

Q2 2025 | INDUSTRIAL

State of the U.S. Industrial Market

Powered by Savills Research & Data Services

Table of contents

4

EXECUTIVE SUMMARY

5

ECONOMIC CONDITIONS

6

DEMAND DRIVERS

- Page 9 Ports
- Page 11 Manufacturing
- Page 12 Tax policy implications
- Page 13 E-commerce

14

PROPERTY MARKET

- Page 15 Supply and demand
- Page 22 Vacancy and rent
- Page 28 Capital markets

30

APPENDIX

Local market statistics

Industrial demand fell sharply in 2025, **reinforcing tenant-favorability,** but momentum could return with policy clarity and consumer strength.

01 Trade policy shifts delay tenant moves

Shifting trade policies are delaying leasing decisions, leading to short-term renewals and outsourcing; activity may rebound with clearer tariff direction.

02 Net absorption falls to 13-year low

Occupancy gains have slowed sharply in 2025, with positive absorption driven by Class A space, while Class B and C buildings continue to lose tenants.

03 Rent declines spread, but unevenly

Over 40% of markets have now seen average asking rents fall 5% or more from recent peaks, though declines vary by location, segment and ownership profile.

04 Select pockets exhibit resilience

Dallas and Houston report year-over-year vacancy declines, bucking national trends, while buildings over 750,000 square feet show the most stable rates.

05 Tax bill provisions support onshoring

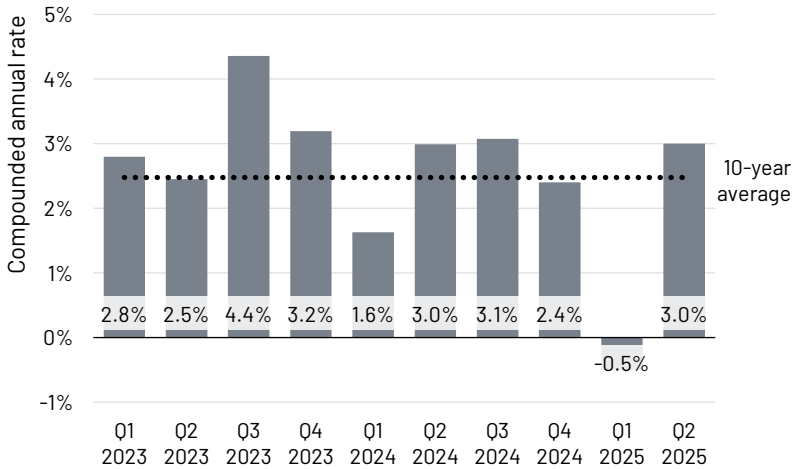
Bonus depreciation and other provisions could boost manufacturing investment, especially in chips and defense, but clean tech likely to stall as incentives are cut.

Tariff clouds linger, yet key U.S. economic metrics hold steady

Import surge drove Q1 GDP contraction

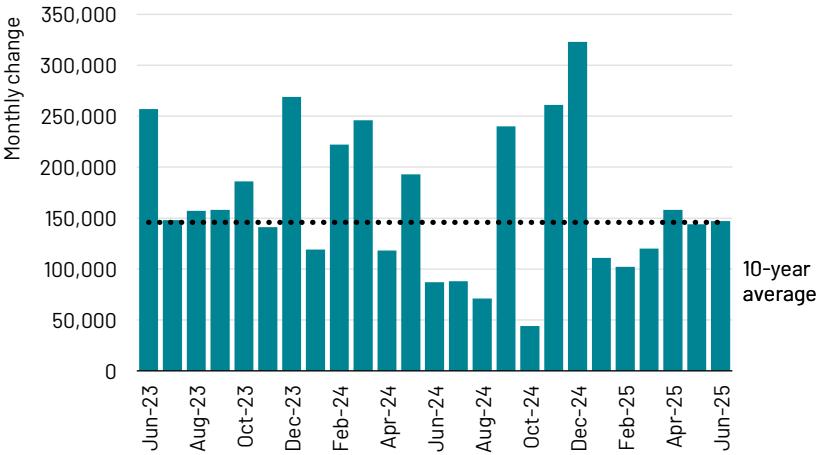
Economic growth

Real Gross Domestic Product (GDP)



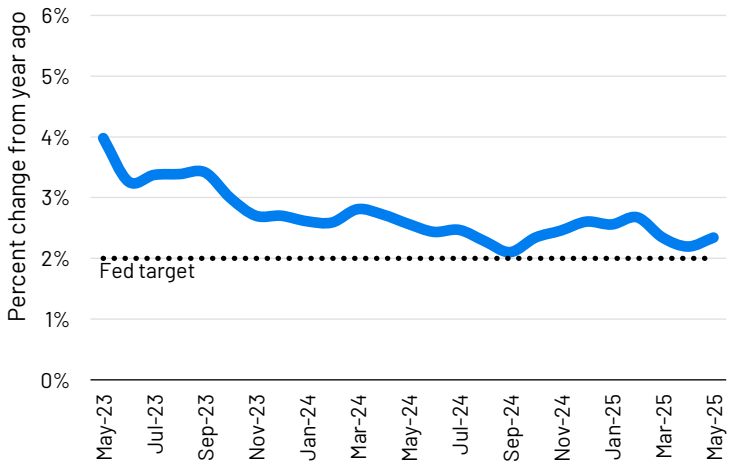
Job growth

Nonfarm Payrolls



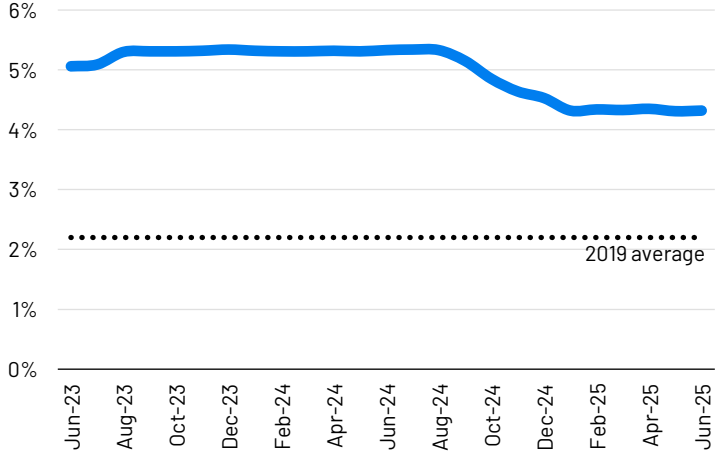
Inflation

Personal Consumption Expenditures (PCE) Price Index



Interest rates

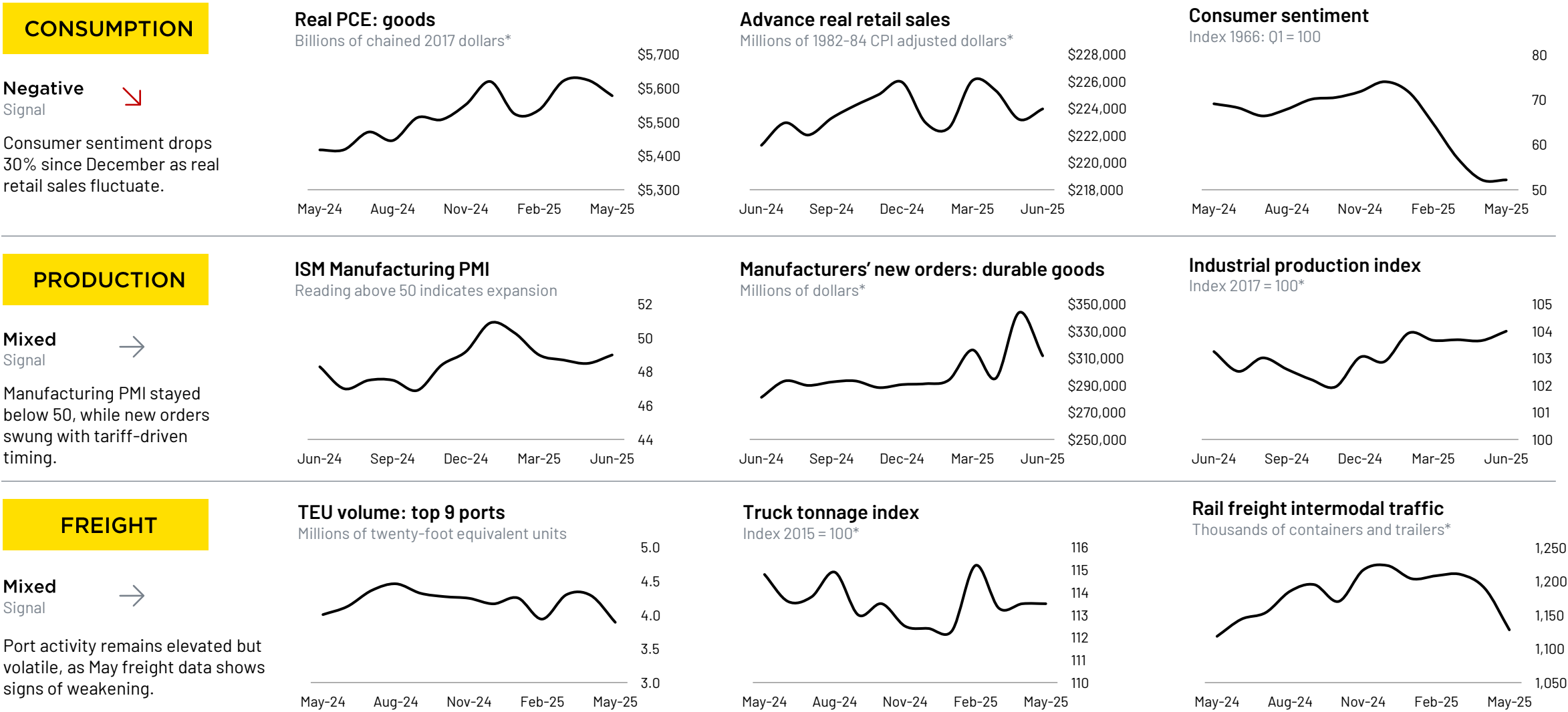
Secured Overnight Financing Rate (SOFR)



Source: St. Louis Federal Reserve

Leading indicators continue to signal unsteady demand ahead

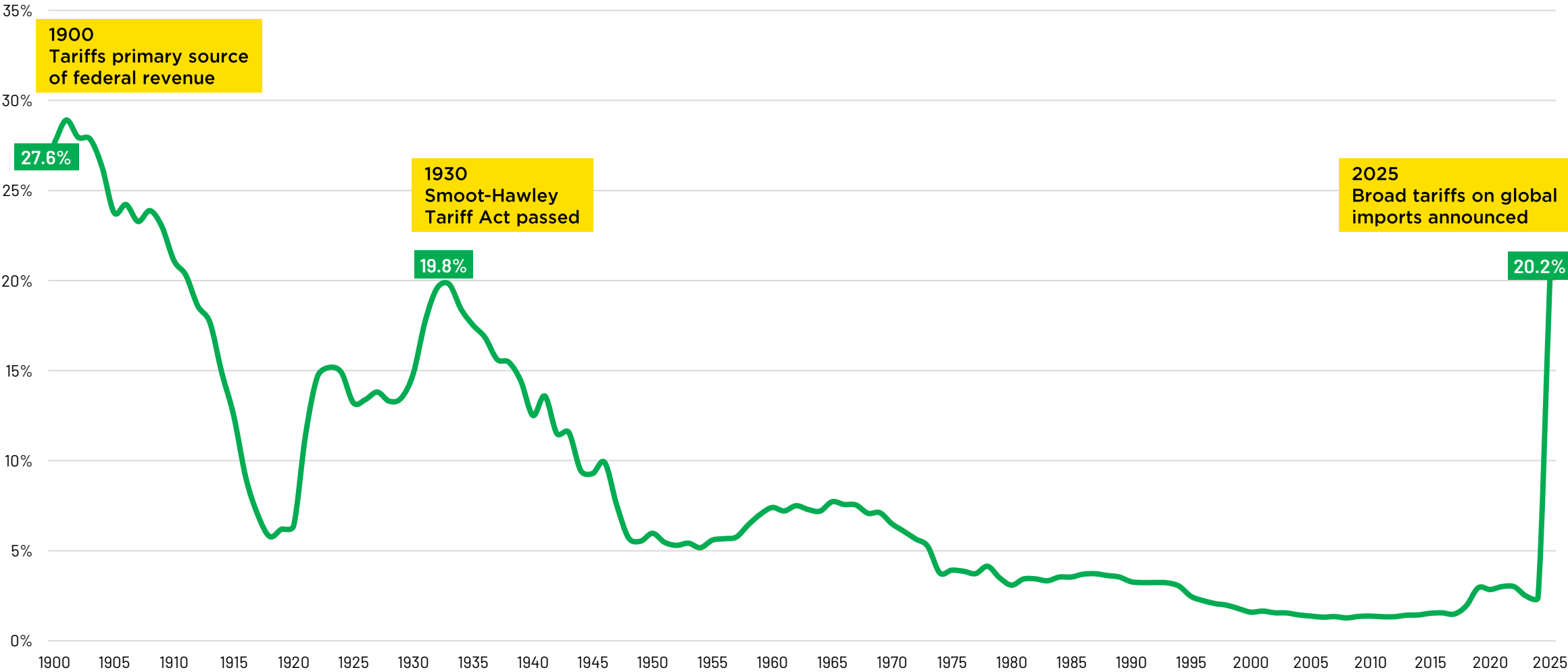
Key metrics around consumption, production and freight are highly predictive of near-term warehouse demand



*Seasonally adjusted
Source: St. Louis Federal Reserve

Latest tariffs sit near historic highs as broader disruption builds

Average effective U.S. tariff rate 1900-2025*



*Pre-substitution average effective tariff rate; calculated as tariff revenue divided by total goods imports, assuming 2023 import and consumption trade shares remain constant.
Source: Savills Research, The Budget Lab at Yale; as of July 22, 2025

