TRANSWESTERN

COMMERCIAL REAL ESTATE

U.S. MARKET | Industrial

Q2 2025

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THE VIEW FROM HERE

Industrial

Q2 2025

Negative net demand following unprecedented run should be short-lived.

Tenants pausing leasing decisions due to tariffs, economic volatility.

Inland hubs with strong job growth and/or manufacturing presence are outperforming.

NET ABSORPTION

-34 MSF

Positive streak ends at 61 quarters

VACANCY RATE

7.0%

Highest level since 2013

UNDER CONSTRUCTION

483 MSF

Construction starts rebounding

ASKING RENT

$9.46

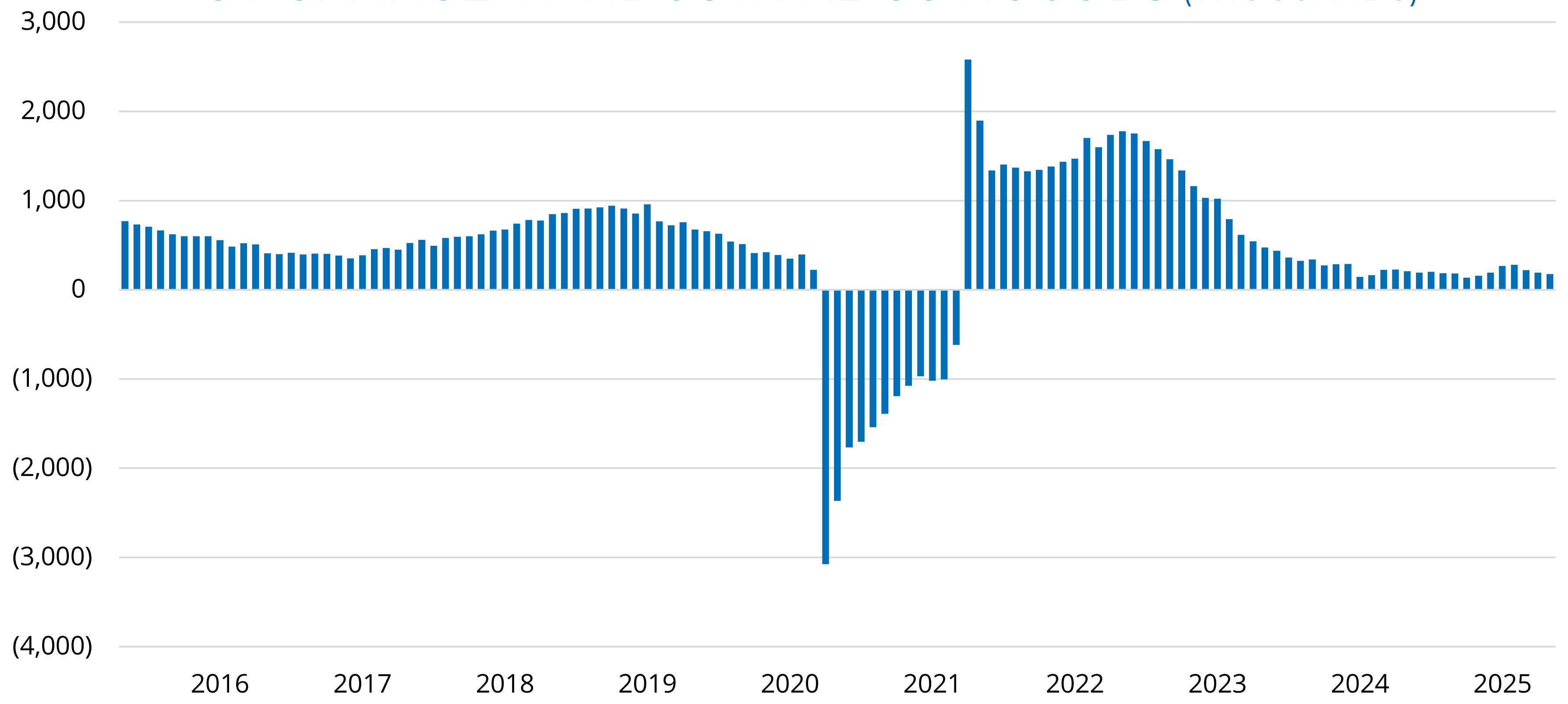
First decrease In 56 quarters

ECONOMIC HIGHLIGHTS

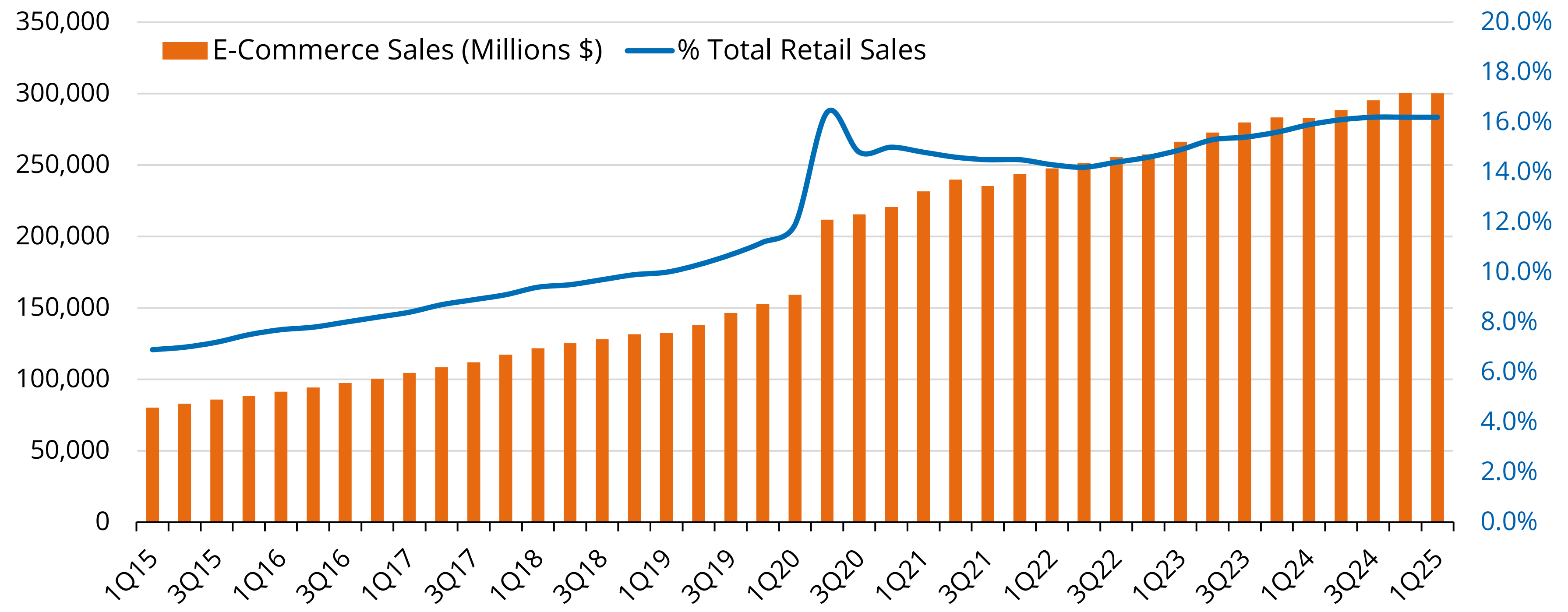
- While initial concerns have subsided, tariffs continue to drive economic uncertainty.
- 2025 first half average GDP growth of about 1.1% included Q2 growth of 3.0%, due to import volatility associated with tariffs, following Q1 GDP which contracted 0.5% for the same reason.
- Below-trend GDP in 2025 is expected before rebounding in 2026 as one-time tariff impacts sort through the economy in the near term, then fall out of the numbers.
- The FOMC maintained its target funds rate at 4.25-4.50%, citing tariffs as a key factor in its hesitancy to lower rates.
- Job growth was lackluster and trended slowly down in the first two quarters, CPI inflation was 2.7% YoY in June and private industry wage growth declined to 3.7%, all of which are supportive of Fed rate cuts.
- Warehouse employment declined slightly YOY, while truck transportation jobs were generally unchanged.
- Despite a shrinking pipeline, construction job growth continued, with June posting the second highest gains among non-government or subsidized sectors.
- Economic activity in the manufacturing sector was unchanged during the quarter while labor contracted.
- More than $2 trillion tariff-driven commitments have been made, led by pharmaceutical, technology/computer chips, food/beverage, aerospace/defense, and motor vehicle companies.
- Imports declined in May but rebounded in June as businesses frontloaded inventory ahead of the extended tariff deadline of August 1.

