

NEWMARK

Cleveland
Industrial Market Overview

4Q25

Key Takeaways

The total vacancy rate of 5.2% for the year and 5.8% for the fourth quarter represented high marks for a Cleveland industrial market that has treaded water for the last year and a half. The more than 2.7 million SF in negative absorption for 2025 was the most space given back in over 20 years.



The market posted positive absorption of 658,286 SF in the fourth quarter—after five straight quarters of negative absorption.



The addition of over 1.6 million SF to inventory caused the vacancy rate to increase.



Construction volume fell for the fourth straight quarter – representing just 0.2% of total market inventory.



Proposed speculative construction starts continued to be delayed, and 64.0% of projects underway as the year ended are build-to-suit or owner built.

Market Observations



Economy

- In September of 2025, the Cleveland-Elyria-Mentor metro's economy gained a small number of jobs, as total nonfarm employment increased annually to 0.7%. National nonfarm employment increased year-over-year by 0.8% in September. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked down to 4.3% in September 2025 – dropping 10 basis points from its August mark. The national unemployment rate was 10 basis points higher than Cleveland at 4.4%.
- Seven of the 10 industry sectors in the Cleveland market saw employment gains from September 2024 to September 2025. Two of the three industrial-using or adjacent industries were in the positive, as the Construction sector gained the greatest number of jobs of all the industries at 2.4%, while the Manufacturing sector increased by 0.6% and the Trade/Transportation/Utilities sector essentially remained flat.



Leasing Market Fundamentals

- The Cleveland industrial market posted positive absorption of 658,286 SF in the fourth quarter of 2025—after five straight quarters of negative absorption. Despite key build-to-suit deliveries and market occupations which paced the market's positive absorption in the fourth quarter, the addition of over 1.6 million SF to inventory caused the vacancy rate to increase by 30 points from the previous quarter to 5.8%, the highest quarterly vacancy rate since the third quarter of 2016. The overall vacancy rate for 2025 was 5.2%, the highest year-end mark since 2017's 5.3%. The more than 2.7 million SF in negative absorption for 2025 was the most space given back in over 20 years.
- The market's industrial direct average asking rent contracted year-over-year in 2025 by negative 3.6%. The average asking rent for the year was \$5.97/SF, down from 2024's final tally of \$6.19/SF, but the second highest in the last 17 years. The fourth quarter saw a direct average asking rent of \$6.01/SF, which was up by \$0.06/SF from the previous quarter's total.



Notable Transactions and Developments

- Under construction volume fell for the fourth straight quarter – to 587,335 SF in the fourth quarter of 2025 – representing just 0.2% of total market inventory. 1.6 million SF of product delivered in the fourth quarter, including the 747,000 SF HC Companies/Growscape build-to-suit, the long-anticipated new 600,000 SF research and development center for Sherwin-Williams, and the 200,000 SF new Swagelok distribution center located on the company's Solon campus. Proposed speculative construction starts continued to be delayed, and 64.0% of projects underway as the year ended are build-to-suit or owner built.
- Perhaps the highest-profile sale was Industrial Commercial Properties obtaining the 408,251 SF former True Value distribution facility in the Northwest submarket for just under \$17.3 million, or \$42.25/SF. The Cleveland-based new owner will update the interior of the facility to have it ready to lease in the second quarter of 2026 to a single user. Another recognizable transaction was the transfer of the 100,000 SF food distribution center at 6575 Davis Industrial Pkwy. in the Southeast submarket to Conexus Food Solutions for \$8.4 million, or \$84.00/SF.



Outlook

- The average sale price per square foot for all industrial assets in the Cleveland market improved as 2025 ended to \$60.95/SF, a \$3.30/SF increase from the first three quarters. The fourth quarter's average of \$67.84/SF impacted the rise. The year 2025 finished \$3.45/SF above the 2024 mark and was the highest in recent years. Building sizes under 100,000 SF have been the sweet spot for investors and owner-users in the Cleveland market, as the average building size for sales in 2025 was 88,832 SF. This trend should continue heading into 2026, though larger bulk warehouses between 100,000 and 500,000 SF that have solid credit tenants should continue to trade in smaller quantities.
- The small bay strategy in Cleveland coincides with market vacancy numbers – warehouse and distribution properties notched a 7.6% vacancy rate in the fourth quarter, compared to 6.1% for R&D/flex, and 4.5% for general industrial, the latter of which includes mostly manufacturing facilities. The small bay trend has also translated to many other markets as vacancy rates have continued to be higher for big box warehouses. Overall, the market is at a crossroads.

