

(Y)OURS^{SPACE}

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RETHINKING INDUSTRY'S FOOTPRINT

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Foreword

Welcome to the second edition of the (Y)OUR SPACE Industrial Anthology. If the first collection showed industry re-emerging as a frontline concern, this one reveals the full weight of that return. In 2025, industrial real estate is no longer the quiet enabler in the background of globalisation. It has moved centre stage - a theatre where geopolitics, capital, technology, and resilience collide.



DR. LEE ELLIOTT
Head of Global Occupier Research
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Across eight papers, originally published between January and September 2025, we follow the emergence of a new global economic order, Britain reimagining its industrial future, Asia wrestling with tariffs and trade wars, Europe confronting an existential survival test, supply chains pulled back and pushed around, tech titans constructing a new global backbone, semiconductors weaponised as statecraft, and occupiers making disciplined moves to steady themselves amid turbulence. Taken together, they capture a sector under extraordinary pressure and experiencing extraordinary reinvention.

Three themes stand out.

The first is **permanence colliding with volatility**. Companies are making multi-billion-dollar commitments to plants, data centres, and supply networks, even as tariff regimes and trade alignments can flip in a matter of weeks. Industrial occupiers are learning to bet big while hedging harder.

The second is **resilience replacing efficiency**. Reshoring, nearshoring and regionalisation are not nostalgic projects; they are pragmatic strategies

for redundancy. Companies are rediscovering the value of optionality, even when it carries a heavy cost.

The third is **technology as the new industrial driver**. Data centres, AI factories and clean-energy ecosystems are now as central to the industrial landscape as automotive plants or steel mills. The boundary between digital and physical has dissolved.

And through it all runs a human undercurrent. Industry is not only about robotics, tariffs or trade flows - it is about livelihoods, communities, and futures. That duality, permanence and precarity side by side, has been sung about for decades and still resonates today.

This anthology is not a set of predictions. It is a snapshot of acceleration and recalibration, drawn from nine months when the rules of trade, technology and territory shifted almost weekly. If the office anthology asked what the workplace is becoming, this industrial edition asks a broader question: what is production becoming? The answer is still unfolding - and, as the *Final Word* reminds us, it matters far beyond the factory gates.

INDUSTRIAL INSIGHT 1¹

Disorderly Conduct: Mapping the New Global Economic Order

From Davos keynotes to boardroom dashboards, one question now looms large: are we entering a new economic world order? The turbulence of the past five months - driven by escalating trade tensions, retaliatory tariffs, and creeping financial instability - has turned what once looked like temporary policy skirmishes into something deeper and more structural.

We are no longer navigating post-pandemic recovery.

A growing body of commentary suggests that what we are witnessing is not just a shift in global politics, but in the very operating logic of the global economy. As the *Financial Times* recently argued, this is the era of geoeconomics, not just geopolitics. The term, first formalised by strategist Edward Luttwak in the early 1990s, describes the strategic use of economic tools - tariffs, sanctions, subsidies, state-backed capital, and market access - as instruments of national power. In contrast to traditional geopolitics, which is about borders and alliances, geoeconomics is statecraft by other means: trade, finance, and industrial policy wielded for strategic advantage rather than



¹This paper was first produced and published on LinkedIn on the 26th June 2025.

purely economic gain. It marks a return to statecraft via spreadsheets: economic policy not simply as a means of prosperity but as a tool of leverage.

This shift has been a long time in the making – gathering momentum through U.S.-China rivalry, supply chain shocks, and industrial policy revivals – but it has crystallised in 2025. Governments are asserting economic sovereignty. Multinationals are redrawing supply chains not purely for cost but for resilience and alignment, and corporate real estate – once a downstream consequence of business strategy – is becoming a frontline arena in which these forces play out.

We are charting new terrain: a fragmented, multi-speed global economy, increasingly shaped by self-interest, selective cooperation, and the recalibration of risk. This nineteenth (Y)OUR SPACE Talking Points article explores the shifting foundations of international commerce, contrasting perspectives from institutions and corporates, and outlines four plausible futures for the global economic order.

Fractured Foundations:
What Just Happened?

The shocks of early 2025 were not just about tariffs. They were about trust. The sudden imposition of a 10% blanket tariff by the United States and additional reciprocal tariffs targeting strategic imports prompted retaliatory measures from China and the EU, disrupted trading patterns, roiled financial markets, and set off a cascade of corporate recalculations.

For many multinationals, particularly in manufacturing, consumer goods, and tech, the first 100 days of the year were defined by halted shipments, inflated input costs, and legal uncertainty. According to the IMF, the average global tariff rate has jumped from 2.7% in 2023 to 4.1% by April 2025. The WTO reports global merchandise trade volumes fell 1.2% year-on-year in Q1 2025.

As Citigroup CEO Jane Fraser recently

remarked, “We are witnessing a shift from cooperative globalisation to fragmented self-interest.”

Europe’s response has been notably cautious. The ECB has flagged global trade tensions and mounting debt as the biggest threats to Eurozone stability, warning of fiscal inflexibility and growing investor scepticism. In parallel, countries like India and Brazil have sought to position themselves as “non-aligned beneficiaries” of this reshuffling, welcoming diverted capital and production. UNCTAD reports FDI into these economies rose 17% in 2024, against a 4% decline into G7 markets.

The result? Strategic paralysis for some; opportunity-seeking for others.

Systemic Shifts:
Three Emerging Themes

Beyond the initial shocks and tactical responses lies a more profound transformation. These aren’t just policy pivots or isolated disruptions – they are symptoms of a more profound reordering of how economic power is deployed, and how global business must respond. As organisations adjust to an environment of persistent volatility, several broad, structural shifts are emerging that will reshape everything from boardroom strategy to footprint design. These themes influence decisions today and define tomorrow’s strategic constraints and possibilities.

The first clear theme is a move from multilateralism to multipolarity. The institutions that once underpinned global trade – the WTO, IMF, and even informal G7 coordination - are being bypassed as countries forge new regional pacts and bilateral deals. The U.S.-China axis is no longer the only gravitational centre. India, ASEAN, the Gulf states and the EU are asserting themselves with new economic ambitions bolstered by demographic, technological, and energy advantages. The Atlantic Council reports that trust in traditional multilateral institutions has declined by more than 20% since

2020—highlighting a credibility gap that is increasingly being filled by regional networks.

The second shift is philosophical as much as operational: resilience is replacing efficiency. The McKinsey Global Supply Chain Pulse (April 2025) reveals that 81% of global supply chain executives have increased investment in redundancy, with 64% pursuing nearshoring. Firms are actively rethinking their geographic exposure, moving beyond just-in-time supply logic towards just-in-case flexibility. This strategic hedging is no longer limited to essential goods—it’s becoming standard across consumer electronics, automotive components, and pharmaceuticals.

Third, capital flows are no longer free agents. They’re strategic. According to the OECD, over 100 new industrial policy measures have been introduced globally since 2022, ranging from tax breaks for battery plants in Poland to semiconductor subsidies in South Korea. State-backed capital now accounts for 12% of global investment flows. In a world where geopolitics increasingly shapes economics, government incentives, diplomatic alignment, and national security concerns are redefining the “where” and “why” of global investment decisions.

The Scenarios:
Four Pathways to 2030

Before diving into the specific details of each scenario, it is important to recognise that they represent diverging strategic pathways based on how current disruptions might evolve given different operating and policy conditions. Each scenario reflects a different configuration of trade relationships, regulatory environments, and business priorities. They are not forecasts but frameworks – tools for understanding how the global economic landscape might reorganise in the years ahead. Whether we see fragmentation or renewed coordination, digital acceleration or regional retrenchment, each scenario poses distinct implications

for corporate real estate planning, portfolio design, and business strategy.

Scenario #1
Fortress Economics

A world of hard borders and strategic self-reliance, where economic nationalism redraws the global map. This scenario imagines a world of retrenchment. Tariffs become permanent policy tools, not tactical instruments. Bilateralism dominates. Global institutions are weakened beyond repair. Countries focus on securing critical industries within their borders, from semiconductors to rare earths, energy production to defence manufacturing. According to S&P Global, cross-border investment among the G7 dropped 11% in Q1 2025 alone— a data point which may decline further if economic nationalism becomes entrenched. In real estate terms, this would drive heightened demand for logistics assets close to production hubs, domestic manufacturing parks, and regional headquarters decentralised away from expensive global cities.

Scenario #2
Competitive Regionalism

Trade thrives within blocs but stalls across them, forcing businesses to go local on a global scale. Rather than complete retrenchment, this scenario assumes the world reorganises into blocs. North America, Europe, Greater China, and South Asia form internally coherent trade regions marked by harmonised regulations, coordinated industrial policies, and interlinked supply chains. However, trade between blocs is constrained by tariffs, legal hurdles, or political tension. The Asian Development Bank reports that intra-Asian trade now accounts for 58% of total Asian flows, a record high. CRE leaders must support regionalisation strategies by reshaping portfolios to align with region-specific compliance, culture, and capability requirements. Bilingual legal teams, cross-border HR strategies, and regional distribution models all become

priority investments.

Scenario #3
Rewired Globalisation

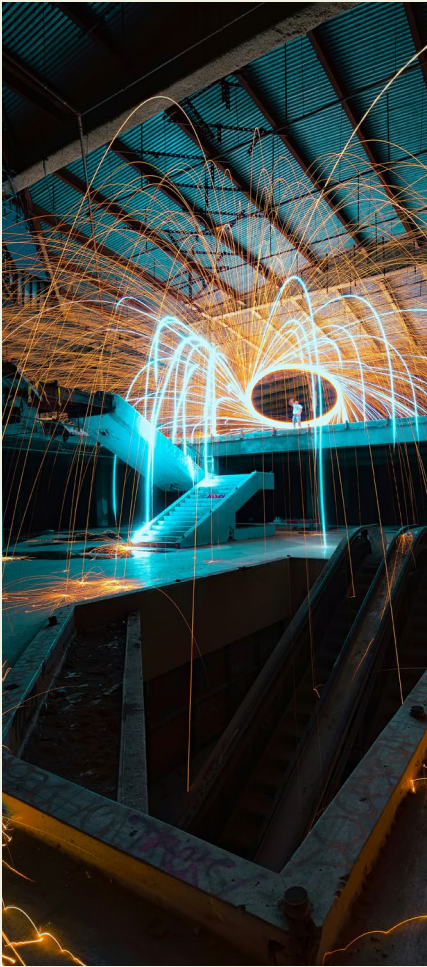
Global trade persists, but it’s powered by data, digitisation, and distributed intelligence – not shipping containers. In this future, globalisation doesn’t disappear—it evolves. Physical goods become a smaller part of the story. Instead, digital services, cloud infrastructure, and IP flows dominate. The IMF reports that cross-border digital trade grew 18% in 2024 and now represents 23% of global trade flows. Technology platforms replace shipping lanes. AI-led supply chain optimisation, digital twins, and decentralised production (such as 3D printing) redefine manufacturing logic. This world places a premium on data centres, cloud-capable office environments, and tech-savvy talent ecosystems. CRE portfolios shift towards networked locations rather than flagship towers.

Scenario #4
Managed Interdependence

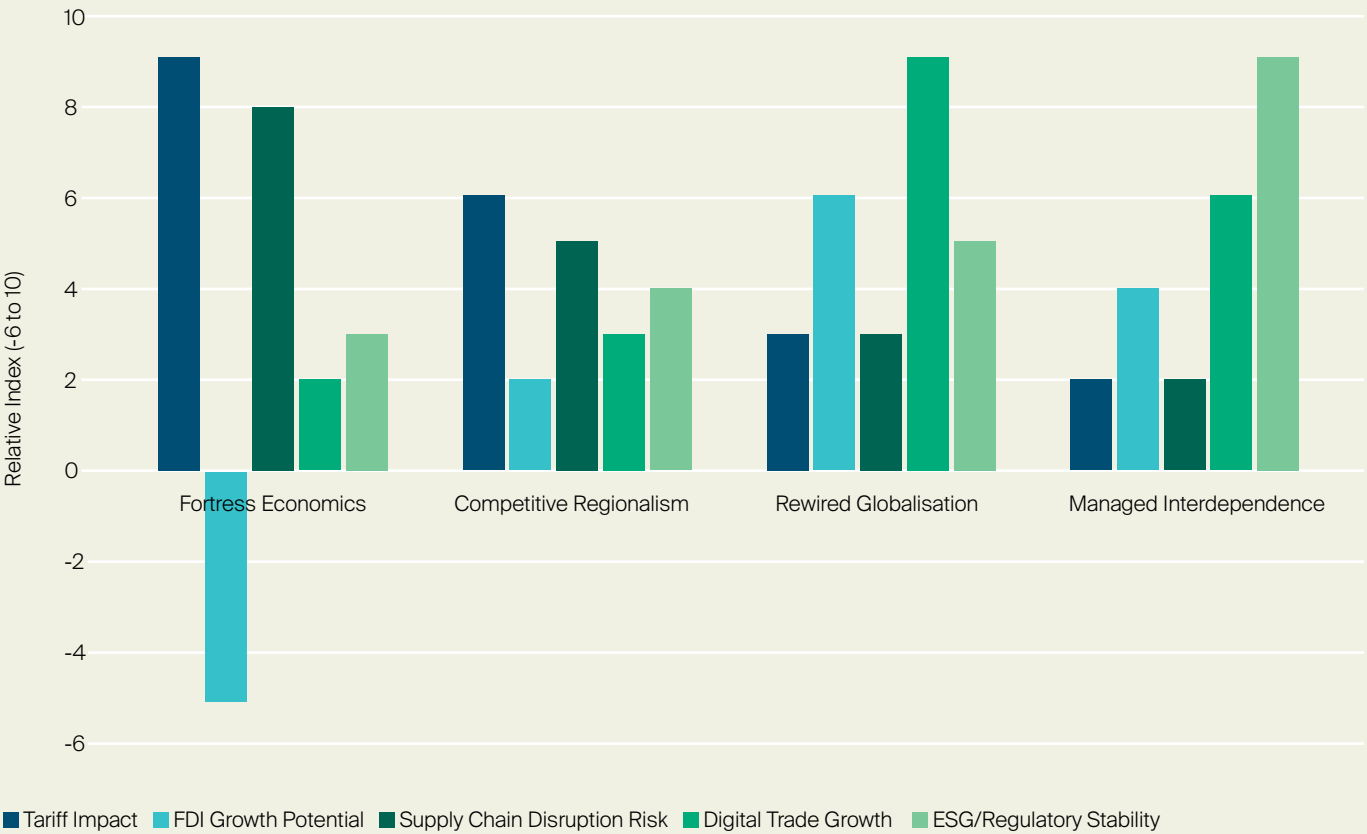
The return of global cooperation – with guardrails – where trust, transparency, and regulation shape new norms. After years of disruption, this scenario sees the world attempting to rebuild global coordination—albeit with more realistic guardrails. G20 nations recently agreed to a cross-border AI governance framework supported by 17 countries, and similar moves are underway in green finance and tech standards. Policy risk reduces but doesn’t vanish. ESG requirements intensify. Transparency becomes non-negotiable. Investment flows cautiously return to trusted jurisdictions. For real estate, this signals a resurgence of demand in regulatory-stable markets, particularly for ESG-compliant assets. Governance, reputation, and institutional trust become key location drivers.