HISTORICAL

YOY CHANGE IN INDUSTRIAL-USING JOBS (THOUSANDS)



U.S. RETAIL E-COMMERCE SALES



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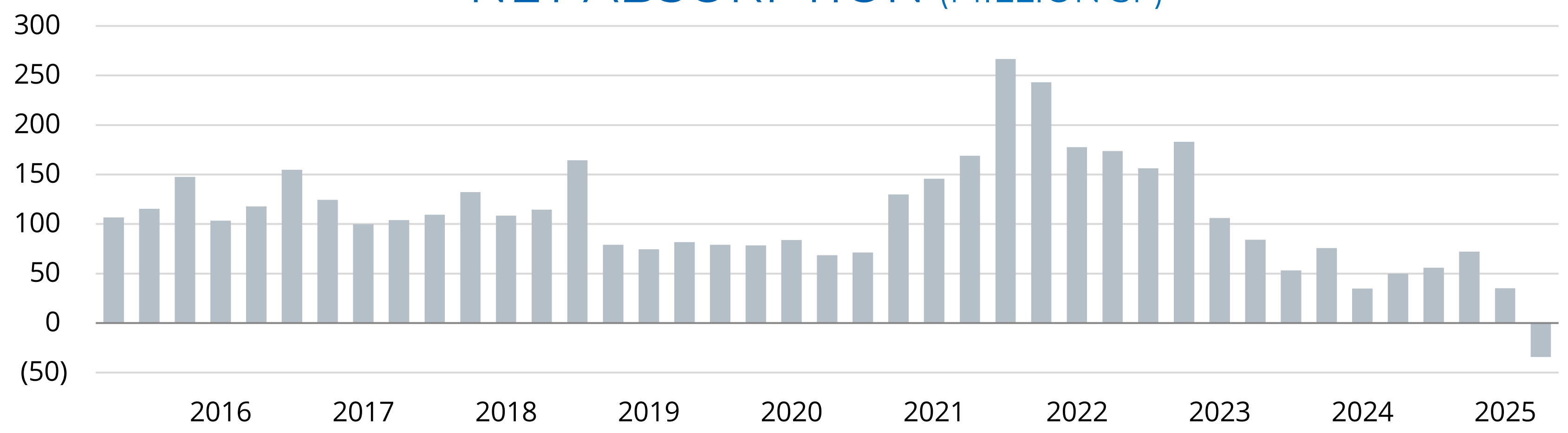
MARKET HIGHLIGHTS

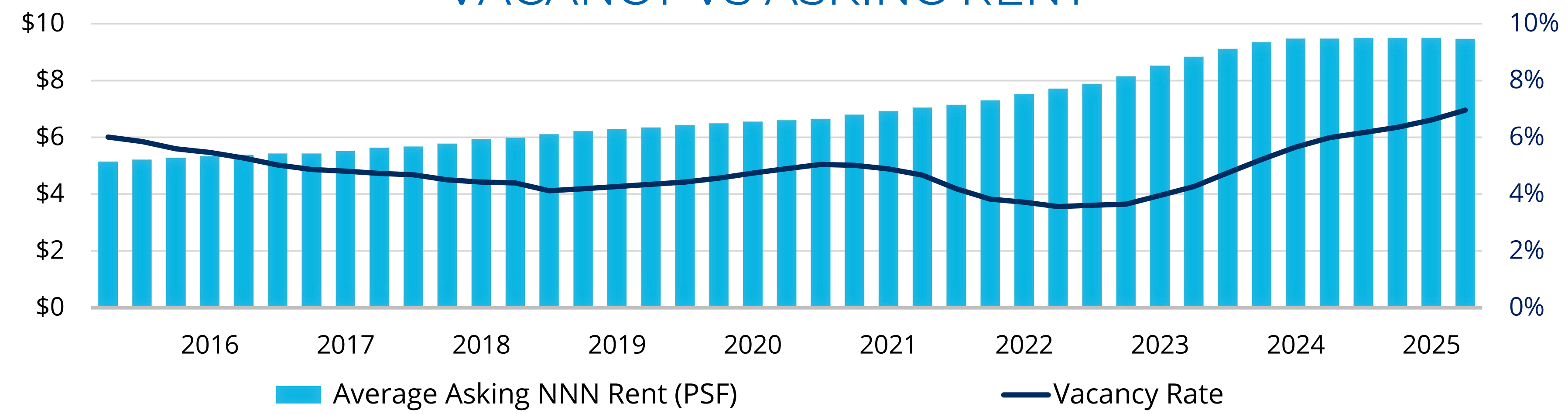
- THE STREAK IS OVER! Following 61 consecutive quarters of expansion, the U.S. industrial real estate market recorded negative net absorption.
- Occupancy decreased for the first time since 2009 following the fallout of the Global Financial Crisis.
- 19 of 44 markets recorded positive net absorption during the quarter, down from the 32 the previous quarter and 29 when compared to a year ago.
- Over the past 12 months, nearly two-thirds of markets posted occupancy growth, while three markets absorbed more than 10 MSF, the same as a year ago.
- The overall vacancy rate increased by 40 basis points to 7.0%, the highest level since Q4 2013.
- While the total amount of sublease inventory increased for the 12th consecutive quarter, its share of overall available space decreased for the first time in three years.
- Asking rents decreased for the first time since 2011, albeit slightly, and are at the same average when compared YOY.
- The markets were evenly split when measuring rent increases vs. decreases. Additionally, six markets were higher by more than 10% while five markets recorded double-digit losses.
- After slowing considerably in 2024, construction starts have leveled off in 2025, with build-to-suit representing a higher share of new development.
- Decision makers have been cautious amid the backdrop of tariffs. As trade deals are solidified, providing more clarity, increased activity for both leasing and development is anticipated as we move further into the year.