Firms turn to bonded warehouses and FTZs to manage tariff shifts

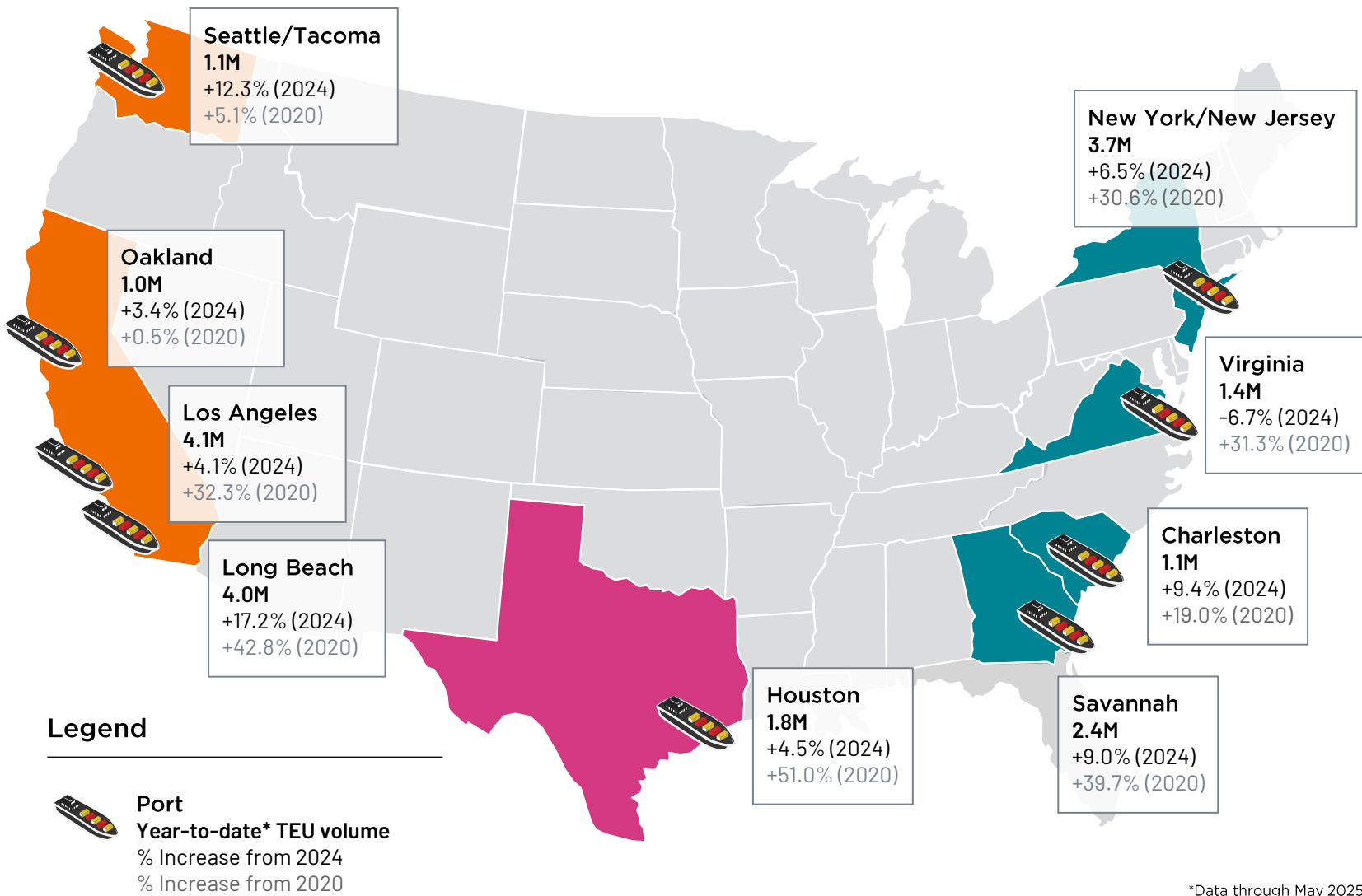
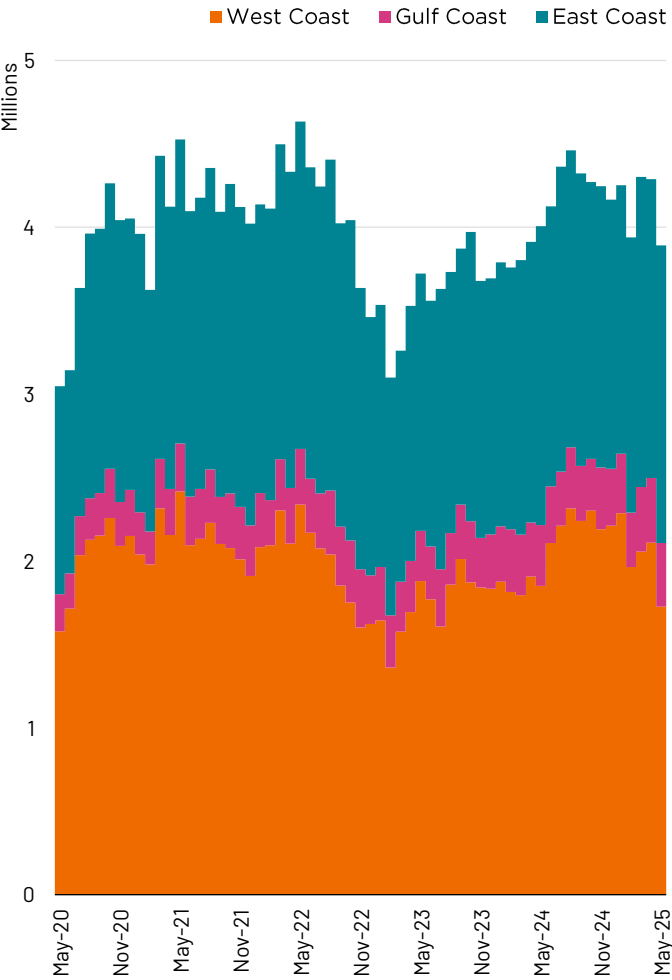
How bonded warehouses and Foreign-Trade Zones (FTZs) differ in structure and strategy

	BONDED WAREHOUSE	FOREIGN-TRADE ZONE
Primary use	Suited for import-focused distribution; limited handling before U.S. entry or export	Ideal for manufacturing or assembly with goods processed prior to market entry or re-export
Time horizon	Typically used for one to five years; well-suited for short- to mid-term storage with relatively fast setup	Designed for long-term use, often integrated into multi-year manufacturing or import strategies
Operational scale	Accessible for smaller or seasonal import volumes; minimal infrastructure required	Best suited for high-volume or continuous operations; justifies the cost of dedicated compliance systems
Duty treatment	Best when duties are high or uncertain; payment deferred until goods enter U.S. commerce	Strategic in volatile tariff environments; allows inverted tariffs and duty savings on exports or scrap
Setup & compliance	Quicker to activate with lower upfront cost; direct customs oversight on each release	Requires FTZ approval and activation; longer lead time but offers more operational autonomy once established

Source: U.S. Customs and Border Protection, U.S. Foreign-Trade Zones Board, National Association of Foreign-Trade Zones

Strong but choppy port traffic could shift with tariff decisions

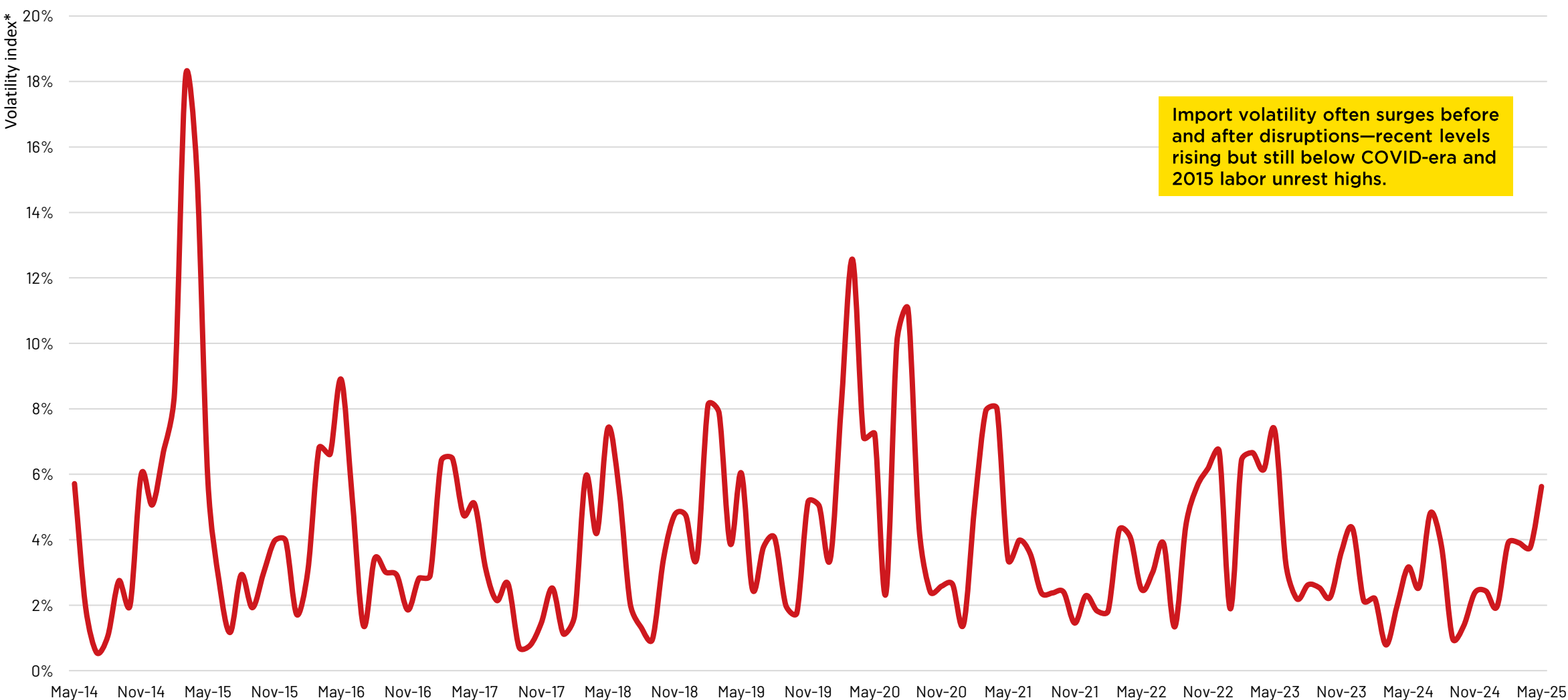
Monthly TEU volume, top 9 ports



*Data through May 2025
Source: Local port authorities

Tariff deadlines triggered early shipments, then a slowdown in freight

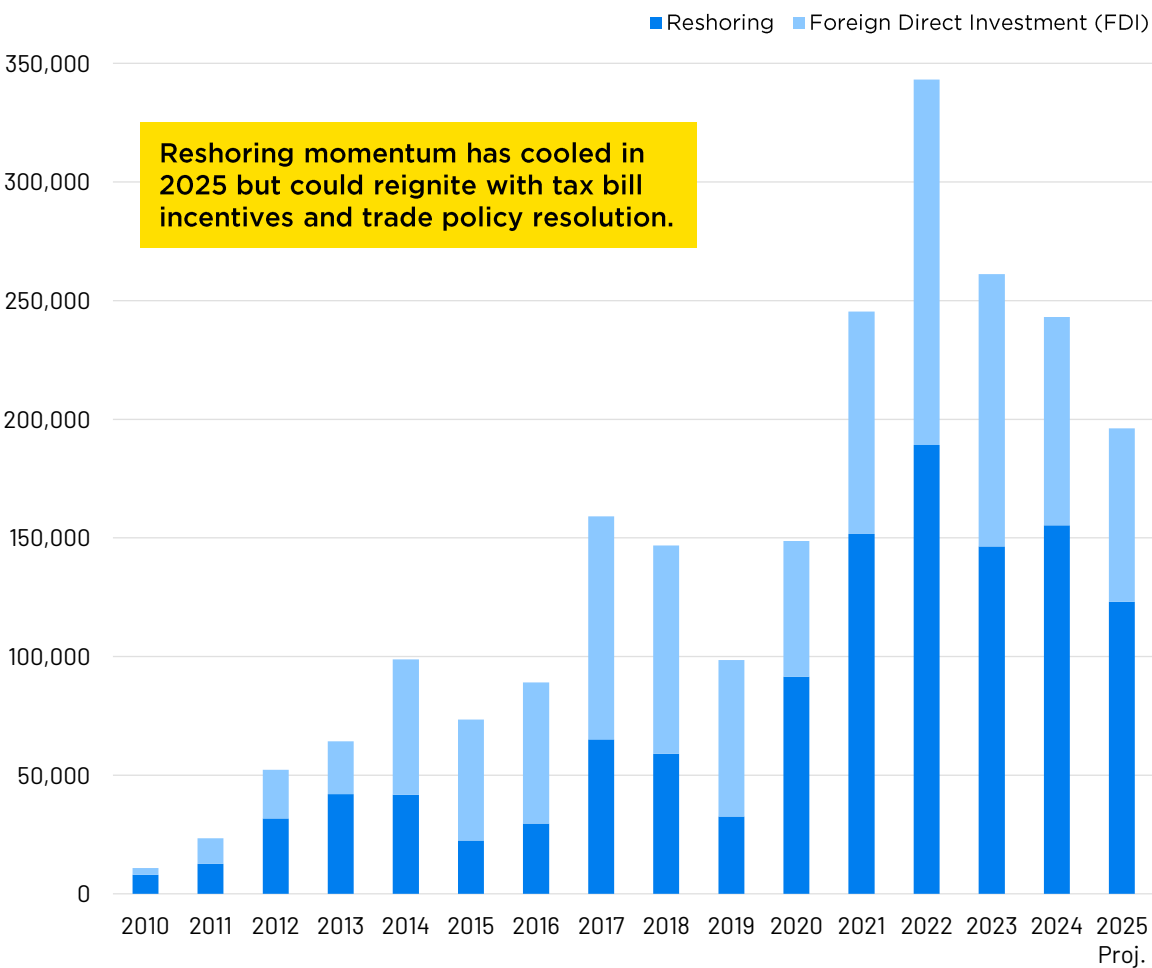
Volatility in load import volumes at top 9 U.S. ports



*Volatility index is based on the 3-month rolling variation in loaded import volumes relative to their average ports.
Source: Local port authorities, Savills Research

Manufacturing enters a new phase with shifting drivers

Annual manufacturing reshoring job announcements 2010-2025



Note: Reshoring and FDI jobs adjusted for supply chain impact; 2025 projection calculated by annualizing data through March 2025.
Source: Reshoring Initiative

Notable manufacturing commitments in 2025

COMPANY	CITY, STATE	TOTAL JOBS	CAPITAL INVESTMENT (millions)	PRODUCTS
JetZero	Greensboro, NC	14,500	\$5,400	All-wing aircraft
Anduril	Columbus, OH	4,000	\$1,000	Autonomous weapons
Tesla	Brookshire, TX	1,500	\$194	Utility-scale batteries
Hyundai Steel	Donaldsonville, LA	1,300	\$5,800	Electric arc furnace steel mill
Emirates Global Aluminum	Tulsa, OK	1,000	\$4,000	Aluminum
Apple	Houston, TX	1,000	\$3,900	Servers for data centers
GE Appliances	Louisville, KY	800	\$490	Washing machines
Eaton	Jonesville, SC	700	\$340	Three-phase transformers
Isuzu	Columbia, SC	700	\$280	Internal combustion engine and EVs

New tax law supports manufacturing growth, but key obstacles remain

H.R. 1, the “One Big Beautiful Bill Act” implications for the industrial market

Catalyst for manufacturing investment

- 100% rapid depreciation for new equipment and facilities, restores full deductions for R&D
- \$150 billion in new defense funding including shipbuilding and munitions
- Raises semiconductor tax credit from 25% to 35%

Prediction

Pick up in new investment likely, especially in chips and defense, contingent on trade policy.

