

THE ECOMMERCE GROWTH POTENTIAL

By Sass J-Baleh
Associate Director | Research
sass.jbaleh@colliers.com

Global capital has followed Australia's industrial assets as investors position themselves ahead of the growth in eCommerce, where this has played out in overseas markets. Given the usual US-Australia lag in market/consumer trends, the eCommerce boom that occurred in the USA a decade ago is a pattern projected to be replicated in Australia.

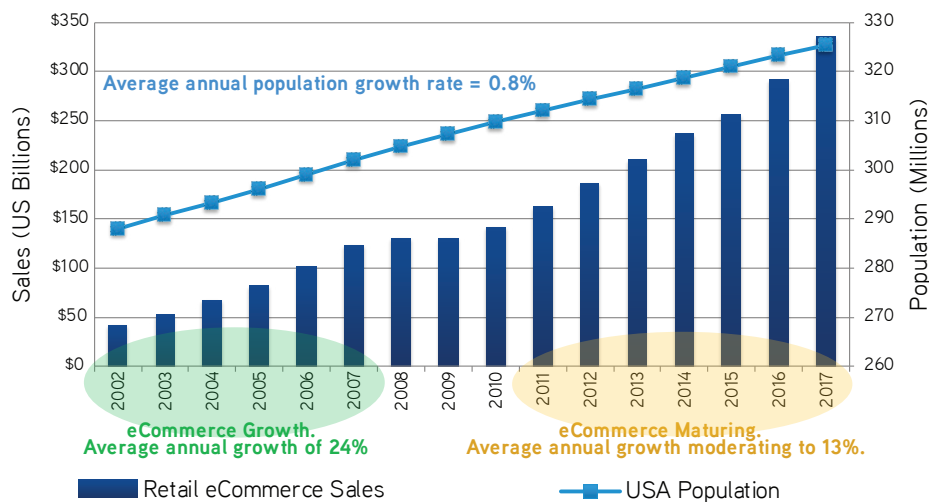
Over 2002 to 2007, the USA recorded an average annual growth rate of retail eCommerce sales of around 24 per cent. This was against a backdrop of a relatively low and constant population growth rate averaging 0.8 per cent per annum. Over this time, we saw the USA industrial property sector benefit, as global capital followed

the eCommerce growth stage experienced in the US – particularly within locations where population is highly concentrated.

Australia is currently experiencing an annual growth rate in online retail sales of around 29 per cent over the last four years (according to the ABS), and with our stronger population growth rate (historic and forecast) averaging 1.6 per cent and large investments in transport and industrial specific infrastructure, this is expected to be a key driver for an exponential growth path of online retail sales – like the US.

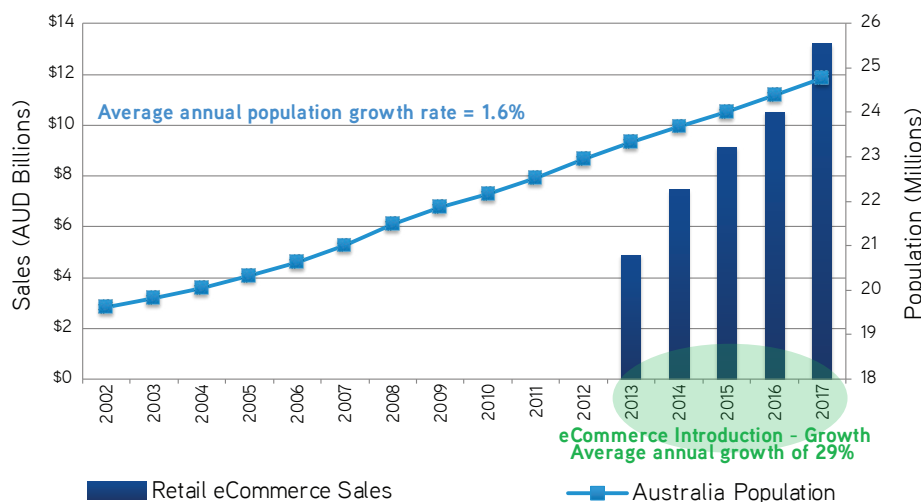
According to the ABS, the share of online retail sales to total retail sales in 2017 represented approximately 4.3 per cent. A similar level was achieved in the US in 2009 – an 8-year lag.

