

2Q25

Cleveland Office Market Overview

NEWMARK

Market Observations



Economy

- In the second 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 0.5% in May. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked slightly up to 4.2% in May 2025 – up 10 basis points from the 4.1% it finished April 2025 with, after posting 4.0% unemployment for the first three months of 2025.
- Eight of 11 industry sectors in the Cleveland market saw employment gains from May 2024 to May 2025. Two of the three office-occupying industries experienced annual job gains, with the Financial Activities sector leading the way at 1.7%. The Business and Professional sector accrued year-over-year job gains at 1.6%, while the Information sector came in at negative 2.0% year-over-year.



Major Transactions and Movement

- Office building sales activity was nearly non-existent in the second quarter, with only one transfer of over 50,000 SF taking place – the 104,221 SF former Progressive Insurance location at 6055 Parkland Blvd. in the East submarket. The vacant Mayfield Heights building sold to a joint venture between Time Equities Inc. (TEI) and RHM Capital for \$3.5 million, or \$33.58/SF. The new owners paid a discounted price in anticipation of renovating the building so that it can be aggressively marketed to a potential headquarters user or multiple tenants.
- Several notable lease extensions were signed in the CBD in the second quarter, including: 18,274 SF by Bank of America at 1375 E. 9th St.; 9,923 SF by TranSystems Corporation at 1100 Superior Ave. E.; and 9,537 SF by Cyprium Investment Partners at 200 Public Square. Gries Financial signed a 6,629 SF new lease at 1300 E. 9th St.
- Dealer Tire's former headquarters at 3711 Chester Ave. in the CBD's MidTown corridor saw 45,000 SF occupied by affordable housing developer CHN Housing Partners, and national insurance provider Geico opened a 6,320 SF office hub at 25700 Science Park Dr. in Beachwood, located in the East submarket, from a first quarter 2025 lease.



Leasing Market Fundamentals

- The Cleveland office market accrued 131,373 SF of negative absorption in the second quarter of 2025, breaking its streak of four quarters in a row in the positive. The negative absorption caused the quarterly overall total vacancy rate to increase to 23.1%, up 30 basis points from the prior quarter.
- Total second quarter 2025 leasing activity for non-owner-occupied office buildings measuring 10,000 SF and greater in the Cleveland MSA was 213,600 SF, the second lowest quarterly total in the last 16 years for the second quarter in a row, behind the fourth quarter of 2021's tally of 193,150 SF.
- The Cleveland office market's quarterly total overall average asking rental rate decreased by \$0.12/SF from the first quarter of 2025 to \$20.99/SF in the second quarter of 2025. As a result, the 2025 year-to-date average asking rent total decreased to \$21.05/SF from \$21.11/SF, and the year-over-year asking rent growth rate dipped to 2.6% from 2.9%.



Outlook

- As calls for employees to return to the office increase across the country and in the Cleveland market, those policy readjustments have had minimal affect on decisions to expand footprints, though there have been exceptions. As a result, leasing activity and vacancy numbers have not contracted in a way that comports with those decisions.
- Despite the tepid office sales activity in the second quarter, maturing loans and a plethora of buildings with low occupancy could create a situation where distressed office assets emerge as potentially attractive acquisitions for savvy investors. A prime example of this is the upcoming third quarter auction of the 576,503 SF office building located at 1100 Superior Ave. E. in the Central Business District (CBD). After losing anchor tenant Oswald Companies last year, the property has struggled both financially (it was taken over by its lender in 2023) and with occupancy. Depending on who emerges as the new owner, this building could remain an office asset due to its attached garage and construction.

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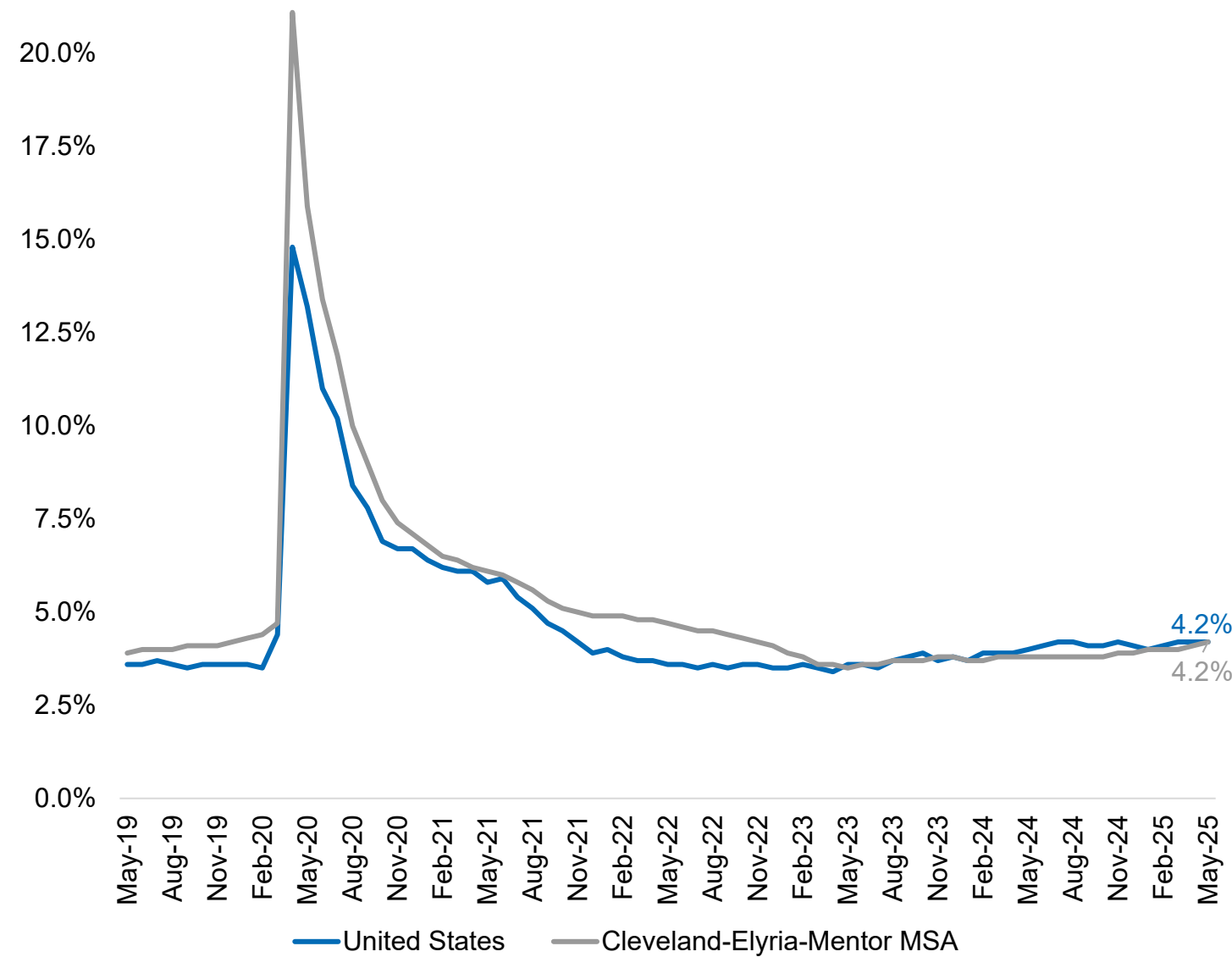
Economy



