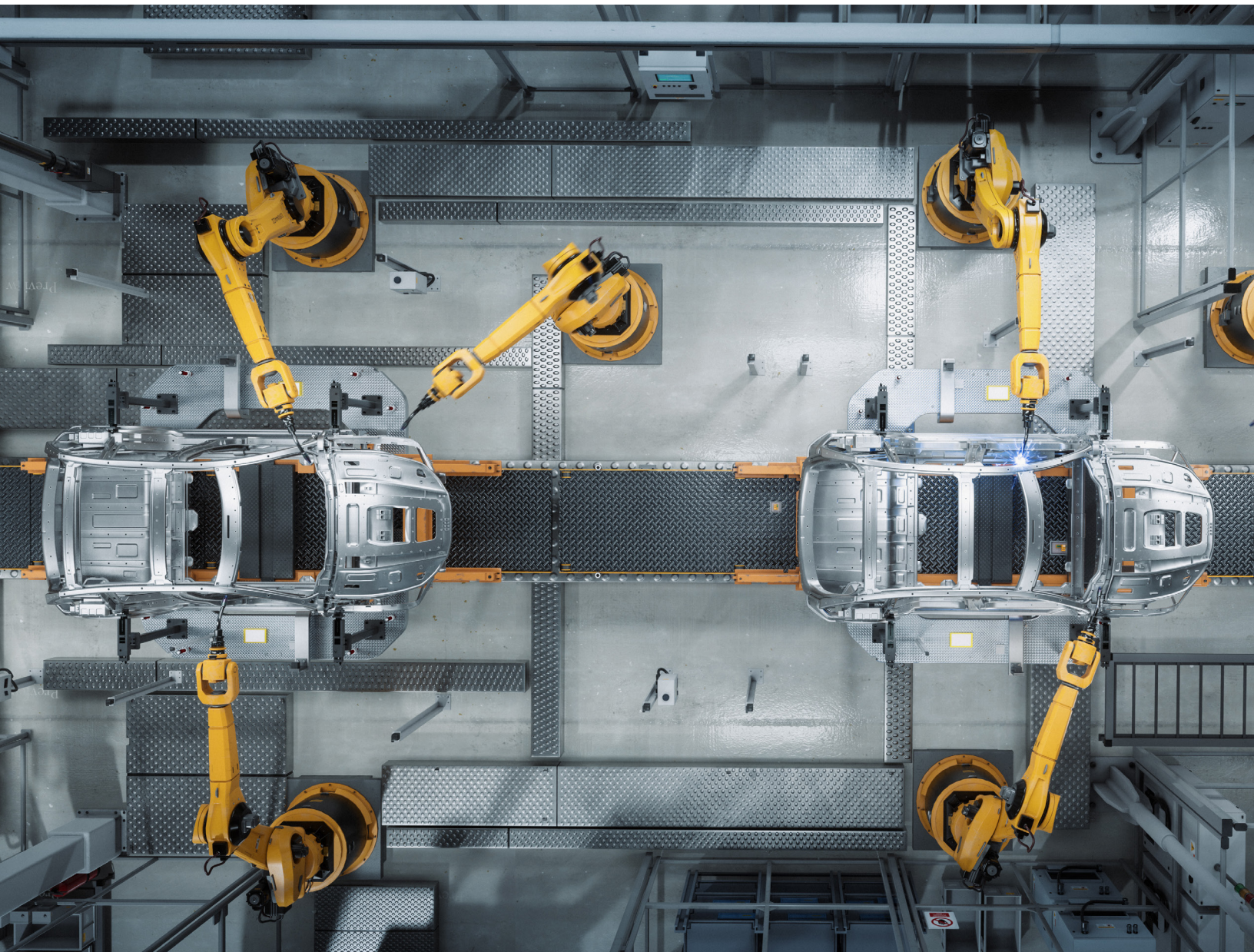




Yardi Matrix

National Industrial Report

July 2023



Manufacturing Spending Spikes

- A United States manufacturing boom is beginning. Spending on manufacturing construction has exploded over the last year and a half, much of it for advanced manufacturing facilities.
- The Census Bureau reported that in May the annualized monthly rate for new manufacturing facilities was \$194 billion, a figure that has doubled since the end of 2021. According to Yardi Matrix, more than 90 million square feet across 200-plus manufacturing facilities are currently underway.
- Some of the construction spending has been driven by the passage of major pieces of legislation. The CHIPS and Science Act, Inflation Reduction Act and infrastructure bill all have increased spending on new manufacturing plants through tax credits and other incentives. Yet the rise in manufacturing construction spending began before any of these bills were enacted. Supply chains were stressed during the pandemic, with port bottlenecks and shipping delays leading many manufacturers to reconsider where they produced their goods. Trade tensions with China and the ongoing war in Ukraine added further uncertainty to global trade.
- According to an analysis from the Treasury Department, the majority of manufacturing construction growth has been driven by increases in spending for facilities categorized as computer/electronic. As recently as two years ago, these components were a minor segment of U.S. manufacturing construction, but they accounted for roughly half of all spending over the first four months of 2023. Much of this is going toward semiconductor facilities. Taiwan Semiconductor Manufacturing Co. is building a \$12 billion plant in Phoenix, Samsung is adding a \$17 billion chip fab in Austin and Intel is spending \$20 billion in Ohio. Electric vehicle plants are also leading to large investments, including projects like Hyundai's \$5.5 billion plant in Savannah and Panasonic's \$4 billion EV battery facility in Kansas City.
- Employment in the manufacturing sector has yet to spike, with the sector adding 170,000 new jobs in the last year, an increase of 1.6%. Much of what is currently being developed is advanced manufacturing that will require highly specialized workers. Due to automation, it is unlikely that there will be a spike in employment akin to new construction spending, but we expect that growth in manufacturing employment will outpace the labor market as a whole over the remainder of the decade. We anticipate manufacturers will target markets with deep and talented labor pools.

