

FIGURES | CLEVELAND INDUSTRIAL | Q2 2025

Surge in new leasing activity offsets large move-outs, signaling market stabilization

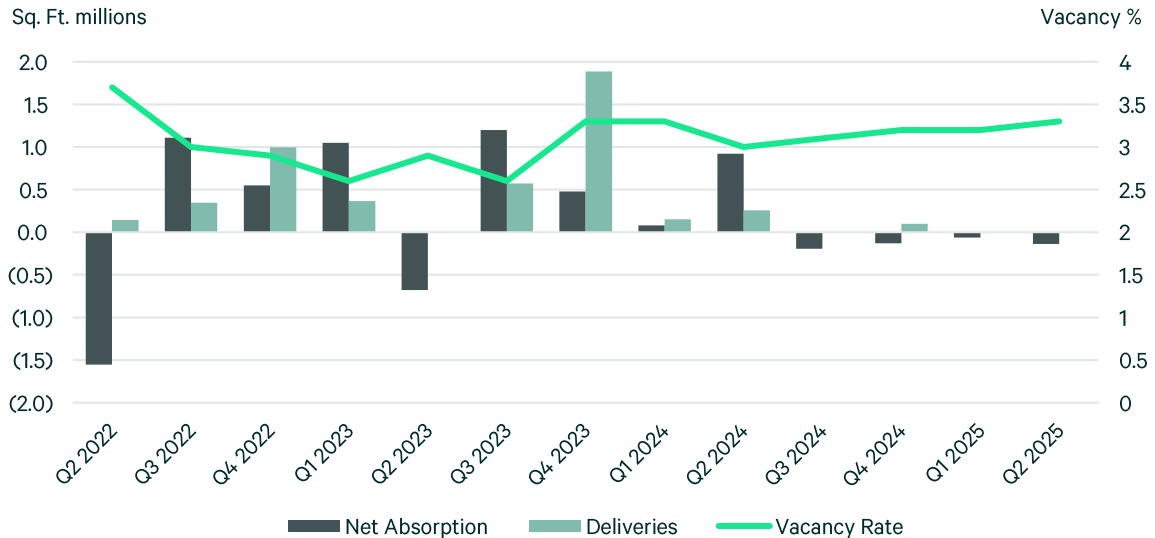


Note: Arrows indicate change from previous quarter.

SUMMARY

- Vacancy ticked up 10 basis points from Q1 to 3.3% marking the fourth consecutive quarter of negative absorption. Despite this, strong leasing activity and limited construction are keeping overall market conditions relatively tight.
- Asking rents declined for the fifth consecutive quarter, falling \$0.17 per sq. ft. to \$5.35 per sq. ft., as landlords adjust pricing to attract tenants amid rising costs and prolonged downturn on vacant space.
- Leasing activity reached 2.2 million sq. ft., the strongest quarter since Q3 2022. Several large renewals and one significant new lease reflect significant tenant engagement, despite the tight market.
- Located just outside of the Cleveland Market, Joann Fabrics vacated their former corporate headquarters at 5555 Darrow Rd in Hudson, returning 1.4 million sq. ft. of space to Northeast Ohio. This represents the largest contiguous block of industrial space currently available in the Midwest.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2025

Availability & Vacancy Rates

The total availability rate climbed sharply to 5.7%, signaling an increase in space actively being marketed, including sublease options, some of which are list but not yet vacated. The availability rate is highest in the Northeast submarket, followed by the Northwest, recording 6.9% and 6.5%, respectively. Large vacancies and a limited inventory have caused the availability rate of cold storage assets to increase to 18.8% this quarter.

Total vacancy rate rose slightly- from 3.2% to 3.3% quarter-over-quarter. Several large vacancies account for this change, most notably Harvest Sherwood Food Distributors vacated 297,991 sq. ft. of cold storage space at 16625 Granite Rd. The vacancy rate increased 30 bps in both the Southeast and South submarkets, reporting 4.4% and 3.6%, respectively.

