Yardi Matrix

National Industrial Report

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Supply Outlook Strong Despite Challenges

- A historic level of new industrial supply has been delivered in recent years, and the current construction pipeline is in line with pre-2020 levels. But its composition looks slightly different.

- More than 2 billion square feet of industrial space were delivered between 2020 and 2024, marking an unprecedented supply boom in the sector. While a surge in development was quietly underway before Covid, the manner in which the pandemic upended supply chains and accelerated e-commerce led to a development rush. The national vacancy rate hovered near 4.0% in the early part of the decade—below 2.0% in some of the tightest port markets—and for a while, it seemed like properties would be preleased before shovels hit the dirt.

- But the high volume of new supply pushed the national vacancy rate to 9.0% in June, a high-water mark this decade, as normalized demand led to slowing absorption. In 2025, uncertainty around tariffs has slowed leasing decisions as many firms choose to optimize existing supply chains and delay leasing decisions while trade deals are negotiated.

- Long-term demand drivers—reshoring and nearshoring of manufacturing, data centers, the long-term shift to e-commerce and omnichannel retail—still support industrial development, yet each faces challenges that could slow the pace of new supply. Logistics and retail continue to grapple with uncertainty due to tariffs. While the threat of a full-scale trade war has lessened in recent months, tariffs will continue to increase costs and impact the calculus of leasing decisions. Manufacturing remains strong, but the new tax bill recently signed into law may disrupt some projects currently underway. Much of today's manufacturing boom is driven by green technology and electric vehicles, two sectors that saw tax credits eliminated. While tariffs may lead to firms reshoring manufacturing to the U.S., such plans will take years to unfold.

- Data centers have significant bottlenecks to development in resource usage, availability and access. Beyond the physical logistics of powering and maintaining data centers, there are also questions surrounding the industry. While large language models have become increasingly sophisticated, the sector faces many potential roadblocks, including return on investment, competition from China, and legal challenges related to copyright, discrimination and liability. The current administration is planning on helping these companies run through some of the roadblocks, prioritizing a "vision of global AI dominance" in the recently released AI Action Plan, fueling growth for generative AI.