



# STATE OF THE MARKET REPORT

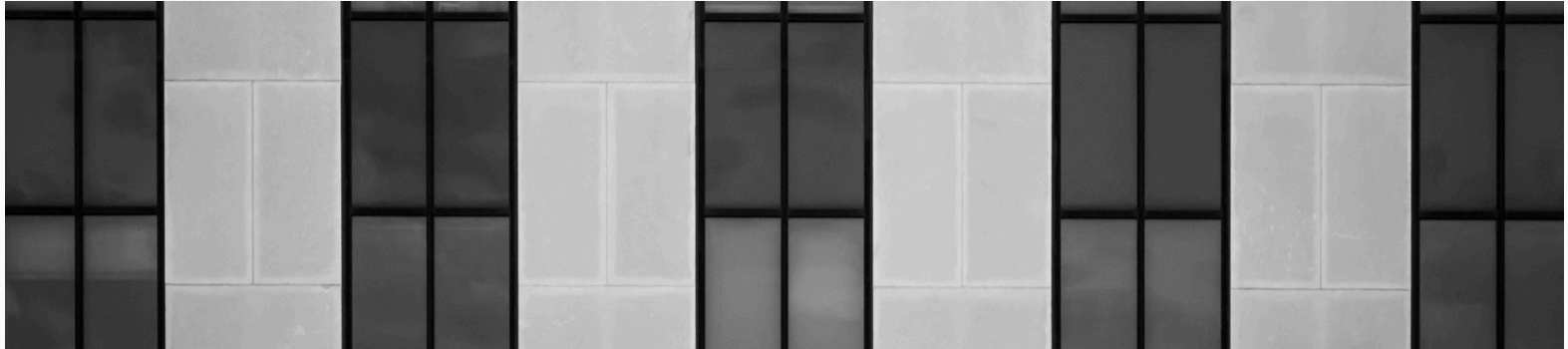
INDUSTRIAL

2026

SVN | Research

SVN Research explores the current state of the industrial sector, examining the forces shaping demand, supply, pricing, and market performance across the country. This report provides a national perspective alongside key market highlights, offering insight into how industrial real estate is evolving in today's shifting economic environment.

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# National Overview

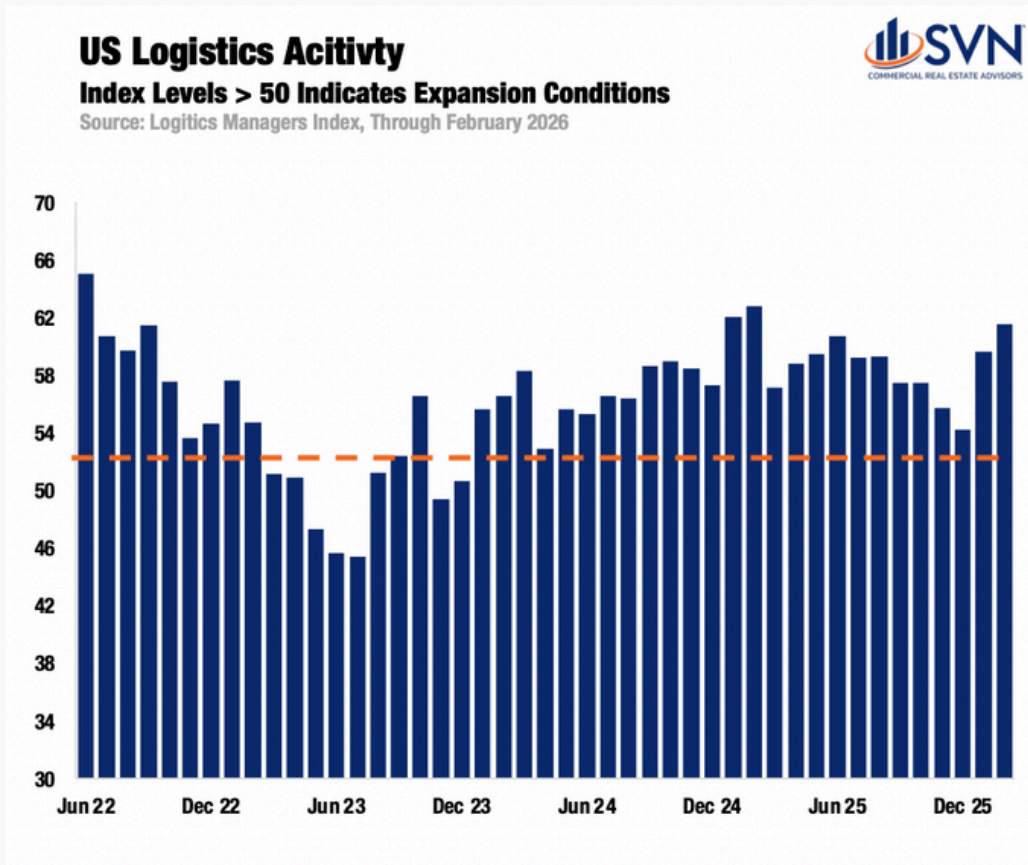
The industrial sector has spent the past year **working through the hangover of a historic supply wave** as occupiers increasingly contended with the uncertainty of tariffs and trade.

