

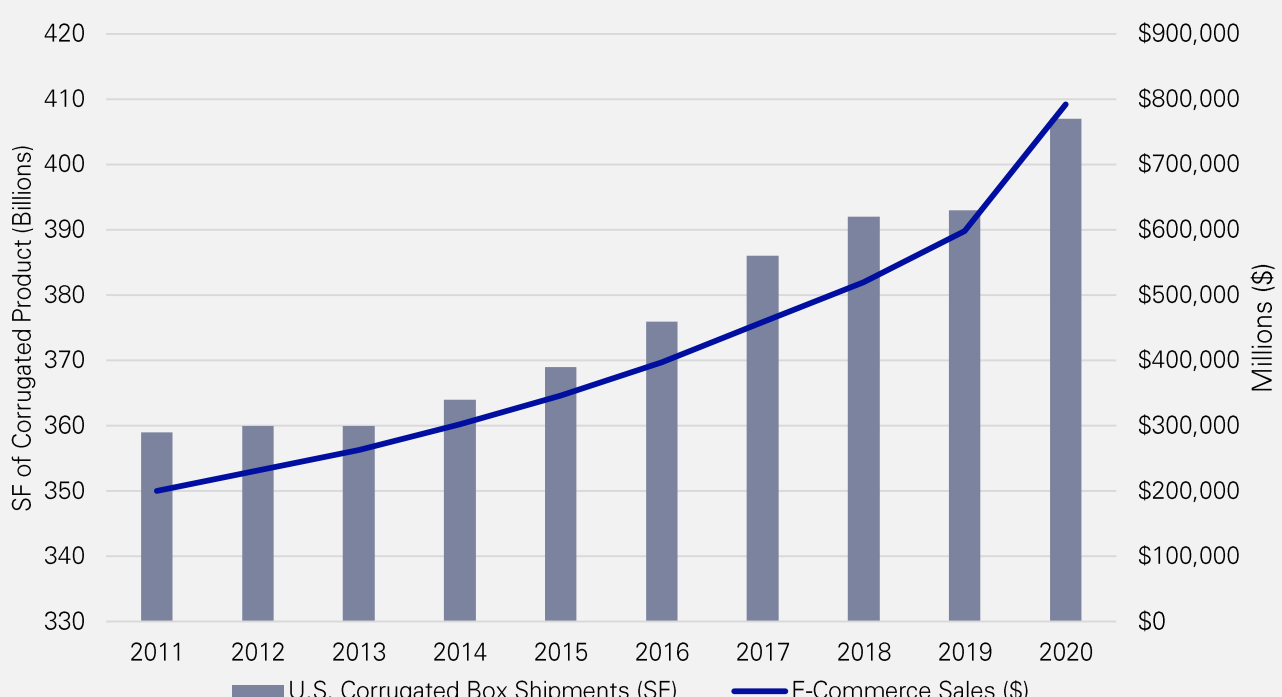
# Industrial Insight

## THE OTHER BIG BOX BOOM: GROWING DEMAND FOR PACKAGING IS DRIVING INDUSTRIAL EXPANSION

The packaging industry plays a critical role in supply chain management and is a major occupier of industrial real estate. Packaging products protect goods during transport, facilitate returns and are crucial to establishing and maintaining brand identity in today's on-demand economy. The growth of e-commerce has increased the need for certain types of packaging, including corrugated boxes, which represent more than 80% of online-order packaging. Nationally, nearly 407 billion square feet of corrugated product was churned out in 2020 as online orders spiked during the pandemic, and demand is likely to remain elevated. Based on current space utilization of top corrugated occupiers, Newmark estimates that an extra 250,000 square feet of direct industrial space for every additional 1.0 billion square feet of corrugated product could be needed to accommodate annual growth.

### BOX CONSUMPTION RISING WITH E-COMMERCE

U.S. Corrugated Box Shipments and E-Commerce Sales, 2011-2020



Source: Statista, Fibre Box Association, U.S. Department of Commerce. June 2021.

Across the packaging industry, companies are expanding their manufacturing and warehouse/distribution footprints to meet increased demand and locate closer to clients. These occupiers often have specific building needs such as heavy power for manufacturing processes, as well as rail access, which is economical for transporting bulky, low-cost materials. Markets with availability and developable land have supported greater packaging-industry expansion than supply-constrained coastal markets, where occupiers must weigh the cost and availability of real estate versus transportation costs. Over the past five years, leasing volume driven by the packaging industry has been 45% higher than the sector's 20-year average. Packaging firms have also expanded their footprint through heightened merger and acquisition activity, which has increased over the same period with average deal volume 30% above the 20-year baseline.

Industrial expansion from packaging companies is expected to continue in the post-COVID economy, with packaging industry growth forecast at 3.5% annually over the next five years in response to increased demand from the consumer and production side alike. Industrial space requirements may evolve as the sector becomes more efficient: with increased focus on Environmental, Social, and Governance (ESG) criteria, stakeholders across the spectrum of the packaging supply chain are looking to be more sustainable, agile and cost-conscious. While the nature of packaging is in evolution, the fundamentals of producing and delivering packaging materials to clients will continue to be supported by industrial real estate.

### NOTABLE EXPANSIONS OF PACKAGING OCCUPIERS

New Manufacturing and Warehouse/Distribution Locations, 2020-2021 YTD

Tenant	Sq. Ft.	Building Address	U.S. Market	Key Products
<b>Uline</b>	1,106,315	2600 Rental Car Drive, Irving, TX	Dallas	Corrugated boxes, poly bags, padded mailers
<b>Gateway Plastics</b>	1,142,512	5452 & 5550 W 150 S, Salt Lake City, UT	Salt Lake City	Plastic packaging
<b>Ball Corporation</b>	1,078,200	140 Industrial Drive, Pittston, PA	PA I-81/78 Corridor	Aluminum packaging
<b>Green Bay Packaging</b>	600,000	6501 Oak Grove Road, Fort Worth, TX	Dallas	Corrugated boxes
<b>Georgia-Pacific</b>	495,625	2000 Logistics Center Drive, Fairburn, GA	Atlanta	Corrugated boxes, padded mailers
<b>International Paper</b>	415,700	4581 Lower Valley Road, Atglen, PA	Greater Philadelphia	Corrugated boxes
<b>Imperial Dade</b>	300,000	100 Financial Park Drive, Franklin, MA	Boston	Food packaging
<b>Shorr Packaging</b>	250,000	555 Innovation Drive, West Chicago, IL	Chicago	Corrugated boxes, poly bags, bubble wrap
<b>Plastic Ingenuity</b>	114,750	600 N Industrial Loop Road, Tooele, UT	Salt Lake City	Thermoformed custom packaging
<b>McKinley Packaging</b>	102,516	13930-13950 Mica Street, Santa Fe Springs, CA	Los Angeles	Corrugated boxes, foam cushioning

Source: Newmark Research, Costar, June 2021.  
Additional Sources: Smithers, RISI, Mordor Intelligence, Pitchbook.

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