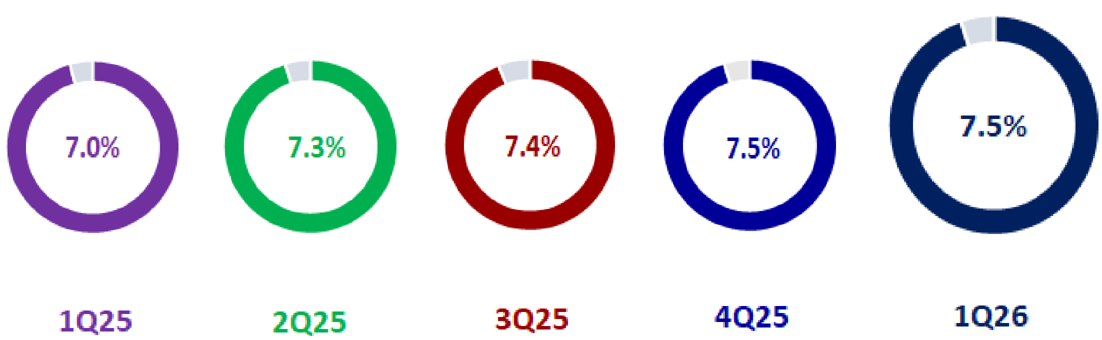
Industrial's 1st Quarter Performance

In 1Q26, the industrial sector's vacancy rate held steady at 7.5%, the same rate as the previous quarter and .5% higher than a year earlier.[1] Consistent with recent history, vacancy was lower in the small bay segment (less than 6%) than for properties between 100,000 sf and 500,000 sf (approximately 10%). There was also little change to asking rents as they declined just slightly from $12.12 psf in 4Q25 to $12.11 psf in 1Q26. While rents were largely unchanged QoQ, they did increase by 1.25% YoY. Pandemic-era rent growth is still generating meaningful rent increases for some property owners as units are renewed or turnover; however, rent data also indicates that tenants—particularly those in larger warehouses—have gained negotiating leverage from the new supply wave that peaked in 2023.

After averaging 56 million sf from 2015 to 2020, quarterly net deliveries nearly doubled to 101 million sf from 2021 through 2023. Deliveries began declining in 2024 and the slowdown has continued in 2026 as net deliveries fell by 37% QoQ from 76 million sf in 4Q25 to 48 million sf in 1Q26. Today's fewer deliveries were foretold by declining construction starts over the past few years. After peaking at 174 million sf in 3Q22, construction starts have fallen nearly every quarter since and declined from 66 million sf in 4Q25 to 50 million sf in 1Q26. There is now roughly 334 million sf of industrial product under construction, representing less than half of the 669 million sf that was under construction in 3Q22. Fewer deliveries and less inventory growth should result in more negotiating power for property owners after new supply has been absorbed.

