



United States | 2021

Research

# Industrial Tenant Demand Study

A comprehensive glimpse into future potential  
leasing decisions

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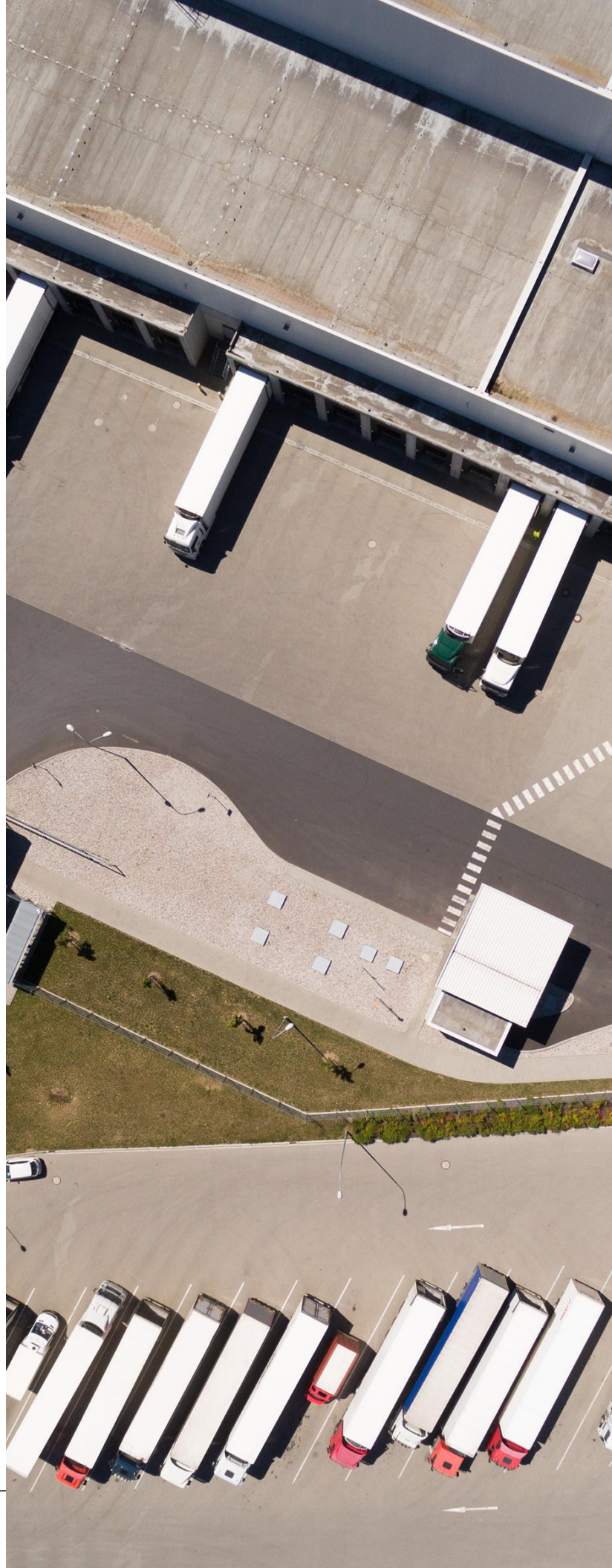
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# Executive summary

This is the 9th annual U.S. Industrial Demand Study, and it is more insightful than ever. Using JLL local market intelligence across nearly 60 U.S. markets, we gathered robust tenant data—where they are looking, what industries are driving activity and how demand is impacted by external economic influences—to give you thorough analyses and a rich storyline of U.S. Industrial real estate demand.

For 2021, we tracked **1,800 individual tenant requirements needing over 660 million square feet of space**, exceeding both 2020's and 2019's numbers. **2021's demand is up by 22%** year-over-year. **E-commerce is still a major player**, but demand is becoming more widespread across all industries.

We know that not every tenant in the market will amount to net new space absorption (some will end up renewing in place, some may simply cancel their space searches, etc.)—but this Demand Study gives us the most comprehensive glimpse into future potential leasing decisions that couldn't otherwise be modeled out in an econometric fashion. While this is just a snapshot in time, it has been proven to provide great directive insight.

We are confident that you will find this report very valuable and come away with a new perspective on the projected industrial tenancy.

**Craig S. Meyer, SIOR**  
President, Americas Industrial  
Chairman, Global Industrial Board



# 2021 top takeaways

The pandemic accelerated demand for home deliveries. This year, **Logistics and Parcel Delivery has taken the number one spot**—now making up nearly a fifth of all demand—as other industries (like Traditional Retailers and Food and Beverage) step into the home delivery game.



E-commerce demand peaked in 2020 and continues to grow, albeit at a slightly slower pace. The number of new entrants to the e-commerce sector rose by 21% year-over-year. **This speaks to the enduring habits of online shopping as more companies get in the game.**



Growing demand for housing is benefiting the Construction industry. **Demand for Construction, Machinery and Materials companies rose by nearly 15 million square feet from 2020 to 2021.** The need for more housing is keeping home builders and residential developers busy.



Port activity is incredibly strong. The biggest port markets (Los Angeles, Long Beach and New York/New Jersey) are seeing record levels of demand, and at the same time, other port markets (other West Coast ports and those in the South) are experiencing huge year-over-year growth. Overall, **the top 10 busiest U.S. port markets make up 25% of all 2021 tenant demand.**



# Demand overview

**The number of markets with at least 20 million s.f. of active requirements nearly doubled since last year.** Growth in demand aligns with a market's population density and other secondary factors, including shifts in migration (see Sun Belt metros like Atlanta and Dallas), centroids for U.S. population (like Columbus and Indianapolis) or port activity (look to Savannah).

