▶▶ 2Q 2025 White Paper

BKM Capital Partners

The Manufacturing Multiplier Effect

DRIVING JOBS, SUPPLY NETWORKS & SMALL-BAY INDUSTRIAL DEMAND

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INTRO

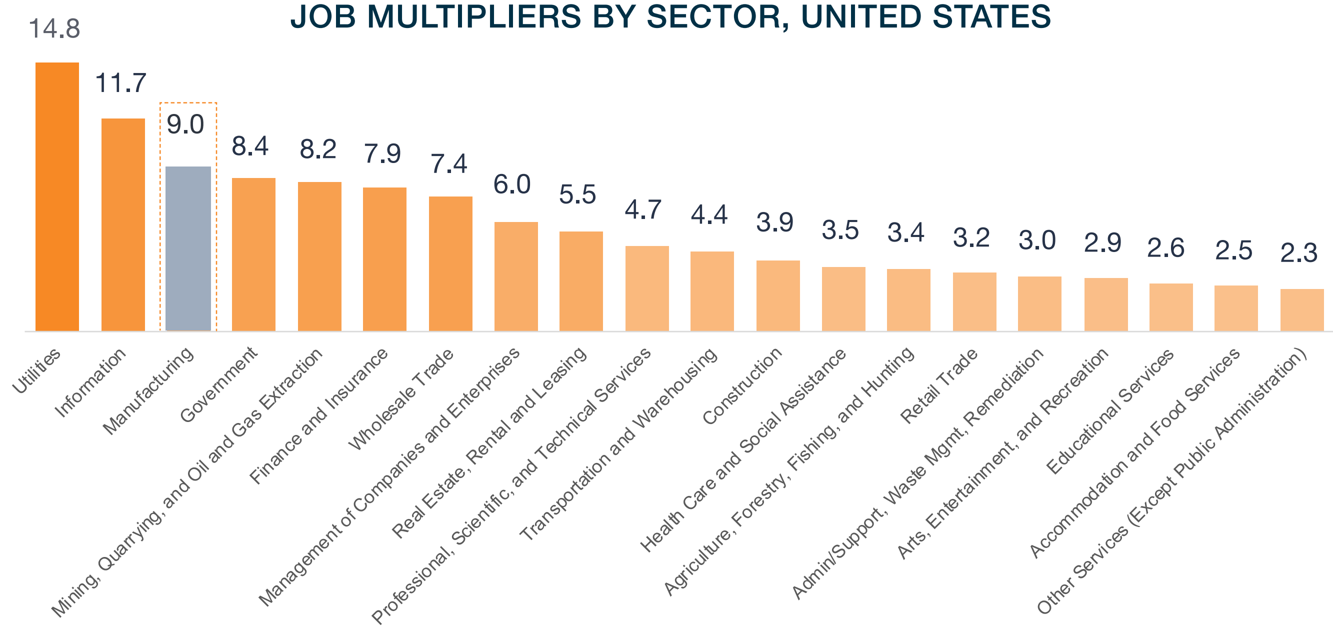
Manufacturing in the United States is experiencing a resurgence that carries broad economic ripple effects. As companies rebuild domestic supply chains and invest in new production facilities, each factory job sparks growth in related industries — from parts suppliers to logistics firms — in a phenomenon known as the **manufacturing multiplier effect.** This cascading growth is not only boosting employment but also fueling demand for industrial real estate, particularly small-bay light industrial spaces (multi-tenant buildings typically under 100,000 sq. ft.) like those owned and operated by BKM Capital Partners.

This white paper examines how manufacturing expansion generates outsized job creation, energizes vendor networks, and increases the need for small-bay warehouses. Key trends such as onshoring and reshoring, the boom in semiconductor fabrication, and the impacts of U.S. trade tariffs are analyzed, along with real-world examples of regions benefiting from the industrial revival. The findings underscore the pivotal role of small-bay industrial facilities in an evolving industrial landscape characterized by localized production and distribution networks.

THE MANUFACTURING MULTIPLIER EFFECT

Manufacturing has one of the highest multiplier effects of any sector in the U.S. economy.[1] This means growth in manufacturing produces proportionally larger gains elsewhere in the economy. It is estimated that every **$1 in manufacturing output adds nearly $3 to GDP, and for every 1 new manufacturing job, about 8 additional jobs are created throughout the supply chain.**[2] These indirect jobs arise as manufacturers purchase inputs from suppliers (steel, components, materials) and as workers spend wages in the local economy. Manufacturing workers' incomes also fuel induced job growth in services like retail and healthcare. In short, a single factory can anchor a whole ecosystem of employment.

