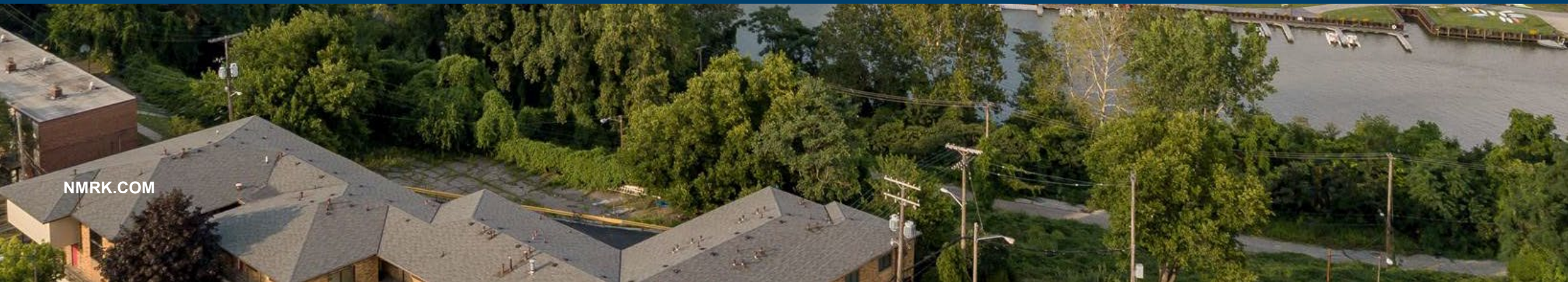




NEWMARK

Cleveland Office Market Overview

4Q25



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Key Takeaways

The Cleveland office market posted over 1.0 million SF of positive absorption in 4Q25—after two quarters of losses—which pushed vacancy down 60 bps to 22.7% quarter-over-quarter.



Conditions remain steady, but tenants are cautious. Absent of the Sherwin-Williams outlier, vacancy in the fourth quarter stayed relatively flat.



As Class B buildings increasingly become targets for conversion and a flight to quality mentality persists, rates should continue to rise.



The tenant pool will have to navigate a supply recalibration in the coming years as the conversion trend will continue to reshape the market.



Opportunities are opening up for new investors, but current owners with loan distress are in jeopardy.

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 office-occupying industries experienced annual job gains, with the Financial Activities sector leading the way at 1.9%. The Business and Professional sector accrued year-over-year job gains of 0.8%, while the Information sector came in at negative 0.2% year-over-year.



Leasing Market Fundamentals

- The Cleveland office market posted over 1.0 million SF of positive absorption in 4Q25—after two quarters of losses—driven by the delivery and occupancy of the 1.0 million SF Sherwin-Williams HQ in the CBD, which pushed vacancy down 60 bps to 22.7% quarter-over-quarter. Absent of that outlier, the overall market in the fourth quarter stayed relatively flat.
- Leasing activity in the fourth quarter was 220,844 SF—a huge drop after a solid third quarter. The fourth quarter's total was the second lowest since the fourth quarter of 2021's 193,150 SF. In fact, in the last 17 years, the yearly 2025 leasing activity total of 1.55 million SF was the second lowest, with the year 2021 the only one with less activity.
- The overall average asking rental rate increased by \$0.28/SF quarter over quarter to \$21.69/SF. As a result, the final 2025 total ticked up by \$0.12/SF to \$21.31/SF, and the year-over-year asking rent growth rate was elevated to 3.8%. As Class B buildings increasingly become targets for conversion and a flight to quality mentality persists, rates should continue to rise.



Notable Transactions and Developments

- All of the fourth quarter's office sales were buildings in the suburbs under 100,000 SF. A notable sale in the West was 20220, 20340, and 20350 Center Ridge Rd. selling to Children's Hospital Medical Center of Akron for approximately \$2.9 million, or \$37.25/SF. The sale included two retail outbuildings totaling 6,500 SF; the main office building of 70,000 SF had a \$2.7 million sale price allocation.
- Conditions remain steady, but tenants are cautious. High-profile signings were scarce; the largest were Jones Day's 3Q35 renewals at the CBD's North Point buildings (351,397 SF and 30,622 SF). Otherwise, 2025 activity was dominated by mid-sized leases.
- The mixed-use conversion of the CBD's Tower at Erieview, 1301 E. 9th Street, began in 2025, while new owner of 1100 Superior Ave., Brady Sullivan Properties, indicated the property will be redeveloped over the next couple of years, with at least half of the office space to remain. The conversion trend continues and will reshape the market further in 2026 and beyond.



Outlook

- For the year 2025, the average vacancy rate was 23.0%, lower than both 2023 and 2024. For leasing going forward, the market enters 2026 on a stable trajectory, though many Class B office buildings in the CBD face financial headwinds and are either in the process of a partial or full conversion to other uses, or are strong contenders. As a result, the tenant pool will have to navigate a supply recalibration in the coming years, and well-managed buildings with active lobbies and rich amenities within or nearby will rise to the top. Additionally, with office attendance achieving a measure of steadiness, leasing decisions should look more like they did in a pre-pandemic environment.
- On the sale side, the market has seen anemic transfer amounts and volume. Through all of 2025, office sales averaged \$74.00/SF across the market. In fact, the fourth quarter's average of \$25.00/SF brought the previous year-to-date average down. As the year ended, half a dozen buildings in the CBD were categorized as special servicing, which opens up opportunities for new investors, but keeps current owners with loan distress in jeopardy.

