TRANSWESTERN

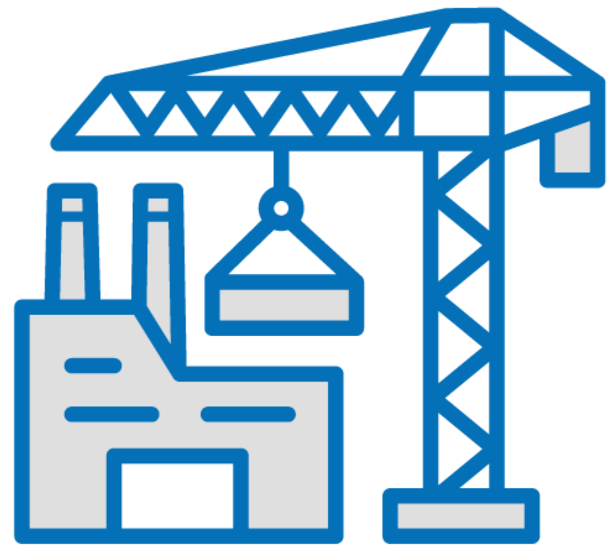
COMMERCIAL REAL ESTATE

U.S. MARKET | Industrial

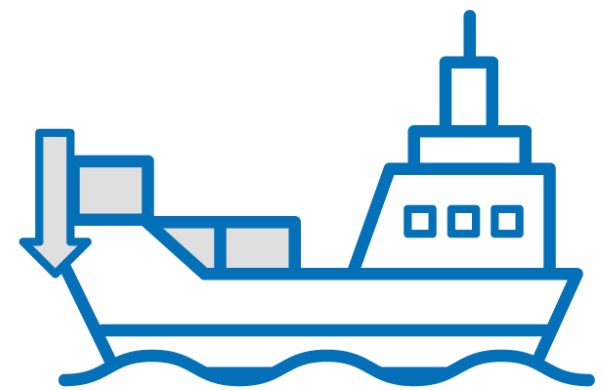
Q3 2025

THE VIEW FROM HERE

Non-coastal markets enjoy firmer demand.



Construction uptick led by build-to-suits.



Lower import levels to weigh on occupancies in coastal port markets.

NET ABSORPTION

12 MSF

Perhaps the start of a new streak

VACANCY RATE

7.1%

Highest level in 12 years

UNDER CONSTRUCTION

498 MSF

First increase in three years

ASKING RENT

$9.48

No change Year-over-Year

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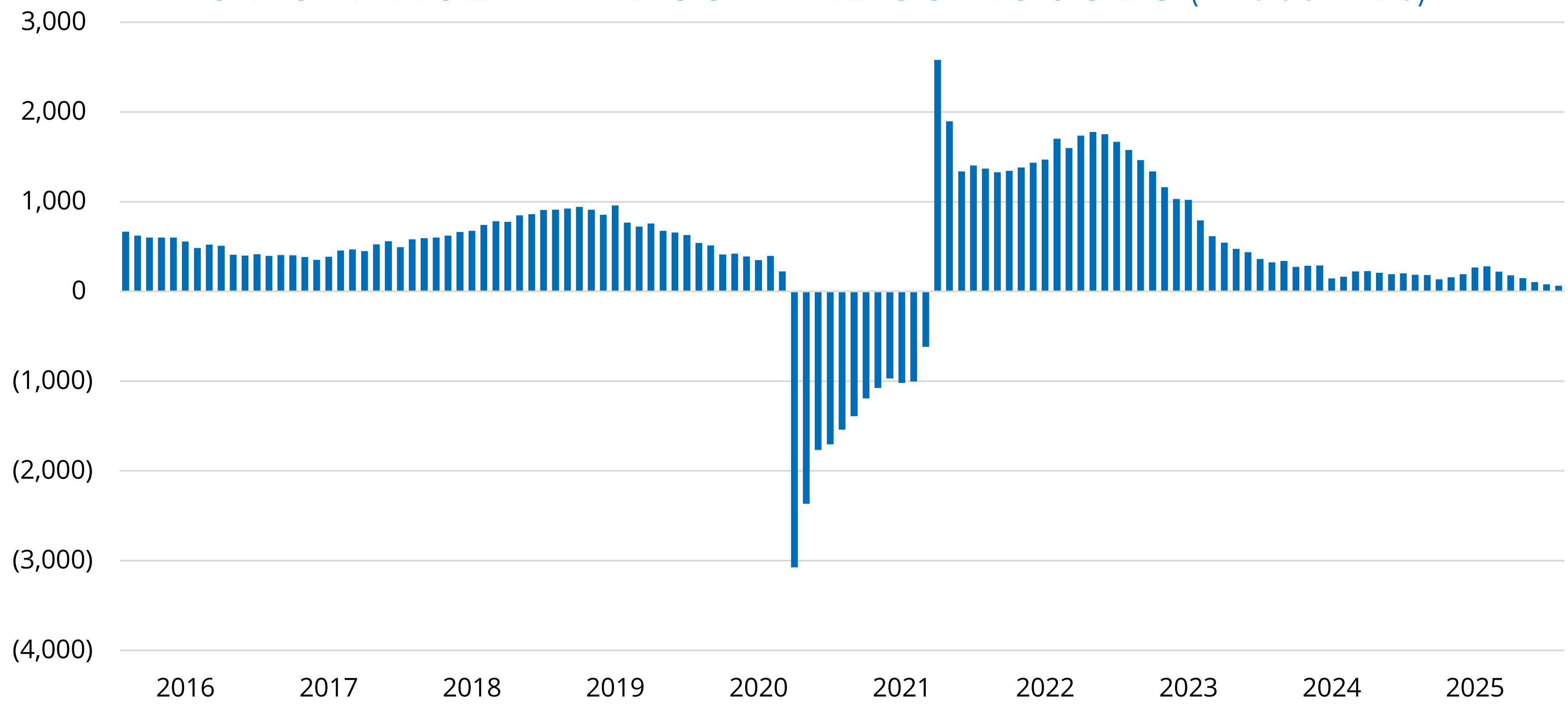
ECONOMIC HIGHLIGHTS

