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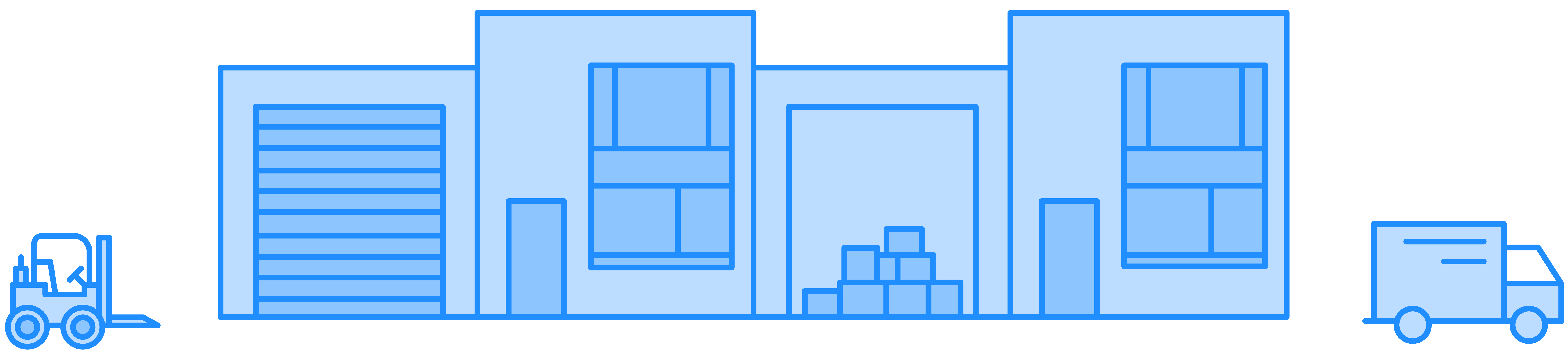
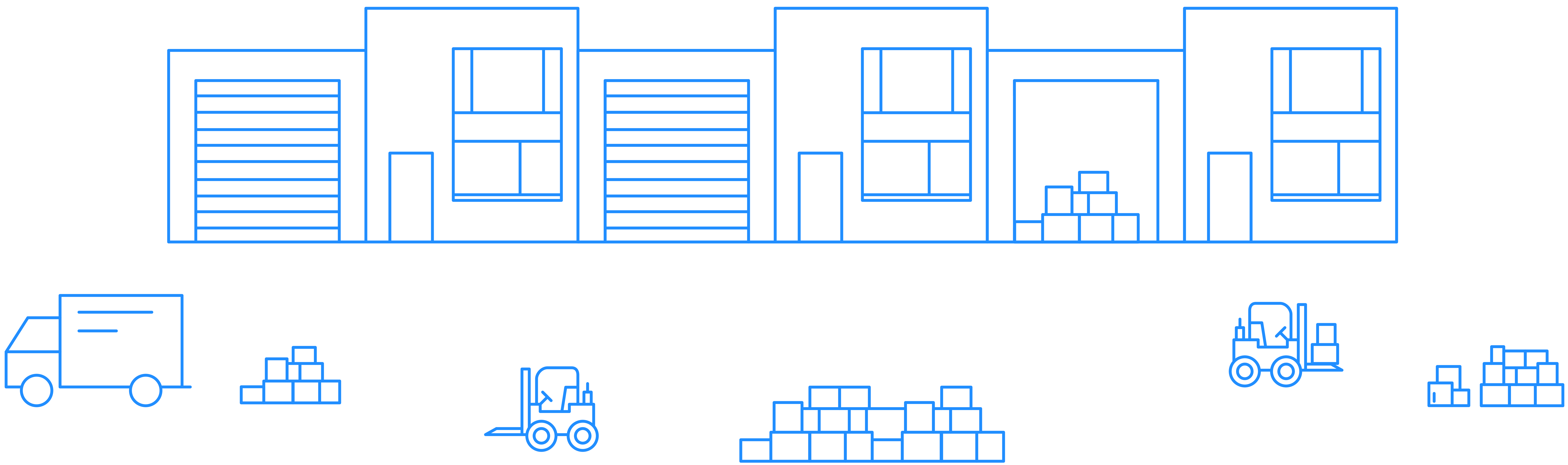
Beyond the Big Box: Spotlighting Small-Bay Industrial Trends

Defining the segment, tracking performance, multi vs single tenant trends, and how small-bay industrial stacks up against its bigger-box peers



Setting the Scene

The large industrial tenants and bulk warehouses grab the headlines, but there's more to the industrial sector. As the bulk warehouse sector has experienced moderation from its most recent cyclical peak, small-bay industrial is emerging as an area of interest. But what exactly is that market, and how is it defined? Which markets have the strongest growth opportunity in small-bay industrial, and which tenants and headwinds/tailwinds are defining this market? In this report, **CompStak** and **Faropoint**, a tech-enabled real estate investment firm specializing in small-bay industrial, evaluate trends in this part of the industrial sector with a particular focus on the difference between single- and multi-tenant-occupied small-bay industrial across key U.S. markets, including Southern California, Chicago, the California Bay Area, Atlanta, New Jersey (Northern and Central), Dallas-Fort Worth, and Miami-Fort Lauderdale.



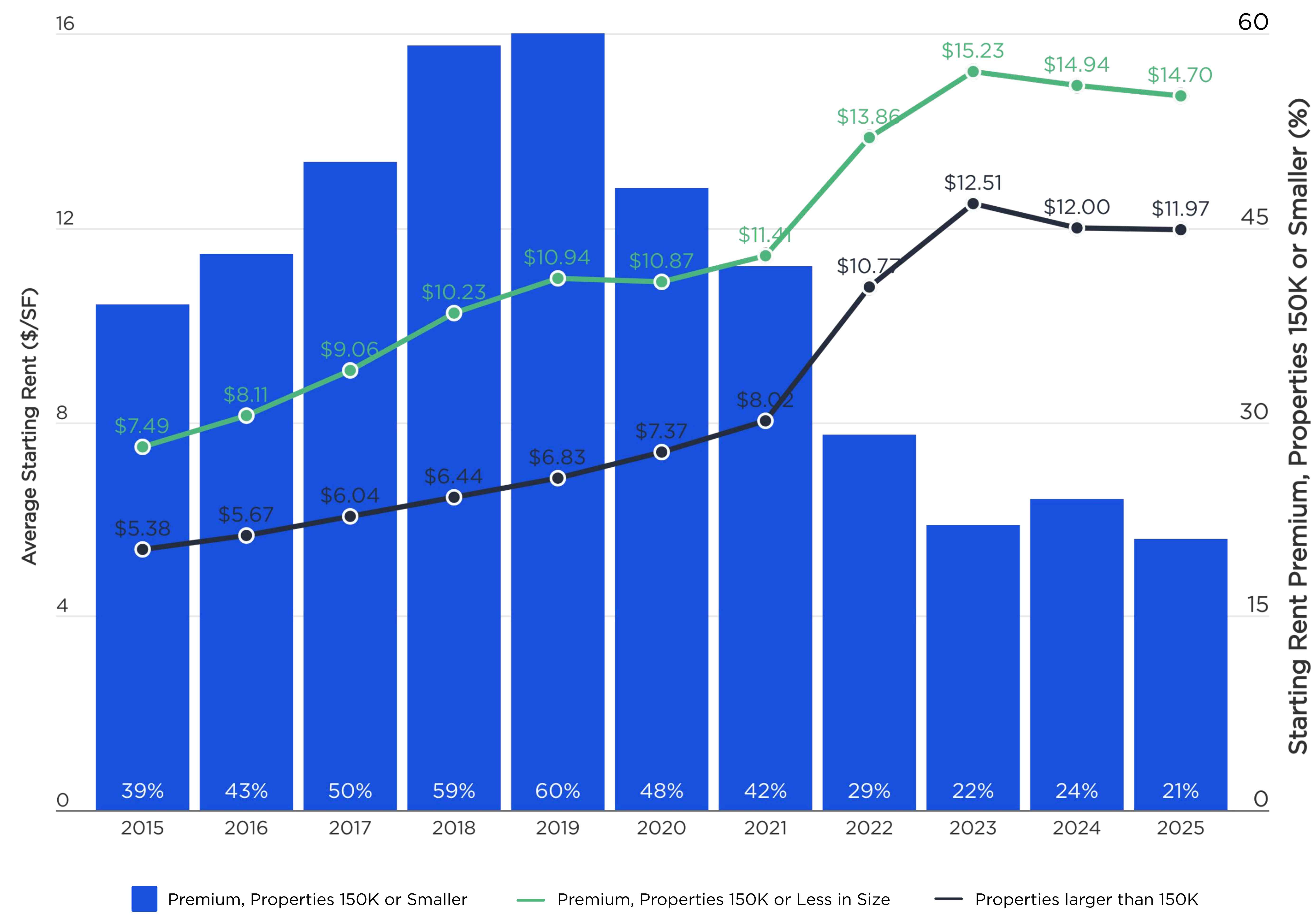
Small-Bay vs. Bulk Industrial: Who Has the Pricing Advantage?

