

The High Cost of Low Rent

Transportation costs moved. Real estate costs did not.

Rent growth has stalled. The cost of moving goods has not.

Transportation is roughly 50% of total logistics cost and real estate is 3% to 6%.

An 8% decrease in your warehouse rent is offset by a 1% increase in your transportation costs.

What it costs to run a truck (2025)

\$2.34 per mile, a record, and that is before the 2026 fuel spike.

Line item	\$ per mile	Share	Year over year
Driver wages	\$0.818	35.0%	+2.5%
Fuel	\$0.482	20.6%	+0.2%
Truck / trailer lease or purchase	\$0.404	17.3%	+3.6%
Repair and maintenance	\$0.215	9.2%	+8.6%
Driver benefits	\$0.210	9.0%	+6.6%
Truck insurance premiums	\$0.106	4.5%	+3.9%
Tires, tolls and permits	\$0.101	4.3%	+7.4%
Total	\$2.336	100%	+3.4%

Source: American Transportation Research Institute, Analysis of the Operational Costs of Trucking: 2026 Update, July 2026 (2025 data).
truckingresearch.org/2026/07/analysis-of-the-operational-costs-of-trucking-2026-update/

Cost per mile is not one national number. ATRI reports it by region and the spread is wide enough to change a real estate decision.

ATRI region	Total \$/mi, 2025	Excluding fuel	2025 fuel line	Total at 8/31/2026 diesel
Northeast	\$2.516	\$2.024	\$0.491	\$2.738
West	\$2.377	\$1.842	\$0.535	\$2.617
South Central	\$2.229	\$1.772	\$0.457	\$2.500
Midwest	\$2.230	\$1.764	\$0.466	\$2.461
Southeast	\$2.245	\$1.791	\$0.454	\$2.451
California only	\$2.377	\$1.842	\$0.535	\$2.703

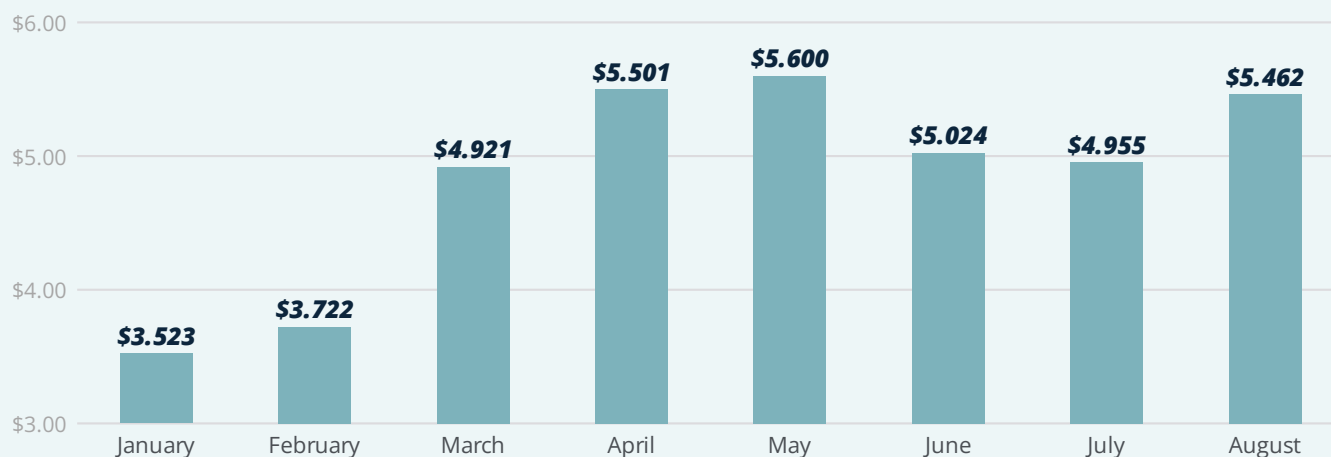
Source: AITA & SRS calculations.

- Carrier rates are rising even as less total freight moves.
- Driver pay is the largest single line at 35% of what it costs a carrier to run a truck.
- Fuel is second, and it has moved further and faster than anything else this year.

