



# Insights on industrial real estate for 2026

Q&A WITH STEVE REENTS | MARCH 2026



**Steve Reents is managing partner, deputy head of U.S., and U.S. chief investment officer at BGO.**

*The Source recently spoke with BGO's Steve Reents, who is an experienced real estate professional in acquisitions, development, and asset management.*

**The Source:** Has investor appetite for industrial remained strong, even amid rate uncertainty? Why or why not? What is the status of valuation and cap rates, and where are they likely to go in 2026?

**Reents:** Investor appetite for industrial real estate has remained durable despite ongoing interest rate uncertainty. The current environment has created opportunities to acquire high-quality assets at valuations meaningfully below replacement cost.

Leasing fundamentals began to improve in the second half of 2025 across many preferred markets. Looking ahead, accelerating NOI growth and improving fundamentals are expected through 2026. While broad-based cap rate compression is unlikely in the near term, the coming year presents an attractive environment for value creation driven by disciplined acquisitions and active asset management.

**The Source:** Are reshoring, nearshoring, and supply-

**chain diversification impacting demand? And if so, in what ways?**

**Reents:** Reshoring, nearshoring, and supply-chain diversification are materially impacting industrial real estate demand in 2026, functioning more as a structural tailwind than a short-term surge. Companies continue to optimize supply chains to reduce geopolitical risk, improve reliability, and shorten delivery times, supporting steady demand for U.S. manufacturing, distribution, and logistics space. Reshoring is driving demand for modern industrial warehouses and advanced manufacturing facilities, while nearshoring – particularly into Mexico – is boosting cross-border logistics activity and demand in U.S. markets tied to ports of entry and major transportation hubs.

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At the same time, supply-chain diversification is reshaping how logistics space is utilized and where it is located. Post-COVID, many large tenants are favoring more distributed, flexible networks operating across multiple facilities rather than relying on a handful of large-scale warehouses. This shift is supporting demand not only in primary logistics hubs but also in select secondary and tertiary markets closer to end consumers. The result is a broader, more resilient demand profile that favors modern, adaptable, and tech-enabled industrial facilities capable of supporting highly efficient supply chains and faster regional fulfillment. Continued uncertainty around tariffs is also accelerating supply-chain diversification and strategic shifts in logistics networks, reinforcing industrial real estate's role as critical infrastructure in a more risk-conscious and volatile global economy.



***The Source: What are you seeing in terms of rent growth in 2026?***

**Reents:** For 2026, while the broader industrial sector undergoes mean reversion and national vacancy is expected to peak near 8 percent, we expect rent growth to remain muted at the headline level before accelerating as supply moderates. Importantly, the spread between submarkets is likely to widen. The era of the simple “beta play,” driven by a rising national tide, has given way to a cycle that rewards more precise, data-driven selection.

***The Source: What is the construction/supply outlook for the sector? Will the markets start to rebalance?***

**Reents:** Construction activity has slowed materially due to higher interest rates, elevated construction costs, land price and scarcity, and shifting market fundamentals. These constraints are expected to keep development muted over the forecast horizon.

With the economy likely in a mid-expansion phase, demand growth is expected to outpace new supply in the coming quarters, supporting market rebalancing, gradual vacancy compression, and improving rent growth over time.

***The Source: What are some headwinds or risks you foresee in the industrial sector in 2026?***

**Reents:** The primary headwind remains the volume of available space. Recent development activity was mistimed in the cycle, delivering new supply into a period of heightened competition and elevated vacancy. That



said, this is fundamentally a cyclical issue. The new space is highly competitive, offering features that older inventory cannot, and it will ultimately be absorbed and outcompete inferior stock. Absorption, however, will occur gradually rather than overnight.

This process represents a return to more typical market dynamics compared with the extraordinary conditions of the pandemic era. While it requires more discipline, selectivity, and patience than some recent entrants to the industrial market may be accustomed to, it ultimately points to a healthier and more sustainable long-term environment.

***The Source: What's your overall outlook for the industrial sector in 2026?***

**Reents:** BGO continues to hold a favorable outlook on the industrial sector in 2026 and beyond. In the prior cycle, many investors benefited from broad exposure to the sector, supported by strong secular tailwinds and rental growth. We believe the current cycle is likely to be different, with outcomes increasingly shaped at the submarket and asset level rather than by broad market exposure.

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