Industrial Fundamentals Stabilize as Big-Box Leasing Surges

▲ 9.2%	▲ 6.7%	▲ $11.08	▲ 43.1 MSF	▼ 55.4 MSF
Availability Rate	Vacancy Rate	Net Asking Rent	YTD Net Absorption	YTD Completions

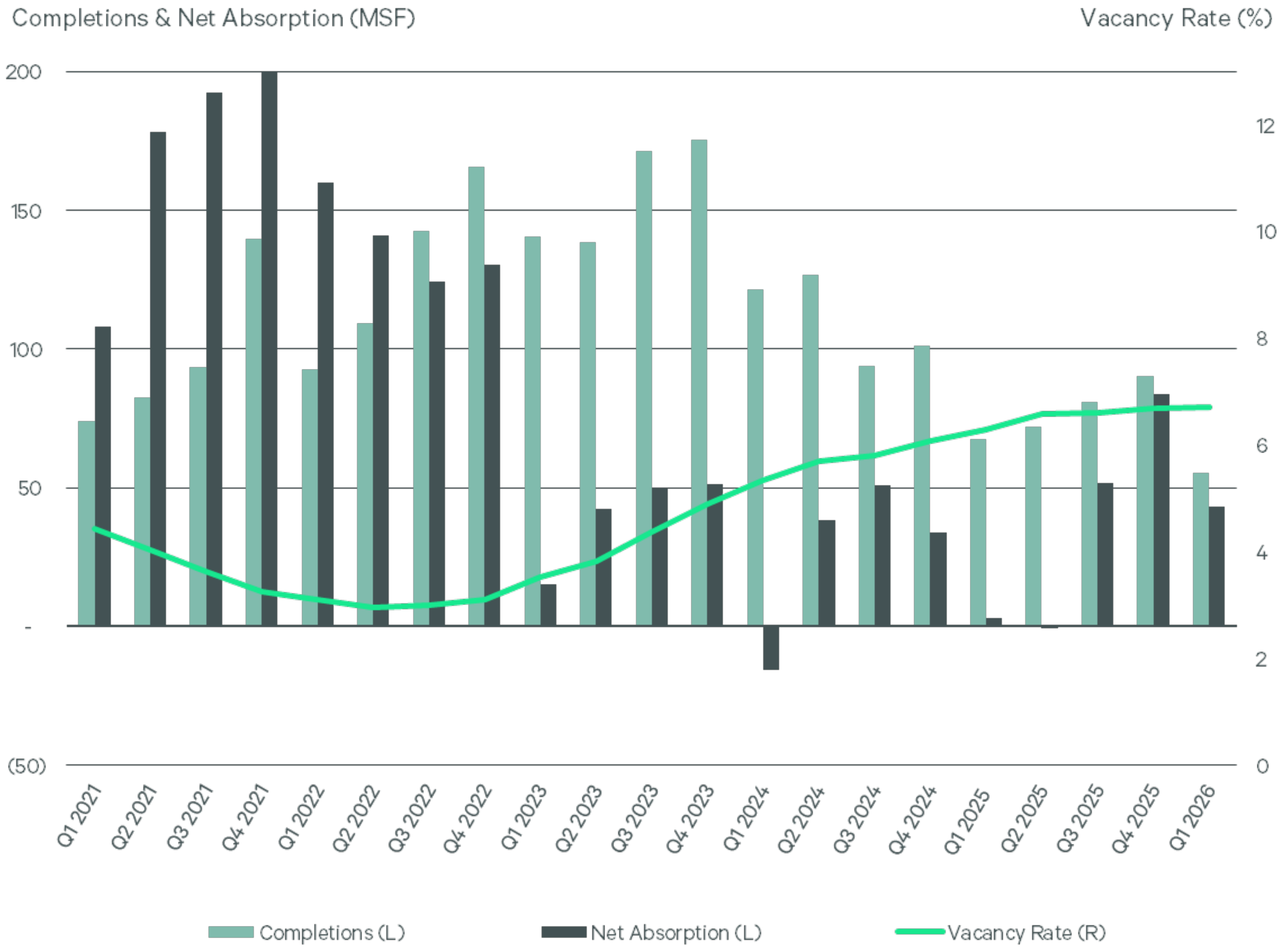
Note: Arrows indicate year-over-year change.

Executive Summary

- Leasing activity increased by 14% year-over-year in Q1 to 249.8 million sq. ft., putting the market on track for record volume in 2026.
- Net absorption rebounded year-over-year to 43.1 million sq. ft. in Q1 but was still below the long-term quarterly average as occupiers continued to optimize space.
- The overall industrial vacancy and availability rates increased year-over-year to 6.7% and 9.2%, respectively.
- Construction completions slowed to 55.4 million sq. ft. in Q1 but still outpaced absorption, while the construction pipeline increased by 7.5% quarter-over-quarter.
- Mega big-box facilities over 1.2 million sq. ft. drove leasing momentum, posting the strongest year-over-year gains. Small- and mid-sized formats saw less activity.
- While leasing fundamentals improved in Q1, rising geopolitical tensions are a downside risk to the overall market outlook.

