

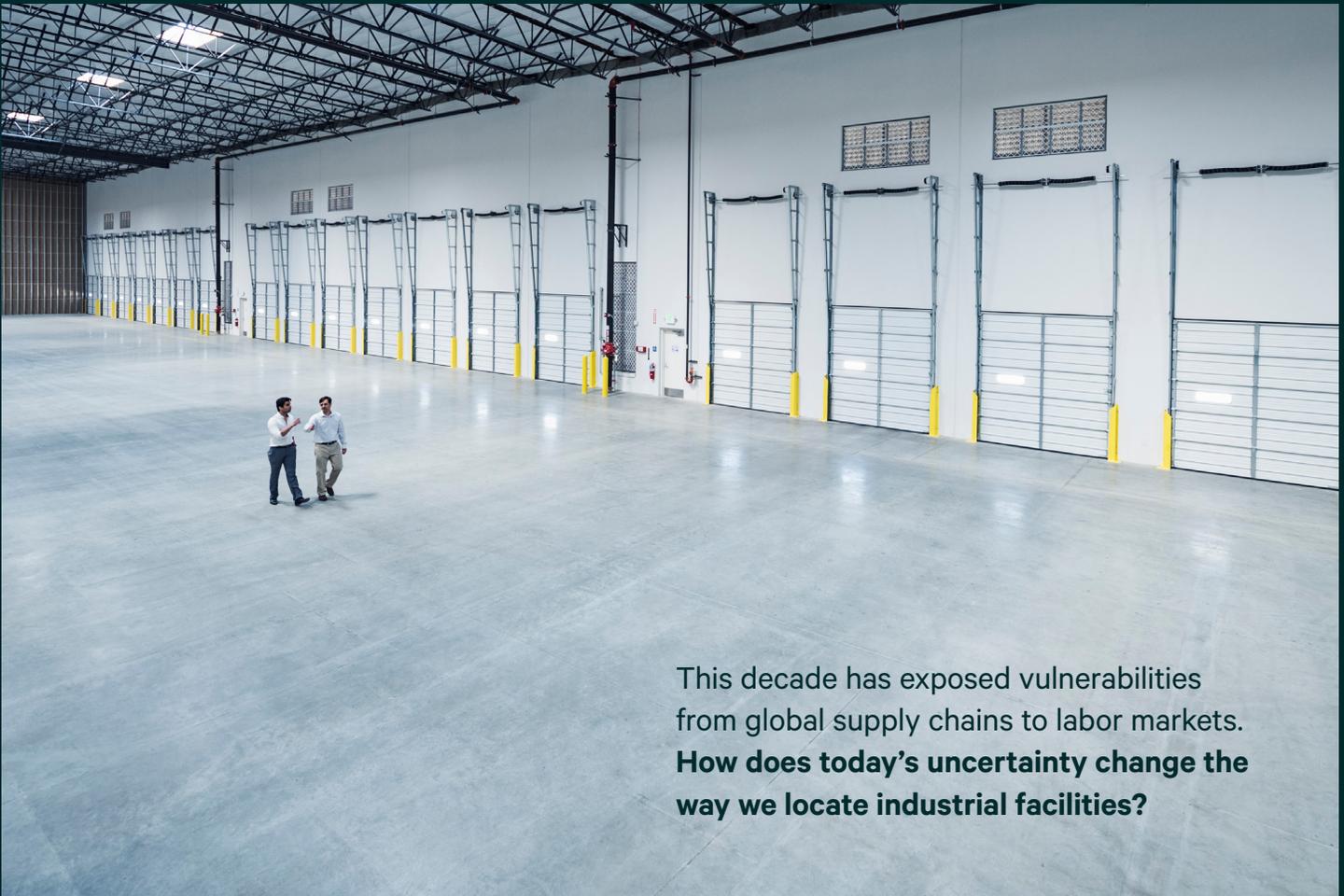


Real Estate Guide to Site Selection Strategy

Five key areas to consider when selecting
manufacturing facility locations

A guide to resiliency in changing times

Choosing the right sites amid uncertainty



This decade has exposed vulnerabilities from global supply chains to labor markets. **How does today's uncertainty change the way we locate industrial facilities?**

Traditional location strategies no longer do the job.

Two-thirds of industrial space was built before 2000. So it's no surprise if the strategies behind those locations feel dated. Now businesses need to plan their real estate around a new generation of risks from global trade disruptions, insufficient infrastructure, climate shifts, labor availability, and technological transformations.

Explore each of those challenges and see five actionable ideas to future-proof site selection today, backed by data and insights from CBRE.

The Challenges:

A Changing Risk Landscape

Businesses need to rethink where they source and manufacture, opting for locations with diverse transportation and shipping options to reduce the risks of relying on just one hub, or even a small selection of source locations.

Strengthening Global Supply Chains

Global supply chains are fragile. Disruptions have rattled the globe, from the Suez Canal to Ukraine, Taiwan, and the Middle East. Companies that rely on long-distance sourcing and just-in-time delivery have experienced unanticipated delays, shortages, and cost spikes. And that can cause significant delays for end users.

