



COMMERCIAL REAL ESTATE

# U.S. Market Industrial

Q1 2026

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# The Transwestern Takeaway

INDUSTRIAL Q1 2026 REPORT

## Demand Growth Continues

While activity remains below the pre-pandemic 10-year average, momentum is gradually building and on a structural basis, with the strongest gains in modern, well-located logistics space.

## Construction Ready to Ramp Up, Selectively

Construction starts are inching up in inland hubs and select Sun Belt markets, supported by demand rather than speculative activity. A broader, modest recovery is likely to emerge in late 2026 and extend into 2027.

## Uncertainty Is the New Constant

As tariffs, geopolitics, and trade shifts become the norm rather than an exception, occupiers and investors are adapting their strategies to ongoing volatility instead of waiting for resolution.

↑ 68.6 MSF

Net Absorption

HIGHEST LEVEL SINCE Q4 2024

↑ 7.1%

Vacancy Rate

SETTLING IN TO HISTORICAL AVERAGE

↓ 443.9 MSF

Under Construction

PIPELINE CONTINUES TO SHRINK

↑ \$9.54

Asking Rent

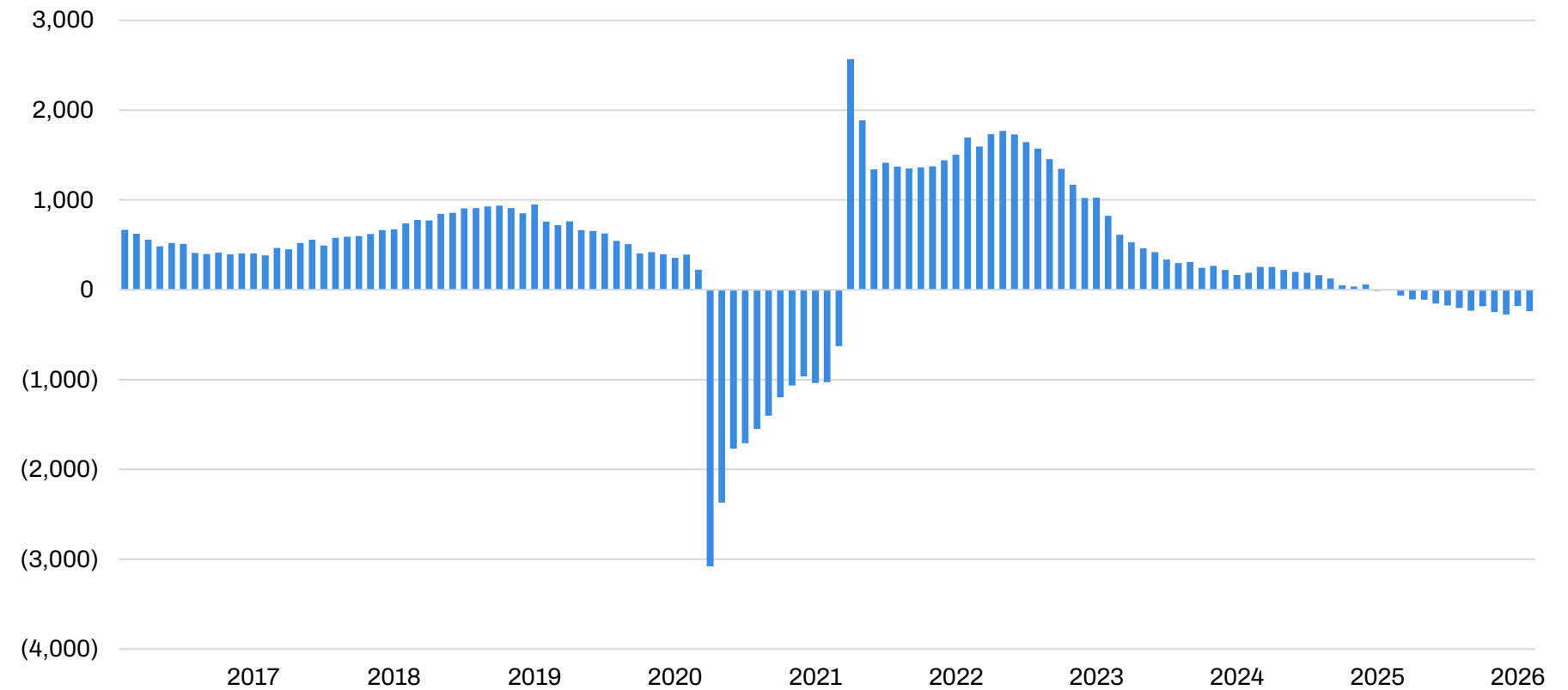
HISTORICAL HIGH

## ECONOMIC HIGHLIGHTS

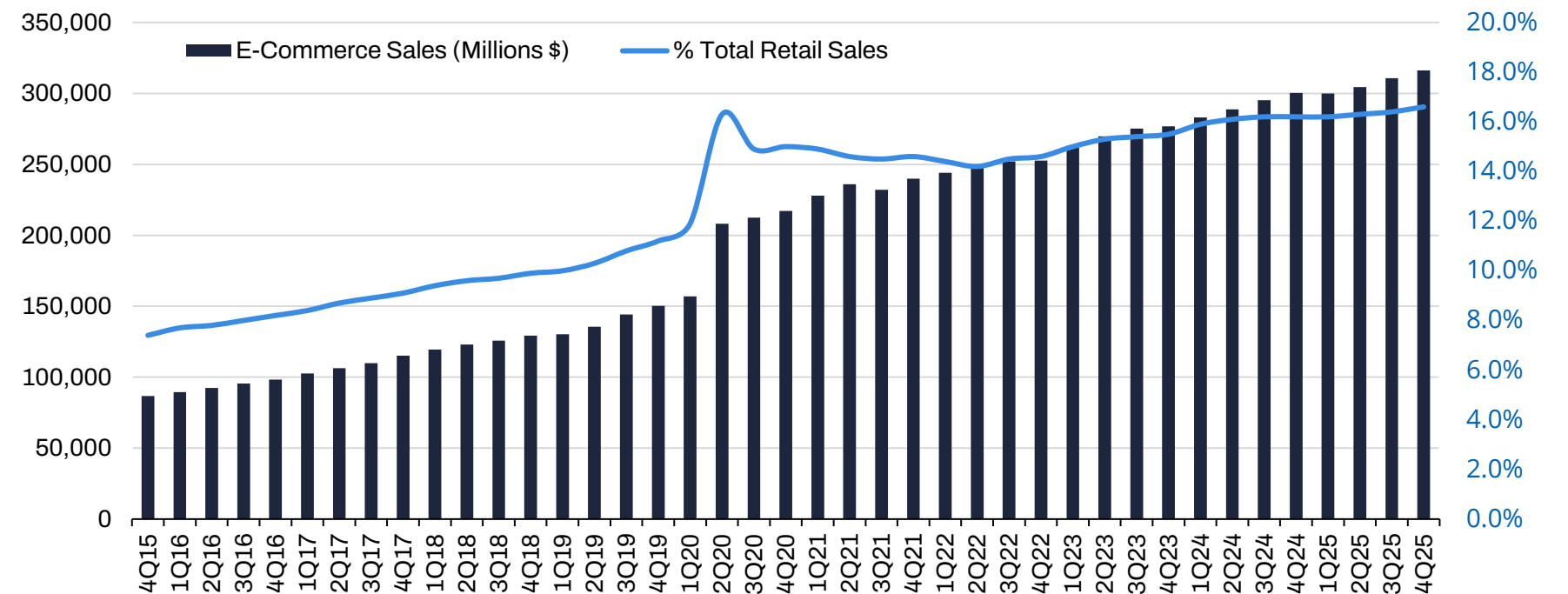
- The federal funds rate stood at 3.5%–3.75% after a total of 75 bps in cuts during the final months of 2025. As of Q1 2026, the Federal Reserve is on hold for interest rate reductions, and the consensus is one or two 25-bps cuts for 2026. The nomination of a new Fed chair is unlikely to change those projections, at least in the short term.
- U.S. GDP grew by an annualized rate of 0.5% in Q4 2025, averaging 2.1% for the year. Forecasts for 2026 ranged between 1.5% and 2.2%, with Q1 projections below 1.0% amid tariff pressures and disruption resulting from the Iran conflict.
- The U.S labor market fluctuated during the first three months of 2026, with a loss in February sandwiched by better-than-expected gains in January and March. Unemployment teetered between 4.3% and 4.4% with slower hiring and lower quit rates. While the labor force is shrinking, artificial intelligence is helping to offset the impact by boosting productivity.
- Employment growth supporting industrial real estate improved slightly thanks to strong rebounds in March across all related sectors.
- Transportation and warehousing employment declined in January and February before improving in March. However, trucking jobs have been trending lower since late 2024.
- Manufacturing employment was flat in Q1 2026; however, conditions within the sector turned positive, with the ISM Manufacturing Purchasing Managers’ Index (PMI) experiencing three consecutive month of expansions as of March and the strongest reading since August 2022.