The exact distinction between bulk warehouses and small-bay building sizes is somewhat up to interpretation. For this report, we defined bulk industrial as leases over 100,000 square feet in buildings larger than 150,000 square feet. For small-bay industrial, we focused on industrial buildings of 150,000 square feet or smaller, and then on leasing trends across three categories of lease size:

- Tenant size less than 25,000 square feet
- Tenant size from 25,000 to 49,999 square feet
- Tenant size from 50,000 to 99,999 square feet

Generally, industrial buildings under 150,000 square feet lease at higher rates per square foot than bulk warehouses. This analysis, which tracks starting rents for deals executed annually since 2015, shows that smaller warehouses consistently commanded a rent premium on average through 2024. Although the premium narrowed during the peak rent period of 2022-2023, it remained in place. Across the nine markets analyzed, the average starting rent premium for small-bay industrial peaked at 60% in 2019, declined to 22% in 2023, and has consistently stayed in the double digits throughout the period.

Average Starting Rents, Properties 150,000 Square Feet or Larger vs. Smaller



Source: CompStak, starting rents are quoted annually and adjusted to net lease type. Reflects average across the 9 markets in this report. Properties over 150,000 square include transactions of 100,000 square feet or larger and properties of 150,000 square feet or smaller include transactions less than 100,000 square feet.

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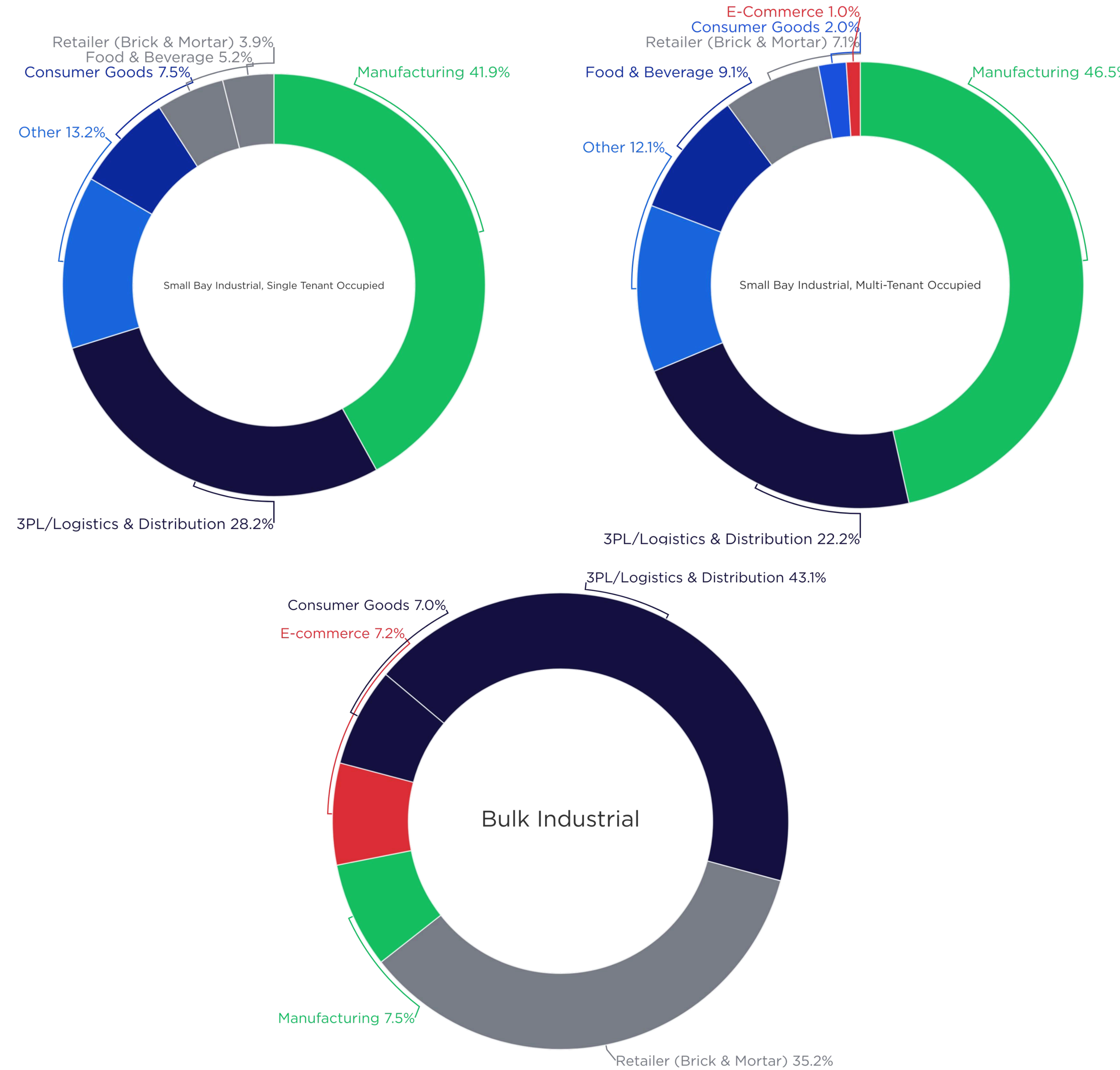
More Than Just Higher Rents: What Characterizes Small-Bay Industrial?

Small-bay industrial real estate comprises buildings characterized by 14- to 24-foot ceiling heights, grade-level and dock-high doors, and higher office-to-warehouse ratios (15%-30%) than large distribution facilities. These properties also house diverse tenant types, including local service contractors, light manufacturers, last-mile distributors, specialty trades, and showroom/warehouse hybrids, with businesses typically serving local or regional markets rather than national supply chains. CompStak's data on the industries behind the top 10 tenants by occupancy across the markets analyzed demonstrates that the tenant mix in small-bay industrial properties is notably more diverse than in bulk facilities, which are largely dominated by third-party logistics(3PL)/logistics and distribution and brick-and-mortar retailers. Among the top 10% of tenants by occupied square footage, manufacturing plays a significantly larger role in small-bay assets, particularly in light and specialized sectors like building materials, HVAC, electrical components, custom fixtures, and automotive or industrial parts. Many of these users also integrate fabrication, packaging, or distribution functions tied to construction, energy, and infrastructure.

Top Tenant Industries, Small Bay, Single vs. Multi Tenant vs. Bulk



Source: CompStak, includes analysis of the top 10% of tenants by total currently occupied square footage across 9 markets. Bulk includes transactions of 100,000 square feet or larger in buildings 150,000 square feet or larger. Other includes tenants in the coworking, technology, vehicle rental, communications, government, and recreation industries.

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More Than Just Higher Rents: What Characterizes Small Bay Industrial?

Location is also a key factor. Unlike large distribution centers, small-bay industrial facilities are generally located closer to urban cores (within 5-15 miles of central business districts), positioned along secondary transportation arteries, and clustered near middle-income residential areas, making them less dependent on proximity to intermodal facilities and more reliant on local road networks. They generally command higher-per-square-foot rental rates and feature shorter lease terms (1-5 years) and are increasingly important in urban logistics networks, particularly for last-mile distribution and local fulfillment operations in the e-commerce economy. An analysis of CompStak's lease data shows that average lease terms for small-bay industrial properties are meaningfully shorter than those for bulk industrial. In 2024 and 2025, multi-tenant small-bay leases averaged just under four years, roughly one-third shorter than the average bulk lease term of just under six years in 2024 and nearly 37% shorter than the average bulk term in 2025 (76.0 months). Among single-tenant properties, small-bay leases were approximately 37% shorter than bulk in 2025 to date.

This shorter lease duration gives landlords a strategic repricing advantage, enabling them to adjust rents more frequently in response to market shifts. On average, the remaining lease term for current bulk tenants exceeded 52 months, compared to less than 40 months across small-bay tenants. For deals under 25,000 square feet, the average remaining term was just over 30 months in CompStak's data, positioning landlords to capitalize on rising rents more quickly.

From an investment perspective, small-bay industrial properties offer significant advantages through their flexible space configurations, which can accommodate changing market demands and be quickly repositioned for evolving business needs. These assets typically provide higher yields than Class A industrial properties, making them attractive to investors seeking stronger current returns in the industrial sector. Additionally, their infill locations often benefit from land constraints and redevelopment potential, creating opportunities for long-term value appreciation as urban areas continue to densify.

