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AUTOMOTIVE MANUFACTURING REAL ESTATE ENTERS A NEW CYCLE

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Real Estate Decision-Making in the Age of Advanced Manufacturing

A Guide for Automotive OEMs and Suppliers

Automotive manufacturers and suppliers are not following the same build-from-scratch path as semiconductor or battery makers. Instead, many are upgrading a mature, capital-intensive footprint with robotics, sensors, AI-driven quality control, and connected production systems, often within buildings and supply chains designed for an earlier era of manufacturing.

That shift is changing how automotive OEMs and Tier 1 and Tier 2 suppliers evaluate commercial real estate. A site that supported a traditional stamping or assembly operation ten years ago may no longer provide the power capacity, technical labor, building functionality, or supplier proximity required by an advanced, automation-enabled plant.

For decades, automotive site selection was largely a space-and-location exercise: enough acreage, appropriate clear heights, and access to major transportation routes. Advanced manufacturing is shifting industrial real estate strategy from a space-availability decision to an infrastructure, labor, and execution-risk decision.

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Five Automotive Trends Shaping Real Estate Decision-Making

Electrification, automation, supply-chain regionalization, labor, and supplier consolidation are reshaping automotive manufacturing real estate decisions.

TREND

WHAT IT MEANS FOR OCCUPIERS

Supplier consolidation is reshaping industrial footprints

Automotive suppliers are pursuing scale, technology, and strategic capabilities through acquisitions, while some companies are divesting legacy internal-combustion engine assets or underperforming operations. Recent automotive M&A research points to increased deal activity, consolidation for scale, and acquisitions focused on electrification, electronics, software, and advanced driver-assistance systems.¹

The EV transition is broadening the supplier footprint

Battery materials, components, power electronics, charging equipment, recycling, and traditional components are fundamental to EV manufacturing real estate. Suppliers should preserve flexibility for changing product mixes rather than commit too early to a single technology pathway.²

Supplier networks are becoming more regional

OEMs and suppliers continue to reassess offshore exposure, lead times, and customer proximity. Reshoring automotive manufacturing favors sequencing facilities near assembly plants, major transportation routes, and established supplier ecosystems.

Automation is changing the facility requirement

Robotics, AI, predictive maintenance, and connected production systems can reduce labor intensity, but they increase requirements for reliable power, data connectivity, equipment layouts, floor loading, and technical support. As a result, the building must support the production process, beyond providing only sufficient square footage.³

Skilled labor may determine the most relevant market

Automotive suppliers need production workers, maintenance technicians, engineers, automation specialists, quality professionals, and logistics talent. A more affordable building option will not work if the labor market cannot support the operation.

M&A Creates a Network Decision

For real estate occupiers, each acquisition can require a review of duplicate facilities, customer proximity, lease obligations, and capital needs.

- Duplicate plants or overlapping supplier facilities;
- Consolidation into fewer larger locations;
- New requirements near an OEM or major customer;
- Excess space, sublease, or disposition opportunities;
- Lease-renewal and lease-assignment issues;
- Capital investment in automation, retooling, or expansion; and
- Need to preserve flexibility during post-merger integration

1. Alvarez & Marsal, "Automotive M&A Trends," 2026; IEA, Global EV Outlook 2025; U.S.

2. Department of Energy, Four-Year Review of Supply Chains for the Advanced Batteries Sector;

3. NIST, "Robotic Systems for Smart Manufacturing Program."

Automotive Manufacturing Becoming More Real Estate-Intensive

Electrification, automation, connected production, and supply-chain regionalization are raising the requirements for automotive facilities and supplier locations.

Automotive production is becoming more technologically advanced and operationally interconnected. EV components, electronics, robotics, advanced materials, and digitally enabled production systems require facilities with more than adequate square footage.

For OEMs and suppliers, real estate decisions increasingly depend on power capacity, utility reliability, technical labor, customer and supplier proximity, logistics access, and the ability to expand or adapt as production requirements change.



What is Changing for Automotive Occupiers

Automotive Technology

Advanced manufacturing and AI are disrupting the automotive industry by enabling more automated, data-driven processes.

Examples:

EVs and batteries; automation and robotics; electronics, software, and connected production

Facility Requirements

As automotive technology and production processes evolve, specialized facilities that can adapt to changing requirements are becoming essential to long-term competitiveness.

Examples:

Reliable, scalable power; specialized utilities and safety systems; technical labor and automation support; and higher-function production space

Real Estate Decisions

As a result, real estate strategy is becoming an operational decision that shapes where companies locate and how they preserve flexibility for future growth.

Examples:

Where to locate; lease, retrofit, or build-to-suit; how much flexibility to preserve; and how to manage expansion and reuse risk

Automotive real estate is shifting from a space-availability question to an infrastructure, labor, and execution-risk decision.



Automotive Occupiers Use a Mix of Facility Types

The right real estate solution depends on the production function, level of specialization, and need for operational control.