Diesel

Diesel is up \$1.94 a gallon since January, to \$5.46 in August. That is the highest monthly average since 2022.

2026 monthly, US average (\$ / gal)



Regional prices, weekly reading of 8/31/2026

Measure	\$ / gal	Change vs a year ago
United States	\$5.599	+\$1.87
California	\$7.218	+\$2.30
West Coast (PADD5)	\$6.497	+\$2.01
Gulf Coast (PADD3)	\$5.360	+\$1.99

2019 to 2026 annual averages

Year	2019	2020	2021	2022	2023	2024	2025	2026 YTD
\$ / gal	\$3.06	\$2.55	\$3.29	\$4.99	\$4.21	\$3.76	\$3.66	\$4.84

2026 is a January to August average.

- Diesel did not drift up, it stepped up. Prices broke in March 2026 following the Middle East conflict and the closure of the Strait of Hormuz, and have held since.
- August at \$5.46 is the highest monthly average since 2022 and within 30 cents of the all-time record of \$5.75, set in June 2022.
- California pays \$1.62 a gallon more than the national average. At 7.43 miles per gallon, that is \$218,000 on every million miles run.

Source: U.S. Energy Information Administration, Gasoline and Diesel Fuel Update. Monthly series and weekly reading of 8/31/2026. eia.gov/petroleum/gasdiesel/



What it means for your real estate

Every market has a high-rent core and a lower-priced exurb.

2026 may have changed the math.

Real estate is priced per square foot and transportation is priced per mile. Cheaper rent can be paid for by driving more miles, but a crossover point exists where you are better off paying for the better location. Higher transportation costs move that point closer in.

Because both are priced in dollars, the crossover can be measured. It is different in every market and for every occupier, depending on how many trips the building runs. Fewer trips means less sensitivity to distance. More trips means transportation outweighs everything else. In 2026 distance bites harder than it has before.

Breakeven distance

How to read it: the outer submarket only saves money if it sits within the breakeven distance shown, measured as additional one-way miles to your demand centroid or port. Past that mileage your total cost is higher.

Market pair	Infill rent	Outer rent	Rent saving	5 trips	10 trips	20 trips
LA South Bay vs East Inland Empire	\$17.39	\$10.80	\$6.59	67	33	17
LA MidCounties vs East Inland Empire	\$15.16	\$10.80	\$4.36	44	22	11
OC Airport Area vs West Inland Empire	\$18.46	\$12.93	\$5.53	56	28	14
SD Central San Diego vs South San Diego	\$20.98	\$13.36	\$7.62	77	39	19
IE West Inland Empire vs East Inland Empire	\$12.93	\$10.80	\$2.13	22	11	5
DFW Airport vs South Dallas	\$11.43	\$5.97	\$5.47	60	30	15
DFW Northwest Dallas vs South Ft Worth	\$10.81	\$7.12	\$3.69	40	20	10
ATL North Central vs I-75 South Henry County	\$13.27	\$6.34	\$6.93	77	39	19
PHX Phoenix Northeast vs Pinal County	\$20.09	\$8.99	\$11.10	116	58	29

Rents are NNN, dollars per square foot per year. Trip columns are outbound truck trips per day per 100,000 SF, the breakeven shown above is in miles.

- A South Bay building running 10 trips a day per 100,000 SF gives up its Inland Empire rent saving at 33 miles. Most of the Inland Empire is farther from the ports than that.
- The same math runs the other way for a slow-moving building. At 5 trips a day the Inland Empire still wins out to 67 miles. Throughput decides the answer, not geography.

Source: SRS Industrial Submarket Statistics, Q2 2026, ATRI regional cost per mile with the fuel line rescaled to EIA diesel at 8/31/2026



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How we can help

01

We know retail networks.

We can run the breakeven for yours, submarket by submarket and building by building, on our own market data rather than a national average.

02

We can tell you which renewals are worth holding and which are worth moving, before the renewal conversation starts, on total cost of operations rather than on just rent alone.

03

We handle the transaction on both ends, including sale-leaseback and disposition when the answer is that you own the wrong building in the right place.

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