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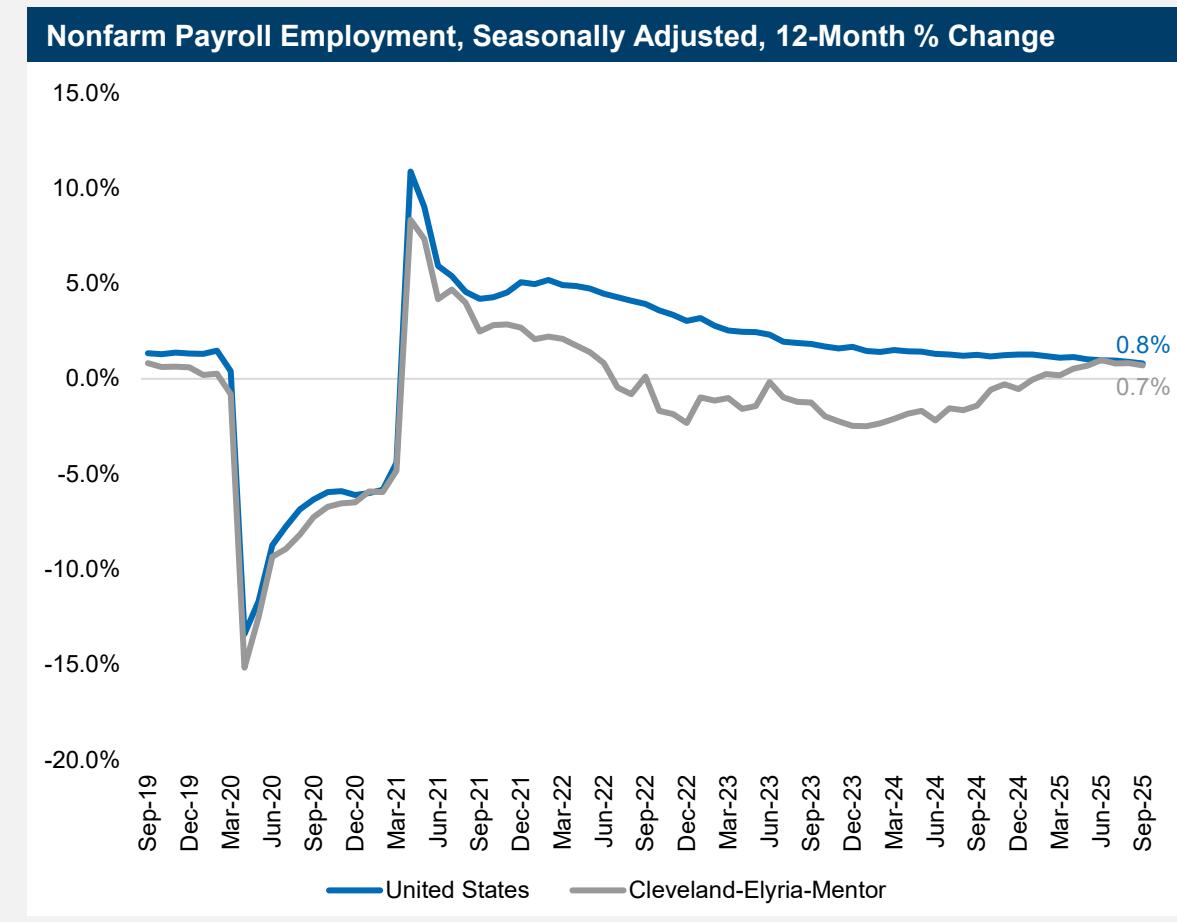
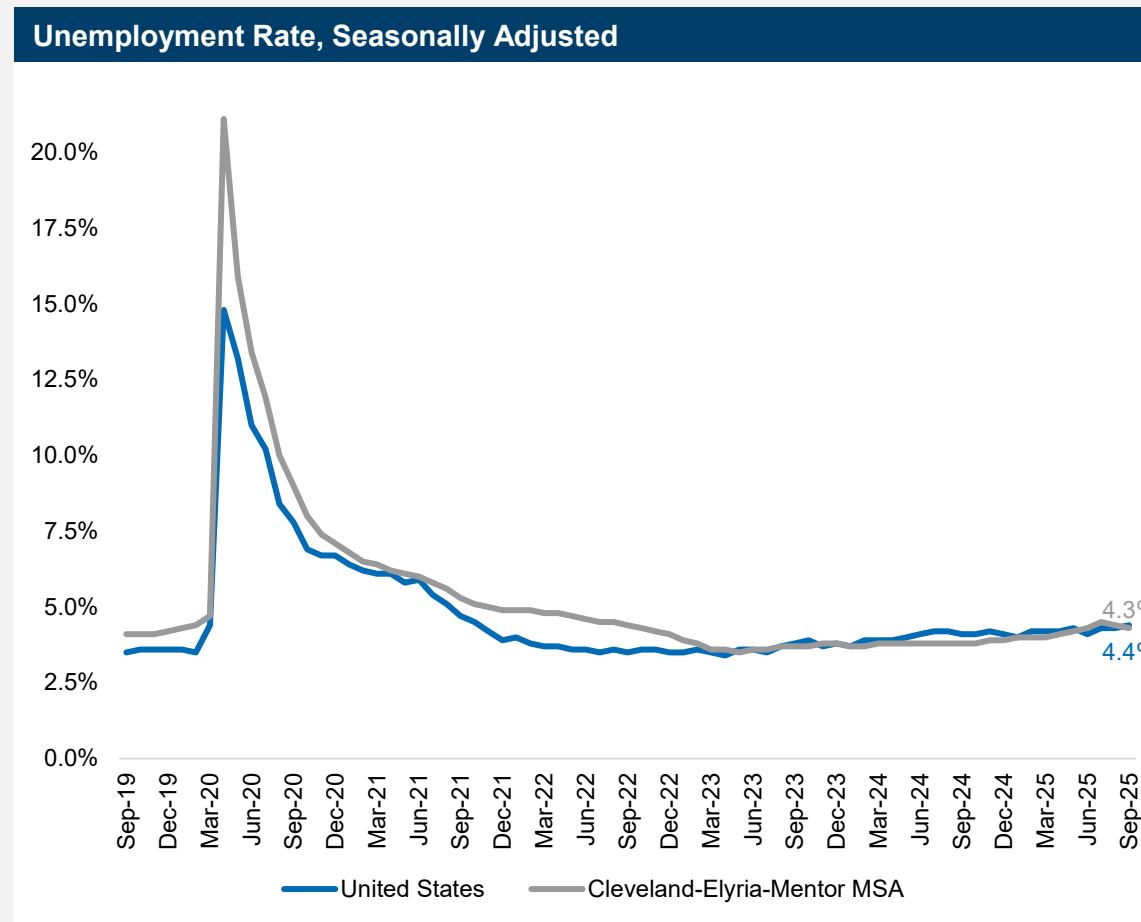
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Economy



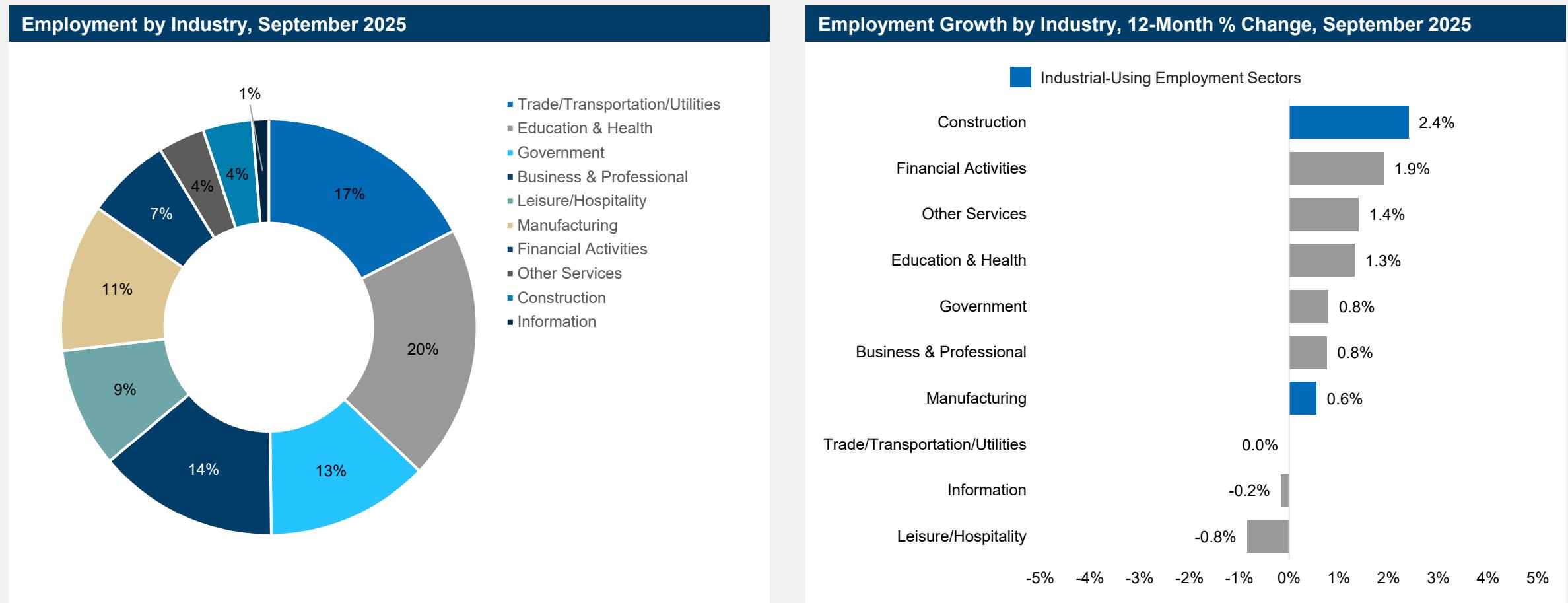
Cleveland and United States Unemployment and Nonfarm Employment Trends

