Industrial Insight

Road Work Ahead

U.S. Infrastructure Investments Fuel Industrial Growth

NEWMARK

Key Takeaways

1 Rising infrastructure investment and U.S. industrial occupancy growth are strongly correlated and self-reinforcing, with varying long-term implications across different markets amid generational infrastructure investment and shifting freight-flow paradigms.

2 Infrastructure investment drives industrial market activity through multiple channels, from development, construction-related requirements, outdoor storage and service facilities demand to more efficient regional transportation systems supporting population or freight growth.

3 The $1.2 trillion Bipartisan Infrastructure Law (BIL) has allocated about 40% of funds as of mid-2024. The remaining 60% is set to accelerate public infrastructure spending, particularly between 2024 and 2027, while expected interest rate relief should help unlock liquidity for private infrastructure investment.

4 U.S. freight tonnage is projected to increase by 42% between 2023 to 2050, fueled by onshoring, nearshoring, and the maturation of e-commerce, This will shift freight flows from an "east/west" maritime-dominated pattern, which has expanded key ports and intermodal markets, to a rising "north/south" focus as growth in land-based goods transport is expected to surpass sea-based goods transport.

5 Inland intermodal markets, like Dallas, Atlanta and Chicago, are major recipients of public infrastructure spending and funding under the BIL to support future industrial growth. Maritime port markets, also recipients of significant infrastructure investment, may have more limited industrial expansion potential due to land constraints and regulatory pressures.

Transportation infrastructure investment and industrial market activity are inextricably linked and central to the U.S. industrial and economic landscape.

Over the past 20 years, the U.S. experienced a 25% increase in domestic freight volume, driven by economic and population growth, as well as the rise of e-commerce, which has empowered consumers to expect choice and speed in delivery.[1] This dynamic has fueled a 35% expansion of the nation's logistics inventory since 2003.[2] For the supply chain to function optimally, infrastructure improvements are essential to connect goods flowing through the nation's transportation network with the facilities that warehouse and distribute products to end-consumers. Newmark Research analysis shows a strong correlation between investment in transportation infrastructure and expanding industrial occupancy, with implications for different markets as demand increases and freight flows shift.

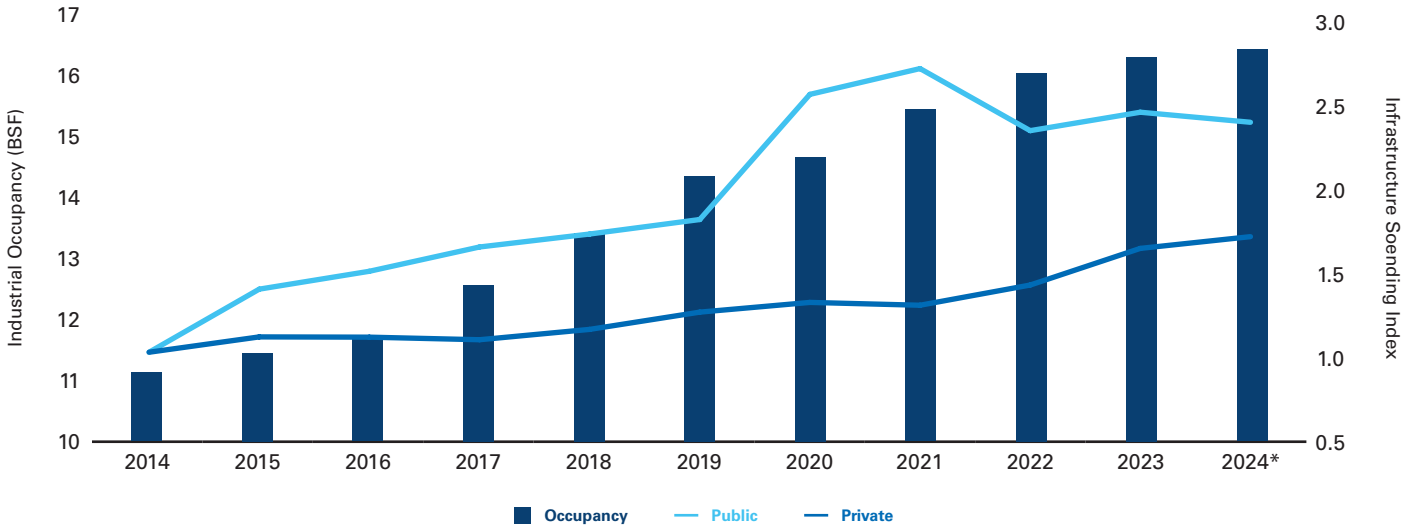
Transportation infrastructure spending has grown significantly over the past five years, driven by both public and private sector investments. Federal government budgetary proposals have prioritized investments in transportation infrastructure during this period—for roads and highways, in particular—to boost job creation, modernize outdated systems, and improve connectivity. The largest portion of the $1.2 trillion Bipartisan Infrastructure Law (BIL), enacted in 2021, is designated for transportation construction, and Department of Transportation (DOT) spending has been historically elevated since 2020. Private sector participation has also been substantial, with private transportation infrastructure construction spending rising 32% since mid-2019.[3] Historically, infrastructure spending has closely tracked industrial construction activity, an integral contributor to expanding industrial occupancy. Although, since 2020, the relationship has become dislocated due to abnormal economic and market conditions pushing industrial development to all-time highs, and a high-interest-rate environment putting pressure on private infrastructure fundraising.[4] While speculative industrial development will moderate into 2025, total occupied industrial space is forecasted to continue growing due to sustained positive net absorption and a shift in the pipeline to build-to-suit and owner-built deliveries.[5] Infrastructure spending is also forecasted to grow: BIL outlays are set to accelerate, particularly between 2024 and 2027, and interest rate relief will help unlock liquidity in private spending.

