

Lag in deliverables and plateauing rates poise the market for a new cycle

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds.

▶ 3.1%

Vacancy Rate

▲ (11,109)

SF Net Absorption

▼ 0

SF Construction Delivered

▶ 990,000

SF Under Construction

▼ \$5.52

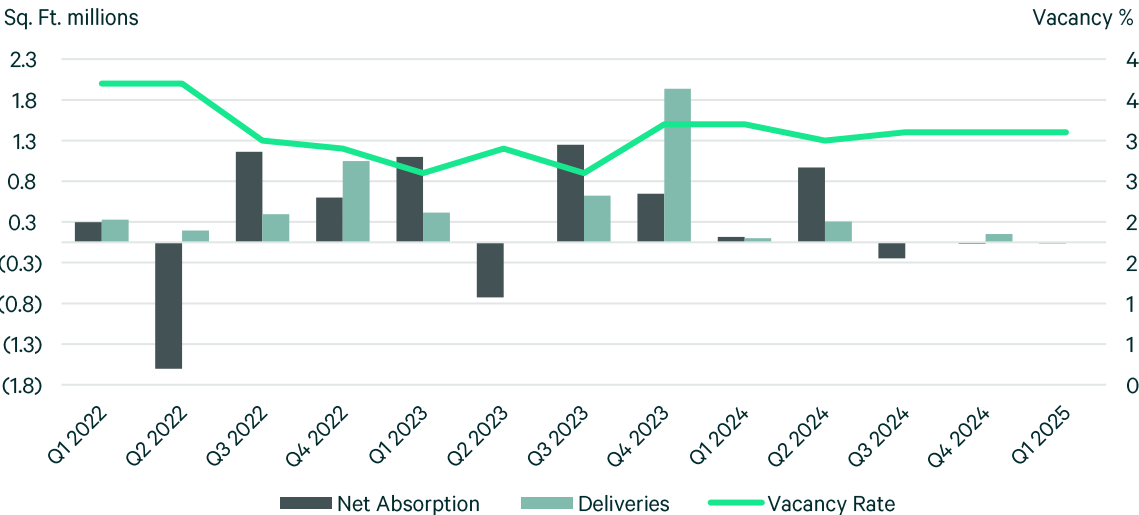
NNN/YR Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

- Vacancy has remained stable quarter-over-quarter; however, it has increased 50 basis points since its historic low of 2.6% in Q3 2023.
- Absorption has remained muted the past three quarters, with relatively small negative absorption.
- HC Company broke ground on their new 750,000 sq. ft. facility in Middlefield; it is expected to be completed before the end of this year.
- Asking rates continue a downward trend, decreasing \$0.15 per sq. ft. since Q1 2024 as no new construction entered the market and vacancy remains tight.
- Leasing transaction volume rose from Q4, landing at roughly 731,000 sq. ft, indicating that despite negative absorption, demand remains.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

Availability & Vacancy Rates

In Q1 2025, vacancy sustained a low rate of 3.1%. This rate has increased 50 basis points since its historic low of 2.6% in Q3 2023, but minimal absorption and limited rentable deliverables have suspended any significant change. Geauga West and the East submarket recorded the lowest vacancy rates, 0.4% and 1.2%, respectively.

