



WESTERN U.S. *INDUSTRIAL* BY THE NUMBERS

2025 Mid-Year Market Forecast

A MARKET *RECALIBRATION* AFTER EXTRAORDINARY GROWTH

The industrial sector experienced extraordinary growth between 2021 and 2022, driven by historically low vacancy rates, elevated development activity, robust leasing demand, and record-setting rent increases.

However, beginning in 2023, momentum began to ease as the market entered a natural period of recalibration. Looking ahead, the industrial market is expected to continue stabilizing through 2025 and 2026, with activity levels returning to pre-pandemic norms. Rent growth is projected to moderate, reflecting a more sustainable pace, and a slowdown in new construction starts should help maintain relatively low vacancy rates in the near term.

E-COMMERCE & 3PLS CONTINUE TO DRIVE DEMAND

Over the past decade, the growth of e-commerce has become a key driver of industrial real estate demand.

This trend is expected to persist, particularly as third-party logistics (3PL) providers emerge as the leading source of new space requirements. Increasingly, retailers and wholesalers are outsourcing distribution to 3PLs to enhance import flexibility, preserve capital, and concentrate on core business functions.

While e-commerce continues to expand as a share of total retail sales, its year-over-year growth has moderated to a more sustainable 5-6%, down from the pre-COVID highs of 10-11%. Looking ahead, a rebound in consumer confidence and retail spending will likely prompt tenants to scale up their warehousing footprints, reinforcing the industrial sector's long-term growth trajectory.



REGIONAL PERFORMANCE REFLECTS VARYING MARKET DYNAMICS

While nationwide industrial markets share common drivers—such as evolving tenant demand, e-commerce growth, and supply chain optimization, regional markets remain shaped by distinct local dynamics.

In the Western U.S., markets like Phoenix and the Inland Empire have experienced a notable uptick in vacancy rates, primarily driven by aggressive development pipelines. Phoenix is a prime example, with over 22 million square feet currently under construction—representing 5% of its total inventory. Since the beginning of 2022, the market has delivered more than 106 million square feet, equivalent to 27% of its 2021 base, highlighting the rapid scale of expansion.

LEASING ACTIVITY NORMALIZES BUT REMAINS HEALTHY

Leasing activity over the past 24 months has moderated from the record-setting pace of 2021–2022 yet remains well above pre-pandemic levels.

While recent momentum suggests a modest rebound, net absorption is expected to remain subdued as much of the new leasing reflects tenant relocations from older facilities rather than true expansion. Demand continues to favor modern, high-efficiency assets in strategic logistics hubs, underscoring the premium placed on supply chain optimization in site selection.

INDUSTRIAL OUTLOOK

STABILIZATION IN SIGHT AS THE MARKET RESETS

Looking ahead, the industrial sector is projected to reach its cyclical peak in vacancy rates in 2025, followed by a gradual normalization toward historical averages.