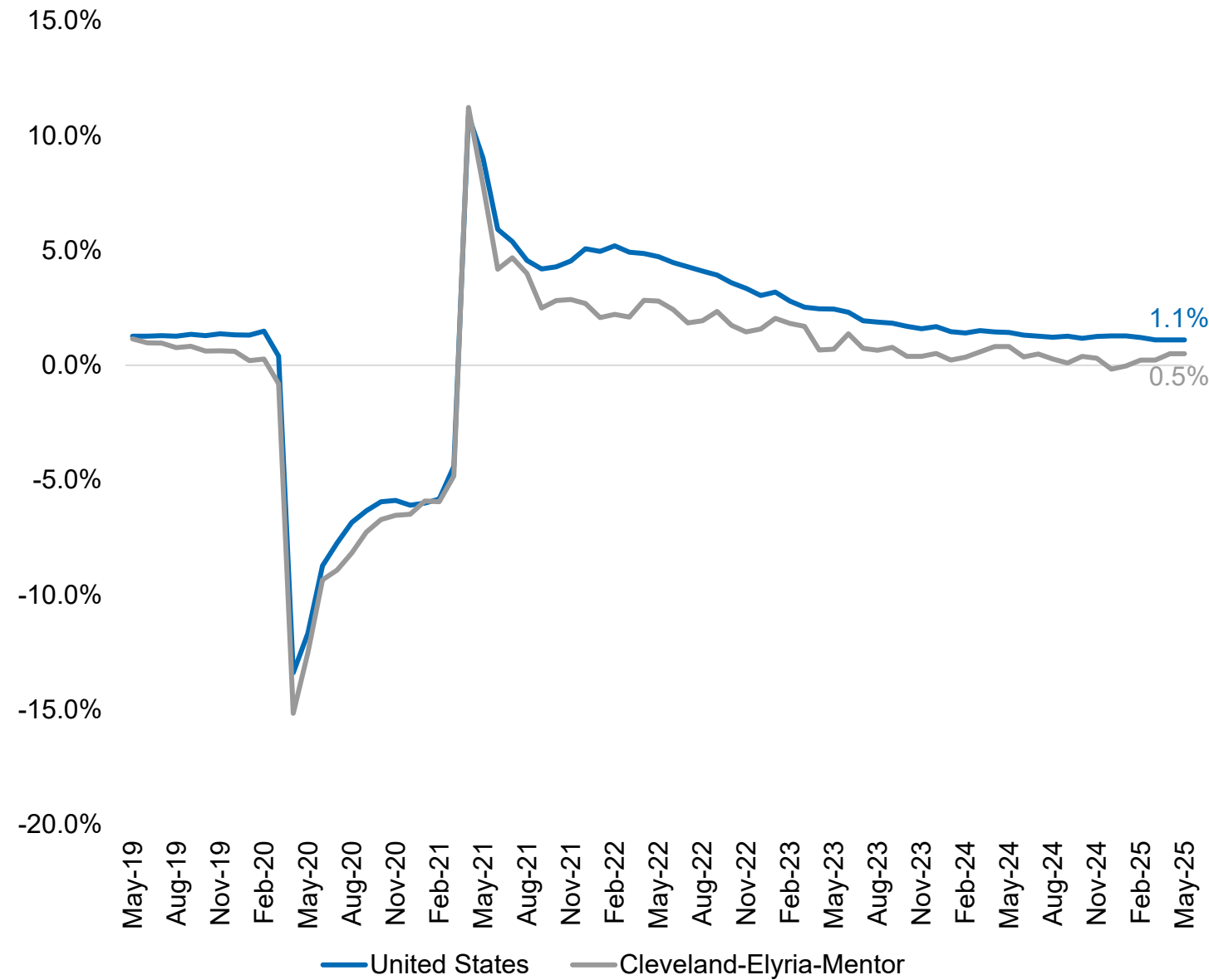
Cleveland and United States Unemployment and Nonfarm Employment Trends

In the second 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 0.5% in May. National nonfarm employment increased by 1.1%. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked slightly up to 4.2% in May 2025 – up 10 basis points from the 4.1% it finished April 2025 with, after posting 4.0% unemployment for the first three months of 2025. The national unemployment rate equaled Cleveland’s 4.2%, remaining flat from both March and April.