Setback for clean tech supply chain

- Federal \$7,500 electric vehicle (EV) tax credit phased out by September 2025
- 30% residential solar credit ends December 31, 2025 (Section 25D)
- Commercial solar (Section 48) credit phased down starting in 2026, eliminated by 2029

Prediction

Clean energy sector expected to stall, with EV, solar and wind projects delayed or canceled.

Structural headwinds for onshoring persist

- No permitting reform; site-level and environmental review delays persist
- Skilled labor shortages persist; immigration enforcement may tighten supply of affordable labor
- \$3 trillion* in new federal deficits may push up rates and borrowing costs

Prediction

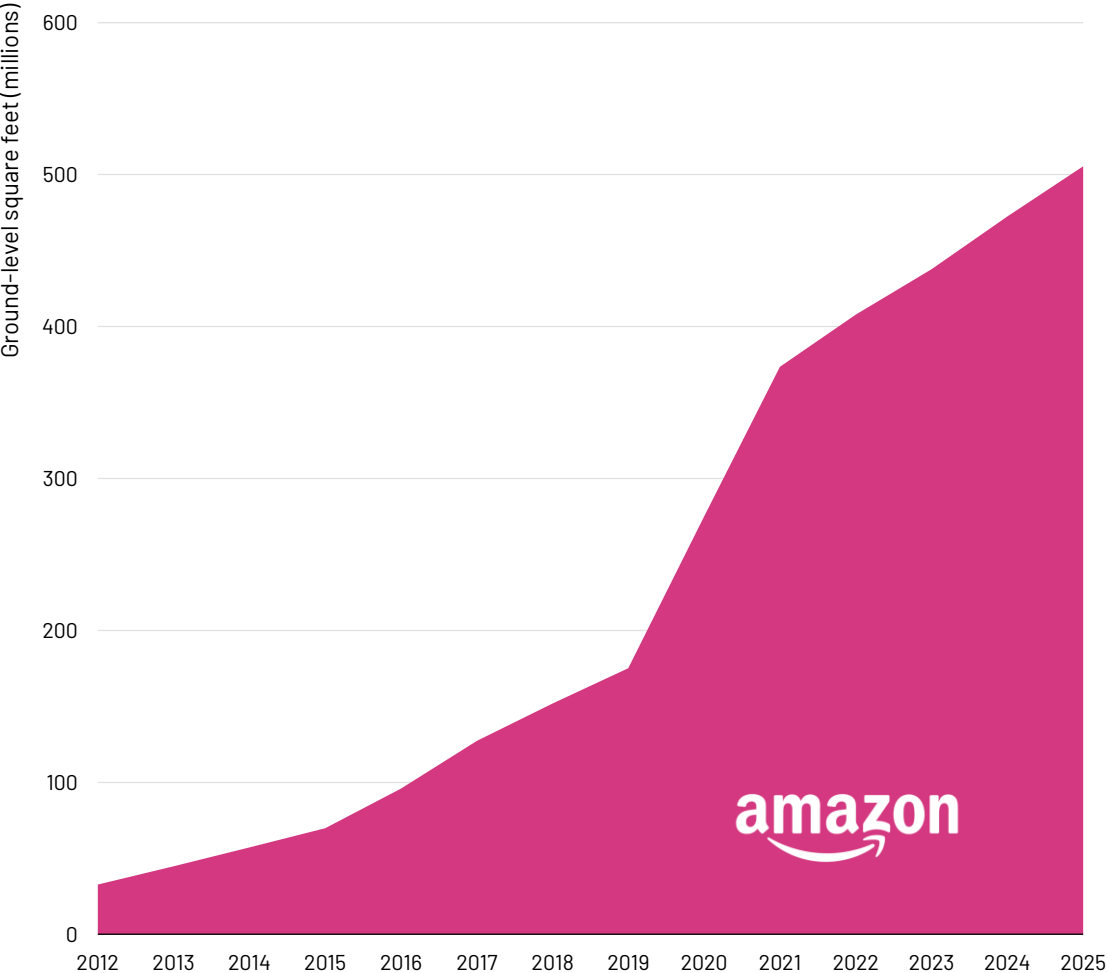
U.S. manufacturing buildout anticipated to be incremental without additional policy action.

*Congressional Budget Office estimate

Sources: Congressional Budget Office, Federal Reserve Bank of Boston, Committee for a Responsible Federal Budget, Akin Gump, Savills Research

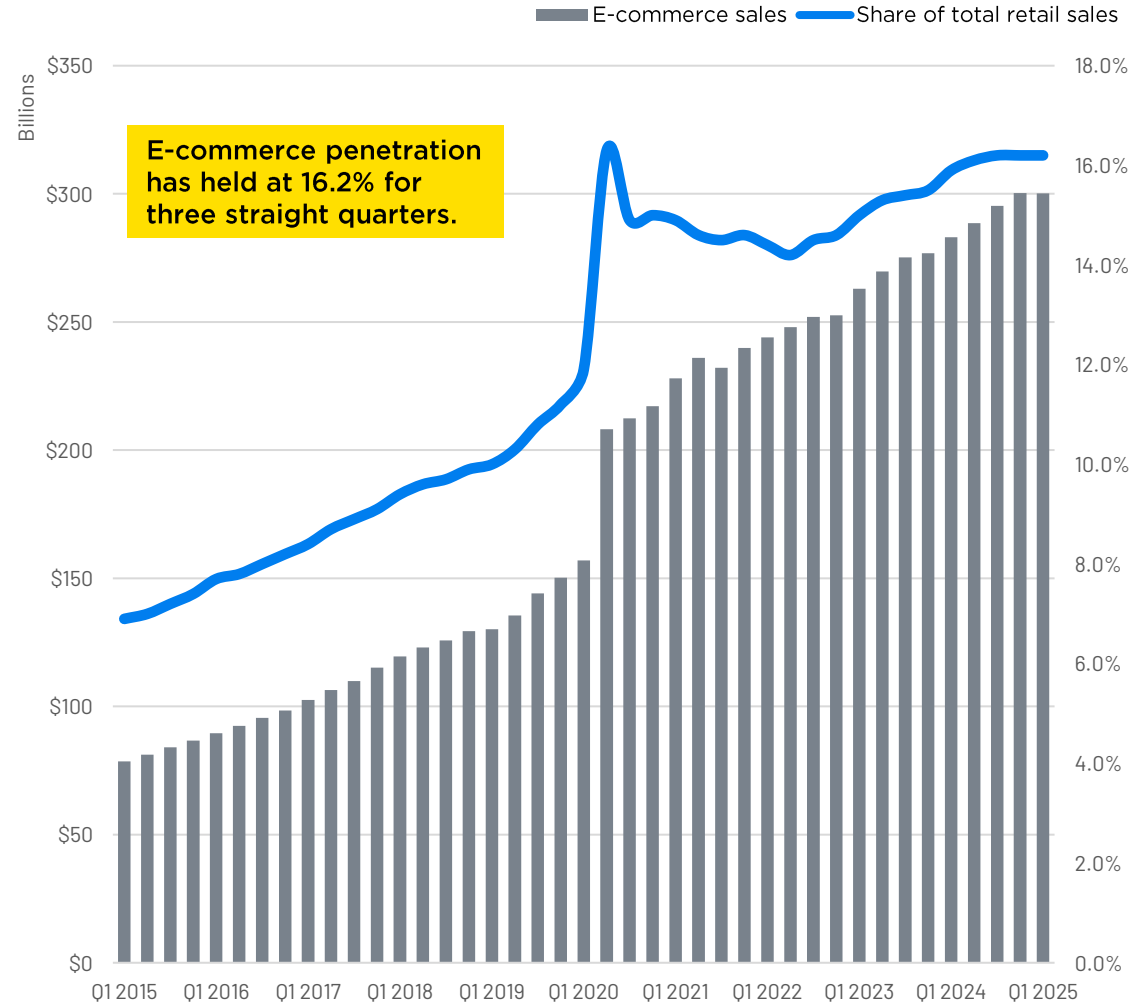
E-commerce share of retail stabilizes near pandemic highs

Amazon’s active U.S. facilities








Source: MWPVL, U.S. Department of Commerce

E-commerce penetration

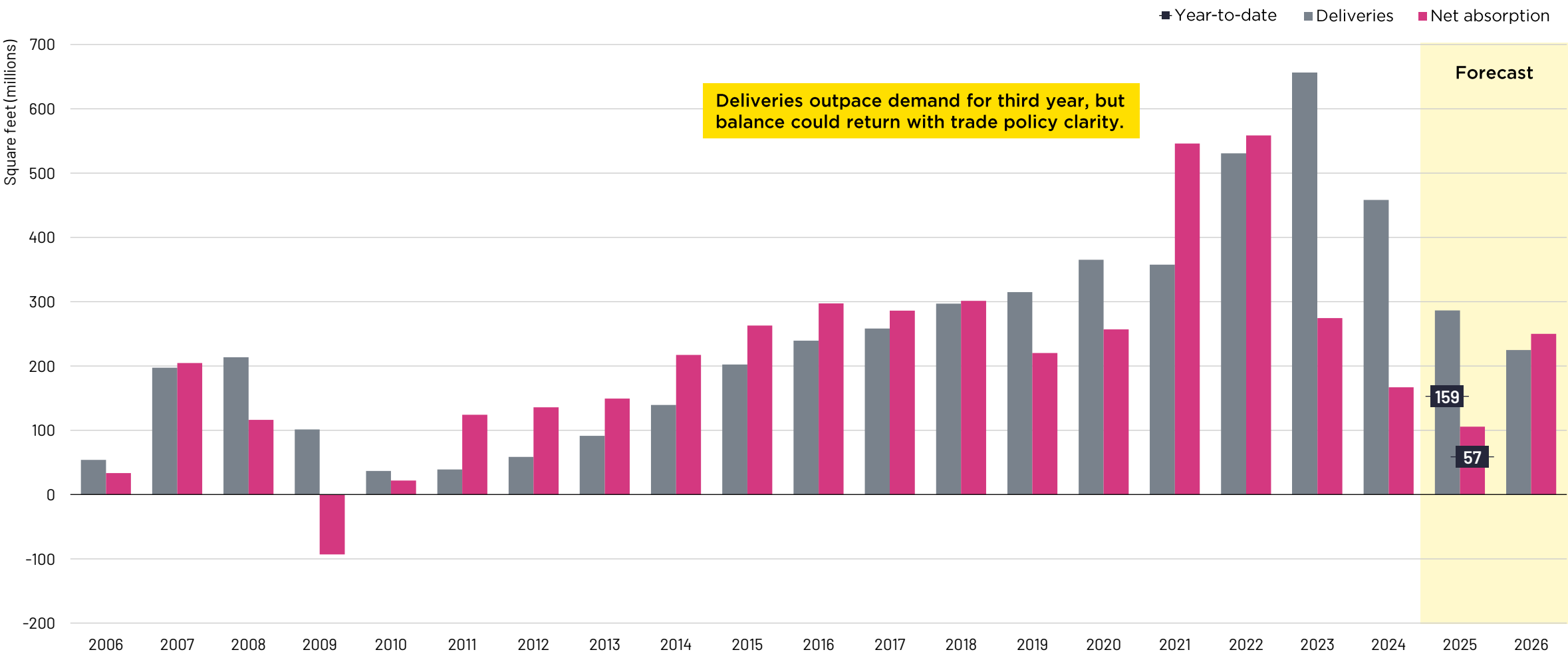


U.S. industrial market key statistics and forecast

	CURRENT QUARTER Q2 2025	PRIOR QUARTER Q1 2025	YEAR AGO PERIOD Q2 2025	12-MONTH FORECAST
Inventory	17.0 BSF	16.9 BSF	16.5 BSF	
Vacancy rate	8.1%	7.8%	7.1%	
Quarterly net absorption	9.6 MSF	46.0 MSF	52.2 MSF	
Under construction	303.9 MSF	319.1 MSF	404.8 MSF	
Deliveries	70.6 MSF	88.2 MSF	132.0 MSF	
Asking rental rate	\$9.58	\$9.59	\$9.51	

