

# Industrial Occupier Outlook

United States Overview:

The Economy and Its Impact on Commercial Real Estate

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Cresa Research | Q3, 2026

# FIVE BIG THINGS OCCUPIERS SHOULD KNOW

## Key Takeaways for our Q3 2026 Occupier Outlook

### OCCUPIER OUTLOOK

#### 1 QUALITY

The office recovery is happening at the top.



**+34.7M SF**

Top-Tier Class A absorption since Q3 2020

#### 2 TIME

Office leasing is taking longer.



**17.2 months**

Compared with 13.1 months in 2019

#### 3 CAPITAL

Long-term borrowing costs remain elevated.



**5.2%**

10-year Treasury yield—highest since early 2002

#### 4 SUPPLY

Industrial supply is becoming more selective



**92.6M SF**

Industrial construction starts in Q3 -- 83% was distribution projects

#### 5 SCARCITY

Retail construction has reached a record low.



**10.0M SF**

Retail construction starts hit the lowest quarterly total on record

### Implications for Occupiers

Plan earlier and preserve flexibility as quality space becomes scarcer, industrial supply becomes more use-specific, and long-term capital costs remain elevated.

# ECONOMIC RESILIENCE SUPPORTS CRE FUNDAMENTALS

## Commercial Real Estate Adjusts to Slower Growth and More Selective Demand

## Executive Summary

### Macroeconomic View

- Economic growth remains positive, but employment gains have slowed, and inflation remains above the Federal Reserve's target. Monetary policy remains data-dependent, keeping borrowing costs elevated.
- Consumers and businesses remain active, but decisions are becoming more measured, with greater focus on productivity and operating efficiency.
- Real estate performance continues to vary by sector, market, building quality, and tenant demand.

### Office Market

- Class A office absorption remained positive through Q3 2026, while Class B absorption remained negative. Class A vacancy has improved, but availability remains elevated.
- Limited new construction and declining sublease supply support gradual stabilization, although the recovery remains uneven by market and building quality.
- Occupiers can use favorable conditions to upgrade, right-size, and improve lease flexibility, particularly where Class B vacancy remains elevated.

### Industrial Market

- Industrial demand remains resilient, but leasing and construction have normalized from pandemic-era highs. Distribution occupiers have more choice as prior speculative projects deliver.
- New construction is increasingly selective and concentrated in manufacturing, specialized facilities, and markets with strong preleasing, power, and labor availability.
- Occupiers should begin site selection early for specialized facilities and prioritize infrastructure, labor, and supply-chain resilience.

### Retail Market

- Retail sales remain positive, and vacancy remains low, but rent growth and leasing activity have moderated. Demand remains strongest in neighborhood and convenience formats.
- Retailers are shifting from broad expansion toward portfolio optimization, using renewals, relocations, resizing, and second-generation space to improve productivity.
- Record-low construction starts and limited net inventory growth will keep competition elevated for well-located retail space.

# COMMERCIAL REAL ESTATE MARKET BY THE NUMBERS

## Year-Over-Year Change Indicators Mixed

### OCCUPIER OUTLOOK

## Performance Snapshot

|                             | Office  |         |          |       |
|-----------------------------|---------|---------|----------|-------|
|                             | Q3 2026 | Q3 2025 | Change   | Trend |
| Inventory SF                | 5.660 B | 5.676 B | -15.2 M  | ►     |
| Class A Rate Growth (Y-o-Y) | 2.19%   | 1.92%   | +027 bps | ▲     |
| Class B Rate Growth (Y-o-Y) | 1.94%   | 2.55%   | -061 bps | ▼     |
| Leasing Activity (TTM)      | 311.6 M | 313.1 M | -1.5 M   | ►     |
| Vacancy Rate                | 18.4%   | 18.4%   | 000 bps  | ►     |
| Availability Rate           | 21.7%   | 22.5%   | -080 bps | ▼     |
| Net Absorption (TTM)        | +18.1 M | -85.0 M | +103.2 M | ▲     |
| Under Construction SF       | 53.5 M  | 59.2 M  | -5.7 M   | ▼     |
| Net Deliveries (TTM)        | 26.4 M  | 49.9 M  | -23.5 M  | ▼     |
| Sales Volume (TTM)          | \$95.1B | \$76.1B | +\$19.0B | ▲     |
| Sales Price Per SF          | \$215   | \$205   | +\$9.99  | ▲     |
| Market Cap Rate             | 7.44%   | 7.39%   | +005 bps | ►     |

|                                   | Industrial |          |          |       |
|-----------------------------------|------------|----------|----------|-------|
|                                   | Q3 2026    | Q3 2025  | Change   | Trend |
| Inventory SF                      | 10.743 B   | 10.508 B | +235.1 M | ▲     |
| Manufacturing Rate Growth (Y-o-Y) | 1.25%      | 3.56%    | -231 bps | ▼     |
| Distribution Rate Growth (Y-o-Y)  | 2.47%      | 3.44%    | -097 bps | ▼     |
| Flex Rate Growth (Y-o-Y)          | 1.97%      | 2.64%    | -067 bps | ▼     |
| Leasing Activity (TTM)            | +848.8 M   | +685.9 M | +162.9 M | ▲     |
| Vacancy Rate                      | 10.2%      | 10.4%    | -020 bps | ▼     |
| Availability Rate                 | 14.7%      | 14.8%    | -010 bps | ►     |
| Net Absorption (TTM)              | +359.7 M   | +214.8 M | +144.9 M | ▲     |
| Under Construction SF             | +482.0 M   | +449.0 M | +33.0 M  | ▲     |
| Net Deliveries (TTM)              | +338.7 M   | +396.9 M | -58.3 M  | ▼     |
| Sales Volume (TTM)                | \$82.5B    | \$66.3B  | +\$16.2B | ▲     |
| Sales Price Per SF                | \$135      | \$136    | -\$0.20  | ►     |
| Market Cap Rate                   | 6.51%      | 6.19%    | +031 bps | ▲     |

|                                                      | Retail  |         |          |       |
|------------------------------------------------------|---------|---------|----------|-------|
|                                                      | Q3 2026 | Q3 2025 | Change   | Trend |
| Inventory SF                                         | 4.518 B | 4.510 B | +8.2 M   | ►     |
| Neighborhood & Convenience Rate Growth (Y-o-Y)       | 2.6%    | 3.4%    | -077 bps | ▼     |
| Destination Rate Growth (Y-o-Y)                      | 2.7%    | 3.4%    | -066 bps | ▼     |
| Regional & Mixed-Use Destination Rate Growth (Y-o-Y) | 1.8%    | 3.0%    | -117 bps | ▼     |
| Leasing Activity (TTM)                               | 81.6 M  | 98.3 M  | -16.7 M  | ▼     |
| Vacancy Rate                                         | 6.3%    | 6.4%    | -008 bps | ►     |
| Availability Rate                                    | 6.3%    | 6.6%    | -031 bps | ▼     |
| Net Absorption (TTM)                                 | +11.5 M | -15.2 M | +26.7 M  | ▲     |
| Under Construction SF                                | 15.4 M  | 12.3 M  | 3.2 M    | ▲     |
| Net Deliveries (TTM)                                 | 10.3 M  | 9.1 M   | 1.2 M    | ▲     |
| Sales Volume (TTM)                                   | \$20.9B | \$20.3B | +\$0.6B  | ▲     |
| Sales Price Per SF                                   | \$186   | \$182   | +\$3.59  | ▲     |
| Market Cap Rate                                      | 6.27%   | 6.35%   | -008 bps | ▼     |

Occupier Leverage



Occupier Leverage



Occupier Leverage



# Economic Overview



**Economic Growth** Supports More Measured Real Estate Decisions

The U.S. economy continues to expand, supported by business investment and consumer spending, although growth and employment gains have moderated. Inflation has eased from its peak but remains above the Federal Reserve's 2 percent target, keeping monetary policy cautious and borrowing costs elevated.

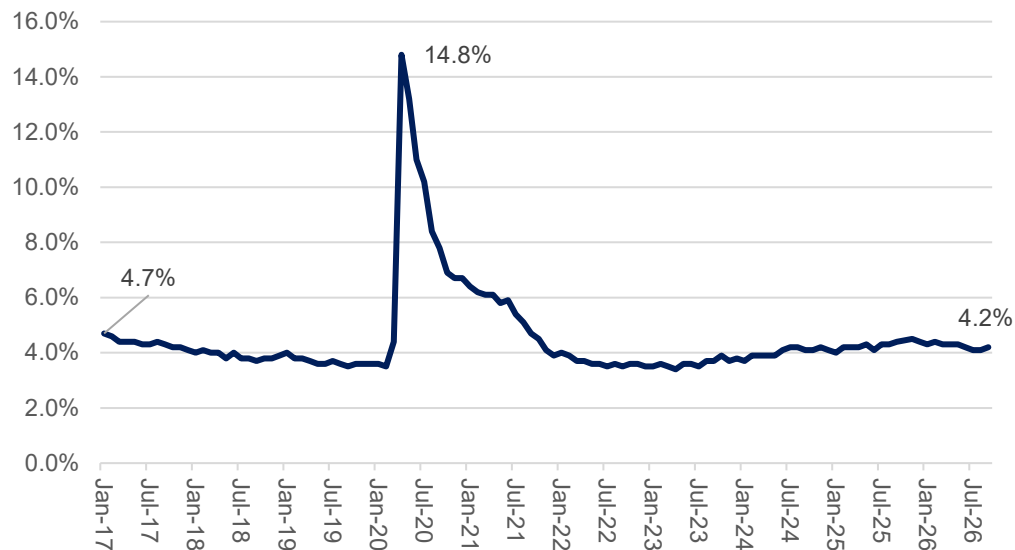
These conditions are encouraging more measured real estate decisions. Office users are consolidating and favoring higher-quality space, industrial occupiers are prioritizing supply-chain resilience and specialized facilities, and retailers are focusing on productive locations and existing portfolios. Across sectors, flexibility and operating efficiency remain central to real estate strategy.

# Unemployment

## Unemployment Steadies After Drifting Higher

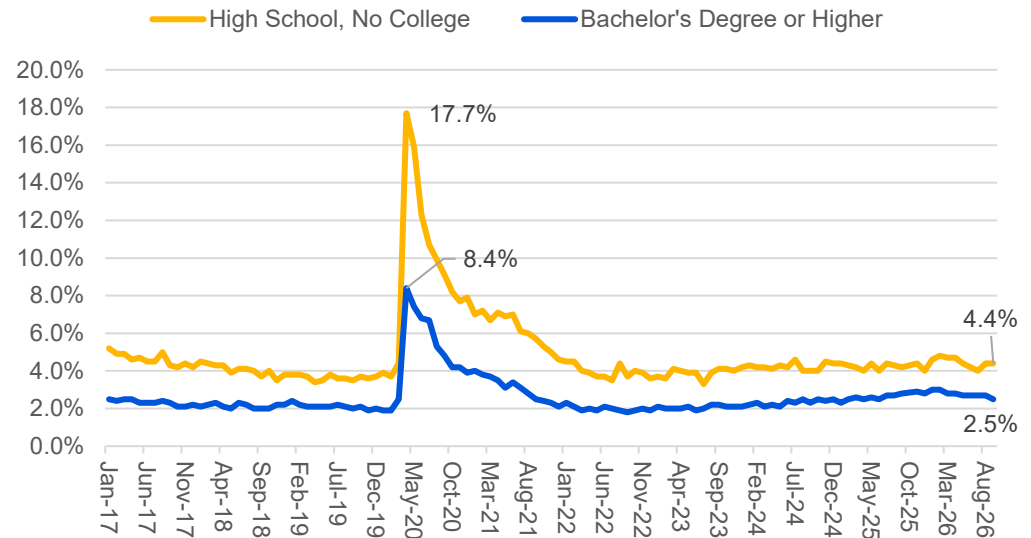
The Bureau of Labor Statistics (BLS) reported a steady U.S. unemployment rate of 4.2 percent in September 2026. Unemployment has held within a narrow range, but limited payroll growth and downward revisions point to a low-hire, low-turnover environment.

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



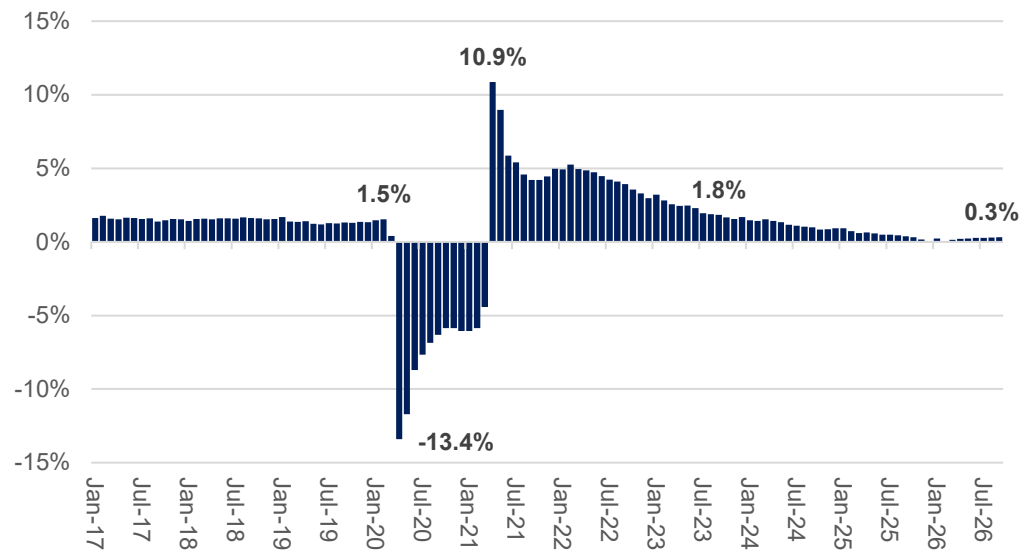
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>; Seasonally adjusted

# Employment

## Job Creation Slows as Employers Remain Cautious

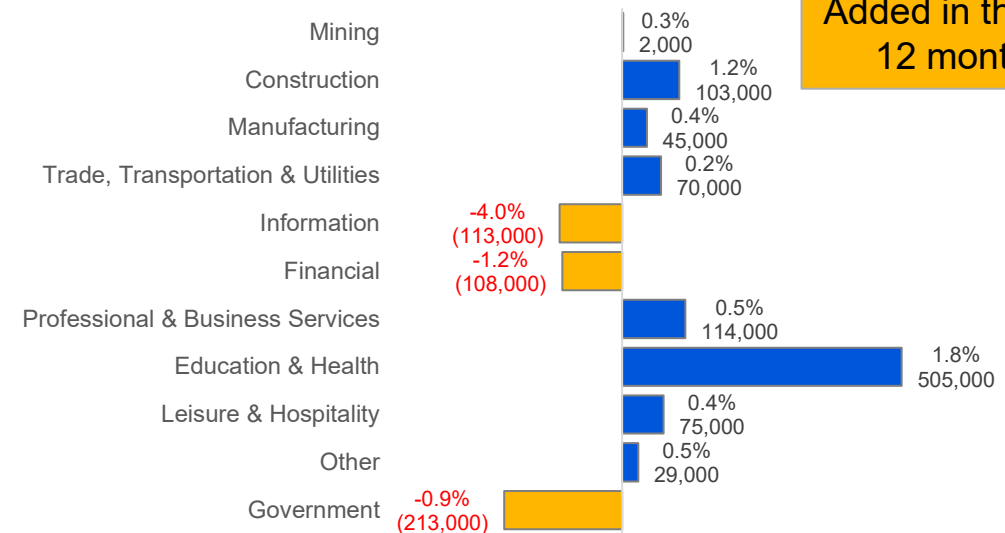
Employment growth has slowed significantly, but the labor market remains stable. Payroll gains totaled only 29,000 in September, while revisions reduced reported employment growth by a combined 60,000 for July and August. For office occupiers, slower employment growth is likely to limit large-scale expansion and reinforce the focus on utilization, right-sizing, and portfolio efficiency. Demand remains strongest in healthcare and selected professional services.

