

## The US Added 11 Square Miles of New Industrial in 2020... Amazon Occupied Half of It

2020 was a challenging year for many reasons. Lives were upended, business wrecked, and hundreds of thousands of Americans succumbed to the worst virus in a century. Yet through the chaos, one segment of the real estate world found an incredible silver lining: industrial.

Already on a decade-long spree of new construction, fueled mainly by the explosive growth of the e-commerce marketplace, the industrial market soared to new heights in 2020. Most savvy market players have an awareness of this fact; however, understanding the scope and magnitude of the growth is entirely different. In 2019, the national industrial market saw new development of 275.0 billion square feet of space, the highest total in US history. 2019 seemed challenging to beat, yet even during a national pandemic, the [US industrial market still managed to add 310.0 billion square feet](#), an increase of 12.7% on a year-over-year basis. **This represented 11 square miles, roughly the equivalent to covering half of Manhattan with new industrial properties!**

In and of themselves, the above numbers tell a compelling story about how incredibly integrated the industrial market currently finds itself. For example, if you extrapolate the average cost per square foot for these projects at \$150, it would equate to \$46.0 billion of capital that flowed into the market last year. Of greater consequence and interest for market participants may very well be the tenant that took the lion's share of this new product. Entering 2020, according to industry sources, Amazon occupied [333.0 billion square feet of industrial space nationally](#). The company made massive news when it [announced its intent to increase its industrial footprint by 50% in 2020](#), representing a new 166.0 billion square feet of space. While publicly available data is not yet available to explicitly confirm that this total was achieved, it may mean an undercount given that the statement was made in July of last year.

The presence of Amazon driving such an enormous share of new development and occupancy has far-reaching consequences for industrial landlords. With the possible exception of FedEx, never before has one tenant been so dominant in driving market dynamics and leasing. In tandem with their "cool kid" status amongst institutional ownership and developers, Amazon possesses a rare ability to exert leverage on the marketplace in the coming years in a way no tenant has before. Increasingly, with Amazon's warehouses becoming more and more specialized with conveyor systems and mezzanine space, rents per square foot are being driven to new heights, making re-tenanting a more daunting prospect should Amazon depart at the expiration of the lease term.

Furthermore, the breakneck growth for Amazon may very well continue into 2021 and the years ahead. In just September of 2020, [Amazon announced a planned additional 1,000](#) smaller last-mile delivery hubs across the country. These facilities, which range between 20 to 100K square feet, are essential to Amazon's ability to fulfill its two-day delivery pledge, which was compromised during the pandemic's ordering surge.

While most market participants have some awareness of the ascendancy of Amazon's presence in the real estate world, they may not have a full appreciation for its breadth and magnitude. Investors would be wise to employ a cautious eye to what the concentration of occupancy may mean for the broader marketplace in the decade ahead.

#### Sources:

- United States Industrial Outlook - Q4 2020
- Amazon Grows 333 Million Square Foot Operating Footprint Via New Deal
- Amazon is piling up fulfillment center square footage, and it shows Bezos thinks the pandemic-driven online shopping surge is here to stay
- Amazon plans to put 1,000 warehouses in neighborhoods

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