

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.4% Vacancy Rate		
-1.75M YTD Net Absorption, SF		
\$19.57 Asking Rent, PSF (Overall, All Property Classes)		

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.1M Cleveland Employment*		
3.0% Cleveland Unemployment Rate*		
4.2% U.S. Unemployment Rate		

Source: BLS
* 2026 Q3 data are based on latest available data

LOOKING BACK Q3 2026

The Cleveland office market showed early signs of stabilizing in Q3 2026, though demand still trails the space landlords are carrying. Overall vacancy fell 30 bps to 13.4%, down from 13.7% in Q2, as the market posted 101,732 square feet (sf) of positive net absorption for the quarter. YTD net absorption improved to -1.75 million sf (msf) from -1.85 msf in Q2. Chagrin, East & Lander led the quarter with 233,260 sf of net absorption, followed by Akron at 142,736 sf. The Northeast & Lake County submarket remains the largest drag YTD at -571,212 sf, largely due to a single complex coming back on the market, while Rockside & South leads the three submarkets with positive YTD absorption.

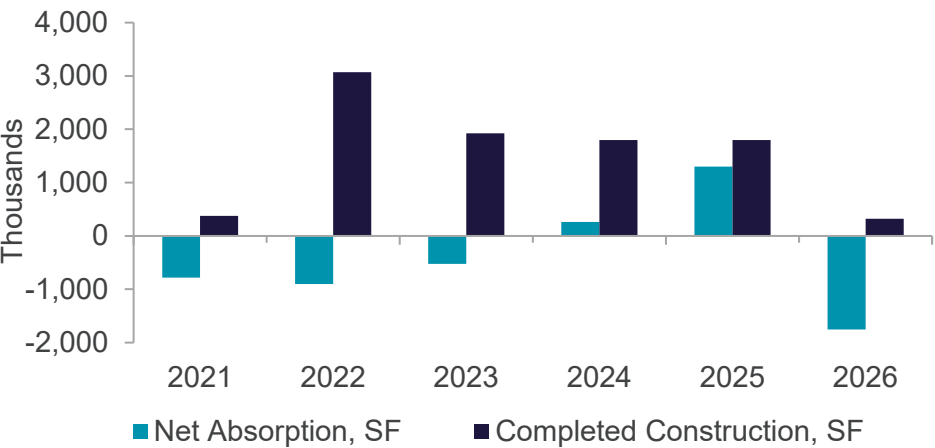
Asking rents edged up \$0.05 from Q2 to \$19.57 per square foot (psf). Class A rents rose \$0.41 to \$22.32 psf, 14.1% above the overall average, up from a 12.2% premium in Q2. This continues to reinforce the flight to quality discussed last quarter, as tenants continue to pay more for newer, amenity-rich buildings while older product carries most of the vacancy.

Leasing activity totaled 243 deals covering 994,607 sf, up from 208 deals in Q2 but slightly lower in square footage. New leases made up 217 of those deals and 875,024 sf. AmTrust Financial Services led the way with a 102,062-square-foot new lease at 6055 Parkland Boulevard in Mayfield Heights, plus a 60,312-square-foot lease at 1300 E. 9th Street in the CBD. Sales activity rose to 70 trades totaling 1,371,907 sf, up from 59 trades and 1,329,757 sf in Q2. KRA Management bought two CBD buildings, 1801 E. 9th Street from Flagstar for \$2.9 million (\$8.72 psf) and 1111 Chester Avenue for \$1.3 million (\$8.04 psf), which together account for 500,352 sf.