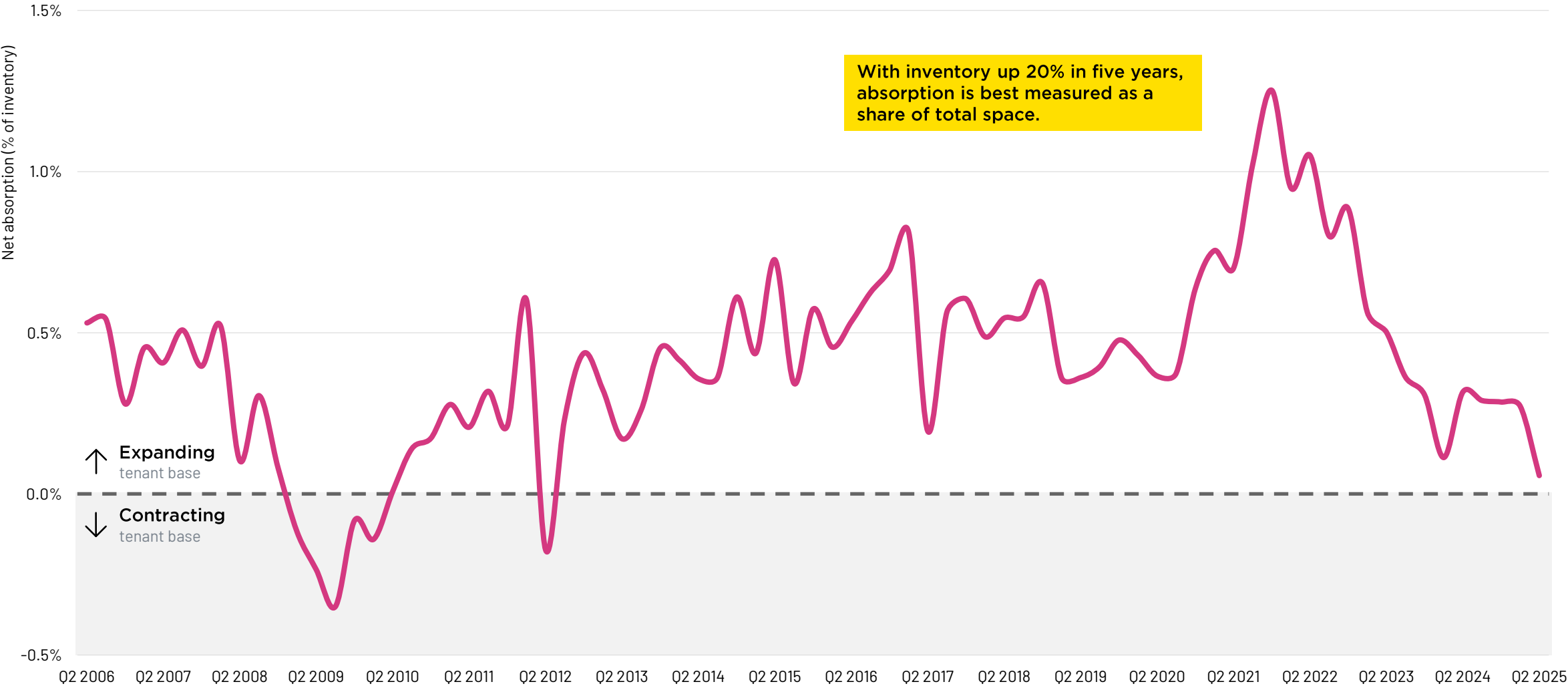
Weak absorption to persist through 2025, with 2026 rebound possible

Deliveries vs. net absorption



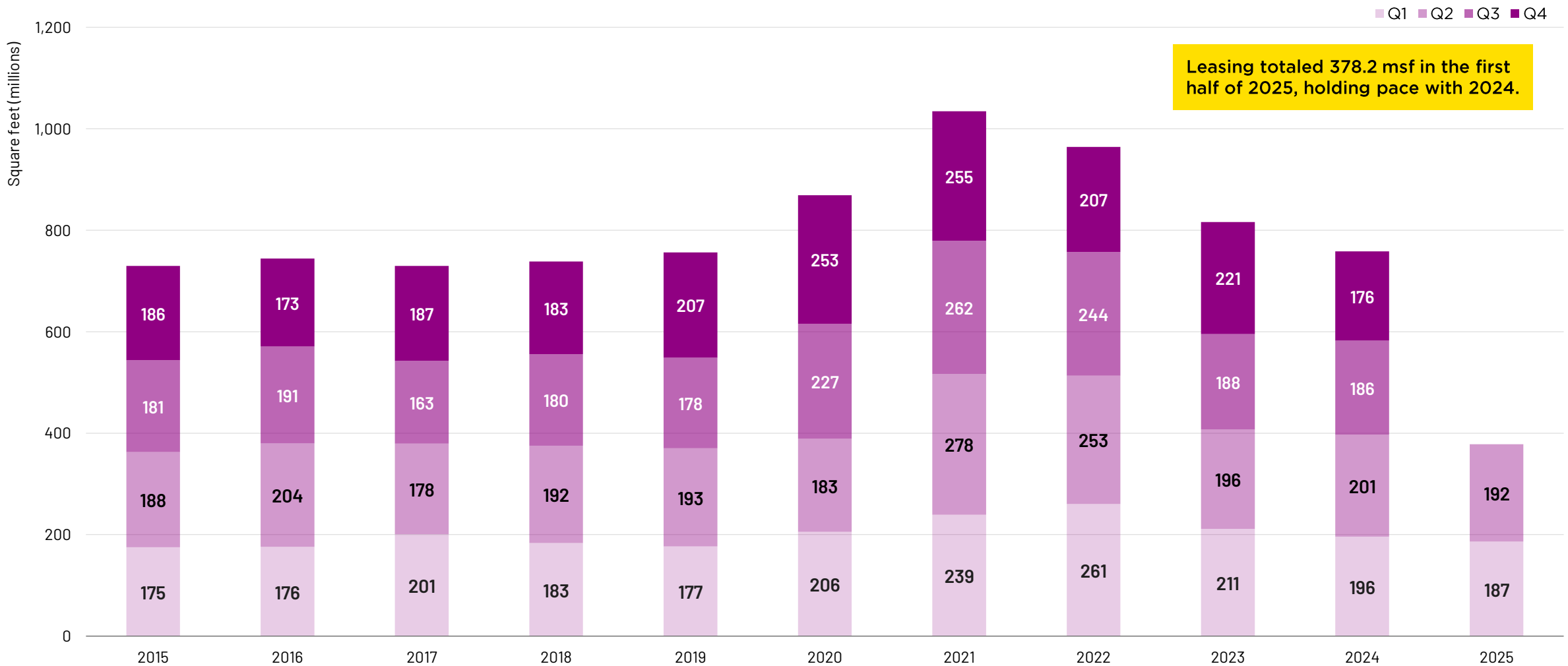
Expansion of industrial tenant base slows sharply but remains positive

Quarterly net absorption: 2006 to present



Total leasing activity holds steady as renewals offset slower new deals

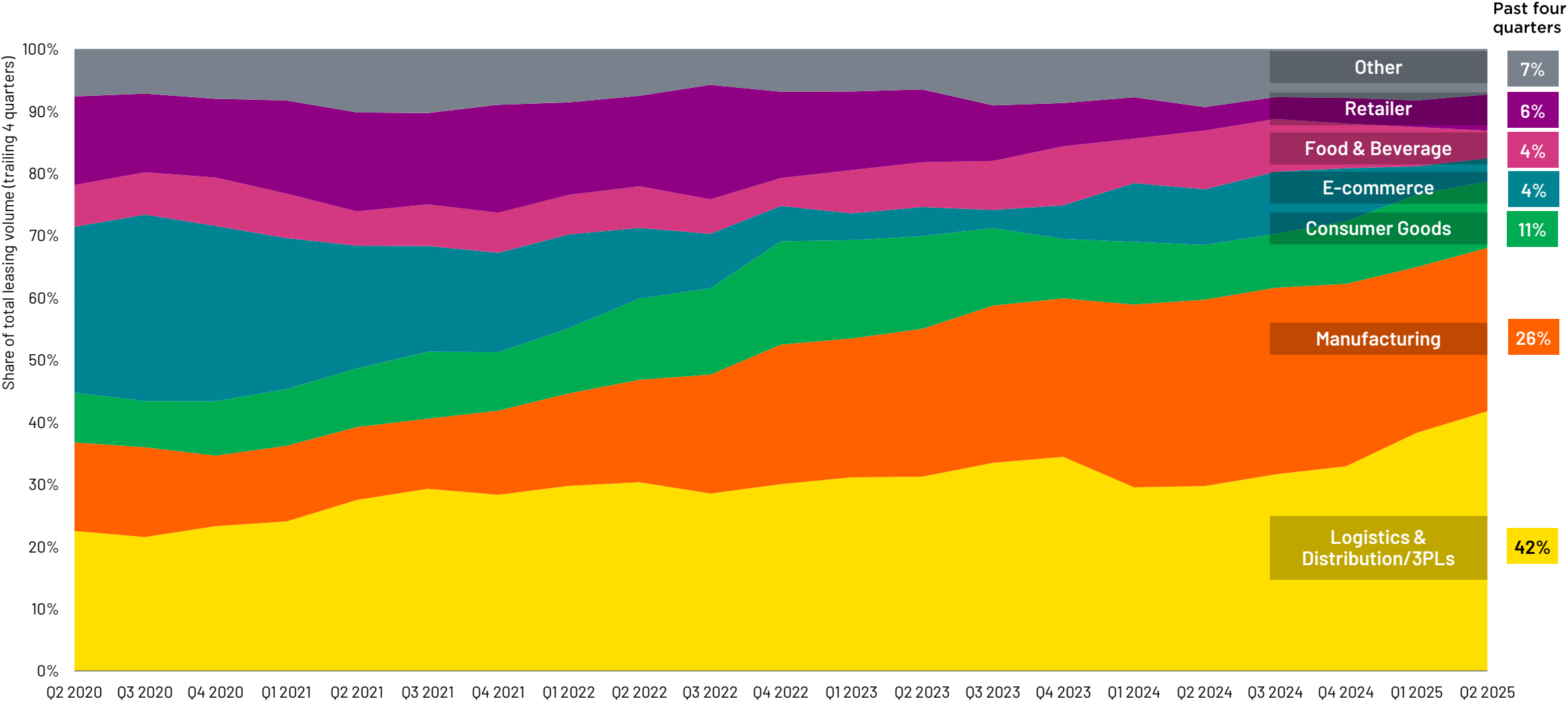
Quarterly leasing activity



Note: Leasing activity adjusted for initial underreporting in most recent three quarters.

Third-party logistics (3PL) firms continue to drive leasing

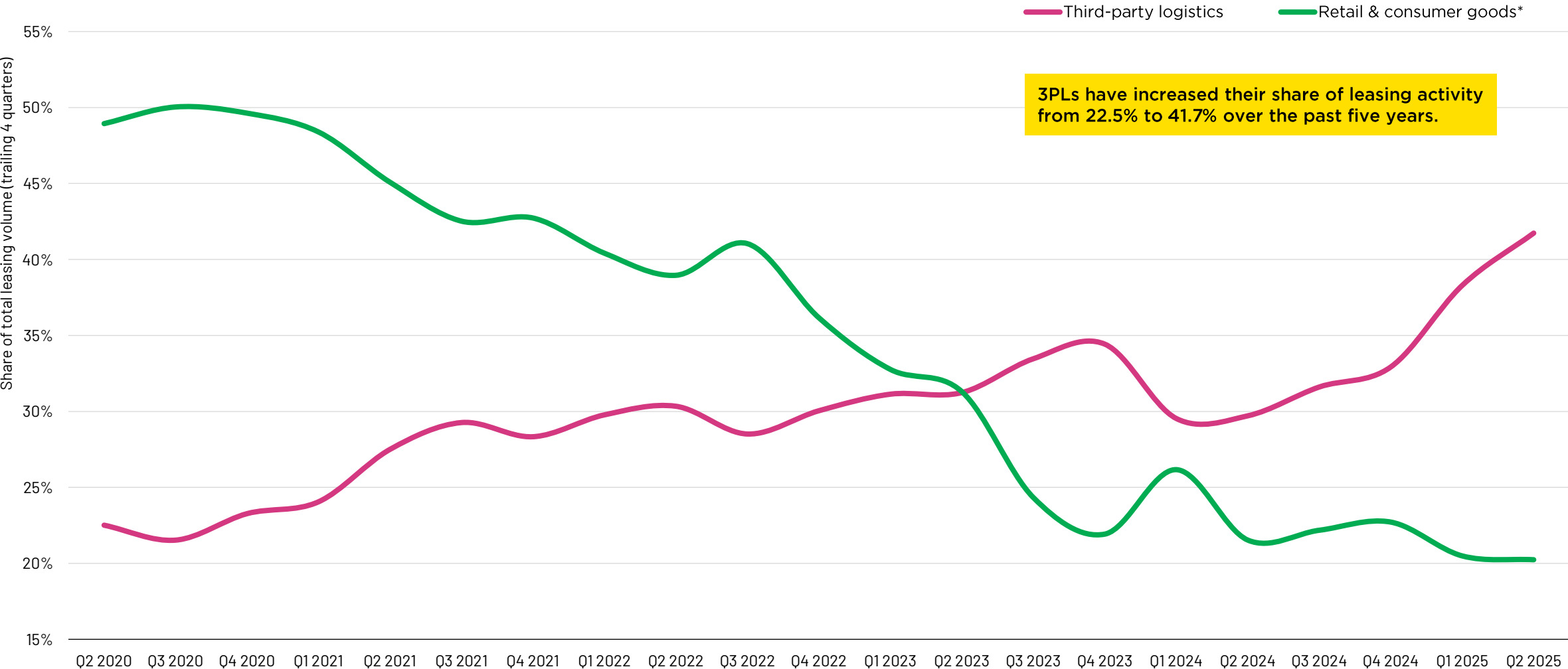
Leasing activity by industry (past four quarters)



Note: Based on top five quarterly leases from 27 markets.