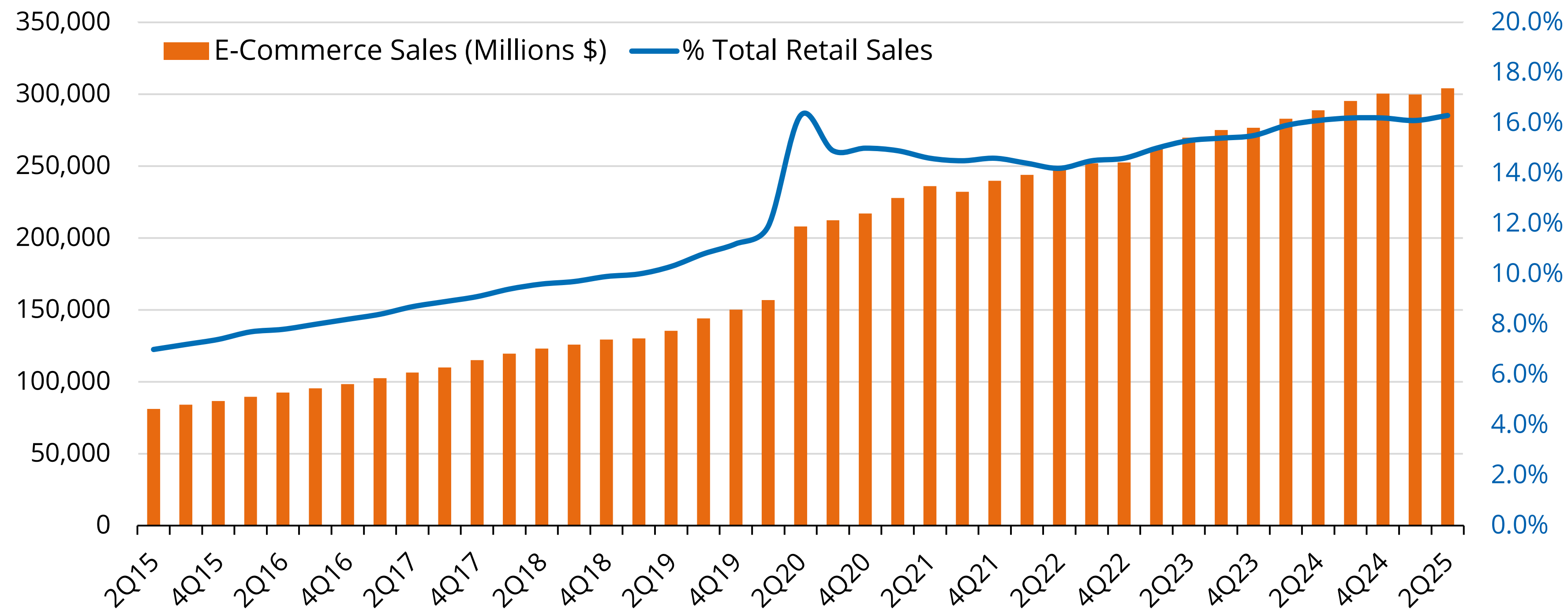
- After holding steady for the first eight months of 2025, the Federal Reserve cut its benchmark interest rate by a quarter-point in September to 4.00-4.25%.
- The Q3 GDP report was not released due to the government shutdown, and projections range widely from 1.3% to 3.8%. This follows an upward adjustment to 3.8% for Q2.
- Tariffs are anticipated to squeeze the economy for the balance of 2025 into early 2026, at the very least, with higher prices on goods to weigh on the consumer.
- Consumer sentiment fell to its lowest level in four months in September, with increasing concerns about higher prices and a weakening labor market.
- Jobs supporting the industrial sector continued to grow; however, the pace has slowed substantially as the YoY increase was about one-third of the level of a year ago.
- Transportation and warehousing labor has stagnated with job growth well below pre-pandemic levels.
- The construction industry is suffering from labor shortages, likely impacted by new immigration policies.
- The manufacturing sector contracted for the seventh straight month through September, though conditions improved over the past two months.
- Foreign countries and private companies have invested more than $5 trillion in industries that could contribute to industrial real estate.
- After frontloading holiday goods through the summer, port volumes are expected to decline considerably.

HISTORICAL

YOY CHANGE IN INDUSTRIAL-USING JOBS (THOUSANDS)



U.S. RETAIL E-COMMERCE SALES



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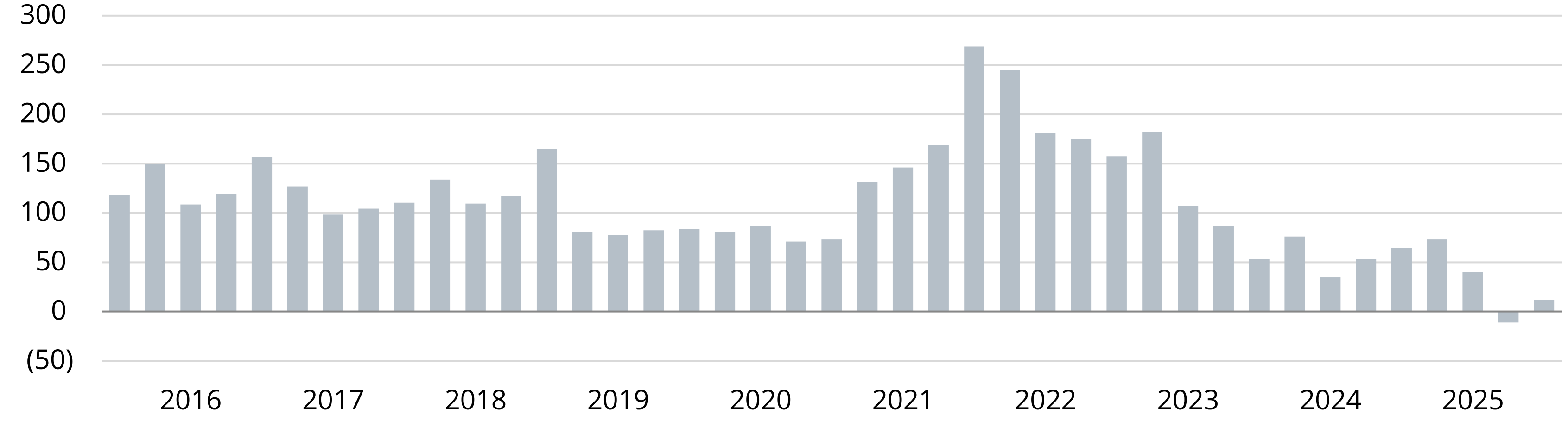
MARKET HIGHLIGHTS

