Industrial Occupier Outlook

United States Overview:
The Economy and Its Impact on Commercial Real Estate

Cresa Research | Q2, 2026

OCCUPIER OUTLOOK

ECONOMIC RESILIENCE SUPPORTS CRE FUNDAMENTALS:

Commercial Real Estate Adjusts to a Moderating Economy

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Executive Summary

Macroeconomic View

- The Federal Reserve has maintained rates and is continuing its data-dependent approach, with future policy decisions likely to be influenced by inflation and labor market conditions rather than a predetermined path.
- Price growth continues to moderate, although inflation remains above the Federal Reserve's long-term target, supporting a cautious approach to monetary policy.
- The labor market has devolved into a low-hire, low-fire environment, as unemployment claims remain contained while the hiring rate is at a decade low.

Office Market

- Net absorption for Class A office space kept its momentum, remaining positive for the first half of 2026, a good sign for market recovery.
- Office market performance continues to vary significantly by geography, with markets benefiting from strong population growth, employment gains, and limited new supply generally outperforming slower growth regions.
- While improving, the office market is being hindered by slower office-using employment growth and ongoing efforts by occupiers to improve space utilization.

Industrial Market

- Industrial fundamentals are strong, with demand recovering after the post-pandemic period, while vacancy rates stabilize as new supply decreases.
- Industrial construction has become more disciplined, as higher financing costs and slowing spec development shift new projects toward build-to-suit and preleased facilities.
- Consumer spending remains resilient, continuing to support freight volumes, warehousing demand, and retail supply chains despite moderating economic growth and higher borrowing costs.

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COMMERCIAL REAL ESTATE MARKET BY THE NUMBERS:
YEAR-OVER-YEAR CHANGE INDICATORS MIXED

OCCUPIER OUTLOOK

Performance Snapshot

Office Market

	Office			
	Q2 2026	Q2 2025	Change	Trend
Inventory SF	5.665 B	5.673 B	-8.1 M	▶
Class A Asking Rate $SF	$44.38	$43.75	+$0.63	▲
Cass B Asking Rate $SF	$31.12	$30.58	+$0.54	▲
Leasing Activity (TTM)	300.7 M	311.0 M	-10.3 M	▼
Vacancy Rate	18.5%	18.5%	+000 bps	▶
Availability Rate	21.9%	22.9%	-100 bps	▲
Net Absorption (TTM)	+29.5 M	-115.7 M	+145.2 M	▲
Under Construction SF	55.2 M	67.8 M	-12.6 M	▼
Net Deliveries (TTM)	33.6 M	43.5 M	-9.9 M	▼
Sales Volume (TTM)	$87.9B	$70.4B	+$17.4B	▲
Sales Price Per SF	$210	$207	+$2.72	▲
Market Cap Rate	7.39%	7.42%	-003 M	▶

Occupier Leverage

LANDLORD TENANT

Industrial Market

	Industrial			
	Q2 2026	Q2 2025	Change	Trend
Inventory SF	10.675 B	10.454 B	0.221 B	▲
Manufacturing Asking Rate $SF	$9.69	$9.56	+$0.13	▲
Distribution Asking Rate $SF	$9.46	$9.25	+$0.21	▲
Flex Asking Rate $SF	$19.31	$18.95	+$0.36	▲
Leasing Activity (TTM)	+805.9 M	+658.1 M	+147.9 M	▲
Vacancy Rate	10.5%	10.4%	+010 bps	▶
Availability Rate	15.0%	14.7%	+030 bps	▲
Net Absorption (TTM)	+311.2 M	+225.8 M	+85.4 M	▲
Under Construction SF	457.9 M	434.1 M	23.8 M	▲
Net Deliveries (TTM)	+320.0 M	+427.7 M	-107.7 M	▼
Sales Volume (TTM)	$128.4B	$107.2B	+$21.2B	▲
Sales Price Per SF	$143	$135	+$7.10	▲
Market Cap Rate	6.53%	6.31%	+022 bps	▲

Occupier Leverage

LANDLORD TENANT

Highlights

- Office leasing activity remains robust, though it slightly trails year-over-year averages from the same period last year.
- Office net absorption has been modestly positive over the past year, an improvement over the past several years.
- All industrial types experienced only modest lease rate gains over the same period of a year ago, below historic averages.
- The average price per square foot of industrial properties increased 5.24 percent year-over-year.

Economic Overview

Economic Resilience Supports Strategic Real Estate Decisions

The U.S. economy continues to show resilience despite higher interest rates, slowing employment growth, and ongoing geopolitical uncertainty. Economic growth remains positive, supported by business investment, robust consumer spending, and a labor market that continues to add jobs at a slower but sustainable pace. Although inflation has eased from its peak, it still exceeds the Federal Reserve's long-term target, leading policymakers to adopt a cautious approach to monetary policy. While borrowing costs are high, businesses have shifted from rapid expansion to more measured investments, focusing on productivity, operational efficiency, and strategic capital deployment.

The current economic environment is affecting commercial real estate across different property types, with a key trend emerging: occupiers prioritizing flexibility, operational efficiency, and long-term strategy.

Office occupiers are consolidating underutilized spaces and investing in high-quality workplaces to enhance collaboration and attract talent. In the industrial sector, while economic growth has slowed speculative development, demand remains strong in logistics modernization, manufacturing, and data centers influenced by power availability. Retail continues to benefit from robust consumer spending, limited new construction, and low vacancy rates, allowing well-located centers and experiential destinations to excel.

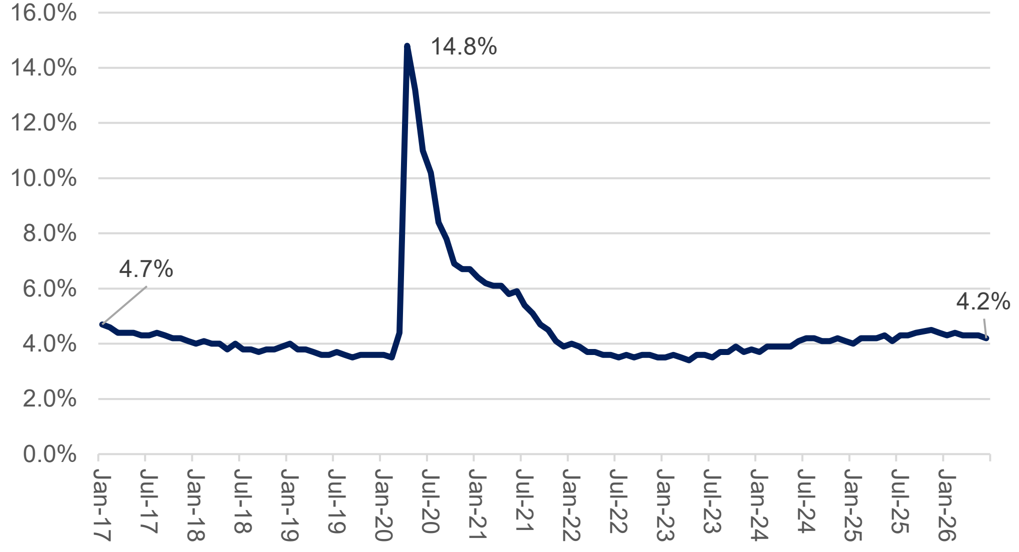
Overall, companies are making more strategic real estate decisions, focusing on locations and facilities that boost productivity and adapt to evolving economic conditions.

Unemployment

Unemployment Steadies After Drifting Higher

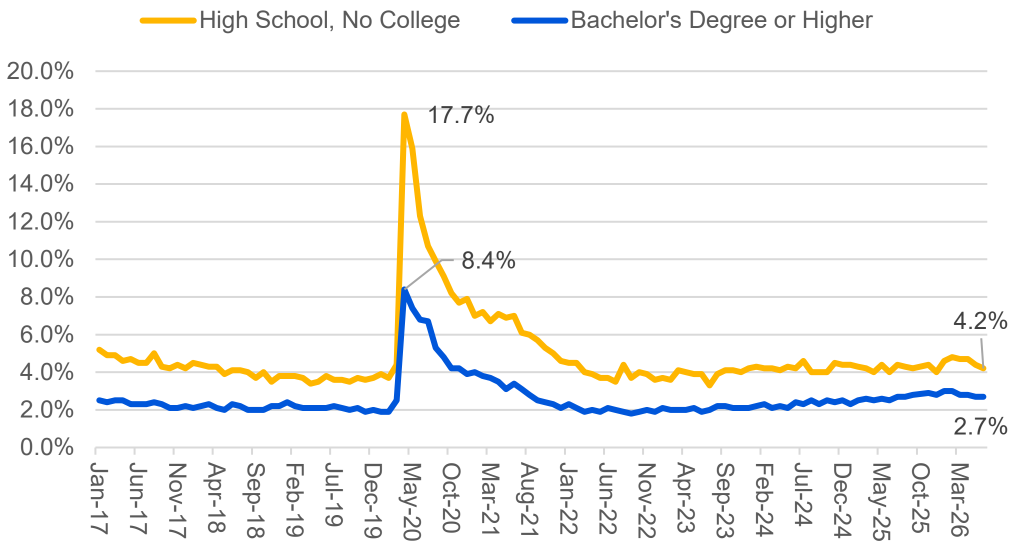
The Bureau of Labor Statistics (BLS) reported a steady U.S. unemployment rate of 4.2 percent in June 2026. The overall labor market shows signs of slowing hiring and limited turnover, indicating a “low-hire, low-fire” environment. The labor market is shifting from resilient growth to a late-cycle slowdown. In June, U.S. employers added 57,000 jobs, below expectations and marking a moderation in hiring.

Total Unemployment: (United States)



Source: U.S. Bureau of Labor Statistics, https://bls.gov; Seasonally adjusted

High School Only vs. Bachelor’s Degree or Higher



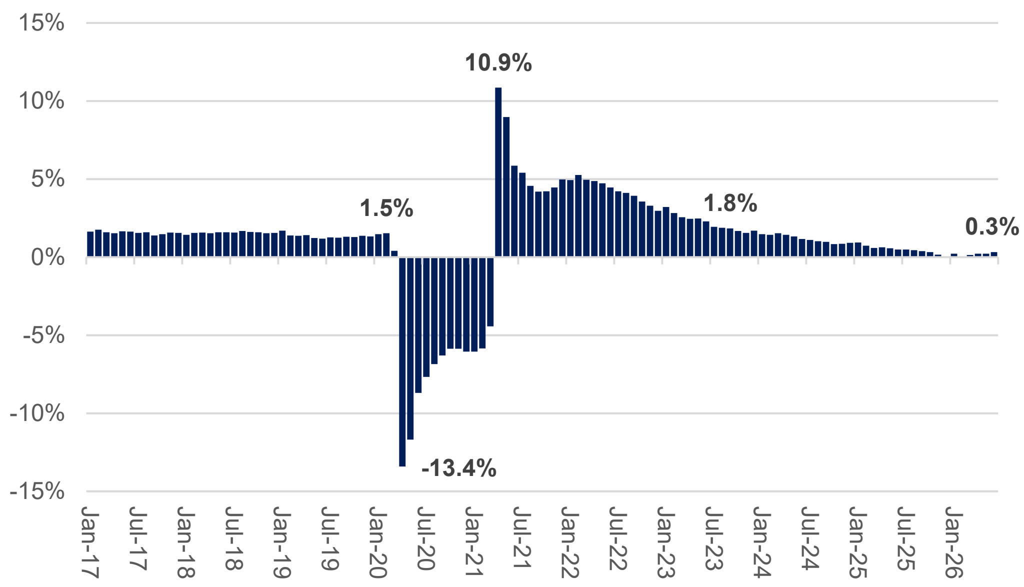
Source: U.S. Bureau of Labor Statistics, https://bls.gov, Seasonally adjusted

Employment

Job Creation Stalls in the Second Quarter

While employment growth has cooled, layoffs remain relatively limited, suggesting employers continue to retain workers despite a more cautious economic environment. Hiring continues to be concentrated in service-oriented sectors. Professional and business services, healthcare, and social assistance accounted for most of the job gains over the past year. Meanwhile, government, finance, and information jobs have shed positions over the past 12 months.

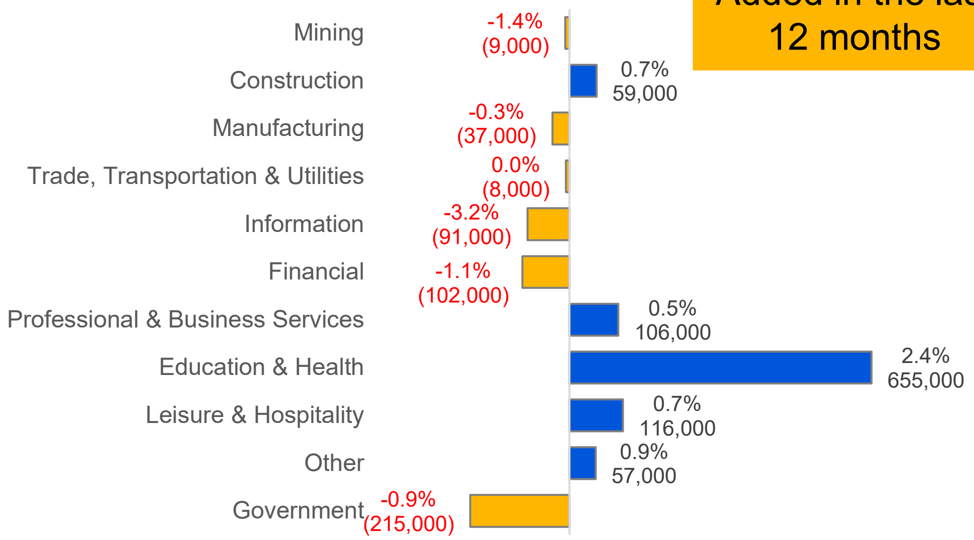
All Job Sectors (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

Job Sector Adjustment (12-Month Change)

