NEWMARK

Cleveland
Office Market Overview

2Q26

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Key Takeaways

Cleveland's office market remains fundamentally challenged, with vacancy near record highs, demand weak, and recovery measured in years, not quarters. CBD distress is accelerating, with multiple towers trading in recent quarters at historically low numbers and several more experiencing financial difficulties, signaling structural repricing and a long recovery.

Negative 666,072 SF of net absorption in 2Q26, the fourth negative quarter in the past five, pushed YTD to negative 757,190 SF.

The quarterly average asking rental rate reached $22.17/SF in the second quarter, up $0.44/SF from $21.73/SF in the first quarter.

The blended year-to-date vacancy rate of 22.8% ranks as the fourth-highest on record, trailing only the previous three years.

Leasing totaled 361,013 SF, a 40.9% quarter-over-quarter decline and the third-lowest Q2 in the 16-year dataset.

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.
- Five of the 10 industry sectors in the Cleveland market saw employment losses from May 2025 to May 2026. Two of the three office-occupying industries experienced annual job declines, with the Information and Business and Professional sectors posting a negative 1.4%. The Financial Activities sector came in at positive 0.3% year-over-year.

Leasing Market Fundamentals

- The Cleveland office market recorded 666,072 SF of negative net absorption in the second quarter of 2026, the fourth negative quarter in the past five. Year-to-date absorption stands at negative 757,190 SF.
- The primary driver of the second quarter’s negative absorption was the addition of the former Progressive Insurance headquarters to tracked inventory. The building transferred to new ownership and is no longer owner-occupied, though it will remain in office use.
- Leasing activity totaled 361,013 SF, a 40.9% decline from the first quarter's 610,946 SF.
- The quarterly average asking rental rate reached $22.17/SF in the second quarter, up $0.44/SF from $21.73/SF in the first quarter. The blended year-to-date average of $21.95/SF reflects a 3.2% increase year-over-year.

Notable Transactions and Developments

- The quarter’s two largest lease transactions were from AmTrust North America, which executed two leases totaling 162,716 SF: 102,062 SF at 6055 Parkland (East submarket) and 60,654 SF at 1300 E. 9th St. (CBD). AmTrust is vacating approximately 300,000 SF at 800-826 Superior by year-end — downsizing significantly while splitting its footprint between a CBD office backed by a $14 million TI investment and a suburban location for a large share of its workforce.
- CBD distress is accelerating in both scale and frequency. Within a single quarter, 800-826 Superior sold for $8.40/SF, the Rockefeller Building transferred for $16.84/SF, and the Ohio Savings Plaza and Park Plaza buildings went to auction with a $1.0 million minimum bid (auction ended in 2Q26, but the sale closed at the beginning of 3Q26; county records reveal the two buildings sold for $3.25 million, or $9.75/SF, and $1.0 million, or $5.99/SF, respectively). Taken together, these transactions signal that downtown Cleveland's Class B/C office market has reached a structural repricing moment, with values resetting at levels that would have been difficult to imagine a few years ago.

Outlook

- The blended year-to-date vacancy rate of 22.8% ranks as the fourth-highest on record, trailing only the previous three years. Thus far, this represents the fourth consecutive year above the 20-year average trendline of 19.6% and is 390 basis points above the pre-COVID decade average of 18.9%.
- Market conditions remain subdued, with second quarter deal sizes averaging well under 10,000 SF. This reflects the continued absence of large-tenant demand and a market dominated by small-suite renewals and relocations.
- With landmark towers clearing in the $8–$17/SF range and CMBS balances underwater by 60–73% on appraised value, the potential next distressed sales — 925 Euclid, North Point, Skylight and the Ohio Savings / Park Plaza auction — will likely reset the comp set still lower.
- Minimal new construction limits further supply shocks, but with demand structurally weak a true office recovery will be measured in years, not quarters.

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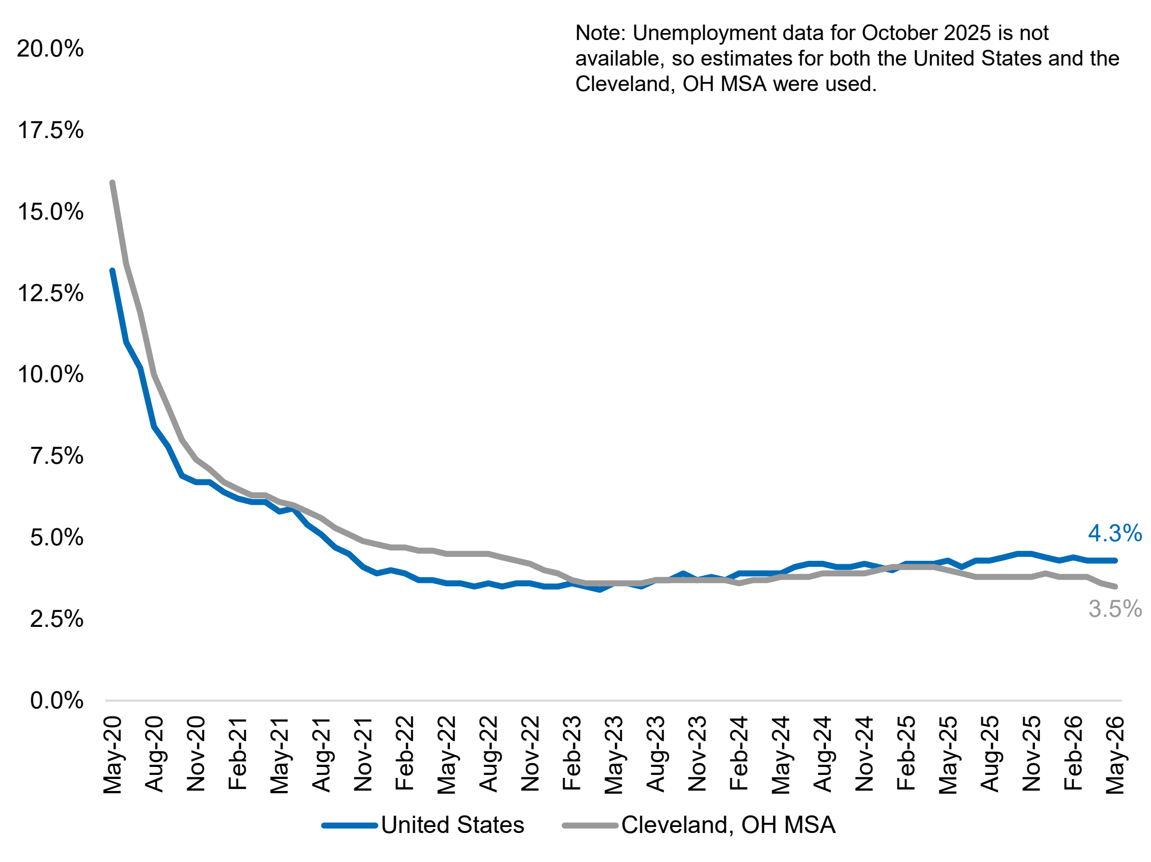
Economy

