



INDUSTRIAL/LOGISTICS INVESTOR OUTLOOK

FALL/WINTER 2026 EDITION

Better never settles

INDUSTRIAL/ LOGISTICS INVESTOR OUTLOOK

Cushman & Wakefield's Valuation & Advisory Industrial/Logistics Practice Group (IPG) 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, assessment of risks associated with current market conditions and tenancies, and a forecast of future trends driven by changing demand indicators.

In Spring 2026, 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 and information supplied by Cushman & Wakefield's Research Services. However, since our Spring 2026 Edition, 10-Year Treasuries and the Federal Funds rates have increased, which corresponds to higher lending and yield requirements.

The U.S. economy and commercial real estate capital markets continued to show improving, though still selective, momentum through mid-2026. Economic growth remained positive, supported by consumer spending and investment, while inflation continued to exceed the Federal Reserve's 2.0% objective. At the same time, higher longer-term interest rates, elevated energy prices, and continued geopolitical uncertainty contributed to a more restrictive monetary-policy stance and a cautious outlook for capital deployment.

Commercial real estate capital markets continued to improve, supported by relatively tight credit spreads, renewed lender appetite, and gradually expanding liquidity. Transaction volume and lending activity increased from prior lows, with participation broadening across property types. However, investors remained focused on sectors and assets offering durable income growth, favorable supply conditions, and limited near-term capital requirements. Performance therefore remained uneven by sector and market, with pricing and liquidity increasingly determined by property-specific fundamentals.

Monetary policy eased through late 2025 following the 2022–2023 tightening cycle and an extended policy hold through 2024. At its September 2026 meeting, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75% to 4.00%, its first increase of the current cycle after holding the prior 3.50% to 3.75% range for five consecutive meetings, reinforcing a cautious and still-restrictive policy stance. Although economic activity continued to expand and labor-market conditions remained relatively stable, inflation remained above the Federal Reserve's 2.0% objective, tipping the near-term policy bias back toward tightening. The decision was unanimous, a notable shift from the July meeting, when three members had dissented in favor of the very rate increase the Committee ultimately adopted, underscoring broadening concern over persistent inflation pressures.

The 10-Year Treasuries are now hovering near 5.00% versus in the mid to low-4.00% range seen in Spring 2026. Adding to the rate cycles, the Federal Fund rate may increase by an additional 25 bps toward the end of the year. However, improving CRE fundamentals may help soften the impact of rising rates.

Physical Criteria/Location Criteria

For the Fall/Winter 2026 and prior Editions, these participants, typical for the market, focused 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 relative 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.
- **Class B Industrial:** Buildings in this category command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special features, and have ordinary design or, if new or fairly new, good to excellent design. 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 a number of respects, including floor plans, condition, and facilities.
- **Class C Industrial:** These structures generally qualify as no-frills, older buildings that offer basic space and command lower rents, or sale prices compared to other buildings in the market. Such buildings typically have below-average maintenance and management, and could have 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 vacancies and strengths/weaknesses of the local market, occupancy, and near-term weighted average rollovers
- Potential for market rent increases and/or decreases and competing buildings in the area
- 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, adequacy of parking, loading dock ratios and truck storage, truck turning radius), as well as the age and condition of the asset, including the roof structure and parking areas
- Access to major transportation linkages (interstate, rail, port access, etc.) in order to offer the ability to ship products more efficiently and faster
- Proximity to growing and/or declining populated urban areas, and available skilled labor markets
- Creditworthiness of the tenant(s) and contractual rent in place in relationship to market rent levels (above/below market)
- Replacement cost relative to purchase price and feasibility of new construction

For reference, 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, and the results are as follows along with prior years:

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).