HISTORICAL

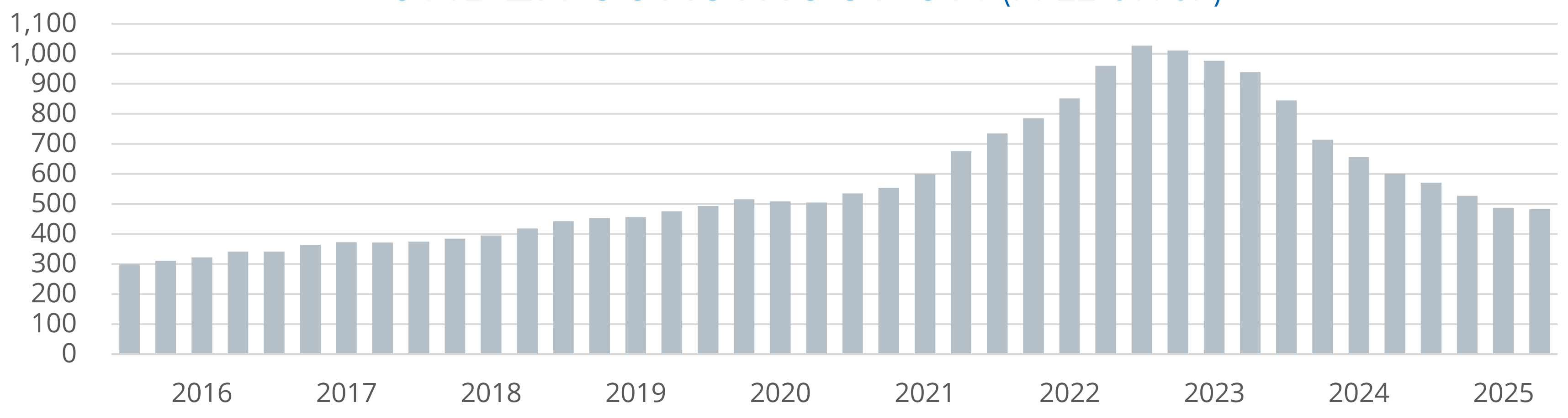
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

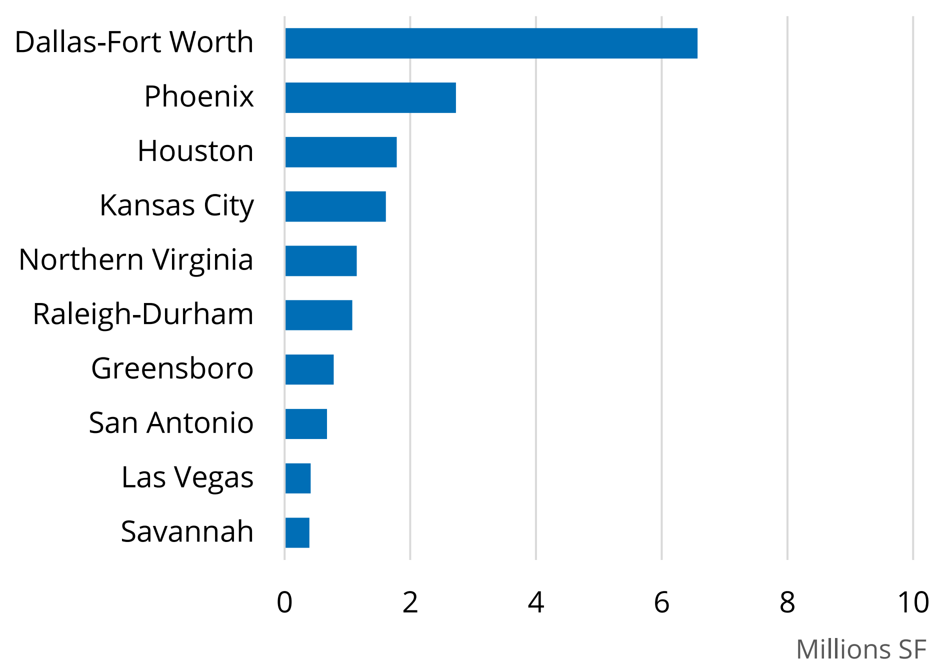


UNDER CONSTRUCTION (MILLION SF)

