

An aerial photograph of a large industrial park at dusk. Several large, rectangular warehouse-style buildings with flat roofs are illuminated from within, casting a warm glow. The surrounding area includes parking lots, roads, and some greenery. The sky is a mix of orange and blue, indicating the time is either early morning or late evening.

NEWMARK

3Q25 U.S. Industrial Market Conditions & Trends

3Q25

An aerial photograph of a complex highway interchange at night. Multiple overpasses and ramps are visible, with light trails from cars and trucks indicating traffic flow. The scene is lit by streetlights and the lights of the vehicles, creating a dynamic and busy atmosphere.

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Access the Extended 3Q25 U.S. Industrial Market Conditions & Trends Report



The extended version of this report includes:

- **Commentary on Real-Time Occupier and Investor Sentiment:** Insightful analysis on how current trends and market dynamics are affecting both occupiers and investors.
- **Impact of Global Supply Chain Shifts on U.S. Markets:** Identification of U.S. markets that are poised to benefit from changes in global supply chains.
- **Detailed Lease and Rent Analysis:** In-depth examination of lease terms, contract rents, operational expenses (opex), and rent forecasts.
- **Economic Outlooks from Newmark:** A comprehensive review of economic projections across various scenarios.

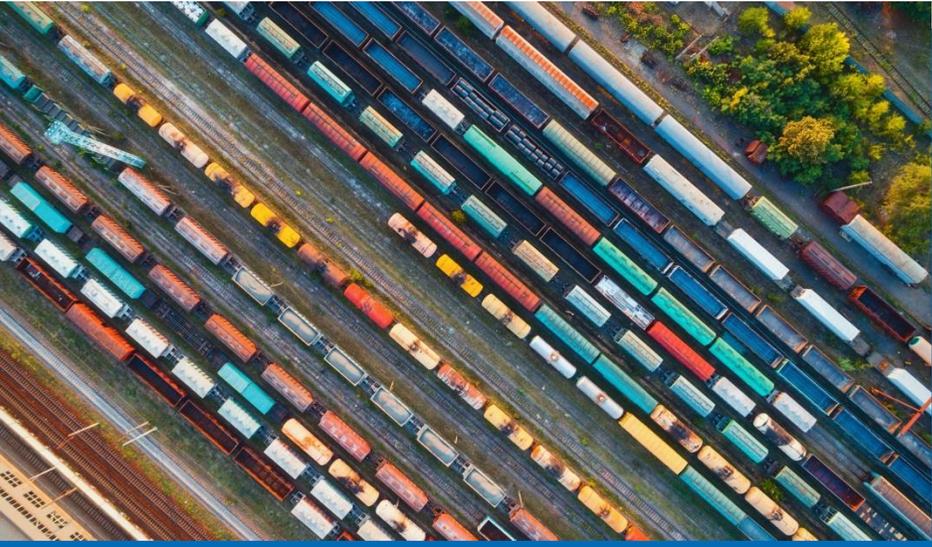
To access, please reach out to Lisa.DeNight@nmrk.com or your Newmark contact.

Extensive content across 80+ slides—a detailed presentation packed with useful industrial information and in-depth analysis.

U.S. Market Fundamentals

3Q25 Key **Leasing Market** Fundamentals

U.S. VACANCY RATE	Availability Rate	Average Asking Rent (Direct, NNN PSF)	Net Absorption YTD	New Leasing Volume YTD	Deliveries YTD	Construction Pipeline	Quarterly Construction Starts
 UP 7.5% 86 bps YOY	 UP 9.9% 100 bps YOY	DOWN  \$10.32 / SF -0.7% YOY	DOWN  81.9 MSF -35.7% YOY	 UP 676 MSF 2.0% YOY	DOWN  205.8 MSF -35.6% YOY	DOWN  290.0 MSF -18% YOY	DOWN  56.7 MSF -6.6% YOY



3Q25 Key **Capital Markets** Fundamentals

Average Top Quartile Industrial Cap Rate	Average Total Industrial Cap Rate	Sales Volume YTD	Average Sale Price PSF
 UP 5.5% 20 bps YOY	 UP 6.3% 20 bps YOY	 UP \$68.8 B 11% YOY	 UP \$133 7.3% YOY

Key Takeaways

Third-quarter activity improved significantly from the shock to the system delivered in the second quarter, although net absorption of 36 MSF remains below levels needed for a return to market equilibrium. New leasing activity, especially big-box, gained further momentum as tenants committed to space decisions – often consolidating and upgrading to newer facilities. The construction pipeline contracted for the 12th consecutive quarter, yet with a third of markets seeing pipeline expansion, the decline appears to have plateaued. The speculative share of development continues to drop as build-to-suit and owner-built projects kick off in greater numbers.



New Leasing Activity is Growing

Tenants are leveraging favorable market conditions to secure space, with the greatest momentum in bigger box-size segments.



Vacancy Near Peak

Vacancy barely budged from the second quarter. An incremental uptick into next year is expected, but the market is past further significant increases.



Robust Capital Markets Activity

Sales volume is up 11% YOY through the third quarter, with a noted increase in \$100M+ deals compared to last year.



Cap Rates Holding Steady

Cap rates for top product have been steady in the 5% range the last 12 months. The public markets are more exposed to rate volatility and continue to underprice risk.

U.S. Market Observations



Economic Conditions and Demand Drivers

- Economic conditions remain mixed as consumers and companies digest the effects of tariffs, monetary and federal policy changes, and a steady if slowing job market. Booming areas of the economy are highly sectoral specific.
- The freight recession continues, with trade policy uncertainty, a stagnant housing market and weaker growth in domestic production all contributing to a delay in a sustainable inflection point in the freight market.
- Manufacturing construction spending measured \$114 billion in July 2025, nearly double the pre-pandemic five-year average. While spending remains historically high, it has trended lower this year as manufacturers navigate U.S. policies that both challenge and benefit new factory project kickoffs.



Leasing Market Fundamentals

- The third quarter of 2025 was the best for new leasing since 2023, showing notable increases in bigger-box leasing. The 700K+ square foot segment has the brightest outlook – not only did leasing surge this quarter, but it also maintains the highest preleasing rate in the pipeline and existing inventory vacancy has likely peaked.
- U.S. total vacancy inched up only six basis points quarter-over-quarter to 7.5%, the smallest increase since 2022. A third quarter rebound in net absorption helped narrow the supply and demand gap. While most markets still saw a quarterly rise in vacancy, others are posting more consistent declines.
- The development pipeline contracted for the twelfth consecutive quarter, although will not likely see a 13th quarter of decline. With 290 million square feet under construction, the pipeline is at its lowest level since 2018.



Capital Markets

- Industrial sales volume has improved sequentially each quarter since the start of the year, and 2025 volumes are on track to be modestly above 2024 levels. Sunbelt markets and smaller deals represent the bulk of volume trading.
- Industrial cap rates have fluctuated over the past 12 months in the 5% range, which will likely be the case into 2026.
- Across the ecosystem of investor profiles, private capital continues to account for nearly half of total acquisitions. Users continue to acquire facilities at rates higher than historical averages, with users representing just under 10% of all investment activity this year.



Outlook

- Incremental increases in vacancy are expected into 2026 before stabilizing in the second half of the year. Vacancy is expected to decline in 2027 but will remain in the 7% range– higher than long-term averages. Some markets are already past peak cyclical vacancy, however.
- Tariff pass-throughs to U.S. consumers have still yet to be fully realized. Firms that have held off on price increases may institute them down the road especially if more tariffs are imposed. If and how consumption could be impacted in 2026 is unknown.
- There is clear pent-up demand from major industrial occupiers. Renewal rates have been historically high until recently, and both public and private remarks indicate there is caution around major capex in an environment of persistent uncertainty. If long-term clarity can be achieved, it will unlock additional capex in the industrial realm, atop already-impressive levels.

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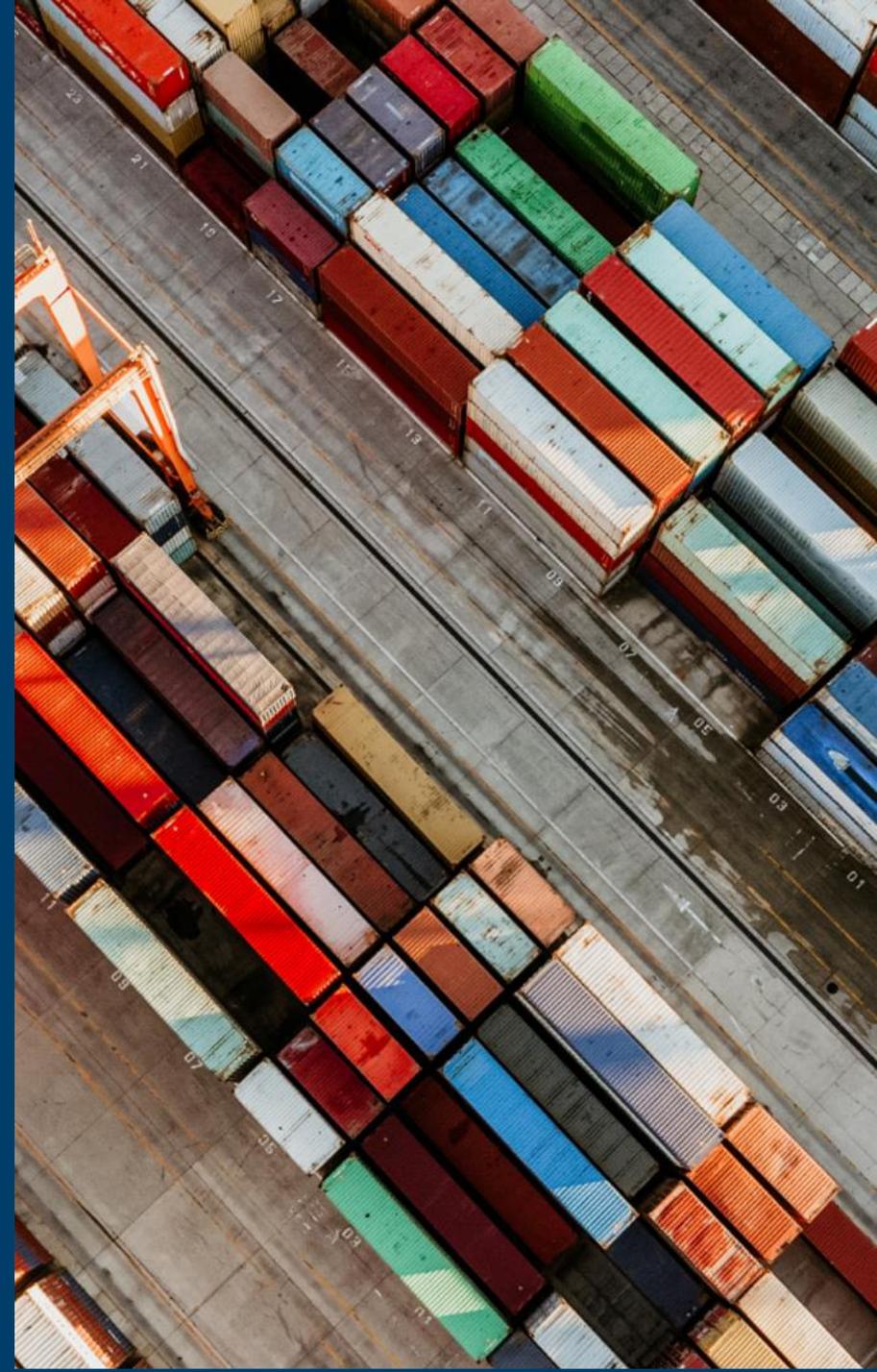
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Economic Conditions

