U.S. Industrial Market Report — Q1 2026

The industrial recovery broadened in Q1 — record leasing, double-digit rent spreads, and a powerful new demand driver in data centers — even as a seasonal occupancy dip and heavier lease expirations created near-term noise.

Based on the Q1 2026 (quarter ended March 31, 2026) earnings calls of Prologis (PLD), STAG Industrial (STAG), EastGroup Properties (EGP), First Industrial Realty Trust (FR), and LXP Industrial Trust (LXP).

The quarterly earnings calls of publicly traded industrial REITs provide some of the clearest real-time data on where the market is headed.

The bad news: they're long, boring and might put you to sleep.

The good news: we analyze them every quarter so you don't have to.

For this report, we went through the Q1 2026 results of five of the biggest names in industrial — Prologis, STAG Industrial, EastGroup Properties, First Industrial Realty Trust, and LXP Industrial Trust — and pulled out what matters for the market overall, and for Houston and Texas in particular.

The Takeaway

Across all five reports, the recovery that gathered momentum late last year broadened in the first quarter. Leasing was healthy to record-setting — Prologis signed 64 million square feet and STAG a record 6 million — year-over-year absorption kept improving, and the multiyear weakness in big-box demand has reversed. Cash same-store NOI growth ran high single digits at Prologis, EastGroup, and First Industrial, and Prologis reported its first market-rent uptick in two and a half years.

Two crosscurrents shaped the quarter. On one side, a seasonal occupancy dip and a heavier 2026 lease-expiration schedule pushed occupancy modestly lower at several names, with STAG expecting its trough in the second quarter. On the other, a powerful new demand driver took hold: data centers. Prologis is steering roughly 40% of development starts toward them, STAG has signed 1.6 million square feet of data-center-related leases, and about half of EastGroup's year-to-date development leasing came from data-center users. With construction completions still falling, the backdrop favors landlords.

At a Glance

Company	Q1 FFO / Share	YoY	Occupancy	Cash Rent Spread
Prologis	$1.50	+5.6%	95.3%	+32% *
STAG Industrial	$0.65	+6.6%	95.1%	+20.9%
EastGroup	$2.34	+8.8%	95.9%	+20%
First Industrial	$0.68	Flat **	94.3%	+32%

Company	Q1 FFO / Share	YoY	Occupancy	Cash Rent Spread
LXP Industrial	$0.80	+2.6%	96.6%	+25% †

** Prologis figure is net effective rent change on new and renewed leases — 32% this quarter, muted by a West Coast renewal mix, with management still guiding full-year rent change near 40%; the others are cash leasing spreads. ** First Industrial's NAREIT FFO was flat at $0.68; excluding $0.04 of advisory costs tied to a contested proxy campaign, FFO was $0.72 (up roughly 6%). † LXP figure reflects cash rental increases on addressed 2026 expirations.*

Prologis (PLD)

Prologis opened 2026 with record leasing — 64 million square feet signed — and Core FFO of $1.50 per share, ahead of expectations. Occupancy ended at 95.3%, reflecting the seasonal first-quarter dip the company had telegraphed, and retention held near 76%. Net effective rents on new and renewed leases rose 32%, muted by a heavy mix of West Coast renewals, though management still expects full-year rent change near 40%. Cash same-store NOI grew 8.8%, and Prologis noted its first market-rent uptick in two and a half years.

The data center and power push accelerated. Prologis raised its 2026 development-start guidance to $4.5–$5.5 billion, roughly 40% earmarked for data centers, and reported that large-format logistics space over 500,000 square feet is essentially sold out globally at 98% leased. It expanded its capital platform with $2.8 billion of new joint ventures (with GIC and La Caisse) and raised full-year Core FFO guidance to $6.07–$6.23 per share. CEO Dan Letter flagged Southern California and Seattle as the markets still lagging the recovery.

STAG Industrial (STAG)

STAG commenced a record 6 million square feet of leasing across 37 leases at cash spreads of 20.9% (39.6% straight-line). Core FFO was $0.65 per share, up 6.6%, with cash same-store NOI up 4.1%. Occupancy eased to 95.1% as the company works through a heavier expiration year — management expects the trough in the second quarter before recovering in the back half.

