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## E-COMMERCE DRIVING NEED FOR MORE WAREHOUSE WORKERS

*Demand for workers at distribution centers is accelerating, real-estate group says, signaling stronger competition for labor in a tight jobs market*

By Erica E. Phillips  
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Demand for warehouse workers is growing faster than the labor supply, and that could drive up costs for fulfillment center operations as digital commerce becomes a bigger force in retail sales.

U.S. warehouses and distribution centers need an additional 452,000 workers in total this year and next, commercial real-estate brokerage CBRE Group Inc. writes in a new report, a steep acceleration from hiring in the sector in recent years.

Finding those workers with unemployment at an 18-year low will be a challenge, and will likely draw workers away from other fields, said Spencer Levy, head of research in the Americas for CBRE. "Everybody is holding their breath because employment statistics are so tight these days," he said.

CBRE said in the report released Tuesday that transportation and warehouse employers are on pace to add 226,000 workers in both 2018 and 2019. From 2013 to 2017, the sector averaged 180,300 jobs added annually, according to the real-estate firm.

The push for workers could add significant costs for fulfillment operations. CBRE estimates that a \$1 increase in average hourly wages for a typical warehouse with 500 employees would raise annual labor costs by more than \$1 million. That number is higher for more labor-intensive e-commerce operations, especially during seasonal peaks in shipping activity around the end-of-year holidays.

Many operators are searching for new labor pools, whether recruiting workers away from other industries or relocating fulfillment operations to regions where more workers are available. Between 2011 and 2015, the transportation and warehousing sector reported 66 percent growth in workers coming from other industries, the highest percentage of any sector, according to the U.S. Census Bureau.

CBRE says warehouse operators are expanding into new regions with more available workers and relatively low real-estate costs. Among the most attractive destinations, according to CBRE's latest analysis, are Memphis, Tenn., Louisville, Ky., California's Inland Empire, Indianapolis, Atlanta, Nashville, Tenn., and Dallas-Fort Worth.

Mr. Levy said e-commerce operations have to weigh workforce considerations against the need to be as close to customers as possible – a key to providing inexpensive and speedy fulfillment for online retail orders. "The bottom line is that being as close to consumers is a critical factor but if you can't service those consumers [with fully-staffed operations], then you have to move further out," he said.

The labor challenges facing e-commerce are also likely to drive more automation at warehouses and fulfillment centers. North American businesses still lag behind their

counterparts in Asia and Europe when it comes to automated shipments, the CBRE report said.

"You're going to see, because of this labor shortage, an acceleration of the automation trend, which is already growing rapidly," Mr. Levy said. "There's going to be a reckoning."

CBRE's estimate of 452,000 new jobs in industrial operations is based on an expected new 452 million square feet of warehouse and distribution space coming online by the end of 2019, and an assumed average of one worker needed for every 1,000 square feet.

E-commerce operations have driven record occupancy rates in U.S. industrial facilities, and millions of square feet of new development across U.S. markets in recent years. Mr. Levy said he expects demand for warehouse space to remain strong, even as more distribution centers open, because the robust U.S. economy is driving demand from manufacturing and light industrial businesses along with e-commerce retailers.