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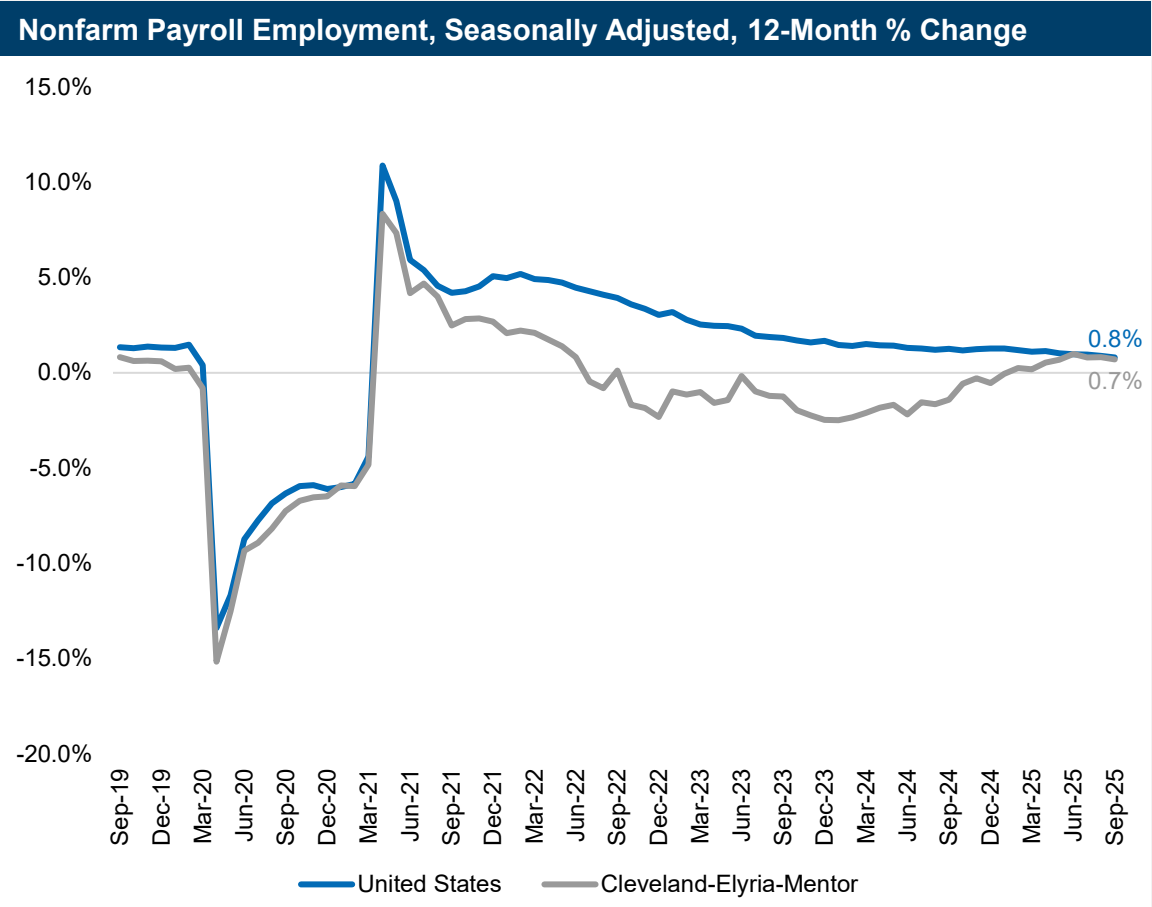
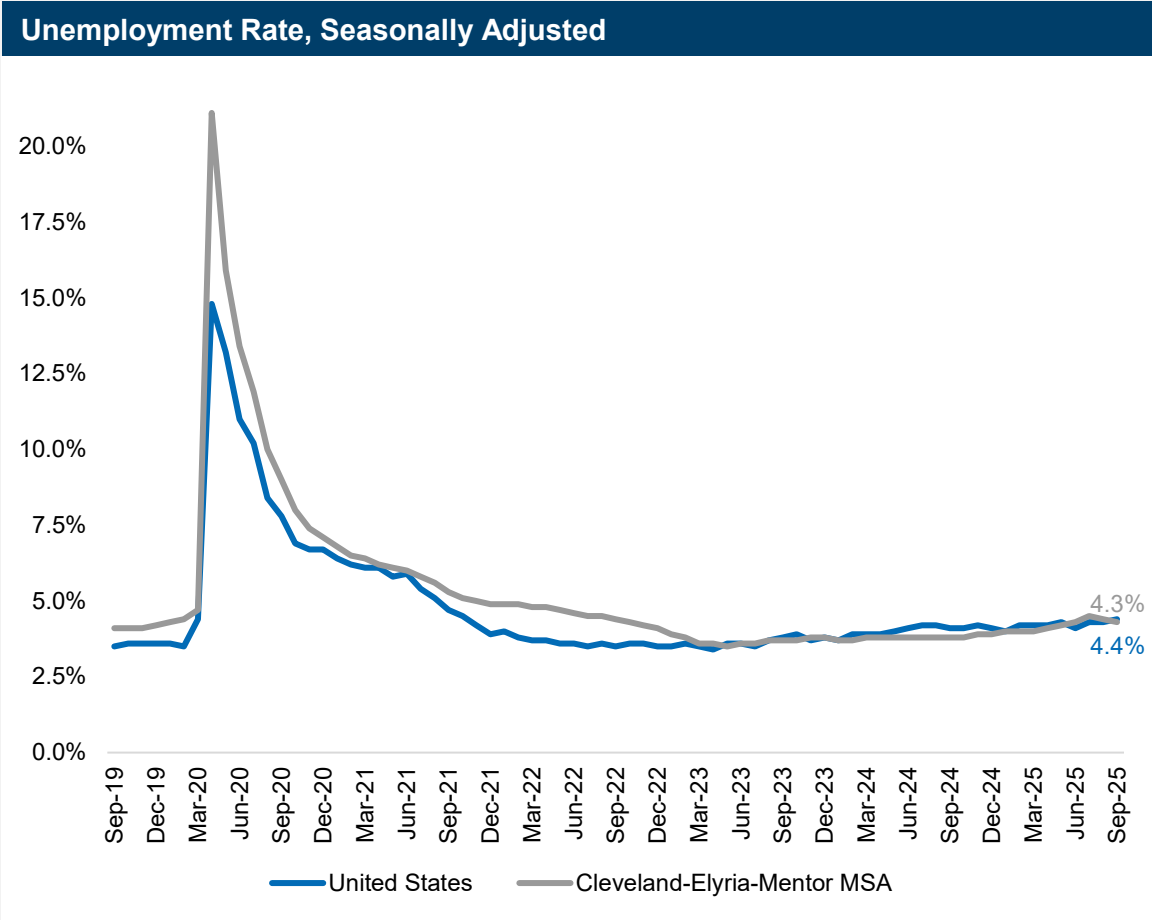
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Economy



