Transwestern

COMMERCIAL REAL ESTATE

U.S. Market Industrial

Q2 2026

The Transwestern Takeaway

Absorption Outpaced New Deliveries for the First Time in Four Years

Quarterly net absorption climbed to its highest level in three years, outpacing new supply by a noteworthy 16 MSF. Direct vacancy fell for the first time since Q2 2022, albeit minimally, with 84% of markets posting positive absorption over the past year.

Industrial Job Losses are Easing, though Productivity Continues to Rise

Industrial-using employment growth has flattened, a trend likely to continue. However, productivity is rising. A YoY gain of 64,000 construction jobs offset continued losses in transportation, and warehousing and manufacturing, which are deploying automation, robotics, and AI to increase output.

Strengthening Demand & Supply Discipline Lifted Rent Growth

Asking rents posted another record, as averages increased in more than 75% of markets over the past 12 months. Tight supply has kept pricing power with landlords, especially in premium facilities, though the playing field could level out as new construction ramps up.

↑ **92.4 MSF**
Net Absorption
71% INCREASE FROM Q1

↓ **5.6%**
Vacancy Rate
FIRST DROP IN 16 QUARTERS

↑ **481.7 MSF**
Under Construction
TRENDING BACK UPWARD

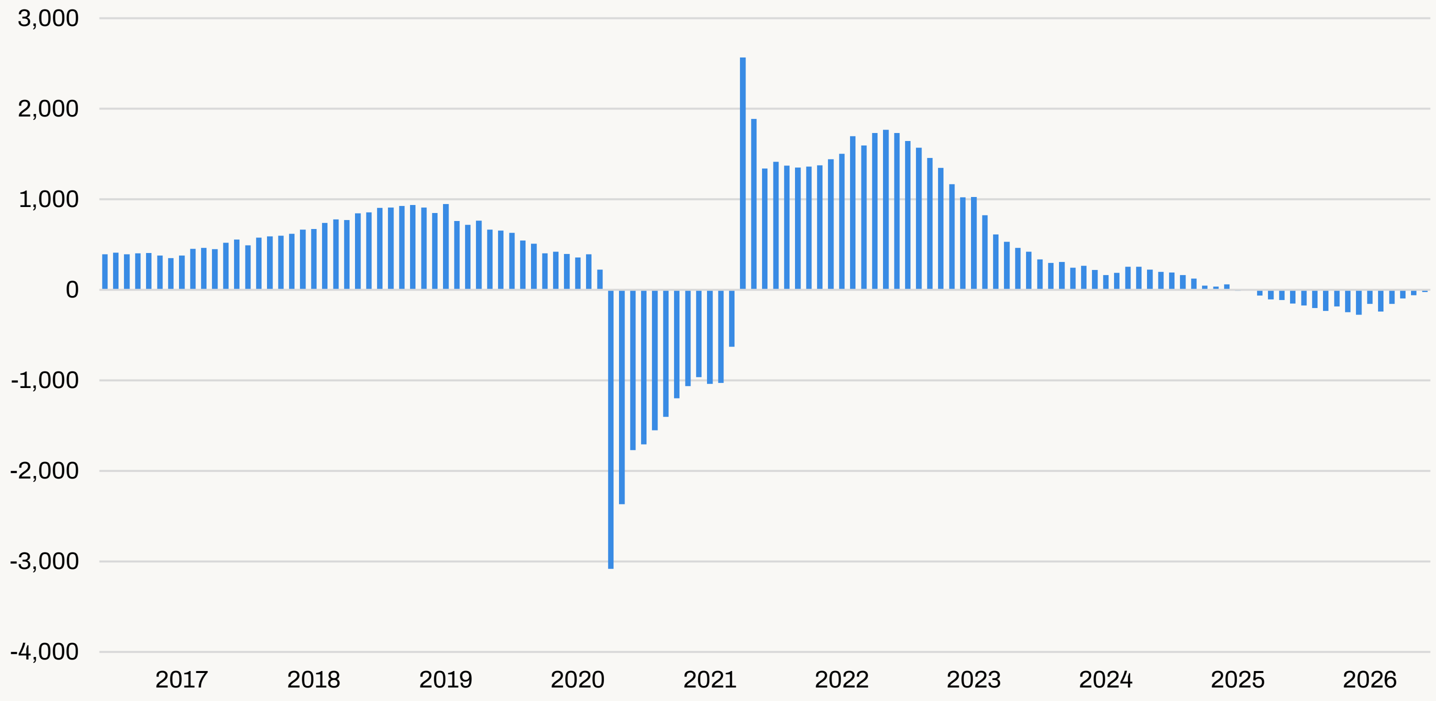
↑ **$9.57**
Asking Rent
RESETTING RECORD HIGH

Economy

Labor Market Remains Resilient

YEAR-OVER-YEAR INDUSTRIAL-USING JOBS

Job change in thousands



Source: BLS, Transwestern.

18

Consecutive Months of Negative YoY Industrial Job Growth

The U.S. labor market remained resilient during the quarter, with unemployment stabilizing between 4.2% and 4.3%.

Job growth outperformed in April and May before cooling in June. Layoffs remain limited.

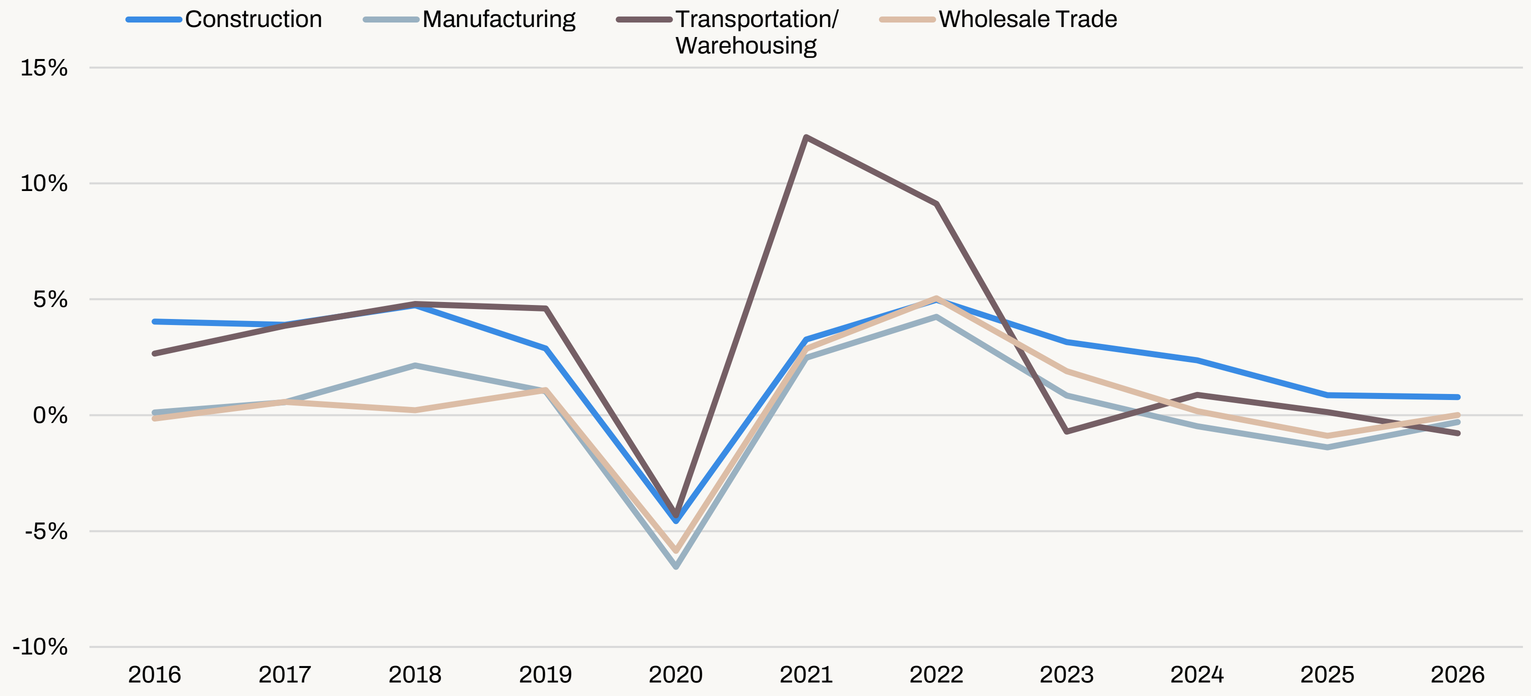
Annual employment growth impacting the industrial sector has been negative for 18 consecutive months, though the pace of loss has slowed.

U.S. MARKET | INDUSTRIAL | Q2 2026

Slowing Industrial Job Growth Finds Its Bottom

ANNUAL INDUSTRIAL-USING JOB GROWTH BY SECTOR

Annual % change



Source: BLS, Transwestern.

(0.1%)

Industrial-Using Labor Change Year-Over-Year (YoY)

After falling for the first time in five years in 2025, industrial-using job growth continued lower, but only slightly.

As of June, industrial-using labor is down 0.1% over the past 12 months.

Job growth for each of the four major sectors impacting industrial real estate ranges from -0.8% to 0.8% year-over-year.

