Commercial Real Estate
In a Neo-Mercantilist World

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March 2026

Mercantilism is the theory and practice of governments exerting control over trade and industry to bolster national economic wealth and influence. Classical mercantilism, prevalent between the 16th and 18th centuries, revolved around amassing gold and avoiding trade deficits. Meanwhile, mercantilism's rebirth in the 21st century focuses on utilizing industrial policies to favor local industries and promote self-reliance and national defense.

How We Got Here

Modern globalization traced its roots to Bretton Woods, New Hampshire in 1994, when the International Monetary Fund and the World Bank Group were created to advance global economic cooperation and prevent financial crises. They also helped fuel the growth of multinational corporations and gave rise to global supply chains. Globalization and all its economic benefits peaked from about 1990 to the period leading up to the Global Financial Crisis, when global trade as a percentage of GDP started to plateau after decades of steady growth.[1]

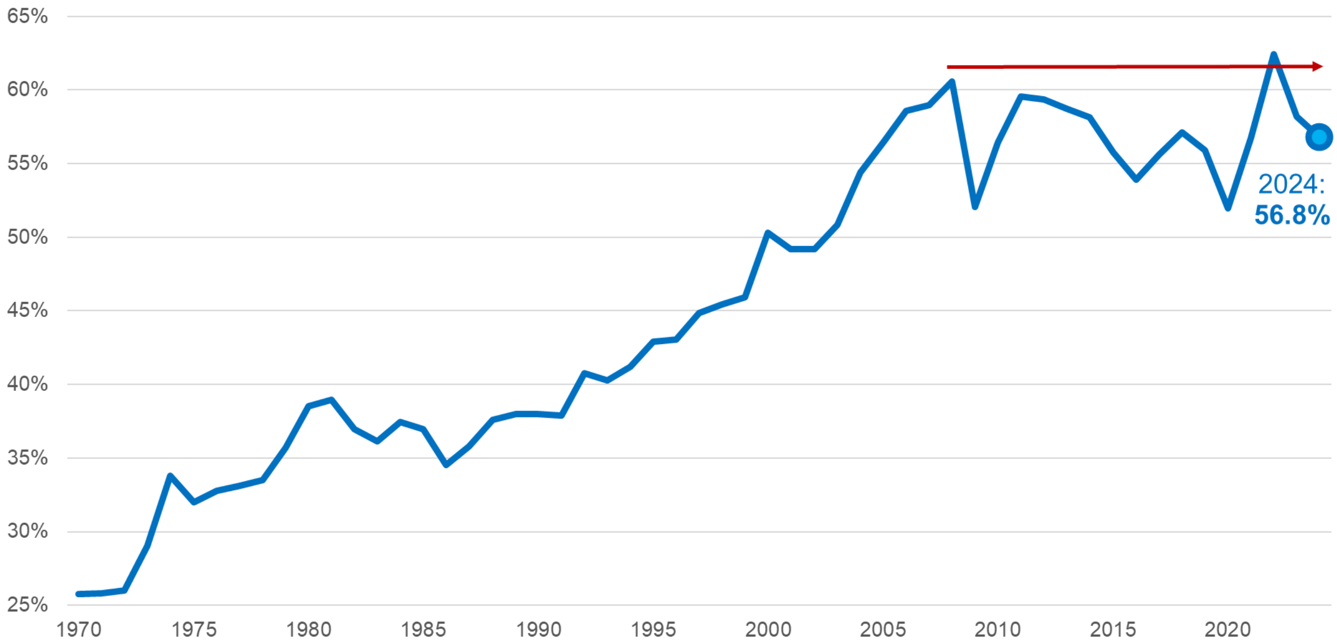
Globalization has been weakening since the late 2010s, but the origins of 21st century mercantilism can be traced back to China's entry into the World Trade Organization in 2001, which accelerated its transformation into an economic powerhouse and the world's largest exporter. Yet, despite sharply paring back existing tariffs and opening its vast markets to global competition, China's central government saw its push for continued liberalization reform lose steam over the next several years.[2] In particular, the release of the country's Five-Year Plan in 2006 marked a shift in focus for Chinese leadership, which began adopting measures protecting domestic industries, effectively laying the groundwork for neo-mercantilist policies of today and for its state-sponsored capitalism.[3]