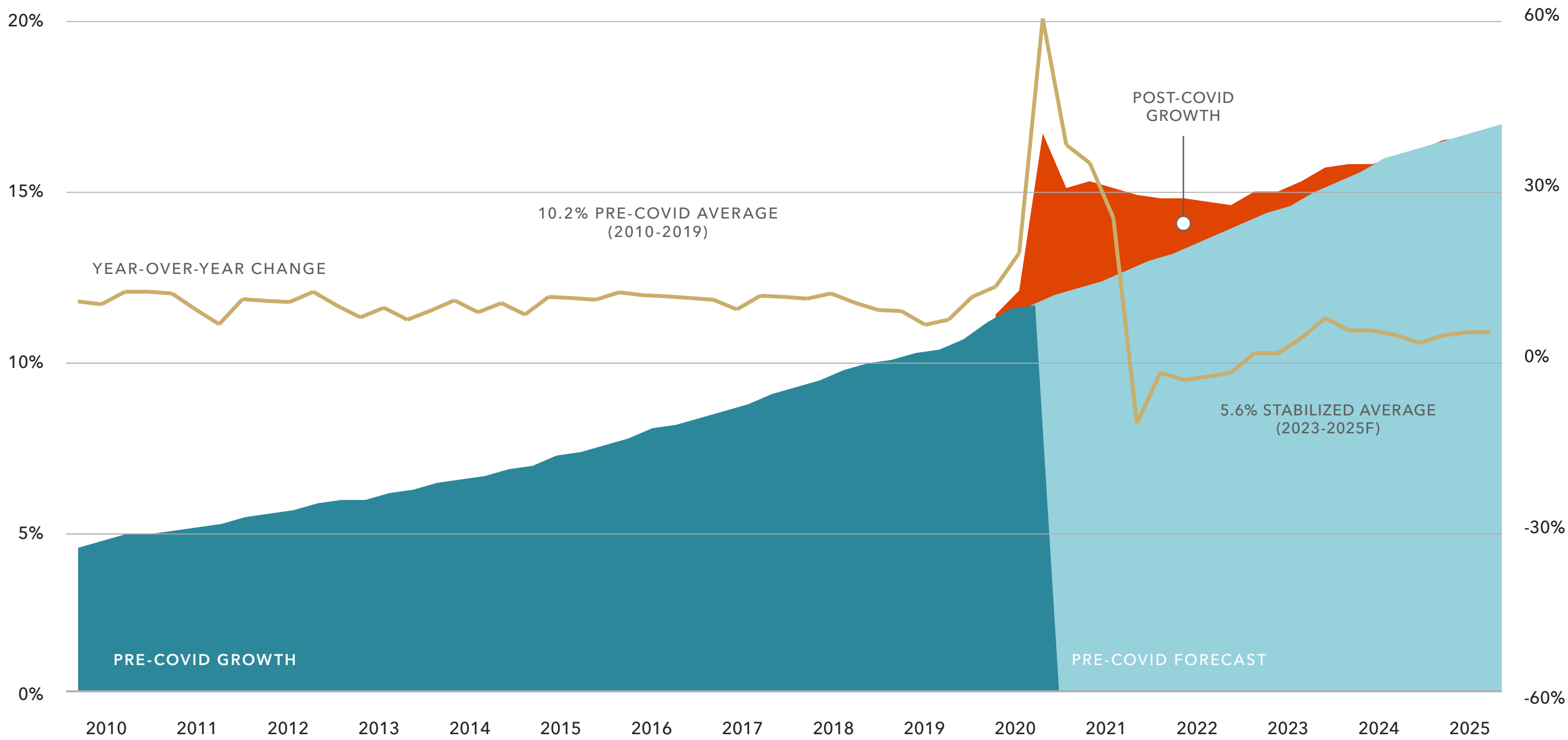
A slowdown in new deliveries will help stabilize fundamentals, supporting improvements with vacancy rates, net absorption, and average asking rents.

Key trends to monitor for the next 6-12 months include the impact from tariffs, potential reshoring growth of the manufacturing sector, GDP growth, and consistent growth in leasing activity across Western U.S. markets.