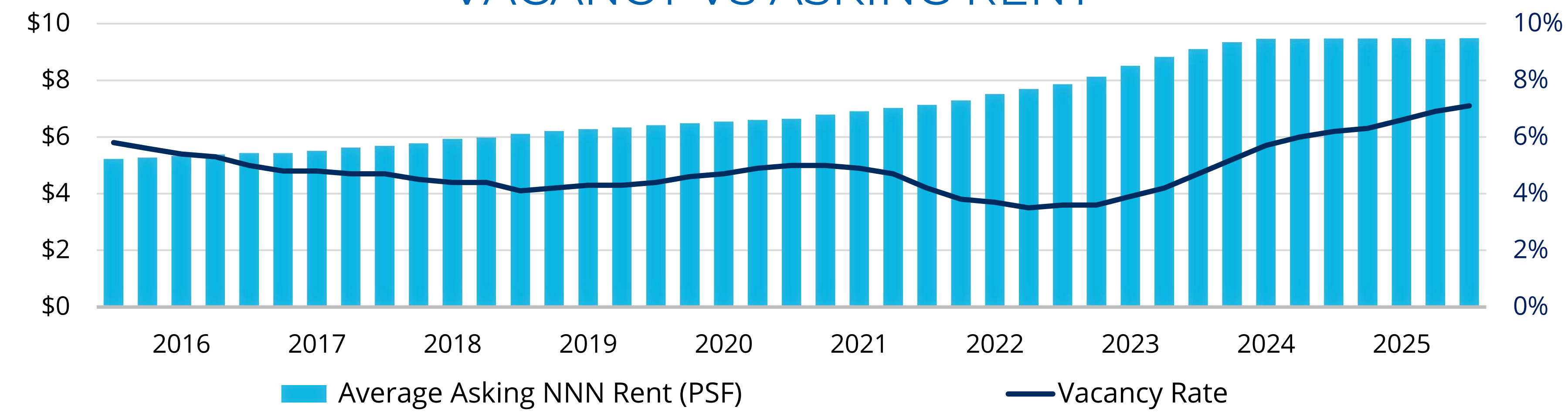
- Following the first occupancy loss in more than 15 years, net absorption ticked back up during Q3 2025 as larger tenants returned to the table while new supply subsided.
- 24 of 44 markets recorded positive net absorption during the quarter, up from the 19 the previous quarter and the same when compared to a year ago.
- Over the past 12 months, 60% of markets posted occupancy growth, down from 73% a year ago.
- Despite the recent pickup, large warehouses represent just 16% of deals in 2025 through September. Effectively, demand for those buildings is down about 25%.
- The overall vacancy rate increased by 20 basis points to 7.1%, the highest level in 12 years.
- After falling during Q2, sublease availability increased its share of overall space as the total amount on the market is more than triple the level of three years ago.
- Asking rents continue to stabilize, increasing slightly, but were at the same average when compared YOY.
- 27 of 44 markets recorded rent decreases. Additionally, five markets were higher by more than 10% while three markets recorded double-digit losses.
- After falling for 11 consecutive quarters, product under construction increased, led by build-to-suit starts.
- While activity has picked up, users remain patient amid tariff volatility (including a Supreme Court ruling in November) and inflation/interest rate uncertainty.
- Tariff-driven investments should contribute to future growth, while the increase in trade school employment will help fill a much-needed skilled-worker scarcity which has driven the acceleration of robotics and automation.

HISTORICAL

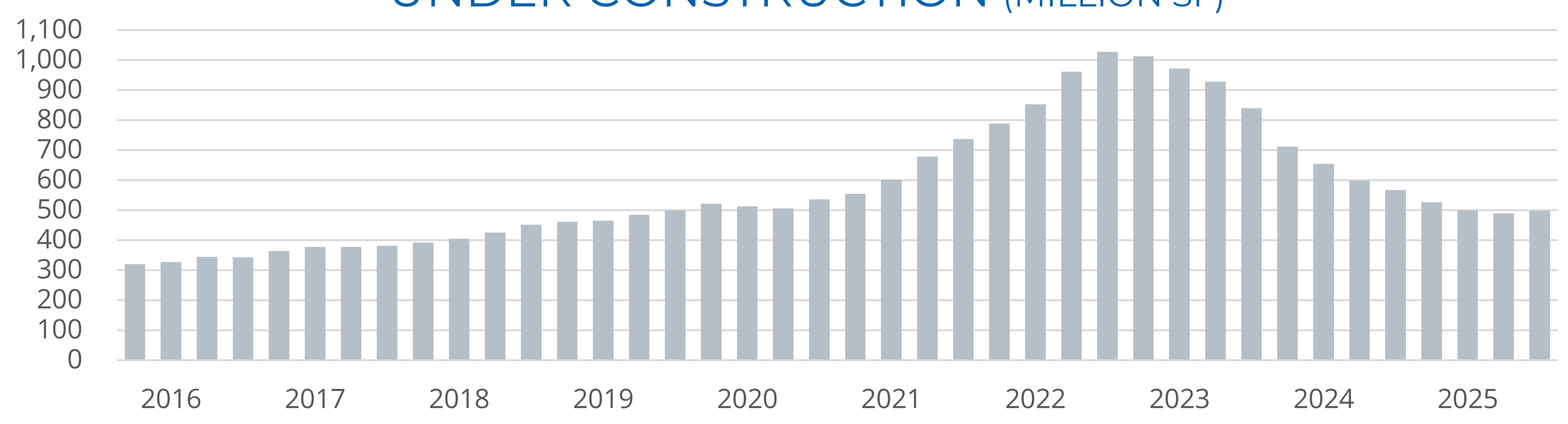
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT



UNDER CONSTRUCTION (MILLION SF)



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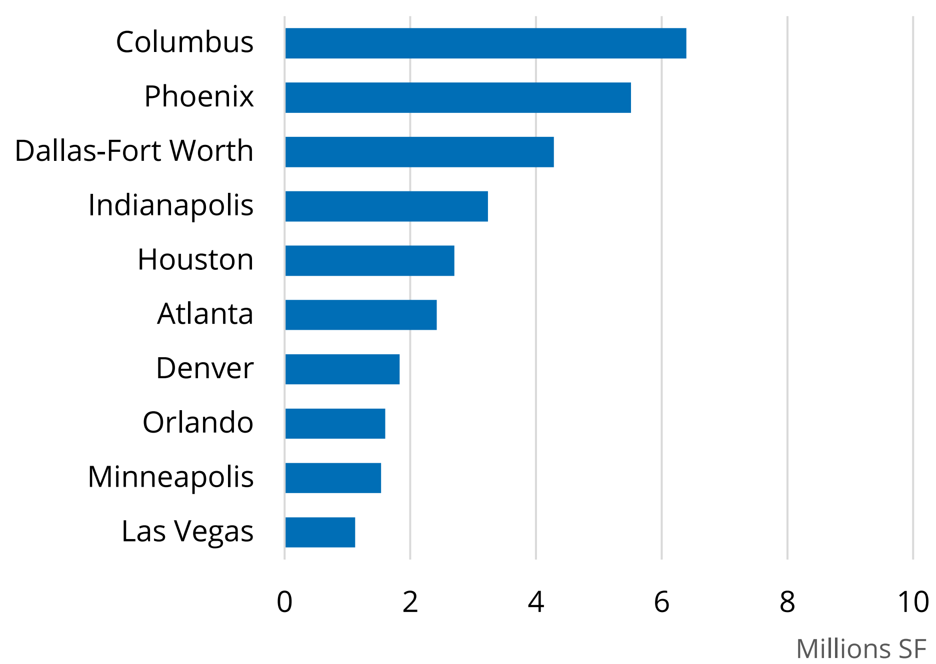
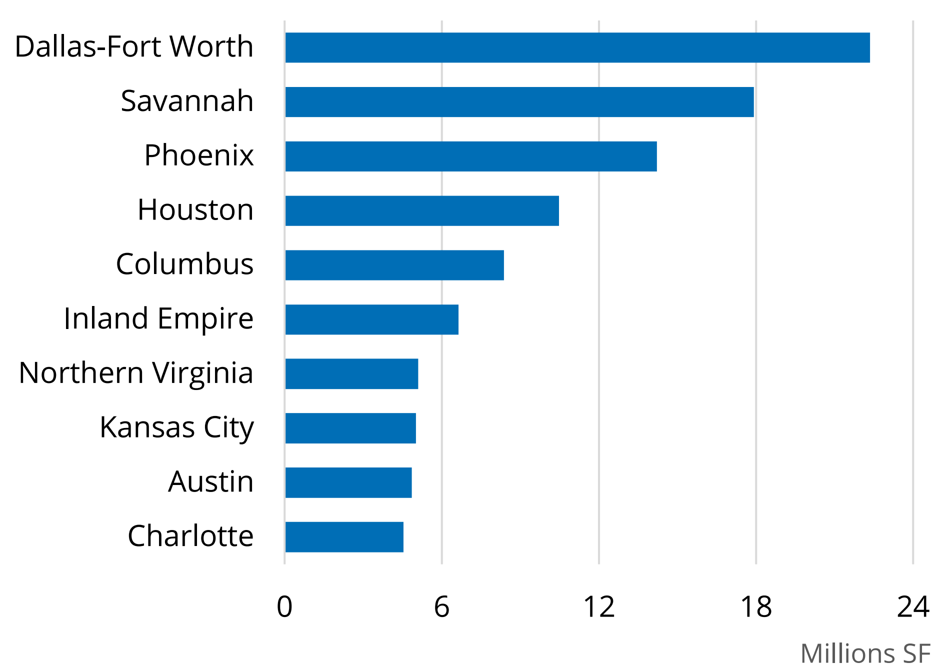
NET ABSORPTION

