

Resetting priorities

Industrial real estate sector rebalances as tariffs, AI, evolving supply chains reshape demand

By Nicole Rollender



The industrial real estate sector is expecting increased demand and leasing activity in the first half of 2026.

The US industrial real estate sector is experiencing a mid-cycle recalibration. Following a period of unprecedented market stressors created by tariff volatility and shifting trade policies, the market is more resilient than expected.

"We're experiencing increased demand and leasing activity in the first half of 2026 as compared to 2025 or 2024, as tenants have adjusted to the new normal and tariff policy has been less volatile," said Brandi Hanback, executive vice president, head of development, and head of FTZ, Trade & Logistics at Rockefeller Group, a major private real estate developer, owner and investor based in New York City.

"We're also seeing a steady increase in site tours of our projects across the country, as well as in requests for proposals."

While the market is improving, data from investment management firm Colliers shows a massive 63% drop in national industrial construction pipeline volume since peaking in late 2022. However, the slowdown is paving the way for a healthier supply-and-demand balance. Fueled in part by the rapid rise of AI, shifting supply chains and nearshoring, market leaders are finding robust pockets of growth across the country.

Despite these positive indicators, ongoing uncertainty around tariffs and broader economic conditions continues to influence where developers invest and where tenants choose to lease.

"The choppiness in the industrial sector, especially since the spring of 2025, doesn't appear to be going away any time soon," said Jeff Thornton, executive vice president and head of the Central region at CenterPoint Properties, a national industrial real estate owner and developer based in Oak Brook, Ill.

"Owners and developers are being forced to operate under the assumption that there's going to be continued uncertainty around tariffs, and tenants' total occupancy cost will be uncertain and likely elevated for the foreseeable future."

Tariff volatility

Tariff policy continues to create unpredictability for importers and logistics operators, affecting warehouse leasing decisions, site selection and inventory strategies in major port markets. As companies seek to manage costs and remain agile, many are turning

to third-party logistics providers (3PLs) rather than committing to long-term real estate strategies.

In fact, 3PLs are projected to account for more than 35% of leasing activity this year as more companies outsource distribution to achieve shorter lease terms and flexible footprints to offset tariff-related costs, according to CBRE's 2026 Industrial Outlook.

Thornton noted that larger, established brand-name companies have become less inclined to commit to long-term leases. Instead, they're outsourcing more to 3PLs, which have been seeking shorter-term leases. This gives them the flexibility to scale their space up or down as dictated by their contracts with consumer products companies.

"There will probably be some continued re-trading of rents and leases, particularly on the coasts," Thornton said. "The uncertainty from a macroeconomic standpoint in the US and from a geopolitical standpoint around the world is affecting coastal markets more than non-coastal markets close to major population centers."

Thornton added that CenterPoint's larger buildings and stronger credit tenants in the Central US have continued to perform well because the company's portfolio has long focused on serving local and regional population centers rather than relying heavily on inventory flowing through major ports.

"That's the real key to why we're seeing stronger performance there," he said. "Alternatively, there's solid rent growth in our tier-one Central region markets, particularly Chicago, Houston, Dallas and Austin." Thornton also noted that rents have continued to rise, while some coastal markets have seen rent declines.

While coastal uncertainty is real, some gateway markets are already rebounding, and savvy developers are deploying specialized trade strategies to help occupiers offset high tariff costs.

"Absorption in the Northeast and Southern California, including the Inland Empire, has improved," Hanback said. "New construction starts have halted significantly, which is setting the stage for a reduced supply, especially in the new construction of bulk space modern distribution buildings."

Foreign Trade Zones (FTZs) can help tenants protect their cash flow and reduce tax burdens amid volatile tariff

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policies. Rockefeller Group operates an FTZ consultancy that assists businesses through the FTZ designation or activation process.

"The financial advantages of operating in an FTZ can drive significant savings, especially in this changing tariff and trade environment, and can help businesses preserve cash flow and offset costs associated with relocation," said

they're located in the service area of an existing FTZ project sponsored by an existing grantee, allowing for a simplified, faster FTZ designation application process.

Prioritizing high-spec facilities

Even though many tenants are cutting costs and reducing their overall square footage, they are spending more

CBRE's 2026 Industrial Outlook.

As companies review their real estate footprints, many are opting for higher-quality facilities with automation and scalability rather than shopping on price alone.

"Tenants remain cautious and mindful of cost containment while at the same time investing in automation and efficiencies that benefit from modern construction such as higher clear heights, wider column spacing, higher power loads and adequate parking for trailers and employees," Hanback said.

Build-to-suit demand rises

Since new construction has stalled, national lease renewals have jumped to an all-time high of 35% of total market volume, up from the historical average of 24%, as tenants watch new spaces disappear, CBRE reports.

