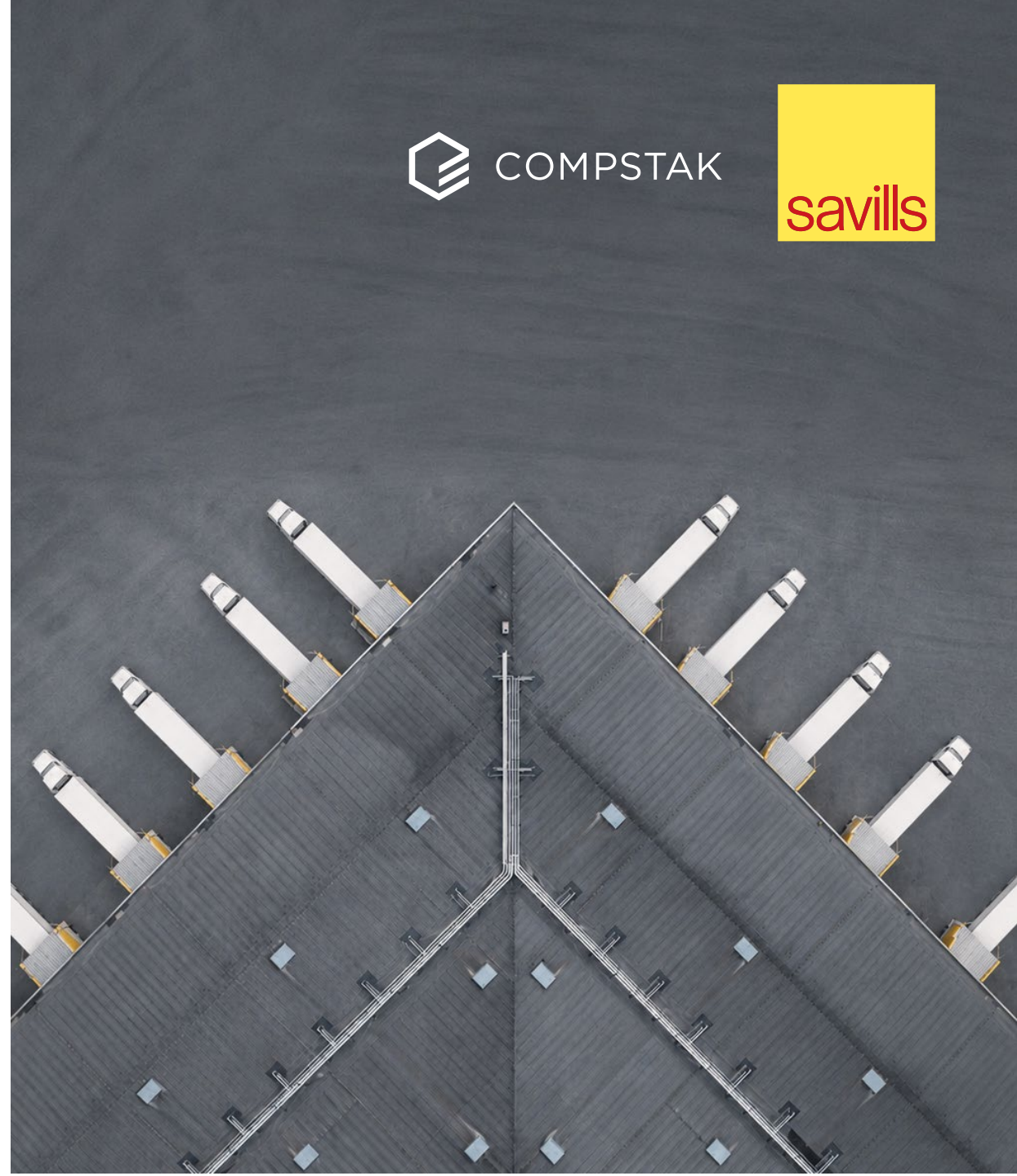


The bigger the better: mega warehouses lead industrial recovery

Large format industrial leasing has roared back, and with it a narrative that big-box warehouses are the market's bright spot. That story is true but incomplete. Not all big-box buildings are performing equally, and the differences between size segments are stark. This report examines three tiers:

- **Mid-size** (200–500k square feet)
- **Large** (500–750k sf)
- **Mega** (750k sf and above)