China's economic system—often described as state sponsored or "party-state capitalism"— is a hybrid model in which the Chinese Communist Party (CCP) retains significant control over critical sectors while incorporating market-based mechanisms. The government drives economic development through large state-owned enterprises (SOEs), targeted industrial policies, and active guidance of private sector activity to align with national strategic objectives, thereby reducing the distinction between state and private capital.

The next significant development took place during the Global Financial Crisis between 2007 and 2009. This event ushered in a global distrust of Western capitalism brought on by the subprime mortgage crisis in the U.S. [4] In turn, large-scale government interventions became normalized, and countries began prioritizing trade surpluses and foreign reserves in the name of economic security.

[1] The World Bank: World Development Indicators. Data as of 2024. CC BY 4.0
[2] Tan, Y. (2021, February 16). *How the WTO changed China.* Foreign Affairs.
[3] Pearson, M., Rithmire, M., & Tsai, K. S. (2021, September). *Party state capitalism in China.* Harvard Business School.
[4] Adams, A., & Benham, F. (2025, June). *Modern mercantilism: Trade, technology, and strategic power in the 21st century.* Meketa Investment Group.

Figure 1: Global Trade as a Percentage of Gross Domestic Product



Source: The World Bank: World Development Indicators

The neo-mercantilist mindset got its next boost roughly a decade later, when the effects of COVID-19 upended global supply chains and sent nations scrambling to reconfigure sources of critical supplies. Shortages of vaccines and medical equipment weighed on the health of millions worldwide, while scarcity of semiconductor chips hit the automotive and consumer electronics industries. Since then, the U.S. has focused on increasing domestic production of pharmaceuticals and semiconductors; implications for real estate are discussed later in the report.

Framework of Modern Mercantilism

The foundation of 21st century mercantilism is underpinned by traditional features updated for the modern age. One of the pillars concerns targeted industrial policy, whereby governments support critical sectors.[5] For the Trump administration, that includes semiconductors and advanced computing, military spending to build up inventories for export, and a rebirth of the U.S. shipbuilding industry.

Meanwhile, today's mercantilism framework also features technology controls,[6] which involve stricter oversight of exports. From the U.S. perspective, this includes restricting sales of advanced AI chips and semiconductor manufacturing equipment to China. Additionally, Nvidia and AMD pay 15% of revenue from specific chip sales to U.S. Treasury. There is also increased scrutiny of foreign ownership in sensitive sectors.

A notable example is the 'golden share' agreement negotiated to secure approval of Nippon Steel's acquisition of U.S. Steel, which effectively gives the U.S. government a controlling interest in a strategically significant industry.

Figure 2:

Partner Country/Bloc	Status	Timeline
South Korea	Renegotiation Completed	2018
Japan	Trade Agreement Completed	2019
China	"Phase One" Trade Deal Completed	2020
Canada, Mexico	USMCA Signed	2020
European Union	Ongoing Negotiations on Steel/Aluminum	-
United Kingdom, Vietnam, Japan, South Korea, Indonesia, Philippines, Pakistan	Post Liberation Day Deals Completed [list is not exhaustive]	2025

Sources: Office of the U.S. Trade Representative, Council on Foreign Relations, New York Times, Ballast Markets

Perhaps no policy of the current administration has been more impactful than its broad-based use of geoeconomic leverage, which involves the strategic deployment of tariffs and sanctions to advance domestic economic and geopolitical agendas. It includes the use of blanket tariffs on all imported goods (raise additional revenue), as well as import duties as leverage to negotiate and secure favorable trade deals. Several such agreements with individual countries have been reached in the past year, while a notable deal with the European Union concerning steel and aluminum tariffs remains ongoing.