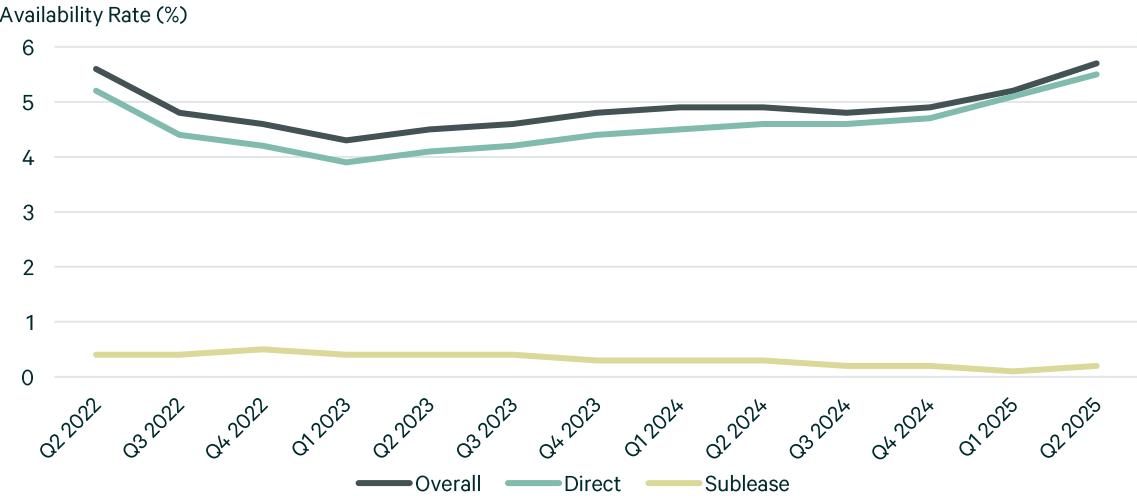
Asking Rent

Average asking rate is the lowest it has been since Q4 2021, when it was at \$5.26 per sq. ft. Uncertain economic conditions and elevated operating costs have put pressure on landlords to adjust their asking rates. Lack of construction has also contributed to this adjustment, with limited new supply entering the market since Q2 2024.

The East submarket maintains the highest average asking rate, at \$8.17 per sq. ft., supported by low vacancy (1.1%) and limited supply. The Northeast submarket reports the lowest asking rate at \$3.87 per sq ft., reflecting its higher availability and aging inventory.

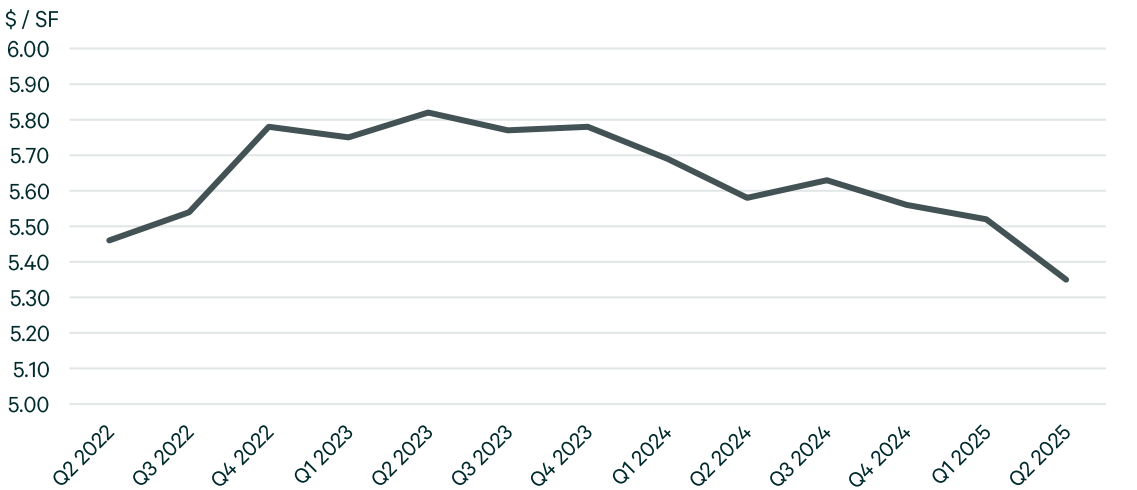
Looking ahead, rent growth is likely to remain flat or slightly negative across most submarkets as backfilling of second-generation space remains a priority for ownership groups.

