

Cargo Slowdown Threatens Warehouse Demand and Retail Inventories

Erik Sherman

The sharp slowdown in cargo shipments from China, triggered by the Trump administration's imposition of 145% tariffs, is poised to reverberate through the U.S. commercial real estate sector, particularly in industrial and retail spaces. With import volumes expected to plummet, warehouses that once bustled with goods may stand underutilized, threatening revenues and profits across the logistics and retail landscape. Retailers, especially those relying on holiday season sales, could face significant inventory shortages, while reduced warehouse demand may also impact employment in logistics and related industries.

According to *The Wall Street Journal*, Gene Seroka, executive director of the Port of Los Angeles — the nation's busiest port — warned last week of an imminent 35% drop in import volumes within two weeks. He attributed this to the near-total cessation of shipments from China for major retailers and manufacturers. Market intelligence firm LINERLYTICA echoed these concerns, estimating that shipping volumes could fall by 30% to 60% in the coming weeks.

The disruption is compounded by the lengthy transit times for ocean freight, which can range from 15 to 49 days depending on various factors. For years, U.S. industries have relied on this shipping pipeline as a form of rolling inventory, effectively storing a month or more of goods at sea. The sudden shortfall is difficult to make up quickly, especially as companies scramble to shift production to other parts of Asia. Unlike simply switching an online order from one retailer to another, re-configuring supply chains for custom products requires new tooling, factory line design, and process adjustments, which could be complex and time-consuming.

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John Denton, secretary-general of the International Chamber of Commerce, told the *Financial Times* that members in 60 countries expect the trade disruption to be permanent, regardless of future negotiations between the U.S. and China. Even if the highest reciprocal tariffs are temporarily suspended, a minimum 10% charge remains for accessing U.S. markets.

The *Financial Times* also reported that shipping line Hapag-Lloyd observed Chinese shippers canceling about 30% of their export bookings. A major Taiwanese shipping company has suspended one of its regular Asia-to-U.S. services, and there has been a 25% drop in previously scheduled shipments to the U.S. for the four weeks starting May 5.

Some companies tried to get ahead of the disruption by stockpiling goods. There has also been a rush to secure space in bonded warehouses, which allow importers to delay tariff payments for up to five years. However, warehousing comes at a cost, and many products risk becoming obsolete as consumer preferences shift rapidly.

The National Retail Federation projects a 20% year-over-year drop in imports during the second half of 2025, a figure that includes traffic from Canada and Mexico. This decline could leave

retailers struggling to meet demand during the critical holiday season and leave warehouses with excess capacity. The broader impact may extend to the labor market, as reduced shipping activity could lead to job losses and exert downward pressure on the economy.

YEAR BUDGETTED _____

TOTAL

1000

1000

REMARKS

1. IF FINAL cost is > than BUDGET. Please provide an explanation.
2. IF project WAS not completed. Please provide an explanation.

REQUEST A SUMMARY SHEET FOR EACH YEAR, BEGINNING 2019 to 2024