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)



**509 K JOBS**  
Added in the last  
12 months

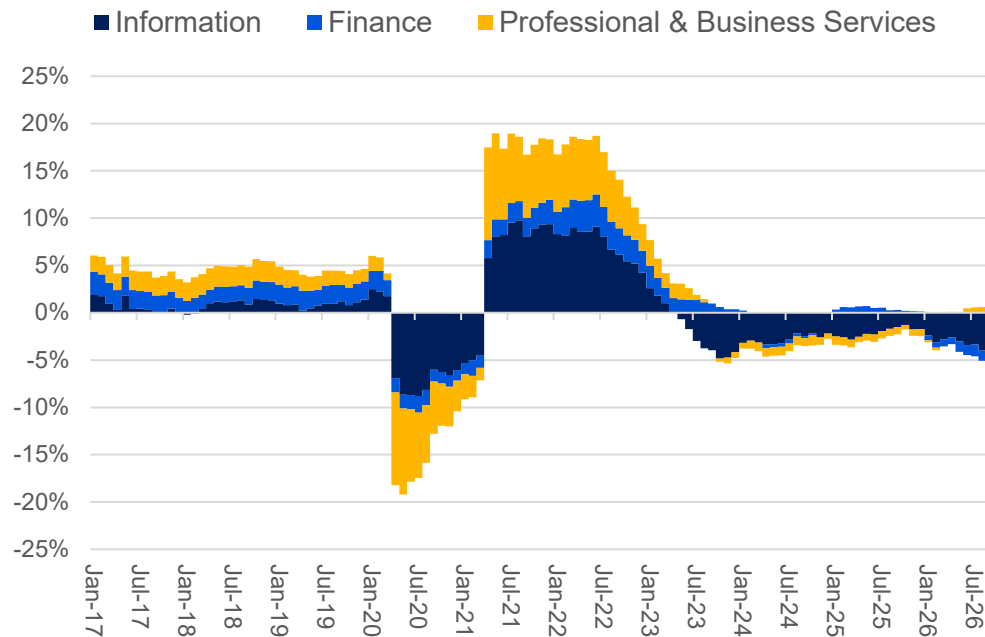
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

# Employment

## Office Employment Stalls While Industrial Jobs Hold Steady

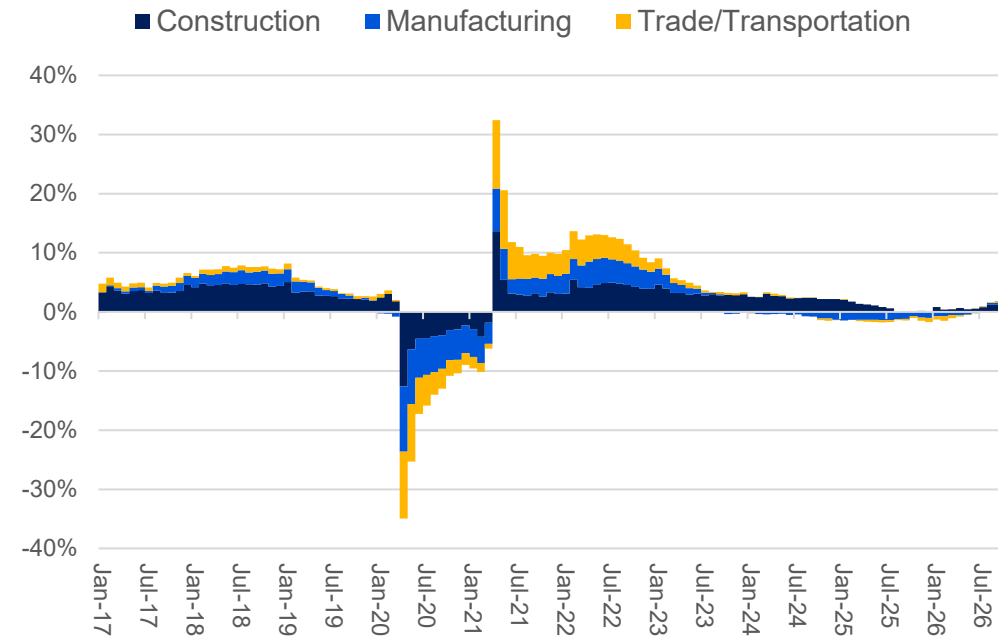
Office-occupying employment remains largely flat, with little recent growth in information, finance, and professional and business services. Industrial-related employment has remained mixed, with modest gains in manufacturing and construction offset by limited growth in transportation and warehousing. Together, the trends favor selective expansion and continued portfolio discipline rather than broad-based real estate growth.

### Office-Occupying Jobs (12-Month Change)



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

### Industrial-Related Jobs (12-Month Change)



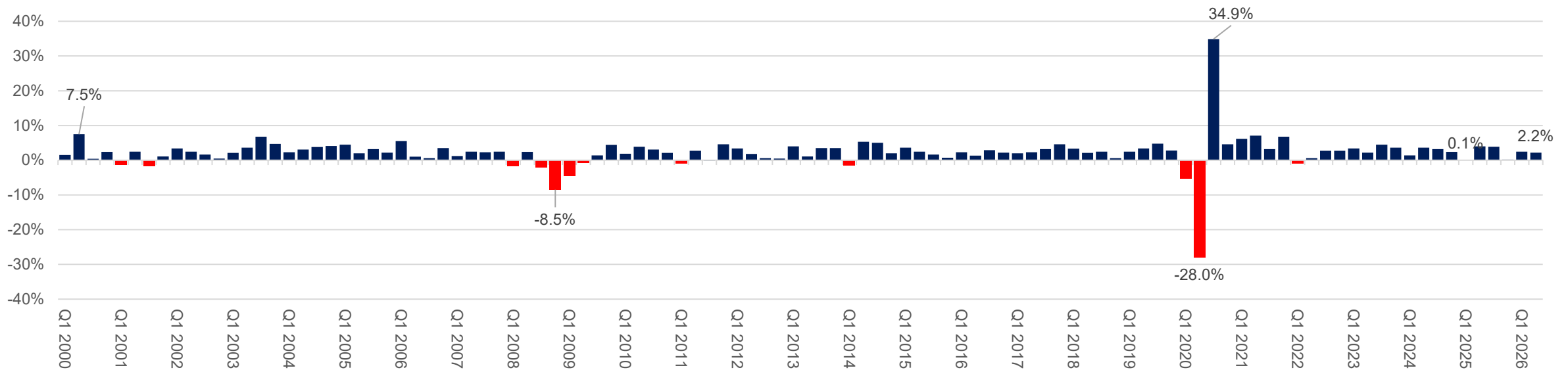
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

# GDP

## Economic Growth Holds Up as Consumer Spending and Investment Support Expansion

The U.S. economy expanded at a 2.2 percent annualized rate in the second quarter of 2026, following a revised 2.5 percent increase in the first quarter. Growth was supported by consumer spending, investment, and exports, while higher imports partially offset the gain. The economy remains resilient, but the modest deceleration from the first quarter and limited labor market growth point to a more measured expansion. For occupiers, positive GDP growth supports continued operating demand while reinforcing disciplined capital allocation and selective expansion.

Real GDP Percent Change from Preceding Quarter: Q2 2026



Source [Real Gross Domestic Product \(A191RL1Q225SBEA\)](https://fred.stlouisfed.org/series/A191RL1Q225SBEA) | FRED | St. Louis Fed ([stlouisfed.org](https://fred.stlouisfed.org))

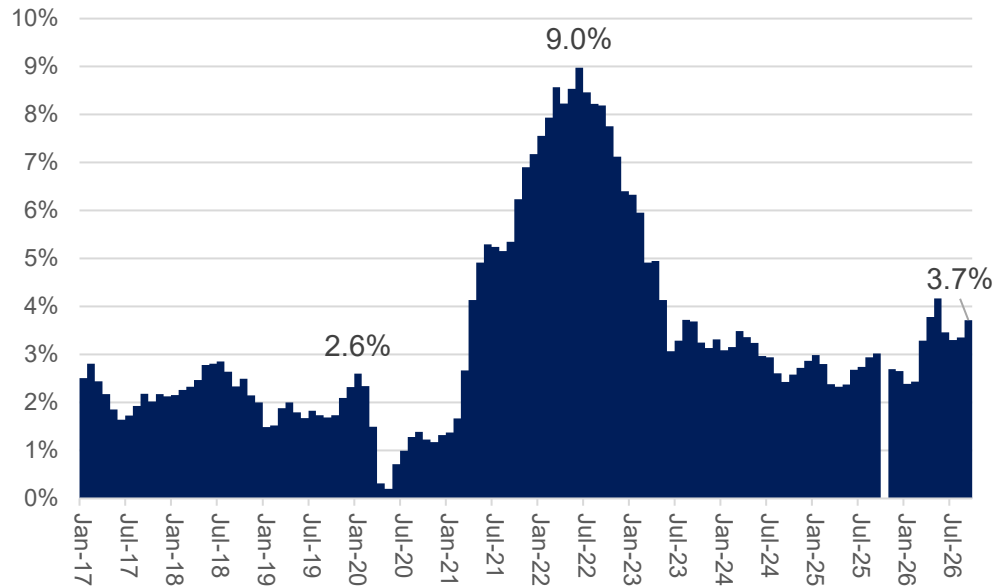
Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A191RL1Q225SBEA>, October 15, 2026. U.S. Bureau of Economic Analysis, GDP—Third Estimate, Q2 2026, released September 30, 2026.

# Inflation

## Inflation Reaccelerates as Energy Costs Push Prices Higher

The latest BLS release shows that consumer prices increased 0.6 percent in September after rising 0.4 percent in August, bringing annual inflation to 3.7 percent. Energy costs drove more than half of the monthly increase, with gasoline prices rising 9.1 percent, while core inflation increased 2.6 percent over the past year. The report suggests that inflation remains uneven and above the Federal Reserve's 2 percent target. For occupiers, renewed price pressure reinforces the need for disciplined operating budgets, careful evaluation of occupancy costs, and selective capital commitments.

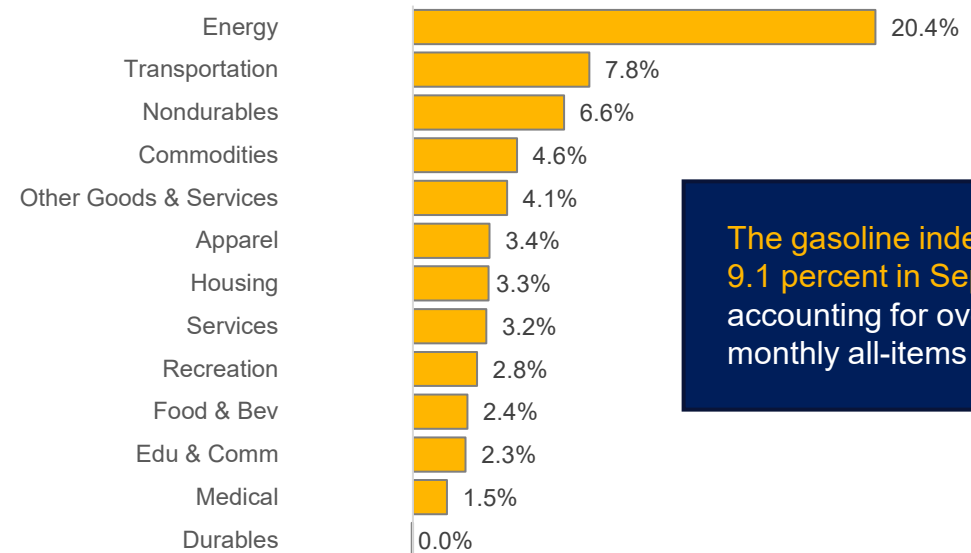
Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>

Note: Seasonally adjusted, Data pulled October 20, 2026. Data not reported in September 2025

Consumer Price Index by Sector (12-Month Change)



The gasoline index rose 9.1 percent in September, accounting for over half of the monthly all-items increase

Source: U.S. Bureau of Labor Statistics, <https://bls.gov>

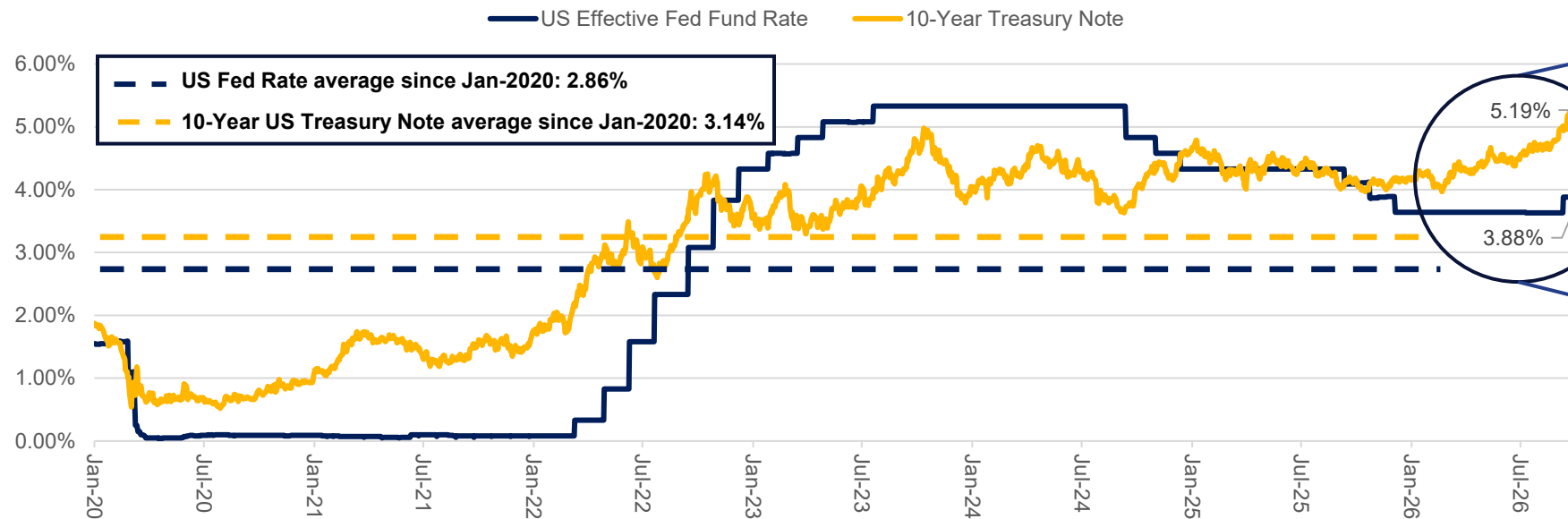
Note: Seasonally adjusted, Data pulled October 20, 2026

# Monetary Policy

## Fed Raises Rates as Inflation Remains Elevated and Long-Term Yields Stay High

In September, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75–4.00 percent, its first increase since 2023. The decision reflects a resilient economy but renewed concern about inflation, which remains above the Fed's 2 percent target. Long-term borrowing costs remain substantially higher than the short-term policy rate, with the 10-year Treasury yield near 5.2 percent compared with an effective funds rate of approximately 3.9 percent as of mid-October. For occupiers, the spread reinforces that lower short-term rates may not translate quickly into materially lower real estate financing or capital costs.