FIGURE 2: Availability Rates



Source: CBRE Research, Q2 2025

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



Source: CBRE Research, Q2 2025

Net Absorption

The Cleveland Industrial market posted negative 138,015 sq. ft. of net absorption in Q2, marking the fourth consecutive quarter of negative net absorption.

A handful of large vacancies drove the negative total this quarter. The most notable was Harvest Sherwood Food Distributors leaving 297,991 sq. ft of cold storage space at 16625 Granite Rd, along with Lagasse Sweet vacating 69,441 sq. ft. at 2479 Edison Blvd.

Several key occupancies held absorption to a modest level, including NorthCoast Logistics expanding into 105,600 sq. ft. at 18901 Snow Rd. Catanese Classic Seafood also took occupancy of 41,169 sq. ft. of cold storage space at the Greater Cleveland Food Bank’s 15500 S Waterloo facility.

While market fundamentals remain soft, new leasing momentum suggests potential for recovery in the second half of 2025.

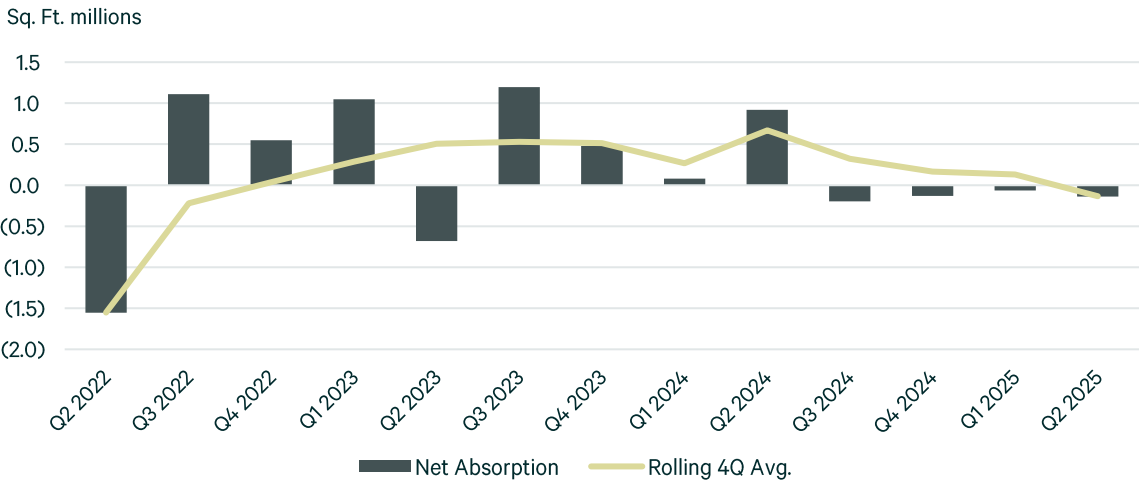
Construction Activity

Construction activity remains unchanged in Q2, recording a total of 990,000 sq. ft. of product under construction. No new deliveries were recorded this quarter. Development continues to be constrained by elevated material and labor, along with tighter lending conditions. As a result, most active construction projects are build-to-suit or pre-leased developments.

Major projects underway include 60,000 sq. ft. at 31353-31329 Industrial Pkwy, expandable to 100,000 sq. ft. and Viega’s 180,000 sq. ft. facility at OH-44 & Beck Rd in Shalersville. Adjacent to their existing manufacturing facility, HC Companies is constructing a 750,000 sq. ft. build-to-suit distribution center at 15150 Madison Rd in Middlefield.