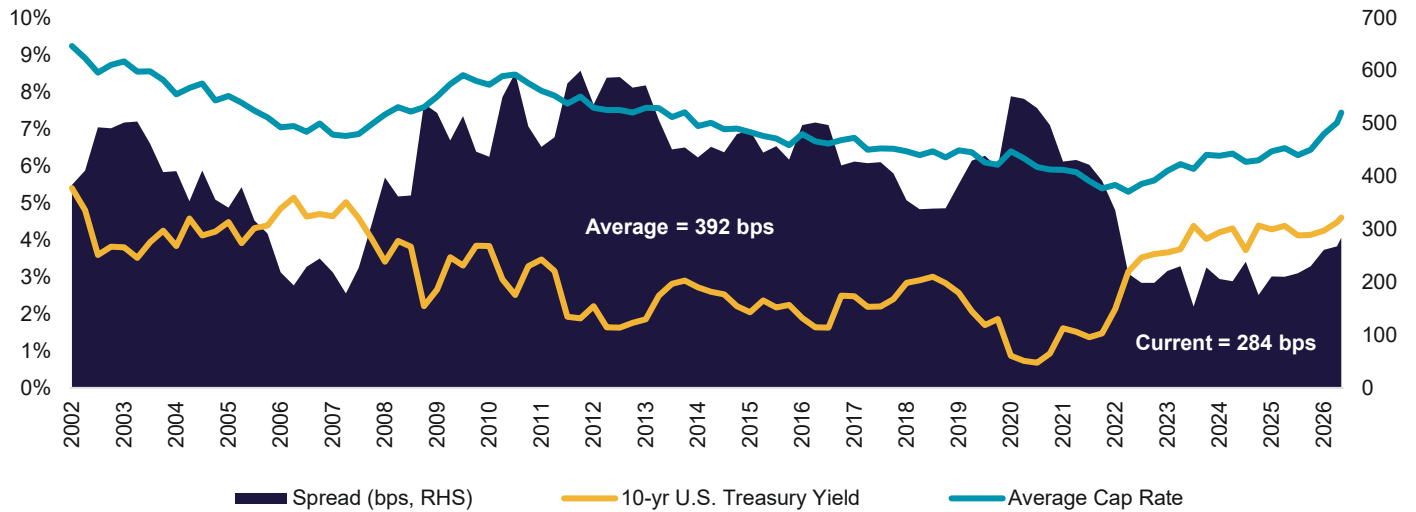
Based on the Spring 2026 results, overall capitalization rates range widely by asset class, indicating a 74-basis point (bps) differential between Class A and B industrial product, and a 210-bps difference between Class A and C industrial facilities. Overall rates for Class C properties are 136-basis 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 California, 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.

The recent increases in interest rates, with potentially more rate increases a possibility, and higher yields on 10-Year U.S. Treasuries, all correspond to higher cost of capital, higher yield rates and overall capitalization rates. Additionally, there are still concerns regarding the outcome of the recent tariffs imposed. The relationship between 10-Year U.S. Treasuries and overall capitalization yield/rates is apparent, as presented on the following graph.