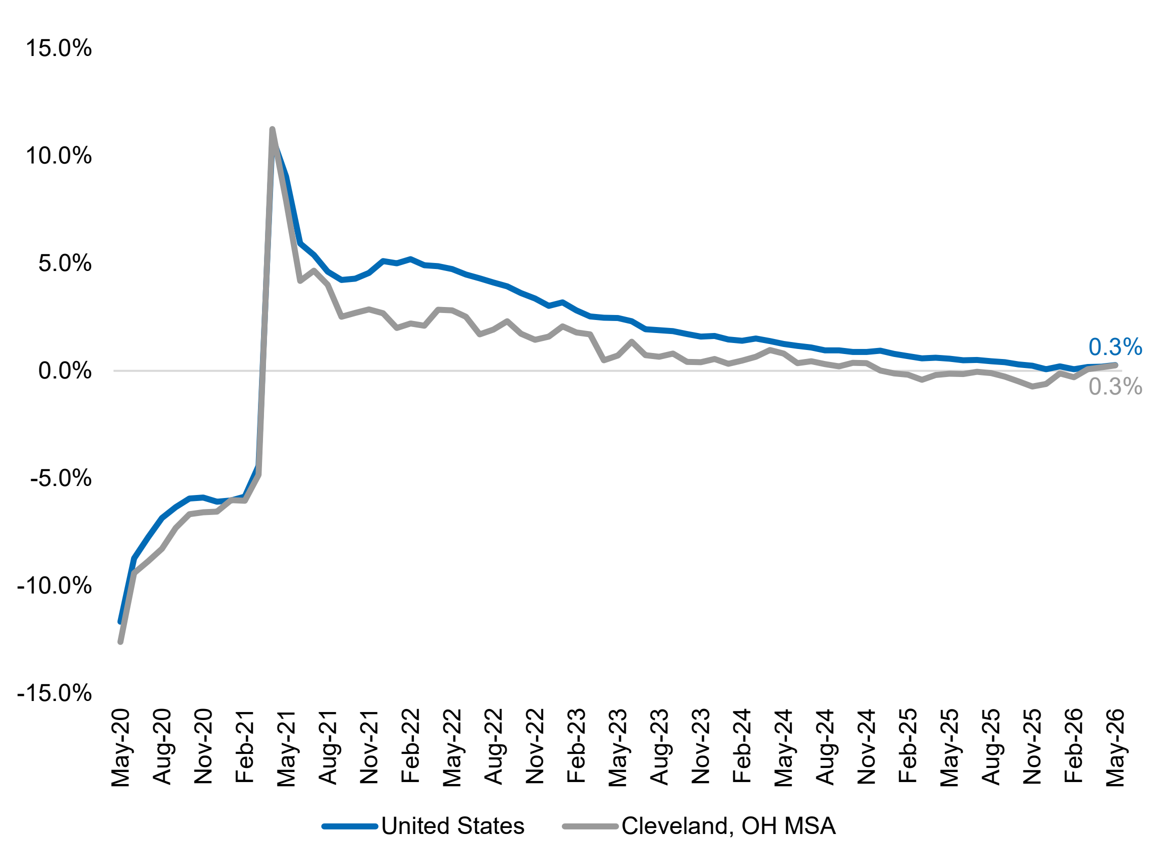
Cleveland and United States Unemployment and Nonfarm Employment Trends

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.