Unemployment Rate, Seasonally Adjusted



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

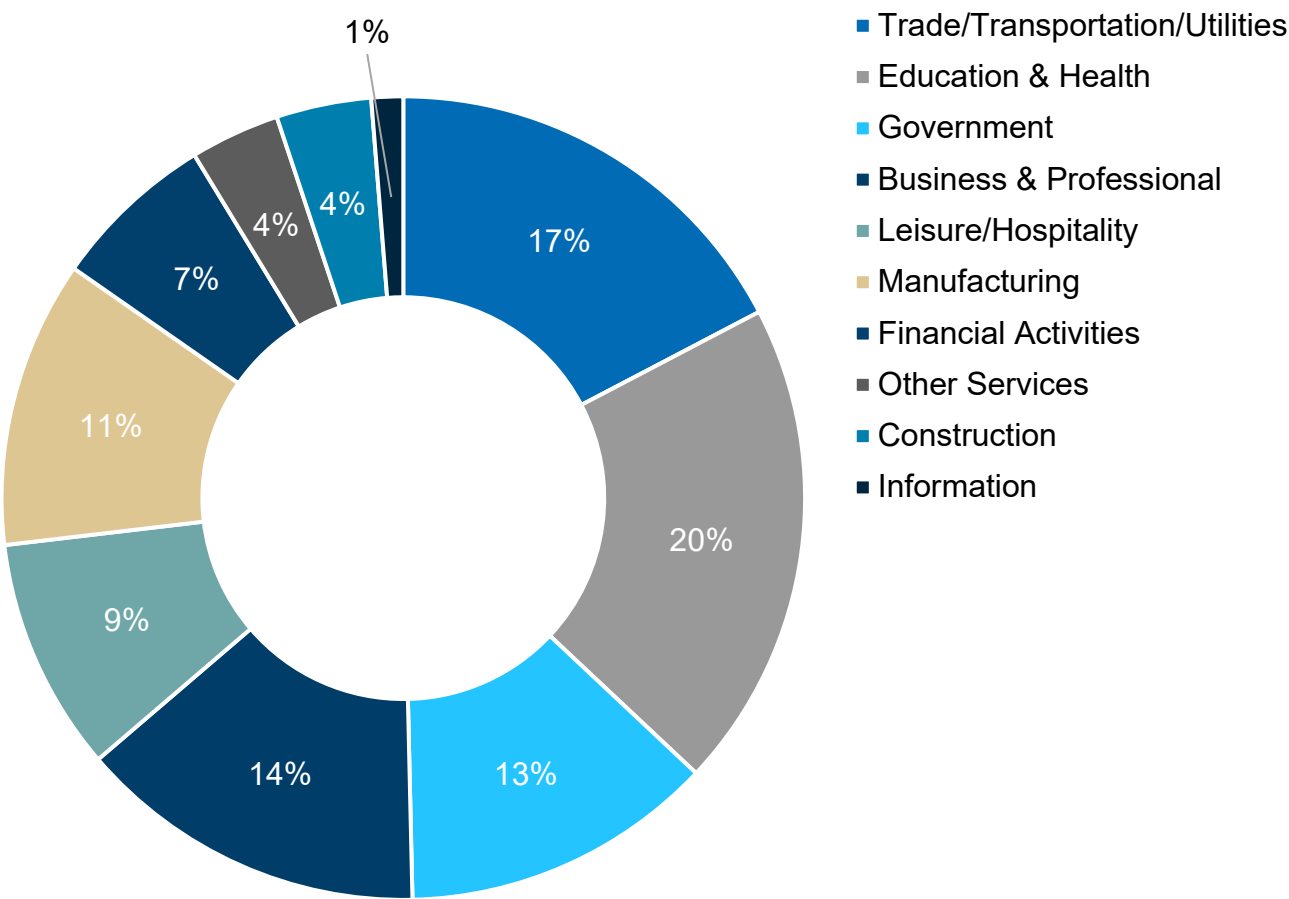


Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA

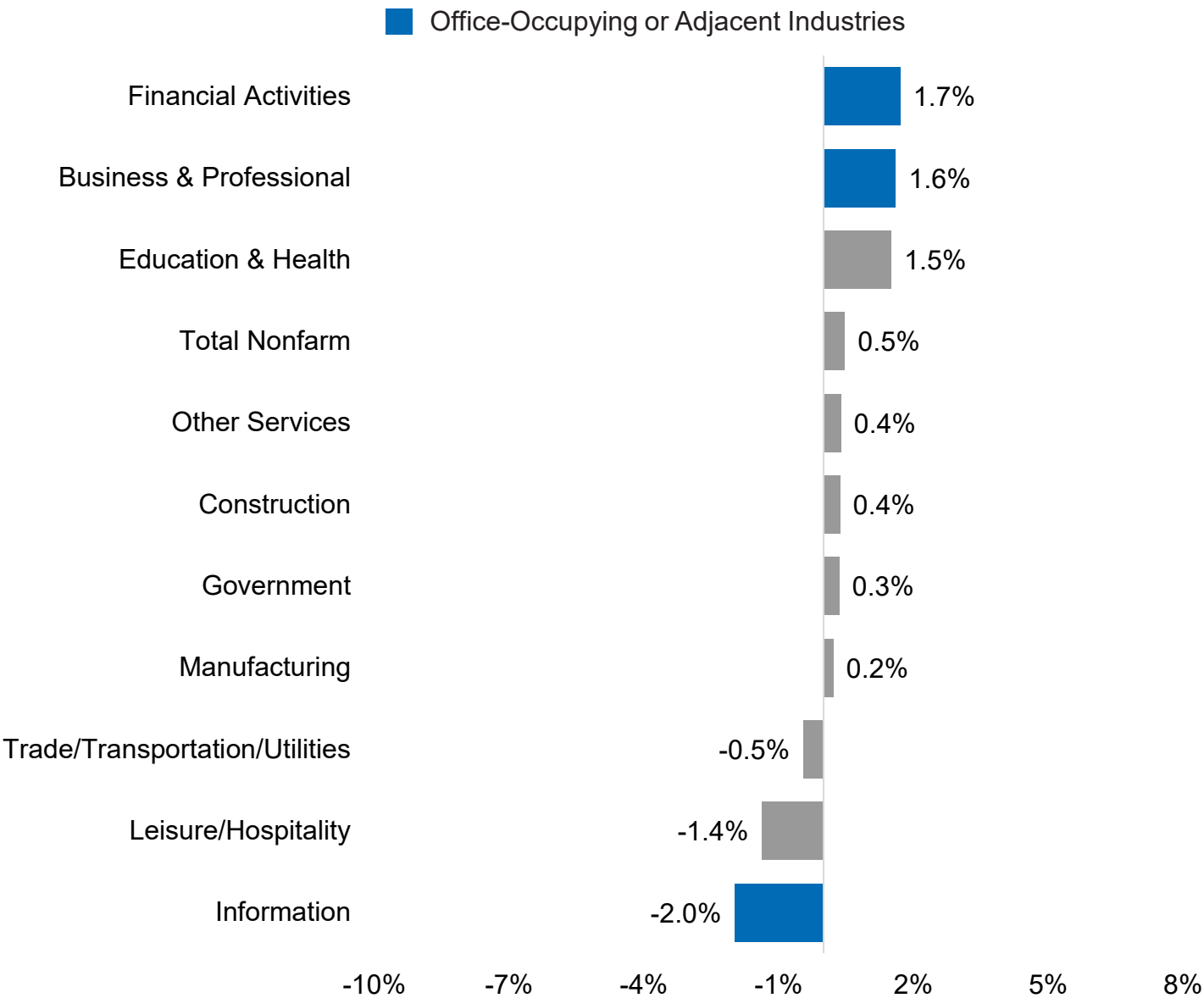
Job Gains in Two of Three Office-Occupying or Adjacent Industries

Eight of 11 industry sectors in the Cleveland market saw employment gains from May 2024 to May 2025. Two of the three office-occupying industries experienced annual job gains, with the Financial Activities sector leading the way at 1.7%. The Business and Professional sector accrued year-over-year job gains at 1.6%, while the Information sector came in at negative 2.0% year-over-year. The combined office-occupying employment figure was a 1.4% gain.