[5] Ansari, S. (2024, February 8). *What is mercantilism?* Economics Online.

[6] FasterCapital. (2026). *Mercantilism: Modern mercantilism: Beggar thy neighbor in a globalized economy.* FasterCapital.

China has proven to be a formidable foe at the negotiating table for the U.S., relying on a neo-mercantilist blueprint to prop up its technology sector. The U.S. has long been critical of China's use of forced joint ventures and regulatory pressure to obtain American companies' technology in exchange for market access. A deal between the two nations concerning semiconductor and advanced technology exports remains elusive, though a truce was reached after China sharply curtailed the export of critical minerals to the U.S.[7] Over the past year, the U.S. has pursued a proactive supply chain decoupling agenda centered around reviving the country's production of rare earth magnets to reduce its reliance on Chinese stock.

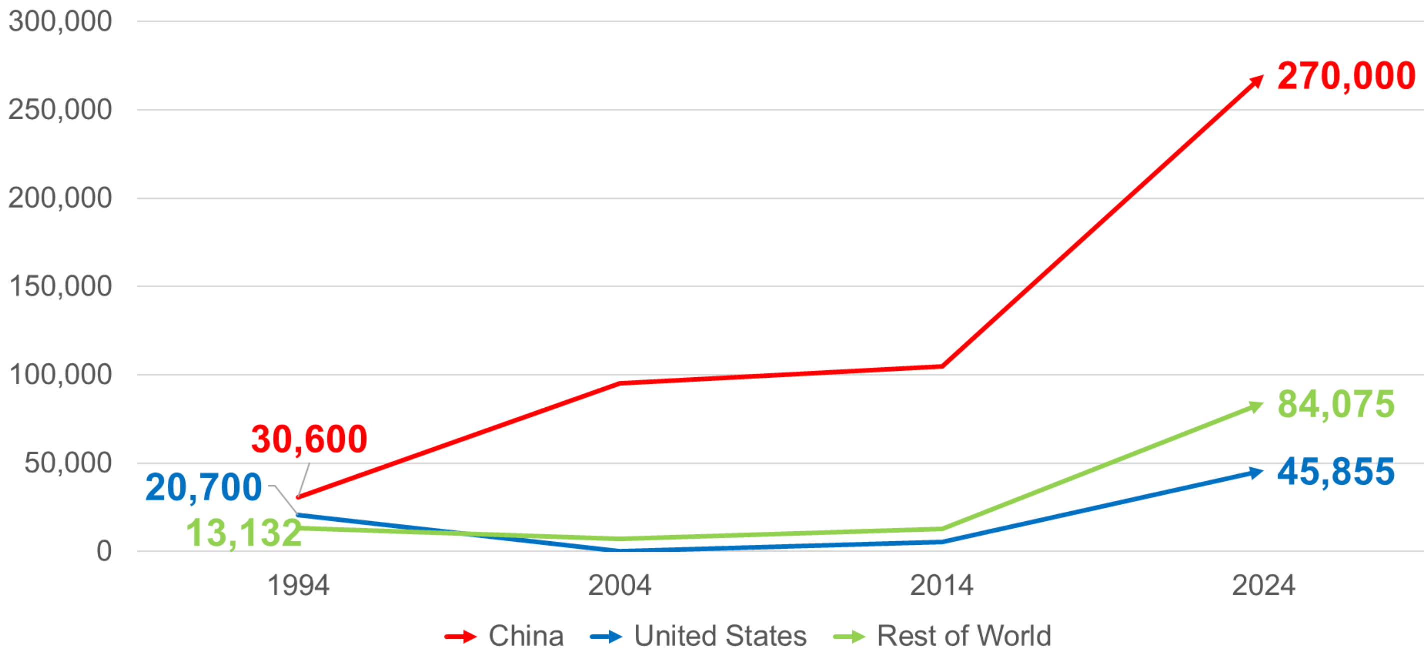
The aggressive use of broad-based tariffs has a mixed track record. While the policy has helped raise approximately $287 billion in tax revenue for the U.S. government,[8] much of the legality concerning the use of emergency powers was deemed illegal by the Supreme Court in February. As a result, it remains to be seen whether the federal government will successfully identify alternate avenues to implement higher tariffs and re-establish a key tool of the administration's economic policy.