Unemployment Rate, Seasonally Adjusted



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

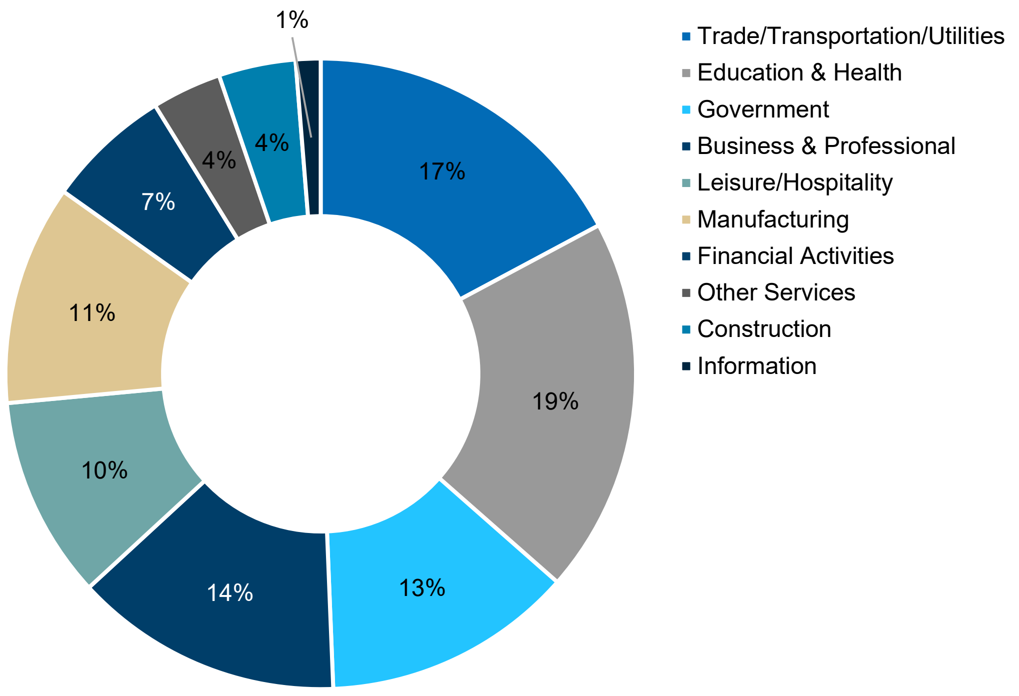


Source: U.S. Bureau of Labor Statistics, Cleveland, OH MSA

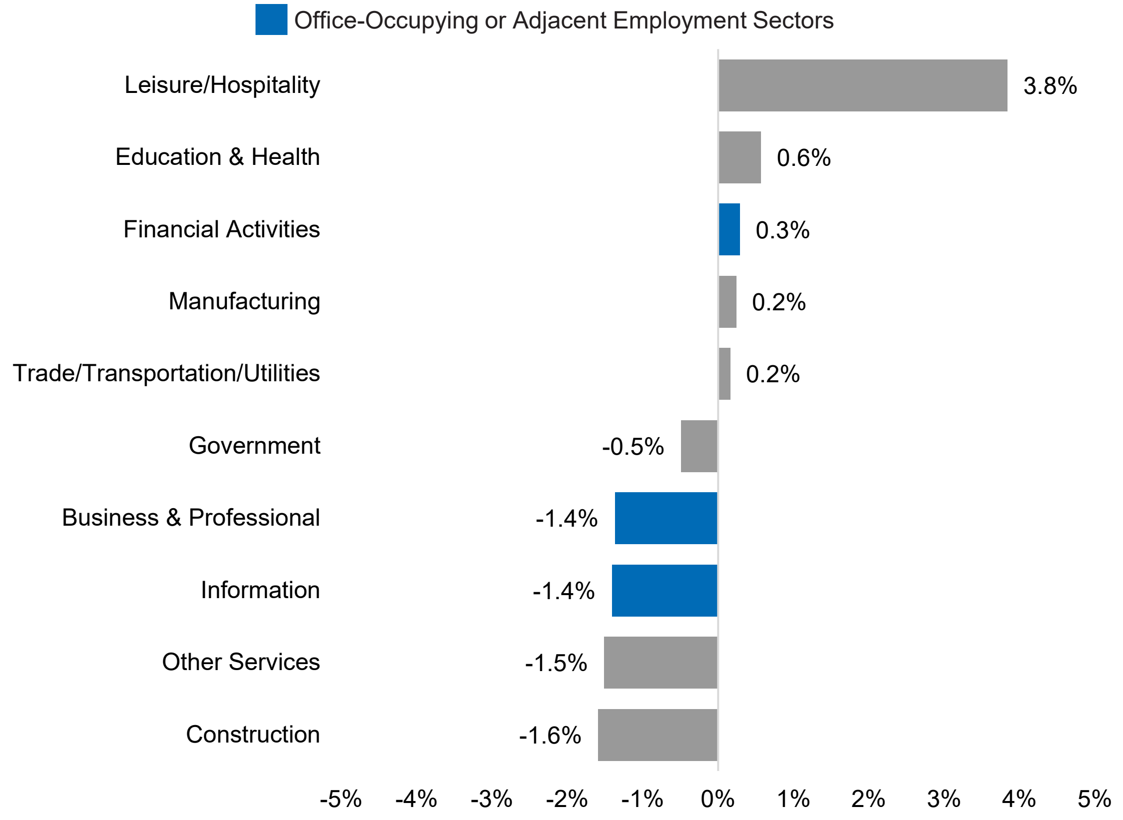
Job Losses in Two of Three Office-Occupying or Adjacent Industries

Five of the 10 industry sectors in the Cleveland market saw employment losses from May 2025 to May 2026. Two of the three office-occupying industries experienced annual job declines, with the Information sector and Business and Professional sectors posting a negative 1.4%. The Financial Activities sector came in at positive 0.3% year-over-year.

Employment by Industry, May 2026



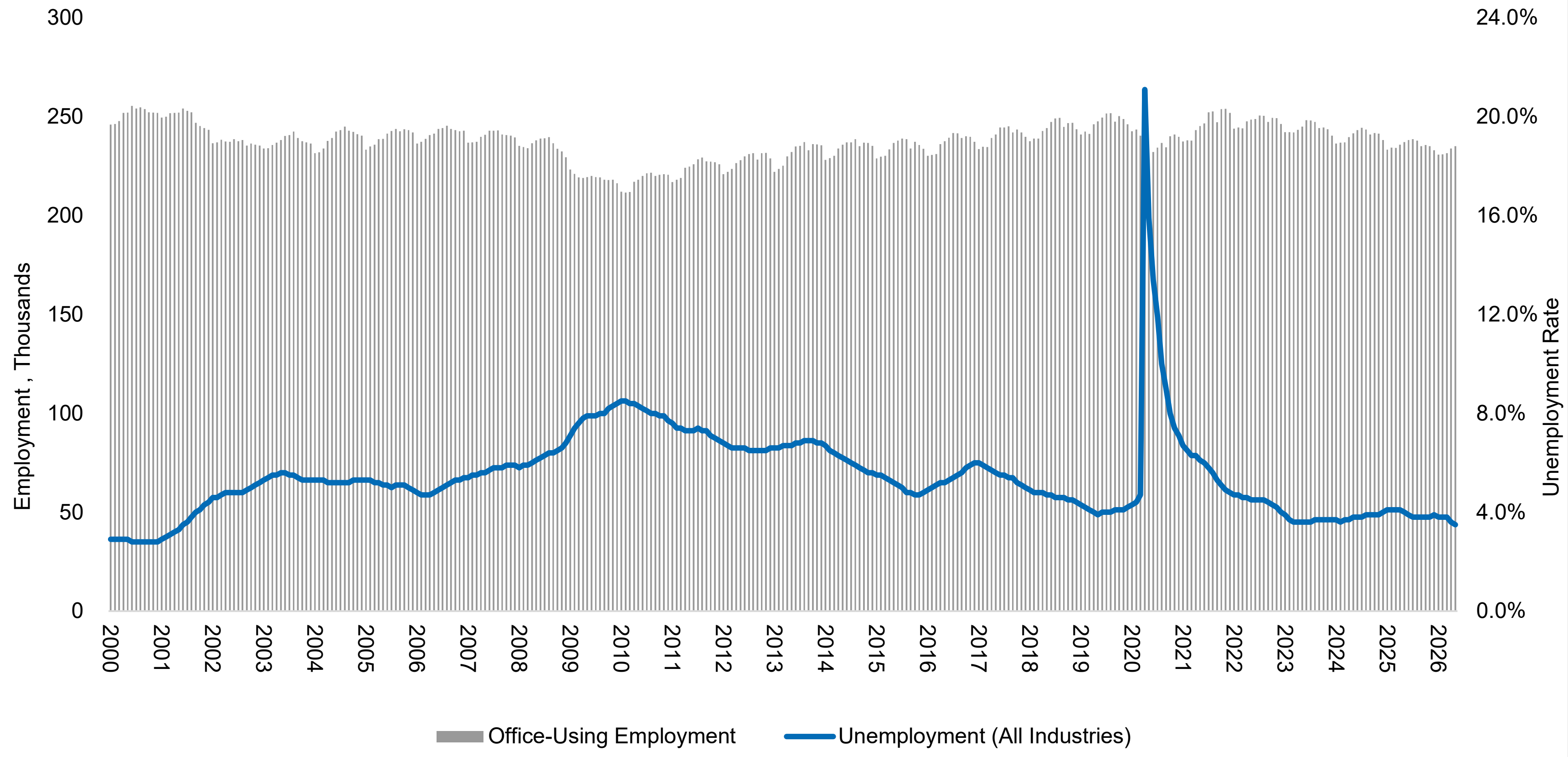
Employment Growth by Industry, 12-Month % Change, May 2026



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

Office-Using Employment Numbers

Office-Using Employment* and Unemployment Across All Industries



- The number of estimated office-using jobs in the Cleveland market as of May 2026 was just over 235,000.
- Cleveland's office-using total in the first five months of 2026 has trended back up.
- The pickup tracks a broader national pattern: professional & business services employment, the largest component of office-using jobs, has also been adding jobs nationally since an October 2025 low, suggesting Cleveland's improvement is riding a national trend rather than a purely local one.
- Despite the recent uptick, Cleveland's office-using employment remains below both its 2021 post-pandemic peak (~249,000) and its 2019 pre-pandemic average (~246,500).

