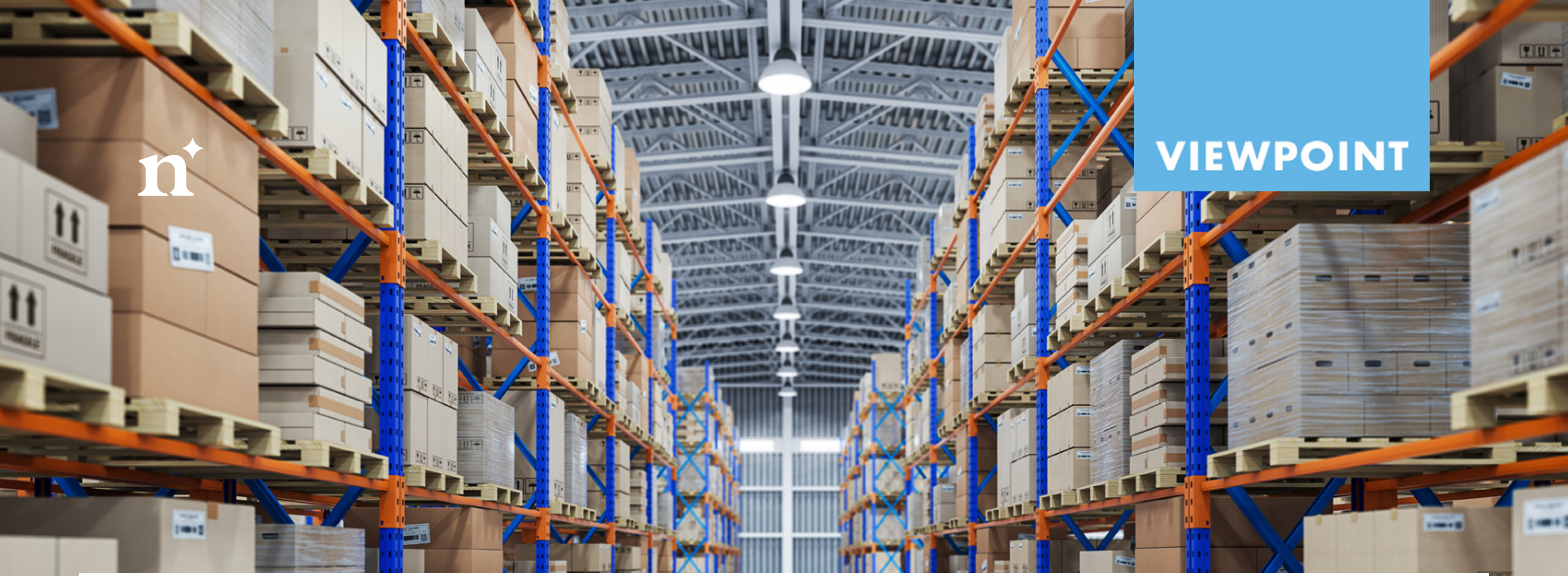
VIEWPOINT

Northmarq

The Next Move:

Where Industrial Demand Is Finding Opportunity and What's Standing in Its Way

July 2026



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Industrial demand has returned, but opportunity isn't unfolding evenly. Here's where we're seeing momentum, what's shaping development decisions and why capital strategy is becoming just as important as site selection.

Industrial demand is back, but that's no longer the entire story.

The more interesting question is where that demand is taking hold and why some projects move forward faster than others.

We're finding that many of today's strongest opportunities also come with more moving parts. Developers are pursuing infill sites, while municipalities are placing greater emphasis on long-term land use planning in many of the markets where we work. At the same time, capital providers are taking a closer look at project readiness, execution timelines and underwriting assumptions.

None of these conversations happen in isolation. Development decisions influence capital strategy. Capital strategy influences development decisions. That's changing the way projects come together.

So where is growth landing?

No two industrial markets are exactly alike, but several themes keep surfacing in conversations with developers, investors and capital partners. Some themes are familiar, while others are reshaping the market in ways that weren't on many people's radar just a few years ago.

Manufacturing is creating ripple effects

Manufacturing investment continues to strengthen industrial demand across the country, with Texas serving as one of the clearest examples. Projects like Texas Instruments' multibillion-dollar semiconductor campus in Sherman, Texas, don't just create jobs. They create demand for suppliers and logistics providers.