Employment by Industry, May 2025



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

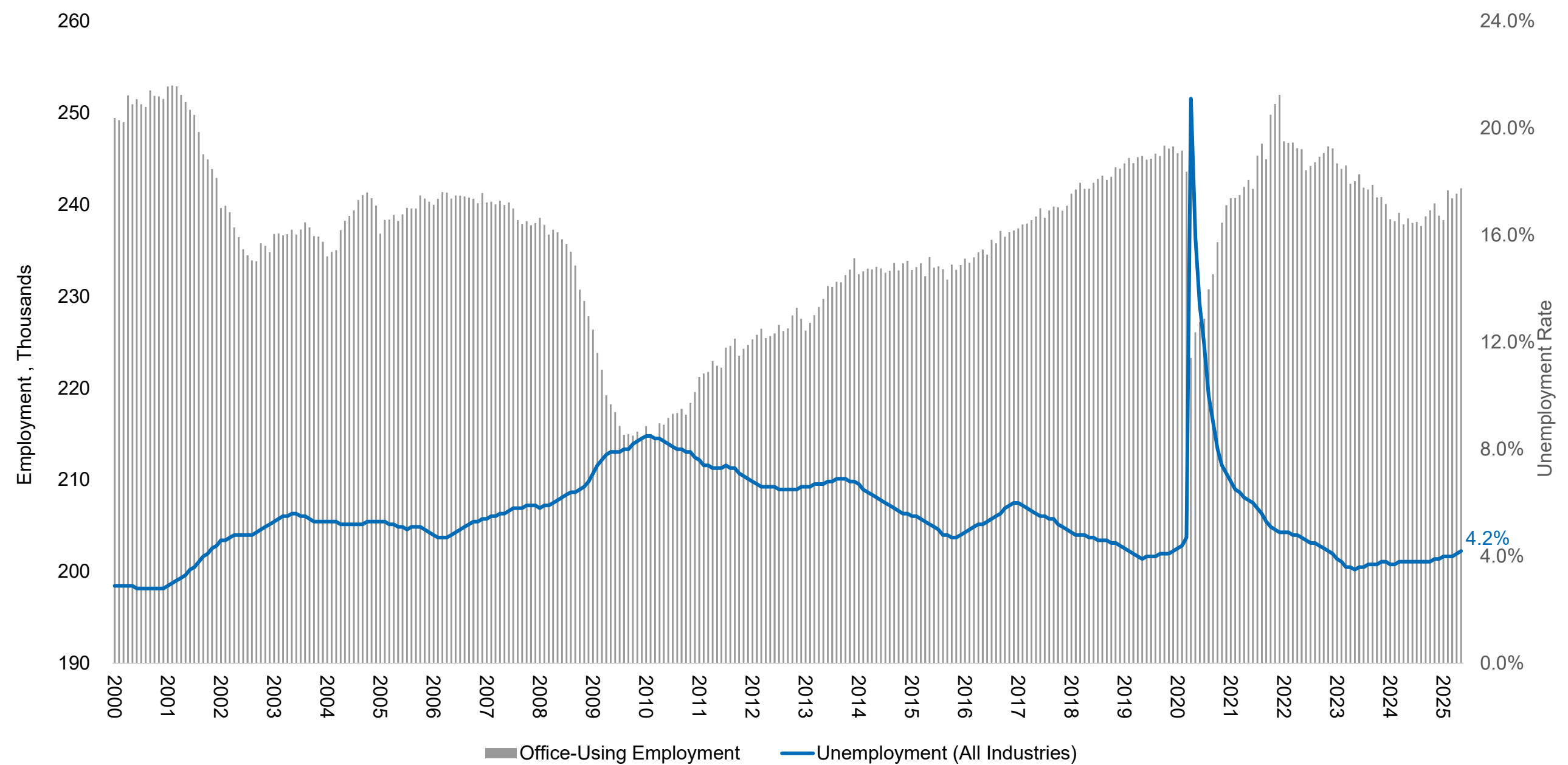


Source: U.S. Bureau of Labor Statistics, Cleveland-Elyria-Mentor MSA

Office-Using Employment

The number of office-using jobs in the Cleveland market as of May 2025 was approximately 241,786, which was the highest figure since September of 2023. The unemployment rate for the Cleveland-Elyria-Mentor MSA ticked slightly up to 4.2% in May 2025.

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.

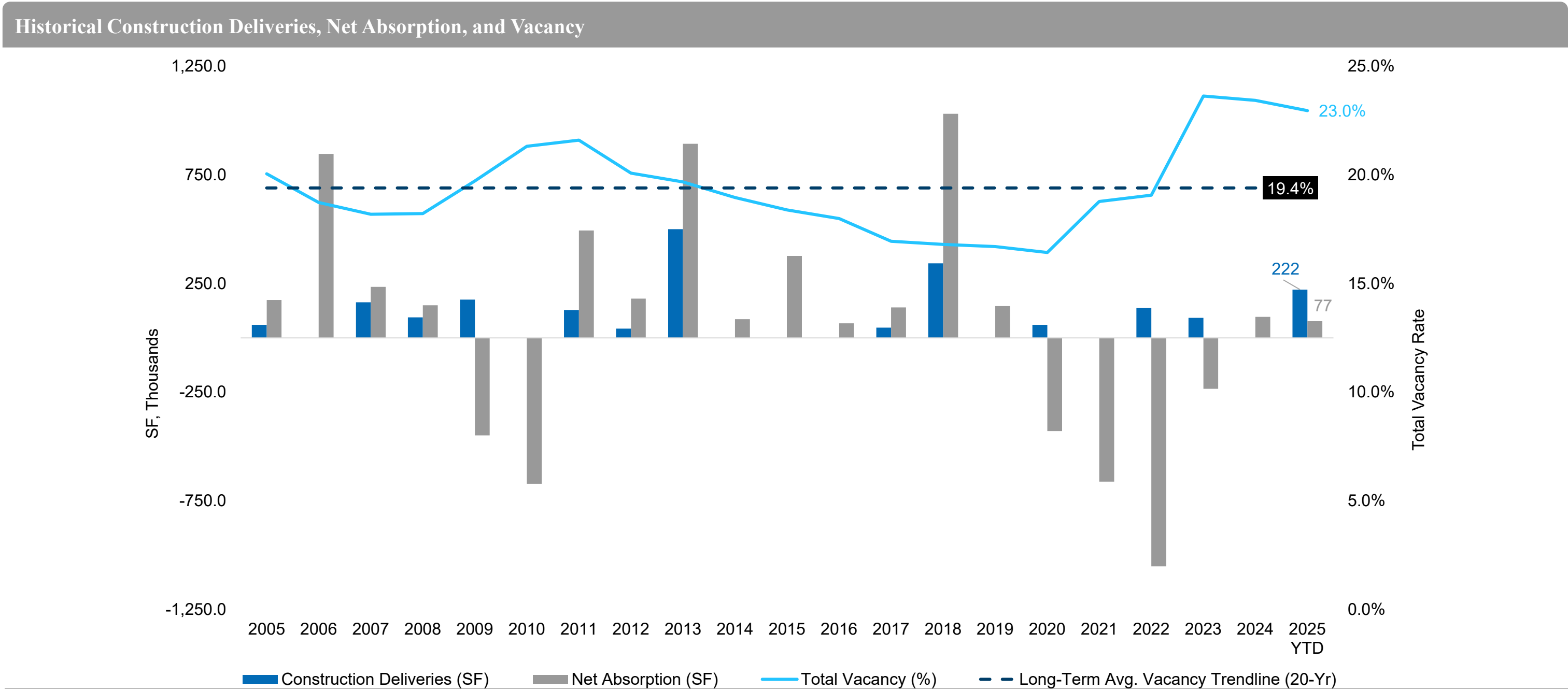
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Leasing Market Fundamentals