Q3 2025 Net Absorption

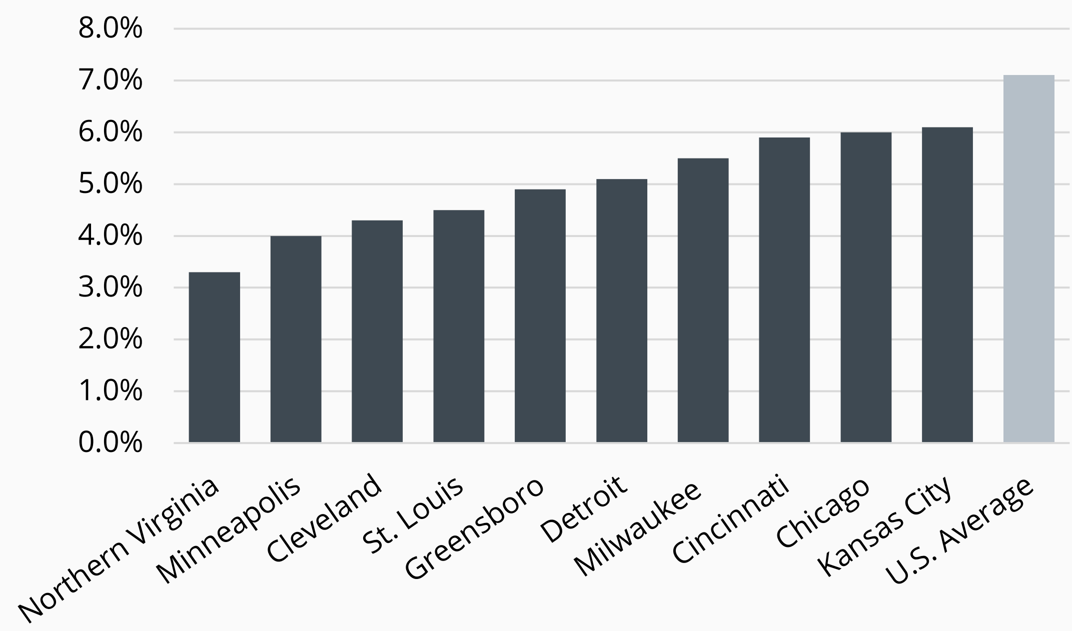


Trailing 4-Qtr Net Absorption

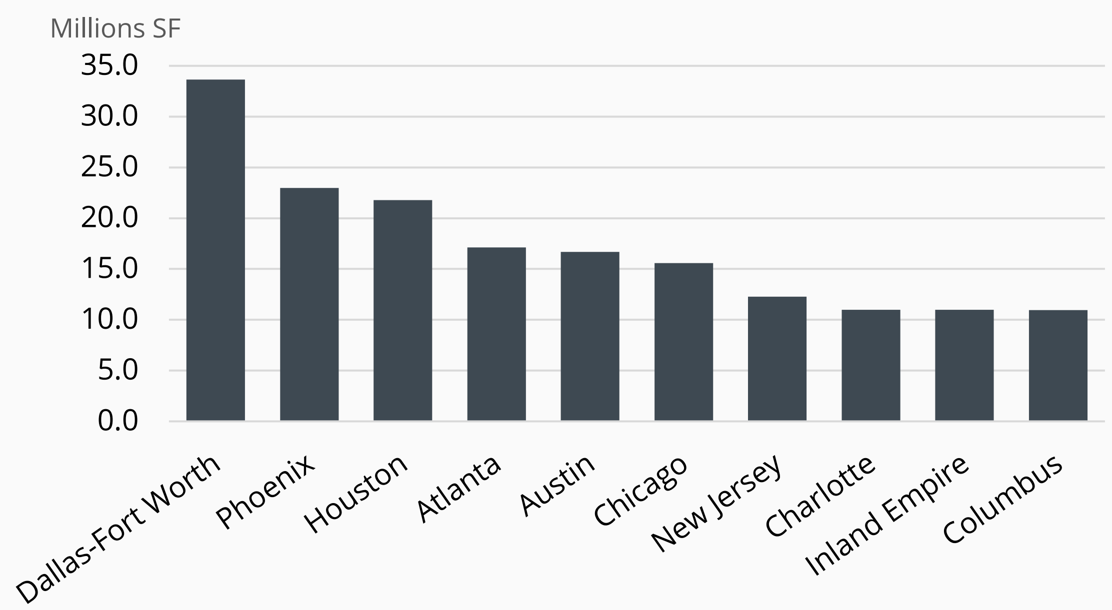


VACANCY/CONSTRUCTION

Q3 2025 Vacancy Rate

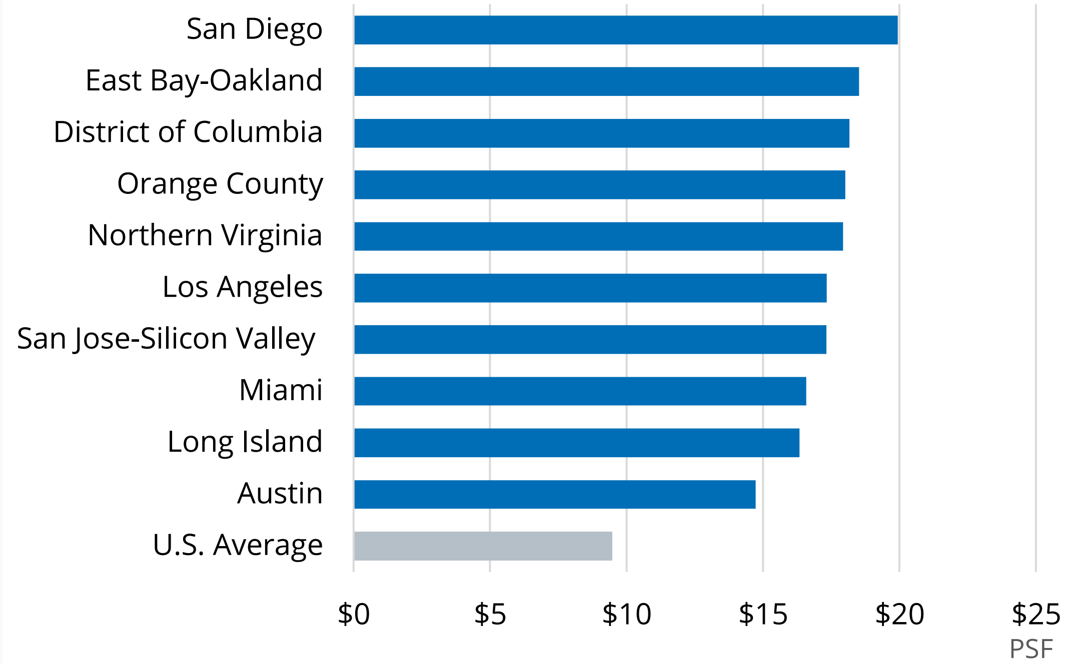


Q3 2025 Under Construction

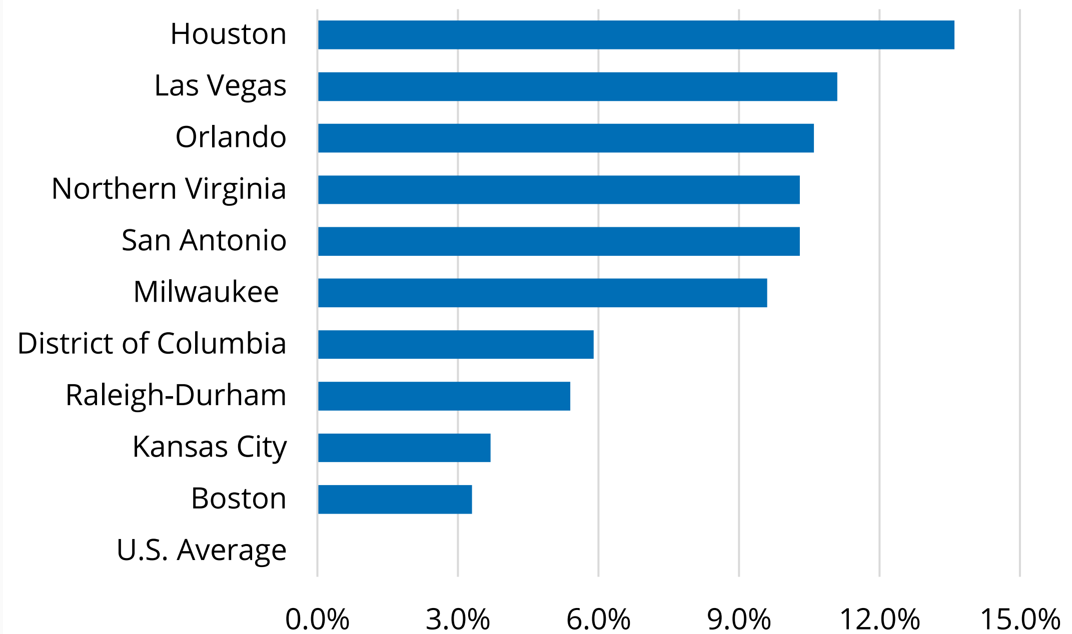


ASKING RENTS

Q3 2025 Asking Rate NNN

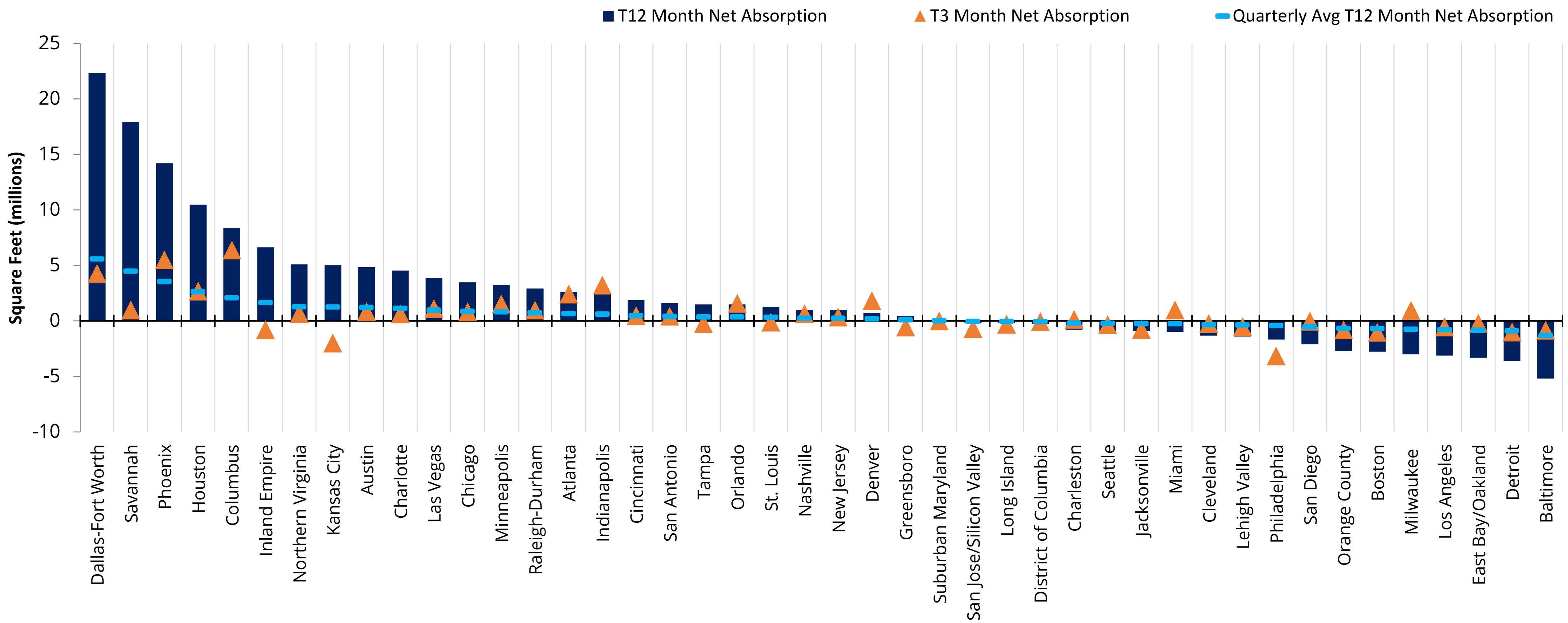


Year-Over-Year Rent Growth