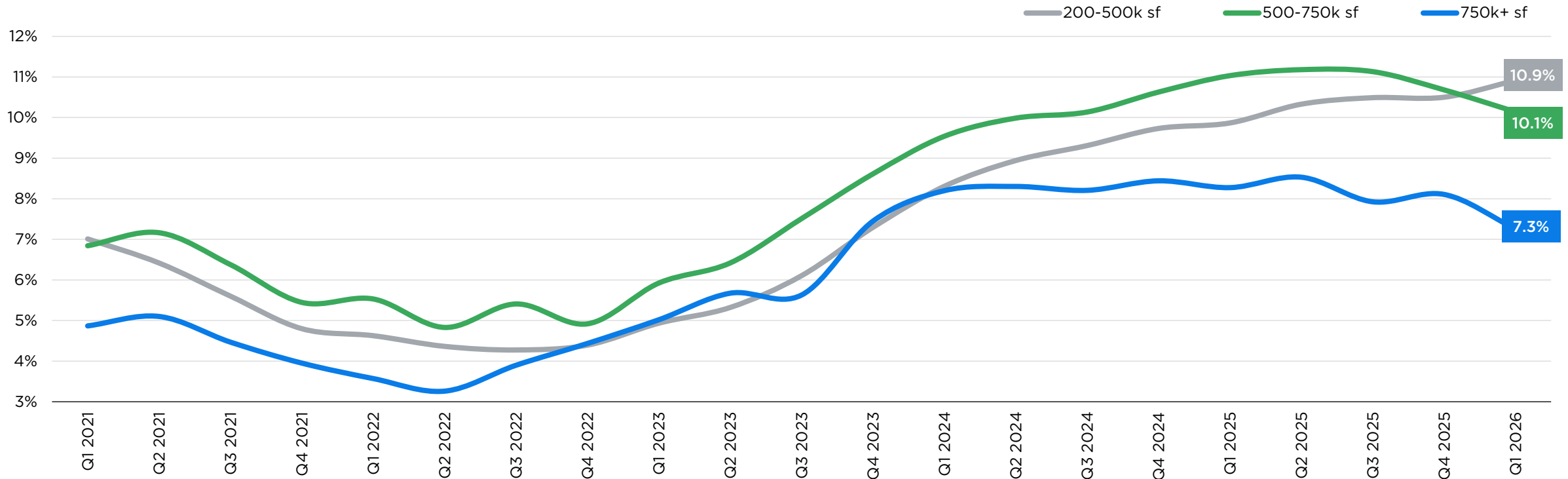
The mega segment is tightening fast, with falling vacancy, stronger lease economics and growing rent momentum. Meanwhile, tenants continue to hold the upper hand in the mid-size segment.



Vacancy is falling at the top, rising at the bottom

The numbers behind the divergence are striking. Mega segment vacancy stood at 7.3% in Q1 2026, down 100 basis points year over year and the tightest of the three tiers. The large segment followed a similar trajectory, declining approximately 90 basis points over the same period to 10.1%. The mid-size segment tells the opposite story: at 10.9% and still trending higher, it reflects a supply overhang with little sign of near-term resolution.

