

**VIEW INTERACTIVE MAP** 

Rent Growth (annual)

-1.6%

**Bold text** indicates top-ranked indicator among Elite 11.



#### NATIONAL OVERVIEW

#### The Streak is Over!

Following 61 consecutive quarters of expansion, the U.S. industrial market recorded negative net absorption. Here's the big picture.

#### **Vacancy Rises Near 12-Year High**

Occupancy decreased for the first time since 2009 following the fallout of the Global Financial Crisis. While slightly less than half of markets recorded positive net absorption during the quarter, nearly two-thirds posted occupancy growth YoY. However, the overall vacancy rate increased by 40 basis points to 7.0%, the highest level since Q4 2013.

#### **Notable Downturn in Spec Construction**

After slowing considerably in 2024, construction starts have leveled off in 2025, with build-to-suit representing a higher share of new development.

#### **Long-Term Outlook Remains Favorable**

Decision makers have been cautious navigating economic uncertainty amid the backdrop of tariffs. As trade deals are solidified, providing more clarity, increased activity for leasing, investment, and development is anticipated as we move further into the year.

Jump to Evaluator

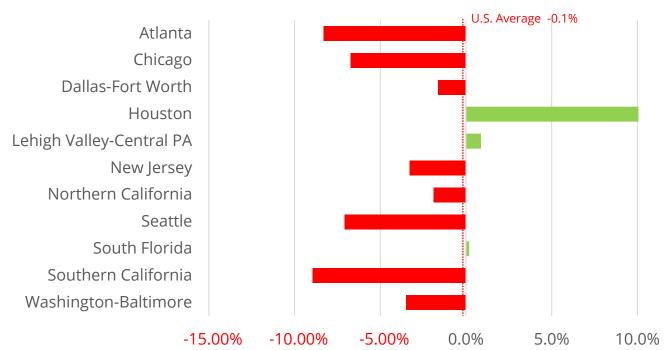
#### **ELITE 11 MARKET HIGHLIGHTS**

- Sustained strong demand and increased construction drove rent growth in **Houston**, by far the Elite 11 leader in that category.
- **Dallas-Fort Worth** continues to grow at the fastest rate, with new construction increasing over the past 12 months.
- Lehigh Valley-Central PA matched Dallas for YoY inventory growth, while new construction has cooled considerably.
- The slowdown in construction starts has helped Chicago post the Elite 11's highest occupancy level and New Jersey maintain market equilibrium as demand cools.
- Rents in Southern California soften amid lower leasing volume, which also impacted Northern California. A slowdown in new construction will benefit both regions.
- The Washington-Baltimore region maintained elevated future inventory growth, driven by low vacancy and rapid data center development in Northern Virginia.
- Vacancies spiked in the Southeast, as leasing lagged new supply. Rents in **Atlanta** have been more adversely impacted than **South Florida**, where future new development is not as attainable.

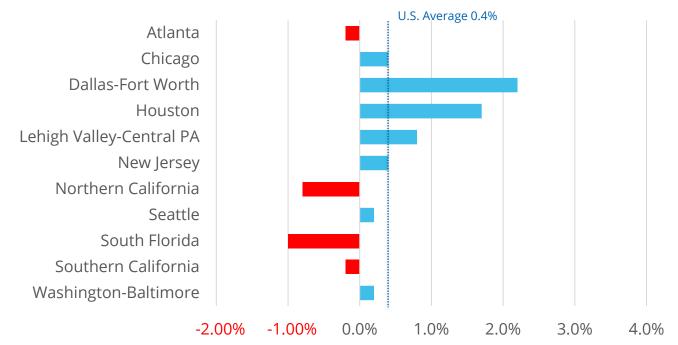




## **RENT GROWTH Year-over-Year**



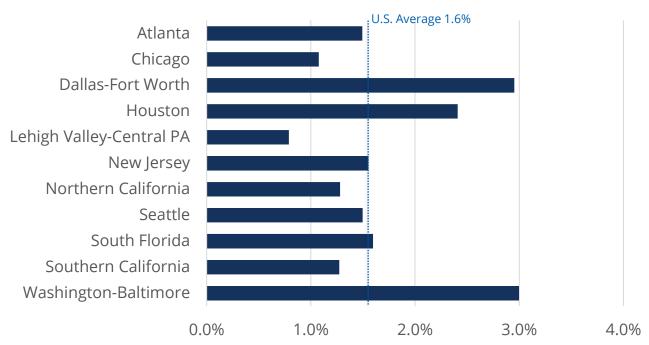
## 4-QUARTER NET ABSORPTION Percentage of Inventory