Although the sector has moderated from its immediate post-pandemic strength, reshoring, AI infrastructure investment, and a continued recalibration of e-commerce logistics have kept **Industrial demand at the pole position of industry growth**. According to the Federal Reserve of Atlanta's Commercial Real Estate Market Index (CREMI), the Industrial sector continued to perform above its 30-year average throughout 2025, with only the Retail sector outpacing it.

Anticipation of tariffs initially led to a surge in warehouse utilization as early as Q4 2024, when retailers began stockpiling inventories ahead of anticipated increases on import duties. The Logistics Managers' index (LMI), which measures the pace of expansion or contraction in transportation and warehousing activity, opened 2025 at **its fastest rate of expansion since early 2022**.

A historic influx of new inventory followed, and aside from a late autumn drop in activity, the LMI has continued to expand comfortably. In February 2026, the index sat at its third-highest level in over three years.





The tariff and trade picture has continued to fluctuate in the quarters since, while cooling consumer spending and softening labor demand raise concerns about near-term growth prospects.

The COVID-era surge in warehousing demand induced an Industrial supply glut, **leading to twelve consecutive quarters of rising vacancies** through the third quarter of 2025. Simultaneously, the **geographic dominance of port-proximate markets has declined relative to inland ones.**

Nonetheless, pent-up demand from firms that initially delayed Industrial lease signings amid the heightened trade uncertainty has increasingly materialized since mid-2025. Net absorption accelerated during the second half of the year, **making 2025 the second-highest year for leasing volume since 2021.**