531 K JOBS
Added in the last 12 months



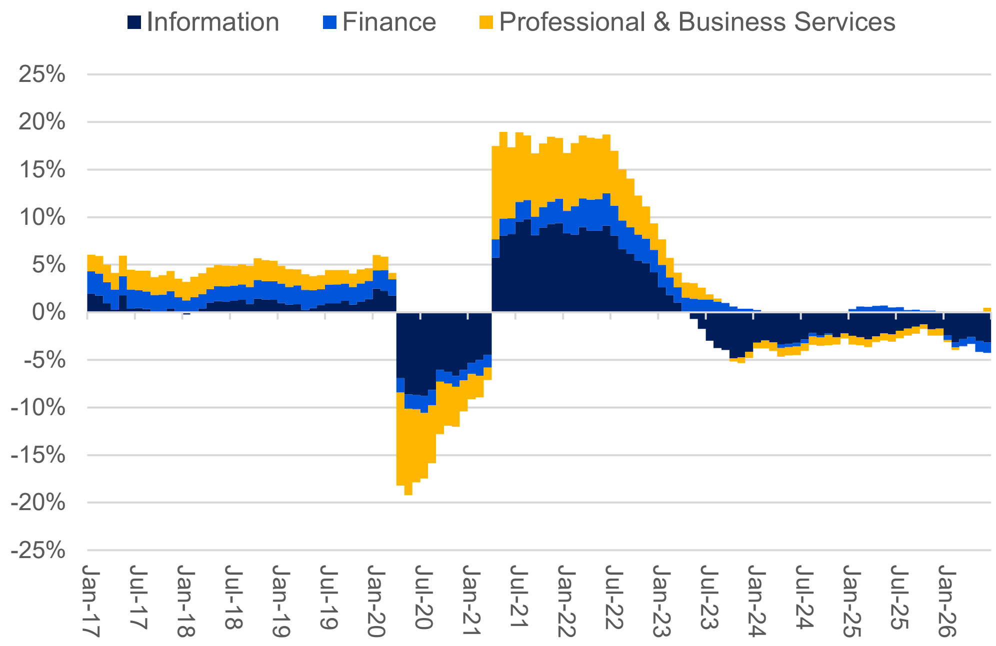
Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

Employment

Hiring Slows, but the Labor Market Remains Resilient

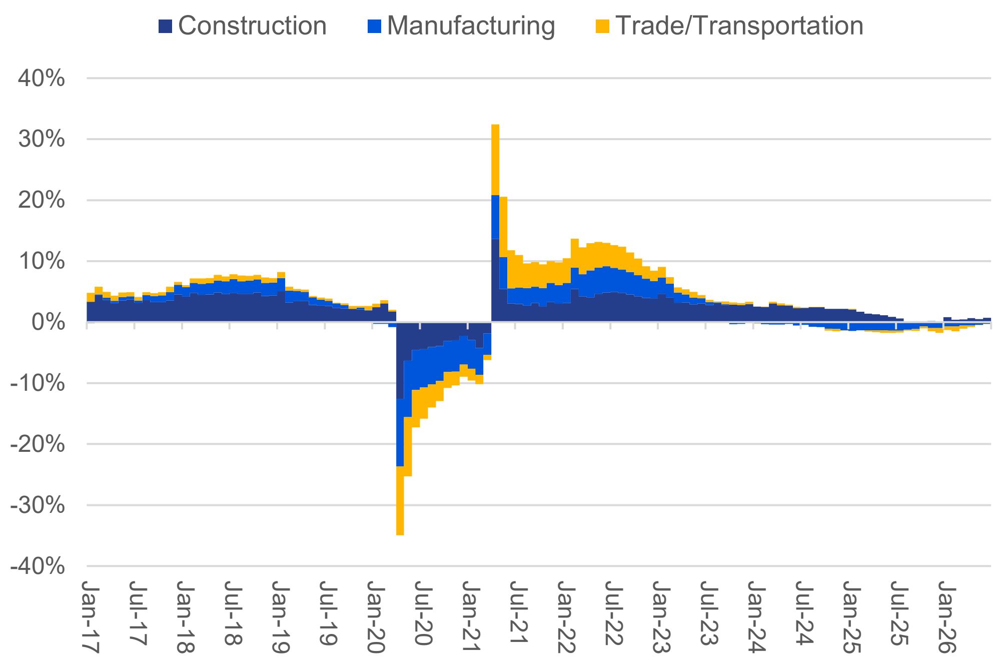
A moderating labor market is likely to temper large-scale office expansions in the near term, encouraging occupiers to remain disciplined in portfolio decisions. At the same time, continued job growth in professional services and healthcare supports demand for high-quality office space, while slower hiring reinforces the emphasis on portfolio optimization. Manufacturing-related jobs have declined or remained steady in the last year, despite manufacturing orders holding steady.

Office-Occupying Jobs (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

Manufacturing Jobs (12-Month Change)



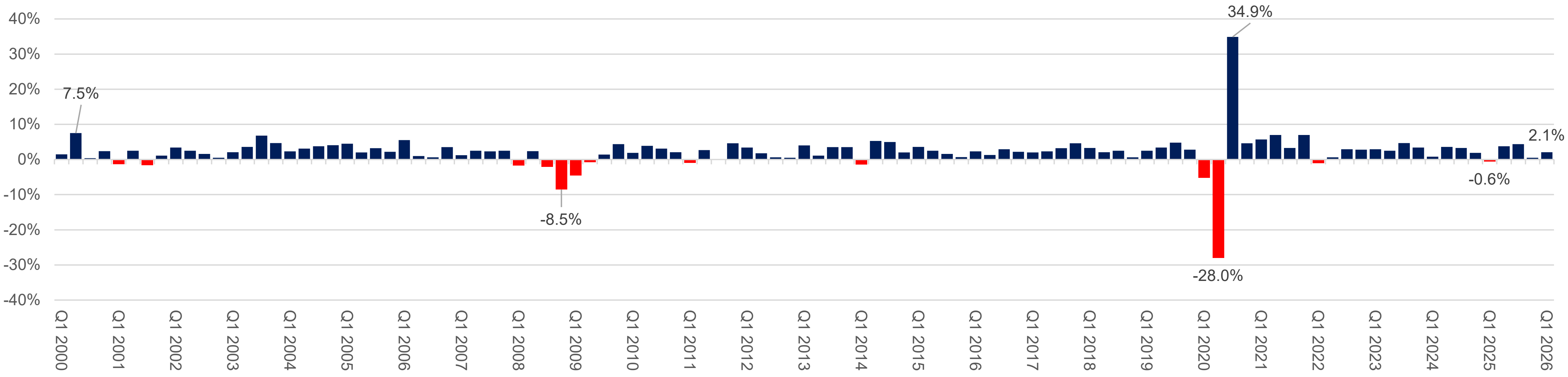
Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

GDP

U.S. Economic Growth Stabilizes as Business Investment Supports Expansion

The U.S. economy grew at an annualized rate of 2.1 percent in the first quarter of 2026, showing a significant improvement from the 0.5 percent growth recorded in the fourth quarter of 2025. This growth was driven by increases in business investment, exports, government spending, and consumer spending. However, the rise in imports partially offset these gains. Continued investment in equipment and technology, including capital expenditures related to artificial intelligence, has contributed to this GDP growth.

Real GDP Percent Change from Preceding Quarter: Q1 2026



Source [Real Gross Domestic Product (A191RL1Q225SBEA) | FRED | St. Louis Fed (stlouisfed.org)](https://fred.stlouisfed.org/series/A191RL1Q225SBEA)
Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A191RL1Q225SBEA, July 15, 2026.

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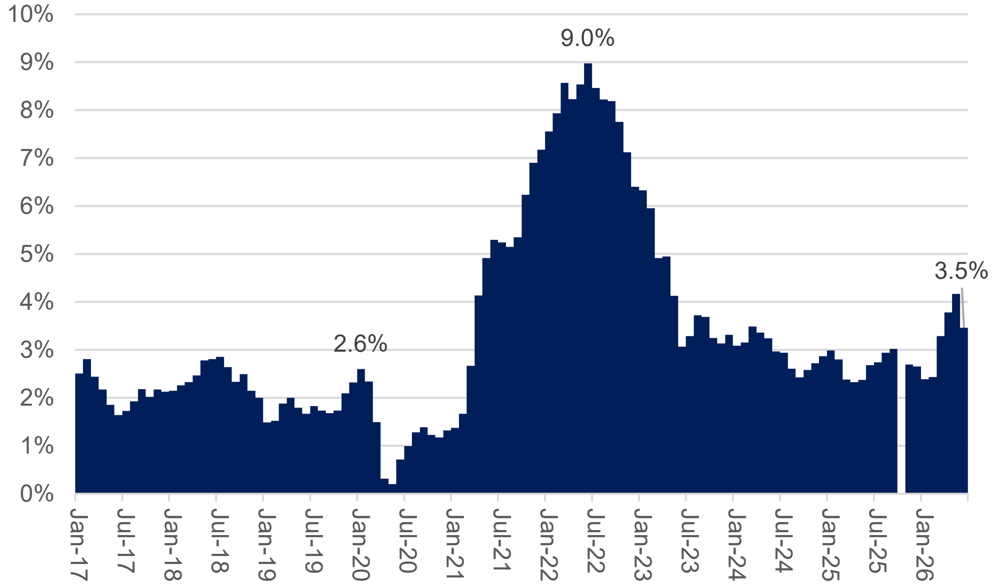
Inflation

Inflation Eases, Offering Encouraging Signs While Price Pressures Remain Above Target

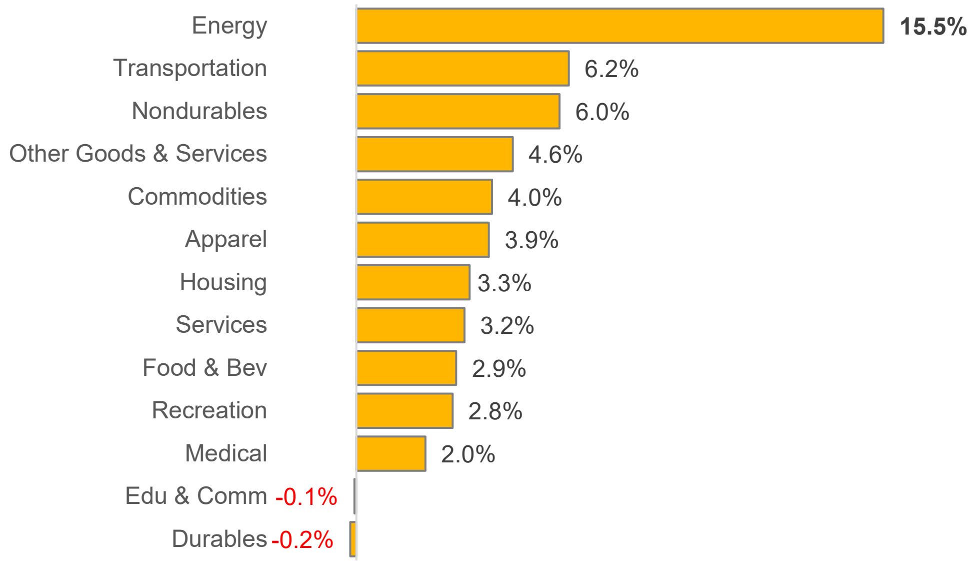
Inflation decreased in June, offering some relief after several months of high price growth. The Consumer Price Index (CPI) fell by 0.4 percent month-over-month, leading to an annual inflation rate of 3.5 percent. This decline was mainly due to lower energy prices, although food and shelter costs continued to rise. For commercial real estate occupiers (CRE), the latest reports reinforce expectations that inflation is gradually easing but remains above the Federal Reserve's target of 2 percent. While easing inflation may improve financing conditions over time, businesses are likely to continue prioritizing cost discipline and workplace efficiency.

Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov
Note: Seasonally adjusted, Data pulled July 15, 2026. Data not reported in September 2025

Consumer Price Index by Sector (12-Month Change)



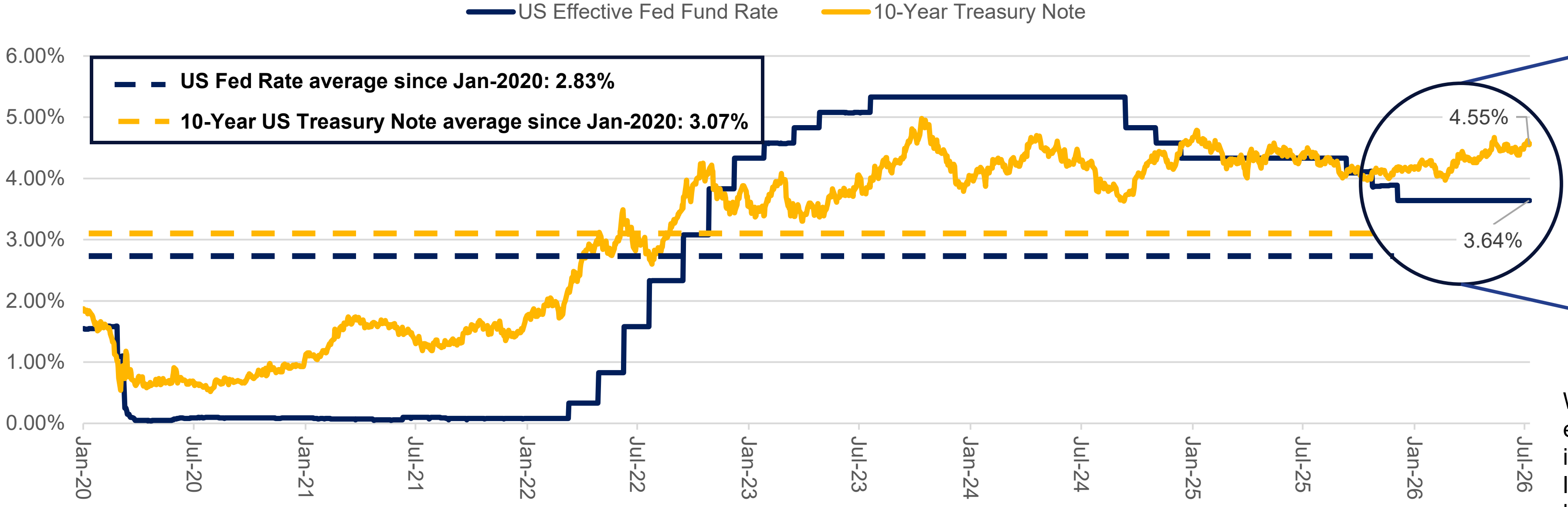
Source: U.S. Bureau of Labor Statistics, https://bls.gov
Note: Seasonally adjusted, Data pulled July 15, 2026

Monetary Policy

Fed Reserve Holds Rates Steady as Long-Term Treasury Yields Reflect Growth and Inflation Expectations

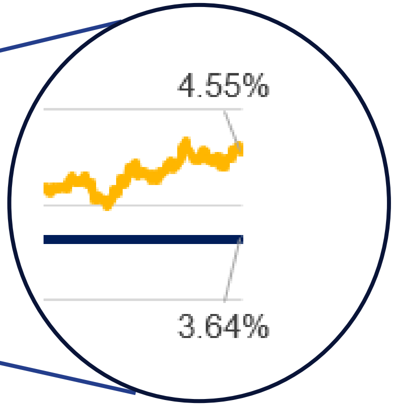
In its June meeting, the Federal Reserve decided to keep the federal funds target range at 3.5 to 3.75 percent. This decision was based on solid economic growth, a strong labor market, and inflation rates that remain above target levels. Policymakers emphasized their data-dependent approach, indicating that a restrictive monetary policy will stay in place until there is sustained improvement in inflation. The 10-year Treasury yield is mainly influenced by investor expectations regarding long-term growth, inflation, and future monetary policy. For CRE occupiers, higher long-term yields are affecting borrowing costs, capitalization rates (cap rates), and investment decisions, even when the Fed keeps its policy rate unchanged.

