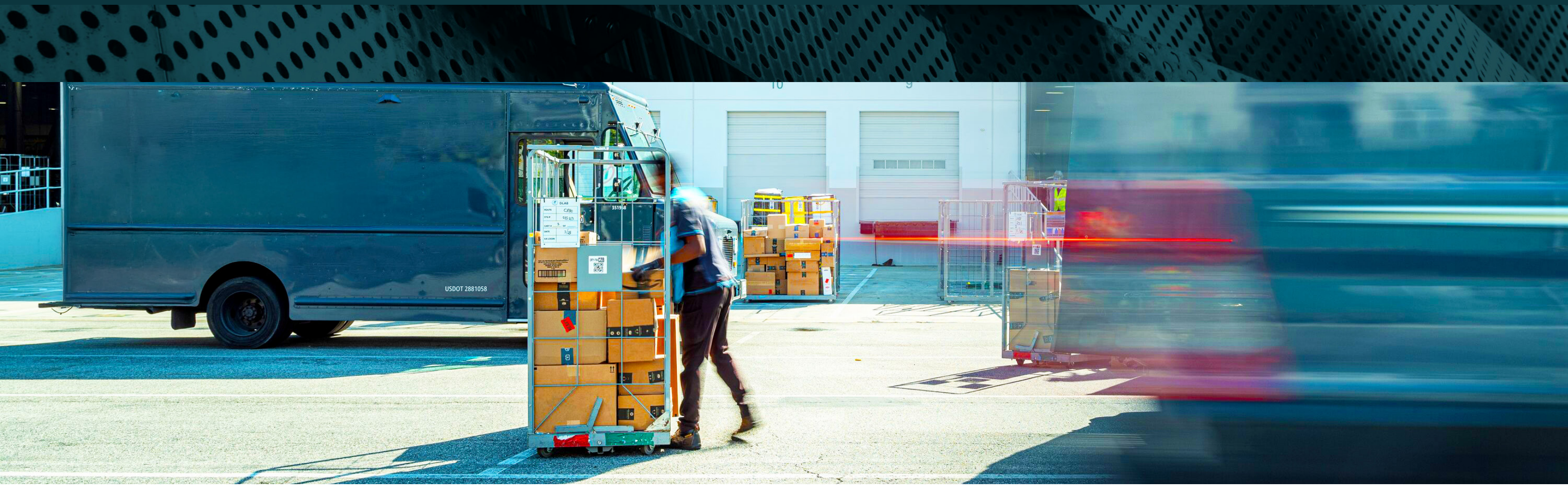
MARCH 2025

The E-commerce Boom Isn't Over: Implications for Logistics Real Estate



Several years out from the exogenous forces of the pandemic and subsequent re-opening, recent consumer behavior reflects a return to long-term priorities: value, convenience and choice. This paper analyzes this behavior and its impact on retailers, supply chains and logistics real estate as e-commerce enters its next phase of growth.

- **E-commerce comprised more than half of retail sales growth.** As expected, online sales continue to gain market share. In 2024, U.S. e-commerce accounted for 56% of total retail goods sales growth, increasing 8.0% year-over-year vs. 1.8% for in-store sales.[1]
- **U.S. companies increased logistics footprints while shrinking retail footprints over the past five years.**[2] As online revenues both drive growth and reach sufficient scale, retailers have been rebalancing their real estate strategies accordingly. Since the pre-pandemic period, occupied U.S. logistics space has grown 12% while occupied retail space (excluding services retail) has shrunk by 2.4%.
- **E-commerce share of new logistics real estate demand was above pre-pandemic averages.** In 2024, the proportion of new leasing by e-commerce companies globally increased to more than 19%, up from both 2023 and the 18% average proportion of 2017-2019.[3]
- **E-commerce still requires three times the logistics space of in-store sales in 2024.**[4] This ratio has been relatively stable for a decade, driving logistics real estate demand even as operations evolve. U.S. e-commerce penetration is projected to reach 30% by 2030, up from 24% today. This share shift alone would produce a total of 250 to 350 million square feet of U.S. logistics space demand over the next five years.[1]
- **Cross-border e-commerce is a growth segment.**[6] With sales for top platforms more than doubling in 2024 to an estimated $44 billion in the U.S.,[7] cross-border e-commerce expansion is spurring demand for logistics space in gateway markets and Last Touch® distribution locations.

E-commerce is driving retail sales growth.