[1] U.S. Bureau of Transportation, TRIP; annual US freight tonnage measured in 2002 and 2022.
[2] Newmark Research, inventory statistically tracked across 51 U.S. markets
[3] U.S. Census Bureau
[4] Preqin
[5] Newmark Research, Green Street

Public and Private Infrastructure Investment Show Strong Correlation with Industrial Occupancy Growth

Private Infrastructure Spending, Public Awarded Infrastructure Funding and U.S. Industrial Occupancy

*2014 - 2024**



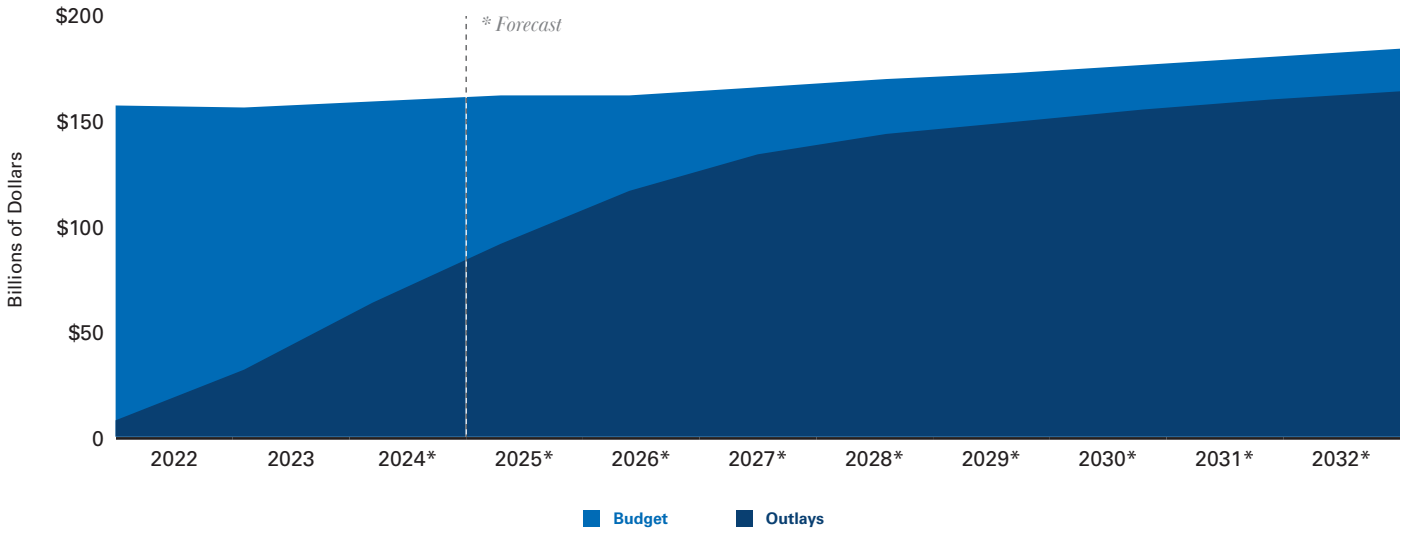
Source: Newmark Research, U.S. Census Bureau, USAspending.gov, October 2024.

