Market Report

MULTIFAMILY 2Q/26

Cleveland Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
2,000 — Jobs will be created
0.2% — Increase Y-O-Y

CONSTRUCTION
920 — Units will be added
0.5% — Inventory increase Y-O-Y

VACANCY
4.4% — Vacancy rate
10 — BPS increase Y-O-Y

RENT
$1,450 — Average effective rent by year-end
3.2% — Increase Y-O-Y

Downtown Revitalization Attracts Capital Amid Broader Demand Hurdles

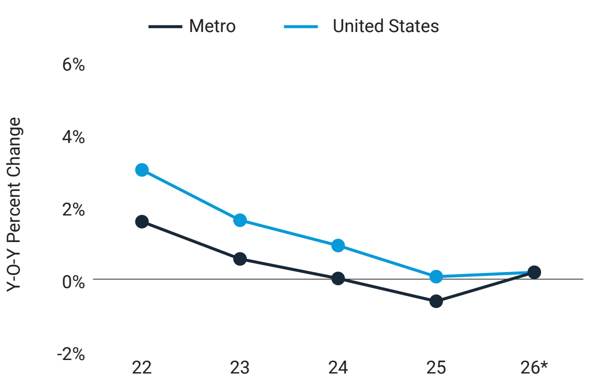
Tailwinds begin to materialize in the core. Cleveland's CBD-suburban vacancy gap reached one of the widest nationally in 2025, tying Columbus at 390 basis points after averaging above 300 basis points for the past 11 quarters. Migration trends favor outer suburbs, especially around Lorain County, helping keep vacancy below 4 percent in Westlake-Lorain and Strongsville-Medina. Core vacancy remained elevated around 7.6 percent, though recent population stabilization in Cleveland proper offers upside as CBD deliveries fall to a decade-low in 2026.

Affordability shapes class bifurcation. As one of only two major U.S. markets where mean monthly mortgage payments sit below the average Class A rent, Cleveland's ownership alternative continues to limit the upper-tier renter pool. Class A vacancy rose to 7.2 percent in March 2026, the second-highest nationally, pushing concessions to one-quarter of available inventory. Higher interest rates could delay some home purchases, while fewer deliveries should ease Class A pressure. Meanwhile, Class C vacancy should remain tight around 3 percent, supported by rising renewal conversions, which reached 75 percent in March and signal durable renter retention. Still, weak household formation and modest job growth may prevent near-term vacancy tightening.

EMPLOYMENT

Cleveland shed 6,600 jobs in 2025, its first net-loss year since 2009, excluding the pandemic. Declines were concentrated in several sectors, including the federal government, wholesale trade, and accommodations and food services. Through the first quarter of 2026, employers in leisure and hospitality and education hired the most. Although this year's gains are expected to be about one-quarter of the prior half-decade average and the 2014-2019 mean, the 2026 tally would still be its best year since 2023.

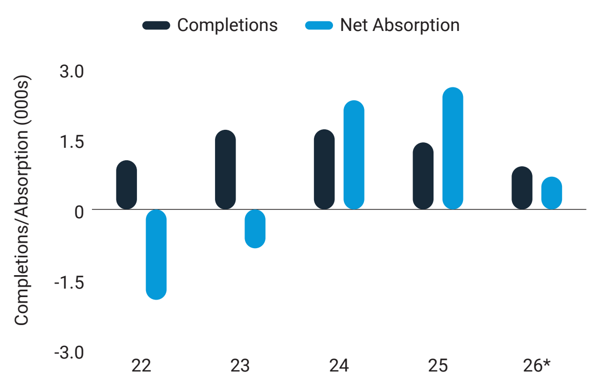
EMPLOYMENT TRENDS



CONSTRUCTION

Local inventory growth in 2026 will run about 30 basis points below its prior five-year average of 0.8 percent, marking only the third year since 2014 with fewer than 1,000 deliveries. About two-thirds of this year's completions will arrive before July, with most again concentrated in Central Cleveland, where inventory expanded 55 percent from 2016 to 2025. Meanwhile, University Circle's supply pressure will ease, with just over 100 units slated for 2026 following its recent three-year wave that added about 1,600 units.