- The Logistics Managers’ Index (LMI) registered its fastest pace of expansion since May 2022, as transportation prices increased and capacity continued to contract.
- Spending is beginning to decelerate as inflation fears and geopolitical conditions have consumers at record-low confidence levels.
- U.S. port volumes softened in Q1 2026 amid earlier tariff-driven front-loading and slower retail order activity, even as the U.S. trade deficit narrowed markedly.

## HISTORICAL

YOY CHANGE IN INDUSTRIAL-USING JOBS (THOUSANDS)



U.S. RETAIL E-COMMERCE SALES

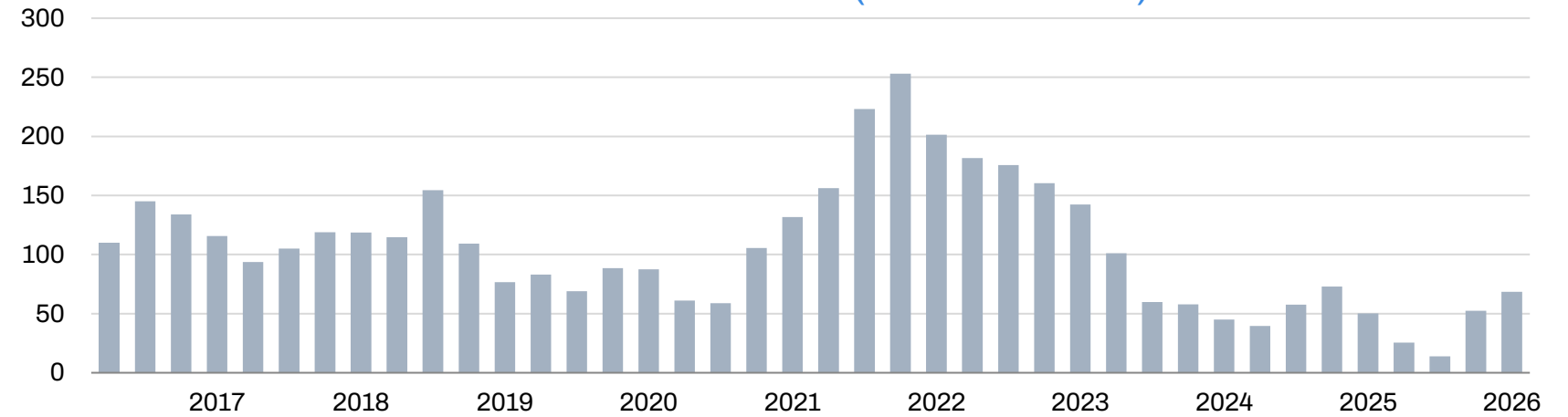


## MARKET HIGHLIGHTS

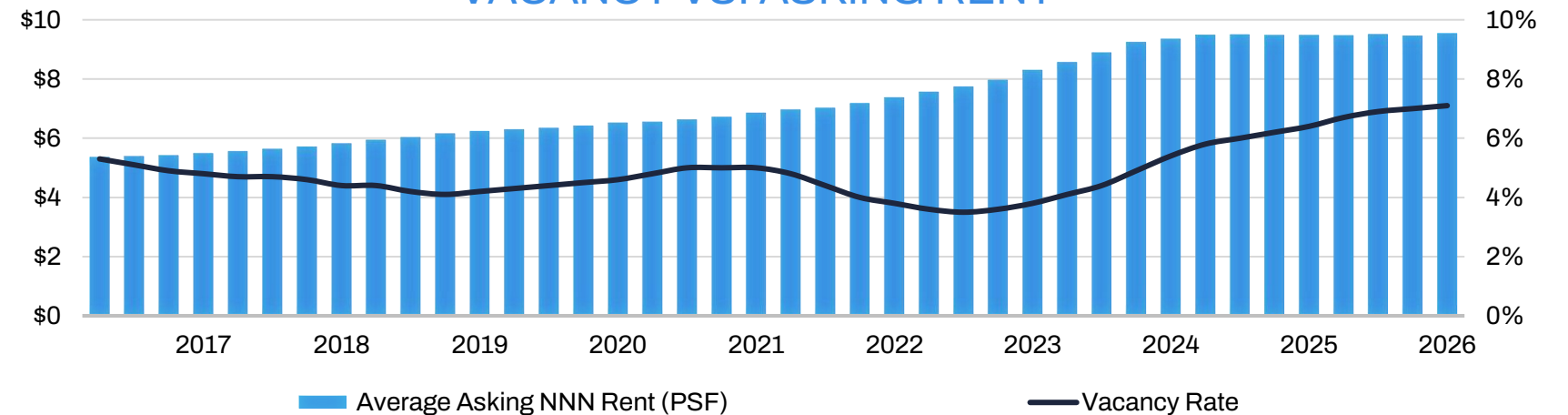
- Demand has clearly returned in the U.S. industrial real estate market, which recorded back-to-back quarterly increases and the best first three months of the year since 2023.
- Occupancy increased for the 65<sup>th</sup> consecutive quarter, with the pace of growth accelerating over the past two.
- 24 of 44 markets recorded positive net absorption during the first quarter of 2026, down from 35 the previous quarter, and 32 when compared to a year ago.
- Over the past 12 months, 64% of markets posted higher occupancy levels, with four markets absorbing more than 10 MSF, compared to 70% and six a year ago.
- The overall vacancy rate rose to 7.1%, its highest level since Q4 2013, but the increase of only seven bps was the lowest in 13 quarters.
- After increasing for 14 straight quarters, sublease availabilities fell, accounting for 10.6% of listings, lower by 30 basis points from the previous quarter and 10 basis points a year ago.
- After seesawing in 2025, ending the year on the downward side, asking rents increased by seven cents, surpassing the historical high in the process.
- 30 of 44 markets recorded YoY rent increases with Kansas City, San Antonio, and Savannah boasting double-digit growth.
- Deliveries outpaced net absorption for the 14<sup>th</sup> consecutive quarter, though the gap is narrowing, while total product under construction was at the lowest level in seven years.
- Following the pandemic push, the market has cycled through its rebalancing, with more disciplined development met by accelerated demand. This bodes well for modestly improving conditions throughout the year.
- The Iran conflict has emerged as the dominant near-term source of geopolitical uncertainty affecting the industrial real estate market in early 2026, but it has not fully replaced tariffs, which remain a structural, longer-lasting risk factor.