Cleveland and United States Unemployment and Nonfarm Employment Trends

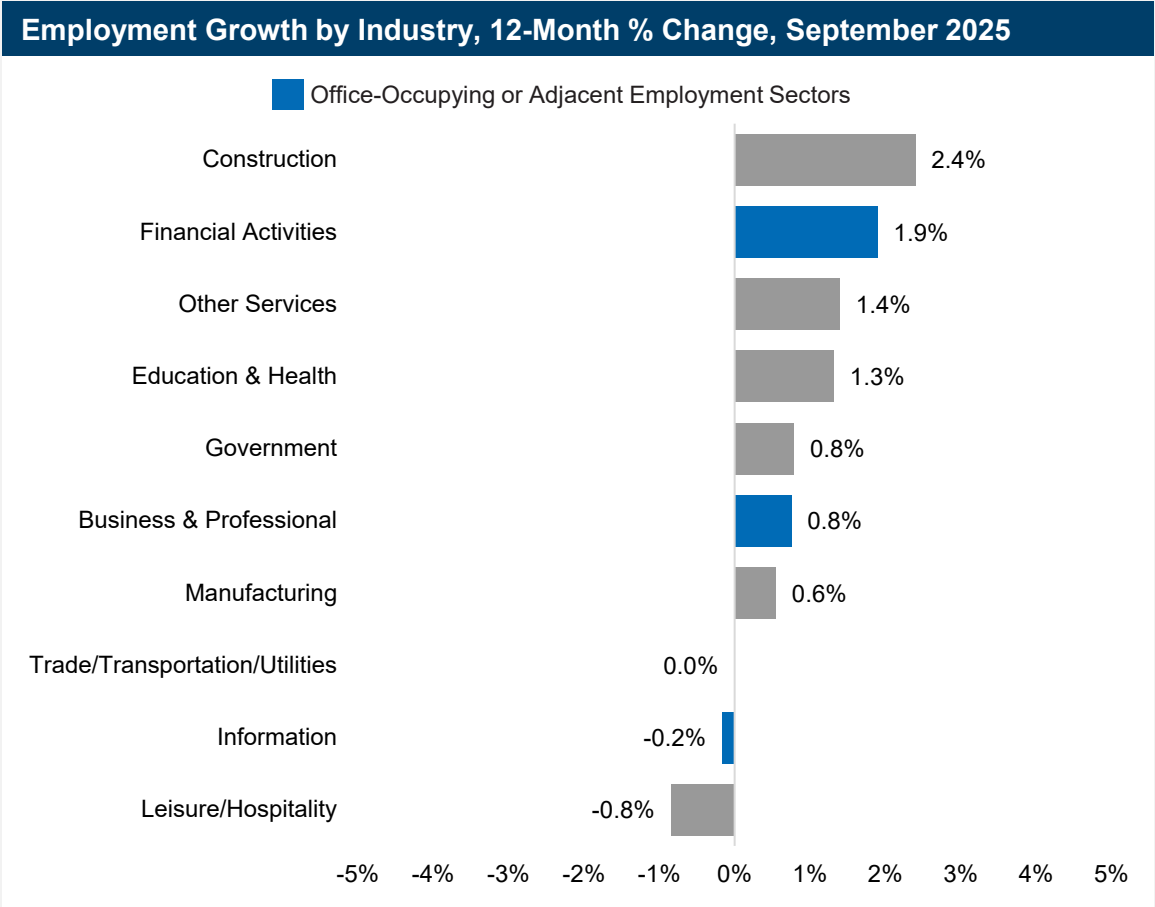
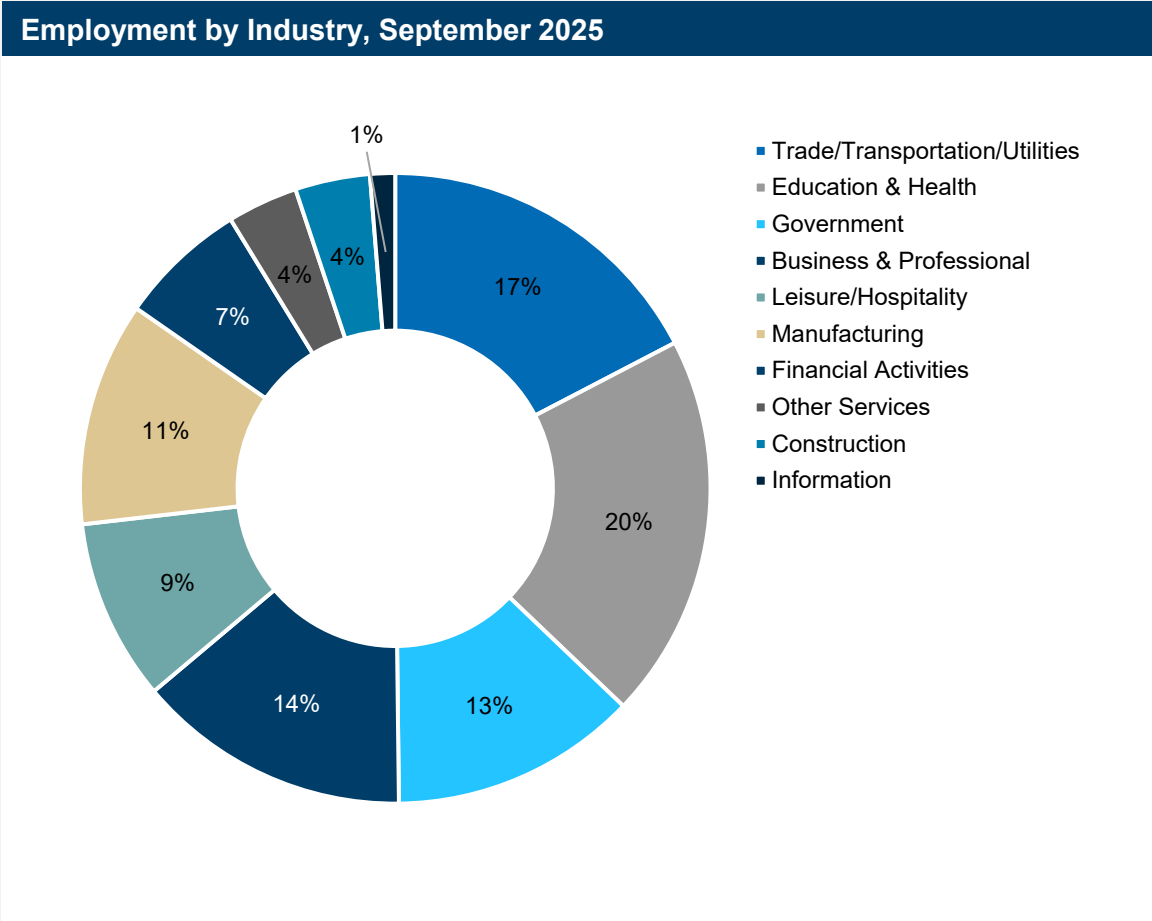
In September of 2025, the Cleveland-Elyria-Mentor metro’s economy gained a small number of jobs, as total nonfarm employment increased annually to 0.7%. National nonfarm employment increased year-over-year by 0.8% in September. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked down to 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%.



Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA
Note: October-December 2025 data was incomplete at the time of this report.

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

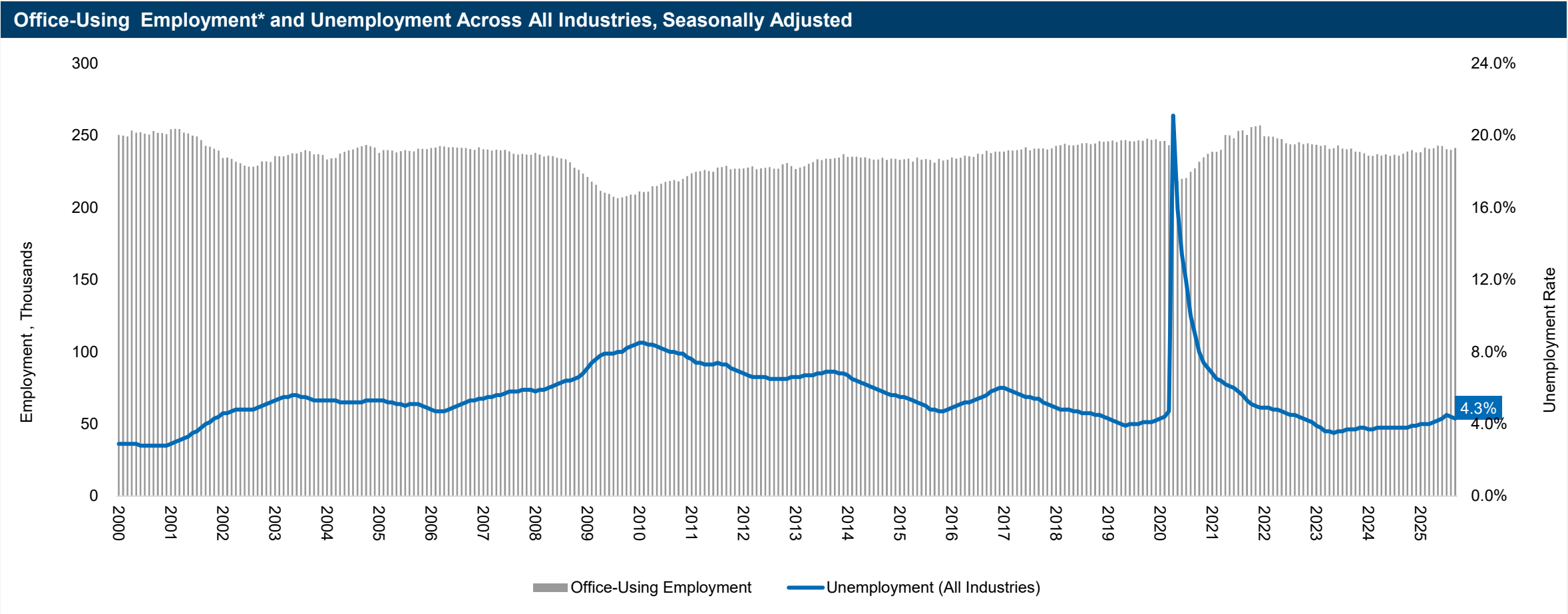
Seven of the 10 industry sectors in the Cleveland market saw employment gains from September 2024 to September 2025. Two of the three office-occupying industries experienced annual job gains, with the Financial Activities sector leading the way at 1.9%. The Business and Professional sector accrued year-over-year job gains of 0.8%, while the Information sector came in at negative 0.2% year-over-year.



Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA
Note: October-December 2025 data was incomplete at the time of this report.

Office-Using Employment

The number of office-using jobs in the Cleveland market as of September 2025 was approximately 241,260. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked up to 4.4% in August 2025.



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. Note: October-December 2025 data was incomplete at the time of this report.

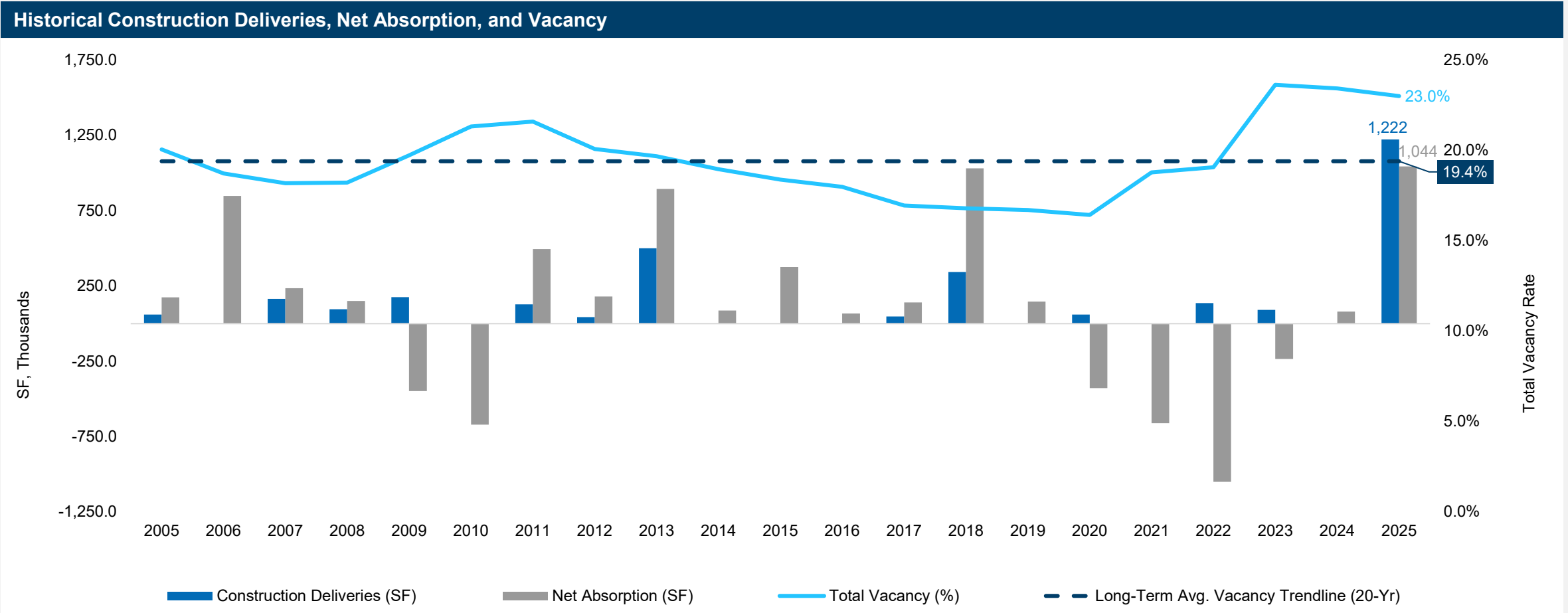
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Leasing Market Fundamentals



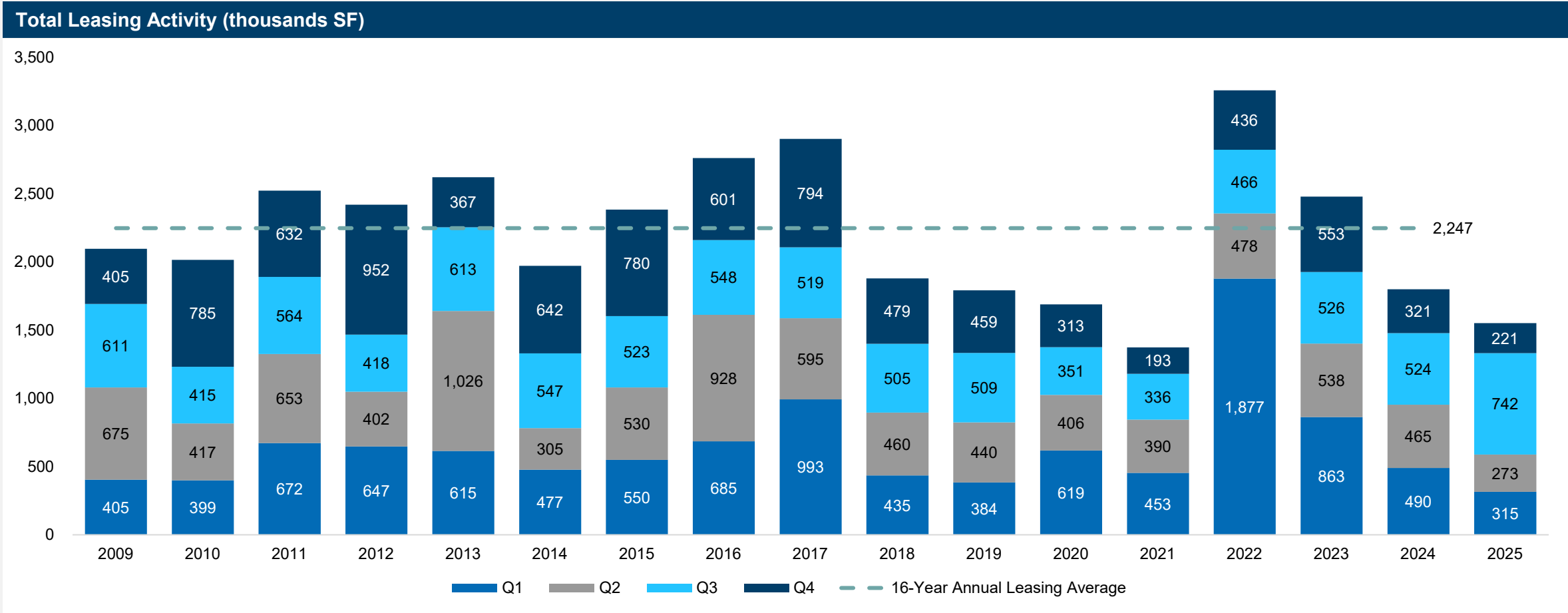
Office Market Vacancy Drops in 4Q25

The Cleveland office market accrued over 1.0 million SF of overall positive absorption in the fourth quarter of 2025 after losing space the previous two quarters. The large gain was paced by the delivery and occupation of the new 1.0 million SF Sherwin-Williams headquarters in the Central Business District (CBD). This pushed the overall fourth quarter vacancy rate down to 22.7%, a decrease of 60 basis points compared to the previous quarter. Absent of that outlier, the overall market stayed relatively flat. For the year 2025, the average vacancy rate was 23.0%, lower than both 2023 and 2024. However, the last three years' vacancy rates all finished above the 20-year historical average of 19.4%.