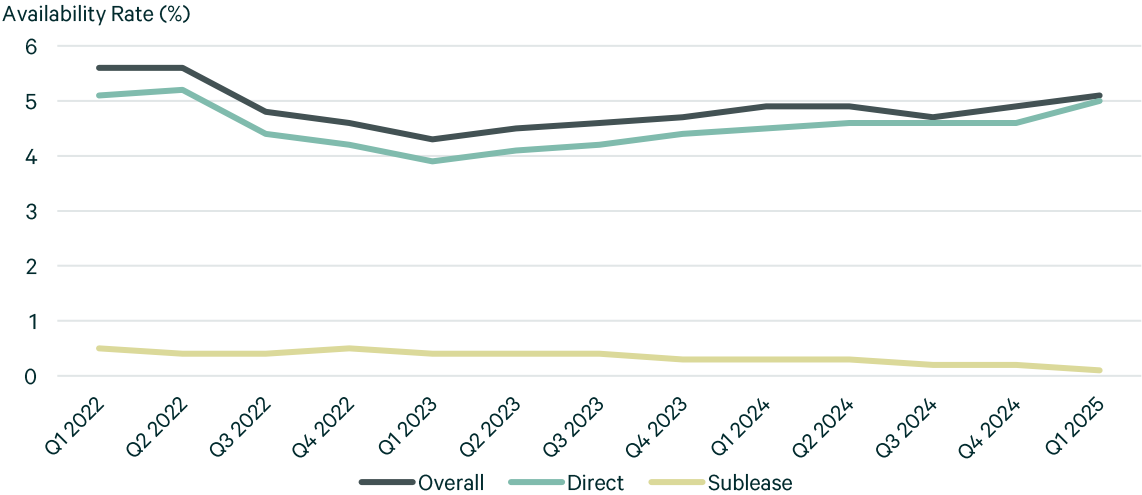
Total availability rate in Q1 was 5.1%, the highest it has been since Q2 2022, but still only a quarter-over-quarter increase of 10 basis points. Availability is highest in the Northwest submarket, reporting a rate of 6.9%, and lowest in the Geauga West submarket, holding a rate of 1.0%. Available sublease space decreased 57% year-over-year with 367,573 sq. ft. available in Q1. As supply continues to tighten and vacancy plateaus, Cleveland is at the cusp of a new industrial cycle.

Asking Rent

Asking rents sit at \$5.52 per sq. ft., a 2.6% decrease from where they sat in Q1 2024. As less square footage entered the market in 2024 and construction has lagged, asking rates continue to feel pressure. Although rent continues its downward trend, it appears to be slowing, with only a 0.5% decrease quarter-over-quarter.

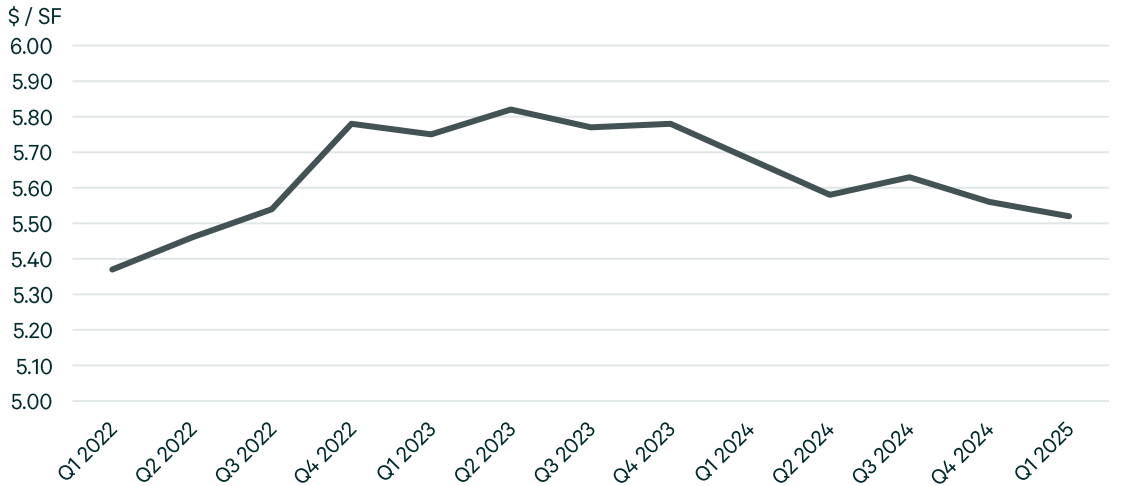
The East submarket holds the highest rent, at \$8.14 per sq. ft., which has decreased 2.5% year-over-year. The South submarket follows with an asking rate of \$6.25 per sq. ft., which has decreased 0.2% year-over-year.