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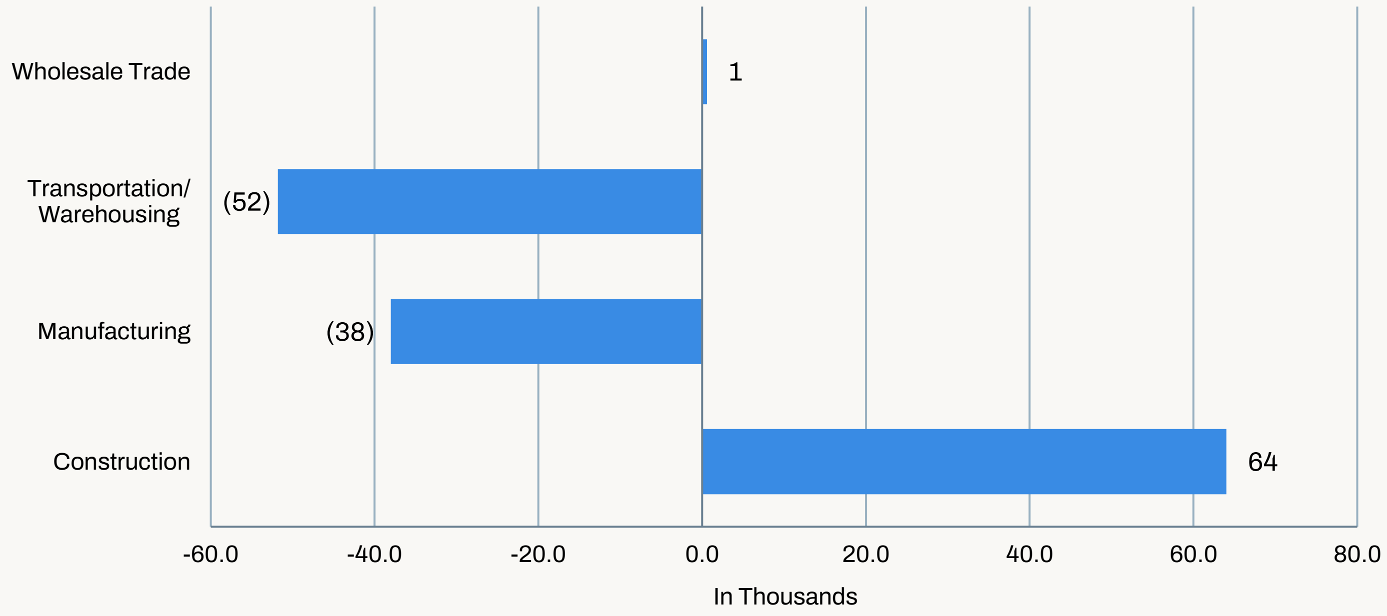
Construction Sector Continues to Outperform

INDUSTRIAL-USING JOB CHANGE BY INDUSTRY

Job change in thousands during the past 12 months ending June 2026



Source: BLS, Transwestern.

64,000

Gain in Construction Jobs

Employment growth supporting industrial real estate improved slightly during the quarter, though it recorded a job loss of 25,000 year-over-year.

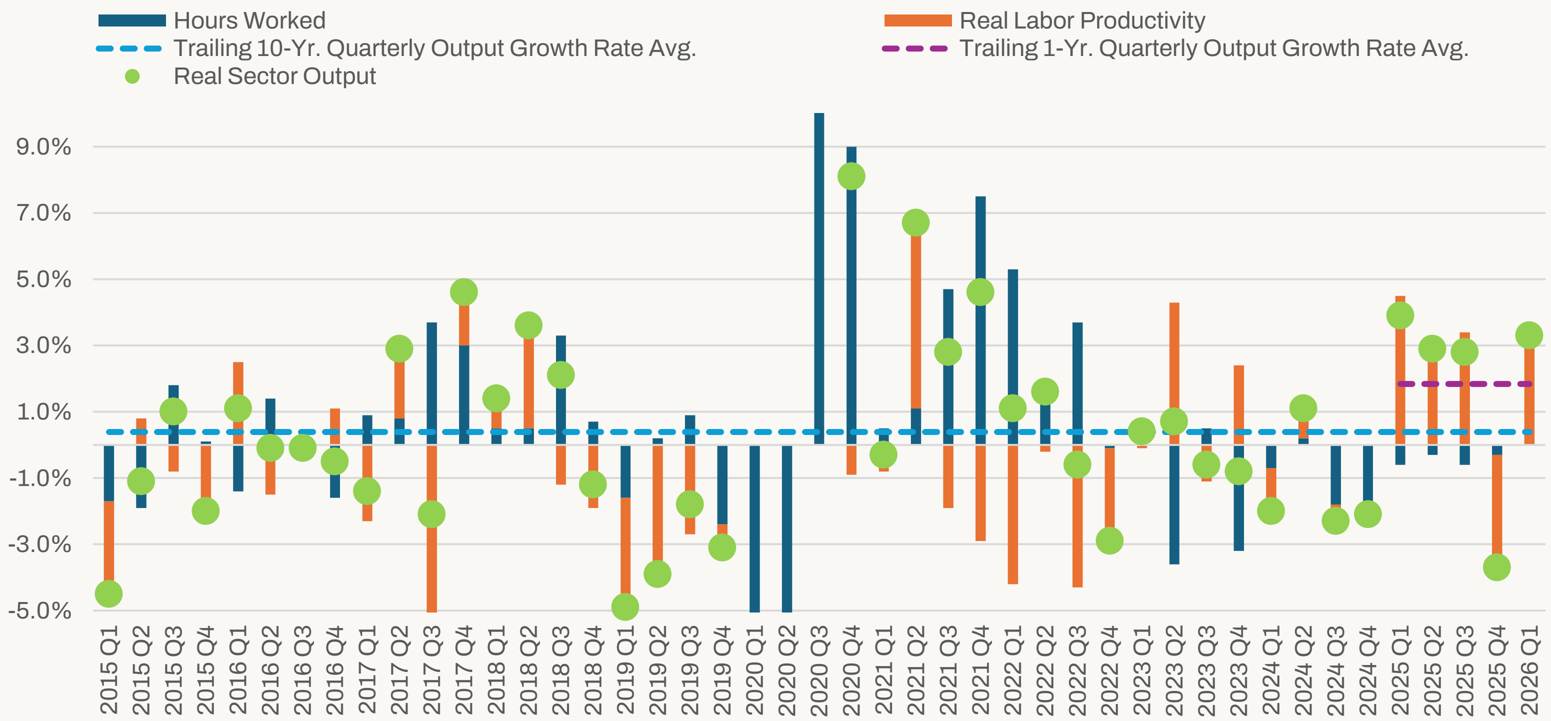
A steady contraction in trucking jobs continues to negatively impact the transportation sector, while warehousing payrolls expanded.

Non-residential construction job growth has boosted that industry to the tune of +64,000 jobs year-over-year.

U.S. MARKET | INDUSTRIAL | Q2 2026

Manufacturing Sector Output Jumped Beginning in First Quarter

U.S. QUARTERLY ANNUALIZED REAL OUTPUT GROWTH RATE (MANUFACTURING SECTOR)



Source: BLS, Transwestern.

2.67%

Cumulative Real Labor Productivity Growth Since January 2025

Manufacturing output is accelerating despite limited job growth, highlighting a productivity-led expansion rather than a labor-led one.

In the latest report, productivity increased 3.3% while hours worked were flat.

When considering the cumulative growth rate since January 2025, real labor productivity has outpaced sector output 2.67% to 2.24%.

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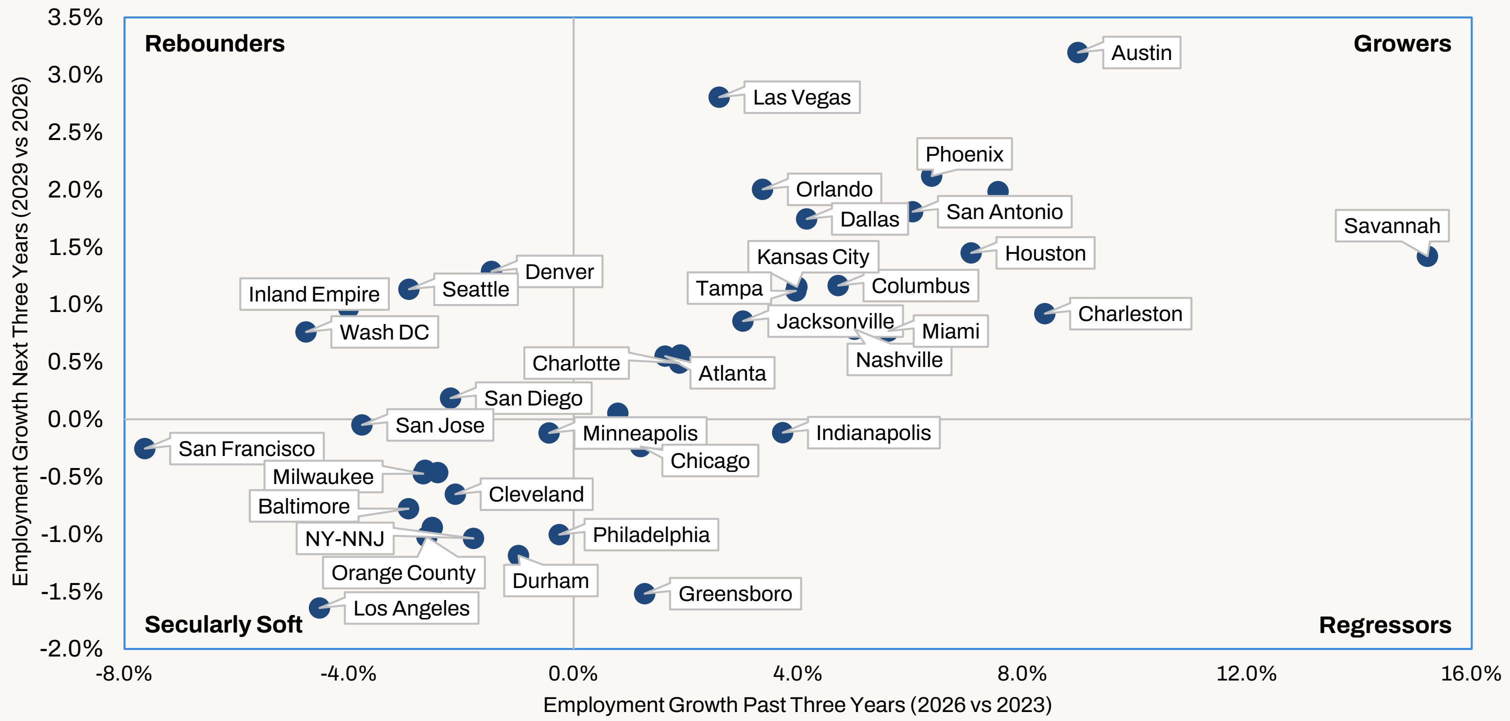
Industrial-Using Job Growth is Bigger in Texas

INDUSTRIAL-USING JOB CHANGE BY MAJOR MARKET

Past three years vs. next three years



Source: Oxford Economics, Transwestern.

