

# Asian Third-Party Logistics Emerges as a Bright Spot During E-Commerce Slowdown

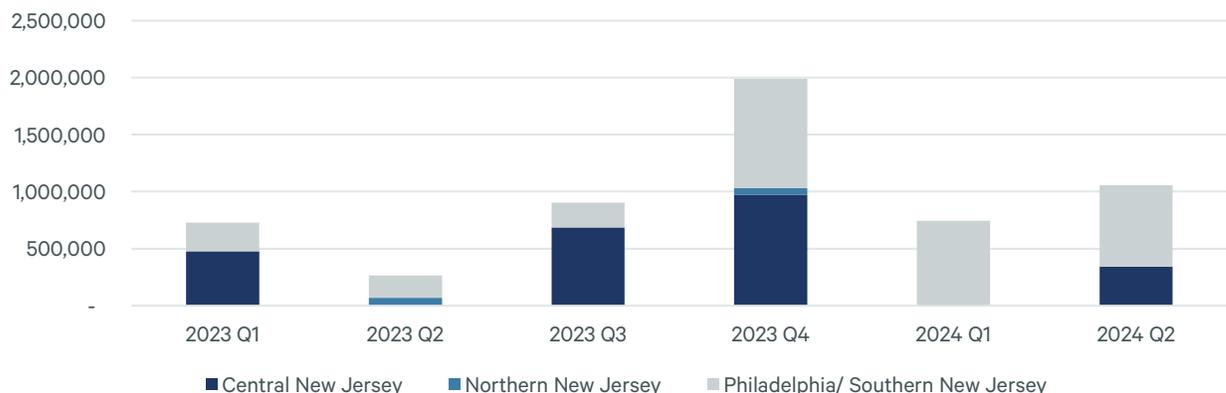
By Joseph Gibson, Brian Klimas, Anna Schaeffer

Asian third-party logistics (3PLs) companies have emerged as the leading occupier type within the Northeast U.S. Logistics market over the past 18 months as they capitalize on slow market conditions to set up operations in the region. These companies are taking advantage of tenant-favorable conditions brought on by a falloff in large leases by e-commerce and retail/wholesale companies and abundant vacant new product flowing onto the market.

The abrupt change in market conditions starting in 2023 has led to favorable pricing and landlords being amenable to this new occupier – who was previously crowded out of the Northeast market. Many of these 3PLs set up operations on the West Coast during previous downturns and have been looking to establish a Northeast presence to mitigate geographic risk in case of regional shipping disruption. Also, some of these firms are looking to maximize inventory in the United States, fearing that increased political pressure around protectionism could lead to tariffs on imported goods. Highlighting the credibility of this threat, Chinese companies are investing heavily in Mexico-based manufacturing operations to benefit from the US-Mexico-Canada (USMCA) agreement which offers preferential trade treatment to North American-based manufacturing.

CBRE identified 23 new leases totaling 5.7 million sq. ft. by Asian 3PL and e-commerce users in the Northeast since Q1 2023 with 54% of the area leased in Southern New Jersey and 44% in Central New Jersey. The average lease size of 247,000 sq. ft. was more than double the market average. Price was the most important determinant in space selection for Asian 3PL tenants, as 34% of the total sq. ft. signed was a sublease, despite sublease space representing 12% of total availability. Asian 3PLs were also focused on quick occupancies, which is most easily achieved by subleasing. Location was the second biggest factor, with most tenancies in proximity to Port Newark/Elizabeth and FedEx Ground locations.

