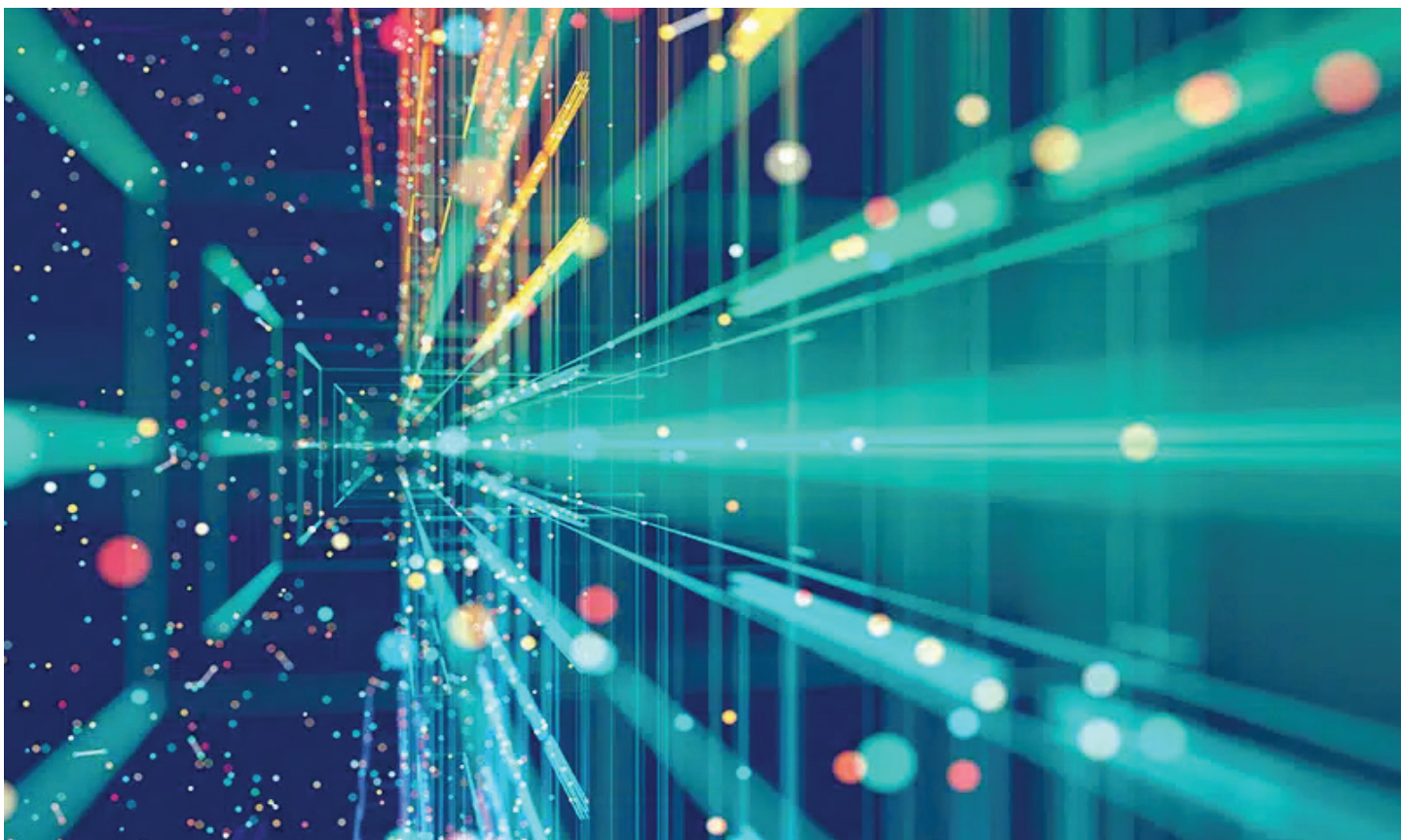




Industrial real estate is getting more power intensive — and that's changing everything

by Andrea Zander

As industrial real estate becomes more automated, electrified and operationally intensive, power capacity is emerging as a subtle but increasingly important differentiator across warehouses, logistics facilities and manufacturing space. What was once a standardized assumption in industrial development is now evolving into a more nuanced discussion around flexibility, scalability and long-term operational resilience.

In this discussion, Clark Machemer, senior managing director at Crow Holdings Development, along with Matt Colter and Michael Balcom, senior managing directors at Crow Holdings Capital, examine how rising power demands are reshaping tenant expectations, development strategy and underwriting assumptions across U.S. industrial markets. The conversation explores the growing influence of automation and advanced manufacturing, the realities of utility coordination and equipment availability, and the extent to which industrial users are — or are not — competing directly with data centers for access to grid capacity.

How much has the power profile of industrial real estate changed as warehouses have become more automated, electrified and operationally intensive?

Machemer: The demographic shift in the industrial workforce is a real driver here. The labor pool is aging and being replaced by robotics, which requires meaningfully more power. Beyond automation, tenants today want to know that if their operations evolve over the course of a 10-year lease, they have the ability to scale their power needs. That flexibility is increasingly part of what they're evaluating when they commit to a space.