Figure 1
Vacancy remains unchanged amid muted new supply

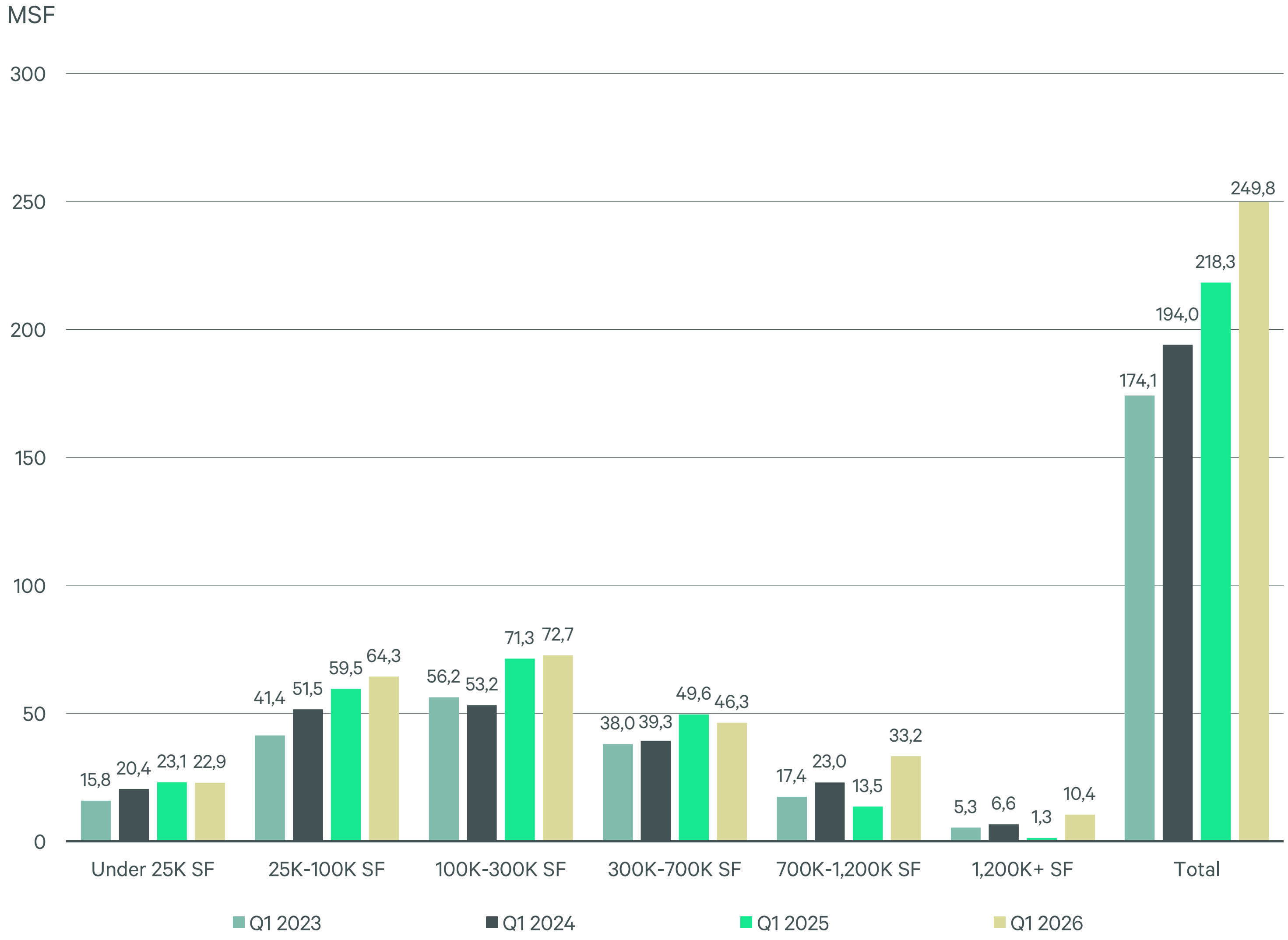
- The overall vacancy rate was unchanged from Q4 2025 at 6.7% as fewer construction completions offset increasing vacancy in older buildings.
- Construction completions fell to 55.4 million sq. ft. in Q1 from 67.3 million sq. ft. a year ago.
- Net absorption fell by 27% quarter-over-quarter to 43.1 million sq. ft. but improved from early 2025 levels due to increased demand for larger buildings.
- The gap between construction completions and absorption contracted significantly year-over-year, pointing to a more balanced market.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 2
Mega-big-box leasing activity nearly triples

