S&P 500 GSPC	**6,771.55** Pct Chg: -01.17%	**FTSE NAREIT** FNER	**759.62** Pct Chg: +0.18%
10Y Treasury TNX	**4.107%** Pct Chg: -0.021	**SOFR** 30-DAY AVERAGE	**4.20%** Pct Chg: -0.00

*Data as of 11/04/2025 market close.

FACTORY FUTURE

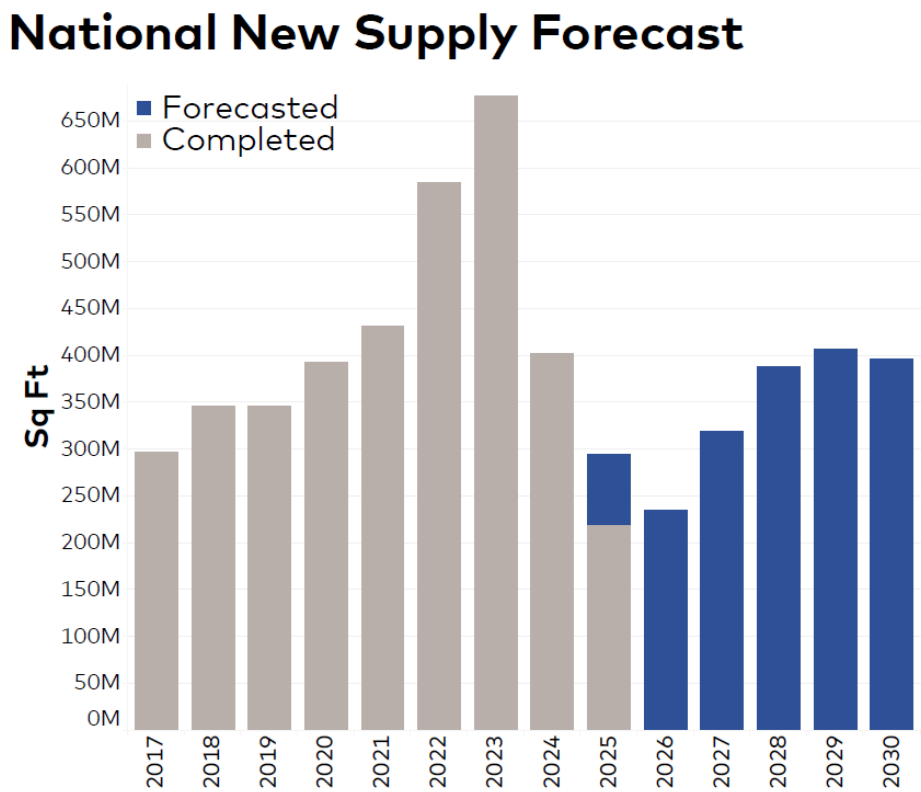
U.S. Industrial Softens as Vacancies Rise and Tax Shifts Reshape Manufacturing

Tax changes, cooling rents, and rising vacancies signal a transitional year for the U.S. industrial market, even as supply chains realign and logistics hubs remain hotbeds of activity.

Tax-driven shift: The OBBBA is reshaping U.S. manufacturing with restored bonus depreciation and R&D expensing, fueling the reshoring trend. But early sunsets for EV and solar incentives threaten the growth of green tech. Construction remains nearly 3x 2022 levels as firms rethink supply chains.

Rents cool, vacancies climb: National in-place rents reached $8.72 PSF in September, up 6.1% YoY, though growth is slowing. Vacancy rose to 9.5% as supply increased. Philadelphia, Atlanta, and Miami led gains, while narrowing lease premiums show tenants gaining leverage—though Bridgeport and Tampa are still seeing steep premiums.

Pipeline still manageable: Around 340M SF of industrial space is under construction, or 1.7% of the national stock. While some markets show elevated activity, much is tied to owner-occupied or delayed projects. Rising vacancies remain manageable thanks to localized demand and targeted development.



Source: Yardi Matrix. Data as of September 2025

Economic data on pause: Producer prices dipped 0.1% in August, easing from July's spike. Year-over-year, they're up 2.6%. However, a government shutdown has stalled key data releases, limiting visibility for the Fed and investors during a critical economic period.

Sales activity picks up: Industrial sales reached $52.5B through Q3 2025, averaging $142 PSF. Atlanta saw a 31% jump in pricing, driven by steady logistics park sales and its strategic transportation network. Rate cuts have helped lift overall volume, setting up 2025 to be the strongest sales year since 2022.

➥ THE TAKEAWAY

Transition underway: Industrial is transitioning into a more balanced phase. With policy changes altering investment priorities and tenant demand moderating, markets with strong logistics advantages and population growth remain best positioned for long-term gains.