## HISTORICAL

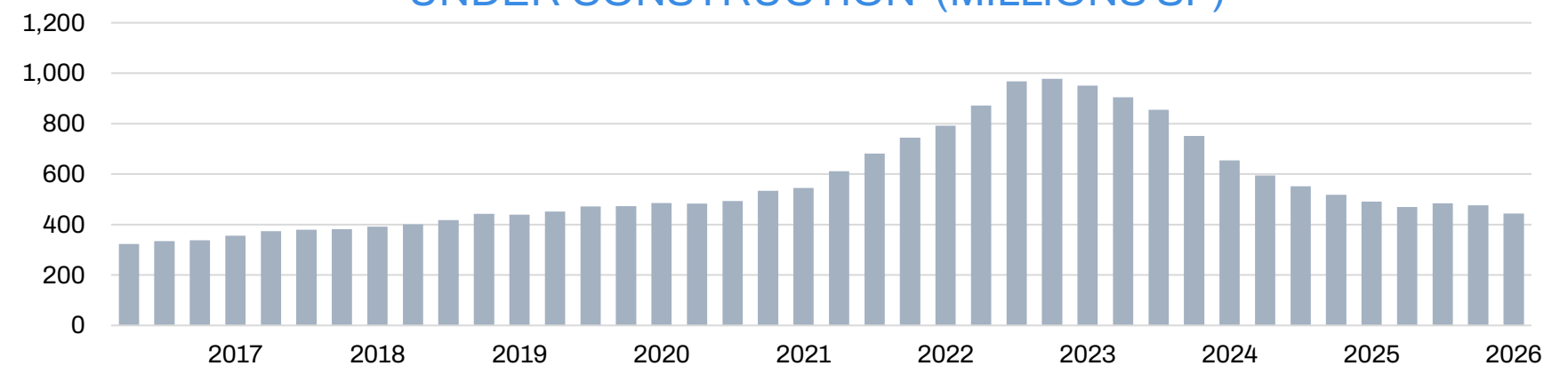
### NET ABSORPTION (MILLIONS SF)



