



Yardi Matrix

# Industrial National Report

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# Automation a Slow-Moving Revolution

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- Automation and AI are becoming a more frequent feature of warehouse operations, though adoption remains uneven and far from mature.
- Contrary to earlier assumptions, automation has not reduced demand for logistics real estate. Part of this is consumer expectations for faster delivery of goods, which have absorbed much of the efficiency gained from technology. Another factor is that automation itself is space-intensive, mandating higher clear heights, flatter floors, wider column spacing and layouts able to accommodate robotics and internal product movement. These requirements often increase, rather than reduce, logistic firms' space needs.
- These physical restrictions are sustaining demand for new construction, as modern buildings are better positioned to support automation and AI. Demand for newer space helps explain why in-place rent growth has remained solid, if not spectacular, even as vacancy rates have spiked in the aftermath of the supply boom. Interest in build-to-suit projects capable of supporting automated operations also remains strong. Modern facilities that can meet automation requirements tend to command higher rents, support longer lease terms, and exhibit stronger tenant retention than older assets.
- Even as tenant interest remains strong, adoption of automation and AI has been uneven, constrained by building characteristics, power availability and retrofit costs. Power is still a limiting factor across much of the industrial sector, and access has become a central consideration in site selection. In many markets, grid capacity and the pace of utility upgrades restrain implementation regardless of tenant appetite. Even with access to power and a desirable location, some older properties may not be well suited for retrofit due to layout and insufficient clearances.
- The automation cycle will unfold over many years rather than all at once. Adoption is being paced by new construction, infrastructure capacity and the long replacement cycle of existing warehouse stock, not by technology alone. Prologis estimates that by 2035, roughly half of modern logistics space could incorporate some level of automation, primarily through flexible and modular systems rather than fully automated facilities. We expect adoption to remain incremental, with flexible, well-located assets that offer sufficient access to power positioned to benefit the most.