Charting the Divergence:
A Scenario Comparison

To help visualise the divergent characteristics of the four outlined scenarios, the chart below maps each against five key indicators: tariff impact, FDI growth potential, supply chain disruption risk, digital trade growth, and regulatory/ESG stability. The data underscores the radically different risk-reward profiles at play. ‘Fortress Economies’ scores high on protectionism and disruption but low on growth potential. ‘Rewired Globalisation’ shows strong digital trade performance but depends heavily on robust digital infrastructure. ‘Managed Interdependence’ emerges as the most balanced scenario—moderate on disruption and regulation but offering higher trust and long-term planning confidence. These comparative insights are a reference point for decision-makers weighing strategic moves in an increasingly fractured landscape.



Comparative Outlook Across Global Economic Scenarios



So What? Implications for CRE and Corporate Strategy

These scenarios are not theoretical for corporate real estate leaders—they are strategic lenses for decision-making in a world defined by flux. The traditional rulebook of stable trade, reliable capital flows, and universal market logic no longer applies. Instead, CRE leaders are asked to plan for a future where economic geography is fluid, alliances are shifting, and policy can change overnight.

This calls for a deliberate shift in posture – from reactive space management to proactive strategic engagement. Portfolios must become more modular, diversified, and future-proofed – able to flex to emerging regional risks, regulatory divergence, and operational contingencies. Scenario planning should be embedded into portfolio reviews and boardroom conversations, not left as a once-a-year risk exercise.

More than ever, CRE teams must engage cross-functionally – partnering with strategy, legal, HR, finance and operations – to map out how physical footprint intersects with supply chain realignment, workforce strategy, and capital allocation. This means modelling a wider set of variables: talent access, tax incentives, ESG compliance, political exposure and digital infrastructure readiness.

The imperative is not just agility – it is informed agility. CRE must help businesses move quickly but wisely in an environment short of perfect information. This means developing clear internal playbooks on how to scale up, consolidate, or pivot across markets based on different geopolitical and economic triggers.

Finally, CRE leaders must champion institutional intelligence. Build institutional muscle for complexity. Push for decision rights that recognise CRE’s role in shaping – not just supporting – enterprise value. The organisations that do this will

protect against disruption and unlock growth where others hesitate to tread.

Real Estate Strategy in a Fractured World

The phrase “global economic order” once implied stability and convergence. In 2025, it means choices and consequences.

The global economy isn’t collapsing—it’s reorganising. And as with AI adoption, those who navigate intentionally will outperform those carried by the currents. For CRE leaders, this is not just a moment to react but also to reframe their value.

But that reframe demands courage. Corporate real estate leaders must step out of the role of passive enabler and into the role of strategic challenger – asking where space is needed and why. In a world where political decisions can rewire global markets overnight, digital infrastructure is as critical as physical, and where capital flows follow alliances, not just efficiency,

the ability to anticipate becomes more valuable than optimising.

This is the moment for CRE teams to challenge inherited assumptions. To partner with finance, legal, HR and strategy – not just to execute but to shape. It is important to model not just the cost of space but also the cost of inaction. To demonstrate how real estate decisions can unlock – or constrain – resilience, agility and growth.

This moment is challenging – and vital – because decisions must be made without perfect information. As geopolitical dynamics shift and institutional guardrails weaken, certainty will be elusive. Yet, waiting for clarity may be the riskiest option of all.

This is why scenario-based planning must sit at the heart of corporate real estate strategy. It allows organisations to act decisively, with strategic intent – even in the face of ambiguity. CRE teams must use scenarios not as static forecasts but as tools for testing risk exposure, stress-testing location strategies, and aligning with broader enterprise priorities. The goal is not to predict what comes next but to build a system that is agile enough to respond, redirect, and reimagine quickly.





INDUSTRIAL INSIGHT 2²

Transform or Decline: The Survival Imperative for Europe's Industrial Companies

Europe's industrial landscape faces a period of historic challenge that will shape not just the future of its companies but also the fabric of its economies, communities, and global standing for decades to come. This is not simply a matter of reshaping factors or balancing trade accounts – it's a test of Europe's resilience, adaptability, and ambition in the face of converging, high-stakes pressures. The continent's proud industrial tradition, which once set global benchmarks in automotive engineering, aerospace innovation, precision manufacturing, and advanced materials, is now being stress-tested like never before. From the energy crunch sparked by geopolitical tensions to the disruptive force of AI, from the accelerating demands of green transformation to the rising urgency of defence reindustrialisation, Europe must keep pace with global change and chart its bold path forward. This article explores the survival imperative facing Europe's industrial companies:



²This paper was first produced and published on LinkedIn on the 2nd June 2025.

the forces driving transformation, the tensions shaping strategic choices, and the scenarios that will ultimately determine whether Europe remains an industrial power or fades into the shadows of faster-moving global rivals.

In this insight, we explore the six deep drivers of industrial transformation, unpack the present tensions and contradictions, and lay out a series of sharply drawn scenarios for Europe's industrial future.

Under Pressure: The Context Behind Six Transformative Forces

Before we explore each of the six forces in detail, it is important to understand the context they share: they are not isolated forces but deeply interconnected shifts that overlap, amplify, and sometimes conflict with one another. Together, they form a web of pressure that is reshaping how Europe's industrial firms

must operate, invest and compete. Each domain – from digitalisation to defence, from green energy to supply chains, from labour dynamics to cyber threats – feeds into the others, creating a dynamic and often unpredictable environment. Grasping this interconnectedness is essential to appreciating the choices and pathways ahead.

#1 AI Infrastructure

Europe's Quiet Power in the Digital Revolution. While U.S. and Chinese tech giants battle over AI software supremacy, Europe's industrial champions have become the indispensable builders of the global AI backbone.

Schneider Electric, Siemens, ABB, and Legrand don't make algorithms; they make the physical systems that allow AI to function at scale: smart electrical grids, precision cooling systems, energy-efficient data centres, and automation

infrastructure. According to the *Financial Times*, these four companies have added over €150 billion in market capitalisation since late 2022, riding the wave of demand for AI-enabling hardware.

The International Energy Agency (IEA) projects that global electricity demand from data centres, cryptocurrencies, and AI will double by 2026, making energy management innovation essential. Schneider Electric is already working with Microsoft and Google on carbon-neutral data centre projects, while ABB is developing AI-integrated robotics for hyper-efficient automation.

Yet beneath this boom lies tension: Europe's green energy ambitions collide with the environmental costs of massive digital infrastructure. Companies must square the circle between scaling AI support and reducing energy footprints, or risk being seen not as enablers of progress but as sustainability laggards.

6 Transformative Forces Shaping Europe's Industrial Future



#2 Defence Retooling

The Military-Industrial Renaissance. Russia’s invasion of Ukraine shattered decades of European defence complacency. After years of underinvestment, Europe’s defence budgets surged: the European Defence Agency reported a 7% increase in EU military spending in 2024, with Germany, Poland, and the Baltics leading the charge.

BAE Systems saw defence orders jump 20% last year. Airbus Defence & Space expanded satellite and military aircraft production, while Italian firm Leonardo boosted electronic warfare and radar systems. Mid-tier suppliers like Rheinmetall in Germany and MBDA in France have reactivated plants, retrained workforces and ramped up production for NATO-aligned countries.

But this renaissance is not frictionless. Civilian manufacturers must pivot to defence-grade quality and security standards; supply chains strained by pandemic disruptions now face military demand surges; and political leaders must balance the economic opportunities of defence expansion against the ethical and public scrutiny it invites.

Moreover, defence growth is deeply geopolitical. As the U.S. urges European allies to take on more security responsibility, Europe’s military-industrial complex is set to become a regional force and a global player exporting capabilities, setting standards and shaping power dynamics.

#3 The Green Industrial Shift

Race to Decarbonise. Europe’s climate commitments are among the most ambitious in the world: net-zero emissions by 2050, with a 55% cut by 2030. Industrial sectors, responsible for over 20% of EU CO₂ emissions, are on the front lines.

Steel giant ArcelorMittal has pledged over €1.5 billion for hydrogen-based steelmaking, aiming to reduce the carbon intensity of one of the dirtiest industries. Volkswagen and

Volvo are electrifying vehicle fleets, shifting assembly lines and reshaping supply chains. Iberdrola and Ørsted are scaling offshore wind farms, anchoring entire industrial clusters around renewable energy.

Yet, Europe’s path is fraught with economic challenges. Industrial electricity prices in Europe are 2–3 times higher than in the U.S., a disadvantage intensified by the American Inflation Reduction Act, which offers subsidies and tax breaks that threaten to pull investment away from Europe. Analysts estimate Europe needs €1 trillion in industrial investment by 2050 to meet green goals. While the EU’s Green Deal Industrial Plan is a start, its scale and speed must match global rivals to keep European companies competitive.

#4 Supply Chain Resilience

Rebuilding for a Fractured World. The pandemic, the Suez Canal blockage, the war in Ukraine, and rising U.S.-China tensions have exposed the fragility of hyper-globalised supply chains.

Today, resilience trumps efficiency. According to the European Chamber of Commerce, 34% of EU companies operating in China have already shifted or plan to move parts of their supply chains either to Southeast Asia or back to Europe. The EU’s €43 billion Chips Act aims to localise semiconductor manufacturing, while pharmaceutical reshoring initiatives seek to prevent medicine shortages.

Yet the costs of resilience are steep: local production raises labour costs, while supplier diversification can dilute economies of scale. Moreover, political pressures complicate choices: can Europe build regional self-sufficiency without triggering new trade tensions or sacrificing global market access?

The supply chain transformation is not simply an operational shift. It is a strategic redefinition of how European industry connects to the world.

Three Strategic Scenarios: Where Does Europe Go Next?

Rather than splitting into narrow sector outcomes, we advance three integrated scenarios that reflect how Europe’s industrial system might evolve depending on how it manages these pressures.

Scenario #1
The Coordinated Industrial Renaissance

In this optimistic scenario, Europe successfully aligns public and private action, leveraging its industrial strengths and policy tools to transform challenges into growth. AI infrastructure, green manufacturing, and defence innovation reinforce one another, creating a diversified and resilient industrial base. Strategic reshoring strengthens regional security, while massive workforce investment plugs talent gaps. Europe sets global benchmarks in sustainable, secure industrial practices and reclaims its place as a global industrial powerhouse.

Key drivers: Strong policy coordination; aggressive investment in green and digital innovation; cross-border industrial collaboration; integrated workforce strategies.

Scenario #2
Uneven Transformation and Fragmented Gains

In this middling scenario, Europe progresses in some sectors but fails to align its broader industrial strategy. Leading companies succeed in AI infrastructure of green technologies, but gaps persist: workforce reskilling lags, cyber vulnerabilities remain, and regional fragmentation undercuts supply chain resilience. Growth is patchy, with some countries or sectors pulling ahead while others face decline. Europe remains relevant but struggles to compete with coordinated rivals like the U.S. and China.

Key drivers: Uneven investment and

policy follow-through; strong sectoral champions but weak system-wide integration; persistent regulatory and political fragmentation.

Scenario #3
Industrial Erosion and Strategic Decline

In this downside scenario, Europe fails to address its industrial pressures effectively. Energy costs remain high, green innovation stalls, AI infrastructure leadership slips away, and defence investment underdelivers. Workforce shortages deepen, cyber risks go unmitigated, and global competitors outpace Europe in innovation and market share. As a result, Europe’s industrial base erodes, with falling exports, lost strategic autonomy, and weakened economic influence.

Key drivers: Weak policy coordination; chronic underinvestment; inability to align green, digital and defence strategies; persistent talent and energy challenges.

The chart below plots the three

strategic scenarios along two critical dimensions: estimated likelihood and potential impact. This visual representation helps clarify not just what futures are possible but also how much weight they carry for Europe’s industrial destiny. While delivering the highest positive impact, the ‘Coordinated Industrial Renaissance’ scenario has only a moderate likelihood due to the complexities of aligning diverse national interests and industrial priorities. The ‘Uneven Transformation and Fragmented Gains’ scenario is assessed as the most likely outcome if current trends persist, but its impact is lower due to its patchy, uneven nature. While carrying a slightly lower likelihood, the ‘Industrial Erosion and Strategic Decline’ scenario represents the most damaging outcome in terms of lost competitiveness, economic influence, and strategic autonomy. The chart is not a predictive model but a strategic framing tool, helping leaders visualise where Europe might be headed – and where focused action could shift the odds.

Conclusion: Why this Decade will Decide Europe’s Industrial Fate

Europe’s industrial future is not merely a question of competitive positioning. It is a question of existential survival in a world undergoing seismic shifts.

The forces at play are complex and interwoven: the explosive demand for AI infrastructure, the geopolitical reawakening of defence priorities, the global race to decarbonise heavy industry, the restructuring of supply chains around resilience rather than pure efficiency, the urgent need to reskill a shrinking and ageing workforce, and the escalating cyber threats targeting critical systems. Each force alone would pose a formidable challenge. Together, they constitute a once-in-a-century stress test for Europe’s industrial backbone.

Inaction is not an option. Incremental improvements or isolated innovations will not protect Europe’s industrial standing in a global economy where the United States is unleashing

Strategic Scenarios for Europe’s Industrial Future

Estimated Likelihood vs Potential Impact



massive industrial policy through the Inflation Reduction Act, where China is doubling down on state-backed manufacturing scale and technological dominance, and where emerging economies are rapidly ascending the value chain.

To meet this moment, Europe must think bigger and act faster. Companies must break free from the inertia of legacy operating models and embrace reinvention across functions: digitalising operations end to end, embedding sustainability into every production decision, rebuilding supply chains around strategic security, investing heavily in workforce transformation, and integrating cyber resilience into their industrial DNA.

But companies cannot do it alone. Policymakers must deliver a bold, coordinated industrial strategy that mobilises public and private capital at scale, harmonises regulatory frameworks to speed innovation, and defends Europe's industrial champions on the world stage. Cross-sector collaboration between industry, government, academia, labour, and finance will be essential to convert isolated success stories into a systemic European resurgence.

And the stakes could not be higher. At risk is not just GDP or export share but the very architecture of Europe's economic sovereignty, technological relevance, and social stability. An industrial decline would reverberate across communities, eroding middle-class jobs, undermining supply chain resilience, and diminishing Europe's global influence. In contrast, a bold industrial renewal could anchor Europe's green ambitions, secure its place in the global digital economy, strengthen its security partnerships, and deliver long-term, inclusive prosperity.

The next decade will be a defining chapter in Europe's industrial history. It will separate the companies that evolve into global leaders from those that fade into irrelevance. It will reveal whether Europe can forge a coherent industrial vision or be outpaced by geopolitical rivals. It

will also determine whether future generations will inherit a continent defined by industrial dynamism or deferred potential.