FIGURE 2: Availability Rates



Source: CBRE Research, Q1 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q1 2025

Net Absorption

Net absorption in Q1 increased to negative 11,109 sq. ft. compared to the negative 17,850 sq. ft. in Q4, a 37.8% quarter-over-quarter increase. As positive absorption turned negative in the back half of 2024, vacancy has finally leveled out.

Lake County West saw the highest absorption at 66,716 sq. ft. Two large occupancies at 1305-1311 Lloyd Rd contributed to this, Champion Moving occupied 41,329 sq. ft. and CMC America occupied 30,393 sq. ft. The largest move out was at 18901 Snow Rd in the Southwest submarket, where Compass Health Brands vacated 105,600 sq. ft. A new tenant is set to occupy this space later this year.

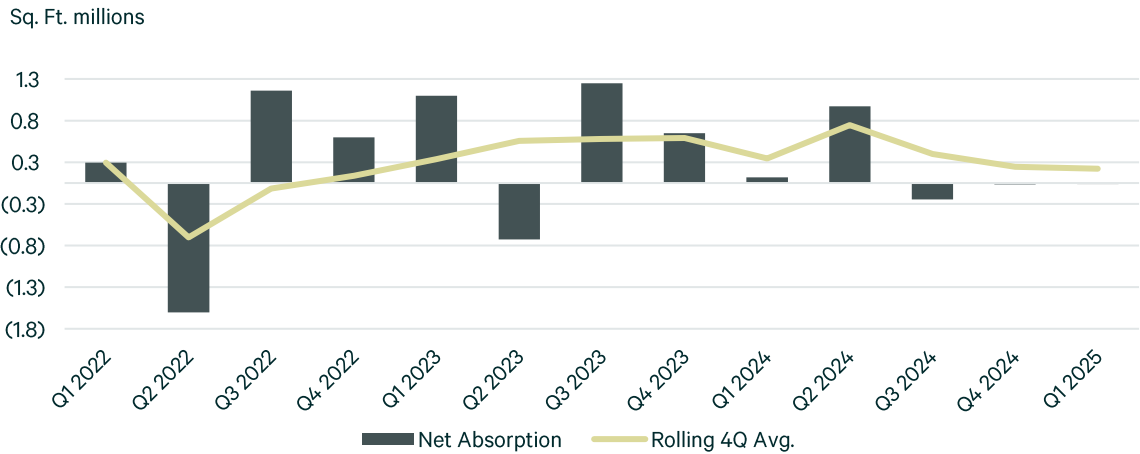
With minimal changes in absorption, a leveling out of vacancy, and climbing asking rents, the Cleveland Industrial market is poised to enter a new cycle in 2025-2026.

Construction Activity

Industrial construction has hovered around 1 million sq. ft. since Q4 2023. Only 414,000 sq. ft. entered the industrial market in 2024, compared to 3.02 millions sq. ft. in 2023. As more industrial projects are planned in 2025, the amount of under construction projects should see changes.