US Effective Fed Fund Rate & 10-Year Treasury Note



Source: Federal Reserve Economic Data, https://fred.stlouisfed.org; Data is through July 15, 2026
Wall Street Journal; Data is through July 15, 2026

10-Year Treasury Passes US Fed Fund Rate



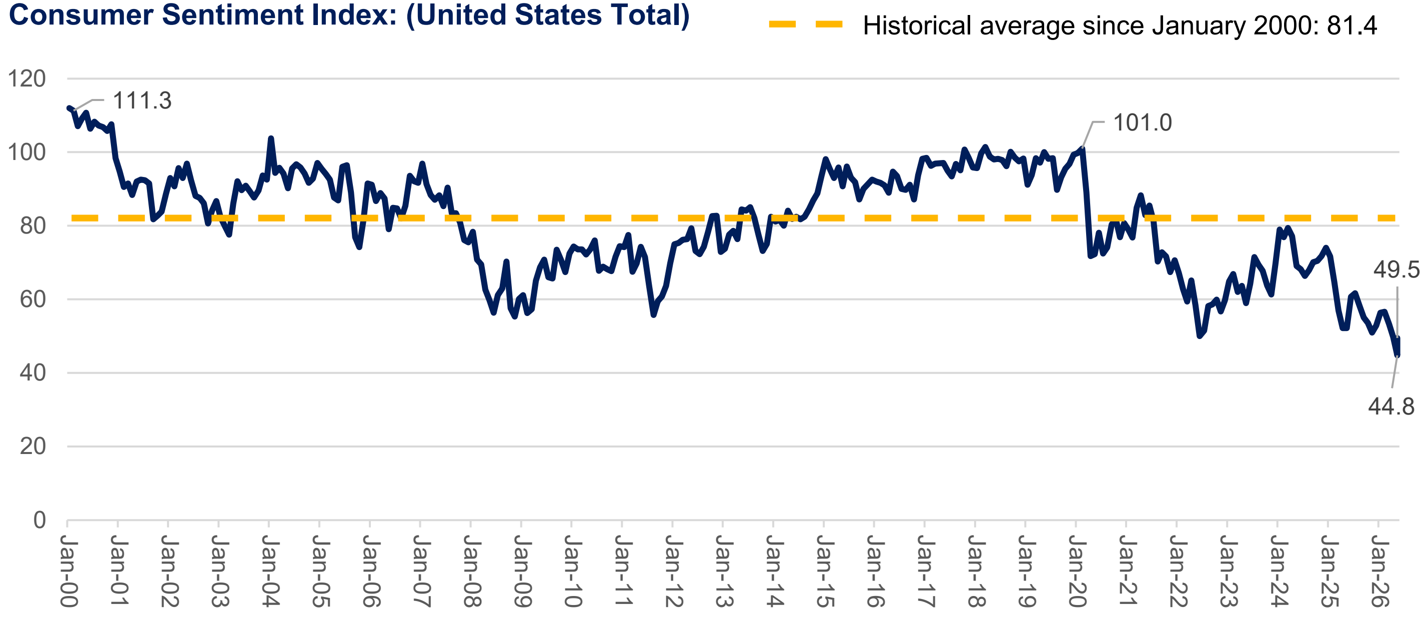
When the 10-year Treasury note yield exceeds the US effective rate, it indicates that investors are demanding higher returns on longer-term bonds. The result is typically higher mortgage rates and higher interest rates on other debt, like credit cards.

Consumers

Consumer Sentiment at Lowest Level Since 2000 in April 2026

The Consumer Sentiment Index rose to 49.5 percent in June, marking the highest reading since February. The improvement was driven primarily by easing gasoline prices and a modest improvement in consumers' views of current economic conditions and future expectations. Despite the recent improvement, consumer confidence remains well below historical averages, reflecting ongoing concerns about affordability, inflation, and the broader economic outlook.

Consumer Sentiment Index: (United States Total)



Consumer Sentiment Index

Consumer sentiment is a statistical measurement of the overall health of the economy as determined by consumer opinion. It considers people's feelings toward their current financial health, the health of the economy in the short-term, and the prospects for longer-term economic growth.

Source: Federal Reserve Economic Data, https://fred.stlouisfed.org;
Note: Data thru May 2026(UMCSENT). Data pulled July 15, 2026

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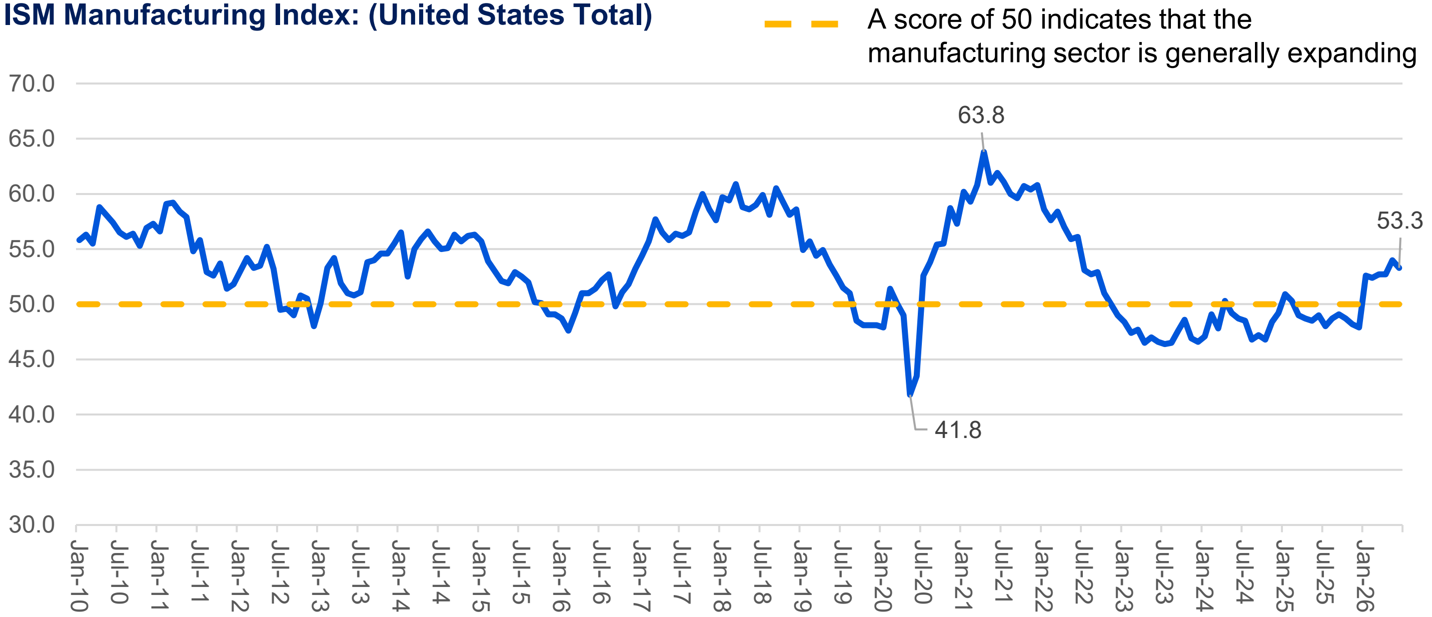
Consumers

ISM Manufacturing PMI Continues to Expand, Signaling Resilient Industrial Activity Despite Moderating Momentum

The Institute for Supply Management (ISM) Manufacturing PMI (Purchasing Managers Index) for June registered 53.3, marking the sixth consecutive month of expansion. Although activity moderated slightly from May's reading of 54, new orders and production remained in expansion territory, indicating continued strength in the manufacturing sector despite a slower pace of growth. For industrial occupiers, the ISM Manufacturing PMI points to steady underlying demand rather than rapid acceleration.

ISM Manufacturing Index: (United States Total)



Source: Institute of Supply Management
Note: Data thru May 2026

ISM Manufacturing PMI

The ISM Manufacturing Index is a key economic indicator that measures the level of demand for products by surveying purchasing managers at manufacturing companies. The PMI is based on five major components: new orders, production, employment, supplier deliveries, and inventories. The index is seasonally adjusted to account for differences in weather, holidays, and other factors. A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.

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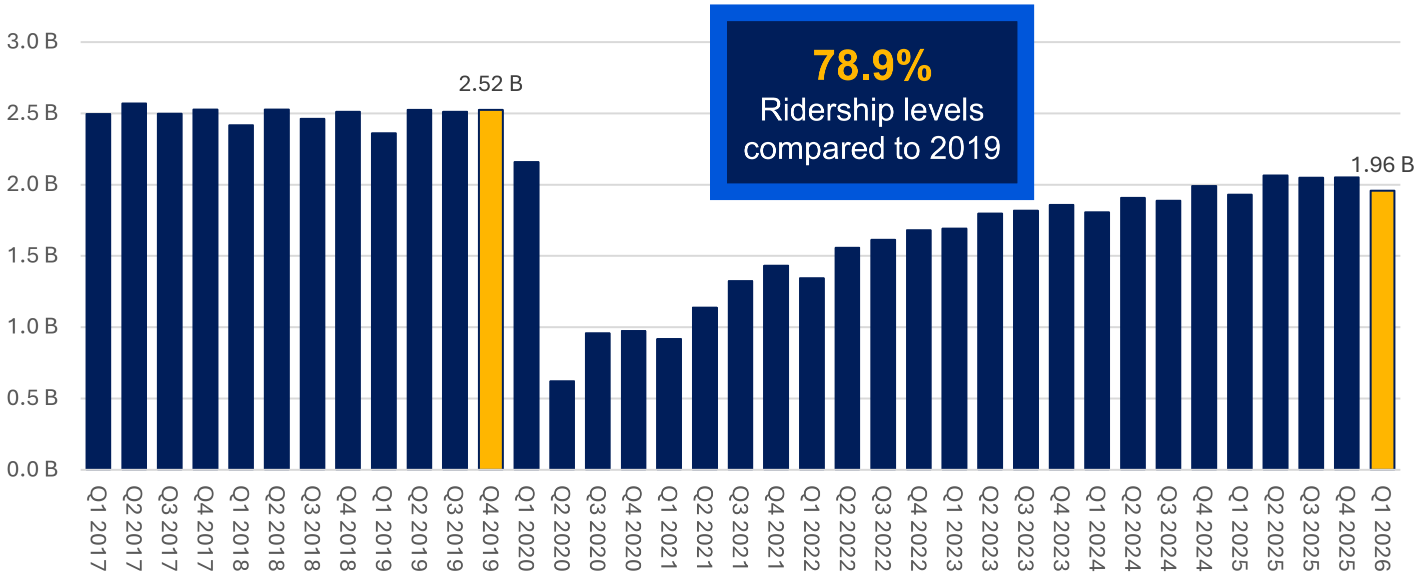
Public Transit

Public Transit Ridership Levels Off

A good indicator of the health of an urban core, and consequently the downtown office market, is the use of public transportation. Public transit ridership dropped to 1.96 billion in the first quarter. Based on several additional indicators, the momentum for returning to office work seems to have stabilized; however, the new administration's stance on return-to-office policies may lead to changes in the future. Despite this, public transit ridership has remained flat over the past ten quarters. Nevertheless, public transit surpassed 2 billion riders in late 2025.

Public Transit Ridership: (United States)



Source: American Public Transportation Association Quarterly Ridership Report. [Ridership Report - American Public Transportation Association (apta.com)]

Public Transit Still Lags Historic Norms

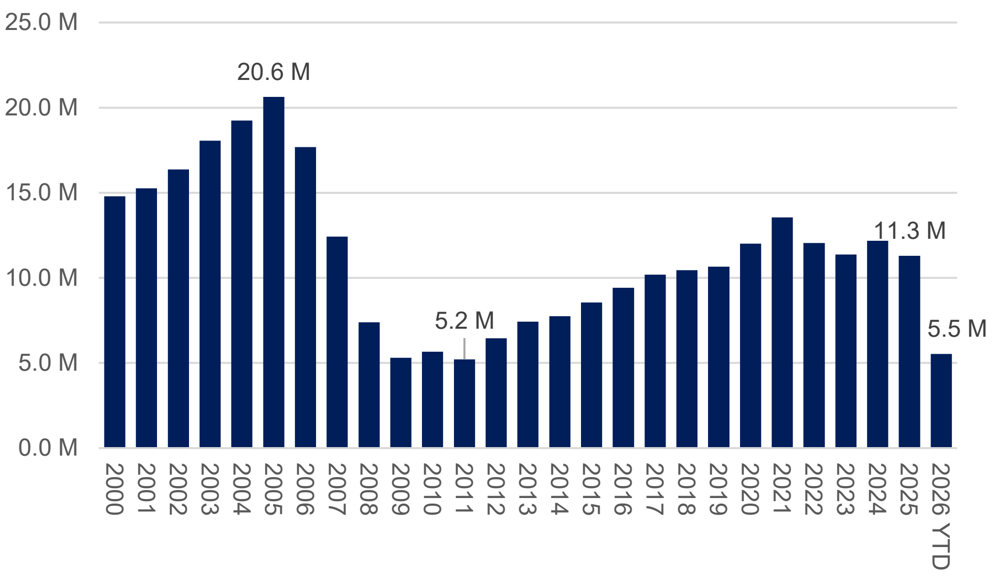
Public transportation has been consistently reliable since the beginning of the century. In 2008, rising gas prices led to a temporary increase in public ridership, but it quickly returned to historic levels. During the first year of the declared pandemic, ridership was cut in half, experiencing a 52.8 percent decrease. As the economy began to reopen in 2021, ridership saw only a modest increase of 3.1 percent compared to the previous year. By early 2022, the economy was moving towards pre-pandemic levels. However, by the end of the first quarter of 2026, public transportation ridership had only reached 78.9 percent of the average ridership from 2019, the last full year before the pandemic began.

Housing

Single-Family Housing Starts Remain Stable as Builders Navigate Affordability and Financing Challenges

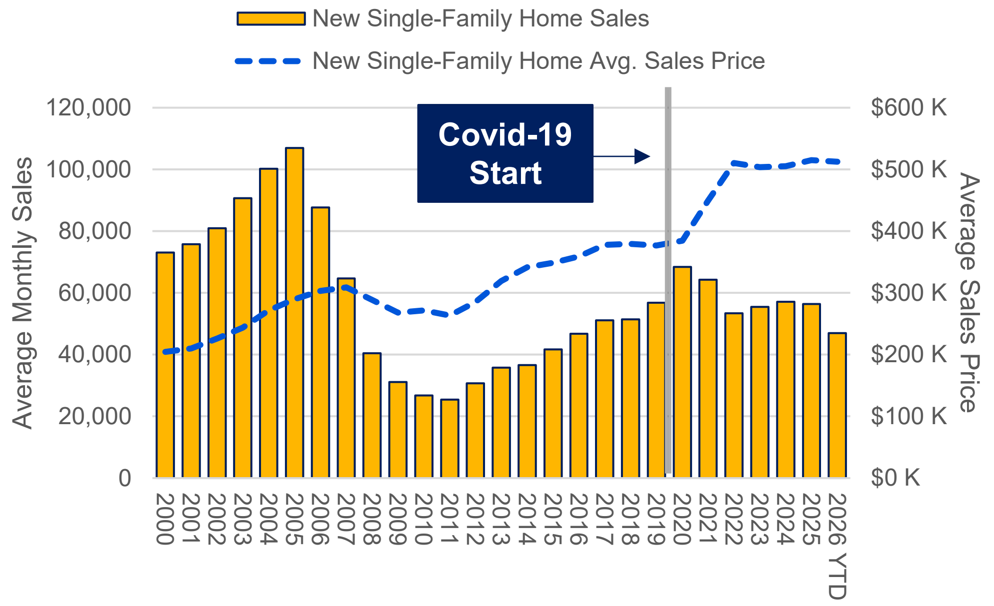
Single-family housing starts were essentially unchanged in June, edging down 2 percent to a seasonally adjusted rate. Elevated mortgage rates, construction costs, and affordability challenges continue to weigh on new single-family development. Limited single-family home inventory, driven by owners holding on to low interest rates has caused home prices to hover near all-time highs.

