NEWMARK

Cleveland

Industrial Market Overview

2Q26

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Key Takeaways

Cleveland's industrial market is stabilizing, with modest positive absorption, steady vacancy, and rising leasing activity supported by an extremely constrained construction pipeline. Tenants favor lower-cost manufacturing and flex space as rents moderate after a post-pandemic surge and reshoring investments build future demand.

The market posted its third consecutive quarter of positive absorption.

The vacancy rate held steady at 6.2% while leasing activity has strengthened for two consecutive quarters.

Limited new supply and a thin construction pipeline continue to constrain new development.

Direct average asking rents showed a quarterly decline from $6.13/SF in the first quarter to $5.77/SF in the second.

Market Observations

Economy

- The Cleveland-Elyria-Mentor metro's economy gained a small number of jobs, as total nonfarm employment increased annually by 0.3%. National nonfarm employment also increased year-over-year by 0.3% in May.
- The unemployment rate for the Cleveland-Elyria-Mentor MSA stayed flat throughout the first months of 2026 at 3.8%, then decreased to 3.6% in April and 3.5% in May. The national unemployment rate was at 4.3% from January through May, with the exception of an increase to 4.4% in February.
- Both the Manufacturing and the Trade/Transportation/Utilities sectors increased by approximately 0.2% year-over-year from May 2025 to May 2026. Announcements made in the second quarter indicate that the Cleveland market is poised to continue legacy manufacturing, but also move toward advanced defense/aerospace, life sciences, precision manufacturing, and innovative construction technology.

Leasing Market Fundamentals

- The Cleveland industrial market posted 34,953 SF of positive absorption in the second quarter of 2026, its third consecutive quarter of gains. Year-to-date the market has accrued 712,284 SF of gains.
- Just 75,000 SF of new product delivered during the quarter, while the pipeline remains low.
- The year-to-date blended vacancy rate held steady at 6.2%, as both the first and second quarter vacancy rates were at that level.
- The industrial direct average asking rent did not show any growth year-over-year in the first half of 2026, as the market's blended year-to-date average was $5.95/SF. That year-to-date figure reflects a quarterly decline from $6.13/SF in the first quarter to $5.77/SF in the second, a 5.9% decrease.

Notable Transactions and Developments

- A couple of notable lease extensions were signed in the second quarter – Dealer Tire's 161,984 SF at 12930 Darice Pkwy. in the Southwest, and SupplyOne, Inc.'s 104,528 SF at 26801 Fargo Ave. in the Southeast. Also in the Southeast was Pacific Scientific Energetic Materials Company's 126,827 SF new lease at 28775 Aurora Rd. in Solon.
- The second quarter featured three notable industrial sales. Realty Income led in price per square foot with its purchase of the Cardinal Health single-tenant build-to-suit at 22000 Alexander (Forward Innovation Center East) in the South Central submarket, paying $39.1 million, or $157.03/SF, for the 249,000 SF property. STAG Industrial Holdings, LLC completed a $34.3 million purchase of the fully-occupied, multi-tenant facility at 8796 Independence Pkwy. (Cornerstone Business Park) in the Southeast submarket for $122.03/SF. That property comprises 280,880 SF. Glen Una Management closed on a $48.2 million acquisition of the fully-occupied B'Laster Products facility at 8989 Lake Rd., priced at $107.11/SF for the 450,112 SF building.

Outlook

- Leasing activity has strengthened for two consecutive quarters and limited new supply has kept competitive pressure low, positioning Cleveland's industrial leasing volume to continue climbing toward its 2.3 million SF historical quarterly average through the remainder of 2026.
- With reports of Steris committing $60 million in capital for a new manufacturing facility in the Northeast submarket, the announcement of the Midline initiative in the city of Cleveland (a 350-acre brownfield industrial redevelopment that has already secured its first anchor with MMY US), and tax incentives being awarded to Hikma Pharmaceuticals USA, Olon USA, and Thyssenkrupp Rothe Erde USA, there is momentum in the market for reshoring and manufacturing.
- Limited new supply and a thin construction pipeline reduce the risk of further rent erosion, creating a floor for asking rents even without near-term acceleration. If sublease space continues to hold flat rather than climb, competitive pressure on direct rents should ease gradually, supporting a return to modest growth in the back half of 2026.

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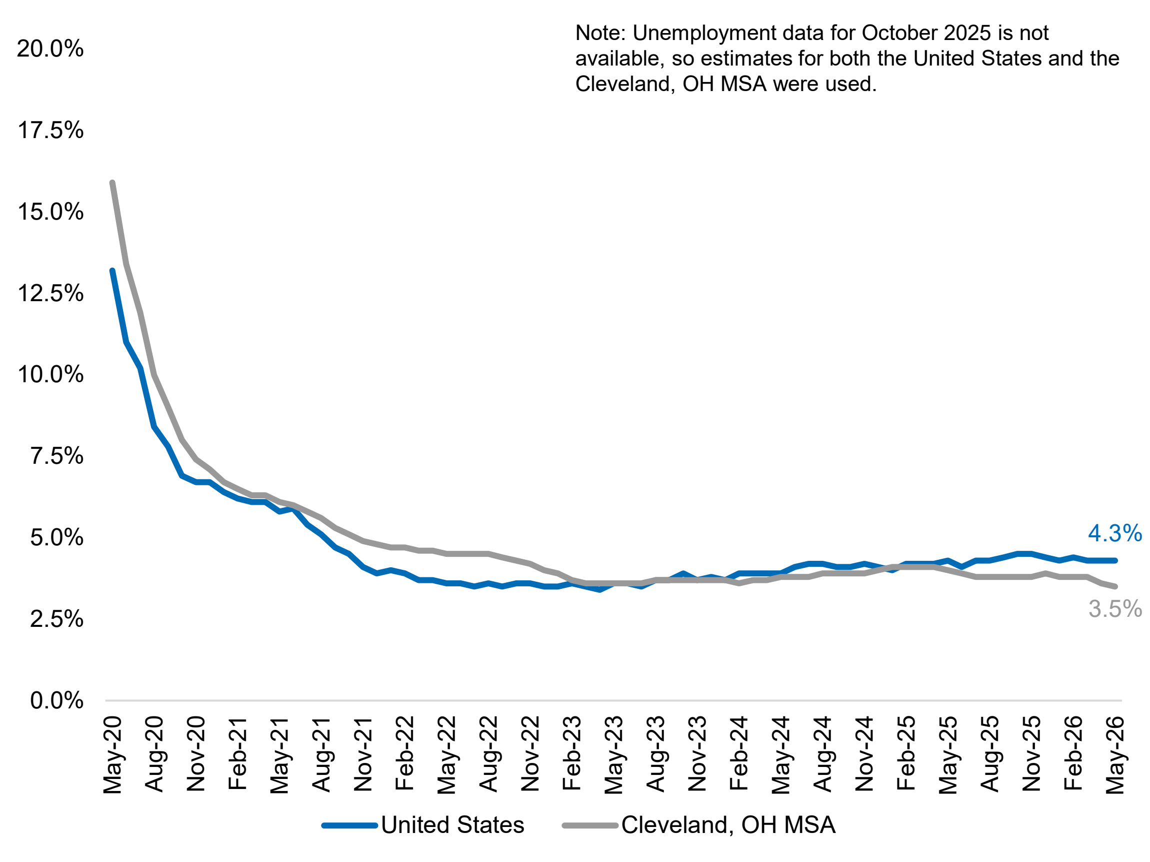
Economy