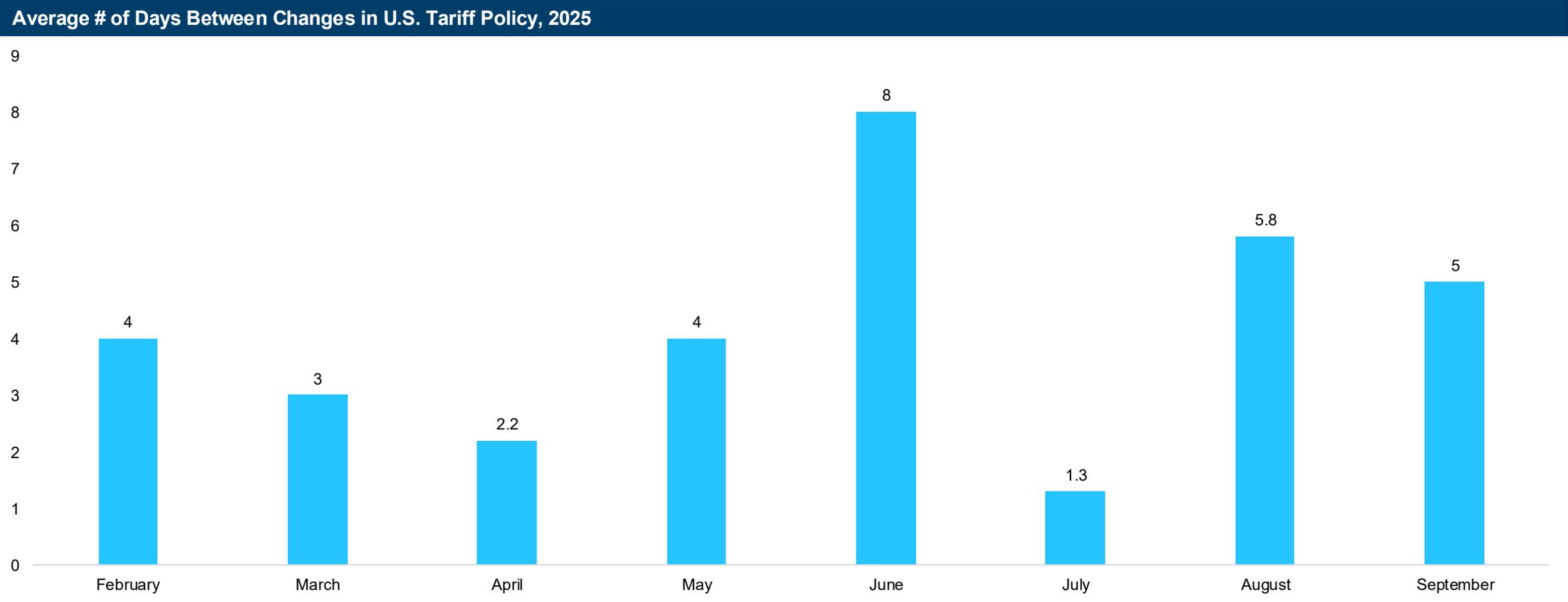
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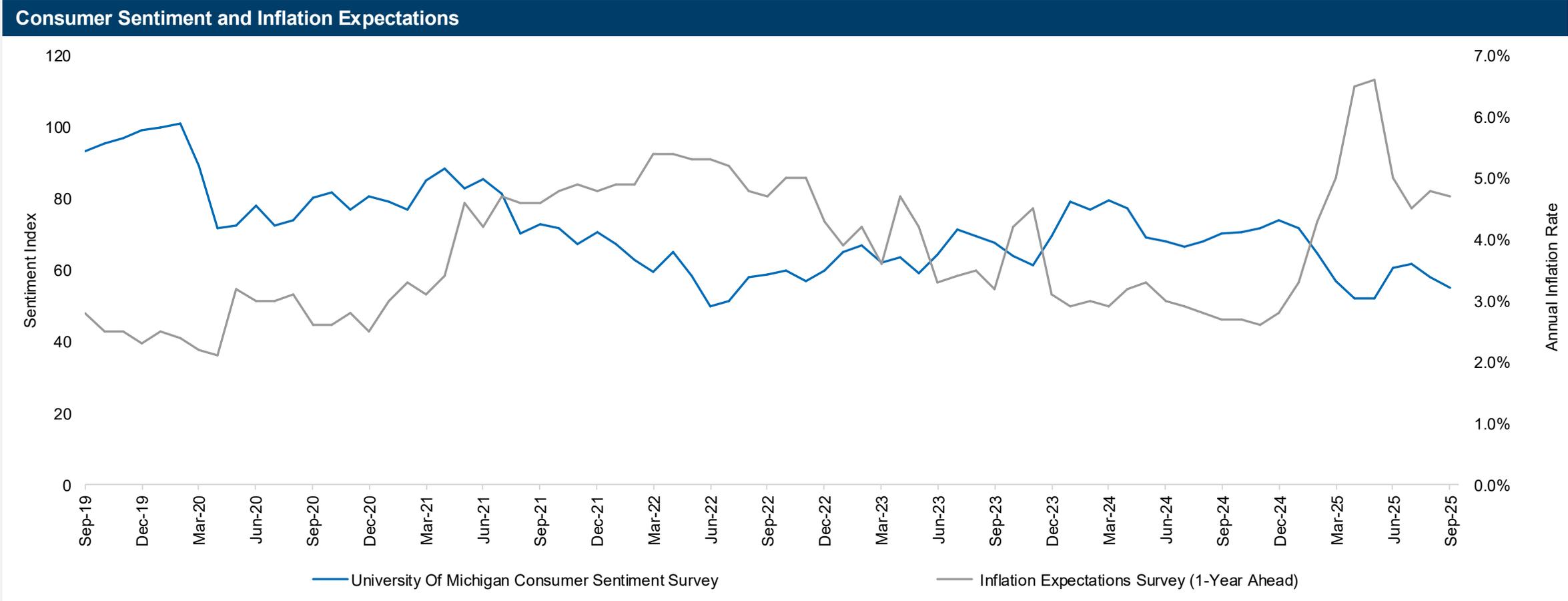
Tariff Policy Has Changed Every Four Days on Average this Year

The rapidly changing and expanding nature of U.S. tariff implementation year-to-date has created a prevailing miasma of uncertainty across the global economy. Since “Liberation Day,” the effective tariff rate has experienced major swings, currently at 17.9% and subject to change.



American Economic Expectations Are on a Rollercoaster

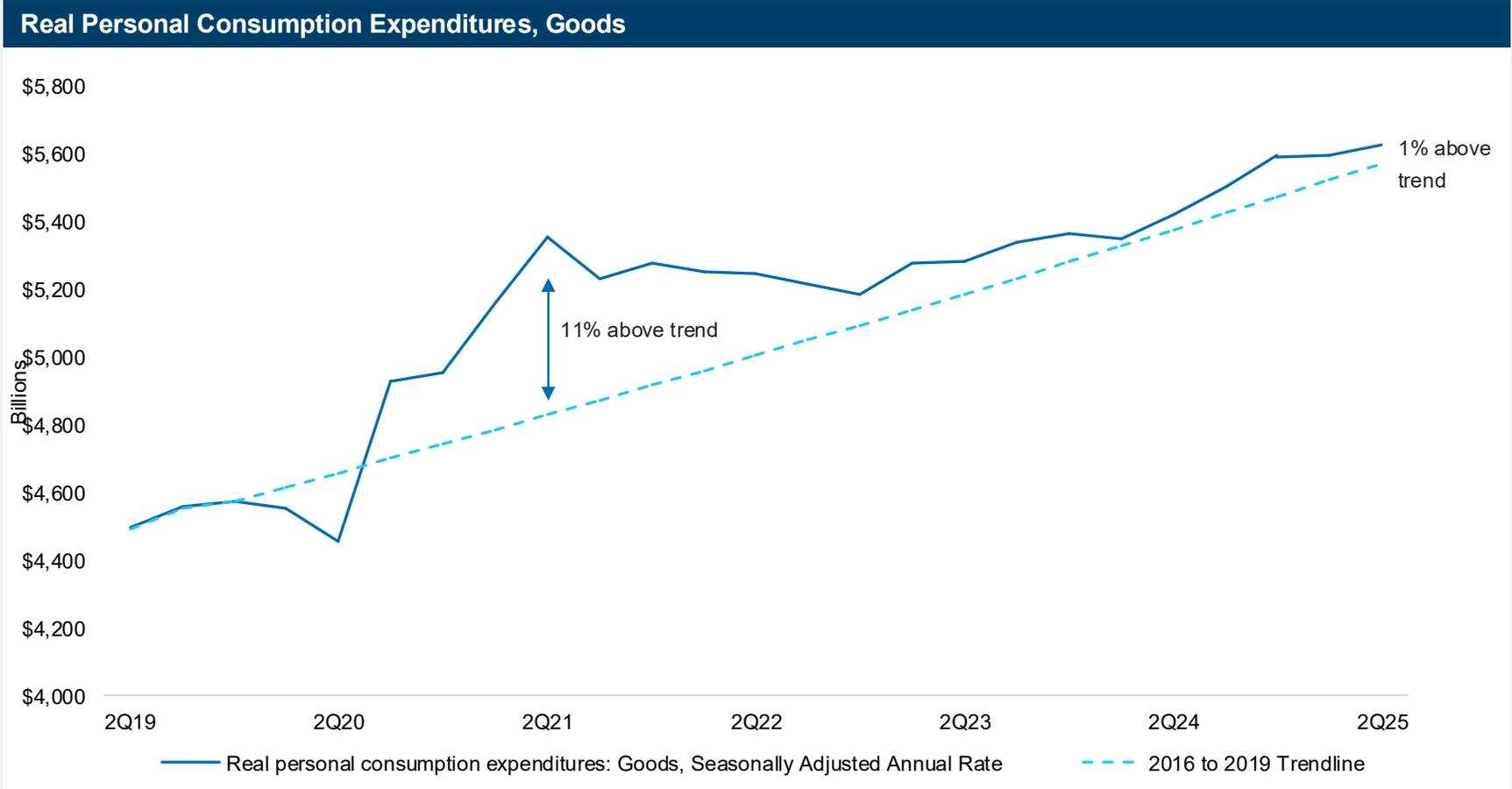
Consumer sentiment and inflation expectations have fluctuated about as much as the U.S. tariff rate thus far this year, although consumer confidence has slipped consecutively every month of Q3 amid sustained labor market concerns, income prospects and future business conditions.



Source: Newmark Research, University of Michigan, October 2025.