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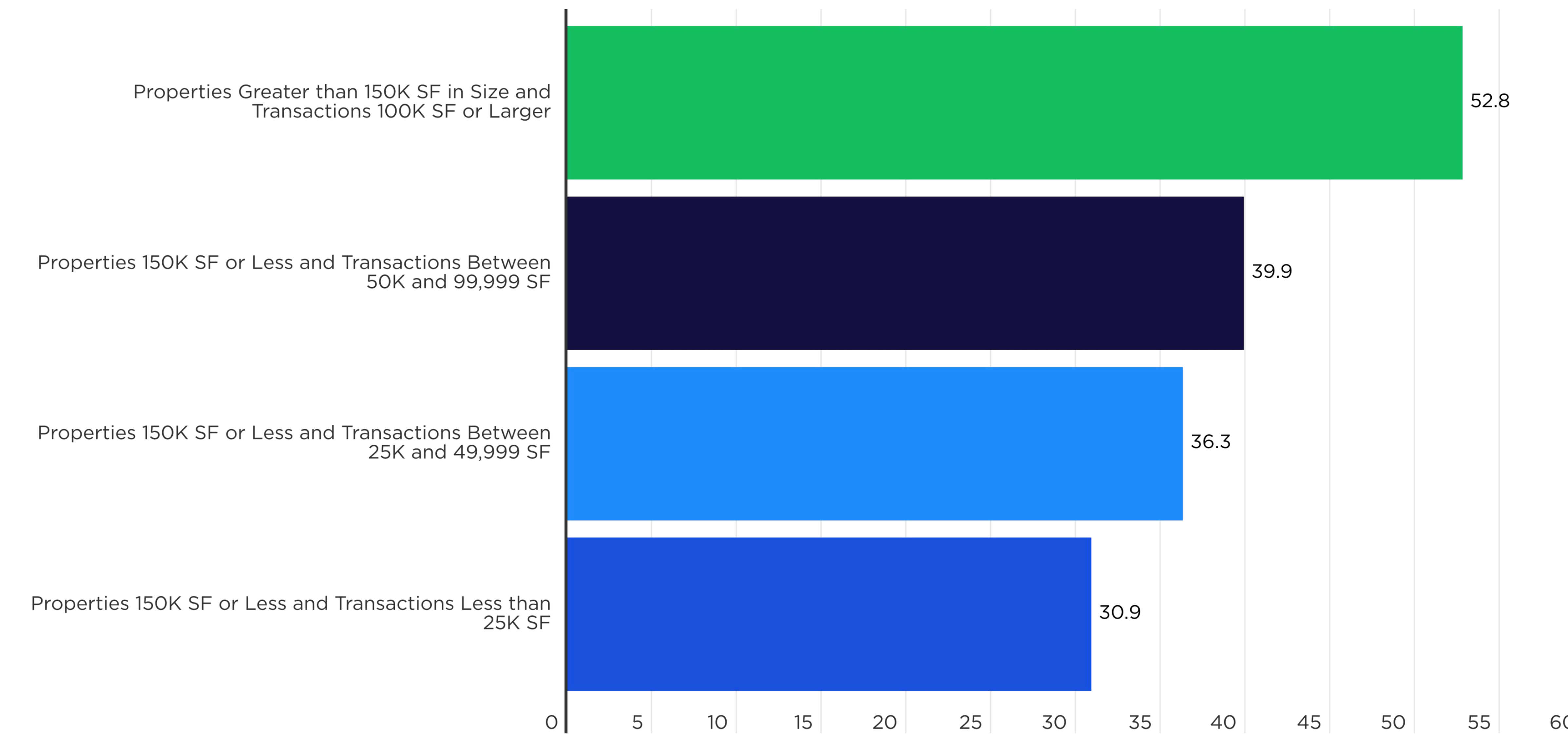
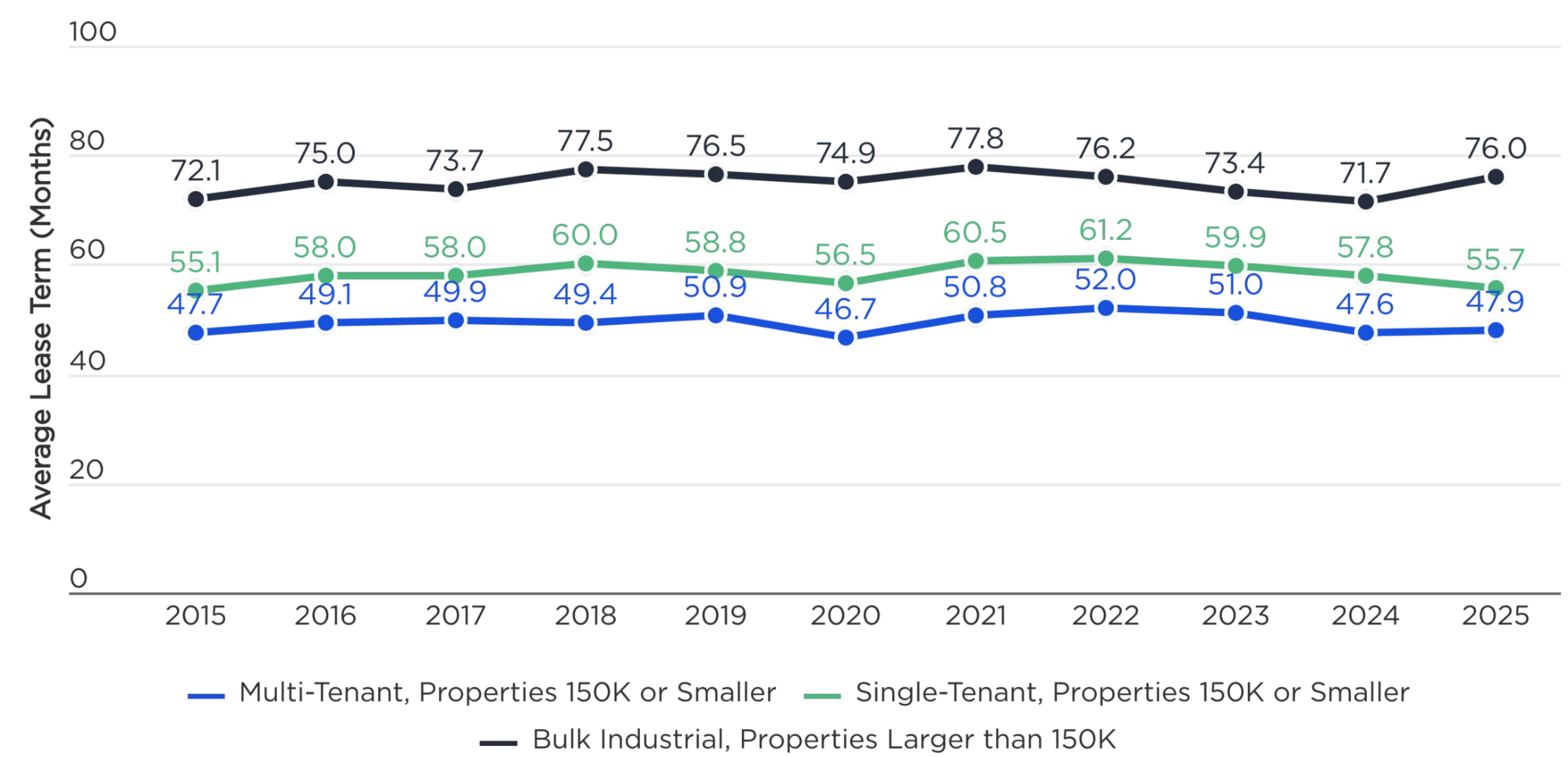
Average Remaining Lease Term



Source: CompStak, includes remaining lease term weighted by transaction across 9 markets.

Average Lease Term, Properties 150,000 Square Feet or Larger vs. Smaller



Source: CompStak. Reflects average across the 9 markets in this report. Properties over 150,000 square include transactions of 100,000 square feet or larger and properties of 150,000 square feet or smaller include transactions less than 100,000 square feet, separated by multi-tenant vs. single tenant occupied.