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

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information. Note: Unemployment data for October 2025 is not available, so an estimate was used.

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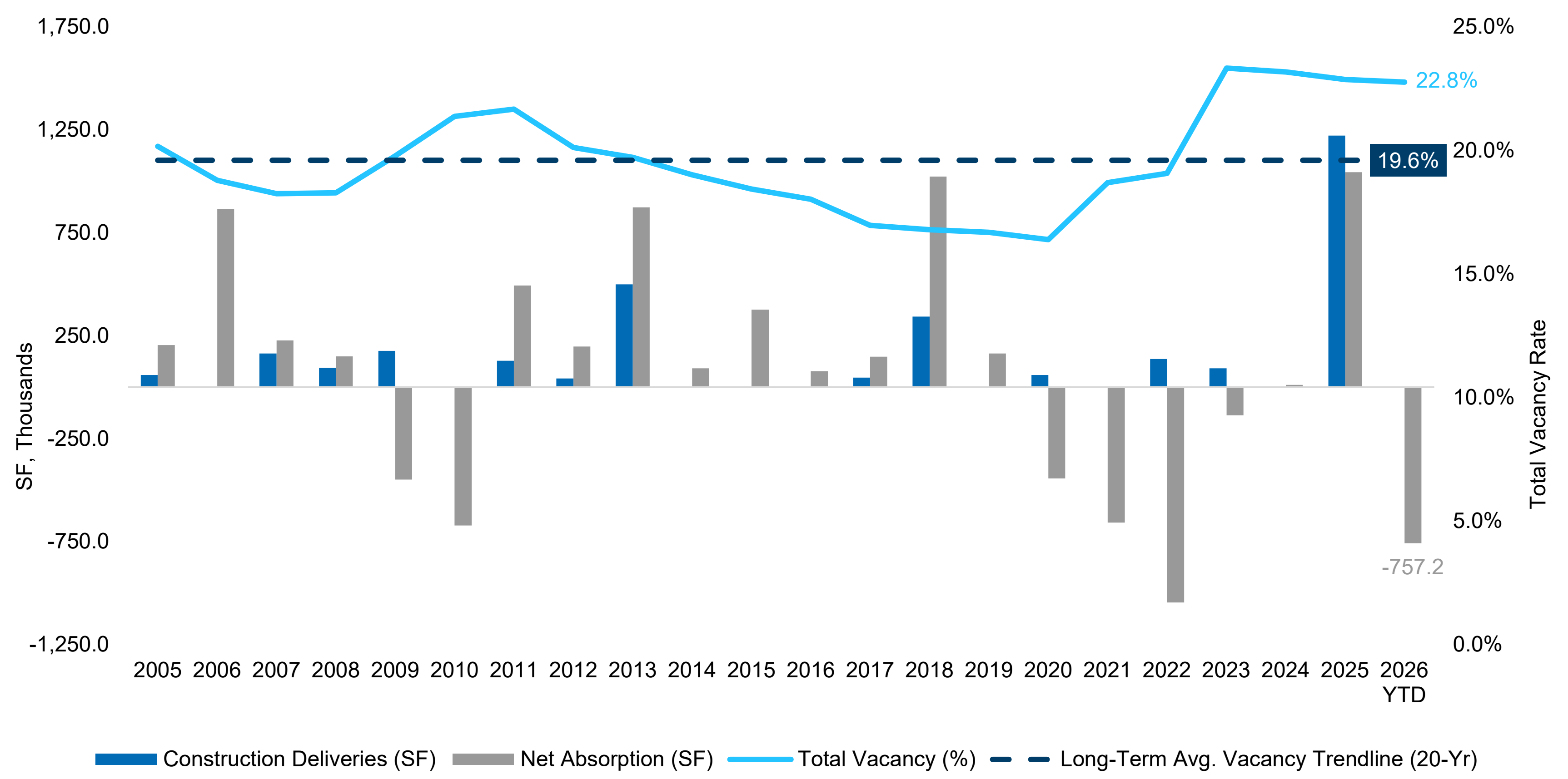
Leasing Market Fundamentals