Single-Family Residential Housing Starts



Source: U.S. Census Bureau, https://census.gov/construction
*Note: Data thru May 2026

Single-Family Homes: No. of Sales vs. Avg Sales Price



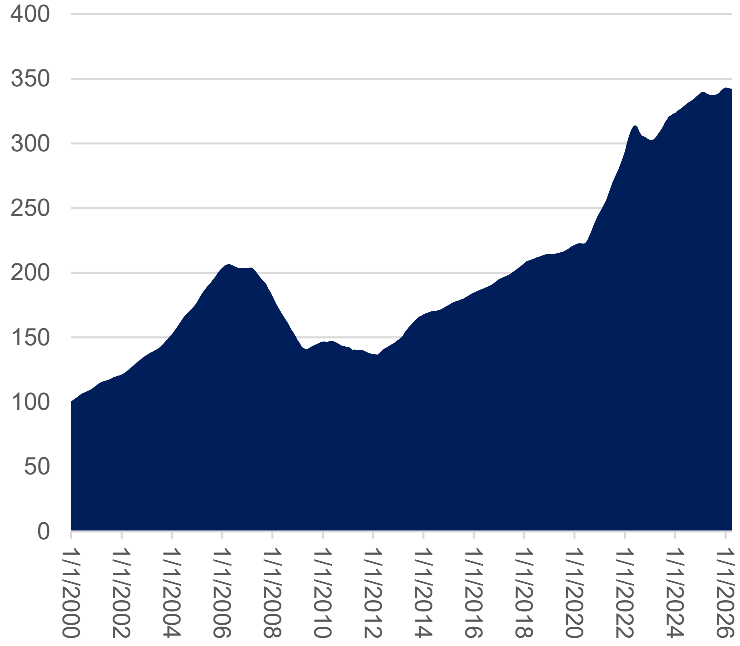
Source: U.S. Census Bureau, https://census.gov/construction
Note: Data thru May 2026

Home Price Index

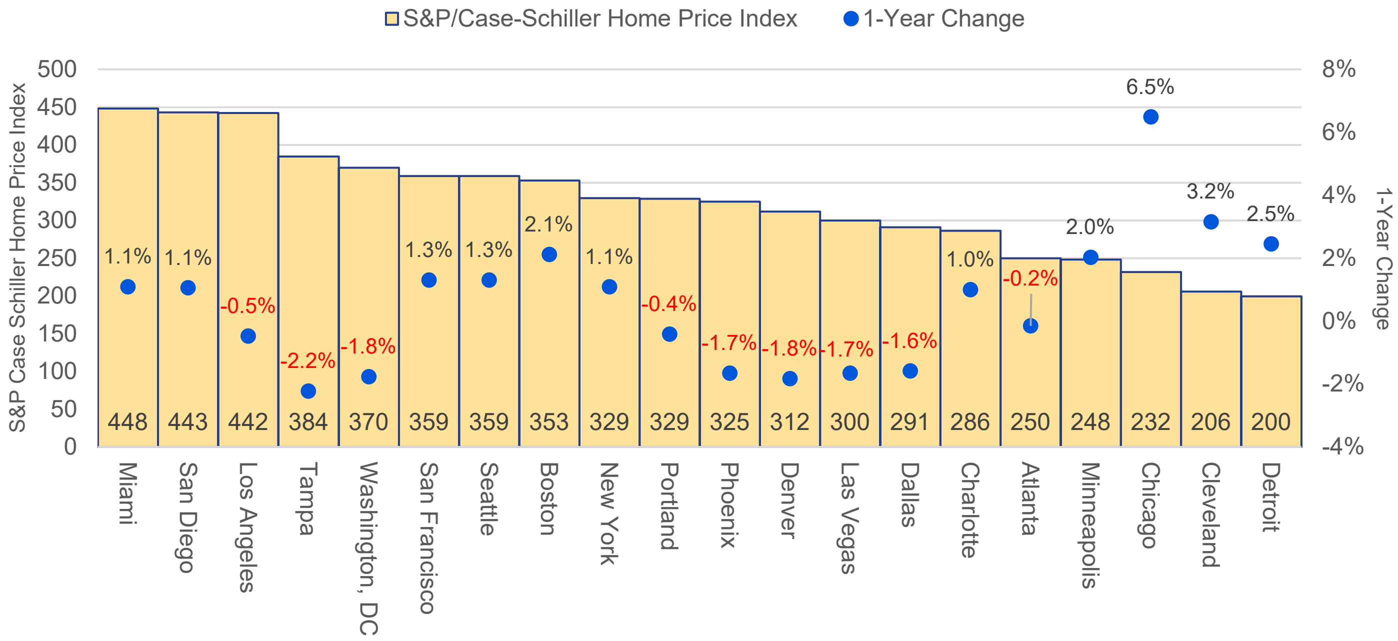
Case-Schiller Home Price Index Peaks in January

The Case-Schiller Index is an economic indicator that measures the monthly change in the value of the U.S. single-family home market. The 20-City Home Price Index briefly peaked in June 2022 and dropped for eight consecutive months before ticking higher over the past two years. The current level marks a continuation of high, albeit slowing, price levels, showing a deceleration in growth Miami and San Diego hold the highest Home Price Indexes. Detroit, Cleveland, and Chicago increased the most in the past 12-months, while 9 of the 20 markets in the index retreated in the past year.

Home Price Index: 20-City Average



S&P/Case-Schiller Home Price Index



Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CSUSHPINSA, July 15, 2026.

Industrial Trends

Industrial Fundamentals Remain Healthy as Demand Shifts Toward Specialized Growth

The U.S. industrial market remained fundamentally healthy through the first half of 2026, although activity continued to normalize following the record expansion experienced during the pandemic. Leasing activity moderated from historic highs as occupiers adopted a more measured approach to expansion, while vacancy increased modestly due to the delivery of previously initiated speculative developments. At the same time, new construction continued to slow as financing costs, elevated construction expenses, and more disciplined underwriting reduced speculative development. Despite these headwinds, industrial demand remains supported by resilient consumer spending, manufacturing investment, supply chain modernization, and continued growth in logistics and e-commerce.

Looking forward, the strongest demand will be increasingly concentrated in specialized industrial facilities rather than traditional bulk distribution space. For occupiers, the market presents opportunities to secure high-quality space while developers become increasingly selective about new projects.

Industrial Tenant View

- Tenants are evaluating supply chain resiliency by prioritizing locations with reliable power, transportation infrastructure, and access to skilled labor, particularly for manufacturing and logistics operations.
- Tenants are increasingly trying to navigate a volatile economic landscape by preserving portfolio flexibility through expansion options, phased occupancy, and adaptable lease structures that can accommodate changing business needs and economic conditions.
- Early site selection has become increasingly important for specialized facilities as demand for modern manufacturing, cold storage, and power-intensive industrial space continues to outpace supply in many high-growth markets.

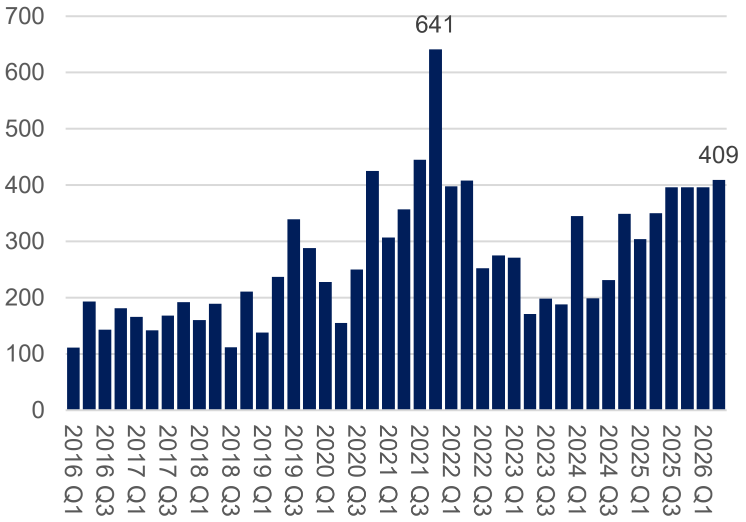
Capital Markets

Industrial Sales Velocity Trends Slightly Higher as Sellers Look to Take Profits

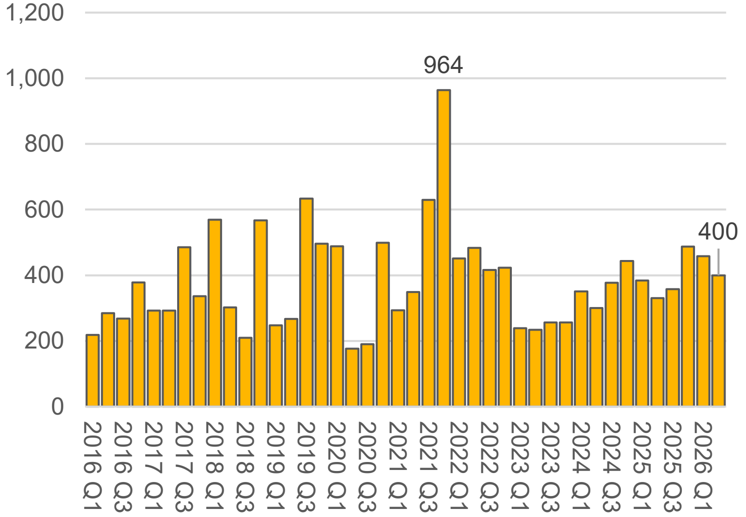
Strong demand nearly doubled the industrial sales velocity (the number of sales) in the year following the COVID-19 lockdown. In 2023, warehouse and distribution spaces accounted for nearly 70 percent of the total sales volume. Sales in the manufacturing sector spiked in the first quarter of 2021 due to this strong demand but later fell back to historic levels. In contrast, sales of warehouse and distribution spaces have leveled off over the past two years and have trended lower in the last two quarters. Meanwhile, sales of manufacturing properties have remained remarkably steady over the past year, while the number of flex properties trading hands has been more volatile.

Industrial Sales Velocity: (United States)

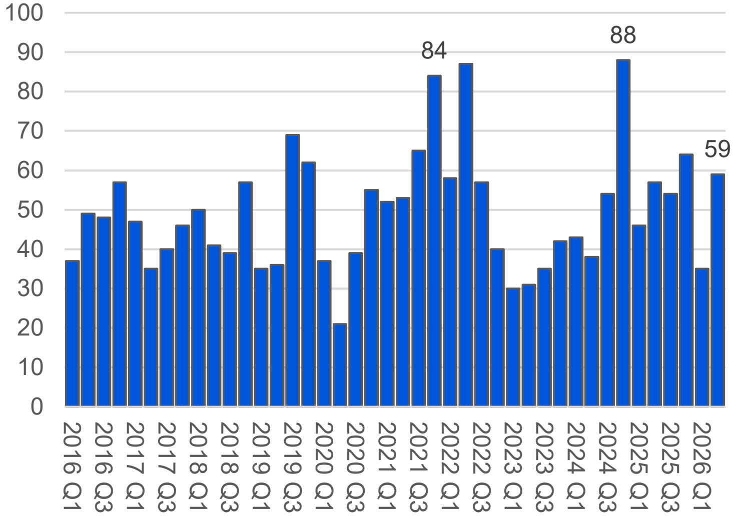
Manufacturing



Distribution



Flex



Source: Real Capital Analytics and Cresa; thru Q2 2026

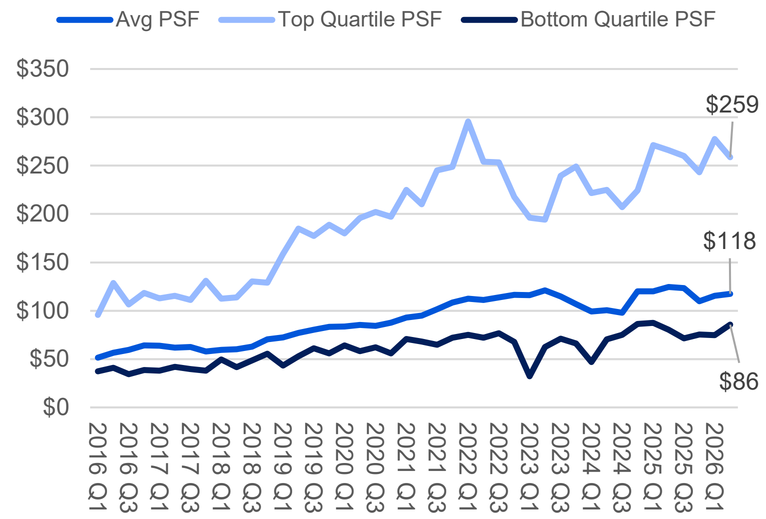
Capital Markets

Sales for Top-End Manufacturing Properties Have Spiked in the Manufacturing Sector on a Per-Square-Foot Basis

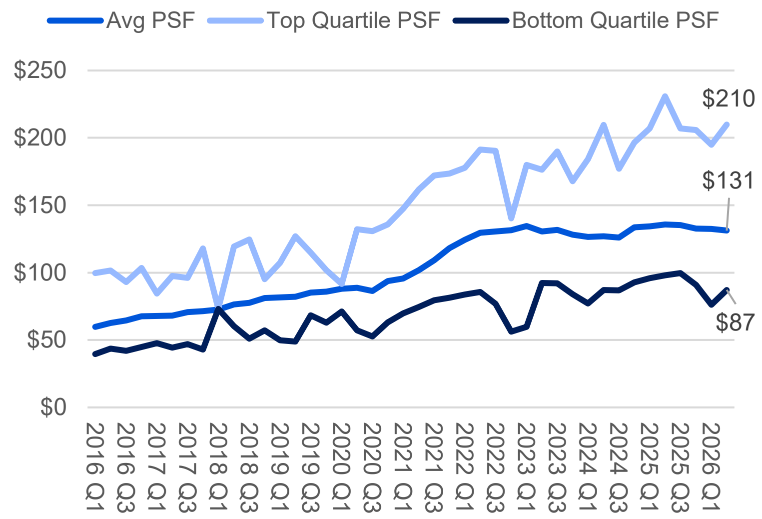
The average sales price per square foot for industrial properties remained stable in the second quarter of 2026. However, the average price per square foot for manufacturing space peaked in the first quarter of 2022 and has remained high in the second quarter of 2026. Since the beginning of 2019, the average realized prices per square foot for both manufacturing and distribution spaces have increased by over 60 percent.