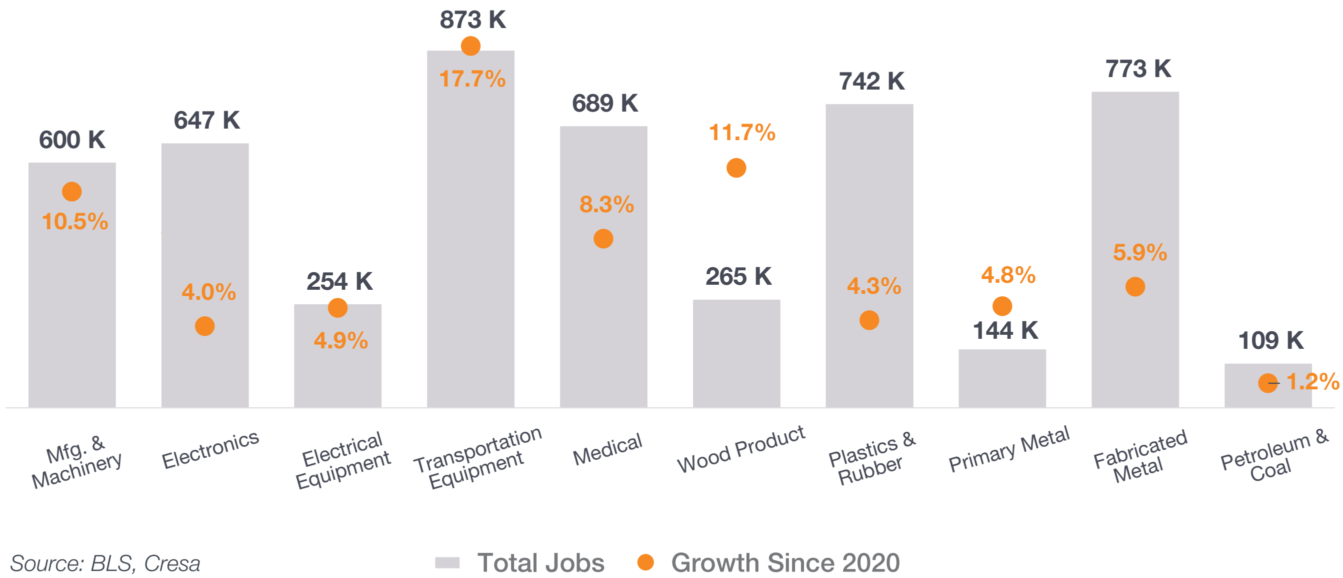
JOB MULTIPLIERS BY SECTOR, UNITED STATES



Source: Emsi, Camoin Associates

Crucially, the multiplier effect extends to industrial real estate demand. When a manufacturer opens or expands a facility, its network of suppliers and distributors often needs warehouse and production space nearby. New manufacturing investments are generating millions of square feet of additional industrial development for supplier and logistics operations.[3] This "shadow" demand can be seen in manufacturing-heavy projects: for instance, a major automotive or aerospace plant may attract numerous smaller subcontractors to set up shop in the vicinity.

EMPLOYMENT IN TOP 10 ADVANCED MANUFACTURING INDUSTRIES



Source: BLS, Cresa

17.7% increase in jobs in the transportation equipment sector since 2020.

723,000 total jobs added across the top 10 advanced manufacturing sectors since 2010.

TECHNOLOGY AND INNOVATION

The Rise of Advanced Manufacturing

Advanced manufacturing refers to the use of cutting-edge technologies—such as automation, robotics, artificial intelligence, IoT, and advanced materials—to improve production processes and product quality. These methods enable greater efficiency, precision, and sustainability, supporting custom, complex, and small-batch manufacturing across sectors like aerospace, automotive, electronics, and medical devices.