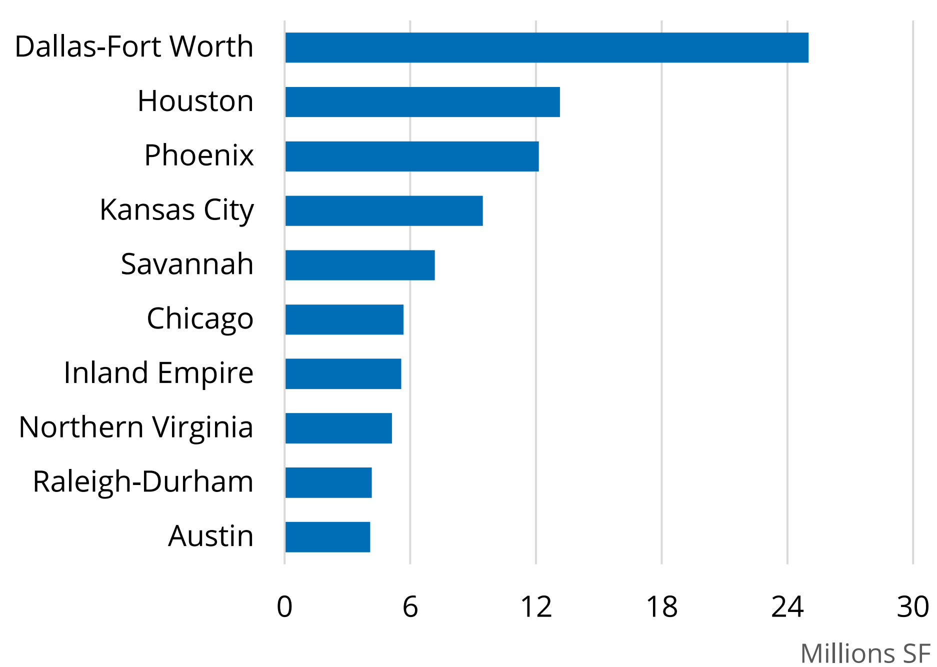


NET ABSORPTION

Q2 2025 Net Absorption

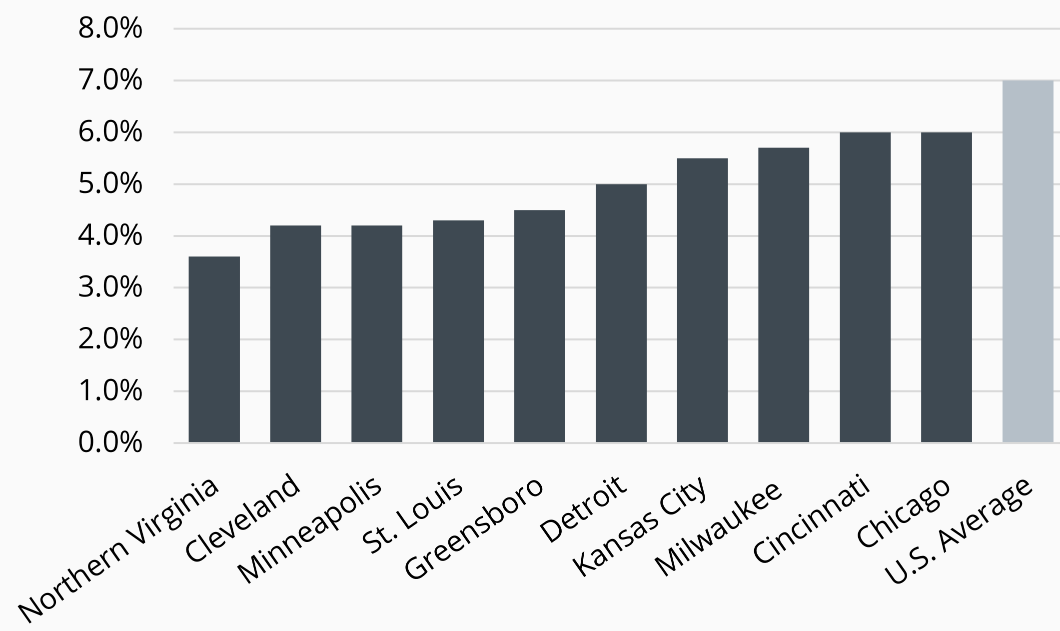


Trailing 4-Qtr Net Absorption

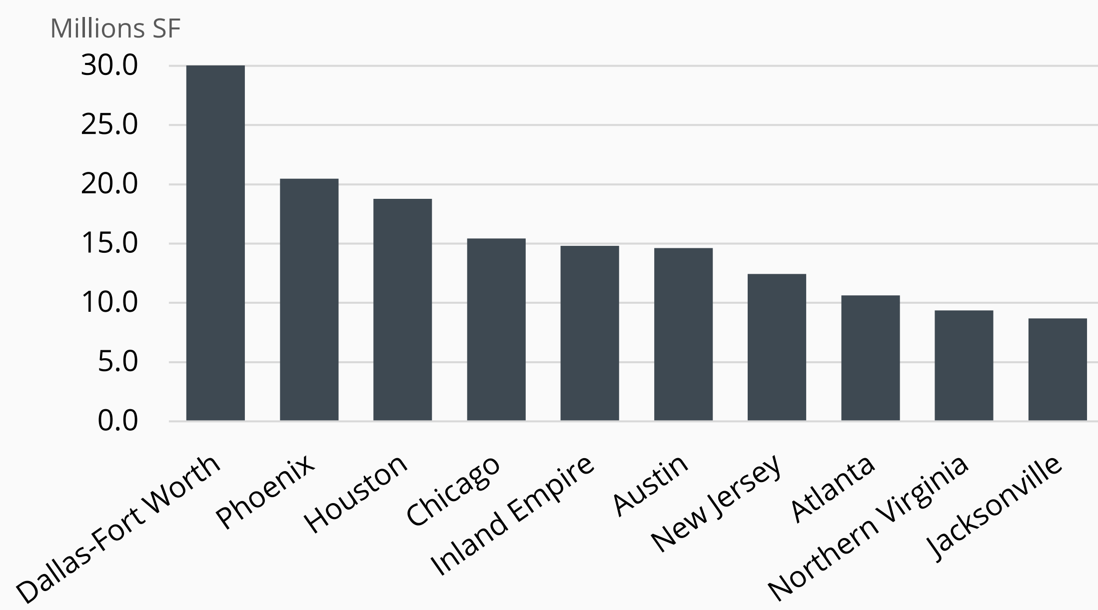


VACANCY/CONSTRUCTION

Q2 2025 Vacancy Rate

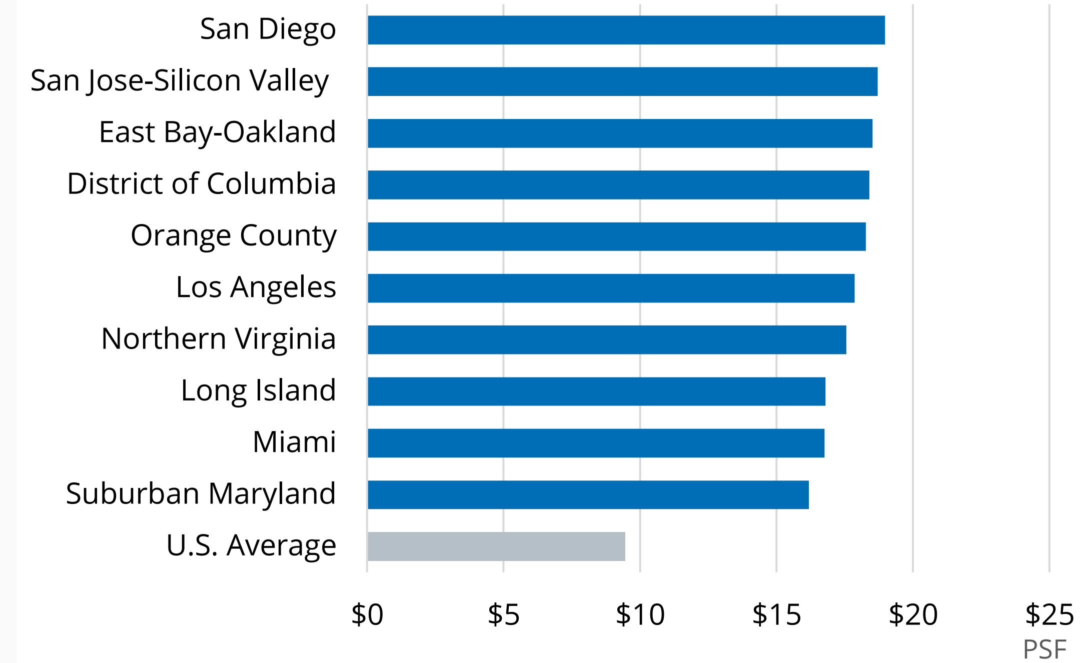


Q2 2025 Under Construction