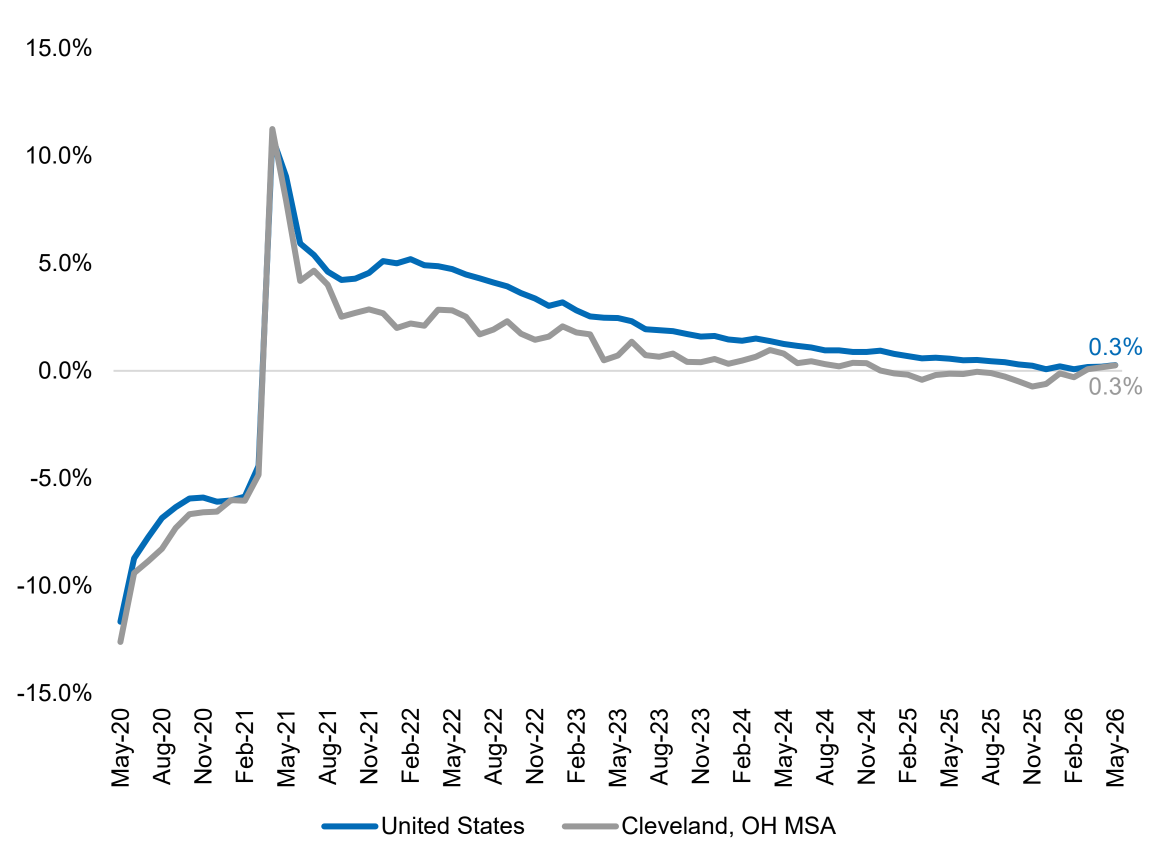
Cleveland and United States Unemployment and Nonfarm Employment Trends

The Cleveland metro's economy gained a small number of jobs, as total nonfarm employment increased annually by 0.3%. National nonfarm employment also increased year-over-year by 0.3% in May. The unemployment rate for the Cleveland-Elyria-Mentor MSA stayed flat throughout the first months of 2026 at 3.8%, then decreased to 3.6% in April and 3.5% in May. The national unemployment rate was at 4.3% from January through May, with the exception of an increase to 4.4% in February. The Cleveland industrial market faces weak long-term fundamentals driven by below-average supply and tepid population and employment growth.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