Office Market Hit With Negative Absorption in 2Q

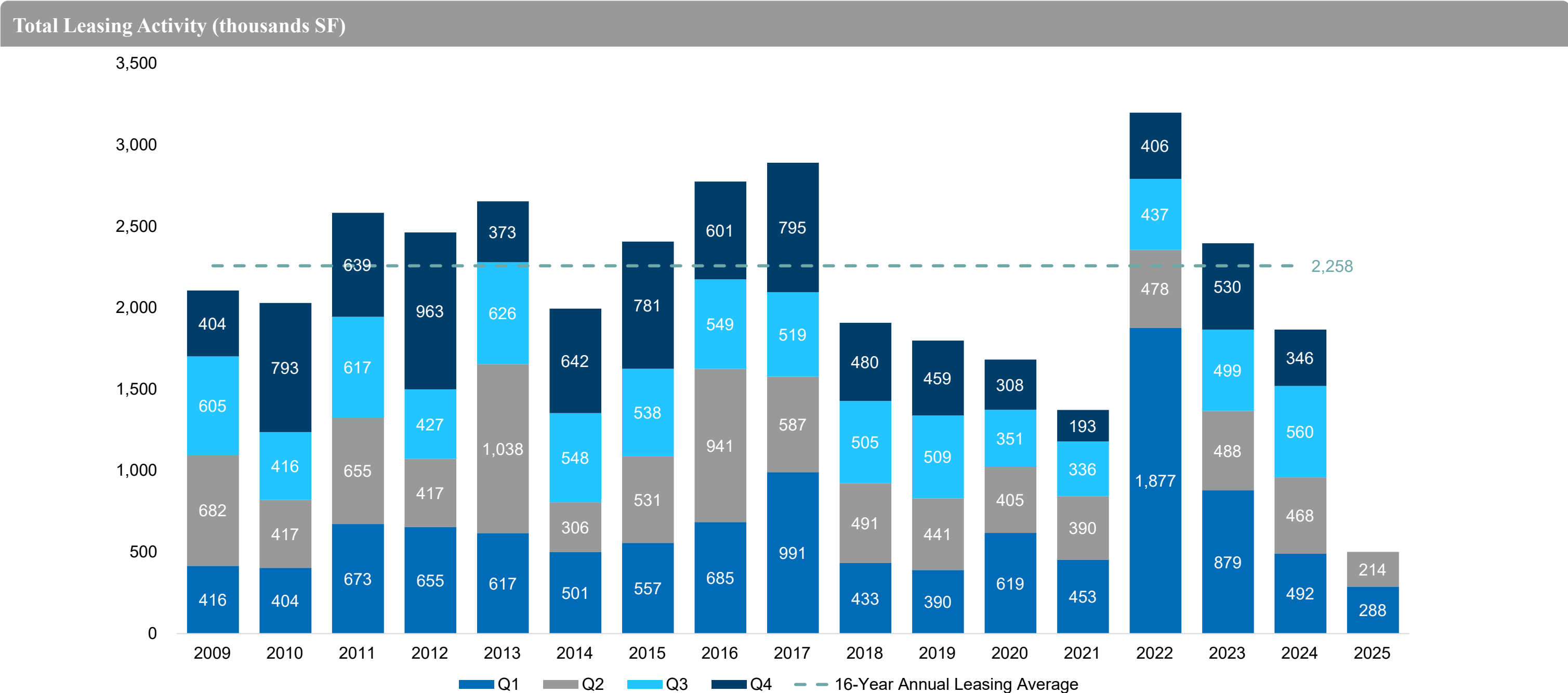
The Cleveland office market recorded 131,373 SF of negative absorption, ending a streak of four consecutive quarters of positive absorption. This downturn pushed the overall vacancy rate up to 23.1%, an increase of 30 basis points compared to the previous quarter. Year-to-date, the average vacancy rate for 2025 stands at 23.0%, improving over 2024's average of 23.4%. The current vacancy rate remains above the 20-year historical average of 19.4%.



Source: Newmark Research

Second Quarter Leasing Historically Low Once Again

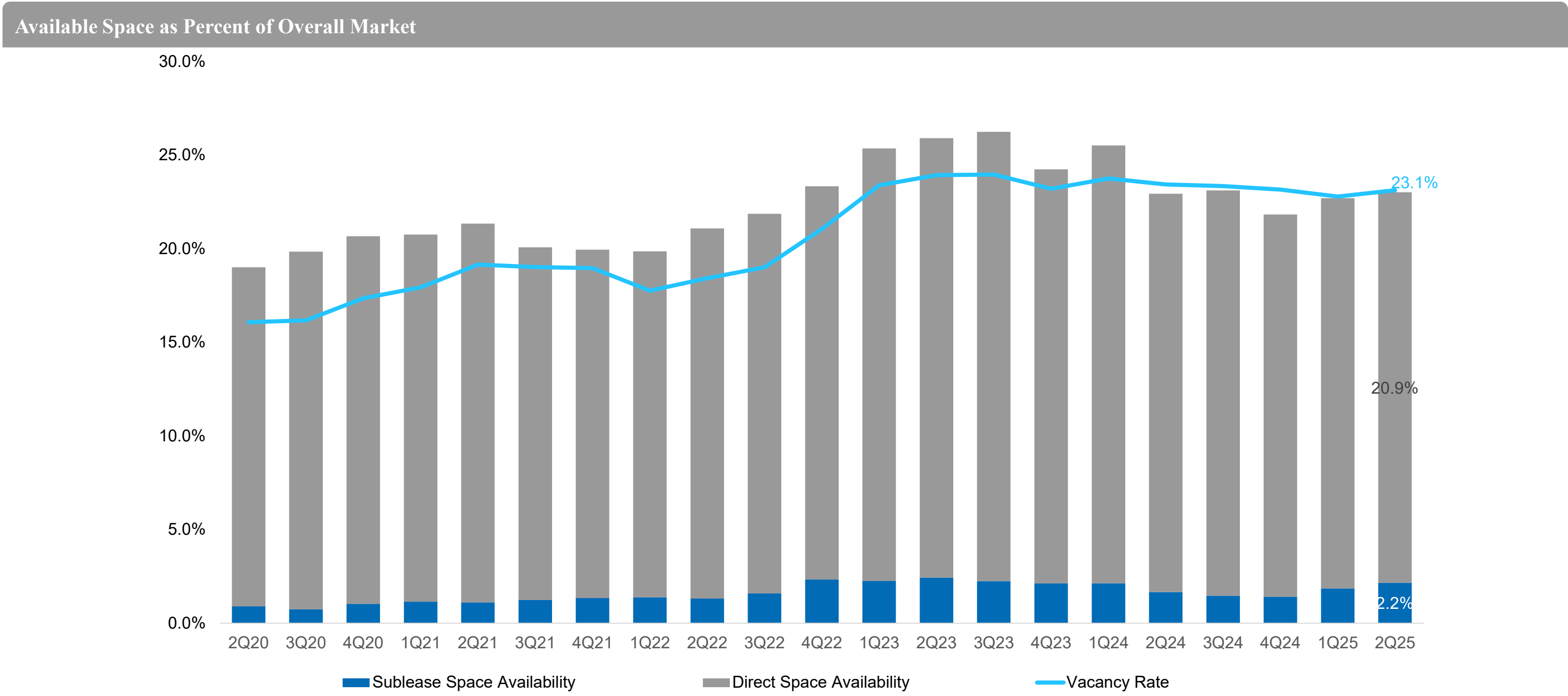
Total second quarter 2025 leasing activity for non-owner-occupied office buildings measuring 10,000 SF and greater in the Cleveland MSA was 213,600 SF, the second lowest quarterly total in the last 16 years for the second quarter in a row, behind the fourth quarter of 2021's tally of 193,150 SF. The 16-year annual leasing activity average was 2.3 million SF. As calls for employees to return to the office increase across the country and in the Cleveland market, those policy readjustments have had minimal affect on decisions to expand footprints, though there have been exceptions. As a result, leasing activity and vacancy numbers have not contracted in a way that comports with those decisions.