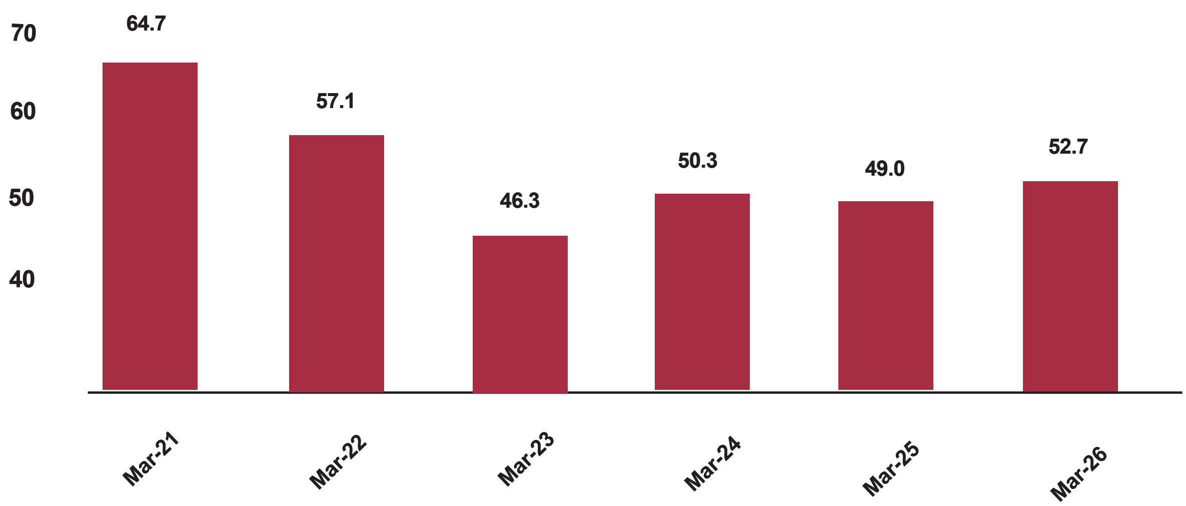
While the U.S. economy remains strong, challenges in the industrial sector include ongoing trade uncertainty and the conflict in the Middle East. Regarding trade uncertainty, the Supreme Court ruled in February that many of the tariffs that were implemented by the Trump administration in 2025 were unlawful. The administration responded by imposing a 10% global tariff on imports for up to 150 days. These events have made it challenging for manufacturing companies, shipping firms, retailers and other entities connected to industrial properties to plan for the future. Additionally, shipping disruptions in the Strait of Hormuz have caused oil and gas prices to rise, generating inflation worries and raising concerns that higher energy costs could dampen the demand for goods and adversely affect logistics properties.

National Vacancy



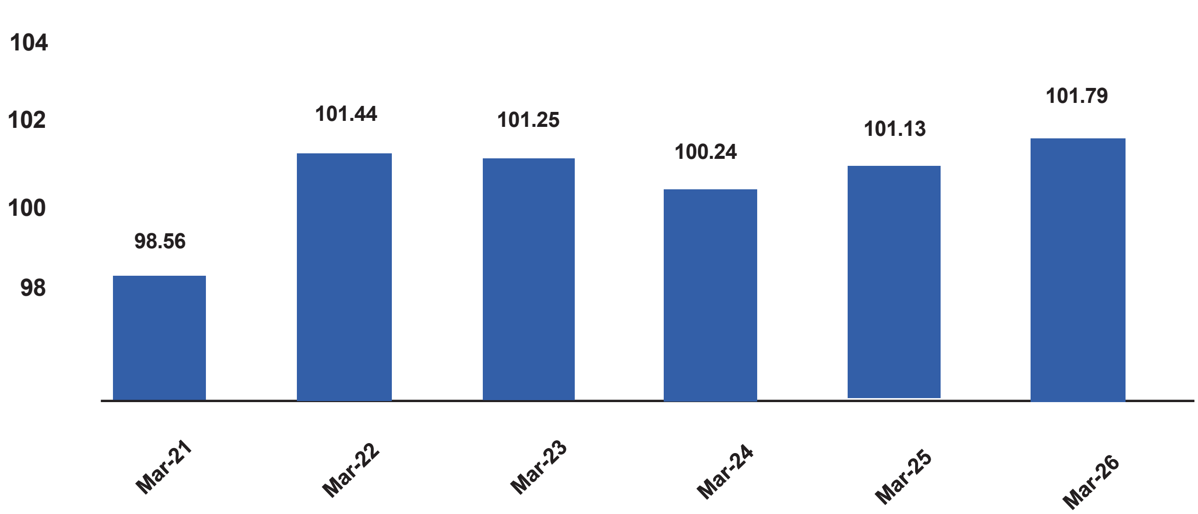
Source: CoStar Group

ISM Purchasing Manager's Index



Source: The Institute for Supply Management

Industrial Production Index



Source: The Federal Reserve Bank of St. Louis. Industrial Production Index. Total Index

Endnotes

1. CoStar Group. (2026). U.S. Industrial National Report. https://www.costar.com/

Disclosures

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