48
2Q2024	39,825,974	9,139,360	22.9%	9,336,565	23.4%	125,217	\$20.46
1Q2024	39,825,955	10,165,900	25.5%	9,461,782	23.8%	(194,030)	\$20.34
4Q2023	40,055,439	9,692,399	24.2%	9,298,598	23.2%	299,057	\$20.63
3Q2023	40,039,491	10,510,184	26.2%	9,597,655	24.0%	(28,545)	\$19.74
2Q2023	39,975,272	10,361,932	25.9%	9,569,024	23.9%	(148,533)	\$19.56
1Q2023	39,870,402	10,107,778	25.4%	9,328,591	23.4%	(356,503)	\$19.30
4Q2022	37,993,462	8,833,331	23.2%	8,003,708	21.1%	(662,893)	\$18.99
3Q2022	38,024,010	8,254,706	21.7%	7,230,365	19.0%	(128,986)	\$19.07
2Q2022	37,778,585	7,925,572	21.0%	6,964,379	18.4%	(296,853)	\$19.20
1Q2022	37,674,785	7,484,414	19.9%	6,694,512	17.8%	37,841	\$19.02
4Q2021	38,367,954	7,620,693	19.9%	7,279,549	19.0%	46,495	\$18.91
3Q2021	38,962,496	7,822,246	20.1%	7,411,798	19.0%	(50,113)	\$18.97
2Q2021	38,922,240	8,318,230	21.4%	7,458,588	19.2%	(473,261)	\$18.70
1Q2021	38,921,397	8,081,387	20.8%	6,985,327	17.9%	(184,419)	\$18.82
4Q2020	39,001,198	8,064,401	20.7%	6,769,978	17.4%	(455,081)	\$18.51
3Q2020	38,808,096	7,699,474	19.8%	6,280,195	16.2%	(31,097)	\$18.63
2Q2020	38,794,318	7,358,010	19.0%	6,238,493	16.1%	(5,750)	\$18.51
1Q2020	38,758,149	7,086,490	18.3%	6,232,743	16.1%	63,401	\$18.65

Source: Newmark Research

Submarket Overview (Supplemental Slide)

The Central Business District

In the first quarter of 2025, the Central Business District (CBD) led all submarkets by achieving a positive absorption of 249,951 SF. This increase in occupancy reduced the vacancy rate in the CBD by 100 basis points, bringing it down to 23.2%. However, despite this improvement, the CBD still had the second-highest vacancy rate among all submarkets. The overall average asking rent in the CBD was \$23.23/SF, the highest in the market. For Class A properties, the average asking rent concluded the first quarter at \$26.59/SF, while the Class B properties had an asking rent of \$20.45/SF. Both figures represent the highest rates in the market for their respective categories.

Suburban Submarkets

The East submarket saw its vacancy rate decrease by 50 basis points to 25.7% in the past quarter, although it still holds the highest vacancy among all submarkets. Despite a negative absorption of 33,252 SF, the vacancy rate declined due to the removal of a few obsolete properties from the trackable inventory. The average asking rent in this submarket was \$20.44/SF in the first quarter of 2025, up by \$0.21/SF from the previous quarter, making it the suburban area with the highest average rent, second only to the CBD.

In the South submarket, there was positive absorption of 130,878 SF, reducing the vacancy rate by 30 basis points to 20.4% by the end of the quarter. This marks the fourth consecutive quarter of positive absorption for the South. The total average asking rent increased by \$0.86/SF from the fourth quarter of 2024, reaching \$19.89/SF. This represents the largest rental rate increase of any submarket in the first quarter.

Meanwhile, the Southwest experienced a space loss of 8,651 SF in the first quarter of 2025, raising its vacancy rate by 60 basis points to 22.6%. Due to having the lowest inventory among submarkets, the Southwest is highly sensitive to shifts in absorption. Its average rental rate was \$16.12/SF, the lowest among the submarkets, although it increased by \$0.52/SF from the previous quarter.

