

# Warehouses See Rent Declines for the First Time in Years

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Rent growth for industrial properties has slowed sharply nationwide, with CoStar data showing rates have now turned negative or nearly flat across every size category. The reversal marks a turning point for a sector once defined by relentless expansion, now tempered by shifting tenant demand and rising supply pressures.

In large facilities of 50,000 square feet or more, rent trends have swung from a compound annual growth rate of 8.8% in 2019 to a current annual change of -2.7%. Mid-sized properties between 25,000 and 50,000 square feet—which once saw rent growth above 6.8%—are now described as "largely muted." Smaller facilities under 25,000 square feet have also seen growth rates fall from more than 5.5% to below 1%.

"Asking rent growth has varied among the U.S. regions," said Juan Arias, national director of industrial analytics at CoStar Group.

Leases larger than 50,000 square feet continue to see stronger annual asking rent gains in the mountain and northeastern states, having benefited from more limited growth in bulk logistics supply in the last few years. In leases between 25,000 and 50,000 square feet, moderation in asking rent growth has occurred across more regions, with new supply adding more competitive options for tenants over the last few years."

Arias added that leases smaller than 25,000 square feet are still seeing rent growth in most areas except the Pacific region.

"Small-bay tenants have seen significant rent increases over the last few years, as this segment of the market has seen limited supply additions," he said. "Rent growth in this group is moderating as the smaller businesses using such facilities face greater uncertainty."

The broader trend reflects shifting demand dynamics that began to take shape in late 2025. According to CBRE's John Morris, mid-sized occupiers continued to lease space between 50,000 and 100,000 square feet even as the largest users paused activity. "The biggest users are quiet," he said, adding that one-million-square-foot deals are unlikely until economic conditions improve.

Meanwhile, demand for [shallow-bay warehouses](#)—industrial properties under 50,000 square feet with clear heights of 14 to 28 feet—continues to outpace supply. Asking rents for these smaller-format buildings are more than 50% higher than in 2010, according to CBRE research. These facilities cater to local distributors, light manufacturers and service businesses rather than national logistics operators, highlighting how tenant composition is increasingly driving market performance.