



Yardi Matrix

# National Industrial Report

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# E-commerce Returns to Growth

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- The e-commerce boom waned last year, and as a result, demand for industrial space began to soften. Now in 2024, the e-commerce sector appears to have rebalanced and is growing at a steady pace.
- The Census Bureau reported \$291.6 billion of e-commerce sales in the second quarter, an increase of 1.3% over the first quarter and 6.7% year-over-year. E-commerce's share of core retail sales (which exclude motor vehicles, their parts and gasoline) had stagnated during most of 2021 and 2022, but has been on the upswing for six consecutive quarters; it reached 18.8% in the second quarter, the highest mark since the height of pandemic-related shutdowns. The warehouse and storage sector of the labor market has been growing again as well, according to the Bureau of Labor Statistics, with 24,900 jobs added year-to-date through August. While these are modest gains for a sector that employs nearly two million workers, they are also a welcome development after warehouse employment shrank by 8.5% between May 2022 and December 2023.
- The trends in warehouse employment, which exploded between 2020 and mid-2022, reflect Amazon's path. The e-commerce behemoth is the sector's largest employer, and any moves it makes have substantial ripple effects. Starting in mid-2022, Amazon began pausing or canceling projects and listing millions of square feet for sublease. While the company never engaged in a large-scale pullback, its actions were enough to help drive a cooldown of the entire industrial sector. In 2024, Amazon is reported to be increasing its leasing activity.
- While online sales growth has normalized, the industrial real estate sector is continuing to deal with the impact of a gargantuan supply response. More than 1.1 billion square feet (5.7% of stock) were completed between 2022 and 2023 alone. The nature of e-commerce fulfillment will help drive absorption for this supply, however. Estimates place e-commerce as needing about three times as much industrial space as traditional retail sales in order to be able to process orders and returns in a timely and efficient manner.
- E-commerce will remain one of the primary drivers of industrial real estate in both the near and long term. In addition to growth from e-commerce firms, existing big-box retailers continue to make a push into the sector. Walmart in particular has been opening numerous distribution centers across the country in an effort to catch up with Amazon's massive headstart in the online shopping space.