In addition, despite a migration to quality, speculative development will be minimal in 2026 due to an oversupply of empty first-generation space and

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Hanback, who notes that since the new tariff and trade policies have come into effect, the business has seen a significant spike in companies asking for help.

Most Rockefeller Group projects are considered "FTZ enabled," meaning

to relocate to premium buildings with modern infrastructure. Older industrial space is returning to the market quickly, as indicated by more than 100 million square feet of negative absorption in pre-2020 buildings in 2025, according to

Your trusted industrial real estate partner

Developing, acquiring and managing industrial properties in America's top port markets, CenterPoint Properties optimizes supply chain efficiency. With headquarters in Oak Brook, Ill, CenterPoint also operates seven regional offices in California, Florida, New Jersey and Texas. Its national portfolio comprises more than 60 million square feet of industrial space across more than 300 properties, serving nearly 400 customers.

CenterPoint has built its reputation since 1993 as an innovator that consistently delivers forward-thinking industrial real estate solutions for the world's leading retail, logistics and e-commerce companies. CenterPoint wants to be its customers' trusted real estate expert, and that commitment has also helped to forge deep broker and community relationships in America's top markets coast to coast.

Investing in customer success

CenterPoint's wide-ranging financing capabilities help the business to reliably and quickly complete challenging industrial port, highway and rail-proximate real estate projects in the country's top industrial markets.

Its investment team has the experience and ingenuity to close even the most complex deals efficiently and confidently. CenterPoint's strong financial backing, local market knowledge and long-standing industry relationships make its leaders bold and decisive — saving customers and partners time and money.

Developing sustainable supply chain solutions

CenterPoint can deliver on unique industrial real estate requirements in each of its markets across various asset types, ranging from traditional build-to-suits to world-class intermodal centers, container storage facilities, state-of-the-art distribution centers, light manufacturing facilities, campus and park development, cold storage distribution centers, data centers, and more.

Its development teams nationwide have deep expertise in redeveloping environmentally challenged infill sites. The company's newly constructed facilities are LEED®-certified, and they are leading the way in the industry in helping customers prepare for a zero-emission future by offering solar energy and EV charging services.

Building a portfolio that works for you

CenterPoint's portfolio of strategically located real estate can help clients maximize efficiency, and the company's local property management teams are ready to help clients optimize their supply chain by tailoring properties to specific logistical needs.



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challenges in securing construction financing. However, build-to-suit development will likely increase to meet occupiers' specialized requirements.

"Construction cooling has been somewhat of a good thing for the health of our industrial markets," Thornton said. "There were several overbuilt markets as we came to the end of the last development cycle, and this 'breather' is allowing markets to recover and absorb excess space. As a result, large spaces, particularly those of 1 million square feet or more, are becoming difficult to find."

The shift is creating opportunities for build-to-suit Class A bulk distribution projects.

"However, the same opportunity doesn't exist for small to medium-sized buildings, because there are still a lot of buildings in that size range available throughout the country," Thornton said. He expects heightened interest from million-square-foot tenants in build-to-suits.

While this supply crunch clears a path for massive projects, markets are recovering at different rates.

"The supply cliff is real, but there's still hangover supply from the last cycle in key markets," said Hanback, noting that Rockefeller Group monitors markets continuously to look for a healthy balance between sustained demand and constrained supply.

The AI boom

The rapid expansion of AI is creating new demand across the industrial real estate market. Worldwide, a 2026 JLL

Research outlook shows that the global data center sector is experiencing an unprecedented infrastructure investment cycle that will require up to \$3 trillion by 2030, doubling global capacity.

Currently, the US has more than 4,000 active data centers, with another 3,000 facilities planned or under development to support AI workloads, according to an analysis by the American Edge Project and the Technology Councils of North America, reported by Axios.

"Data center and ancillary uses are compounding demand for industrial space in addition to increased demand from manufacturers, 3PLs and traditional distributors," Hanback said. "This puts a strain on infrastructure and limits the number of sites that can be successfully developed for a multitude of industrial purposes."

Data from CBRE shows that the race for AI infrastructure has driven primary market data center vacancy to an all-time low of 1.4%, contributing to spillover demand in traditional industrial real estate. At least 36 US states are offering incentives for data center development to attract AI infrastructure.

"We're seeing a lot of 'data center-adjacent' users occupying our warehouse space not to produce data centers, but to stock supplies for data centers, such as racking and wiring," Thornton said. "Because there's so much data center development happening nationally right now, these adjacent users are leasing our buildings and are willing

to pay strong rent rates so that they can seize upon the data center boom."

Data center development is also increasing the value of properties located near major power infrastructure.

"That results in an increase in the value of even older properties if they're close to heavy power," Thornton said, noting that because CenterPoint has been heavily focused on investing in infill inventory for the long term, its portfolio is rich in inventory adjacent to heavy power infrastructure.