Elsewhere across the globe, state-managed capitalism is more explicit and features governments pushing investment agendas and global economic influence through:

- Sovereign wealth funds (the seven largest all have over eight hundred billion dollars in assets[9]: Norway Government Pension Fund Global, China Investment Corporation, China's SAFE Investment Company, Abu Dhabi Investment Authority, Kuwait Investment Authority, Saudi Arabia's Public Investment Fund, and Singapore's GIC Private Limited)
- National development banks and infrastructure financing (The Brazilian Development Bank, China Development Bank)

These vehicles allow government to pick winners and losers and protect their local businesses.

Figure 3: Rare Earth Oxide Mine Production
Output in Metric Tons



Source: Benchmark Mineral Intelligence, U.S. Geological Survey
Note: Rare earth oxides are the processed compounds extracted from rare earth minerals for industrial use.

[7] Chen, L., Potkin, F., Freifeld, K., & Hunnicutt, T. (2025, June 15). *U.S.-China trade truce leaves military-use rare earth issue unresolved, sources say.* Reuters.

[8] O'Trakoun, J., & Stack, S. (2026, January 13). *How much revenue has been raised by tariffs so far?* Federal Reserve Bank of Richmond.
[9] Metzger, B. (2025, February 4). *The top 10 sovereign wealth funds.* U.S. News & World Report.

21st Mercantilism Is Reshaping Real Estate

Given the massive shifts in the past quarter century in domestic and foreign policy priorities, lasting and profound ramifications for commercial real estate are coming into focus.

The industrial sector is most exposed to this transition, with both manufacturing and logistics assets set to play a crucial role in reshaping how "Made in America" goods make their way to customers. Non-critical inputs will need to be imported from abroad, buoying industrial port markets, particularly on the East and Gulf coasts less dependent on trade with China. The Port Authority of New York and New Jersey, the Port of Savannah, and Port Houson are implementing multi-billion-dollar capital plans to expand storage capacity and regional distribution networks.

Meanwhile, the U.S. is likely to continue importing goods from Mexico, allowing southern industrial markets to flourish. Even as the government pushes automakers to produce cars domestically, the U.S. still sources a nearly half of its auto parts from its southern neighbor. Overall, automotive vehicles and parts comprised one-third of U.S. imports from Mexico in 2024, totaling more than $182 billion.[10] Southern border states like Texas and Arizona should continue to see improving industrial property fundamentals, especially in Dallas-Fort Worth.

Additionally, Texas and Arizona stand to benefit from significant investments in semiconductor manufacturing plants. These include Taiwan Semiconductor Manufacturing Company's "Gigafab" cluster in Phoenix and Samsung's memory chip production facility in Taylor. Beyond the Southwest, notable projects have been announced in the Northeast and the Midwest.