Texas

Hosts Four of Top Eight Metros For Future Industrial Job Growth

Savannah, GA recorded the highest growth nationally over the past three years at 15.2%, driven by expanding port operations.

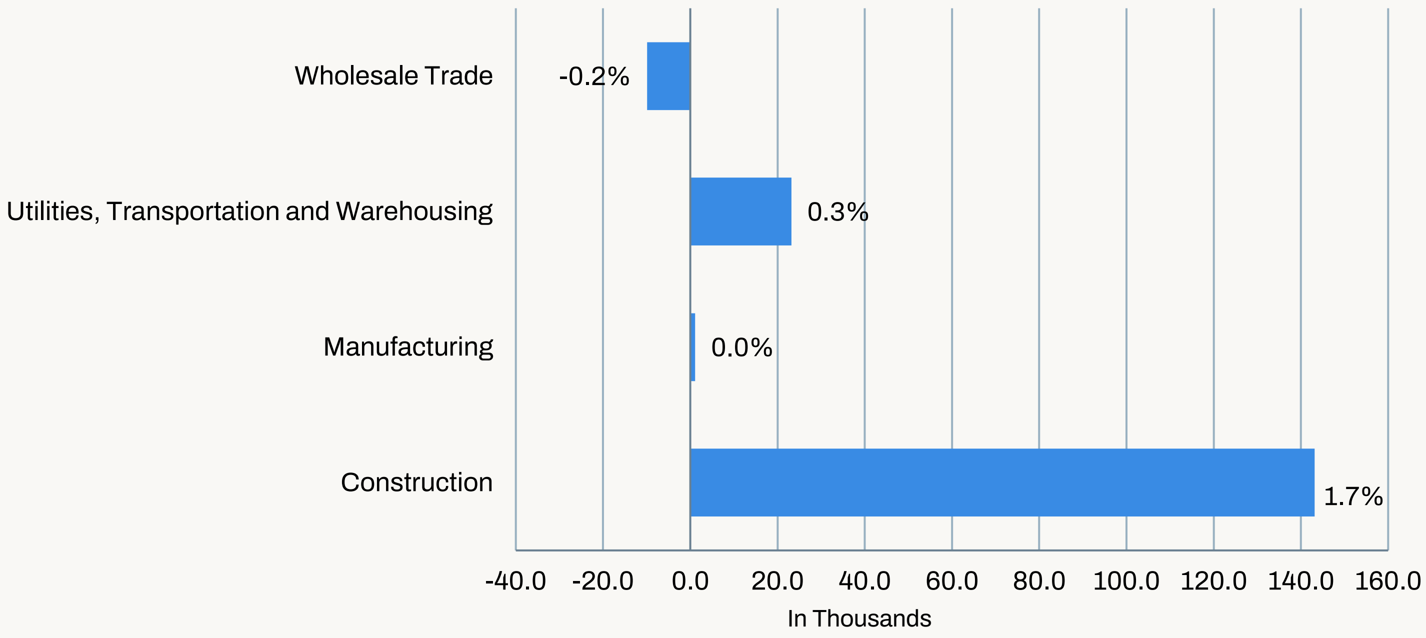
Texas metros dominate projected industrial-using job growth, with Austin anticipated to lead gains in the next three years.

West Coast and Northeastern markets continue to lose industrial jobs, though productivity gains, boosted by automation, are helping sustain industrial activity.

The Trend Will Remain the Same

INDUSTRIAL-USING INDUSTRIES | NEXT THREE YEARS

Employment growth vs % change



Source: Oxford Economics, Transwestern.

1.7%

Projected Construction Employment Growth

The cooling of industrial-using job growth is anticipated to continue over the next three years.

Construction employment will continue to outperform as new development has ramped back up, albeit modestly.

Despite reshoring efforts, projected manufacturing employment remains flat, with automation and AI to fill gaps.

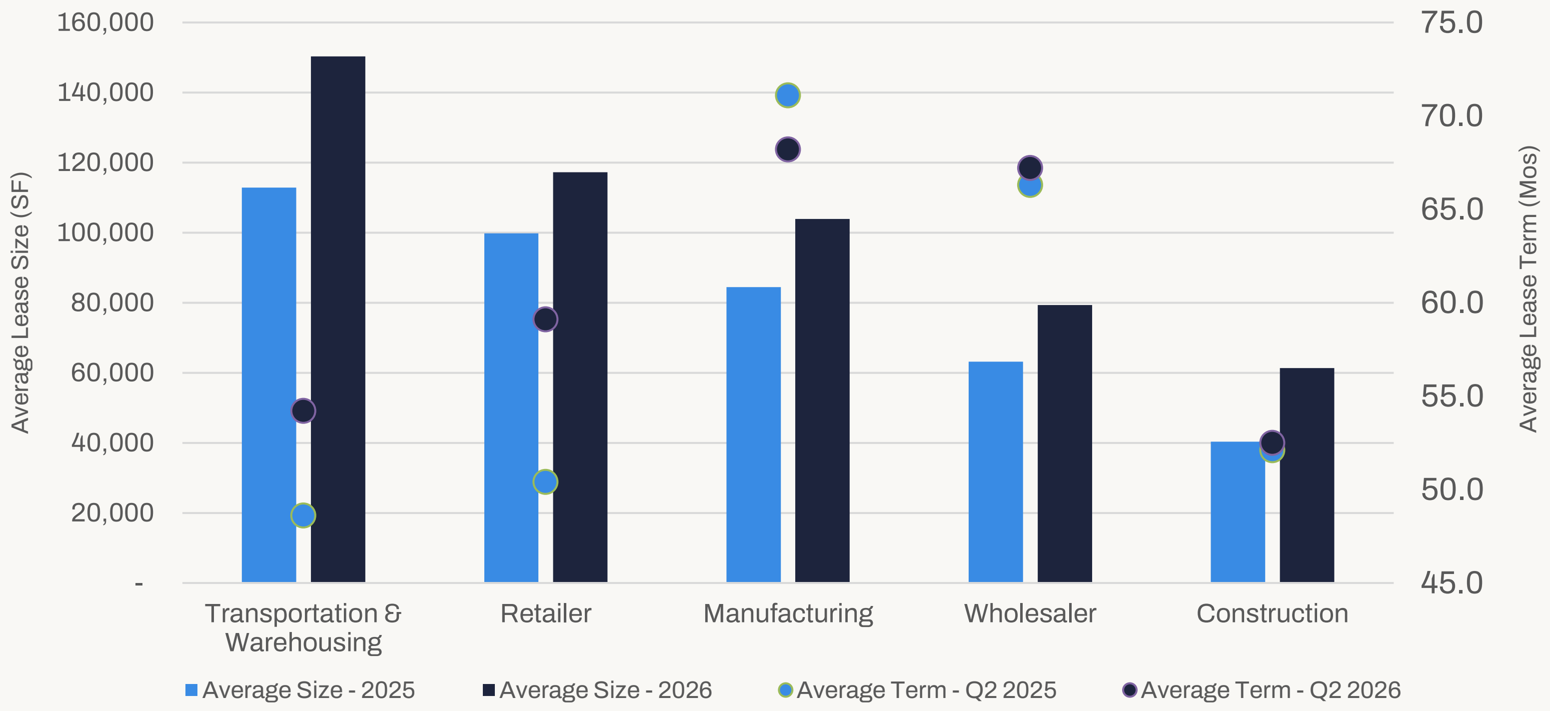
Tenant

U.S. MARKET | INDUSTRIAL | Q2 2026

Tenants Digging in with Bigger Footprints, Longer Terms

INDUSTRIAL TENANT LEASE SIZE (SF) AND TERM (MOS)

Q2 2025 vs. Q2 2026, 10,000 SF or greater



Source: CoStar, Transwestern.

9 months

Increase In Lease Terms By Retailers

While construction tenants tend to have the smallest footprints, they recorded the biggest jump in lease size, growing by more than 50% compared with Q2 2025 levels.