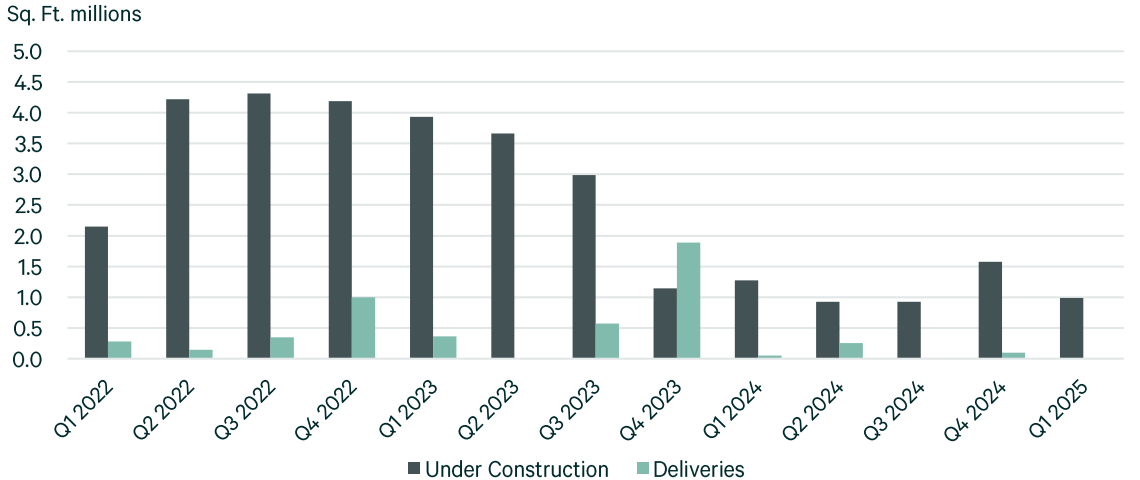
One project that recently broke ground was HC Company's new facility in Middlefield. This 750,000 sq. ft. warehouse is set to complete in the fall of this year.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q1 2025

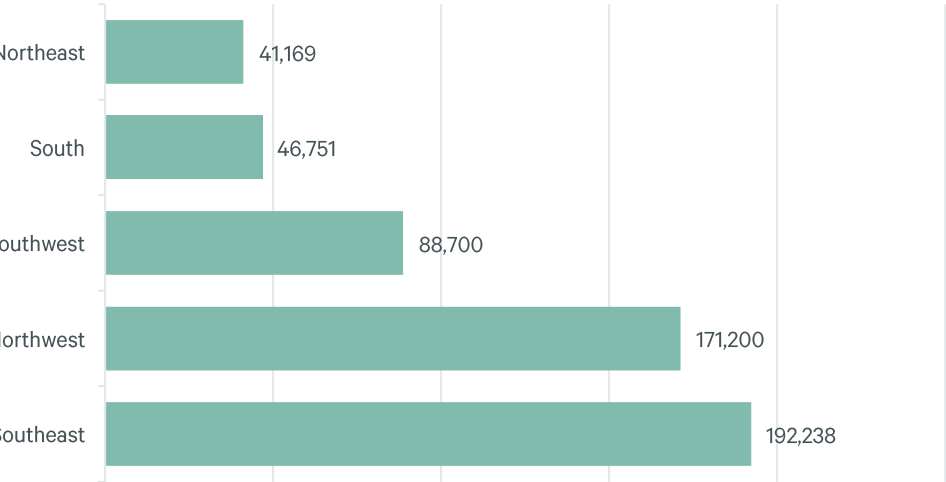
Leasing Activity

The Cleveland Industrial market saw 731,273 sq. ft. of transaction volume this quarter. With no new deliverables and a level vacancy, leasing activity experienced little change from Q4.

New leases comprised 75% of total transaction volume, suggesting that tenants remain active in the market. Alexis Exhibits Inc. signed the largest new lease this quarter for 96,000 sq. ft. at 1301 Lowell St. The largest renewal signed was by Aclara Technologies at 30400 Solon Rd for 111,258 sq. ft.