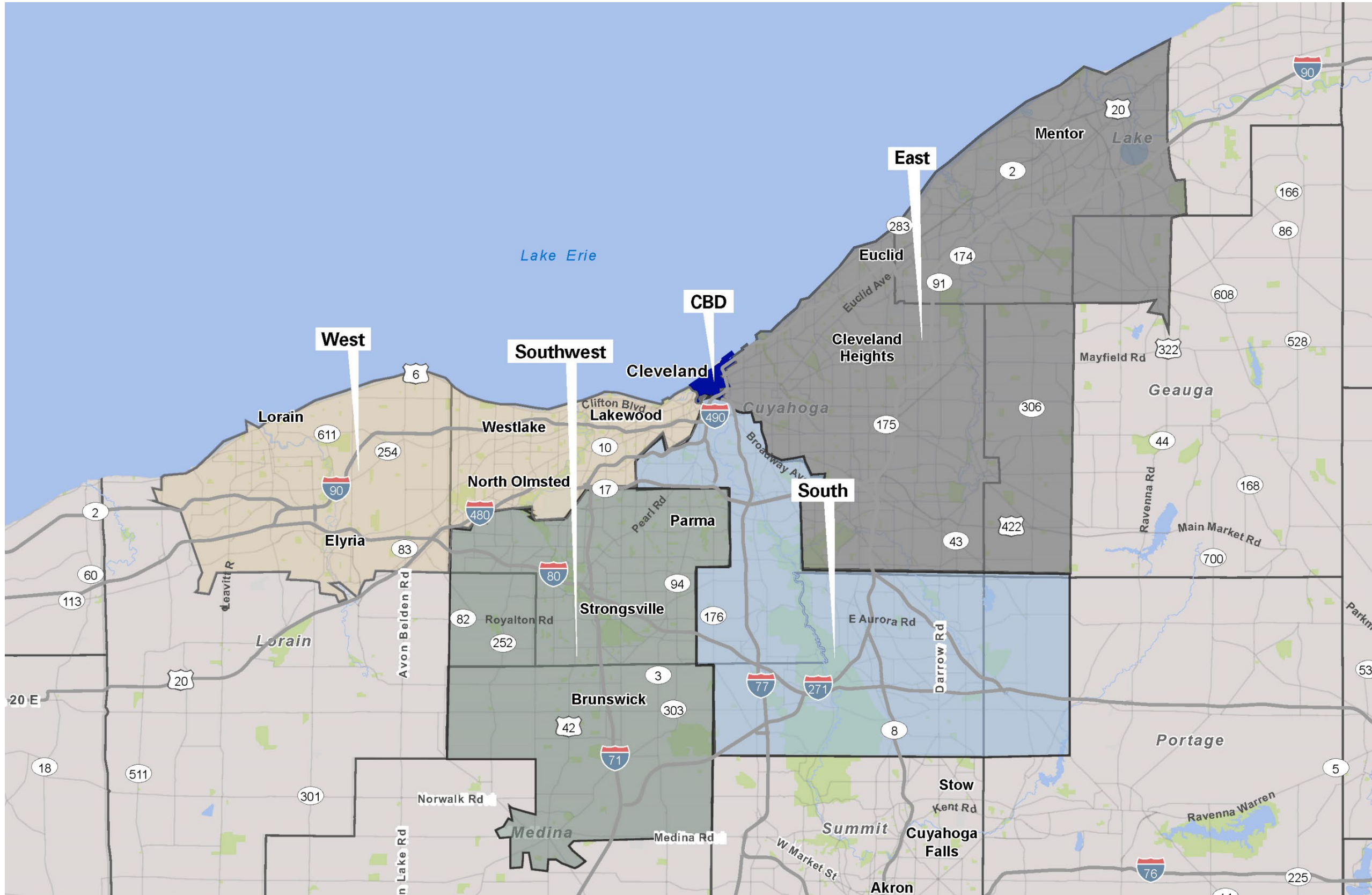
In the West submarket, there was negative absorption of 86,197 SF, the largest loss of any submarket. This increased the vacancy rate to 17.2%—still the lowest in the market. The average asking rent rose by \$0.08/SF from the previous quarter to \$19.01/SF.