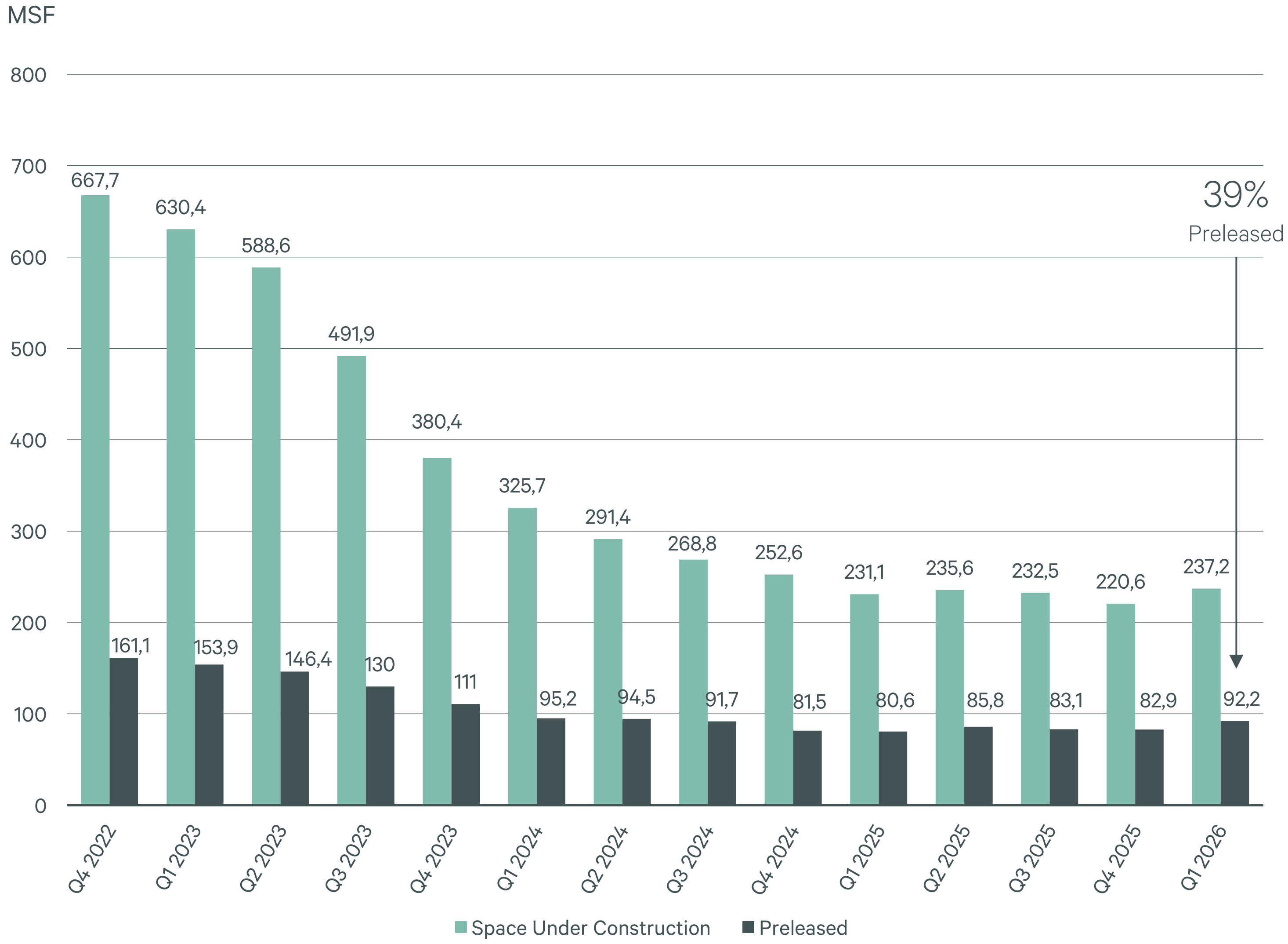
- Leasing activity increased by 14% year-over-year in Q1 to 249.8 million sq. ft. amid increased occupier demand.
- Demand for big-box facilities (700,000 sq. ft. +) nearly tripled year-over-year, driven by large-occupier expansions.
- Occupiers signed 23 leases for facilities of 1 million sq. ft. or more in Q1, compared with just three such leases a year ago.
- Leases for small facilities of between 25,000 and 100,000 sq. ft. increased slightly, offsetting a 7% decline in leases for facilities of between 300,000 and 700,000 sq. ft.



Source: CBRE Research, Q1 2026.