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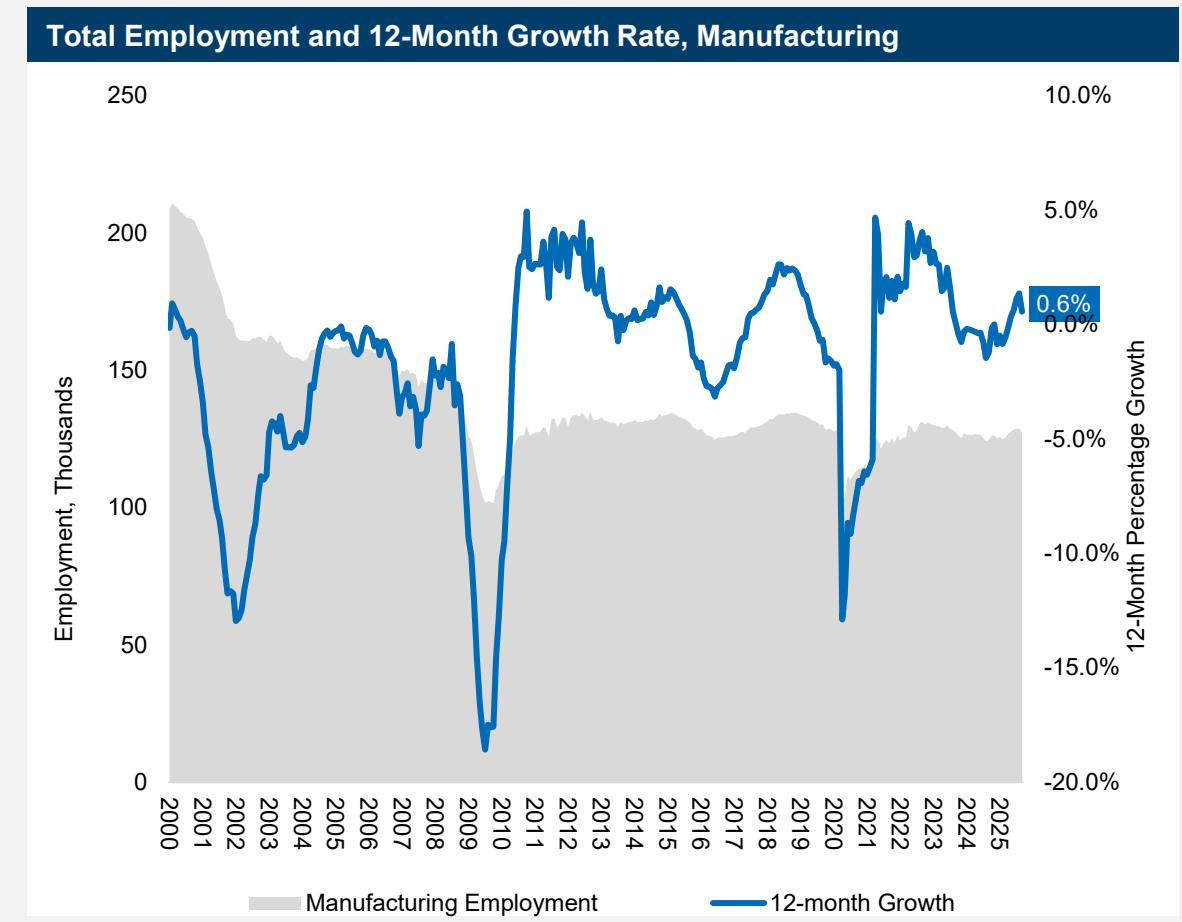
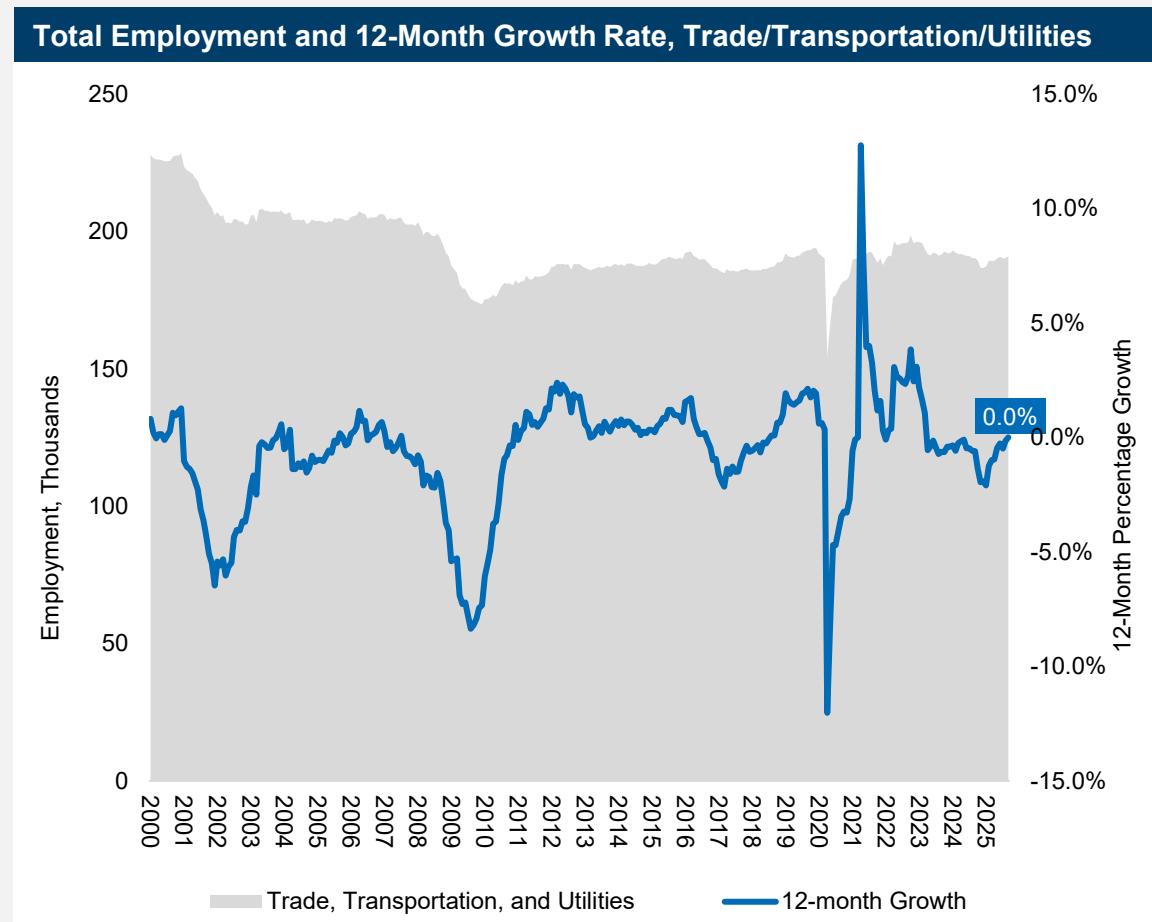
Cleveland Market Sees Job Gains in Two of Three Industrial-Using Sectors