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Average Asking Rent (Price/SF)
CBD Total	16,984,016	1,000,000	23.2%	249,951	249,951	\$26.59	\$20.45	\$23.39	\$15.62	\$23.23
East	10,146,720	-	25.7%	(33,252)	(33,252)	\$22.89	\$18.54	\$20.78	\$16.53	\$20.44
South	6,824,110	-	20.4%	130,878	130,878	\$21.71	\$18.25	\$19.87	\$20.19	\$19.89
Southwest	1,465,836	-	22.6%	(8,651)	(8,651)	\$16.37	\$16.39	\$16.14	\$15.50	\$16.12
West	4,202,007	-	17.2%	(86,197)	(86,197)	\$19.86	\$18.14	\$18.99	\$23.50	\$19.01
Totals	39,622,689	1,000,000	22.7%	252,729	252,729	\$23.64	\$19.06	\$21.26	\$17.16	\$21.11

Source: Newmark Research

Cleveland - Submarket Map (Supplemental Slide)



Additional Market Statistics (Supplemental Slide)

Office Statistical Summary

	Current Quarter	Prior Quarter	Year-Ago Period
Total Inventory (SF)	39.6M	39.4M	39.8M
Vacancy Rate	22.7%	23.2%	23.8%
Quarterly Net Absorption (SF)	252,729	69,157	(194,030)
Average Asking Rent/SF	\$21.11	\$20.78	\$20.34
Under Construction (SF)	1.0M	1.2M	1.2M
Deliveries (SF)	222,253	0	0

Select Cleveland Area Office Buildings Listed For Sale During 1Q25

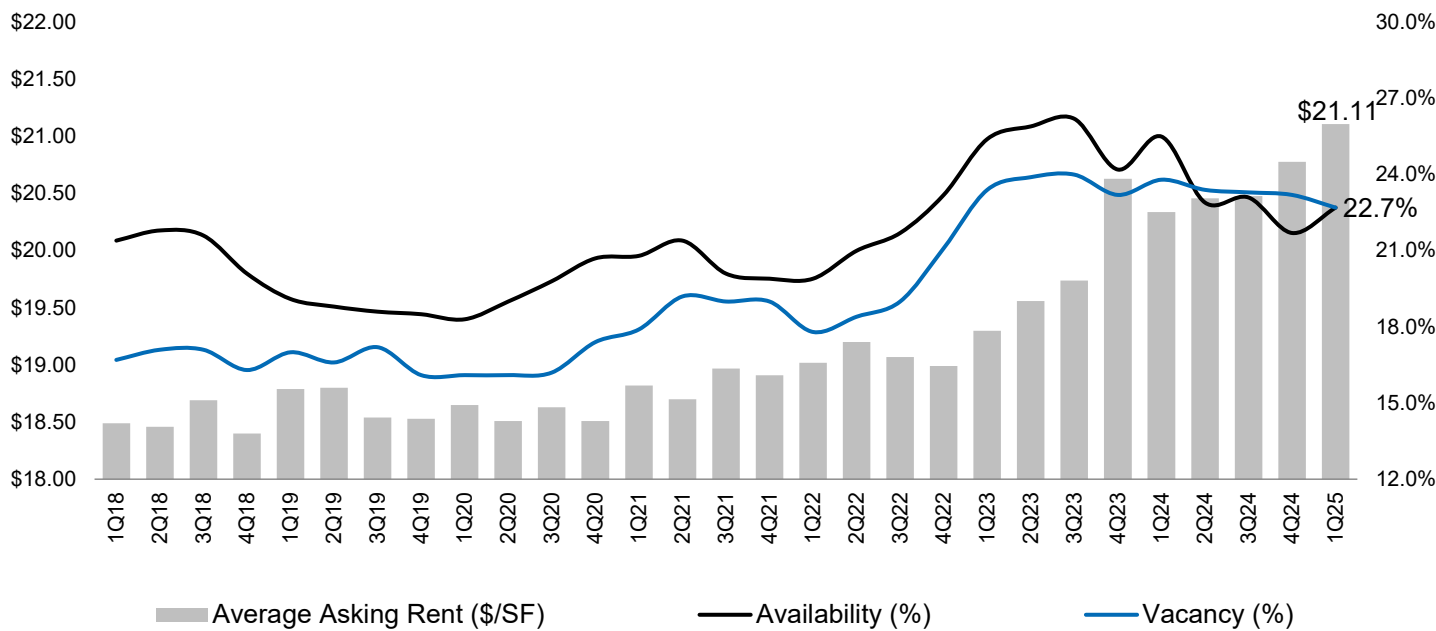
Building(s)	Submarket	Asking Price	Asking Price/SF	SF
5900, 5910, 5920 Landerbrook Dr. (Landerbrook Corporate Center portfolio)	East	Not disclosed	N/A	329,146 (total SF)
9100, 9150, 9200 South Hills Blvd. (South Hills Office Park portfolio)	South	\$15,744,000	\$76.18	206,658 (total SF)
22901 Millcreek Blvd.	East	\$22,000,000	\$109.47	200,974
25300 Al Moen Dr.	West	Not disclosed	N/A	122,421
2800 Superior Ave.	CBD	\$4,500,000	\$52.90	85,065