Source: Newmark Research, CoStar

Direct and Sublet Space Both Rise in Availability, Vacancy Increases

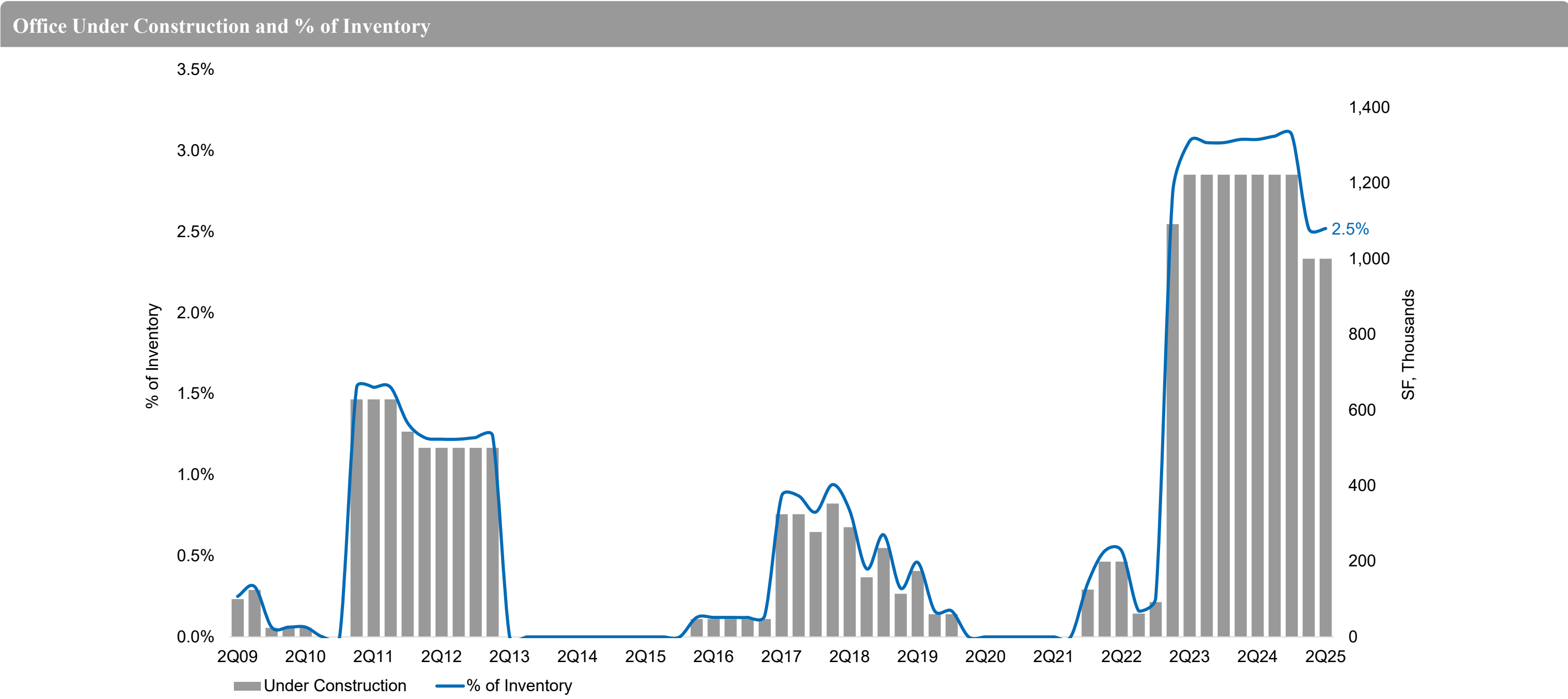
In the second quarter of 2025, direct space availability edged up by 10 basis points to 20.9%, totaling approximately 8.3 million square feet. Sublease availability also rose, increasing by 30 basis points to 2.2%, with available sublease space reaching 855,775 square feet. Overall, total vacancy climbed to 23.1%, a 30 basis point rise from the previous quarter. The vacancy increase was largely driven by the East and South submarkets, which together posted 126,819 square feet of negative absorption.