Consumer Goods Spending Showcases a Resilient Economy

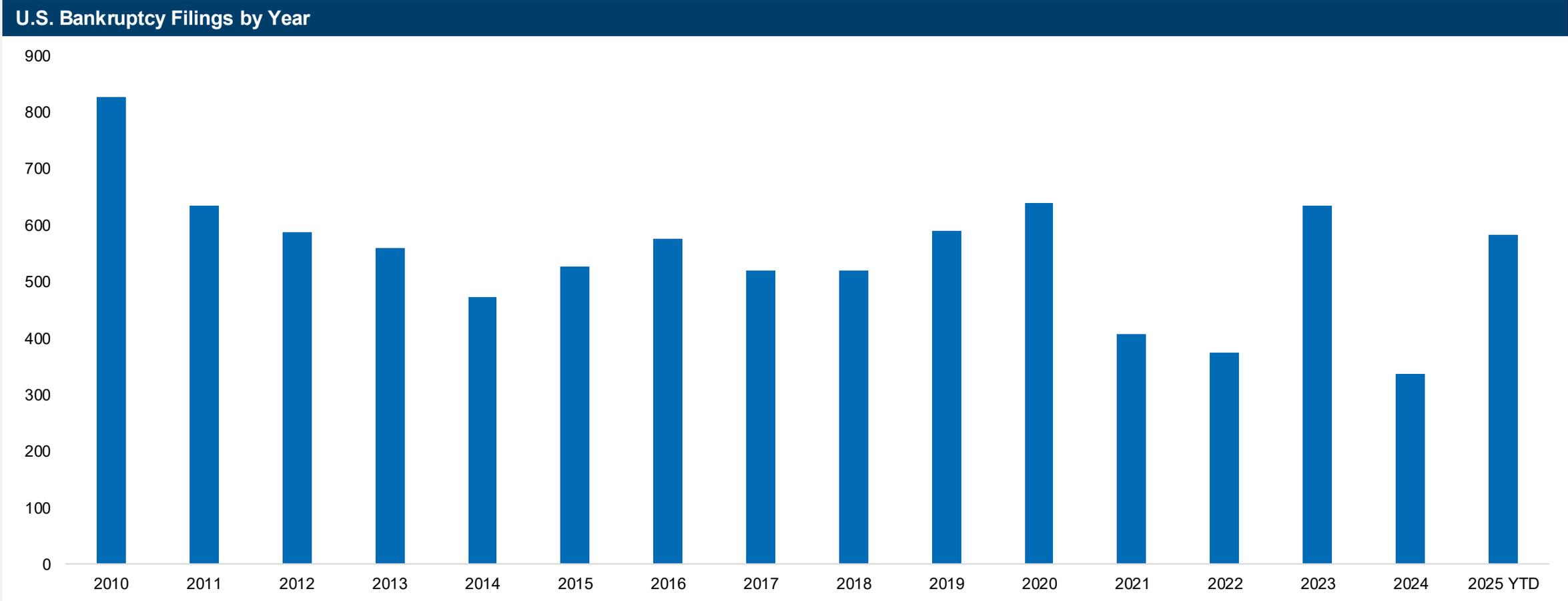
Despite eroding consumer confidence, inflation-adjusted spending on goods has remained resilient this year. With goods spending data delayed due to the federal shutdown, monthly total retail spending reports from September showed that consumer spending continues to hold up.



Source: St. Louis Federal Bank, US Commerce Department, Newmark Research, October 2025.

2025 Set To Be Busiest Year for U.S. Corporate Bankruptcies Since 2010

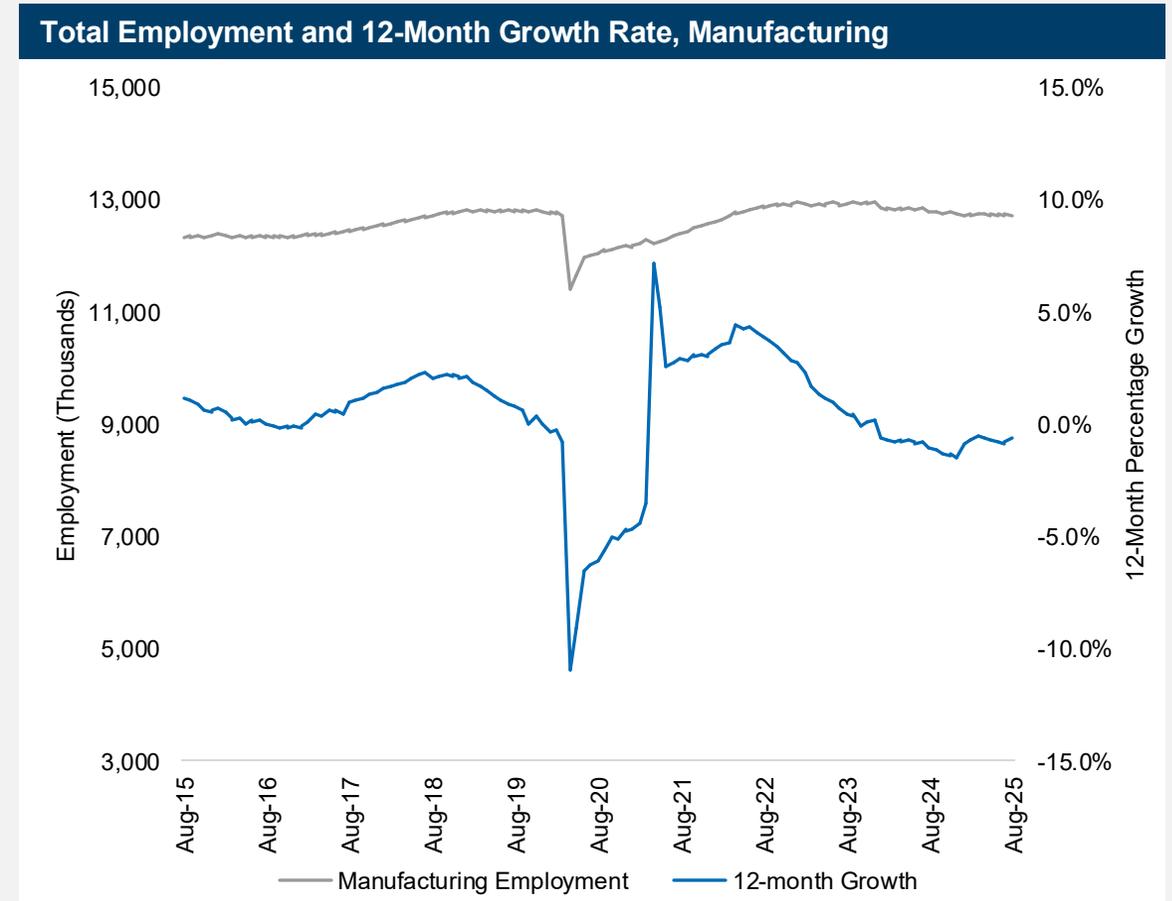
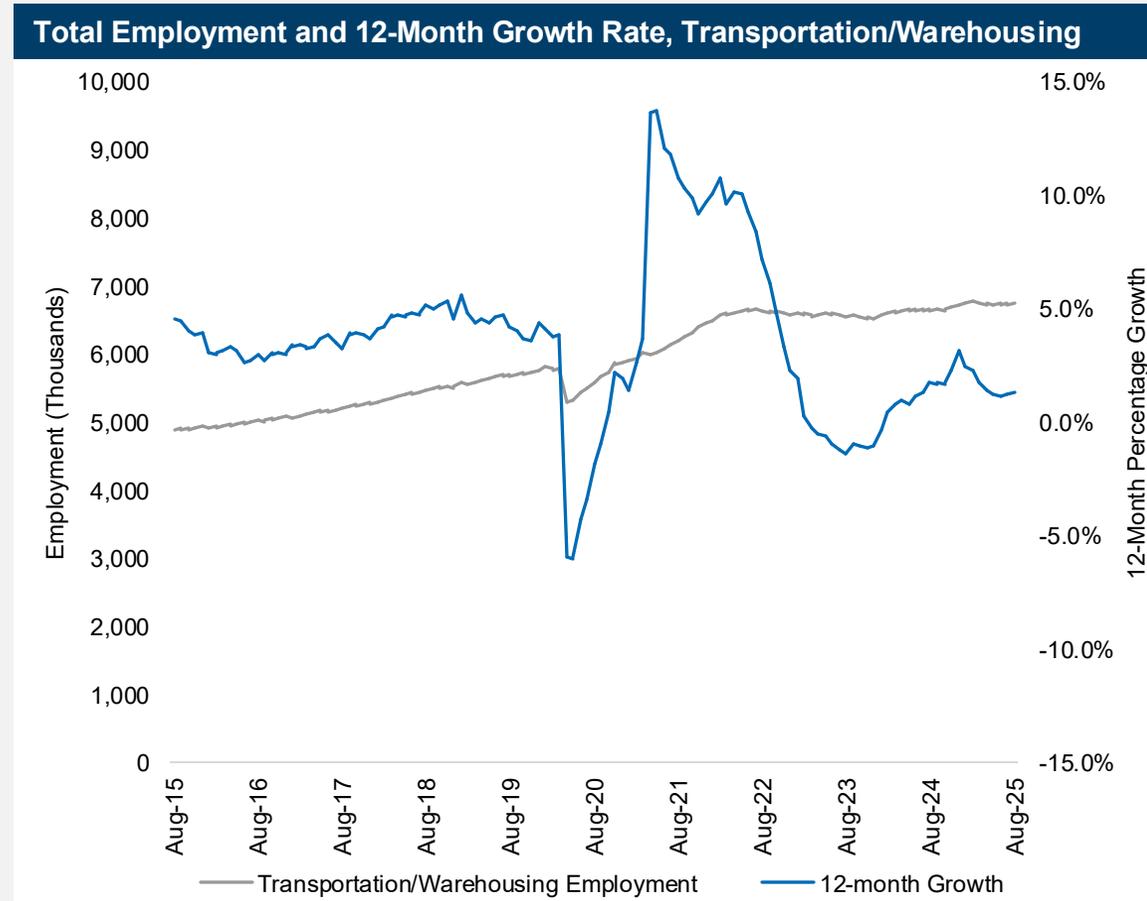
Debt levels for many companies have risen and interest rates will likely remain at elevated levels this year despite some Fed cuts. This dynamic, coupled with an uncertain job market and consumer spending outlook, is pressuring industrial occupancy, with warehouse closures this year stemming from retailer bankruptcies such as JOANN, Big Lots and Rite Aid. Annual bankruptcy filings are expected to top 700, which will make 2025 the busiest year for corporate bankruptcies since 2010.



Source: Newmark Research, S&P Global. Through September 2025.

Uncertain Demand Picture Weighing on Industrial Staffing

Transportation/warehousing employment remained relatively flat in the third quarter while manufacturing has seen six straight months of contraction amid companies' continuing focus on accelerating staff reductions due to uncertain near- to mid-term demand.