### US Effective Fed Fund Rate & 10-Year Treasury Note



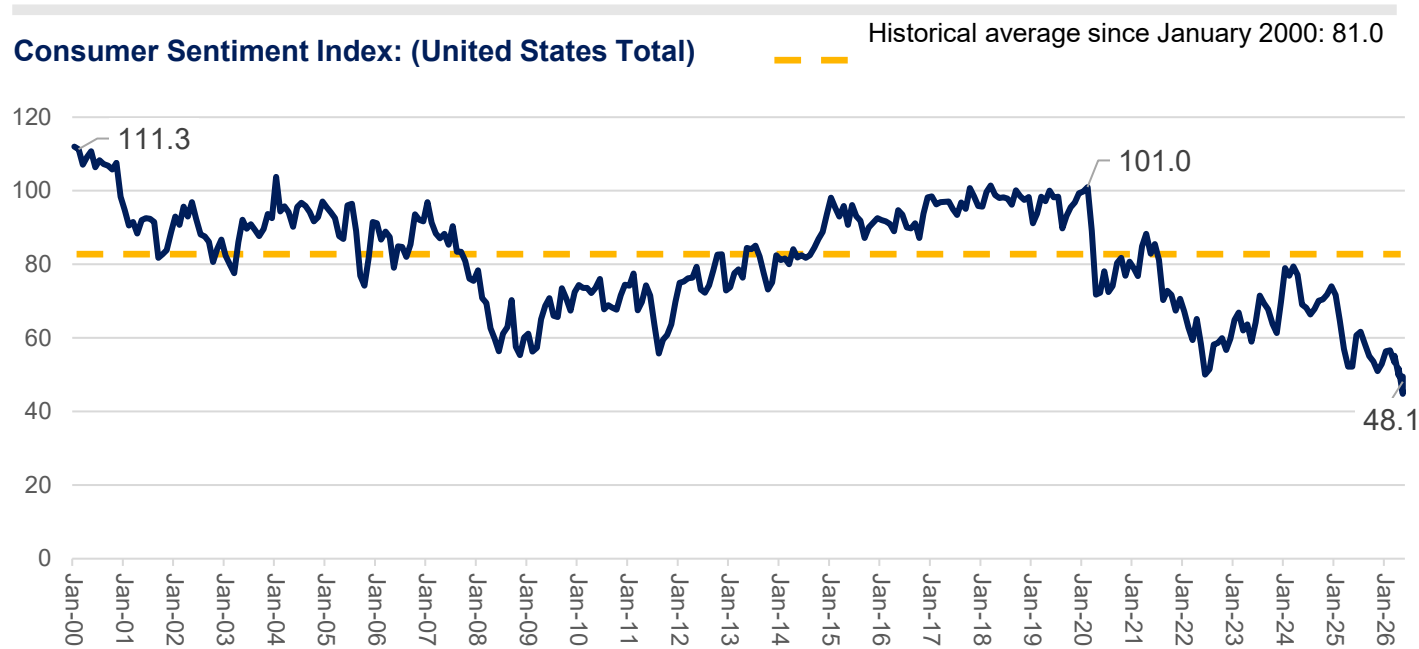
### 10-Year Treasury Passes US Federal Reserve Rate

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 Remains Near Historic Lows as Cost Concerns Persist

Consumer sentiment weakened during the third quarter, with the University of Michigan's index falling to 48.1 in September. The reading was down from 51.7 in August and 15 percent below January, as households remained concerned about high prices, fuel costs, and the economic outlook. Long-term inflation expectations also increased to 3.4 percent, above the range recorded throughout 2024. For occupiers, persistently weak sentiment supports a cautious view of consumer-facing demand and reinforces the need for disciplined expansion, location decisions, and operating costs.



## 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 through September 2026 (UMCSENT). Data pulled October 20, 2026

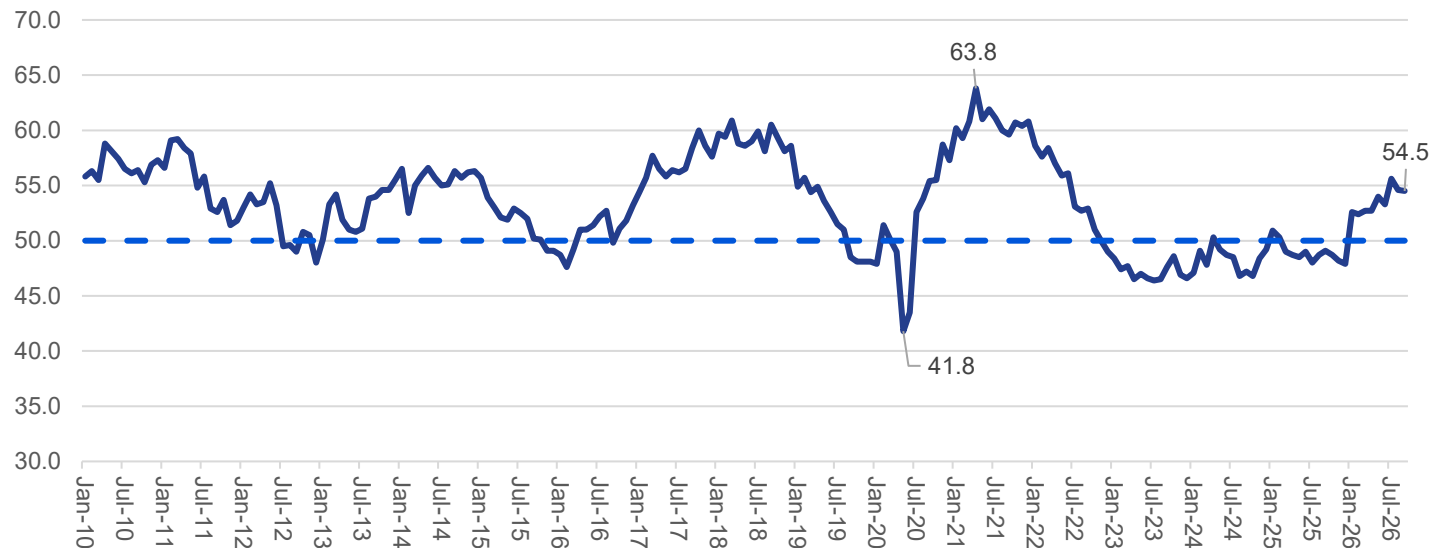
# Consumers

## 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 September registered 54.5, marking the ninth consecutive month of expansion. New orders and backlogs strengthened, while the employment index moved further into expansion territory. The improvement in demand was accompanied by a sharp increase in the Prices Index, which rose to 77.9, indicating renewed pressure on materials and operating costs. For industrial occupiers, the data support continued demand for production and specialized facilities, but elevated input costs and policy uncertainty may encourage more selective capital investment and greater flexibility in facility commitments.

ISM Manufacturing Index: (United States Total)

— A score of 50 indicates that the manufacturing sector is generally expanding



## 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.

Source: [Institute of Supply Management](https://www.ism-usa.org/)

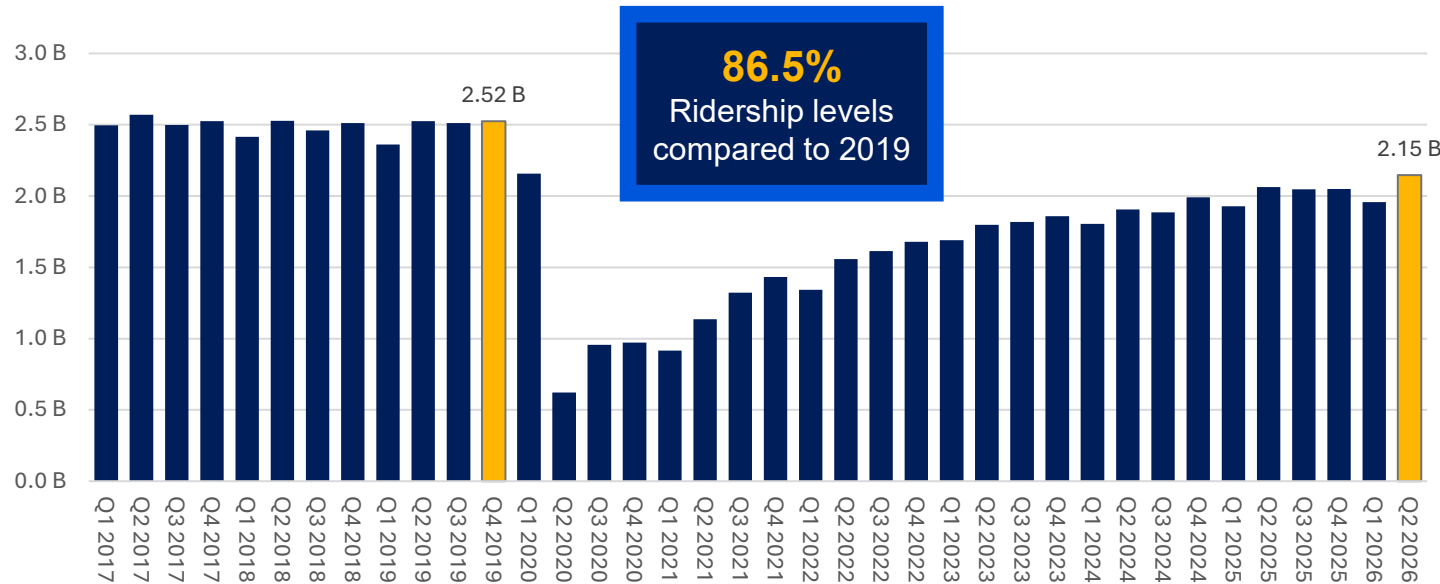
Note: Data through September 2026

# Public Transit

## Public Transit Ridership Improves in the Second Quarter, But Below Pre-Pandemic Levels

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 increased to 2.15 billion in the second quarter, the highest level since the pandemic. Based on several additional indicators, the momentum for returning to office work seems to have stabilized. For occupiers, transit access remains an important consideration for talent access and office location decisions, but transit recovery alone should not be treated as a proxy for office demand.

Public Transit Ridership: (United States)



## Public Transit Still Lags Historic Norms

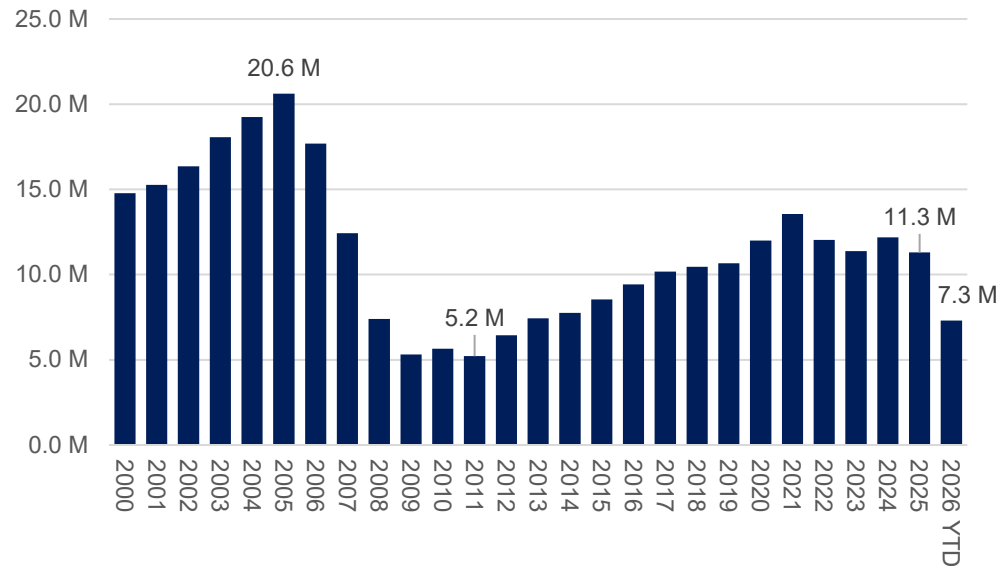
Public transportation has been consistently reliable since the beginning of the century. In 2008, rising gas prices led to a temporary increase in public ridership, but it quickly returned to historic levels. During the first year of the declared pandemic, ridership was cut in half, experiencing a 52.8 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 second quarter of 2026, public transportation ridership had 86.5 percent of the 2019 average, the last full year before the pandemic began.

# Housing

## Housing Activity Softens as Affordability and Financing Costs Constrain Demand

Housing activity weakened at the end of the third quarter as builders continued to navigate elevated financing costs and affordability challenges. September housing starts declined 5.2 percent from August and were 7.4 percent below the prior year. At the same time, new-home sales prices have begun to adjust, with the median price down 5.8 percent and the average price down 8.8 percent year-over-year in August. The combination of slower starts and lower prices suggests that builders are using price and other incentives to support demand, but affordability remains a significant constraint.