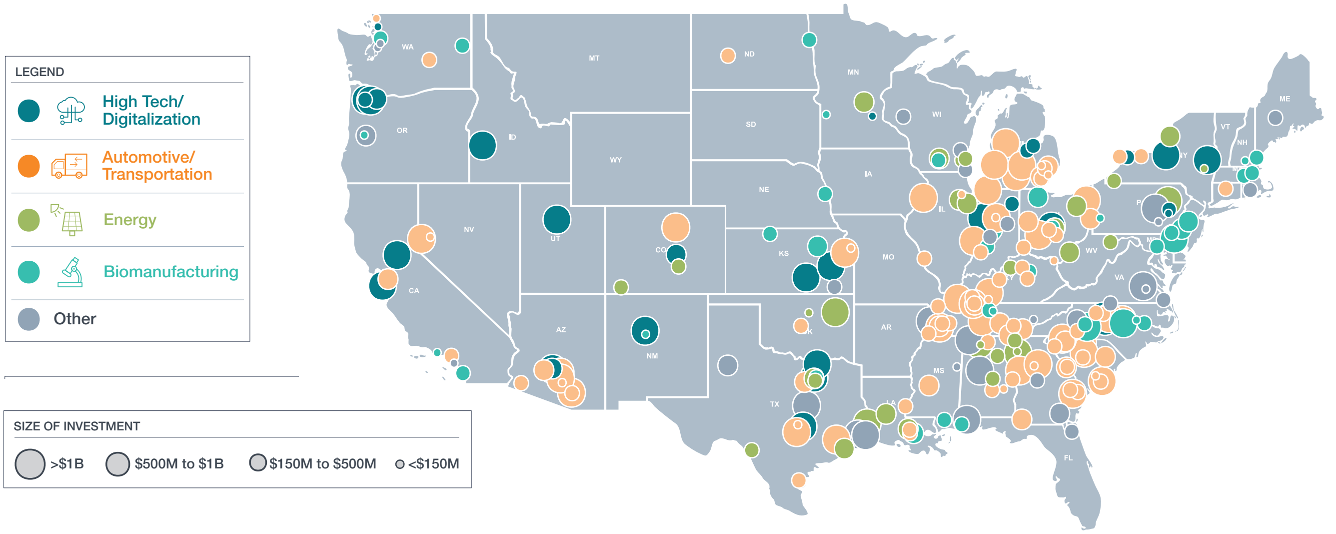
One of the most transformative drivers within this space is the rise of electric vehicle (EV) and battery manufacturing, which together have become major drivers of industrial requirements. These facilities require heavy power loads and highly specialized infrastructure to accommodate R&D, assembly, and battery production needs. The complexity and scale of EV manufacturing have reshaped location strategy, with companies prioritizing access to renewable energy, proximity to suppliers and end users, and alignment with sustainability goals. Federal and local incentives also play a role in site selection, but access to a skilled, educated labor force remains the most critical factor. As advanced manufacturing becomes more central to innovation-driven industries, regions with strong workforce pipelines and infrastructure readiness are emerging as the next hubs for industrial real estate growth.

ONSHORING AND RESHORING TRENDS

Global supply chain disruptions, rising overseas costs, and new government incentives have triggered a wave of onshoring (expanding U.S. production) and reshoring (bringing overseas manufacturing back to the U.S.). The result has been a sharp increase in domestic industrial investment. A recent study documented announcements of 300+ major new manufacturing facilities in the U.S. since 2020, representing roughly $530 billion in project investment and at least 270,000 new jobs.[3,4] This manufacturing renaissance could expand the nation's industrial base by 6% to 13% over the next decade, equivalent to upwards of 500 million sq. ft. of new manufacturing space – more than 10% of existing U.S. manufacturing inventory.[5]