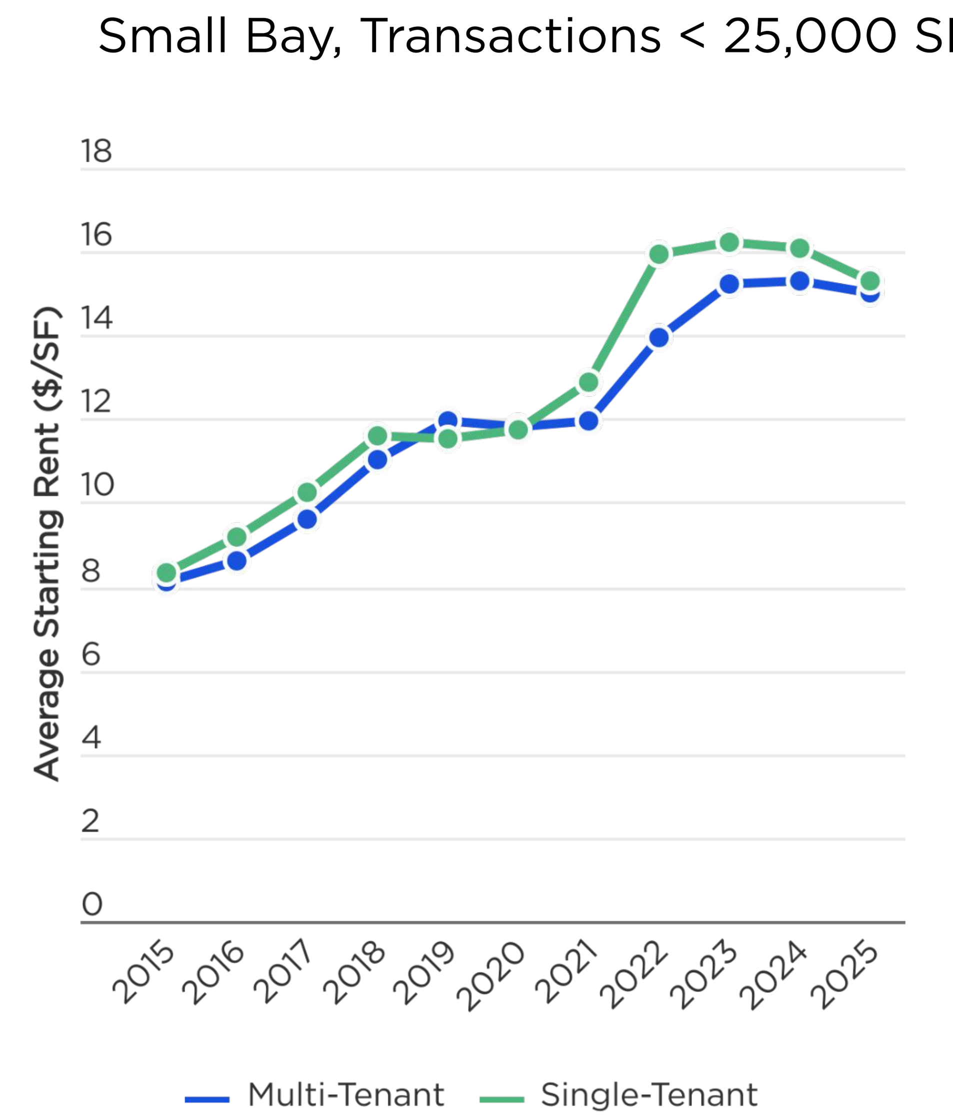
Single vs. Multi-Tenant: Is There a Rent Premium for Full-Building Occupancy?

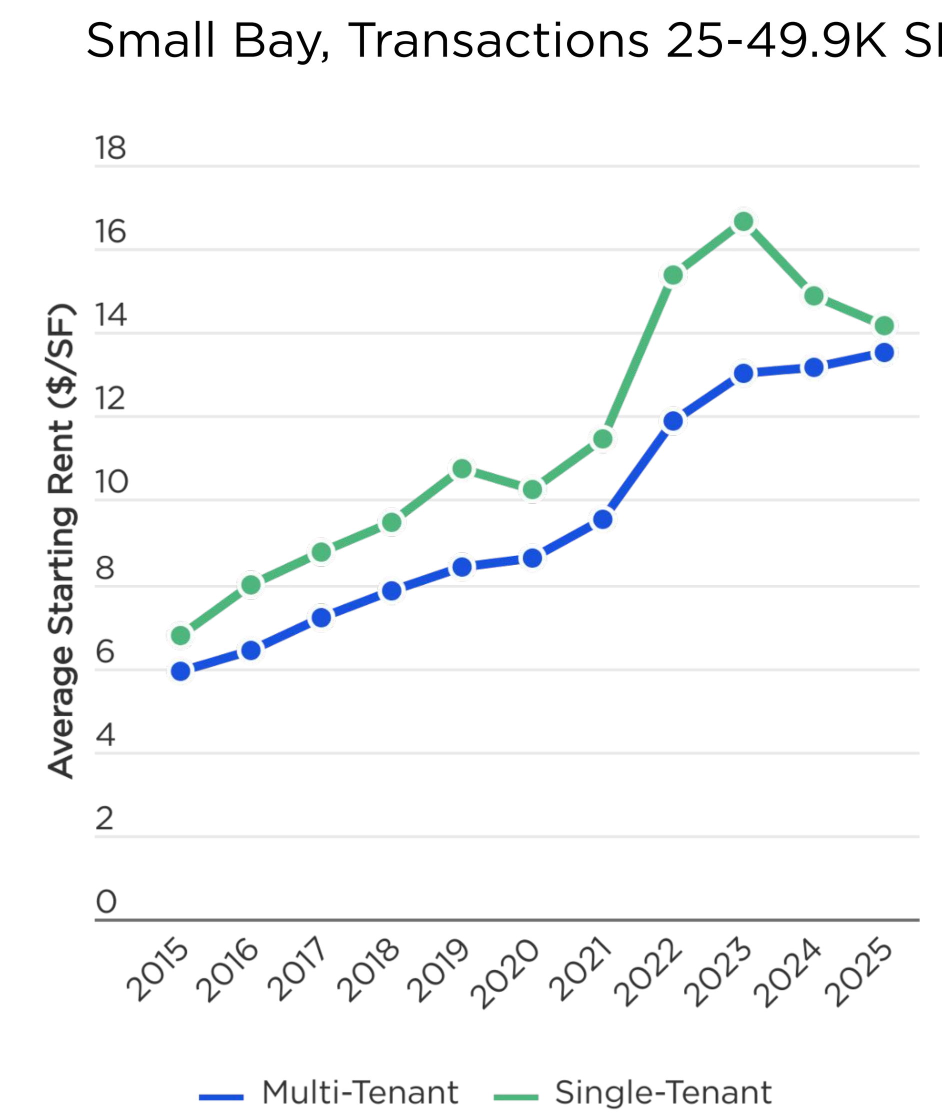
CompStak data shows that small-bay industrial rents consistently outpaced bulk rents across all occupancy types and tenant sizes in the nine-market average, even amid recent moderation. While bulk rents posted stronger long-term growth since 2015 and 2019, small-bay spaces continued to command higher starting rents overall.

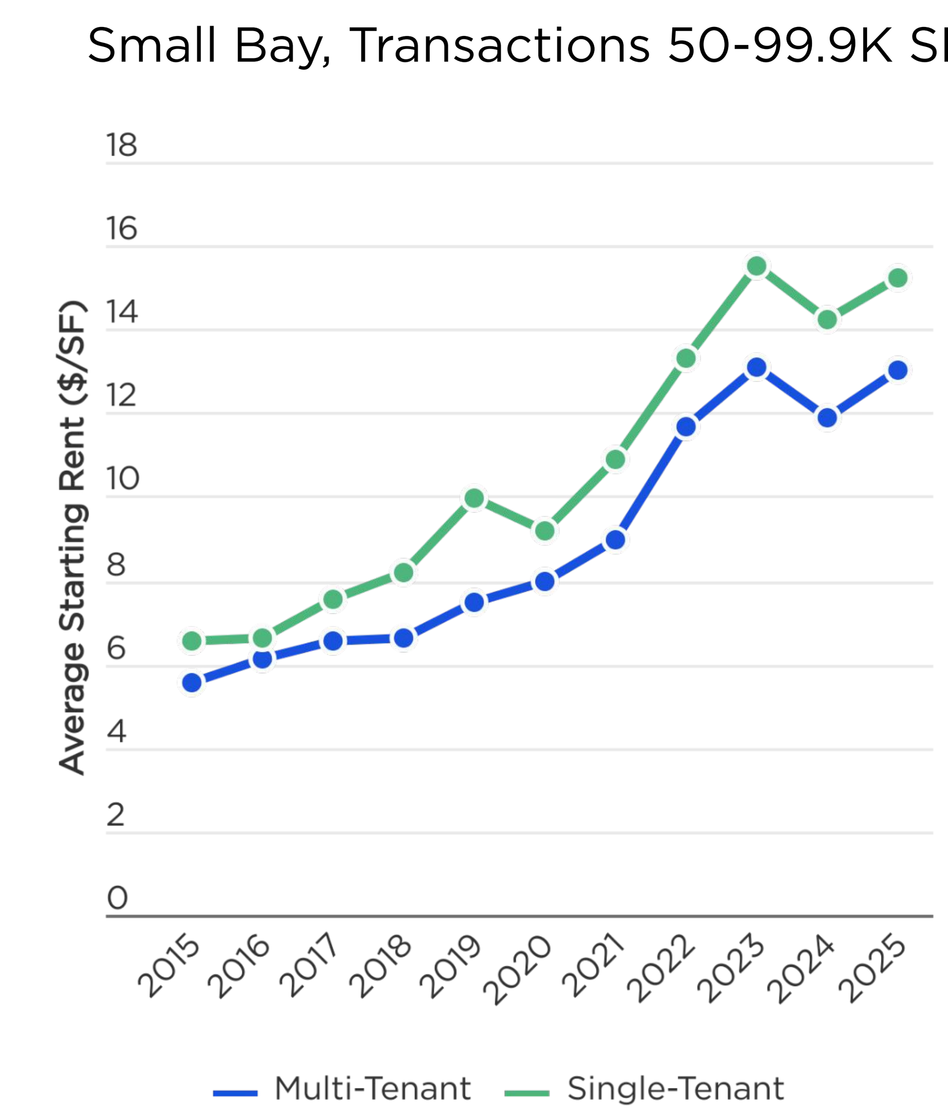
In 2025, the highest average rents were for single-tenant deals under 25,000 square feet—$15.28 per square foot. Overall, single- and multi-tenant rent growth since 2019 was strongest in the 50,000- to 99,999-square-foot range, while the sub-25,000-square-foot segment for multi-tenant leases had the smallest growth among these categories.