While speculative construction remains limited, developers are closely watching leasing trends to determine future starts.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q2 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q2 2025

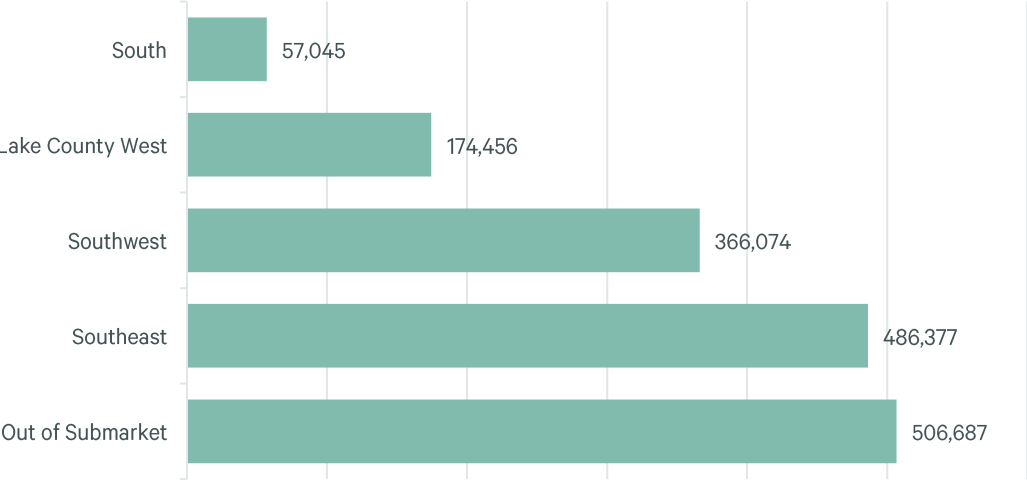
Leasing Activity

The Cleveland industrial market recorded a surge in leasing activity during Q2, with 2.2 million sq. ft. transacted, the highest quarterly total since Q3 2022. New leases accounted for 77.8% of all deals, reflecting continued demand for quality space. Renewals made up the remaining 22.2%, reinforcing the trend of tenants recommitting to space amid limited new supply. This leasing momentum signals healthy user demand, even as occupancy in legacy product weighed on net absorption.

Key transactions this quarter included Piping Rock Health signing 408,767 sq. ft. at 9675 State Route 44. Atlantic Tool and Die Co. also signed a new lease at 5180 Greenwich Rd for 97,920 sq. ft. Two notable renewals occurred in the Southeast submarket; Winston Products renewed 266,803 sq. ft. at 30339 Diamond Pkwy and Home Depot renewed 219,574 sq. ft. at 30301 Carter St.

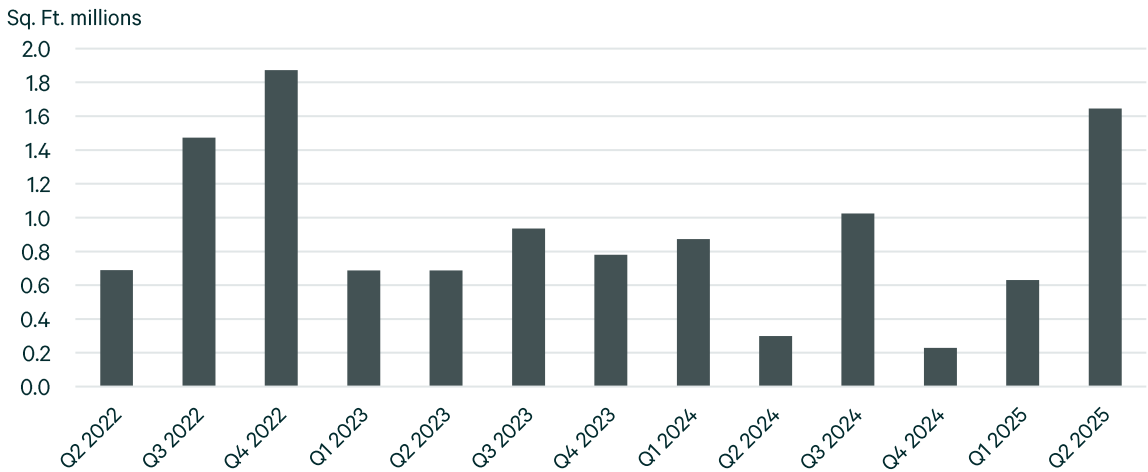
Broader supply chain reshoring, e-commerce expansion, and limited new construction has promoted an increased leasing activity as tenants compete for quality space. That said, large vacancies and delayed occupancy timelines continue to suppress net absorption figures.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q2 2025