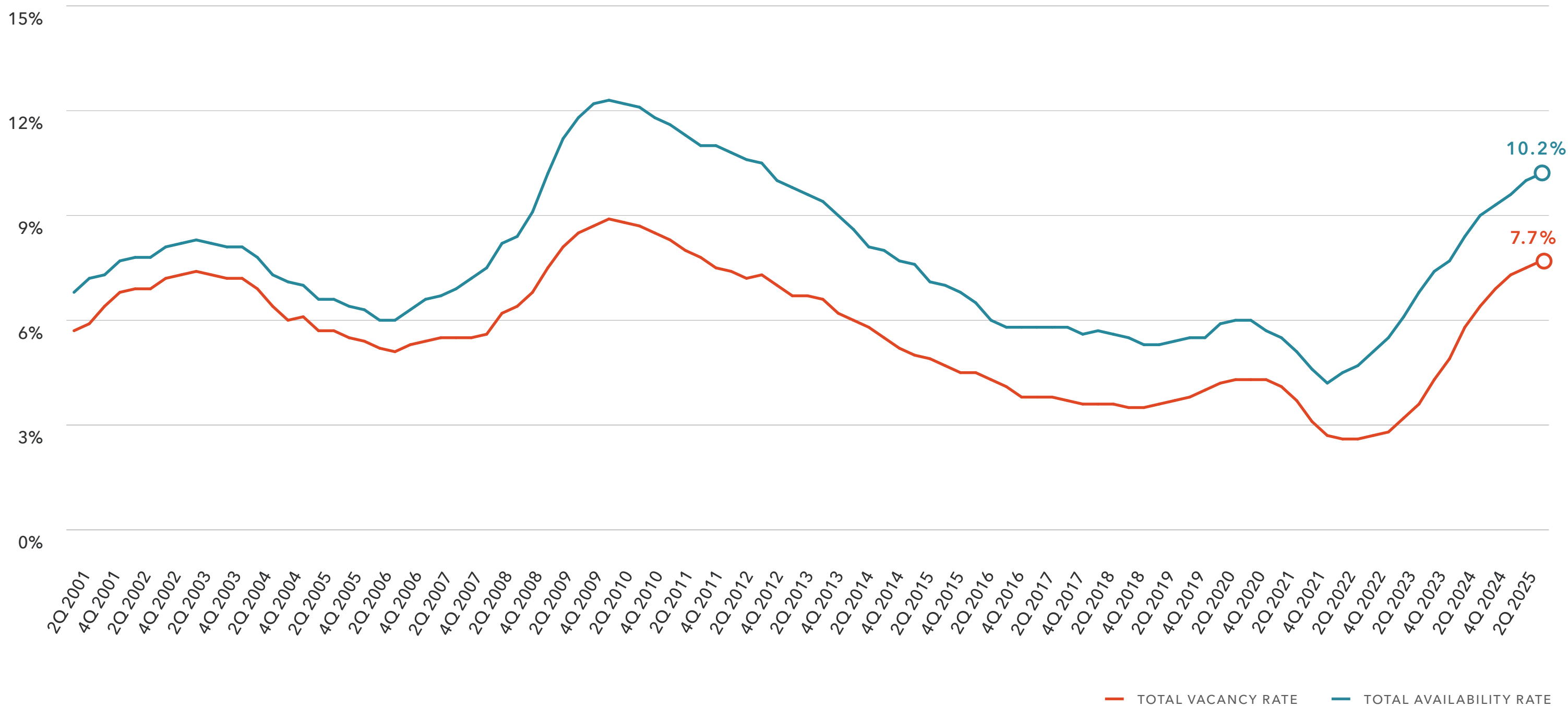
MACRO INDUSTRIAL TREND: *E-COMMERCE*

AS % OF TOTAL RETAIL SALES



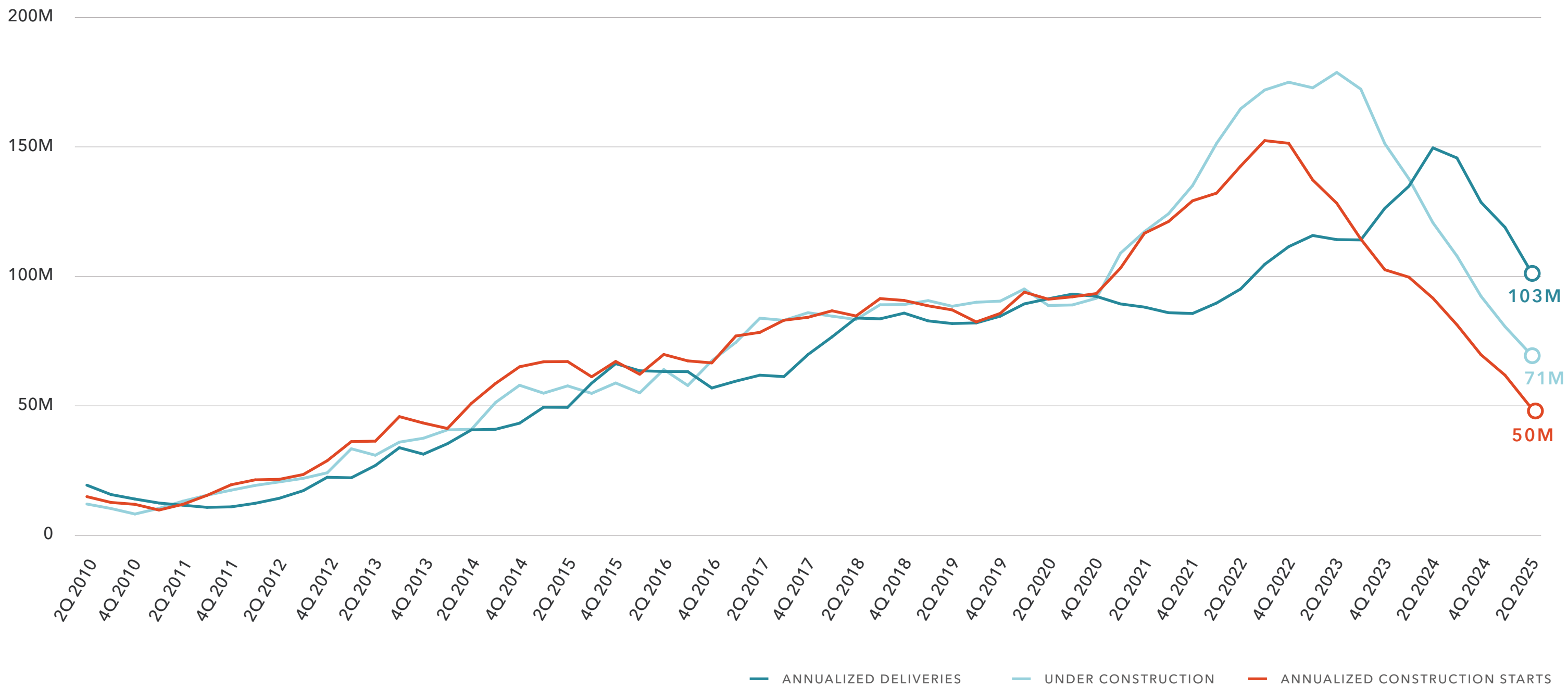
Source: U.S. Census Bureau, Moody's Analytics