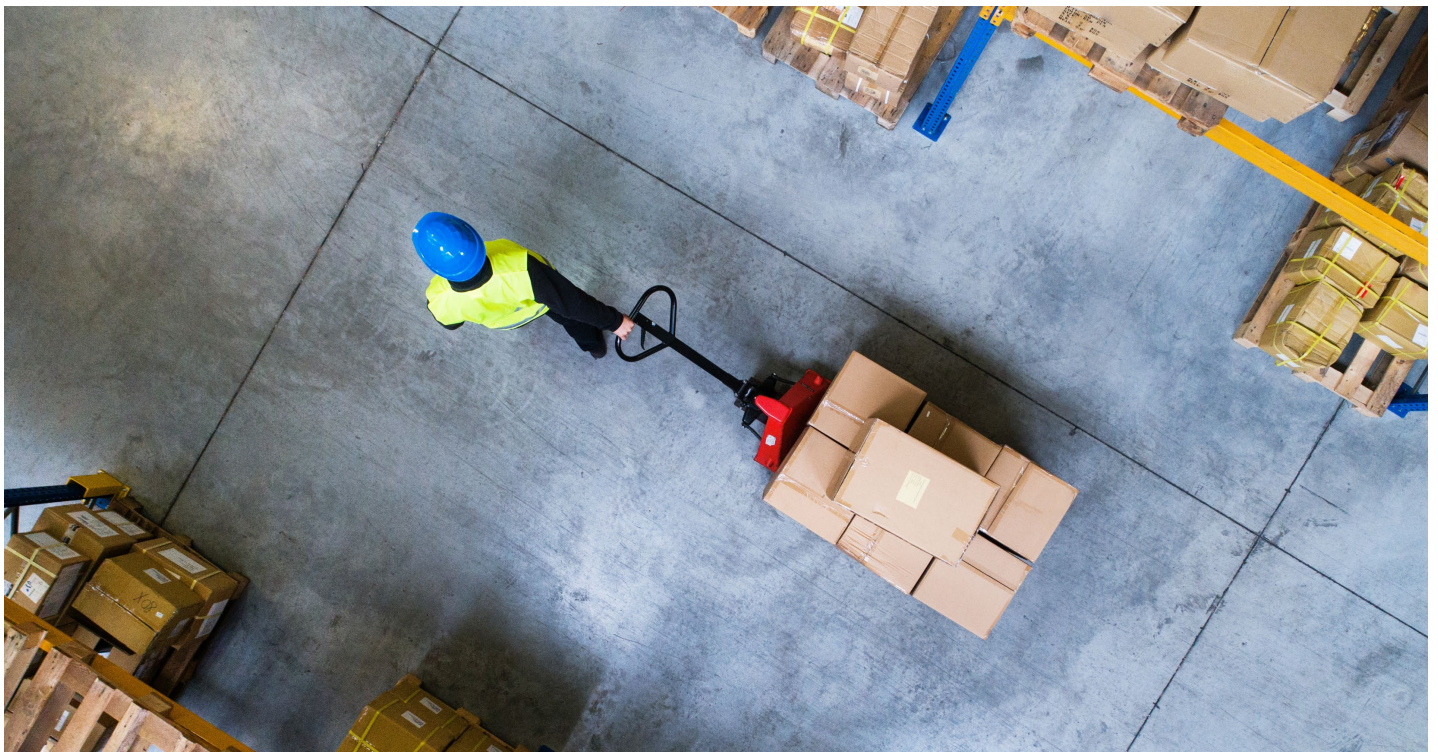


U.S. 10-YEAR TREASURY CLIMBING BUT STILL RANGEBOUND

Since the start of the Middle East conflict, the 10-year Treasury has remained in the 4.10%-4.60% range. Bond market volatility persisted throughout much of 2025, driven by fluid trade policies and choppy inflation data. Credit spreads have remained relatively tight despite recent increases and will likely still encounter bouts of volatility going forward due to geopolitical events and inflationary pressures.



Even though interest rates and 10-Year U.S. Treasuries have increased since our Spring 2026 survey, investors are still cautious and have not significantly moved their pricing relative to overall rate (yield) strategies, but overall rates have nonetheless increased across all Industrial Assets (Class A, B and C). Our recent investor responses, although mixed, ranged from no change to as high as 35 basis points, with most participants indicating that overall rates (yields) have increased by around 15 basis points (on average), compared to our Spring 2026 survey. Again, somewhat mixed responses, most participants also indicated that overall capitalization rates will most likely increase (although slightly) in the first half of 2027 due to the possibility that the Fed will increase rates by another 25 basis points, which should correspondingly increase the benchmark of 10-Year U.S. Treasuries.



Based on the most frequent responses relative to overall capitalization rate increases, albeit slight, (by asset Class), the following illustrates the results/observations:

Industrial Overall Capitalization Rates - Comparison Analysis Spring 2026 To Fall/Winter 2026		
	Fall/Winter 2026 (Adjusted) (*)	Spring 2026 Edition
Class A	4.75% - 5.75%	4.75% - 5.75%
Range Average	5.43%	5.28%
Class B	5.50% - 6.75%	5.50% - 6.75%
Range Average	6.17%	6.02%
Class C	6.50% - 9.00%	6.50% - 9.00%
Range Average	7.53%	7.38%



(*) The Fall/Winter 2026 Adjusted rates were calculated based on increasing the average rates (by Asset Class) of the Spring 2026 results by 15 basis points effectively across the board, the most frequent cited overall average increase of OARs provided by market participants surveyed. The overall range by Class of space remained relatively stable with our Spring 2026 results.

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 tenant leases with below market rates in-place located in Southern CA, New Jersey (Northern), Dallas and Southern Florida.