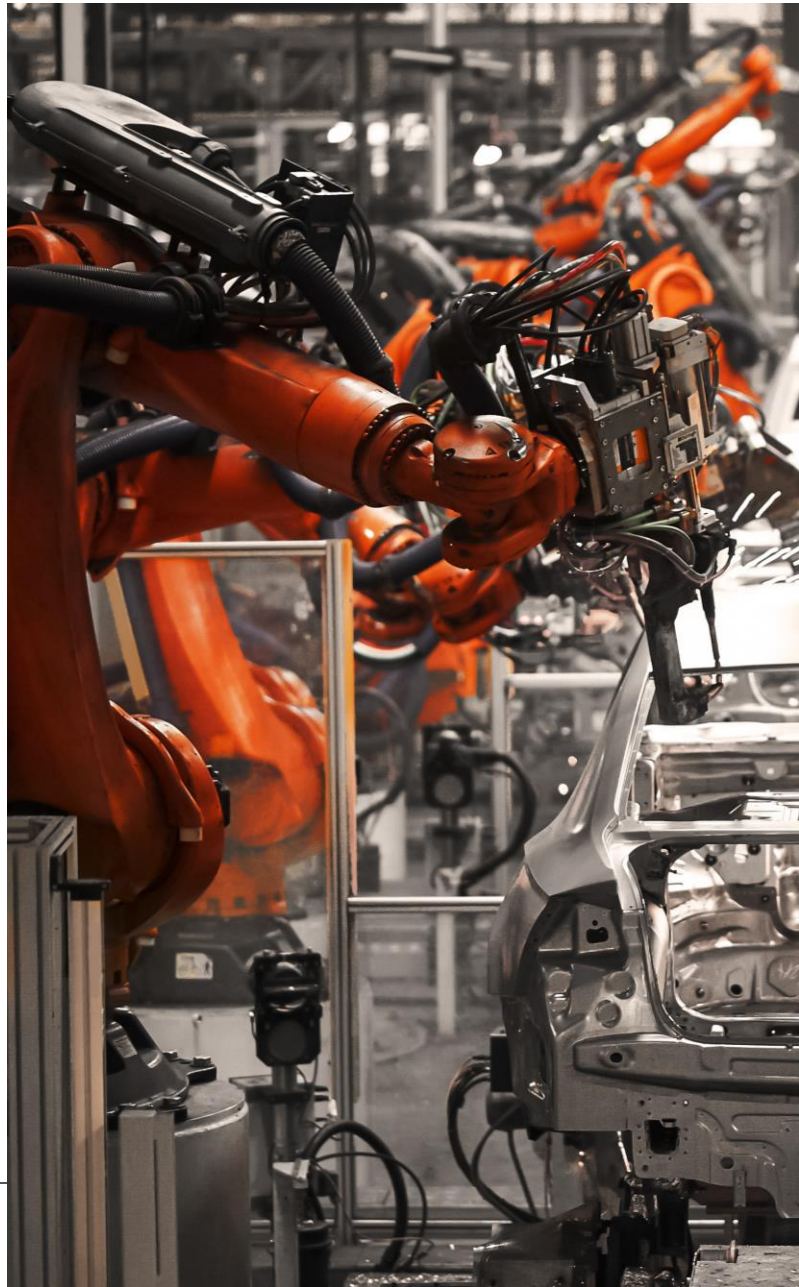
In **almost every region across the country**, the most active industry is Logistics and Parcel Delivery. Compared to last year, the top industries were much more varied. As many companies rushed to stock inventories in 2020, they now need help distributing goods to consumers. The biggest year-over-year increase in demand is in the Great Lakes, illustrating the dense collection of demand in secondary markets.

Logistics and Parcel Delivery is the most active industry across nearly all **building size** categories—this tells us that all ranges of companies are in need of distribution services and at all types of locations: urban, suburban and exurban. For the biggest size range of 1 million s.f. plus, Traditional Retailers are most active, with a portion of that being related to e-commerce.

In terms of **timing**, tenants are in the market slightly longer than last year, due to increased competition and lack of immediately available space. New-to-market **transactions** slowed a bit in 2020 due to the pandemic. This year, new requirements increased by 27% as tenants readjust to meet consumer demand.

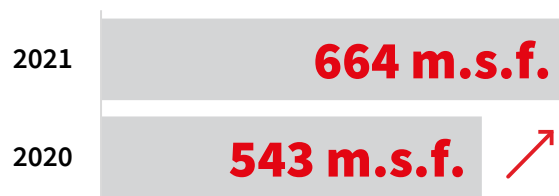
Requirements for **manufacturing space** soared this year, rising by 93% year-over-year. The driving factor in this uptick in demand is attributed to the reshoring of U.S. manufacturing and establishment of a U.S. sourcing presence. Companies are realizing that long supply chains are subject to disruptions and higher costs, thus for certain products and industries reshoring makes economic sense and

mitigates risk. The repatriation of certain goods (see PPE, defense, pharmaceuticals) offers many benefits including self-reliance, an economic multiplier effect seen in job creation and increased sustainability achieved through closer sourcing and minimizing transportation. Manufacturers are finding that by making sourcing decisions based on a “total cost of ownership,” instead of just piece price, a significant percentage of what is now imported can be reshored profitably.



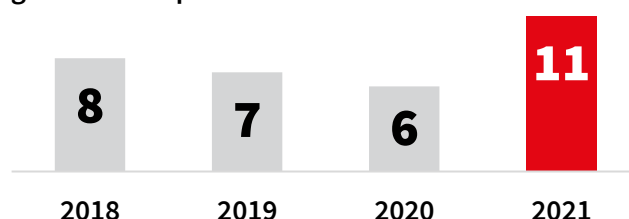
# Demand by the numbers...