VACANCY BY SEGMENT: MID-SIZE, LARGE AND MEGA



Source: Savills Research

Evolving supply chains fueling demand for the largest buildings

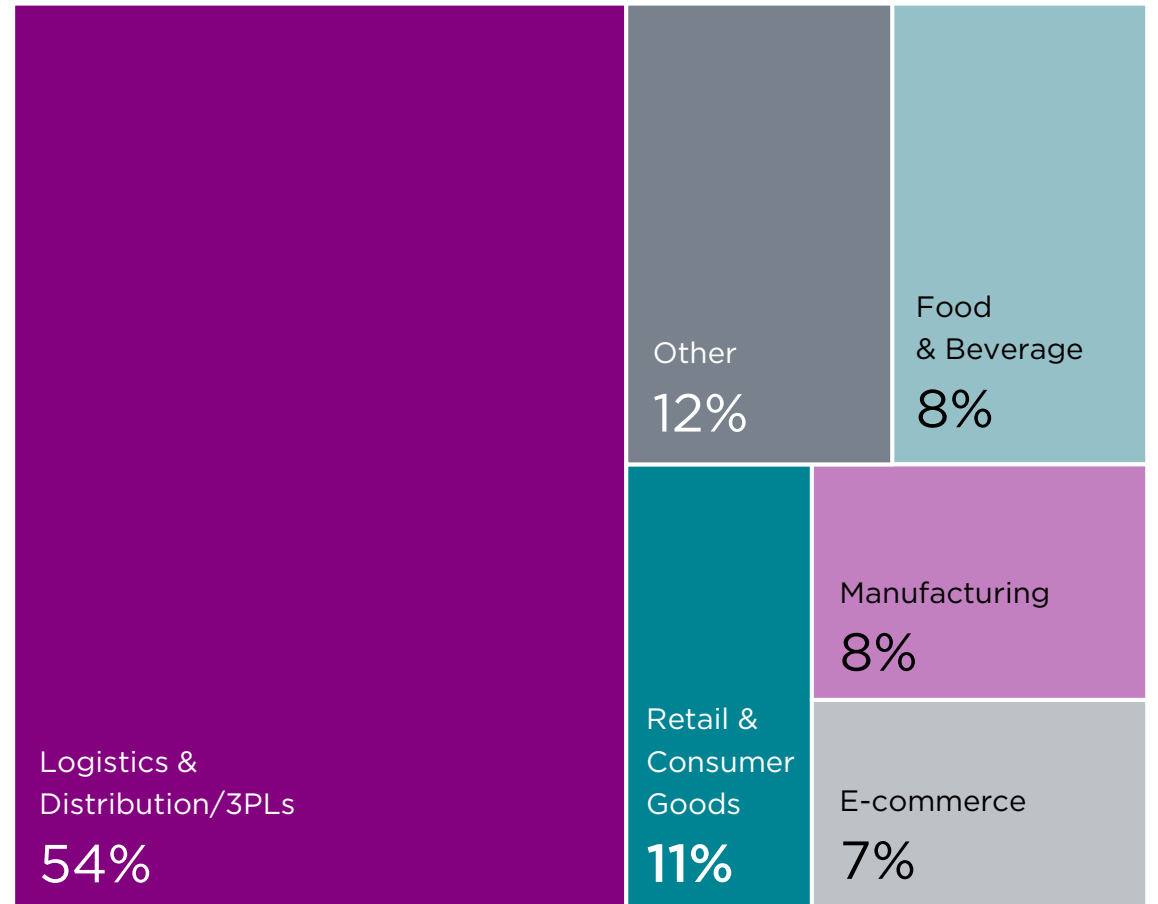
Leasing in the mega segment represented 30.6% of all big-box activity over the past six months, a significant jump from 21.5% in the prior six-month period. Logistics companies account for more than half of recent deal volume, with consumer-oriented sectors including retail and consumer goods, food and beverage and e-commerce making up a combined 26.4% over the past 12 months.

“ The mega segment’s share of leasing activity jumped nearly 10 percentage points in just six months. ”

Underlying this demand is a recalibration of how major retailers and distributors think about inventory risk. Geopolitical uncertainty, supply chain disruptions and the complexity of matching inventory to demand signals have made large central stocking facilities an increasingly attractive hedge. The logic is not new. Large regional distribution centers were the standard model for big-box retailers before e-commerce pushed many toward smaller, proximity-based facilities. The pendulum is swinging back. Target’s recently opened 1.2-million-square-foot Receive Center in Houston is an example, designed to hold product earlier in the supply chain and reduce the need to shuffle inventory across a network of smaller facilities when demand forecasts miss. As unpredictability in global supply chains persists, demand for mega facilities with the capacity to buffer that risk shows little sign of easing.

Source: Savills Research

MEGA LEASING ACTIVITY BY INDUSTRY: PAST FOUR QUARTERS

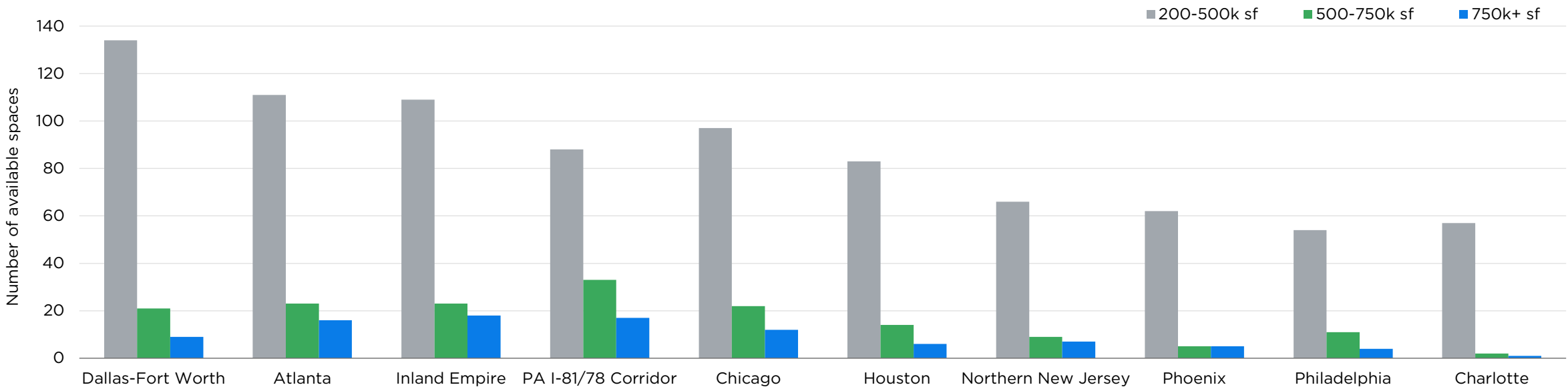


The barriers to mega development are high and getting higher

Mega facilities are genuinely scarce, and adding new supply is not straightforward. Large sites require significant acreage, flat topography and community support, none of which are easy to assemble in most major markets. In California, for example, AB-98 sets stricter development rules for projects over 250,000 sf, and the larger the project, the more difficult the path to development becomes. The construction data illustrates the story.