Outsourced logistics trend grows amid ongoing supply chain disruptions

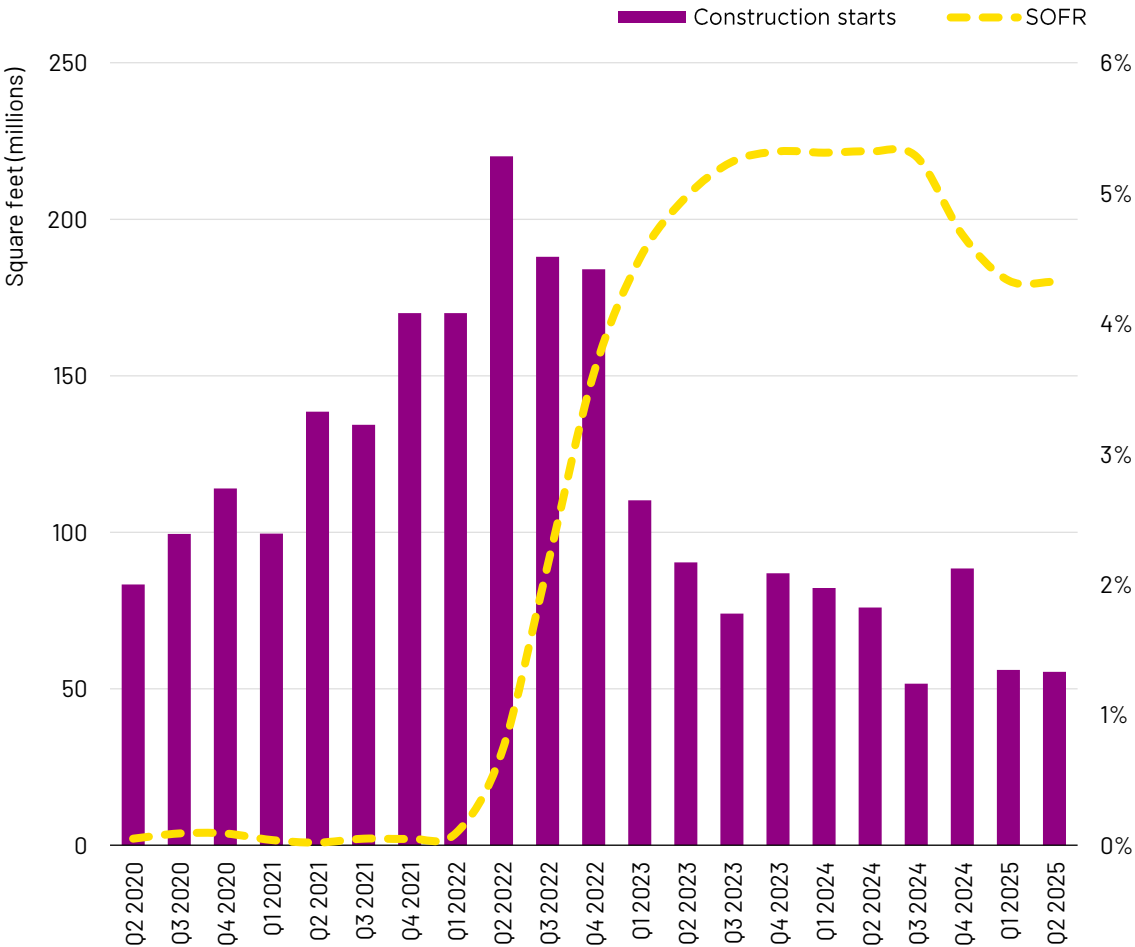
Share of leasing activity, 3PL vs. retail & consumer goods tenants



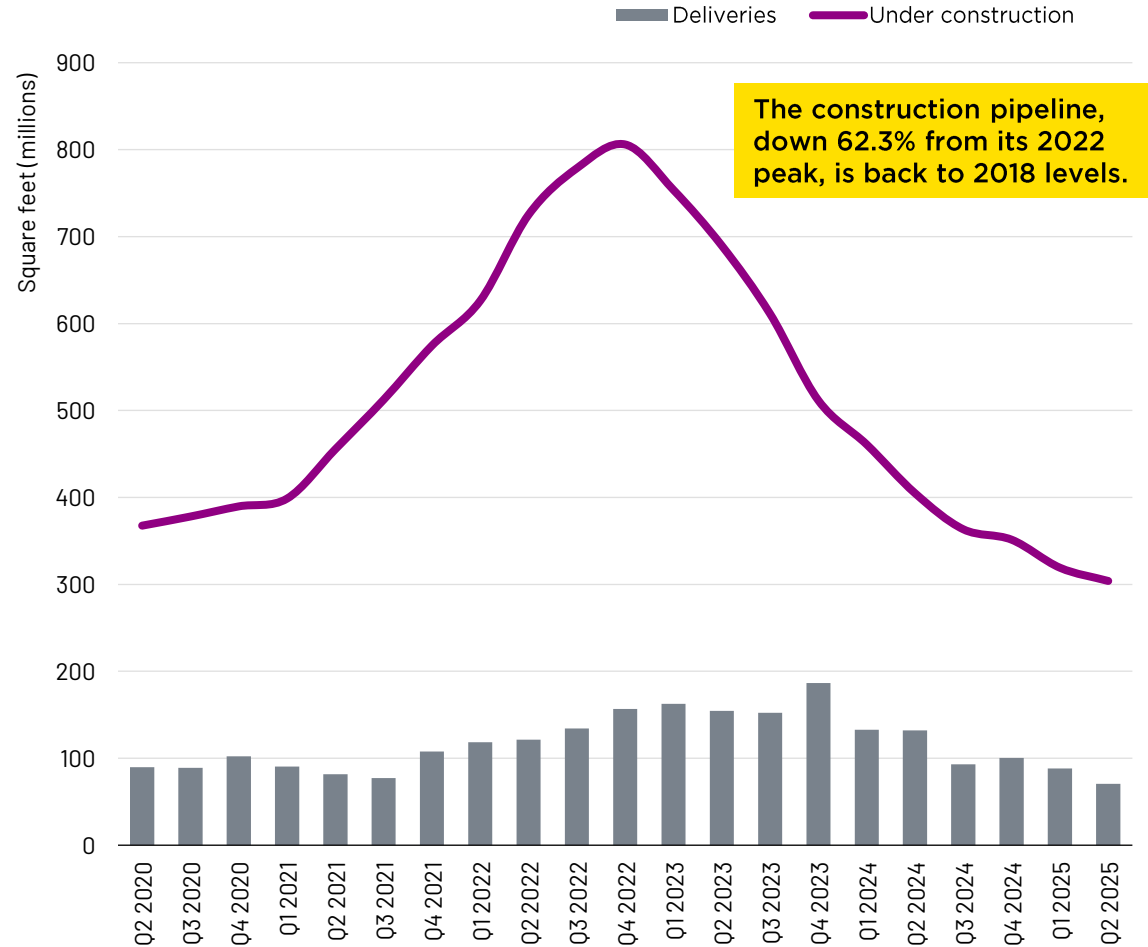
*Including e-commerce
Note: Based on top five quarterly leases from 27 markets.

Cooling construction pipeline provides market-stabilizing anchor

Construction starts vs. secured overnight financing rate (SOFR)

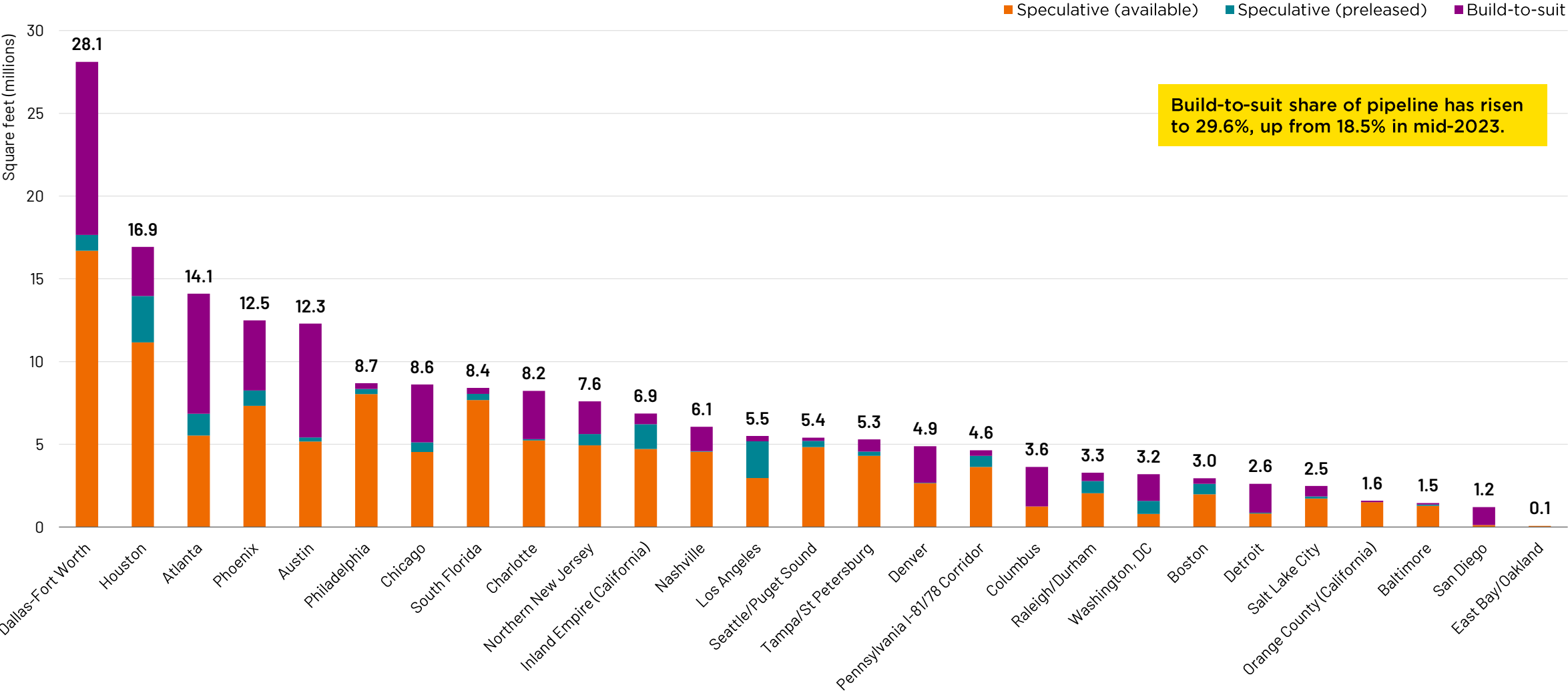


Deliveries vs. under construction



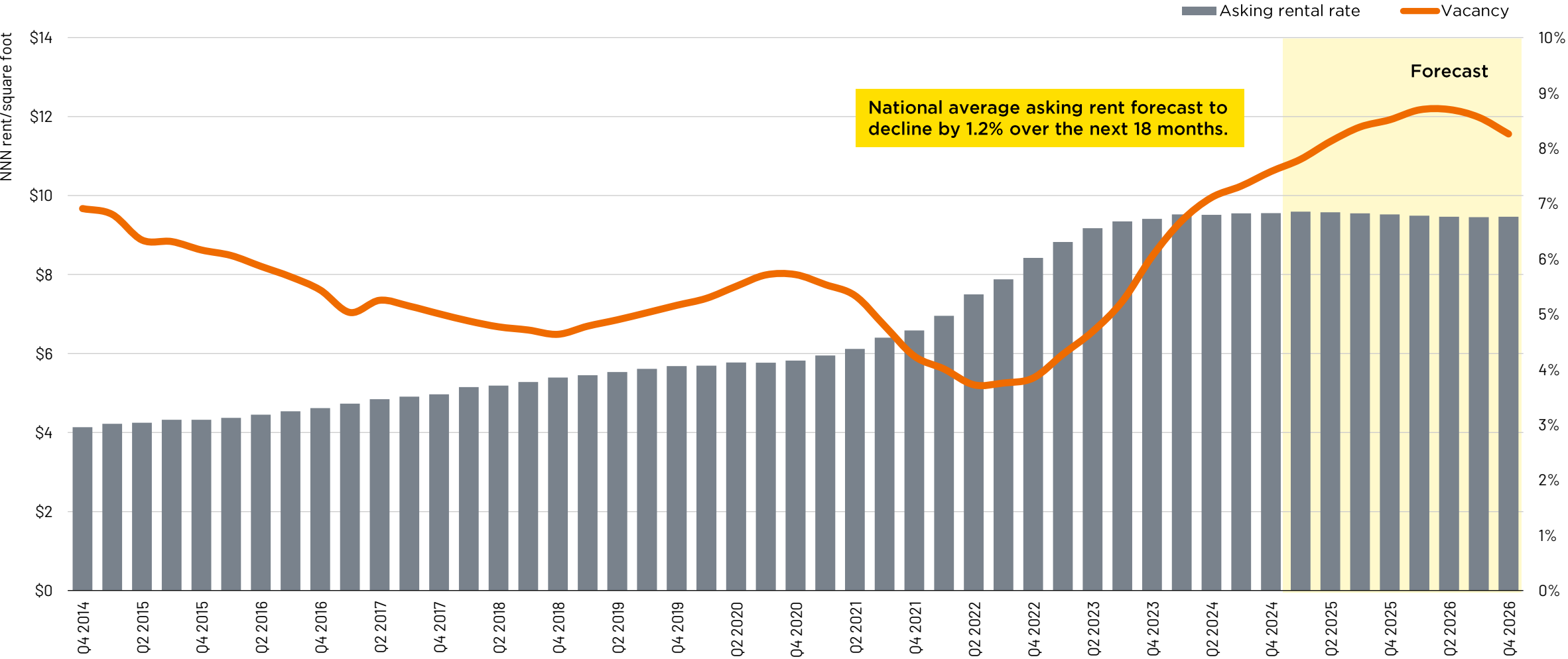
Spec developments predominate in 304-msf pipeline