The path forward is clear: Europe must transform not cautiously or partially but comprehensively and decisively. The survival imperative is here, and the time to act is now.



INDUSTRIAL INSIGHT 3³

Industrial Britain Reimagined: Insights from the 2025 Future Gazing Report



CLAIRE WILLIAMS

Partner,
Head of UK & European Industrial Research

Britain's factories are no longer relics of a fading industrial past – they are fast becoming the frontline of a global contest for resilience, innovation and growth. This article reflects the findings of *Future Gazing 2025: Manufacturing Evolution and Implications for Industrial and Logistics*, published in January 2025.

That report set out the changing shape of UK manufacturing and its impact on real estate, highlighting how demand is diversifying away from e-commerce alone towards a new wave of advanced production. The UK, once thought to have ceded its industrial might, is now at the heart of a manufacturing revival. What follows explores the drivers of this shift, the headwinds that temper it, and the implications for occupiers and their real estate footprints in Britain and beyond.

A Reshaped Manufacturing Base

Over the past twenty years, the UK has seen its industrial base pivot from traditional heavy industry towards advanced and knowledge-intensive sectors. Aerospace, pharmaceuticals, defence, hydrogen technologies,



³This paper was first produced and published on the 17th January 2025.

and life sciences now dominate the growth agenda. These industries demand facilities that are very different from the factories of the past: bespoke spaces co-located with R&D, capable of accommodating sensitive production processes, and designed to attract highly skilled labour.

The statistics are telling. UK manufacturing output is forecast to grow by 12% by 2033 – outpacing the 8.6% achieved in the previous decade. Within that figure, some subsectors are primed for far faster growth. For example, the ONS sector category ‘Other transport equipment’ – which includes aviation, shipbuilding and space industries – could see output grow by over 20 per cent. Pharmaceuticals, computer and optical equipment, and advanced engineering are expected to follow a similar path.

For corporate real estate leaders, the implication is clear: tomorrow’s demand will be less about volume and more about specification. Manufacturing occupiers require flexible, high-specification facilities embedded in talent-rich ecosystems. This is as true in Sheffield or Coventry as it is in Hamburg, Toulouse, or Shenzhen.

Manufacturing as a ‘Sticky’ Tenant

One striking theme is the stickiness of manufacturing occupiers, which was referenced in our first Industrial Anthology. Unlike retailers or 3PLs, who can shift contracts with relative ease, manufacturers embed vast capital into their facilities. Specialist machinery, custom fit-outs, and localised training programmes make relocation costly and disruptive. As a result, manufacturing tenants in the UK average lease terms of 12.1 years – longer than in retail or logistics.

This anchors local economies. A food producer in Kent or an aerospace supplier in Lancashire is not only investing in plant and machinery but also in apprenticeships, skills academies, and local supply

networks. From a real estate perspective, these investments create stability but also limit flexibility. A facility designed for precision engineering may prove challenging to repurpose for alternative occupiers.

Policy, Incentives, and the State’s Hand

Manufacturing’s resurgence is not accidental. Tax policy has played a decisive role. The UK’s adoption of permanent ‘full expensing’ for capital investment, effectively a 100% first-year tax deduction on plant and machinery, has significantly incentivised firms to invest in equipment and facilities. This is echoed globally, from the US Inflation Reduction Act to the EU’s Green Deal Industrial Plan, all designed to stimulate domestic production capacity.

The result is a manufacturing race, one that places industrial real estate at the centre of national competitiveness. The UK government’s creation of 13 Investment Zones – focusing on advanced manufacturing, green industries, and life sciences – is emblematic. Sheffield’s Advanced Manufacturing Park and Coventry’s Gigapark are not just developments; they are statements of intent, intended to create ecosystems where skills, research, and production co-locate.

For occupiers, the lesson is that site selection is no longer just about land and logistics. Fiscal incentives, planning policy, and proximity to R&D clusters are decisive factors shaping their industrial footprints.

Headwinds: Costs, Competition, and Geopolitics

No growth story is without risks. The UK manufacturing sector is highly exposed to international demand, with 35% of output reliant on exports compared with 16% across the broader economy. This amplifies the impact of geopolitical headwinds:

tariffs, trade disputes, and fluctuating demand from major markets such as the EU, US, and Asia.

Operating costs are another challenge. UK manufacturing wages average 10 per cent above the economy as a whole, and employment densities in production facilities are at least twice those of distribution centres. Energy costs compound this burden. In 2022, UK manufacturers saw electricity prices rise by 67%, and gas by 95% year-on-year. Although prices have since eased, volatility has pushed many firms towards on-site generation and microgrids, a trend with significant real estate implications. Facilities must now accommodate renewable power systems, battery storage, and other resilience-oriented infrastructure.

Globally, the competitive landscape is intensifying. China has moved up the value chain into high-tech manufacturing. India is positioning itself as both a mass producer and a hub for advanced industries. For the UK, and Europe more broadly, survival depends on specialisation – anchoring around high-value, innovation-driven sectors rather than chasing low-cost competition.

The Future Gazing Report was published prior to the Trump administration declaring the 2nd April ‘Liberation Day’, imposing a blanket 10 per cent tariff on all US imports and triggering a new round of retaliatory measures worldwide. For the UK, the announcement has proved both a threat and an opportunity.

The threat lies in the UK’s export profile: aerospace, automotive, and pharmaceuticals all count the US amongst their largest end-markets. Tariffs risk eroding price competitiveness and straining margins in exactly the subsectors driving Britain’s manufacturing revival. For occupiers, this creates pressure to adapt facilities for more regionalised supply chains, with some considering partial relocation of final assembly or distribution functions closer to continental Europe.

Yet Liberation Day has also sharpened the case for resilience, accelerating the very trends that underpin Britain’s industrial revival. As corporates reconsider their exposure to single markets, the UK’s proposition – high-value clusters, access to skills, and strong intellectual property protections – becomes more attractive. Manufacturers in these sectors may well position the UK not simply as a production base but as a strategic node in globally distributed networks.

The occupier implication is that UK industrial real estate must now be future-proofed for volatility. Facilities will need to accommodate greater flexibility in output mix, more robust logistics connectivity to multiple markets, and, in some cases, dual compliance regimes to serve both US and EU customers. Liberation Day challenges the orthodoxies of global trade. It has also reinforced a central message: resilience, not just efficiency, is the defining principle of tomorrow’s manufacturing footprint.

Regional Patterns and Productivity Gaps

Against this backdrop, the geography of manufacturing is also shifting. The North West retains the UK’s largest manufacturing floor space share (16.2%) and remains the top contributor to GVA. Yet the South East, with only 3.8% of floor space, generates the second-highest output, highlighting productivity disparities.

These differences matter for occupiers planning new facilities. In the South East, £1 million in output required just 2,332 sq ft of industrial space, compared with over 5,700 sq ft in the North East. For real estate strategy, this means different equations of cost, talent, and efficiency must be balanced across regions. Investment Zones may help narrow these gaps, but they also reinforce the idea of cluster-based growth, where regions specialise in particular subsectors – automotive in the Midlands, aerospace in the North West, life sciences in the South East.

Internationally, similar patterns emerge. Germany’s Bavarian aerospace cluster, the US Midwest’s battery belt, and Singapore’s pharmaceutical parks all demonstrate how regional specialisation concentrates demand for bespoke industrial facilities.

Occupier Implications: The Factory Reimagined

In terms of what this means for occupiers, there are several considerations for corporate real estate leaders:

- 1. *Bespoke specification is now the norm.* Facilities must integrate manufacturing, R&D, and office functions, accommodate high energy loads, and comply with stringent ESG requirements.
- 2. *Talent is the magnet.* Locations are chosen less for transport links and more for access to skilled labour pools and partnerships with universities.
- 3. *Resilience drives design.* Energy independence, supply chain flexibility, and dual-sourcing strategies mean factories are being re-engineered for uncertainty.
- 4. *Green leases are on the rise.* Landlords and occupiers must navigate the tension between sustainability reporting and the operational sensitivities of manufacturing processes.

These factors are reshaping not only the design of individual buildings but the very definition of what a ‘factory’ is. Increasingly, it is less a shed on an industrial estate and more a hybrid campus, combining laboratories, cleanrooms, digital control centres, and production lines under one roof.

Beyond the UK: A Global Industrial Realignment

The UK’s trajectory mirrors a broader global realignment of manufacturing. Governments from Washington to Tokyo are prioritising industrial resilience as a matter of national



security. Defence spending is spurring aerospace and weapons manufacturing. Energy transition is creating vast demand for battery plants, hydrogen hubs, and renewable technology supply chains. Pharmaceuticals and life sciences are seen as critical national infrastructure following the COVID-19 pandemic.

This re-industrialisation wave has profound implications for real estate. The demand profile is moving away from commoditised sheds towards specialist, technically complex facilities. Lease terms are lengthening. Sustainability is non-negotiable. And location strategy is now as much about geopolitics as it is about logistics.

For UK occupiers, this means competing not only within domestic clusters but also against global hubs offering generous subsidies, lower costs, and integrated ecosystems. The battle for industrial competitiveness is being fought as much on the real estate front as on the shop floor.

Conclusion: The New Industrial Contract

Future Gazing 2025 findings point to a manufacturing sector at a crossroads. Growth is real but uneven, stability comes with inflexibility, and opportunities are inseparable from risks. For corporate occupiers, the challenge is to reimagine their industrial strategies for this new era. This means:

- Aligning footprints with high-value clusters where skills, incentives, and ecosystems converge.
- Designing facilities for resilience – energy secure, technologically adaptable, and ESG-compliant.
- Balancing global and local dynamics, ensuring that supply chains remain competitive but also resilient to shocks.

The 12% forecast for UK manufacturing output growth by 2033 is not simply a statistical projection. It is a marker of manufacturing’s renewed centrality to economic,

social, and geopolitical life. For corporate real estate leaders, the message is equally stark: the industrial estate is no longer peripheral. It is mission-critical infrastructure – an anchor for competitiveness, a platform for innovation, and a frontline in the contest for resilience.



As we continue to explore how factories, logistics and supply chains are being rewritten, one truth stands out: the future of manufacturing real estate is no longer about square footage alone. It is about purpose, productivity, and positioning in a world where the factory has become both a workplace and a strategic asset.

INDUSTRIAL INSIGHT 4⁴

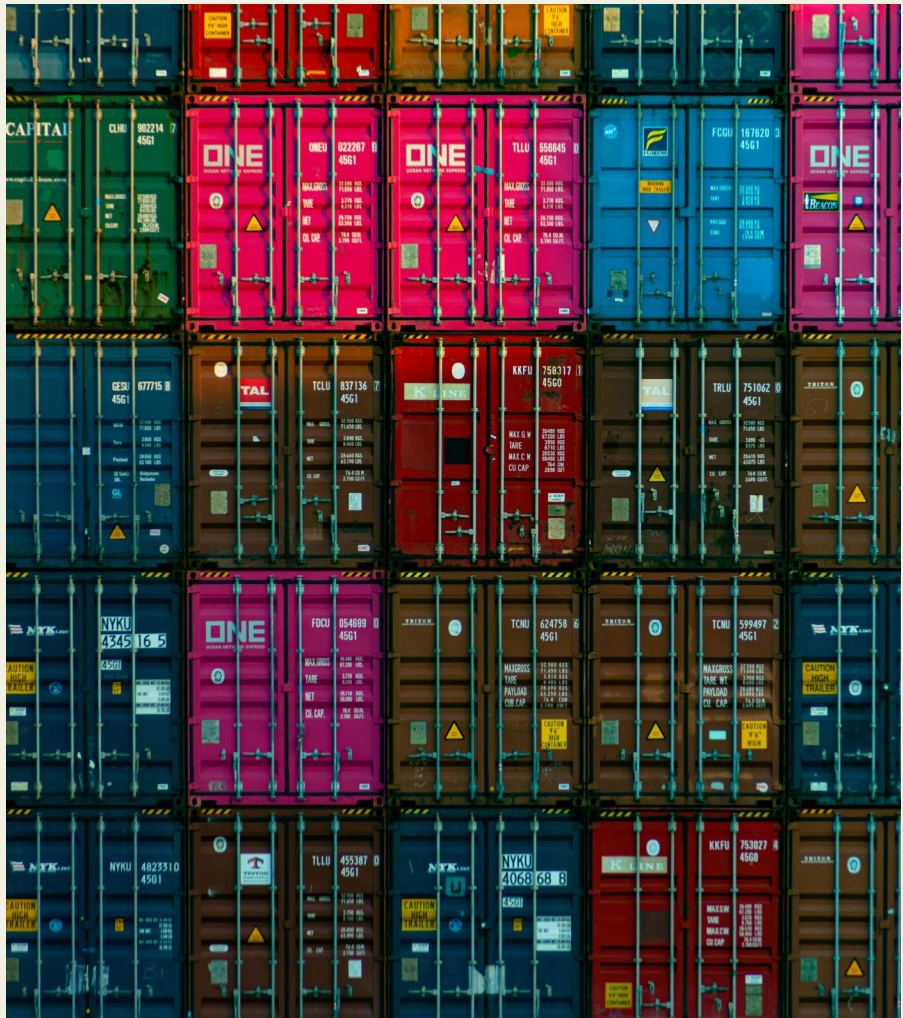
From Whiplash to Resilience: How Occupiers are Redrawing Asia-Pacific’s Industrial Map



CHRISTINE LI
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Tariffs once felt like temporary disruptions—today they are the baseline. Trump 2.0’s aggressive trade regime has accelerated structural shifts that were already in motion: the unravelling of global supply chains, the fragmentation of trade blocs, and the rise of regionalisation as the defining lens for corporate real estate strategy. For industrial occupiers, this is not a cyclical storm to ride out. It is a permanent reordering of cost structures, location choices, and lease strategies across Asia-Pacific and beyond.

This article distils the lessons from *Whiplash to Resilience: Corporate Real Estate in the New World Order* – published by our Asia-Pacific Research team in May 2025. Focusing specifically on industrial real estate, it traces how occupiers - manufacturers, logistics providers, and SMEs - are responding to the pressures of tariffs, supply chain shocks, and geopolitical realignment. The story is one of uneven impacts but clear direction: resilience now trumps expansion, and flexibility is the currency of survival.



⁴This paper was first produced and published on the 20th May 2025.

The Tariff Shock and Its Industrial Fallout

Trump’s second administration has widened tariffs to 57 countries, lifting the effective rate on Chinese goods from 19% to 124% and pushing the global average above 10%. For industrial occupiers, the fallout is immediate and regionally uneven.

In China, vacancy rates in Shanghai and Beijing logistics hubs have climbed as oversupply collides with declining export competitiveness. Occupiers embedded in Chinese supply chains must weigh the sunk costs of heavy investment against the erosion of global demand. Some are doubling down on domestic markets, others are pursuing accelerated diversification, but few can afford to ignore the new reality of diminished export viability.