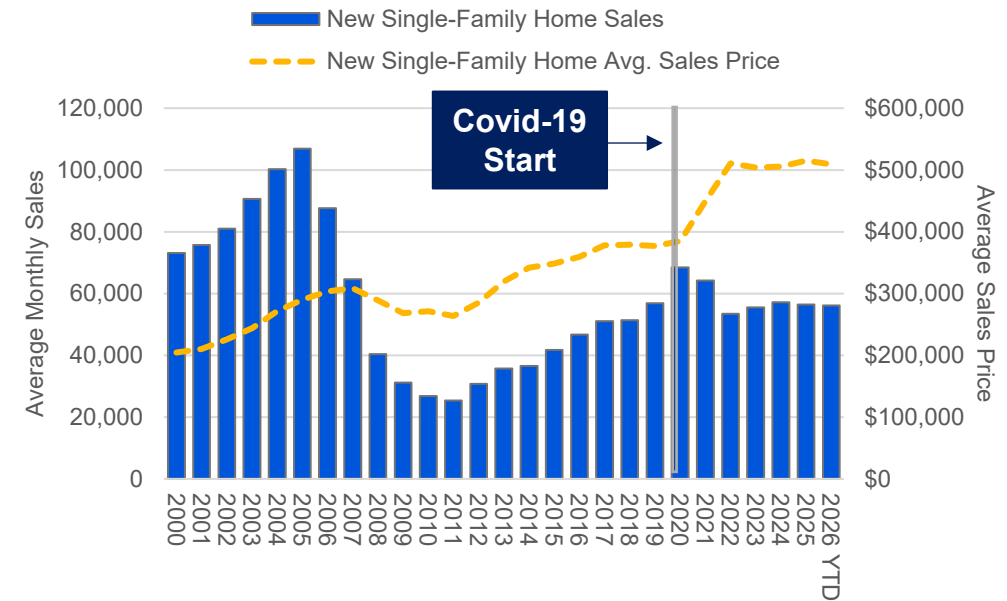
### Single-Family Residential Housing Starts



Source: U.S. Census Bureau, <https://census.gov/construction>

\*Note: Data through September 2026

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



Source: U.S. Census Bureau, <https://census.gov/construction>

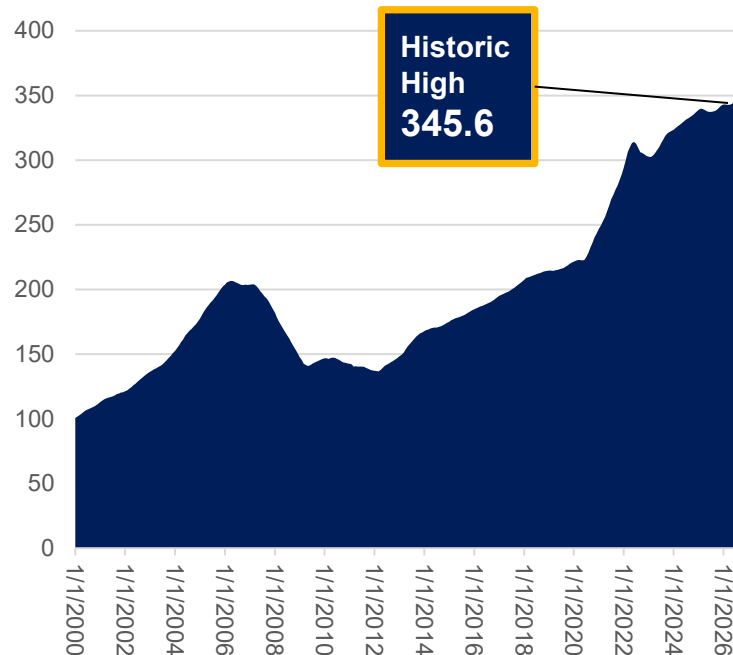
Note: Data through September 2026

# Home Price Index

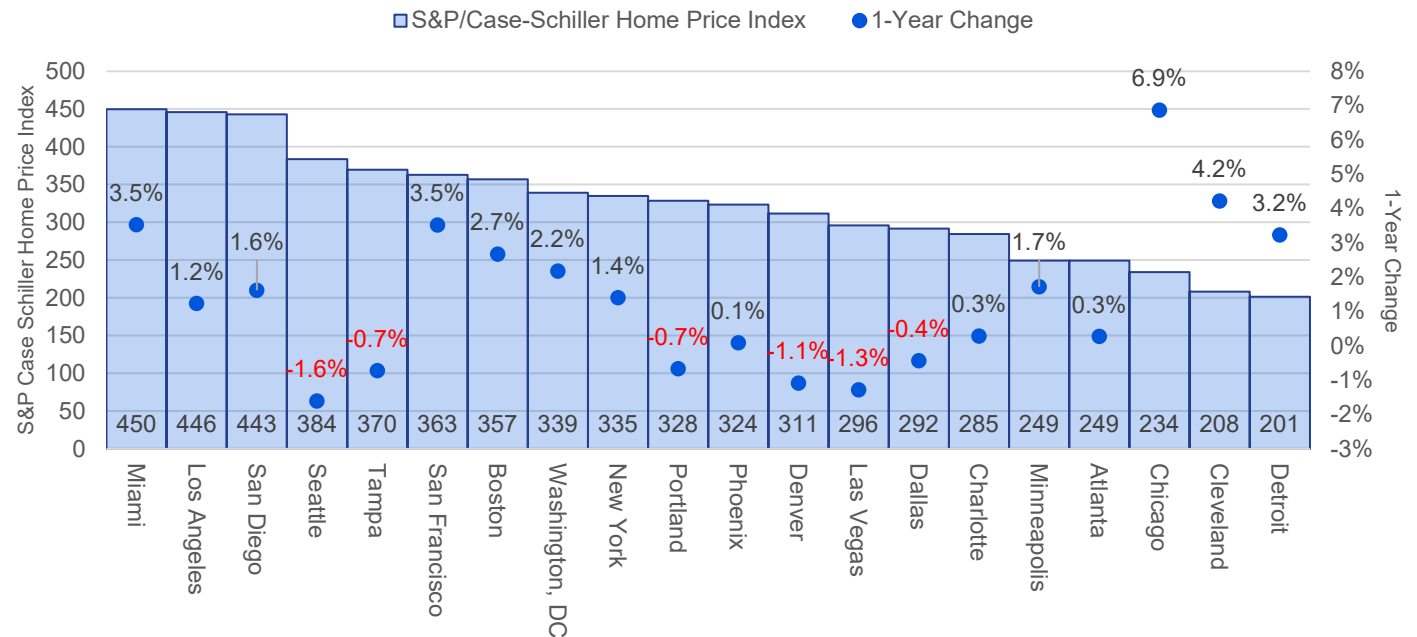
## S&P Cotality Case-Shiller Home Price Index Growth Remains Positive as Regional Differences Widen

The Case-Shiller Index is an economic indicator that measures the monthly change in the value of the U.S. single-family home market. The latest S&P Cotality Case-Shiller data show national home prices increased 1.9 percent year-over-year, while the 20-City Composite rose 2.5 percent. Price growth remains positive, but monthly momentum is modest and regional performance has diverged sharply. Chicago, New York, and Cleveland posted the strongest annual gains, while Seattle and several Sun Belt markets recorded declines. The data suggest that housing conditions are becoming increasingly market-specific rather than moving in a uniform direction. For occupiers, these differences affect labor costs, employee housing affordability, and the relative attractiveness of competing locations.

### Home Price Index: 20-City Average



### S&P Cotality Case-Shiller Home Price Index



# Industrial Trends



Industrial Demand Remains Resilient  
as **New Supply Slows**

The U.S. industrial market remained fundamentally healthy through the third quarter of 2026 as activity normalized from pandemic-era highs. Leasing moderated, vacancy remained above recent lows as prior speculative projects delivered, and construction starts became more selective. Consumer spending, manufacturing investment, supply-chain modernization, and logistics needs continue to support demand.

The market is increasingly divided by use. Distribution occupiers have more choice as new supply comes online, while manufacturing, cold storage, and power-intensive users face tighter availability and longer planning timelines. For occupiers, power, labor, infrastructure, and lease flexibility are becoming as important as securing the right building.

## Industrial Tenant View

- Prioritize reliable power, transportation infrastructure, and skilled labor for specialized operations.
- Preserve flexibility through expansion options, phased occupancy, and adaptable lease structures.
- Begin site selection early for specialized facilities where supply is limited and infrastructure lead times are long.

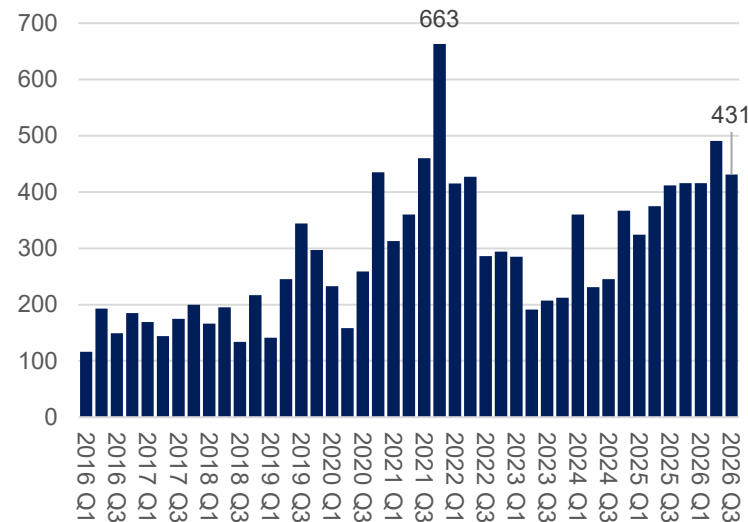
# Capital Markets

## Industrial Sales Activity Holds Steady as Post-Pandemic Surge Fades

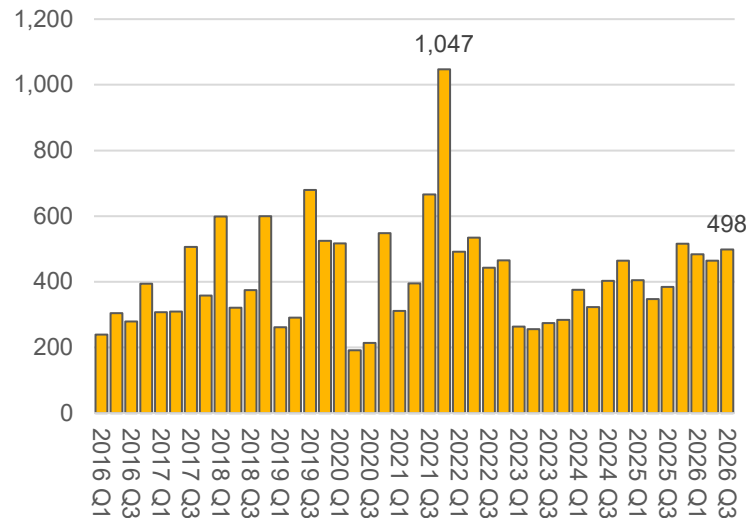
Industrial sales activity remains elevated compared with pre-pandemic levels, but has settled into a more measured pattern. Manufacturing and distribution transactions remain relatively steady, while flex activity has been more volatile. The market is increasingly driven by selective pricing and asset quality rather than broad-based investor demand. For occupiers, ownership changes may affect landlord investment plans, lease flexibility, and facility capital decisions.

### Industrial Sales Velocity: (United States)

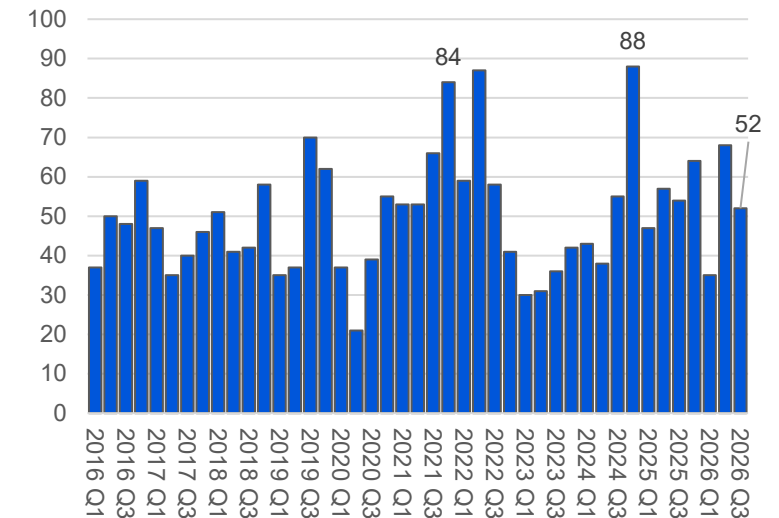
#### Manufacturing



#### Distribution



#### Flex



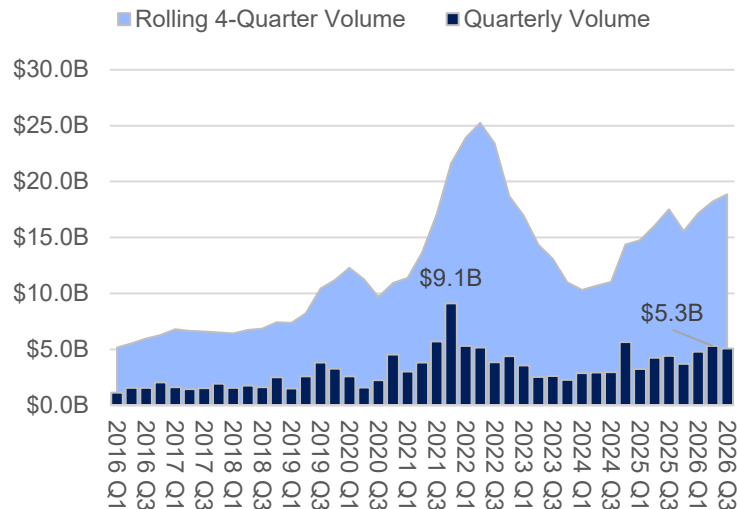
# Capital Markets

## Industrial Sales Volume Recovers Toward Pre-Pandemic Levels

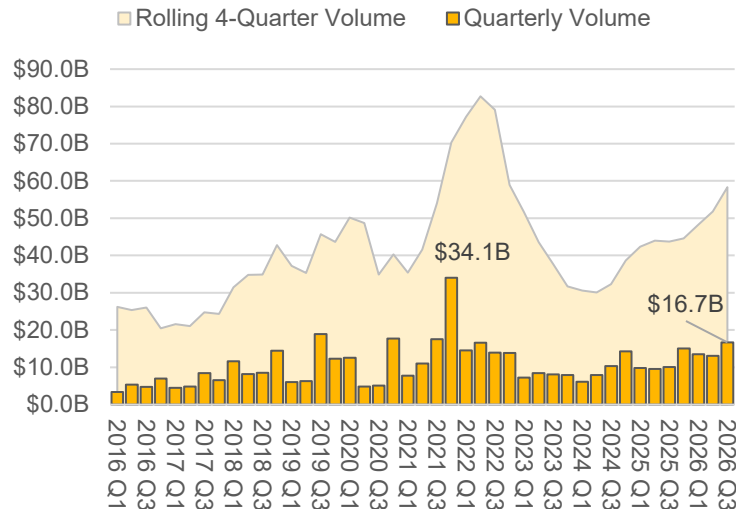
Sales volume for the trailing 12-months, while lower than 2022 and 2023 levels, is comparable to pre-pandemic levels. Higher prices and the number of sales have pushed volume higher. **The sales volume for all three industrial asset types – manufacturing, distribution, and flex properties – has been trending higher in the past year, with flex showing the biggest increase.** For occupiers, improved market liquidity may create more ownership and landlord options, but it does not necessarily translate into lower occupancy costs.