Compiled by Cushman & Wakefield's Valuation & Advisory Industrial/Logistics Practice Group (IPG).

Investors are closely monitoring the volatility of the market as it relates to the recent interest rate and U.S. 10-Year Treasury rate increases, as well as the ongoing tariff implementations. While the fundamentals of the U.S. Industrial market remain positive, investors are also monitoring vacancy rates, rent growth, leasing activity, net absorption, demand, and the availability of power (energy) and skilled labor pool.

The top U.S. Core/Gateway Markets will continue to command more aggressive overall capitalization rates—predominately those assets with below market rent exhibiting strong growth potential, but as lending rates continue to increase so should yield expectations.

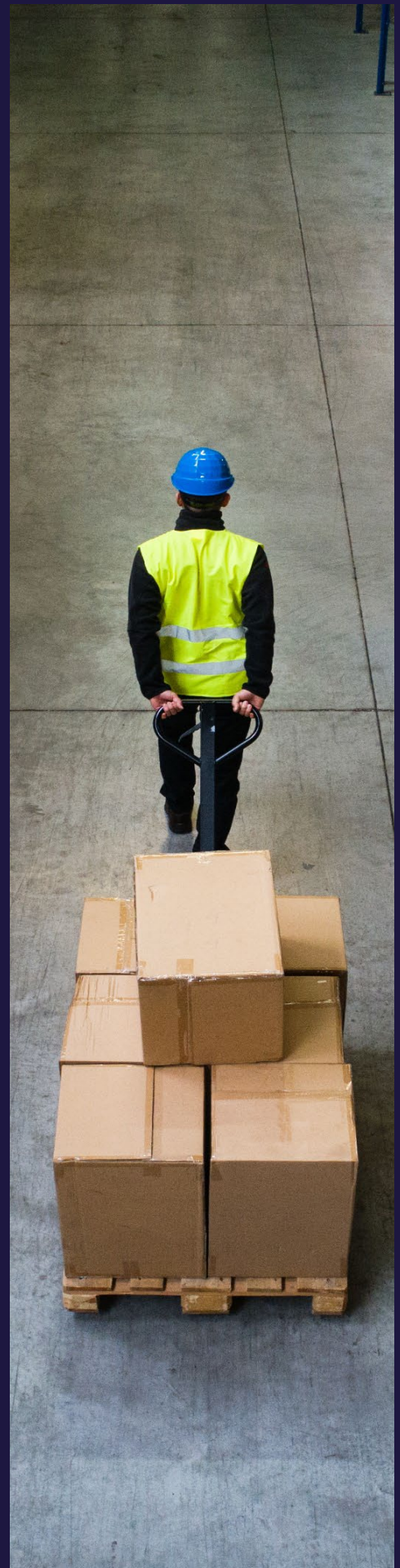
Final Observations/Outlook

Investors continue to see strong demand for industrial assets in the near term, and sales transactions continue to move forward. Some final market observations are noted:

- Value-add projects with shorter weighted average lease terms, ideally close to 3 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 continue to be the drivers, and cash buyers have the competitive edge in today's environment.
- Acquisitions are moving forward, and the deal flow/interest continues even considering rising interest rates. Both buyers and sellers have become more realistic with their pricing expectations, as the "bid/ask" differential continues to narrow. Sellers are no longer waiting for interest rates to decline as more owners are willing to transact at current pricing. Market liquidity continues to improve fueled by more positive fundamentals which has offset the higher cost of capital. There is plenty of liquidity in the market, but buyers are being more selective. Investors have been actively deploying capital in the industrial sector as market fundamentals are firming. Quarterly industrial sales volume remained modestly elevated in Q2, up 18% year-over-year, but was modestly lower than the Q1 total. However, YTD sales increased 25% annually. Over the last four quarters, \$128 billion in industrial transaction volume was reported, the highest total since 2022.
- Logistics (assets greater than 500,000 SF with credit and term) and Data Center assets are the preferred asset classes. However, e-commerce is clearly driving demand as online shopping continues, especially with the infusion of artificial intelligence driving the supply-chain efficiencies. E-commerce sales continue to fuel industrial demand nationwide and will continue to do so as consumers increasingly expect fast and reliable delivery of goods. E-commerce sales are projected to reach nearly \$6.4 trillion by 2030, a 29% increase from 2025. Meanwhile, e-commerce's share of retail sales (excluding gasoline, automobile, and food service sales) reached 30% in 2025 and is expected to grow to almost 34% by 2030. Furthermore, a new demand driver has emerged over the last few years amid the "data center boom"; industrial leasing by tenants who supply, service, or are related to data center activity has climbed each of the last three years. In the first half of 2026, these tenants represented approximately 8% of total transactional volume, led by markets which have boast notable data center inventories.