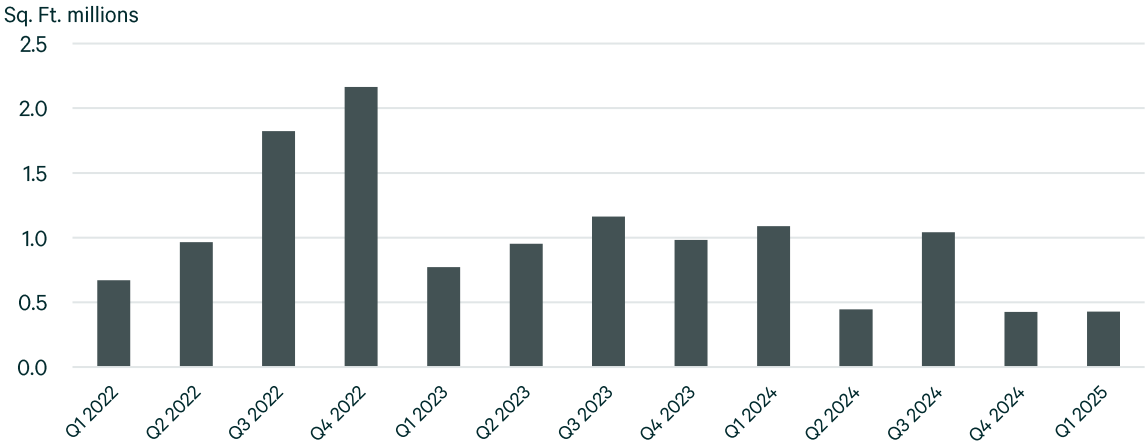
Sysco’s building at 4747 Grayton Rd and the lot next to it at 4751 Grayton Rd sold to Blue Owl Real Estate Capital LLC for a total of \$44.3 million as a sale-lease back. The 389,996 sq. ft. warehouse, built in 2004, sold for \$113.60 per sq. ft. The former Produce Packaging Inc. facility at 27853 Chardon Rd sold for \$10.25 million to MAG Capital Partners, their second acquisition in northeast Ohio within four months.

FIGURE 7: Total Leasing Activity by Submarket – Leases 15,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 6: Leasing Activity Trend – Leases 15,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Aclara Technologies	111,258	Renewal	30400 Solon Rd	Southeast
Alexis Exhibits	96,000	New Lease	1301 Lowell St	Northwest
Cimino Box Company	88,700	Renewal	8500 Clinton Rd	Southwest
Ground Effects	75,200	Renewal	31000 Viking Pkwy	Northwest
Capital Tire	56,629	Renewal	9600 Valley View Rd	Southeast
Catanese Classic Seafood	41,169	New Lease	15500 Waterloo Rd	Northeast

Source: CBRE Research, Q1 2025

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	82,959,988	2.7	3.8	3.6	0.2	6.81	(104,201)	(104,201)	0	60,000
100,000-199,999 sq. ft.	53,750,513	1.5	4.3	4.1	0.3	5.62	139,790	139,790	0	180,000
200,000-299,999 sq. ft.	26,948,005	3.5	4.3	4.3	0.0	5.42	124,222	124,222	0	0
300,000-499,999 sq. ft.	30,149,556	5.2	6.9	6.7	0.1	4.81	(320)	(320)	0	0
500,000-749,999 sq. ft.	15,031,789	7.2	7.6	7.6	0.0	3.91	(170,600)	(170,600)	0	0
750,000 sq. ft.	38,247,002	2.8	7.4	7.4	0.0	5.25	(88,700)	(88,700)	0	750,000
Total	247,086,853	3.1	5.1	5.0	0.1	5.52	(99,809)	(99,809)	0	990,000

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	125,083,698	4.6	7.4	7.1	0.3	5.61	31,160	31,160	0	810,000
Manufacturing	101,192,373	1.6	2.9	2.9	0.0	4.88	(138,533)	(138,533)	0	180,000
R&D / Flex	15,717,809	2.3	3.0	2.9	0.1	8.63	(7,287)	(7,287)	0	0
Other Industrial	5,092,973	0.3	0.4	0.3	0.1	10.36	14,851	14,851	0	0
Total	247,086,853	3.1	5.1	5.0	0.1	5.52	(99,809)	(99,809)	0	990,000