### Industrial Sales Volume: (United States)

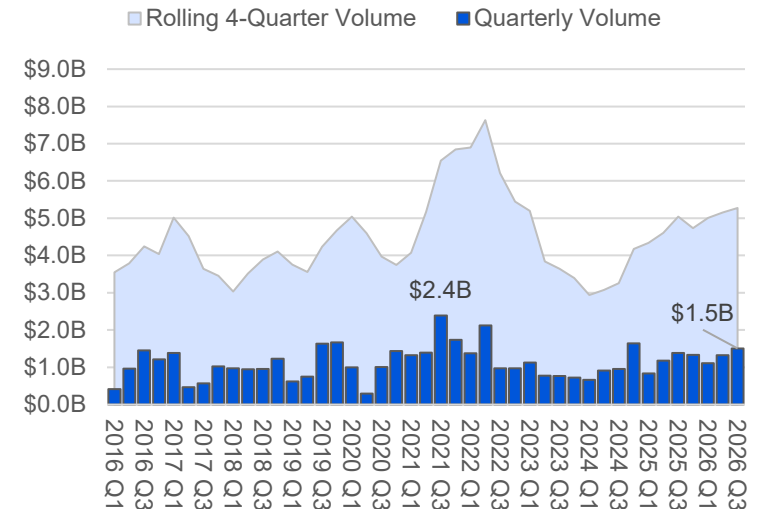
#### Manufacturing



#### Distribution



#### Flex



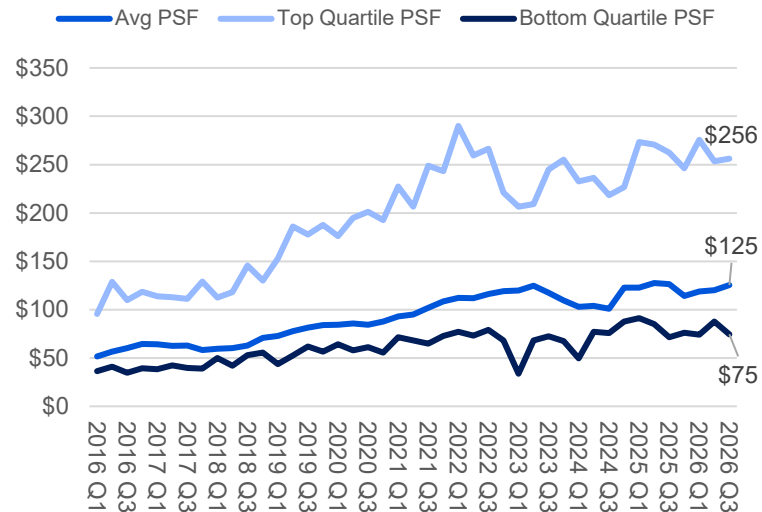
# Capital Markets

## Industrial Pricing Remains Elevated, With a Clear Premium for Quality

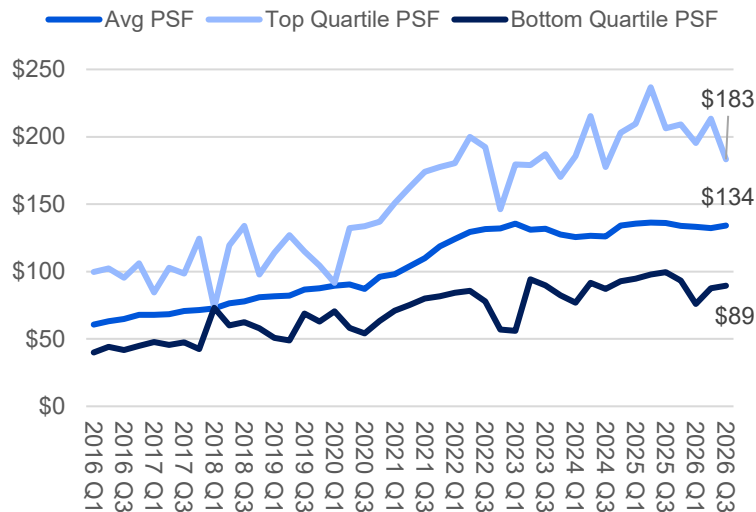
Industrial sale prices remain well above 2019 levels, although pricing varies significantly by asset type and quality. In the third quarter of 2026, average pricing was approximately \$125 per square foot for manufacturing, \$134 per square foot for distribution, and \$222 per square foot for flex properties. Top-quartile properties continued to command substantial premiums, particularly in manufacturing and flex. For occupiers, higher asset values may support landlord investment, but also increase replacement costs and the importance of evaluating facility quality and ownership basis.

### Average Industrial Sale Price/SF (United States)

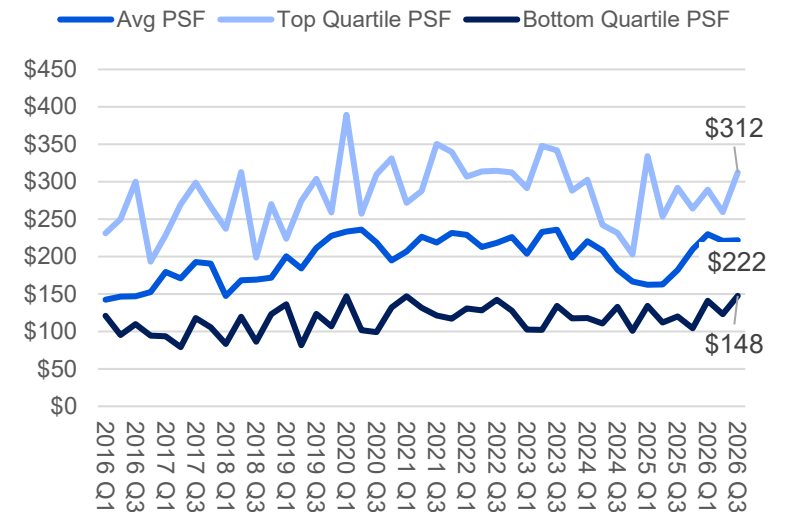
#### Manufacturing



#### Distribution



#### Flex



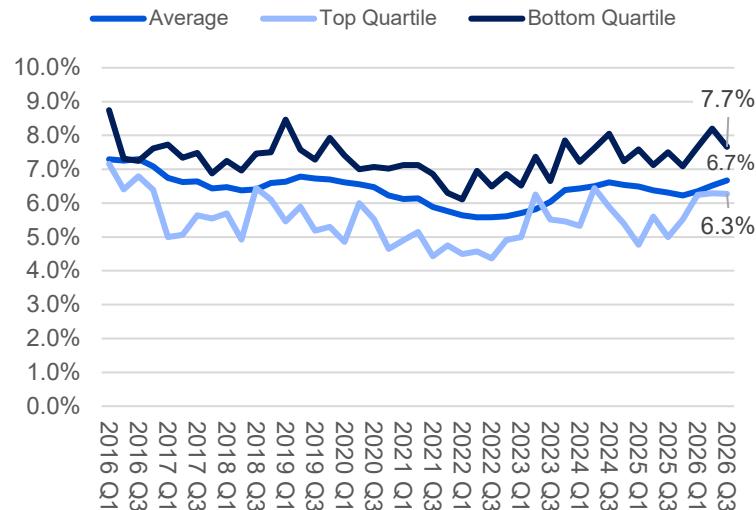
# Capital Markets

## Industrial Cap Rates Stabilize, With Risk Premiums for Lower-Quality Assets

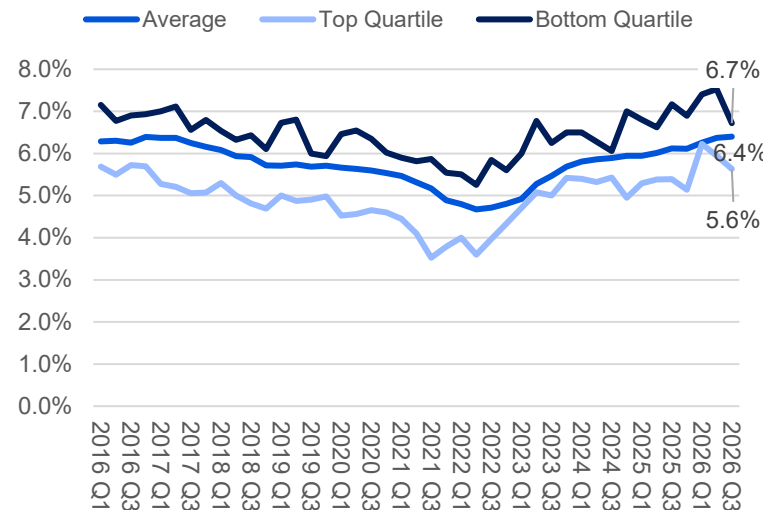
Economic volatility, increasing borrowing rates, and rising construction costs have led to higher cap rates for industrial properties. This increased risk has slowed the overall prices paid for industrial assets. While there is still capital available for investment in stable asset classes, **the scarcity of top-quality properties with modern amenities has created hesitation in the capital markets**. For occupiers, the spread between asset quality reinforces the importance of evaluating landlord financial capacity, facility condition, and future capital needs.

### Industrial Cap Rates (United States)

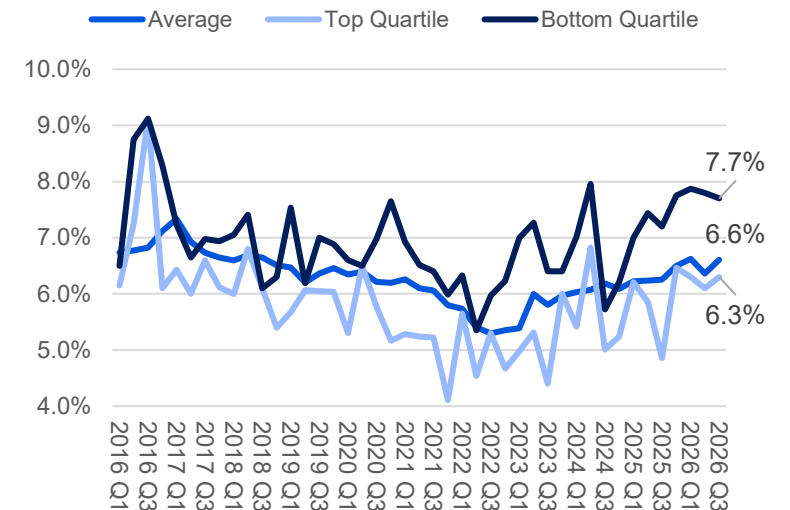
#### Manufacturing



#### Distribution



#### Flex

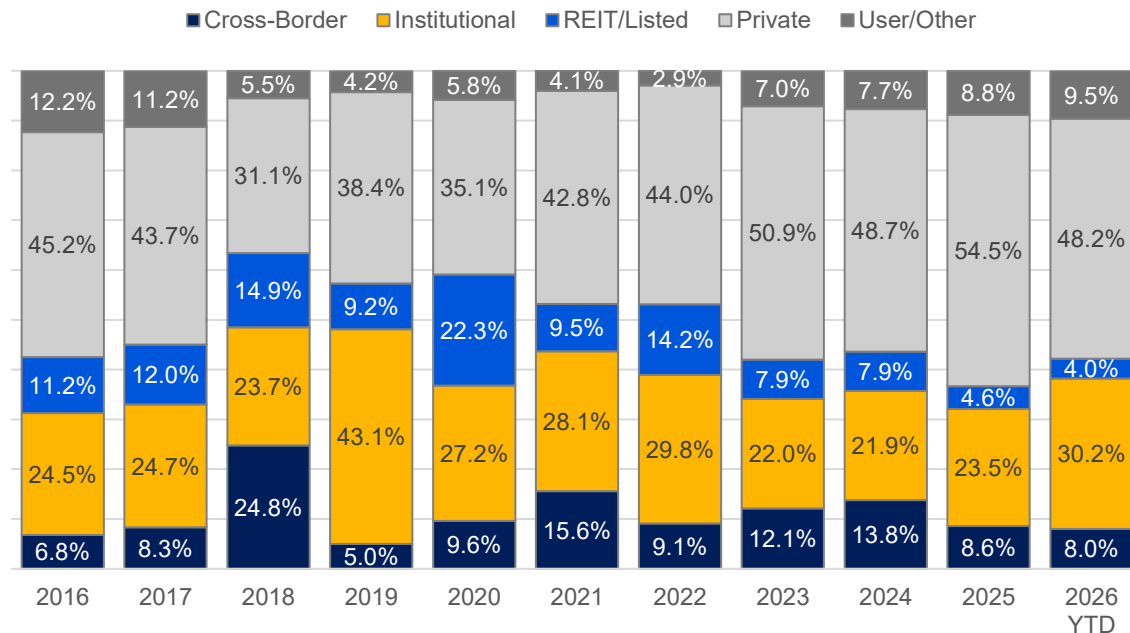


# Capital Markets

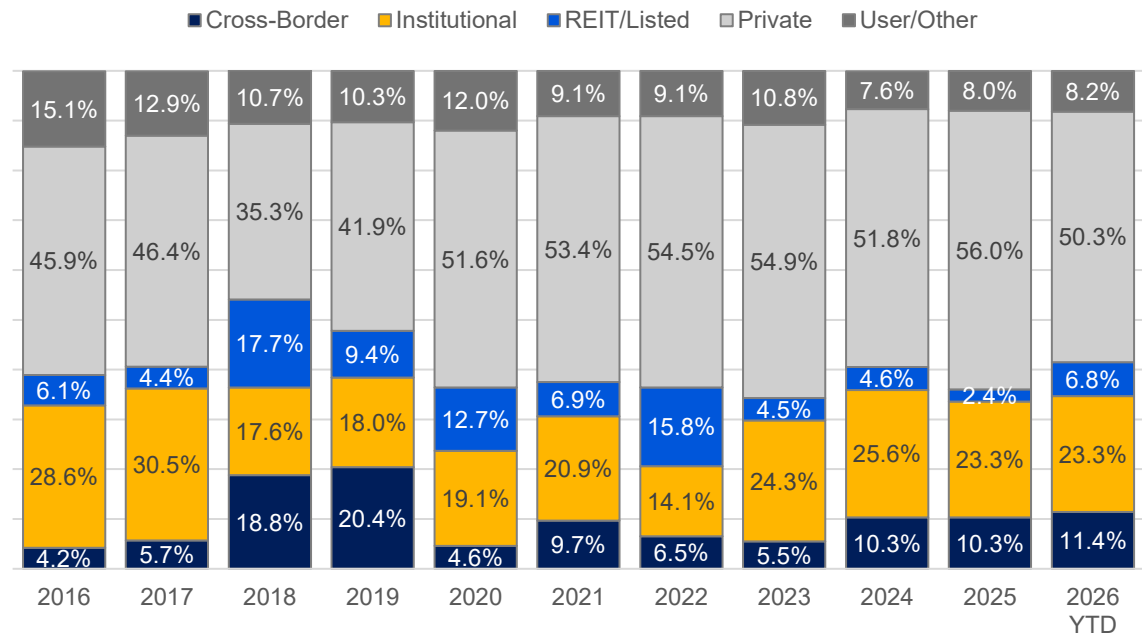
## Private Capital Remains Central to Industrial Transactions

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. Through the first three quarters of 2026, REITs became more active sellers after holding their positions for several years. For occupiers, ownership changes may affect landlord investment priorities, capital plans, and lease flexibility.