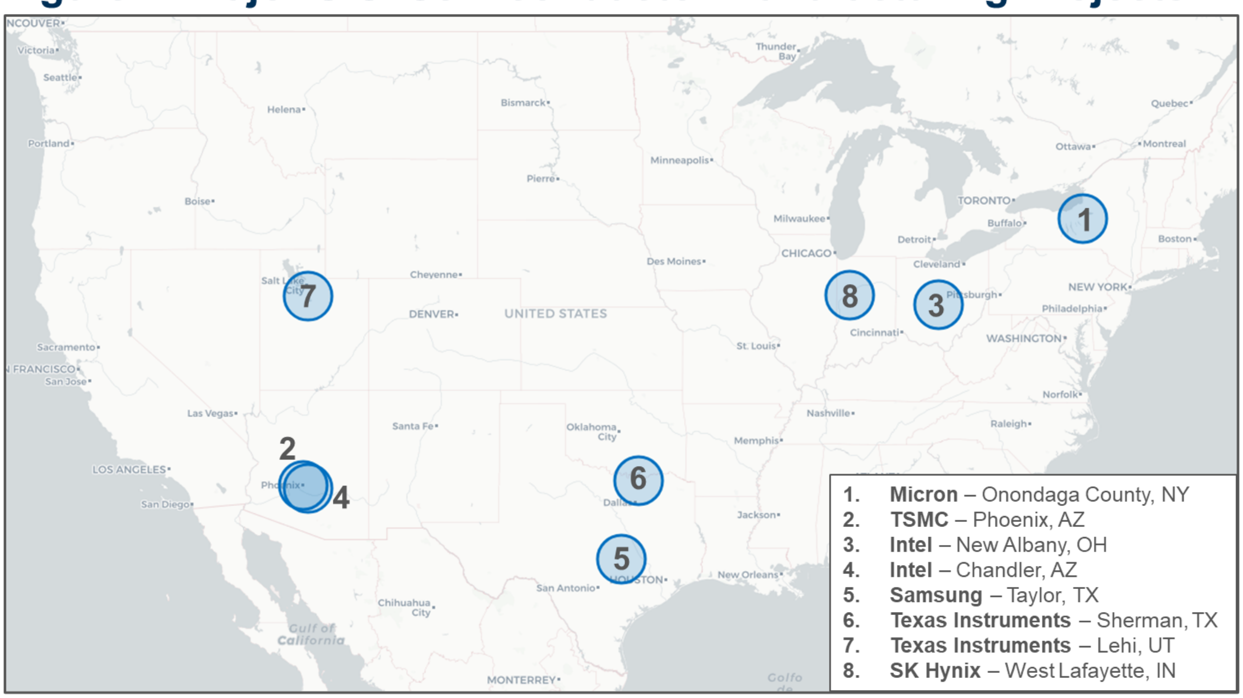
In the same vein, the U.S. government has announced the need to prioritize reshoring of manufacturing activity to both boost national defense objectives and increase domestic employment. New York Life Investment Management Real Estate Investors' Strategy and Research Group, using data from the U.S. Bureau of Labor Statistics via Oxford Economics, identified six sectors likely to be prioritized for onshoring:

- Chemical manufacturing
- Computer and electronic product manufacturing
- Electrical equipment, appliance, and component manufacturing
- Medical equipment and supplies manufacturing
- Motor vehicle manufacturing
- Pharmaceutical and medicine manufacturing

An analysis of employment projections over the next five years reveals that several metropolitan areas stand to benefit from growth in these industries, led by Salt Lake City, UT, Spartanburg, SC, and Chattanooga, TN.

A less uncertain outlook awaits retail property owners. Modern mercantilist policies are broadly inflationary since nations impose increasing tariffs to protect domestic industries, leading to pressure on discretionary spending and, ultimately, margin compression for retailers. Although tariffs' inflationary impact has been minimal thus far, it could intensify over time. In response, companies face a balancing act between protecting profit margins or market share. Absent rising incomes, retailers may see a shift in spending patterns, benefiting discount chains as shoppers hunt for value.