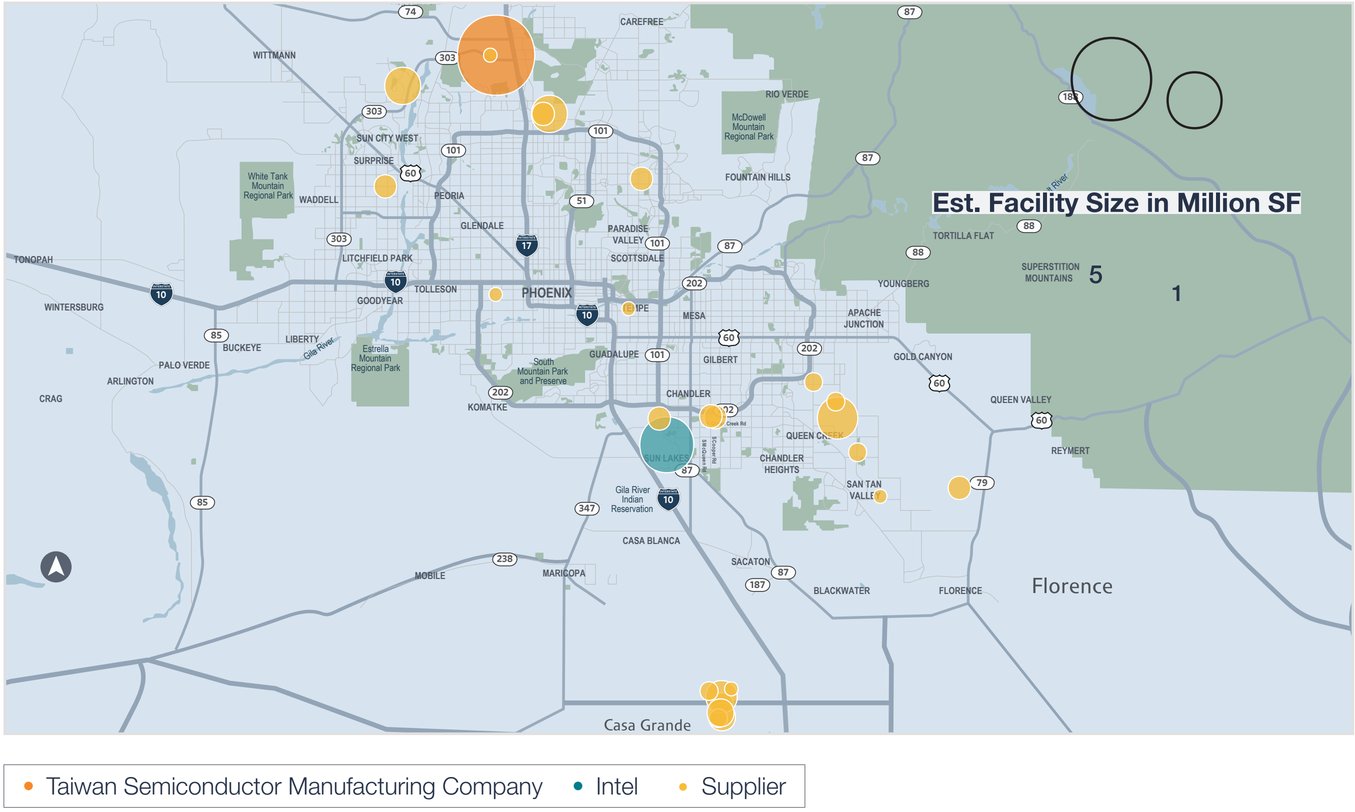
One recent example is Sanofi's announcement of a $20 billion investment in U.S. manufacturing through 2030, including two new state-of-the-art facilities focused on mRNA and biologics production. This long-term commitment by a global pharmaceutical leader underscores how large-scale, innovation-driven manufacturing is reshaping the domestic industrial landscape. Sanofi joins a growing roster of firms—such as Eli Lilly, Novo Nordisk, Fujifilm Diosynth, and Samsung Biologics—making major U.S. investments, reinforcing the expanding demand for supply-chain-adjacent and flexible industrial facilities.