### Industrial Buyer: (United States)



### Industrial Seller: (United States)

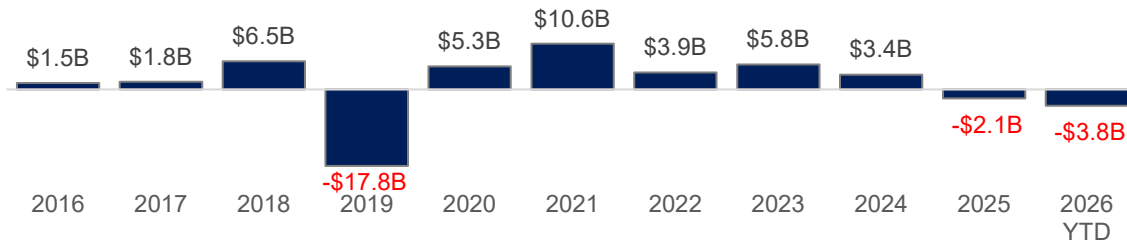


# Capital Markets

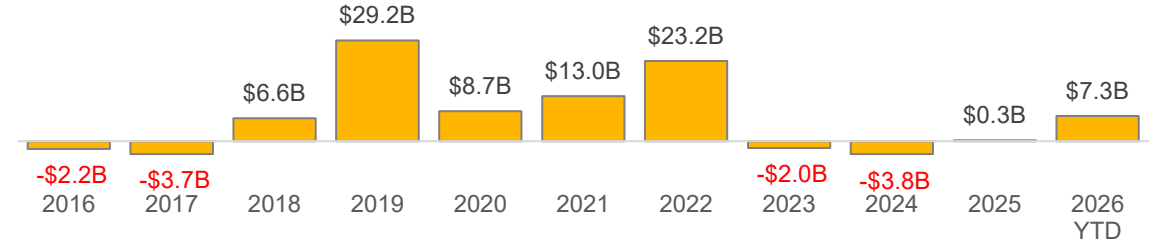
## Institutional Investors Lead Industrial Net Acquisitions in 2026

Industrial capital flows have diverged in 2026 year-to-date. Institutional investors were net buyers of approximately \$7.3 billion, while cross-border investors, REITs and other listed companies, and private investors were net sellers. The shift suggests that industrial investment remains selective, with capital concentrating among specific investor groups and asset types. For occupiers, ownership changes may affect landlord investment plans, operating standards, and lease flexibility.

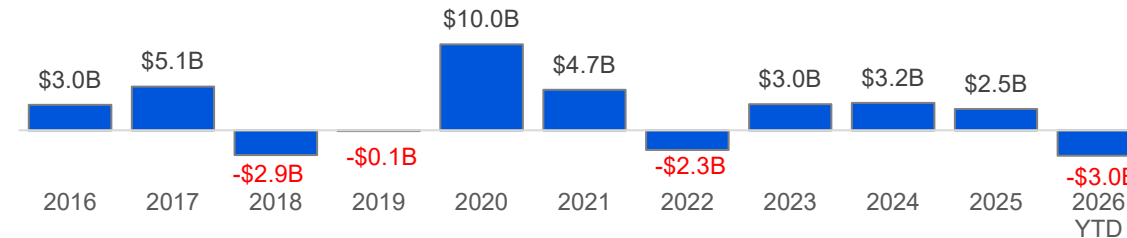
### Cross-Border



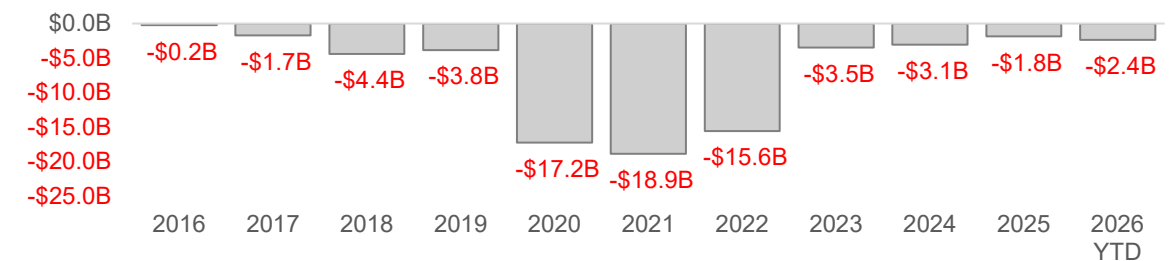
### Institutional



### REIT/Listed



### Private



Source: Real Capital Analytics and Cresa; through Q3 2026

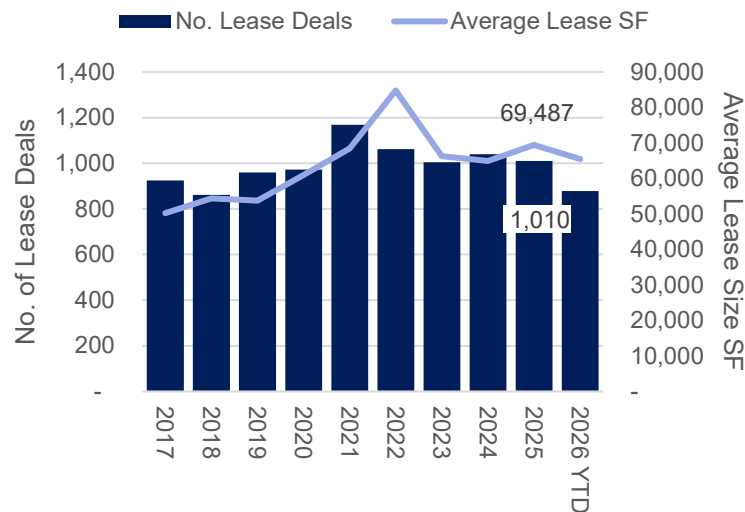
# Leasing Trends

## Industrial Lease Sizes Normalize After the Pandemic Surge, While Lease Velocity Holds Remarkably Steady

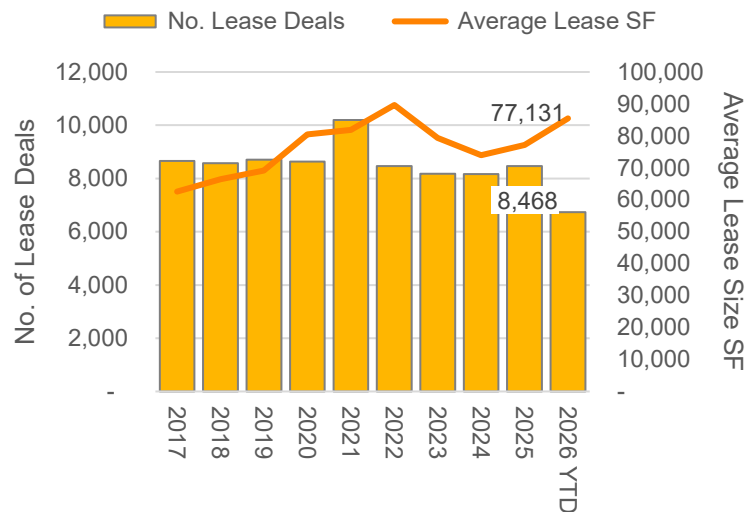
In 2021, lease deal sizes for all industrial property types were larger than in the third quarter of 2026. After experiencing a significant increase beginning in 2020, average deal sizes have returned to levels closer to historic averages. For occupiers, smaller commitments can improve flexibility and reduce the risk of carrying excess capacity.

### Historic Industrial Activity – Number of Lease Deals and Average Deal Size

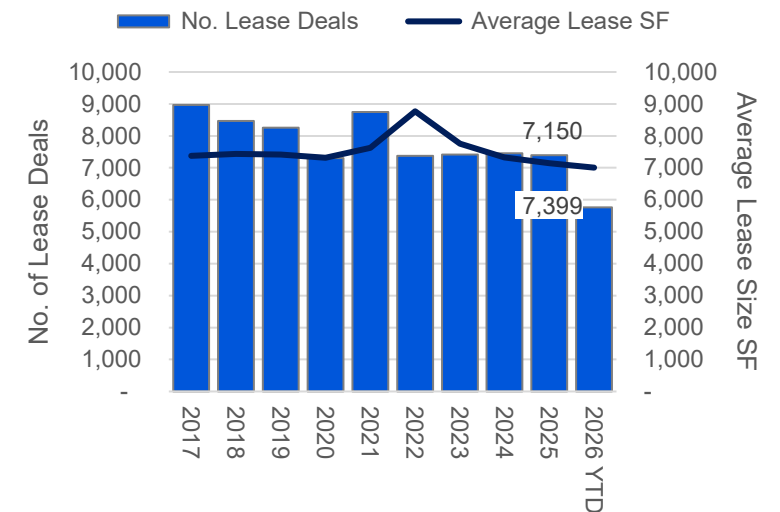
#### Manufacturing



#### Distribution



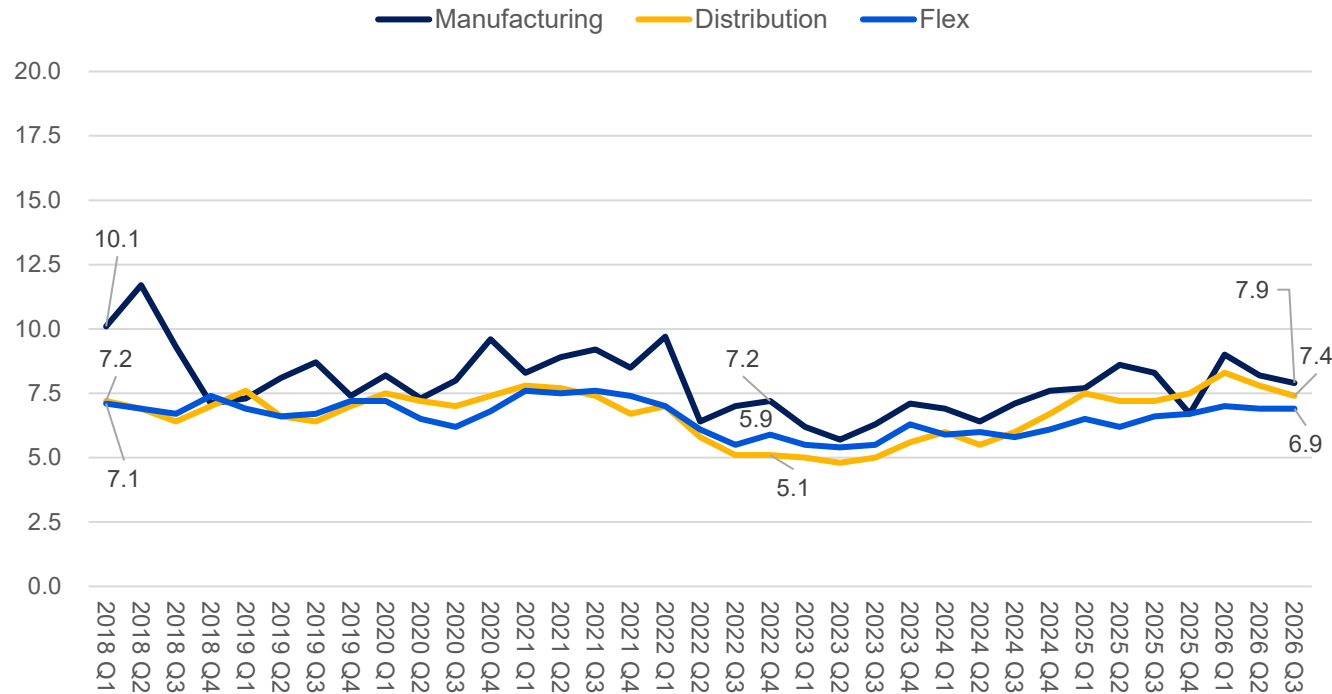
#### Flex



# Leasing Trends

Industrial Leasing Times Rise from 2023 Lows but Remain Near Historic Norms

## Months-To-Lease



Industrial leasing times have increased from their 2023 lows, reaching roughly seven to eight months across manufacturing, distribution, and flex properties in the third quarter of 2026. The increase reflects a normalization of demand rather than a sharp deterioration in market conditions. For occupiers, specialized or large requirements may require more lead time, but industrial leasing conditions remain relatively balanced.