AI is bigger than the data center

Artificial intelligence (AI) is generating industrial demand well beyond the facilities that house it.

We're seeing manufacturers, equipment suppliers and logistics providers expand alongside data center development. For example, Google is expanding its Texas AI infrastructure through a $40 billion statewide investment.

Texas continues attracting many of these users because of its infrastructure, workforce and business climate, making it a useful case study for broader industrial trends.

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Shallow-bay is holding its ground

While bulk distribution is regaining momentum across the nation, demand for shallow-bay industrial remains remarkably durable.

Third-party logistics providers continue to drive demand for shallow-bay product, but they're not alone. Contractors, service businesses and regional distributors are also looking for functional space close to customers and transportation networks.

As bulk distribution projects continue growing in size, buildings under roughly 200,000 square feet are increasingly being viewed as mid-sized industrial opportunities rather than traditional bulk product.

At a glance

Dallas-Fort Worth Industrial Snapshot

- 9.3% overall industrial vacancy, a healthy level by historical standards.
- 3.75%-4% annual rent escalations remain common across many industrial leases.
- Bulk industrial continues to grow in scale, creating renewed attention for well-located mid-sized and shallow-bay product.
- An estimated 30% to 40% of recent local market leasing activity is tied to AI-adjacent users, according to leasing brokers in the Dallas-Fort Worth area.
- Buyers remain active, even as entitlement and capital planning become more complex.

"We're seeing strong demand from industrial developers, particularly for sites that can support bulk distribution or well-located shallow-bay product."

William Rosatti
Senior Advisor, National Development Services

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When the market and the municipality disagree

Growing demand doesn't automatically translate into new development.

Here's a real-life example of why:

A 21-acre site in Grand Prairie, Texas generated five competitive offers from industrial developers, all at pricing acceptable to the seller. Existing warehouse development surrounds the property on all four corners, making industrial a logical continuation of the surrounding land use.

The municipality, however, has signaled a preference for mixed-use development.

We're seeing more situations like this as cities balance industrial growth with long-term planning priorities. Market demand may point developers in one direction while municipal priorities point somewhere else. So understanding how those priorities align before pursuing a site can save valuable time and capital while reducing uncertainty later in the process.

Before a deal moves forward, ask the following:

- Does the current zoning support the intended use, or will rezoning be required?
- How does the municipality's future land use plan align with the proposed project?
- Will roadway, utility or infrastructure improvements affect timing or site access?
- How could entitlement timing influence financing, project economics or the overall business plan?

The capital conversation starts earlier

Development strategy and capital strategy are becoming increasingly connected.

As developers pursue more complex opportunities, financing discussions are starting much earlier in the process. Entitlement timelines, infrastructure improvements and municipal approvals all influence how lenders evaluate risk, structure financing and ultimately move a project toward closing.

We're also seeing developers adjust to a capital markets environment that increasingly points toward higher-for-longer interest rates. That shift affects projects well before construction begins. Interest reserves, floating-rate assumptions and exit strategies all deserve more attention during underwriting than they did when lower rates seemed just around the corner.

There's no way to eliminate interest rate risk, but careful underwriting can go a long way. Realistic underwriting, thoughtful financing assumptions and tools such as fixed-rate executions or interest rate caps can provide developers with greater flexibility throughout the life of a project.

The earlier development and capital planning come together, the more options developers have to navigate changing market conditions and keep projects moving.

"The earlier development and capital planning come together, the more options sponsors have as projects evolve."

Mason Brower

Vice President, Producer

What we're watching next

Industrial continues to be one of the strongest long-term stories in commercial real estate, but the conversation is changing.

We're paying close attention to where manufacturing investment continues to expand, how AI-related demand reshapes industrial leasing beyond the data center itself and how municipalities respond as industrial users compete for increasingly limited land.

At the same time, developers are adjusting to a capital markets environment that may look different than many expected just a year or two ago. Projects that succeed won't necessarily be the ones with the best locations. They'll be the ones that bring together thoughtful site selection, realistic underwriting and a clear path from entitlement through execution.

Industrial demand has returned, but the next chapter will be shaped by the decisions made long before the first shovel hits the ground.

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