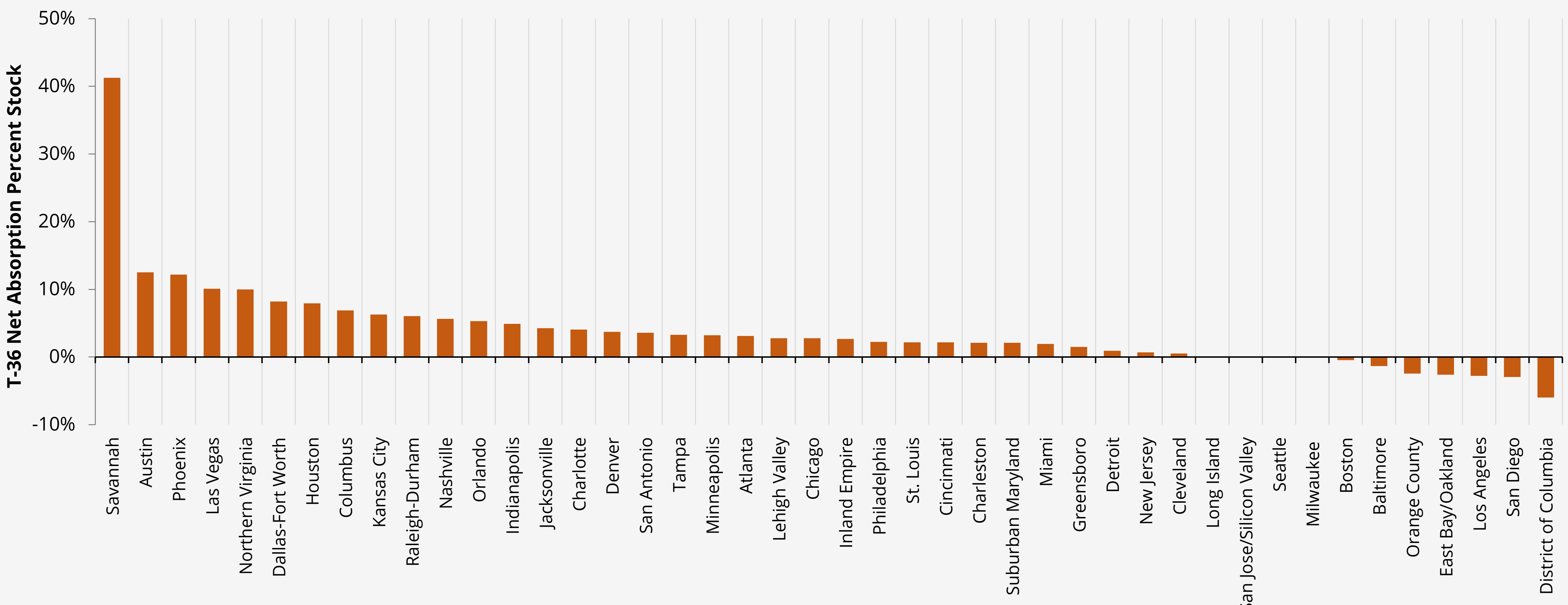
*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

NET ABSORPTION



- Positive net absorption was reported in 26 of 44 markets over the past 12 months, two fewer than in Q2 2025.
- After falling in Q2, the number of markets where quarterly net absorption improved when compared to the quarterly average increased from 13 to 23.