Overall, single-tenant deals achieved higher rents than multi-tenant leases across the nine-market average, reinforcing that tenants are willing to pay a premium for sole occupancy. The premium persisted through both the 2020-2022 expansion and the 2023-2025 period of moderation in growth. It was smallest for sub-25,000-square-foot deals but more pronounced at larger sizes, averaging 13% in 2024 and 5% in 2025 (to date) in the 25,000- to 49,999-square-foot range, and 20% and 17% in the 50,000- to 99,999-square-foot range during the same periods.

Average Starting Rents, Small Bay vs. Bulk Industrial







Transaction Size	Type	% from 2015	% from 2019	% YOY
<25,000 SF	Multi-Tenant	86%	26%	-2%
	Single-Tenant	92%	39%	-5%
25K-49.9K	Multi-Tenant	128%	61%	3%
	Single-Tenant	119%	39%	-5%
50K-99.9K	Multi-Tenant	137%	75%	10%
	Single-Tenant	118%	43%	7%
Bulk Industrial		122%	75%	0%

Source: CompStak, starting rents are quoted annually and adjusted to net lease type. Reflects average across 9 markets in this report. The dotted line reflects average rent for transactions larger than 100K and in properties larger than 150K across the 9 markets.

Single vs. Multi-Tenant: Is There a Rent Premium for Full-Building Occupancy?

Across the metrics analyzed—rent growth since 2019, compound annual growth since 2019, year-over-year change, and rent premiums—single-tenant leases outperformed multi-tenant leases in several markets.

Markets where single-tenant outperformed on all three growth metrics:

- Bay Area: Strong across the board, with the largest 2025 premium (+41.2%) and significant year-over-year growth in 2025 (+13.1%) compared to negative growth in multi-tenant.
- Chicago: Outperformed multi-tenant on both long-term (2019-2025) and compound growth, with a strong 2023-2025 premium (+22.5%).

Single-tenant rent premiums:

- 2025: Positive in Bay Area, Chicago, and Miami-Fort Lauderdale
- 2023-2025 period: Positive in Bay Area, Chicago, Inland Empire, Miami, and Northern/Central NJ

Markets with weak or negative single-tenant premiums:

- Atlanta, Dallas-Fort Worth, and Los Angeles/Orange County/Ventura County all show negative premiums in 2025 and underperformance across most metrics, particularly year-over-year.

However, there are important market-level nuances and data limitations that make it challenging to isolate an exact single-tenant premium by year in each market, an issue explored further in the next section.

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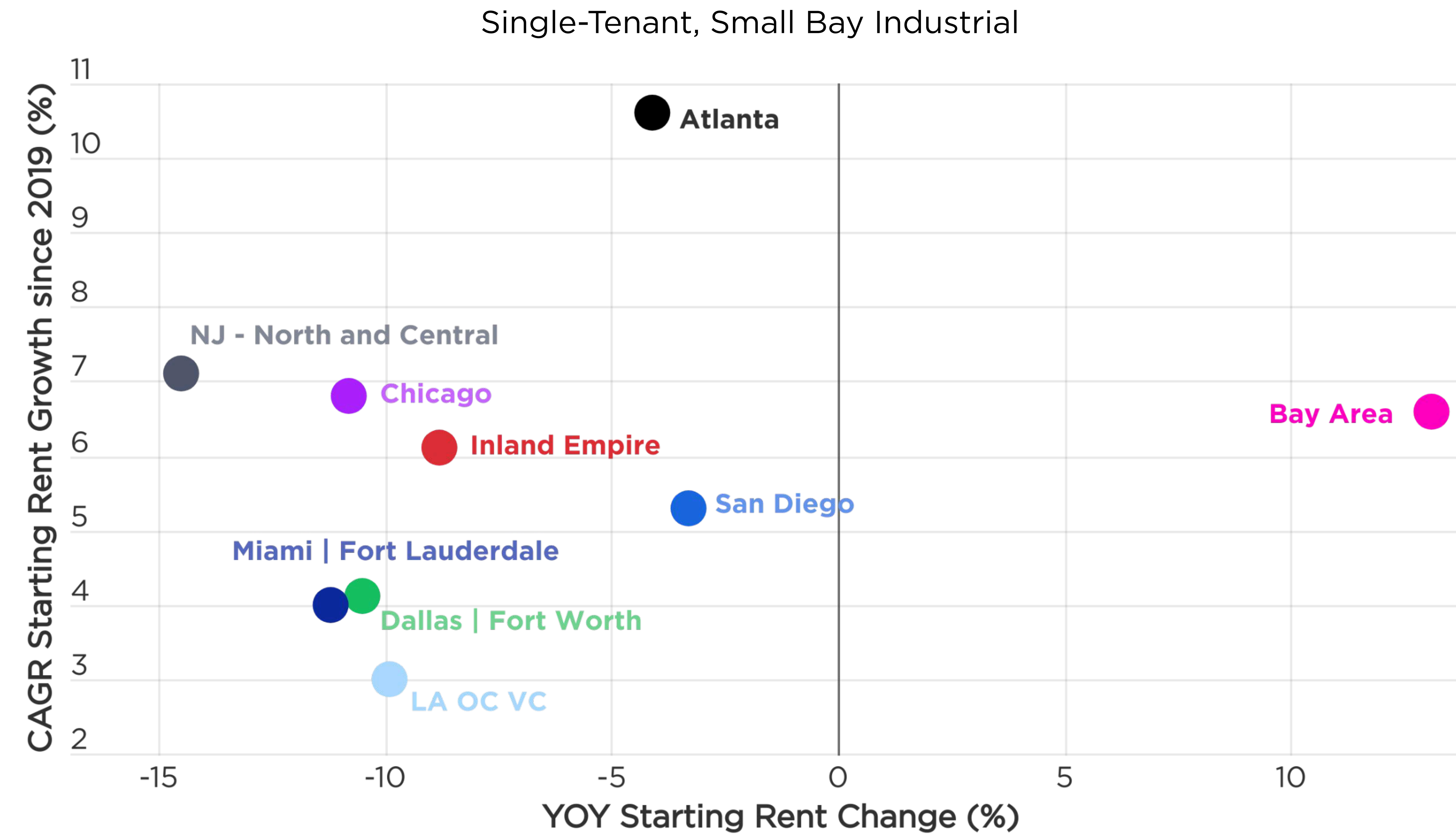
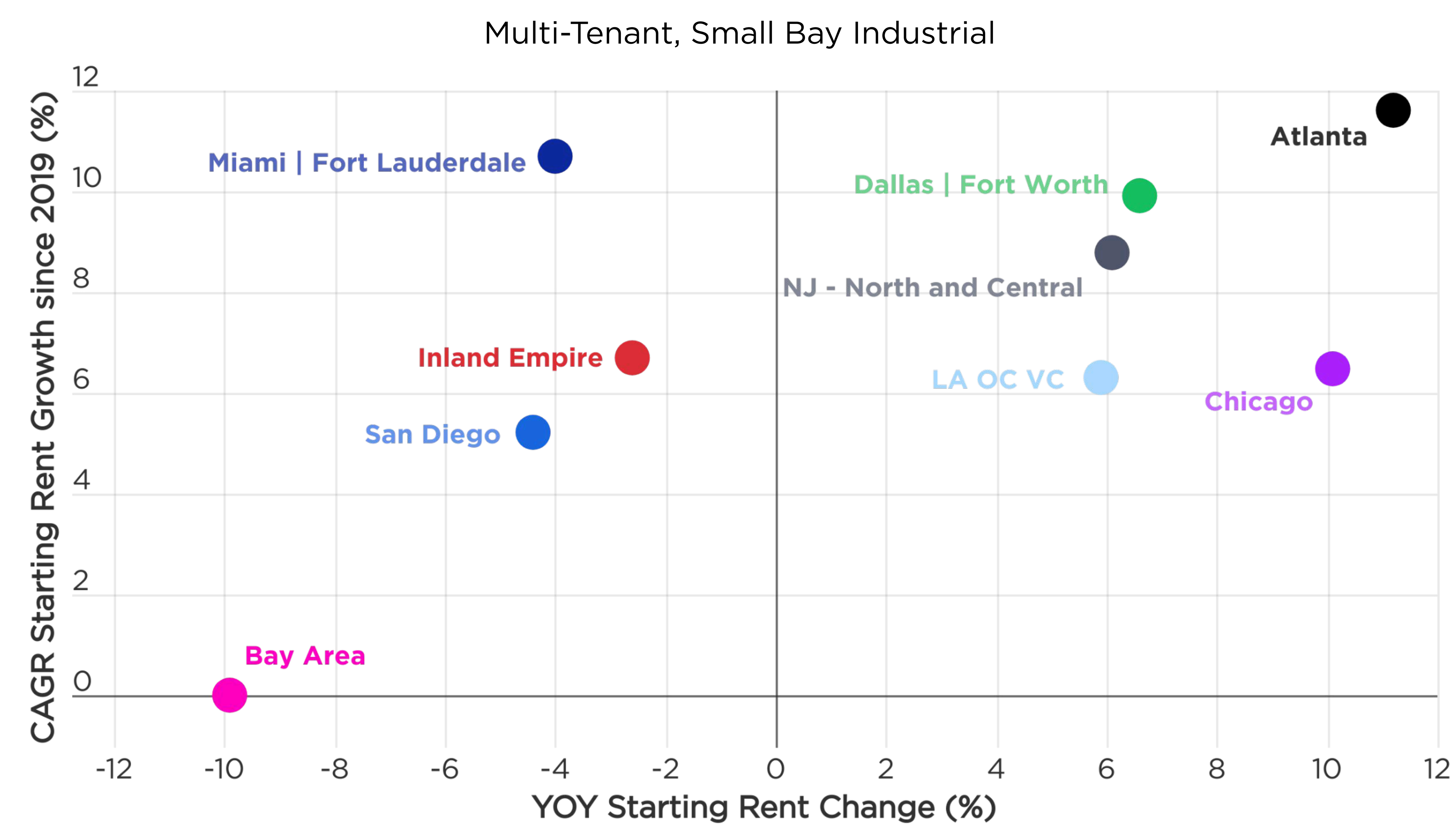