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Industrial Demand Drivers

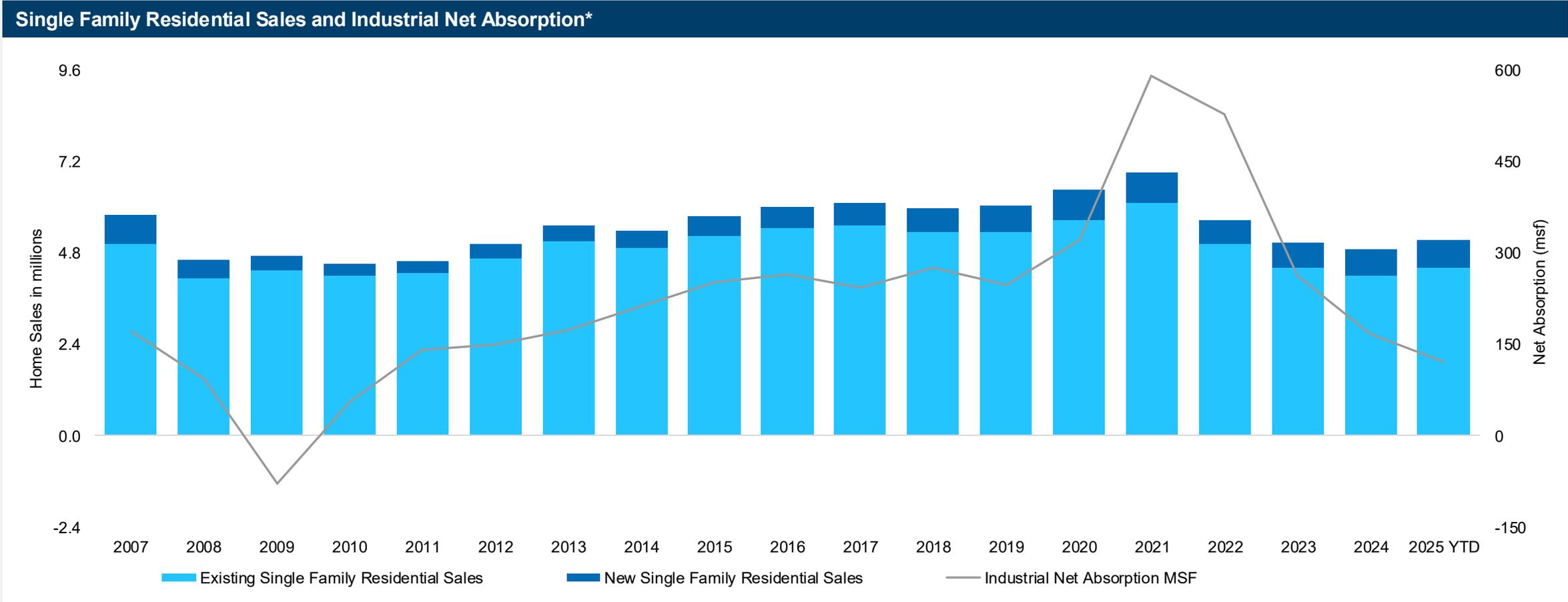
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The Housing Market Remains Sluggish, Impacting Industrial Demand

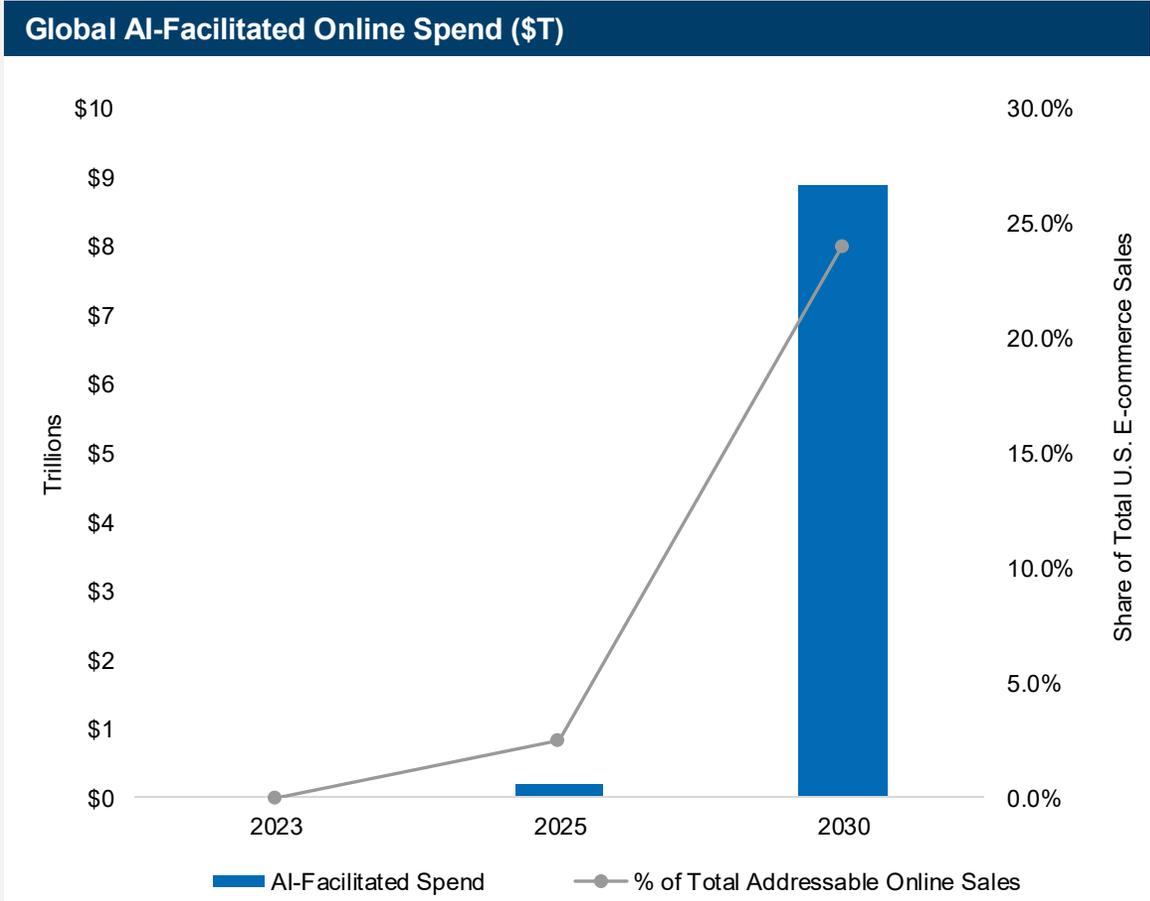
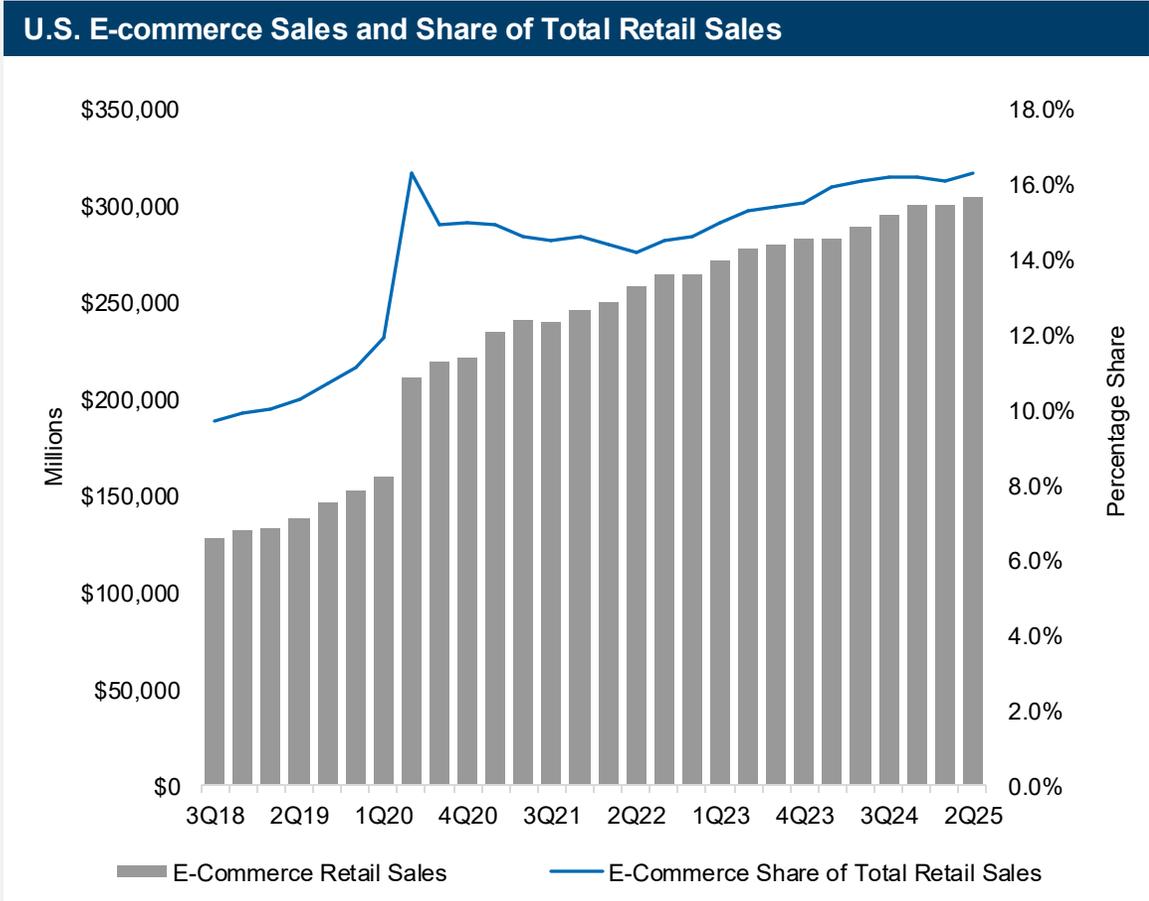
The housing market is faring modestly better now than in the first quarter, yet persistent stagnation is negatively impacting industrial demand. In 2022, The Home Depot was second only to Amazon in total annual leasing activity; since, the home improvement retailer has given back over 5 MSF of space.



*Single Family Residential Sales not seasonally adjusted.
 *Trailing twelve months through September 2025.
 Source: Newmark Research, CoStar, St. Louis Federal Bank, National Association of Realtors, U.S. Census Bureau, October 2025.

Evolving Trends in E-Commerce Continue Driving Demand

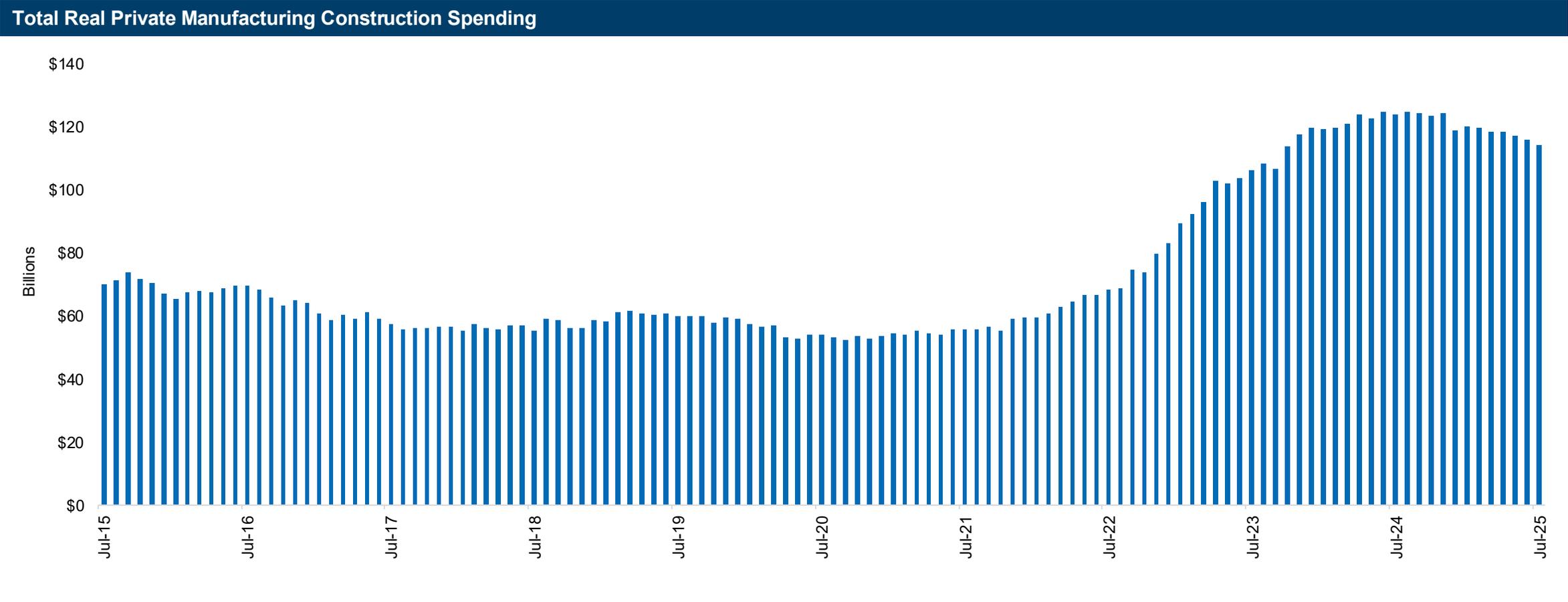
Consumer spending increasingly mixes in-store, online, and omnichannel behaviors as major retailers invest across these channels. At a forecasted 8.7% CAGR between 2025 and 2028, e-commerce growth will continue to drive industrial demand. The use of AI agents in consumer shopping is an emerging factor that could further accelerate e-commerce penetration. AI-mediated shopping could approach 25% of the total potential market for online sales globally by 2030 from below 5% currently, according to some forecasts.