In 2024 in the U.S., e-commerce accounted for 56% of overall retail goods sales growth, increasing 8.0% year-over-year vs. 1.8% for in-store sales— 10% year-over-year when adjusted for disinflation of goods in 2024. In the five years since the pandemic began, the compound annual growth rate has been 16% for e-commerce vs. 5% for in-store sales.[1]

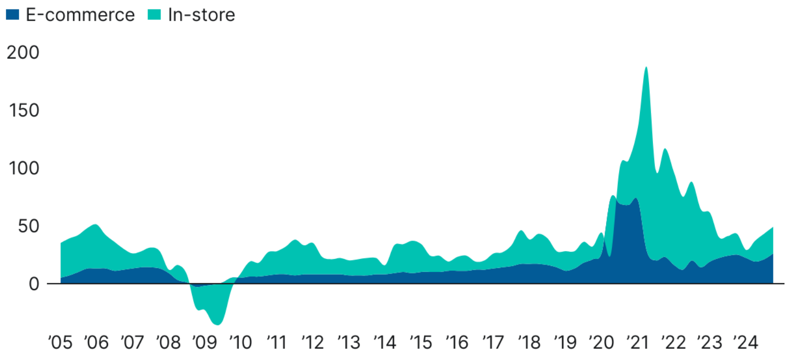
Cross-border e-commerce is a growth segment.

With looming regulatory changes, cross-border e-commerce companies are increasing their U.S. logistics presence to future-proof operations.

- **Major cross-border retailers are scaling U.S. operations.** Major players, Shein and Temu, saw combined revenue grow from $6 billion in 2022 to an estimated $44 billion in 2024.[7] To sustain this momentum, both retailers are evolving their business models to include more domestic third-party sellers, simultaneously growing their U.S. logistics real estate footprints.[8]
- **Asian 3PLs are key enablers.** In 2024, Asian third-party logistics (primarily Chinese) third-party logistics (3PL) providers accounted for nearly 20% of U.S. industrial new leasing, particularly in Southern California and the Northeast. Early data suggest this segment could comprise a similar proportion in 2025.

Annual Retail Sales Growth by Channel, U.S.

$B, y/y



Source: U.S. Census, Prologis Research

Impact of de minimis policy changes[8]

Importers began to act more than a year ago in anticipation of the possible removal or reduction of de minimis provisions in trade regulations. Fast-fashion and e-commerce platforms such as Shein, Temu, and TikTok Shop have accelerated this shift. Although de minimis imports represent only 2% of U.S. goods imports and 4% from Asia, companies relying on “built-to-order” models via air freight will need to adapt.[11] If de minimis exclusions are removed, it will necessitate a shift toward lower-cost maritime shipping, longer delivery timelines and domestic inventory-holding strategies, with supply chains that more closely resemble existing U.S. e-commerce players.

Retailers are adjusting store footprints,with store closures surging in 2024 to the highest levels since 2020. As inventory and operations shift to logistics facilities, trends like showrooming, smaller-format stores, and restricted in-store stock are reducing onsite availability while increasing the need for rapid replenishment and fulfillment from nearby warehouses. As e-commerce customers continue to scale operations, they are also improving transportation efficiencies.

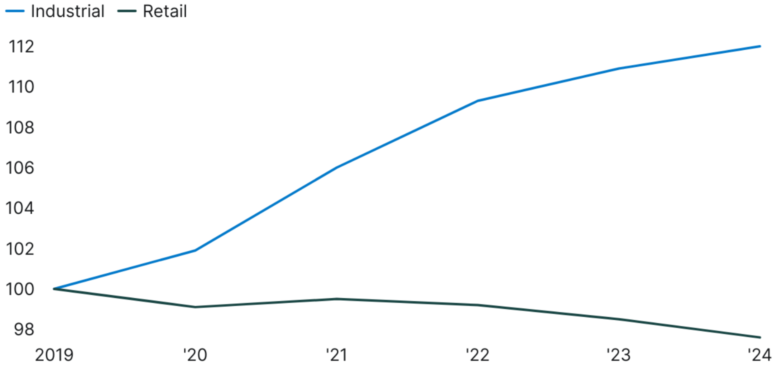
The lack of in-store shopping options, coupled with the convenience, choice and transparency of online storefronts, means that e-commerce should continue to gain market share, reaching a projected 30% of goods sold by 2030 in the U.S.