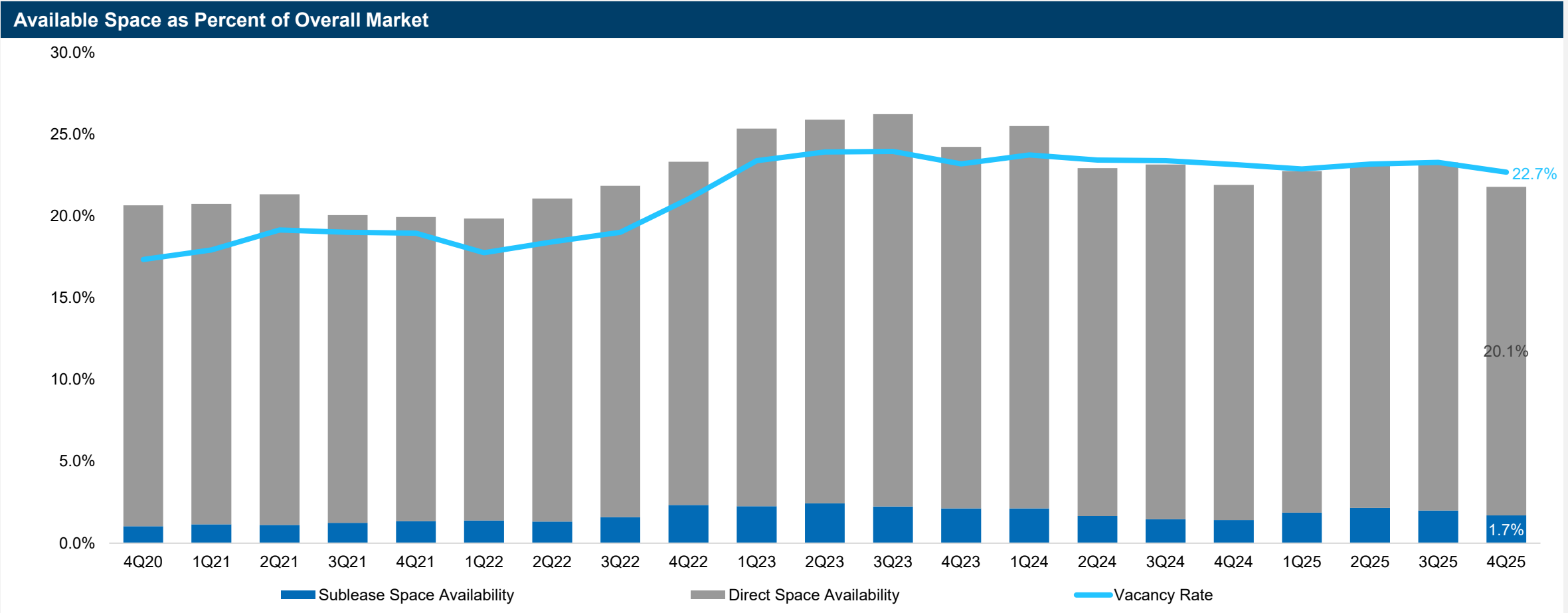
4Q25 Leasing Activity Second Lowest Since 4Q21

Leasing activity in the fourth quarter was 220,844 SF—a huge drop after a solid third quarter. The fourth quarter’s total was the second lowest since the fourth quarter of 2021’s 193,150 SF. In fact, in the last 17 years, the yearly 2025 leasing activity total of 1.55 million SF was the second lowest, with the year 2021 the only one with less activity. Conditions continue to appear relatively stable, but with restraint being the operative word for tenants. High-profile tenant signings were largely absent, with the Jones Day renewals of 351,397 SF and 30,622 SF in the CBD’s North Point buildings in the third quarter being the year’s most prolific. Beyond those outliers, activity in 2025 was dominated by mid-sized leases.



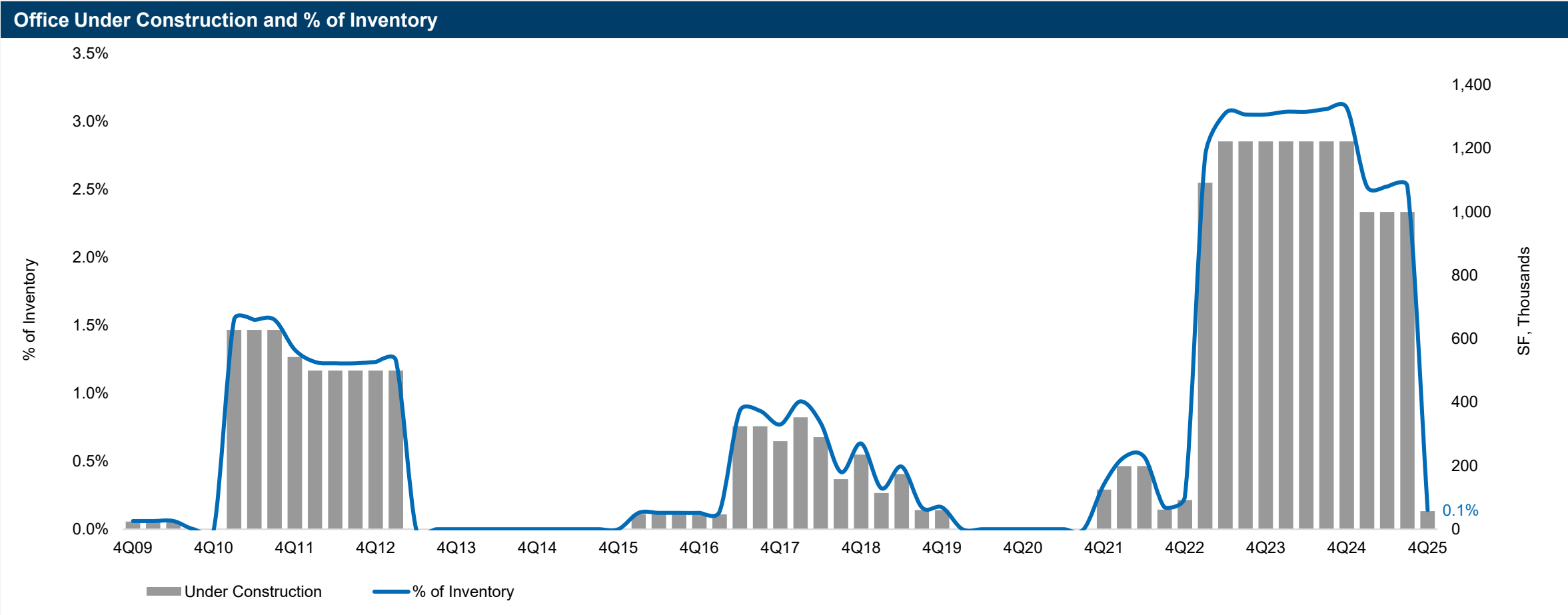
Direct and Sublet Availability, Overall Vacancy All Drop