ANNOUNCED U.S. ONSHORING PROJECTS



Source: Green Street U.S. Industrial Outlook - January 2025

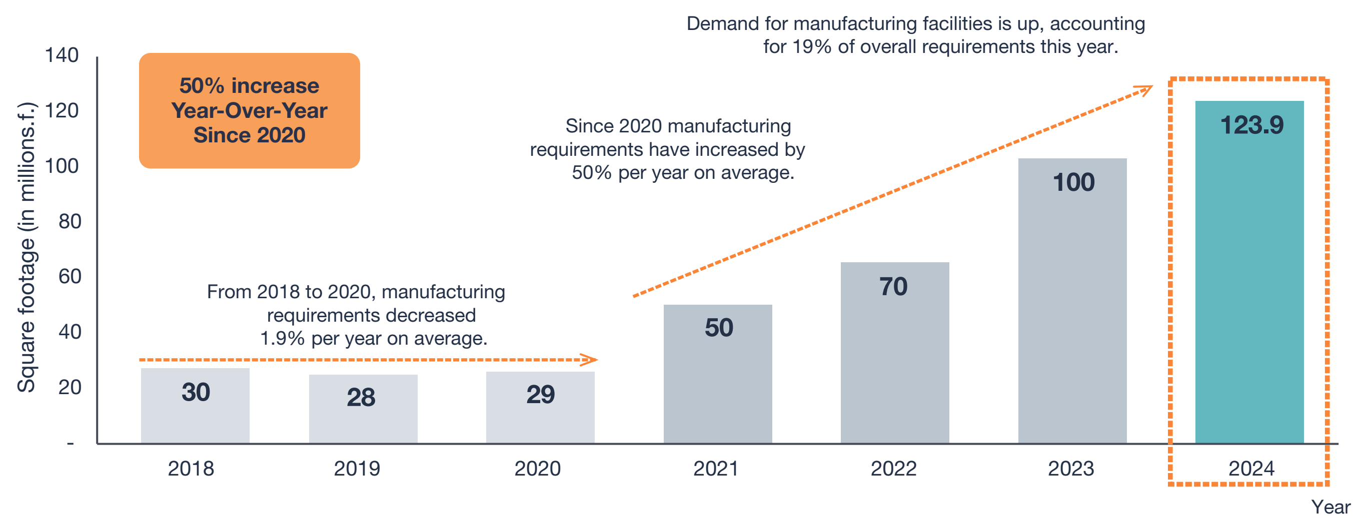
PHOENIX CASE STUDY - THE CLUSTER EFFECT



Source: Green Street U.S. Industrial Outlook - January 2025

As manufacturing investments become bountiful in select U.S. regions, leasing requirements are adapting to match this paradigm shift. JLL reports that as of 2024, manufacturing represents nearly 20% of overall future industrial requirements — a phenomenon that will likely continue well into the future. Causes for this shift mirror the increasing popularity of onshoring, in addition to a desire for more localized supply chains.

