

COSTAR INSIGHT

## Amazon Ratchets Up Warehouse Sublease Offerings Offsetting Newly Leased Space

North America's Largest Industrial Tenant Maintains a Defensive Real Estate Strategy



In October, Amazon listed 1.1 million square feet available for sublease at 1250 Cass White Road, a distribution center northwest of Atlanta. (Greg Riegler/CoStar)

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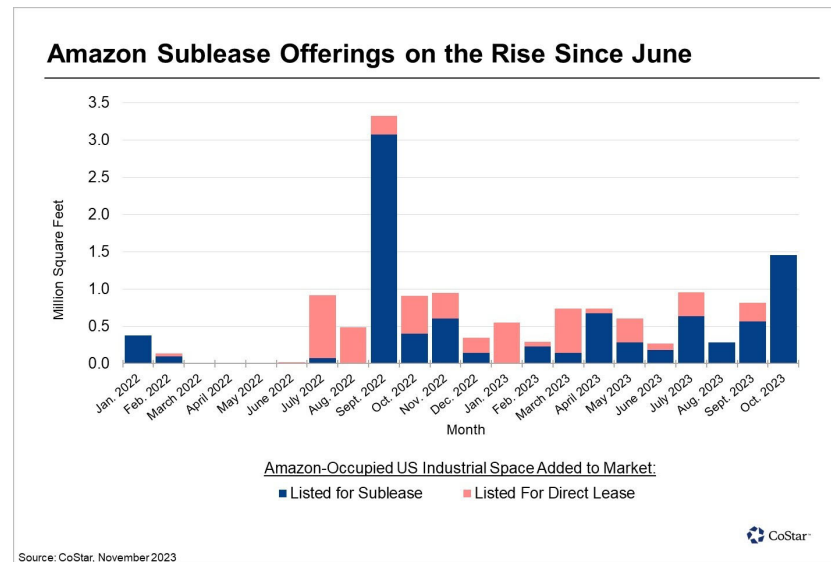
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Amazon has pulled out of more than 14 million square feet of distribution space across the U.S. over the past 16 months as it seeks to cut spiraling expenses resulting from its record growth during the pandemic. That amounts to about 3% of Amazon's U.S. logistics footprint as tracked by CoStar.

Most of these closures occurred during the second half of 2022, when the e-commerce giant was focused on [shutting older, less-efficient facilities](#), and opted to put more than 30 of its distribution centers in properties built before 2010 back on the market for lease.

The cost reductions accrued by no longer operating those warehouses have clearly had a [positive impact on the company's bottom line](#).

Excluding Amazon Web Services, Amazon's North American business swung from consistent losses in 2022, to profitability during the first three quarters of 2023.



The company's distribution center closures slowed during the first half of 2023 but have picked up again since the beginning of July. Last month, Amazon put more of its space back on the market for sublease than it has during any month since September 2022. What's different this round is that more of the company's recent space offerings involve sublease opportunities through 2030 and beyond, in larger, newly built distribution properties.

Since the beginning of September, the company put at least five large distribution spaces it occupies back on the market for lease. These include a 1.1 million square feet [facility Northwest of Atlanta](#) available for sublease through January 2037, a 350,000-square-foot [property in San Antonio](#) advertised for sublease through 2031, and a 219,000-square-foot [distribution center in Fort Worth](#) available for sublease through 2036. All three of these spaces are in properties built during the pandemic that the e-commerce giant first leased between mid-2020 and mid-2022.

Amazon has continued to sign new industrial leases in 2023. Most of these expansions have occurred in unique markets, where available space was extremely limited in mid-pandemic. For example, of the five largest leases Amazon signed so far in 2023, two occurred on the fringes of the San Francisco Bay Area, [in Vacaville](#) and [Hollister](#), while [two others occurred along Pennsylvania's Interstate 81](#), a prime corridor for storing e-commerce bound for consumers in New York City, Philadelphia and Washington D.C.

Overall, Amazon's total U.S. logistics square footage in operation appears to be holding flat during 2023 as the square footage of distribution center closures more or less matches up with the volume of large new leases. CoStar has identified 6.7 million square feet worth of Amazon-occupied logistics space that has come on the market either for direct lease or sublease in 2023. The volume of new Amazon leases that CoStar has identified as signed in the U.S. so far this year totals 6.9 million square feet.

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