In 2023, three mid-size buildings were delivered for every mega facility. By 2025, that ratio had widened to eight to one. Accordingly, the number of mega options across the top ten markets declined 14.0% over the past two years, even as mid-size availabilities grew by 15.0%. Dallas-Fort Worth alone offers more than 130 mid-size options against fewer than 10 mega facilities, a pattern that repeats across nearly every major market.

WAREHOUSE AVAILABILITY BY SIZE SEGMENT: TOP 10 MARKETS



Note: Includes existing and under construction Class A and B options as of May 2026.
Source: Savills Research

Lease economics tilt toward landlords as size increases

The past 12 months of leasing data reveal a clear gradient in economics across the three segments. Starting rents average \$9.62 per square foot (psf) in the mid-size segment, \$9.36 psf in the large segment and \$8.45 psf for mega deals, reflecting the economies of scale that come with larger facilities. However, the starting rent misses the complete picture. The spread between effective and starting rent widens sharply with size: 1.3% in the mid-size segment, 2.4% in the large segment and 8.2% in the mega segment. A wider spread signals lower concessions and more escalations due to longer lease terms, meaning landlords are capturing more value from mega deals than the starting rent alone suggests.

Lease term length for mega deals significantly outpaces smaller sizes. Mega deals averaged 96.6 months, compared to 81.1 months for large and 76.5 months for mid-size. The mid-size segment remains firmly tenant-favorable, with the highest concession ratio of the three at 9.0% and the narrowest effective-over-starting spread, indicating landlords are giving back meaningful value to get deals done.



Landlords are trading lower starting rents for stronger long-term economics on mega leases, capturing an 8.2% effective rent premium and securing average lease terms of more than eight years.

Note: Rents quoted annually, net basis. Concession ratio represents free rent and tenant improvements as a share of total rent over the lease term.
Source: CompStak

LEASING ECONOMICS BY SIZE SEGMENT

Average of leases signed Q2 2025 - Q1 2026

	200-500K SF	500-750K SF	750K+ SF
Effective rent	\$10.02	\$10.15	\$9.63
Starting rent	\$9.62	\$9.36	\$8.45
Rent spread: effective/starting	1.3%	2.4%	8.2%
Concession ratio	9.0%	8.4%	8.6%
Annual escalation	3.40%	3.34%	3.32%
Lease term (months)	76.5	81.1	96.6

Expiring leases point to accelerating rent growth in the mega segment



The case for rent growth in the mega segment is reinforced by what is coming due. CompStak's analysis of leases expiring between Q3 2026 and Q2 2028 shows mark-to-market rent pressure escalating sharply with size. Market rents sit 26.9% above in-place rents in the mid-size segment, 32.6% in the large segment and 42.9% in the mega segment. Tenants in the largest facilities face the most significant rent resets upon rollover, while landlords stand to capture the greatest upside.

Note: Market rent reflects estimated current rental value of each space.
Source: CompStak

Lease vintage explains much of the gap. In the mega segment, 50.1% of expiring square footage was executed before 2020, meaning the majority of this space was leased before or during the early stages of the industrial rent surge. In the mid-size segment, pre-2020 leases account for just 24.6% of expiring square footage. The largest transactions expiring in the near term are therefore the most likely to be carrying rents that bear little resemblance to current market conditions. Taken together with tightening vacancy and stronger lease economics, the data points to rent growth resuming first and most forcefully in the mega segment.

The big-box market is recovering, but the gains are not evenly distributed. Vacancy is falling, lease terms are strengthening and rent growth is building in the mega segment, while the mid-size segment continues to work through excess supply with tenants firmly in control. For landlords and tenants alike, understanding where a building sits in the size spectrum has never mattered more.



Half of all expiring mega leases predate the industrial rent surge, leaving the widest mark-to-market gap.



RESEARCH

Savills

CompStak

savills.us

Mark Russo
mrusso@savills.us
+1 201 556 4994

Chris Bauers
cbauers@savills.us
+1 267 256 7564

Alie Baumann
aliebaumann@compstak.com
+1 646 926 6707

Jacob Thomas
jacobthomas@compstak.com
+1 646 926 6707

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