Figure 3
Stronger preleasing drives uptick in construction pipeline

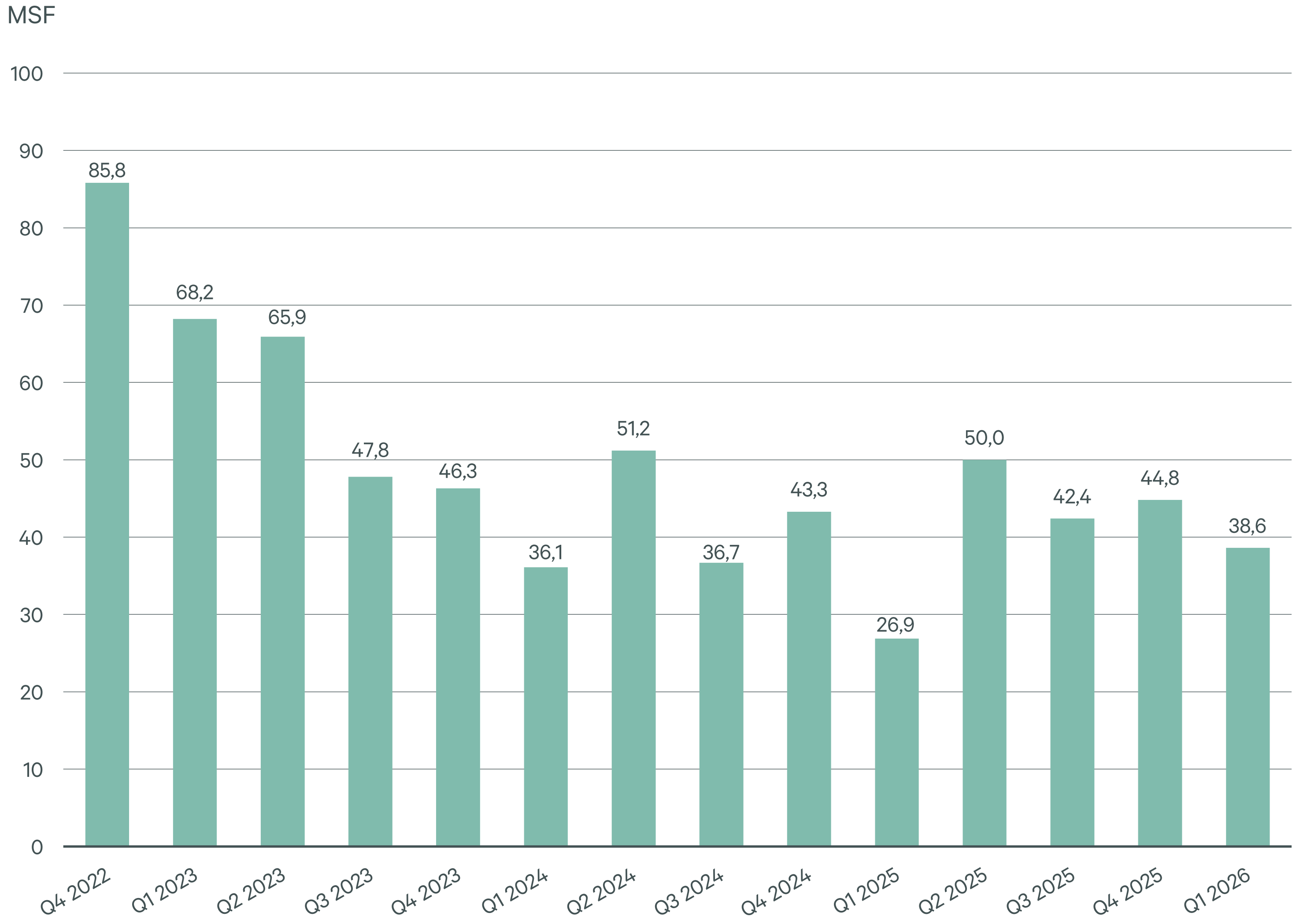
- Industrial space under construction increased to 237.2 million sq. ft. in Q1 from 220.6 million in Q4 2025 after two consecutive quarters of decline.
- Preleasing rose to 39%, its highest level since Q2 2021. The increase indicates that new development is being driven by tenant commitments and not speculative starts.
- Space under construction rose in 24 markets quarter-over-quarter, with the highest increases in Phoenix, Austin, Kansas City and California's Central Valley.



Source: CBRE Research, Q1 2026.

Figure 4
Construction starts remain at historically low levels

- Construction starts declined to 38.6 million sq. ft. in Q1 from 44.8 million sq. ft. in Q4 2025, as new development activity remained well below historical levels.
- New construction remains largely concentrated in build-to-suit projects and those with tenant pre-commitments, signaling a focus on risk mitigation by developers.



Source: CBRE Research, Q1 2026.

Figure 5
Net absorption & under construction rankings

- Indianapolis, Phoenix, Atlanta, Columbus and Dallas-Ft. Worth were the top markets for net absorption in Q1, reflecting continued demand for established logistics hubs and emerging distribution markets.
- Houston was the top market for space under construction with 20 million sq. ft., 12.5% of which was preleased. Dallas-Ft. Worth ranked second with 16.5 million sq. ft., followed by Phoenix with 14 million sq. ft.
- Hartford, El Paso and Indianapolis were among the highest-growth markets in Q1. Slowing net absorption dropped Savannah from its long-standing rank as the top growth market to fifth highest.