In the fourth quarter of 2025, Cleveland’s direct availability decreased by 120 basis points to 20.1% (just under 8.2 million SF), while sublease availability fell 30 basis points to 1.7% (698,758 SF). Overall quarterly vacancy was down 60 basis points to 22.7%. After three increasing quarters, the total availability rate was 21.8% as the fourth quarter ended, down 150 basis points from the prior quarter.



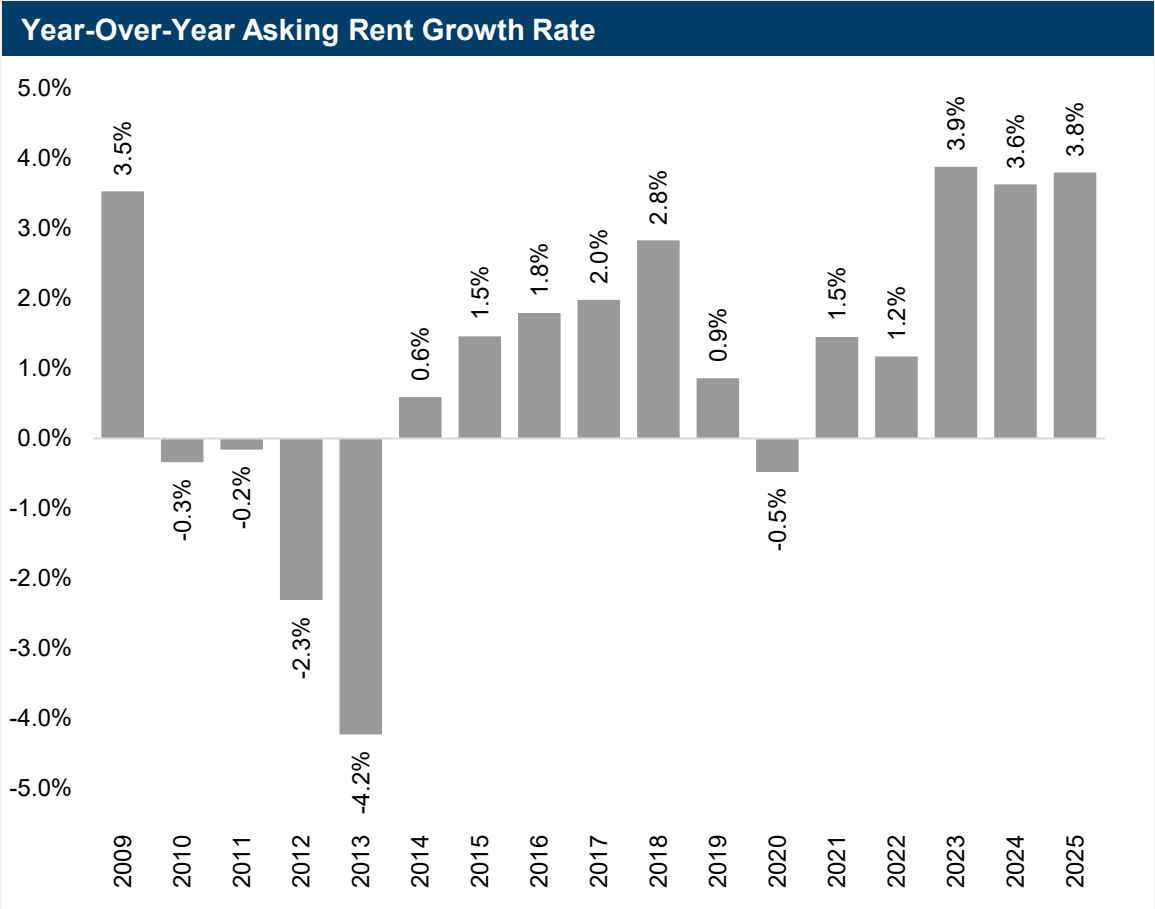
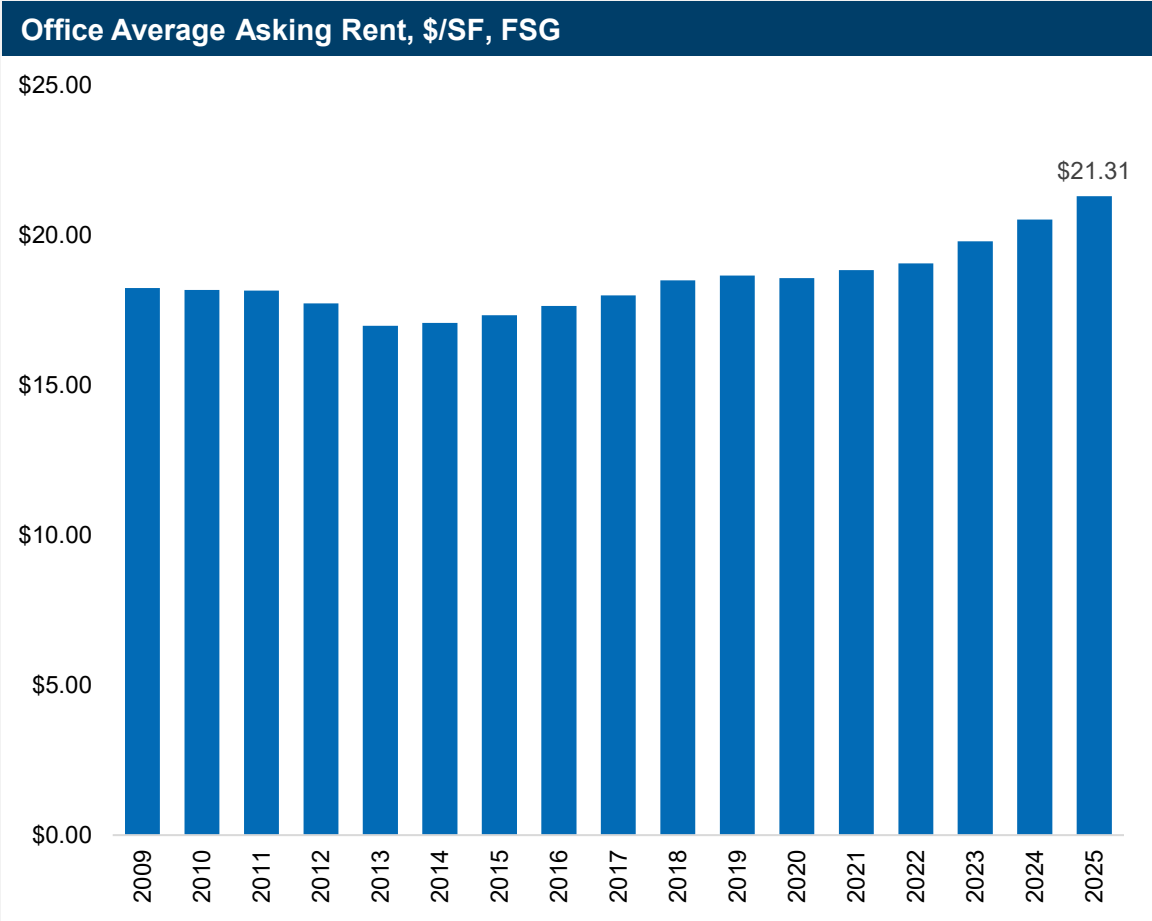
Office Construction Activity

The 1.0 million SF Sherwin-Williams headquarters delivered in the fourth quarter, which dramatically decreased the under-construction number and reduced its percent of inventory from 2.5% to 0.1%. The Valor Acres II office project that measuring approximately 56,700 SF was the only notable project in the pipeline in the fourth quarter of 2025.