Retailers are investing more in their supply chains. As online revenues drive growth and reach sufficient scale, retailers have been rebalancing their real estate strategies accordingly. Since the prepandemic period, occupied U.S. logistics space has grown 12% while occupied retail space (excluding services retail) has shrunk 2.4%.[2] But this is not just a pandemic-era trend: in 2024, the proportion of new leasing by e-commerce companies globally increased to 19%, slightly above the 18% average before the pandemic.[3]

Recent leasing activity is concentrated in major logistics hubs. In 2024, 55% of e-commerce leasing in the U.S. occurred in three primary markets—Southern California, greater New York City, and Chicago—predominantly in big-box submarkets as companies sought to capitalize on scale and improve upstream operations.

Occupied Inventory, Industrial Versus Retail, U.S.

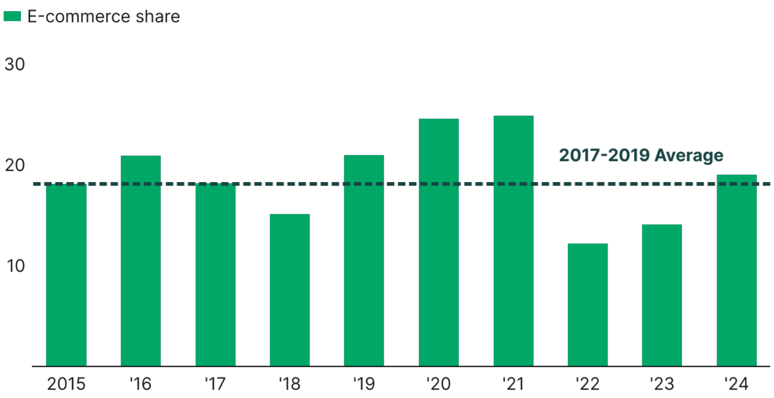
Index, 2019 year-end = 100



Source: CoStar, Prologis Research
Note: Retail is excluding service-based retail

E-Commerce Leasing, Global

% share of new leasing



Source: Prologis portfolio data

Consumer expectations are accelerating demand for urban warehouses. In 2024, 76% of consumers expected free returns— compared to just 40% in 2019—and 70% anticipated same-day or next-day delivery.[9] To meet these demands, retailers will continue to recalibrate warehouse locations and fulfillment strategies and drive increased leasing near urban centers.

This shift enhances service levels and enables faster deliveries, further reinforcing online sales growth and the need for distribution and fulfillment centers. However, this does not mean physical retail is dead. Certain retail formats are thriving as the occupier mix shifts from predominantly goods purveyors to a more diverse mix of highvalue services, experiences and shopping.

The 3x multiplier still holds after a decade and is amplifying the impact of e-commerce outperformance on logistics demand. Prologis Research has been studying and updating the relationship between logistics space occupied for e-fulfilment and logistics space occupied to serve brick-and-mortar stores since 2014. During that time, the relationship has stayed relatively steady despite increased adoption of automation and artificial intelligence capabilities. Counterbalancing forces includer broader product variety, deeper inventory levels, space-intensive direct-to-consumer shipping, returns processing and value-add services such as assembly.

E-commerce penetration growth translates directly into increased demand for industrial space. For every 1% increase in e-commerce share in the U.S., 50 million to 70 million square feet of industrial space are absorbed. Based on a projected share shift to 30% of goods sold online by 2030, e-commerce would drive 250 million to 350 million square feet of net absorption by 2030.