Seven of the 10 industry sectors in the Cleveland market saw employment gains from September 2024 to September 2025. Two of the three industrial-using or adjacent industries were in the positive, as the Construction sector gained the greatest number of jobs of all the industries at 2.4%, while the Manufacturing sector increased by 0.6% and the Trade/Transportation/Utilities sector essentially remained flat.



Industrial Using Employment Sectors a Mixed Bag

In the Cleveland market, one of the two significant industrial sectors experienced year-over-year gains – the Manufacturing sector experienced a modest increase by 0.6%, according to September numbers, whereas the Trade, Transportation, and Utilities sector remained essentially flat. May through September 2025 all saw positive year-over-year growth rates for the Manufacturing sector.



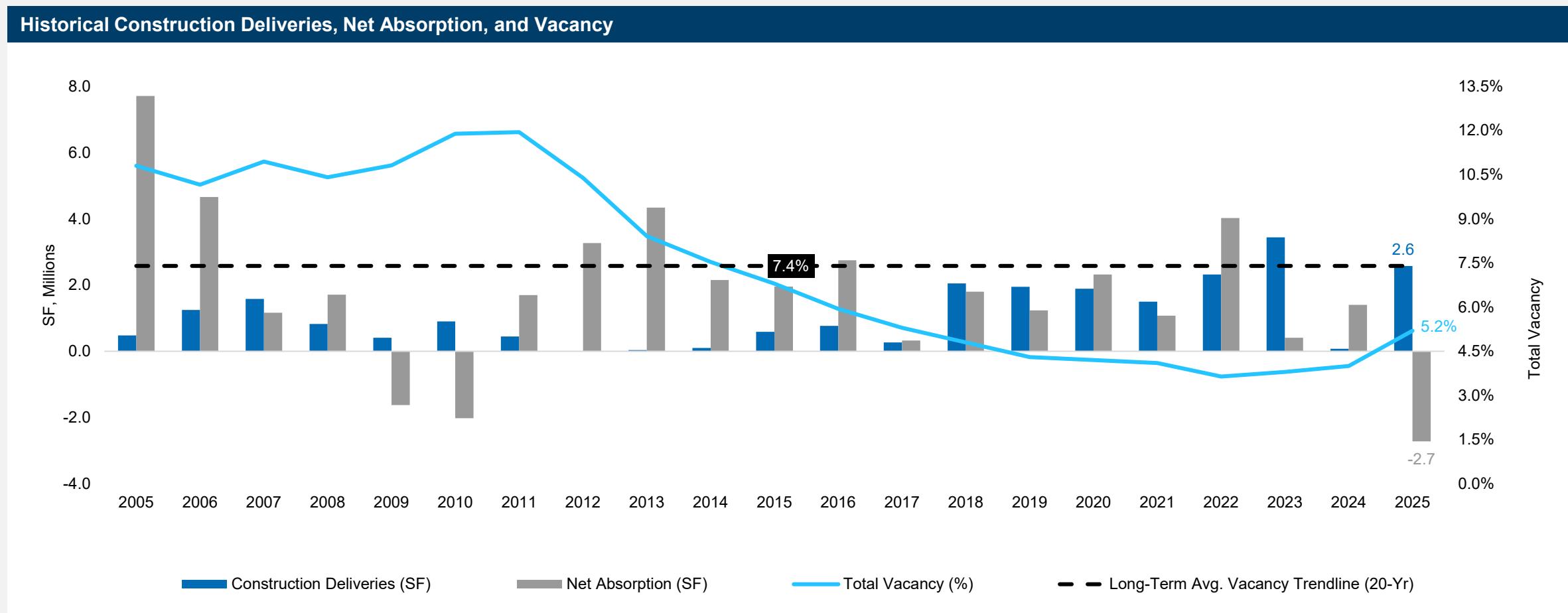
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Leasing Market Fundamentals