The standout was data center demand. STAG has now signed eight data-center-related leases totaling 1.6 million square feet since early 2025, at roughly 35% spreads and weighted-average terms over eight years. CEO Bill Crooker noted that the multiyear weakness in big-box demand has reversed, with strong activity in STAG's core 150,000- to 250,000-square-foot segment. The company held its 2026 guidance (Core FFO of $2.60–$2.64) and cited a $3.9 billion acquisition pipeline.

EastGroup Properties (EGP)

EastGroup extended its long streak with FFO of $2.34 per share, up 8.8% — more than a decade of year-over-year quarterly FFO growth. The portfolio was 96.5% leased and 95.9% occupied, with cash same-store NOI up 9.2% and re-leasing spreads of 20% cash (37% on a GAAP basis). Moody's upgraded EastGroup's issuer rating to Baa1.

The Sun Belt operator raised its full-year FFO guidance midpoint to $9.52 per share, about 6.4% growth, and lifted development-start guidance to $265 million. Notably, roughly half of its year-to-date development leasing came from data-center-related users — a new demand source for the portfolio. Management flagged that infill site sourcing and entitlements remain difficult, which keeps a lid on new supply.

First Industrial Realty Trust (FR)

First Industrial reported NAREIT FFO of $0.68 per share, flat year over year. Excluding $0.04 of advisory costs tied to a contested proxy campaign from activist investor Land & Buildings, FFO was $0.72. Cash same-store NOI grew 8.7%, and cash rental rates on commenced leases rose 32%. The company has already locked in a 41% cash rental rate increase on 2026 leases signed to date — covering 61% of the year's expirations — including the renewal of its largest remaining 2026 expiration, a 556,000-square-foot Inland Empire building. In-service occupancy was 94.3%.

The company started two developments (305,000 square feet, roughly $70 million), established a $250 million share-repurchase program, and has a $131 million Phoenix land sale set to close in June. 2026 FFO guidance is $3.05–$3.15 per share ($3.09–$3.19 excluding advisory costs). Touring activity is picking up, with faster decision-making on space under 200,000 square feet.

LXP Industrial Trust (LXP)

LXP generated Adjusted Company FFO of $0.80 per share, up 2.6%, with same-store NOI up 2.0% and the stabilized portfolio 96.6% leased (97.1% pro forma for April leasing). It signed 1.8 million square feet of second-generation leases at double-digit spreads, with cash rental increases of 25% on addressed 2026 expirations, and extended its 1.1-million-square-foot Greenville/Spartanburg lease through 2031.

The growth story remains Phoenix. With competing million-square-foot buildings in the Phoenix West Valley now absorbed, LXP's development is among the few remaining options for large tenants there. The company reaffirmed 2026 Adjusted Company FFO guidance of $3.22–$3.37 and continues to fund development through opportunistic non-core asset sales and 1031 exchanges. CEO Will Eglin pointed to second-half acceleration as new leases commence.

The Texas & Houston Angle

As in Q4, the Q1 calls skewed national, but the geography of strength favored the Sun Belt — and by extension Texas. Prologis singled out Southern California and Seattle as its laggard markets, where vacancy is elevated and rent recovery trails by two to three quarters, the opposite of the supply-constrained Sun Belt. EastGroup, the most Texas-weighted name in the group, posted one of the strongest quarters, with rising development demand and 9.2% cash same-store NOI growth. The broader read for Houston: limited new supply, returning demand now amplified by data centers, and a clear performance gap favoring Sun Belt markets over the coastal West.

Themes Shaping the Market

- **Data centers are the new demand driver.** Prologis (~40% of starts), STAG (1.6 million square feet of leases), and EastGroup (~half of development leasing) all flagged data-center users as a major, growing source of demand.
- **Rent mark-to-market stays strong.** Cash leasing spreads ran 20–32% across the group, and Prologis reported its first market-rent uptick in two and a half years.
- **Occupancy dipped, by design.** A seasonal first-quarter drop and a heavier 2026 expiration schedule softened occupancy at several names, with troughs expected mid-year before a second-half recovery.
- **Supply keeps tightening.** Construction completions are falling and entitlements are harder to secure, supporting landlords' pricing power as demand returns.

Outlook

The first quarter reinforced the recovery story — healthy leasing, strong rent growth, and a new structural tailwind in data centers, set against constrained supply. Near-term occupancy will move around as 2026 expirations roll, but most management teams expect a stronger second half, and several raised guidance. With coastal West Coast markets lagging and the Sun Belt leading, Texas remains well-positioned as the industrial recovery broadens.