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Downtown	38,408,522	3.4	4.1	4.1	0.0	4.92	(100,320)	(100,320)	0	0
East	5,840,223	1.2	1.9	1.9	0.0	8.14	6,570	6,570	0	0
Geauga West	1,456,727	0.4	1.0	1.0	0.0	6.0	0	0	0	0
Lake County West	20,400,356	2.4	4.0	3.9	0.0	5.38	66,716	66,716	0	0
Northeast	24,846,472	1.9	2.6	2.6	0.0	3.66	10,000	10,000	0	0
Northwest	29,031,588	2.0	6.9	6.8	0.0	5.08	(16,946)	(16,946)	0	0
Out of Submarket	1,917,092	60.6	61.5	60.6	0.9		0	0	0	930,000
South	31,219,594	3.3	4.6	4.3	0.3	6.25	175	175	0	0
Southeast	52,521,765	3.6	5.2	5.0	0.1	5.84	(9,854)	(9,854)	0	0
Southwest	41,444,514	1.7	5.2	4.8	0.4	6.1	(56,150)	(56,150)	0	60,000
Total	247,086,853	3.1	5.1	5.0	0.1	5.52	(99,809)	(99,809)	0	990,000

National Economic Outlook

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

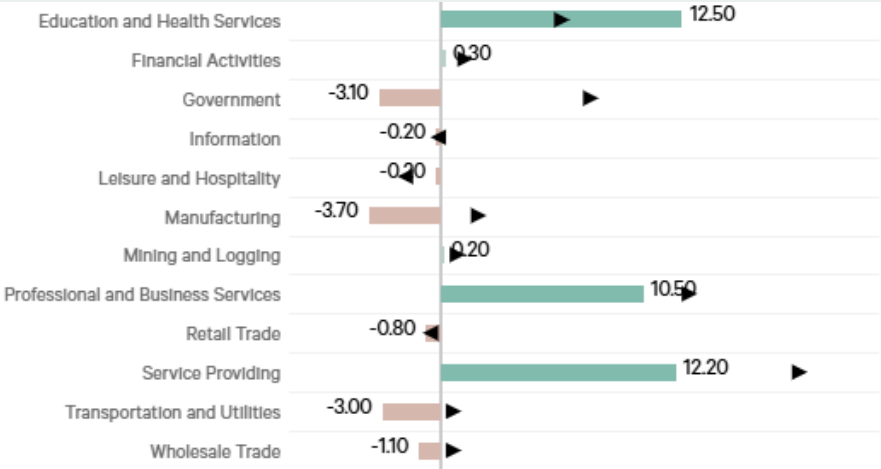
Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

Source: CBRE Research

Cleveland, OH Employment Update

- 5.0% Unemployment Rate
- 1.1M Labor Force
- 609.7k Office Using Jobs
- 340.6k Industrial Using Jobs
- 245.8k Retail Using Jobs

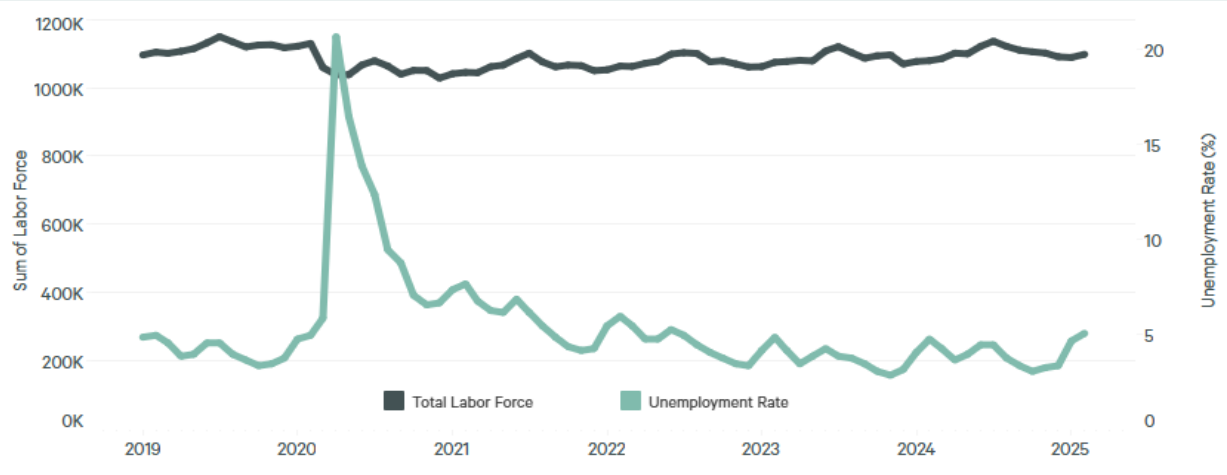
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