### VACANCY VS. ASKING RENT

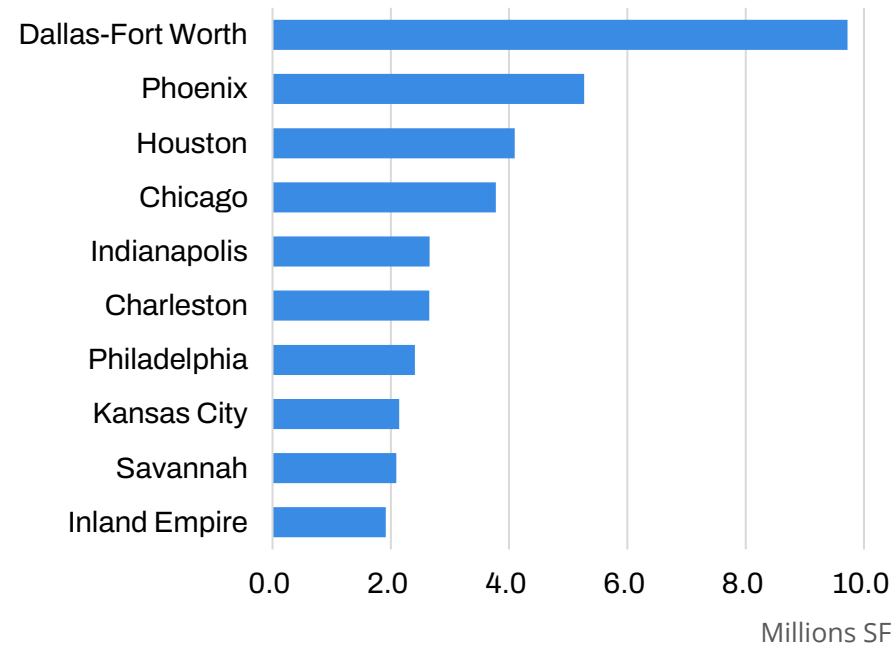


### UNDER CONSTRUCTION (MILLIONS SF)



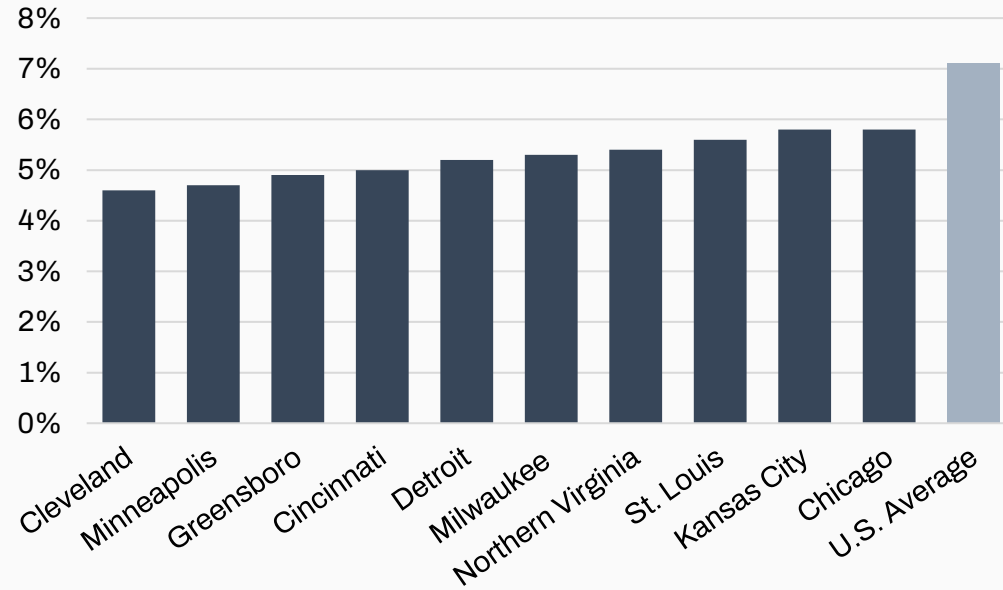
### NET ABSORPTION

Q1 2026 Net Absorption



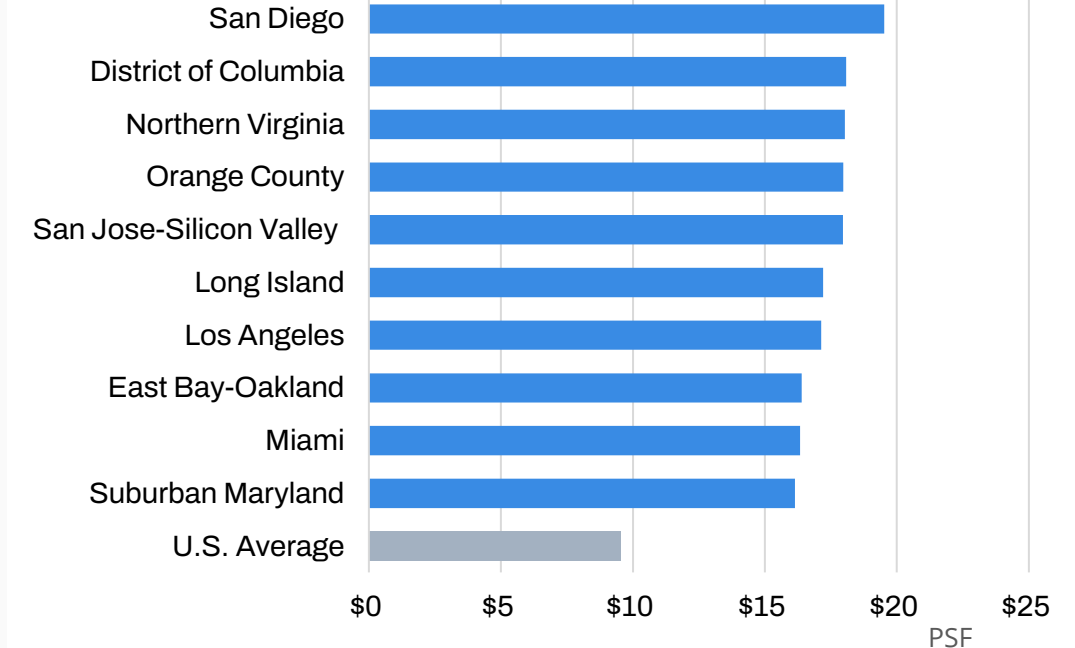
### VACANCY/CONSTRUCTION

Q1 2026 Vacancy Rate

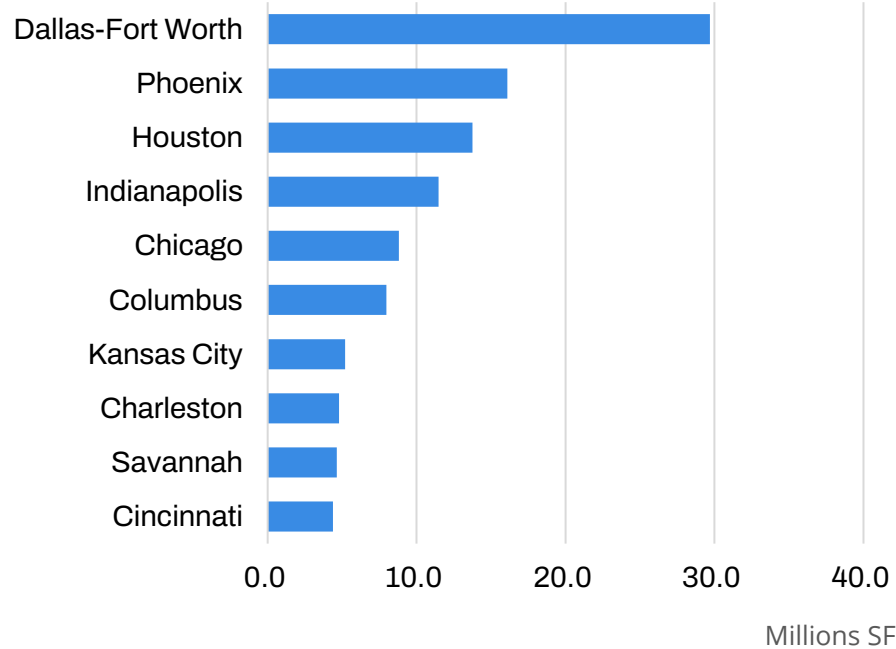


### ASKING RENTS

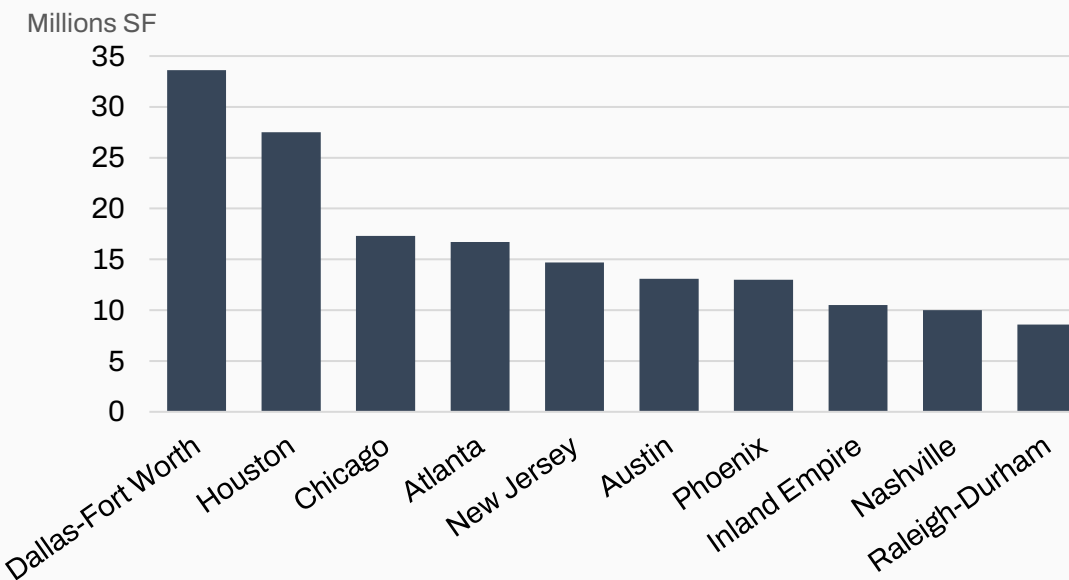
Q1 2026 Asking Rate (NNN)



