

INVESTMENT FORECAST

Office
Cleveland Metro Area

IPA
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ADVISORS





2025

Cleveland's Waterfront Districts Sustain Popularity as Employment Returns to Pre-2020 Levels

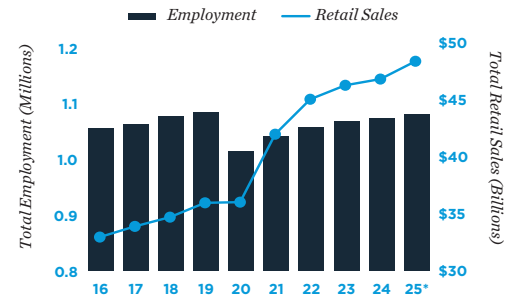
Vacancy remains near record lows, poised for further compression. Cleveland is on track to see the fewest deliveries on record in 2025, which could be its fifth consecutive year of sub-5 percent vacancy. With new supply extensively pre-leased, supply-side vacancy pressure should be minimal. Reduced construction reflects Cleveland's slowing population growth, which will turn to contraction this year. Still, total employment will edge its way back up to mid-2019 tallies by year-end, supporting retail spending. Tenant demand, meanwhile, is divided. Single-tenant vacancy rose 50 basis points in 2024, with an increase of 150 basis points in Lorain County. Multi-tenant spaces, however, experienced a 50-basis-point rate compression, led by triple-digit reductions in West and Northeast Cleveland. Leasing activity was strongest near the waterfront, with a secondary focus around Akron and North Canton. Move-ins slated for this year focus on mixed-use retail spaces in Downtown and Midtown, skewing toward strip centers in the West, Northwest and Lorain County submarkets.

Lakefront districts still demand attention. Over half of last year's transactions took place in West and Northeast Cleveland, or along the northern edge of Lorain County. Trades consisted primarily of sub-\$5 million single-tenant transactions, as private investors continued to drive the bulk of activity. Of note is Southwest Cleveland, which attracts investors further inland and accounted for roughly 20 percent of 2024 transactions — a slight increase from prior years. Starting the year with vacancy at just 2.8 percent, West Cleveland may also draw investors going forward. As Cleveland encourages return-to-office policies and improves walkability and public spaces near city center retail locations, Downtown stands to draw additional investment as well.

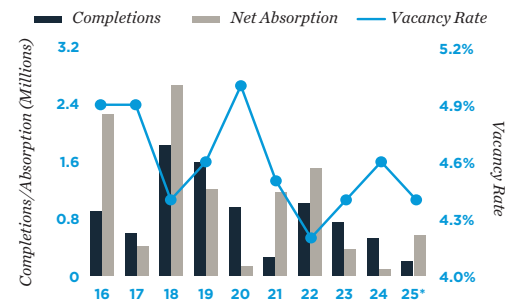
2025 MARKET FORECAST

- +0.7%**  **EMPLOYMENT:** Robust health and education, manufacturing, and finance sector growth contribute to the addition of 7,500 jobs this year — a figure consistent with the 2014-2019 average.
- 207,000 sq. ft.**  **CONSTRUCTION:** Cleveland's deliveries will fall by roughly 300,000 square feet year over year, dropping to the lowest figure on record. Total inventory will rise by just 0.1 percent.
- 20 bps**  **VACANCY:** Minimal deliveries and extensive pre-leasing will help funnel new demand into existing floorplans. This year will close out with a total vacancy rate of 4.4 percent.
- +0.6%**  **RENT:** Though the pace of growth slowed through last year, minimal new supply and constricting availability levels will help raise the mean asking rate to \$13.17 per square foot by year-end.
- INVESTMENT:** *Triple-net leased assets were the most popular category for 2024 trades. Investors seeking similar opportunities may target fast food, restaurant or drug store properties along major interstates.*

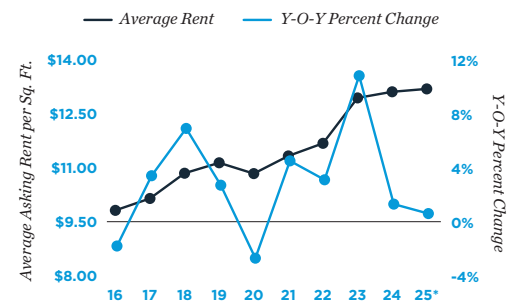
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.