## Total tenant requirements



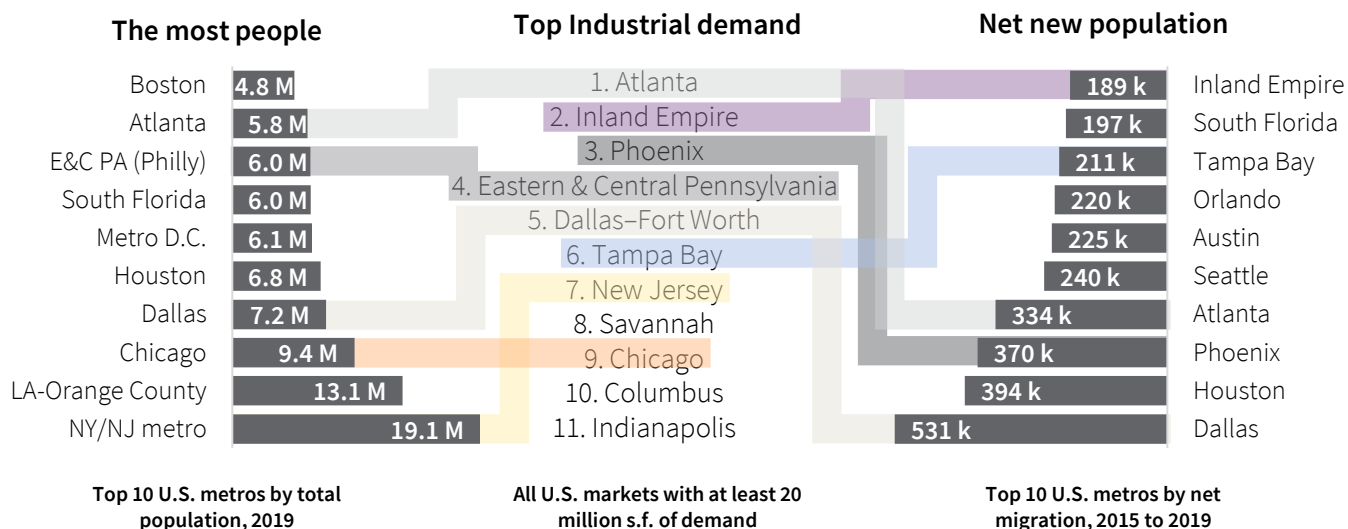
Source: JLL Research

## Number of markets with 20 million s.f. and greater of requirements



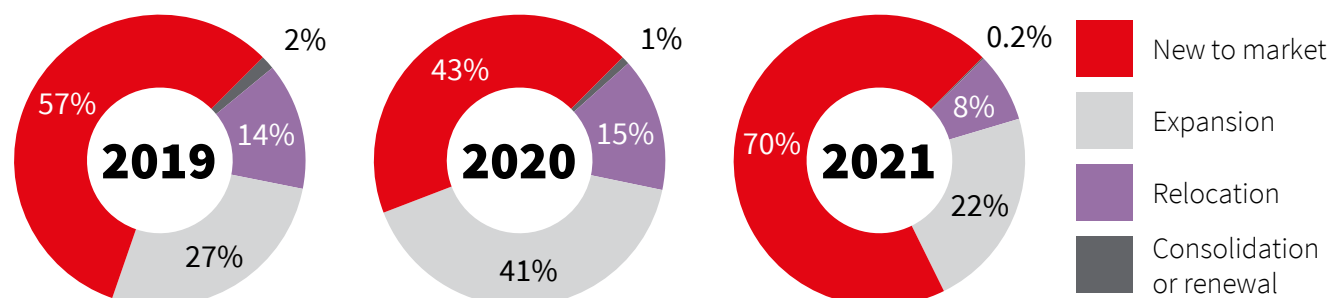
Source: JLL Research

## Demand is related to population, by both density and growth



Sources: JLL Research, U.S. Census Bureau

## Transaction trends by year



Source: JLL Research

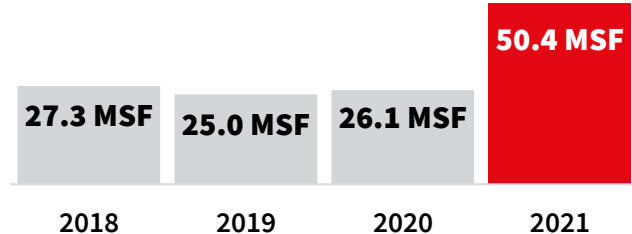
# Demand by the numbers...

## Tenant timing: time spent looking for space



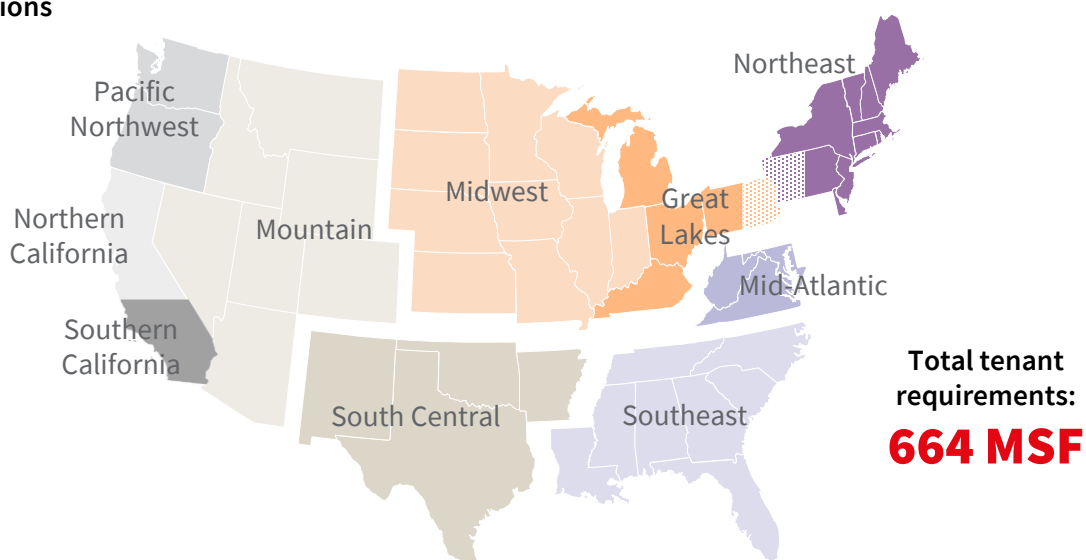
Sources: JLL Research

## Manufacturing requirements: total and by industry



Source: JLL Research

## U.S. regions



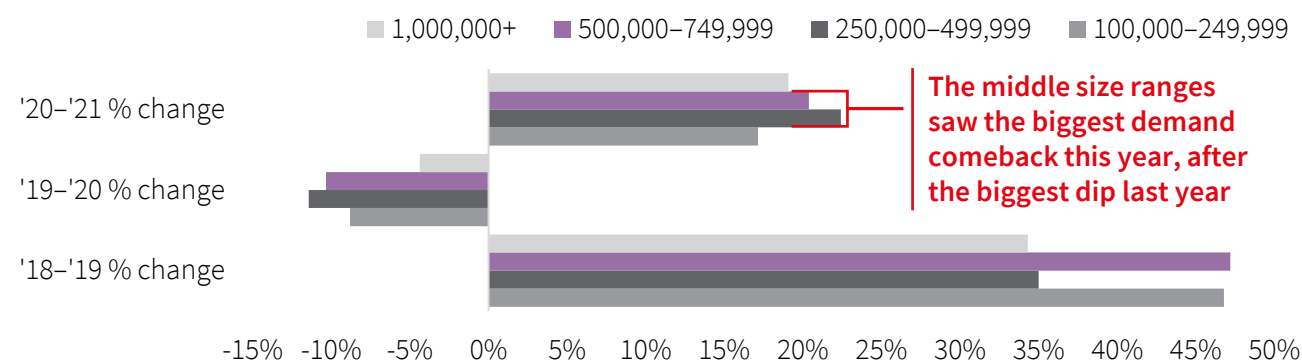
Region	Total tenant demand (MSF)	% of U.S. total demand	% change, 2020 to 2021	Most active industry (not including undisclosed)
Pacific Northwest	18.3	2.8	23.9	E-commerce
Mountain	67.3	10.1	22.8	Logistics & Parcel Delivery
Northern California	38.5	5.8	36.5	E-commerce
Southern California	51.7	7.8	-18.8	Logistics & Parcel Delivery
South Central	70.8	10.7	27.4	Logistics & Parcel Delivery
Midwest	69.8	10.5	-10.3	Logistics & Parcel Delivery
Great Lakes	56.3	8.5	53.2	Logistics & Parcel Delivery
Northeast	84.4	12.7	-5.4	Logistics & Parcel Delivery
Mid-Atlantic	30.4	4.6	48.7	Logistics & Parcel Delivery
Southeast	176.1	26.5	36.6	Logistics & Parcel Delivery
<b>U.S. Total</b>	<b>663.6</b>	<b>100</b>	<b>22.3</b>	<b>Logistics &amp; Parcel Delivery</b>

