

# US Market Pulse

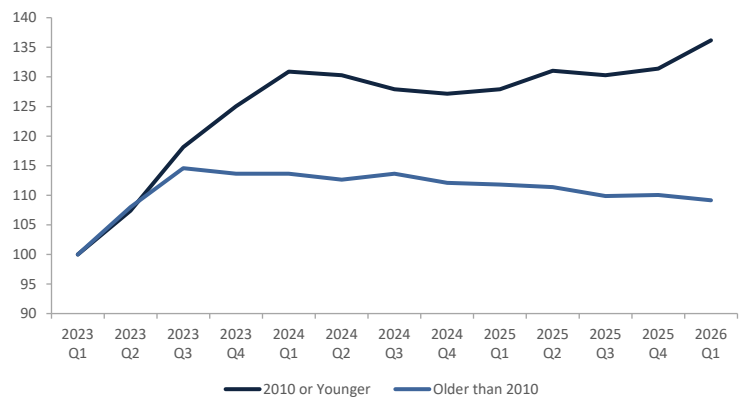
U.S. industrial fundamentals continued improving during the first quarter as the sector progressed toward a more balanced supply-demand environment. Following several years of elevated construction activity, new construction has meaningfully declined, while logistics occupiers continue absorbing excess supply and vacancy rates show signs of stabilization. For the second consecutive quarter, net absorption totaled approximately 50 million square feet, outpacing net completions for the first time since the second quarter of 2022.

Deliveries continued to decline substantially, with a 31% quarter-over-quarter decrease as the development pipeline continues to normalize following the post-pandemic construction surge. Construction starts totaled just 52 million square feet during the quarter, the lowest quarterly level since mid-2015, reflecting tighter capital markets conditions, elevated construction costs, and more disciplined development activity. As new supply continues to slow, industrial fundamentals are positioned to improve further through 2026.

Tenant demand remains heavily concentrated in modern logistics facilities<sup>1</sup>, which continue to outperform older inventory. Net absorption in the first quarter increased to 82 million square feet after excluding negative absorption in buildings built prior to 2010. Occupiers remain focused on operational efficiency, driving stronger demand and rent growth for modern facilities, while older and functionally obsolete properties continue to experience weaker leasing demand. This dynamic has sustained a meaningful rent premium for modern assets, with annual rent growth of 6.5% compared to declining rents in older inventory.

Overall, the industrial sector entered 2026 on firmer footing, supported by improving supply-demand balance, moderating new construction, and continued strength in modern product.

**Rental Index by Building Vintage**  
(indexed at 2023 Q1)



## Industrial Market Fundamentals

▶ **50 million square feet in 2026 net absorption.**

*A second consecutive quarter of robust demand, well above the trailing three-year average.*

▶ **18% quarterly decrease in construction starts.**

*Only 52 million square feet of projects broke ground in 26Q1, the least since Q2 of 2015.*

▶ **6.5% annual rent growth in modern stock<sup>1</sup>, while the older segment of the market trends negatively.**

*Tenants continue to consolidate out of secondary space and into newer, high-quality buildings.*



Source: CoStar as of 3/31/26.

<sup>1</sup>Modern stock defined as buildings with a vintage of 2010 or younger.



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## Endnotes + Disclosures

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