Vacancy Driven by Addition of Former Progressive HQ to Inventory

Historical Construction Deliveries, Net Absorption, and Vacancy

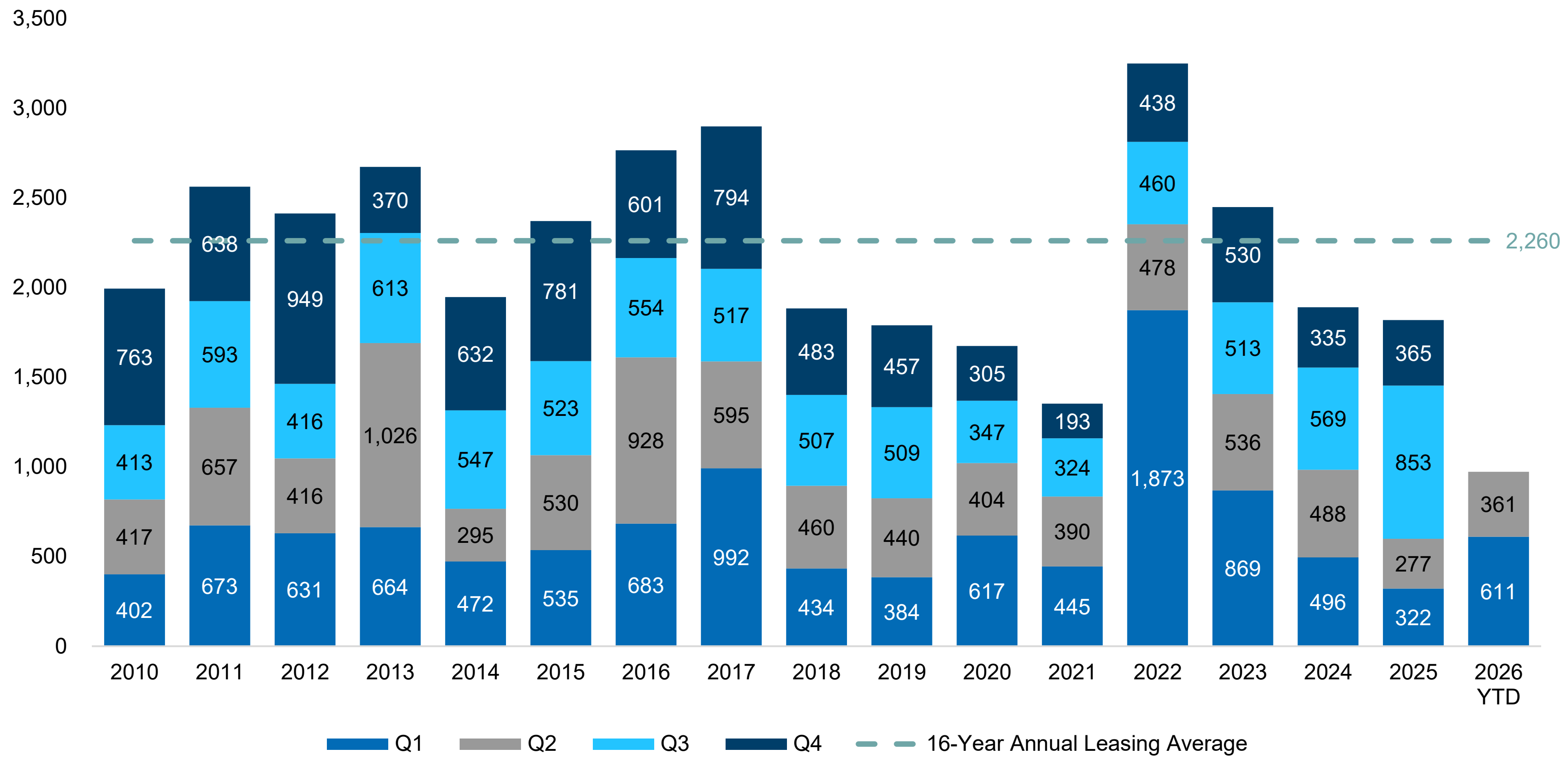


- The Cleveland office market recorded 666,072 SF of negative net absorption in the second quarter of 2026, the fourth negative quarter in the past five.
- Year-to-date absorption stands at negative 757,190 SF.
- The primary driver of the second quarter's negative absorption was the addition of the former Progressive Insurance headquarters (640,736 SF; 6300 Wilson Mills Rd.; East submarket) to tracked inventory. The building transferred to new ownership and is no longer owner-occupied, though it will remain an office building.
- The blended year-to-date vacancy rate of 22.8% ranks as the fourth-highest on record, trailing only the previous three years. Thus far, this represents the fourth consecutive year above the 20-year average trendline of 19.6% and is 390 basis points above the pre-COVID decade average of 18.9%.

Source: Newmark Research

Tepid Leasing Continues: Cleveland Office Market Logs Third-Lowest Q2 in 16 Years

Total Leasing Activity (thousands SF)

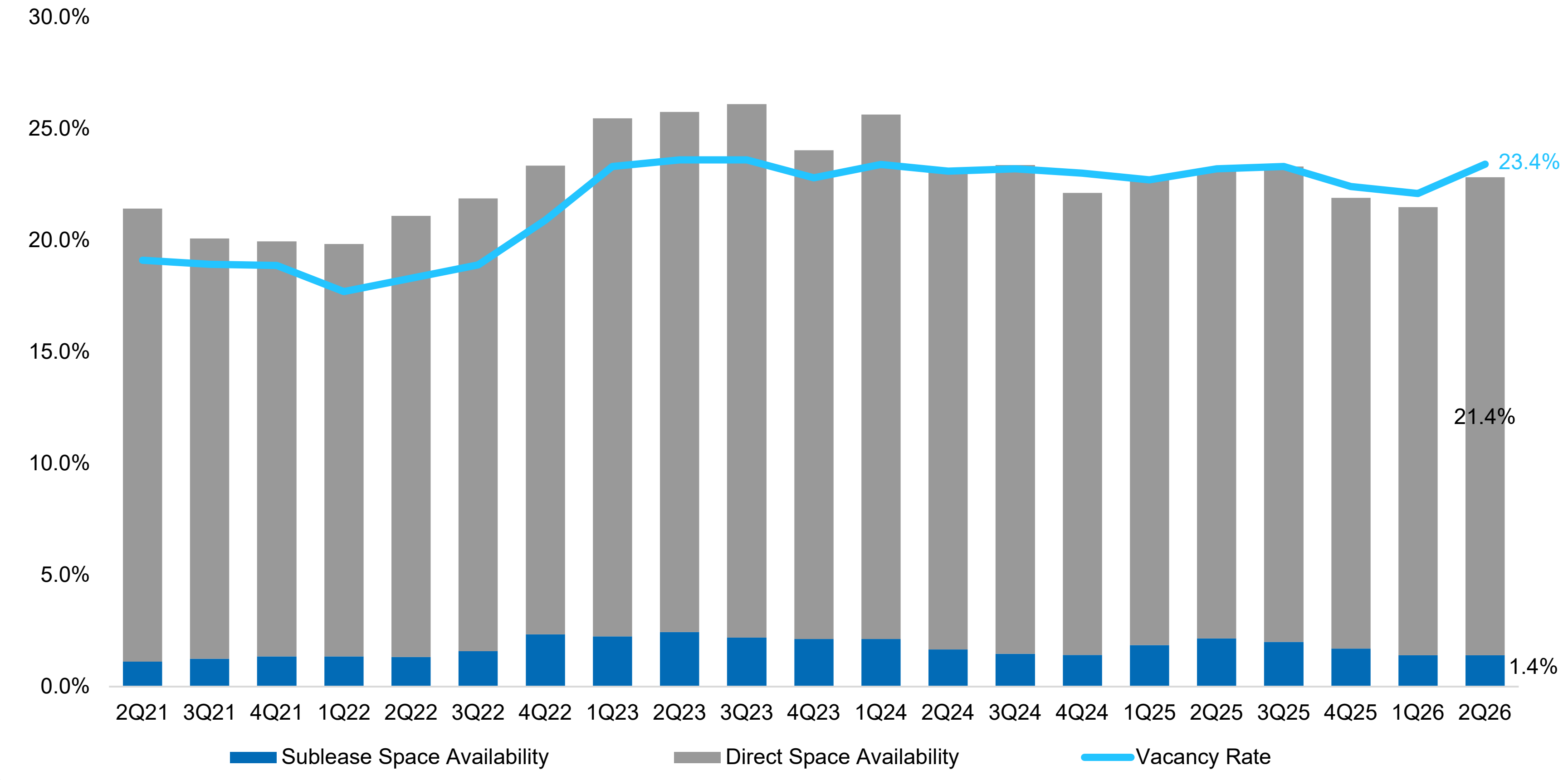


- Second quarter 2026 leasing activity totaled 361,013 SF, a 40.9% decline from the first quarter of 2026's 610,946 SF and the third-lowest second quarter in the 16-year dataset.
- Market conditions remain subdued, with second quarter deal sizes averaging well under 10,000 SF. This reflects the continued absence of large-tenant demand and a market dominated by small-suite renewals and relocations.
- The quarter’s two largest transactions were signed by AmTrust North America, which executed two leases totaling 162,716 SF: 102,062 SF at 6055 Parkland (East submarket) and 60,654 SF at 1300 E. 9th St. (CBD).
- At 971,959 SF year-to-date, 2026 leasing activity is on pace to annualize at approximately 1.9 million SF — roughly 14.0% below the 16-year annual average of 2.2 million SF.