Sources: JLL Research, U.S. Census Bureau

# Demand by the numbers...

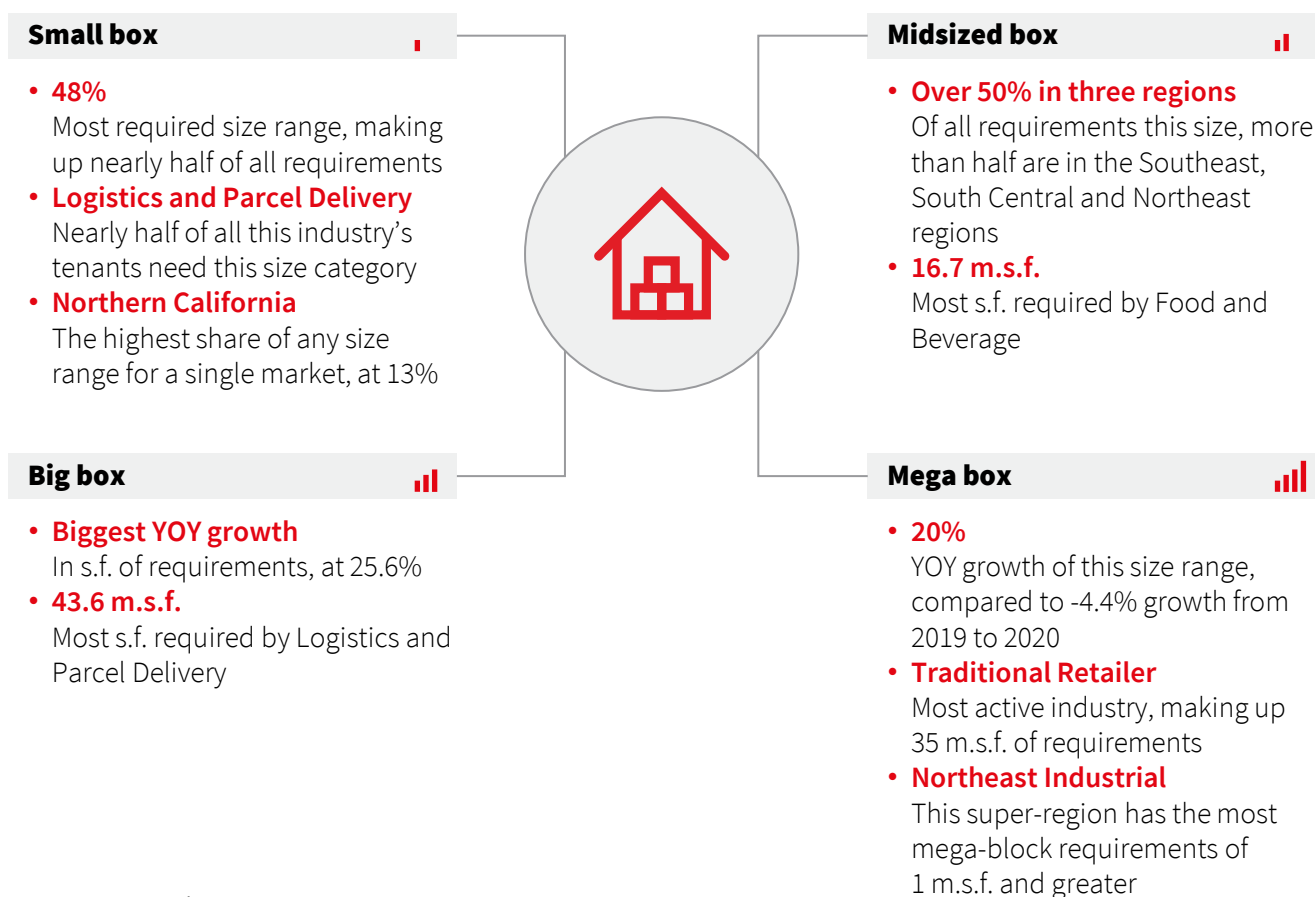
## Demand for all size categories is growing, especially in the midsize range

