



Yardi Matrix

National Industrial Report

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E-Commerce Powers Industrial

- While tariff uncertainty may create instability for the industrial sector in the near term, e-commerce will continue to drive industrial demand growth during the second half of the decade.
- The e-commerce slice of the retail sales pie keeps growing, according to the U.S. Census Bureau. While core retail sales—which excludes automobiles, their parts and gasoline—grew 3.4% between 2023 and 2024, online sales climbed more than twice as fast. E-commerce grew 8.0% in the year, increasing by \$88.5 billion to finish 2024 with \$1.19 trillion in sales.
- Online sales' share of core retail grew continuously between 2010—when the Census Bureau began reporting e-commerce data—and the first quarter of 2020, when it sat at 14.1%. The pandemic upended the steadiness of this growth, with a massive 20% bump in the second quarter of the year followed by the first recorded decline. In 2023 and 2024, solid, steady growth returned, and e-commerce accounted for 19.0% of core retail sales in 2024. As retail sales increasingly move online, more industrial space will be needed. E-commerce sales require an estimated three times as much warehouse space as traditional brick-and-mortar, dollar for dollar.
- No company in the e-commerce space comes close to the size of Amazon, and none better embodies the pandemic-driven exuberance for industrial space and pullback that occurred in the following years. Amazon expanded rapidly during the pandemic, buying up warehouses and vacant land to develop new distribution centers at a blistering pace. Yet by 2022, the company admitted it had overexpanded, pausing the opening of some distribution centers, canceling others and reportedly subleasing some space. Nearly three years after the pullback began, Amazon is looking at expansion once more, according to a Bloomberg report. The e-commerce behemoth reportedly has been reaching out to potential financing partners, exploring a \$15 billion expansion across dozens of facilities.
- It is important to note, however, that Amazon's request to capital partners predated the current administration's Liberation Day tariff announcements and the ensuing trade negotiations. Like many other firms, Amazon may hold off on expansion until there is more clarity around tariffs and trade. Over the long term, e-commerce will remain one of the main drivers of industrial demand. Beyond the dedicated online retailers, traditional big-box retailers like Target and Walmart have been ramping up efforts to compete with Amazon through online sales and omnichannel retail options, both of which will require millions of square feet of additional logistics space over the coming years.