Source: Newmark Research, CoStar

Sublease Pressure Eases, But Direct Availability Rises Along With Overall Vacancy

Available Space as Percent of Overall Market

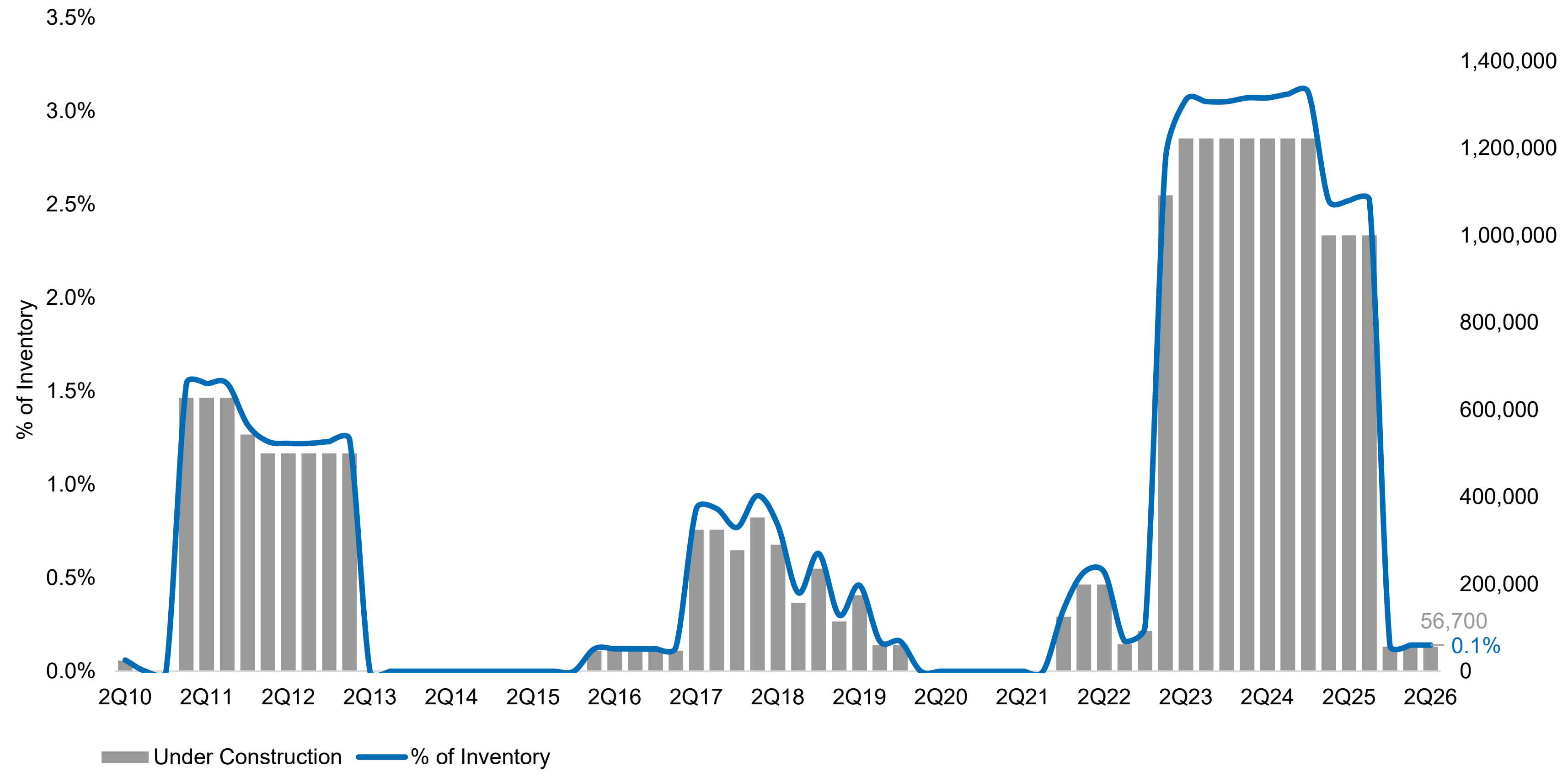


- Direct availability rose 130 basis points quarter-over-quarter to 21.4% (approximately 8.7 million SF), while sublease availability held flat at 1.4% for the second consecutive quarter.
- Total vacancy rose 130 basis points from the prior quarter to 23.4%, which matched the first quarter of 2024 as the highest rate recorded since the market's peak of 23.6% in mid-2023.
- Sublease availability has declined steadily from its 2Q23 peak of 2.4% to the current 1.4%, a 100-basis-point improvement over three years, suggesting that previously exposed sublease blocks have been largely absorbed or expired.
- The sublease progress has been offset entirely by rising direct availability, a sign that availability and vacancy have increasingly been owner/landlord-driven rather than tenant-driven.

Source: Newmark Research

New Supply Remains Virtually Absent from the Cleveland Office Pipeline

Office Under Construction and % of Inventory



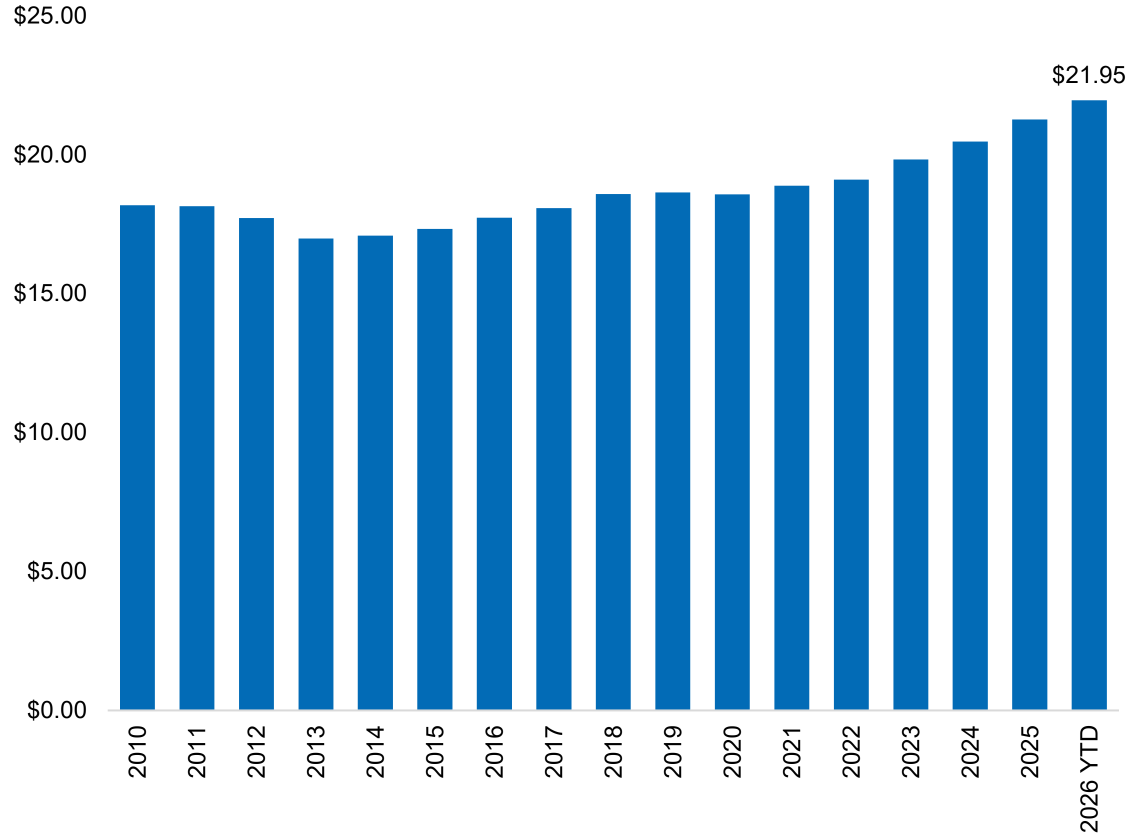
- Under construction numbers were flat, keeping the market at 0.1% of inventory that is being built.
- Minimal new construction limits further supply shocks, but with demand structurally weak a true office recovery will be measured in years, not quarters.