Source: U.S. Census Bureau, St. Louis Federal Bank, Green Street, Ark Invest, Emarketer, October 2025.

U.S. Manufacturing Construction Spending Stays Elevated as 2025 Pace Moderates

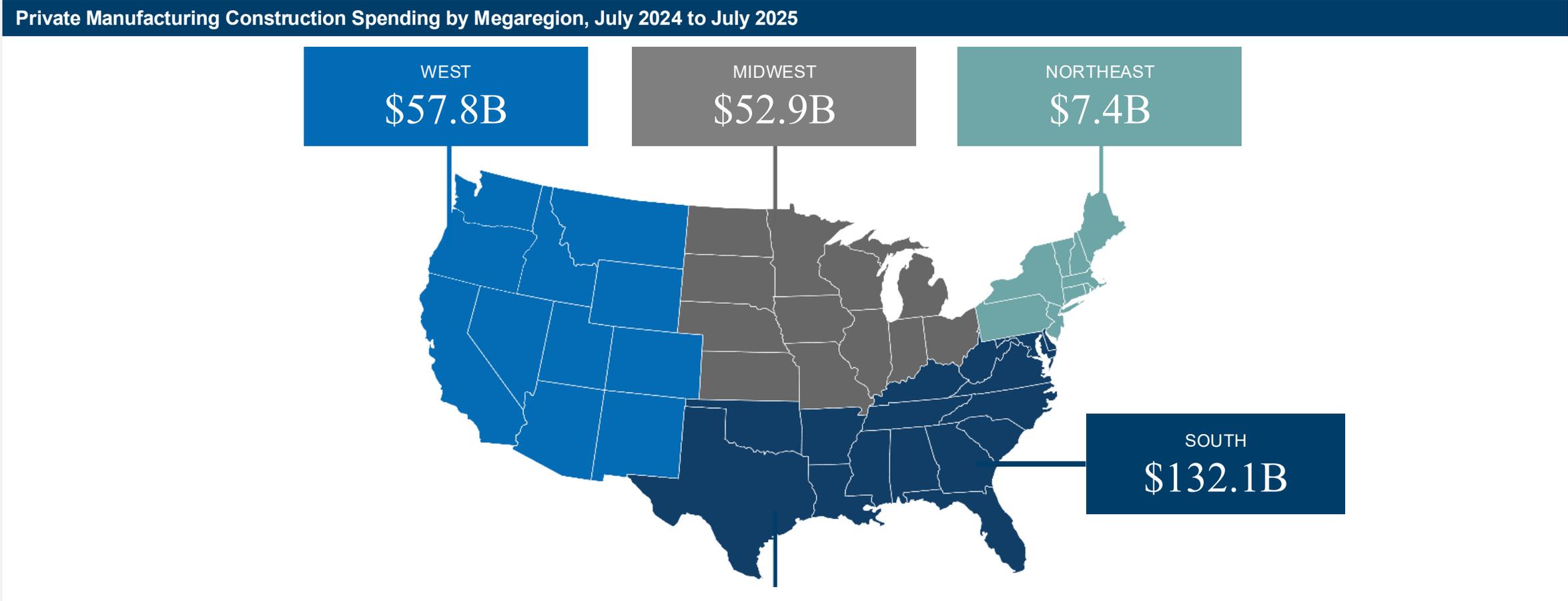
Advanced manufacturers are investing heavily in new construction. In real terms, manufacturing construction measured \$114 billion in July 2025, nearly double the pre-pandemic 5-year average. Growth is driven by both private and public investment, driven by geopolitical and supply chain risks affecting these critical sectors. While spending remains at near-record highs, it has been trending lower in 2025 YTD as manufacturers navigate U.S. policies that both challenge and benefit new factory project kickoffs.



Source: Newmark Research, U.S. Census Bureau, FRED, October 2025
Note: Seasonally adjusted annual rate deflated by New Industrial Construction PPI, chained to 06/2007

The South Leads the Nation In Manufacturing Construction Spending

Over the past 12 months, Southern states have seen \$132 billion in nominal manufacturing construction spend, more than the rest of the country combined. Within the South, the South Atlantic states just edged out the West South-Central states to realize the largest portion of that spending (\$56 billion).



Source: Newmark Research, U.S. Census, October 2025.

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Leasing Market Fundamentals

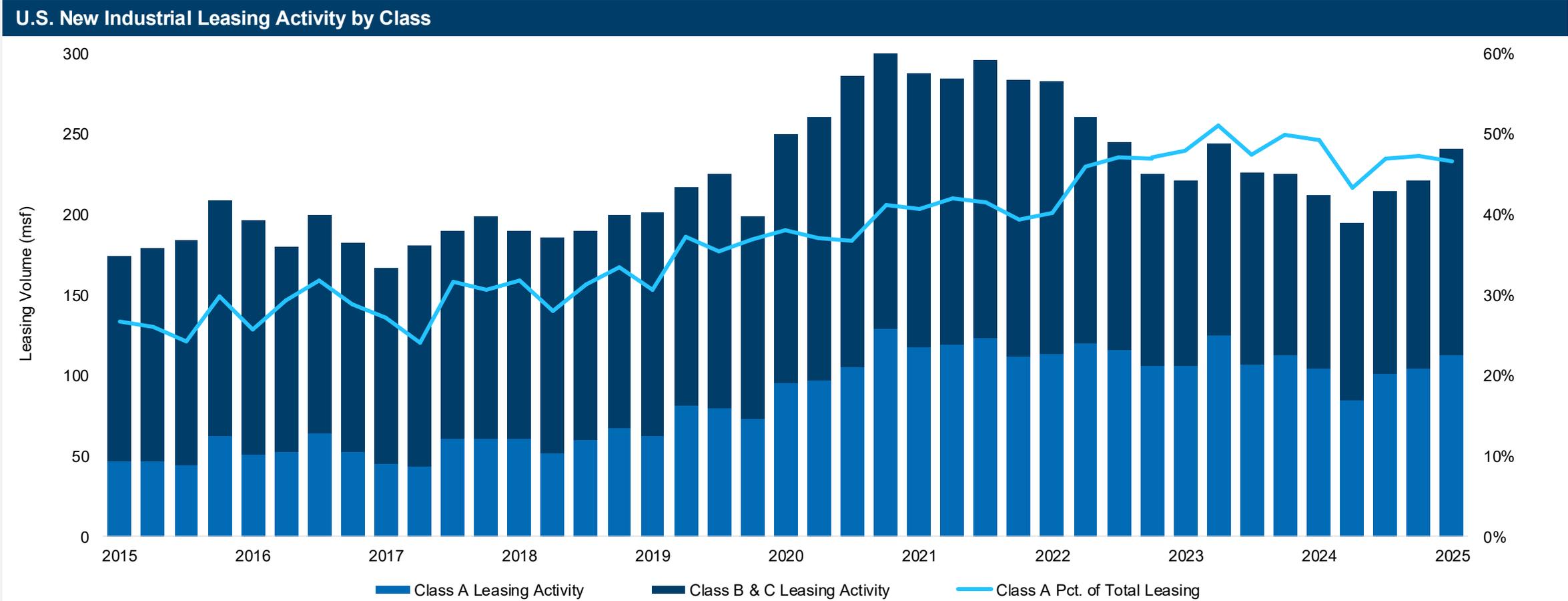
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New Leasing Momentum Is Growing

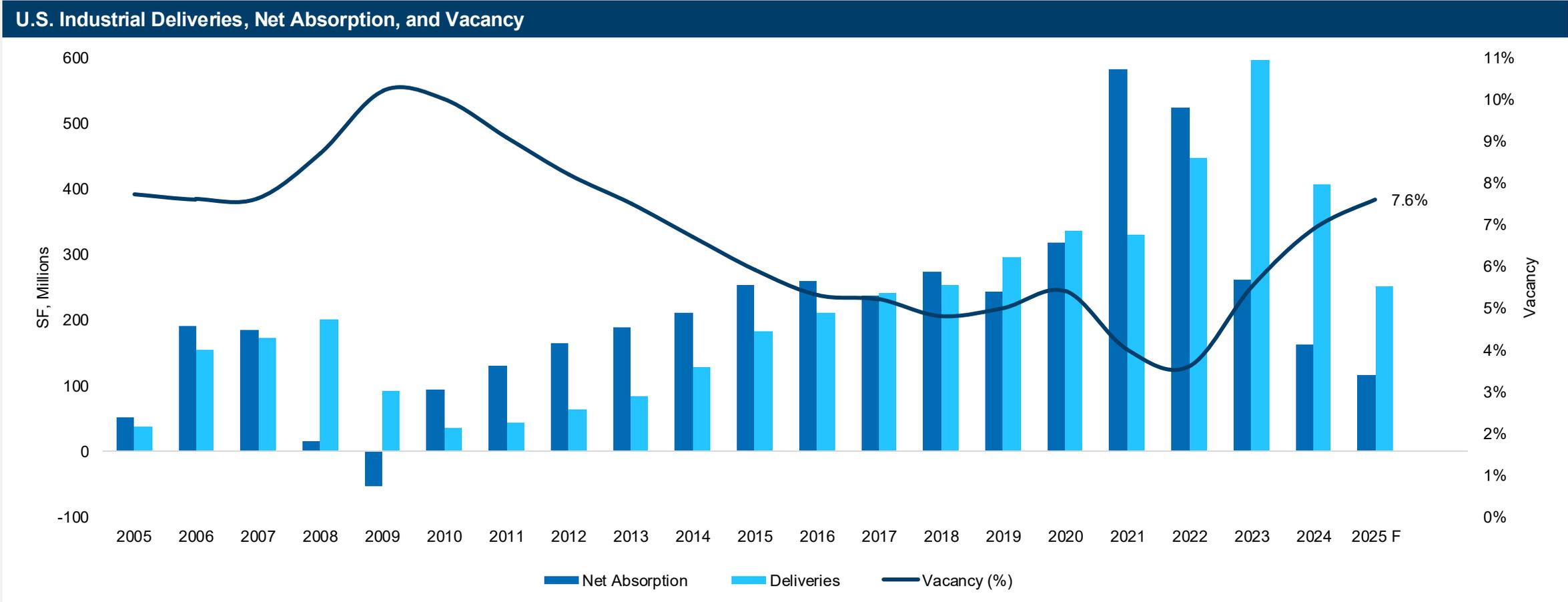
The third quarter of 2025 was the best quarter for new leasing since 2023, with especially notable increases in bigger-box leasing. Two things can be true at once: there’s impressive momentum in new leasing activity, but relative to history, as a percentage of the occupied U.S. industrial base (which has grown 17% since 2019), new leasing volumes are still on the path to recovering the pre-pandemic baseline.



Source: CoStar, Newmark Research. Quarterly leasing volume data compiled October 2025 and is preliminary. Class A is broadly defined as 21st century build with clear heights that accommodate today’s modern occupiers.