THE SIT DOWN: ERIC SCHREIBMAN

This quarter, I sat down with Eric Schreiber, one of our top-producing office brokers and a specialist in the medical office sector. In the general office market, Eric is seeing demand increase as more companies adopt a return-to-office stance. Since the COVID-19 pandemic, many companies have let employees keep working from home, and for some talented employees, giving that up is a deal breaker. Early on, most companies went along with it, worried that demanding a return would cost them top talent. Eric says that's starting to change. "The tide seems to be turning toward 'We want to keep you, but we need you to come in more often. We need you to be here.'" That doesn't necessarily mean a pre-COVID, 9-to-5, five-day week, but most companies are requiring employees to at least follow a hybrid schedule, with some room left for remote work. Because of these remote and hybrid policies, most companies don't need as much space as they used to. "If a user needed 5,000 square feet before, maybe it is only 2,000 to 3,000 now." So, while demand is picking up, it's unlikely to return to pre-COVID levels.

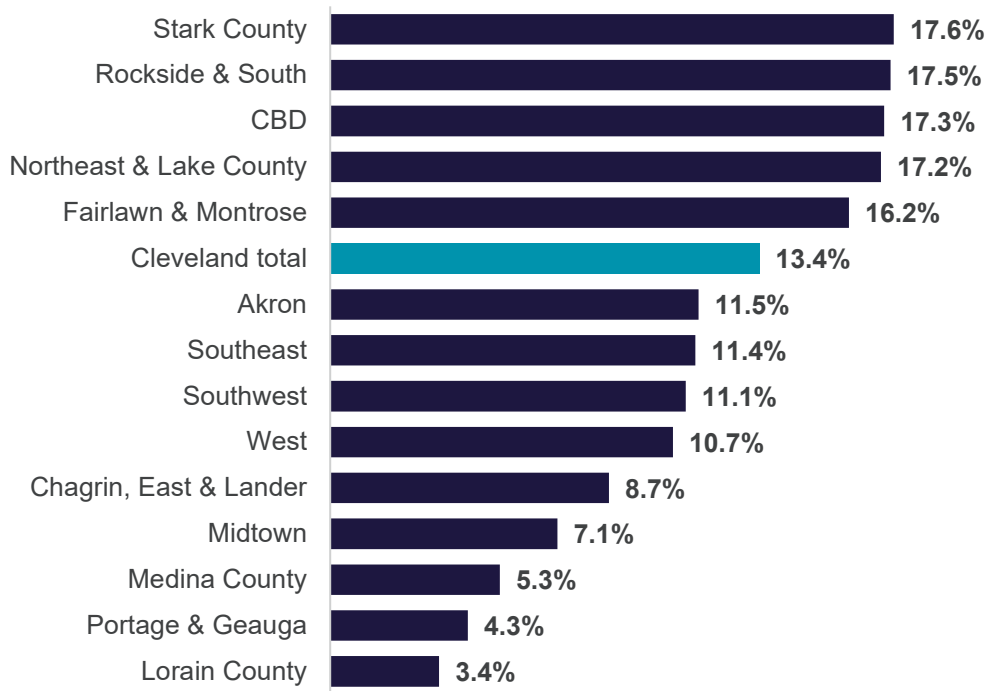
SPACE DEMAND / DELIVERIES



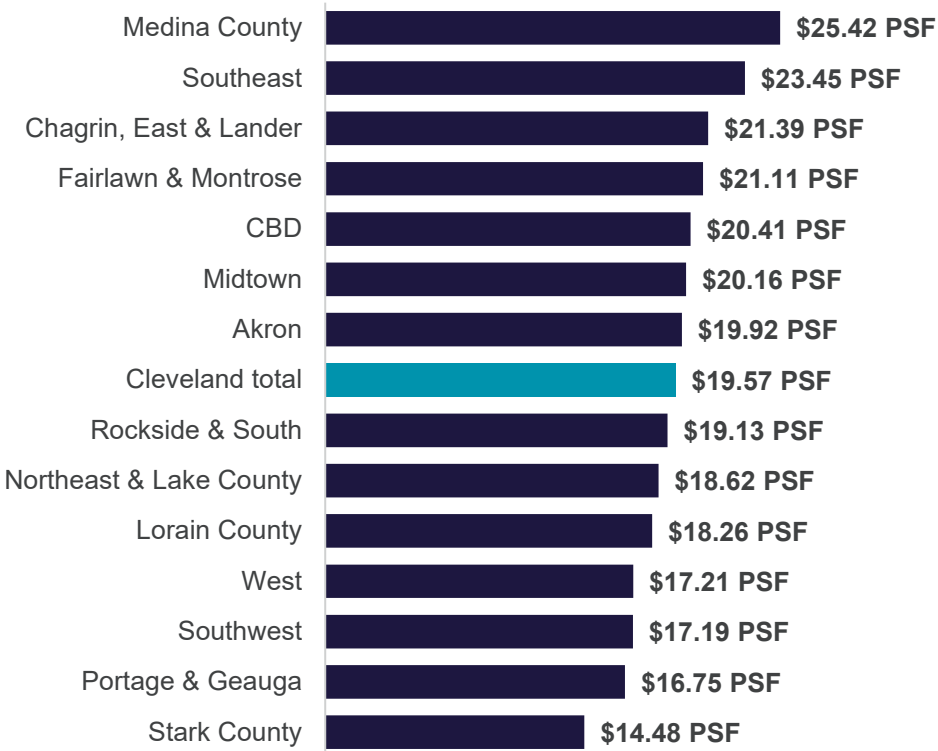
OVERALL VACANCY & ASKING RENT



OVERALL VACANCY RATE BY SUBMARKET, Q3 2026



OVERALL ASKING RENT BY SUBMARKET, Q3 2026



THE SIT DOWN: ERIC SCHREIBMAN (continued)

Circling back to a topic from last quarter, the flight to quality continues, but with a new twist: smaller and larger tenants are approaching it differently. For smaller tenants, the main driver is space readiness, meaning landlords do the work on a space before showing it. "The majority of local tenants cannot envision a build-out, do not want to deal with the hassle of a build-out, or don't have the time for a build-out." Landlords who have move-in-ready space for local tenants will benefit. Corporate tenants, on the other hand, would rather walk into a blank space and design it themselves. "The larger tenants tend to have the resources and very detailed space programs." They also tend to have more time to make decisions, with departments planning their next moves years in advance, which gives them room to plan, design, and execute tenant improvements in those blank spaces.

