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Seaports and Supply Chains

- East Coast ports avoided a massive disruption earlier this month when dock workers and operators reached a tentative agreement that ended a labor strike after only a few days. A finalized agreement will provide labor stability at ports, which combined with shifts in U.S. trade should prevent seaport bottlenecks from hamstringing the economy the way they did in 2022.
- Once a deal is finalized with workers at ports along the East Coast—the tentative agreement extends the previous contract until January 15 while remaining details are negotiated—there will be a period of labor stability at all major seaports in the country. West Coast dock workers came to a six-year deal last year following months of negotiations. This is welcome news for supply chains. The three-day strike this year at the East Coast ports caused weeks of backlogs at ports.
- The reshoring and nearshoring push in manufacturing began in earnest this decade and has already begun to alter the dynamics of U.S. trade. Some of the move to relocate the production of goods to the U.S. or its North American trading partners is a response to tariffs imposed on Chinese goods and tax incentives that promote domestic manufacturing. Other firms have nearshored or reshored as a response to the weak links in the global supply chain exposed by the pandemic. In 2023, Mexico passed China to become the U.S.'s top source of import, and the gap between the two countries has grown in 2024 year-to-date. Canada is third, closely behind China.
- The supply picture could look quite different in industrial port markets in coming years. In densely populated markets in the Northeast like New Jersey, there are emerging concerns that the amount of land available for industrial properties is drying up. While Southern California is not as densely populated as the Northeast, land close to the ports is increasingly hard to come by, and a recent bill passed in the California legislature imposes stricter standards on new industrial space in the state.
- Seaports will always remain crucial to global supply chains and drive demand for industrial space in nearby markets. While the potential for bottlenecks still exists—a September surge in activity at the ports of Los Angeles and Long Beach in response to the anticipated labor action at East Coast ports as well as shipping issues in the Red Sea has led to freight rail delays—supply chains are more resilient than they were four years ago. There also remains the possibility of black swan events, such as the Baltimore bridge collapse or the blockage of the Suez Canal, throwing supply chains into disarray, but by their nature black swan events are impossible to predict.