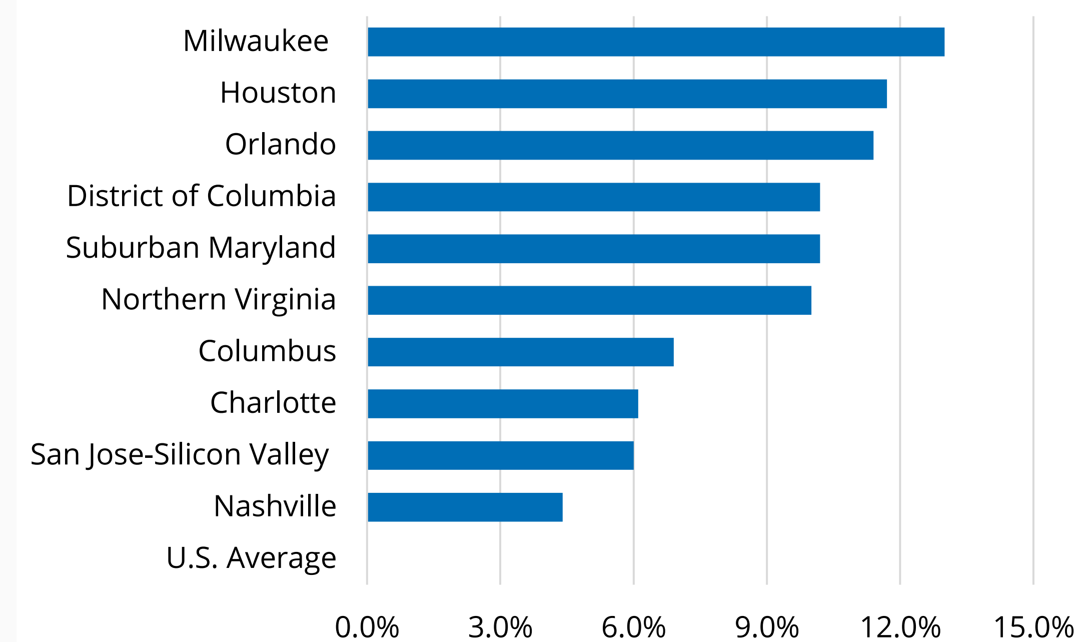


ASKING RENTS

Q2 2025 Asking Rate NNN



Year-Over-Year Rent Growth



*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

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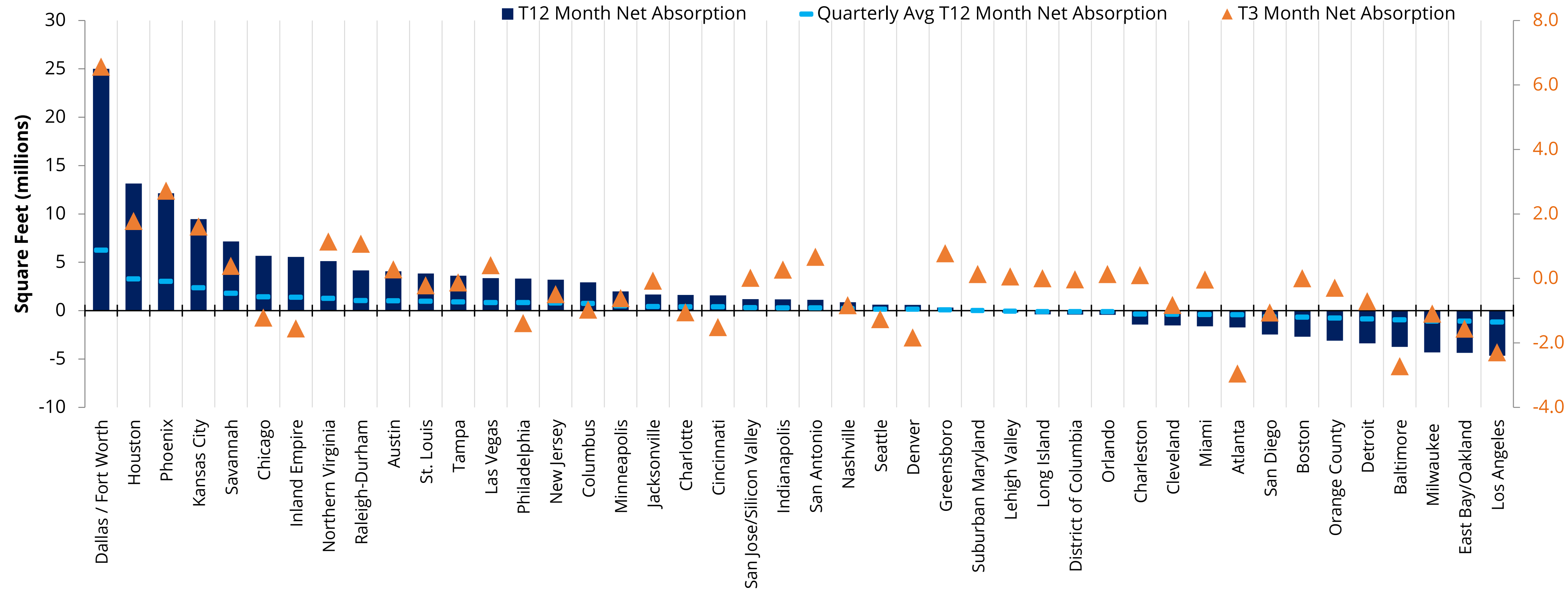
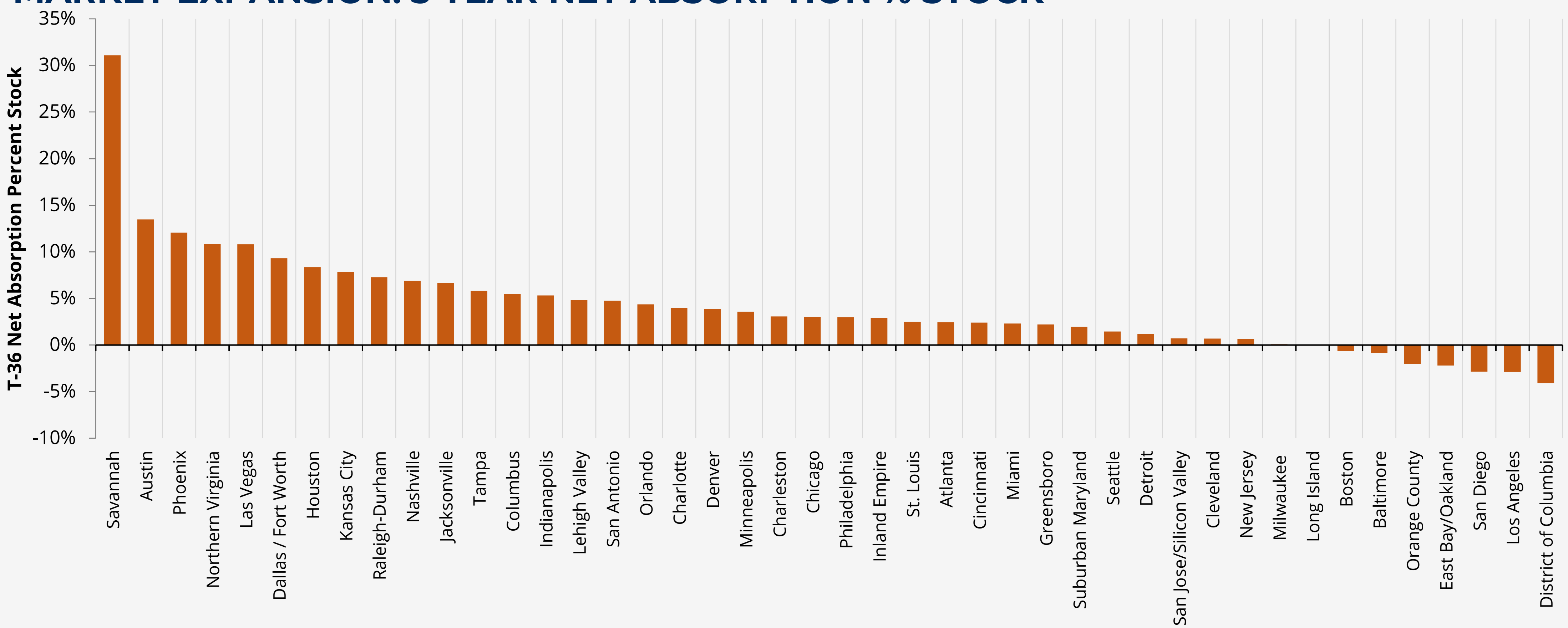
NET ABSORPTION