Southeast Asia and India present a very different picture. Despite new supply, vacancy levels in Bengaluru, Jakarta, Ho Chi Minh City, and Hanoi remain stable as manufacturers and logistics providers diversify operations away from China. Vietnam and Indonesia have been particular beneficiaries, attracting both foreign direct investment (FDI) and Chinese capital seeking tariff-free entry points into global supply chains. India, meanwhile, has turned diversification into statecraft, combining the Make in India initiative with global corporations’ need for tariff resilience.

In North Asia, the story is more challenging. Japan and South Korea - highly dependent on auto and electronics exports - face US tariffs of 25%. Occupiers are recalibrating production lines and exploring downstream markets, but their real estate portfolios remain exposed to sustained demand contraction.

What is clear is that the industrial map is being redrawn. Locations once optimised purely for scale and efficiency are now being assessed for tariff exposure, supply chain optionality, and their ability to support domestic demand.

From ‘China +1’ to ‘China +Many’

The early tactical response to tariffs was the so-called ‘China +1’ strategy: retaining China as the anchor while cultivating a single alternative hub. That approach has evolved into a ‘China +Many’ strategy. Occupiers now view diversification across multiple jurisdictions as essential, not optional.

Vietnam remains the standout beneficiary. Leasing enquiries have been elevated for years, with multinationals committing to industrial parks in and around Ho Chi Minh City and Hanoi. Occupiers no longer see the country merely as a hedge, but as a core element of their production and distribution networks.

Indonesia, too, has benefited from automotive, electronics, and pharmaceutical expansion. Occupiers are expanding inventories and commissioning facilities, with demand for industrial and logistics space projected to grow by as much as 20% in the near term.

India has consolidated its status as the diversification hub of choice. Global players such as Apple and Foxconn are embedding manufacturing operations, creating knock-on demand for logistics space and driving build-to-suit activity across multiple states. The sheer scale of India’s labour market and domestic consumption makes it a long-term anchor for occupiers, not just a stopgap against tariffs.

The implication for occupiers is that resilience is not secured by shifting from one hub to another but by distributing production across multiple sites. This inevitably multiplies real estate exposure: a more complex web of leases, facilities, and regulatory environments to manage. But the reward is durability in the face of unpredictable shocks.

The Rise of Build-to-Suit and Flexible Leasing

Uncertainty has made long-term

commitments less attractive. Occupiers are no longer content with accepting speculative stock or rigid leases. Instead, two patterns dominate: build-to-suit facilities and flexible lease structures.

In India and Malaysia, multinational manufacturers relocating from China are commissioning purpose-built facilities that integrate production, research, and logistics. These schemes enable occupiers to lock in efficiency gains, ensure compliance with environmental standards, and future-proof operations against regulatory shifts.

At the same time, flexible leases are becoming standard in markets such as Vietnam and Indonesia. Occupiers now push for short terms with expansion and break clauses, often denominated in US dollars to manage currency risk. Rent-free periods and fit-out contributions are being written into contracts to give occupiers operational breathing space.

The broader outcome is that landlords are competing less on headline rents and more on flexibility, speed-to-market, and the ability to offer facilities tailored to occupier needs. For corporate real estate leaders, this signals a decisive shift: agility is becoming a contractual requirement, not a nice-to-have.

Occupier Segmentation: Multinationals and SMEs

The tariff shock has split the occupier universe. Large corporates, with capital and global reach, can diversify across multiple countries. Small and medium-sized enterprises - who represent over 90% of firms and up to half of GDP across APAC - do not have that luxury.

For SMEs, rising input costs and disrupted supply chains are squeezing margins. Many are deferring relocations, delaying lease renewals, or downsizing facilities. This is evident in increasing vacancy across strata-titled light industrial units in markets such as Malaysia and South Korea, where SMEs form the bulk of occupier demand.

Governments are attempting to offset the pain. Indonesia is investing in automation-ready parks designed for smaller occupiers. Thailand’s Eastern Economic Corridor is pitching multi-tenant parks. Malaysia has expanded its special economic zone incentives. These initiatives are helping, but the divide between multinationals and SMEs is growing. Large firms are redrawing the map, while smaller firms are focused on survival.

Energy, Infrastructure, and the New Cost Equation

Beyond tariffs, energy costs and infrastructure bottlenecks are reshaping occupier decisions.

Industrial occupiers across APAC have seen utility costs climb steeply, especially in energy-intensive sectors such as automotive and semiconductors. In Vietnam, unreliable grid capacity has forced firms to invest in backup generation. India’s patchwork infrastructure adds to logistics costs, pushing occupiers to cluster near ports or

within well-serviced industrial corridors. In Indonesia, occupiers are weighing rising energy bills against government incentives to invest in renewables.

For many, energy resilience has become a decisive factor in site selection. Facilities are being designed with microgrids, solar panels, and battery storage, not only to manage costs but to ensure continuity in volatile power markets. Industrial parks that are able to guarantee reliable, renewable power are becoming more attractive, even at a rent premium. The real estate implication is profound: power security is now central to the occupier’s decision.

Sectoral Nuances: Autos, Electronics, and Pharma

Not all sectors experience tariff shocks in the same way.

The **automotive sector**, heavily concentrated in Thailand and Indonesia, has seen exports squeezed

by higher tariffs. Occupiers are pivoting towards domestic and regional demand, investing in EV and battery production to align with new consumer trends. This is reshaping facility requirements towards more technologically sophisticated plants, with higher power and ESG compliance needs.

Electronics and semiconductors, dominated by South Korea, Taiwan, and parts of China, face acute exposure. Tariffs on intermediate goods have disrupted finely tuned just-in-time supply chains, forcing firms to consider regionalising production. Occupier strategies increasingly involve locating plants closer to end-markets and embedding R&D functions alongside manufacturing.

Pharmaceuticals and life sciences, by contrast, have proven more resilient. Demand for medicines is relatively inelastic, and tariffs have had less direct effect. However, regulatory fragmentation is complicating supply chains,



with occupiers needing multiple compliance regimes. This is encouraging investment in multi-jurisdictional facilities and hybrid distribution centres that combine cold storage, R&D, and production.

The result is that industrial occupier demand is not just diverging by geography but also by sector, with each industry segment layering its own set of requirements on to the broader resilience agenda.

Regional Patterns and Divergence

The winners and losers of this new landscape are already clear.

India, Indonesia, and Vietnam are consolidating their positions as winners, driven by demographics, relative cost advantages, and state-backed incentives. Their absorption levels are robust, and occupier demand is pulling forward new development cycles.

Malaysia sits in the middle, benefiting from diversification but dampened by investor caution and slower policy execution. Thailand is similarly squeezed, with its auto-heavy base vulnerable to US tariffs despite government support.

China, Japan, and South Korea are absorbing the heaviest blows. Vacancy is rising in Chinese logistics hubs as demand ebbs away. Japanese and Korean occupiers in export-heavy industries face structural demand erosion, forcing a rethink of their real estate commitments.

This divergence underlines a broader truth: occupier demand is now following the contours of resilience rather than the pursuit of lowest cost.

The Occupier Playbook: Building Resilience

For industrial occupiers, three themes define the new playbook.

Tariffs as the new baseline. Occupiers must plan for structurally higher costs, embedding flexibility in leases to preserve agility. Expansion

rights, subletting clauses, and rent-free periods are becoming standard defensive tools.

Decoupling as a driver of bifurcation. Occupier portfolios increasingly straddle multiple ecosystems: US-aligned markets, China-aligned markets, and neutral hubs such as India and ASEAN. This demands facilities capable of serving divergent regulatory regimes and customer bases, often simultaneously.

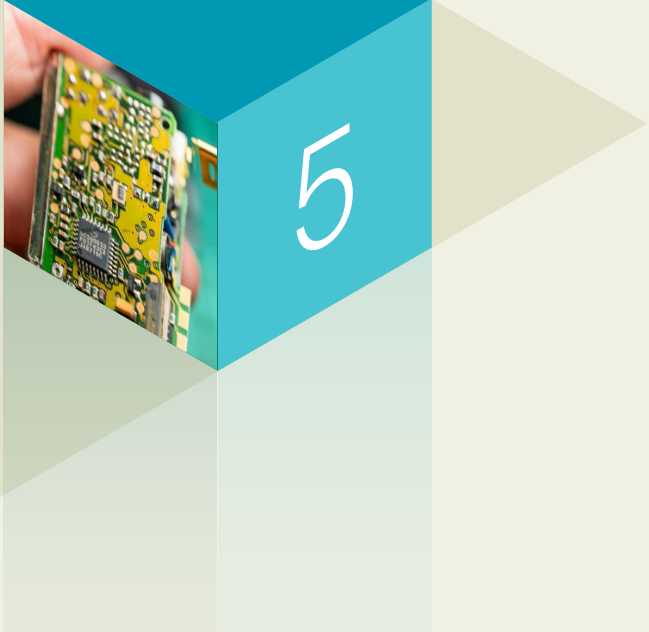
Diversification as standard operating procedure. Distributed supply chains require distributed footprints. The complexity of managing multiple facilities is rising, but so is the reward: operational durability in a volatile environment.

Conclusion: Resilience Redefined

The industrial landscape of Asia-Pacific is being reshaped before our eyes. For occupiers, resilience is no longer an abstract aspiration - it is the organising principle of location,

leasing, and investment strategy. Factories and warehouses are not merely spaces to produce or store; they are hedges against tariffs, platforms for diversification, and anchors of operational continuity. Energy resilience, sectoral specialisation, and flexible contracts now carry equal weight with rent and location when determining strategy.

The lesson is simple: the era of whiplash is over, but it has given rise to something more enduring. Industrial occupiers are entering an age defined by resilience, where the right real estate strategy is the difference between being stranded on yesterday's map or securing a future-proofed position in the new regional order. For corporate real estate leaders, this means moving beyond footprint expansion to a more demanding agenda: delivering operational durability, building sector-specific capability, and embedding resilience as the measure of long-term competitiveness.



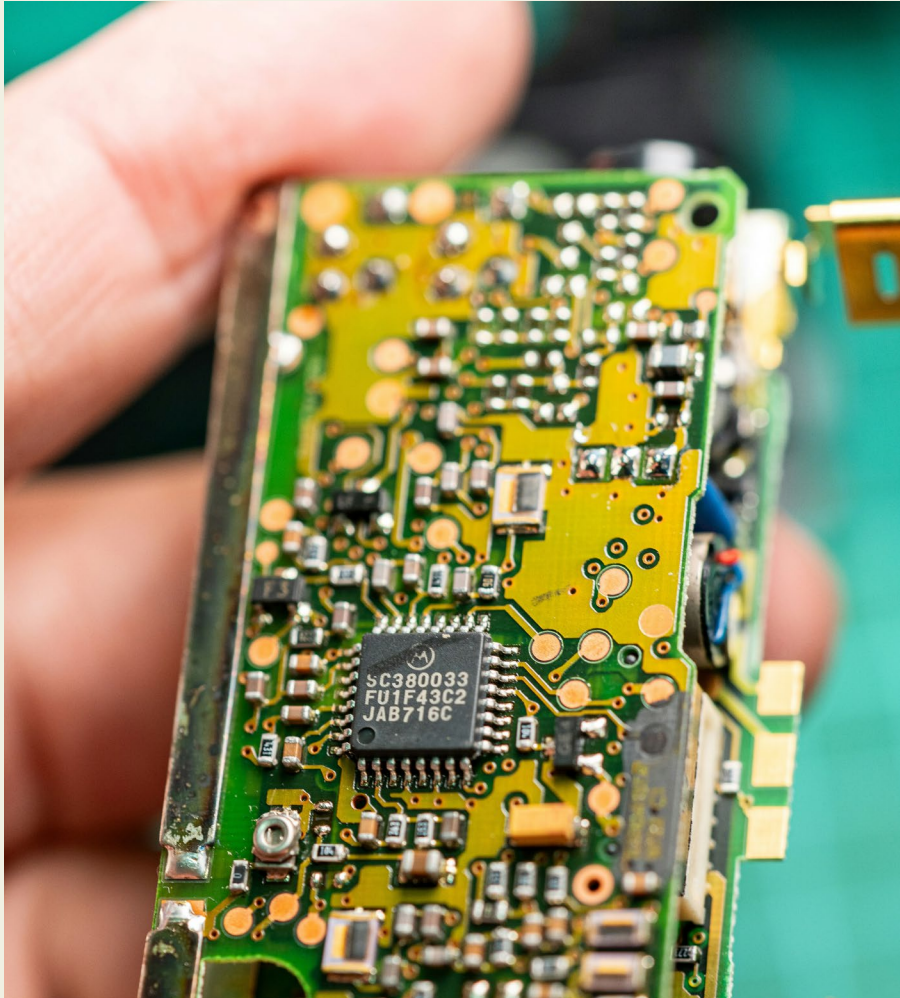
INDUSTRIAL INSIGHT 5⁵

The Reshoring Era: Can the Surge Survive Policy Uncertainty?

In the aftermath of the COVID-19 pandemic, amid geopolitical flashpoints and a growing desire for national economic resilience, the conversation around reshoring – bringing manufacturing and supply chains back home – has shifted from theory to reality. Once a spectacular political talking point, reshoring became a genuine force reshaping industrial strategies, national policies, and corporate boardroom decisions across the world.

Indeed, in 2025, major companies across industries are making headlines with billion-dollar announcements: semiconductor giants setting up domestic fabs, automakers reengineering their production footprints, and consumer goods firms scrambling to localise supply chains. This is more than symbolic nationalism; it is a reaction to hard lessons learned from supply chain fragility, geopolitical dependencies, and pandemic-induced shocks.

Yet beneath this apparent momentum, new data and shifting realities suggest the surge may be faltering –not because the logic of reshoring has weakened, but



⁵This paper was first produced and published on LinkedIn on the 16th June 2025.

because the terrain has become more treacherous. Legal uncertainties, rising costs, and the need for nuanced, blended strategies are complicating the reshoring picture on both sides of the Atlantic.

The Early Movers: Headlines and Realignment

In the United States, the reshoring wave has been most visible in sectors central to national security and technological competitiveness. Intel invested a staggering \$12bn in two new semiconductor fabrication plants in Arizona, seeking to reduce dependence on Taiwan and South Korea and bolster America’s position in the chip race. General Motors committed \$7bn to electric vehicle battery production in Michigan, reshoring key components previously sourced from China and Mexico.

Stanley Black & Decker, responding to supply chain turmoil, made headlines by returning its iconic Craftsman tool line from Chinese factories to a gleaming new facility in Fort Worth, Texas. Meanwhile, Tesla and Redwood Materials focused on building a closed-loop EV battery ecosystem in Nevada, aiming to reduce exposure to vulnerable global supply chains.

Other consumer brands followed suit. Whirlpool increased its investment in assembly plants in Ohio and Tennessee, moving production back from Mexico. At the same time, Mars Inc. shifted more of its food and pet care manufacturing from Latin America and Europe into U.S. regional hubs. Across sectors, these decisions were framed as strategic recalibrations designed to bring operations closer to consumers, shorten supply chains, and hedge against geopolitical risk.