Average Industrial Sale Price/SF (United States)

Manufacturing



Distribution



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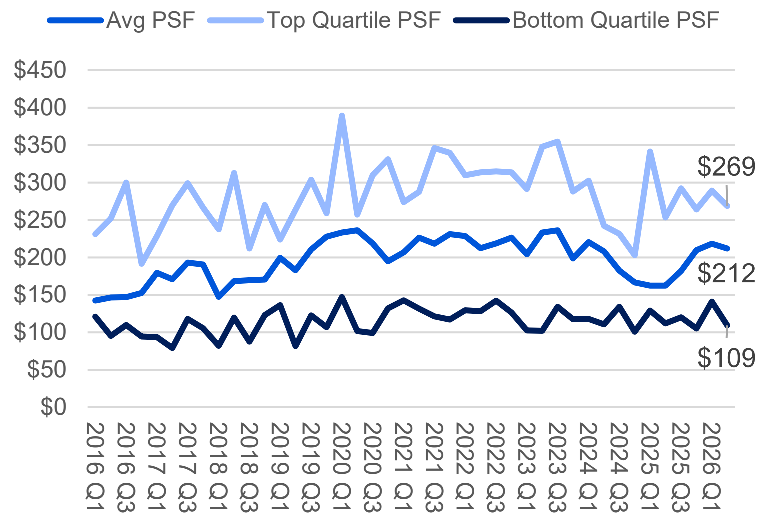


Source: Real Capital Analytics and Cresa; thru Q2 2026

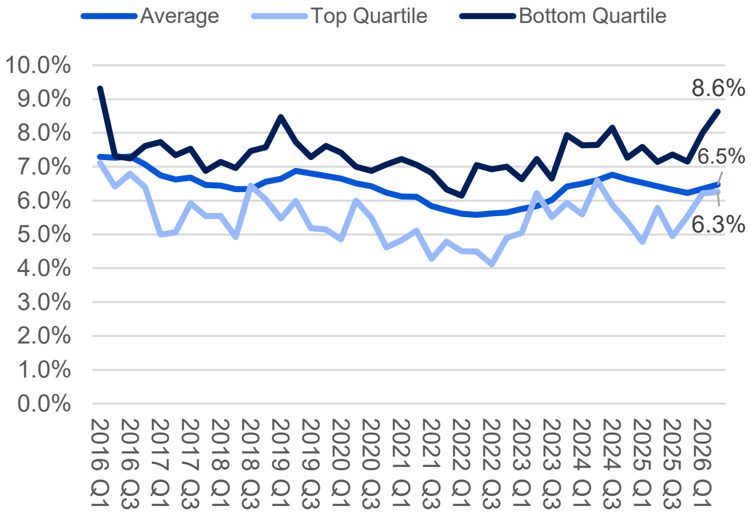
Capital Markets

Industrial Cap Rates Steady

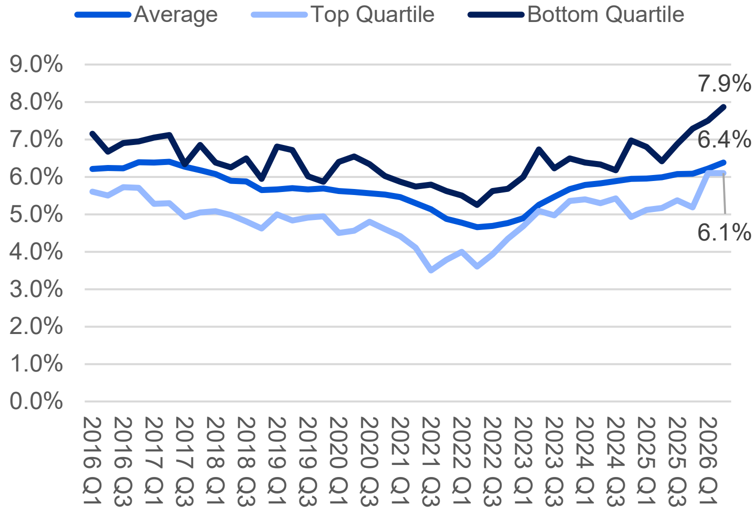
Economic volatility, increasing borrowing rates, and rising construction costs have led to higher cap rates for industrial properties over the past 24 months. This increased risk has slowed the overall prices paid for industrial assets. While there is still capital available for investment in stable asset classes, **the scarcity of top-quality properties with modern amenities has created hesitation in the capital markets**. An increase in sales volume in the fourth quarter of 2025 may signal an inflection point. Additionally, further cuts in interest rates by the Federal Reserve could encourage more investment, especially as the hold periods for investments made during the height of the pandemic begin to extend, prompting investors to seek cash-out opportunities.

Industrial Cap Rates (United States)

Manufacturing



Distribution



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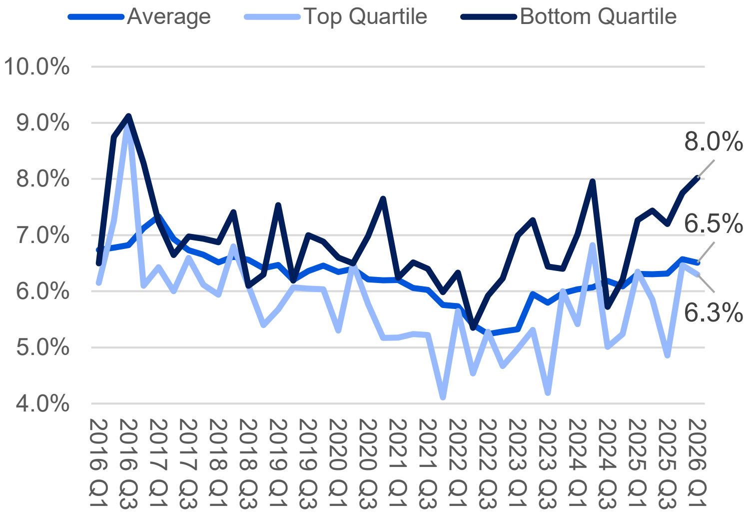


Source: Real Capital Analytics and Cresa; thru Q2 2026

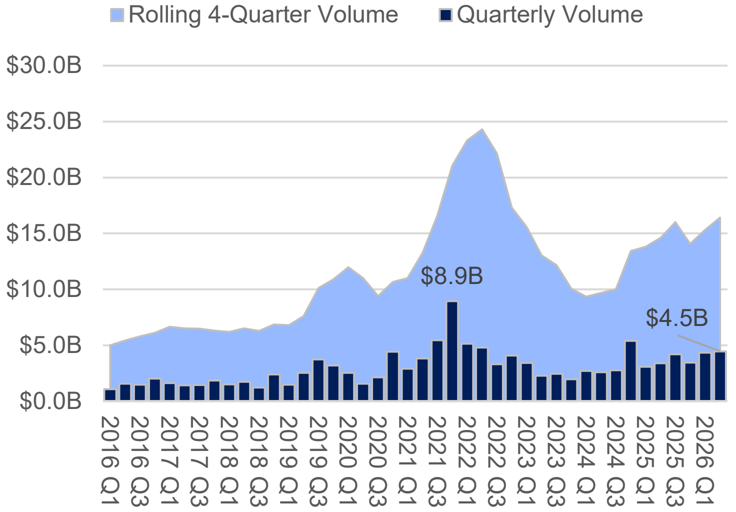
Capital Markets

Industrial Sales Volume Trends Higher

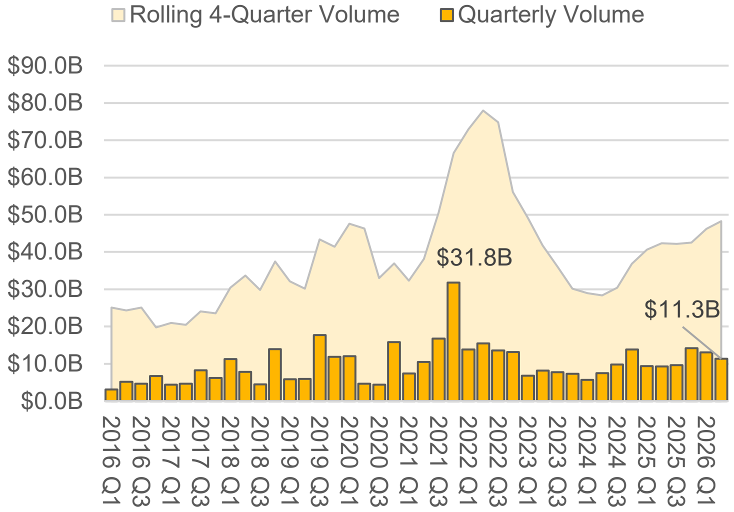
Sales volume for the trailing 12-months, while lower than 2022 and 2023 levels, is comparable to pre-pandemic levels. Higher prices and the number of sales increasing has pushed volume higher. **The sales volume for all three industrial asset types – manufacturing, distribution, and flex properties – has been trending higher in the past year, with flex showing the biggest increase.**

Industrial Sales Volume: (United States)

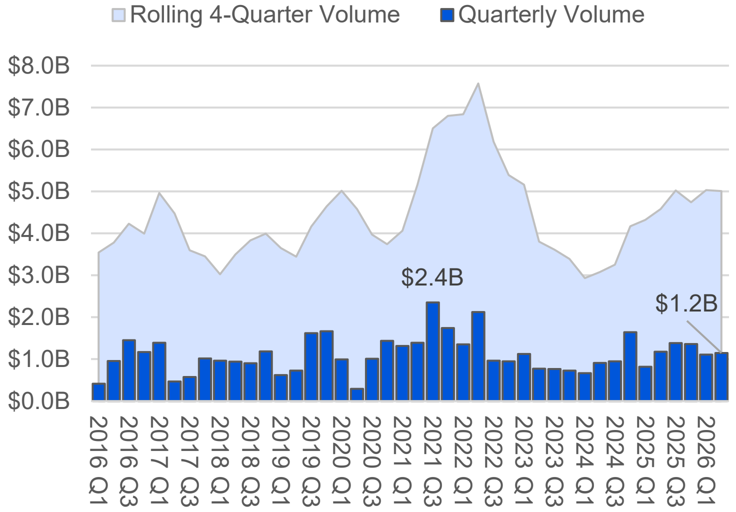
Manufacturing



Distribution



Flex



Source: Real Capital Analytics and Cresa; thru Q2 2026

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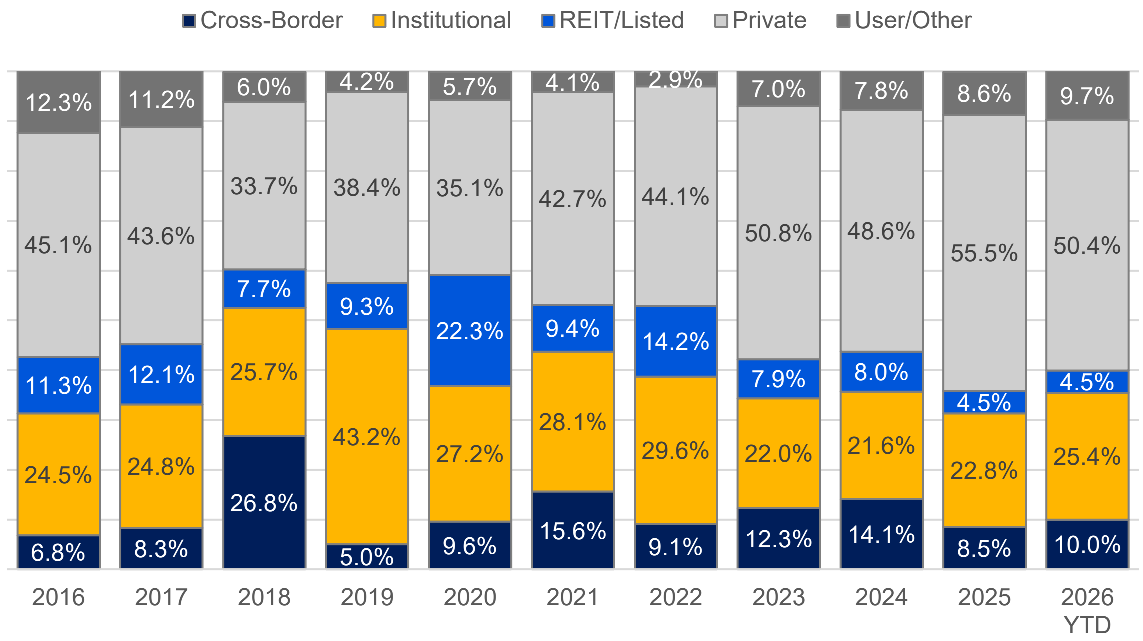
Capital Markets

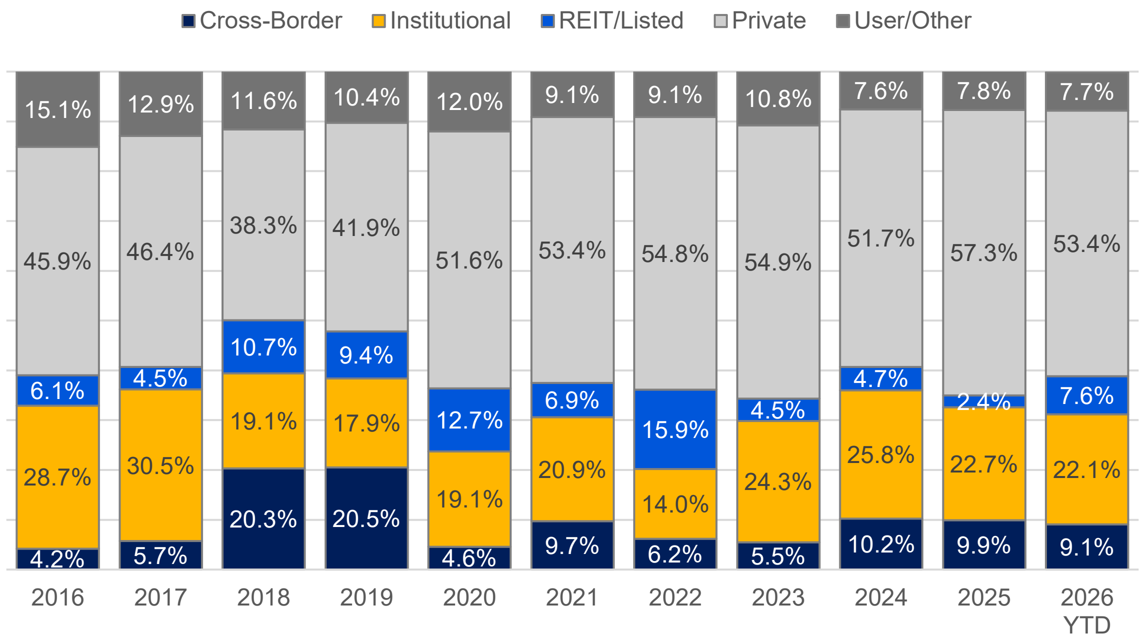
Industrial Capital Composition

Capital markets were very active in 2021 and 2022 but quickly slowed down due to rising interest rates and costs, as well as a lack of investment-grade industrial supply. Private investors have been significant buyers in the industrial market, while institutional users have increased their purchasing activity. In the first half of 2026, REITs became active sellers after holding their positions for several years. Additionally, cross-border investors have been more active in selling over the past eight quarters, looking to take profits after holding their investments for the past five years.