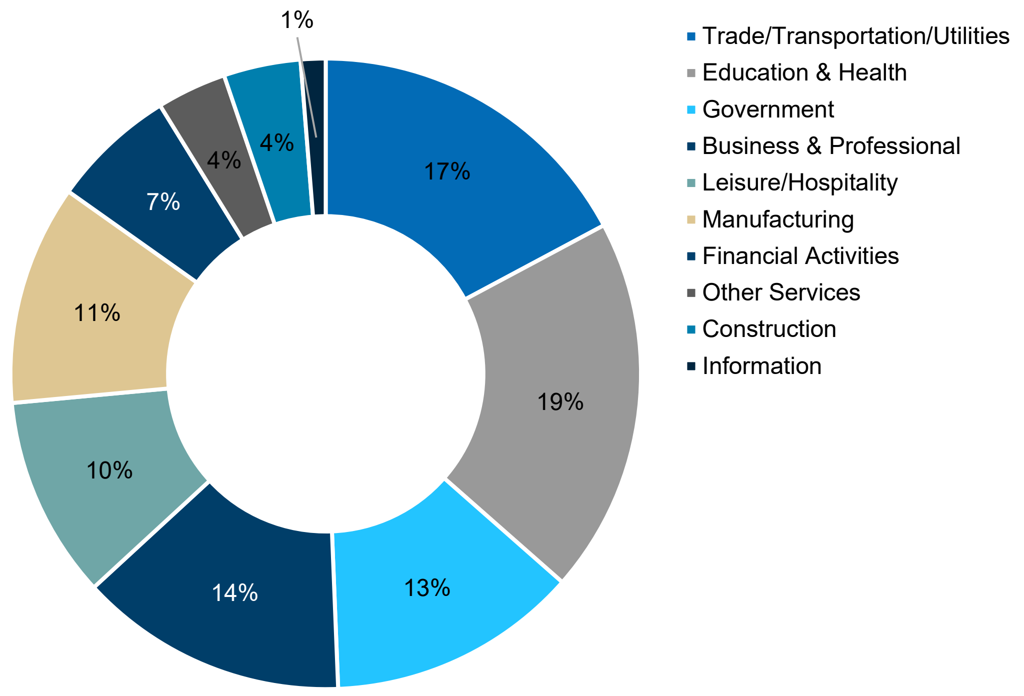


Source: U.S. Bureau of Labor Statistics, Cleveland, OH MSA; Green Street

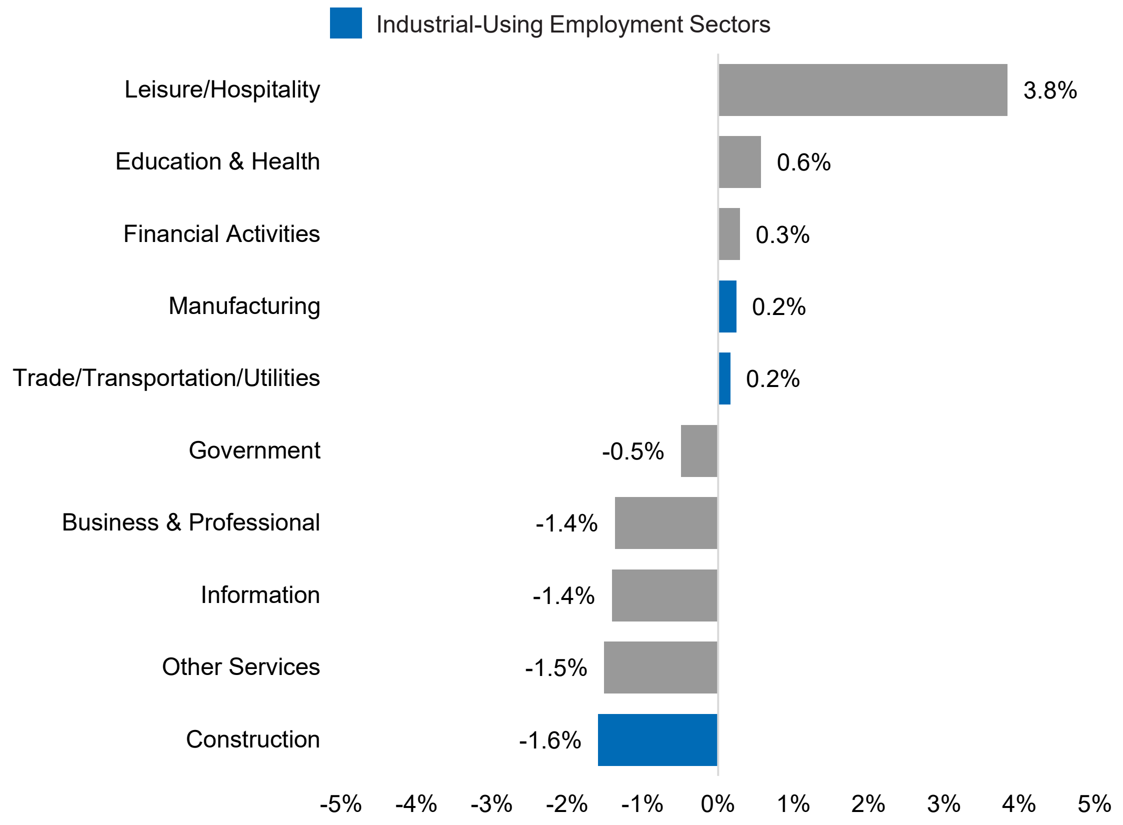
Cleveland Market Sees Job Gains in Two of Three Industrial-Using Sectors

Five of the 10 industry sectors in the Cleveland market saw employment losses from May 2025 to May 2026. Two of the three industrial-using or adjacent industries were in the positive, as both the Manufacturing and the Trade/Transportation/Utilities sectors increased by approximately 0.2% year-over-year. On the other hand, the Construction industry lost the most jobs of any sector over the past 12 months at negative 1.6%.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

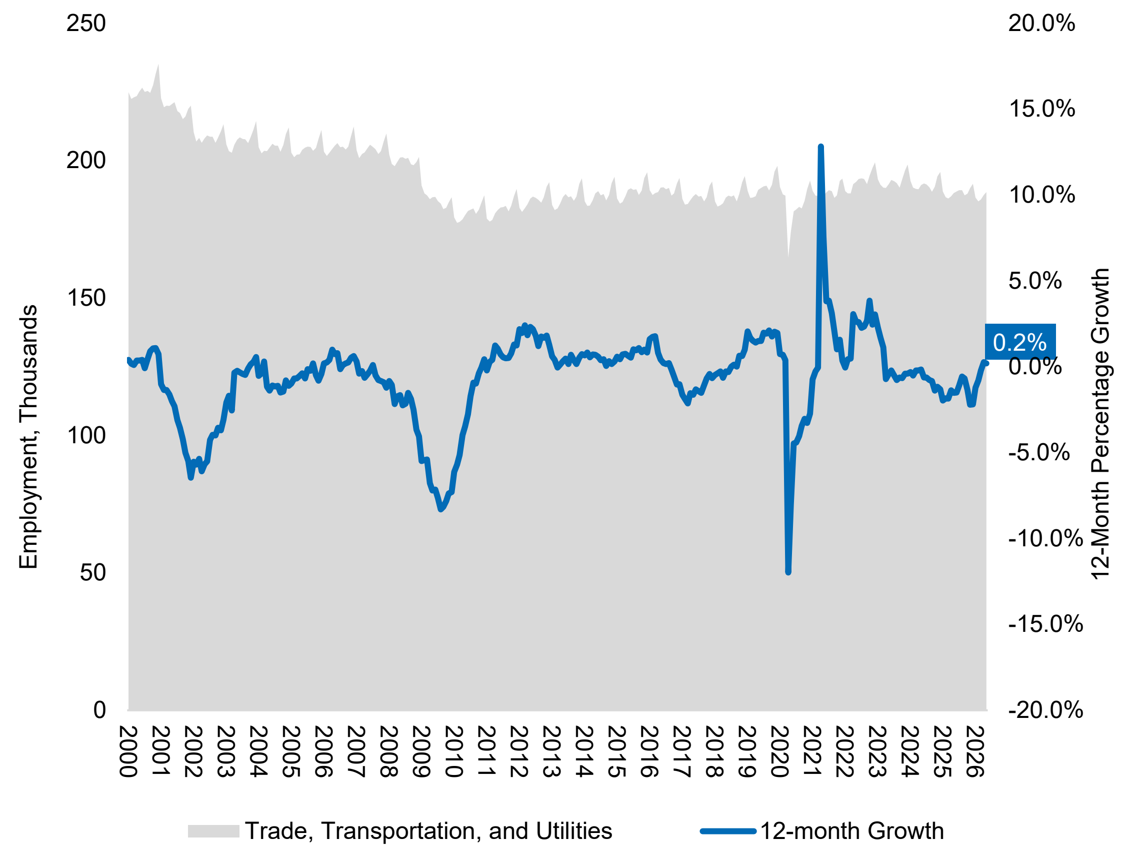


Source: U.S. Bureau of Labor Statistics, Cleveland, OH MSA, Not Seasonally Adjusted

