



Yardi Matrix

# National Industrial Report

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May 2024



# Manufacturing Push Continues

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- The push to boost U.S. manufacturing, particularly for semiconductors and clean energy technology, has led to a boom in construction, but a true manufacturing resurgence remains years away.
- The manufacturing construction boom currently underway is being driven by manufacturers' desire to strengthen supply chains and reduce dependency on outsourcing, along with two major pieces of legislation. The CHIPS and Science Act provided tax credits and incentives for stateside production of semiconductors. The Inflation Reduction Act included funding and tax credits for both producers and consumers of U.S.-made clean energy technology products. According to the U.S. Census Bureau, annualized manufacturing construction spending reached \$233 billion in April 2024, more than doubling in the last two years and nearly tripling in the last three. This wave of spending on manufacturing can be seen in Yardi Matrix data as well, with manufacturing accounting for more than 30% (124.8 million square feet) of all space under construction.
- While manufacturing construction has flourished, it has not yet translated into job gains like those that occurred in warehouse employment during the logistics boom. While the sector recovered pandemic job losses, manufacturing employment has been stagnant over the past 18 months, and April 2024 was only 1.4% higher than February 2020. This is likely due, at least in part, to the longer delivery times for these facilities, meaning many of the biggest projects have yet to be delivered.
- Restoring and protecting American manufacturing jobs in the current global economy was one of the chief reasons given by the Biden Administration when announcing new tariffs on clean energy and other technology imported from China. Plants that build solar panels, electric vehicles, batteries and semiconductors won't create jobs if they are undercut by cheaper Chinese goods. The protectionism stance is also driven by concerns over national security, self-sufficiency and China's dominance of the supply chains for critical materials. However, the U.S. may not be able to win a clean-energy trade war with China, given that China controls an estimated 80% of the supply chain for the components of clean technology and has a big head start in global markets.
- We anticipate that manufacturing will continue to drive a great deal of activity for industrial real estate, but it will be years before the impacts are fully seen. The new tariffs will increase prices of clean energy technology for consumers but will be a positive for the industrial sector. When projects deliver, we expect manufacturing employment will rise and supplemental firms will take root as well.

