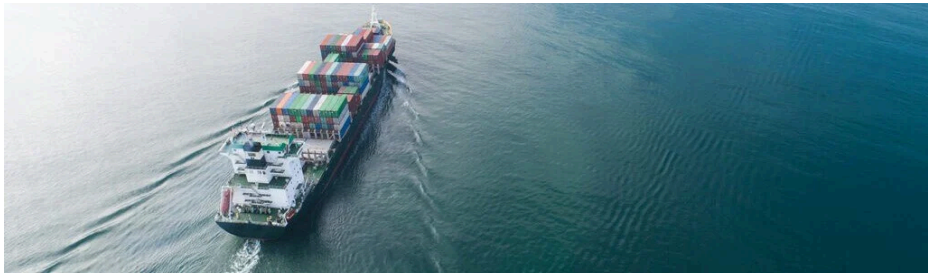




Matt's Market Minute

June 3, 2024



Happy Monday!

Today, let's delve into a transformative trend in commercial real estate and economic landscapes: the **resurgence of manufacturing in North America**. This shift is driven by geopolitical factors, government investments, and strategic business decisions, reshaping our market in profound ways.

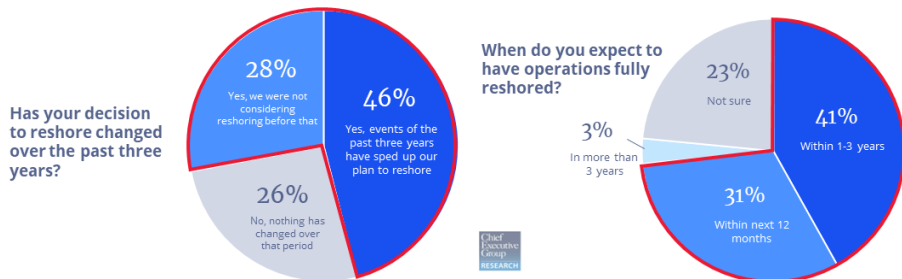
Reshoring Manufacturing

A significant trend we're observing is the reshoring of manufacturing operations back to North America. According to a recent article by Colliers, 72% of CEOs expect their operations to be fully reshored within the next three years.

There are a few reasons why this is taking place.

First, this shift is motivated by the need to mitigate geopolitical risks and reduce dependency on foreign ports and supply chains. After the pandemic, people are reluctant to be fully dependent on foreign manufacturing.

In addition, the Inflation Reduction Act and other policies are providing incentives for companies to bring their manufacturing closer to home, leveraging local resources and labor (Colliers).



Government and Corporate Investments

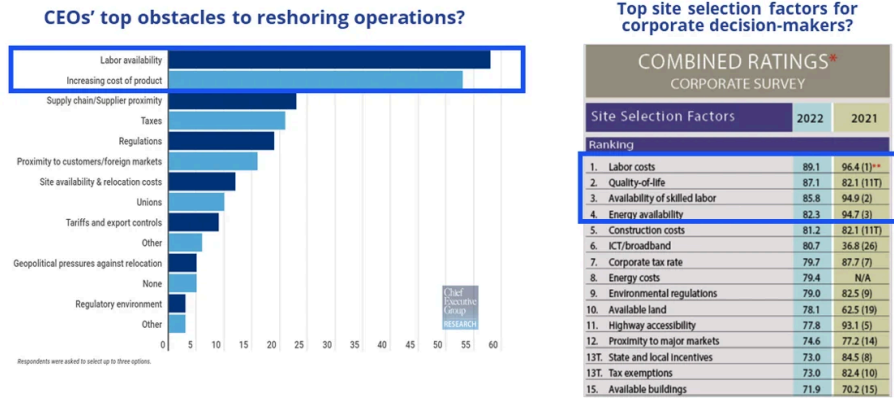
Government initiatives are playing a crucial role in this transition. For instance, Honda is investing \$15 billion to develop Canada’s first comprehensive electric vehicle supply chain, creating thousands of new jobs in Ontario (Invest Ontario). This massive investment is part of a broader trend where both federal and provincial governments support infrastructure and industry development to boost local economies. It’s not only a strategic move to enhance economic resilience but also a significant boost for the commercial real estate sector, particularly industrial properties.

Challenges and Opportunities

While the reshoring trend brings numerous opportunities, it also presents challenges. The increasing cost of production and labor availability are significant obstacles that companies need to navigate. Industrial rental rates are rising, and labor costs are increasing, which can squeeze profit margins. However, these challenges also create opportunities for innovation in manufacturing processes and workforce development.

Understanding these dynamics is crucial for commercial real estate owners and investors. The movement towards reshoring and the accompanying investments in infrastructure and manufacturing will likely drive demand for industrial properties and create new opportunities in the market.

The most dangerous thing in business...



Have a great week,
Matt Albertine

Sources:

- Colliers, “Macro Trends Shaping the Future of CRE: Part 5 Deglobalization Opportunities and Obstacles”
- Invest Ontario, “Honda to Build Canada’s First Comprehensive Electric Vehicle Supply Chain, Creating Thousands of New Jobs in Ontario”