Growth markets

While some traditional coastal gateways are adjusting, population growth, logistics infrastructure and company investments are creating opportunities in the Sun Belt and secondary markets.

CBRE reports that the available labor pool and demand for more power sources will drive demand in the Midwest, mid-Atlantic and Southeast. The most attractive markets for occupier expansions — specifically manufacturing operations — include Louisville, Nashville, Cincinnati, Chicago, Detroit and Kansas City.

CenterPoint has expanded its investment activity in key markets such as Houston, Dallas and South Florida.

"We also just entered the San Diego market in 2024 and are working on more investment opportunities in California. [We've] closed five Class A investments in Atlanta since entering that market a little over a year ago," Thornton said.

Rockefeller Group has expanded from

Watson Land Company

As a developer, owner, and manager of industrial properties, Watson Land Company has locations throughout Southern California and the East Coast.

With a century of success as its legacy, Watson's dedication to its customers is based upon delivering functional, high-quality buildings within master-planned centers, coupled with unmatched customer service.

Watson was the first industrial developer in Southern California to design and construct speculative industrial buildings in accordance with the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED®) guidelines.

Watson's assets and operations are backed by one of the most conservatively managed balance sheets in the real estate industry. Capital allocation decisions are made locally, allowing the business to move forward with strategic acquisitions and dispositions quickly. Watson's stable financial resources also enable the company to fund projects internally.

Watson Land Company's long-standing tradition of integrity, innovation and fiscal responsibility has made it one of the region's most respected names in commercial real estate and one of its largest industrial developers.



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a Northeast-focused industrial platform to a national development platform with active speculative projects across approximately 11 states and seven regions, with about 13 million square feet of industrial development underway or recently completed.

While fundamentals are resetting in some traditional gateway markets, Hanback is seeing strong momentum in infill areas, driven by economic growth and demographics.

"These areas include Dallas, Houston,

Tertiary markets like Reno, Nev., and Abilene, TX, have development pipelines that could outpace those of some primary markets, such as Hillsboro, Ore., or Silicon Valley, in 2026, CBRE said.

Occupiers are increasingly using AI and diversifying sourcing, including turning to domestic manufacturers, according to CBRE. Instead of making permanent location changes, many companies are adding more flexibility into their logistics networks through outsourcing, varied sourcing and shorter leases.

chains shape demand.

"As we experience inquiries and tours converting to LOIs [letters of intent] and leases, it's a cause for optimism along with oversupplied markets moving back toward balance," Hanback said. "Interest rates and consumer spending are reasons for caution and active monitoring, as we see companies continuing to be cost-conscious. At times, there's a disconnect between what the operations side within companies prioritizes to be productive compared to what finance prioritizes to manage costs."

However, while challenges remain, the industrial real estate sector continues to stabilize after the overbuilding and volatility of the last few years. Occupiers, developers and investors are adapting to uncertainty using strategies such as 3PLs, shorter leases and diversified supply chains. As demand shifts toward higher-quality, specialized facilities, AI and data center growth are creating new opportunities for development and investment.

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Phoenix and Atlanta, as well as strategic secondary markets such as Norfolk, Greenville and Seattle," she said.

Hanback also pointed to the Port of Virginia as a growing area of activity, with strong occupier demand.

"South Carolina and Georgia continue to generate consistent leasing activity and investment," she said. "Markets that Rockefeller Group has entered or evaluated in recent years that are showing signs of growth are the Pacific Northwest and Texas."

Hanback views the trend differently.

"I wouldn't characterize industrial location trends in terms of a shift, but rather an evolution to build out supply chains for resilience, last-mile delivery and long-term growth and expansion," she said.

Looking ahead

The industrial real estate market is stabilizing, but a full recovery remains uneven as tariffs, interest rates, consumer spending and evolving supply

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Developing properties that perform

For over 40 years, Rockefeller Group has been engaged in large-scale industrial property development, beginning with the partnership to develop the 1.7-million-square-foot International Trade Center in New Jersey. Since its inception, the company has developed more than 28 million square feet of Class A industrial real estate for many of the world's leading businesses and logistics firms.

Rockefeller Group has extensive experience obtaining entitlements for industrial development projects nationwide. The company has completed build-to-suit projects for Fortune 500 clients who emphasize the value of a strong track record, financial stability through market cycles and projects delivered on schedule and within established budgets.

Seven US regional offices house the local development, design & construction, and leasing teams, providing market-level expertise to bolster the company's national footprint. Each regional

development team has existing relationships in the local markets and is experienced in all aspects of development.

The company plans its projects for the most efficient access from ports and inland distribution hubs to the nation's major population centers. In addition, the company advises businesses and property owners on trade and logistics matters related to Foreign Trade Zones through its FTZ Services subsidiary.

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