

INVESTMENT FORECAST

Retail
Cleveland

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

As Deal Liquidity Strengthens, Income Gains Support New Retail Space Demand

Multiple offsetting forces net out to an optimistic outlook. Despite ongoing trade uncertainty and tariff-related cost pressures, the metro's vacancy rate is projected to decline amid historically slow inventory expansion. Household income growth above 4 percent annually — one of the fastest paces nationally — and a 2.8 percent increase in Ohio's minimum wage should bolster consumer spending capacity. However, a projected 0.4 percent population decline driven by net out-migration may strain momentum in retail sales and temper retailer expansion. These dynamics are expected to partially influence net absorption, pushing demand growth below its prior 10-year mean, though it will remain positive. Localized support may stem from last year's strong apartment fundamentals, particularly in University Circle, Downtown Cleveland, and Medina County, where both apartment demand and retail vacancy trends have moved favorably heading into 2026.

Diverging rent trends shape 2026 investment. Transaction velocity surged last year, with deal flow rising roughly 60 percent, the second-largest gain among Midwestern metros behind Columbus. At the same time, the average price per square foot increased about 1.2 percent year-over-year, reaching roughly \$309 at the close of 2025. In 2026, improving single-tenant demand and asking rent growth — among the strongest nationally last year at roughly 7 percent — are likely to influence investment activity. Single-tenant asking rents now exceed those of multi-tenant assets, a divergence that may further skew investor interest toward single-tenant properties. However, higher cap rates and lower entry costs for multi-tenant assets, alongside slightly stronger price gains last year, may draw yield-oriented investors to this segment in 2026.

2026 MARKET FORECAST

+0.5%



Employment: Labor market gains are projected to nearly double last year's tally, with about 5,500 jobs added on net, placing the metro near the midpoint among Midwestern peers.

120,000
sq. ft.



Construction: Inventory will expand at a record slow pace of only 0.1 percent, as only four other major U.S. metros will welcome fewer supply additions than Cleveland this year.

-20 bps



Vacancy: As Cleveland has not recorded a net annual space relinquishment since at least 2007, vacancy will ease to about 4.5 percent, the steepest decline among Midwest metros.

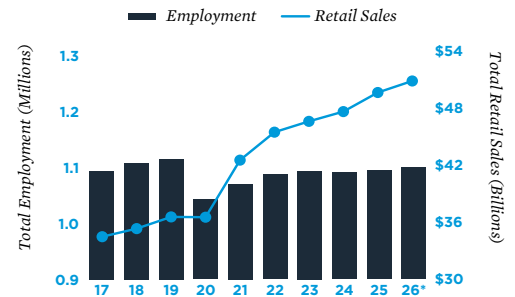
+1.2%



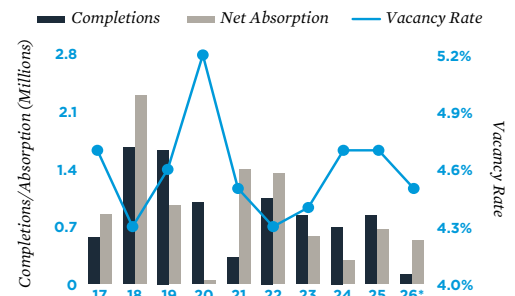
Rent: Cleveland's average asking rent in 2026 is projected to increase modestly to \$13.40 per square foot, supported by limited supply pressure and tightening vacancy.

INVESTMENT: *Medina County placed in the top 10 percent nationally for vacancy compression last year, potentially attracting increased investor attention, particularly among buyers focused on steady cash flow.*

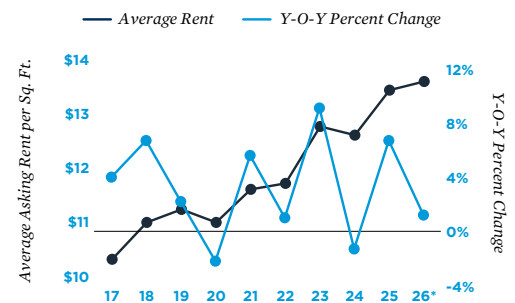
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.