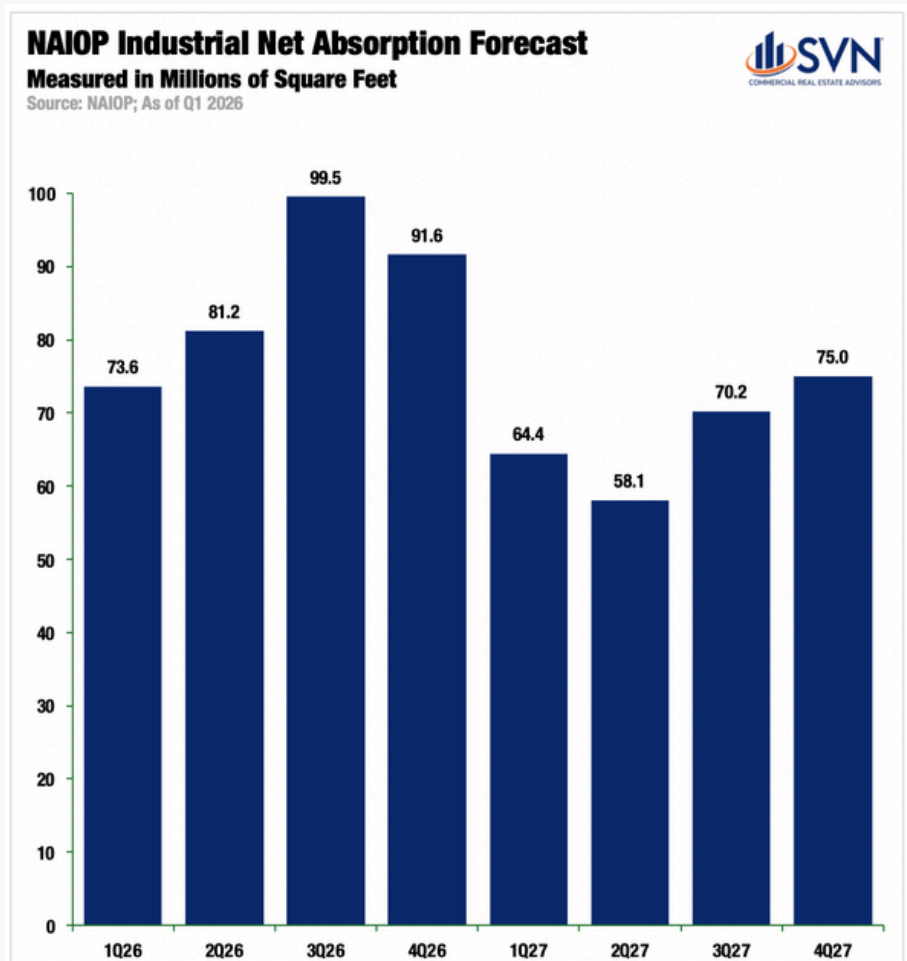
While recent absorption hasn't been enough to offset new supply, **rent growth remains stable**. According to [data from Yardi and Commercial Café](#), national in-place rents for Industrial properties are **up 5.5% year-over-year** through February to \$8.99 per square foot. Further, leases signed within the past twelve months averaged \$9.97 per square foot— a 97-cent premium over the existing lease average.

Bifurcation continues to be a developing story in the sector. Big-box warehouse assets face the weakest occupancy dynamics. According to [Plante Moran](#), **vacancies at large-format logistics facilities surpassed 10%** during the fourth quarter of 2025. Small-bay industrial assets have fared stronger, with vacancy below 5%. Plante Moran forecasts that Industrial vacancy will peak near 8% in 2026.



Looking ahead, industry forecasts point to a **gradual rebalancing of supply and demand**. The NAIOP Industrial Space Demand Forecast projects that **net absorption will continue to strengthen into 2026**, reaching approximately 154.8 million square feet in the first half of the year and 345.9 million square feet for the full year, as economic conditions stabilize and occupier confidence improves.

Quarterly projections indicate a steady progression in leasing activity, with absorption expected to rise from roughly 73.6 million square feet in Q1 2026 to over 90 million square feet by year-end. While vacancy rates may continue to edge higher in the near term as recent deliveries are absorbed, **supply and demand conditions are expected to move closer into balance over the course of 2026**.



