



Yardi Matrix

National Industrial Report

February 2025



Manufacturing Grows Despite Headwinds

- Manufacturing continues to expand, with more than 100 million square feet of space delivered since 2022 and another 100 million currently underway. Yet the industry faces challenges in bringing about a full-scale manufacturing resurgence.
- Construction spending on manufacturing has increased threefold since 2021, according to the U.S. Census Bureau, driven by a variety of factors. The weakness exposed in supply chains during the pandemic led to firms reshoring production. National security concerns and a push for renewable energy led to the federal government's support of the domestic production of goods during the previous presidential administration, which signed legislation that included billions of dollars in incentives for the stateside production of electric vehicles and their batteries, computer chips and clean energy technology. The new administration is taking a protectionist stance on trade to boost stateside production, although some of the previous funding may be at risk.
- The wave of spending is only the beginning of the impact manufacturing will have on industrial real estate in coming years. The so-called multiplier effect of manufacturing facilities—the supplier and logistics networks that locate nearby to support the production of goods—will spur millions of square feet of additional development. This effect can vary greatly, based on what type of product is being manufactured, with automobiles typically seeing the largest multiplier. This effect can be seen clearly in the Savannah–Hilton Head market. Hyundai is currently building a \$5.9 billion, 17 million-square-foot EV plant in the market, with some portions of the project already completed and cars beginning production last October. Multiple suppliers for Hyundai, such as Daechang Seat Co. and Ecoplastic Corp., opened facilities in the market last year, and more are on the way.
- While we anticipate manufacturing to be a major driver of industrial development and activity going forward, there will be headwinds for the sector. Location selection will present a significant challenge for manufacturing sites. The availability of land will be a major issue, as will access to water and power, and the scarcity of these resources will be amplified as these facilities become larger. Finding locations with a significant pool of skilled labor, as is required for most advanced manufacturing, will also present a challenge. Potential tariffs threaten to disrupt the manufacturing sector, especially among firms that have nearshored facets of production to Mexico and opened plants along the southern border. Trade policy may also ignite a trade war and trigger retaliatory tariffs that could jolt manufacturers that export a significant portion of their goods.

