# INDUSTRIAL/LOGISTICS INVESTOR

# OUTLOOK

SPRING 2026 EDITION

CUSHMAN & WAKEFIELD

Better never settles

Cushman & Wakefield’s Valuation & Advisory Industrial/Logistics Practice Group (LPG) periodically surveys investors regarding their decision-making process in selecting overall capitalization rates. The process involves a myriad of factors but primarily includes analysis of the physical aspects by asset quality (Class A, B or C) and location, in relation to current market conditions and tenancies, as well as a forecast of future trends driven by changing demand indicators. For our Spring 2026 Edition, we interviewed representatives from some of the nation’s most prominent institutional buyers and sellers of industrial assets, including Cushman & Wakefield’s Industrial Capital Markets

## Physical Criteria/Location

Market participants typically focus on the type (Class A, B and C) and location of an industrial asset prior to selecting an appropriate overall capitalization rate. While the criteria related to defining the asset type may vary, most agree on the following, as defined by CoStar Group Inc.:

- Class A Industrial: Class A buildings generally qualify as desirable investment-grade properties that command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high-quality (and in some buildings, one-of-a-kind) floor plans. These buildings contain the best quality materials and workmanship in their trim and interior fittings and typically have clear heights in the 32-to-40-foot range, along with sufficient power to support AI/Automation.
- Class B Industrial: Buildings in this category command lower rents or sale prices than Class A properties, as Class B buildings tend to offer utilitarian space without special features. These buildings typically have average to good maintenance, management, and tenants. They are less appealing to tenants than Class A properties, and may be inferior in several respects, including floor plans, condition, and facilities.
- Class C Industrial: These structures generally can be classified as no-frills, older buildings that offer basic space, commanding lower rents or sale prices compared to other buildings in the market. Such buildings typically have below-average maintenance and management, with mixed or low tenant prestige, low clear ceiling heights, and/or inferior mechanical/electrical systems.

## Risk Factors/ Market Conditions/Tenancies

Although the above criteria are of primary focus, the participants also identified the following risk factors influencing their purchasing decisions:

- Overall vacancy and strengths/weaknesses of the local market, occupancy, lease terms, and near-term rollover
- Readily available developable land for potential competition
- The functionality of the asset (clear ceiling height, layout, design, ratio of office to total warehouse space, lighting, power, adequacy of parking and truck storage, truck turning radius, etc.), as well as the age and condition of the asset, including the roof structure
- Access to major transportation linkages (interstate, rail, port access, etc.)
- Proximity to growing populated urban areas
- Creditworthiness of the tenant(s) and contractual rent in place in relationship to market rent levels (above/below market), and potential of rent increases over the initial lease term
- Replacement cost considering current construction costs

In addition to the above, investors are far more attuned to addressing the needs of the end-users/occupiers who want facilities that are more efficient to operate and offer the ability to ship products faster, while located in close proximity to readily available labor markets, and more recently, the availability and cost of power/energy

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## Final Results – Spring 2026

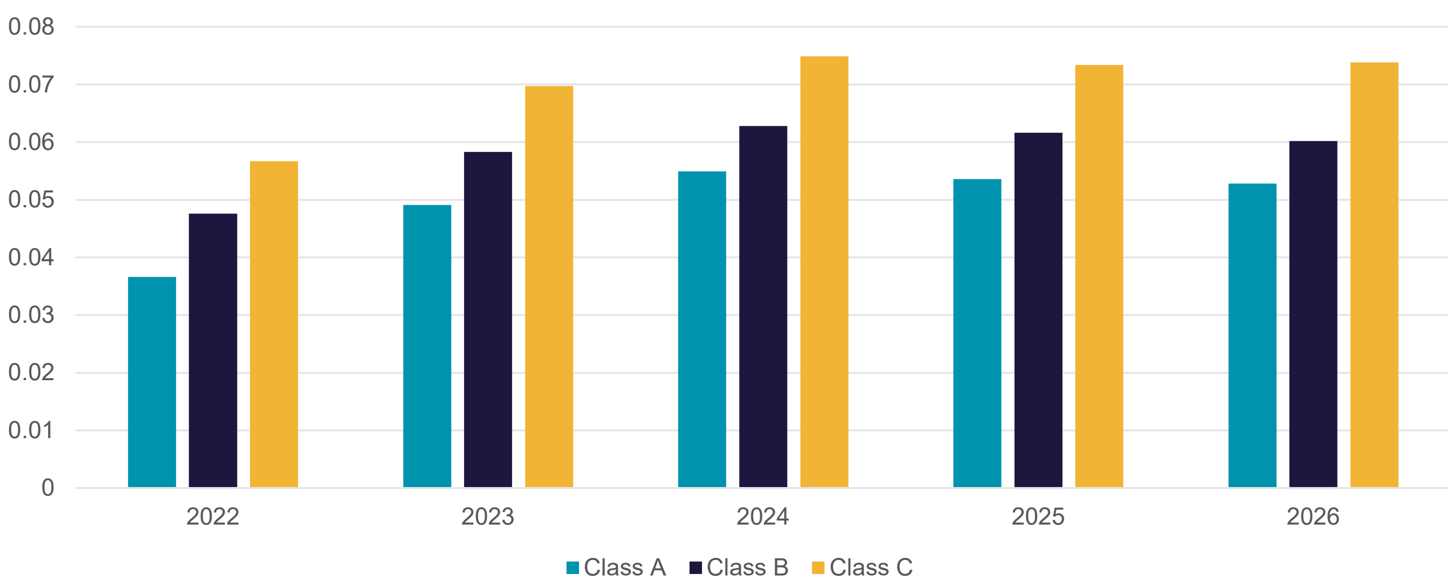
The results of our investor survey (overall capitalization rates), conducted in Spring 2026, were provided by representatives of some of the largest institutional/pension fund buyers and sellers of industrial assets nationally. They are presented as follows:

| INDUSTRIAL OVERALL CAPITALIZATION RATES - COMPARISON ANALYSIS SPRING 2026 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spring 2026 | Spring 2025 | Spring 2024 | Spring 2023 | Spring 2022 | 12-Mth Change (BPS)* | 24-Mth Change (BPS)* | 36-Mth Change (BPS)* | 48-Mth Change (BPS)* |
| **Class A - Range** | 4.75% - 5.75% | 4.50% - 6.50% | 4.50% - 6.25% | 4.00% - 6.00% | 2.50% - 4.75% | | | | |
| ***Average*** | *5.28%* | *5.36%* | *5.49%* | *4.91%* | *3.66%* | *-8* | *-21* | *37* | *162* |
| **Class B - Range** | 5.50% - 6.75% | 5.50% - 7.00% | 5.50% - 7.50% | 4.50% - 7.00% | 3.00% - 6.00% | | | | |
| ***Average*** | *6.02%* | *6.16%* | *6.28%* | *5.83%* | *4.76%* | *-14* | *-26* | *19* | *126* |
| **Class C - Range** | 6.50% - 9.00% | 6.00% - 8.75% | 6.50% - 9.00% | 5.00% - 9.00% | 4.25% - 7.50% | | | | |
| ***Average*** | *7.38%* | *7.34%* | *7.49%* | *6.97%* | *5.67%* | *4* | *-11* | *41* | *171* |
| **Overall Average** | **6.23%** | **6.29%** | **6.42%** | **5.90%** | **4.70%** | **-6** | **-19** | **32** | **153** |

*Note - The lower-end of the range reflects Class A assets with long-term credit tenants at market rent levels (with escalations) or short-term tenants with below market leases in-place located in Southern CA, New Jersey (Northern), Dallas and Southern Florida.*
**Ending Spring 2026*
*Compiled by Cushman & Wakefield's Valuation & Advisory Industrial/Logistics Practice Group (IPG).*

The results of our survey over the previous five-year period are graphically presented as follows:

**INDUSTRIAL OVERALL CAPITALIZATION RATES – COMPARISON ANALYSIS SPRING 2026**



Based on the Spring 2026 results, overall capitalization rates range widely by asset class, indicating a 74-basis point (bps) differential between Class A and B industrial product, and a 210-bps difference between Class A and C industrial facilities. Overall rates for Class C properties are 136-basis points higher than Class B industrial product. The lower-end of the range reflects Class A assets with long-term credit tenants at market rent levels (with escalations) or short-term tenants with below market leases in-place located in Southern CA, New Jersey (Northern), Dallas and Southern Florida (Miami). Chicago, Houston, Nashville, Charlotte, Atlanta and Phoenix were also noted as high demand and growth markets, but to a lesser extent.

Investors are also targeting Class B and, in some cases, Class C product, seeking higher rent growth and greater yield/return expectations—especially from those assets with below-market leases in place and located near populated urban areas with access to a readily available work force, and availability of lower-cost power/energy. Assets near urban areas with strong population growth potential continue to be in demand due to reduced shipping and delivery times.