Source: CompStak, includes transactions less than 100,000 square feet in buildings less than 150,000 square feet.

The Single-Tenant Premium by Market: Clear in Some Places, Complicated in Others

When breaking down the single-tenant premium by market further, a more nuanced story emerges. Not all markets show a consistent premium across the three key periods analyzed: 2015-2019 (pre-COVID-19), 2020-2022 (expansion), and 2023-2025 (moderation).

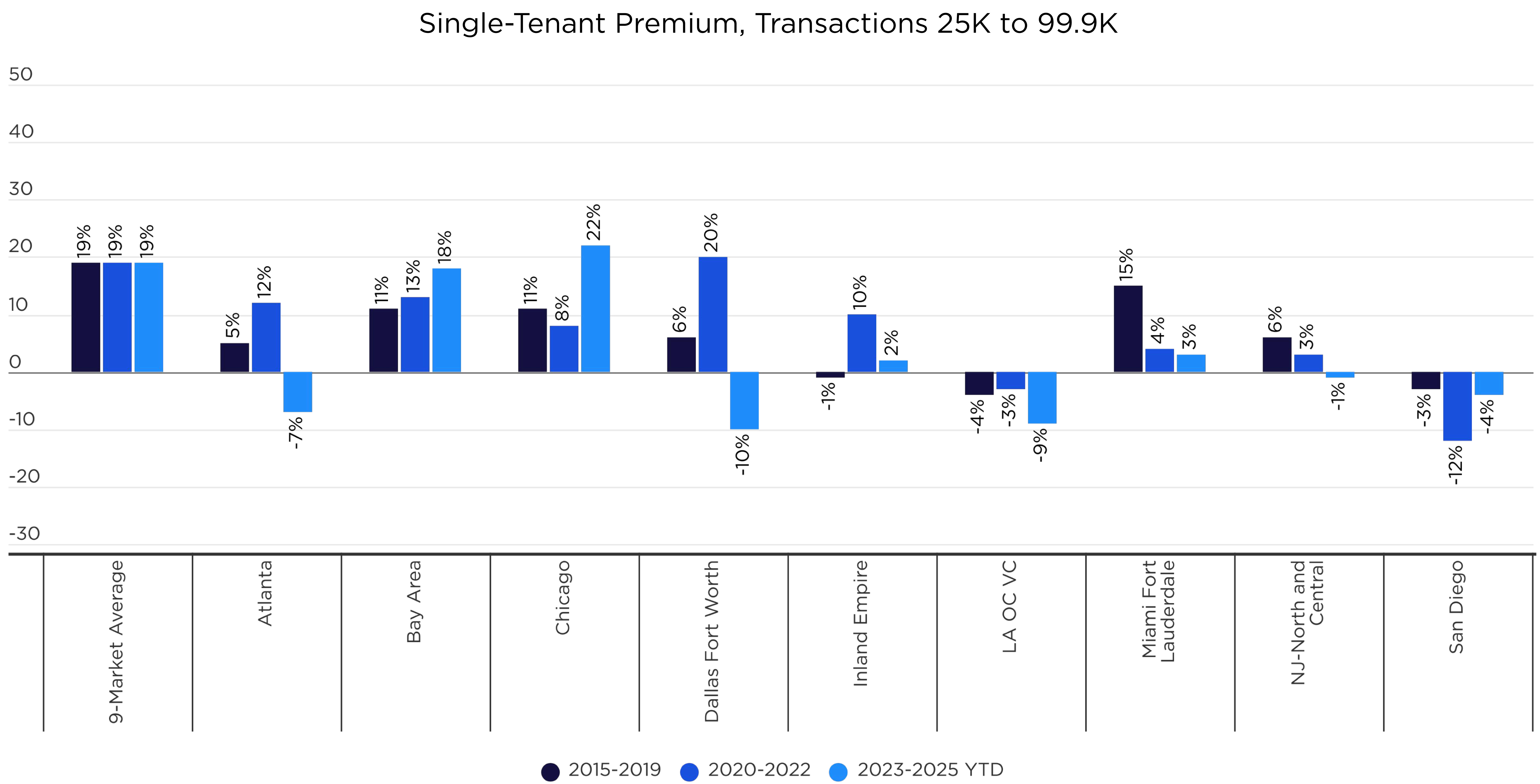
During the most recent period (2023-2025 year to date), the highest single-tenant premiums were recorded in Chicago (+22%), the Bay Area (+18%), and Miami-Fort Lauderdale (+3%). These three markets also stood out for relatively consistent single-tenant premiums across all three periods for leases between 25,000 and 99,999 square feet. In contrast, the other four markets showed mixed results, with some posting negative or inconsistent premiums in one or two of the three time frames.

So why does this variation exist, especially when it's generally accepted by market participants that single-tenant occupancy commands a premium? In this research, we sought to isolate the element of single tenants versus multi-tenants. However, in reality, the complexity of leases mixes in various elements, such as lease term, warehouse location (infill vs. suburbs), and others. For instance, we observed that single tenants as a whole sign longer leases, but it was hard to establish that long-term single tenants pay a higher premium than short-term single tenants. Location aspects were also hard to validate within the framework of this research and require further work. In addition, there is a more substantial dataset of lease comparables available for multi-tenant industrial leases than for single-tenant ones, which may have skewed results in part. In any case, we are comfortable with the conclusion that there is indeed a consistent premium for single tenants.

In our view, small-bay industrial tenants pay premiums for stand-alone buildings primarily because they gain complete operational control without coordinating with other occupants. Stand-alone facilities offer enhanced brand visibility through prominent signage and building identity that reinforces their market presence. These tenants value the ability to customize their space without restriction, including loading areas, security systems, and interior layouts that precisely match their business requirements. Privacy concerns drive some tenants toward stand-alone buildings, particularly those handling sensitive products or proprietary processes that benefit from increased security. Finally, the psychological value of "owning" an entire building often justifies the premium as it enhances the tenant's business stature and perceived success.

From an owner's perspective, single tenants are easier to manage and can often become "sticky tenants" that are attached to the space after investment in infrastructure, leading to longer lease terms. However, single tenancy is a double-edged sword in this sense, as unexpected defaults leave the building 100% vacant. On the other hand, dividing the space across three to five different tenants protects against the volatility of smaller businesses. This highlights the importance of tenant credit and due diligence: Asset managers who invest heavily in finding strong tenants can hedge against the risk of single-tenant assets while maintaining the benefits.