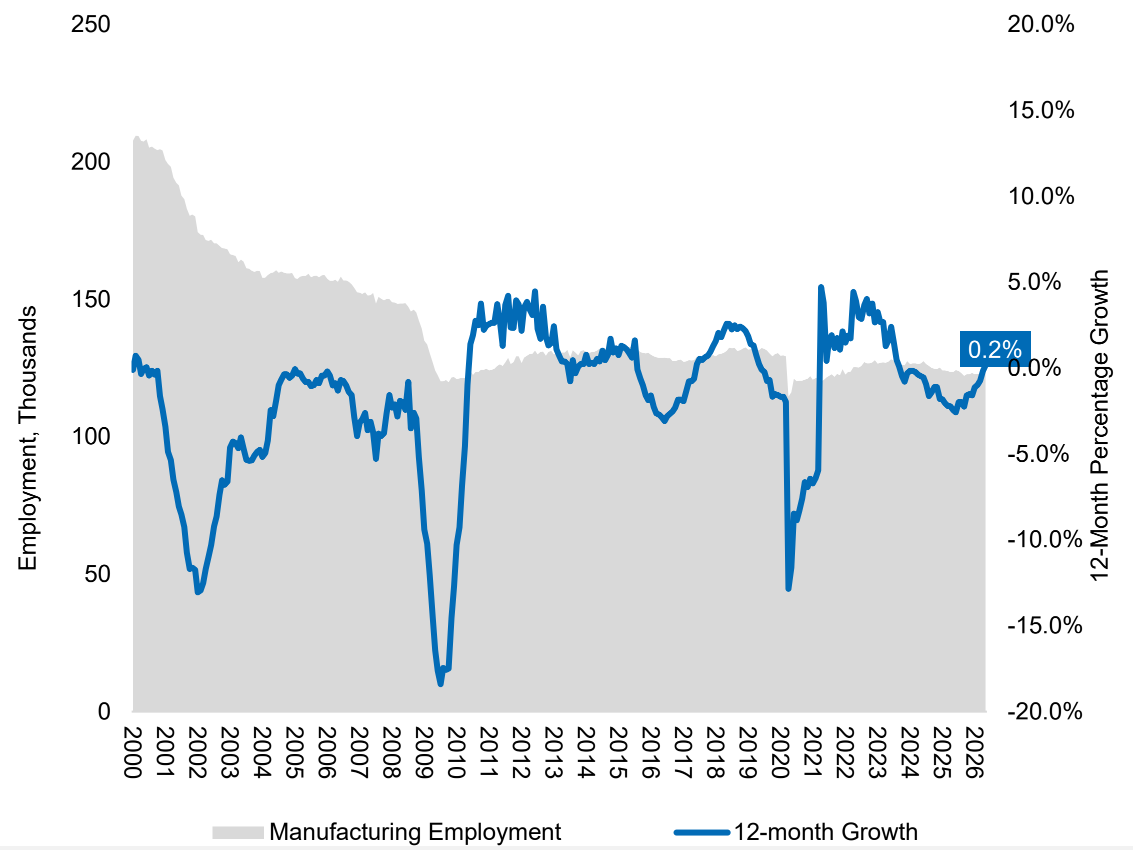
Industrial Using Employment Sectors Up Slightly

Both the Manufacturing and the Trade/Transportation/Utilities sectors increased by approximately 0.2% year-over-year from May 2025 to May 2026. Announcements made in the second quarter indicate that the Cleveland market is poised to continue legacy manufacturing, but also move toward advanced defense/aerospace, life sciences, precision manufacturing, and innovative construction technology. This is a structural shift that could reshape demand for industrial space across the market over the next several years.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Cleveland, OH MSA, Not Seasonally Adjusted

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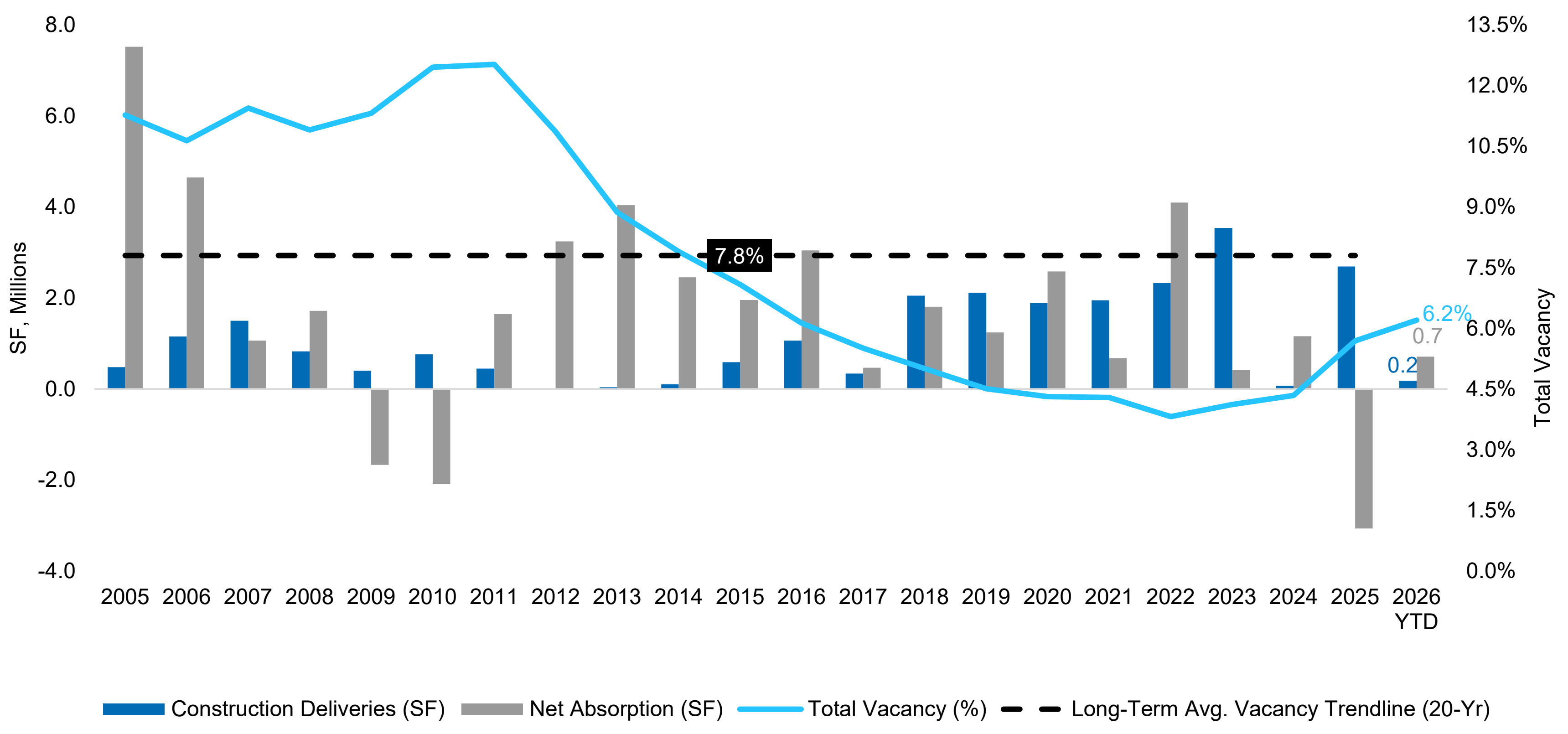
Leasing Market Fundamentals