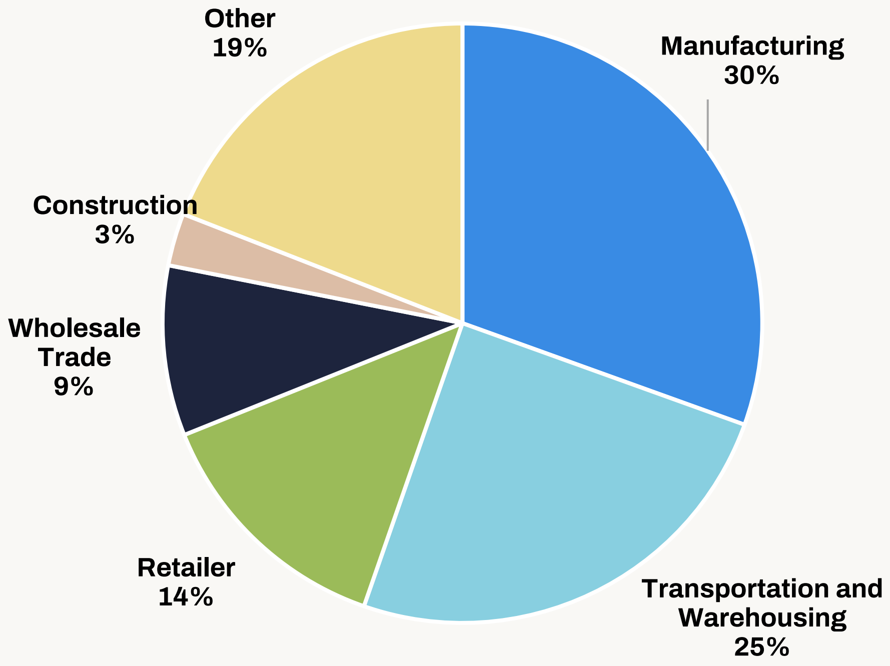
Manufacturing was the only sector to see a decrease in lease term over the last year, shrinking by three months on average.

Retailers' industrial lease terms increased by almost 9 months, though they had the smallest increase in size at about 18%.

Manufacturing Increases Share of Large Tenant Move-ins

INDUSTRIAL TENANT MOVE-INS BY INDUSTRY

July 2024 - June 2026, 100,000 SF or greater



Source: CoStar, Transwestern.

30%

Manufacturers Share of Large Tenant Move-ins (past two years)

Manufacturers have been active in the Southeast, with notable moves by Hyundai in GA, First Solar in AL, Wolfspeed in NC, Toyota in MS, and Ultium Cells in TN.

Highlighting Transportation and Warehousing was CJ Logistics in CA, NFI in PA and CEVA Logistics in AZ.

Panasonic and Amazon led the Wholesale and Retail categories, respectively, while Seaward Marine Corporation led Construction sector moves with a 1.1 MSF processing plant in VA.

Many Large Industrial Tenants Opting for New Facilities

RECENT NOTABLE INDUSTRIAL TRANSACTIONS

Past 12 Months

Tenant	Lease Size	Type	Metro or City/State	Industry
Nucor	2,700,000	New	Apple Grove, WV	Manufacturing
TAKKION	2,661,000	New	Gadsden, AL	Transportation and Warehousing
SLB	1,626,900	Expansion	Shreveport, LA	Mining, Quarrying, and Oil and Gas Extraction
Kimberly-Clark	1,541,200	New	Chicago, IL	Manufacturing
Decker Outdoor Corporation	1,530,900	Renewal	Inland Empire, CA	Manufacturing
General Mills, Inc.	1,508,400	Renewal	Chicago, IL	Manufacturing
DrinkPAK	1,404,000	New	Philadelphia, PA	Manufacturing
CJ Logistics	1,404,000	Sublease	Stockton, CA	Transportation and Warehousing
TAKKION	1,400,800	New	Montgomery, AL	Transportation and Warehousing
DMA Industries	1,400,600	New	Spartanburg, SC	Wholesaler

Source: CoStar, Transwestern.

1.4 MSF

Several Recent New Construction Leases Exceed This Size

Many of the top leases were for brand-new facilities: distribution centers for Kimberly-Clark and DrinkPAK, as well as Nucor's steel production mill, all committing to more than 1.4 MSF.

Global energy company SLB expanded at its existing facility and will increase its employee count from 800 to 1,200.

TAKKION signed leases at a former Goodyear plant in Gadsden and a former Big Lots distribution center in Montgomery, for use in its clean energy production.

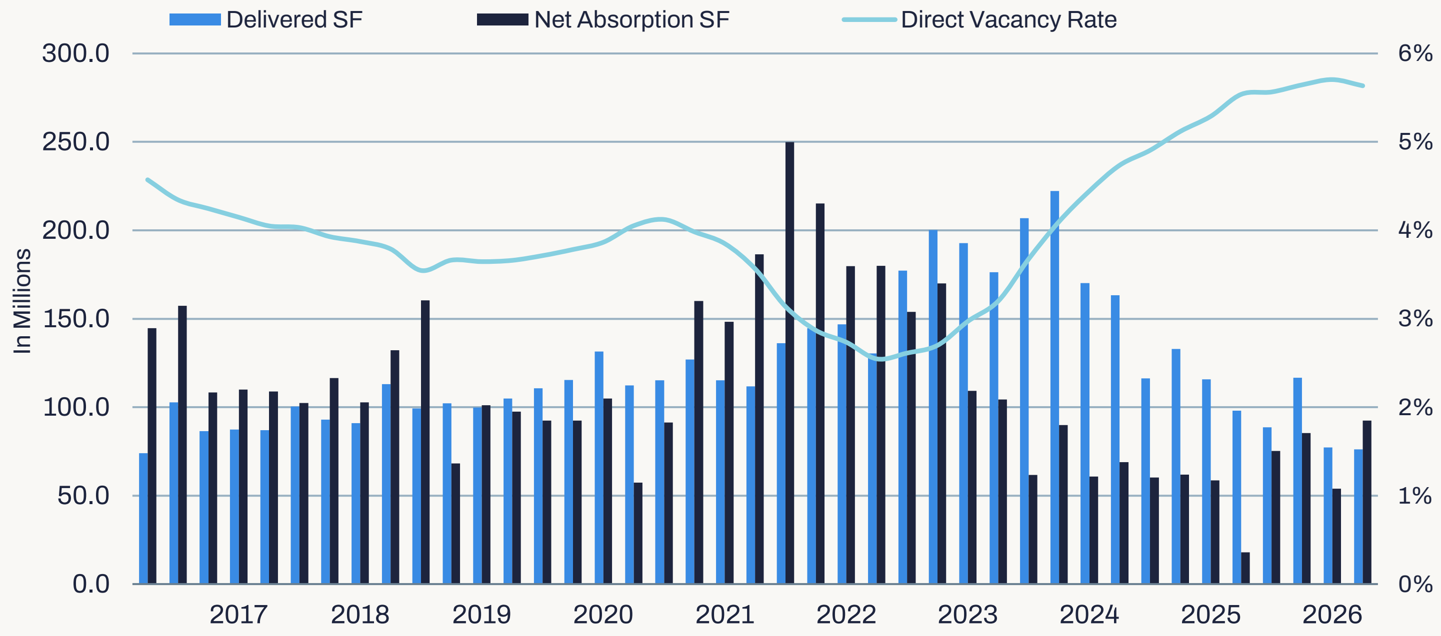
Market Fundamentals

U.S. MARKET | INDUSTRIAL | Q2 2026

The Streak is Broken

INDUSTRIAL PROPERTY IMPACT OF DELIVERIES

In millions SF



Source: CoStar, Transwestern.

3 years

Duration Since Quarterly Absorption Was at This Level

For the first time in four years, net absorption outpaced new deliveries.

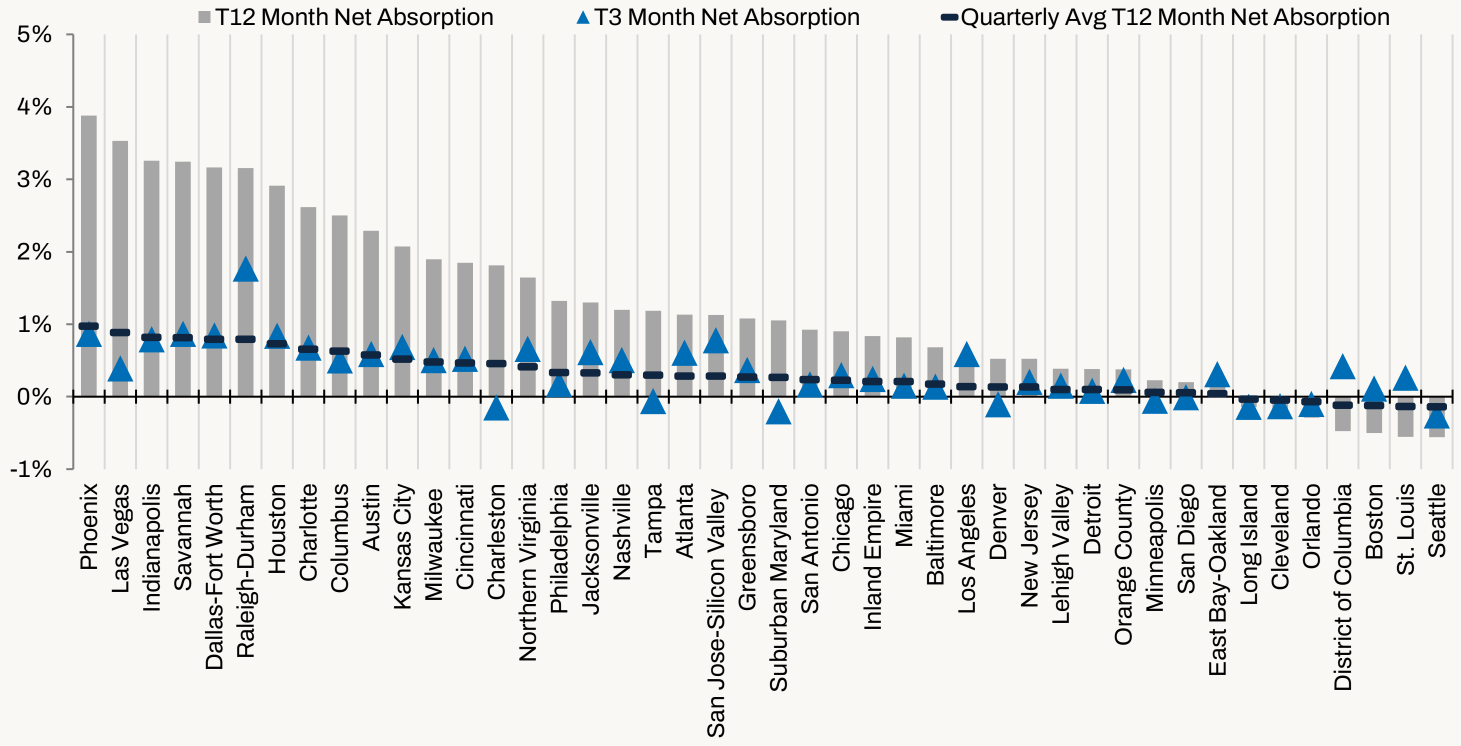
Quarterly net absorption totaled 92.4 MSF, the highest level in three years, and a 71% increase from the previous quarter.