- Nearly 88% of total net absorption over the past 12 months occurred in the top ten markets, with the top five accounting for almost two-thirds 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 seven of the top 10 markets for expansion were in the Sun Belt, accompanied by Northern VA, Columbus, and Kansas City.

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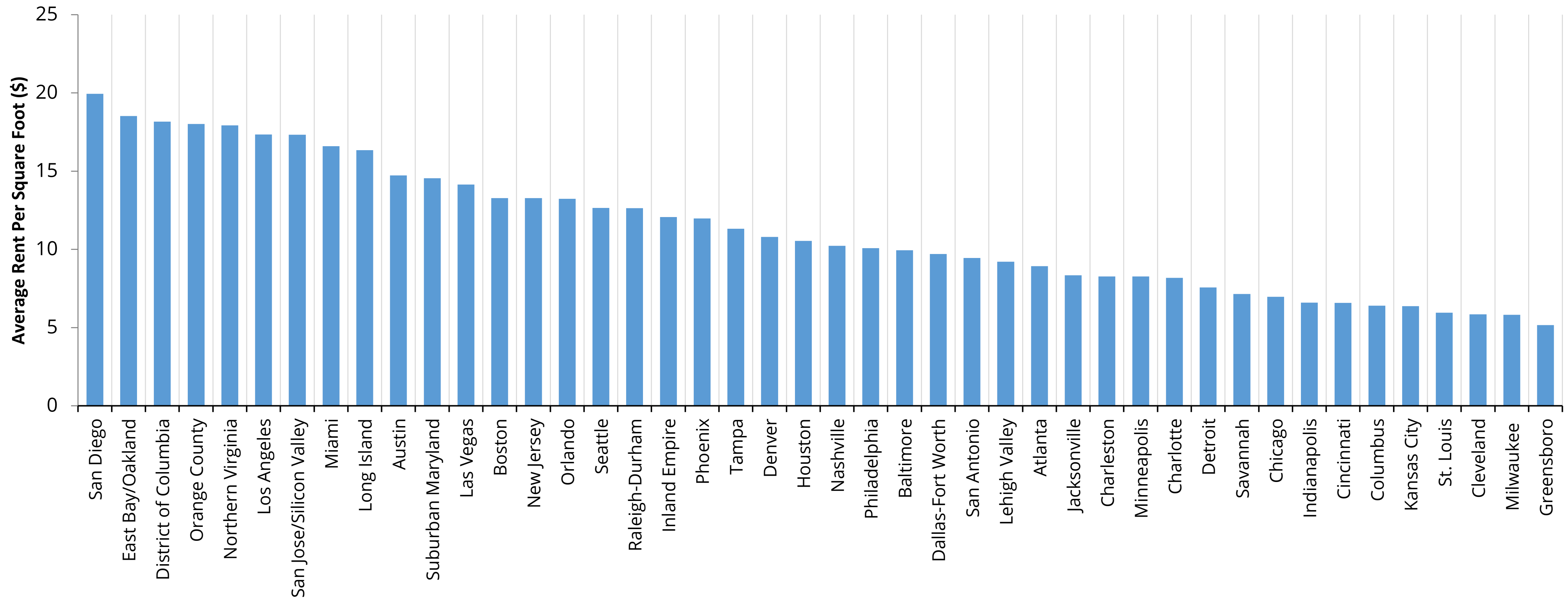
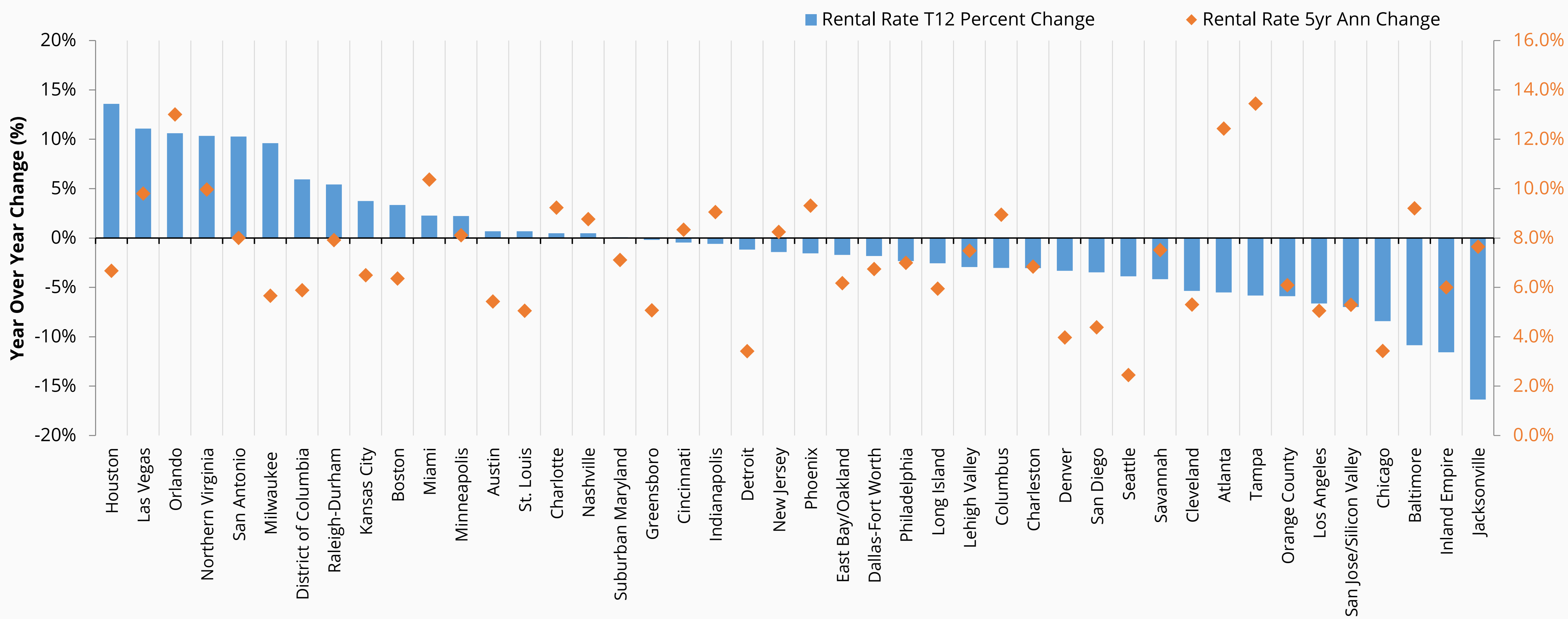
RENTAL RATES (NNN)