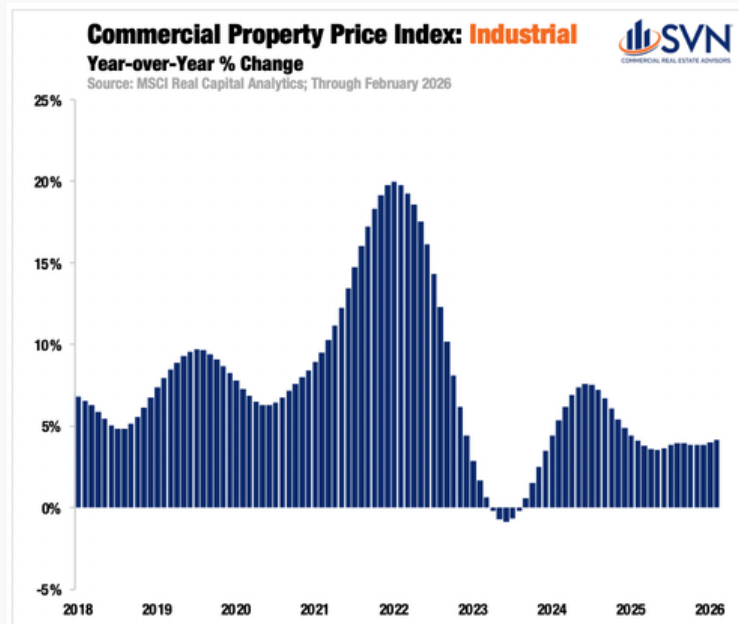
# Pricing

According to MSCI Real Capital Analytics' CPPI, the Industrial sector **continued to post positive price growth in 2025**, reinforcing its position as **one of the most resilient property types across commercial real estate**. On average, Industrial asset values increased by approximately 3.9% over the year, extending the sector's expansion following its post-pandemic normalization.

While pricing growth remained positive, momentum moderated throughout 2025. Annual gains eased from the mid-single-digit range early in the year, reflecting a more balanced environment as higher interest rates and softer demand conditions began to weigh on valuations. Even so, the sector avoided the price corrections seen elsewhere, underscoring the durability of its fundamentals.

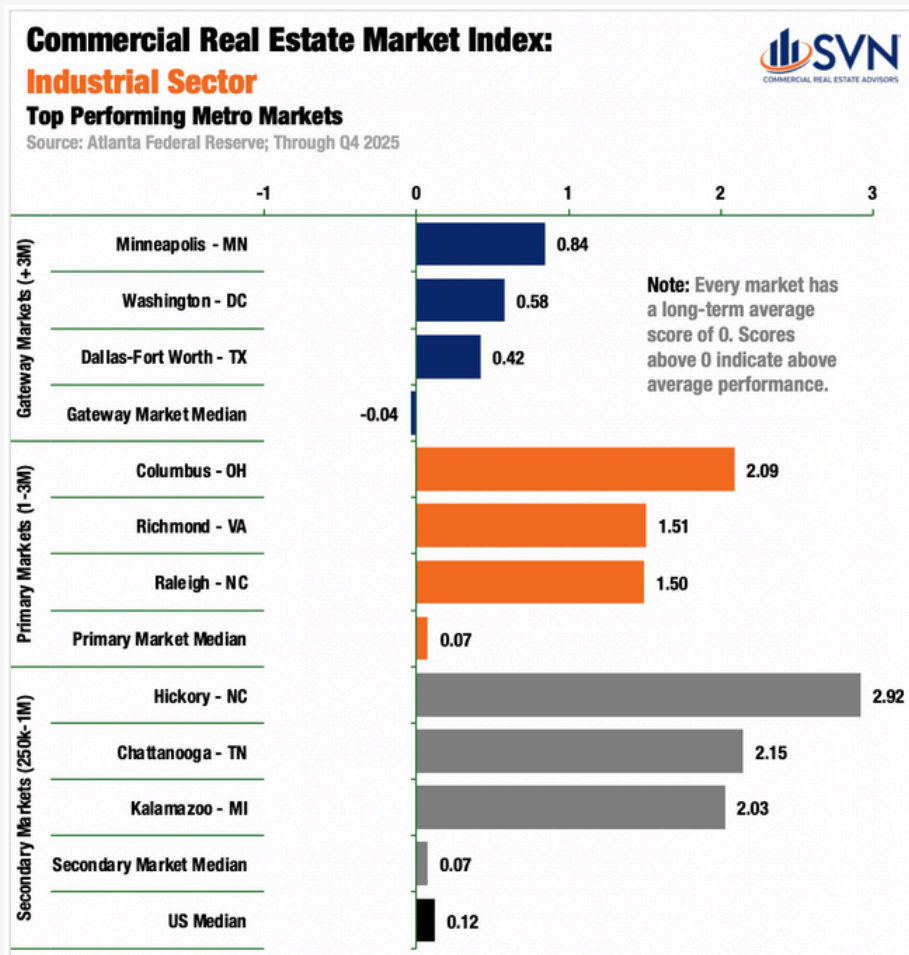
Entering early 2026, **pricing appears to be stabilizing.**