Building size categories, YOY percent change



Source: JLL Research

## Building size by category KPIs



Source: JLL Research



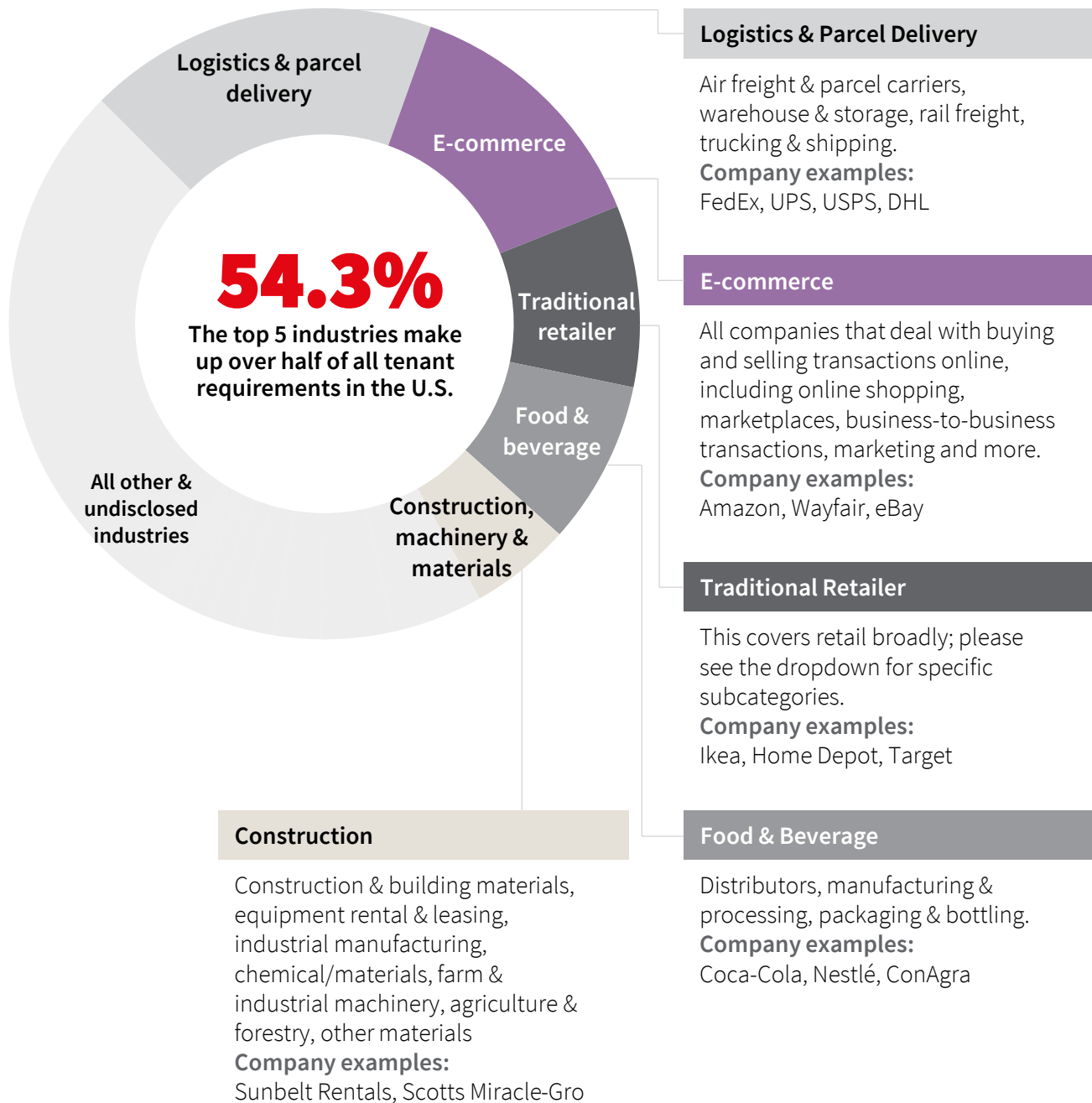
**Industry  
highlights**

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# Top 5 industries

Take a peek at the top 5 industries driving demand in logistics.

## Most active industries



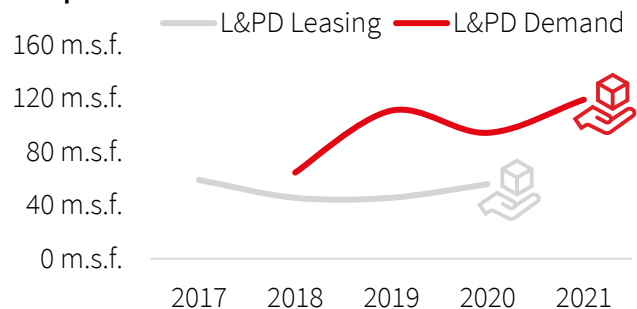
Source: JLL Research



# 1. Logistics & parcel delivery

As the widest-reaching industry, **Logistics and Parcel Delivery makes up nearly a fifth of all demand**, expanding beyond the primary U.S. logistics markets. The industry's reach is more widespread this year, with focus in not only the primary but also secondary and tertiary markets. Leases and demand are both currently on an upward trend. With the growth in leases experienced in 2020 compared to that demand, expect even more L&PD leases to be executed in 2021 when looking at this year's demand. Looking at demand for this industry has been a good indicator of actual leasing volume.

## Logistics & parcel delivery, executed leases compared to demand

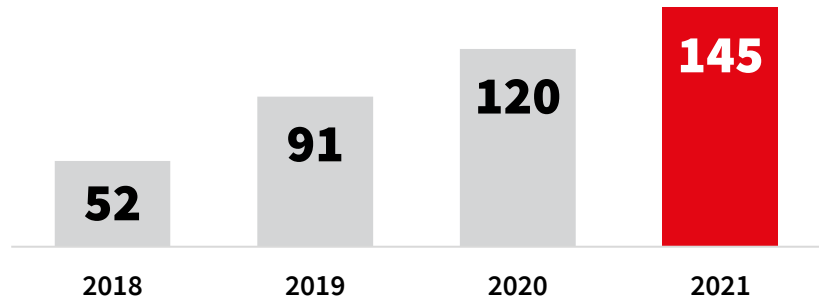


Source: JLL Research

## 2. E-commerce

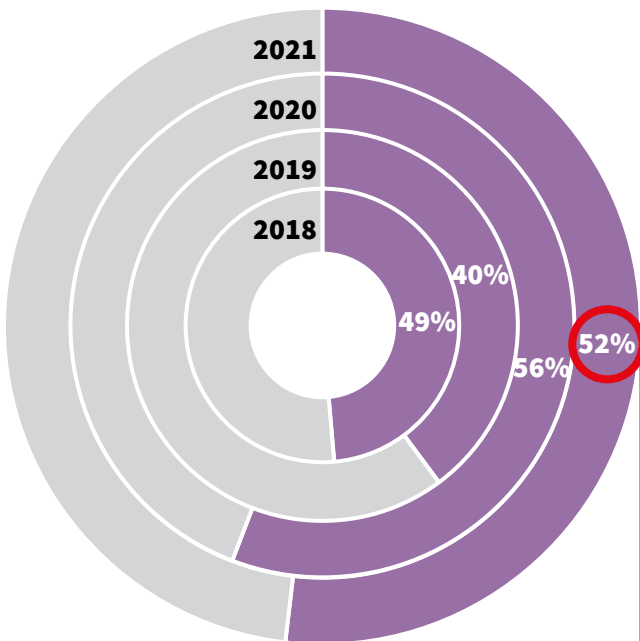
The tenant base for e-commerce is diversifying, with a growing number of unique active tenants each year. More players are getting into the game. In 2020, we saw a spike-up of Urban Logistics markets share of e-commerce demand, compared to the rest of the U.S. markets. Despite a normalization of the market as the effects of the pandemic wind down, we see the baseline of this trend holding strong in 2021.

Number of unique tenant counts for e-commerce



Source: JLL Research

E-commerce demand in Urban Logistics markets



**2021 will see over half of all e-commerce demand in Urban Logistics markets**

Source: JLL Research

Urban Logistics markets



Urban Logistics\*

	Established	Emerging
Total population	▲	▼
Population density	▲	▼
Population growth	▼	▲
Vacancy	▼	▲

\*Compared to the other Urban Logistics markets

Source: JLL Research

# Deeper dive into all e-commerce-related demand

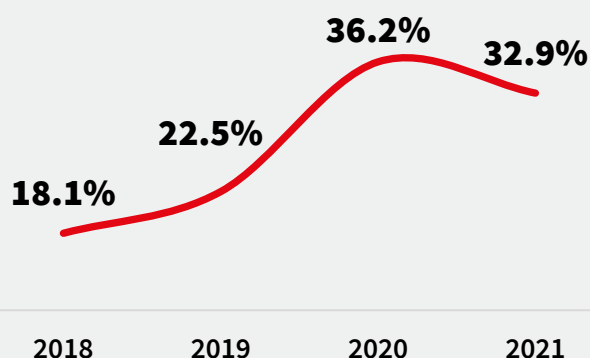
## E-commerce-related demand hasn't wavered much

E-commerce was already well on its way to a transformation, which was greatly exacerbated by the pandemic—2020 showed a huge jump in e-commerce-related activity. And the trend line is inexorable as consumers are well on their way to increasing their share of online purchasing year after year. 2020 compressed two to three years' worth of e-commerce growth into one year. And with many sources projecting e-commerce to make up 40% of all retail sales in the next five to 10 years, we expect demand for all related industries to continue to gain more share.