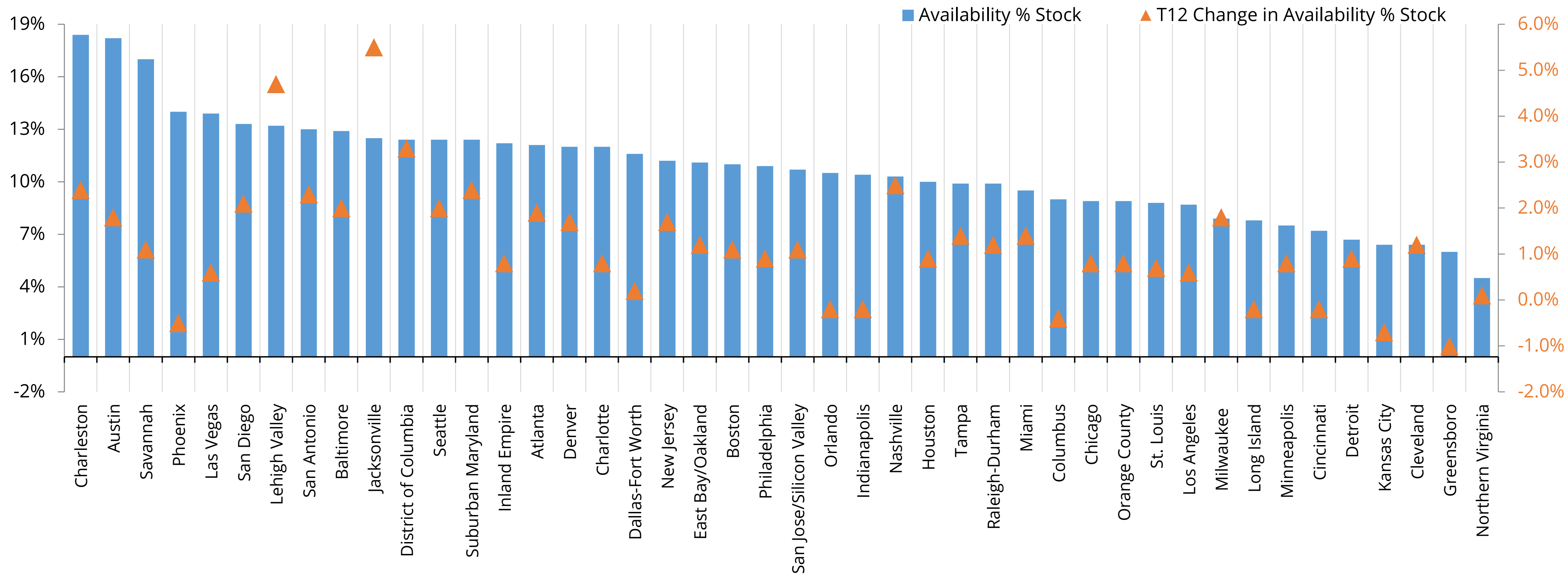
- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the West and East coasts.
- Of the nine coastal markets with the highest asking rates, six recorded rent increases over the past 12 months, five of which are in California.

RENTAL RATE CHANGE



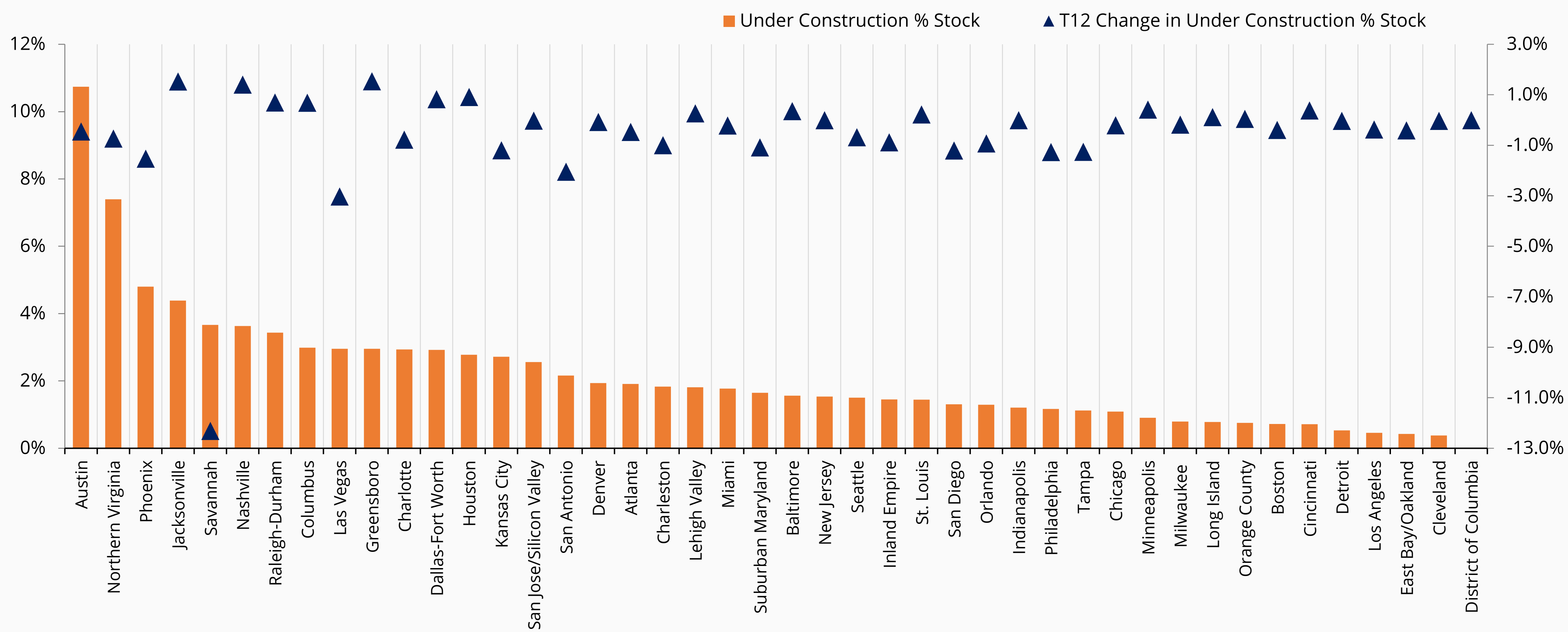
- Five markets experienced rent growth over 10% YoY, down from six at Q1 but up from three when compared to the same quarter a year ago.
- Alternatively, 27 markets recorded a decline in rent over the past year, four more than the previous quarter, as an increase in supply and rising vacancies are balancing the market.