Through February, year-over-year growth edged up to roughly 4.2%, with continued month-over-month gains supported by steady investor demand and improving capital markets sentiment.



# Standout Markets

To identify standout Industrial markets in the past year, the SVN Research Team utilized the Atlanta Federal Reserve Bank’s Commercial Real Estate Market Index (CREMI). The CREMI **provides a holistic view of a CRE sector’s performance within every major US metro – incorporating factors such as occupancy rates, net operating incomes, cap rates, asset pricing, absorption, and broader economic conditions.** Unless otherwise noted, market-level statistics are sourced from the National Association of REALTORS® Commercial Real Estate Metro Market Dashboard, which leverages CoStar data.

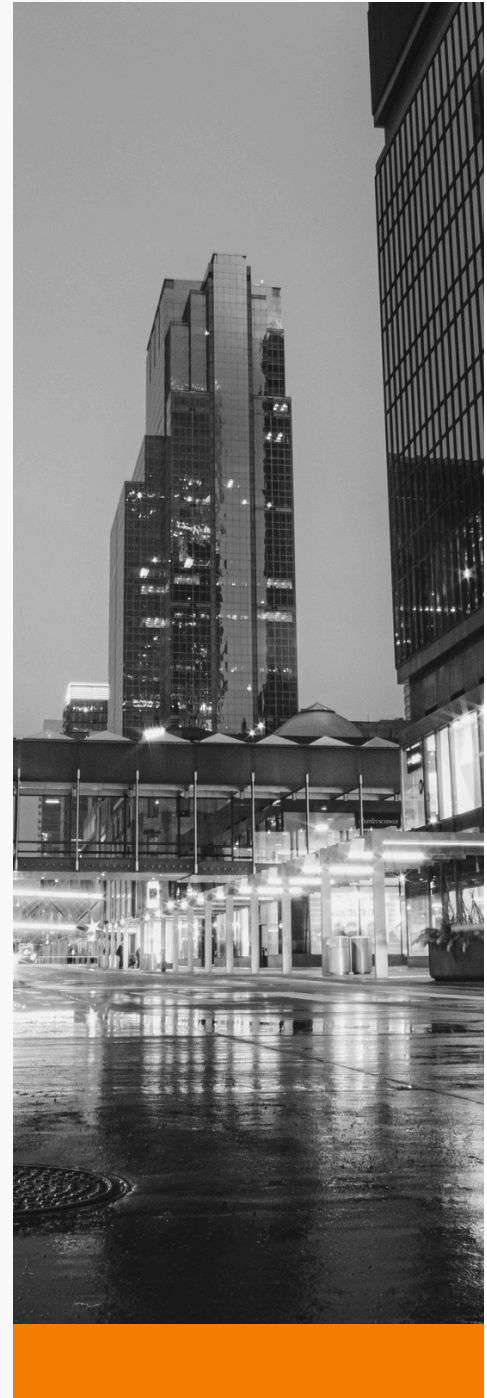


## **GATEWAY MARKET STANDOUT: MINNEAPOLIS, MN**

Among gateway markets, Minneapolis stood out for its **consistency and resilience in 2025**. While demand conditions softened somewhat over the past year, the market's core fundamentals remained firmly intact. **Vacancy rates held at a tight 4.2% in Q4 2025, while rents continued to rise at a healthy 5.0% year-over-year pace**, underscoring sustained pricing power.