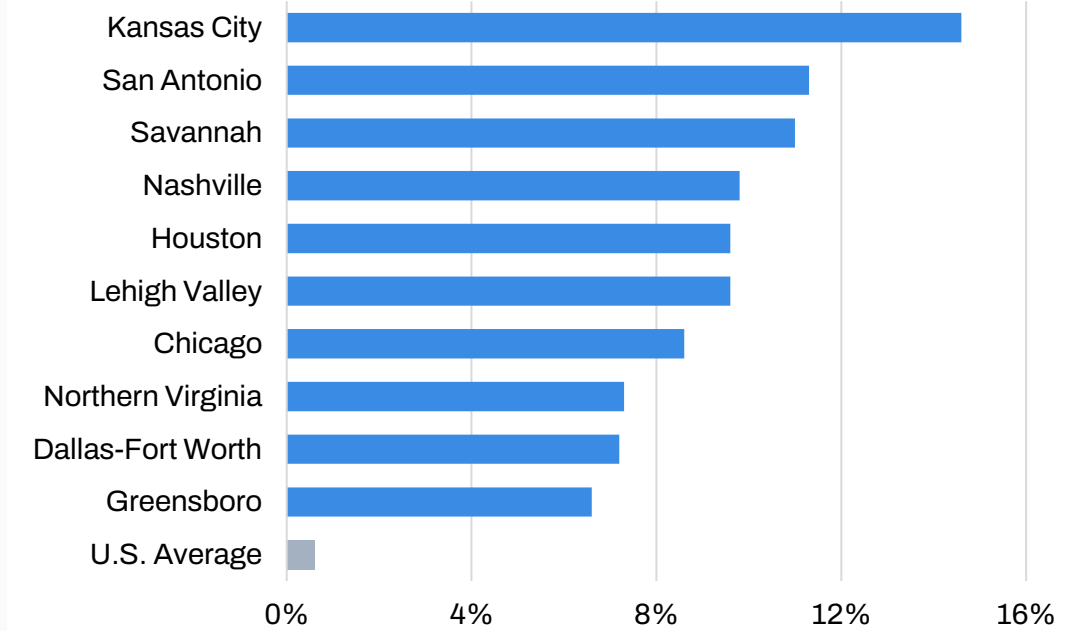
### Trailing 4-Qtr Net Absorption



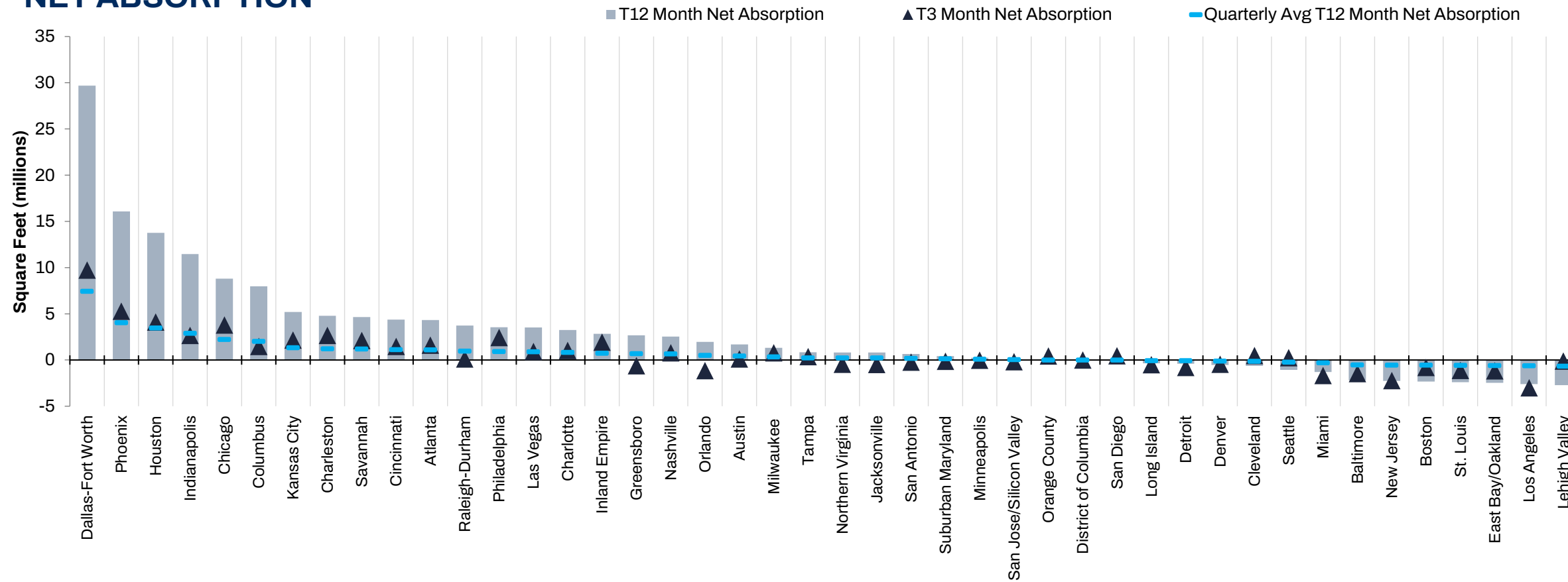
### Q1 2026 Under Construction



### Year-Over-Year Rent Growth

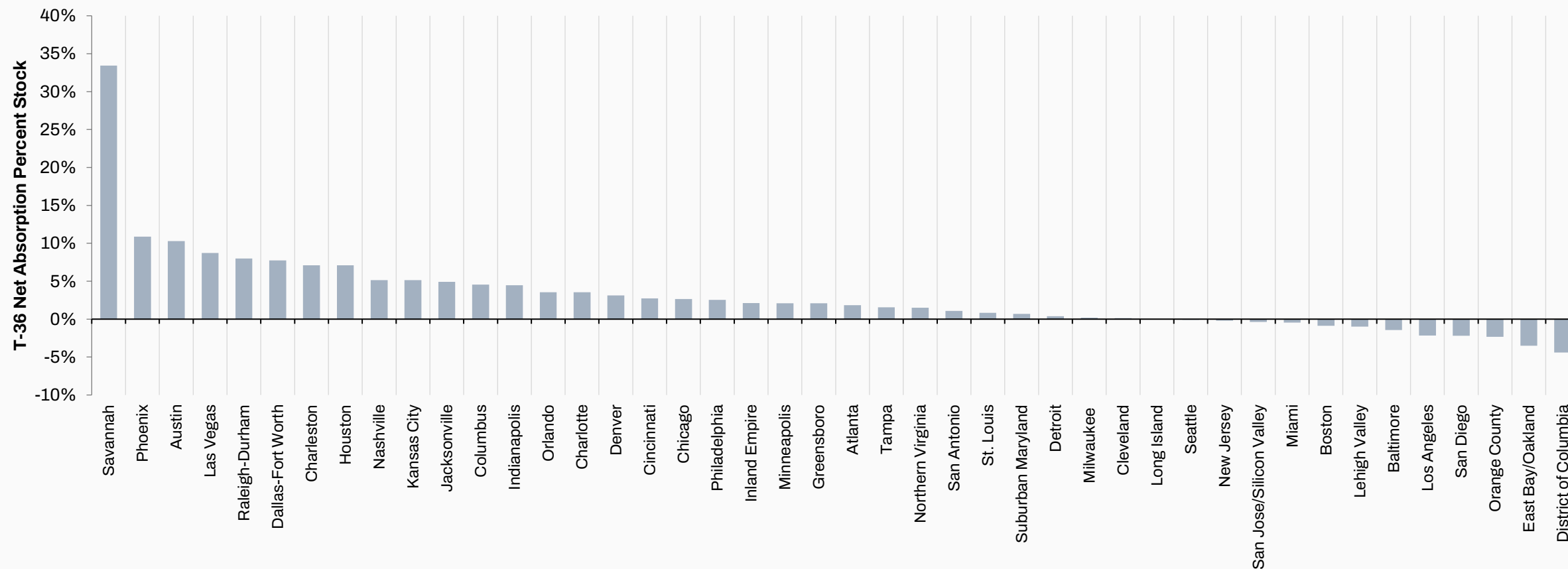


### NET ABSORPTION



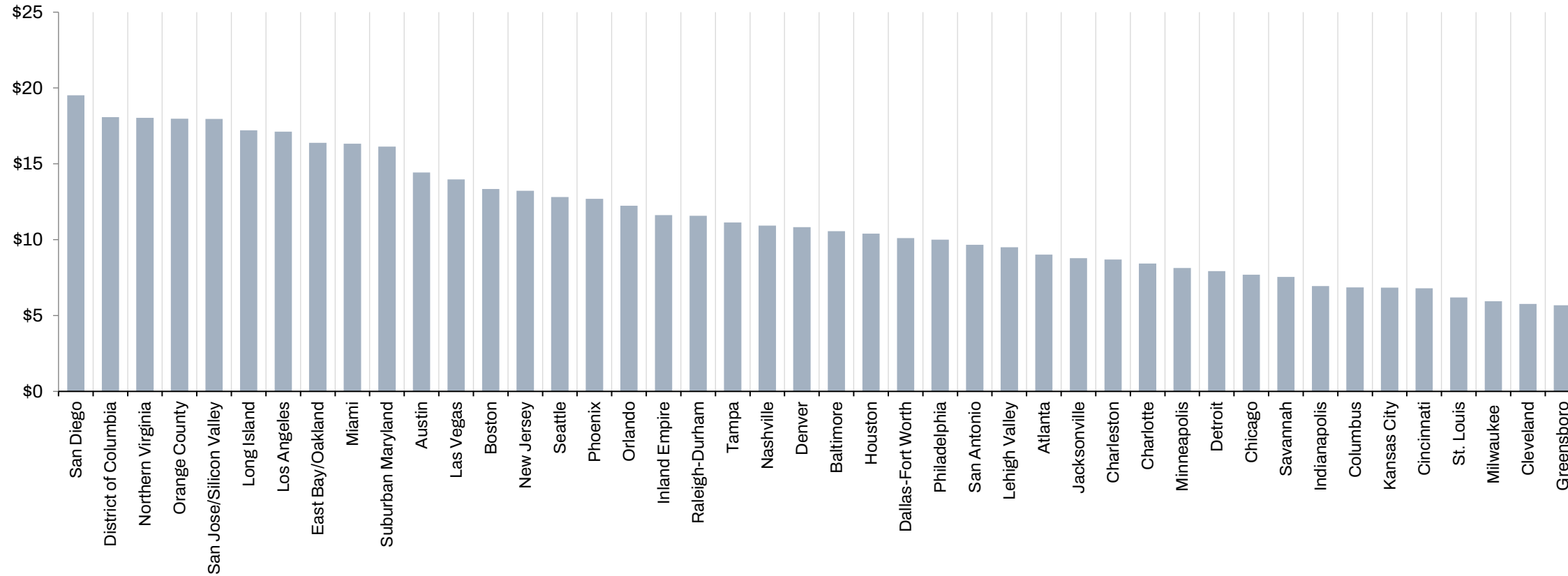
- Positive net absorption was reported in 28 of 44 markets over the past 12 months, seven less than in Q4 2025.
- Half of the markets improved when comparing net absorption to the quarterly average over the past 12 months, compared to two-thirds in the previous quarter.
