



Yardi Matrix

National Industrial Report

November 2023



Electric Vehicle Push Continues

- The rise of electric vehicles is spurring the need for industrial space across the country. Millions of square feet of new industrial space will be needed not only for the manufacturing facilities where EVs are assembled but also for battery production and supplier networks.
- Electric vehicle sales have grown rapidly in recent years, but 2023 has tempered expectations. Reporting indicates that car dealer inventories of EVs have swelled this year as affordability and consumer concerns about the availability of charging networks have led to slower-than-anticipated growth. Nonetheless, hybrid-electric vehicle sales were up more than 50% year-over-year in October and plug-in vehicle sales were up 22%, according to data compiled by Argonne National Laboratory; more than 1.1 million electric vehicles have been sold in 2023 to date.
- The ramp-up in EV production was caused by the Inflation Reduction Act, which generated a rush of EV manufacturers building new facilities in the U.S. The IRA provides financial assistance to manufacturers as well as stipulating that tax credits may only be used on EVs manufactured in the United States. A so-called Battery Belt that extends from Michigan through the Carolinas and Georgia has sprung up in response. Hyundai and LG announced a \$4.3 billion plant earlier this year, and Toyota recently announced it would be increasing investment in its EV manufacturing facility in North Carolina by \$8 billion. Yet as consumers have embraced EVs more slowly than previously expected, some projects are being scaled back. Ford, for instance, announced it will be delaying \$12 billion in projects related to EVs, including reducing capacity of a planned battery plant in Michigan by 43%.
- EV and battery manufacturing will also require extensive supplier networks that will likewise occupy millions of square feet of industrial space. In North Carolina, India-based Epsilon Advanced Materials announced a \$650 million plant in Brunswick County that will produce synthetic graphite anodes, a key component in EV batteries. Cnano Technology USA, a manufacturer of EV components, announced a \$95 million facility in the Kansas City market. The interactions between materials and parts providers with the manufacturers will also require additional logistics space.
- We expect that while the near-term outlook may be a bit rocky, over the long term the production of EVs, their batteries and supplier networks will be a driver of industrial demand. The IRA provides both a carrot and a stick, and traditional automakers are investing billions to get a foothold in the EV market alongside Tesla and upstart EV-only firms.