YTD Net Absorption

Rank	Market (Existing Inventory MSF)	MSF
1	Indianapolis (347.4)	5.1
2	Phoenix (444.5)	4.9
3	Atlanta (760.0)	4.5
4	Columbus (305.6)	4.1
5	Dallas-Ft. Worth (1,025.2)	4.1
6	PA I-78/I-81 Corridor (537.8)	3.8
7	Cincinnati (292.0)	3.3
8	Houston (619.8)	3.2
9	Philadelphia (385.6)	2.4
10	Savannah (159.0)	2.1

Growth Rate*

Rank	Market	Rate
1	Hartford	1.9%
2	El Paso	1.8%
3	Indianapolis	1.5%
4	Columbus	1.4%
5	Savannah	1.3%
6	Central Valley, CA	1.2%
7	Cincinnati	1.1%
8	Phoenix	1.1%
9	Greensboro	1.1%
10	Las Vegas	0.9%

Under Construction

Rank	Market (% Preleased)	MSF
1	Houston (12.5%)	20.0
2	Dallas-Ft. Worth (35.8%)	16.5
3	Phoenix (34.6%)	14.0
4	Chicago (60.5%)	11.9
5	PA I-78/81 Corridor (35.9%)	11.4
6	Atlanta (28.4%)	11.1
7	Los Angeles (37.6%)	9.8
8	Nashville (39.0%)	8.8
9	Louisville (31.6%)	7.3
10	Las Vegas (50.0%)	6.8

*Growth Rate = Annual net absorption as % of existing inventory.
Source: CBRE Research, Q1 2026.

Figure 6
E-commerce leads bulk-leasing growth

- Bulk leasing (100,000 sq. ft. or more) increased to 162.6 million sq. ft. in Q1, reflecting stronger demand from large occupiers.
- Third-party logistics operators (3PLs) accounted for 34% of total bulk-leasing activity, as occupiers prioritized flexibility and outsourced distribution.
- E-commerce leasing more than doubled year-over-year and was the fastest-growing occupier segment in Q1, signaling online retailers' renewed expansion activity.
- The manufacturing segment, along with automobiles, tires & parts, saw year-over-year growth, while general retail & wholesale and building materials & construction saw less activity.

Q1 2026 Transactions 100,000 SF and Above

Occupier Type	SF Transacted	Market Share
Third-Party Logistics	55,926,167	34.4%
General Retail & Wholesale	26,041,056	16.0%
Manufacturing	16,587,652	10.2%
Building Materials & Construction	13,800,569	8.5%
Food & Beverage	13,282,721	8.2%
E-Commerce Only	11,989,905	7.4%
Automobiles, Tires, & Parts	11,586,722	7.1%
Undisclosed	7,388,542	4.5%
Medical	6,023,822	3.7%
Total	**162,627,156**	**100%**