Europe’s Reshoring Push: A Quieter but Steady Rebuild

Across the Atlantic, Europe has embarked on its own reshoring

journey, often with less fanfare but no less determination. Driven by the EU’s industrial strategy and the bloc’s concerns over digital sovereignty, European companies and governments have focused heavily on critical sectors like semiconductors and advanced manufacturing.

Taiwan’s TSMC has announced a major new chip design centre in Munich, Germany, aligned with the EU’s ambition to double its share of global chip production by 2030. Philips, the Dutch electronics giant, has reshored some of its manufacturing from Asia back to the Netherlands, improving lead times and enabling faster responses to European customer needs.

In the automotive sector, BMW has bolstered its manufacturing presence in Germany, reversing past offshoring of specific components to Eastern Europe and Asia. Meanwhile, British knitwear icon John Smedley has revived third-party manufacturing at its Derbyshire factory after decades of outsourcing to China, India, and Turkey, tapping into demand for “Made in UK” goods and broader sustainability goals.

French-Italian semiconductor leader STMicroelectronics has expanded European chip production under the EU Chips Act, whilst Polestar, the Swedish-Chinese EV maker, has announced it will shift European production of its Polestar 4 from China to Volvo’s plant in Ghent, Belgium – a move that lowers tariff exposure and brings production closer to core European markets.



SIGNIFICANT COMPANY RESHORING AND NEARSHORING MOVES

COMPANY	FROM	TO	RATIONALE
Intel	Taiwan, South Korea	Arizona, USA	Reduce chip dependency on Asia; secure U.S. semiconductor supply chain.
General Motors	China, Mexico	Michigan, USA	Localise EV battery and component production; national security priorities.
Stanley Black & Decker	China	Fort Worth, Texas, USA	Mitigate supply chain disruptions; revive 'Made in USA' branding.
Tesla / Redwood Materials	Global battery chains	Nevada, USA	Build a closed-loop EV battery ecosystem; reduce global risk.
Whirlpool	Mexico	Ohio, Tennessee, USA	Streamline logistics; strengthen U.S. production capacity.
Mars Inc	Europe, Latin America	U.S. regional hubs	Localise manufacturing; meet sustainability and agility goals.
TSMC	Taiwan	Munich, Germany	Establish an EU chip design centre; support European semiconductor self-sufficiency.
Philips	Asia	Netherlands	Shorten supply chains; improve European responsiveness.
BMW	Eastern Europe, Asia	Germany	Reshore components; align manufacturing with German R&D.
John Smedley	China, India, Turkey	Derbyshire, UK	Revive British production; tap 'Made in UK' premium demand.
STMicroelectronics	Taiwan, China	France, Italy	Expand EU production under the Chips Act; reduce Asian reliance.
Polestar	China	Ghent, Belgium	Avoid EU tariffs; supply the European EV market efficiently.

The Tariff Trap: Legal Challenges and Uncertainty

Tariffs were initially seen as the sharp-edged tool to drive reshoring, but in 2025, they have become a source of volatility. The U.S. ‘Liberation Day’ tariffs, introduced in April, imposed a 10% baseline duty on most imports, a staggering 125% on Chinese goods, and eliminated the de minimis threshold for small shipments from China and Hong Kong – all designed to shock supply chains into localising.

Yet legal pushback arrived swiftly. In May, the U.S. Court of International Trade ruled that President Trump’s sweeping tariffs, imposed under the International Economic Powers Act, exceeded constitutional authority, stating that regulating international commerce is fundamentally Congress’s job. For a moment, significant portions of the tariff regime were struck down – until a federal appeals court temporarily stayed the ruling, leaving the tariffs in place while the appeal process unfolds.

This legal uncertainty has created real-world hesitation. As one trade executive put it to Barron’s, ‘It’s hard to build a five-year investment plan when your cost assumptions can flip with the next court decision.’ What was meant to be a clear incentive for reshoring has, ironically, become a destabilising force.

Is Nearshoring Just About Tariffs?

While tariffs have undeniably catalysed some shifts, the rise of nearshoring – relocating operations to politically aligned, geographically closer countries – is not solely a tariff-driven phenomenon.

The COVID-19 pandemic exposed just how brittle long-distance supply chains can be, making resilience a top priority. Firms have realised that having suppliers thousands of miles away, subject to port closures, shipping delays, or geopolitical

frictions, carries enormous risk. By contrast, nearshoring offers the ability to respond more nimbly to market changes, reduce lead times, and manage inventory more efficiently.

Trade agreements such as the United States-Mexico-Canada Agreement (USMCA) have also made nearshoring to Mexico more attractive by offering smoother regulatory processes and tariff advantages. Countries like Vietnam, Malaysia, and India provide skilled workforces, improving infrastructure, and competitive costs, making them ideal for firms looking to balance risk, cost, and political alignment.

Additionally, sustainability pressures are reshaping sourcing strategies. Shorter supply chains translate into lower carbon footprints, aligning with both corporate ESG commitments and consumer expectations for greener products.

In short, while tariffs are an accelerant, nearshoring reflects a more profound, structural recalibration of how companies think about supply chain resilience, cost efficiency, and sustainability in a volatile world.

The Strategic Shift: Blending Domestic and Regional Solutions

Recognising these realities, companies are no longer pursuing reshoring as a pure ‘homecoming’. Instead, they are developing blended strategies that combine reshoring, nearshoring, and friendshoring, underpinned by automation and technology.

Semiconductor firms are expanding assembly in Vietnam and Malaysia; textile producers are moving from China to Mexico and Central America; pharmaceutical companies are building capacity in India and Ireland. These moves don’t abandon globalisation, they reshape it – moving from a flat global model to one built around regional hubs, trusted partners, and multi-local

manufacturing networks. At the same time, automation and advanced manufacturing tools are being redeployed to make domestic production financially viable in high-cost economies. Robotics, AI-driven supply chain management, and smart factory systems are critical enablers of this shift, though they require steep capital investments and bring workforce challenges of their own.

Where Next? The Future of Reshoring

The reshoring surge of the early 2020s is not ending, but it is evolving. To sustain momentum, businesses and governments will need to answer complex questions. Can policymakers deliver long-term clarity on trade rules and tariffs, providing businesses with the confidence to invest? Can domestic economies build the infrastructure, workforce, and energy systems needed to support reshoring at scale? Will companies align these strategies with sustainability and ESG goals?

Most importantly, can companies embrace the technological transformation required to offset cost disadvantages and future-proof their operations?

The reshoring era is not about going backwards to old industrial models; it’s about reimaging production in a world where geopolitical, economic and environmental pressures intersect. Firms that get this balance right will not only survive the turbulence – they will emerge stronger. The reshoring era is here, but whether it thrives or falters will depend on how well leaders – in business and government – navigate the stormy waters ahead.

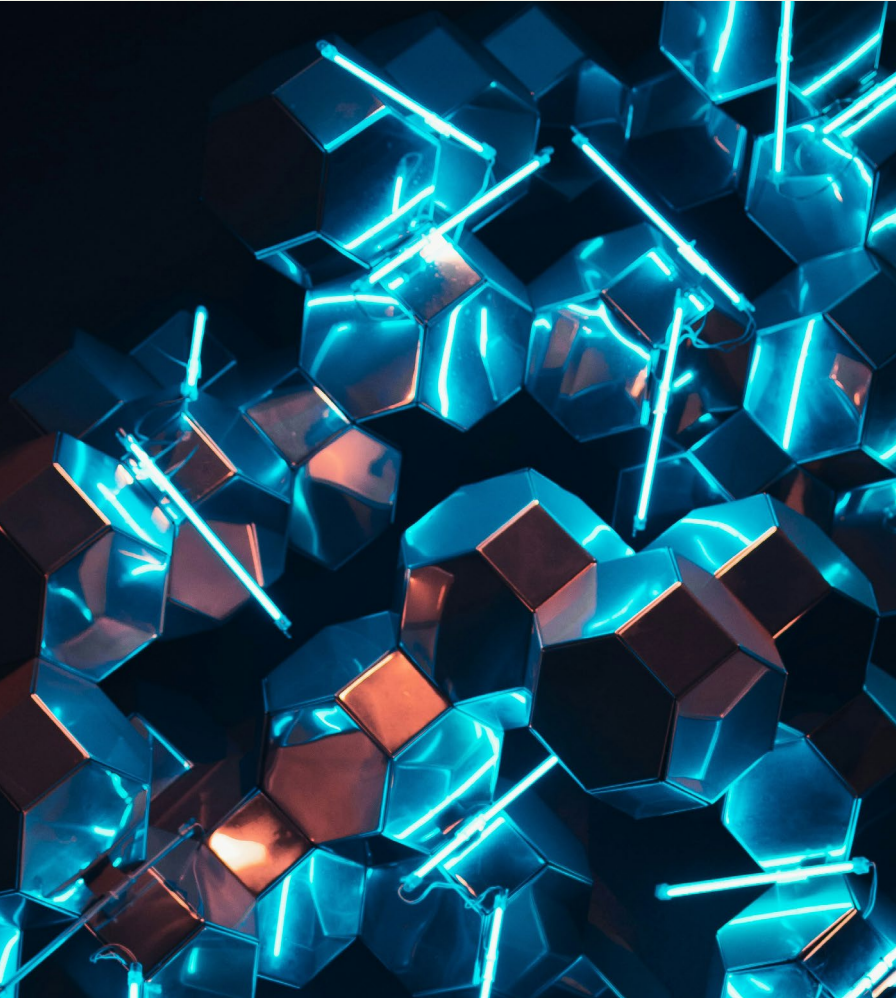


INDUSTRIAL INSIGHT 6⁶

Restructuring for the Next Wave: How the Tech Titans are Building the Planet’s AI, Data & Energy Backbone

In late June 2025, Amazon set a new bar for corporate investment with a £40 billion pledge to the United Kingdom – arguably its most significant country-specific commitment outside its home market. Over three years, the company will build four advanced fulfilment centres in Hull, Northampton, and two East Midlands locations, create thousands of jobs, and modernise more than 100 existing sites to turbocharge same-day and next-day Prime deliveries. Simultaneously, Amazon’s Shoreditch headquarters in East London will grow, with two new offices on Hewett Street and Curtain Road, reflecting its evolution from a logistics powerhouse to a full-fledged technology innovator.

This paper explores how the world’s leading technology companies are expanding their physical footprints and reorganising their operations to seize the next wave of growth. We examine how Amazon, Google, Microsoft, Apple, TikTok, Meta, NVIDIA, and Tesla have each restructured teams, struck landmark clean-energy deals, completed major acquisitions, and built new facilities



⁶This paper was first produced and published on LinkedIn on the 7th July 2025.



from London to Singapore to Texas – all to support faster services, greener operations, and the AI-driven future.

Amazon: From UK Fulfilment to Global Cloud Power

That UK announcement was only the opening salvo in Amazon's global expansion campaign. In June 2025, AWS signed a landmark power purchase agreement (PPA) with Talen Energy to source up to 1,920MW of carbon-free nuclear electricity from Pennsylvania's Susquehanna plant through to 2042 – one of the largest

corporate nuclear take-off deals ever struck. Amazon has also partnered on Small Modular Reactor (SMR) projects with Energy Northwest, X-Energy in Washington State, and Dominion Energy in Virginia to bolster its renewable credentials further, targeting over 1,200MW of new nuclear capacity. These initiatives underpin Amazon's ambition to match 100 per cent of its global electricity demand with renewable or carbon-free sources by 2040.

As Amazon invests heavily in infrastructure and clean power, it is simultaneously reshaping its workforce for the AI era. Under

CEO Andy Jassy, the company has deployed AI-driven automation tools across its logistics network, eliminating legacy roles while creating new openings for robotics specialists and machine-learning engineers. Since 2022, Amazon has reduced its headcount by nearly 28,000 employees, including 14,000 managerial positions cut in early 2025, to reinvest in high-priority areas like AWS and robotics research. Much of this headcount reduction is related to operational streamlining following AI deployments.

Beyond the UK, Amazon's ambitions stretch across six continents. In the United States, AWS is commissioning 'Generation 3' data halls in Virginia and Ohio, optimised for Graviton and Trainium chips. In Singapore, a new region promises sub-10 ms latency to Southeast Asian customers, underpinned by an offshore wind PPA that locks in green-power rates through to 2035. In São Paulo, Amazon is converting an existing logistics campus into a hybrid fulfilment-compute hub, serving retail orders and core AI workloads. Across the Pacific, Amazon Japan has earmarked ¥500 billion (£2.9 billion) through to 2027 to expand fulfilment, robotics, and AWS capacity in Tokyo and Osaka, powered by solar PPAs on Kyushu and a 200MW SMR pilot with the Japan Atomic Energy Agency. In India, three mega-fulfilment parks in Uttar Pradesh and Maharashtra will pair with AWS 'edge-zones' to meet surging e-commerce and AI demand.

Simultaneously, Amazon has spun up new business units – such as its in-house robotics R&D arm and an AI-driven supply-chain optimisation team – while shuttering underperforming content divisions like parts of its Kindle operations. This dual strategy of aggressive expansion and targeted pruning ensures both capital and talent flow to the growth engines of the decade: cloud computing, automation, and next-gen logistics.

Google's Data Temples, City Campuses, and M&A Drive

For Google, 2025 has been a year of constructing compute cathedrals and urban innovation hubs while reshaping its workforce and making blockbuster acquisitions. In the United Kingdom, Google committed \$1 billion to a 33-acre data centre at Waltham Cross, Hertfordshire, set to come online in 2026 and run entirely on renewables via local PPAs and offshore wind agreements. Globally, sister facilities are rising in Moncks Corner, South Carolina, a seawater-cooled campus in Hamina, Finland, and a new build in Osaka, Japan, each underpinned by local renewable PPAs.

At the same time, Google is completing its signature 'landscaper' at Kings Cross – an 11-storey, 330m long headquarters designed by Thomas Heatherwick to house 7,000 employees, including teams from DeepMind and Google Brain, beneath rooftop gardens and collaborative labs. The campus is Google's first wholly-owned space outside the US. Similar urban campuses have sprouted in Tel Aviv, Sydney, and San Francisco, marking Google's belief that co-locating creators and compute delivers outsized innovation gains.

To sharpen its AI and Cloud focus, Google trimmed roughly 200 roles from its Global Business Organisation in May and hundreds more from its Platforms & Devices unit (covering Android, Pixel, Chrome) in April, redirecting resources to AI and Cloud expansion. Behind the scenes, Google agreed to buy Wiz – a cloud-security startup – for \$32 billion in March, its largest acquisition ever and a direct bet on strengthening multicloud safety. Smaller bolt-on deals, such as acquiring Israeli monitoring specialist Keep in May and defence-AI contractor EpiSci in February, have further deepened Google's AIOps and national security offerings.

