

INVESTMENT FORECAST

Industrial
Cleveland

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Tenants Proceed Selectively as Fundamentals Regain Some Balance, Supporting Disciplined Deal Flow

Scant supply adds support. As of March 2026, Cleveland had the lowest vacancy rate among major U.S. markets, with net absorption turning positive in the first quarter after negative prints throughout 2025. Move-outs in light distribution and light manufacturing contributed to vacancy rising 80 basis points over the past 12 months, while leasing velocity softened before rebounding in early 2026. Sub-50,000-square-foot spaces have been the most stable, recording the smallest rise in vacancy amid new tenant commitments. In particular, leasing activity for well-located sub-25,000-square-foot warehouses in Cuyahoga Heights-Garfield Heights supported positive local net absorption. By contrast, big-box users grew more selective, as renewal activity increased and lease durations shortened. Elevated uncertainty surrounding trade policy and the Middle East conflict may keep tenant decision-making measured near term, especially for those with international supply chains. Still, limited new supply should lessen pressure on metrowide fundamentals while freight-related infrastructure upgrades at the Port of Cleveland may provide a modest long-term tailwind.

Capital targets well-leased assets. Deal flow has remained relatively stable since 2023, with private buyers driving most transaction activity. Investment in the southeast rebounded after a subdued 2024, with manufacturing assets attracting renewed interest, likely driven by the segment's low vacancy. Small-bay properties also remained a favored target, as vacancy held below 3 percent, likely to continue drawing investors in 2026. This trend was especially evident along the shoreline between Painesville and the CBD, where investors targeted fully leased, pre-1990 warehouses, suggesting a preference for stable in-place cash flow and proximity to the Port.

2026 MARKET FORECAST

+0.2%



Employment: The local labor market is expected to expand slightly compared to last year. Roughly 2,000 positions will be added on net, likely driven by growth in the healthcare sector.

650,000
sq. ft.



Construction: Inventory will expand by only 0.2 percent in 2026, its slowest pace since 2013. Most deliveries will occur in the second half of the year if current timelines hold.

+20 bps



Vacancy: Vacancy will rise to 4.6 percent, a marginal year-over-year increase, but the year-end rate will nonetheless remain among the tightest nationally.

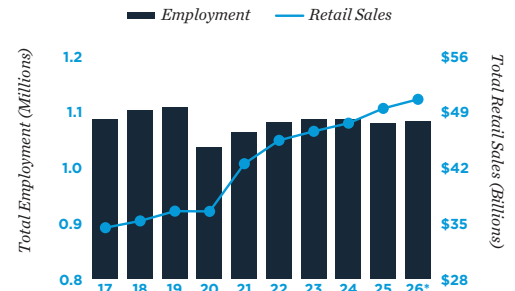
+1.6%



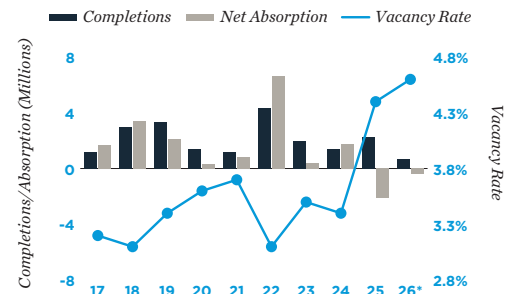
Rent: Rent growth is expected to continue, albeit at a slower pace than the year prior, with the metrowide average asking rate rising to \$5.68 per square foot by the end of 2026.

INVESTMENT: Medina County vacancy rose 230 basis points in 2025, topping 3 percent, but below-market pricing and still tight conditions may draw investors willing to accept near-term leasing risk.

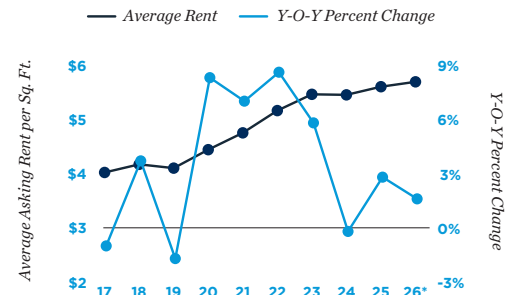
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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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.