

POCKETS OF STRONG DEMAND GROWTH PERSIST

Select markets defy post-pandemic trends

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VANTAGE POINT

WHAT YOU NEED TO KNOW

Several industrial markets are outperforming expectations, signaling persistent demand despite the national market moderating. Over the last four quarters, Dallas/Ft. Worth, Phoenix, Savannah, Houston and Kansas City each recorded more than 10 million square feet (msf) of positive absorption, surpassing their 2015-2019 averages.

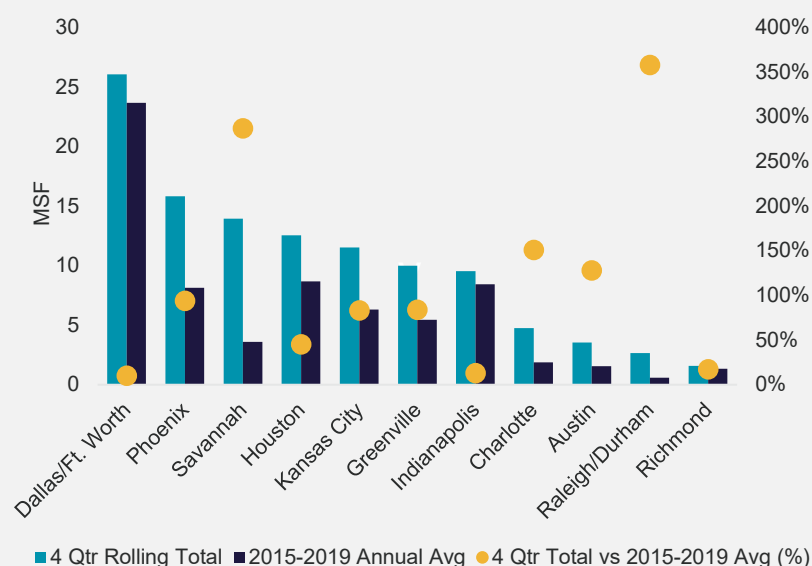
This growth is concentrated in newer facilities built since 2020, while older, less functional warehouses continue to see occupancy losses. In fact, Dallas/Ft. Worth, Phoenix and Houston saw 60.1 msf of absorption within modern industrial buildings, compared to 5.6 msf of losses in buildings constructed prior to 2020. Larger transactions, especially in warehouses greater than 500,000 sf, accounted for approximately half of the absorbed space over the last four quarters.

Manufacturing demand is surging in Austin, Greenville and Indianapolis, where the sector has driven 41% of leasing activity since the start of 2024, helping to propel absorption throughout these markets. 3PL activity remains strong in Savannah, Houston, Phoenix and Kansas City, accounting for more than 33 msf of leased space (or 35% of total activity) over the same period. Meanwhile, Dallas' growth continues to be driven by 3PLs, retailers and manufacturing tenants.

In tandem, investor appetite for industrial product in many of these markets has increased. At midyear, sales volume surged year-over-year across Indianapolis (+58%), Phoenix (+53%), Houston (+31%), Dallas/Ft. Worth (+14%) and Richmond (+14%).

Looking ahead, these high-growth markets are projected to yield strong demand totals through 2026 and 2027. As a result, vacancy rates should begin to retighten, rental rate growth may reaccelerate modestly, and the development pipeline is likely to climb once again as tenants seek modern, efficient logistics facilities.

Rolling 4-Quarter Net Absorption by Select Market



Source: Cushman & Wakefield Research

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