Microsoft's Hybrid Cloud, Copilot Push, and Workforce Realignment

Microsoft's 2025 narrative weaves together a global cloud-infrastructure surge, the commercialisation of Copilot AI, and rigorous workforce streamlining. Building on a £2.5 billion investment in the UK and South Wales announced in late 2023, Microsoft in April unveiled plans to boost European data centre capacity by 40 per cent over two years, expanding across 16 countries and more than 200 facilities by 2027, with advanced cooling, low-latency interconnects, and green-energy partnerships. Branded as part of Microsoft's 'digital commitments'

to sovereignty and resilience, the initiative features European-only governance boards and bespoke renewable PPAs to reassure clients and regulators.

On the consumer-facing side, Microsoft has rolled out new Azure AI regions in Sao Paulo, Mumbai, Melbourne, Vienna and Cape Town. At the same time, edge-zone partnerships in Rwanda and Chile bring compute closer to local innovators and industrial operators. To free up resources for its \$80 billion AI capex programme, Microsoft executed two major layoff rounds – cutting about 6,000 roles in May and a further 9,100 positions in July, including cuts in Xbox (650 jobs) and LinkedIn's Barcelona 'King'



studio (200 jobs) – and reorganised engineering teams around Copilot and AI R&D, elevating leaders from GitHub and OpenAI.

Apple’s Heritage HQ’s, AI Pivot, and Potential Preplexity Acquisition

Apple’s strategy marries iconic real estate with high-tech laboratories. Since 2019, the company has invested over £18 billion in the UK – transforming Battersea Power Station into a 500,000 sq ft, six-storey HQ powered by 100 per cent renewable energy; opening AI and silicon-engineering labs in Cambridge; and establishing new offices in St Albans and Swindon.

Globally, Apple announced ¥200 billion of spending in China’s Shenzhen and Liaoning provinces to build a consumer-experience centre, a joint AI hardware-software research institute with Tsinghua University, and a second campus in Shanghai – each aiming for LEED Platinum certification and 100 per cent renewable power. In Bangalore, Apple’s Indian engineering campus is tripling in size, adding tens of thousands of square metres for AI-accelerated silicon design and software development.

Amid these projects, Apple is weighing its largest acquisition ever: Perplexity AI, valued at \$14 billion, to supercharge Siri and develop an independent search offering – a sign that Apple is finally opening its wallet for external AI talent after years of in-house caution. Internally, teams have been realigned, trimming less-critical hardware groups and expanding the Apple Intelligence division to lead generative-AI feature integration across iOS, macOS, and developer tools introduced at WWDC 2025.

TikTok’s Creative Campuses and Meta’s Financial Engineering

Even social-media platforms recognise that digital communities need a local footprint. In June 2025,

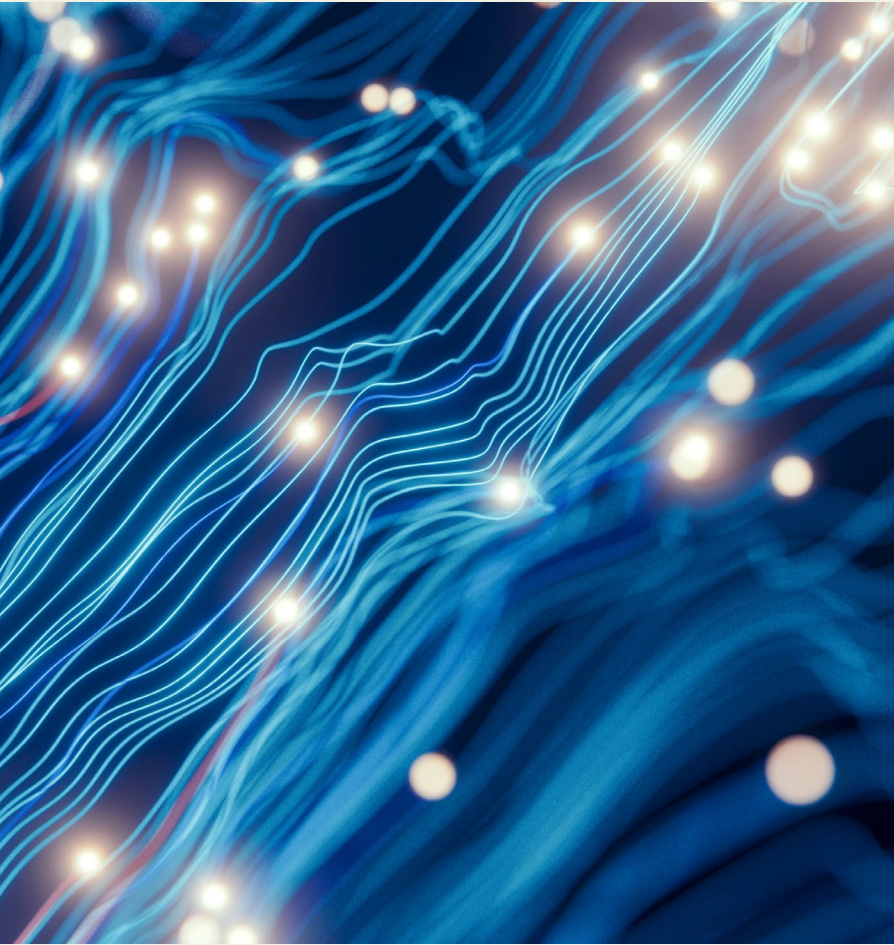
TikTok confirmed plans to expand its UK workforce to 3,000 people, adding over 500 jobs, and invest £140 million in a 135,000 sq ft HQ in London’s Barbican, due to open in early 2026. This follows its 2022 Farringdon HQ and brings total UK infrastructure spend to about £140 million, underscoring that global platforms require local footholds to navigate regulation, foster community ties, and attract regional talent.

Meta Platforms, meanwhile, is rewriting the playbook on capex by raising \$29 billion from private-credit firms – targeting \$3 billion in equity and \$26 billion in debt – to finance its AI-focused data centre expansion in the United States. This strategy enables rapid deployment of hyperscale facilities without loading up on public debt. Major prospects include a \$10 billion AI data centre in northeast Louisiana and a \$1 billion facility in central Wisconsin, each designed to host millions of AI processors by 2026. Meta also trimmed 5 per cent of its workforce

in 2025 – targeting low performers as part of an efficiency drive – and restructured Reality Labs to sharpen its mixed-reality roadmap, even as it doubled down on its \$14.3 billion stake in Scale AI for data-labelling pipelines.

NVIDIA’s Global AI Fabric: Factories, Skills Centres, and Acquisitions

At GTC Paris in June 2025, NVIDIA CEO Jensen Huang unveiled alliances across Europe to build ‘AI factories’ – sovereign clouds and GPU hubs – in France, Italy, Spain, Germany and the UK, alongside technology centres in Finland, Germany, Spain, Italy and Great Britain dedicated to skills development and local innovation. A marquee project is Germany’s Industrial AI cloud, a 10,000-GPU facility powered by DGX B200 systems and CUDA-X libraries, tailor-made for heavy-duty simulation, engineering, and design workloads.



In North America, NVIDIA is onshoring AI manufacturing at unprecedented scale: commissioning over 1 million sq ft of factory space in Arizona and Texas to produce its latest Blackwell chips and turnkey AI supercomputers entirely on U.S. soil – an effort to bolster domestic supply-chain resilience and create hundreds of thousands of jobs. To feed its infrastructure machine, NVIDIA has made targeted acquisitions – closing on CentML, Lepton AI, and Gretel – to bolster efficiency and data-generation toolsets while maintaining annual attrition below 5 per cent and avoiding layoffs since 2008.

Tesla’s Gigafactories, Energy Pivot, and Market Pressures

Tesla entered H2 2025 under intensifying scrutiny. In Q2, it produced 410,244 vehicles – an uptick from its Q1 output - but delivered only 384,000 vehicles, marking a 13.5 per cent decline from Q2 2024. The gap between production and deliveries points to rising unsold inventory as consumer demand softens and competition heats up. The company also deployed 9.6GWh of stationary storage – one of its highest quarterly totals – even as storage growth showed early signs of plateauing after a record 31.4GWh in 2024.

On the factory front, Tesla is extending its Gigafactory network. A new 1 million sq ft megafactory near Katy, Texas, will produce Megapack energy systems and serve as an R&D hub for grid-storage solutions. Tesla’s first lithium-iron-phosphate (LFP) cell factory is near completion in Nevada, promising up to 10GWh of capacity annually and reducing reliance on Asian suppliers. In China, a \$557 million deal with the Shanghai government funds the nation’s largest Megapack station. Yet to rein in costs, Tesla has cut 14% of its workforce since the start of 2024 and deferred the long-promised \$25,000 ‘affordable’ EV until 2026.

Thematic Pillars of a New Infrastructure Era

Stepping back and reviewing these various strategies, five themes emerge that capture the essence of how the tech titans are physically, financially, and organisationally positioning themselves to lead the next wave of AI and digital services.

#1 Compute Proximity Meets Talent Density

By co-locating data centres with R&D labs and offices – from London’s landscraper to Bangalore’s tech corridor – the tech titans minimise latency, accelerate development, and attract top engineering talent.

#2 Energy as a Strategic Asset

Securing long-term, low-carbon power through nuclear PPAs (Amazon-Susquehanna, SMRs), offshore wind contracts (Google), and green PPA programmes (Microsoft, Apple) has become as critical as acquiring land for facilities.

#3 Augmentation > Automation

The real opportunity of AI is not in replacing humans but in redefining their work. Augmented decision-making, real-time feedback, and human-AI collaboration are the frontier, not headcount reduction.

#4 Regulatory and Sovereign Engagement

European-only oversight boards, local data-sovereignty mandates, community-trading pledges, and on-the-ground content-moderation hubs demonstrate how tech firms secure permits, build trust, and hedge against policy shifts.

#5 Integrated Ecosystems Over Isolated Assets

Whether it’s warehouses powered by nuclear electrons with AI-driven robotics, Copilot, or mega-campuses underpinned by private-credit

financing, these interconnected flywheels create barriers that standalone assets cannot match.

Restructuring for the Next Wave

Tech’s most prominent players are doing more than just rolling out new products – they’re physically and financially rewiring the world to power AI, data, and energy infrastructure at unprecedented scale. From Amazon’s nuclear-backed AWS regions and Google’s landscraper mega-campuses to Microsoft’s sovereign clouds, Apple’s Heritage HQs, NVIDIA’s AI factories, Tesla’s Gigafactories, TikTok’s creative labs, and Meta’s private-credit gambit, these companies are weaving a planet-spanning web of compute, energy, finance, and talent.

Yet this rapid built-out carries systemic implications. Long-term PPAs and SMR projects reshape local energy markets, risking traditional utility models and challenging regulators to ensure fair access and resilience. The proliferation of data-sovereignty boards, edge networks, and autonomous-vehicle trials underscores the geopolitical stakes of digital infrastructure, where export controls, content mandates, and regulatory fragmentation can ripple through the services billions rely on.

Looking ahead, the next frontier will emphasise distributed architectures – edge micro-data halls in emerging markets, floating modular reactors on coastal grids, and portable AI labs embedded in smart-city initiatives – united by open interoperability standards and governed through multi-stakeholder frameworks. The companies that master not only the digital stack but the intricate interplay of real estate, energy, finance, regulation, and workforce transformation will define whether the global digital economy of tomorrow delivers inclusive, sustainable growth or deepens divides across regions and communities.



INDUSTRIAL INSIGHT 7⁷

Silicon Siege: How Geopolitics & Innovation Forge the Future of Chip Supremacy

In the grand theatre of global power, semiconductors have quietly assumed centre stage. What was once a niche pursuit of shrinking transistors into ever-smaller footprints has become a high-stakes drama in which nations deploy export controls like artillery, corporate champions marshal state-backed funding as elite legions, and every licensing decision ripples through markets like an echoing drumbeat. To borrow from the tenor of Chris Miller's Chip War, we are witnessing the 'new oil' of the twenty-first century morph into a battlefield, where technological mastery and economic muscle fuse into geopolitical clout.

In this narrative, two seemingly disparate acts – the saga of China's quest to build its own extreme-ultraviolet (EUV) lithography machines and Nvidia's sudden resumption of AI-chip exports to China – are interwoven threads of a larger tapestry, each illuminating how ambition, fear, and strategy dance at the heart of the semiconductor saga.



⁷This paper was first produced and published on LinkedIn on 21st July 2025.

Act I: The EUV Embargo – A Siege at the Gates

Imagine a medieval castle whose gates guard the most precious treasure in the land. For the global semiconductor ecosystem, ASML's EUV machine is that fortress's drawbridge and portcullis combined – without it, no army can penetrate the walls of next-generation, sub-7nm logic. Since 2019, the United States has effectively installed its own sentries at the gate, leveraging its influence under the Wassenaar Arrangement and bilateral pressure to bar China from ASML's most advanced tools.

In Chip War, Miller describes how export controls operate like invisible moats: "Without the key technologies, rivals may knock at the gates but cannot storm the keep." Under successive U.S. administrations, officials have argued that EUV lithography is dual-use, equally vital for the silicon chips that power smartphones and the microcontrollers in advanced missiles. Thus, Washington has deemed the risk of unrestricted sales too great. In practical terms, this means that Chinese giants such as SMIC and Hua Hong are condemned to rely on multi-patterning with older deep-ultraviolet (DUV) scanners – an elaborate dance of layering and etching that can eke out 7nm-class chips, but at significant cost and with limited yield.

To China, the embargo is existential, not merely commercial. Chips underpin everything from the cloud-based AI engines to the control systems of electric vehicles – and, in the calculus of Beijing's leadership, they are also the sinews of national defence. Thus, a new campaign began in the cavernous halls of Beijing power: build an indigenous EUV machine or forever cede the high ground.

Act II: Beijing's Big-Fund Blitz – The Forging of a Homegrown Champion

In response to the Western-led restrictions, Beijing mobilised its 'Big-Fund' – a state-backed pool of roughly US\$37bn – to grease the wheels of domestic semiconductor innovation. At its vanguard stand firms like SiCarrier and Shanghai Micro Electric Equipment (SMEE), which today bear the weight of the nation's technological aspirations on their shoulders.

Picture a workshop where master craftsmen toil to reconstruct a lost legendary sword from fragments of steel and mithril. So too do China's engineers wrestle with EUV's core challenges: producing plasma light sources that fire tin droplets at 13.5bn, sculpting defect-free reflective mirrors with nanometer precision, and designing photoresists whose chemistry can withstand the fierce UV bombardment.

SiCarrier has trumpeted its advances in multi-patterning deposition systems, claiming yields comparable to 5nm processes – yet even these 'miracle weavers' hesitate to call their work true EUV. SMEE, meanwhile, sealed its commitment by filing EUV scanner patents in 2024 and announcing trial units by late 2025. But between prototype production lies an abyss: ASML's EXE:5000 'Beast' can etch billions of transistors per wafer with throughput and uptime that domestic rivals are still years away from matching.