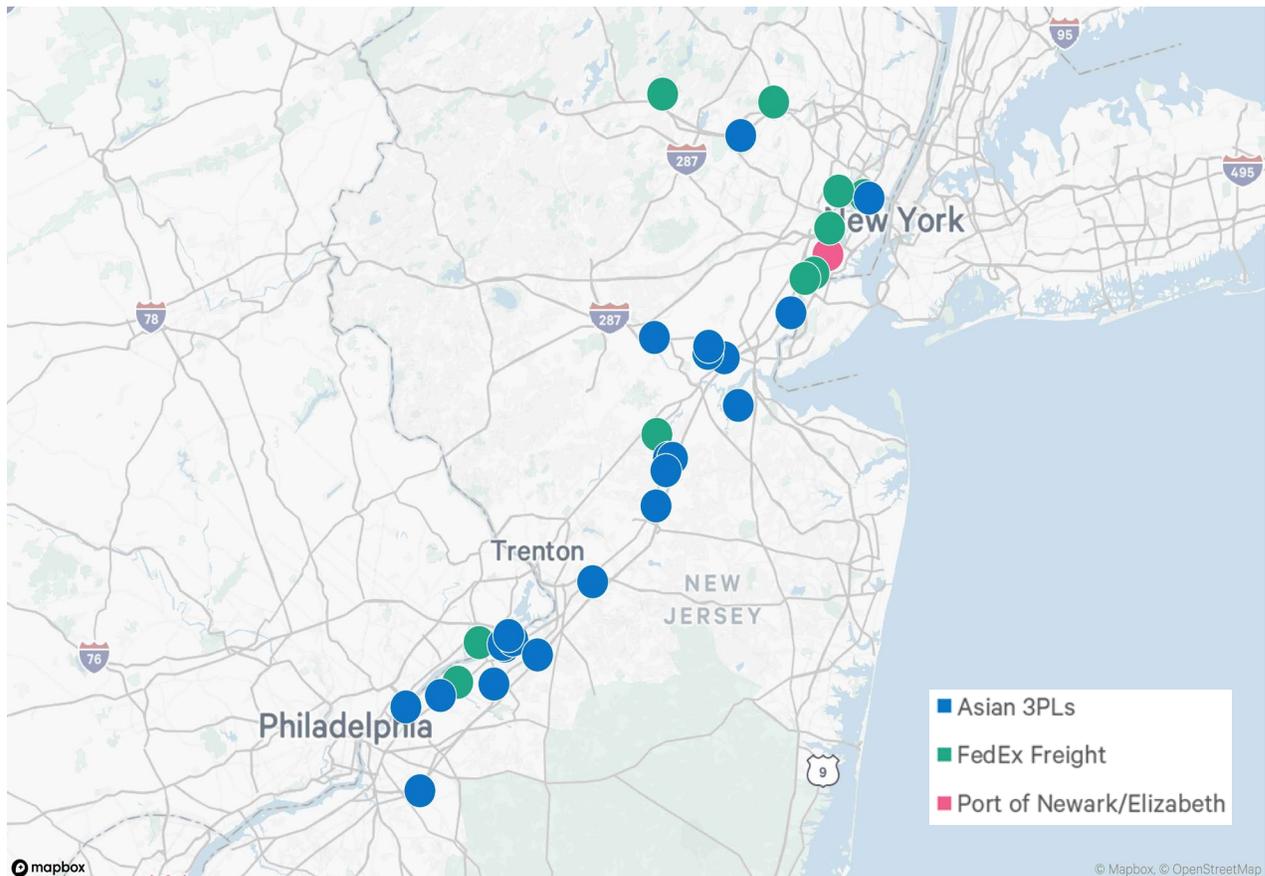
FIGURE 1: Leasing Velocity by Asian 3PLs by Market



CBRE Research, 2024.

Although demand from Asian 3PLs and e-commerce users is a bright spot in a market searching for new demand, some landlords have reservations. The opaque financial state of many of the companies can be a cause for concern to landlords, as the firms often lack credit or solid financial histories. As a result, landlords often require larger-than-normal security deposits when leasing to Asian 3PL tenants to mitigate the potential risk of lost rent.

**FIGURE 2: : Deals Signed by Asian 3PLs Since Q1 2023**



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