Positive Absorption and Pipeline Constraints Keeps Vacancy Steady

Historical Construction Deliveries, Net Absorption, and Vacancy

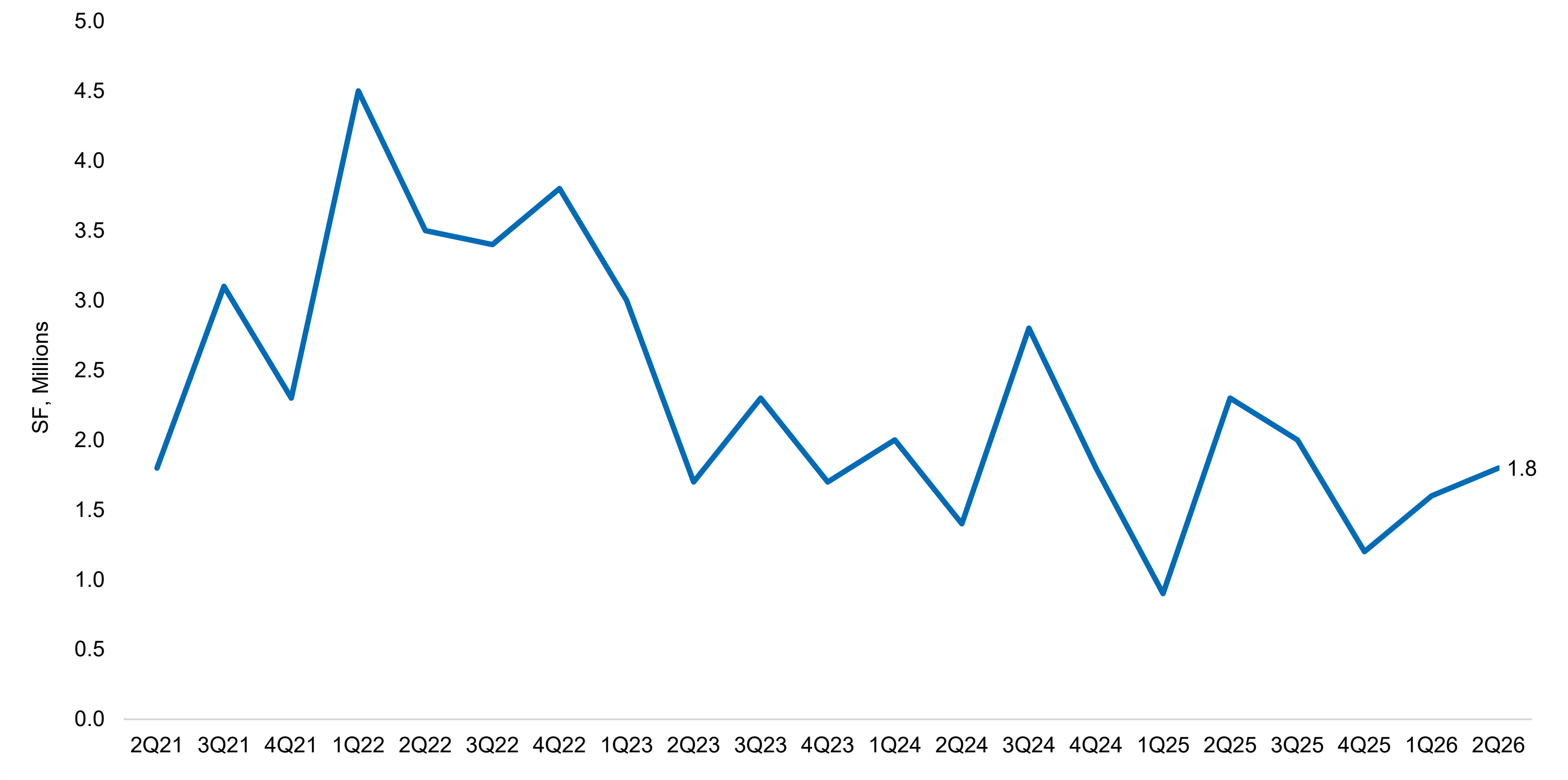


- The Cleveland industrial market posted 34,953 SF of positive absorption in the second quarter of 2026, its third consecutive quarter of gains. Year-to-date the market has accrued 712,284 SF of gains.
- The construction pipeline remains low with only 75,000 SF delivering in the second quarter.
- The year-to-date blended vacancy rate held steady at 6.2%, as both the first and second quarter vacancy rates were at that level.
- Looking at building types, the warehouse/distribution sector saw significant losses in occupancy, recording 513,795 SF of negative absorption. This was offset by R&D/flex product recording 303,716 SF of positive absorption and general industrial/manufacturing posting 245,032 SF in the positive.

Source: Newmark Research

Industrial Leasing Up for Second Straight Quarter

Total Leasing Activity (SF)