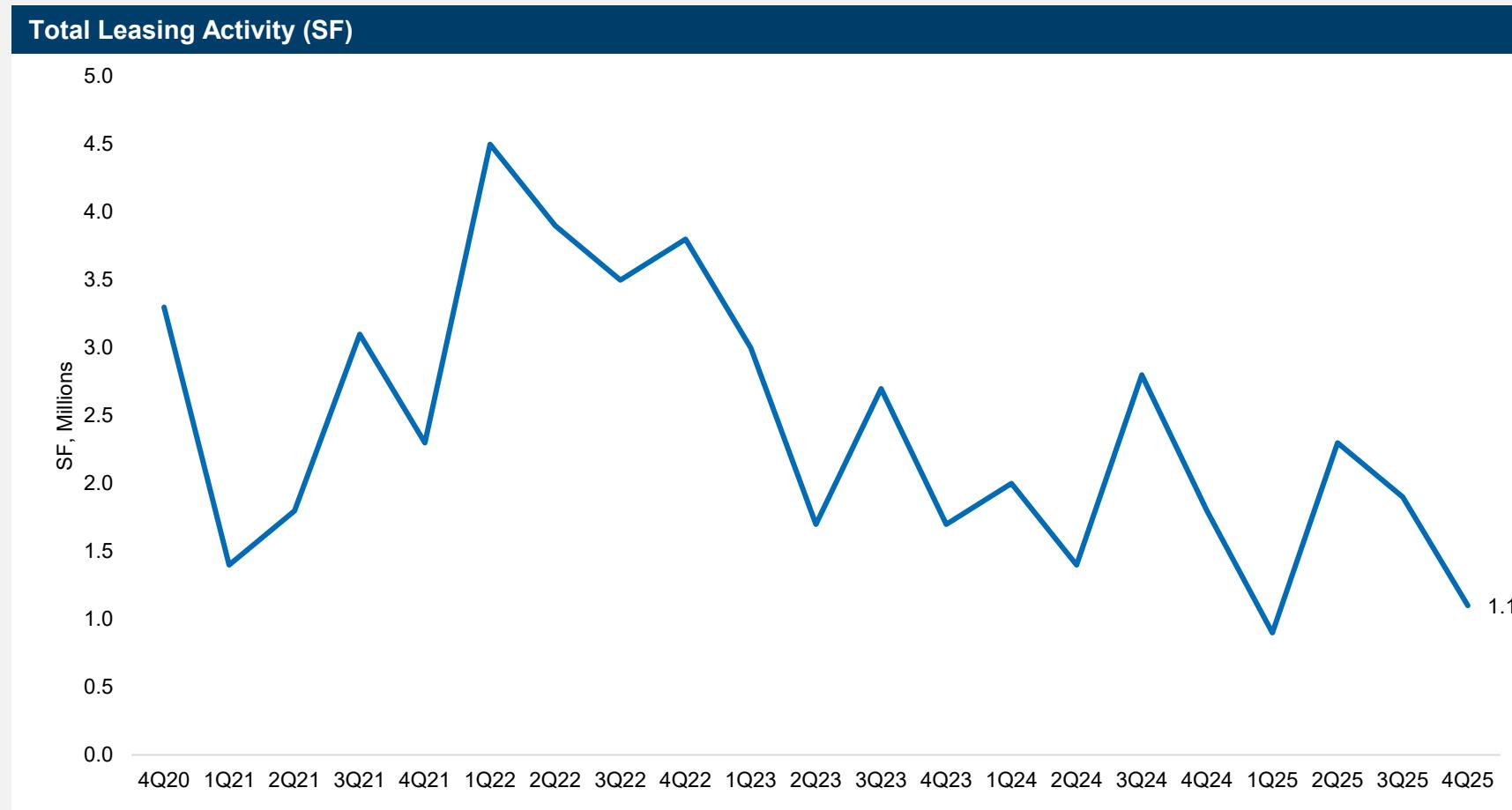


Vacancy Rate Hits Recent High Mark For Cleveland Industrial Market

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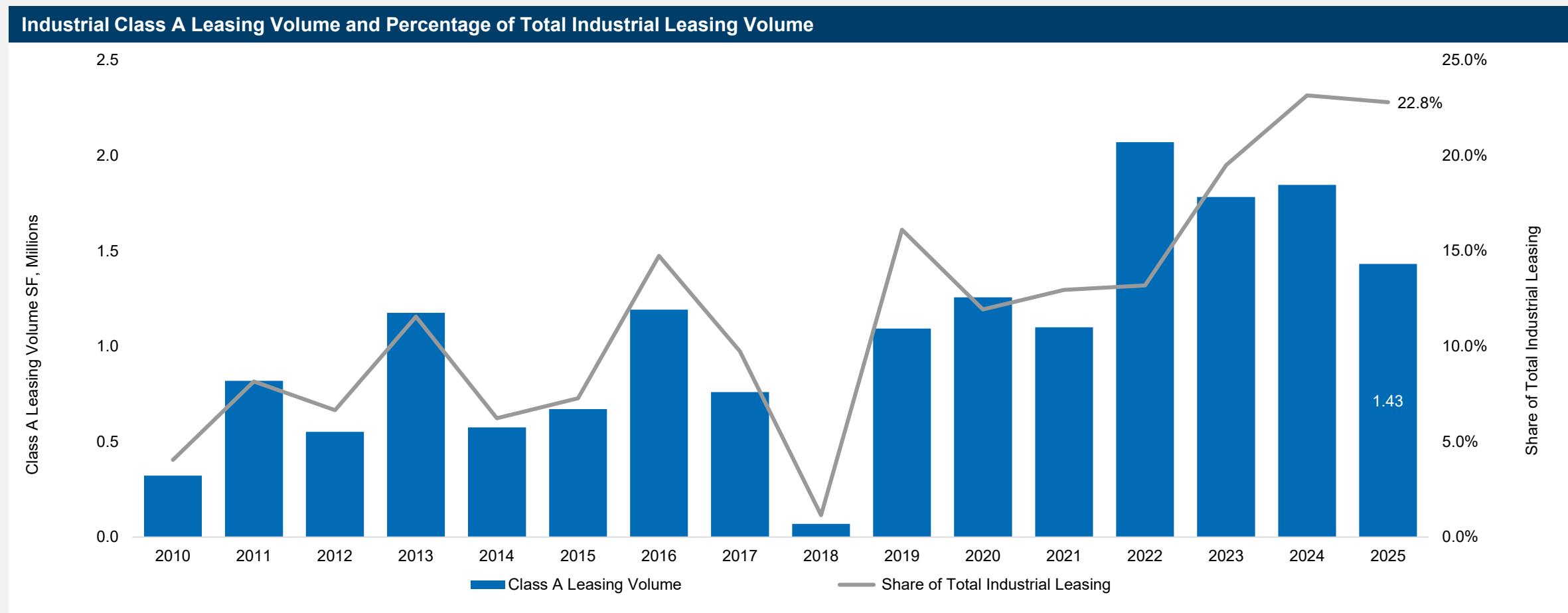
Cleveland's Industrial Leasing Down Two Quarters in a Row



- By the fourth quarter of 2025, Cleveland's industrial demand declined two quarters in a row. In fact, quarterly leasing fell from 4.5 million SF in the first quarter of 2022 to 1.1 million SF by the fourth quarter of 2025—a 75.6% drop.
- Demand has generally trended down since the peak in 2021–2022, with ongoing quarterly volatility driving a structural reset into 2026.
- In 2026, the market will be driven by fundamentals: organic tenant growth tied to business expansion, supply discipline shaped by construction economics, and pricing grounded in realistic expectations rather than momentum.