Under construction inventory by development type



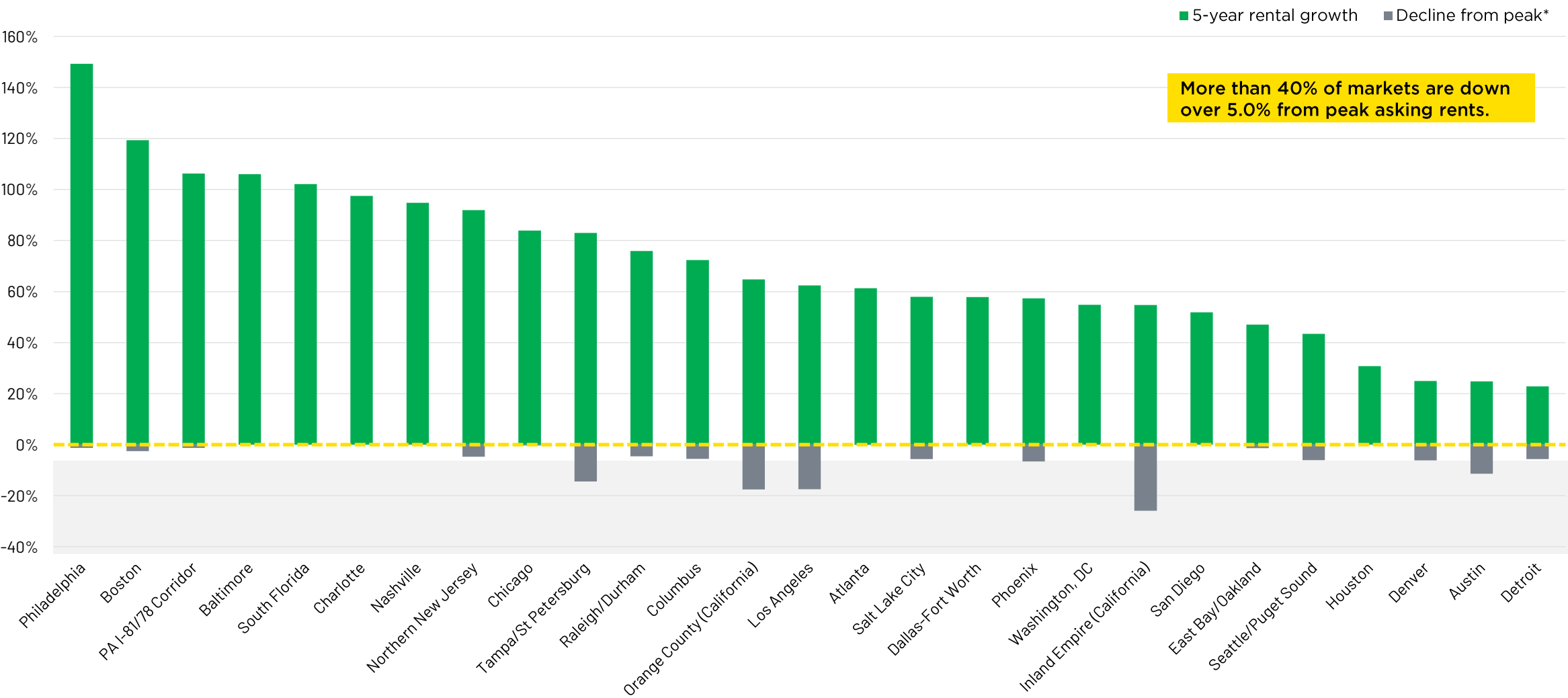
Peak vacancy remains in sight, but may arrive later than expected

Vacancy vs. asking rental rate



Rent declines spread, but levels remain well above historical norms

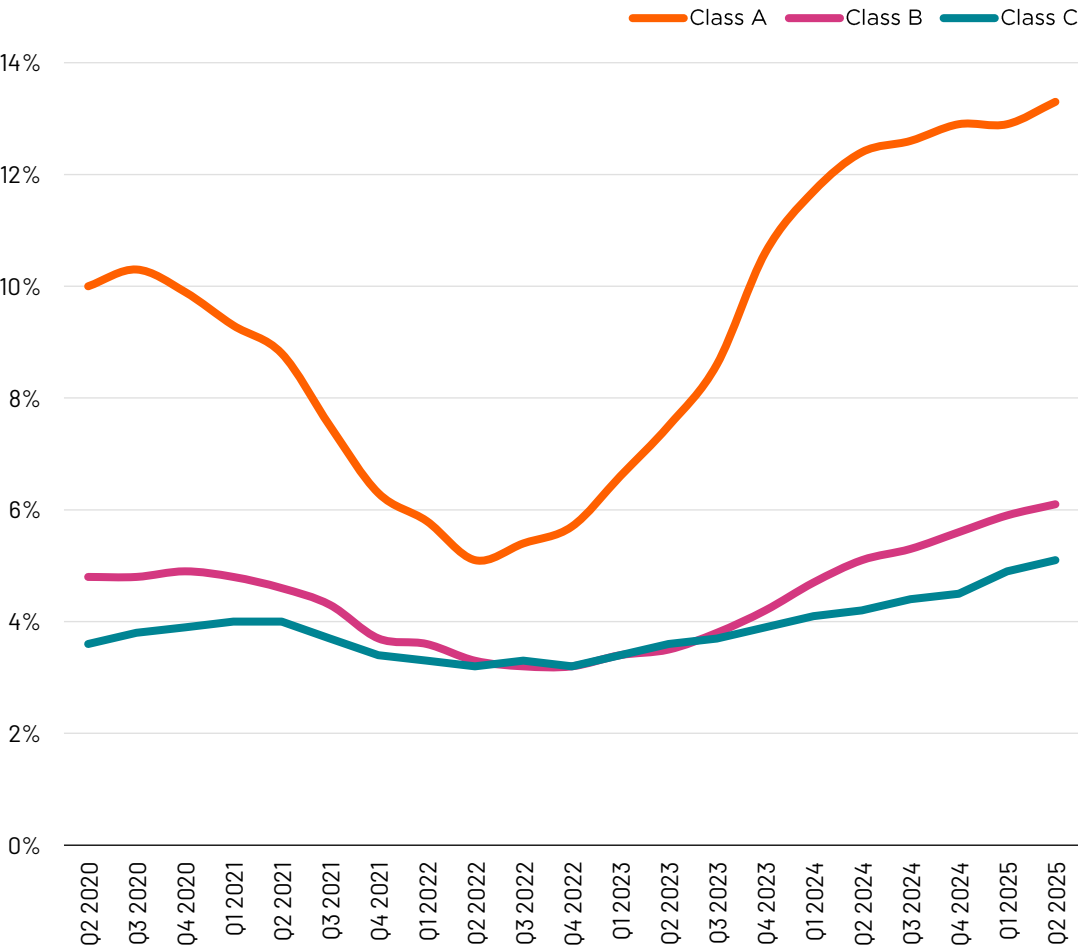
5-year rental growth vs. decline from peak*



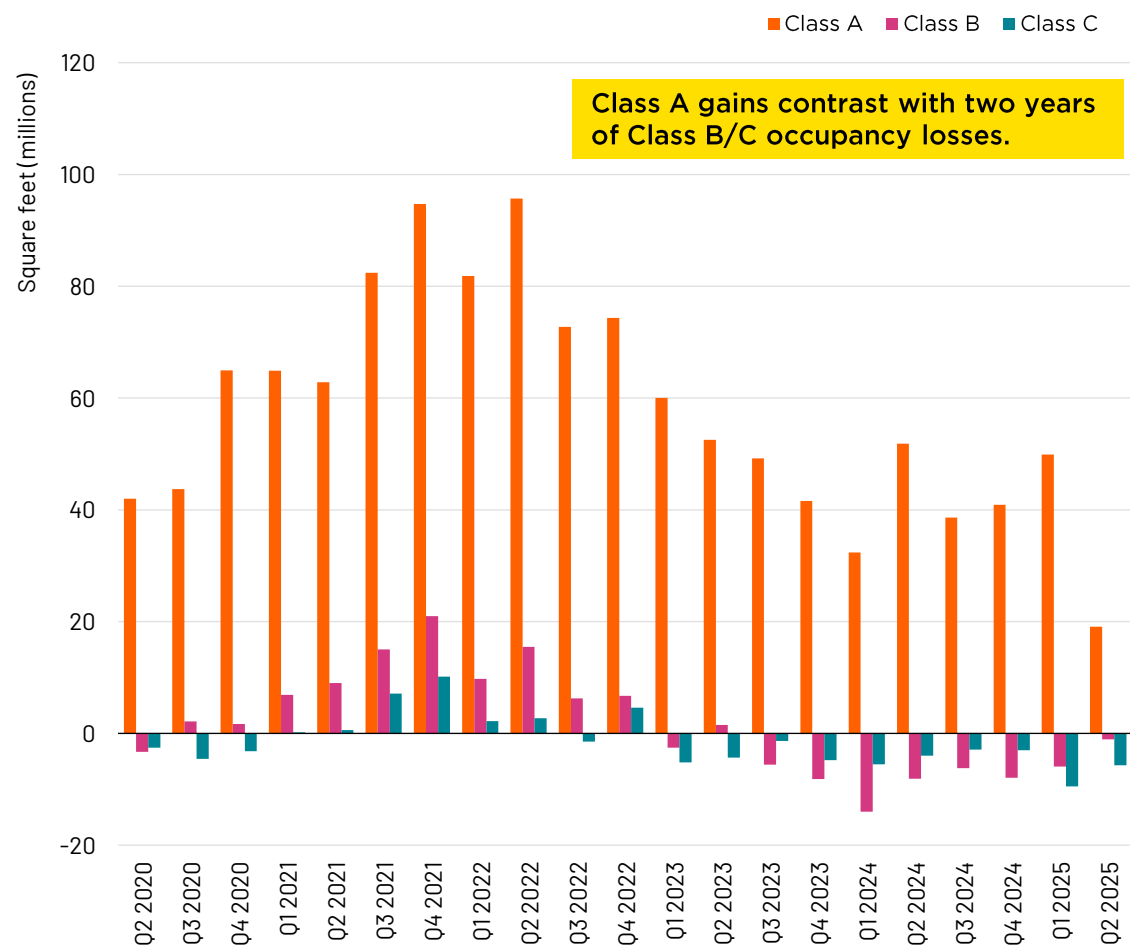
*Peak defined as the period of highest asking rental rate observed in each market between 2020 and 2025.