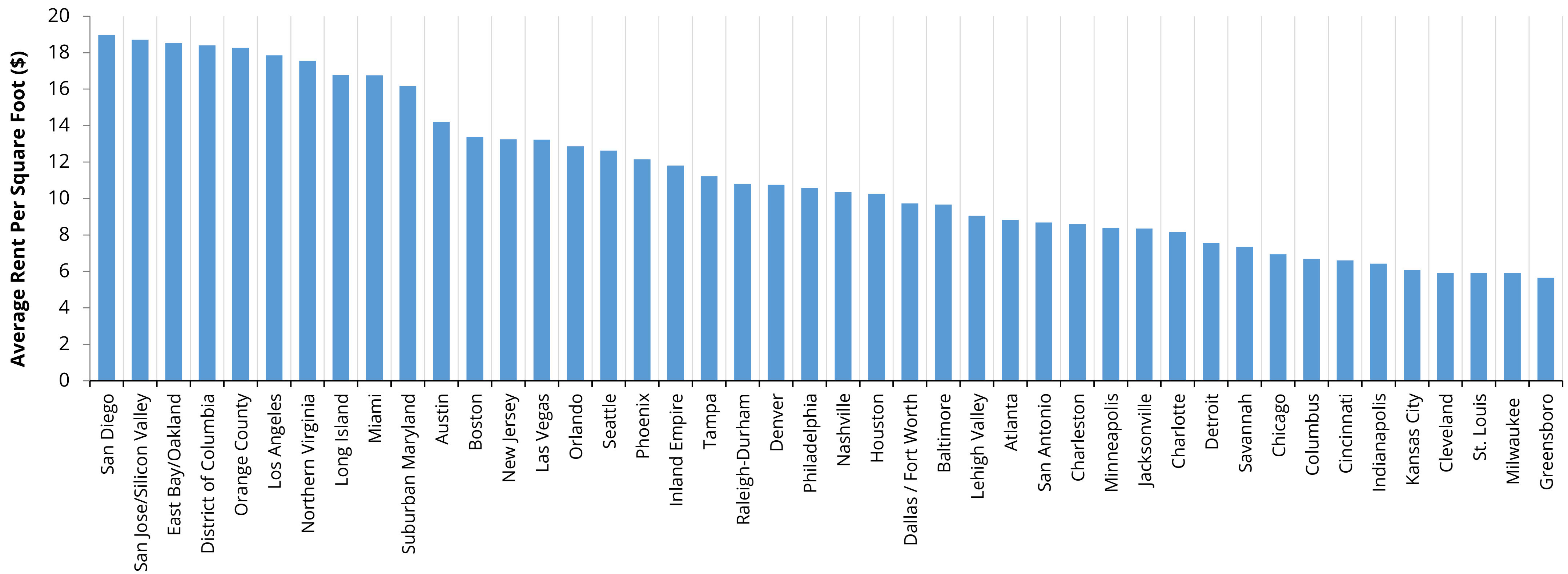
- Positive net absorption was reported in 28 of 44 of markets over the past 12 months, three fewer than in Q1 2025.
- Growth decelerated, as the number of markets where quarterly net absorption improved when compared to the quarterly average fell from 24 to 13.
- Nearly one-third of total net absorption over the past 12 months occurred in the top ten markets, while the top five accounted for slightly more than 50% of occupancy growth.

MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



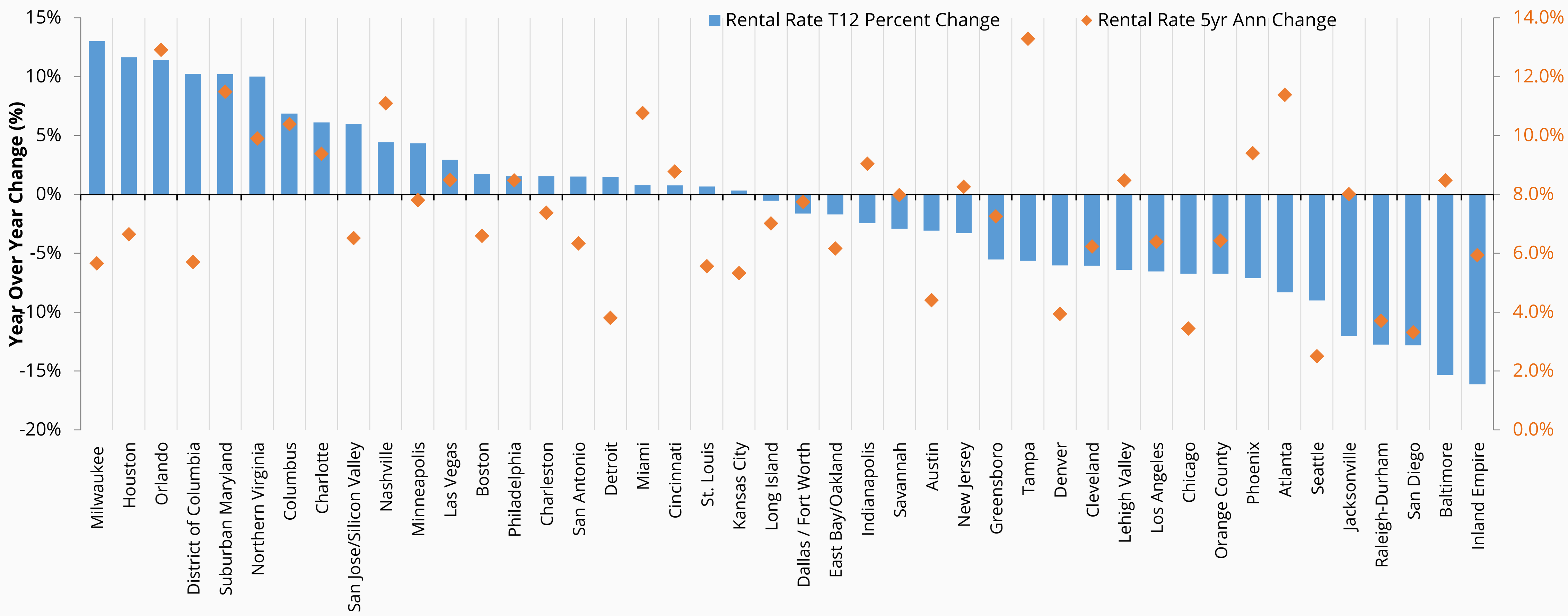
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates a more expansionary market.
- Four of the top five and eight of the top 10 markets for expansion were in the Sun Belt, accompanied by Northern VA and Kansas City.