As interest/lending rates remain steady and have begun to normalize over the last six-months, and 10-Year U.S. Treasuries continued to hover near the 4.0% range, the current survey indicates that average capitalization rates for Class A assets have remained effectively constant but have nevertheless shown a very slight decline for Class A assets over the last year by only 8-pbs, Class B assets by 14-bps, and a slight increase for Class C assets by only 4-bps, since our Spring 2025 survey. However, investors are anticipating interest/lending rates will slightly subside by the second half of 2026, thus potentially seeing a slight reduction in yield/overall capitalization rates especially in the core markets. Nonetheless, investors are closely monitoring any signs of interest rate increases and/or decreases, 10-year Treasury yield rates and the resulting effects of U.S. tariff policy changes, as well as the recent unsettled nature of the Middle East/Iranian conflict.

## Final Observations/Key Take Aways

- Investors continue to see strong demand for industrial assets in 2026, especially for Class A assets in core growth markets.
- Steady demand is expected to persist overall with a slight acceleration expected later in 2026. Coastal (port-proximate markets) may lag in demand growth compared to markets in the Southwestern and Southeastern regional markets, but most markets are expected to post healthy demand totals, slightly above levels achieved in 2024 and 2025. Assets located in Southern CA, New Jersey (Northern), Dallas and Southern Florida (Miami) are still in high demand, but Chicago, Houston, Nashville, Charlotte, Atlanta and Phoenix were also noted as high demand and growth markets, but to a lesser extent.
- Class A properties in core U.S. Markets will continue to command more aggressive overall capitalization rates. Class B and, in some cases, Class C assets in proximity (infill locations) to populated urban areas with readily available workforce are in demand (although limited) as investors/occupiers seek higher yields compared to Class A assets as well as continuing to solve the last-mile dilemma in populated urban locations. However, the investor demand for Class C assets is highly limited.
- Value-add projects with shorter weighted average lease terms, ideally close to three years or less, continue to be on investors radar. The ability to quickly achieve mark to market rents upon rollover and yield growth, escaping the negative spread to current financing options are the sweet spot for market activity. Nonetheless, credit and term are the drivers, and cash buyers have the competitive edge in today's environment.
- Acquisitions are moving forward, and the deal flow/interest is expected to continue throughout 2026. Both buyers and sellers have become more realistic with their pricing expectations, as the "bid/ask" differential continues to narrow, and capital will continue to pursue infill locations.
- Industrial fundamentals are expected to remain solid throughout 2026 and 2027, with continued but modest rent growth, while vacancy rates should once again start to recompress slightly. Also, fundamentals have remained resilient over the last year, driven by tenants needing to make decisions, stronger leasing activity and less new supply entering the market.
- Net absorption surged in late 2025, driven by larger, newer logistics facilities. Deals over 500,000 square feet rose 32% year over-year, led by 3PL and manufacturing users, resulting in 113 million square feet absorbed - 64% of the national total and signaling a rebound from 2023-2024.

- Large occupiers are consolidating multiple locations into larger, high-quality, Class A facilities, which has helped spur BTS development due to customization needs by some corporate users. Tenants are prioritizing lower-cost inland markets over expensive coastal locations, with most large leases occurring well below the national average rent. With large-format demand, BTS activity, and cost-driven location strategies converging, the industrial market is positioned for sustained absorption growth in 2026, especially in large-scale facilities.
- Minimal concern is seen with the Feds potentially increasing interest rates, with most investors foreseeing a slight interest rate reduction but not until the second half of 2026; thus, potentially reducing overall capitalization rates. Overall capitalization rates have in fact effectively remained steady over the last year, with only a slight decrease potentially anticipated second half of 2026.
- Reaccelerating demand combined with a development pipeline near an eight-year low is expected to improve occupancy across key distribution markets. The environment supports future rent growth, particularly for quality projects. Developers in selecting strong-demand markets are breaking ground on new big-box facilities to meet tenant needs. Investor interest in high-quality, well-located industrial products is rising, supporting both increased capital deployment and healthy NOI growth.
- Logistics and Data Center assets are the preferred asset classes. However, e-commerce is clearly driving the demand as online shopping continues to accelerate, especially with the infusion of artificial intelligence driving the supply-chain efficiencies. Onshoring will continue to increase demand in some pockets of the country.

**With a strong infrastructure in place in most U.S. markets, vacancy rates still at pre-pandemic averages, the continued push for onshoring and the availability of natural resources, the long-term investment outlook for the national industrial market is positive. More specifically, in the long term, major distribution hubs are expected to remain the strongest performers, especially as e-commerce continues to expand as artificial intelligence takes hold, to satisfy customer demand. However, investors continue to monitor the current administration relative to U.S. tariff hikes and the effects on the Industrial Markets, especially the coastal port cities.**

## ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

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**Cushman & Wakefield's integrated approach to the logistics/industrial valuation process is unmatched, in a complex and always-changing asset class requiring our high level of knowledge, expertise and experience. Find out more.**

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