Switching gears, medical tenants of any size tend to follow a path similar to large corporate tenants, though for different reasons. Medical office tenants typically sign longer leases and stay in their spaces longer than local office tenants of the same size. "It is very difficult to build out new healthcare space; it's expensive," Eric says. "There is also a real risk of disruption to your practice. If you miss a deadline, you may not be able to see your patients for a two-week period or even a four-week period because the build-out isn't ready." The combination of costly build-outs and potential lost revenue from disruptions creates "an even stronger inertia in healthcare to stay where you are, especially if it's working, perfectly or imperfectly."

Looking ahead, an office reset could be on the horizon, and it starts with receivership. "A number of quality office buildings failed for a number of reasons," Eric says. "Now they have gone through foreclosure or receivership and have new ownership. Since those buyers picked them up at low prices, you are going to see a reset in the market." These new owners bought the properties at a fraction of what they were valued at five to seven years ago. That discount lets them improve the spaces and still price asking rents below comparable buildings that haven't changed hands. It could also drive tenants in Class B or C buildings to move up to A or B+ space, and even expand their footprint, while keeping their overall rent the same. With that in mind, our outlook for the next 12 to 24 months is for both asking rates and vacancy to come down.

His caveat is that asking rate alone doesn't tell the whole story. "To me, tenant improvement dollars really drive these deals," he says. On a five-year lease at \$20/SF, a \$50/SF TI package equals two and a half years of rent before the landlord sees any kind of return. Depending on TI, term, and circumstances, two deals in the same building, with the same face rate, can end up miles apart when it comes to return for Landlords. Landlords also need to stay flexible. When a recent client of Eric's could only commit to five years instead of ten, the landlord kept the concession package largely intact and took a calculated risk that the tenant would stay. "I think you have to be willing to do that in office to survive."