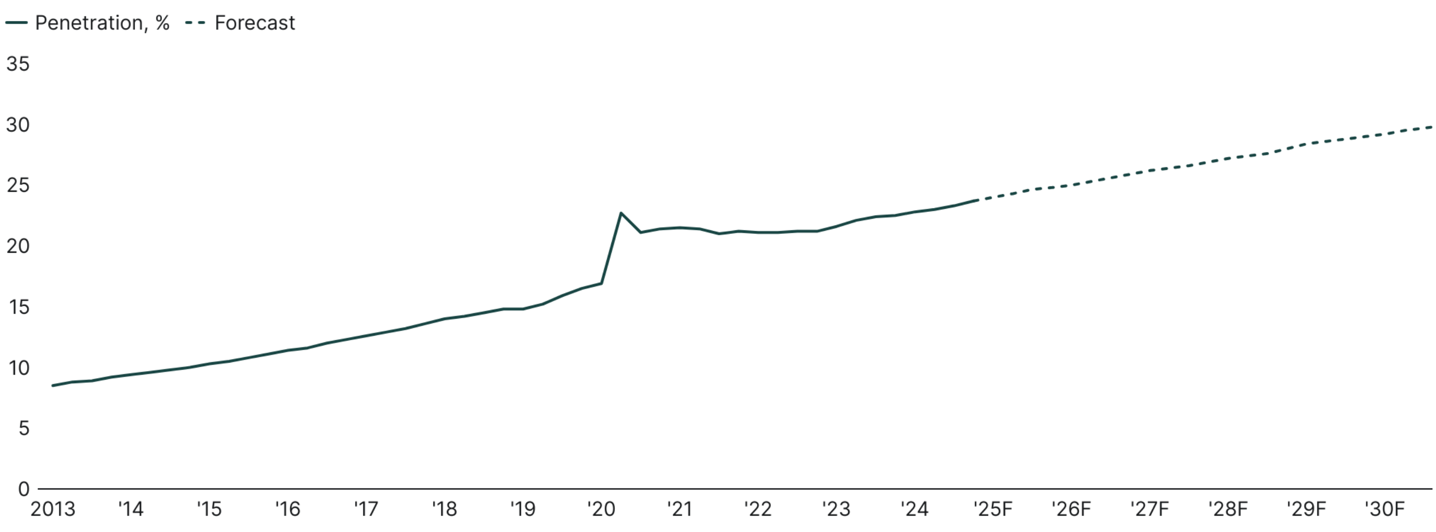
E-commerce Runway in Europe

Despite steady growth, continental Europe's e-commerce penetration holds at just 10%, well below the UK's 33%, highlighting significant potential for expansion.[10] As digital adoption rises, so will demand for logistics real estate. Asian e-tailers such as Shein, Ali Express, and Temu have rapidly gained ground—they now account for 34% of Spain's e-commerce orders and have grown their German market share from 2% in 2022 to 7% in 2024. Proposed de minimis reforms may slow their growth, but local European platforms are responding with similar manufacturer-to-consumer models. With e-commerce expanding at over 5% annually, 15 million to 20 million square feet of logistics space per year will be needed in the next five years.

10. Prologis Research.

E-Commerce Penetration Rate, U.S.

% of core retail good sales



Note: Core retail goods sales exclude auto, gas, and food services
Source: U.S. Census Bureau, Prologis Research forecast

Conclusion

E-commerce continues to be a key driver of logistics real estate demand, prompting retailers to expand their footprints to support online sales. As penetration rises, companies are recalibrating supply chains to optimize delivery speeds, fueling demand for welllocated logistics space. These structural shifts will continue shaping industrial real estate, keeping demand elevated as digital commerce scales further.

Endnotes

1. U.S. Census, Prologis Research.
2. Costar, Prologis Research, 10-K filings.
3. Prologis portfolio data.
4. Prologis Research analysis: https://www.prologis.com/insights/global-insights-research/e-commerce-and-new-demand-model-logistics-real-estate.
5. Emarketer, Prologis Research.
6. Note: Cross-border e-commerce refers to online transactions in which sales are made to consumers in international or inter-regional destinations.
7. Prologis Research estimates of Shein and Temu U.S. GMV based on Coresight, Emarketer, Business of Apps, Ecommerce DB.
8. Note: De minimis tax exemption in the U.S. allows for shipments under $800 to each U.S. consumer per day to be tax and duty free. Similar exemptions exist in other regions, e.g. the EU exempts shipments under €150.
9. National Retail Federation.
10. Prologis Research.
11. Source: U.S. Customs and Border Protection, U.S. Census.

Forward-Looking Statements

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Prologis' Research department studies fundamental and investment trends and Prologis' customers' needs to assist in identifying opportunities and avoiding risk across four continents. The team contributes to investment decisions and long-term strategic initiatives, in addition to publishing white papers and other research reports. Prologis publishes research on the market dynamics impacting Prologis' customers' businesses, including global supply chain issues and developments in the logistics and real estate industries. Prologis' dedicated research team works collaboratively with all company departments to help guide Prologis' market entry, expansion, acquisition and development strategies.

About Prologis

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of December 31, 2024, the company owned or had investments in, on a wholly-owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.3 billion square feet (120 million square meters) in 20 countries. Prologis leases modern logistics facilities to a diverse base of approximately 6,500 customers principally across two major categories: business-to-business and retail/online fulfillment.

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