After increasing for 15 consecutive quarters, direct vacancy fell slightly to 5.6%.

Sun Belt Continues to Shine

INDUSTRIAL ABSORPTION BY MAJOR MARKET

As a % of stock



Source: CoStar, Transwestern.

37

Number of Markets Reporting YoY Positive Absorption

Positive net absorption was reported in 37 of 44 markets over the past 12 months, nine more than in Q1 2026.

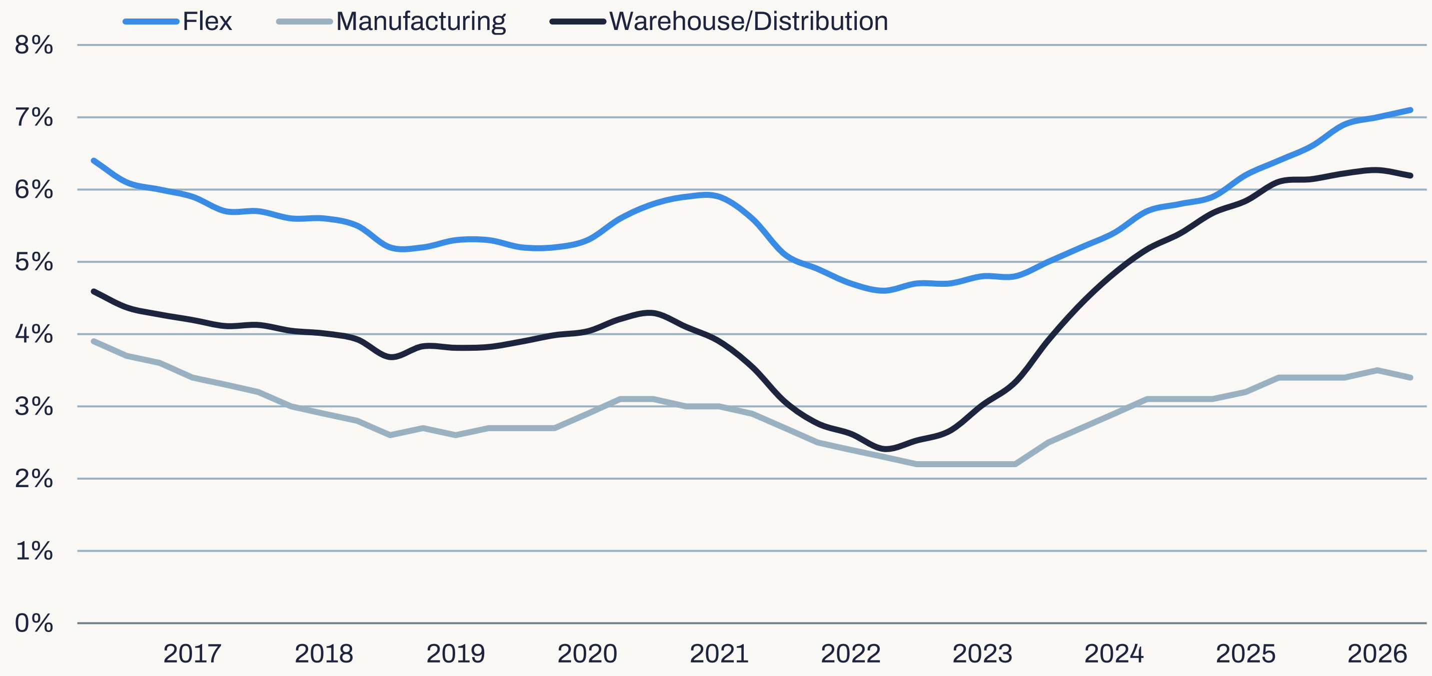
43% of markets improved when comparing net absorption to the quarterly average over the past 12 months, compared with half in the previous quarter.

Eight of the top 10 markets for expansion were in the Sun Belt, while five Midwest markets ranked in the top 15.

All Subtypes are Stabilizing

INDUSTRIAL DIRECT VACANT AVAILABLE RATE

By Sub Property Type



Source: CoStar, Transwestern.

10 Bps

Change In Direct Vacancy For Each Property Subtype

Conditions are stabilizing as the vacancy for each property subtype shifted by only 10 basis points for the second consecutive quarter.

While manufacturing and warehouse vacancies have leveled off, flex properties experienced an increase of 70 bps year-over-year.

Manufacturing properties have been the most resilient, with a vacancy on par with its pre-pandemic level.

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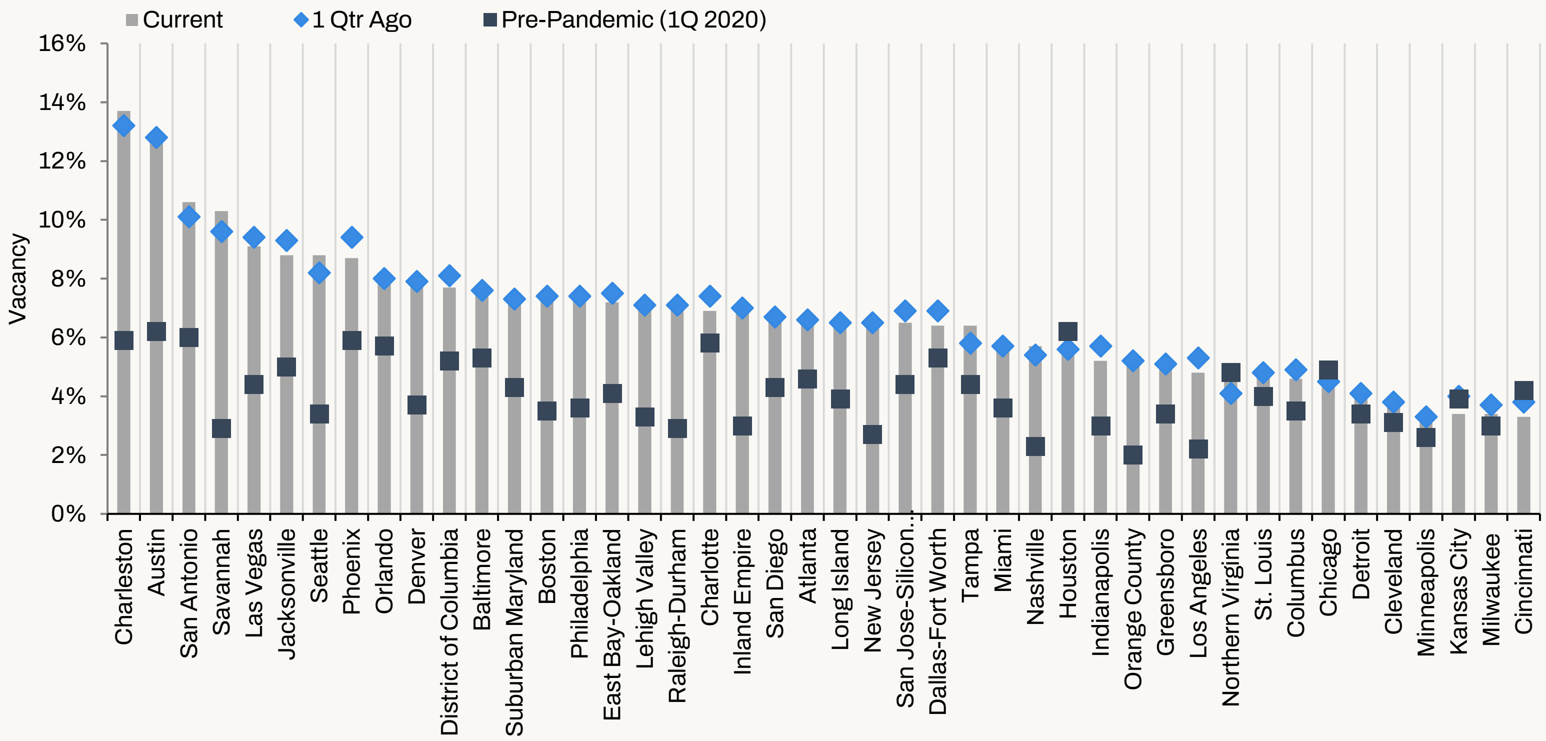
Vacancies Remain Elevated in Most Markets

INDUSTRIAL VACANCY RATE BY MAJOR MARKET

Current rate vs. 1 quarter prior vs. pre-pandemic



Source: CoStar, Transwestern.

90%

Markets With Vacancies Above Pre-Pandemic Levels

Slightly more than half of the tracked markets saw improvement in vacancy over the previous quarter.

Despite recent overall improvement, nearly 90% of market vacancies remain higher than pre-pandemic levels.

Cincinnati and Kansas City each rank in the top five for improved vacancies over the quarter and vs. pre-pandemic.