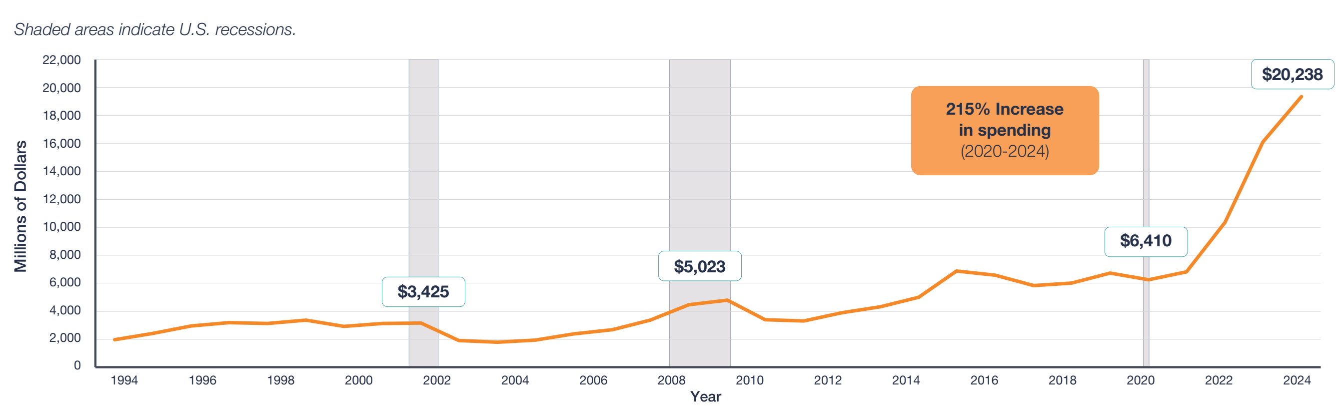
MANUFACTURING REAL ESTATE REQUIREMENTS



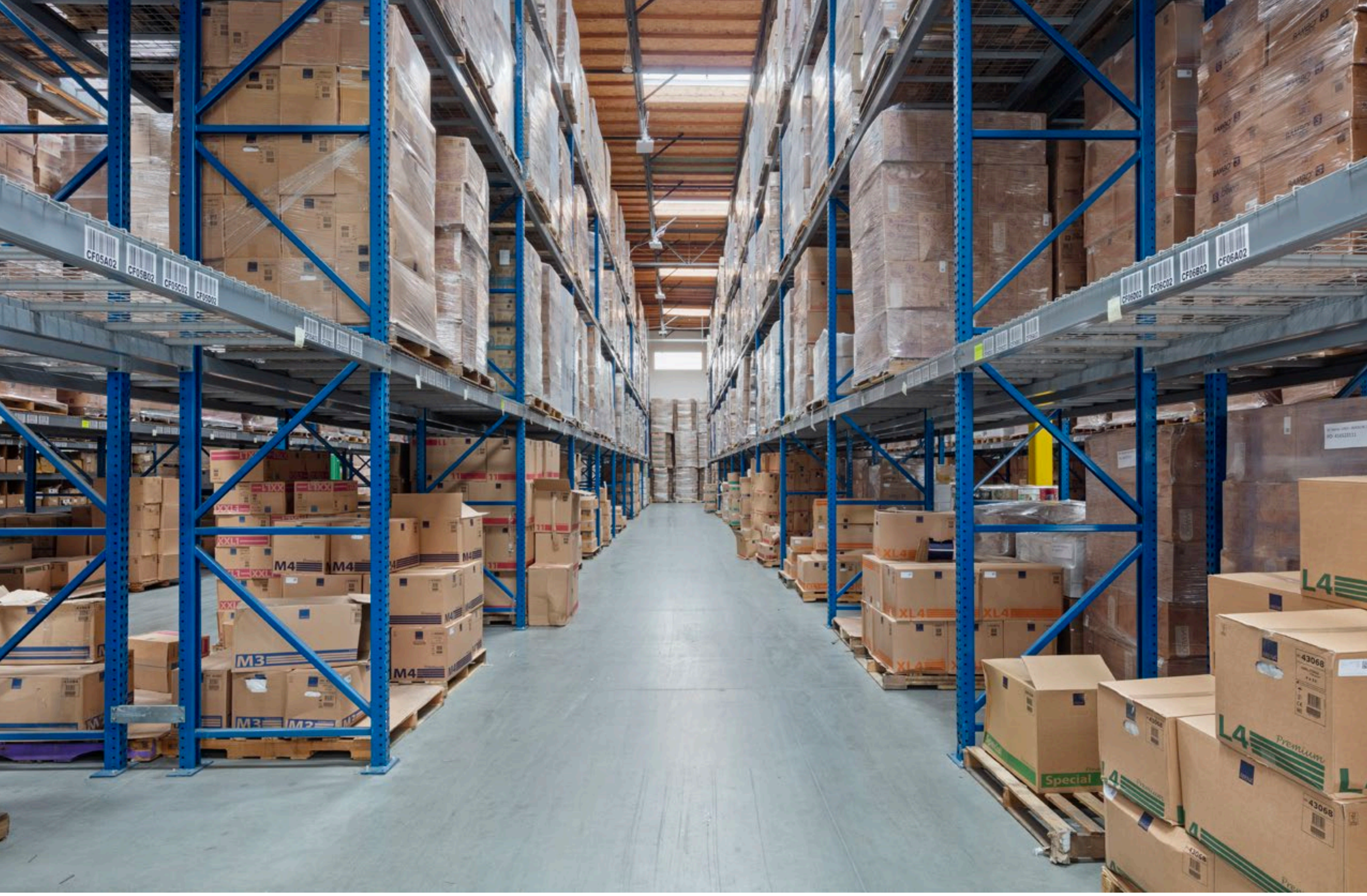
Source: JLL Research, 2024-2025 Industrial Tenant Demand Study

Several factors are driving this shift in requirements. Geopolitical uncertainties and the pandemic exposed the vulnerabilities of overextended supply lines, prompting companies to prioritize reliability and control. The U.S. federal government has enacted potent incentives to catalyze domestic manufacturing — including the CHIPS Act, Inflation Reduction Act, and Infrastructure Act — which together provide well over $400 billion in funding and tax credits to spur U.S. industrial projects.[6]