WESTERN U.S. *VACANCY & AVAILABILITY*



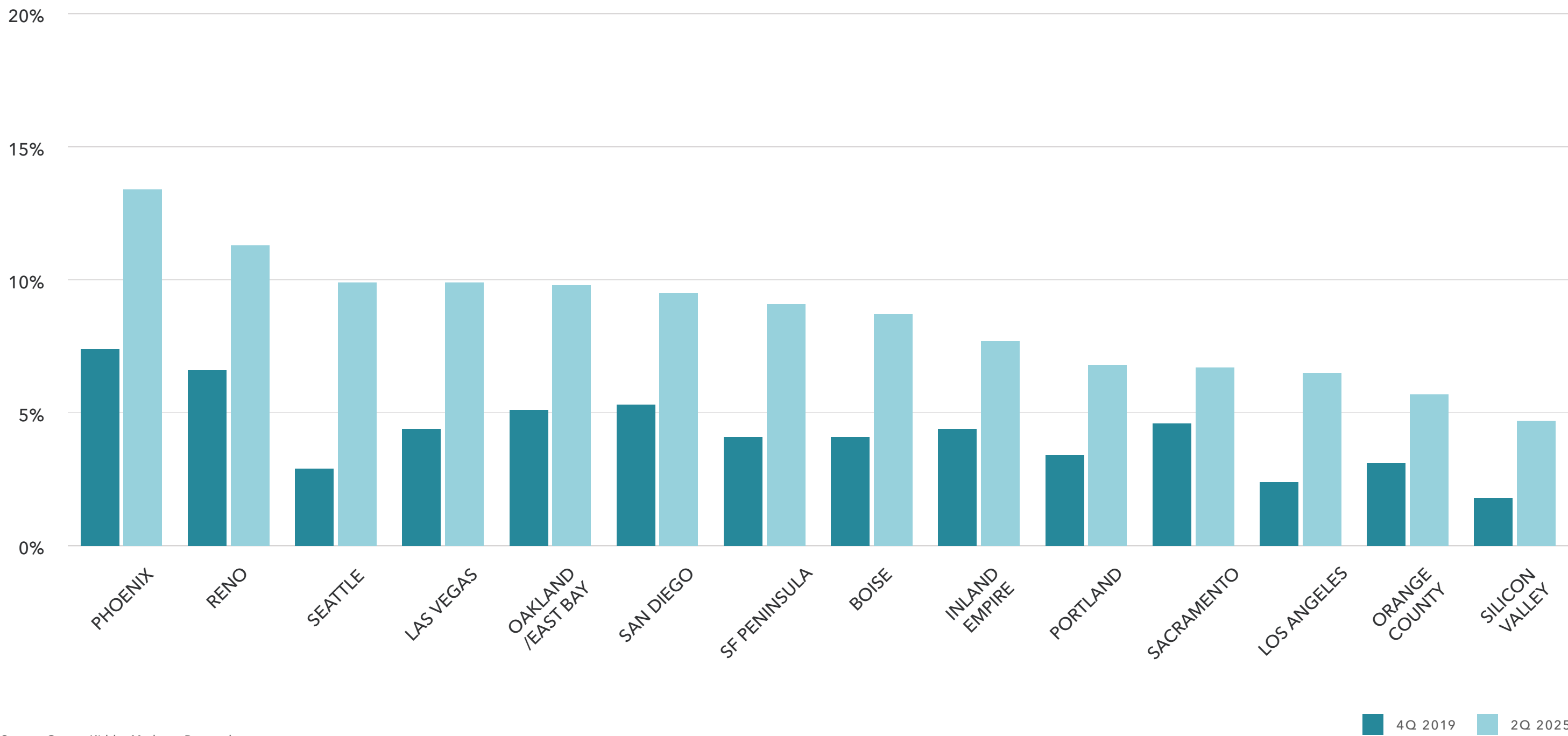
Source: Costar, Kidder Mathews Research

WESTERN U.S. *CONSTRUCTION*

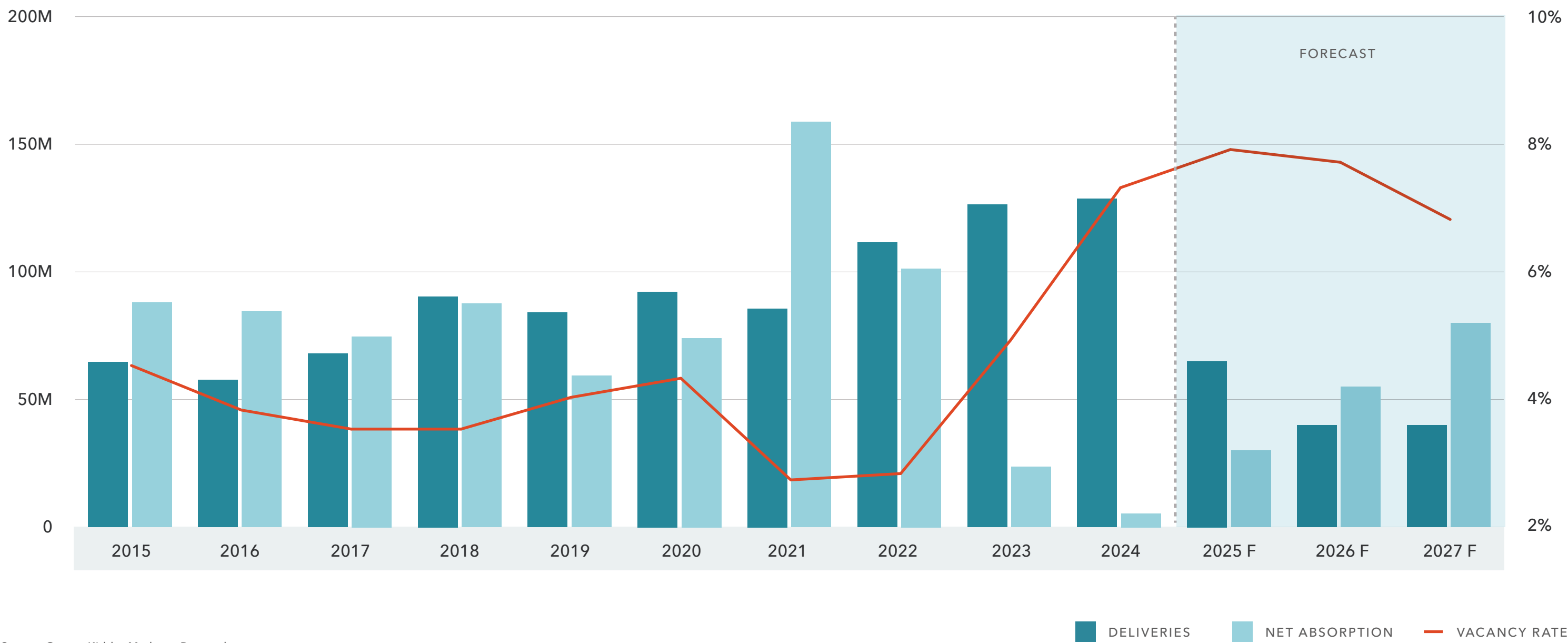


Source: Costar, Kidder Mathews Research

VACANCY RATE *BY MARKET*



WESTERN U.S. *FORECAST*



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We offer a complete range of brokerage, appraisal, asset services, consulting, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

\$9B	26.2M+	36.7M+
AVERAGE ANNUAL TRANSACTION VOLUME	ANNUAL SF OF SALES	ANNUAL SF OF LEASING

ASSET SERVICES

58M SF	850+	260+
MANAGEMENT PORTFOLIO SIZE	ASSETS MANAGED	CLIENTS SERVED

VALUATION ADVISORY

2,400+	39	24
AVERAGE ANNUAL ASSIGNMENTS	TOTAL NO. OF APPRAISERS	WITH MAI DESIGNATIONS

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