Indexed to 1.0 in 2014

**Trailing 4-quarter data for infrastructure spending; 3Q24 U.S. occupancy data*

BIL Forecasted Annual Budget & Spending

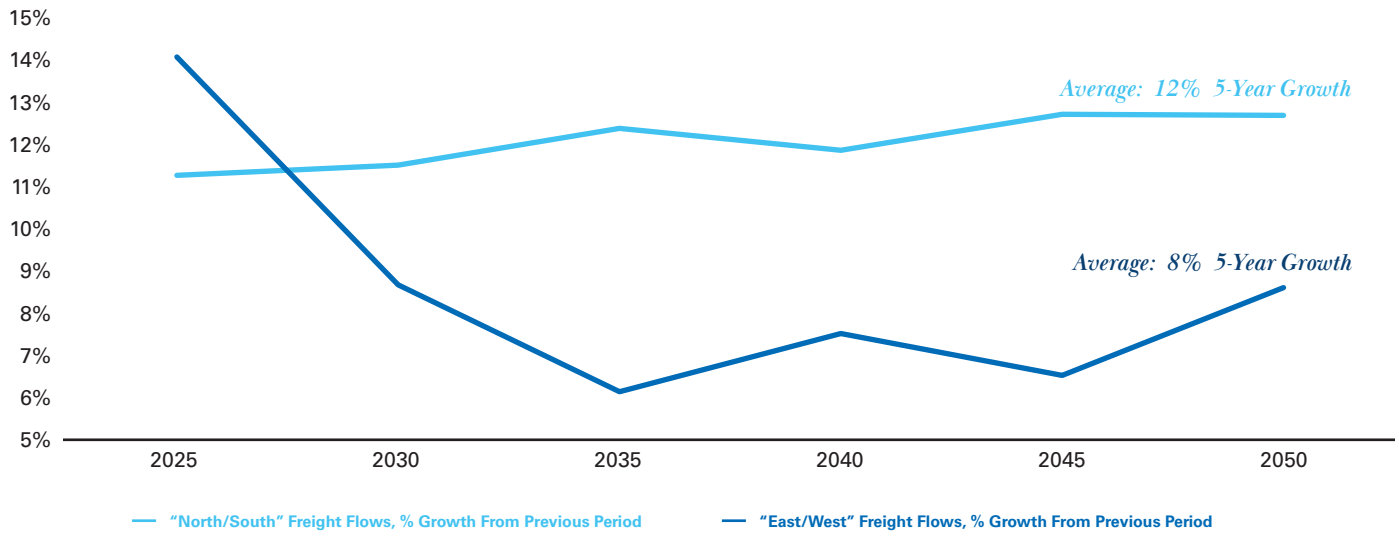
*2022 - 2032**



Source: Newmark Research, Congressional Budget Office, October 2024.

U.S. freight tonnage is projected to grow by 42% from 2023 to 2050, as firms onshore and nearshore production and e-commerce continues to mature.[6] Global trade patterns over the past few decades have benefitted ocean port volume growth over intercontinental freight growth, creating a domestic "east/west" paradigm for freight flows as maritime import volumes move to end consumers across the country via road and rail. This paradigm has driven the expansion of key maritime gateways such as Los Angeles and Northern New Jersey into super-regional Tier 1 industrial markets to support port operations and large population basins. As such, port markets have generally received more infrastructure investment, as have Tier 1 intermodal markets such as Chicago, Atlanta and Dallas. Looking ahead, a "north/south" shift in freight flows is ascendant, as the growth of land-based goods transport is expected to surpass the growth of sea-bound goods due to nearshoring of production. However, seaborne volumes will remain larger in absolute tonnage and are of vital importance to the U.S. economy.