## 12-MONTH MARKET GROWTH Percentage of Inventory



## FUTURE DELIVERIES Percentage of Inventory



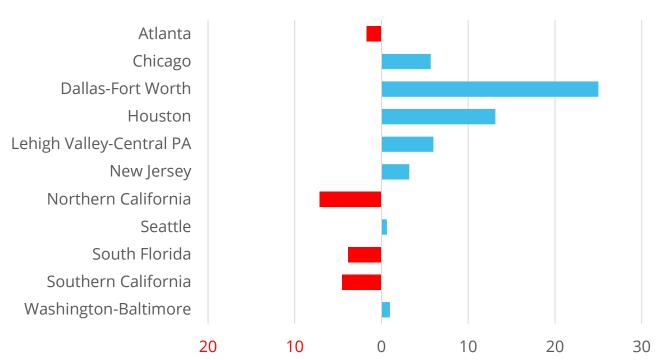




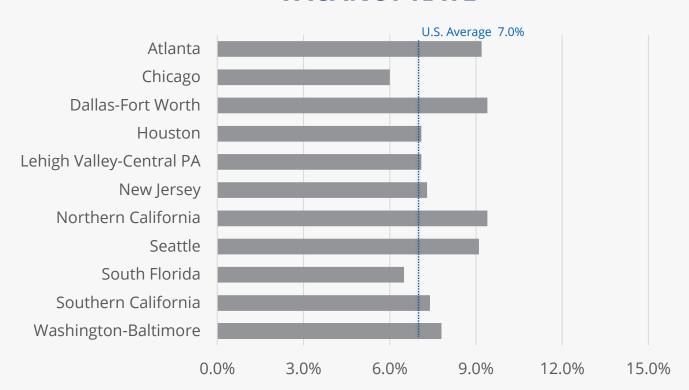
#### **ASKING RENT PSF NNN**



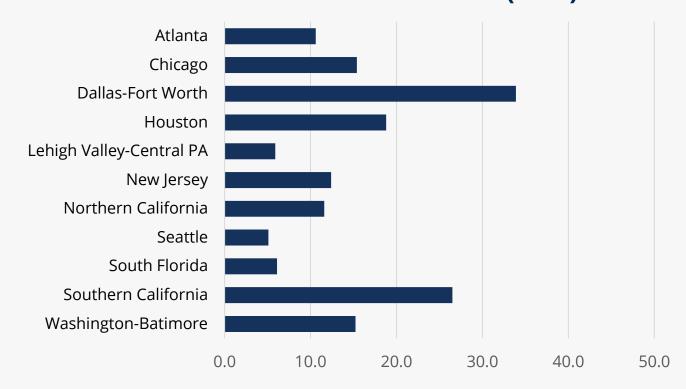
#### **TRAILING 4-QUARTER NET ABSORPTION (MSF)**



#### **VACANCY RATE**



#### **UNDER CONSTRUCTION (MSF)**







Tariff uncertainty has adversely impacted key performance indicators in several of the coastal Elite 11 markets; however, activity is anticipated to reaccelerate as leases rollover and trade deals are solidified.

#### **SOUTHERN CALIFORNIA**

This largest port market is impacted most by tariff uncertainty and anticipates a rebound in leasing and rent growth once the trade situation is clearer.

#### **NORTHERN CALIFORNIA**

Weakened fundamentals should improve as construction slows. Market could get boost from life sciences sector.

#### **WASHINGTON-BALTIMORE**

Baltimore area is saturated while Northern Virginia has been stable. Moderate growth anticipated overall.

#### **ATLANTA**

Overbuilding-fueled vacancy spike may have peaked as rents adjust, starts dwindle and demand is expected to return.

#### **SOUTH FLORIDA**

Softness expected for next 12 months but barriers to entry will keep occupancy steady.

#### **SEATTLE**

Another West Coast port market impaired by tariffs, Seattle's strong tech and Al sector should help reverse the current trajectory.

United States average

#### **NEW JERSEY**

Vacant new deliveries offset YoY growth, but 3PL companies remain active in the market while manufacturing buildings are gaining interest.

#### **CHICAGO**

Chicago's construction pipeline has diminished, avoiding overbuilding, and the gateway market is well-positioned to benefit from anticipated intermodal growth.

#### **LEHIGH VALLEY-CENTRAL PA**

The region has rebounded from softening conditions in 2024 while maintaining steady rent growth. Continued outperformance is expected.

#### **DALLAS-FORT WORTH**

Demand is keeping pace with massive new development, which will likely continue as Texas leads as the top reshoring destination.

#### **HOUSTON**

The Gulf Coast's largest port is flourishing due to continued Sun Belt migration, international trade and reshoring.

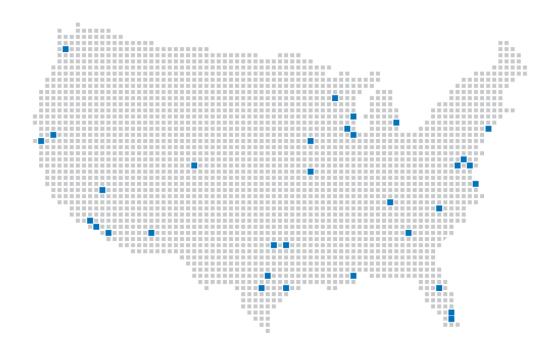
# **ELITE 11 Evaluator**

Transwestern's determination of industrial market health based on key performance indicators and local market intelligence.



### ELITE 11

#### TRANSWESTERN LOCATIONS



#### **DEFINITION & METHODOLOGY**

Transwestern tracks 11 core and growth markets across the U.S. that continue to lure global investors of industrial real estate. These Elite 11 regions are preferred locations for big-box distribution users and/or areas in high demand by logistics and manufacturing companies.

Growth indicators for the Elite 11 are based primarily on rent acceleration, space absorption and pace of development relative to the size of each market. The information in this report is a compilation of competitive industrial and flex properties located in select U.S. metropolitan areas. All rents are reported as triple net.

**Lehigh Valley-Central PA** includes the Lehigh Valley as well as Northeast and Central Pennsylvania **Northern California** includes East Bay/Oakland, Sacramento, San Jose/Silicon Valley and Central Valley **Southern California** includes the Inland Empire, Los Angeles, Orange County and San Diego **South Florida** includes Miami and Broward County

Washington/Baltimore includes Baltimore, the District of Columbia, Northern Virginia and Suburban Maryland

For further analysis of industrial markets nationwide, view our quarterly **National Industrial Market Overview**.

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.



#### TRANSWESTERN RESEARCH

In markets across the country, our research professionals produce sophisticated data analyses, local market reports and insight on national trends that helps clients make informed real estate decisions.

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