Looking at only the Paper & Packaging industry, demand grew by 162.5% year-over-year. This is directly related to online shopping. The need for boxing and shipping is up as people continue to keep a distance from shopping in person.

*The industries included in this analysis are E-commerce, Logistics & Distribution and Paper & Packaging. These three industries combined tell a compelling story of how online shopping is driving the demand for Industrial real estate.*

## All e-commerce-related demand, YOY percent growth



Source: JLL Research

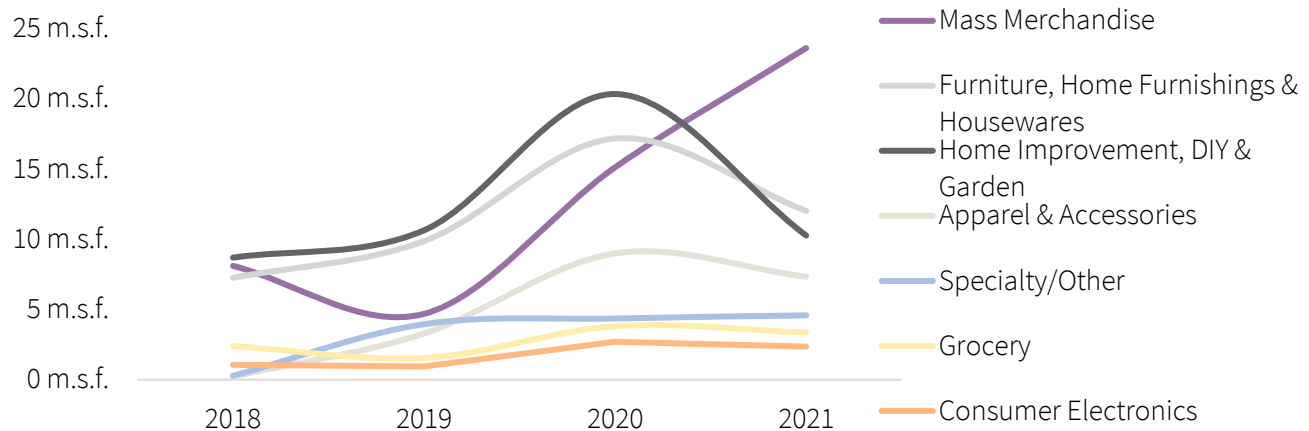


## 3. Traditional retailers

Mass merchandisers pull ahead within Traditional Retailers. As consumers spent 2020 fixing up their homes, now they are filling them up. There is a lot of pent-up demand in value retailers—companies like **Walmart, Target, Big Lots, TJX and Costco** are vying for warehouse space.

Nearly 17% of Traditional Retailers have an e-commerce need. This is slightly down from last year but following an overall upward trend.

### Traditional Retailers with 1 MSF+ of requirements

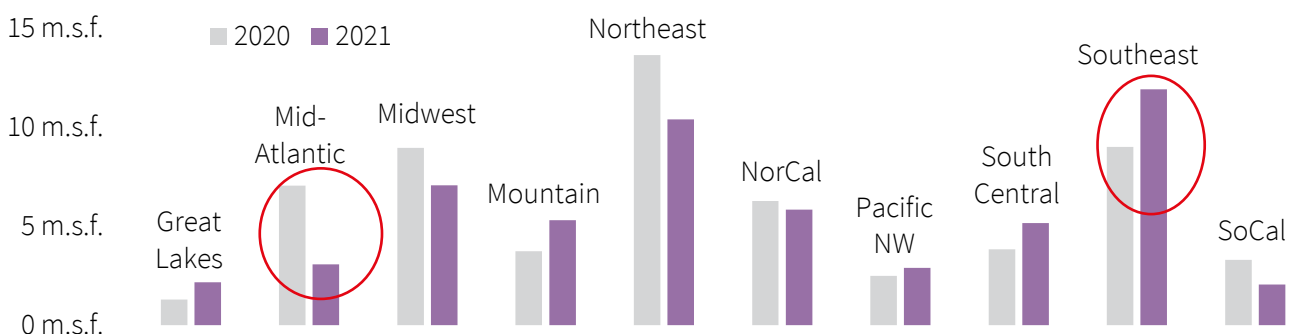


Source: JLL Research

## 4. Food & beverage

We saw the largest industry growth in the Southeast, with some of the biggest requirements from **UNFI, Kerry Foods and Quaker**. The Southeast saw a lot of Food & Beverage activity. We saw a drop in the Mid-Atlantic because many of the big requirements were satisfied in 2020.

### Food & beverage growth by region



Source: JLL Research

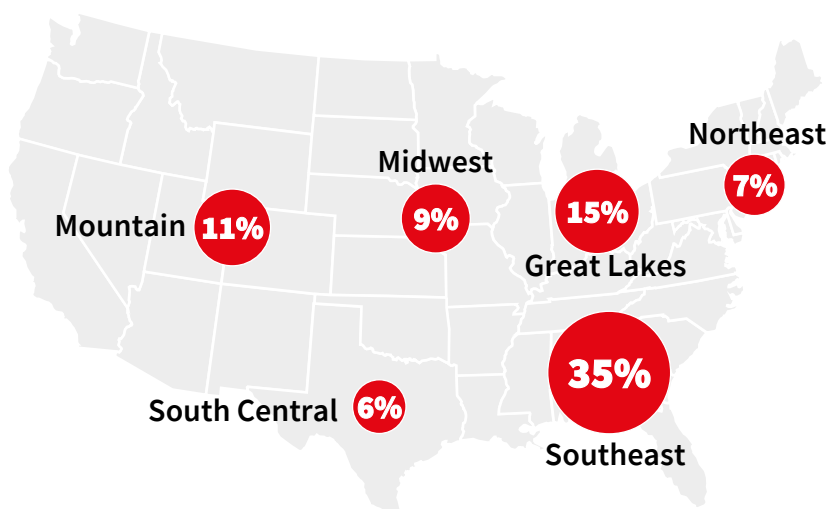


## 5. Construction, machinery & materials

The demand for housing, remodeling and do-it-yourself projects caused the Construction, Machinery & Materials industry to move into the top five most active this year. In general, the top demand

regions align with high population density and growth. The Southeast, for instance, is experiencing some of the highest population growth with similar growth in this industry.

### Construction, Machinery & Materials percent of regional demand



### Regional 5-year total population growth

South Central	3.1%
Southeast	2.6%
Mountain	2.3%
Pacific Northwest	2.0%
Northern California	0.4%
Mid-Atlantic	0.3%
Southern California	-0.1%
Great Lakes	-0.6%
Midwest	-0.6%
Northeast	-1.0%

Sources: JLL Research, U.S. Census Bureau | Showing only regions with a minimum of 2 m.s.f. of requirements

## Other industries of note

Despite these industries not being in the top five most active, demand is so widespread in 2021 that these need a spotlight, too.

