Late 2027 could mark a turning point for US industrial market

New forecast finds slowing construction, steady leasing likely to set the stage for accelerating rent growth

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While the latest national industrial forecast calls for elevated vacancy levels to remain under pressure over the next few quarters as supply additions outpace tenant demand, the market is expected to shift next year.

However, industrial construction is slowing, and increased leasing of industrial space should enable net absorption, the net change in occupancy, to exceed new supply by late 2027, marking a turning point for market conditions and setting the stage for rent growth to accelerate.

While leasing activity has remained steady, a lingering supply overhang and elevated space availability are expected to keep industrial rent growth in check over the near term. The national vacancy rate, currently in the mid-7% range, is expected to edge slightly higher into early 2027, then begin to decline gradually by late 2027 as the market moves toward equilibrium.

Compared with the prior forecast, the latest outlook reflects stronger-than-expected demand in recent quarters, leading to an upward revision to near-term net absorption and a slightly lower vacancy outlook.

Rent growth expectations have also been revised higher, with annual rent gains during 2026-27 now forecast to average 1.9%, up from 1.6% previously. Despite these changes, the additional supply expected over the next year is still projected to offset leasing activity and keep vacancy in the mid-7% range until construction activity slows further.

The balance of risks in the forecast remains tilted to the downside. Trade and tariff uncertainty, elevated operating costs including higher fuel costs, and subdued consumer spending on goods could weigh on expansion plans for industrial tenants and delay the recovery in demand.

Under a weaker economic scenario, industrial vacancy could rise above the current forecast and place additional pressure on rents. Conversely, easing inflation, stronger

consumer confidence, and continued resilience in leasing activity could support faster absorption and an earlier return of rent growth.

Over the longer term, demand for U.S. industrial space is expected to increase as consumer spending grows and the industrial development pipeline continues to shrink.

At the same time, ongoing investment in data centers and other capital-intensive industrial uses points to durable demand for industrial-adjacent real estate. As supply and demand move back into balance, the national vacancy rate should begin to decline, with rent growth expected to resume and accelerate heading into 2028.