GLOBAL E-COMMERCE OUTLOOK
What is Driving E-commerce Growth in Different Markets?

JUNE 2021
KEY THEMES EXPLORED

1 | RECENT GROWTH OF E-COMMERCE
2 | WHAT FACTORS ARE DRIVING E-COMMERCE?
3 | WHAT HAS BEEN THE IMPACT OF COVID-19?
4 | WILL E-COMMERCE CONTINUE TO GROW?
5 | WHAT WILL BE THE IMPACT ON LOGISTICS PROPERTY?
43 markets were analyzed

27 factors driving e-commerce were explored

Key 6 drivers were identified that better explain e-commerce levels

Created an index to measure the strength of these drivers in different markets

Produced a forecast of e-commerce penetration rate per market and of additional logistics space required
01 RECENT GROWTH OF E-COMMERCE
**GLOBAL RETAIL MARKET SIZE**

**HOW BIG IS THE GLOBAL E-COMMERCE MARKET?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total E-Commerce Sales</th>
<th>Offline</th>
<th>Online</th>
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<td>2015</td>
<td>$12.6 trillion</td>
<td>$11.6 trillion</td>
<td>$1.0 trillion</td>
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<td>2020</td>
<td>$13.5 trillion</td>
<td>$11.1 trillion</td>
<td>$2.4 trillion</td>
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140% increase in global e-commerce sales over the past five years

Source: Euromonitor, sum of the 43 markets included in the analysis. The full list is included in the Appendix. Fixed 2020 US $ values.
Mainland China and the U.S. are the biggest e-commerce markets in the world, accounting for 57% of global internet sales.

E-COMMERCE PENETRATION RATIO PER MARKET
FAST GROWTH DURING THE LAST 5 YEARS ACROSS ALL MARKETS

Internet sales as % of total retail sales

Source: Euromonitor.

Top five markets with the highest e-commerce penetration ratio

1. South Korea
2. Mainland China
3. United Kingdom
4. Indonesia
5. U.S.
WHAT FACTORS ARE DRIVING E-COMMERCE GROWTH?
We explored **27 factors** and split the top ones into **four basic** categories:

**DEMOGRAPHY**
- Urban population
- Population density
- Employment in services

**USAGE**
- Digital skills of the population
- Internet usage
- Mobile internet sales share
- Dominant e-commerce player

**CULTURAL PAYMENT PREFERENCE**
- Credit/debit card use
- Digital payments
- Online bill pay

**INFRASTRUCTURE ACCESS**
- Fixed broadband subscriptions in market
- Transport infrastructure
- Timeliness of shipments
Six Key E-Commerce Penetration Drivers

We identified six factors that better explain the different levels of e-commerce penetration among markets:

1. % of Urban Population
2. Mobile Internet Sales Ratio
3. Debit and Credit Card Use
4. Digital Skills of Population
5. Dominant E-Commerce Player
6. Fixed Broadband Subscription / Population
**CBRE GLOBAL E-COMMERCE DRIVERS INDEX**

We created an index that measures the strength of the presence of these six key e-commerce drivers in different markets.

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<tr>
<th>Country</th>
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<td>South Africa</td>
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**KEY E-COMMERCE DRIVERS**

**DEMOGRAPHICS**
- % of urban population

**USAGE**
- Digital skills of population
- Mobile internet ratio
- Dominant e-commerce player

**CULTURAL**
- Credit and debit card use

**INFRASTRUCTURE**
- Fixed broadband subscriptions

Source: CBRE Research.

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**E-commerce Drivers Index**

How prepared is an economy to support e-commerce?
IMPACT OF COVID–19
INTERNET SALES HAVE INCREASED RAPIDLY DURING THE PANDEMIC WITH A LASTING EFFECT

EXAMPLES FROM THE U.S. AND EUROPE

Markets with stronger presence of e-commerce drivers experienced higher peaks of online penetration during the pandemic.

WILL E-COMMERCE CONTINUE TO GROW?
CBRE GLOBAL E-COMMERCE FORECAST

By predicting how the six key e-commerce drivers will evolve over time in different markets, we produced a forecast of e-commerce penetration rate per market.

Internet sales as a % of total retail sales

Source: Euromonitor, CBRE Research. We used data from Euromonitor for 2020 e-commerce activity in each country and a cross-sectional regression model to identify the variables that best explained cross-country differences in e-commerce penetration. To arrive at future values for the explanatory variables, we made some general convergence assumptions (lower scoring markets would converge on countries closer to their saturation values). Using these assumptions and the regression model, we predicted future e-commerce penetration rates for all markets. Final forecasts are a mixture of model-based projections and qualitative adjustments also based on feedback from local market teams.

E-commerce penetration will continue to grow in established markets.

Less established markets will gradually catch up as the presence of e-commerce drivers in these markets is increasing.
IMPACT ON LOGISTICS PROPERTY
LOGISTICS PROPERTY SECTOR PERFORMANCE DRIVERS

Macroeconomic outlook and e-commerce preparedness driving logistics sector’s performance and demand for space.

QUADRANT 1
- Above global average economic growth supporting spend with lower levels of e-commerce penetration and presence of e-commerce drivers.
- Slower transition from traditional retail to e-commerce.
- Infrastructure supporting e-commerce less developed.
- Demand for logistics space lower but gradually increasing.

QUADRANT 2
- Above global average economic growth supporting consumption. Higher levels of e-commerce penetration and stronger presence of e-commerce drivers.
- Accelerated transition from traditional retail to e-commerce driving strong demand for logistics space.
- Stronger presence of established online retailers.

QUADRANT 3
- Below global average economic growth affecting consumption combined with lower levels of e-commerce penetration and presence of e-commerce drivers.
- Slower transition from traditional retail to e-commerce.
- Infrastructure supporting e-commerce less developed.
- Certain retailers acting as online market pioneers.

QUADRANT 4
- Below global average economic growth in an environment of high e-commerce penetration supported by strong presence of drivers.
- Accelerated transition from traditional retail to e-commerce driving strong demand for logistics space.
- Stronger presence of established online retailers.

Source: Oxford Economics, CBRE Research, selection of markets illustrated. Size of the bubble illustrates the size of the e-commerce market ($bn).
Over the next five years, 138 million sq. m. of additional e-commerce-dedicated logistics space will be required worldwide to support the growth of internet sales.

Source: Euromonitor, CBRE Research. Aggregated estimates of the 43 markets included in the analysis. List of all markets included in the Appendix.

E-commerce sales forecast is based on our forecast of e-commerce penetration rate per different market, using 2020 data from Euromonitor as the base year. Our calculation assumes an estimate of $1 billion of additional e-commerce sales requiring an additional 1 million sq. ft. or 92,903 sq. m. of logistics space.
E-commerce has rapidly grown globally over the past five years.

Certain key factors including demography, usage, cultural and infrastructure factors are driving e-commerce growth.

Due to COVID-19, internet sales in most markets rapidly increased in 2020 with a lasting effect.

Markets with a stronger presence of e-commerce drivers experienced higher growth of e-commerce during the pandemic.

E-commerce penetration will continue to grow in both established and non-established markets as the presence of e-commerce drivers gradually increases in all markets.

Over the next five years globally, 138 million sq. m. of additional e-commerce-dedicated logistics space will be required to support the growth of internet sales worldwide.
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## Appendix: The 43 Markets Included in the Analysis

### Americas | APAC | EMEA

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