AVAILABILITY



- Three of the top five markets with the highest availability, Austin, Phoenix, and Savannah, also claim three of the top five construction percentage levels.
- While most markets continue to loosen, eight 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 Jacksonville, Lehigh Valley, and District of Columbia, 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 8 of the top 10 highest growth markets for under-construction stock.
- The construction slowdown has bottomed out; while 75% of markets recorded a stagnant or decelerated pace of new construction, this is an improvement from 95% a year ago.

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	897,420,652	9.5%	8.9%	2,420,422	2,617,840	$8.93	-5.5%	17,133,563
Austin	155,296,099	14.0%	13.0%	843,104	4,854,576	$14.73	0.7%	16,674,884
Baltimore	239,147,152	10.0%	9.1%	(831,000)	(5,202,769)	$9.94	-10.9%	3,728,664
Boston	345,309,862	8.7%	7.6%	(1,018,698)	(2,776,879)	$13.27	3.3%	2,499,350
Charleston	93,137,667	17.1%	14.7%	156,889	(794,164)	$8.27	-3.0%	1,705,044
Charlotte	374,059,918	10.4%	9.6%	656,064	4,537,061	$8.18	0.5%	10,975,856
Chicago	1,432,736,037	6.0%	5.6%	835,403	3,486,177	$6.97	-8.4%	15,576,800
Cincinnati	347,956,042	5.9%	5.7%	489,335	1,893,644	$6.58	-0.5%	2,488,336
Cleveland	331,426,256	4.3%	4.2%	(231,221)	(1,310,882)	$5.84	-5.3%	1,266,073
Columbus	366,801,509	7.5%	7.2%	6,393,699	8,371,977	$6.40	-3.0%	10,959,278
Dallas-Fort Worth	1,152,601,412	9.4%	8.7%	4,283,446	22,354,960	$9.70	-1.8%	33,650,362
Denver	265,425,498	9.0%	8.2%	1,831,491	727,034	$10.79	-3.3%	5,132,303
Detroit	590,089,383	5.1%	4.5%	(995,813)	(3,620,969)	$7.56	-1.2%	3,139,004
District of Columbia	8,510,808	11.1%	10.7%	(58,026)	(269,218)	$18.17	5.9%	0
East Bay-Oakland	254,086,335	9.6%	8.1%	(206,808)	(3,315,738)	$18.52	-1.7%	1,078,554
Greensboro	166,494,364	4.9%	4.6%	(541,751)	430,022	$5.16	-0.2%	4,923,180
Houston	784,072,778	7.4%	7.1%	2,700,873	10,476,073	$10.54	13.6%	21,793,224
Indianapolis	412,620,641	9.5%	8.2%	3,234,187	2,496,437	$6.60	-0.6%	4,986,618
Inland Empire	754,950,790	8.9%	7.6%	(778,898)	6,635,899	$12.06	-11.6%	10,967,036
Jacksonville	154,055,643	7.5%	6.8%	(755,059)	(895,703)	$8.34	-16.3%	6,754,979
Kansas City	344,699,818	6.1%	5.6%	(1,990,329)	5,010,431	$6.37	3.7%	9,369,181
Las Vegas	181,988,742	12.1%	11.4%	1,122,648	3,872,736	$14.14	11.1%	5,381,933

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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	164,483,562	8.1%	6.7%	(504,821)	(1,409,698)	$9.21	-3.0%	2,983,433
Long Island	160,434,390	6.3%	5.9%	(290,488)	(198,782)	$16.34	-2.6%	1,256,830
Los Angeles	863,720,678	6.7%	5.9%	(529,697)	(3,119,057)	$17.34	-6.6%	3,969,072
Miami	256,097,414	6.6%	5.7%	998,025	(983,233)	$16.59	2.3%	4,532,130
Milwaukee	255,792,395	5.5%	5.2%	957,889	(3,002,246)	$5.82	9.6%	2,033,733
Minneapolis	415,592,989	4.0%	3.7%	1,534,438	3,255,558	$8.27	2.2%	3,748,987
Nashville	262,229,372	6.5%	5.6%	648,944	1,004,507	$10.23	0.5%	9,526,040
New Jersey	796,781,079	7.5%	6.8%	358,557	992,425	$13.27	-1.4%	12,260,936
Northern Virginia	143,649,068	3.3%	2.9%	682,444	5,102,686	$17.93	10.3%	10,627,971
Orange County	274,591,845	6.7%	5.7%	(804,221)	(2,695,149)	$18.02	-5.9%	2,063,979
Orlando	194,104,426	8.7%	8.0%	1,603,108	1,485,586	$13.23	10.6%	2,503,582
Philadelphia	602,672,294	9.8%	9.3%	(3,138,574)	(1,670,407)	$10.08	-2.3%	7,025,293
Phoenix	478,482,854	12.9%	11.3%	5,511,888	14,213,480	$11.97	-1.6%	22,968,574
Raleigh-Durham	98,844,975	7.4%	6.9%	993,813	2,919,177	$12.63	5.4%	3,393,290
San Antonio	168,371,328	11.7%	11.1%	442,879	1,620,593	$9.45	10.3%	3,632,788
San Diego	192,331,464	10.3%	8.9%	(22,712)	(2,107,416)	$19.94	-3.5%	2,517,551
San Jose-Silicon Valley	185,737,997	9.0%	7.8%	(685,112)	(195,226)	$17.32	-7.0%	4,759,709
Savannah	142,495,908	13.5%	11.6%	998,631	17,913,849	$7.14	-4.2%	5,217,011
Seattle	337,719,283	9.2%	8.0%	(325,553)	(884,341)	$12.64	-3.9%	5,072,199
St. Louis	325,049,749	4.5%	4.3%	(90,517)	1,269,417	$5.95	0.7%	4,694,904
Suburban Maryland	114,384,341	9.1%	8.4%	4,056	94,266	$14.55	0.1%	1,883,524
Tampa	199,732,541	7.9%	7.5%	(243,546)	1,487,009	$11.31	-5.8%	2,239,105

TRANSWESTERN

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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.