Facility Type	Function	Requirements
Manufacturing	Vehicle and component production	Production-scale space, utility capacity, floor loading, and material flow
Flex & Supplier Space	Tier 1 and Tier 2 supplier operations, subassembly, and light manufacturing	Adaptability, loading access, customer proximity, and expansion capacity
R&D and Pilot Production	Engineering, prototyping, testing, and process development	Technical labor, specialized systems, and speed to market
Warehouse, Sequencing, and Distribution ⁴	Inbound components, just-in-time staging, aftermarket parts, and distribution	Dock and yard capacity, transportation access, inventory control, and customer proximity

4. In this report, sequencing refers to inbound components, just-in-time staging, light kitting or subassembly, aftermarket parts, and distribution.

**LEASE
EXISTING
SPACE**



**RETROFIT
AN EXISTING
FACILITY**



**DEVELOP A
BUILD-TO-SUIT OR
SPECIALIZED CAMPUS**

The more specialized the production requirement, the greater the need for infrastructure control, customization, and long-term flexibility.

Manufacturing

Specialized availability remains tight, with direct vacancy near 4%.

Flex/Supplier Space

Rent growth has moderated, creating more options for suppliers and light manufacturing users.

R&D & Pilot Space

New construction has pulled back sharply from the 2020-2022 peak.

Warehouse & Distribution

Higher availability is creating more options for logistics users, but just-in-time operations remain highly location-sensitive.

Market conditions vary by facility type, adding another layer to the lease, retrofit, or build-to-suit decision.

Source: CoStar and Cresa
Note: Manufacturing market indicators reflect broader properties and are not limited to automotive facilities.

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Automotive facilities must support both the production process and the technology that controls it.

For OEMs and suppliers, site selection increasingly depends on infrastructure that can support current operations while preserving capacity for future technology, equipment, and production changes.

Automation Is Raising the Importance of Power, Data, and Building Functionality

As automotive production becomes more connected and automated, facility due diligence must extend beyond location, rent, and available square footage.

Three Facility Requirements to Verify

Power

Reliable, scalable capacity

- Utility upgrade timelines;
- Power quality and redundancy; and
- Capacity for future expansion

Data & Controls

Connectivity that supports production

- Robotics, sensors, and controls;
- Network reliability; and
- Cybersecurity and continuity

Building Fit

A building that fits the process

- Floor loads and clear heights;
- Ventilation and process utilities; and
- Retrofit feasibility

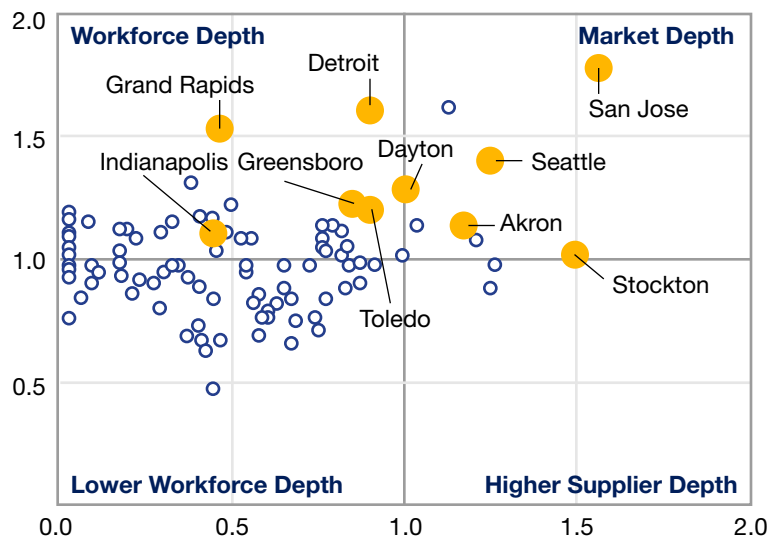
THE OCCUPIER TAKEAWAY

A building can have the right square footage and still be the wrong facility for the production process.

Source: Cresa Research: adapted from Advanced Manufacturing & the Real Estate Decisions defining the Next Cycle, 2026.

Automotive Market Depth Shapes Real Estate Decisions

Supplier concentration and specialized labor help identify markets that can support automotive operation.



Location Quotient (LQ) values above 1.0 indicate greater concentration than the national average. A higher LQ reflects concentration, not necessarily the largest labor pool.

Why San Jose appears?

The analysis captures the technical, software, electronics, and engineering capabilities that support connected, electric, and automated vehicles. San Jose represents an R&D and technology platform rather than a traditional vehicle production center.

THE OCCUPIER TAKEAWAY

Market selection starts with operational fit. Cost and available space come after the market can support the operation.

Source: BLS QCEW and OEWS; Cresa analysis. Markets limited to the top 100 U.S. markets by population. LQ values above 1.0 indicate greater concentration than the national average. Results are directional and reflect the selected industry and occupation baskets.

What it Means for Occupiers

Automotive markets are not interchangeable. Some offer stronger supplier concentration, while others offer deeper specialized labor.

Market profiles vary. Detroit, Grand Rapids, Dayton, and Toledo show strong automotive-relevant workforce depth. San Jose and Seattle reflect more technology-intensive capabilities, while Stockton is more industry-oriented than labor-oriented.

The real estate implication is execution risk. A lower-cost location may still carry higher execution risk if it requires additional investment in recruiting, supplier connectivity, training, or facility adaptation.