The Single-Tenant Premium by Market: Clear in Some Places, Complicated in Others



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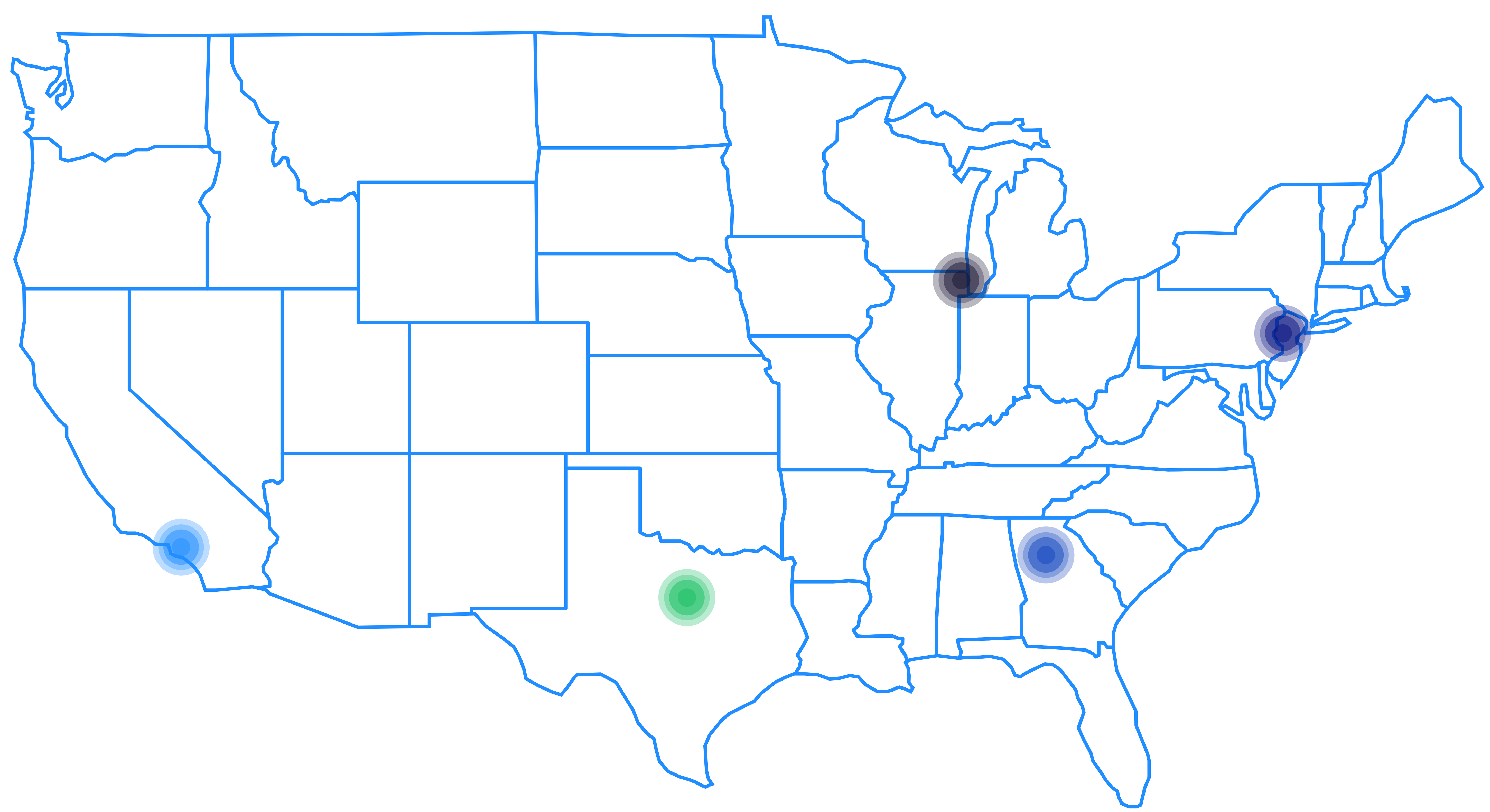
Source: CompStak. Starting rents are quoted annually and adjusted to net lease type.

Beyond Single-Tenant Occupied: Which Markets Stand Out for Multi-Tenant Small-Bay Trends?

While single-tenant small-bay leases often command higher rents, CompStak's data reveals that multi-tenant leases have, at times, outperformed them, depending on the market and period analyzed. A closer look at market-level trends reveals sharp contrasts in performance across Atlanta, the Inland Empire, and the Bay Area, in particular.

Atlanta leads the pack for multi-tenant small-bay rent growth, both since 2019 and on a year-over-year basis. In contrast, the Inland Empire shows strong long-term gains but has recently declined, while the Bay Area ranks lowest for cumulative growth and was the weakest year-over-year.

These findings are based on leases between 25,000 and 100,000 square feet in buildings smaller than 150,000 square feet across nine key industrial markets. Five markets—Atlanta, Chicago, Greater Los Angeles, North and Central New Jersey, and Dallas-Fort Worth—posted both positive compound annual growth since 2019 and positive year-over-year growth in 2024-2025, a period when broader industrial trends softened.

