

LARGE-FORMAT DEALS RETURN

Renewed big-box activity drives net absorption following a brief slowdown

February 2026

VANTAGE POINT

Net absorption surged in the second half of 2025, led by larger, newer warehouses and logistics facilities delivered since 2020. Deals exceeding 500,000 square feet jumped 32% year-over-year, with 63% of activity driven by 3PLs and manufacturing occupiers, reflecting corporate supply chain adjustments amid elevated real estate costs and moderating consumer demand. In total, 113 million square feet of net absorption occurred in these larger, newer properties, representing 64% of the nationwide year-to-date total and marking a notable rebound after a lull in 2023–2024.

CONSOLIDATION AND THE FLIGHT TO QUALITY

Major logistics consolidations reshaped key distribution markets. Retailers, 3PLs, and other firms vacated multiple smaller, outdated facilities and combined operations into larger Class A warehouses with higher clear heights and sufficient power to support automation and robotics. As the flight-to-quality trend accelerates, big-box tenants have increasingly pursued build-to-suit (BTS) strategies to customize operational footprints. Nationwide, BTS development activity rose 11% in 2025, and 19% of square footage leased in deals exceeding 500,000 sf was tied to BTS projects. BTS product of 500,000 sf or larger underway increased 14% year-over-year, the highest level since the first half of 2024, positioning it as a key driver of net absorption in 2026, particularly in the second half of the year.

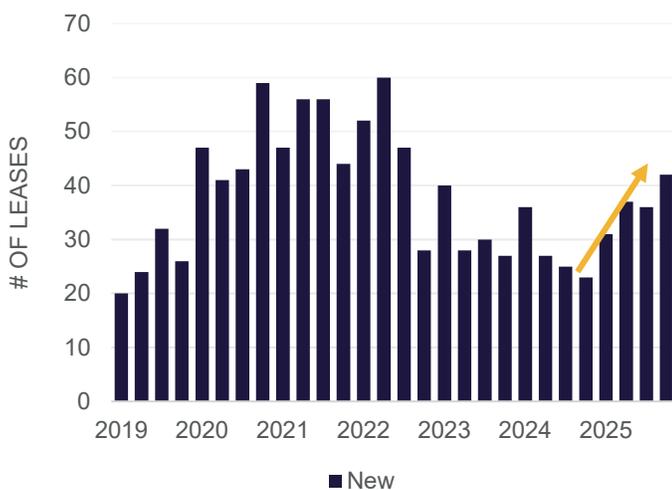
COST SENSITIVITY RESHAPES MARKET SELECTION

Cost considerations continue to influence market selection. Of 104 large leases executed in 2025, 71% occurred in markets priced below the nationwide average of \$10.18 per square foot, with 63% in areas typically 20% or more below the U.S. average. Many corporate tenants are actively focusing on reducing real estate costs, shifting demand toward inland markets and away from higher-priced coastal, port-proximate locations, where rents run 10% to 65% above the national average.

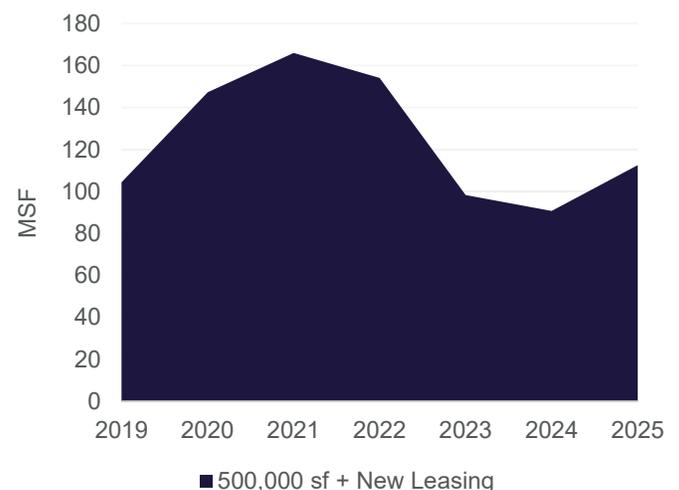
LOOKING AHEAD

With large-format tenant activity back at multi-year highs, BTS development accelerating, and cost-conscious strategies shaping location decisions, the industrial market is poised for continued momentum in 2026. Corporate focus on efficiency, operational quality, and strategic market selection will likely sustain strong net absorption, especially in newer, larger warehouses and logistics facilities.

Quarterly New Deal Count – Leases 500K+



Annual New Deal Volume (msf) – Leases 500K+



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THE IMPACT

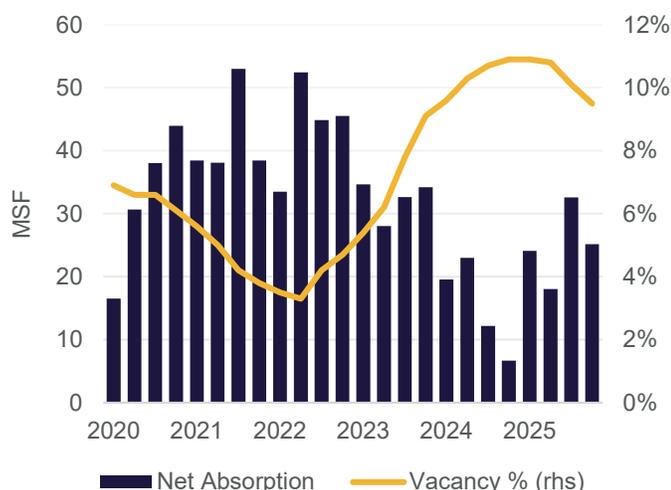
OCCUPIERS

- Increased demand for warehouses 500,000 sf+ has put downward pressure on vacancy rates, which fell 140 basis points year-over-year.
- Fewer large-speculative projects underway (33 msf total) means options for new leases are limited, particularly for newer, high-quality product.
- With limited lease availability, some major retailers, 3PLs, and e-commerce companies are turning to facility acquisitions.
- User-purchase volume reached 36.7 msf in 2025, the highest level this decade and 68% higher than 2024.

INVESTORS

- Reaccelerating demand combined with a development pipeline near an eight-year low is expected to improve occupancy across key distribution markets.
- This environment supports future rent growth, particularly for quality product.
- Developers in select strong-demand markets are already breaking ground on new big-box facilities to meet tenant needs.
- Investor interest in high-quality, well-located industrial product is rising, supporting both increased capital deployment and healthy NOI growth.

Warehouse Vacancy vs Quarterly Net Absorption (Buildings 500,000 sf+)



User Purchases – Industrial Facilities 500,000 sf+



CONTACTS

Jason Price
Americas Head of Logistics & Industrial Research
jason.price@cushwake.com

Jason Tolliver
President, Americas Logistics & Industrial Services
jason.tolliver@cushwake.com