- 50% of total net absorption over the past 12 months occurred in the top five markets, while the top ten accounted for 67% of occupancy growth.

### MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



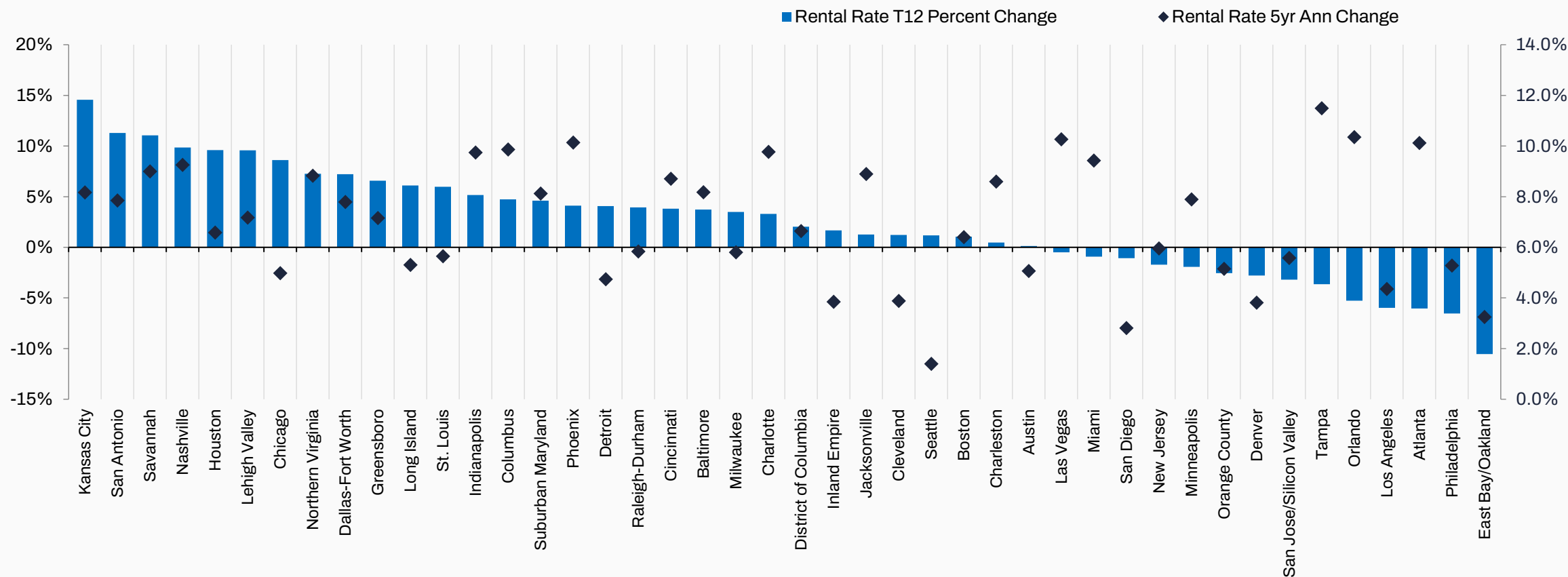
- Here we consider 3-year net absorption as a percent of stock. A higher percentage indicates a more expansionary market.
- The top eight markets for expansion were in the Sun Belt, and 11 of the top 15 were accompanied by three markets in the Midwest and Nashville.