RENTAL RATES (NNN)



- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the West and East coasts.
- Of the nine coastal markets with the highest asking rates, half experienced rent increases over the past 12 months, led by double-digit increases in the three markets located in the DC Metro.

RENTAL RATE CHANGE



- Six markets experienced rent growth over 10% YoY, up from three at Q1 but down from 11 when compared to the same quarter a year ago.
- Alternatively, 23 markets recorded a decline in rent over the past year, one less than the previous quarter, as an increase in supply and rising vacancies are balancing the market.

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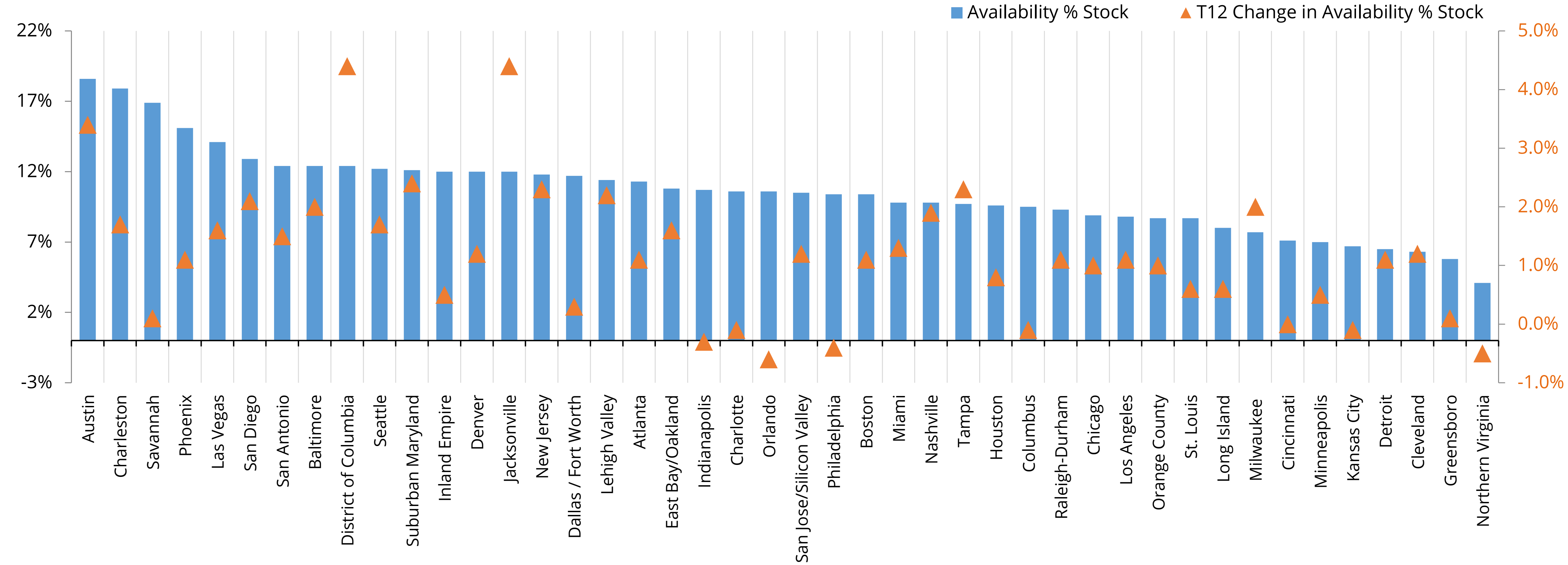
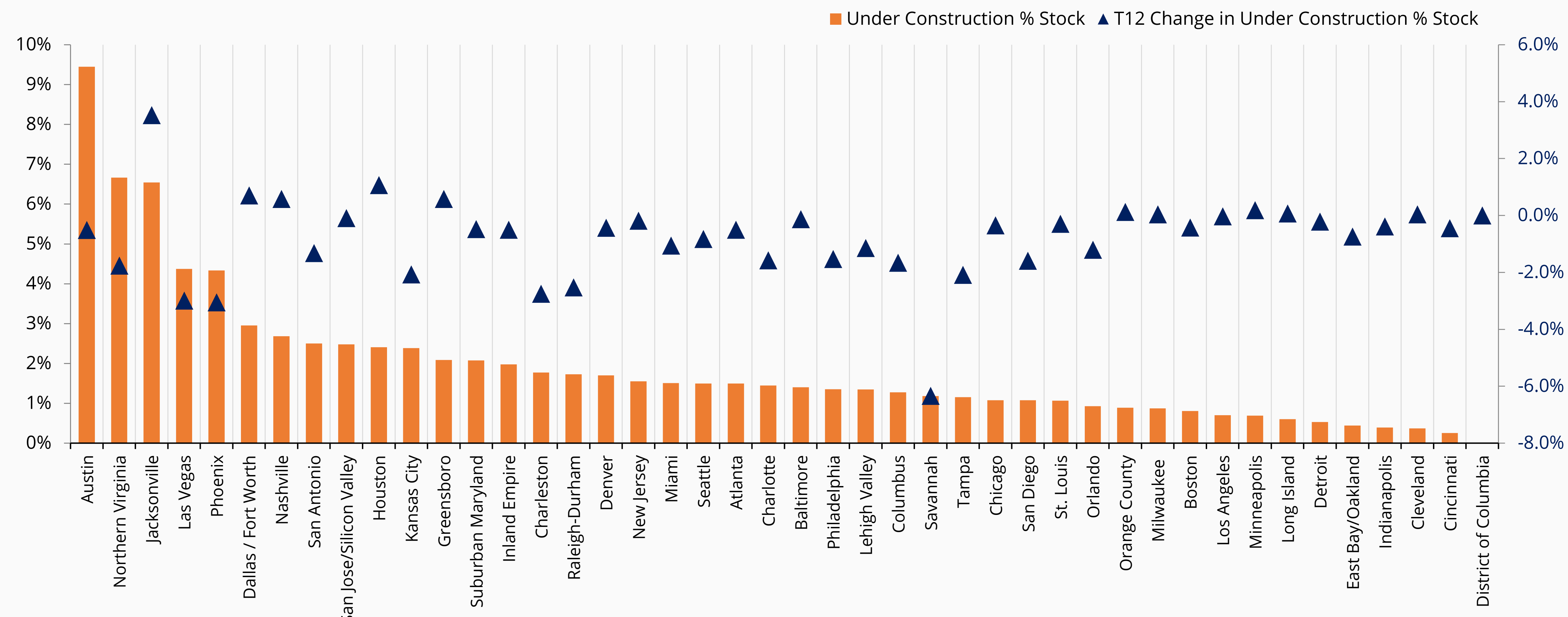
AVAILABILITY



- Three of the top five markets with the highest availability also claim three of the top five construction percentage levels including Austin, Phoenix, and Las Vegas.
- While most markets continue to loosen, seven experienced a decrease in availability over the past 12 months, compared to only three a year ago.
- Markets experiencing the largest increases in availability include District of Columbia, Jacksonville, and Austin, all rising by at least 300 basis points.

