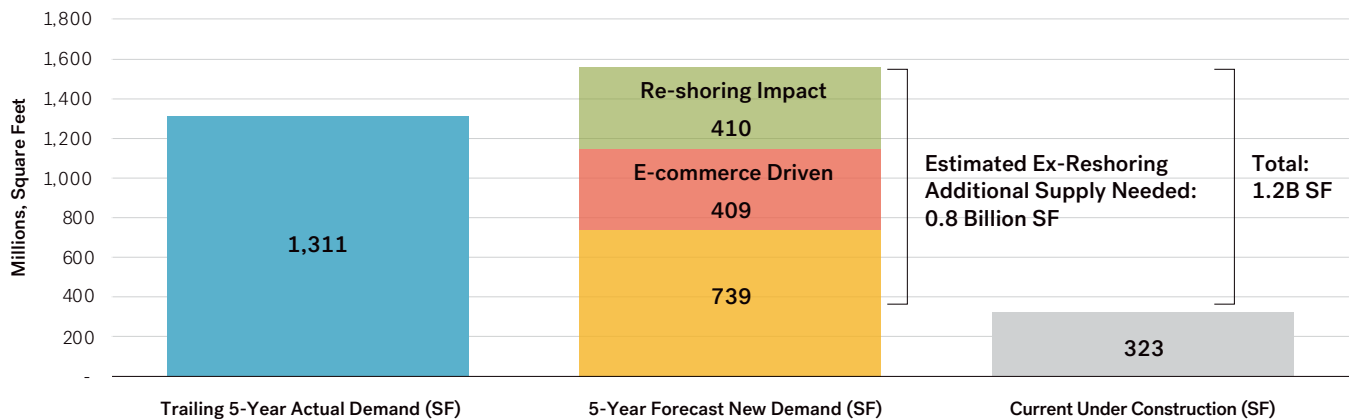


## Perspectives

# Compelling Opportunities Shaping Up for Industrial Development

### Analyzing Current Supply vs. Forecasted Industrial Requirements



### Supply versus demand analysis points Hines Research to industrial development opportunities.

In 2025, industrial fundamentals began to reflect what Hines Research views as a natural, cyclical slowdown, with demand easing after the extraordinary levels seen during COVID. However, much like the apartment sector, which experienced a dip in fundamentals in 2022 before rebounding with renewed demand, the industrial sector appears to be positioning itself for a strong setup in 2026, paving the way for industrial and warehouse development. Notably, after a decline in occupied space during the second quarter of 2025, demand has since rebounded sharply, with nearly 100 million square feet of positive absorption. At the same time, new construction starts have slowed significantly, totaling just 60 million square feet—equivalent to a mere 0.3% of the total U.S. industrial inventory.

- There has been better pricing for this sector, and fundamentals seem to be on the way to bottoming. That process may take a year or so, but then Hines Research expects the start of a new cyclical recovery.
- Hines Research finds the case for industrial over the next five years compelling. There are several trends all coming together to drive demand – like e-commerce and on/re-shoring, which should drive an ongoing boom in manufacturing construction spending. Analysis shows that manufacturing facility development spills over into warehouse demand.

Add it all up, and Hines Research estimates there could be almost 1.6 billion square feet of new demand over the next five years. At the same time, there are only about 320 million square feet of space under construction – just 1.7% of total U.S. industrial inventory. That’s not enough, and Hines Research believes there will be a need for a substantial amount of new space, providing opportunity for development.

Sources: CoStar, Euromonitor, Prologis, Federal Reserve of St. Louis, Hines Research. As of 4Q2025. Hines Research used estimates of e-commerce sales growth over the next five years to estimate required e-commerce-driven demand. Then, Hines Research used an assumption based on the trailing 5-year average historical ratio of e-commerce-driven demand to total demand (e-commerce = 33% of total) to gross up to total demand. The forecast of e-commerce sales comes from Euromonitor. Finally, using the relationship of construction spending on manufacturing to warehouse demand, the delta between trend growth pre-2021 (before sharp increases in Manufacturing spending) and the entire history leads to the conclusion that trend growth for manufacturing-driven Warehouse demand could be 35% higher over the next five years. This material represents subjective opinions of Hines. Other market participants may reasonably have differing opinions. Past performance cannot guarantee future results. Investing in real estate involves a high degree of risk including, but not limited to, risk of substantial loss of principal.

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