



Yardi Matrix

National Industrial Report

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Industrial Sector in Transition in 2025

- 2025 was a year of transition for the industrial sector, as the lingering supply surge continued to be absorbed amid sweeping policy changes that reshaped the landscape.
- Industrial fundamentals were marked by moderation this year, as the effects of a historic supply boom continue to ripple through the sector. More than 2.5 billion square feet of space were delivered between 2020 and 2024, and while plenty of it was build-to-suit or quickly absorbed, the net effect has been for vacancy rates to rise and rent growth to moderate in nearly every market. After a sharp slowdown in new starts during 2024, development activity in 2025 is poised to hold steady, with new construction levels roughly matching last year.
- Tariffs, and uncertainty surrounding them, tested the industrial sector in 2025. In the year's opening months, firms scrambled to stockpile goods ahead of import tariffs with uncertain levels. Liberation Day in early April deepened uncertainty as delays in implementation and cuts to several tariff levels left companies struggling for clarity. The changes enacted this year represent the most significant shift in tariff policy in nearly a century, and the broad impact has been a marked increase in caution and strategic repositioning as firms slowed or deferred leasing decisions while reevaluating their supply chains.
- Manufacturing continued its rapid transformation in 2025, shaped by competing headwinds and tailwinds across the sector. The tax law enacted in the summer includes provisions for the domestic production of goods but also eliminated the tax credits for consumers and producers of EVs, an industry that has driven much of the manufacturing activity in recent years. Tariffs on steel and aluminum raised prices for firms that depend heavily on those materials, squeezing margins and forcing many to rethink sourcing strategies. Automation, reshoring and nearshoring gained momentum as manufacturers sought to offset rising costs.
- This year also saw a rise in the prominence of industrial subsets that had previously been considered niche. Data centers have been the big story, with tech companies investing billions of dollars and building massive structures in markets across the country in efforts to rapidly expand generative AI. While concern for a bubble in the sector has emerged, the enthusiasm for data center development has yet to cool. Outdoor storage's importance also increased as a low-cost option for occupiers looking to fill gaps and improve operational efficiency.