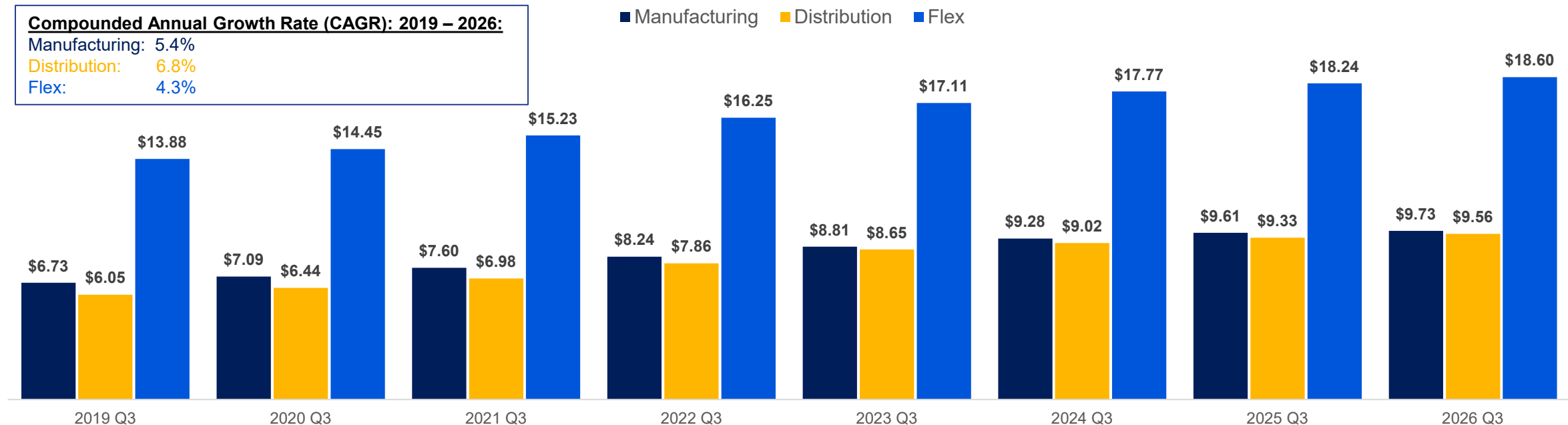
**All three industrial asset leasing times are generally reverting to historical averages.**

# Market Rent

## Industrial Rents Growth Slows but Remains Positive

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.

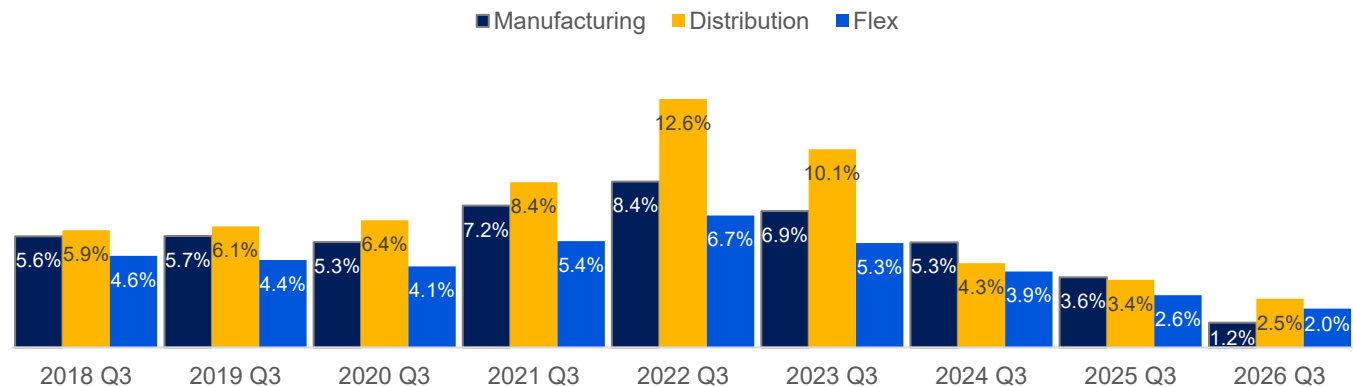
### Industrial Lease Asking Rates (\$/SF): (United States)



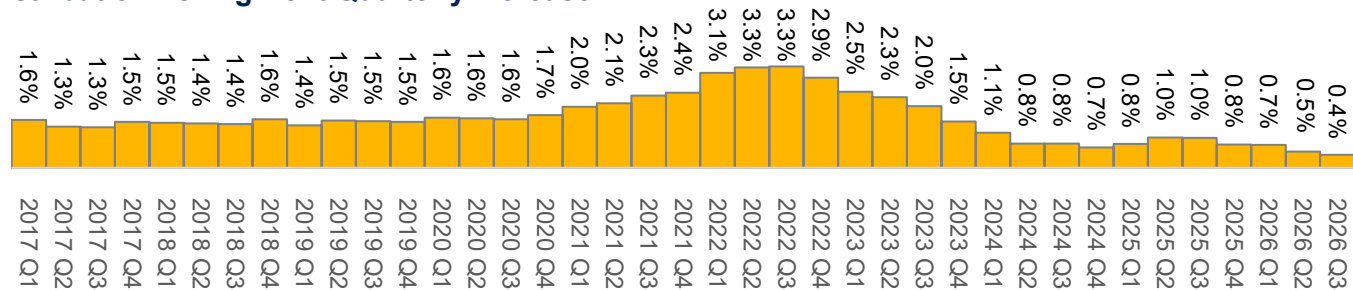
# Market Rent

## Industrial Rent Growth Slows Sharply, but Long-Term Gains Remain Significant

### Industrial Asking Rent Annual Increase: (United States)



### Distribution Asking Rent Quarterly Increase



Source: CoStar and Cresa; through Q3 2026

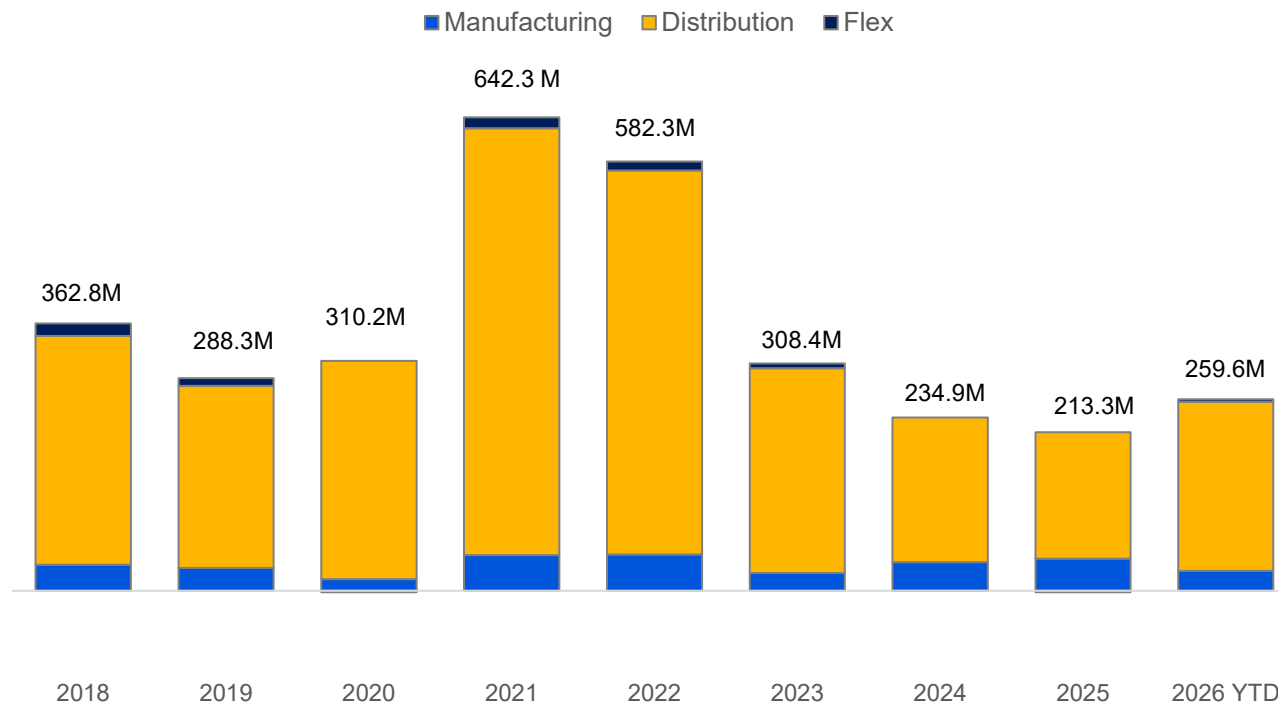
Industrial lease rates have stabilized after a significant period of substantial increases. Since 2019, the compounded annual growth rate (CAGR) for distribution spaces has risen by 6.8 percent per year. In comparison, manufacturing spaces have experienced a 5.4 percent increase, while flex spaces have grown by 4.3 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**

Distribution rate increases are **slowing** below historic quarterly increases, after sharp increases in 2021 – 2022.

# Absorption

Industrial Absorption Rebounds Through Q3 2026, but Remains Below Recent Peaks

## Industrial Net Absorption (SF): (United States)

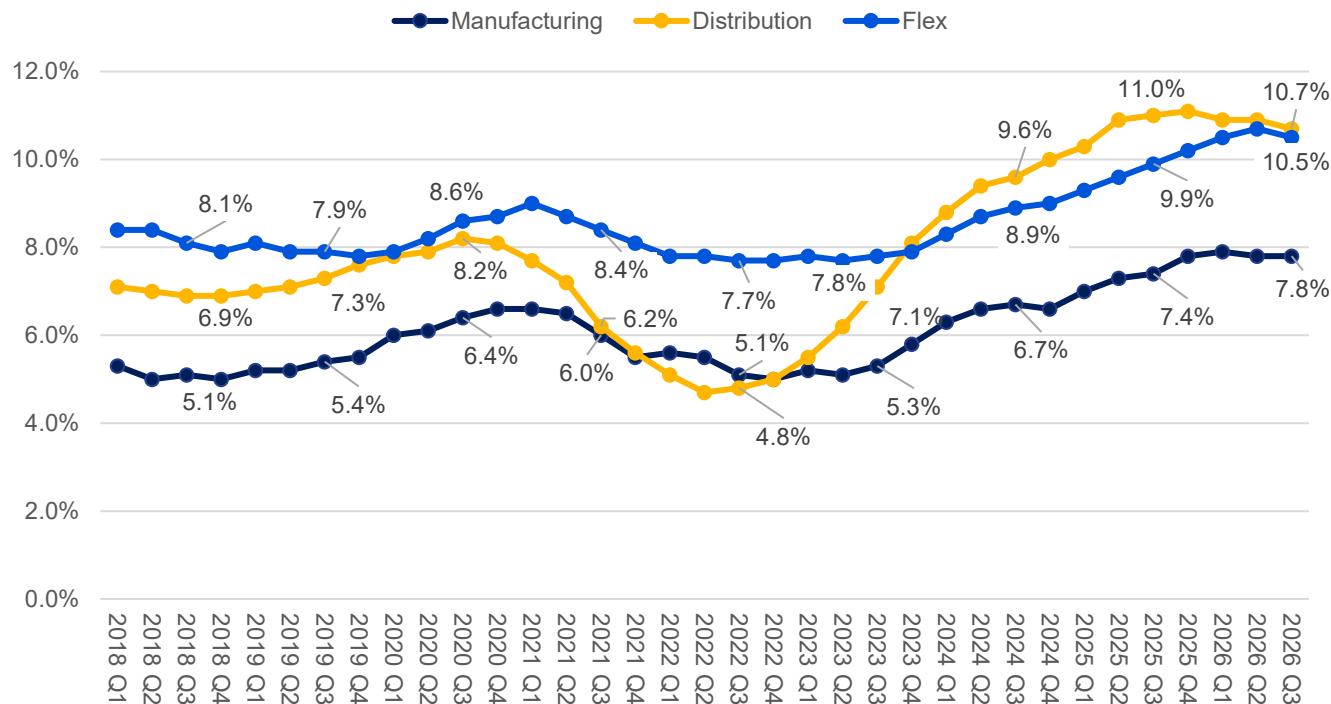


After a record-breaking year in 2021, absorption experienced a significant slowdown. This decline is primarily due to softening economic conditions and a general decrease in imports. **By 2025, absorption reached its lowest level in the past decade, but it has rebounded through the first three quarters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

# Direct Vacancy

## Industrial Vacancy Peaks in the Distribution Sector

Industrial Direct Vacancy: (United States)



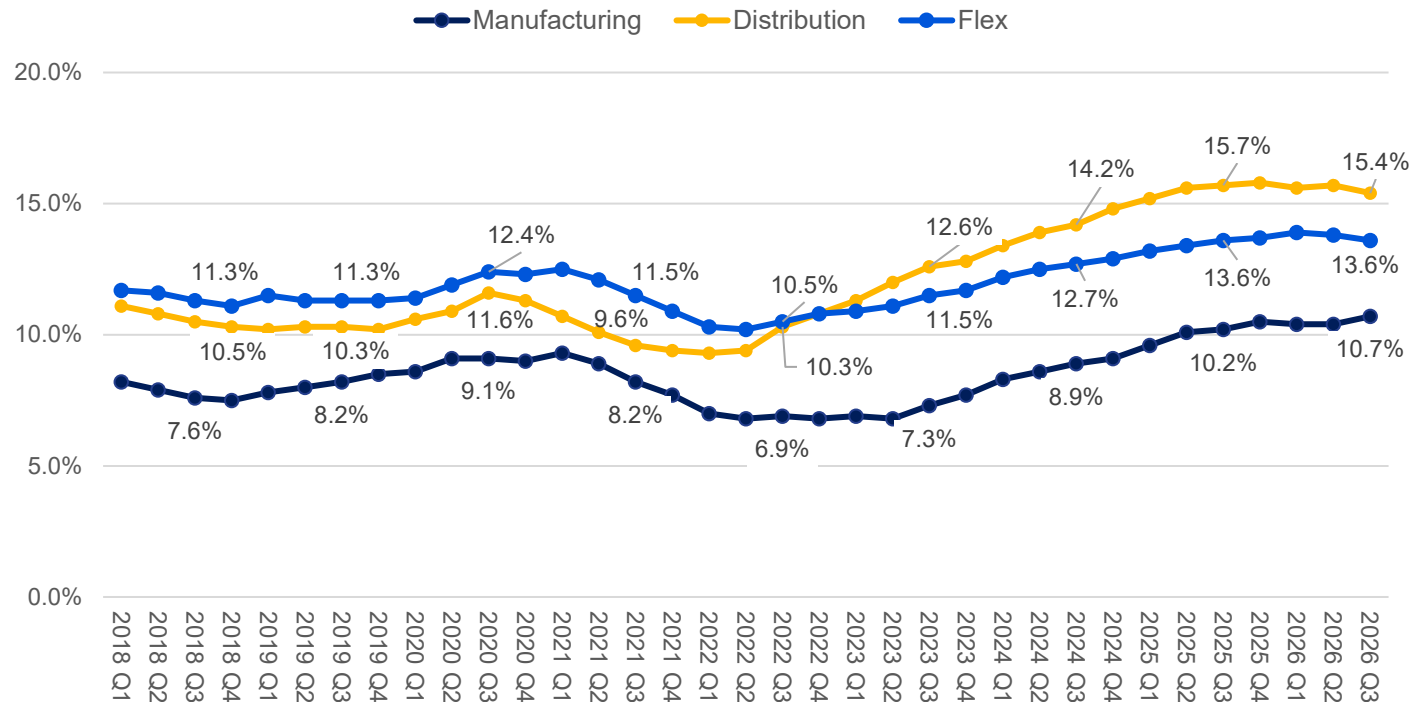
Direct vacancy rates are currently trending lower after appearing to peak in the past several quarters. The surge in recent deliveries was likely a contributing factor to the increase from pandemic lows. With vacancy rates still elevated, large retailers are focused on strengthening their distribution 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)