CONSTRUCTION PIPELINE



- Under-construction stock is indicative of future expansion.
- Developers continue to follow population migration to the south, which accounts for 9 of the top 10 highest growth markets as it pertains to under-construction stock.
- The construction slowdown may have bottomed out; while 82% of markets recorded a stagnant or decelerated pace of new construction, this is an improvement from 91% a year ago.

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Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	710,971,621	9.2%	8.6%	(2,946,076)	(1,729,340)	$8.83	-8.3%	10,623,722
Austin	154,787,571	14.2%	13.2%	281,084	4,079,308	$14.21	-3.1%	14,625,479
Baltimore	239,588,026	9.7%	8.7%	(2,718,655)	(3,753,032)	$9.66	-15.3%	3,364,254
Boston	347,228,868	8.3%	7.4%	8,875	(2,706,901)	$13.38	1.7%	2,806,943
Charleston	90,611,681	17.4%	15.3%	105,834	(1,442,800)	$8.61	1.5%	1,605,044
Charlotte	317,882,287	9.7%	8.8%	(1,045,217)	1,630,235	$8.16	6.1%	4,607,975
Chicago	1,433,721,738	6.0%	5.5%	(1,209,637)	5,678,394	$6.93	-6.7%	15,434,542
Cincinnati	347,842,017	6.0%	5.7%	(1,509,592)	1,575,643	$6.61	0.8%	887,044
Cleveland	332,934,702	4.2%	4.1%	(818,214)	(1,539,350)	$5.90	-6.1%	1,240,300
Columbus	367,468,812	9.0%	8.5%	(964,843)	2,932,730	$6.69	6.9%	4,687,653
Dallas-Fort Worth	1,147,329,522	9.4%	8.8%	6,572,477	25,017,378	$9.73	-1.6%	33,884,911
Denver	266,873,299	9.4%	8.4%	(1,827,955)	593,748	$10.75	-6.0%	4,532,539
Detroit	589,368,571	5.0%	4.4%	(702,681)	(3,378,710)	$7.56	1.5%	3,128,165
District of Columbia	8,540,191	10.5%	10.1%	(26,704)	(408,782)	$18.40	10.2%	0
East Bay-Oakland	255,154,456	9.5%	7.8%	(1,553,048)	(4,373,874)	$18.52	-1.7%	1,121,984
Greensboro	140,611,680	4.5%	4.0%	781,956	314,176	$5.65	-5.5%	2,938,280
Houston	779,067,943	7.1%	6.8%	1,782,081	13,134,972	$10.25	11.7%	18,766,090
Indianapolis	410,757,455	10.2%	9.0%	276,875	1,159,879	$6.43	-2.4%	1,607,686
Inland Empire	749,180,250	8.2%	6.8%	(1,549,260)	5,562,589	$11.81	-16.1%	14,819,682
Jacksonville	132,837,275	6.4%	5.9%	(66,384)	1,680,058	$8.35	-12.0%	8,691,383
Kansas City	346,787,526	5.5%	4.9%	1,612,172	9,454,339	$6.08	0.3%	8,279,056
Las Vegas	181,497,838	11.6%	11.0%	415,521	3,350,732	$13.23	3.0%	7,937,522

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Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	165,292,849	7.7%	6.9%	61,515	(193,984)	$9.06	-6.4%	2,224,016
Long Island	160,005,332	6.1%	5.6%	7,182	(383,030)	$16.79	-0.5%	961,170
Los Angeles	867,216,912	6.5%	5.6%	(2,288,779)	(4,664,222)	$17.86	-6.5%	6,098,345
Miami	210,963,645	7.0%	6.1%	(31,841)	(1,629,223)	$16.76	0.8%	3,176,834
Milwaukee	255,770,279	5.7%	5.4%	(1,089,332)	(4,316,010)	$5.90	13.0%	2,235,998
Minneapolis	414,752,125	4.2%	3.9%	(606,560)	1,984,830	$8.39	4.4%	2,852,899
Nashville	213,163,257	6.6%	5.7%	(831,173)	861,940	$10.36	4.4%	5,725,505
New Jersey	801,595,930	7.3%	6.6%	(484,741)	3,202,298	$13.25	-3.3%	12,443,189
Northern Virginia	140,558,058	3.6%	3.2%	1,146,408	5,123,425	$17.56	10.0%	9,368,877
Orange County	274,465,208	6.2%	5.4%	(287,301)	(3,100,135)	$18.27	-6.7%	2,436,504
Orlando	165,004,765	9.7%	8.8%	138,692	(423,977)	$12.87	11.4%	1,530,103
Philadelphia	602,320,399	8.8%	8.4%	(1,381,430)	3,311,786	$10.59	1.5%	8,155,960
Phoenix	472,500,825	13.1%	11.6%	2,724,187	12,132,038	$12.15	-7.1%	20,487,114
Raleigh-Durham	134,616,548	7.0%	6.2%	1,075,062	4,159,103	$10.80	-12.8%	2,324,010
San Antonio	168,583,188	11.1%	10.5%	676,793	1,132,391	$8.69	1.5%	4,215,638
San Diego	192,148,974	10.1%	8.7%	(1,056,346)	(2,476,766)	$18.98	-12.8%	2,066,346
San Jose-Silicon Valley	187,047,317	8.6%	7.6%	19,912	1,194,960	$18.71	6.0%	4,637,637
Savannah	114,740,639	15.7%	13.4%	394,753	7,163,773	$7.34	-2.9%	1,356,847
Seattle	338,730,015	9.1%	8.0%	(1,261,983)	627,211	$12.62	-9.0%	5,070,432
St. Louis	324,566,556	4.3%	4.0%	(208,332)	3,848,109	$5.90	0.7%	3,460,964
Suburban Maryland	118,784,640	8.7%	8.2%	138,331	10,820	$16.18	10.2%	2,467,574
Tampa	170,944,709	7.5%	7.1%	(120,031)	3,619,237	$11.22	-5.6%	1,971,904

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PRIMARY AUTHOR

Matt Dolly
Research Director
National Industrial Research Leader
Matthew.Dolly@transwestern.com
973 947 9244

FOR MORE INFORMATION

Hans Nordby
Executive Managing Director
Research Services
Hans.Nordby@transwestern.com
214 572 9830

Elizabeth Norton
Sr. Managing Director
Research Services
Elizabeth.Norton@transwestern.com
202 775 7026

ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and @Transwestern.

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as triple net and can be skewed, in some cases, due to factors including, but not limited to, the level of new construction and the amount of available space with no listed asking rents.