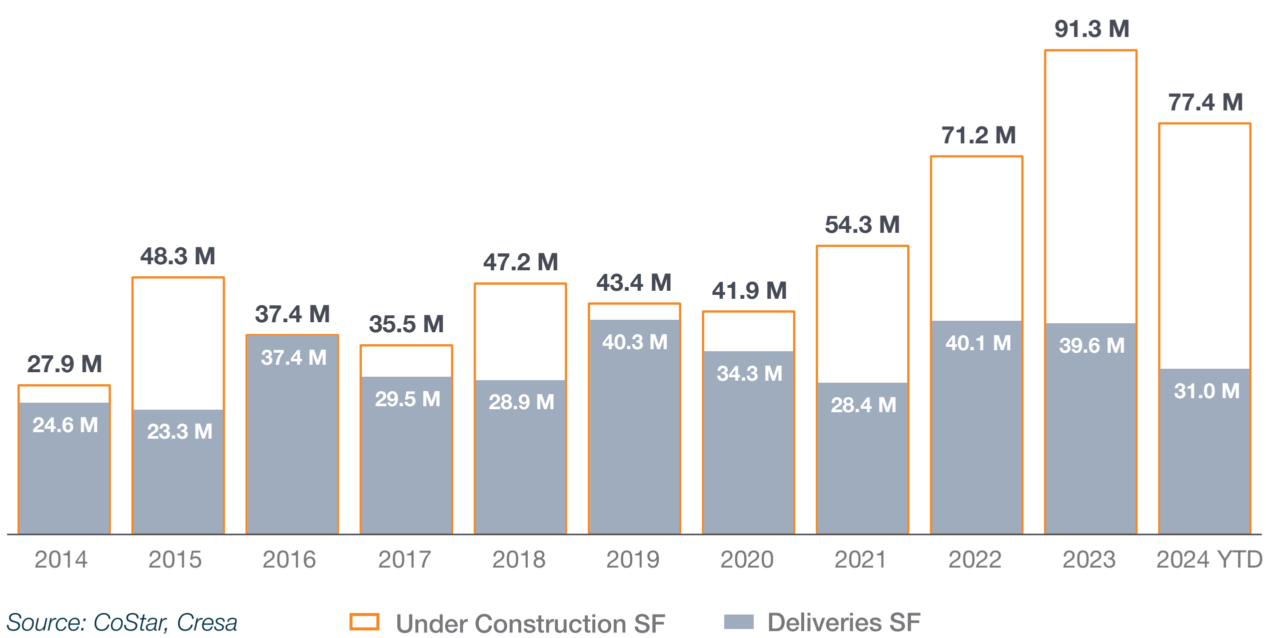
CONSTRUCTION SPENDING FOR FACTORIES, MONTHLY, BILLION $



Source: U.S. Censu Bureau via FRED



MANUFACTURING FACILITIES: UNDER CONSTRUCTION AND DELIVERIES (SF)



Source: CoStar, Cresa

IMPACT ON SMALL-BAY INDUSTRIAL SPACES

One of the clearest beneficiaries of the manufacturing revival is the small-bay industrial segment. Small-bay industrial properties — generally multi-tenant light industrial buildings under 100,000 sq. ft. — are uniquely positioned to capitalize on the growth of localized supply chains. These properties are typically used by a diversified mix of light manufacturers, suppliers, service providers, and last-mile distributors, often in infill or urban-proximate locations. The inherent flexibility and fragmented supply of small-bay space make it a critical link in the vendor networks that support larger manufacturers.

As manufacturing expands, many of the supporting companies prefer smaller facilities to operate close to their clients and end-markets. **Recent market data shows light-industrial properties under 100,000 sq. ft. are outperforming larger bulk warehouses on multiple fronts.**

Small-bay warehouses — which comprise roughly 42% of total U.S. industrial inventory — had an average vacancy around 4% in late 2024, indicating extremely tight supply. By contrast, vacancy for modern big-box warehouses (100k+ SF) was nearly 175% higher (roughly 11% vs. 4%), due in part to a wave of speculative mega-warehouse construction.[3] The robust demand and limited availability of small units have driven rents upward: asking rents for small-bay industrial space now average $10.94 per sq. ft., significantly higher than the ~$7.50/SF for large warehouses.[7] In 2024, 95% of all industrial leasing transactions were for spaces under 100,000 sq. ft. — a striking indication that the bulk of tenant demand is oriented toward smaller footprints.[8] Moreover, the average deal size has been shrinking. E-commerce growth and the rise of micro-fulfillment centers have encouraged firms to decentralize into smaller facilities, causing the average industrial lease size to decline steadily each year. **This trend has culminated in sub-100k SF deals dominating the market by volume in 2024.**

Several factors explain why manufacturing growth especially benefits small-bay real estate. First, many suppliers and niche producers ramping up alongside big manufacturing investments are themselves small-to-midsized firms that favor light industrial suites (e.g. a 30,000 sq. ft. parts shop serving an automaker). These firms seek locations in close proximity to their customers, often in established industrial parks or urban edge areas rather than remote mega-distribution hubs. Second, new manufacturing activity tends to boost local entrepreneurial growth — skilled workers spinning off their own shops, or foreign companies setting up satellite facilities — which often starts in small-bay units. Third, because development of new light-industrial product is very constrained (only about 3% of industrial construction starts are for buildings under 100k SF), the influx of demand from manufacturing finds an undersupplied market, pushing vacancies down and rents up.[9] High land costs and zoning challenges in populated areas make small-bay projects difficult to build, so existing multi-tenant industrial stock has become extremely valuable infrastructure. Indeed, well-located small-bay assets are seeing fundamentals outpace those of larger warehouses and are expected to continue doing so.