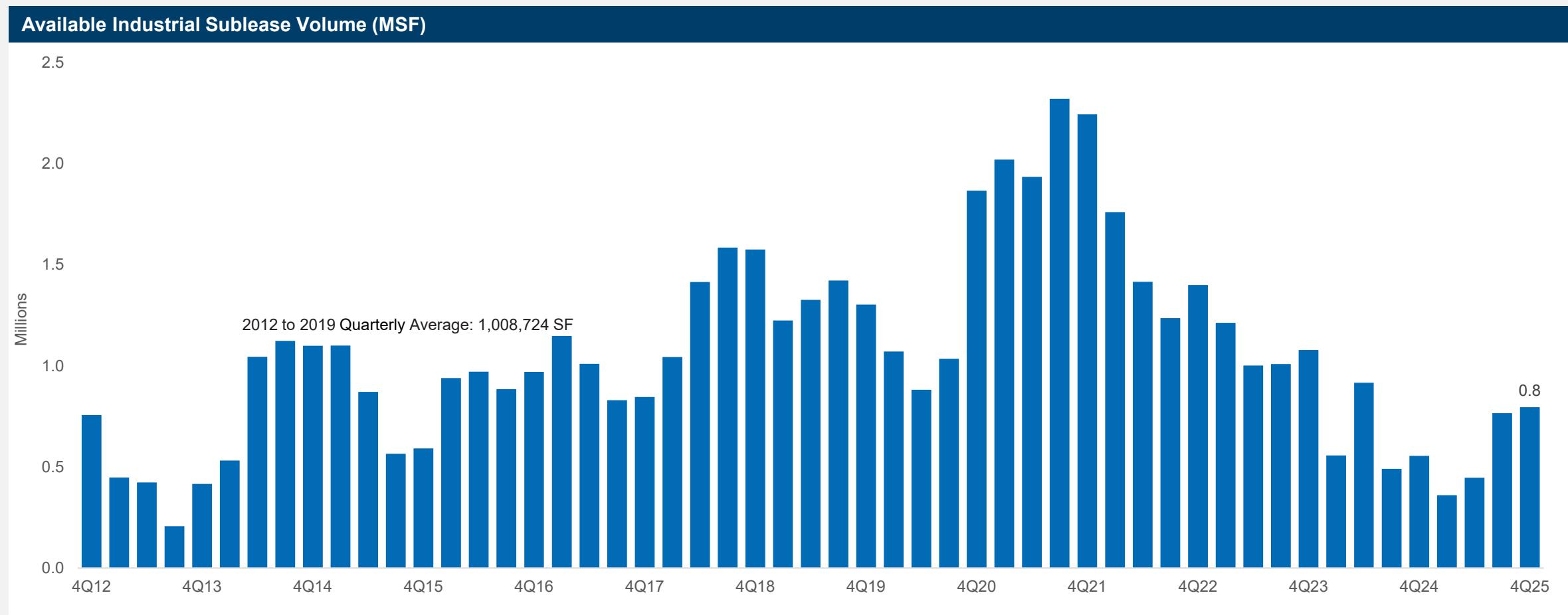
Class A Warehouse Leasing Volume Lowest Since 2021

In 2025 leasing activity for Cleveland's Class A warehouses comprised 22.8% of all deals in the market. With manufacturing, general industrial, older warehouses, and flex/R&D leasing making up more than three quarters of the leasing volume, the Class A leasing volume of 1.45 million SF in 2025 was the lowest since 2021. On a brighter note, the fourth quarter vacancy of Class A products decreased by 130 basis points from the previous quarter to 8.1%, its lowest mark since the second quarter of 2023. Class A warehouses remain highly occupied. Leasing has cooled from peak levels, but vacancies have stayed relatively low or have declined as new supply tapers.



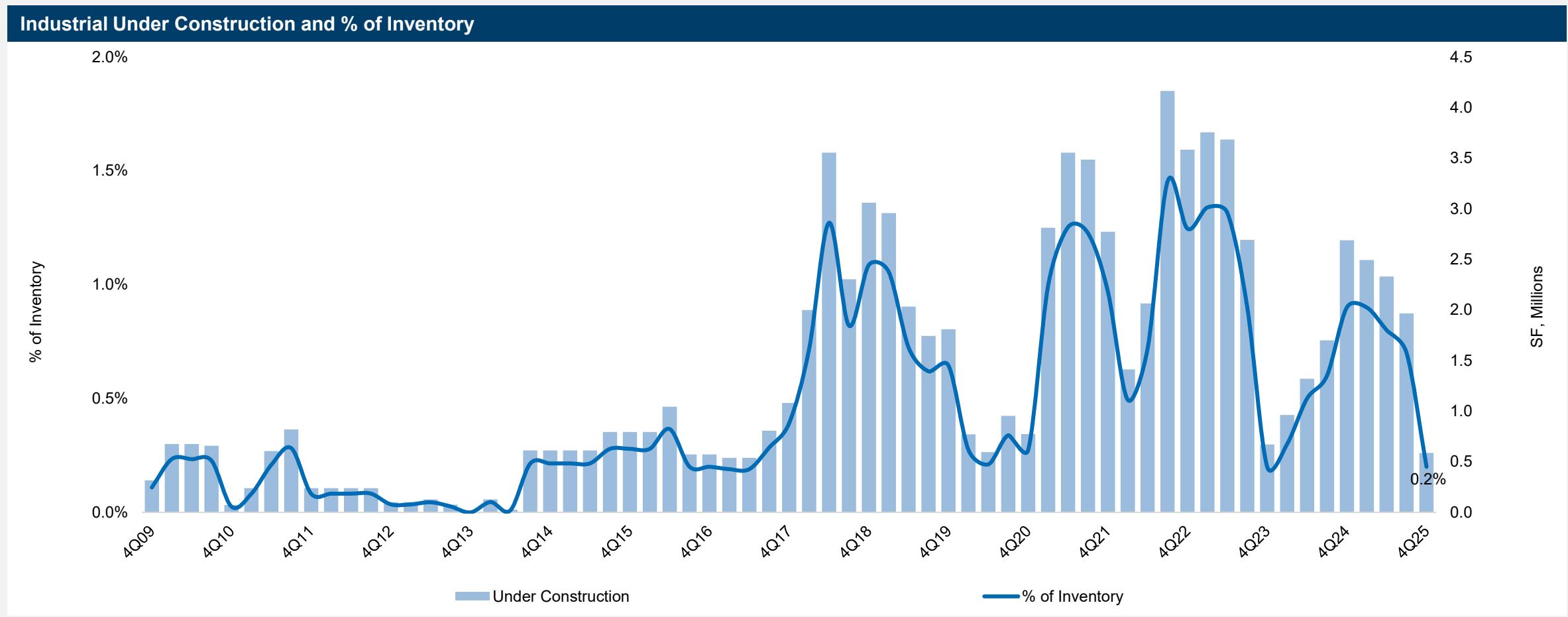
Industrial Sublease Availability Up Slightly

Sublease availability of 795,631 SF in the fourth quarter of 2025 was an increase of just 30,046 SF from the previous quarter. The mark remained comfortably below the 2012 to 2019 pre-pandemic quarterly average of just over 1.0 million SF. The sublet total availability percentage stayed flat at 0.3%.