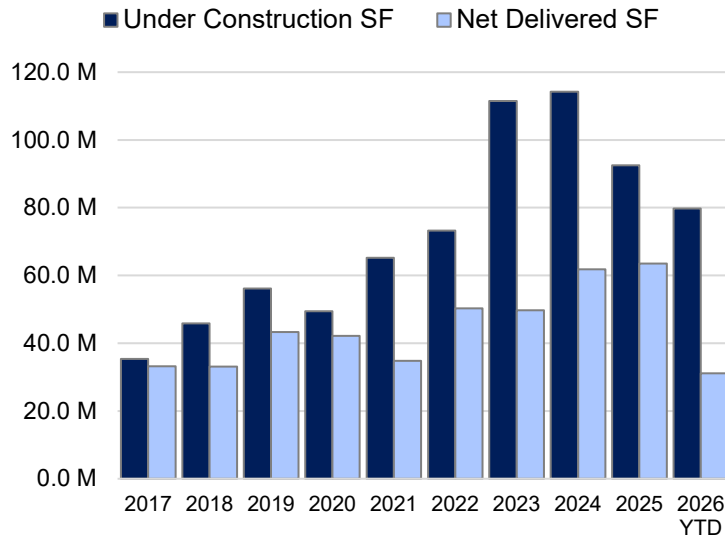
The availability rate includes the amount of space that is being marketed as available for lease, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. Therefore, the availability rate may be a more accurate depiction of the market during this volatile period than the direct vacancy rate. **Availability in the distribution asset type jumped from 9.3 percent over the past four years to 15.4 percent to close the third quarter of 2026.**

# New Construction

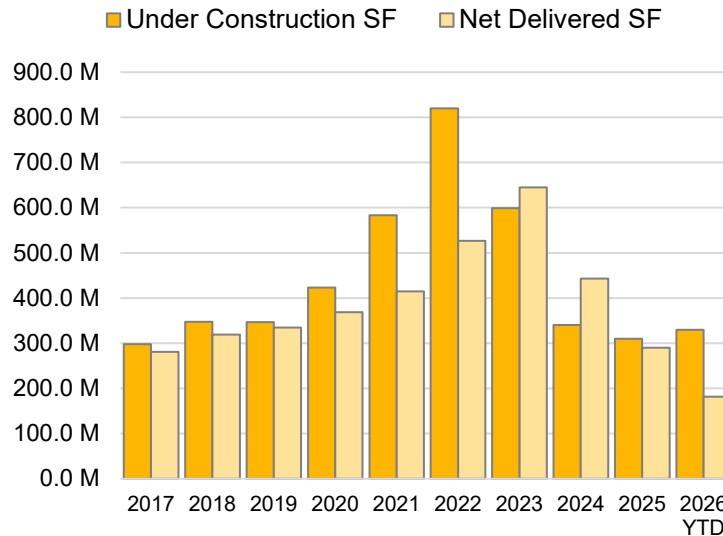
## Industrial Construction Is Rebalancing Toward Manufacturing

Industrial construction has slowed sharply from its pandemic-era peak, led by a pullback in distribution projects. Manufacturing construction remains comparatively elevated, reflecting reshoring, supply-chain investment, and demand for specialized facilities. For occupiers, the pipeline offers more choice in conventional distribution space, while specialized users face tighter future supply and greater site-selection urgency.

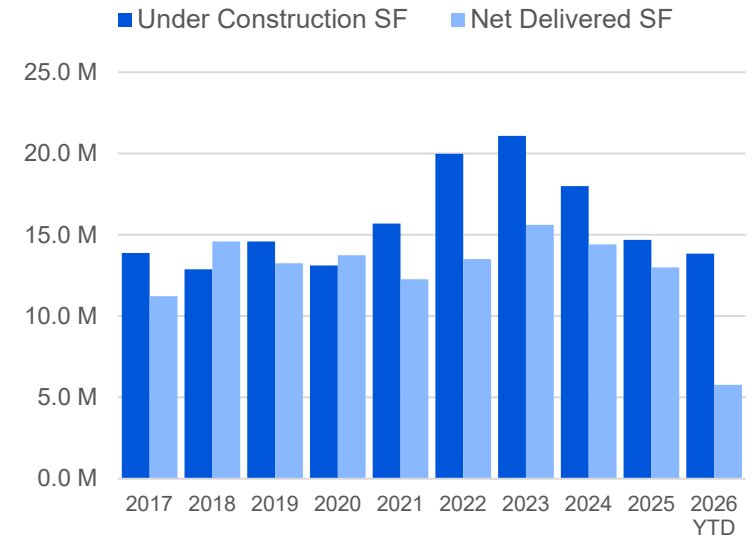
**Construction: Under Construction SF v. New Deliveries**



**Construction: Under Construction SF v. New Deliveries**



**Construction: Under Construction SF v. New Deliveries**

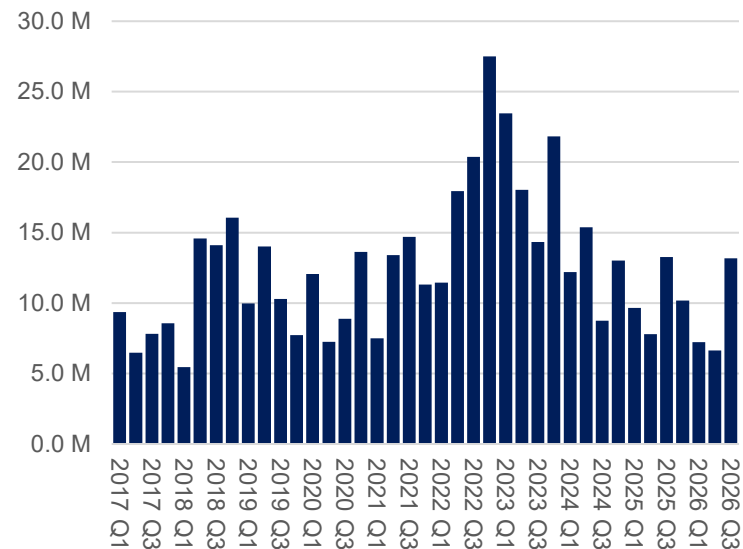


# Construction Starts

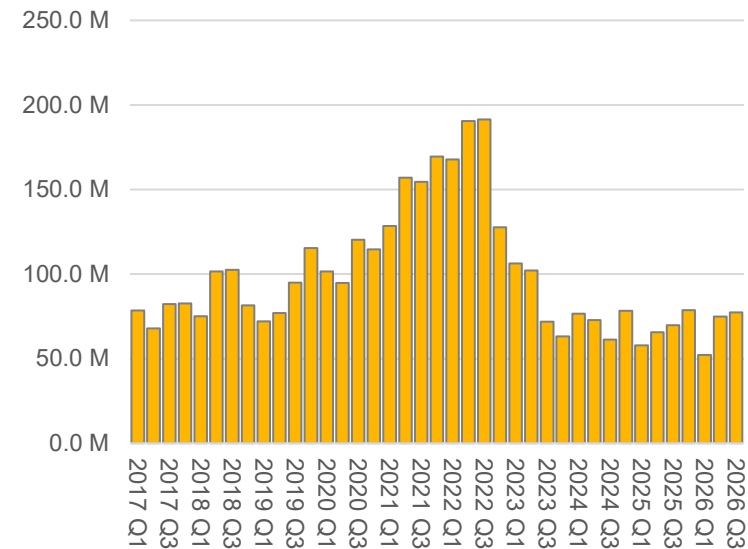
## Industrial Construction Starts Remain Selective

Industrial construction starts remain well below pandemic-era levels and are increasingly concentrated in distribution projects. In the third quarter of 2026, distribution starts totaled 77.3 million square feet, compared with 13.2 million square feet of manufacturing starts, and 2.1 million square feet of flex starts. For occupiers, the more specialized pipeline makes early site selection and build-to-suit planning increasingly important.

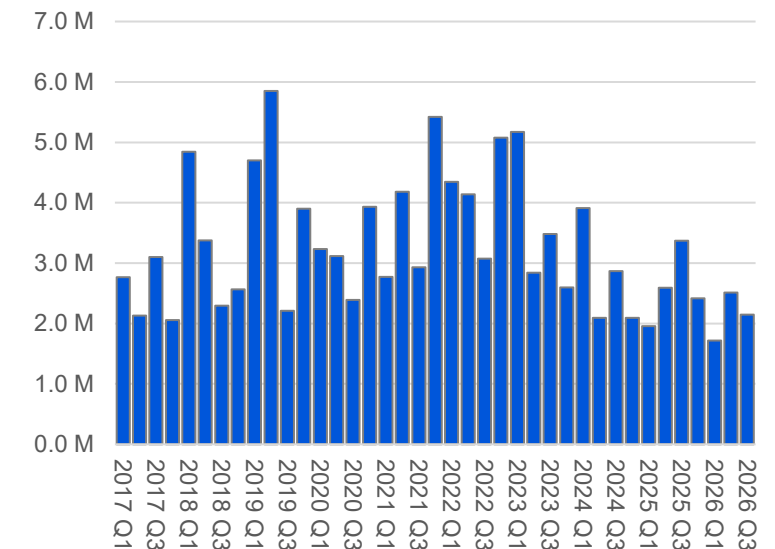
Construction: Starts SF



Construction: Starts SF



Construction: Starts SF



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

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

THE MARKET  
CHASES THE **DEAL**.

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

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

THE SYSTEM FAVORS  
**LANDLORDS** NOT OCCUPIERS.

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

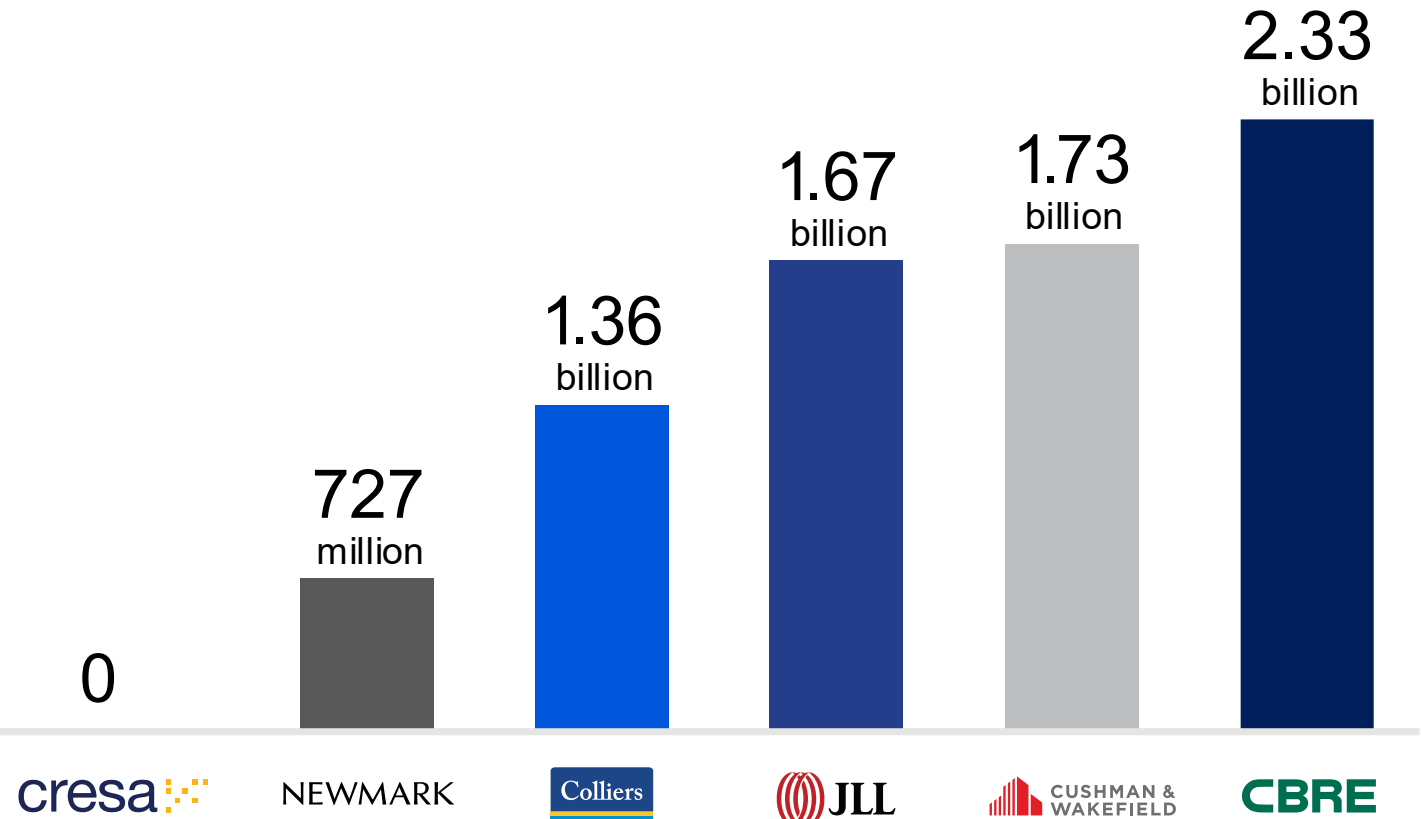
# How We're Different

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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for more information.

With 1,350 employees and 55+ offices across North America, and supported by its global alliance with Knight Frank, Cresa is the world's leading commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We think beyond space to find and foster the best environment for every business. Delivered across every industry and supported by world class technology, Cresa's services include Transaction Management, Project & Development Services, Workplace Solutions, Location Advisory, Portfolio Solutions, Lease Administration, Capital Strategies and Strategic Consulting.



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