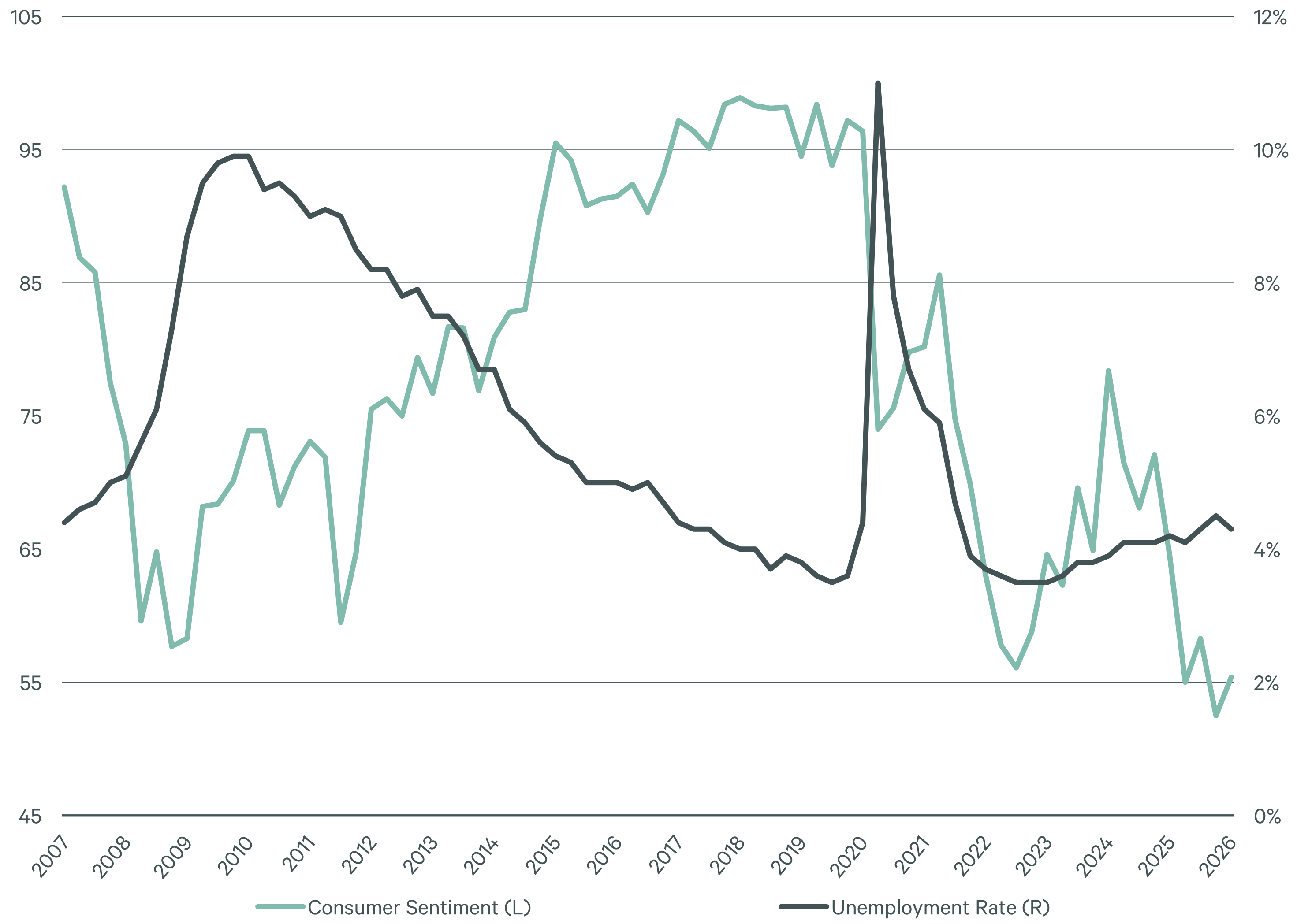
Q1 2025 Transactions 100,000 SF and Above

Occupier Type	SF Transacted	Market Share
Third Party Logistics	47,213,087	34.8%
General Retail & Wholesale	25,912,930	19.1%
Food & Beverage	13,702,649	10.1%
Manufacturing	13,024,300	9.6%
Building Materials & Construction	11,938,942	8.8%
Automobiles, Tires, & Parts	8,818,536	6.5%
Undisclosed	5,833,801	4.3%
E-Commerce Only	4,748,443	3.5%
Undisclosed	4,447,104	3.3%
Total	**135,669,792**	**100%**

Source: CBRE Research, Q1 2026.