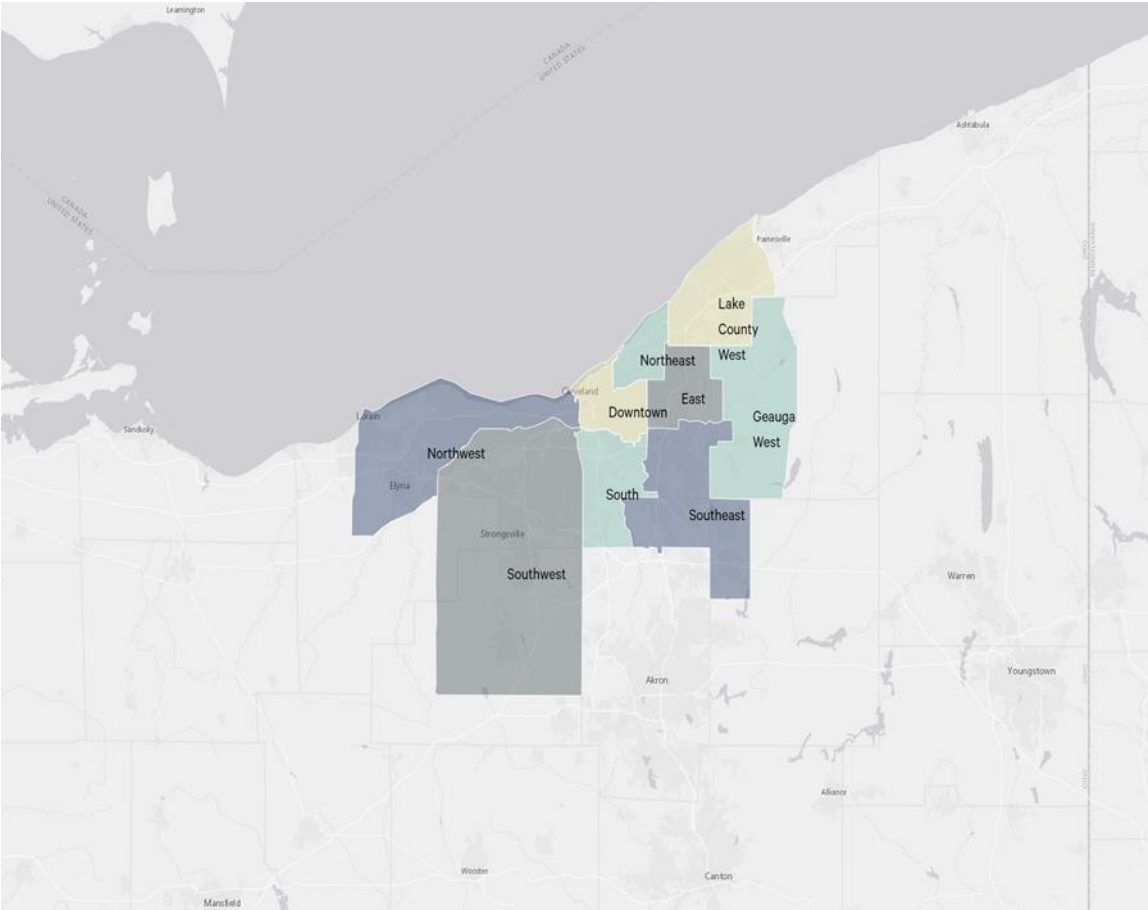
Source: US BLS, February 2025

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, February 2025

Market Area Overview



Definitions

- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total Available Sq. Ft. divided by the total building Area.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.
- Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.
- Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Occupied Sq. Ft.: Building Area not considered vacant.
- Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 30,000 sq. ft. or greater in size. CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds.

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