USA Retail eCommerce Sales



Source: Statista / IMF / Colliers Research

Australia Online Retail eCommerce Sales



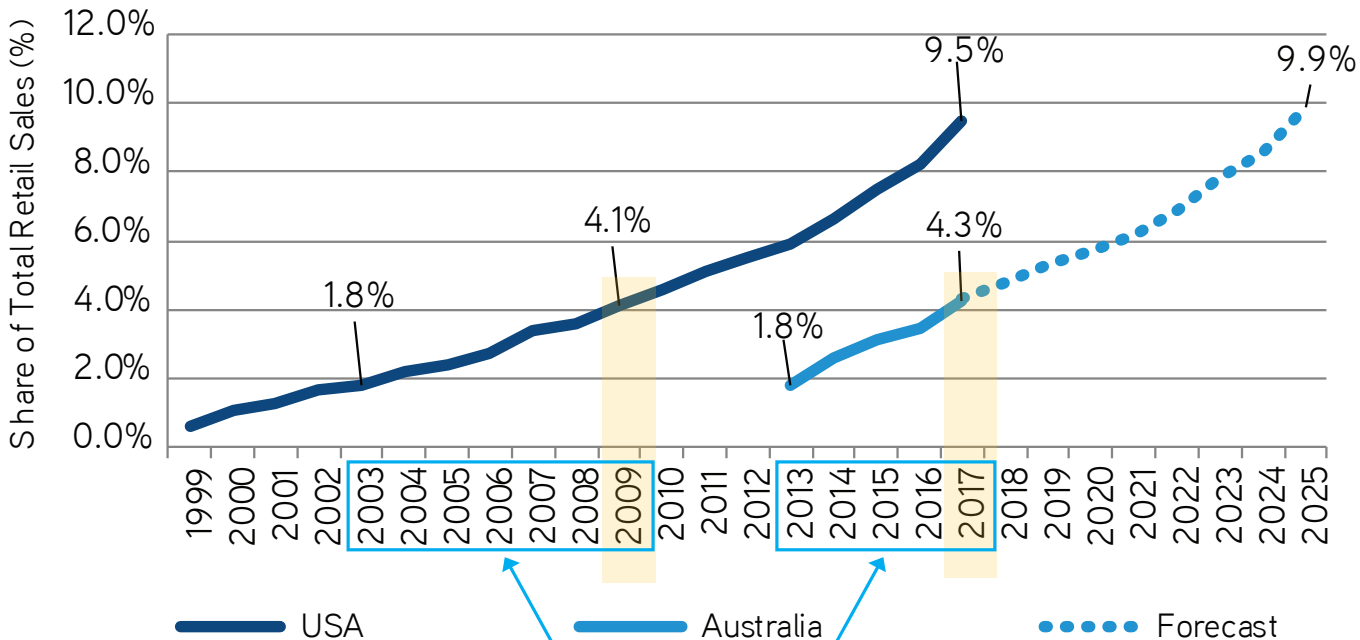
Source: ABS / Colliers Research

The application of the same annual growth rate in the share of online retail sales that occurred in the US between 2009 and 2017 to Australia, results in Australia's online share increasing to 9.9 per cent by 2025. To note, this growth rate is conservative, as Australia has achieved a higher annual growth rate of online retail sales over the past few years than the US during their booming years of 2002 to 2007.

Based on retail trade forecasts to 2025 (by Deloitte Access Economics), this share represents **total online retail sales equating to \$37.8 billion in 2025**.

Therefore, online retail sales in Australia, currently at around \$13 billion (ABS), have the potential to increase by almost three-fold to \$37.8 billion – an increase of \$24.9 billion.

eCommerce Sales as a Share of Total Retail Sales



Source: ABS / DAE / Colliers Research

Australia was faster at achieving the 4.3 per cent share, from 1.8 per cent, at 4 years compared to the US at 6 years.

As eCommerce grows there will be positive spillover effects on the industrial market. That being said, eCommerce sales growth does not translate into a one-for-one increase in industrial space. However, it will certainly be a contributing factor in pushing demand for industrial space in Australia over the short, medium, and long term and place greater emphasis on supply chain efficiency and effectiveness in the Australian market. It is this pursuit of supply chain efficiency and effectiveness that directly impacts industrial property requirements in the market place.

The path to achieving efficiency and effectiveness in the supply chain, to cater for evolving demand/expectations, involves (but is not limited to):

- **Locational** optimality (whether servicing global / domestic / state / local market)
- **Scale** optimality
- **Technology** input

The take-up strategy (eCommerce) as been faster with the global enterprises, particularly US based and 3PLs, who are facing this challenge head on as they strive to meet the new customer demands. We are now seeing this flowing through to all businesses, irrespective of size and whether Business-to-Customer or Business-to-Business.

Colliers International looks forward to assisting you with your Industrial and Logistics requirements.

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