

# From Tonnage to Tenants: Freight Signals for Industrial Real Estate

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## EXECUTIVE SUMMARY

Freight activity offers a clear, fundamentals-driven lens on industrial real estate demand, making freight trends a useful early indicator of tenant demand. As local consumption represents an increasing share of freight, these dynamics suggest the next phase of the industrial cycle will be supported by steady goods movement and favoring well-located, modern warehouse assets positioned at the heart of domestic distribution.

- Industrial demand ultimately follows the movement of goods, making warehouse-relevant freight volumes one of the most reliable leading indicators of where tenant demand and leasing momentum will emerge.
- As freight growth in major U.S. metros becomes increasingly driven by local consumption, infill and near-consumer logistics assets are structurally advantaged, benefiting from durable demand and reduced exposure to global supply-chain volatility.
- Even the largest U.S. freight hubs—including New York, Los Angeles, Chicago, Dallas, and Houston—derive an outsized share of volume from locally generated freight, underscoring the depth of consumer-driven demand and reinforcing the central role of last-mile logistics in top industrial markets.

# FROM TONNAGE TO TENANTS: FREIGHT SIGNALS FOR INDUSTRIAL REAL ESTATE

We believe the geography of the next logistics cycle is embedded in freight activity. At its core, warehouse demand is freight-driven: goods must move, be stored, sorted, and delivered, and industrial real estate sits at the center of that system. While tenant preferences and capital markets conditions matter, freight volumes remain a foundational driver of long-run warehouse utilization.

In short, warehouses follow freight, both locally and nationally. Within metro areas, warehouses cluster near freight infrastructure—ports, interstates, railyards, and airports—which maximizes logistics efficiency. Similarly, regions that move more warehouse-relevant freight tend to support larger industrial footprints, even after controlling for population size.

Importantly, not all freight are equal for industrial real estate demand. It is important to differentiate between goods that typically flow through warehouses—consumer products, foodstuffs, and intermediate manufactured goods—rather than bulk commodities like coal, grain, or petroleum that bypass traditional warehouse networks. These warehouse-intensive goods are most closely aligned with logistics tenant demand.

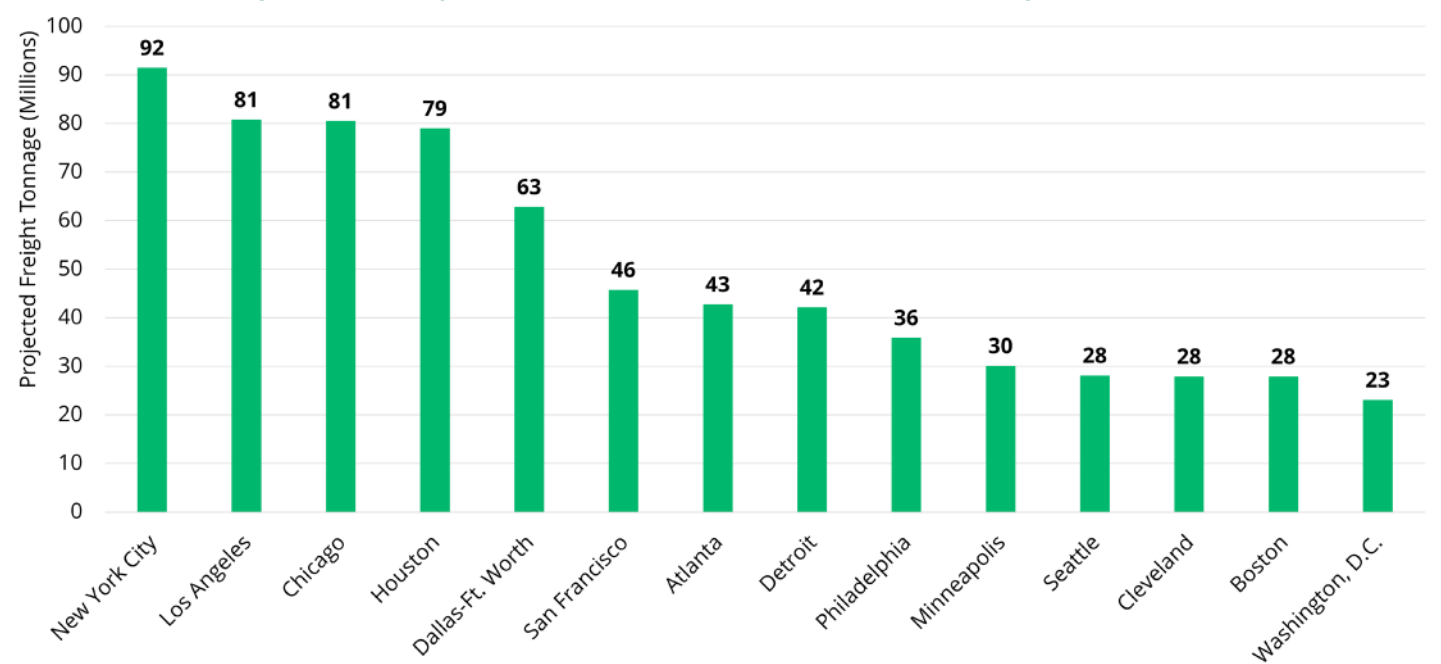
This linkage has only been reinforced over recent years. Markets experiencing faster growth in freight volumes have generally seen stronger demand, suggesting freight activity can serve as an early signal for leasing momentum and likely demand pressure.

Another notable feature of today's freight landscape is the growing importance of local activity, particularly in large urban freight zones. In the largest markets, a disproportionate share of freight is generated within the metro itself rather than passing through as long-haul transit.<sup>1</sup> This locally generated demand tends to favor dense consumer bases, with e-commerce penetration reinforcing the increasing importance of last-mile and same-day delivery. **In our view, this dynamic may provide a degree of insulation from global supply-chain disruptions while reinforcing the strategic value of infill and near-consumer logistics locations.**

Looking ahead, freight fundamentals appear positioned to improve. After several years of headwinds tied to geopolitical tensions and uneven consumer demand, forecasts from the U.S. Bureau of Transportation Statistics point to broad-based growth in warehouse-related freight volumes across U.S. major metros (see accompanying visual). Growth is expected to be particularly strong in higher value-per-ton goods,<sup>2</sup> which may favor modern, tech-enabled warehouses capable of supporting high-throughput operations.

Taken together, freight data suggest that the next phase of the industrial cycle is likely to be grounded less in speculative supply and more in the steady pull of goods movement. For industrial real estate investors, we believe that following tonnage remains one of the most reliable ways to anticipate where tenants will ultimately land.

Consumer-based Freight Volumes Expected to Increase in Dense Urban Metros through 2030<sup>3</sup>



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## ENDNOTES

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<sup>1</sup> Bureau of Transportation Statistics, *Freight Analysis Framework*, 2024.

<sup>2</sup> Bureau of Transportation Statistics, *Freight Analysis Framework*, 2024.

<sup>3</sup> Bureau of Transportation Statistics, *Freight Analysis Framework*, 2024.

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