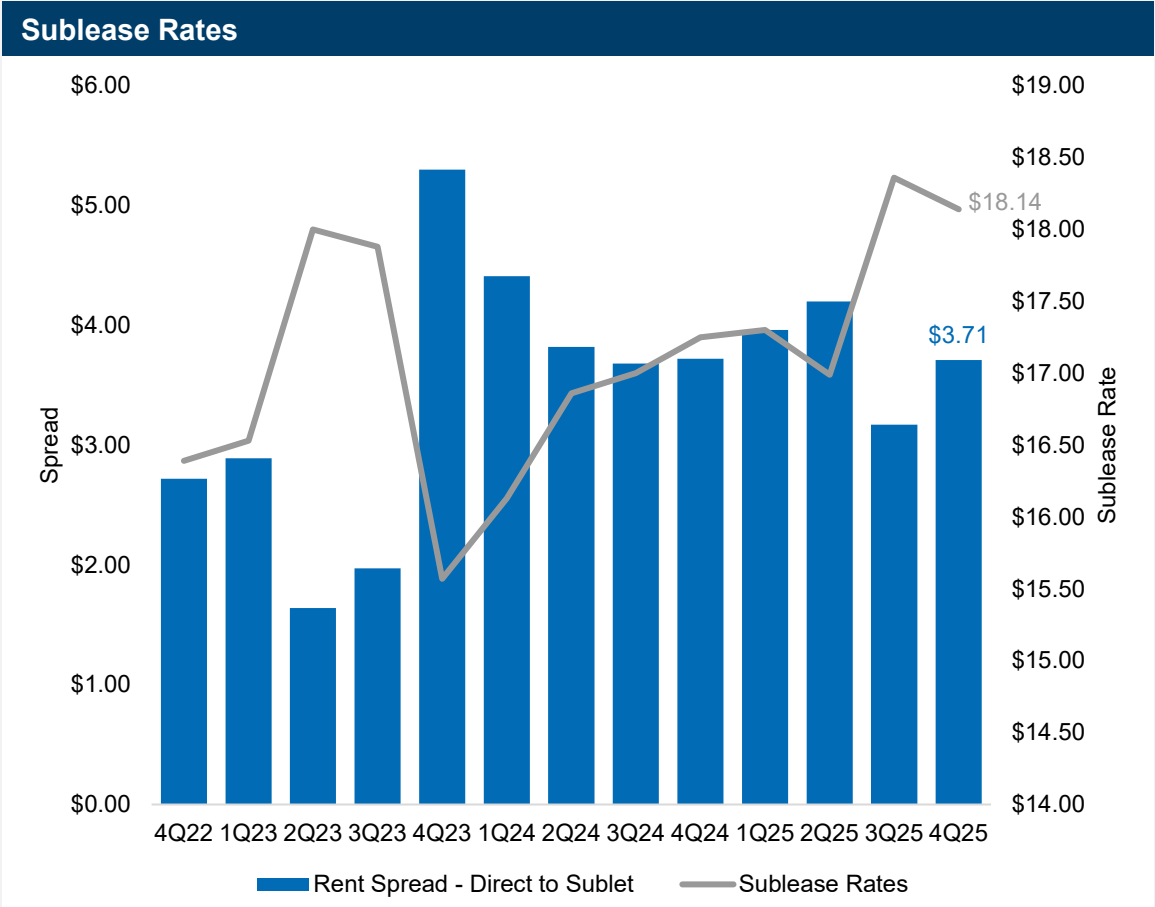
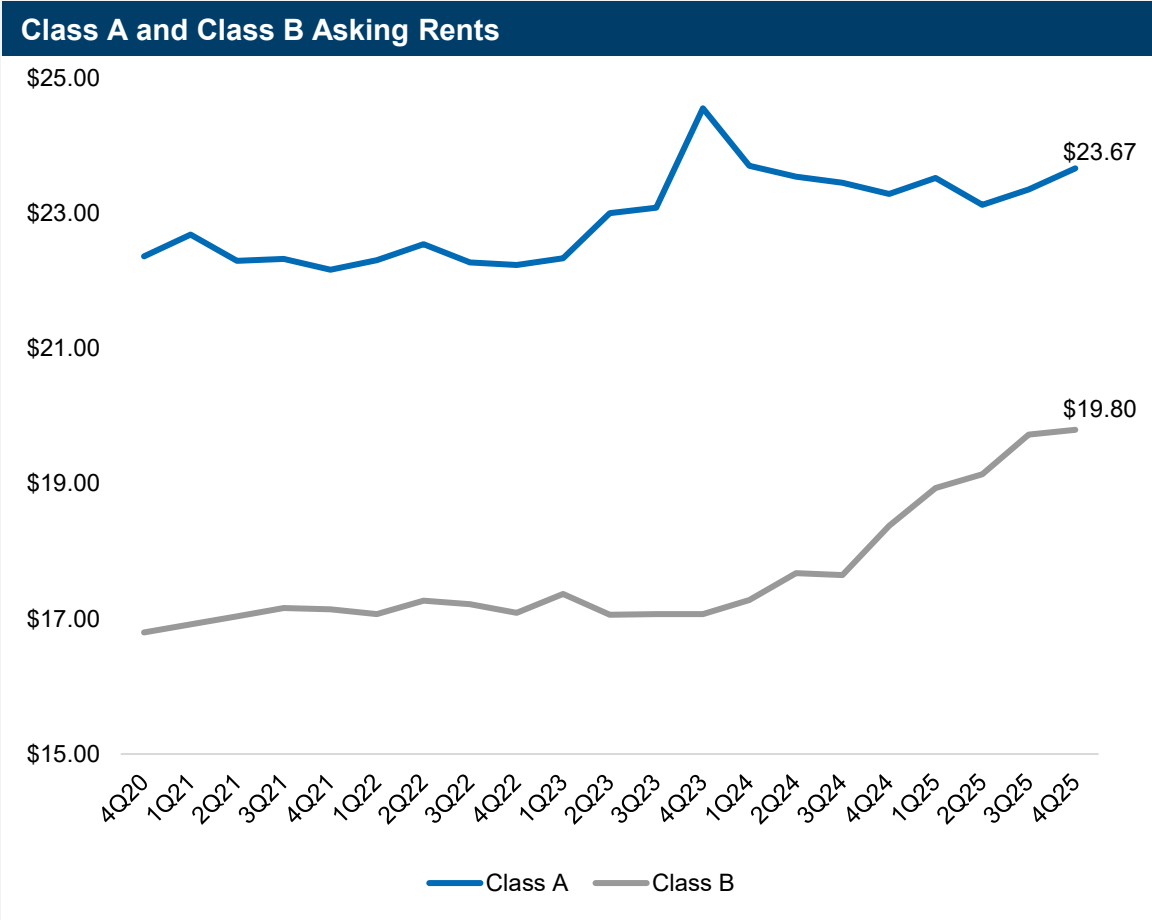
Average Asking Rental Rate Up For Five Consecutive Years