Source: Newmark Research

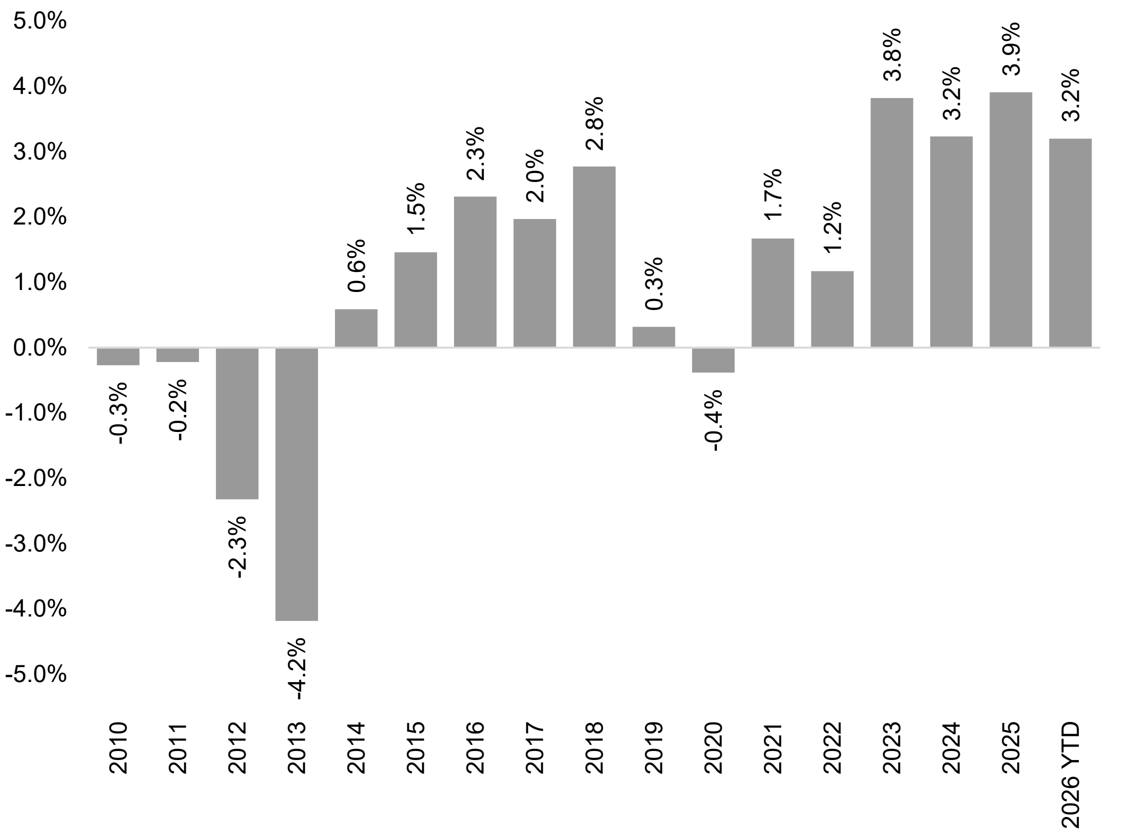
Cleveland Office Rents Continue a Period of Sustained Rent Growth

The Cleveland office market's quarterly average asking rental rate reached $22.17/SF in the second quarter, up $0.44/SF from $21.73/SF in the first quarter. The blended year-to-date average of $21.95/SF reflects a 3.2% increase year-over-year. This continues a period of sustained rent growth that began in 2023, with year-over-year gains holding above 3.0% for four consecutive years. This is a clear acceleration from the prior decade's average annual growth of just 0.4% (2011–2022).