Industrial Buyer: (United States)



Industrial Seller: (United States)



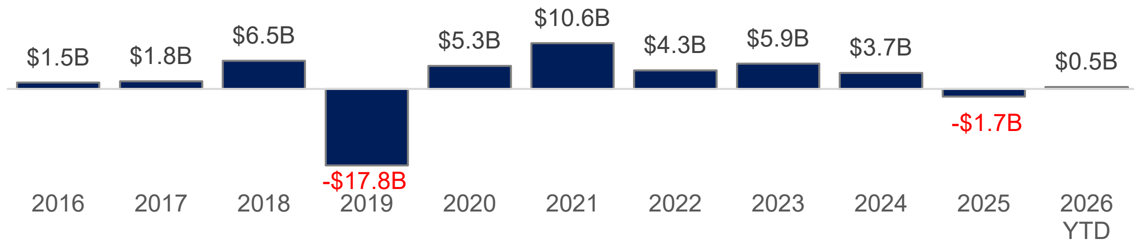
Source: Real Capital Analytics and Cresa; thru Q2 2026

Capital Markets

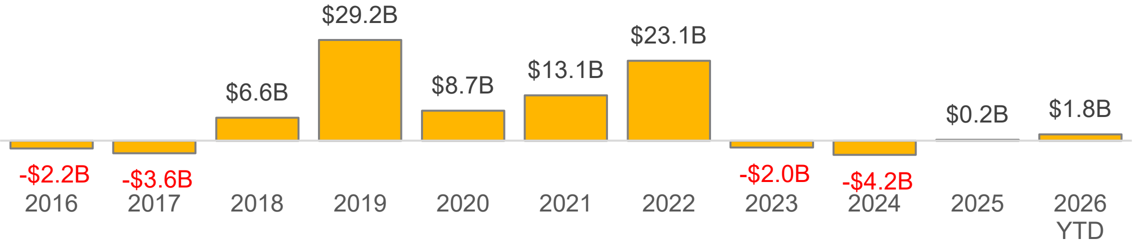
Industrial Capital Flows: Net Acquisitions

Private investors have generally shown more optimism regarding investments; however, they have been net sellers in the industrial asset category, consistently selling more than they have been buying over the past eleven years. In contrast, cross-border investors and REITs have made significant purchases, acquiring more industrial assets than they have sold in six of the past seven years. However, during the first half of 2026, REITs were net sellers.

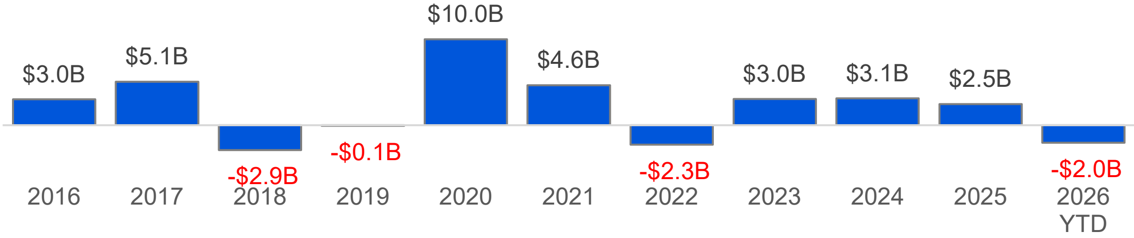
Cross-Border



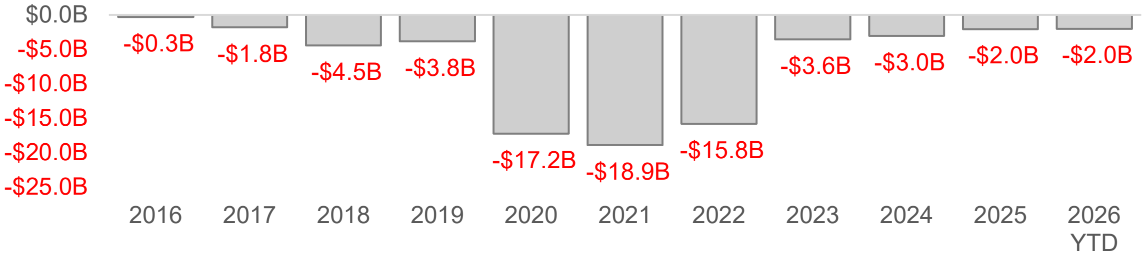
Institutional



REIT/Listed



Private



Source: Real Capital Analytics and Cresa; thru Q2 2026

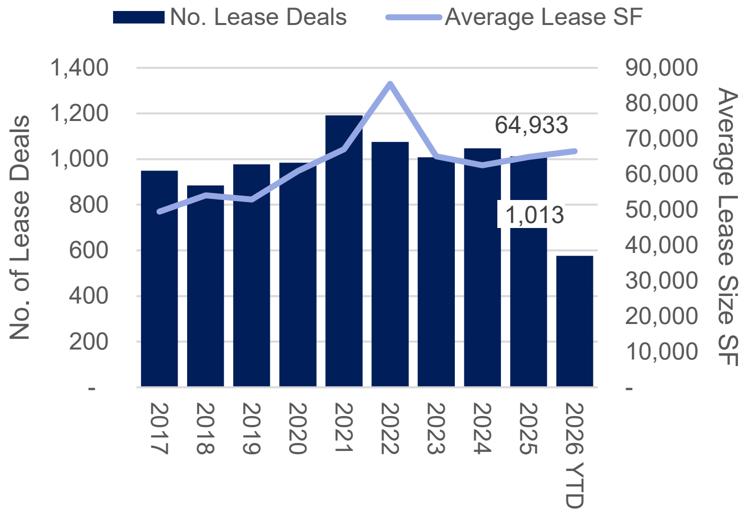
Leasing Trends

Average Lease Transactions Revert to Historic Averages

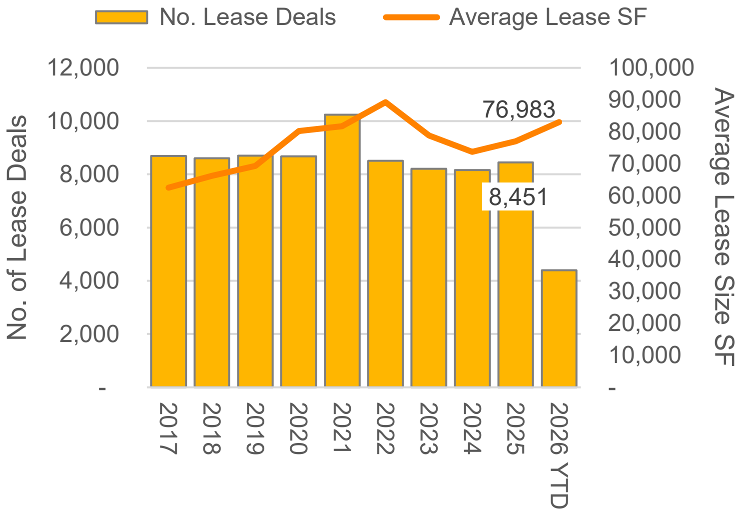
In 2021, lease deal sizes for all industrial property types were larger compared to the second quarter of 2026. After experiencing a significant increase beginning in 2020, average deal sizes have returned to levels closer to historic averages. The number of lease agreements for manufacturing, distribution, and flex spaces is expected to be consistent with the trends seen over the past two years.

Historic Industrial Activity – Average Deal Size

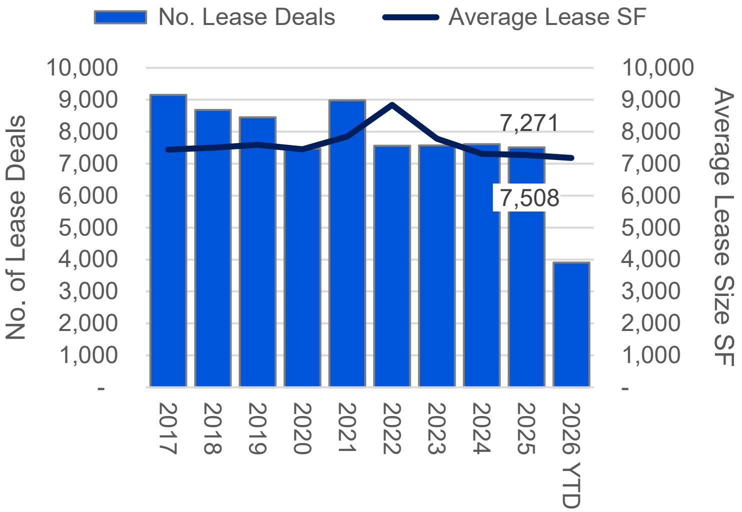
Manufacturing



Distribution



Flex

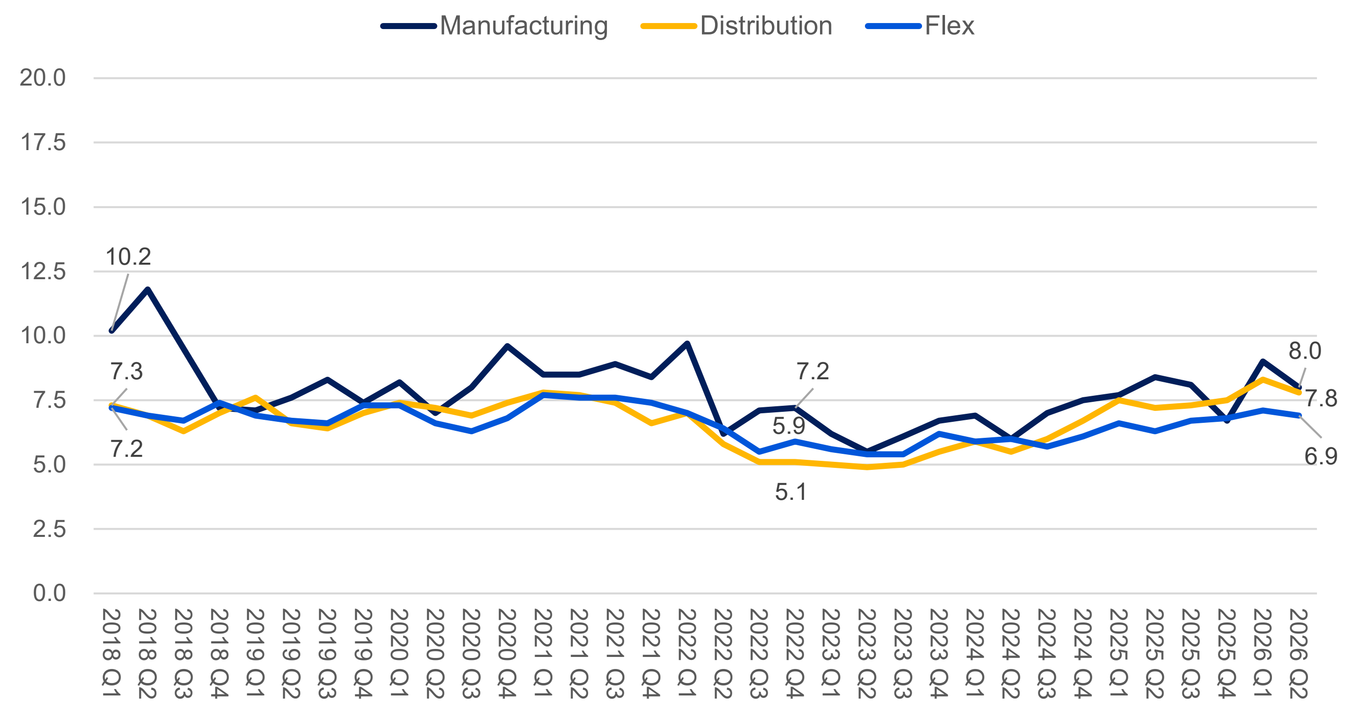


Source: CoStar and Cresa; thru Q2 2026

Leasing Trends

Months to Lease Properties Moves to Historic Norms

Months-To-Lease



Source: CoStar and Cresa; thru Q2 2026

The leasing duration for industrial properties has generally decreased over the past seven years, reaching a low point in 2023 before rising again. However, it has slightly increased in the last year. Distribution spaces have taken 2.6 months longer to lease since the start of 2023.

Manufacturing spaces have taken about the same amount of time to lease since the start of 2023, while flex space has taken nearly one month longer.

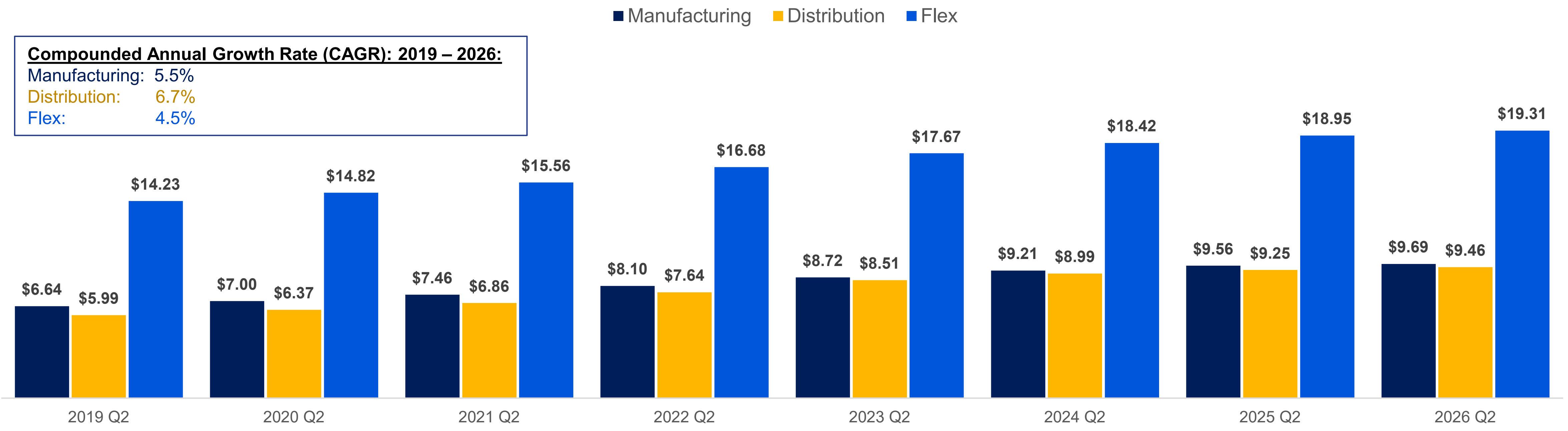
All three industrial asset leasing times are generally reverting to historical averages.