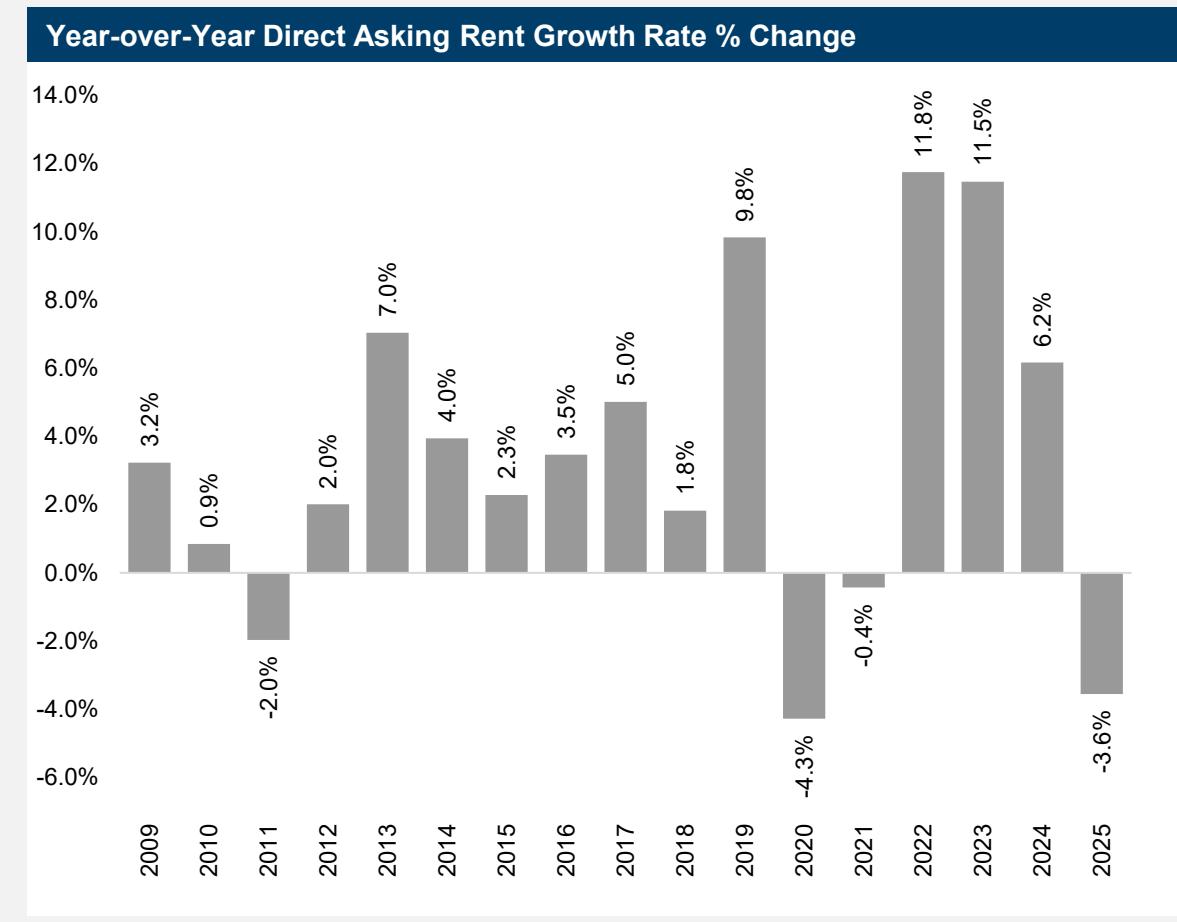
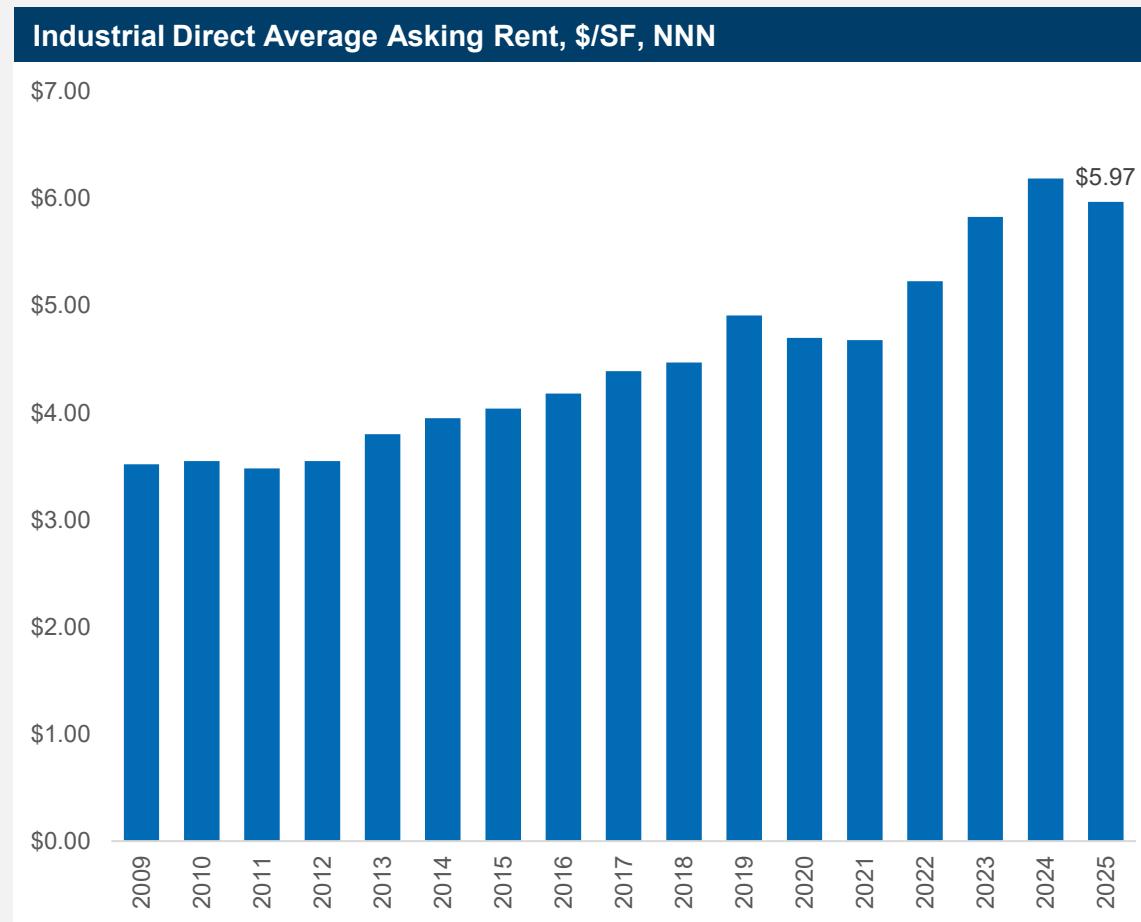
Cleveland's Industrial Construction Pipeline Declines For Fourth Straight Quarter