Source: Newmark Research

Sherwin-Williams IS the Office Construction Activity...Again

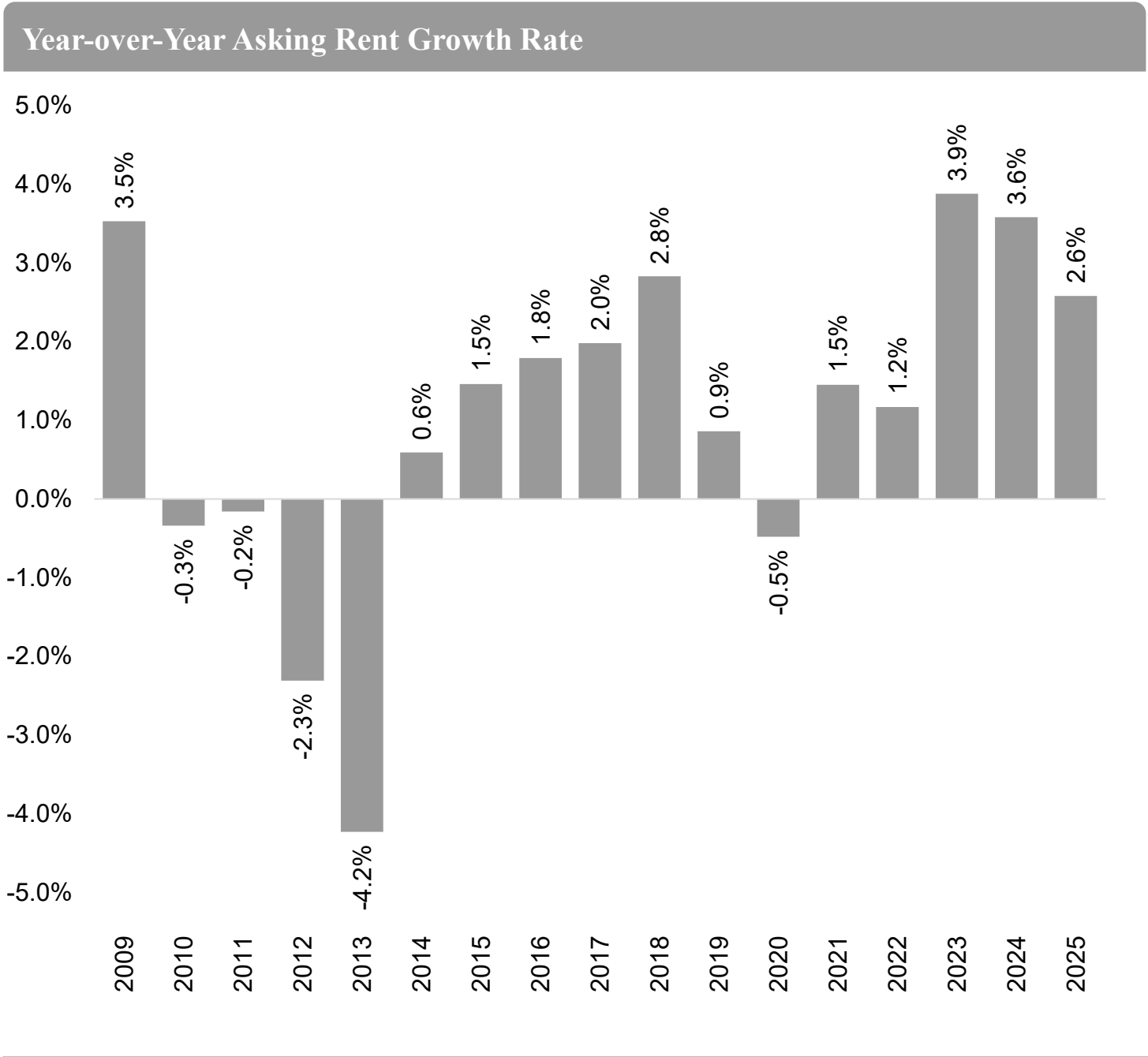
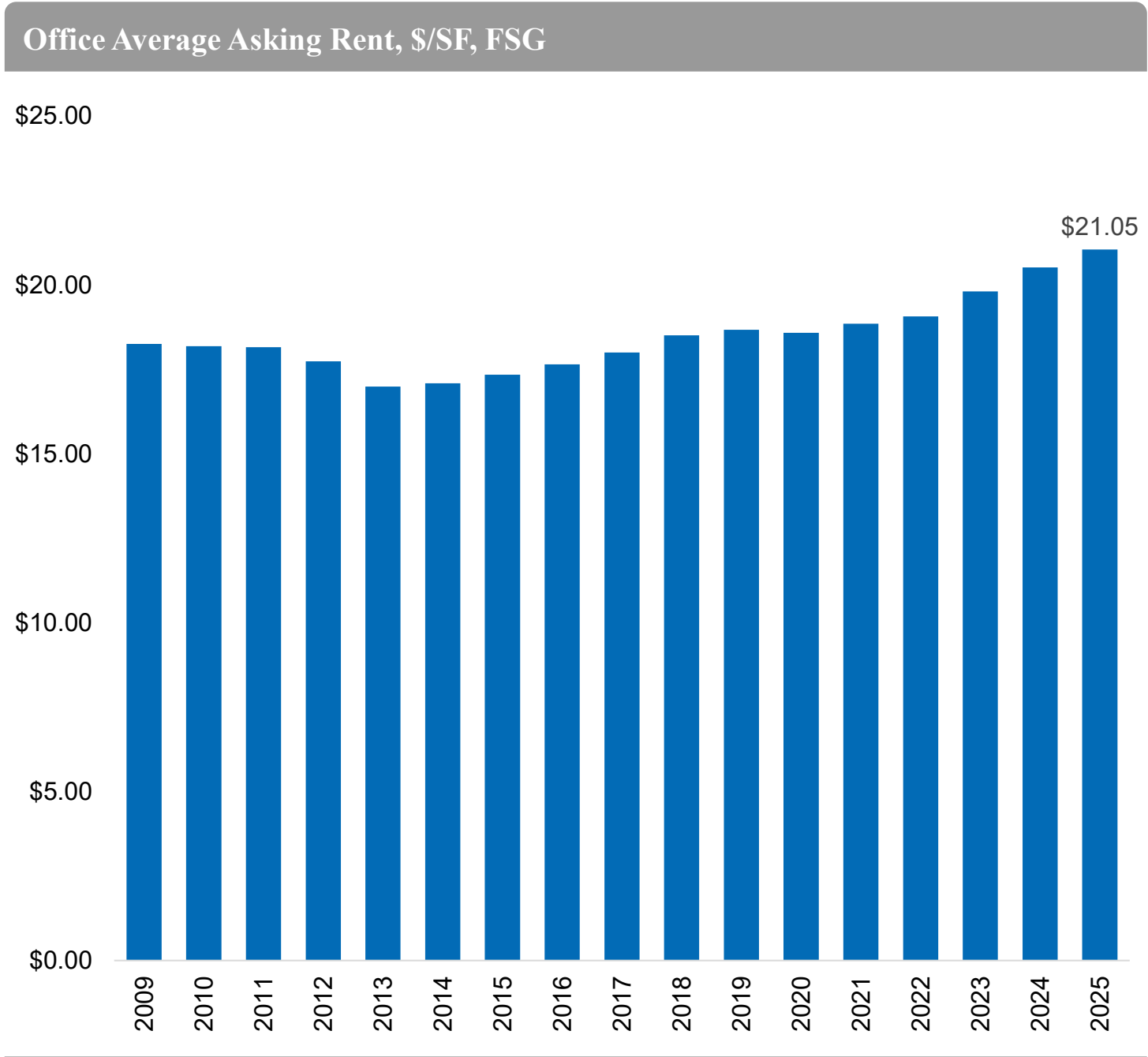
The 1.0 million SF Sherwin-Williams headquarters project in the CBD is the largest office development in years and now makes up the entirety of the trackable office construction in the market. That project should deliver by the end of 2025 but was delayed by the company because of concerns with a protective coating used in the process. Construction activity amounted to 2.5% of inventory.