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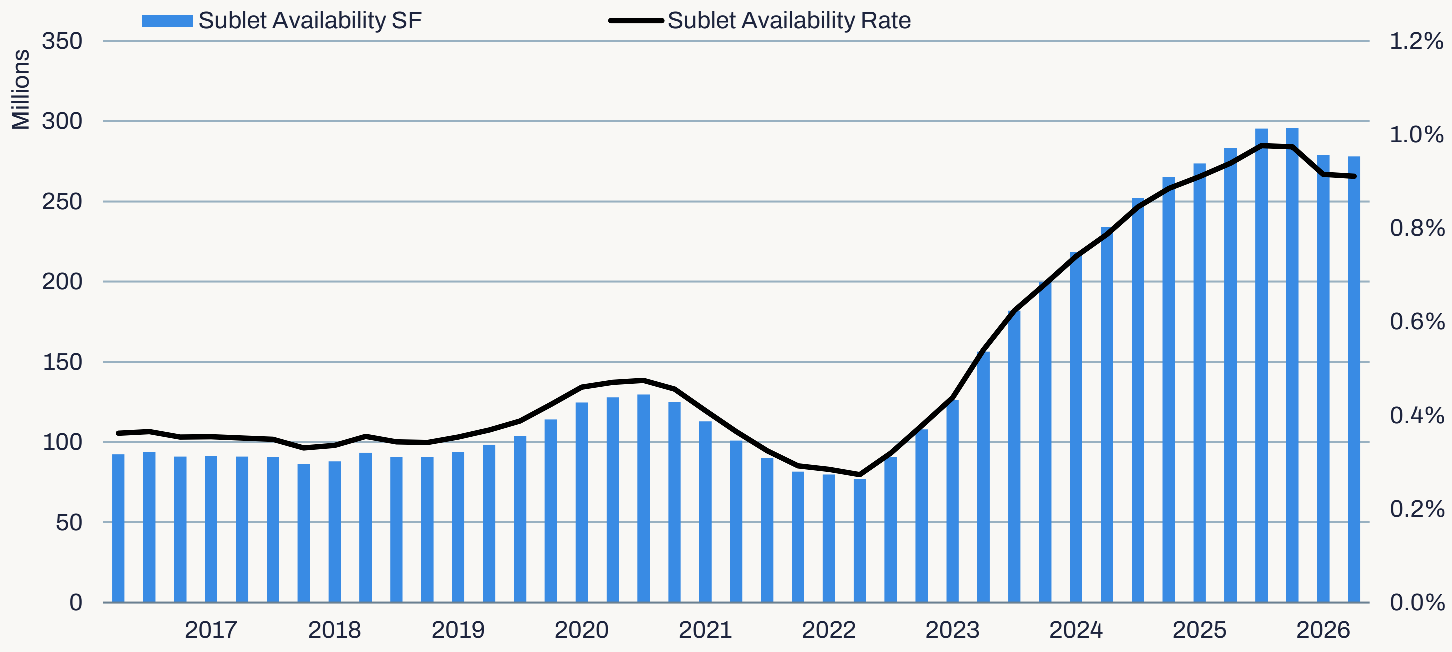
The Sublease Overhang is Diminishing

INDUSTRIAL SUBLET AVAILABILITY | UNITED STATES

Total sublease availability vs. availability rate



Source: CoStar, Transwestern.

Three

Consecutive Quarters of Declining Sublease Availability

The sublease overhang is beginning to ease as occupiers absorb excess space and fewer tenants return large blocks to the market.

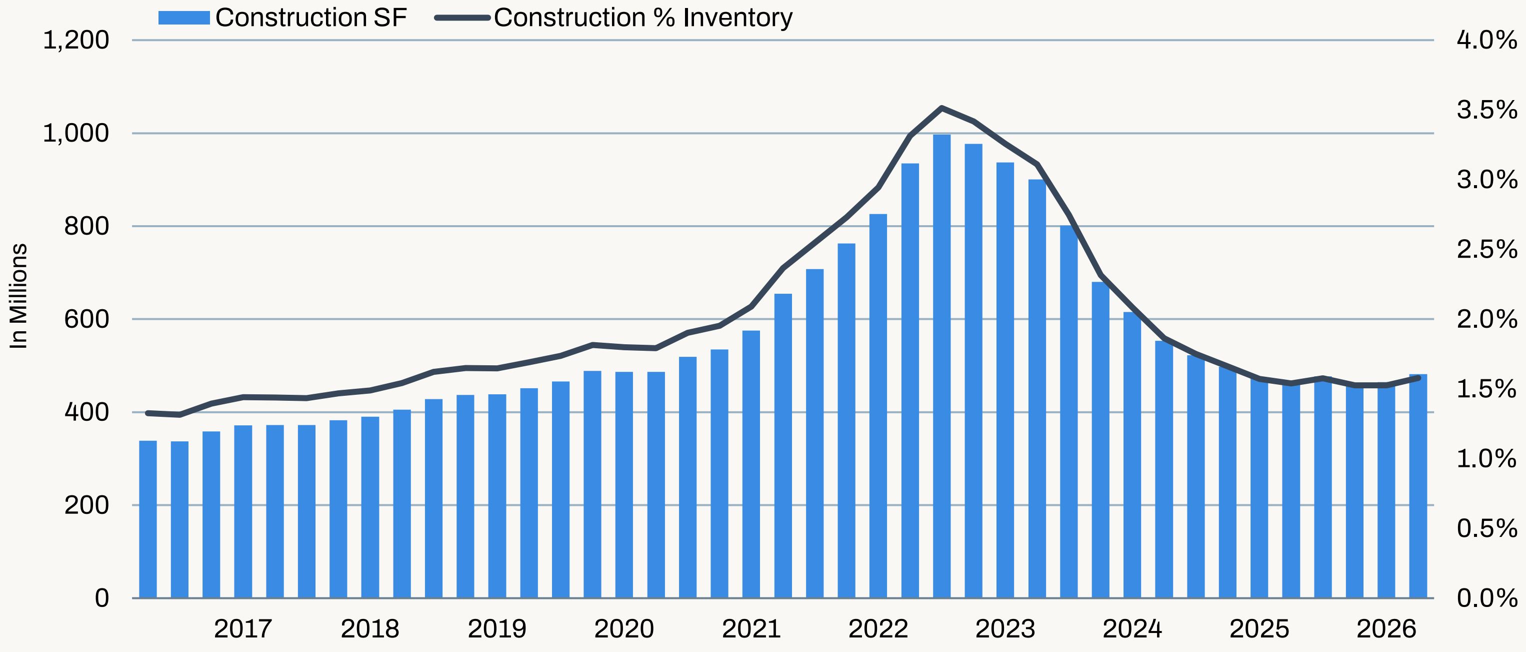
After peaking in Q3 2025, sublease availability declined for the third consecutive quarter.

The total amount of sublease space listed on the market remains more than double pre-pandemic levels.

A New Phase of Development is Emerging

INDUSTRIAL CONSTRUCTION | UNITED STATES

Total SF vs. % of Inventory



Source: CoStar, Transwestern.

3.7%

Growth in New Construction

Construction levels increased for two consecutive quarters, including 3.7% in Q2.

Moreover, the total amount of product under construction is higher year-over-year for the first time since Q1 2023.

Construction remains well below peak levels but is on par with pre-pandemic averages.

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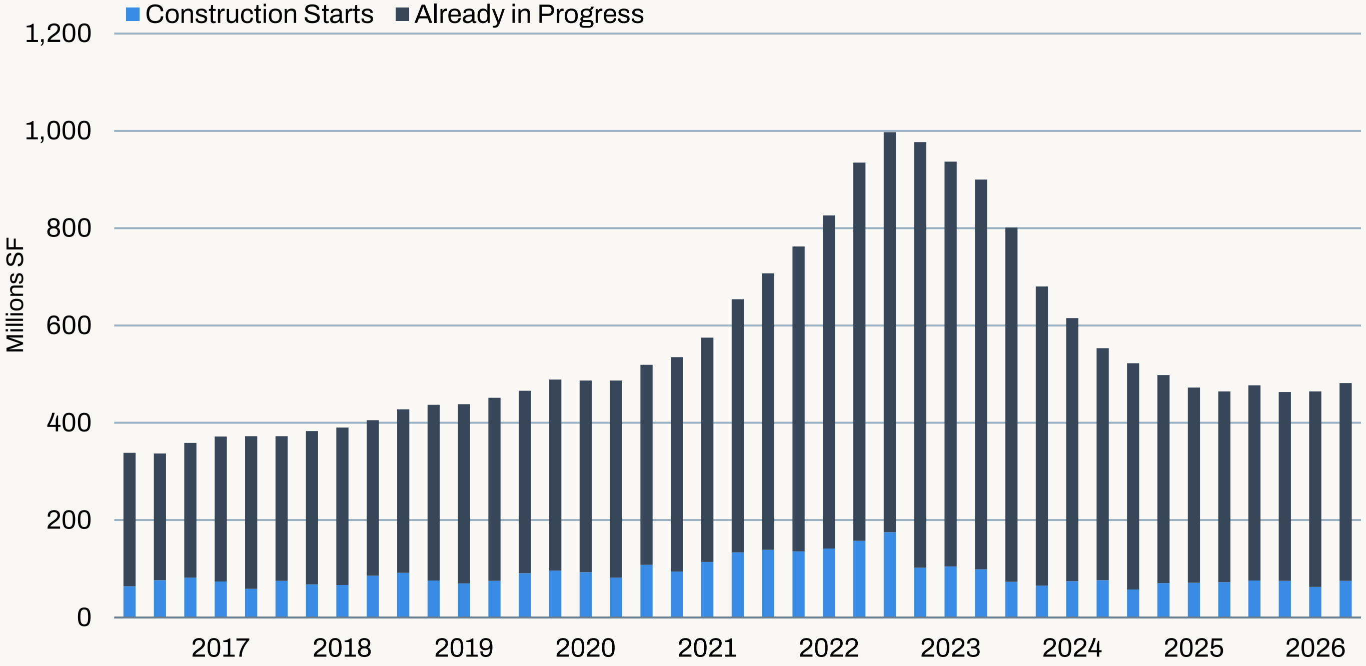
From Contraction to Demand-Driven Expansion

INDUSTRIAL CONSTRUCTION STARTS | UNITED STATES

Square feet in millions



Source: CoStar, Transwestern.