But Annual Absorption Is Shaping Up To Be Softest Since 2010

The third quarter was a marked improvement from 2Q's shock to the system, with 36 MSF of net positive absorption tallied. The expectation for 4Q is around the same. While leasing velocity remains demonstrably robust, not all activity is in the service of expanding total occupancy. Amid persistent economic and policy uncertainty and high debt costs, many tenants are consolidating and restructuring to preserve margins. Others are closing entirely as corporate bankruptcies remain elevated.



Inland Intermodal Markets Are Leading Industrial Demand

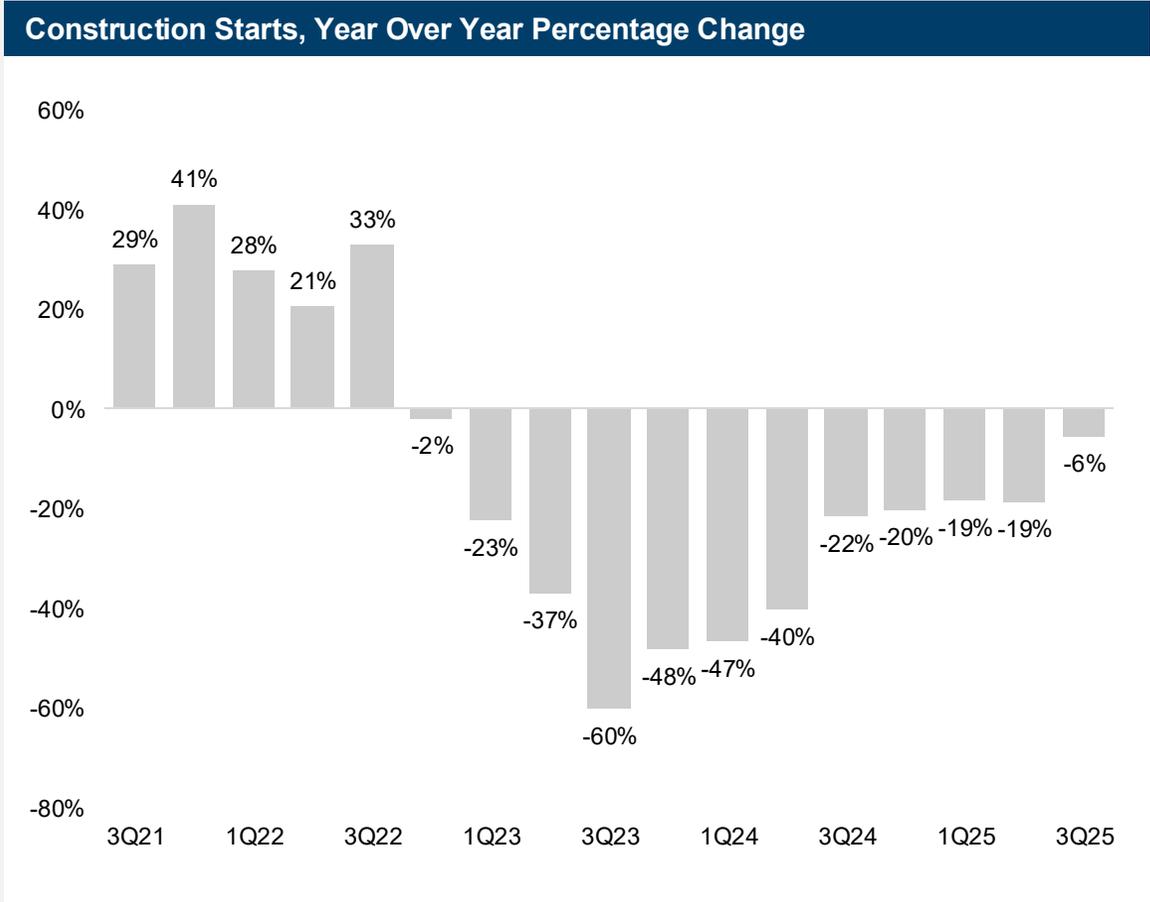
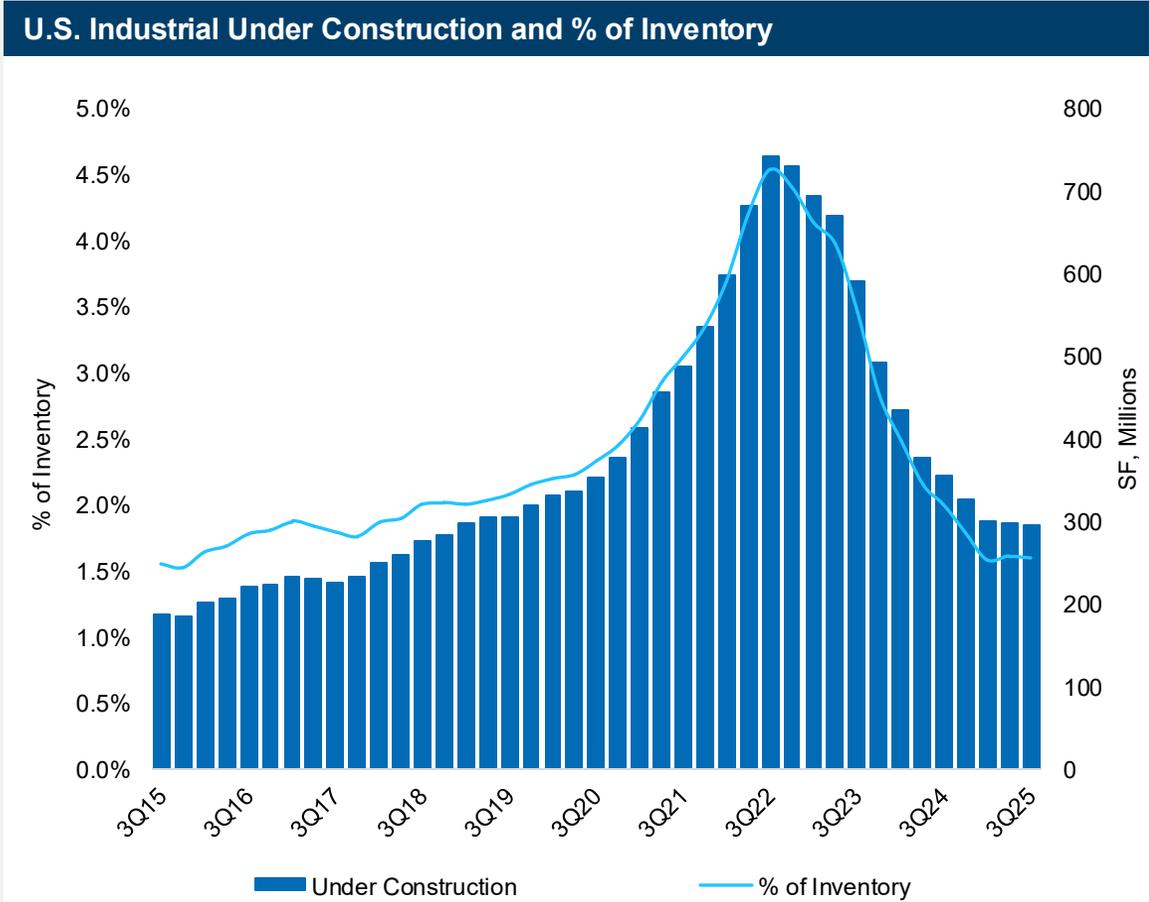
Inland intermodal markets dominated demand rankings year-to-date.

Net Absorption: Top 10 Markets	
Market	2025 YTD Net Absorption (msf)
Dallas	19.0
Phoenix	15.6
Kansas City	8.1
Columbus	5.4
Greenville, SC	5.3
Houston	5.2
Raleigh/Durham	4.5
Indianapolis	3.6
Savannah GA	3.4
Las Vegas	3.3
United States	81.9

Demand Growth: Top 10 Markets	
Market	2025 YTD Net Absorption (% of Inventory)
Phoenix	3.5%
Raleigh/Durham	2.9%
Kansas City	2.3%
Savannah, GA	2.1%
Las Vegas	1.9%
Columbus	1.8%
Austin	1.8%
Dallas	1.6%
Greenville, SC	1.3%
Richmond	1.3%
United States	0.5%

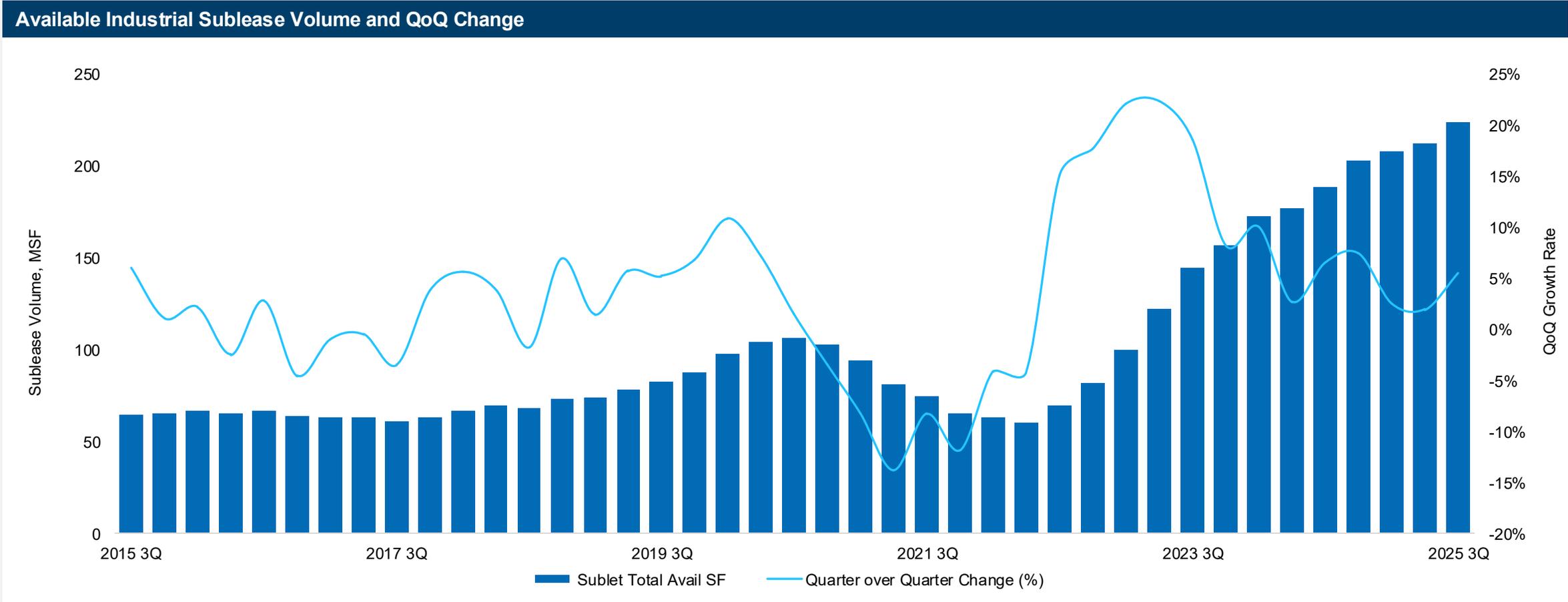
The Great Construction Contraction Continues – for Now

The U.S. development pipeline contracted for the twelfth consecutive quarter, with 290 MSF under construction (the lowest since 2018). This is the longest streak of contraction on record in the 21st century. Yet the difference quarter over quarter amounted to a couple million square feet as a third of markets saw pipelines expand.