### 3PLs

3PL demand is consistently up every year. Though it's often considered a crossover industry, we analyze 3PLs separately to show the industry's true reach. We were able to discern six individual industries that 3PL demand touches, illustrating the widespread need for distribution expertise.

**14.3%**

**3PL percent growth from 2020 to 2021**

**6**

**Industries touched by 3PLs**

1. Logistics & parcel delivery
2. Paper & packaging
3. Traditional retailer
4. Food & beverage
5. Health
6. Professional & business services

**340k**

**Average size of 3PL requirements**

Source: JLL Research

### Consumer products

Consumer Products as a category dropped out of the top five in 2021 but is still important, with over 30 million s.f. of demand. Many of these tenants focus their demand in the Midwest, where lots of these companies are headquartered. Outside of those regions, all but two of the other top Consumer Products fall along the East Coast, where there is a high population density.

#### Markets with over 1 million s.f. of demand for consumer products



Source: JLL Research



# **Markets to watch: A big increase in demand and why**

This year three markets stood out in our analysis, with Industrial demand expanding greatly. Find out which markets are seeing such growth and why.

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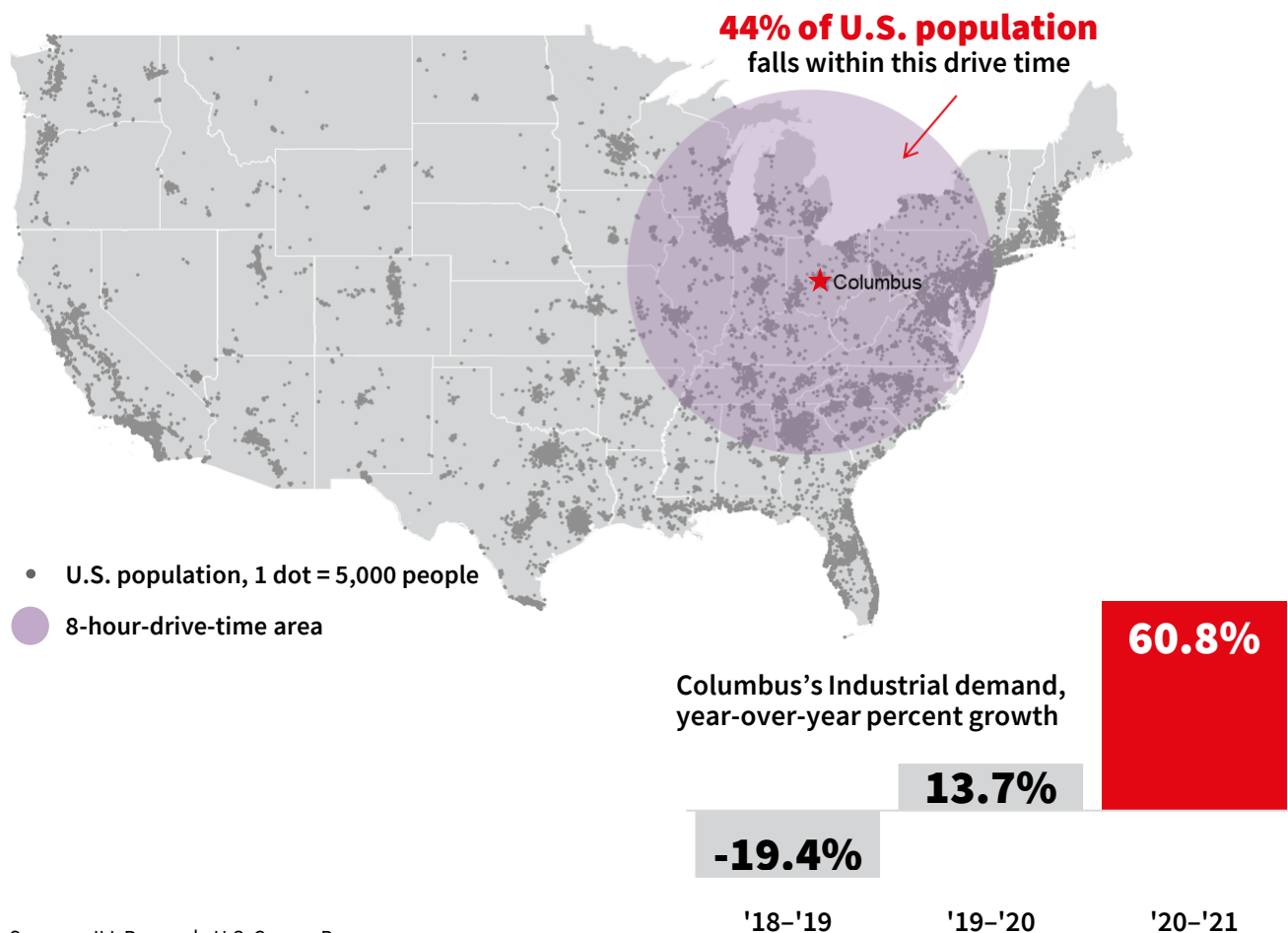
# Columbus

**Nearly half of the U.S. population is within one day's drive time of Columbus.**

Demand exploded this year in Columbus. More and more “out of market” developers are scouring the region for sites to develop. Part of the increase in

demand is COVID-19-related, but there's more going on. It's more about the cost and logistical advantages of Columbus—you can reach almost **half of the U.S. population within a day's truck drive of Columbus.**

**U.S. population within an 8-hour-drive-time of Columbus, Ohio**





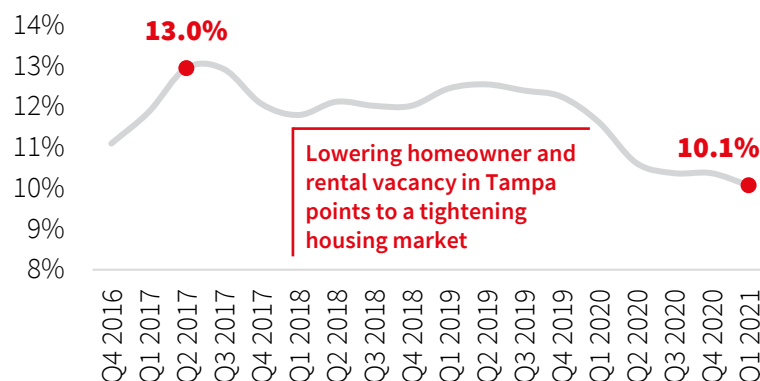
# Tampa

## A tightening U.S. housing market is boosting the Construction industry

Migration is playing a big role in some markets' increased demand. Tampa is one of them. The metro is one of the top growth markets in terms of population over the past five years. As the market expands, local municipalities are adding infrastructure to support industrial development. Along the County-line Corridor (where it meets I-44), Plant City invested in infrastructure for development a few years ago. This amped up industrial demand alongside the need to meet the consumer demands of the growing population.