Office Average Asking Rent, $/SF, FSG



Year-Over-Year Asking Rent Growth Rate

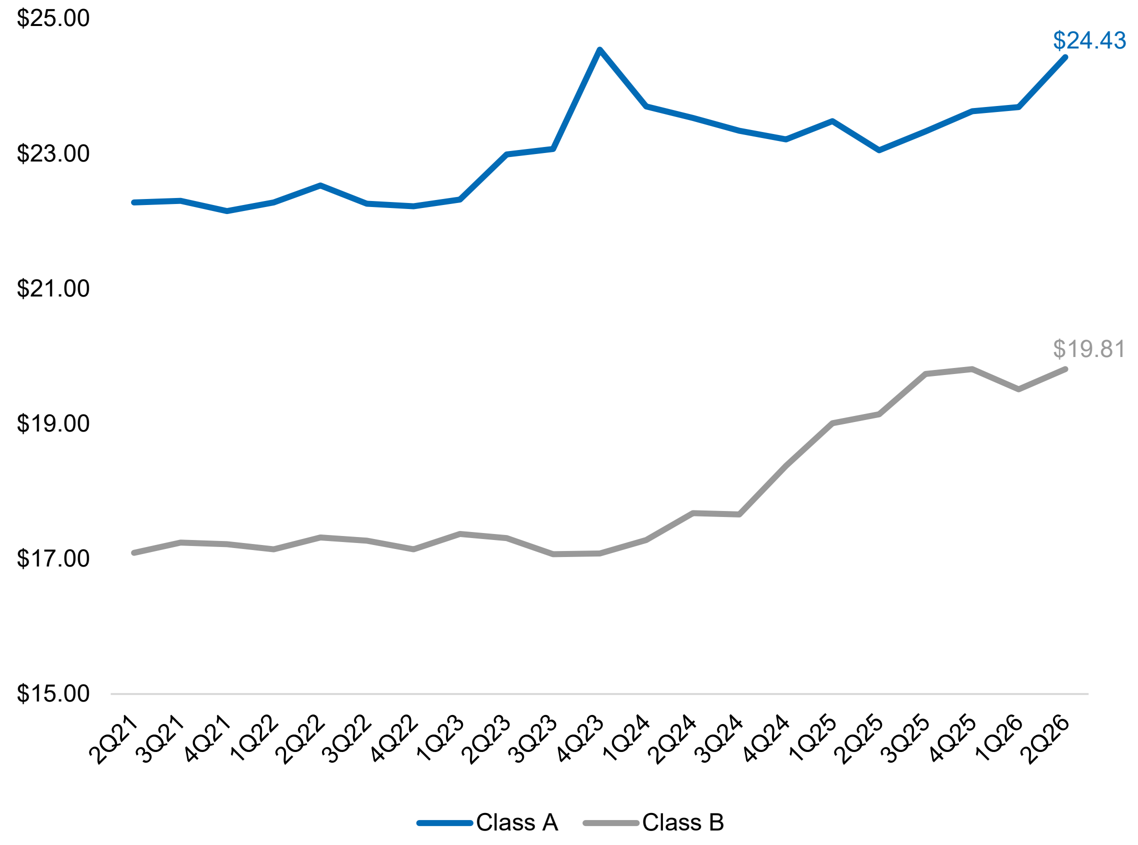


Source: Newmark Research

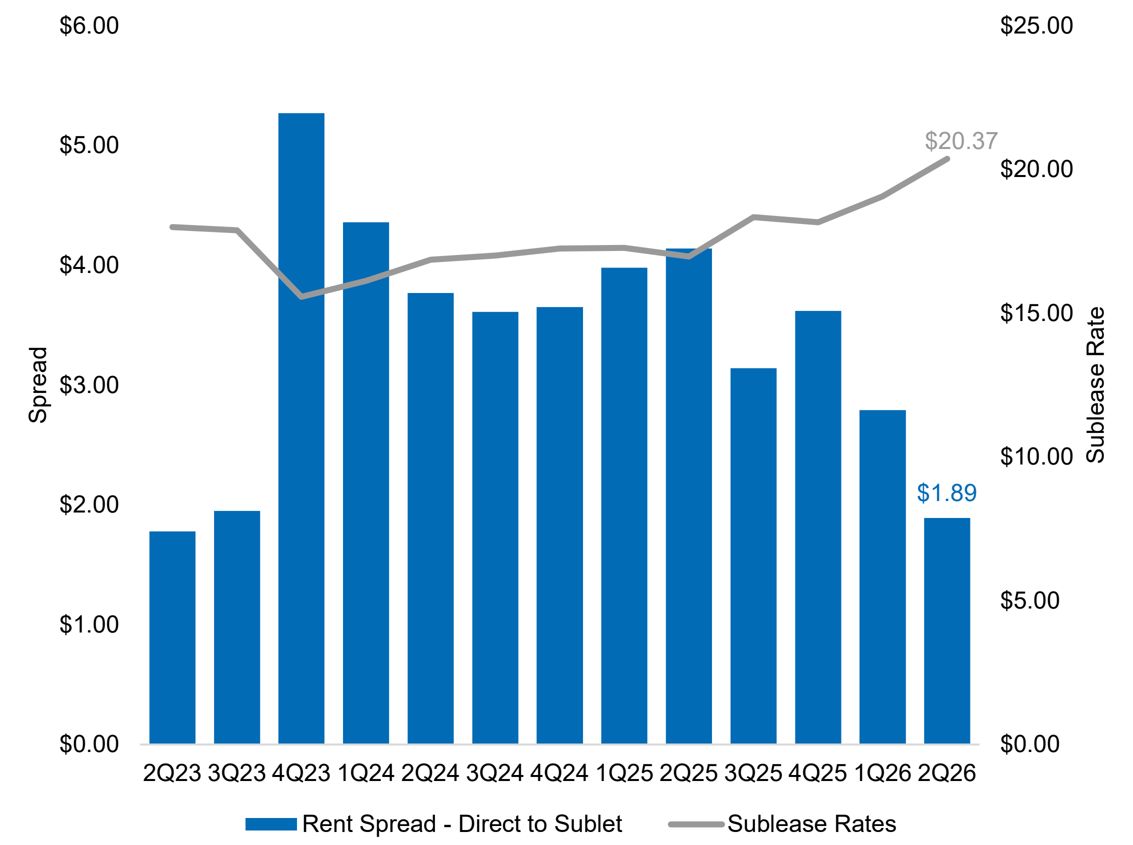
Class A and B Asking Rent Gap Increases; Direct-to-Sublease Rent Spread Tightens

Between the first quarter of 2026 and second quarter of 2026, Class A and Class B asking rents continued to separate: Class A rose by $0.74/SF and Class B increased by $0.30/SF. As a result, Class A remained well above Class B, and the spread widened by $0.44/SF to $4.62/SF. Over the same period, the average asking sublease rate jumped by $1.31/SF to $20.37/SF, reducing the direct-to-sublease rent spread to $1.89/SF, the tightest margin since the third quarter of 2023's $1.95/SF spread.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

Lease and Sale Transactions in 2Q26

Select Office Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
AmTrust North America, Inc.	6055 Parkland	East	Direct	102,062
AmTrust North America, Inc.	1300 E. 9th St.	CBD	Direct	60,654
Sequoia Financial Group	1 American Blvd.	West	Direct	24,298
Loan Protector	30825 Aurora Rd.	East	Direct	20,000
The SpyGlass Group	1 American Blvd.	West	Direct	18,400

Select Office Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
9150 South Hills Blvd, LLC (Ken Ganley Companies)	9150 South Hills Blvd.	South	$5,975,000	62,053	$96.29
Activity Capital	3781-3799 Green Rd.	East	$938,000	22,944	$40.88
K&D Real Estate Services	614 W. Superior Ave.	CBD	$5,130,000	304,632	$16.84
George Simon, et. al	6300 Wilson Mills Rd.	East	$6,750,000	640,736	$10.53
Superior & East 9th LLC (affiliate of Kassouf family, Prime Properties)	800-826 Superior Ave.	CBD	$4,000,000	475,000	$8.40

Source: Newmark Research, CoStar, MSCI Real Capital Analytics

Note: Ohio Savings Plaza and Park Plaza buildings excluded from above Sale Transactions, they went to auction with a $1.0 million minimum bid (auction ended in 2Q26, but the sale closed at the beginning of 3Q26; county records reveal the two buildings sold for $3.25 million, or $9.75/SF, and $1.0 million, or $5.99/SF, respectively)

Access the Extended 2Q26 Cleveland Office 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:

- **Vacancy Rate by Submarket**
- **Sublease Availability Rate by Submarket**
- **Net Absorption Trends by Submarket**
- **Asking Rent by Submarket / Year-Over-Year Percent Change in Asking Rate**
- **Cleveland Office Average Price Per Square Foot – Combined Investment and Owner/User Sales**
- **Historical Statistical Overview & Current Submarket Statistics Table**
- **Cleveland Office Submarket Map**
- **Additional Market Statistics**
- **Special CBD Distress Section**
- *Extensive content across 30+ slides—a detailed presentation packed with useful office information and in-depth analysis.*

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