## RENTAL RATES PSF NNN



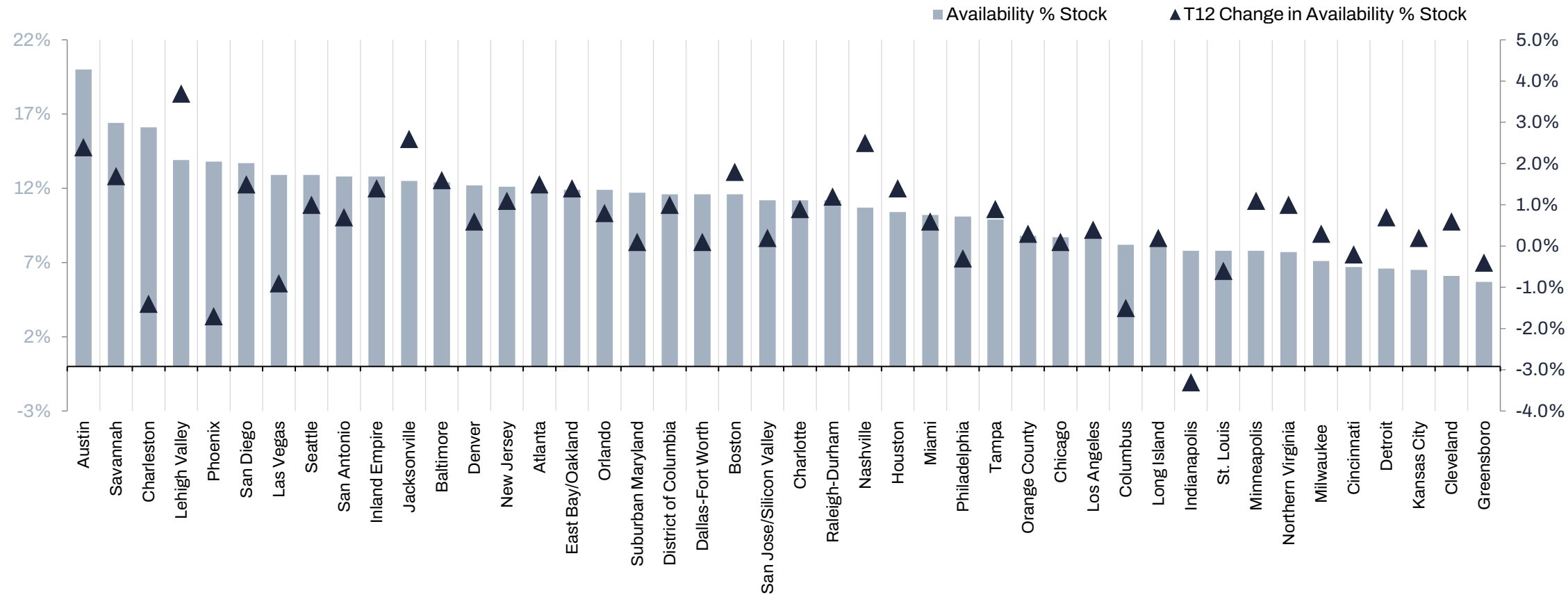
- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the West and East coasts.
- Of the ten coastal markets with the highest asking rates, six experienced rent decreases over the past 12 months, including all five on the West Coast and Miami.

## RENTAL RATE CHANGE



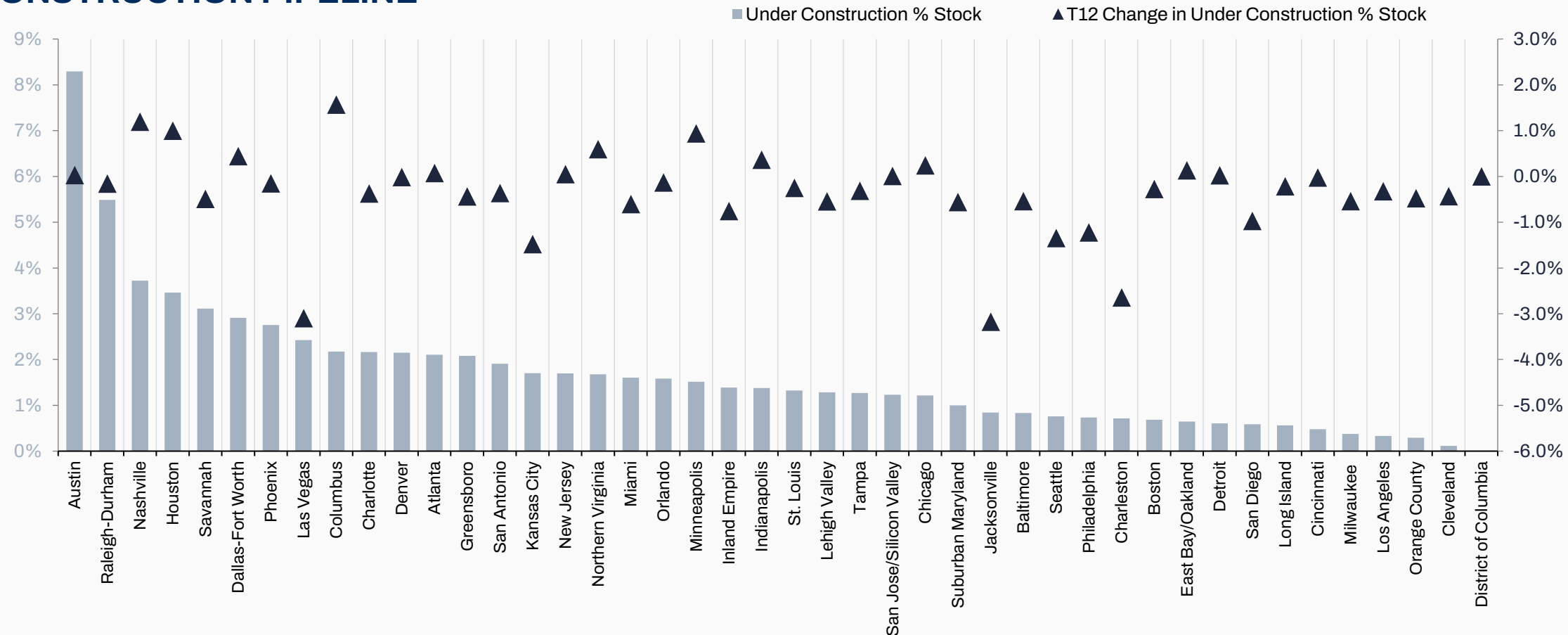
- Three markets experienced double-digit annual rent growth, up from two when compared to both Q4 2025 and year-over-year.
- The return of rent growth is evidenced by the fact that increases outpaced the five-year average in 20% of markets, compared to 11% the previous quarter.