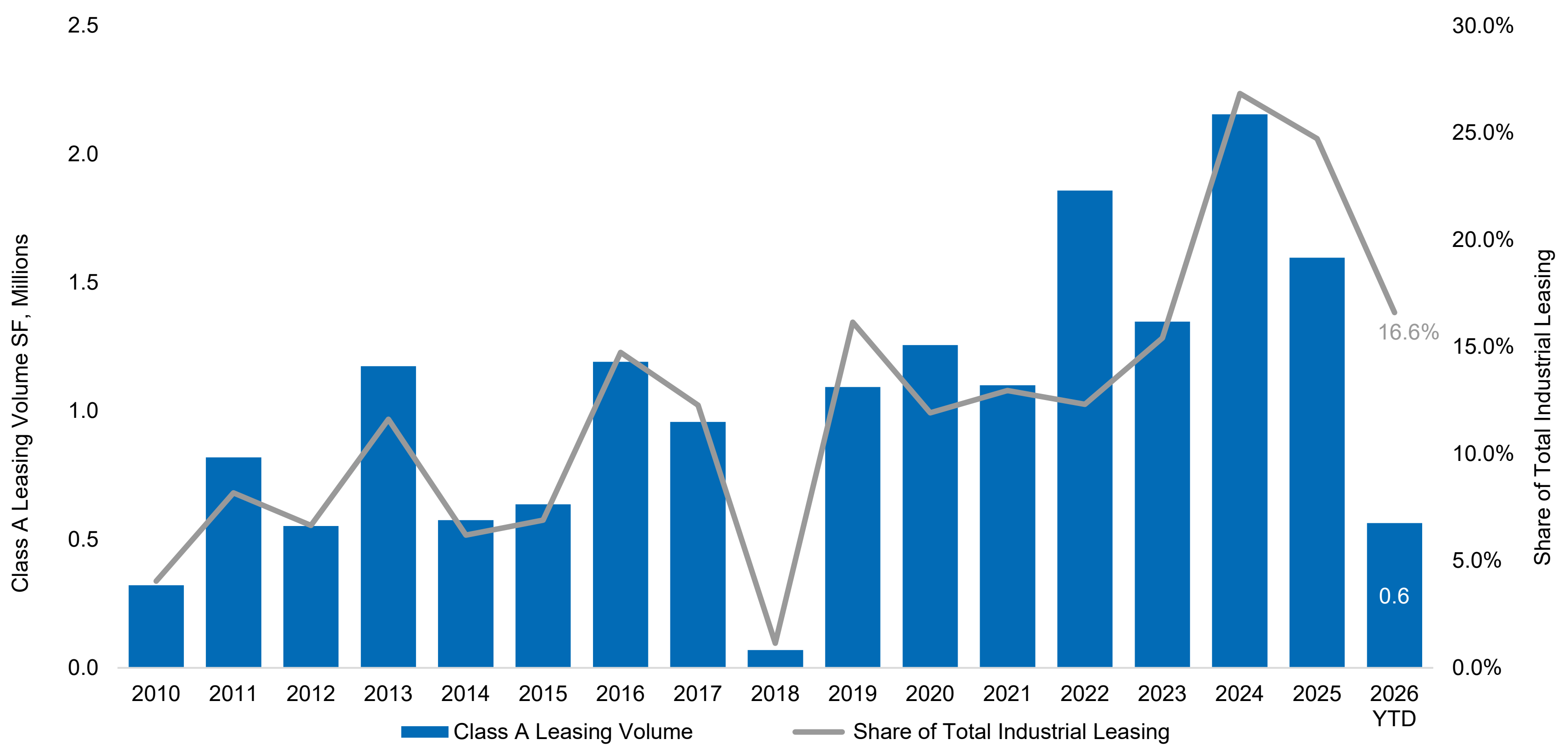


- Cleveland’s industrial leasing activity increased from 1.6 million SF in the first quarter of 2026 to 1.8 million SF in the second quarter of 2026. This represents a rise in activity for two straight quarters.
- While this is a rebound from last quarter, the average historical leasing activity per quarter is 2.3 million SF, so recent quarters remain below that metric.
- With leasing activity strengthening for two consecutive quarters and limited new supply keeping competitive pressure low, Cleveland's industrial leasing volume is positioned to continue climbing toward its 2.3 million SF historical quarterly average through the remainder of 2026.

Source: Newmark Research; CoStar

Class A Industrial Leasing Remains Down

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

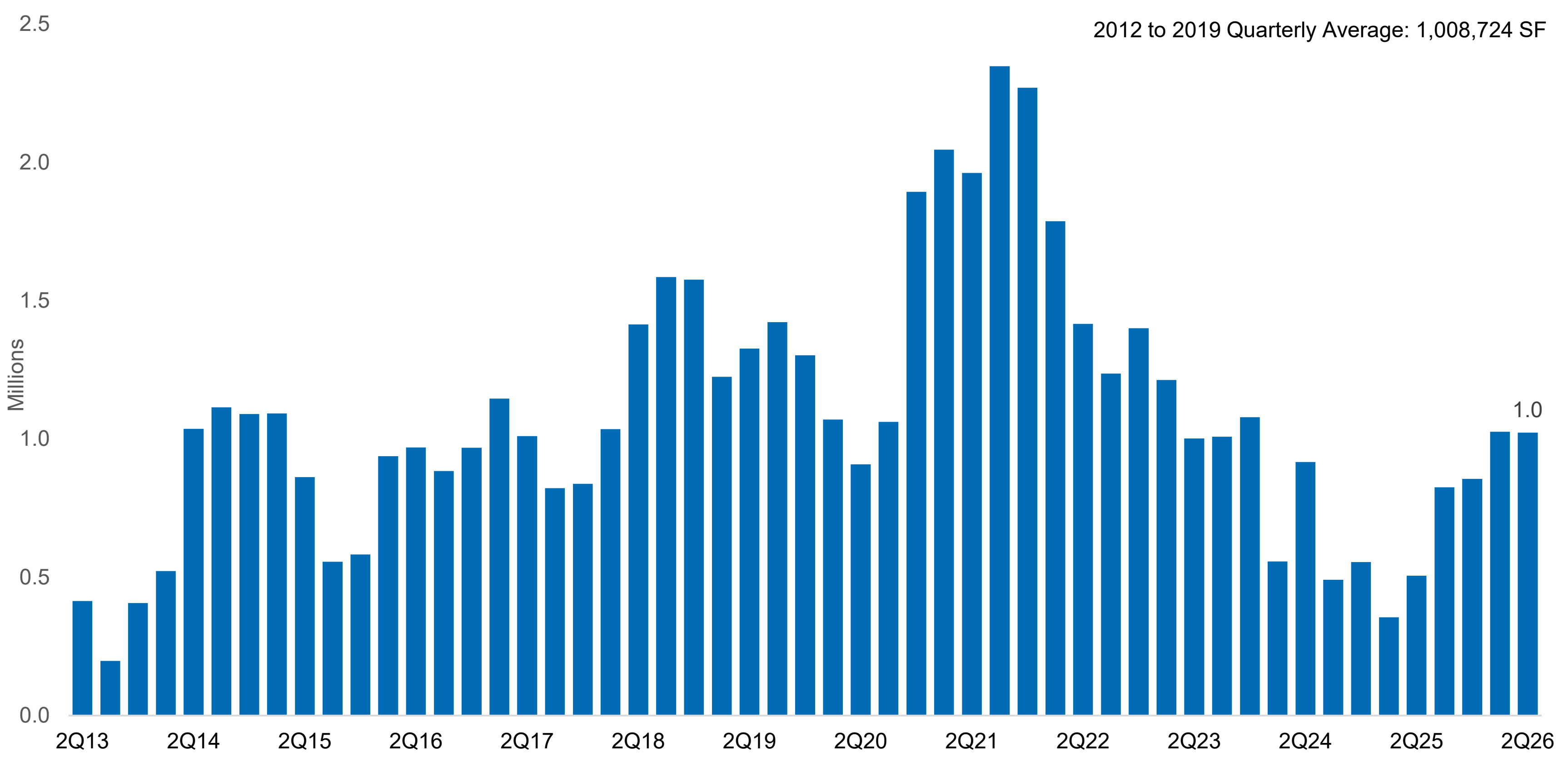


- Cleveland Class A industrial leasing reached 563,944 SF in the first half of 2026, and its share of total industrial leasing stood at 16.6% in 2026 year-to-date, down from recent peaks of 26.8% and 24.7% in 2024 and 2025, respectively.
- Tenants continue to favor lower-cost, functional, value-oriented spaces, while manufacturing and R&D/flex have outperformed on absorption year-to-date.
- Class A's share continues to have room to normalize if logistics demand firms through the remainder of the year.