Here, Miller's metaphor of 'weaponised interdependence' rings true. The U.S. and its allies have used the EUV embargo to hobble Chinese progress; in turn, China has weaponised state capital to undercut that chokehold. Each side intensifies the arms race: Western Original Equipment Manufacturers (OEMs) pour R&D into even more sophisticated high-NA EUV systems, while Beijing channels subsidies, tax breaks, and expedited approvals to keep its 'homegrown armoury' on pace.

Act III: Geoeconomic Chess – India, Taiwan, and the Great Diversification

As the EUV embargo drives Beijing to pour state funds into a home-grown lithography industry, New Delhi is mounting its own strategic counter-play – one that seeks to rewrite the semiconductor map rather than merely navigate around chokepoints. Having learned the cost of over-concentration during the pandemic, and mindful of rising tensions in the Taiwan Strait, India has quietly set a course to become a third pillar of the global chip ecosystem.

Seeding a Local Ecosystem

In 2024, under its 'Made in India' umbrella, New Delhi announced incentives – tax holidays, subsidised land, and power-rate rebates – targeted explicitly at semiconductor fabs and associated service providers. The goal: foster locally owned fabs, advanced packaging facilities, and test-and-assembly lines. India's first 65nm fab (backed by Tata Electronics) will come online in 2026, marking a symbolic milestone in its drive for self-sufficiency and job creation in high-tech manufacturing.

Courting Taiwanese Expertise

Recognising that world-class chip plants require more than policy carrots, India has extended a diplomatic olive branch to Taiwan's semiconductor titans. Over 250 Taiwanese firms – spanning process equipment suppliers, packaging specialists, and EDA vendors – are in advanced talks to establish R&D centres and pilot assembly lines within the Gujarat International Finance Tec-City (GIFT City). For TSMC and UMC, India offers a fast-growing domestic market and a political hedge against Beijing's long-term ambitions; for India, the alliance accelerates technology transfer and skills development in one swoop.

Building Resilience Through Diversity

But diversification is not just about geography; it’s about layering trusted partnerships. New Delhi has also inked MOUs with Japan and the U.S. on semiconductor research, ensuring access to advanced packaging techniques (3D stacking, wafer-level fan-out) and critical materials (photoresists, speciality gases). Combined with Taiwanese involvement in wafer-fab construction and equipment maintenance, India is stitching a multi-national ‘semiconductor consortium’ to reduce single-point failures in the supply chain.

A New Axis Emerges

Viewed through Miller’s lens of ‘weaponised interdependence’, India’s strategy represents more than economic diversification – it is a geopolitical gambit to diminish the leverage that any single supplier (or nation) can wield. By fostering a triangular alliance among India, Taiwan, and fellow democracies, New Delhi is carving out a stake in the high-stakes chip diplomacy chessboard – one that complements Western export controls and counters Beijing’s ‘Big Fund’ machinations.

In effect, Act III is the prologue to a new semiconductor order: not a bipolar duel between the U.S. and China, but a tripartite framework in which India stands as both partner and counterweight – an emerging hub where policy, investment, and technological prowess converge to reshape the contours of global chip power.

Act IV: Nvidia’s Diplomatic Détente & Record Market High – H20’s 2nd Act

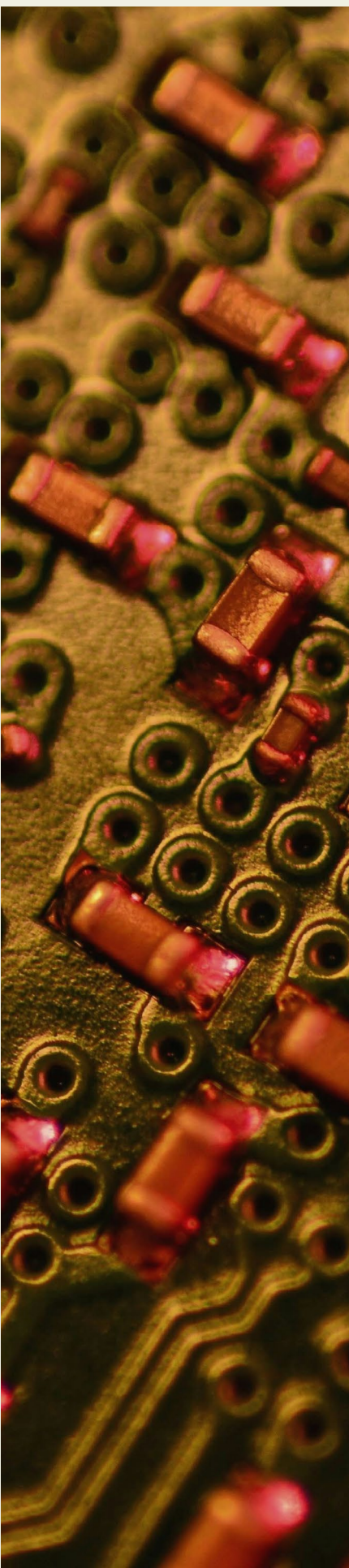
While hardware titans duel over lithography, fabless designers wield different weapons: market access and intellectual property. In mid-July 2025, Nvidia quietly filed U.S. license applications to Chinese customers to resume shipments of its flagship

H20 AI processors. To understand the importance of this move, imagine a great river whose flow has been dammed; the sudden opening of the gates sends a surge downstream, flooding markets and revitalising industries.

The H20 – optimised for large-language models, inference tasks, and high-performance computing – is not a mere component but a revenue juggernaut, generating upwards of US\$8bn per quarter. China, long the single largest consumer of Nvidia’s GPUs, had watched its appetite stifled by export controls. Then, in a rare diplomatic bargain tied to rare-earth negotiations, Beijing agreed to prioritise shipments of certain magnet materials to U.S. suppliers in exchange for eased chip curbs.

The market reaction was instantaneous and profound: Nvidia’s shares jumped 4% on July 15th, lifting the Nasdaq Composite to another record close, and propelling Nvidia’s market capitalisation past the historic US\$4tn mark, making it the most valuable public company ever. To put that in perspective, Disney’s market cap at the same time was roughly US\$215bn, while Amazon’s sat at about US\$2.37tn – meaning Nvidia now dwarfs the storied entertainment giant by nearly 18.6 times and eclipses Amazon by around 1.7 times. This unprecedented peak underscores how shifts in export policy and bilateral negotiations can translate directly into corporate valuations – and, by extension, national economic clout.

In narrative terms, this is a quiet peace treaty in a broader war, a ceasefire that underscores how commerce can unlock (or lock) strategic advantage. For Nvidia, the thaw restores a vital revenue corridor and shores up R&D budgets for next-generation products. For China, it provides a sanctioned shortcut to the cutting edge of AI compute, enabling domestic research labs and hyperscalers to push forward on their own regenerative-AI ambitions.



SECTOR GIANTS: THE TOP 15 SEMICONDUCTOR COMPANIES BY MARKET CAPITALISATION

RANK	COMPANY	MARKET CAP (US\$)	TOTAL EMPLOYEES	HQ LOCATION
1	NVIDIA (NVDA)	4.18tn	36,000	Santa Clara, California, U.S.
2	Broadcom (AVGO)	1.32tn	37,000	Palo Alto, California, U.S.
3	TSMC (TSM)	1.23tn	73,090	Hsinchu, Taiwan
4	ASML (ASML)	323.9bn	43,395	Veldhoven, Netherlands
5	Samsung Electronics	316.3bn	270,372	Suwon, South Korea
6	AMD (AMD)	259.6bn	28,000	Santa Clara, California, U.S.
7	Texas Instruments (TXN)	196.8bn	34,000	Dallas, Texas, U.S.
8	Qualcomm (QCOM)	169.2bn	49,000	San Diego, California, U.S.
9	Arm Holdings (ARM)	163.0bn	7,096	Cambridge, England
10	Applied Materials (AMAT)	155.3bn	35,700	Santa Clara, California, U.S.
11	SK Hynix (000660.KS)	133.7bn	46,863	Icheon, South Korea
12	Micron Technology (MU)	130.3bn	48,000	Boise, Idaho, U.S.
13	Lam Research (LRCX)	128.4bn	17,450	Fremont, California, U.S.
14	KLA (KLAC)	123.4bn	15,000	Milpitas, California, U.S.
15	Analog Devices (ADI)	119.4bn	24,000	Wilmington, Massachusetts, U.S.

Act V: The Philosopher’s Stone – Where Policy Meets Particle

What unifies these storylines is not the technical minutiae but the recognition that semiconductors are both material and metaphor – units of economic value and symbols of national potency. As Miller emphasises, ‘whoever controls the chip supply chain, controls the engine of modernity’. In practice, this translates to a perpetual cycle of sanction and subsidy, embargo and investment, in which every policy shift precipitates technological recalculation.

Looking ahead, the next frontier will extend beyond lithography. High-NA EUV promises even finer feature sizes; directed self-assembly and chiplets offer alternative pathways to performance gains; advanced packaging decouples scaling from planar transistor pitch.

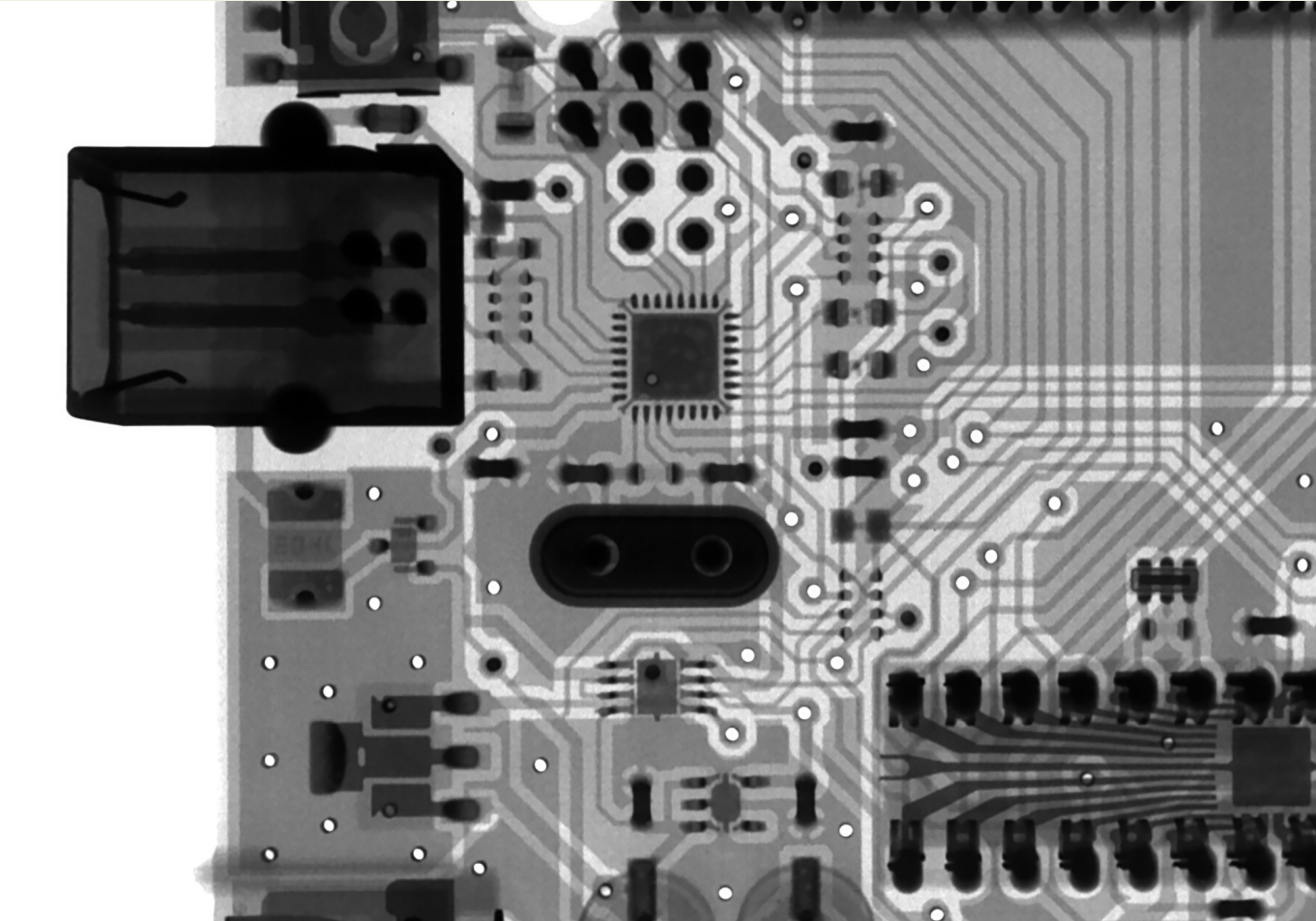
Each breakthrough will spawn new chokepoints and new campaigns to secure or sever them. Meanwhile, expect tighter collaborations among like-minded states: the U.S., Europe, Japan, Korea, and perhaps India forming a semiconductor coalition to defend common interests, even as China forges its own axis with ‘non-aligned’ partners in the Middle East and Africa.

Epilogue: The Long Shadow of ‘Chip War’

In the crucible of competition, semiconductors have assumed a role far beyond gadgets and data centres. They are the silent arbiters of tomorrow’s economies, the fulcrums of military modernisation, and the lodestars of scientific ambition. Each export restriction, each state investment, and each licensing decision adds another move on the global chessboard that Miller vividly describes.

To read Chip War is to appreciate that every transistor etched into silicon carries the weight of strategy, that every foundry built is a fortress, and that every chip shipped across borders is an envoy in the diplomatic tug-of-war between great powers. In this heightened drama, China’s lonely workshops and Nvidia’s hastily filed license applications are individual verses in a sprawling epic – a story still unfolding, with stakes as high as any in human history.

And so, as the world watches each new announcement, each patent filing by SMEE, each logistical agreement between Taiwan and India, and each restricted-list update from the Commerce Department, remember that these are not mere footnotes in a tech journal. They are chapters of a fierce saga, in which silicon and strategy, innovation and influence, entwine to shape the destiny of nations.



Appendix: A Beginner’s Guide to Semiconductors

Semiconductors form the invisible backbone of modern electronics, enabling everything from simple LED lights to the most advanced Artificial Intelligence processors. At their essence, semiconductors are materials – most commonly silicon – that strike a perfect balance between conducting electricity like metals and blocking it like insulators. This unique trait arises from an energy gap just wide enough to allow engineers to tweak conductivity through precise methods.

The real power of semiconductors emerges through **doping**, where tiny amounts of impurities such as phosphorus or boron are added. This process creates **n-type** regions rich in free electrons and **p-type** regions abundant in positively charged ‘holes’. When these two regions meet, they form a **pn-junction**, the fundamental element of diodes and transistors. In a transistor, the pn-junction can switch on or off, acting as a gate for electrical signals and making digital logic - and by extension, all modern computing – possible.

Behind every chip lies an intricate industrial ecosystem:

Design Houses (Fabless Companies): Firms like NVIDIA and Qualcomm focus on circuit architecture, using Electronic Design Automation (EDA) tools to lay out billions of transistors.