The Cleveland office market’s quarterly total overall average asking rental rate increased by \$0.28/SF quarter over quarter to \$21.69/SF. As a result, the final 2025 average asking rent total ticked up by \$0.12/SF to \$21.31/SF, and the year-over-year asking rent growth rate was elevated to 3.8% from 3.3% after three quarters. Cleveland’s year-over-year asking rent growth rate has been in the positive for 11 of the last 12 years and has escalated for five consecutive years. As Class B buildings increasingly become targets for conversion and a flight to quality mentality persists, average rental rates should continue to rise.



Class A and B Asking Rent Gap Increases, Sublease Rate Down

From the third to the fourth quarter of 2025, the average asking rental rates for both Class A and B moved upward. During this period, Class A climbed by \$0.31/SF, while Class B increased by \$0.07/SF, up five straight quarters. Class A maintains its place well above Class B, and the gap between the two increased from the last quarter by \$0.24/SF after the difference in the previous quarter was the tightest in the last five years. The average asking sublease rate contracted by \$0.22/SF from the third quarter to \$18.14/SF, leading to an increase in the direct to sublet rent spread to \$3.71/SF.



Lease and Sale Transactions in 4Q25

Select Office Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Insight Global	127 Public Square	CBD	Renewal	11,088
Wegman Hessler	25651 Detroit Rd.	West	Direct	7,601
New American Funding, LLC	9150 S. Hills Blvd.	South	Direct	5,661
Thousand Branches Business Supports Services, LLC (UHS)	1300 E. 9th St.	CBD	Direct	5,512
Xerox Business Solutions, LLC	9100 S. Hills Blvd.	South	Extension	4,964
Shaker Investments	3201 Enterprise Pkwy.	East	Extension	4,232

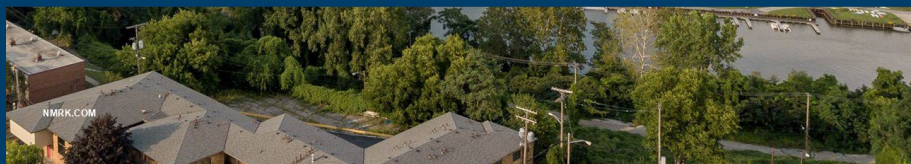
Select Office Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
6111 South Broadway Avenue LLC	600 E. Granger Rd.	South	\$1,158,000	28,566	\$40.54
Children's Hospital Medical Center of Akron*	20220, 20340, 20350 Center Ridge Rd.	West	\$2,850,000	76,500	\$37.25
Scioto Properties SF-16 LLC	17535 Rosbough Dr.	Southwest	\$1,200,000	39,228	\$30.59
CLE Clemens LLC	28800 Clemens Rd.	West	\$775,000	44,068	\$17.59
965 Keynote Circle LLC	965 Keynote Circle	South	\$450,000	36,288	\$12.40
5333 Northfield LLC	5333 Northfield Rd.	East	\$300,000	29,035	\$10.33

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Cleveland Office Market Overview



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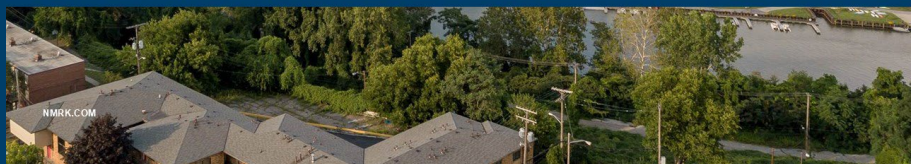
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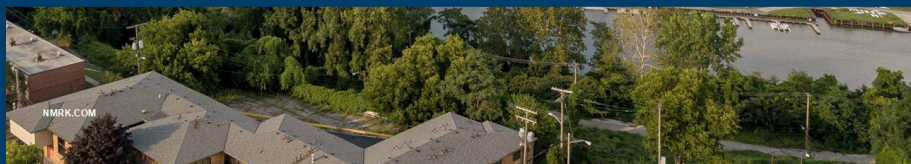
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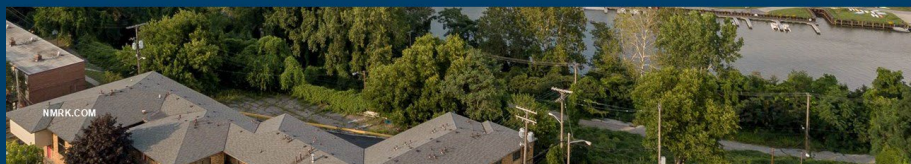
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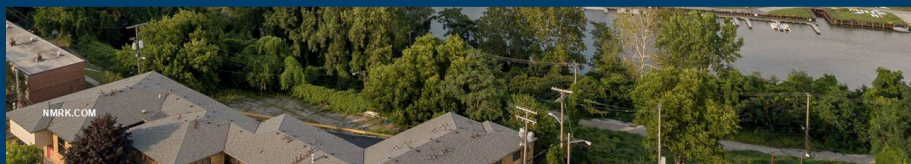
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Appendix / Tables



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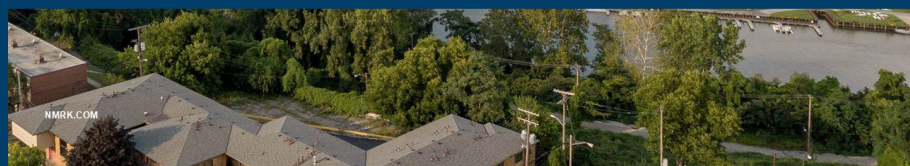
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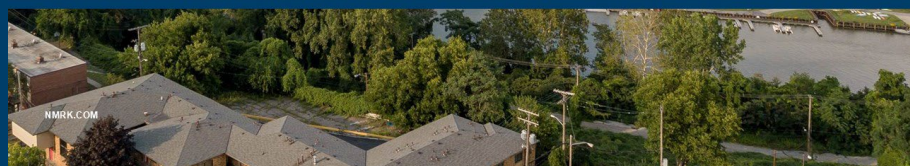
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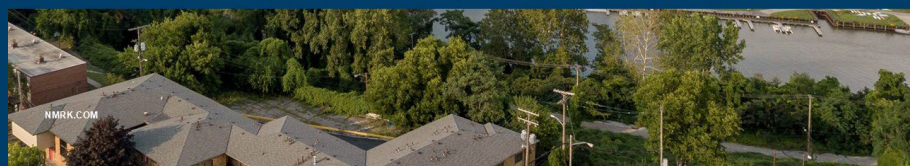
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