Elevated Class A vacancy creating opportunities for flight to quality

Vacancy by class

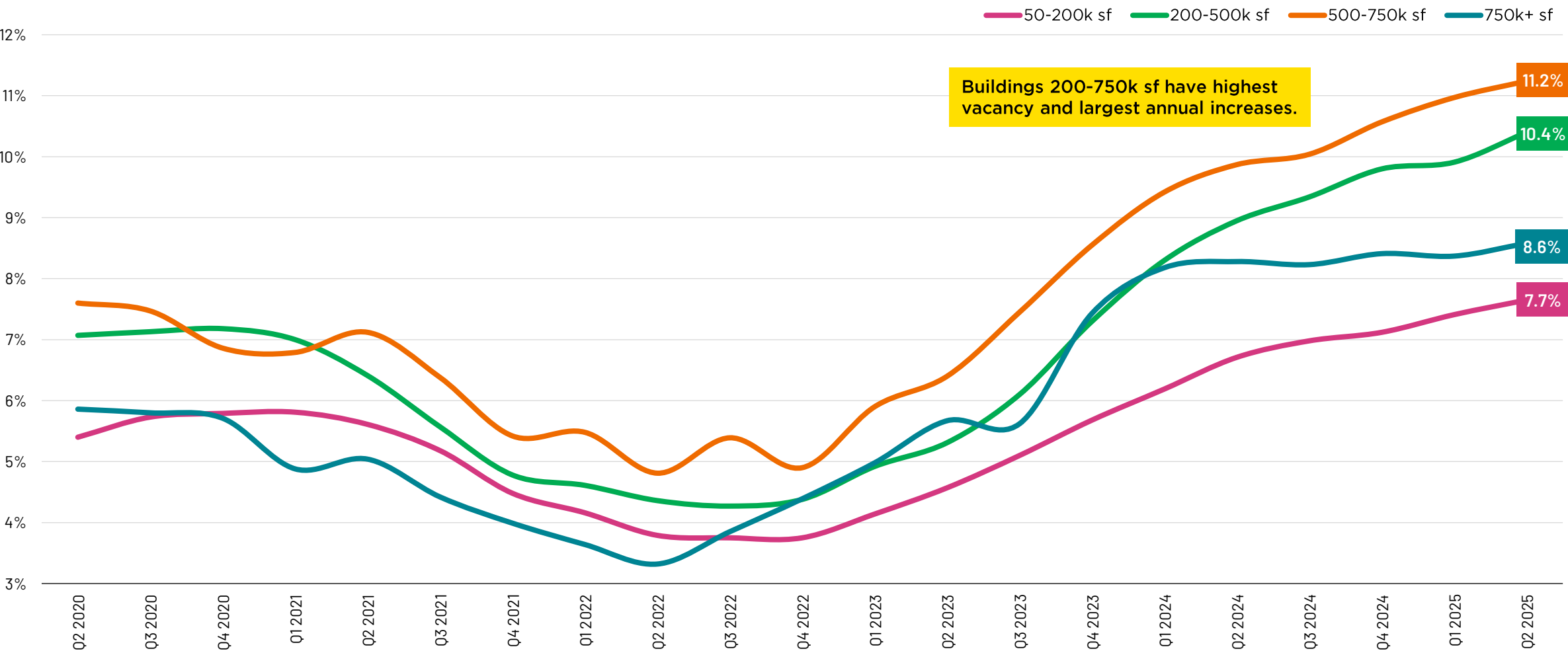


Net absorption by class



Vacancy holds in largest buildings, still rising in mid-range and smaller

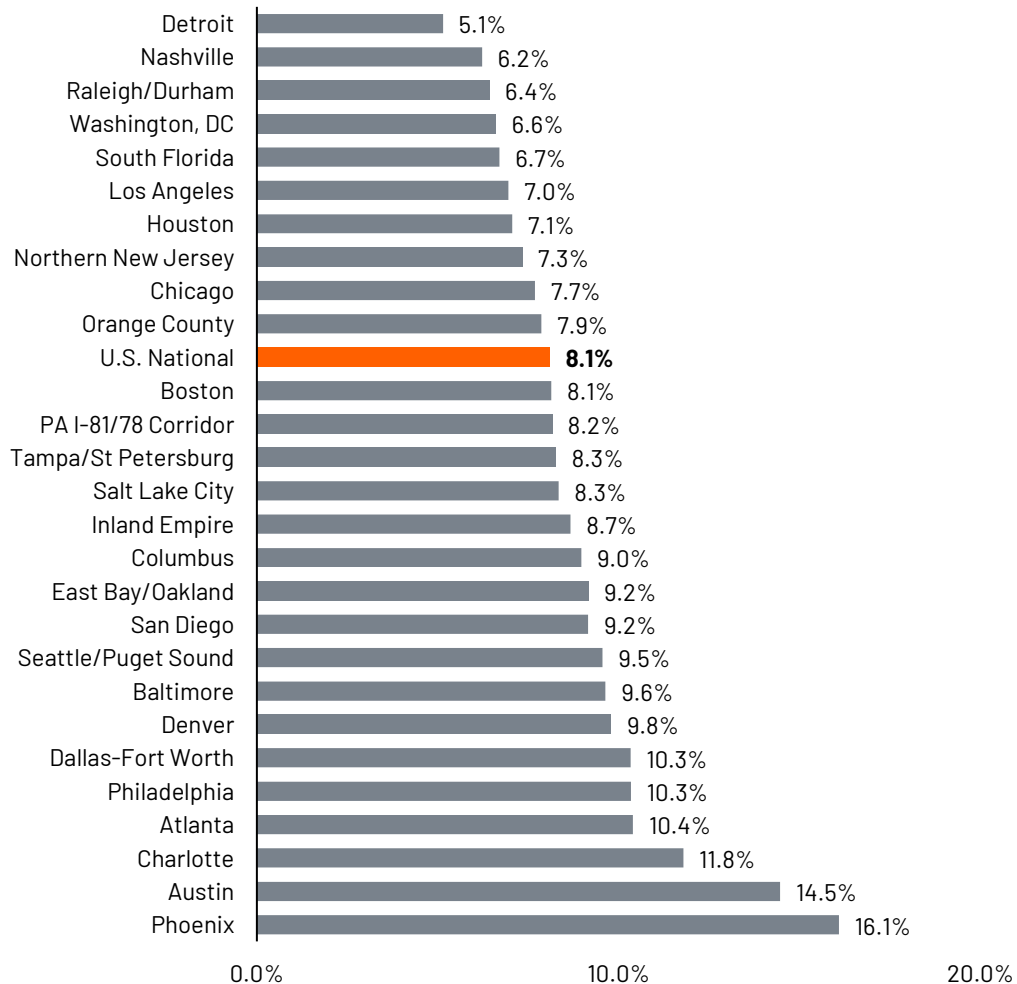
Vacancy by building size range



Vacancy rises sharply in active construction markets

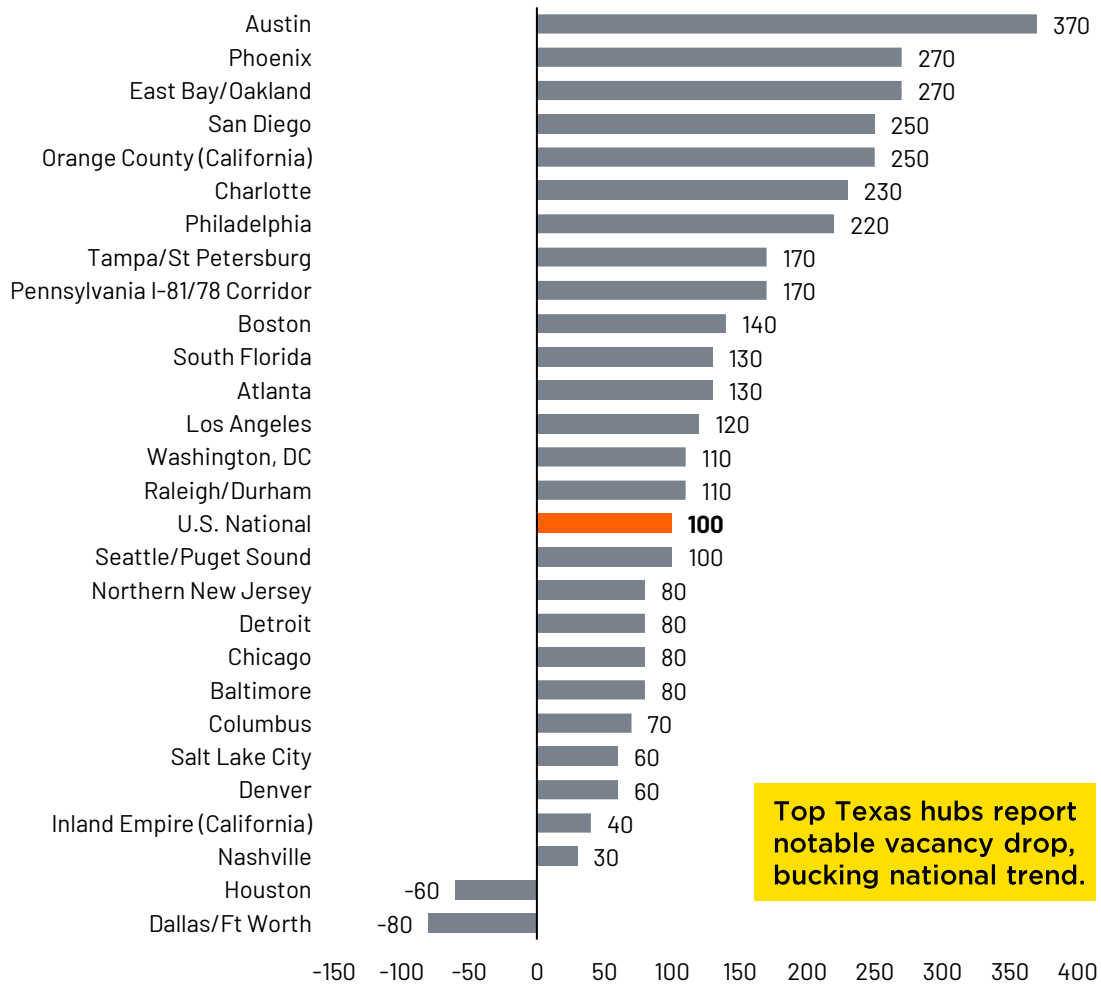
Vacancy rate (%)

Q2 2025



Vacancy change (bps)

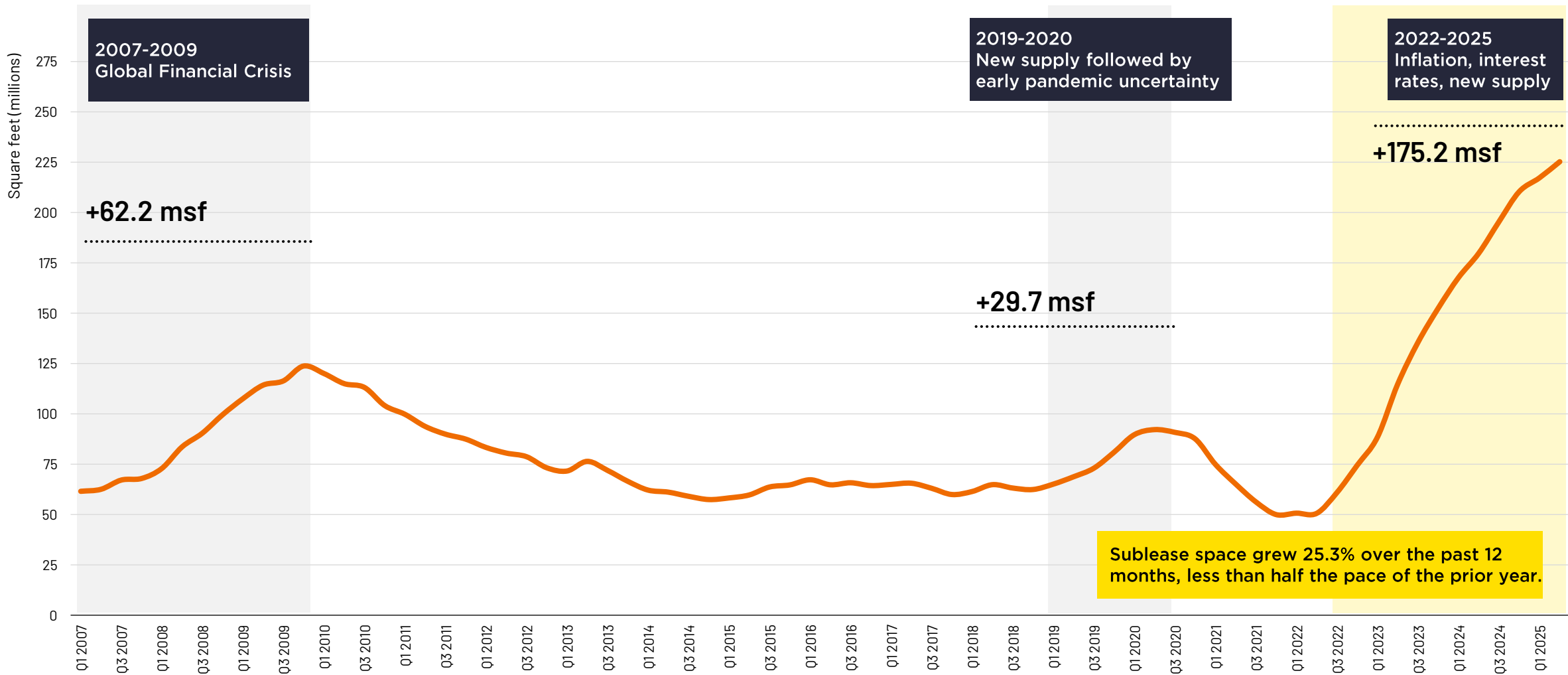
YEAR-OVER-YEAR



Top Texas hubs report notable vacancy drop, bucking national trend.

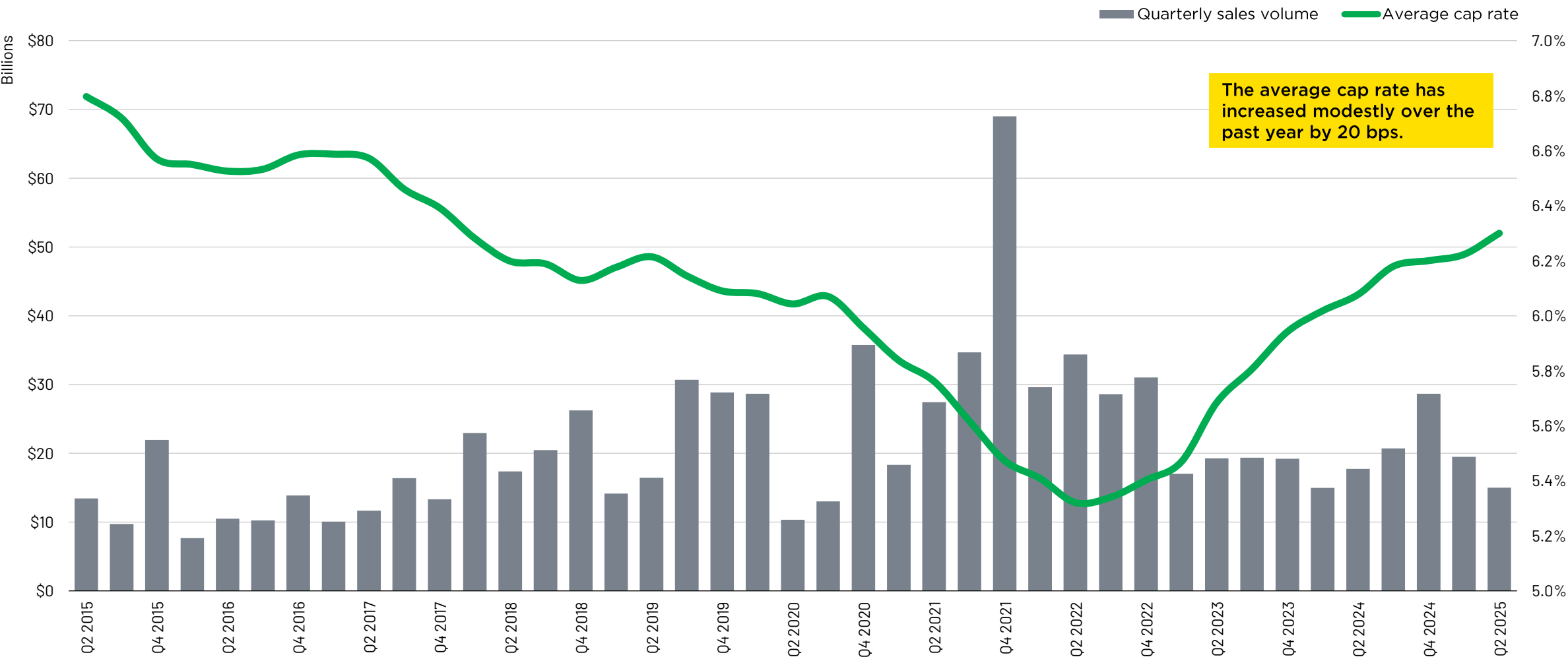
Sublease availability keeps rising; stabilizing key for market recovery