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q2 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Piping Rock Health	408,767	New Lease	9675 State Route 44	Out of Submarket
Winston Products	266,803	Renewal	30339 Diamond Pkwy	Southeast
Home Depot	219,574	Renewal	30301 Carter St.	Southeast
Enpac	122,986	Renewal	1338-1340 E 289th St	Lake County West
Atlantic Tool and Die Co.	97,920	New Lease	5180 Greenwich Rd	Out of Submarket
Stelfast	81,770	Renewal	22979 Stelfast Pkwy	Southwest
Intralox	46,951	New Lease	8796 Independence Pkwy	Southeast

Source: CBRE Research, Q2 2025

Market Statistics by Size

	Net Rentable Area (Sq. Ft.)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Deliveries (Sq. Ft.)	Under Construction (Sq. Ft.)
Under 100,000 sq. ft.	82,959,988	2.9	3.8	3.5	0.3	6.76	(178,464)	(282,665)	0	60,000
100,000-199,999 sq. ft.	53,850,513	1.7	4.9	4.7	0.2	5.67	(79,706)	60,084	0	180,000
200,000-299,999 sq. ft.	26,948,005	3.3	4.9	4.9	0.0	5.02	209,120	280,842	0	0
300,000-499,999 sq. ft.	30,149,556	6.2	8.0	7.8	0.1	4.95	(217,565)	(217,885)	0	0
500,000-749,999 sq. ft.	15,031,789	6.4	7.3	7.1	0.2	3.74	128,600	(42,000)	0	0
750,000 sq. ft.	38,247,002	2.8	9.1	9.1	0.0	4.76	0	0	0	750,000
Total	247,186,853	3.3	5.7	5.5	0.2	5.31	(138,015)	(201,624)	0	990,000

Market Statistics by Product Type

	Net Rentable Area (Sq. Ft.)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Deliveries (Sq. Ft.)	Under Construction (Sq. Ft.)
Distribution / Logistics	125,083,698	4.7	7.4	7.2	0.3	5.55	61,218	39,878	0	810,000
Manufacturing	101,292,373	1.7	4.1	4.1	0.0	4.50	(92,775)	(142,608)	0	180,000
R&D / Flex	15,717,809	3.1	3.9	3.7	0.2	8.49	(99,458)	(106,745)	0	0
Other Industrial	5,092,973	0.4	0.4	0.3	0.1	10.36	(7,000)	7,851	0	0
Total	247,186,853	3.3	5.7	5.5	0.2	5.31	(138,015)	(201,624)	0	990,000

Market Statistics by Submarket

	Net Rentable Area (Sq. Ft.)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Deliveries (Sq. Ft.)	Under Construction (Sq. Ft.)
Downtown	38,408,522	3.3	4.6	4.6	0.0	4.7	43,772	(56,548)	0	0
East	5,840,223	1.1	1.5	1.5	0.0	8.17	8,275	14,845	0	0
Geauga West	1,456,727	0.4	1.0	1.0	0.0	6.0	0	0	0	0
Lake County West	20,500,356	1.9	3.4	3.3	0.1	5.33	104,293	171,009	0	0
Northeast	24,846,472	2.0	6.9	6.9	0.0	3.87	(36,239)	(26,239)	0	0
Northwest	29,031,588	2.0	6.5	6.5	0.0	4.98	16,000	(946)	0	0
Out of Submarket	1,917,092	60.6	61.5	60.6	0.9	5.76	0	0	0	930,000
South	31,219,594	3.6	5.1	4.7	0.3	6.42	(80,796)	(80,621)	0	0
Southeast	52,521,765	4.4	5.9	5.7	0.2	5.84	(172,510)	(234,864)	0	0
Southwest	41,444,514	1.8	5.0	4.6	0.4	6.18	(20,810)	11,740	0	60,000
Total	247,186,853	3.3	5.7	5.5	0.2	5.31	(138,015)	(201,624)	0	990,000