OUTLOOK

- Vacancy eases gradually as return to office builds
- Asking rents flat to slightly negative, with downside from receivership-sold Class A
- Flight to quality continues: B and C tenants upgrade at similar rent
- TI and free rent, not face rent, decide deals
- Smaller footprints: Expect tenants to be looking for 40-60% less space than before
- Healthcare demand holds steady, with long stays and few moves

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	24,690,336	4,130,648	128,997	17.3%	-116,586	-291,562	657,754	-	\$20.41	\$21.79
Akron	14,266,076	1,492,602	145,180	11.5%	142,736	-197,035	395,190	4,287	\$19.92	\$20.13
Chagrin, East & Lander	8,284,963	678,617	43,811	8.7%	233,260	-78,058	456,467	-	\$21.39	\$23.09
Rockside & South	7,113,803	1,174,400	69,729	17.5%	51,666	82,826	229,295	59,325	\$19.13	\$27.11
West	6,722,902	713,476	3,814	10.7%	-49,387	-66,739	311,680	-	\$17.21	\$24.48
Stark County	6,696,096	1,171,747	3,920	17.6%	26,480	-412,070	80,699	-	\$14.48	\$14.76
Southwest	4,932,286	526,492	19,241	11.1%	-30,400	-122,938	135,445	14,503	\$17.19	\$21.50
Midtown	4,771,404	338,687	-	7.1%	-20,634	42,936	84,485	-	\$20.16	\$28.52
Northeast & Lake County	4,975,765	846,142	11,059	17.2%	-28,462	-571,212	94,594	-	\$18.62	-
Fairlawn & Montrose	2,548,767	406,141	7,024	16.2%	-33,144	-55,669	44,345	-	\$21.11	\$21.27
Portage & Geauga	2,138,968	90,964	-	4.3%	-3,046	-14,809	16,677	-	\$16.75	\$18.04
Lorain County	2,068,804	69,487	-	3.4%	-3,758	12,477	22,161	-	\$18.26	-
Medina County	1,577,986	84,288	-	5.3%	-35,302	-42,402	35,138	-	\$25.42	-
Southeast	1,766,942	198,182	2,865	11.4%	-31,691	-37,541	121,605	-	\$23.45	\$21.24
CLEVELAND TOTALS	92,555,098	11,921,873	435,640	13.4%	101,732	-1,751,796	2,685,535	78,115	\$19.57	\$22.32

