Data center boom spills into industrial demand as suppliers take more space

CoStar report finds these occupiers account for more logistics leasing

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The U.S. data center sector is expanding rapidly, but the effect on industrial real estate extends beyond the facilities that house servers and computing equipment.

A new quarterly report on the U.S. data center market finds that development growth is fueling a broader ecosystem of industrial demand from construction contractors, electrical equipment suppliers, cooling-system providers, operators and information technology infrastructure firms.

These industries are increasingly leasing logistics space near major data center clusters as operators race to add capacity to support artificial intelligence and cloud computing workloads.

Despite recent public opposition, the data center industry remains one of the fastest-growing segments of commercial real estate. National inventory has reached roughly 69 gigawatts of existing capacity, while another 43 gigawatts are currently under construction. One gigawatt can provide enough electricity to power continuously about 700,000 to 1 million typical homes.

Vacancy remains near historic lows as demand from hyperscale cloud providers and AI-related users continues to outpace new supply. Hyperscale facilities now account for 64% of existing capacity, underscoring the scale at which major technology companies are expanding their support system space.

That surge in development activity is generating a secondary wave of industrial demand. Data center-adjacent occupiers accounted for more than 6% of leasing activity in logistics properties within 5 miles of data center facilities so far in 2026, up from less than 3% in 2020.

Leasing activity has been broad-based across several categories, including construction firms, operators and IT infrastructure providers, power and cooling equipment suppliers, and related support services.

Leasing tied to power, cooling, electrical systems

The largest contributor to the elevated leasing activity has been firms tied to power, cooling, and electrical infrastructure, reflecting the industry's intensifying focus on securing electrical capacity and supporting equipment. Construction-related occupiers have also increased their share of nearby logistics leasing as development pipelines continue to expand nationally.

Together, these industries represent a growing source of warehouse demand in markets with significant data center development activity. Data from the report shows Dallas-Fort Worth leading the nation with about 10 million square feet of occupied logistics space leased by data center-adjacent industries since 2025. Houston ranks second, followed by Atlanta and Phoenix. Other major markets seeing increased logistics occupancy include Kansas City, Missouri, Washington, D.C., Los Angeles, Chicago, Denver and California's Inland Empire.

Many of these markets are established or emerging data center hubs where abundant land, infrastructure investments, and relatively favorable power economics have attracted large-scale development.

The concentration of adjacent industrial demand in these markets suggests that warehouse owners may increasingly benefit from growth in digital infrastructure providers, even as direct data center development opportunities remain limited.

The trend comes as power availability has become one of the industry's primary development constraints. According to the CoStar Data Center report, operators are increasingly prioritizing locations with access to new electrical generation, substations, and transmission infrastructure as they seek to bring capacity online.

As a result, demand is extending beyond data center buildings themselves and into the broader supply chain required to construct and operate them.

Looking ahead, the industrial implications of the data center boom appear likely to persist. While the sector already has 49 gigawatts under construction, colocation players account for just 13% of the capacity underway, with much of the current data center development pipeline pre-leased or purpose-built, suggesting that continued development activity will be required to meet future demand.

As operators expand existing campuses and develop new ones, suppliers of electrical equipment, cooling systems, and digital infrastructure are expected to remain active in filling nearby logistics space, creating an additional source of industrial demand in many of the nation's largest warehouse markets.

The result is an increasingly interconnected relationship between digital infrastructure and industrial real estate. What began as a wave of data center construction has evolved into a broader industrial leasing story, one with growing implications for

warehouse demand, market selection, and long-term development patterns across the United States.