Absorption slowed on a year-over-year basis, with trailing 12-month net absorption falling to 2.5 million square feet. However, this moderation appears more cyclical than structural, as **limited new supply and steady tenant demand** have prevented any meaningful loosening in market conditions. At the same time, capital markets sentiment improved modestly, with cap rates compressing from 8.9% to 8.7% and transaction volume increasing over the year.

Minneapolis' Industrial sector continues to benefit from its role as a **regional logistics and distribution hub**, supported by a stable labor market and diversified economic base. In 2025, the market's strength was less about rapid expansion and **more about durability — with steady occupancy, rent growth, and investor demand** reinforcing its position as one of the most stable Industrial markets among major metros.



## MAJOR MARKET STANDOUT: COLUMBUS, OH

Among primary markets, Columbus emerged as **one of the strongest Industrial performers in 2025**, driven by a surge in demand and tightening market conditions. Net absorption accelerated significantly over the year, **reaching more than 13.3 million square feet on a trailing 12-month basis — more than four times the prior year’s pace.**

This wave of demand translated directly into improved fundamentals. **Vacancy rates declined sharply from 8.2% to 6.7%, while rent growth remained robust at 6.6% annually.** At the same time, capital markets activity strengthened, with cap rates compressing from 7.6% to 7.1% and total sales volume rising substantially, signaling renewed investor confidence.



Columbus’ strong performance reflects its **growing role as a logistics and distribution hub** within the Midwest, supported by population growth, job creation, and a business-friendly environment. With more than 16,000 jobs added over the past year and unemployment holding below the national average, the metro’s economic backdrop has reinforced Industrial demand.

In 2025, Columbus distinguished itself not just through strong fundamentals, but through clear momentum — with **demand growth, tightening vacancy, and improving capital market conditions** aligning to position the market as one of the most dynamic Industrial hubs in the country.

## SECONDARY MARKET STANDOUT: HICKORY, NC

Among secondary markets, Hickory **posted the strongest Industrial performance in 2025**, reflecting a combination of tight market fundamentals and disciplined supply conditions. Despite weaker headline demand trends, **vacancy remained exceptionally low at 3.9%, while rents continued to increase, rising 3.4% over the past year.**

Net absorption turned positive in Q4 2025, though trailing 12-month figures remained negative, indicating that demand has been uneven. However, **limited new construction** — with no new deliveries recorded in 2025 — has helped preserve tight supply conditions and support occupancy levels. This supply constraint has played a key role in maintaining pricing stability despite softer demand signals.



Capital markets activity also improved, with **cap rates compressing from 9.5% to 8.8%** and **transaction volume increasing over the year.** Meanwhile, the local labor market remains relatively stable, with unemployment at 3.3%, helping to anchor Industrial demand even as broader growth moderates.

Hickory's performance highlights the importance of supply discipline in smaller markets. Rather than relying on rapid demand expansion, the market's strength in 2025 was **driven by constrained inventory, stable occupancy, and steady rent growth** — positioning it as one of the most resilient secondary Industrial markets in the US.

# ABOUT SVN®

SVN® is the world's leading commercial real estate franchise. SVN's growing network includes over 2,000 Advisors, staff, and independent owner-operators who support clients across markets nationwide.

Built on a foundation of innovation, collaboration, and shared success, SVN Advisors openly share data, knowledge, and opportunities across the entire commercial real estate industry. This industry-leading **Shared Value Network®** approach delivers better outcomes for clients and expands access to deals and information nationwide.

SVN believes that a healthy commercial real estate market is at the heart of every thriving community and is committed to creating Shared Value by aligning strong business performance with meaningful, lasting impact — for our clients, our communities, and the commercial real estate industry.



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