Market Rent

Industrial Rents Growth Slows

Industrial rates have risen sharply since the end of 2019, particularly in the distribution sector, where prices have increased by more than 50 percent over the past six years. Nationwide, average logistics asking rates have been on the rise every quarter since 2017, although the pace of these increases has significantly slowed. It's important to note that some markets that experienced dramatic rate hikes have started to see their rates decline. While rates are generally expected to continue increasing, landlords will need to wait for demand and absorption to catch up before experiencing a meaningful rise in rates.

Industrial Lease Asking Rates ($/SF): (United States)



Source: CoStar and Cresa; thru Q2 2026

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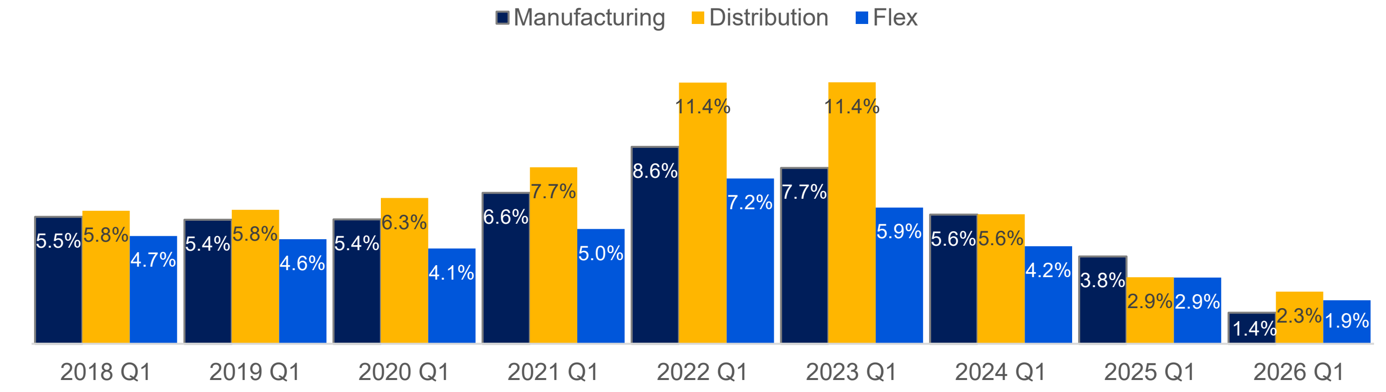
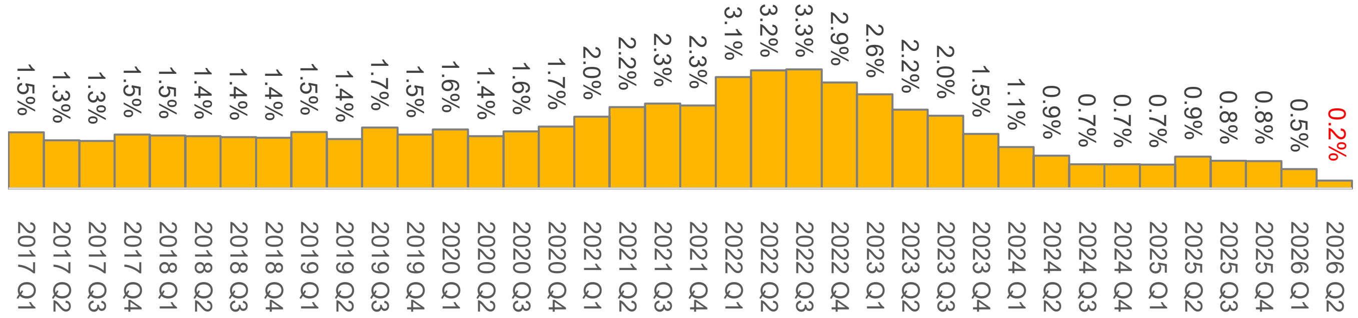
Market Rent

Direct Asking Rent Growth Dips Below Pre-Pandemic Levels Since the Start of 2025

Industrial Asking Rent Annual Increase: (United States)



Distribution Asking Rent Quarterly Increase



Source: CoStar and Cresa; thru Q2 2026

Industrial lease rates have stabilized after a significant period of substantial increases. Since 2019, the compounded annual growth rate (CAGR) for distribution spaces has risen by 6.7 percent per year. In comparison, manufacturing spaces have experienced a 5.5 percent increase, while flex spaces have grown by 4.5 percent during the same period. Although a meaningful decline in lease rates is unlikely, other incentives such as tenant improvements (TIs) and abatements may become more negotiable for tenants. Industrial lease rates have stabilized after a significant period of substantial increases. Since 2019, the compounded annual growth rate (CAGR) for distribution spaces has risen by 6.7 percent per year. In comparison, manufacturing spaces have experienced a 5.5 percent increase, while flex spaces have grown by 4.5 percent during the same period. **Although a meaningful decline in lease rates is unlikely, other incentives such as tenant improvements (TIs) and abatements may become more negotiable for tenants.**

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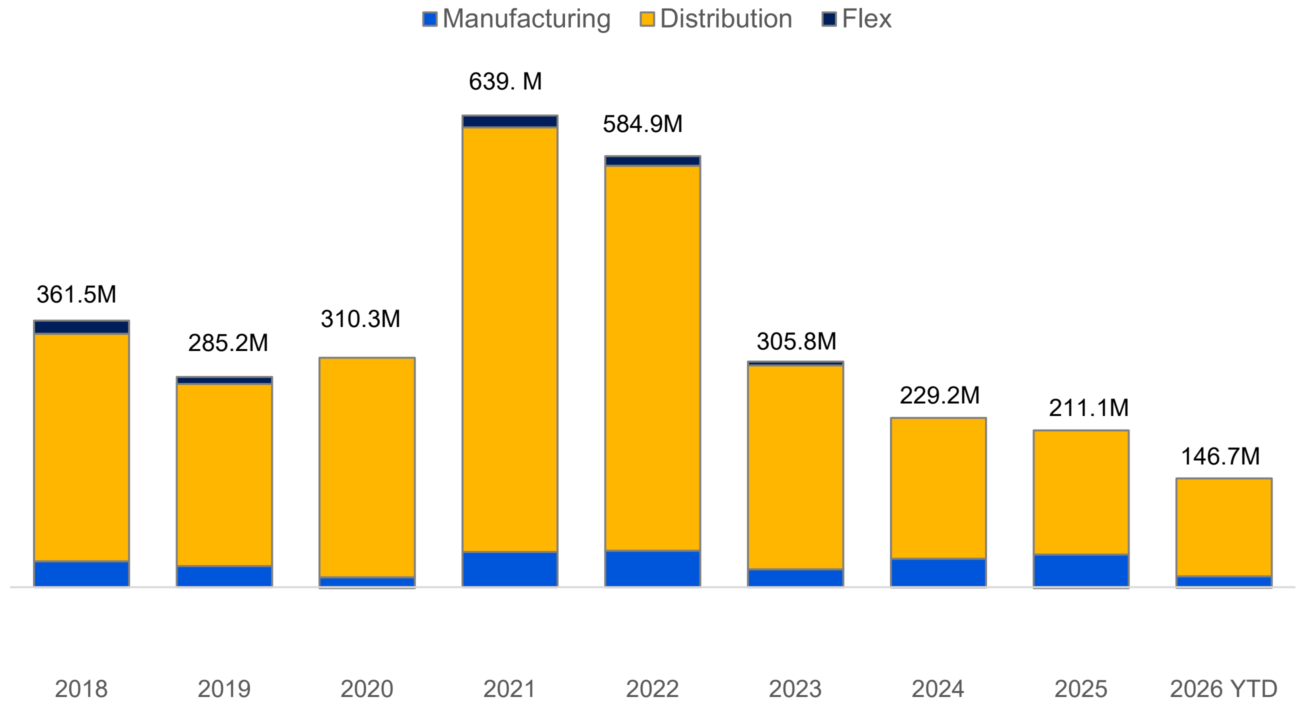
Absorption

Industrial Absorption Dramatically Slows in 2025, Before Rebounding to Start 2026

Industrial Net Absorption (SF): (United States)



Source: CoStar and Cresa, thru Q2 2026

After a record-breaking year in 2021, absorption experienced a significant slowdown. This decline is primarily due to softening economic conditions and a general decrease in imports. **By 2025, absorption reached its lowest level in the past decade, but it has rebounded in the first half of 2026.** The ongoing delivery of new construction and sustained demand are expected to maintain positive absorption, with modest gains anticipated.

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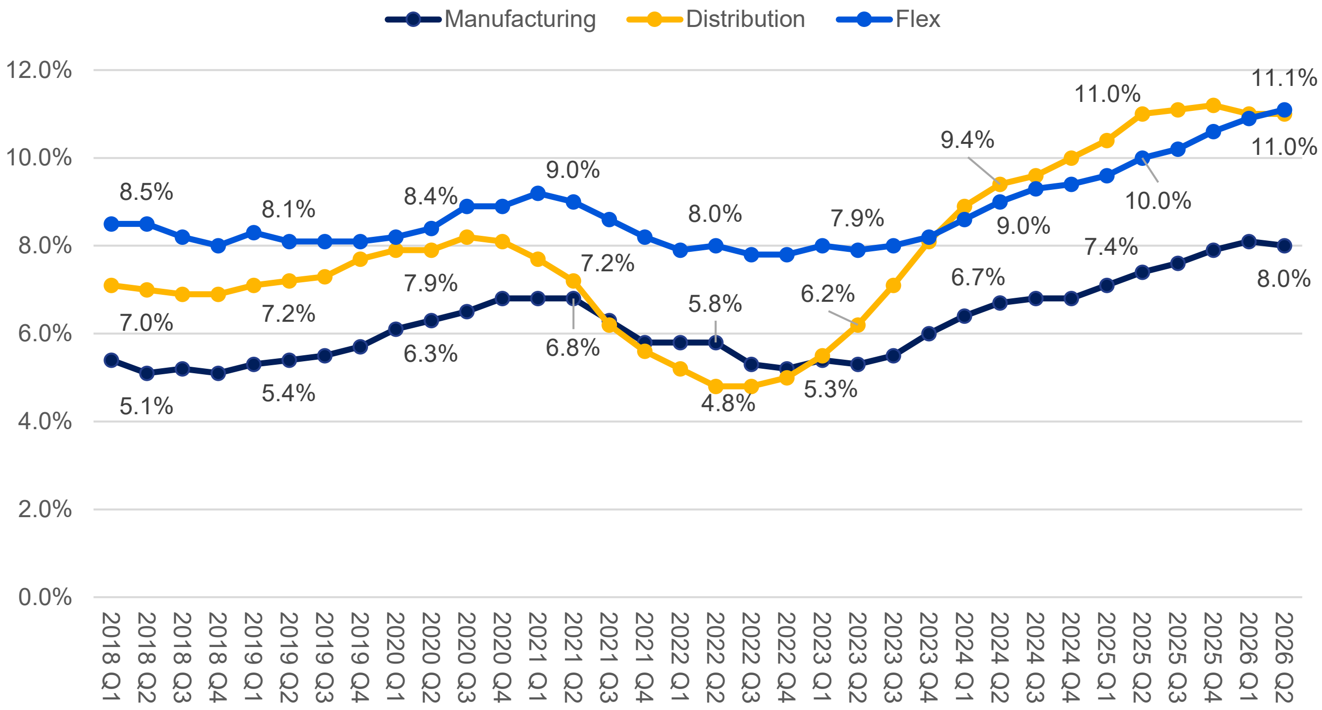
Direct Vacancy

Industrial Vacancy Peaks in the Distribution Sector

Industrial Direct Vacancy: (United States)



Source: CoStar and Cresa, thru Q2 2026

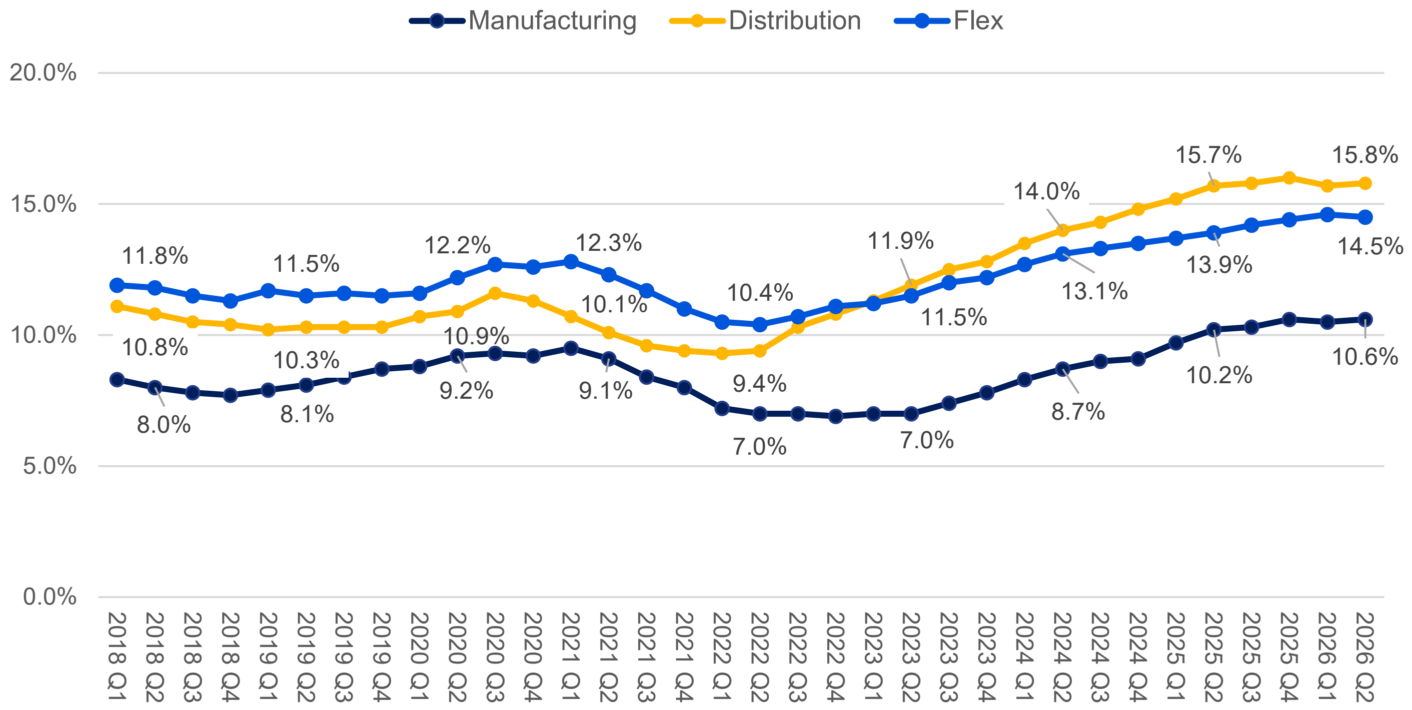
Direct vacancy rates are currently trending higher than historical averages after remaining near historic lows from 2021 to 2023. The surge in new construction is likely a contributing factor to this increase. Despite this, large retailers are focused on strengthening their distribution facilities to better position themselves for future growth. Vacancy rates in manufacturing spaces have remained low due to heightened demand, as more companies are relocating operations closer to U.S. markets to stabilize their supply chains. The effects of potential tariff increases remain uncertain. While these increases may make distribution spaces more attractive as retailers choose to maintain higher inventory levels, they could also create hesitancy around further investments, as companies wait for a clearer picture.