Sublease availability 2007 to 2025



Investor caution rises in 2025, but deals keep moving

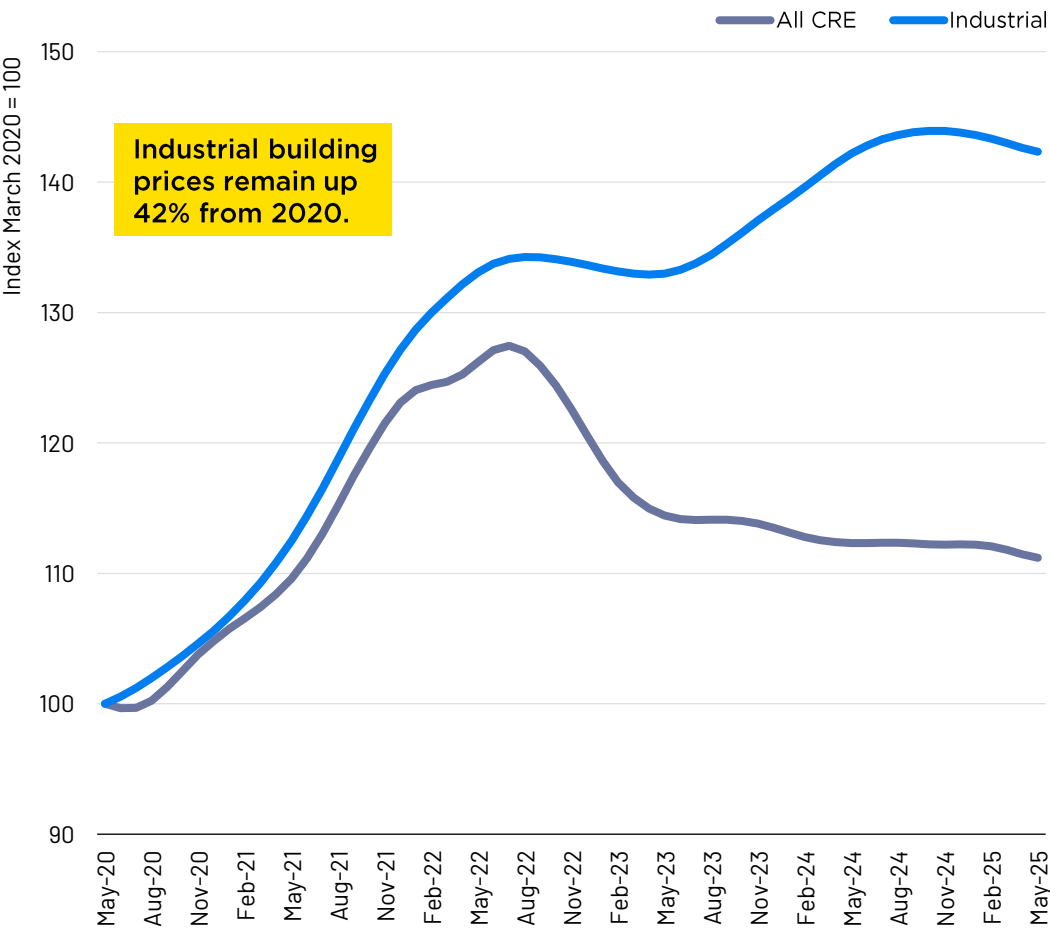
Warehouse sales volume and pricing



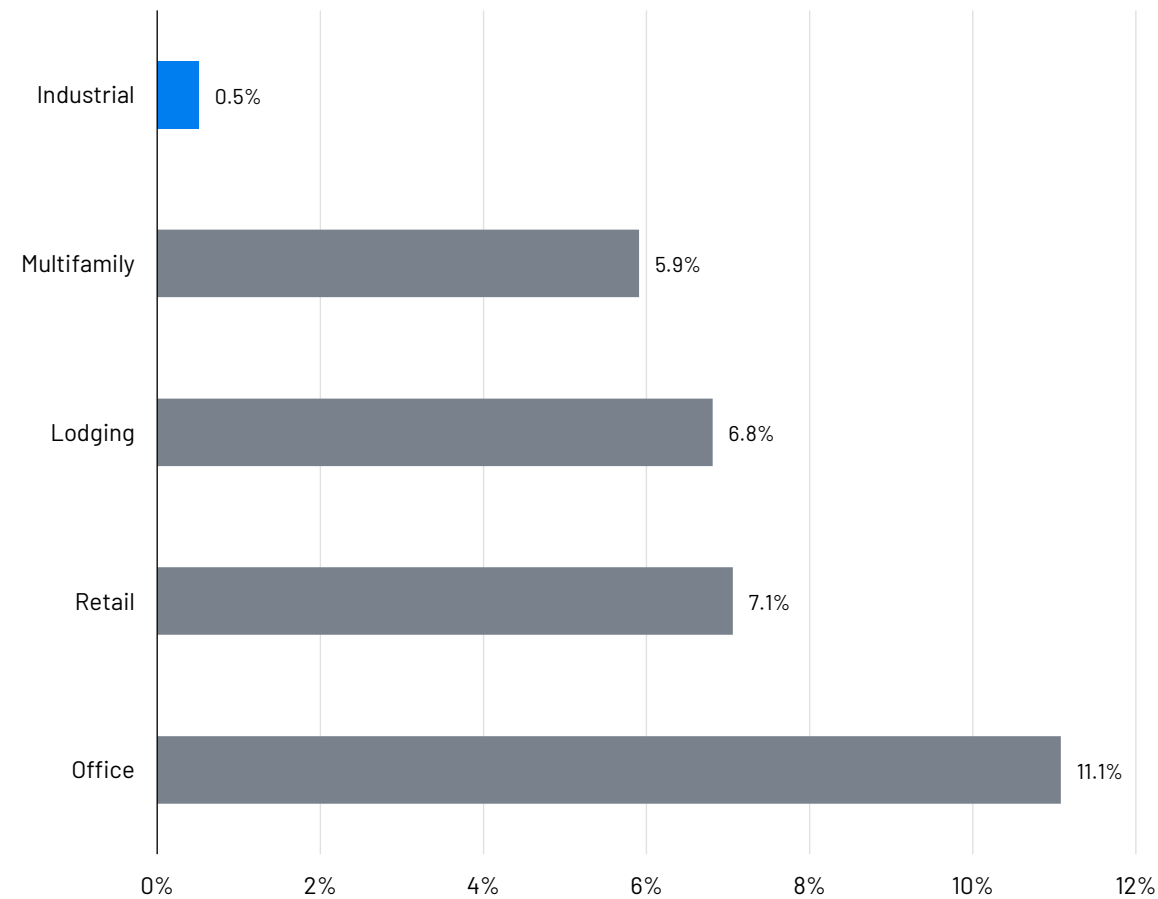
Source: MSCI/Real Capital Analytics

Industrial values remain elevated with limited debt distress

Commercial property price index (CPPI)



CMBS delinquency rate by property type (% 30 days +)



Source: MSCI/Real Capital Analytics, Trepp

Q2 2025 | INDUSTRIAL

Appendix



Local Market Statistics

Q2 2025

	INVENTORY (msf)	VACANCY RATE (%)	ASKING RENTAL RATE (\$/sf)	UNDER CONSTRUCTION (msf)	DELIVERIES YTD (msf)	NET ABSORPTION YTD (msf)
National	16,984.1	8.1%	\$9.58	303.9	158.9	55.7
Atlanta	731.8	10.4%	\$7.03	14.1	7.4	-0.2
Austin	121.9	14.5%	\$10.91	12.3	8.0	3.7
Baltimore	211.1	9.6%	\$10.57	1.5	0.8	-1.2
Boise City/Nampa	45.9	10.4%	\$10.56	3.5	0.5	-0.1
Boston	334.9	8.1%	\$13.28	3.0	0.8	-0.2
Buffalo	91.4	4.3%	\$6.35	3.2	0.0	-0.6
Charleston/N Charleston	95.7	18.2%	\$8.11	1.9	1.9	1.2
Charlotte	280.9	11.8%	\$8.11	8.2	6.0	1.9
Chicago	1,038.7	7.7%	\$7.86	8.6	9.3	2.0
Cincinnati/Dayton	439.5	5.9%	\$5.90	3.1	1.1	0.8
Cleveland	478.4	4.1%	\$5.34	1.2	0.5	-2.9
Columbus	309.9	9.0%	\$5.97	3.6	1.7	3.6
Dallas-Fort Worth	899.9	10.3%	\$7.62	28.1	10.0	13.0
Denver	209.1	9.8%	\$8.94	4.9	1.5	0.4
Detroit	512.8	5.1%	\$6.53	2.6	0.9	-0.6
East Bay/Oakland	149.0	9.2%	\$15.55	0.1	1.3	-0.8
Greensboro/Winston-Salem	273.9	6.6%	\$5.34	4.8	0.8	1.0
Greenville/Spartanburg	260.4	9.8%	\$4.98	3.7	2.4	3.7
Hampton Roads	102.8	6.4%	\$8.54	3.0	2.4	0.4
Houston	676.0	7.1%	\$7.63	16.9	6.6	5.9

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes.

Local Market Statistics

Q2 2025

	INVENTORY (msf)	VACANCY RATE (%)	ASKING RENTAL RATE (\$/sf)	UNDER CONSTRUCTION (msf)	DELIVERIES YTD (msf)	NET ABSORPTION YTD (msf)
National	16,984.1	8.1%	\$9.58	303.9	158.9	55.7
Indianapolis	386.3	10.7%	\$6.04	2.3	2.0	-0.1
Inland Empire	621.4	8.7%	\$13.09	6.9	2.0	3.3
Jacksonville	136.8	6.7%	\$7.99	9.5	2.1	0.8
Kansas City	369.3	5.2%	\$5.35	11.7	6.8	6.6
Las Vegas	155.2	12.7%	\$12.54	7.9	4.5	2.0
Long Island	263.8	6.7%	\$19.31	2.3	2.7	1.3
Los Angeles	695.2	7.0%	\$16.46	5.5	2.4	1.2
Louisville	228.0	5.3%	\$5.13	8.4	0.9	1.0
Memphis	305.6	9.7%	\$5.19	0.2	0.5	-5.6
Milwaukee/Madison	393.0	5.6%	\$5.48	7.6	1.8	-3.7
Minneapolis/St Paul	336.5	4.6%	\$7.03	2.8	0.7	1.2
Nashville	243.2	6.2%	\$9.36	6.1	3.4	1.9
Northern New Jersey	686.8	7.3%	\$16.57	7.6	4.7	1.9
Omaha/Council Bluffs	81.9	2.6%	\$7.11	2.2	0.0	0.7
Orange County	150.6	7.9%	\$17.59	1.6	1.3	0.0
Orlando	173.0	9.5%	\$12.07	3.7	2.0	-0.3
PA I-81/78 Corridor	610.1	8.2%	\$8.31	4.6	5.2	-1.9
Philadelphia	407.9	10.3%	\$12.10	8.7	5.9	-1.3
Phoenix	349.5	16.1%	\$9.98	12.5	13.8	8.4
Pittsburgh	177.8	5.7%	\$8.53	0.4	0.2	-0.6

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes.

Local Market Statistics

Q2 2025

	INVENTORY (msf)	VACANCY RATE (%)	ASKING RENTAL RATE (\$/sf)	UNDER CONSTRUCTION (msf)	DELIVERIES YTD (msf)	NET ABSORPTION YTD (msf)
National	16,984.1	8.1%	\$9.58	303.9	158.9	55.7
Portland	284.3	6.5%	\$9.55	2.9	4.6	1.1
Raleigh/Durham	95.3	6.4%	\$9.62	3.3	1.1	0.6
Reno/Sparks	122.2	11.8%	\$7.69	5.8	0.6	1.2
Sacramento	150.9	6.9%	\$8.86	1.3	0.0	-0.6
Salt Lake City	150.4	8.3%	\$9.35	2.5	1.4	-0.1
San Antonio	143.7	11.8%	\$7.80	4.1	3.1	-0.3
San Diego	117.3	9.2%	\$16.42	1.2	0.5	-0.9
Savannah	156.7	14.2%	\$7.13	7.7	8.9	2.6
Seattle/Puget Sound	247.1	9.5%	\$12.63	5.4	2.3	1.3
South Bay/San Jose	76.8	5.5%	\$18.14	3.1	0.0	-0.2
South Florida	313.7	6.7%	\$16.15	8.4	0.9	0.7
St. Louis	293.0	4.5%	\$5.63	4.1	1.2	0.6
Stockton/Modesto	194.3	9.4%	\$7.81	2.2	0.8	-1.8
Tampa/St Petersburg	271.0	8.3%	\$9.02	5.5	4.9	2.1
Toledo	154.2	3.2%	\$4.94	1.4	0.0	-0.5
Tucson	28.9	6.7%	\$8.66	1.4	0.0	0.2
Washington, DC	148.4	6.6%	\$13.79	3.2	1.8	1.7

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes.

Thank You



GREGG HEALY

Executive Vice President,
Head of Industrial Services
North America
+1 949 706 6638
ghealy@savills.us

MARK RUSSO

Vice President,
Industrial Research
North America
+1 201 556 4994
mrusso@savills.us

CHRIS BAUERS

Manager,
Industrial Research
North America
+1 267 256 7564
cbauers@savills.us

savills.us

For more articles and research from Savills industrial experts offering industry-leading advice and analysis, visit our [research and insights hub here](#).

Disclaimer: The material in this presentation has been prepared solely for informational purposes and is strictly confidential. Any disclosure, use, copying or circulation of this presentation (or the information contained within it) is strictly prohibited, unless you have obtained Savills prior written consent. Neither this presentation nor any part of it shall form the basis of, or be relied upon in connection with, any offer or transaction, or act as an inducement to enter into any contract or commitment whatsoever. NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IS GIVEN AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN AND SAVILLS IS UNDER NO OBLIGATION TO SUBSEQUENTLY CORRECT IT IN THE EVENT OF ERRORS. Savills shall not be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document or any errors therein or omissions therefrom.