Source: Newmark Research; CoStar

Industrial Sublease Availability Remains High

Available Industrial Sublease Volume (MSF)

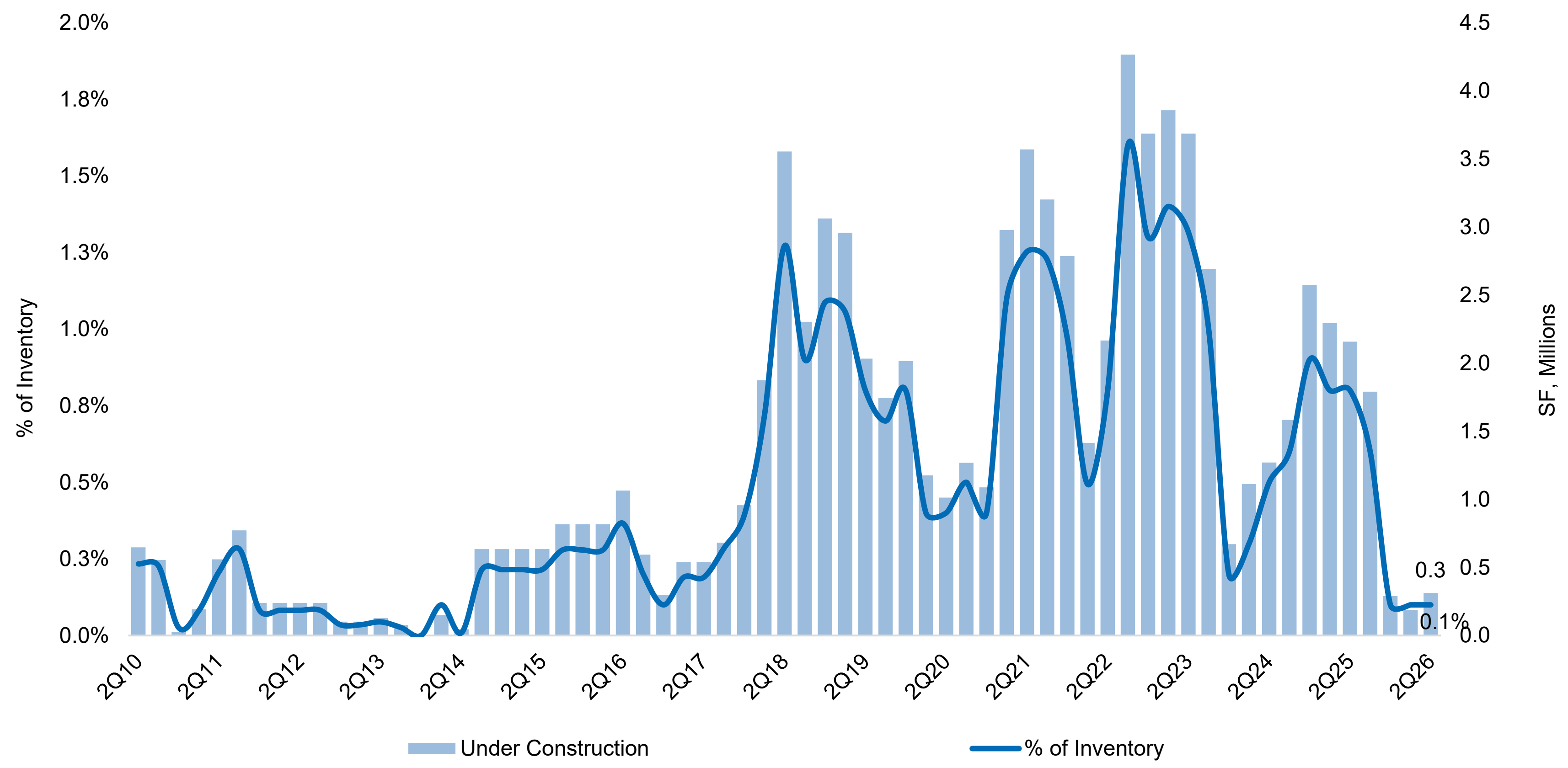


- *Sublease availability of just over 1.0 million SF in the second quarter of 2026 was slightly below the previous quarter, but essentially flat with a decrease of just 2,812 SF.
- For two straight quarters, the market has remained above the 2012 to 2019 pre-pandemic quarterly average of just over 1.0 million SF.
- With sublease space holding steady near 1.0 million SF rather than climbing, it has not been a significant drag on the market's over 700,000 SF of year-to-date absorption or its steady 6.2% vacancy rate, suggesting sublease availability should remain a manageable, secondary factor in Cleveland's industrial fundamentals even as new construction stays limited to just 311,315 SF.

Source: Newmark Research
*2Q26 actual sublease space availability = 1,023,228 SF; 1Q26 actual sublease space availability = 1,026,040 SF

Cleveland's Industrial Construction Pipeline Constrained

Industrial Under Construction and % of Inventory



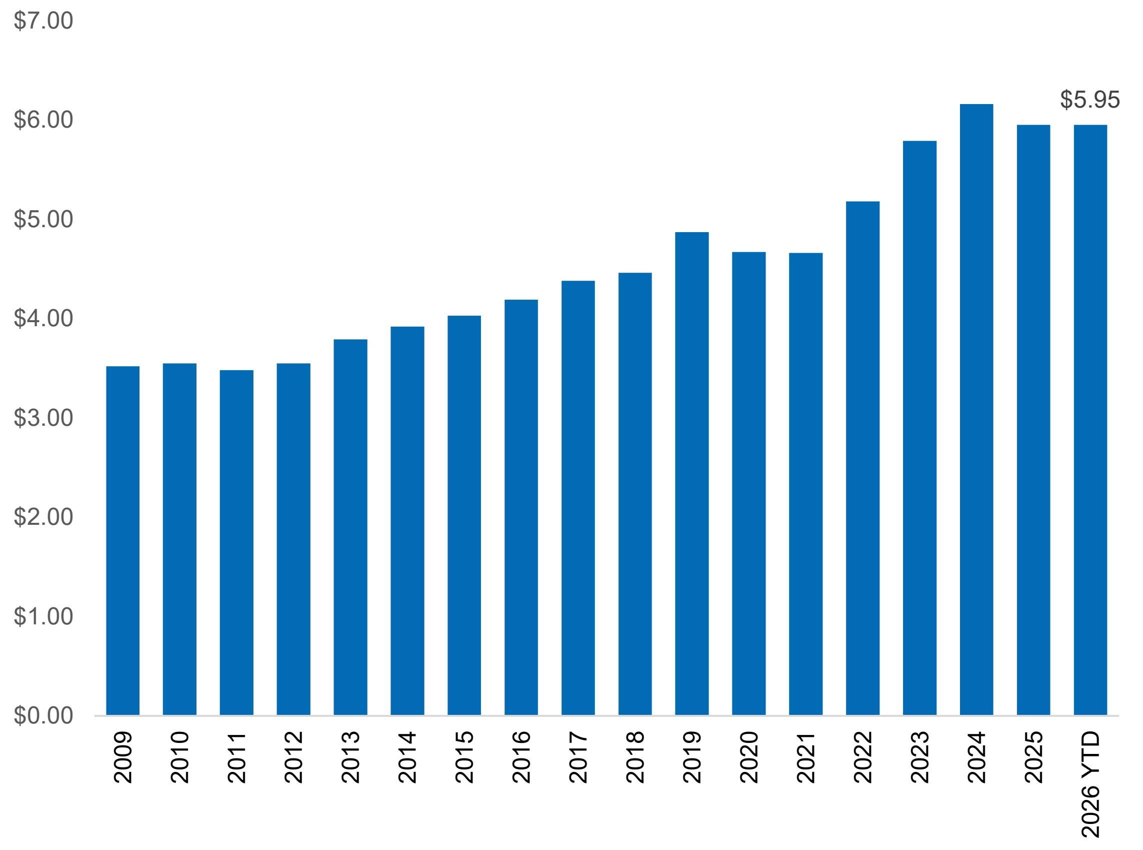
- With just 311,315 SF of industrial product under construction as the second quarter ended, the construction percent of the inventory for the market was around 0.1%.
- Despite its stable manufacturing base and ability to support broad regional distribution, the Cleveland market's supply growth forecast is below average as one of the most constrained pipelines in the country.
- However, with reports of Steris committing $60 million in capital for a new manufacturing facility in the Northeast submarket, the announcement of the Midline initiative in the city of Cleveland (a 350-acre brownfield industrial redevelopment that has already secured its first anchor with MMY US) and tax incentives being awarded to Hikma Pharmaceuticals USA, Olon USA, and Thyssenkrupp Rothe Erde USA, there is momentum in the market for reshoring and manufacturing.