- Structural demand has shifted with corporate industrial tenants upgrading from older, obsolete facilities into new, modern logistics properties which can accommodate automated and AI systems. The need for higher clear heights and sufficient power to fully run these systems have fueled the recent flight to quality trend across many markets, especially for large distribution warehouses. As new supply has waned, the competition for large-format (500,000 SF+) products has intensified with demand climbing markedly over the last year and vacancy within this size segment falling substantially since it peaked in 2024.
- Industrial fundamentals are expected to remain solid for the remainder of 2026, with continued rent growth, albeit at a normalized pace, disciplined development and stabilized vacancy rates. Nonetheless, investors are closely monitoring the interest rate environment and fluctuations in 10-Year Treasuries regarding their pricing strategies. If inflation continues to rise, and the unrest continues in the Middle East, these factors could negatively impact industrial demand going forward.
- The Southern region contains the most markets which are expected to see rent growth surpass 20% by 2030 as demand will likely remain healthy across most markets while vacancy rates tighten. Meanwhile, the Midwest and Northeast should see rent growth accelerate by 2027, with many markets seeing five-year growth rates above the 10% mark. Net absorption is anticipated to gain some momentum in the second half of 2026 nationwide with inland markets continuing to see increased totals. Of the top 10 markets for projected demand through 2028, seven are inland markets with Dallas/Ft. Worth, Atlanta, and the PA I-81/I-78 Corridor totaling more than 151 msf in that time. Some port markets will lag slightly for demand growth, but Houston, Savannah, and New Jersey will record strong growth over the three years.
- Nationwide sales volume yielded healthy totals, but transaction volume varied by key market. Sales volume surged across key inland markets such as Atlanta, Chicago, and Phoenix as fundamentals firmed and investors' confidence in long-term NOI remained elevated. Dallas saw sales remain steady year-over-year and is on pace for another record year, while Southern California markets' volume accelerated in Q2 after modest Q1 totals.



- Single Tenant Assets with lease terms of 10 years and greater are in demand, and tenant credit commands the most aggressive cap rates. Manufacturing and 3PL demand should continue to shape Industrial demand for long-term lease tenants, and larger occupiers will continue to seek newer construction to support automation, with access to solid labor pools also a priority. BTS developments will remain in demand as some users opt to customize their long-term logistics operations.
- Bidder pools have been growing in most major markets as the number of active buyers completing industrial transactions priced over \$25 million has been rising since late 2024 and is 37% above pre-pandemic levels. Preliminary Q2 data shows investment activity up 25% YTD as capital remains active but disciplined.
- Overall, the U.S. CRE market has entered a firmer but still selective phase following an extended period of repricing and adjustment. Liquidity has broadened, transaction activity has improved, and aggregate pricing has shown greater stability, although performance remains uneven across property types and markets. Inflation, interest-rate pressure, geopolitical risk, and energy-price volatility continue to shape investor behavior. Accordingly, investment performance remains dependent on durable cash flow, disciplined underwriting, favorable supply conditions, and property-specific execution rather than broad-based yield compression.

With a strong infrastructure in place in most U.S. markets, vacancy likely past its cyclical peak and forecasted to decline by year end 2026 and given the continued push for onshoring and the availability of natural resources, the long-term investment outlook for the national industrial market is positive. Industrial fundamentals are expected to remain solid throughout 2026 and 2027, with continued but modest rent growth, while demand outpaces new supply, allowing existing products to absorb. 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.





ABOUT CUSHMAN & WAKEFIELD

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