Industrial Sublease Availability Still Growing

Sublease space hit 224 msf in 3Q25. While historically, sublease availability has risen faster in recessions and been absorbed faster in recoveries than direct space, this pattern may change. Factors that could cause direct availability to decline before sublease availability in this cycle include FASB accounting rules (like GAAP amortization requirements) adopted in the previous cycle of rapid expansion, non-transferable lease options preventing subleases from receiving direct extension options and the cost of modern facility build-out.



National Vacancy Barely Budes as Some Markets Consistently Post Vacancy Declines

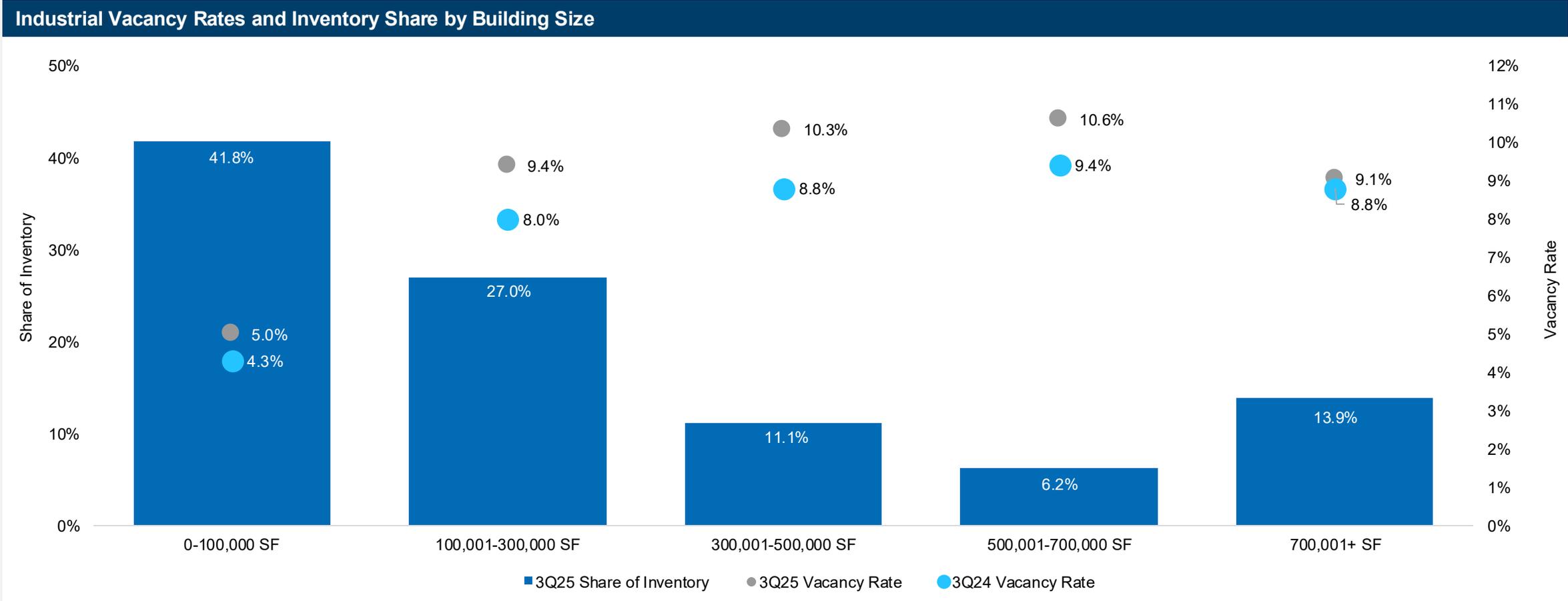
The national vacancy rate inched up only 6 basis points quarter-over-quarter, the smallest increase since 2022, signaling the market is near peak vacancy. While most markets still saw a quarterly rise in vacancy, others are posting more consistent declines. Dallas, for example, has seen three consecutive quarterly declines amid robust net absorption and slowing deliveries.

Lowest Vacancy: Top 10 Markets	
Market	3Q25 Vacancy
Los Angeles	4.2%
Minneapolis	4.2%
Broward County, FL	4.7%
St. Louis	4.8%
Detroit	4.9%
Milwaukee	4.9%
Kansas City	5.1%
Orange County, CA	5.3%
Richmond	5.3%
Salt Lake City	5.5%
United States	7.5%

Vacancy Stability: Top 10 Markets	
Market	3Q24 – 3Q25 Vacancy Change (BPS)
Columbus	-80
Denver	-60
Dallas	-40
Cincinnati	-30
Kansas City	-30
Minneapolis	-30
Pittsburgh	20
Broward County, FL	20
St. Louis	20
New Jersey Northern	30
United States	72

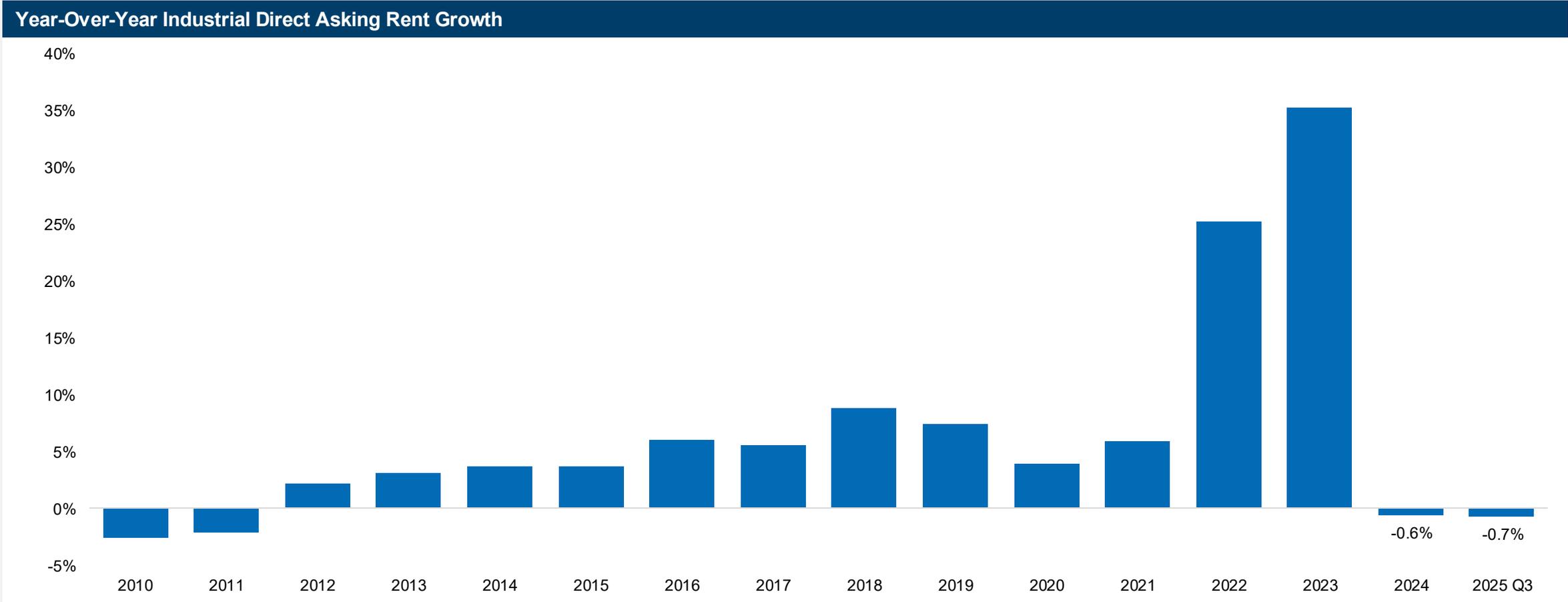
The 100,000 SF and Under Segment Is the Bedrock of the Market

The sub-100,000-square-foot building tranche, inclusive of small-bay and single-tenant, is the largest in terms of share of inventory and lowest in vacancy and contains a significant portion of the industrial buildings built before 2000. While vacancy in this segment has risen, it is growing slower than most, as economies of scale and recent surging demand drove development in larger size categories. But as that development volume declines, the 700,000SF+ segment is emerging as the first to hit a vacancy peak. At 9.1%, vacancy is higher than in 3Q24 but dropped from 9.3% quarter over quarter.



Industrial Asking Rents Have Largely Been in Stasis Since the End of '23

Average direct asking rents dropped a few cents year-over-year. Minor fluctuations over recent quarters have done little to erode meaningful gains: average direct asking rents remain 48% higher than at the end of 2019.



California Markets Maintain Substantially Higher Rents

Land-constrained port markets continue to dominate top rent rankings despite continued recalibration in pricing, with California markets representing the top 5 highest rents in the country. Rising small-bay or specialized availabilities with higher face rates helped push average asking rents upward some of the top rent-growth markets.

Highest Asking Rent: Top 10 Markets	
Market	3Q25
Silicon Valley*	\$30.30
Oakland/East Bay	\$21.15
Orange County, CA	\$17.89
Los Angeles*	\$17.23
San Diego	\$17.12
Long Island	\$16.88
New Jersey Northern	\$16.82
Miami	\$16.36
Boston	\$16.11
Washington, DC	\$15.76
United States	\$10.32

Largest Asking Rent Growth: Top 10 Markets	
Market	3Q24 – 3Q25 Pct. Change
El Paso	11.7%
Houston	11.6%
Oakland/East Bay	10.6%
Seattle	10.3%
Milwaukee	10.2%
Salt Lake City	9.6%
Tampa/St. Petersburg	8.8%
San Antonio	8.3%
Charlotte	7.3%
Orlando	7.0%
United States	-0.7%