## AVAILABILITY



- Four of the top seven markets with the highest availability, Austin, Savannah, Phoenix, and Las Vegas, also claim four of the top eight construction percentage levels.
- Most markets continued to loosen; however, nine recorded an improvement in availability over the past 12 months, compared to only three a year ago.
- Markets experiencing the largest increases in availability include Lehigh Valley, Jacksonville, Nashville, and Austin, all rising by 200+ 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 for under-construction stock.
- Construction deceleration has flattened and starts have even ramped back up in some areas; 61% of markets recorded a stagnant or decelerated pace of new construction, compared to 86% a year ago.

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	795,480,815	8.3%	7.8%	1,583,552	4,331,162	\$9.02	-6.0%	16,748,594
Austin	157,616,302	16.0%	15.1%	112,998	1,689,253	\$14.43	0.1%	13,071,130
Baltimore	256,845,615	10.1%	8.9%	(1,485,421)	(2,198,887)	\$10.56	3.7%	2,134,455
Boston	348,480,990	9.3%	8.3%	(815,529)	(2,341,424)	\$13.35	1.1%	2,389,937
Charleston	108,568,771	14.7%	13.8%	2,648,726	4,783,284	\$8.70	0.5%	774,596
Charlotte	382,739,037	10.4%	9.4%	1,012,688	3,237,202	\$8.43	3.3%	8,286,076
Chicago	1,426,167,307	5.8%	5.3%	3,774,617	8,807,684	\$7.69	8.6%	17,325,991
Cincinnati	349,608,991	5.0%	4.8%	1,453,631	4,373,303	\$6.80	3.8%	1,682,096
Cleveland	343,508,787	4.6%	4.5%	469,761	(632,753)	\$5.76	1.2%	398,804
Columbus	360,994,730	7.0%	6.5%	1,462,842	7,978,131	\$6.85	4.7%	7,855,598
Dallas-Fort Worth	1,151,800,978	9.0%	8.3%	9,722,456	29,682,002	\$10.10	7.2%	33,558,112
Denver	265,225,339	9.7%	8.9%	(471,580)	(535,455)	\$10.83	-2.8%	5,697,729
Detroit	594,574,601	5.2%	4.4%	(809,346)	(393,914)	\$7.93	4.1%	3,591,980
District of Columbia	8,823,489	10.5%	9.7%	(3,743)	(68,315)	\$18.08	2.0%	0
East Bay-Oakland	216,589,268	10.4%	8.7%	(1,189,980)	(2,472,040)	\$16.39	-10.5%	1,401,036
Greensboro	172,483,140	4.9%	4.7%	(629,483)	2,681,143	\$5.68	6.6%	3,588,800
Houston	794,514,172	7.5%	7.2%	4,097,332	13,757,479	\$10.40	9.6%	27,513,197
Indianapolis	414,338,921	7.9%	7.1%	2,654,821	11,470,113	\$6.94	5.2%	5,709,123
Inland Empire	757,910,970	9.1%	7.9%	1,914,444	2,836,079	\$11.62	1.7%	10,511,922
Jacksonville	160,605,911	10.3%	9.8%	(502,483)	803,729	\$8.79	1.3%	1,356,198
Kansas City	347,199,138	5.8%	5.3%	2,142,390	5,204,947	\$6.84	14.6%	5,912,440
Las Vegas	181,566,260	12.6%	11.1%	905,696	3,515,899	\$13.97	-0.5%	4,402,038

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	165,145,039	10.2%	8.4%	(127,581)	(2,715,303)	\$9.50	9.6%	2,121,347
Long Island	161,045,428	6.5%	6.1%	(515,809)	(355,518)	\$17.21	6.1%	908,820
Los Angeles	867,781,317	7.0%	6.2%	(3,027,154)	(2,595,219)	\$17.13	-6.0%	2,874,374
Miami	257,656,495	8.2%	6.9%	(1,682,678)	(1,292,230)	\$16.33	-0.9%	4,131,883
Milwaukee	255,241,104	5.3%	5.0%	776,695	1,320,497	\$5.94	3.5%	956,311
Minneapolis	371,820,550	4.7%	4.2%	(44,706)	249,171	\$8.13	-1.9%	5,641,403
Nashville	268,051,615	7.0%	6.3%	763,222	2,525,244	\$10.93	9.8%	9,978,617
New Jersey	864,579,444	8.2%	7.3%	(2,235,186)	(2,272,336)	\$13.22	-1.7%	14,681,246
Northern Virginia	96,110,807	5.4%	4.9%	(477,949)	805,090	\$18.03	7.3%	1,614,274
Orange County	276,806,725	6.7%	5.9%	426,396	(59,761)	\$17.97	-2.5%	809,356
Orlando	195,786,646	9.5%	8.4%	(1,149,959)	1,969,419	\$12.24	-5.3%	3,101,698
Philadelphia	604,909,236	9.1%	8.7%	2,409,437	3,543,430	\$10.01	-6.5%	4,451,494
Phoenix	473,390,518	12.3%	11.1%	5,266,889	16,083,212	\$12.69	4.1%	13,038,276
Raleigh-Durham	156,144,720	8.2%	7.7%	103,249	3,734,953	\$11.58	3.9%	8,571,019
San Antonio	165,618,018	11.6%	10.9%	(230,833)	652,849	\$9.66	11.3%	3,159,431
San Diego	195,427,210	10.1%	9.1%	456,950	(84,045)	\$19.52	-1.1%	1,146,418
San Jose-Silicon Valley	150,683,223	9.8%	8.6%	(189,105)	68,957	\$17.96	-3.2%	1,855,491
Savannah	146,760,816	12.4%	10.5%	2,092,623	4,642,742	\$7.54	11.0%	4,565,882
Seattle	338,976,897	10.3%	9.3%	229,777	(1,057,021)	\$12.82	1.2%	2,573,459
St. Louis	322,211,562	5.6%	5.3%	(1,148,373)	(2,399,094)	\$6.20	6.0%	4,266,612
Suburban Maryland	113,970,602	9.7%	9.1%	(144,817)	433,116	\$16.14	4.6%	1,142,158
Tampa	201,798,429	7.9%	7.5%	361,238	838,496	\$11.13	-3.6%	2,563,864



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## ABOUT THE TRANSWESTERN COMPANIES

Transwestern is a vertically integrated commercial real estate firm dedicated to serving investors, partners and clients through expertise in investment, development, brokerage and property management. We own, lease and operate \$64 billion<sup>1</sup> in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 33 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at [transwestern.com](https://transwestern.com).

<sup>1</sup>Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

## RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).