National Economic Outlook

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

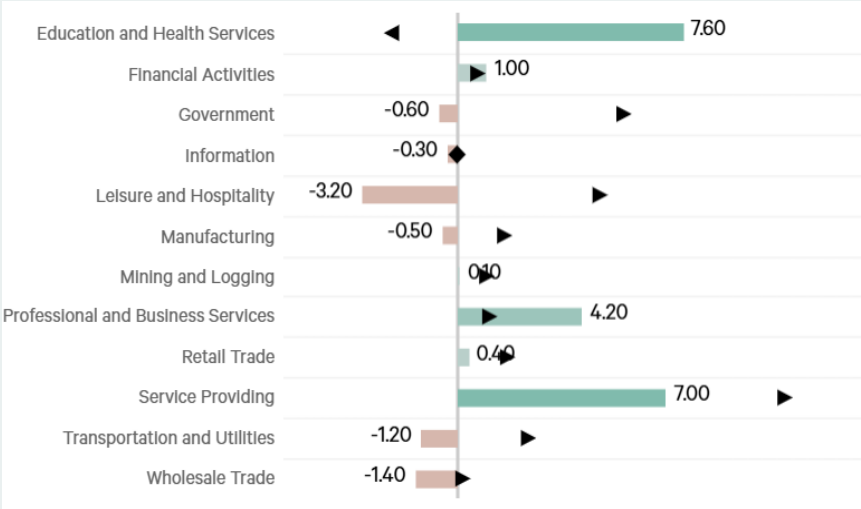
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

Source: CBRE Research

Cleveland, OH Employment Update

- 4.8% Unemployment Rate
- 1.1M Labor Force
- 617.1k Office Using Jobs
- 346.1k Industrial Using Jobs
- 248.4k Retail Using Jobs

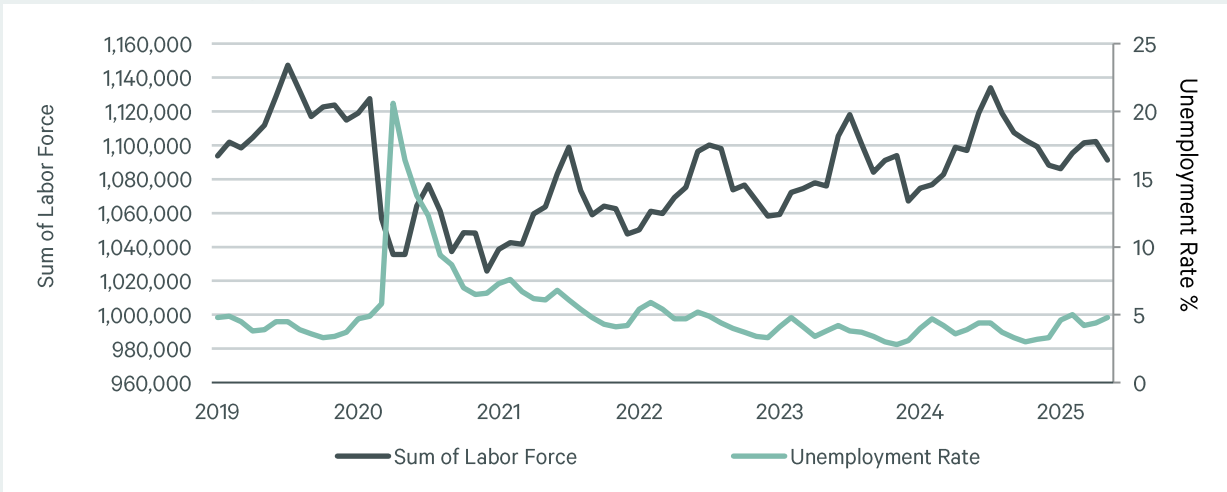
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