Figure 4: Major U.S. Semiconductor Manufacturing Projects



[10] U.S. Bureau of Economic Analysis

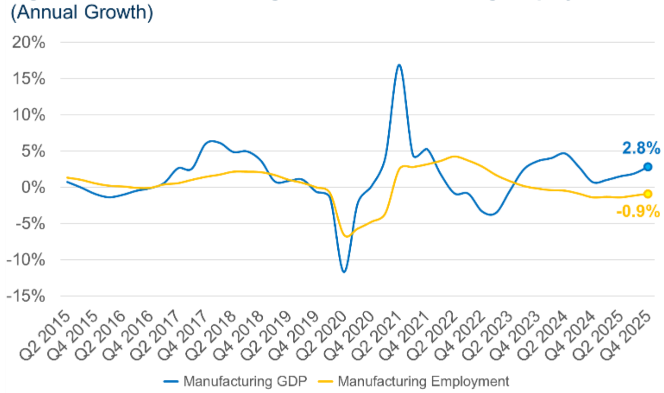
More broadly, an inflationary backdrop may affect commercial real estate via higher financing costs, as restrictive monetary policy may suppress transaction activity and price discovery. Meanwhile, evolving supply chains and immigration patterns are likely to sustain elevated material and labor costs, reinforcing headwinds to new construction.[11] Against this backdrop of diminishing supply-side pressure, owners of existing properties stand to benefit from improving occupancy and higher rents.

Labor Markets Are Adapting

The eventual increase in manufacturing production should be a boon for economic activity in terms of GDP, though its potential as a job creator may be limited. The Department of Labor's most recent job report showed that the U.S. economy lost 12,000 manufacturing jobs in February, adding to a cumulative loss of 302,000 positions (-2.4%) since February 2024. That contrasts with an increase in manufacturing GDP over the same period amounting to 5.5%.

Interestingly, the widespread shift in U.S. trade policy may already be reshaping the labor market beyond manufacturing. Job search site Indeed reported a 22% increase in postings for trade-compliance officers in December 2025 compared to the prior year and a 41% increase relative to December 2019.[12] Trade compliance professionals ensure companies abide by U.S. and international trade laws, ultimately working to insulate companies from legal risks.

Figure 5: Real Manufacturing GDP vs Manufacturing Employment
(Annual Growth)



Source: U.S. Bureau of Labor Statistics, Oxford Economics

Large-scale policy-driven disruption often reshapes labor markets in unpredictable ways. While some sectors will expand and others contract, 21st century mercantilism is likely to drive labor costs higher overall. This reflects the need to retrain workers for roles previously outsourced abroad. Combined with the persistent rise in material prices and elevated interest rates, the overall effect of protectionist policies on the construction industry is overwhelmingly restrictive.

Conclusion

A new world order, defined by China's global ambitions and the U.S.'s desire to retain its technological and innovation leadership, is redefining economic relationships. A "multipolar neo-mercantilist" backdrop is emerging, in which nations prioritize sovereign control of supply chains and adopt advanced technologies and digital infrastructure to exert state power on the global stage.

Modern mercantilism has both supporters and critics. Proponents argue it addresses unfair trade practices and strengthens national security, while critics contend it increases fragmentation, protectionism, and consumer costs. Regardless of perspective, modern mercantilism is likely to remain a central force in U.S. policy, with significant implications for the domestic economy, labor markets, and real estate.

Neo-mercantilist policies strengthen domestic industry and supply chains, which can lead to higher prices and somewhat less variety, but also support more resilient and self-sufficient production. These policies may potentially boost U.S. manufacturing employment and wages in certain sectors. Overall, consumers trade some degree of access to low-cost goods for stronger domestic capacity and reduced vulnerability to global disruptions.

Real estate investors must consider the risks and opportunities associated with this monumental shift. As nations resort to retaliatory tactics to protect their domestic industries, the engines of economic growth are likely to shift to new regions and asset classes. For the United States, that's expected to include inland logistics hubs and multifamily properties in resilient metros, which stand to benefit from an increase in domestic goods production. Real estate investment will continue to adapt and evolve in response to these dynamics, but caution is warranted when evaluating long-term return potential in a constantly shifting policy environment.

[11] Rubin, S., & Swett, M. (2026, Winter). *Trade winds redrawn.* New York Life Real Estate Investors publication in AIFRE Summit Journal.

[12] Young, L. (2026, February 13). *Trade war puts compliance professionals in the spotlight.* Dow Jones Risk Journal.

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