



Yardi Matrix

National Industrial Report

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E-Commerce Continues to Propel Industrial

- The e-commerce boom that occurred in 2020 transformed the industrial market. Its impact is still being felt, as firms have spent the last two years trying to adjust to increased online sales. According to the U.S. Census Bureau, e-commerce sales volume in the third quarter of this year was 66.4% higher than it was in the first quarter of 2020, but nearly half of that growth occurred in the early months of the pandemic.
- Even as e-commerce sales growth has returned to normal in recent quarters, supply chains have still not fully adapted to the shock that the pandemic created. Backlogs and bottlenecks along the supply chain were one of the major drivers of inflation, and while the pressures have cooled, industrial space is still hard to come by in some key places. In port and logistics markets, vacancy rates are still minuscule and competition for space among tenants is fierce. Retailers began bulking up inventories in 2021 in response to delayed receipt of goods, and now many are using discounts to try to draw inventories down, with varying degrees of success.
- Amazon expanded rapidly in 2021 but pulled back this year, admitting it was too aggressive. The e-commerce giant has spent the second half of 2022 pausing projects, slowing hiring and subleasing space. Amazon also has big-box retailers like Target and Walmart to contend with now. These companies were forced to play catch-up to Amazon when the pandemic hit, and have since been attempting to leverage their physical footprints. Both retailers have expanded delivery and in-person pick-up options and have begun using their stores as last-mile delivery centers.
- Data around holiday shopping season has been mixed: Adobe Analytics reported record levels of online sales for Black Friday and Cyber Monday, but retail sales were down 0.6% in the month of November, according to the U.S. Census Bureau. Inflation has been putting a dent in consumers' pockets, and reporting suggests that consumers are dipping into savings and credit to pay for holiday purchases. With the first normal holiday travel season in three years, it is likely that spending on airfare and hotels will also eat into retail sales for the holiday season.
- We expect that e-commerce growth will continue to drive high levels of demand in the industrial sector for the foreseeable future, though it will not reach 2020 levels again. New supply has yet to match demand, and even a potential recession is unlikely to cause e-commerce sales volume to fall.