How are rising electricity costs and power availability affecting industrial property performance, tenant demand and development feasibility?

Balcom: We haven't seen much in terms of rising electricity costs affecting typical demand. In recent years, the more relevant conversation has been around

supply-chain reliability for electrical equipment — securing switchgear and transformers on schedule to accommodate fast-moving tenants has been a persistent source of anxiety since COVID-19, though conditions have improved from the 2022–2023 period. According to CBRE, on the demand side, manufacturing's share of industrial leasing jumped from 8.5 percent to 11 percent between 2024 and 2025 — a 29 percent increase — and those users have meaningfully higher power requirements. That shift bears watching as you have an emerging category of industrial demand that is very sensitive to power availability and affordability.

Machemer: The onshoring conversation is real, and manufacturing requires more power than standard warehouse use. We haven't seen it materialize in a significant way in the Northeast U.S. industrial markets yet, but speculative buildings need to be positioned to accommodate it. That means ensuring access to incrementally more power than a base-building spec — not a dramatic infrastructure leap, but enough flexibility to serve a wider range of potential users.

Are developers and investors beginning to separate low-intensity warehouse space from power-intensive logistics, cold storage, advanced manufacturing or EV-charging-heavy facilities when underwriting assets?

Balcom: The power spectrum across industrial uses is quite wide. A typical spec building carries around 2,000 to 4,000 amps — roughly 1.5 megawatts to 4 megawatts — which accommodates most standard users. Distribution users with heavy material-handling equipment, though, or advanced manufacturing uses, might need 20 megawatts. We're not yet seeing formal bifurcation in how these assets are valued, but the distinction matters operationally and will likely become more relevant in underwriting as manufacturing demand grows. Access to above-standard power can drive above-standard leasing, future-proof the asset, and it might ultimately allow the buyer to push a little bit harder on price.

How are developers evaluating grid capacity before moving forward with new industrial projects, and are utility timelines, interconnection costs or substation access now part of early-stage site selection?

Colter: Grid capacity is still secondary to the core site-selection criteria — location, proximity to end users and labor access. During diligence, we will get will-serve letters from utilities to confirm that standard spec power is available, but it's not a first-order constraint for most markets. That said, if a tenant comes in needing

significantly more than base-spec power, you do a load study, prove up the need to the utility, and work through the process from there. Utilities have upgraded substations for our users when the situation warranted it.

Balcom: South Dallas is the one submarket where I've seen industrial developers genuinely evaluate grid capacity as part of site selection — and that is specifically because of data center land competition there. Across the broader industrial landscape, developers are largely still assuming standard spec power will be available for standard uses and, as Matt said, confirming that during due diligence with a will-serve letter.

How directly are industrial users competing with data centers for access to grid capacity, and is that competition already affecting industrial development in certain markets?

Machemer: The key distinction is scale. When data centers need power, it requires significant infrastructure investment — new transmission lines and major substation upgrades — and those costs are passed on to the data center developer. For industrial, we're typically drawing on existing grid capacity incrementally. The ask is small enough that utilities can usually accommodate it without major infrastructure work. Those are fundamentally different conversations with the utility.

Balcom: The overlap is more limited than the narrative suggests. All data center developers are chasing power anywhere they can find it and might be willing to wait years for it. They need a huge amount — hundreds of megawatts or a gigawatt. Industrial developers, by contrast, are typically seeking the relatively modest 2 megawatts to 4 megawatts a spec building might need and have other primary site-selection criteria to consider, such as access to labor, population and efficient transportation networks. But in some submarkets — parts of Dallas-Fort Worth and northern Virginia, for example — you do see data center developers driving up the price of what might otherwise be industrial land. It's a relatively novel and emerging constraint on future industrial supply.

Colter: There's an interesting dynamic in Chicago where warehouse and data center submarkets overlap due to the confluence of power and fiber. We've sold near-completed buildings to data center users there, who then upgraded the power themselves. But those situations are few and far between.

Could power-ready industrial assets command a leasing or valuation premium as grid constraints become more pronounced?

Colter: On the leasing side, all else being equal, a building with excess spec power is likely to win the deal. Tenants may not need it on day one, but the optionality matters — if two buildings are comparable in location, terms and representation, the one offering more power capacity gives the tenant a wider runway. That is a real competitive advantage.

Machemer: It's worth noting that utilities actively manage overallocation — they require load documentation and won't assign power to a building that can't demonstrate it will be used. So "power-ready" assets aren't easily manufactured speculatively. Where they do exist, though,

that is a genuine asset. Tenants committing to a space for 10 years want to know their operations can evolve without hitting a power ceiling.

Balcom: We haven't seen clear evidence in the capital markets yet that power-ready assets are commanding a formal valuation premium. But over a five- to 10-year horizon, as large power-consuming uses continue to grow, it's not hard to see how that changes. For an acquisition, discovering that a building has substantially more power than a standard spec asset is already a nice bonus — and could increasingly become a meaningful differentiator.