Foundries: Specialised fabrication plans such as TSMC and GlobalFoundries transform pure silicon wafers into patterned circuits through photolithography, etching and deposition.

Integrated Device Manufacturers (IDMs): Companies like Intel and Samsung that both design and build chips under one roof, managing everything from blueprints to finished silicon.

OSAT Providers: Outsourced Semiconductor Assembly and Test Companies (e.g. ASE, Amkor)

that package individual dies into protective cases and perform final quality checks.

Throughout this process, yield – the percentage of functional chips per wafer – serves as a vital metric, since higher yield means lower cost and more reliable supply. As feature sizes shrink into the single-digit nanometer range, innovations such as Extreme Ultraviolet (EUV) Lithography push the limits of how small circuits can be drawn, driving forward the spirit of Moore’s Law, which observes that transistor density roughly doubles every two years.

Glossary

Wafer – a thin, round slice of semiconductor material (typically silicon) on which electronic circuits are built.

Die – a single, rectangular piece cut from a wafer, each containing a complete integrated circuit.

Photolithography – the process of transferring microscopic circuit patterns on to a wafer using light-sensitive chemicals and masks.

Doping – introducing impurities into a semiconductor to change its electrical properties and create n-type or p-type regions.

pn-Junction – the boundary where n-type and p-type regions meet; essential to diodes and transistor functionality.

Transistor – a semiconductor device that can amplify or switch electrical signals, composed of multiple pn-junctions.

Yield – the ratio of working dies to total dies on a wafer; a key measure of manufacturing efficiency.

Process Node – a label (e.g. 7nm, 5nm) for the smallest feature size that can be reliably manufactured, indicating performance and power characteristics.

EUV Lithography – advanced photolithography using extreme ultraviolet light to create finer circuit patterns at the most advanced

process nodes.
SoC (System on Chip) – an integrated circuit that combines multiple components – CPU, GPU, memory, I/O – on to a single piece of silicon.

Measured Moves: Industrial Occupier Signals

If the office market in August was about bold returns, industrial markets were about measured moves. Global occupiers have not paused, nor have they rushed forward. Instead, they are recalibrating –balancing the need for resilience against the reality of higher costs, trade tensions and shifting demand patterns.

The market signals from August tell a consistent story. In India, new U.S. tariffs on manufactured exports (announced during the (Y)OUR SPACE client event in Hyderabad) triggered immediate recalculations by corporates already managing complex supply chains¹. In Southeast Asia, Vietnam and Indonesia saw renewed interest from multinationals diversifying away from China. In Australia, the removal of hundreds of nuisance tariffs offered modest relief to exporters. In the US and Europe, occupiers leaned toward consolidation and efficiency rather than expansion.

These measured moves are shaping the cycle ahead. They reveal an occupier mindset attuned to volatility, willing to adapt networks and portfolios, and determined to ensure that industrial real estate



^aThis paper was first produced and published on LinkedIn on the 8th September 2025.

continues to serve as the backbone of corporate resilience. In the spirit of the recently completed first phase of the (Y)OUR SPACE tour, let's go around the global markets to assess signals and sentiment.

APAC: Expansion Under Pressure

India's Tariff Shock

The most immediate industrial story in Asia came from India. On the 27th August, the United States doubled tariffs on Indian imports to as much as 50 per cent, covering a wide basket of goods including textiles, gems and jewellery, chemicals, and automotive parts². For exporters – pharmaceuticals, textiles, automotive components – this represented a sudden escalation of cost.

The response from occupiers was swift. Exporters began to reroute goods to tariff-free destinations, slow production intended for the U.S. and reassess inventory strategies. At the same time, India's rupee fell to a record low of ₹88.36 per US dollar as investors reacted to tariff escalation, prompting intervention by the Reserve Bank³.

In leasing markets, the impact was hesitation: why commit to new industrial space when demand patterns are uncertain? Yet India's domestic consumption story remains strong. Warehousing demand around Delhi, Mumbai, and Bengaluru is still expanding, fuelled by e-commerce and FMCG growth. Indeed, August saw record-high leasing activity in India's industrial and logistics markets, driven by manufacturing occupiers leveraging incentives and asset-light strategies¹¹.

Meanwhile, policymakers moved to cushion the blow. The Indian government announced support packages for exporters and hinted at possible SEZ relaxations^{14||5}. Finance Minister Nirmala Sitharaman stressed that relief measures would 'mitigate sudden shocks' to exporters. In parallel, the government approved a large GST cut on consumer items

to stimulate domestic demand and counter tariff-driven inflationary pressure^{16||7}.

The result is a patchwork of signals, but all point to the same reality – industrial footprints are being reshaped by geopolitical exposure. Occupiers are hedging, investors are recalculating, and government measures are attempting to smooth turbulence.

Vietnam and Indonesia Gain

While India absorbed tariff pressure, Southeast Asia benefited. Vietnam and Indonesia both recorded double-digit increases in leasing demand as occupiers diversified away from China and hedged tariff risk.

In Vietnam, electronics and footwear manufacturers expanded plant-adjacent warehouses. In Indonesia, automotive and consumer goods companies committed to multi-tenant logistics parks near Jakarta. The signal here is clear: occupiers are spreading their bets. Even if production volumes remain anchored in China or India, firms want operational footholds in Southeast Asia to create optionality. For CRE leaders, this means industrial strategies can no longer be single-market; they must be regional portfolios balancing exposure, resilience, and growth.

ANZ: Selectivity Amid Tariff Shifts

The industrial story from Australia and New Zealand in August was less about expansion than about positioning.

In Canberra, the federal government announced the removal of more than 500 nuisance tariffs, effective immediately. While not headline-grabbing, the reform reduces compliance costs for importers and exporters and signals a policy shift towards smoothing supply chains at a time of global tariff turbulence. For occupiers, it offers a slight but welcome reprieve in network planning.

In Sydney and Melbourne, vacancy in prime logistics hubs remains tight, but tenants are consolidating into better-located, higher-spec facilities rather than pushing for expansion. Local reporting highlighted that occupiers are wary of over-committing in a climate of global trade uncertainty, preferring functional efficiency over scale.

In New Zealand, Fonterra confirmed further investment in its South Auckland distribution hubs to relieve export bottlenecks. The move reflects the enduring importance of food logistics to support the country's economy, and the occupiers need to build resilience into export flows.

The signal from ANZ is one of cautious optimisation: occupiers are tidying portfolios, seeking efficiency, and welcoming policy reforms, but not driving the large-scale expansions seen elsewhere in APAC.

APAC Discipline

Another striking dynamic is how APAC occupiers are embedding discipline into their strategies. Unlike in North America, where sublease volumes are surging, Asian tenants are not over-committing and then shedding space. Leases are measured, aligned to production volumes, and long-term.

This reflects cultural and policy differences: governments in Singapore, Korea, and Japan continue to incentivise domestic production stability, which sustains occupier confidence.

The message from APAC is therefore one of adaptation without panic. Occupiers are adjusting supply chains, expanding selectively, and using the region's diversity to buffer against tariff shocks.

United States: Vacancies, Subleases, and Measured Onshoring

Vacancy at a Decade High

At just over 7% in Q2 2024, U.S.



warehouse vacancy reached its highest level in more than a decade. The figure is a legacy of the construction surge of 2022-24, when developers added over a billion sq ft of logistics space on the assumption that pandemic-era e-commerce growth would continue unchecked. As demand has moderated, much of that speculative stock is now available. This softening is not just about excess supply. Net absorption in Q2 turned negative by 11.3 million sq ft – the first contraction in the sector since 2010¹². The downturn reflects occupier caution, high borrowing costs, and policy uncertainty.

Subleasing and 3PLS as Pressure Valves

Occupiers are not rushing to absorb the excess. Instead, they are subleasing underused facilities – with sublease availability climbing to 225m sq ft – and turning to third-party logistics providers (3PLs) for swing capacity. These strategies give businesses flexibility without locking them into long-term obligations, reflecting a more cautious, measured posture.

De-Minimis Ends: FTZs in the Spotlight

The most immediate August shift

was the end of the \$800 de-minimis duty-free threshold. For years, this exemption allowed e-commerce brands to flood the U.S. with low-value packages tariff-free. Its removal forces a wholesale rethink of fulfilment models. Retail platforms such as Etsy and eBay reported immediate cost impacts as import-driven sellers faced new duties⁸. Analysts noted that occupiers rushed to Foreign Trade Zone (FTZ) capacity ahead of the 29 August deadline, particularly near ports¹³. Bulk-shipping into FTZs before domestic release allows firms to delay duty payments and smooth cash flow – a tactical strategy has become central to network planning.

Port Markets Underperform

Despite import growth of 3.5% year-over-year in H1 2024, major U.S. port markets – Los Angeles, the Inland Empire, Oakland, and New Jersey – recorded negative absorption and declining rents in August¹⁴. Occupiers are shifting bulk further inland to lower-cost, better-connected hubs rather than pay premium rents near ports.

Onshoring Manufacturing Capacity

Tariffs on Chinese and Indian imports also influence manufacturers. Firms in electronics, automotive and machinery are exploring incremental expansions in the Midwest and Southeast, aiming to bring assembly and component activity closer to end-markets and transport corridors. These are not sweeping relocations, but they represent the early signs of a slow pivot toward domestic resilience.

Older Stock Holds Firm

Amid the caution, demand for older, affordable stock in secondary markets remains strong. Brookfield's acquisition of a 53-warehouse portfolio in southern U.S. cities highlighted that assets with modest specifications but attractive rents are almost 95% occupied. Occupiers under cost pressure are choosing

functional efficiency over speculative premium builds.

Measured Moves in a Resilient Market

Taken together, these developments show a market defined less by retreat than by measured recalibration. Occupiers are consolidating logistics networks, making tactical use of sublease and FTZ strategies, and probing opportunities to onshore production. Vacancy is rising because occupiers are moving carefully, not because they have disappeared.

EMEA: Export Exposure and the Sustainability Puzzle

Germany's Export Weakness

In Europe, the industrial occupier story was dominated by Germany. Manufacturing orders declined again in June, with analysts linking the slowdown directly to U.S. tariff exposure. Export-oriented occupiers – in automotive and engineering – are responding by slowing production and postponing expansion of logistics space.

This has knock-on effects across Europe's industrial heartlands, where leasing markets are seeing a pause rather than a contraction. The risk is that a prolonged tariff stand-off could reshape Europe's role in global supply chains. Occupiers are already modelling scenarios where production is shifted closer to U.S. consumers or diversified towards APAC growth markets.

EU-US Tariff Negotiations

At the same time, there were reports in August of potential EU-US negotiations to remove tariffs on some industrial goods in exchange for concessions on automobiles. If realised, this could unfreeze demand and restore confidence in export-linked logistics leasing. For occupiers, the uncertainty is paralysing: decisions are being delayed until

policy becomes clearer.

Sustainability Pressures

Another European dynamic is sustainability. Just as in the office market, occupiers of industrial space are under growing pressure to decarbonise. Warehouses in the UK, France, and the Netherlands are being retrofitted with solar, heat pumps and insulation upgrades to meet regulatory targets. Occupiers prefer these assets not just for compliance but for cost reduction, as energy cost volatility remains a significant risk.

The European story is therefore one of hesitation and hedging. Export-exposed occupiers are slowing down, while domestic e-commerce and grocery supply chains continue to generate steady demand.

Cross-cutting Signals: What Industrial Occupiers are Doing

The stories, sentiment and signals from August reveal several cross-cutting patterns:

#1 Delay and Diversify

Export-exposed firms in India and Germany are delaying new commitments, while diversifying production and storage into Vietnam, Indonesia, and U.S. FTZs.

#2 3PLS as Shock Absorbers

Across geographies, 3PLs are absorbing demand from occupiers who are unwilling to commit to long-term. They have become the default option for flexibility.

#3 Older Stock's Revival

Occupiers under margin pressure prefer affordable, functional warehouses over new builds. Cost has trumped prestige.

#4 Tariffs as Occupier Risk

More than any other factor, tariffs are shaping occupier behaviour. They

determine whether space is taken, held or subleased.

#5 Sustainability as a Constant

Even in an industrial setting, ESG pressure is real. Retrofits and renewable-ready stock are gaining favour, especially in Europe and Australia.

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The Last Word: Factories, Futures and Fragility

Read together, these eight papers capture an industrial sector both anchored and unsettled. They chart a story of systemic disorder in the global economy, reimagined national strategies in Britain, tariff turbulence in Asia, survival and reshoring in Europe and the US, tech giants building out new infrastructure, semiconductors as statecraft, and occupiers edging forward with discipline. If the foreword pointed to permanence, resilience and technology as the connective tissue, the last word is about what comes next.

The first thread is convergence. Industrial assets are no longer only about manufacturing goods. They are about enabling AI, storing energy, securing defence, and hardwiring resilience. A warehouse can be a logistics hub, a data node, and a sustainability statement all at once.

The second thread is contradiction. Companies are investing billions in new supply chains and digital infrastructure even as trade policies shift overnight. They are doubling down on scale while searching for optionality. They are chasing sustainability goals in an energy system still riddled with volatility. This tension is not a flaw but the defining condition of industrial strategy in 2025.

The third thread is contestation. Nowhere is the battle for advantage clearer than in semiconductors, where silicon has become a proxy for sovereignty. But the contest extends further: to supply chains,

to energy markets, to the very definition of what counts as an industrial asset. The sector is no longer background infrastructure; it is foreground geopolitics.

Looking ahead, the challenge is not to resolve these contradictions but to live with them — to design for adaptability within permanence, and to recognise that volatility is now the baseline, not the exception.

If the office anthology asked what the workplace is becoming, this industrial anthology asks what production itself is becoming. The answer is a system that is bigger, faster, and riskier than before - but also more central to growth, to resilience, and to the global order.

And if there is a cultural echo to all this, it is Bruce Springsteen's *Factory*. The song captures both the permanence and the precarity of industrial life - machines running, communities depending, futures hanging in the balance. Almost half a century

later, the lyric still resonates: factories remain the beating heart of economies, but they are also fragile, contested spaces.

That duality defines the years ahead. Industrial real estate must be both anchor and accelerant: rooted in place, yet capable of pivot; capital-intensive, yet adaptable; deeply human, yet irreversibly digital. From fractured economic orders to regional industrial revivals, from tariff wars to chip races, the global system is being redrawn. For occupiers and policymakers alike, the task is not to chase stability in a volatile world but to build resilience into its very fabric.

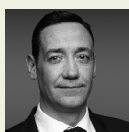
The industrial age was once about scale and efficiency. Today, it is about resilience and relevance. Tomorrow, it will be about whether we can fuse the two to create assets that endure, adapt and inspire. That is the framework we must pursue for the decade ahead.

Related Research



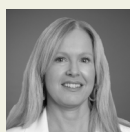
We like questions, if you've got one about our research,
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Research



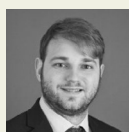
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