Figure 7
Consumer & labor indicators improve

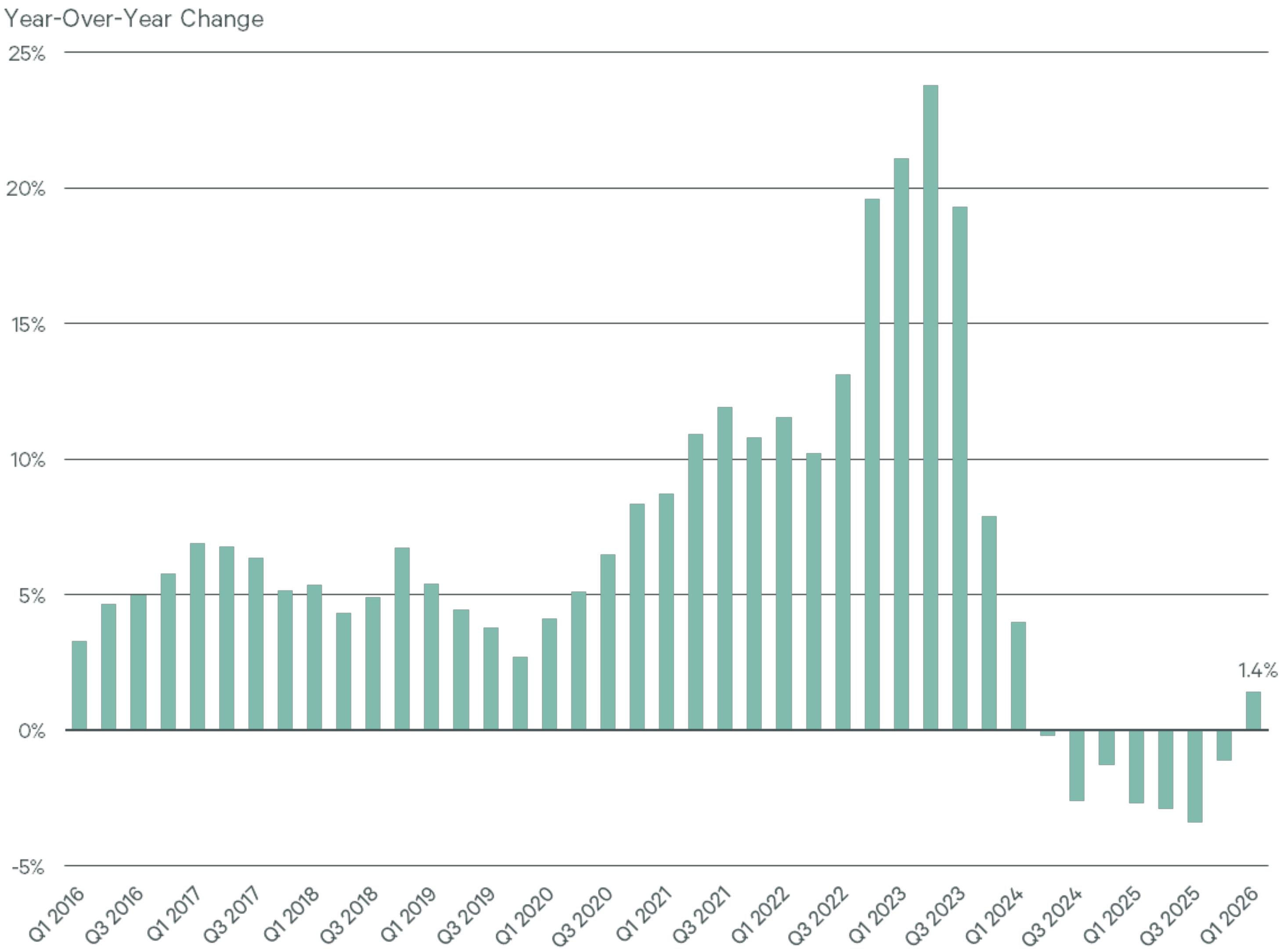
- Consumer sentiment improved to 55.4 in March, rebounding from December 2025's reading of 52.5. However, consumer sentiment has weakened significantly since the March survey.
- The unemployment rate declined to 4.3% in Q1 from 4.5% in Q4 2025, as the labor market remained resilient despite broader economic uncertainty.



Note: Consumer Sentiment Index, Q3 1966=100.
Source: University of Michigan, U.S. Bureau of Labor Statistics, Q1 2026.

Figure 8
Asking rents rebound as pricing momentum returns

- Average asking rent increased by 2.1% quarter-over-quarter to $11.08 per sq. ft., marking a stronger gain following late-2025 stabilization.
- Rents increased by 1.4% year-over-year, the first annual gain since Q1 2024, as construction completions slowed and demand improved.
- Rent growth is expected to continue through 2026, particularly for newer, high-quality facilities.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 9
At-a-glance industrial market metrics

		Q1 2026					
Market	Size Rank	Vacancy Rate (%)	YTD Net Absorption (SF)	YTD Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate ($)***
Baltimore	31	8.7	(796,170)	-	1,529,458	29.2	11.08
Boston	15	8.0	720,940	848,737	2,446,066	73.6	15.11
Central New Jersey	8	8.6	(1,018,109)	1,361,067	5,293,296	2.0	16.33
Charleston	51	13.0	866,512	636,363	175,463	-	8.42
Charlotte	18	7.3	1,860,240	897,758	5,577,755	11.8	9.04
Greensboro/Winston-Salem	44	6.7	1,351,738	257,000	3,811,012	75.2	6.59
Greenville	25	6.3	1,872,891	2,197,227	2,352,545	57.5	6.19
Hartford	55	5.9	1,453,662	-	298,905	100.0	7.41
Louisville	34	4.5	57,909	1,283,930	7,335,187	31.6	6.65
Northern New Jersey	11	7.3	(160,274)	665,304	2,419,151	74.9	17.21
Northern Virginia	56	3.7	39,393	-	812,634	43.4	16.88
Pennsylvania/I-78/81 Corridor	7	8.3	3,836,552	1,544,142	11,358,919	35.9	9.01
Philadelphia	12	11.0	2,427,144	1,567,935	2,034,986	3.2	12.69
Pittsburgh	42	5.4	459,443	318,277	842,740	100.0	7.63
Raleigh-Durham	47	9.1	184,394	1,291,222	5,567,047	9.8	11.37
Suburban Maryland	52	6.9	537,988	577,859	824,642	-	14.35
East		**7.9**	**13,694,253**	**13,446,821**	**52,679,806**	**33.3**	**11.65**
Chicago	2	5.6	1,076,367	4,295,440	11,886,097	60.5	9.48
Cincinnati	21	5.1	3,254,003	926,500	852,197	100.0	6.13
Cleveland	26	3.9	1,053,711	-	124,000	0.0	5.49
Columbus	19	5.0	4,130,360	413,460	4,624,524	72.1	6.78
Des Moines	57	8.5	188,788	199,584	1,251,135	82.9	6.73
Detroit	10	3.3	725,429	204,442	1,638,124	76.2	7.84
Indianapolis	13	6.9	5,098,233	667,917	3,105,583	80.7	6.35
Kansas City	22	4.6	1,729,138	833,715	5,112,599	57.5	5.49
Milwaukee	16	4.8	1,117,707	1,098,190	1,669,596	30.0	5.75
Minneapolis-St. Paul	14	4.2	(112,458)	725,877	2,529,405	75.5	9.34
Omaha	53	1.7	539,832	298,356	1,035,257	47.4	7.92
St. Louis	30	6.8	(592,625)	137,245	3,613,222	89.8	5.49
Midwest		**5.0**	**18,208,485**	**9,800,726**	**37,441,739**	**67.5**	**7.45**