Intercontinental Freight Will Grow Faster Than Seaborne Freight Over The Next Decades
2025 - 2050



Source: Newmark Research, U.S. Dept. of Transportation.
North/South includes truck and rail tonnage flowing between the U.S., and Canada/Mexico.
East/West includes seaborne tonnage flowing between the U.S. and foreign destinations excluding Canada and Mexico.
2025 growth rate measured from 2019.

In support of this outlook, inland intermodal markets have become primary beneficiaries of infrastructure spending, drawing on recent allocations and future funding earmarked under the BIL. Dallas and Atlanta, the nation's fastest-growing Tier 1 intermodal markets, are leading U.S. markets in recent DOT outlays. Chicago, the nation's largest and most important inland intermodal market, leads the country in BIL funding for future growth. While established Tier 1 and Tier 2 port markets continue to attract significant infrastructure investment, land constraints and regulatory pressures may limit their industrial growth potential, driving value for existing real estate. In contrast, other markets earmarked for substantial infrastructure investment, such as Houston, Atlanta, Dallas and Philadelphia, have fewer development barriers, making them better positioned for continued expansion in the coming years.

[6] National Transportation Research Center, Bureau of Transportation Statistics and the Federal Highway Administration

As of mid-year 2024, approximately $480 billion from the BIL (40% of total funds) has been announced. The allocation of the remaining 60% will influence future industrial occupancy growth, particularly in inland intermodal markets where infrastructure investments are disproportionately large relative to existing industrial inventory. Moreover, the increase in infrastructure investments will drive industrial market activity through multiple channels, from development and construction-related industrial requirements to the ongoing need for outdoor storage and service facilities supporting projects, to the multiplier effect of more efficient regional transportation systems supporting population and/or freight growth.

Through 2027 and beyond, a generational wave of public and private infrastructure investment will unfold, extending holistically beyond transportation to all types of infrastructure. Energy infrastructure represents the second-largest tranche of current spending and will continue to increase to address rapidly expanding power needs.[7] Future infrastructure allocations will need to adapt to emerging technologies and evolving supply chains to ensure long-term sustainability. Markets that successfully integrate climate-resilient design, last-mile logistics, multi-modal transport, and adaptive infrastructure will become the next generation of logistics hubs. These hubs may even serve as catalysts for economic evolution, driving the development of new business models and enterprises. By aligning with shifting freight flows, technological advancements, and geopolitical reconfigurations, these markets will be positioned to reshape the industrial real estate landscape and establish new paradigms for meeting the anticipated demands of future consumers.

[7] U.S. Census, private infrastructure spending data

Top U.S. Industrial Markets by Recent Transportation Infrastructure Spending

Tier 1 Seaport Market | Tier 2 Seaport Market | Tier 1 Inland Intermodal | Tier 2 Inland Intermodal

Market	Total DOT Infrastructure Spending *2019-2023*	5-Year Industrial Inventory Growth	5-Year Population Growth	Key Infrastructure Projects
Dallas	$7,213,248,670	19.6%	7.0%	The Margaret Hunt Hill Bridge, Southern Gateway Project, Dallas Intermodal Terminal, Alliance Texas, Southern Dallas County Inland Port.
Philadelphia	$5,929,649,866	12.0%	0.0%	Montgomery Avenue Bridge Reconstruction Project.
Atlanta	$5,670,659,026	20.4%	3.8%	The Atlanta Beltline, Hartsfield-Jackson Atlanta International Airport Expansion, Northwest Corridor Express Lanes.
Boston	$5,437,758,951	4.1%	-0.3%	The Big Dig (Central Artery/Tunnel Project), Logan International Airport Modernization.
Los Angeles	$5,028,495,871	7.7%	-3.3%	Port of Los Angeles Improvements; Los Angeles International Airport (LAX) is in the midst of a $30 billion upgrade.
Chicago	$5,004,659,999	8.4%	-2.1%	Global IV Intermodal Facility, O'Hare International Airport Cargo Area Expansion, Dan Ryan Expressway & Wacker Drive Reconstruction Projects.
Orlando	$4,599,004,939	9.6%	6.4%	I-4 Ultimate Improvement Project, Florida Turnpike widening and improvements, State Road 528 (Beachline Expressway) upgrades.
New Jersey Northern	$4,154,546,340	5.2%	-0.3%	Goethals Bridge Replacement, Liberty Corridor Freight Improvement Plan, Bayonne Bridge Navigational Clearance Project.
Tampa/St. Petersburg	$3,746,189,310	11.3%	6.4%	PIPES (Progressive Infrastructure Planning to Ensure Sustainability) initiative, Port Tampa Bay Container Terminal Expansion.
Phoenix	$3,475,146,310	30.6%	5.6%	Union Pacific's recently opened intermodal facility offers direct connectivity to Southern California's ports and Houston; BNSF will develop a 4,321-acre transportation hub to commence in 2025.
National	**$648,706,771,020**	**14.7%**	**1.4%**	