CONSTRUCTION TRENDS



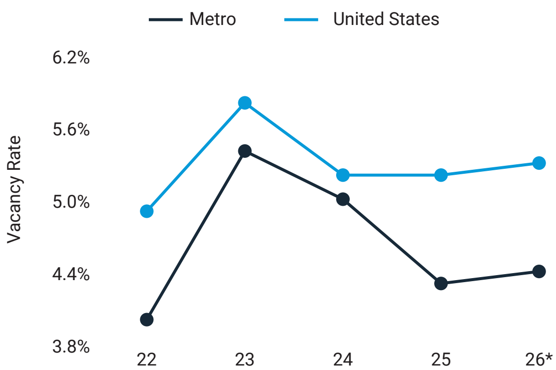
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

After two years of tightening, Cleveland vacancy should edge higher as demand moderates. Demographic trends point to near-term weakness, with outflows among residents ages 20 to 34 narrowing the prime renter pool and scant household formation limiting broader demand. If these trends continue, supply constraint may not fully offset the demand slowdown. Still, limited deliveries should provide a cushion, with the year-end vacancy rate reaching its prior 10-year average, yet remaining well below the national level.

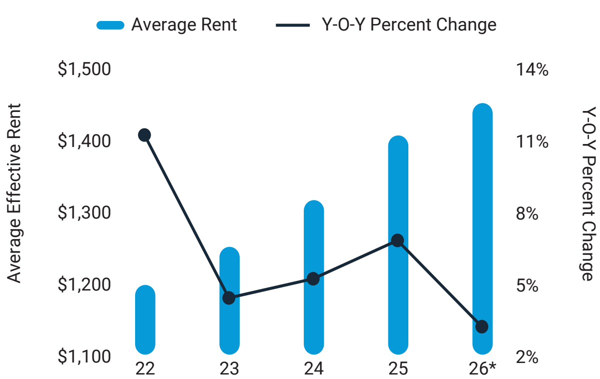
VACANCY TRENDS



RENT

Local concession usage has gradually increased since mid-2022, rising from about 5 percent to nearly 15 percent of units by early 2026, though that remains well below the 25 percent U.S. average. This metric will likely edge higher by year-end as vacancy rises, but not enough to halt metrowide average effective rent growth. By December, Cleveland is expected to record its 25th straight year of rent gains, the longest such stretch among major U.S. metros, even as year-over-year rent growth slows to its lowest pace since 2020.

RENT TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

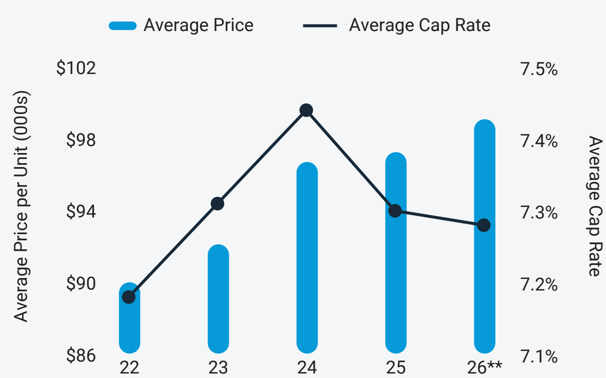
INVESTMENT HIGHLIGHTS

- Trading activity in recent years has remained relatively stable. Private investors targeted lower-basis Class B/C assets in and near the core, especially first-ring suburbs like Lakewood, University Circle, and West Cleveland. Despite entry costs rising about 2.3 percent in the past 12 months ended March, Cleveland's average price per unit remains among the lowest nationally at roughly $99,000, while simultaneously offering some of the highest yields at around 7.3 percent.

- Cleveland's downtown revitalization efforts should continue to support the core. Roughly $5 billion in public and private investment reflects a multiyear pipeline of CBD, lakefront, and riverfront projects. Bedrock's Cuyahoga Riverfront plan, the North Coast redevelopment, and several adaptive-reuse projects may improve the core's long-term renter appeal by enhancing connectivity, expanding the amenity base, and reinforcing investor confidence. However, most of the benefits should materialize gradually after 2026.

- Near east-side nodes may also draw more investor attention in the coming years as catalysts such as the Cleveland Clinic, University Circle, and the Opportunity Corridor advance. Cleveland Clinic's continued campus growth should support nearby housing demand tied to medical, lab, and professional employment. The Midline would convert 350-plus acres into a transit-connected employment district spanning industrial, office, and R&D uses, with more than 2,500 jobs at full build-out. Jointly, these projects could strengthen long-term renter demand in Fairfax, Central, and Midtown.

SALES TRENDS



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