Largest Sublease Spaces Available as of 1Q25

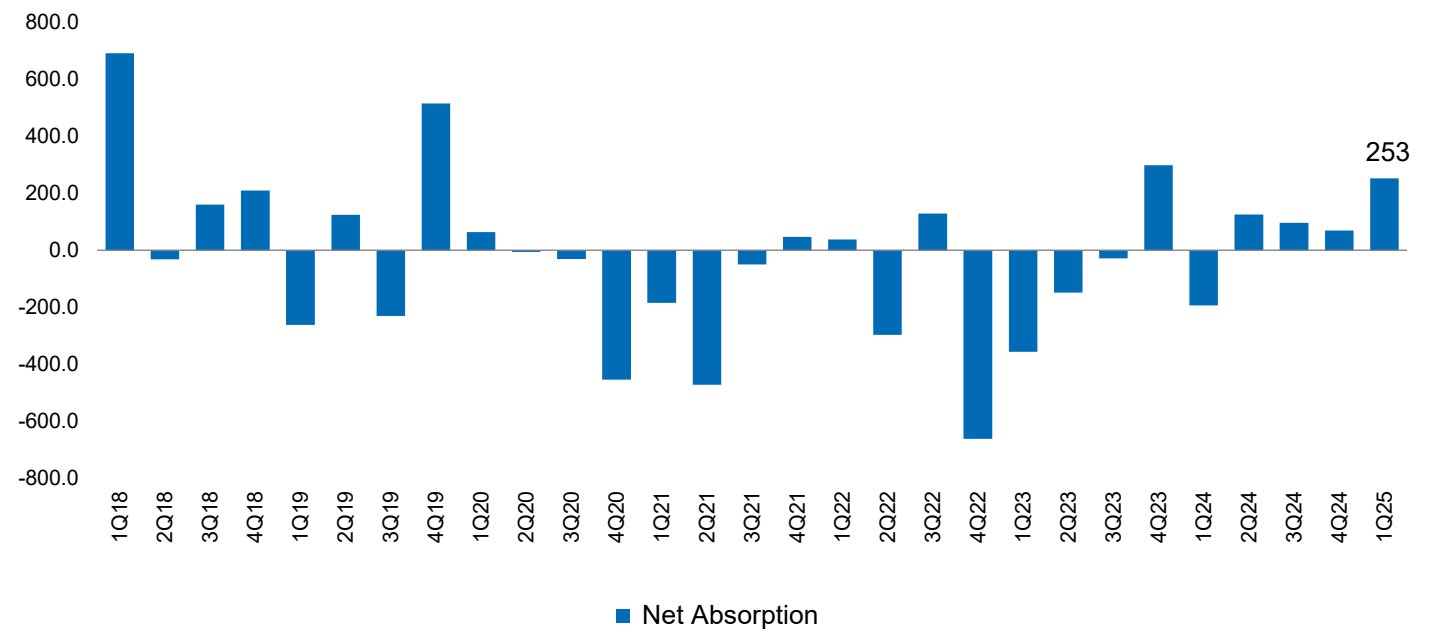
Building	Submarket	Asking Rent/SF/Yr.	Contiguous SF Available
1 American Blvd.	West	Unlisted	250,000
7887 Hub Pkwy.	South	\$14.50/NNN	73,812
127 Public Square	CBD	Unlisted	42,313
1621 Euclid Ave.	CBD	Unlisted	33,825
3900 Kinross Lakes Pkwy.	South	\$19.50/FSG	29,032
6085 Parkland Blvd.	East	\$16.00/FSG	26,638

Source: Newmark Research

Average Asking Rent, Availability and Vacancy by Quarter



Net Absorption by Quarter (Square Feet, Thousands)



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