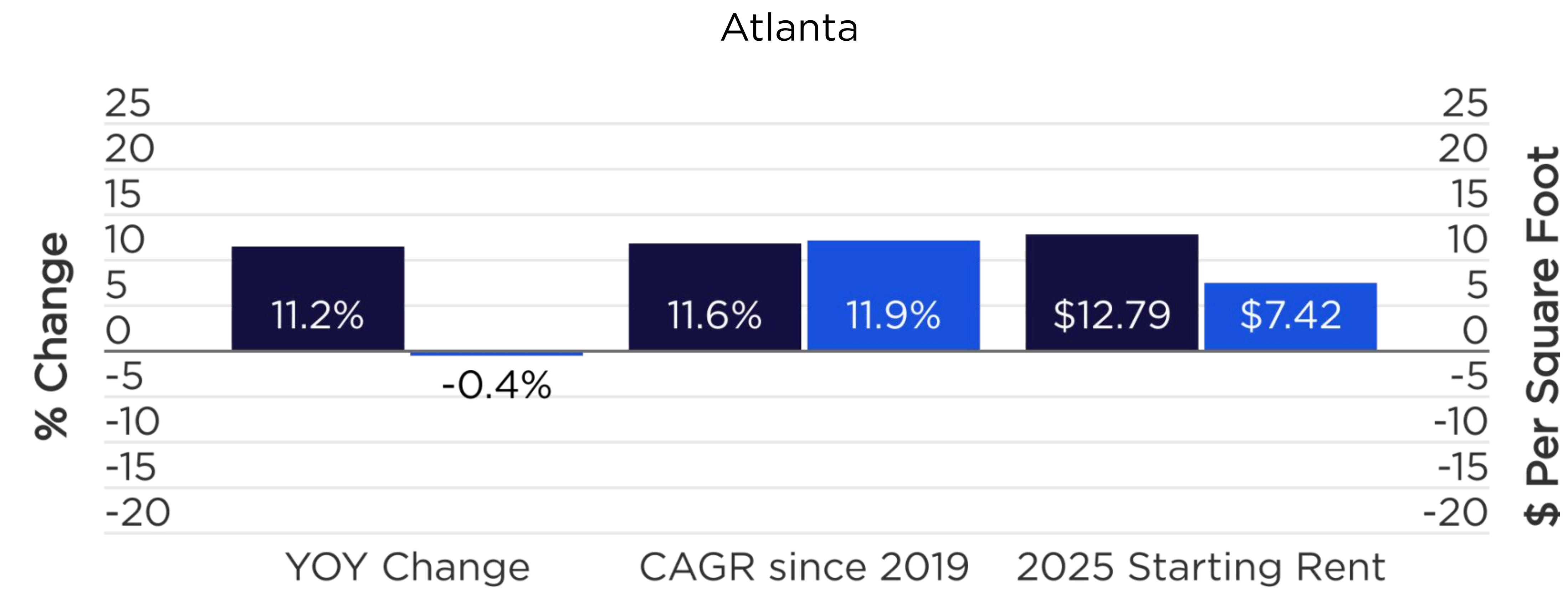


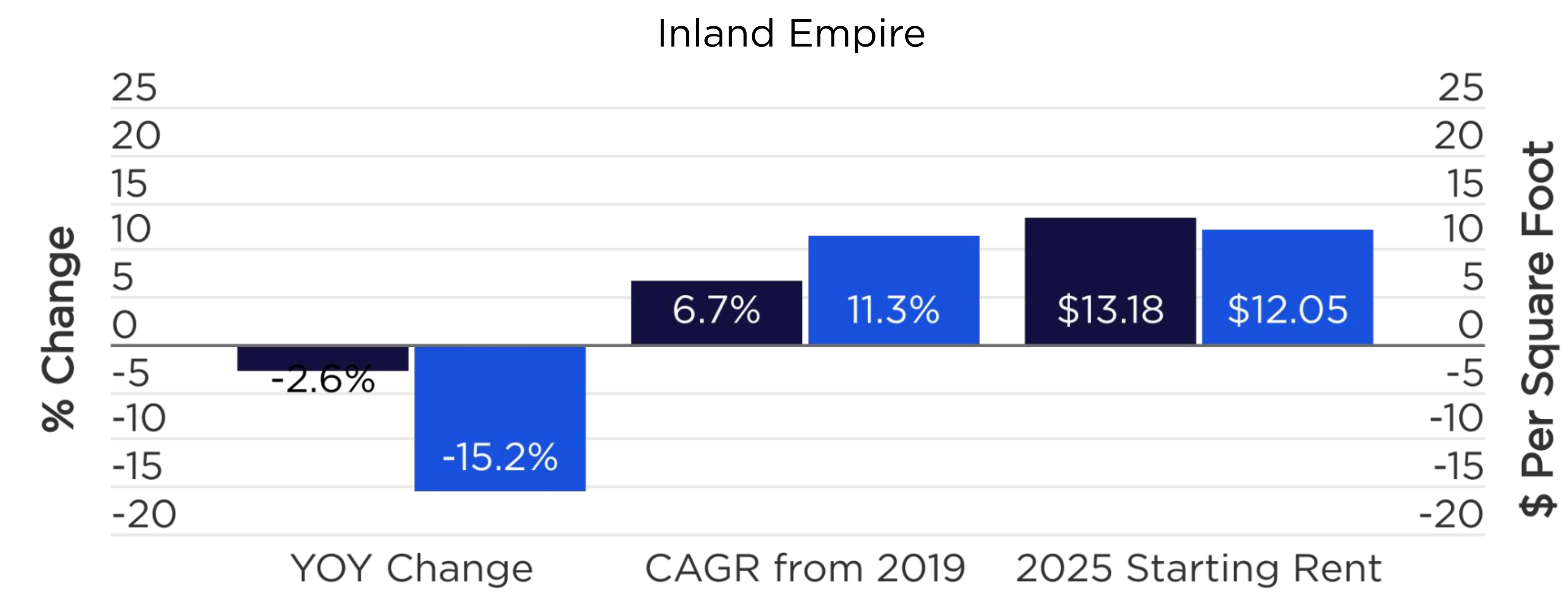
Why Do These Differences Exist?

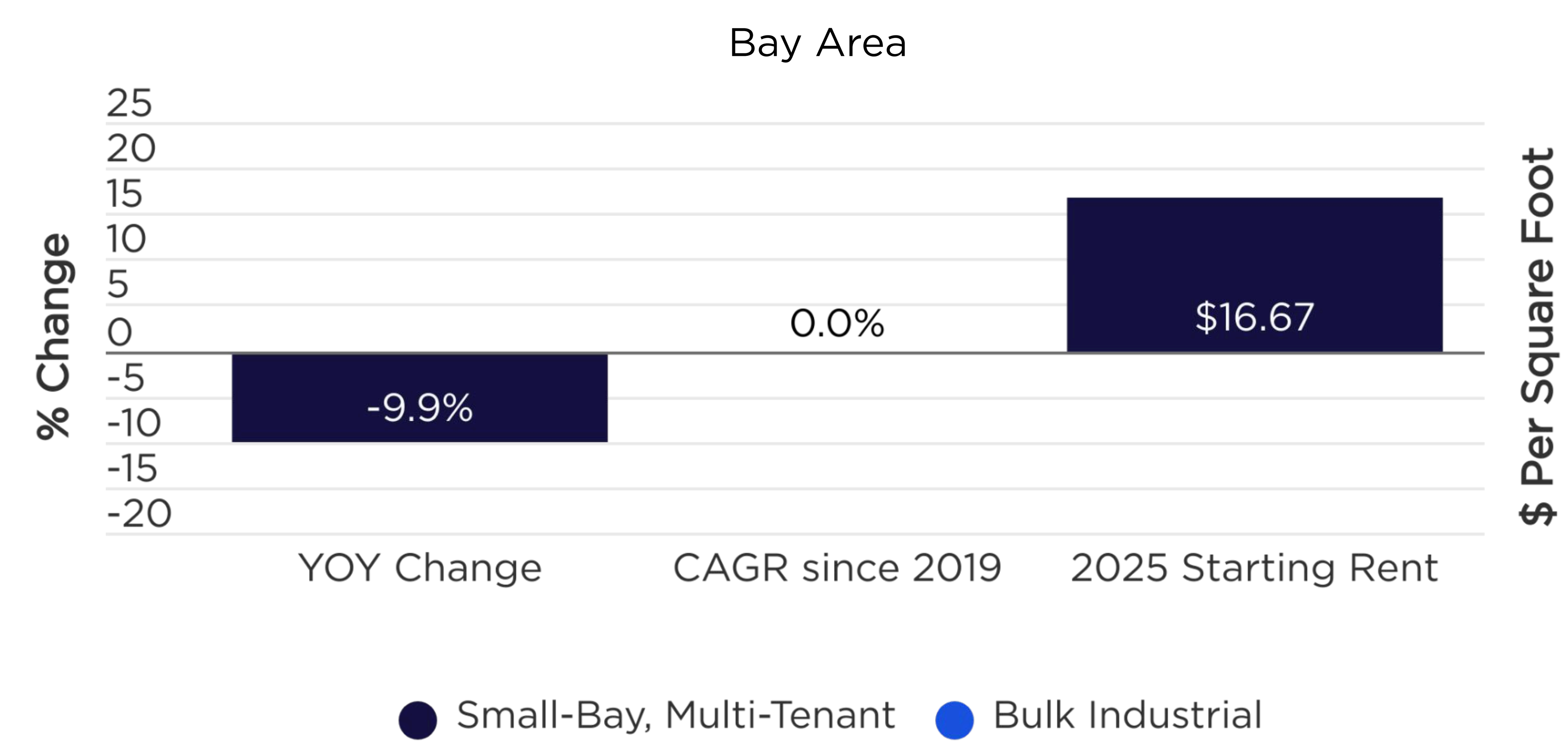
- Bay Area: Despite consistently showing a rent premium for single-tenant leases (see Chart 7), the Bay Area underperformed in multi-tenant rent growth among these markets. This could be due to the market's tight land constraints, high cost of occupancy, and emphasis on last-mile logistics in this dense market. In CompStak's starting rent data, the growth rate lagged, and rents declined year-over-year—possibly a sign that space-constrained multi-tenant buildings aren't expanding as rapidly or attracting the same momentum seen elsewhere.

- Inland Empire: While the region was a national leader in rent growth during the last industrial cycle, that growth was more weighted toward bulk warehouse space. Multi-tenant small-bay rents grew more slowly, and by 2025, bulk rents had nearly matched them. This may reflect the Inland Empire's more suburban and rural development pattern, which better suits large-format logistics users than smaller, subdivided industrial tenants.

- Atlanta: Despite lacking direct port access, Atlanta has emerged as a standout for multi-tenant small-bay rent growth. Its combination of urban density, logistics connectivity, and diversified tenant demand helped fuel both strong long-term gains and year-over-year increases, even as other markets softened. Although absolute rents remain lower than those in the West Coast markets analyzed, the pace and consistency of Atlanta's growth position it as a market to watch.







Source: Small-bay multi-tenant = leases between 25,000–99,999 SF in buildings <150,000 SF. Bulk = leases >100,000 SF in buildings >150,000 SF. Bay Area bulk data not shown due to limited sample size for bulk leasing activity.

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What's Ahead for Small-Bay Industrial?

Looking ahead, small-bay industrial is positioned to maintain its essential role in the industrial real estate ecosystem while potentially capturing increased attention from sophisticated investors. The segment's resilience derives from its fundamental role in supporting local and regional economic activity, its adaptability to diverse tenant requirements, and its irreplaceable positioning in established industrial corridors.

For investors and operators in this sector, success will increasingly depend on proactive property management, strategic capital improvements, and a sophisticated understanding of local market dynamics. Properties that can effectively balance modernization with cost-efficient operations will be best positioned to capitalize on the structural advantages that small-bay industrial continues to offer. Furthermore, leveraging data to understand trends in rental rate premiums will become increasingly important to achieving optimal revenue alignment.

A potential challenge for small bay is the evolving U.S. economic policies of the new administration. The implementation and potential expansion of tariffs could impact small businesses disproportionately, affecting their operational costs and potentially their space requirements. Many small-bay industrial tenants operate with tighter profit margins than larger corporations, making them more vulnerable to policy-driven cost increases or supply chain disruptions.

Overall, as the industrial market continues its evolution toward a more normalized environment, small-bay industrial's underlying fundamentals suggest it will remain a compelling component of diversified real estate portfolios, particularly for investors with the operational expertise to navigate its unique characteristics and leverage its distinctive advantages.