25%

Share of Markets with Rising Construction Starts

After industrial construction starts fell to multi-year lows in 2024 and early 2025, developers are selectively returning to the market.

About 25% of markets recorded consecutive quarters of rising starts, driven by demand in the Sun Belt.

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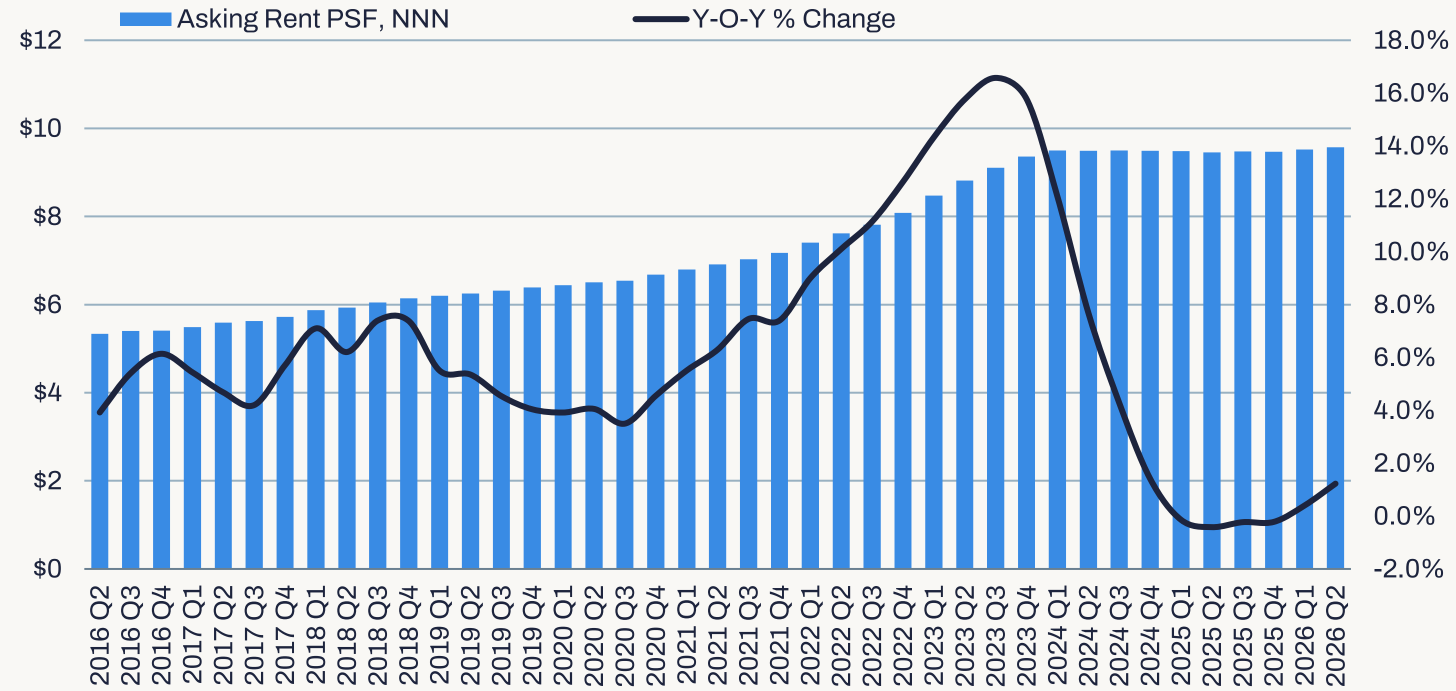
Rents Resume Their Climb, Reaching New Highs

INDUSTRIAL ASKING RENTS | UNITED STATES

Average asking rent vs. YoY Change (%)



Source: CoStar, Transwestern.

$9.57 PSF

Average Asking Rent – Historical High

Asking rents continued upward in Q2 2026 to $9.57 PSF, achieving peak levels for the second consecutive quarter.

The average rent increased 1.2% when compared to Q2 2025, the highest year-over-year increase since Q4 2024.

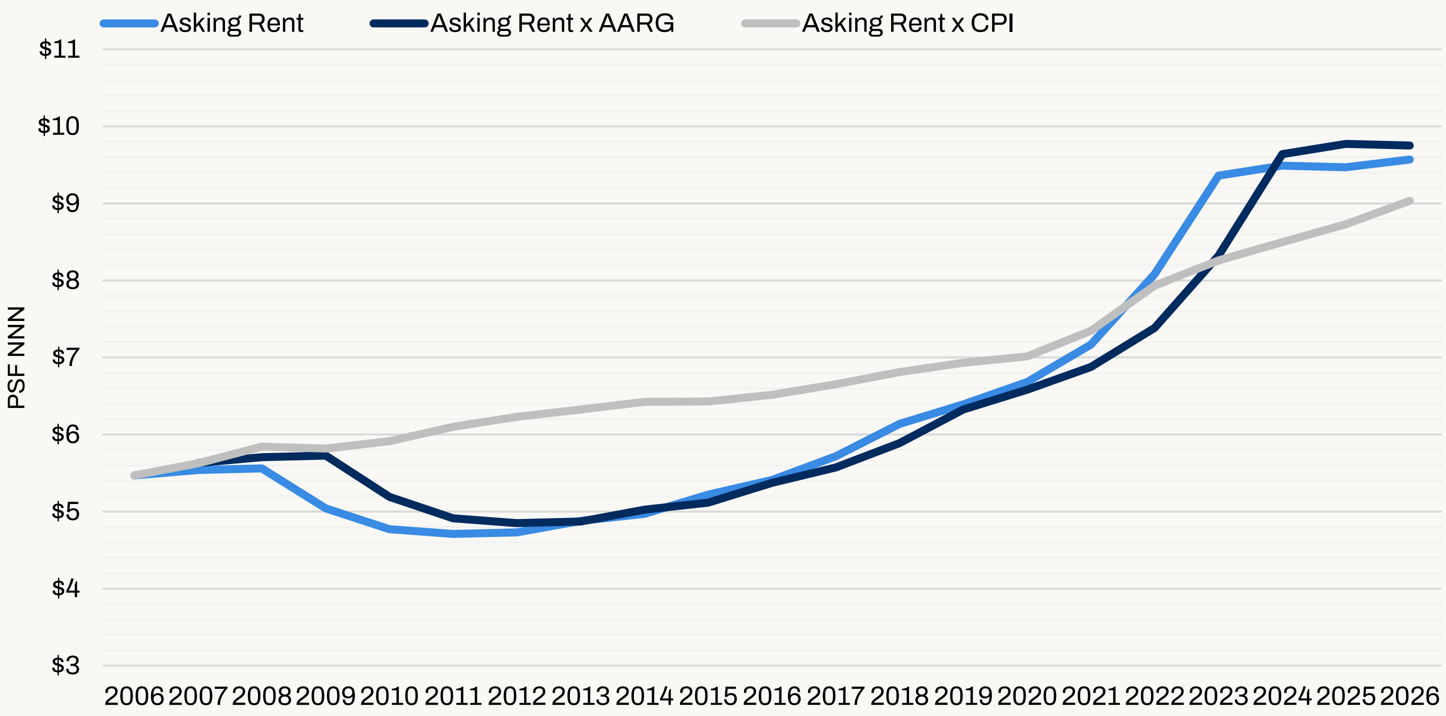
Rents are expected to continue rising moderately as improving demand converges with a sharply reduced development pipeline.

U.S. MARKET | INDUSTRIAL | Q2 2026

Rent Growth Slows to Mirror Historical Average

INDUSTRIAL ASKING RENTS | UNITED STATES

Average vs. Annual Average Growth Rate vs. CPI



Source: CoStar, Transwestern.

3.0%

20-year Average Annual Rent Growth Rate

Here we compare industrial rent increases to the 20-year annual average growth and the Consumer Pricing Index (CPI).

While industrial rent growth has soared in recent years, the current asking rate remains below average when considering the 20-year annual growth rate of 3.0%.

Industrial rents have outpaced CPI over time, but the gap has closed.