For OEM supplier site selection, market choice should reflect the type of operation, required labor, supplier concentration, customer proximity, and logistics connectivity.

Automotive Facility Real Estate Profile

Manufacturing Space

AUTOMOTIVE MANUFACTURERS



AUTOMOTIVE SUPPLIERS



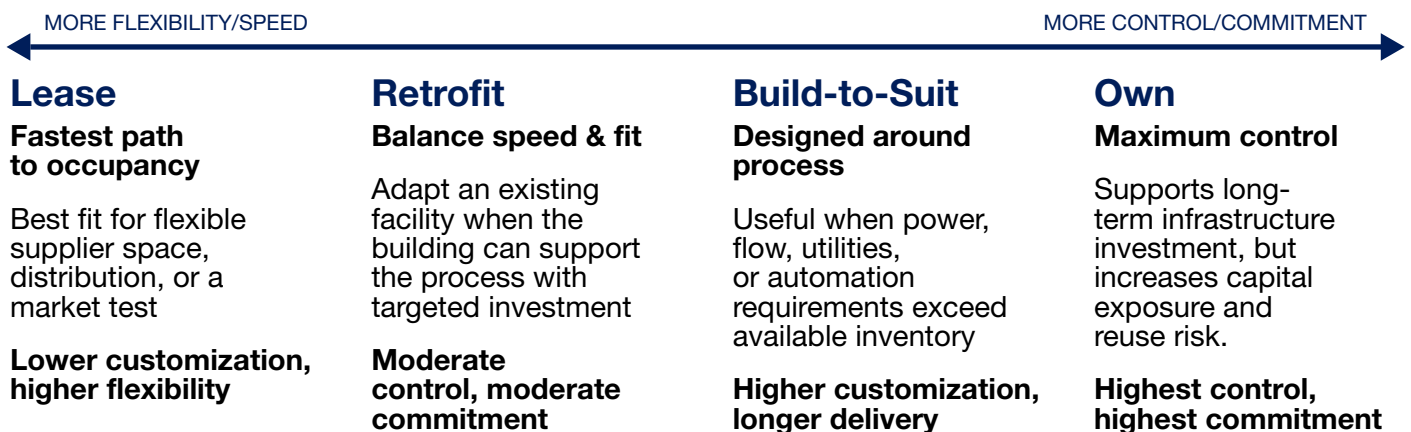
Source: CoStar, Cresa research. Ownership profiles reflect 308 manufacturing facilities occupied by tenants classified under SIC 3711 (Motor Vehicles) and 368 facilities occupied by tenants classified under SIC 3714 (Motor Vehicle Parts). The ownership percentages are based on facility square footage.

Facility Strategy Balances Speed, Control, and Capital Commitment

Automotive occupiers are weighing operational fit and flexibility against the time, investment, and control required for each facility approach.

Facility strategy should match the production requirement, the pace of change, and the level of control the occupier needs.

A supplier may lease flexible space for a customer program, retrofit an existing plant for a faster start, or invest in a specialized facility when process control matters most.



THE OCCUPIER TAKEAWAY

Facility strategy should preserve the flexibility the operation needs without overinvesting in a building the business may outgrow or no longer fit.

Automotive Occupier Real Estate Priorities

Automotive facilities must support current production while preserving flexibility for technology, volume, and supply-chain changes.

Operational Fit

Can the building support the production process, material flow, floor loads, clear heights, docks, and expansion needs?

Infrastructure Readiness

Does the site provide reliable power, utility capacity, data connectivity, and support for automation and controls?

Workforce and Ecosystem

Can the market provide specialized labor, supplier access, customer proximity, and reliable logistics?

Flexibility and Capital Discipline

Does the lease, retrofit, build-to-suit, or ownership strategy match the timing, investment, and reuse risk?

The strongest real estate decisions balance operational fit and future flexibility, rather than focusing on occupancy cost alone.

Tenant Perspective

Validate infrastructure early.

Confirm power capacity, water, wastewater, permitting, utility upgrade timelines, and offsite improvement costs before committing to a site.

Match the facility to the operating strategy.

Decide whether the need is full-scale manufacturing, pilot production, R&D/lab space, or flex industrial, and avoid overcommitting to space that limits future flexibility.

Follow labor and supply-chain depth.

Prioritize markets with the right technical workforce, supplier access, logistics connectivity, and long-term scalability. These factors are often more relevant than the lowest real estate costs.

About the Author

Craig Van Pelt

Head of Research, Vice President
cvanpelt@cresa.com

Craig serves as the Head of Research for Cresa, the leading commercial real estate tenant advisory in the world. The research role provides insight, thought leadership, and trends impacting occupiers of real estate, and supports existing client relationships and business development.

With 1,350 employees and 55+ offices across North America, and supported by its global alliance with Knight Frank, Cresa is the world's leading commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We think beyond space to find and foster the best environment for every business. Delivered across every industry and supported by world-class technology, Cresa's services include Transaction Management, Project & Development Services, Workplace Solutions, Location Advisory, Portfolio Solutions, Lease Administration, Capital Strategies and Strategic Consulting.

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