Source: Newmark Research

Average Asking Rent Posts Another Year-Over-Year Increase

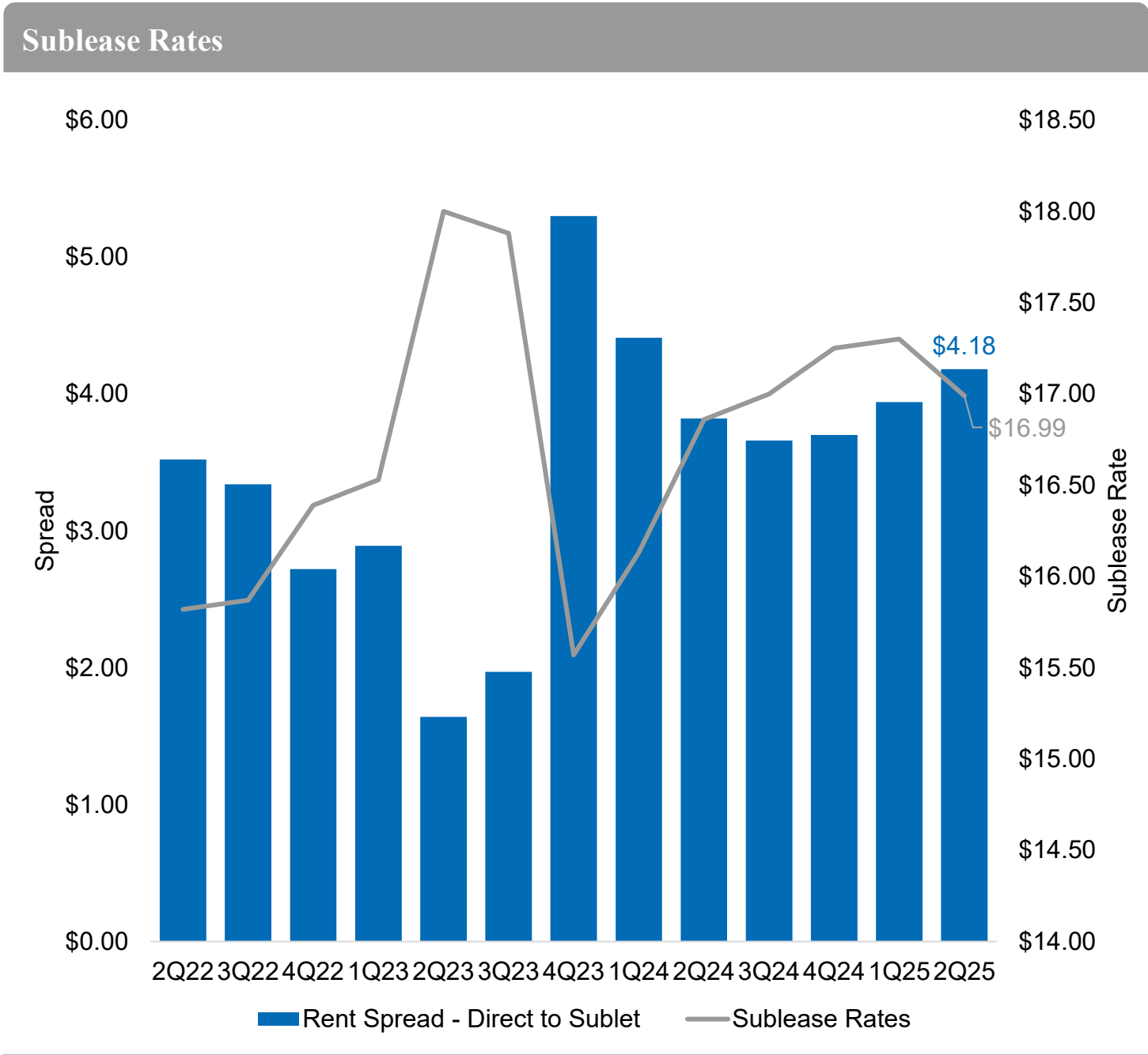
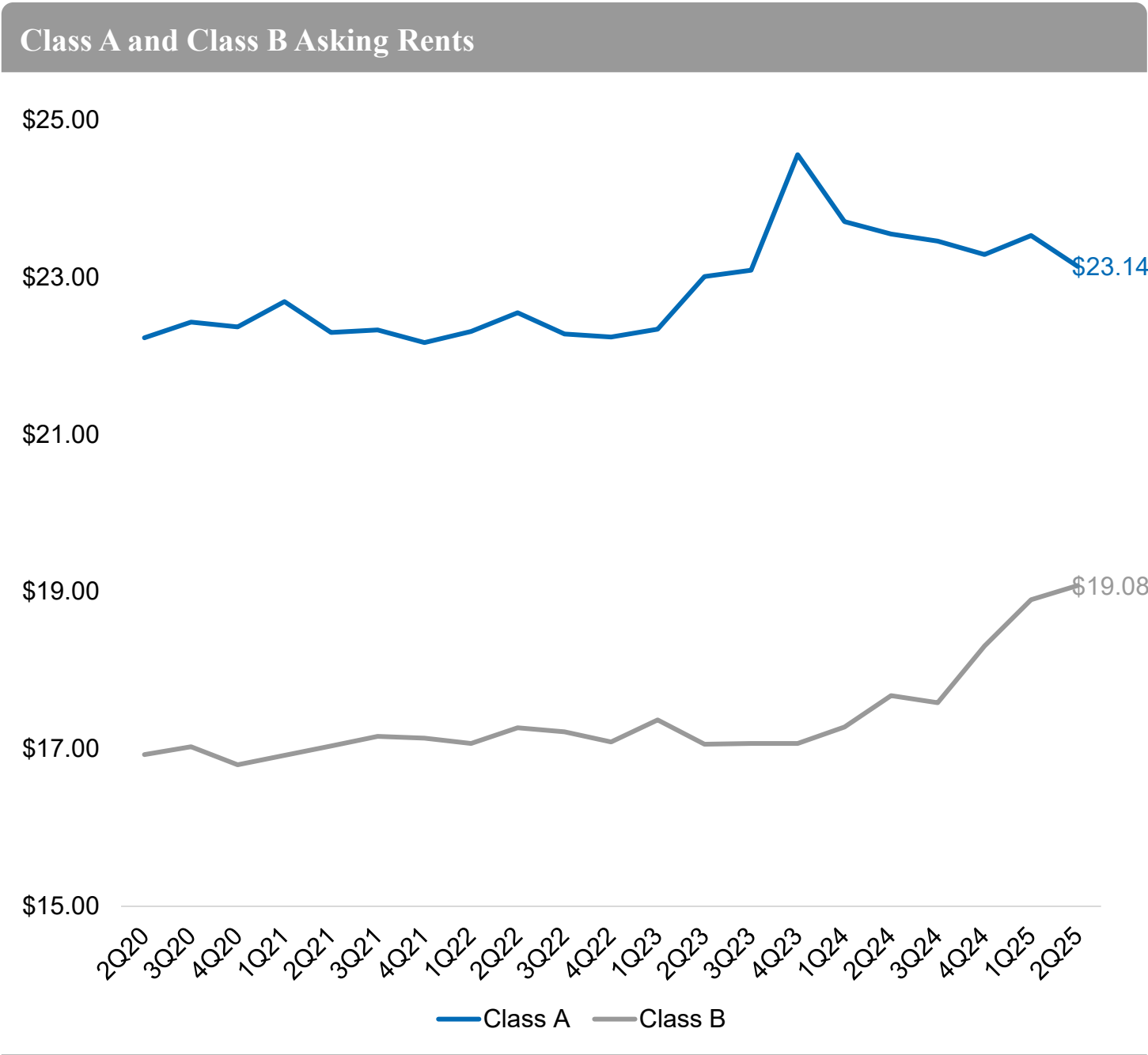
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Source: Newmark Research

Class A and B Asking Rent Gap Contracts For Third Straight Quarter

In the second quarter of 2025, the average asking rent for Class A office space dropped by \$0.39/SF to \$23.14/SF, while Class B rents rose by \$0.18/SF to \$19.08/SF. This narrowing of the Class A and Class B rent gap to \$4.06/SF—down from \$4.63/SF last quarter—marks the third straight quarter of historic closeness between the two categories. Total available square feet for Class B properties in the prior three quarters before the second quarter of 2025 declined successively, which coincides with the rising asking rental rates. Meanwhile, the average sublease rate fell by \$0.31/SF to \$16.99/SF, increasing the difference between sublease and direct rents to \$4.18/SF, compared to \$3.94/SF the previous quarter. Notably, this direct-to-sublease rent spread has grown for three consecutive quarters, even as sublet availability continues to rise.



Source: Newmark Research

Lease and Sale Transactions in 2Q25

Select 2Q25 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Bank of America	1375 E. 9th St.	CBD	Extension	18,274
TranSystems Corporation	1100 Superior Ave. E	CBD	Extension	9,923
Cyprium Investment Partners LLC	200 Public Square	CBD	Extension	9,537
Gries Financial LLC	1300 E. 9th St.	CBD	Direct	6,629
Luminary Hospice of Akron, LLC	4199 Kinross Lakes Pkwy.	South	Direct	5,554

Select 2Q25 Sale Transactions

Buyer	Building	Submarket	Sale Price	Square Feet	Price Per SF
ERKFX LLC	27999 Clemens Rd.	West	\$1,250,000	11,520	\$108.51
PNL Companies	7511-7551 Fredle Dr.	East	\$3,018,800	33,208	\$90.91
The Rehmann Group	5000 E. 345th St.	East	\$836,000	15,000	\$55.73
32901 Station LLC	32901 Station St.	East	\$1,100,000	29,760	\$36.96
Time Equities Inc. (TEI) and RHM Capital	6055 Parkland Blvd.	East	\$3,500,000	104,221	\$33.58

Source: Newmark Research, CoStar

The East and CBD Submarkets Continue to Have the Highest Vacancy Rates



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Three of Five Submarket Sublease Availability Rates Increase



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Four of Five Submarkets Post Negative Net Absorption



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Asking Rents Up Year Over Year For Four of Five Submarkets

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2025 Office Prices Hold Steady, Though 2Q's Average Down



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Appendix



Historical Statistical Overview



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Submarket Overview



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Cleveland - Submarket Map

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Additional Market Statistics



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For more information:

Matthew Orgovan
Research Director
Cleveland and Ohio Research
Matthew.Orgovan@nmrk.com

Cleveland
1300 East 9th Street
Suite 105
t 216-453-3027

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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