*Rental rates reflect full service asking

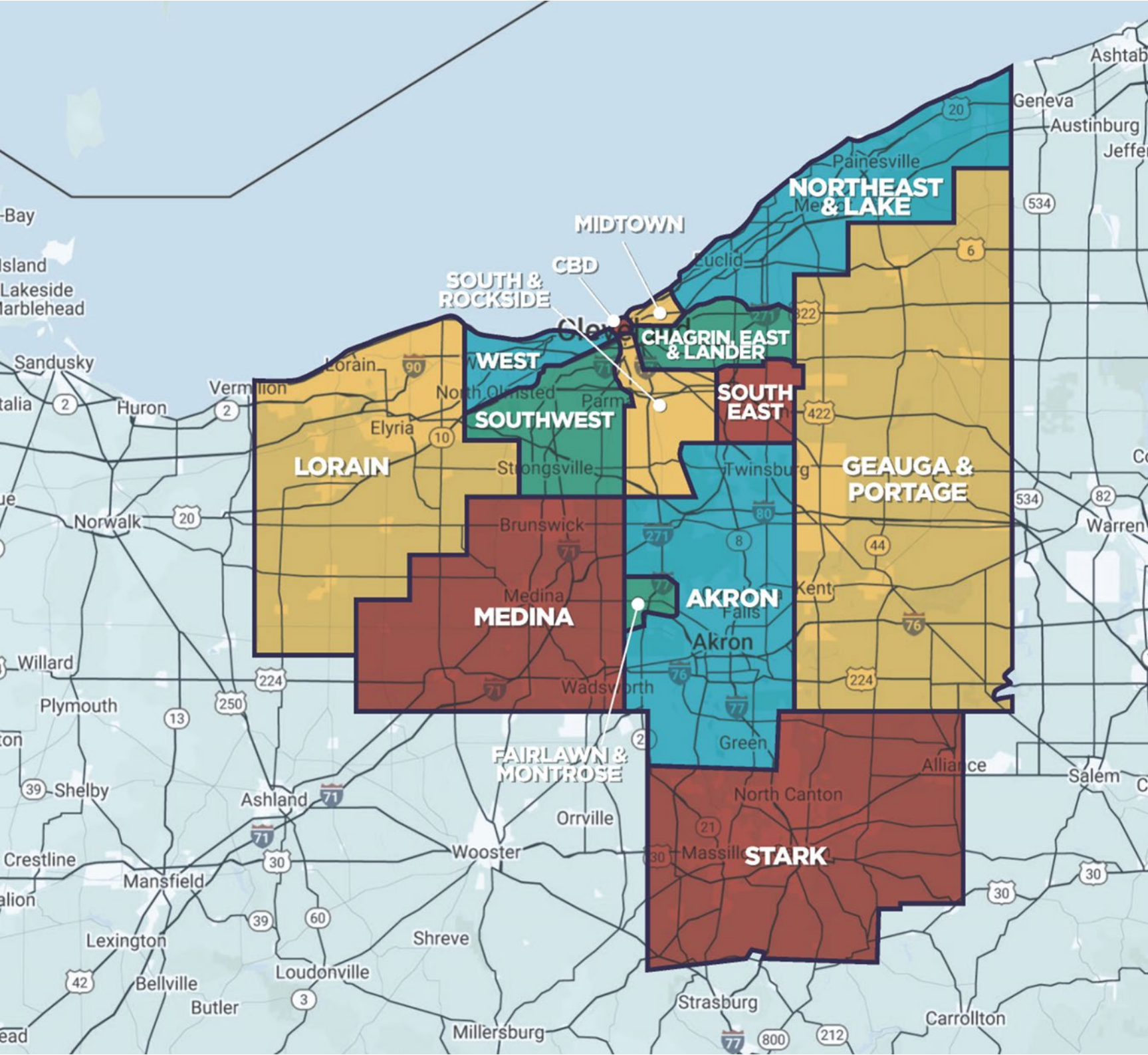
KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6055 Parkland Boulevard	Chagrin, East & Lander	AmTrust Financial Services	102,062	New
1300 E. 9 th Street	CBD	AmTrust Financial Services	60,312	New
8957 Canyon Falls Boulevard	Akron	Ohio Department of Administrative Services	40,000	New
3585 Ridge Park Drive	Akron	Undisclosed Tenant	27,000	New
3333 Richmond Road	Chagrin, East & Lander	Undisclosed Tenant	26,626	New

KEY SALE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1801 E 9th Street	CBD	Flagstar / KRA Management	333,592	\$2.9 Million / \$8.72 PSF
1111 Chester Avenue	CBD	Flagstar / KRA Management	166,760	\$1.3 Million / \$8.04 PSF
4545 College Road	Chagrin, East & Lander	The Notre Dame College / Akron Children's Hospital	131,000	\$2.2 Million / \$16.93 PSF
1653 Merriman Road	Akron	Botnick Realty Company / JNH Commercial LTD	63,785	\$1.8 Million / \$25.12 PSF
9150 South Hills Boulevard	Rockside & South	Joseph Skilken Realty Inc / Ken Ganley Companies	62,053	\$5.98 Million / \$96.29 PSF

OFFICE SUBMARKETS



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