*Suburban Maryland and Northern Virginia represent Washington, D.C., area.
**Represents percentage of preleased currently under construction.
***NNN asking rates are displayed on a per sq. ft. and per annum basis.
Source: CBRE Research, CBRE Econometric Advisors, Q1 2026.

Figure 9 (continued)
At-a-glance industrial market metrics

		Q1 2026					
Market	Size Rank	Vacancy Rate (%)	YTD Net Absorption (SF)	YTD Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate ($)***
Atlanta	4	8.1	4,491,528	1,412,896	11,091,310	28.4	7.68
Austin	48	20.6	361,437	385,184	6,062,705	10.0	14.03
Dallas-Ft. Worth	3	9.3	4,054,744	6,778,985	16,535,525	35.8	10.13
El Paso	54	10.1	1,440,122	1,275,676	6,109,901	17.3	9.45
Ft. Lauderdale	50	5.5	101,240	-	887,733	0.3	17.35
Houston	6	7.5	3,195,260	7,452,500	20,019,422	12.5	9.87
Jacksonville	43	11.3	(317,205)	109,614	901,104	22.7	8.66
Memphis	20	6.0	862,962	-	3,179,420	100.0	4.59
Miami	28	6.8	539,946	792,000	3,916,448	31.1	16.84
Nashville	27	4.4	551,997	144,153	8,830,906	39.0	10.27
Orlando	39	10.1	356,849	672,535	2,062,026	25.5	10.01
Palm Beach	58	7.7	31,347	-	812,587	41.7	13.87
San Antonio	41	10.5	451,227	218,809	2,709,404	74.3	8.69
Savannah	38	10.9	2,120,727	1,219,800	3,518,260	2.4	7.12
Tampa	37	7.5	286,285	530,215	3,806,738	54.9	10.95
South		**8.5**	**18,528,466**	**20,992,367**	**90,443,489**	**29.1**	**9.78**

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Figure 9 (continued)
At-a-glance industrial market metrics

		Q1 2026					
Market	Size Rank	Vacancy Rate (%)	YTD Net Absorption (SF)	YTD Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate ($)***
Central Valley, CA	40	8.7	1,679,659	1,494,998	5,332,862	76.7	8.71
Denver	23	8.6	415,868	412,560	3,615,452	30.5	10.00
Inland Empire	5	7.8	(4,746,964)	72,876	3,270,928	20.5	13.04
Las Vegas	35	8.8	1,693,809	527,245	6,839,981	50.0	12.23
Los Angeles	1	5.4	1,773,351	3,135,414	9,801,744	37.6	14.53
Oakland	45	7.6	(627,764)	-	99,395	0.0	15.32
Orange County	24	5.4	(380,534)	542,254	844,803	23.1	18.57
Phoenix	9	10.1	4,908,814	1,378,046	13,971,415	34.6	12.75
Portland	29	7.6	(173,500)	619,555	3,148,658	21.6	11.88
Reno	46	10.6	425,912	-	-	0.0	9.69
Sacramento	32	6.1	(852,174)	29,510	1,341,900	87.7	9.95
Salt Lake City	36	7.2	971,667	115,792	3,064,186	47.9	9.71
San Diego	33	6.7	(554,857)	125,076	946,266	83.9	16.98
San Francisco Peninsula	61	5.4	190,491	-	-	0.0	23.87
Seattle	17	11.0	(411,708)	1,356,983	2,165,146	0.0	13.59
Silicon Valley	49	5.5	(223,233)	785,991	1,408,495	67.8	20.41
Tucson	60	7.9	(221,130)	-	330,093	7.5	10.02
Walnut Creek/I-680 Corridor	59	8.3	384,386	760,243.0	441,841	0.0	16.67
West		**7.2**	**4,252,093**	**11,356,543**	**56,623,165**	**40.8**	**13.60**
U.S.		**6.7**	**43.1 M**	**55.4M**	**237.2 M**	**38.9**	**11.08**

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Source: CBRE Research, CBRE Econometric Advisors, Q1 2026.

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