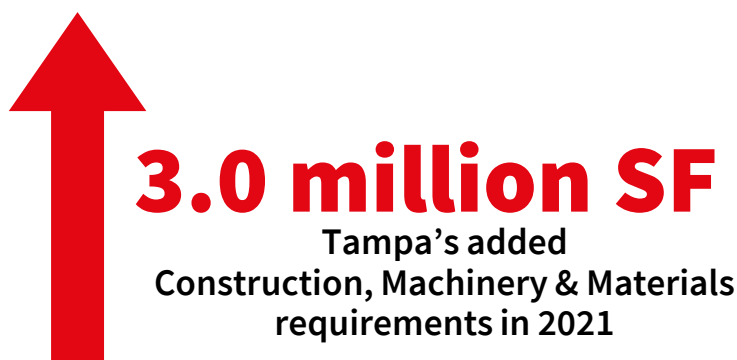
The housing market is driving demand in Tampa. Population growth in the market is translating to low housing vacancy and delays for building materials as the demand for new housing surges. Tampa's total demand grew by 143% since last year, and the Construction, Machinery & Materials industry added 3 million s.f. of new requirements. We see this trend nationwide, too—nearly 20 million more people live in the U.S. now than 10 years ago. And as the pandemic pushed more people to spend more time at home, the housing market is tightening further with people looking for bigger houses.

## Tampa's marketwide housing vacancy rate (homeowner and rental), four-quarter rolling average



Sources: JLL Research, U.S. Census Bureau

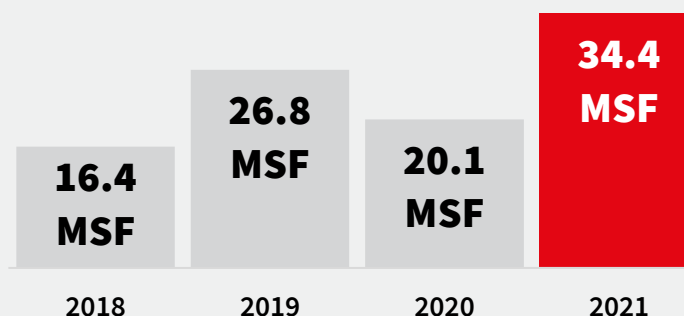
## U.S. total population



Sources: JLL Research

## Housing is driving demand

U.S. Construction, Machinery & Materials requirements



Sources: JLL Research



# Savannah

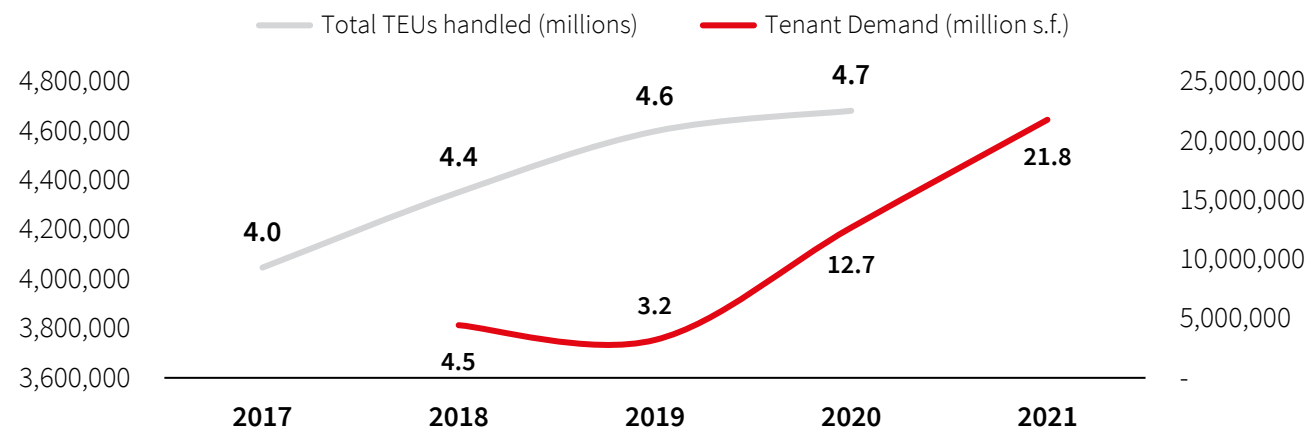
## Savannah's surge in tenant demand is tied to port activity

Savannah is one of the port markets seeing a great uptick in demand. As the Southern California ports experience unprecedented congestion, port markets like Savannah (alongside Houston in the South and Oakland and the Northwest Seaport Alliance up the West Coast) are seeing a surge in Industrial demand, as tenants set up warehouse and distribution space to receive more product from more varied seaport locations. Savannah's

demand grew by nearly 10 million square feet from 2020 to 2021.

As Georgia Ports Authority saw all-time-high TEU activity in the second half of 2020, the board recently approved even more funding for expanding the Savannah facility's capacity by 20%. This increased capacity is adding to the Industrial tenant demand in the market, which is truly seen this year. We can expect future demand to keep up with 2021's levels as the added container capacity comes online.

## Savannah's total TEUs handled and tenant demand; TEUs are 20-foot-equivalent units, a common measure of container volume handled by ports



Sources: JLL Research, Georgia Ports Authority

# What's next?

Looking forward, JLL Research expects the U.S. Industrial tenant demand to keep on the upward trend it has been seeing over the last decade, with no slowdown in sight. With previous years' demand evolving into real leases, we know that current tenant sentiment remain strong. Our teams continue to closely monitor tenant touring activity, which is the earliest available indicator of U.S. Occupier Demand across nearly 60 markets. And we know by who and where that future leasing demand will be.



E-commerce demand is only going to continue to grow, with a particular focus in Urban Logistics markets.

- We expect these dense urban markets to gain an increasing share of e-commerce-related demand.
- Logistics & Parcel Delivery companies will expand alongside e-commerce as Traditional Retailers and other segments of the economy become more and more digital.
- These three sectors will also be at the forefront of conversions of other property types to logistics space.
- Reverse Logistics (Returns & Exchanges): Driven primarily by e-commerce, this will further pressurize our supply chains and add to Industrial demand, especially during the holiday season.



Manufacturing will keep up the practice of reshoring, increasing the need for this type of space. We'll see this shift particularly in products like PPE, defense, pharmaceuticals and even construction materials. As reshoring and repatriation occupy an enduring focus in the U.S., we will see more of these requirements as supply chains move many aspects of production close to home.



External economic factors are truly impacting logistics demand, whether it is population growth, the housing shortage or port activity. We are using these indicators to identify up-and-coming markets, enabling us to recognize Industrial space needs immediately. This gives us great insight not only into the traditionally large logistics markets but also into the nuances that drive activity in secondary and tertiary markets.





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JLL's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.