Bonded warehouses and locations within free trade zones (FTZs) are likely to be highly sought after by some businesses. These options can help avoid initial costs associated with rising tariffs.

Availability

Industrial Availability Stabilizes but Remains Above Historic Averages

Industrial Availability Rate: (United States)



Source: CoStar and Cresa, thru Q2 2026

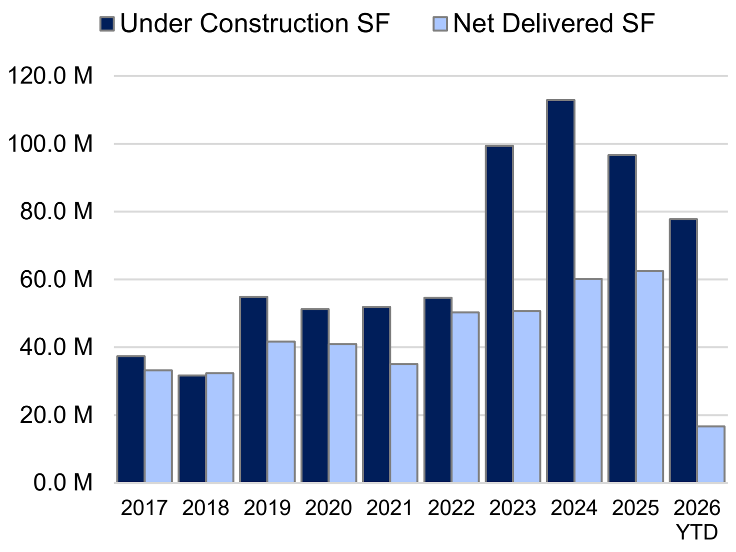
The availability rate includes the amount of space that is being marketed as available for lease, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. Therefore, the availability rate may be a more accurate depiction of the market during this volatile period than the direct vacancy rate. **Availability in the distribution asset type jumped from 9.4 percent over the past four years to 15.8 percent to close the second quarter of 2026.**

New Construction

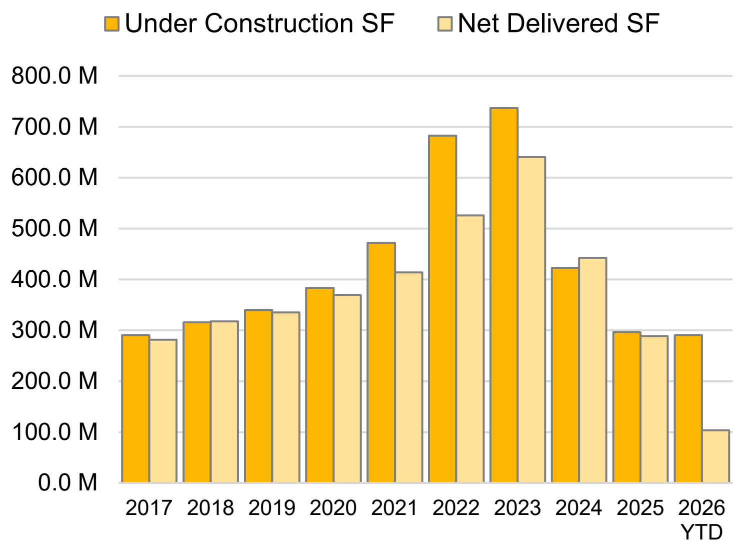
New Distribution Projects Pull the Reins

New construction has slowed in all industrial asset types over the past four years. Distribution square footage has dropped below historical averages, while manufacturing square footage under construction has remained elevated.

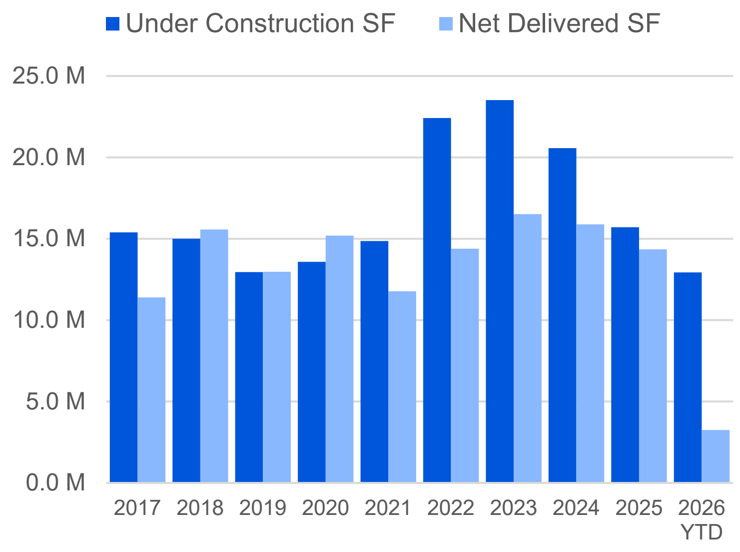
Construction: Under Construction SF v. New Deliveries



Construction: Under Construction SF v. New Deliveries



Construction: Under Construction SF v. New Deliveries



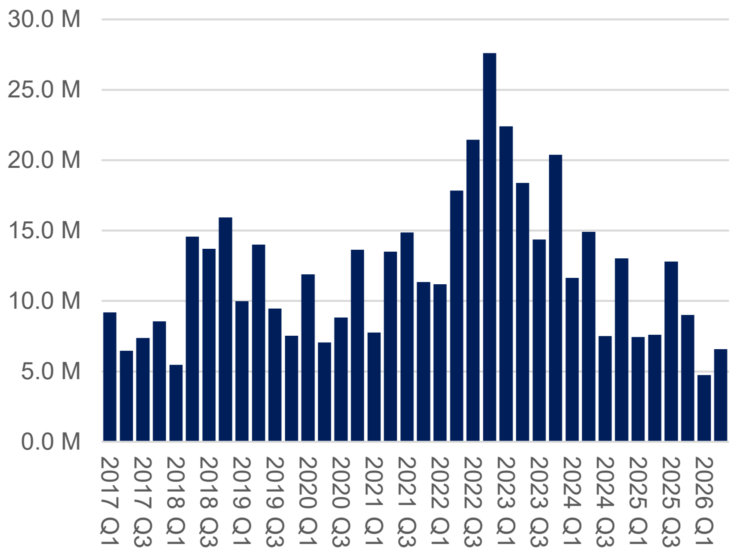
Source: CoStar and Cresa; thru Q2 2026

Construction Starts

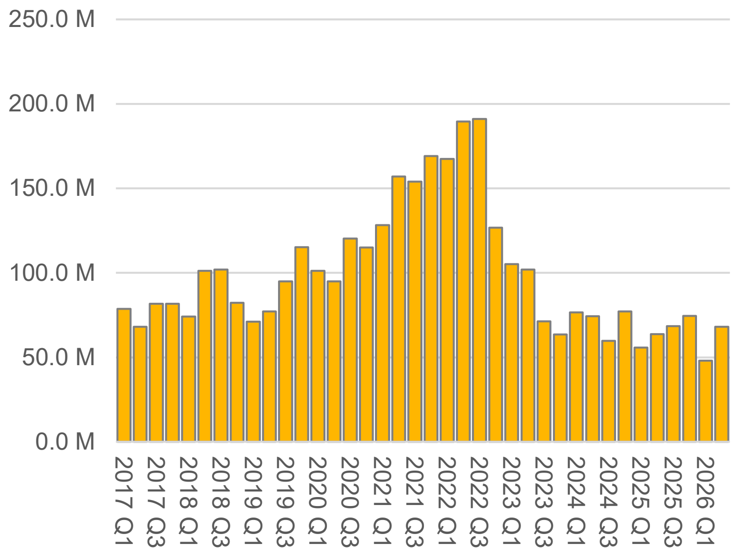
Industrial Starts Slow, but All Asset Types Jump in the Second Quarter

Industrial construction starts have become more selective. Manufacturing facilities, distribution centers, and other specialized industrial projects continue to support new development in 2026, while developers remain disciplined amid higher financing costs, emphasizing build-to-suit projects and markets with strong preleasing, power availability, and long-term occupier demand.

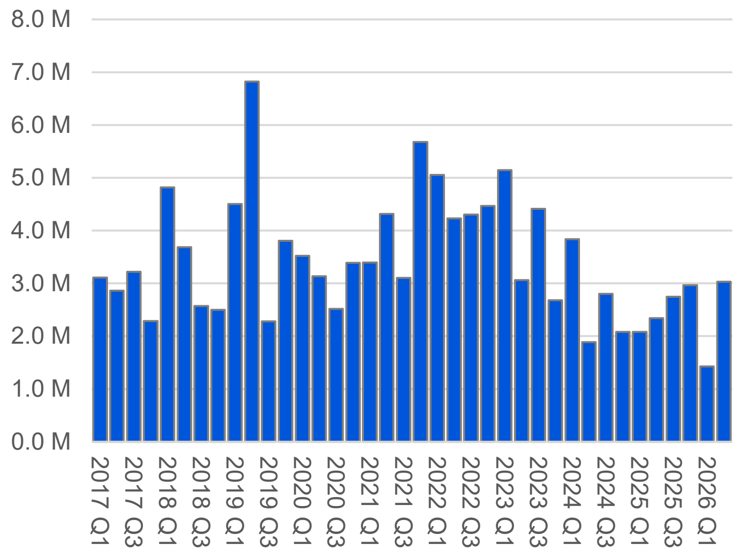
Construction: Starts SF



Construction: Starts SF



Construction: Starts SF



Source: CoStar and Cresa; thru Q2 2026

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The problem with the real estate market is the market itself.

THE MARKET SEES YOU AS A **TARGET.**

THE MARKET CHASES THE **DEAL.**

THE MARKET IS SHORT TERM AND **REACTIVE.**

THE SYSTEM FAVORS **LANDLORDS** NOT OCCUPIERS.

The stakes are high for occupiers. Real estate is expensive and inflexible. With the pandemic, labor dynamics, and economic instability, all bets are off.

It's time to go beyond the market and uncover how your commercial real estate can drive your goals, not impede them.

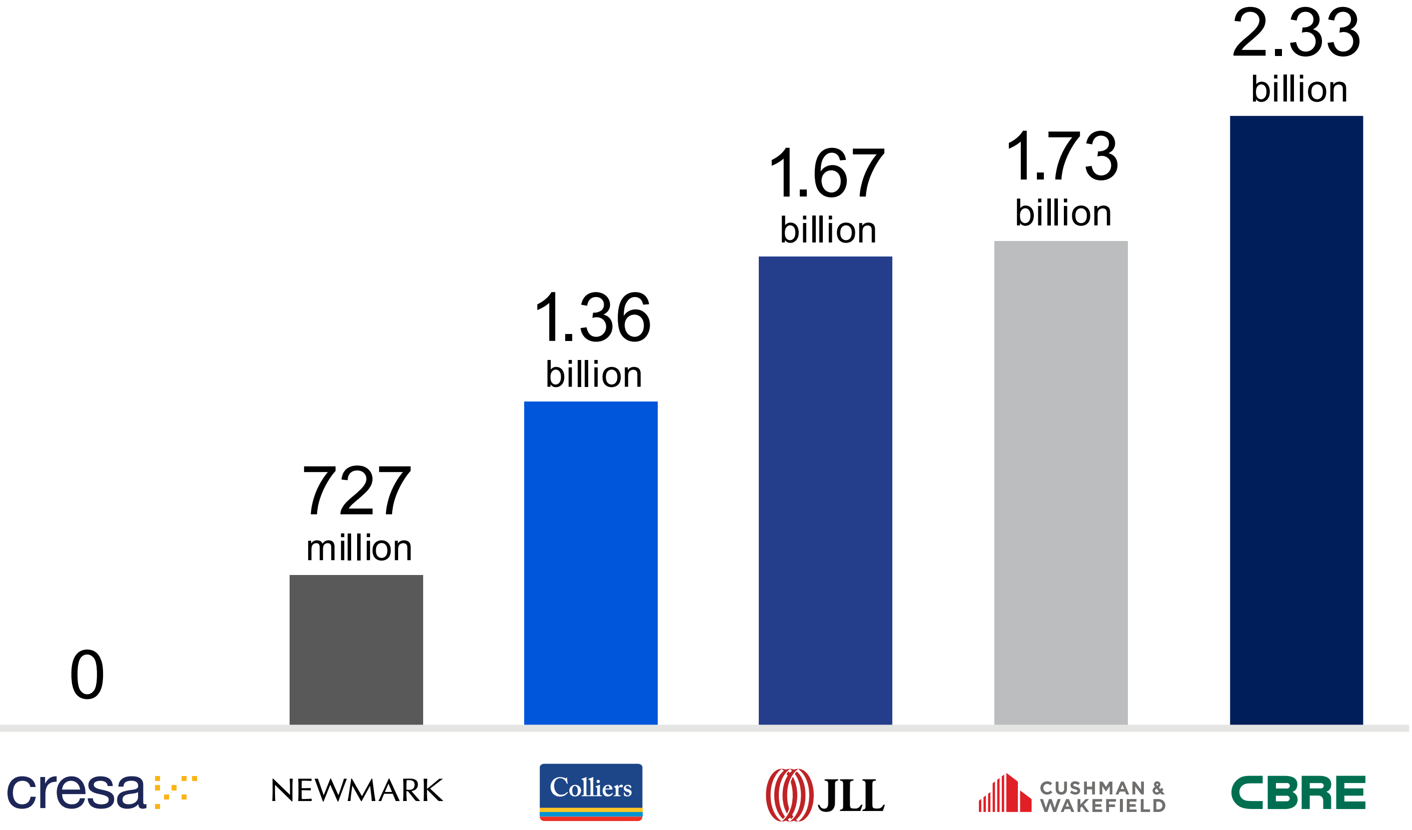
How We're Different

As the world's largest corporate real estate provider committed exclusively to serving occupiers, we're in a league of our own.

We offer creative solutions, unbiased advisory services and executive leadership on every account.

We believe this combination of transparency and executive involvement generates the superior service our clients have come to expect from Cresa.

Billions of square feet are represented on the landlord's behalf nationally. Cresa never does business on behalf of landlords.



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