> **Because development of new light-industrial product is very constrained — with only about 3% of industrial construction starts being buildings under 100k SF — the influx of demand from manufacturing finds an undersupplied market, pushing vacancies down and rents up.**

Manufacturing and related logistics growth is now cited as a key tailwind for the light-industrial sector. In BKM's recent analysis, the confluence of "the surge in e-commerce, manufacturing, and a global supply chain re-balance" has contributed heavily to small-bay industrial's sustained momentum.

In practical terms, a factory expansion often leads to a supplier leasing a 20,000 sq. ft. unit nearby, or a 3PL (third-party logistics) firm taking a 50,000 sq. ft. cross-dock to handle additional freight — multiplying the need for small to mid-size spaces. Furthermore, onshoring and reshoring trends are directly bolstering demand for small-bay facilities as light manufacturing and assembly operations set up domestically. For example, as electronics or auto parts production relocates to the U.S., those companies often require 10,000–50,000 sq. ft. production suites, which fall squarely in the small-bay category. This localized, distributed pattern of industrial growth plays to the strengths of BKM's portfolio of multi-tenant business parks. **With their strategic urban locations and unit size flexibility, small-bay warehouses enable companies to be closer to their workforce, suppliers, and customers — a crucial advantage when speed and resilience are paramount.** In summary, the manufacturing renaissance is not just filling giant plants; it's energizing the "industrial middle market" of smaller facilities that form the backbone of regional supply networks. These small-bay properties are emerging as indispensable hubs to support manufacturing's multiplier effect at the local level.

CONCLUSION

The revival of American manufacturing is proving to be a powerful catalyst for economic and real estate growth. Each new factory role has a far-reaching multiplier effect, setting in motion the creation of supplier jobs, logistics operations, and service positions that amplify the impact beyond the factory gates. The push for onshoring and reshoring has accelerated industrial investment to levels not seen in decades, reshaping supply chain geography and strengthening domestic networks.

One clear takeaway is the central role of small-bay and light industrial spaces in this new landscape. With manufacturing expansion requiring diverse vendor networks, small-bay industrial facilities have become critical in supporting localized production. **As America's industrial base expands, these facilities will continue to play a vital role in the supply chain, ensuring manufacturing's multiplier effect benefits businesses and communities alike.**

SOURCES

[1]*Economic Policy Institute, “Manufacturing and the Economy,” 2025.*

[2]*U.S. Department of Commerce, “Economic Multipliers in Manufacturing,” 2024.*

[3]*Newmark Research, “Industrial Insights: 2025 Trends,” 2025.*

[4]*NAIOP and JLL Research, “U.S. Manufacturing Expansion,” 2024.*

[5]*CommercialEdge, “Industrial Report February 2025.”*

[6]*U.S. Congressional Budget Office, “Infrastructure and Manufacturing Investment Report,” 2025.*

[7]*CNBC, “TSMC Expands U.S. Investment to $165B,” March 2025.*

[8]*Semiconductor Industry Association, “Chip Manufacturing Growth in the U.S.,” 2024.*

[9]*Peterson Institute for International Economics, “U.S. Trade Policy Impacts,” 2025.*

ABOUT THE AUTHOR

BKM Capital Partners is a proven real estate fund manager and operator focused exclusively on investing in multi-tenant light industrial and multi-use logistics properties in the Western United States. Headquartered in Newport Beach, CA, with over 100 employees in 15 offices, BKM Capital Partners implements a value-add strategy targeting under-managed and under-capitalized assets. The team has invested over $5 billion in over 130 small and mid-bay light industrial properties since 2013. Its approach includes the acquisition, refurbishment, repositioning, and active management of these industrial properties to drive NOI growth and generate a strong IRR and multiple on invested equity. BKM's foundation is built upon Focus, Operational Excellence, Technology, and Client Service.

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