The result? Businesses need to rethink where they source and manufacture, opting for locations with diverse transportation and shipping options to reduce the risks of relying on just one hub, or even a small selection of source locations.

Bridging Labor Gaps

It's hard—and getting harder—to attract enough qualified workers to meet consumer demand. The difficulty is especially acute in the industrial sector, where a wave of retirements is sweeping the skilled trades. As the labor pool shows signs of shrinking, the need for skilled talent only grows more urgent.

Powering Up Automation and AI

More and more, logistics occupiers are investing in technology and systems that enhance efficiency. Automation is stepping up and stepping in to fill the labor gap and raise productivity. Artificial intelligence too plays a growing role across office and industrial uses. With AI comes a need for greater processing power, which means more data center and utility usage. The increased demand for power not only strains the infrastructure but also escalates competition for industrial locations with robust utilities.

Acclimating to Climate Shifts

Extreme weather events and longer-range climate considerations both strain the infrastructure. However, they should be addressed as separate challenges, each with its own timeline and solutions. The reliability of water and power systems in the face of extreme weather is an immediate concern, one that needs substantial investment to bolster aging grids and systems. On the other hand, climate considerations like ongoing flood risk or changes in weather patterns demand long-term strategic planning for sustainable, resilient operations.

Building More Resilient Infrastructure

In the United States, aging industrial infrastructure is adding to the strain, with heightened demands for power and water that the current system may soon struggle to meet. High-impact power failures reveal weaknesses in energy grids and show the importance of upgrading systems to meet rising consumption. Similarly, failures such as the ship stuck in the Suez Canal in 2021 highlight the need to upgrade or expand aspects of transportation infrastructure across roads, bridges, and ports. As companies seek to expand or relocate, reliable infrastructure is essential for business continuity.



The Solution:

A New Approach to Site Selection

To meet today's challenges, businesses need a new approach to their supply chain network. No longer can they rely on traditional metrics like cost and proximity to market. Instead, they must adopt future-focused strategies to choose locations that will serve their needs today and for decades to come.

5 Strategies for Better Site Selection

1

Reshore Manufacturing and Supply Chains

Amid uncertainty around tariffs and global trade, many businesses are rethinking where they source and move goods. Despite the volatile outlook, manufacturers are strongly considering reshoring part of their manufacturing capacity to the United States. More U.S. capacity often means added cost. But it also allows for greater production control, shorter lead times, and fewer risks from global supply chains and geopolitics.

2

Go With the Labor Flow

As population trends and market demands change, understanding the local talent landscape is key. To stay productive, companies need facility locations with access to a skilled workforce. Investing in robust tech infrastructure help businesses prepare for a future where a leaner workforce must deliver stronger results.



Over 2.5B sq. ft.

in new industrial and logistics leases has been signed since Q3 2020. Most of that space has gone to store extra inventory, to avoid a repeat of past supply chain disruptions.

3

Think Flexibility and Resiliency

In an unpredictable world, flexibility is the key to resilience. Businesses need to choose sites that can adapt to shifts in the market, climate disruptions, power needs and supply chain connectivity points. Real estate decisions today must account for risks (and successes) that could arise from a variety of disruptions. With a clear grasp of potential market dynamics, businesses can better choose resilient locations that can support future growth.

4

Put AI and Automation to Work

AI and automation boost efficiency. To remain competitive, businesses need locations equipped to integrate automation into their operations. While many industrial buildings today are older, investments to upgrade or refit could prepare them to address quickly shifting market dynamics. Tech readiness is even more critical as companies look at smart (and sustainable) locations with the infrastructure for AI tools to power them.

5

Take a Longer View

Once, businesses made five- or 10-year plans. Today's labor and supply chain issues, however, may evolve over decades. Businesses need to plan much further out. A 2.5% annual change in local population may feel stable, but in 30 years, it can change the terrain. So site selection should be driven not by immediate needs but by long-term strategies. Choosing the right real estate investments can help stabilize capital in the long run if the strategy is sustainable and strong.

A Real Estate Strategy for the Future

Taking a clear view of supply chain resilience, labor readiness and flexibility to deal with the unknown enables today's businesses to plan for a more resilient future.

This decade has been a wake-up call for businesses worldwide. Vulnerabilities that once seemed far-off are now reality. To navigate these risks, companies need a forward-looking approach that puts real estate site selection on solid ground.

The core of intelligent site selection is actionable data. To drive smart decisions, the data must look at future labor availability, infrastructure capacity, and supply chain networks, not in siloes but as a whole. Given strong data, businesses can make strategic, adaptable choices, with backup plans in place.

A partner that has both the data and a deep understanding of the issues can be a lifeline in turbulent times. Real estate companies are best positioned to gather and interpret this data for industrial sites. CBRE has the largest dataset anywhere to assess the risks and options related to industrial location strategies. **That data, combined with advanced forecasting and local market expertise, lets CBRE intelligently assess the challenges businesses face today—and evaluate what real estate sites can best serve their needs tomorrow.**



Ready to advance your real estate strategy?

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