04

Capital Markets

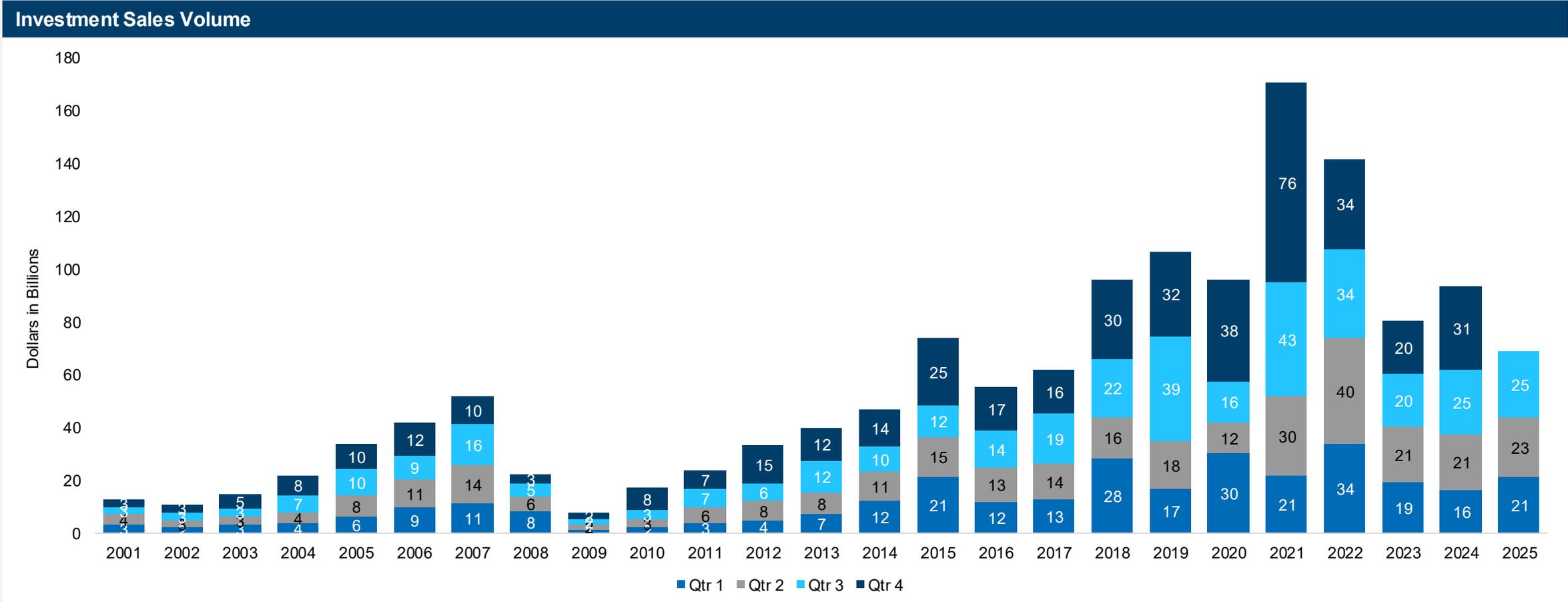
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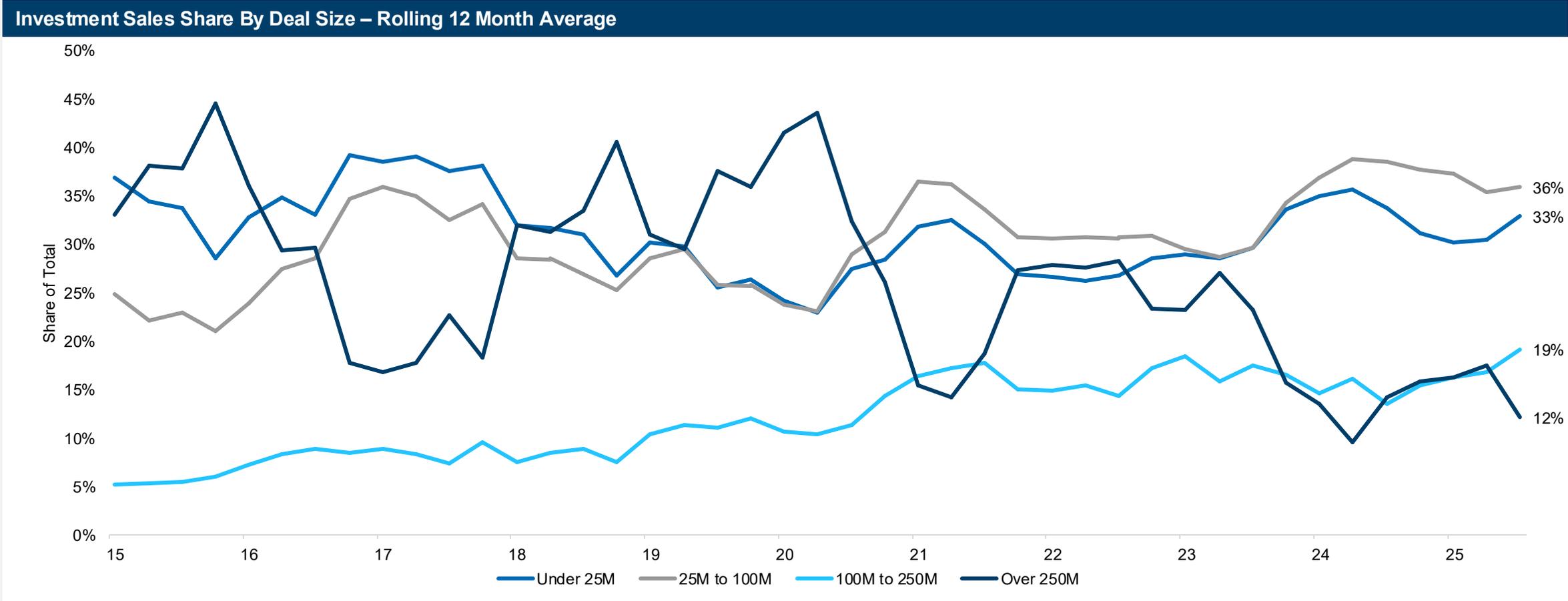
Sales Volume Up 11% Compared to 2024

Industrial sales volume is up 11% compared to 2024, as volume each quarter has increased, though third quarter volume in 2025 matched 2024 volume. While industrial volume hasn't decreased, it has lagged the overall CRE growth rate of 19%.



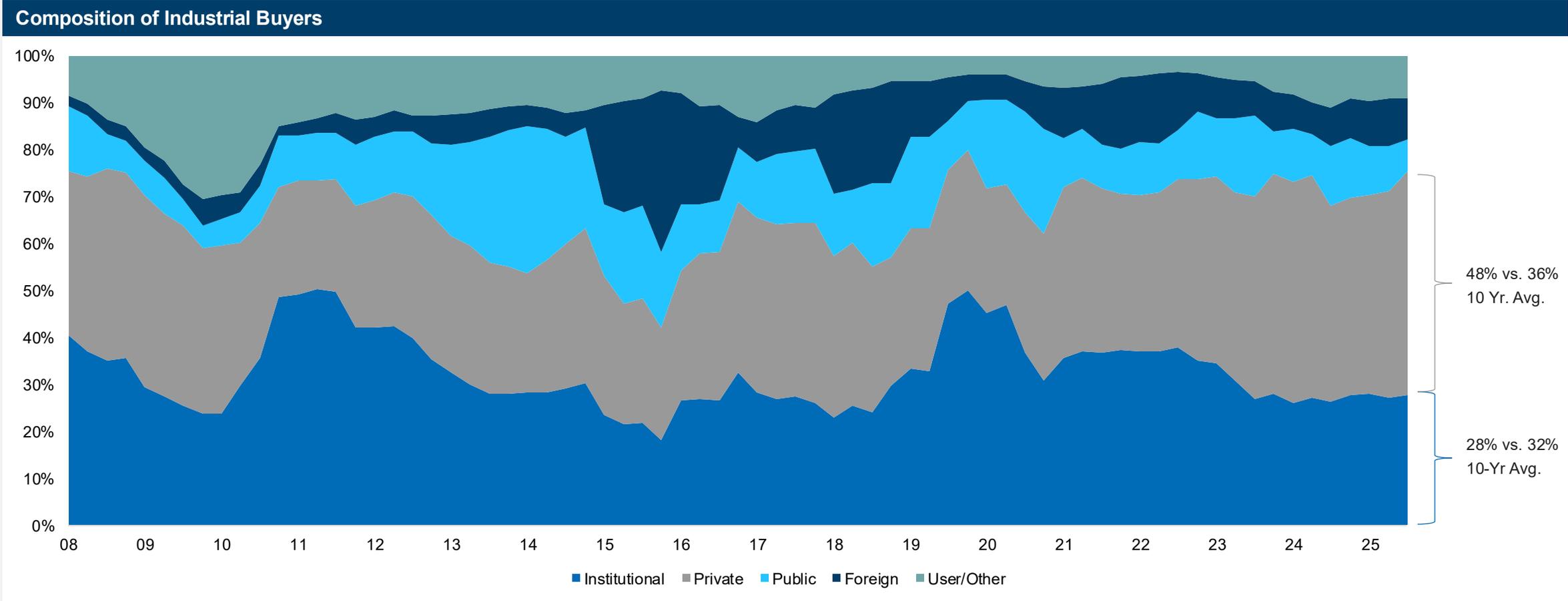
Industrial Transactions Have Moved to Smaller Deals

Deals under \$100M accounted for 70% of investment sales volume in the last four quarters as compared with a long-term average of 60%. The sharpest increase has been in deals between \$25M and \$100M. Deals between \$100 and \$250 million have grown over last year, although there's been a notable drop-off in the largest-size deals of \$250 million plus with fewer portfolios trading.



Private Buyers Account for ~50% of All Volume; Users Maintain Above-Average Share

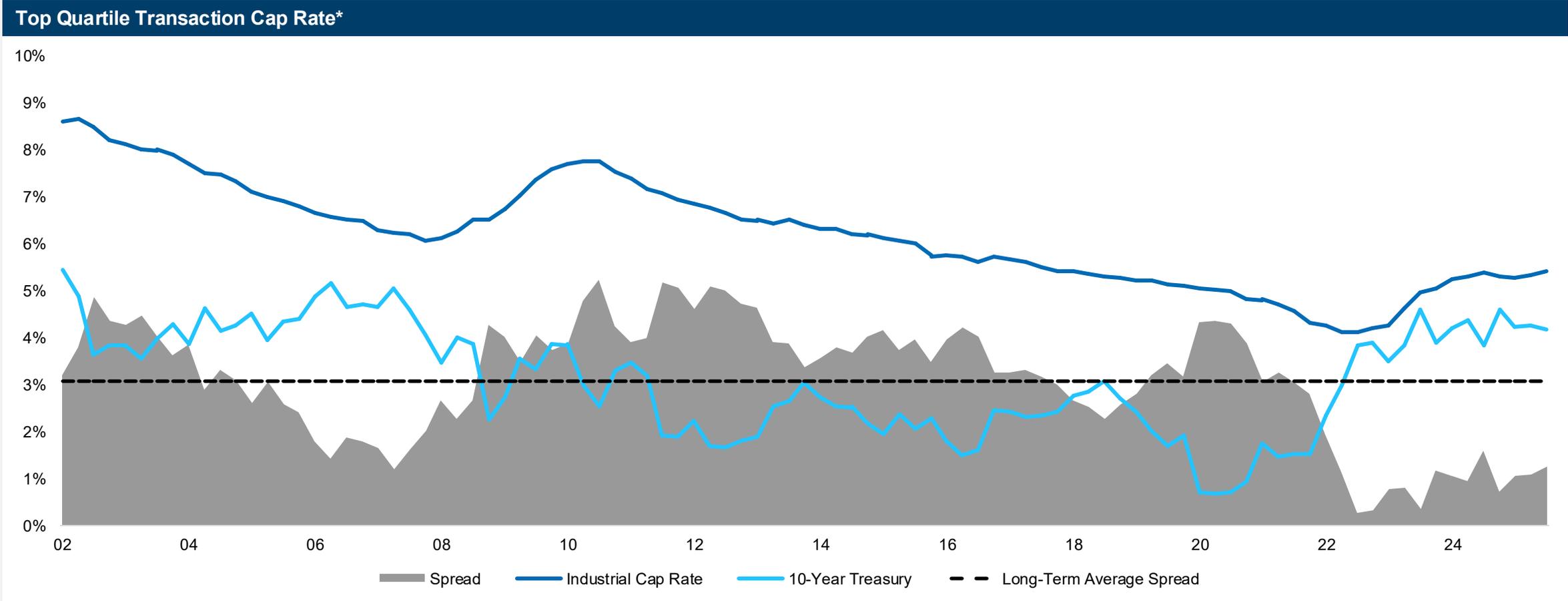
Across the ecosystem of investor profiles, private capital continues to account for nearly half of total acquisitions. Users are seeing more opportunity than the buyer type has seen in years, growing from 3% share in 2022 to nearly 10% share YTD.



Source: Newmark Research, MSCI Real Capital Analytics, October 2025.

Industrial Cap Rates Stable in Mid-5s; Spreads Remain Narrow

Industrial transaction cap rates have fluctuated over the past 12 months in the 5% range, which will likely be the case into 2026. While staying within the 5% range, cap rates have ticked up year-over-year, likely more a function of fewer mark-to-market deals closing than the relative value of the stabilized asset. In 2023, roughly 19% of industrial cap rates were below the 10-Year at the time of sale compared to 7% in 2025.



Source: Real Capital Analytics, Federal Reserve Bank of St. Louis, Moody's, October 2025. * Quarterly

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