Source: Newmark Research; Green Street

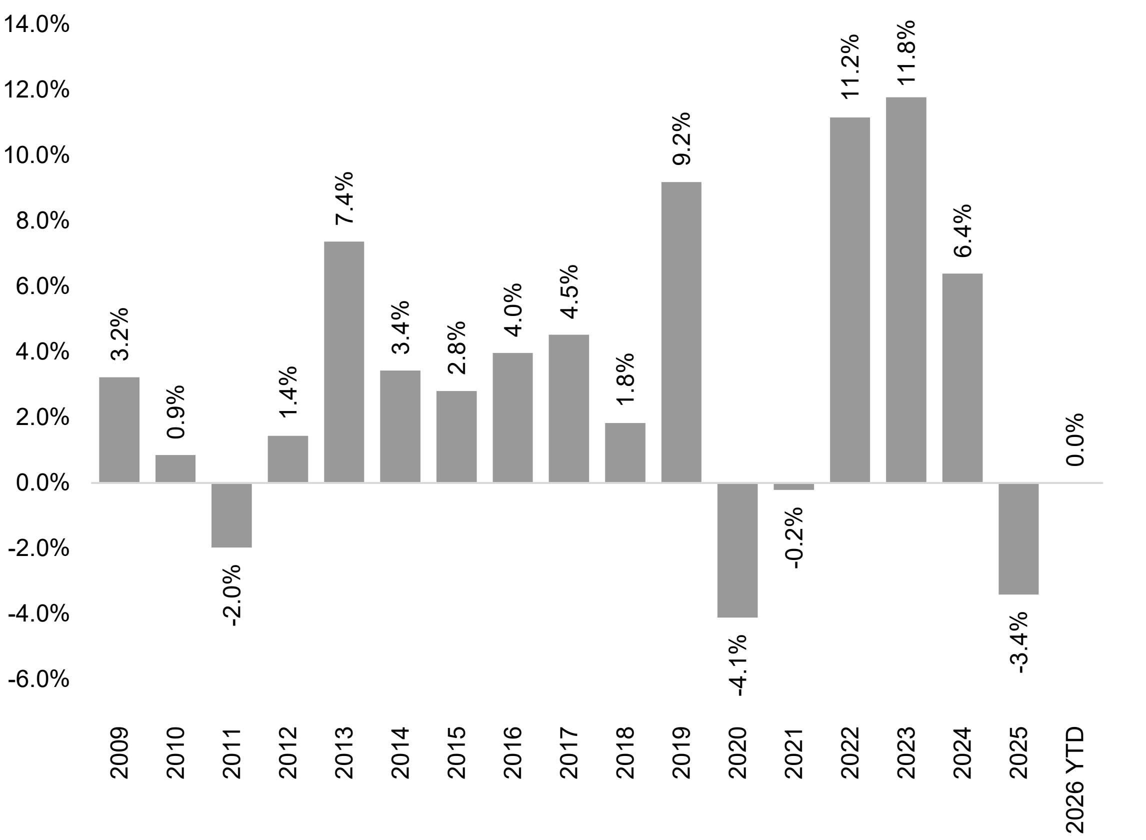
Industrial Direct Asking Rent Growth Stalls

The industrial direct average asking rent did not show any growth year-over-year in the first half of 2026, as the market's blended year-to-date average was $5.95/SF. That year-to-date figure reflects a quarterly decline from $6.13/SF in the first quarter to $5.77/SF in the second, a 5.9% decrease. The 2026 pause snaps a strong multi-year run, since blended rents jumped from $4.66/SF in 2020 to $5.95/SF in 2025, a cumulative gain of roughly 28% over five years. The current 0.0% year-over-year flat reading follows a negative 3.4% decline in 2025, meaning the market has now gone two straight years without positive rent growth after the post-pandemic surge cooled.

Industrial Direct Average Asking Rent, $/SF, NNN, Blended



Blended Year-over-Year Direct Asking Rent Growth Rate % Change



Source: Newmark Research

Lease and Sale Transactions in 2Q26

Select Industrial Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Dealer Tire, LLC	12930 Darice Pkwy.	Southwest	Extension	161,984
Pacific Scientific Energetic Materials Company	28775 Aurora Rd.	Southeast	Direct	126,827
American Spring Wire Corp	26300 Miles Rd.	Southeast	Direct	113,669
SupplyOne, Inc.	26801 Fargo Ave.	Southeast	Extension	104,528
Monteferro USA, Inc.	26555 Bluestone Blvd.	Northeast	Direct	83,411

Select Industrial Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
Realty Income	22000 Alexander	South Central	$39,100,000	249,000	$157.03
STAG Industrial Holdings, LLC	8796 Independence Pkwy.	Southeast	$34,275,000	280,880	$122.03
Glen Una Management	8989 Lake Rd.	Southwest	$48,210,000	450,112	$107.11
HRD Stelfast I LLC	22979 Stelfast Pkwy.	Southwest	$5,900,000	81,770	$72.15
Nook 3PP, LLC	4950 E. 49th St.	South Central	$7,500,000	109,022	$68.79
Rap 7900 Pleasant Valley LLC	7900 E. Pleasant Valley Rd.	South Central	$2,800,000	65,000	$43.08
4900 Campbell Road LLC	11515 Alameda Dr.	Southwest	$2,650,000	72,240	$36.68
20001 Euclid Avenue LLC	20001 Euclid Ave.	Northeast	$18,500,000	882,853	$20.95

Source: Newmark Research; CoStar

Access the Extended 2Q26 Cleveland Industrial Market Conditions & Trends Report

To access, please reach out to Matthew.Orgovan@nmrk.com or your Newmark contact.

The extended version of this report includes:

- **Class A Warehouse Space, Direct Average Asking Rent**
- **Total Vacancy Rate by Submarket**
- **Available Sublease Space: Concentration by Submarket / Available Sublease Space by Submarket: One Year Prior vs. Now**
- **Direct Asking Rent by Submarket / Year-Over-Year Percent Change in Direct Asking Rate**
- **Cleveland Industrial Average Price Per Square Foot – Combined Investment and Owner/User Sales**
- **Entire Cleveland Industrial Market Historical Statistical Overview, Recent Quarters**
- **Cleveland Industrial Submarket Map and Statistics**
- **Additional Market Statistics**
- *Extensive content across 25+ slides—a detailed presentation packed with useful industrial information and in-depth analysis.*

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