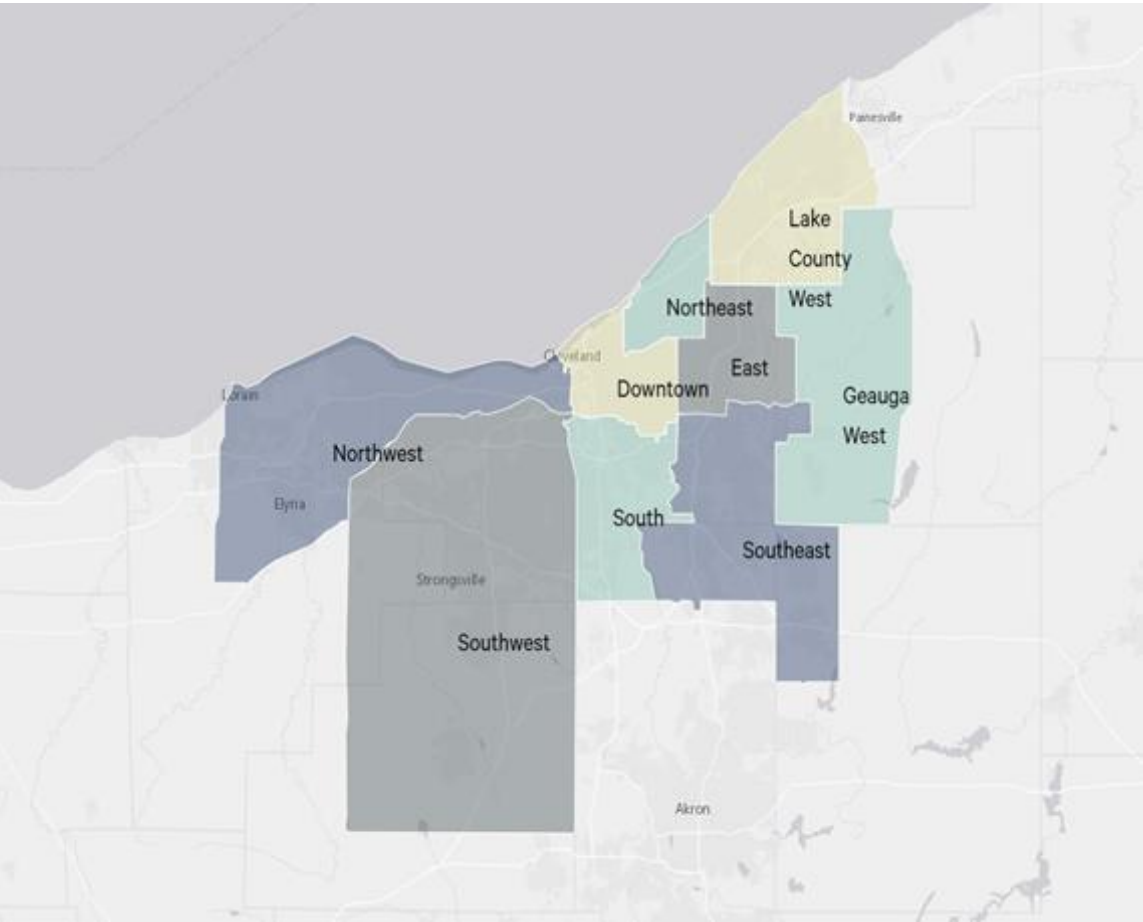
Source: US BLS, May 2025

Cleveland, OH Unemployment Rate and Labor Force Trends



Source: US BLS, May 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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