COSTAR INSIGHT

US industrial demand expected to overtake new supply by early 2027

The shift is likely to reaccelerate rent growth later next year

Despite softer industrial demand in recent years, this mid-sized property in the Houston market remains fully leased. (CoStar)

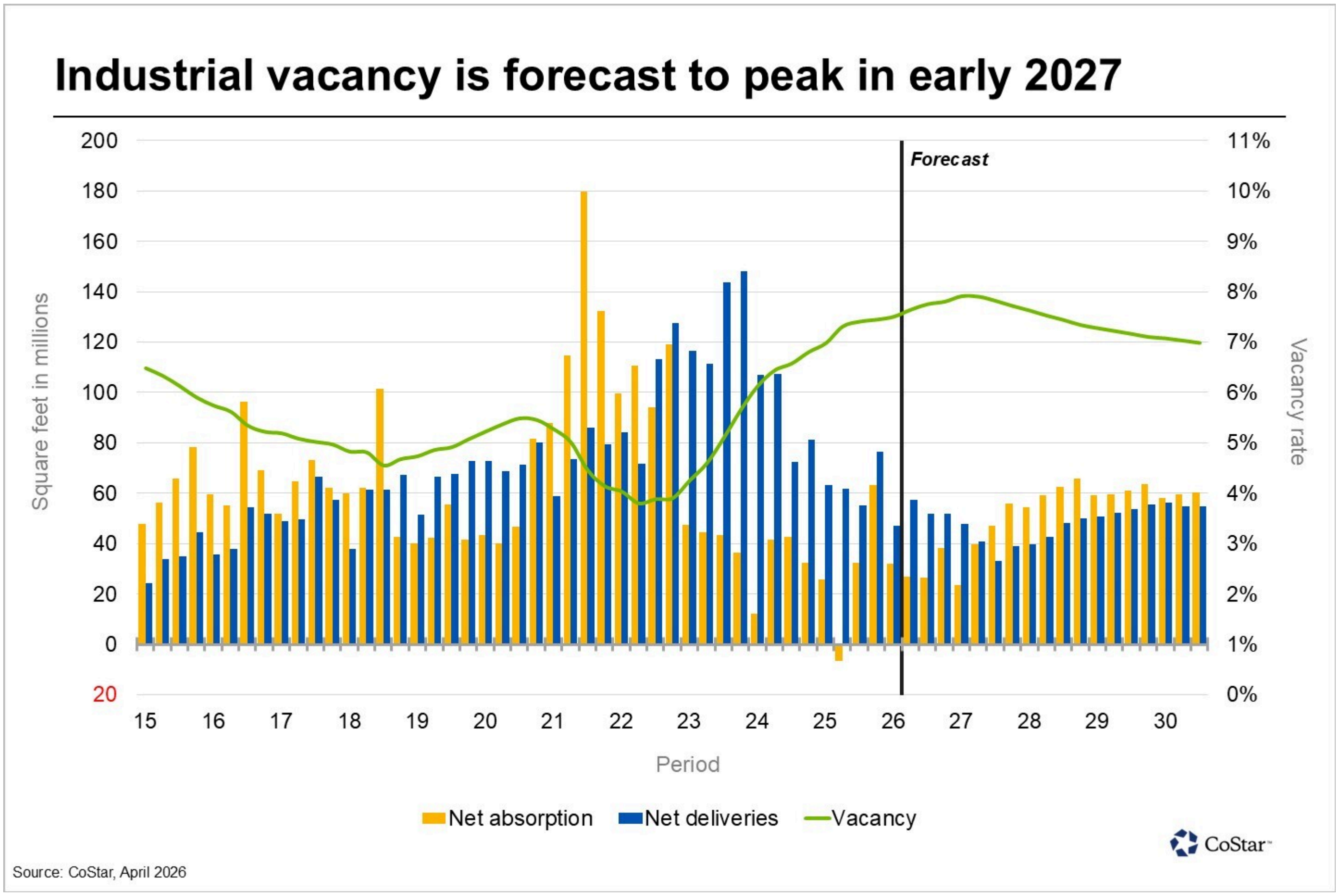
By Juan Arias
CoStar Analytics
April 27, 2026 | 5:19 P.M.

U.S. industrial property demand is expected to start overtaking new supply early next year, changing a dynamic that's plagued warehouse and logistics real estate owners in the post-pandemic era.

The latest CoStar forecast for the nation's industrial real estate market points to a prolonged period of elevated vacancy this year as demand for space normalizes against a still-bulky supply pipeline. The U.S. industrial vacancy rate is expected to stay in the mid-7% range entering the second quarter of 2026 and edge higher into early 2027 before starting a gradual descent.

While leasing activity for industrial space has held up better than initially expected, the recovery path continues to lengthen as stabilizing demand struggles to fully absorb all of the new space completed since 2022.

That said, moderating new supply expected by early 2027 will probably drive a significant inflection point in vacancy and reaccelerate rent growth later next year. The pandemic created added demand for warehouses and prompted a wave of construction that poured onto the market in recent years, having a damping effect on rent growth.



CoStar's forecast is for net absorption, move-ins versus move-outs, to remain broadly consistent with the prior quarter's outlook, supported by healthy leasing activity through the second half of last year. A seasonal spike in absorption is expected later in 2026 as build-to-suit projects reach completion and are occupied, mirroring patterns seen in 2025.

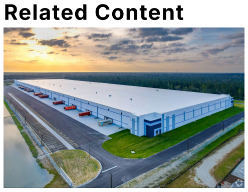
What's more, net absorption is now expected to remain sluggish in early 2027 as macro-economic conditions soften, pushing back the expected vacancy inflection point by a quarter.

Vacancy slightly higher

The U.S. industrial vacancy rate is expected to remain slightly higher in the coming year relative to the prior forecast round, as demand in 2027, while still expected to be higher than 2026 levels, is now projected to come in lower than the prior forecast.

Under this changed scenario, vacancy is projected to edge higher into early 2027 toward the upper-7% range before beginning to move lower thereafter, resulting in a more gradual reacceleration in rent gains.

Related Content



US industrial vacancy rate forecast to peak in 2026 > >

Rent growth assumptions have also been revised lower, with average annual rent growth during 2026–2027 now forecast at 1.6%, lower than the 2.2% gains expected in the prior round.

CoStar's revised forecast now assumes continued downward pressure on rents in the near term, with a slower recovery toward 2% annual growth by late 2027, rather than a quicker rebound earlier in the year under the previous forecast.

Risks remain tilted to the downside

Risks to the forecast remain tilted to the downside.

Volatility around trade policy between the U.S. and other trade partners, persistent increases in tenant operating expenses and potentially subdued consumer spending on goods may continue to weigh on expansion decisions by industrial tenants.

This could drive the industrial vacancy rate to overshoot the forecast, possibly reaching 8% to 9%, and result in a more significant drag on national industrial rents.

Conversely, if inflation eases and consumer confidence rebounds, absorption and rent growth across the industrial property sector could outperform expectations.

At this time, given persistent economic headwinds, a sizeable supply overhang and ongoing trade uncertainty, the forecast is more likely to undershoot on absorption and rent growth than to overshoot.

RELATED ARTICLES

Spotlight on London’s Northern Fringe: Office take-up rises to a seven-year high as more firms comb the area

US office forecast steadies with solid leasing, minimal added supply

US hotel demand regains momentum in the first quarter after last year’s slowdown

London office market holds steady in the face of rising uncertainty

Warning signs emerge for discretionary retail