

# AS PIPELINE LEVELS OFF, INFLECTION POINT IN SIGHT

Vacancy approaches peak amid softer completions and steady demand

December 2025

VANTAGE POINT

## WHAT YOU NEED TO KNOW

Construction totals averaged 71 million square feet (msf) per quarter in 2025, the lowest level since the mid-2010s. Declining speculative deliveries, coupled with steady leasing activity, have slowed the pace at which the U.S. industrial vacancy rate has risen the last two quarters. With vacancy remaining flat quarter-over-quarter, the market has shown signs of approaching peak vacancy.

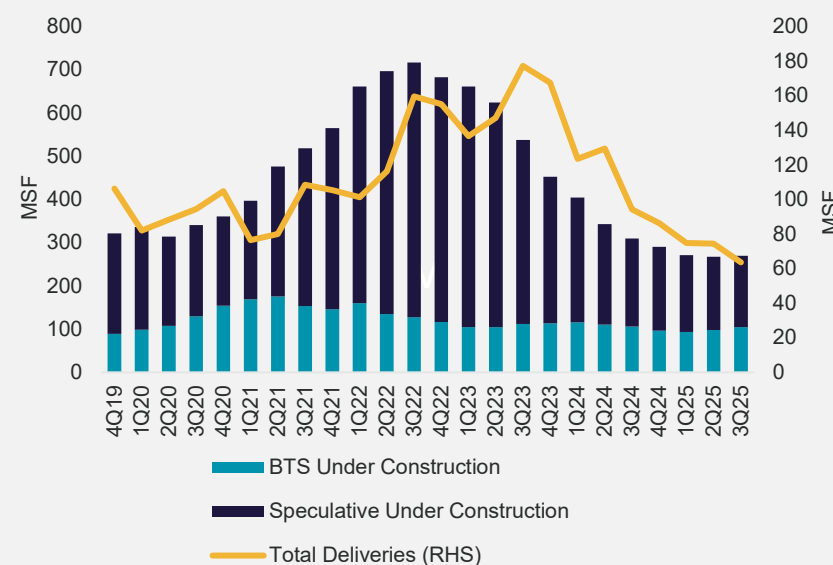
Looking ahead, completion totals are expected to dissipate further, hovering between 45 and 50 msf per quarter in 2026 and keeping the annual total near 200 msf—the lowest since 2015. The current development pipeline has fallen to a seven-year low, which will keep near-term completion totals modest.

The build-to-suit (BTS) pipeline reached a one-year high of 104.7 msf in Q3 as some larger tenants seek customized logistics facilities. This shift toward BTS will help drive future demand totals in those markets. Net absorption is forecast to increase by 25.5% in 2026, fueled by stronger totals in the second half of the year.

Vacancy is expected to peak at 7.3%–7.4% over the next few quarters before improving in 2027 and beyond as demand reaccelerates behind stronger GDP and greater economic clarity. For occupiers, today's elevated vacancy offers a limited window of opportunity to secure space before fundamentals strengthen late next year and rent growth begins to reaccelerate.

Although the national development pipeline has fallen by 13% annually, there are pockets where developers are taking advantage of healthy demand totals. Dallas/Ft. Worth, Houston, Memphis, and Charlotte have all recorded notable increases in their pipelines over the last year while strong net absorption totals persisted throughout 2025. In contrast, most Northeast and West markets saw their pipelines shrink by more than 20% year-over-year.

### Under Construction Pipeline vs Quarterly Completions



Source: Cushman & Wakefield Research

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