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Industrial Year-Over-Year Asking Rent Growth Down For the Year

The market's industrial direct average asking rent contracted year-over-year in 2025 by negative 3.6%. The average asking rent for the year was \$5.97/SF, down from 2024's final tally of \$6.19/SF, but the second highest in the last 17 years. The fourth quarter saw a direct average asking rent of \$6.01/SF, which was up by \$0.06/SF from the previous quarter's total, but down by negative 0.7% from the fourth quarter of 2024.



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Cleveland Industrial Market Overview



To access, please reach out
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The extended version of this report includes:

- **Class A Warehouse Space, Direct Average Asking Rent**
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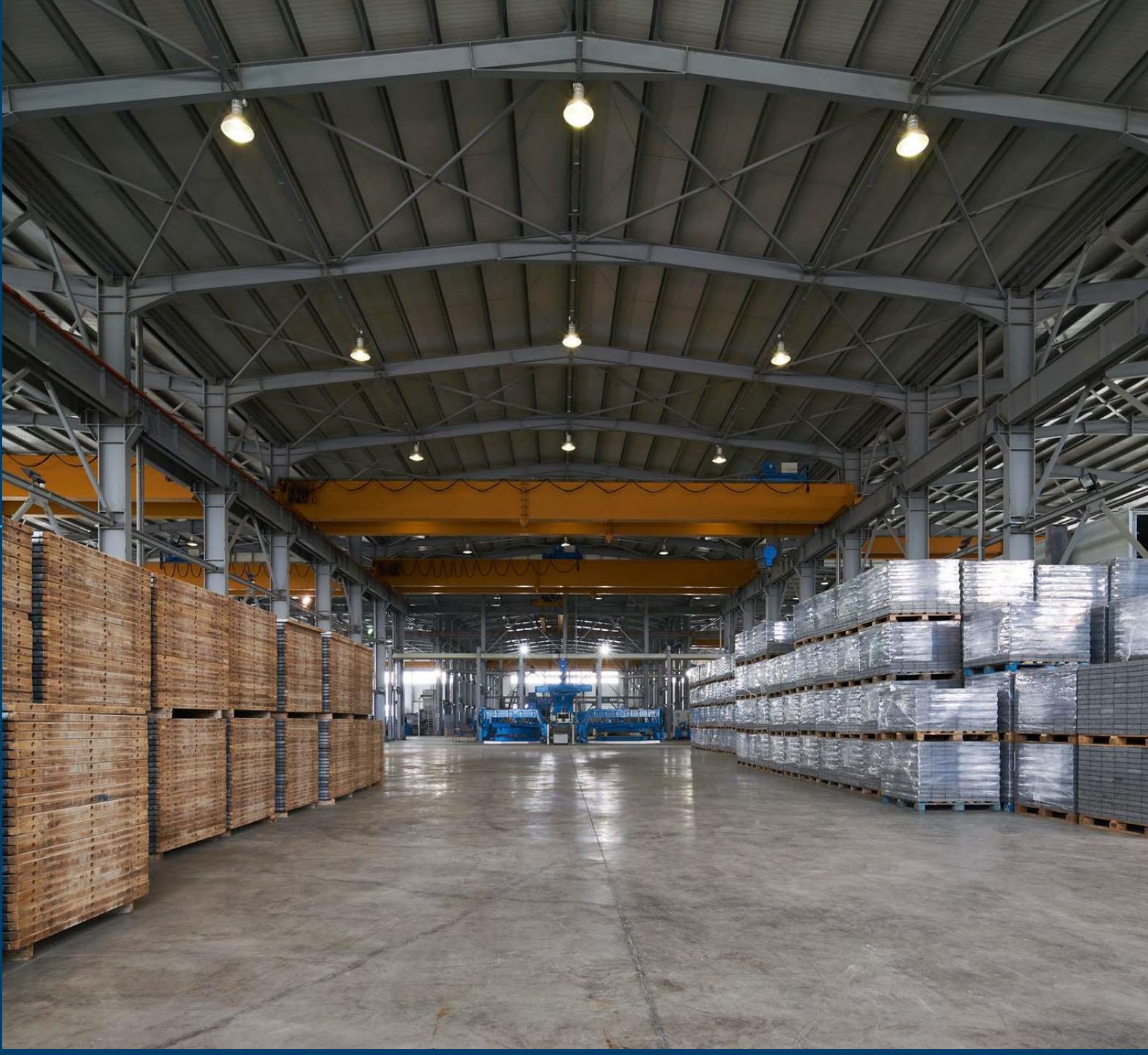
Lease and Sale Transactions in 4Q25

Select 4Q25 Industrial Lease Transactions					
Tenant	Building(s)	Submarket	Type	Square Feet	
Technoform North America, Inc.	1755 Enterprise Pkwy.	Southeast	Extension	26,845	
Midwest Group	799 E. 73rd St.	Downtown	Direct	22,560	
Saw Inc.	4829 Galaxy Pkwy.	Northeast	Direct	20,661	
Auburn Heating	16758 West Park Circle Dr.	Southeast	Direct	14,400	
IGS Energy	6161 Cochran Rd.	Southeast	Direct	13,830	

Select 4Q25 Industrial Sale Transactions					
Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
VOIP Island LLC, et. al	9755 Corporate Cir.	South Central	\$7,000,000	45,423	\$154.11
Rupes USA, Inc.	6675 Parkland Blvd.	Southeast	\$12,500,000	102,900	\$121.48
3201 Columbia Rd LLC	3201 Columbia Rd.	South Central	\$23,000,000	229,000	\$100.44
Conexus Food Solutions	6575 Davis Industrial Pkwy.	Southeast	\$8,400,000	100,000	\$84.00
Sheffield Steel Inc.	355 Ledge Rd.	Southeast	\$3,900,000	56,308	\$69.26
North Point Development	1200 S. Chillicothe Rd.	Southeast	\$27,500,000	409,000	\$67.24
23700 MERC Property Owner LLC	23700 Mercantile Dr.	Northeast	\$3,400,000	58,241	\$58.38
Industrial Commercial Properties	26025 First St.	Northwest	\$17,250,000	408,251	\$42.25

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Appendix / Tables



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