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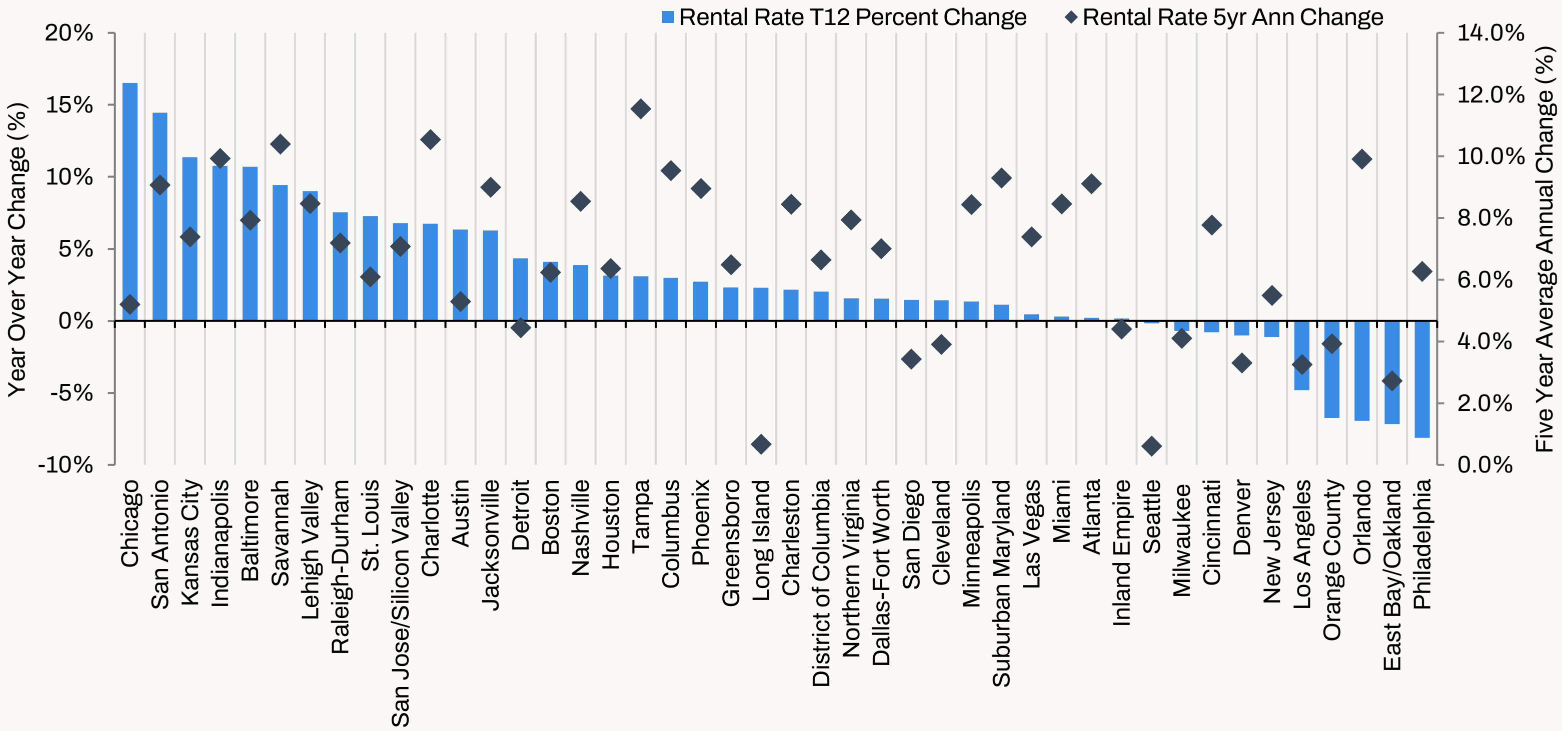
Rent Growth is Widespread

INDUSTRIAL ASKING RENT CHANGE | UNITED STATES

YoY percent change vs five-year annual average change



Source: CoStar, Transwestern.

Five

Markets Recording Double-Digit YoY Rent Growth

More than 75% of tracked markets saw rents increase over the past 12 months, whereas less than half recorded YoY growth in the same quarter a year ago.

Five markets experienced double-digit annual rent growth, up from three the previous quarter.

Increases outpaced the five-year average in 10 markets, one more than the previous quarter.

Market Summaries

Industrial Market Indicators Table | Q2 2026

Market	Inventory SF	Direct Vacant Available SF	Direct Vacant Available Rate	Total Availability Rate	Under Construction	Net Absorption	12-Month Net Absorption	Asking Rent PSF, NNN
Atlanta	805,910,713	54,038,063	6.7%	11.9%	15,237,218	4,875,421	9,143,272	$9.20
Austin	160,264,621	20,904,364	13.0%	18.7%	13,819,410	945,792	3,666,492	$14.74
Baltimore	257,155,992	19,297,617	7.5%	12.1%	2,743,000	356,954	1,750,757	$10.66
Boston	346,134,160	25,730,160	7.4%	11.1%	1,636,067	384,094	(1,735,048)	$13.68
Charleston	108,061,903	14,806,178	13.7%	16.7%	664,024	(158,686)	1,957,156	$8.97
Charlotte	384,309,709	26,506,350	6.9%	10.9%	8,580,773	2,602,967	10,051,286	$8.70
Chicago	1,440,384,739	61,448,023	4.3%	8.6%	19,758,547	4,305,786	12,995,725	$8.04
Cincinnati	490,737,862	16,377,257	3.3%	5.7%	3,025,092	2,569,836	9,060,137	$6.28
Cleveland	548,115,576	21,573,491	3.9%	6.2%	1,061,077	(721,451)	(1,051,027)	$5.62
Columbus	358,229,436	16,613,781	4.6%	8.9%	13,842,370	1,789,158	8,954,502	$6.89
Dallas-Fort Worth	1,157,418,358	74,522,110	6.4%	11.3%	38,844,747	9,801,077	36,637,954	$9.92
Denver	265,963,769	21,484,176	8.1%	12.8%	5,227,761	(282,354)	1,387,490	$10.72
Detroit	595,699,578	24,217,655	4.1%	6.8%	3,836,020	481,745	2,282,845	$7.93
District of Columbia	8,823,489	678,791	7.7%	11.6%	0	37,293	(42,035)	$18.08
East Bay-Oakland	253,062,139	18,128,370	7.2%	10.9%	1,045,369	791,093	385,809	$16.31

To continually improve the content provided to our clients, starting at Q2 2026, Transwestern Research has revised its industrial methodology which may shift current and historical data in our U.S. market reporting. Please reach out to the research contact(s) noted in this report with any questions.

Industrial Market Indicators Table | Q2 2026

Market	Inventory SF	Direct Vacant Available SF	Direct Vacant Available Rate	Total Availability Rate	Under Construction	Net Absorption	12-Month Net Absorption	Asking Rent PSF, NNN
Greensboro	271,607,391	13,290,390	4.9%	6.7%	5,751,917	1,002,162	2,927,459	$5.71
Houston	803,933,954	43,884,207	5.5%	10.7%	27,393,203	6,762,332	23,399,459	$10.51
Indianapolis	417,144,198	21,492,785	5.2%	7.4%	8,342,987	3,309,337	13,592,841	$7.00
Inland Empire	757,414,522	52,103,725	6.9%	12.6%	11,581,405	1,838,777	6,324,578	$11.81
Jacksonville	160,323,198	14,070,017	8.8%	12.1%	1,406,168	986,714	2,081,792	$9.14
Kansas City	399,067,470	13,638,239	3.4%	6.0%	8,206,140	2,735,144	8,267,046	$6.57
Las Vegas	182,440,858	16,632,666	9.1%	13.7%	6,821,361	710,606	6,443,975	$13.40
Lehigh Valley	164,996,584	11,482,280	7.0%	14.4%	3,192,868	250,758	637,228	$9.91
Long Island	324,549,387	21,710,359	6.7%	8.9%	1,672,393	(448,536)	(470,832)	$20.00
Los Angeles	862,574,107	41,215,845	4.8%	8.3%	2,945,133	5,097,967	4,637,031	$16.98
Miami	258,500,080	15,127,866	5.9%	10.2%	4,175,882	390,877	2,119,598	$16.70
Milwaukee	477,879,057	16,296,850	3.4%	5.7%	5,556,862	2,404,232	9,072,208	$5.71
Minneapolis	400,503,031	14,132,738	3.5%	7.6%	6,770,673	(228,604)	910,492	$8.32
Nashville	292,017,855	16,766,956	5.7%	10.8%	12,460,042	1,471,195	3,493,653	$10.71
New Jersey	863,549,032	55,730,974	6.5%	12.1%	13,358,155	1,771,201	4,501,744	$13.26

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Northern Virginia	109,754,046	5,114,207	4.7%	8.4%	1,829,051	726,294	1,804,969	$16.09
Orange County	264,474,413	13,376,513	5.1%	8.8%	715,803	616,526	991,645	$16.90
Orlando	196,435,825	16,154,399	8.2%	12.5%	3,958,682	(195,652)	(568,522)	$12.35
Philadelphia	600,413,942	44,211,544	7.4%	10.6%	5,680,935	1,054,937	7,936,366	$9.73
Phoenix	474,938,627	41,408,664	8.7%	13.2%	12,950,465	4,110,151	18,429,364	$12.47
Raleigh-Durham	158,972,674	11,106,502	7.0%	11.2%	7,388,150	2,811,730	5,013,656	$11.96
San Antonio	169,167,569	17,937,877	10.6%	13.2%	2,761,731	285,134	1,566,084	$9.97
San Diego	189,720,135	12,816,938	6.8%	13.1%	1,580,507	(15,653)	383,893	$18.83
San Jose-Silicon Valley	176,116,457	11,384,008	6.5%	9.5%	1,718,325	1,368,456	1,988,964	$19.83
Savannah	150,598,266	15,517,991	10.3%	19.4%	5,986,410	1,306,874	4,886,758	$8.00
Seattle	340,130,146	29,955,888	8.8%	13.0%	1,457,363	(882,574)	(1,903,950)	$12.64
St. Louis	321,518,334	14,950,906	4.7%	7.9%	3,770,078	843,601	(1,777,320)	$6.33
Suburban Maryland	112,840,606	8,467,163	7.5%	11.8%	1,357,318	(228,014)	1,186,593	$16.14
Tampa	203,627,737	12,990,809	6.4%	10.2%	2,761,479	(126,559)	2,414,167	$11.67

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About Transwestern

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[1] in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 35 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at transwestern.com.

[1]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 industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings and data centers 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.