Top U.S. Industrial Markets by BIL Funding for Future Growth

Tier 1 Seaport Market | Tier 2 Seaport Market | Tier 1 Inland Intermodal | Tier 2 Inland Intermodal

Market	BIL Announced Funding Since 2021	3-Year Forecasted Industrial Inventory	3-Year Forecasted Population Growth	Ratio, BIL Funding Per Industrial Inventory SF	Key Infrastructure Projects
Chicago	$2,999,098,619	2.3%	-0.6%	2.4	CN Railway to construct a massive multimodal facility, the Chicago Logistics Hub.
Los Angeles	$2,702,825,085	0.3%	1.8%	2.5	The Port of Long Beach's Pier B On-Dock Rail Support Facility, a $1.6 billion project that will more than triple the port's capacity for on-dock rail to 4.7 million TEUs per year.
New Jersey Northern	$2,363,314,747	0.7%	0.0%	3.4	Hudson Tunnel Project. Dock Bridge Rehabilitation in Newark and Harrison, Port of Newark Terminal (PNCT) Expansion.
Philadelphia	$1,858,346,294	5.7%	-0.7%	3.5	$2B PhilaPort capital improvement project, I-95 Corridor Improvements, Delaware River Channel Deepening.
Boston	$1,577,792,067	0.6%	-0.2%	7.2	The Allston Multimodal Project ($335M), Conley Terminal Modernization and Expansion, Boston Harbor Dredging Project.
Seattle	$1,327,534,411	2.8%	3.6%	4.1	Amtrak "New Era of Rail" – upgraded King Street Yard, Husky Terminal expansion.
Houston	$1,199,214,313	6.5%	3.6%	1.6	Matagorda Ship Channel improvements, Brownsville dock repair and renovation project, Beaumont container-on-barge infrastructure project, and the Bayport Container Terminal Expansion.
Washington D.C.*	$1,191,621,246	1.5%	1.0%	4.2	George Washington Memorial Parkway rehabilitation (northern section), Long Bridge Project, National Gateway Project.
Atlanta	$1,021,567,075	8.8%	2.0%	1.3	The Blue Ridge Connector, an inland rail terminal linking Northeast Georgia with the Port of Savannah.
Dallas	$1,006,956,434	10.8%	3.6%	0.9	Unified Transportation Program, Reconstruction of I-30 Canyon between Interstates I-35E and I-45, Interstate 635 LBJ East Project, Southern Gateway Project.
National	**$31,802,942,731**	**4.9%**	**1.3%**	**1.8**	

Source: Newmark Research, U.S. Census Bureau (2024), USAspending.gov (2024), Moody's Analytics, GreenStreet, Whitehouse.gov.

Market tiers defined by multiple soft and hard data points such as size of industrial inventory, volume of import/export TEUs, logistics infrastructure, investor allocation, and others.

**Washington, DC's industrial market is more appropriately defined as a metropolitan infill market and was excluded from the first table ranking due to its disproportionate allocation of DOT five-year funding, which exceeded other markets by such a factor that it would have skewed the comparative analysis.*

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