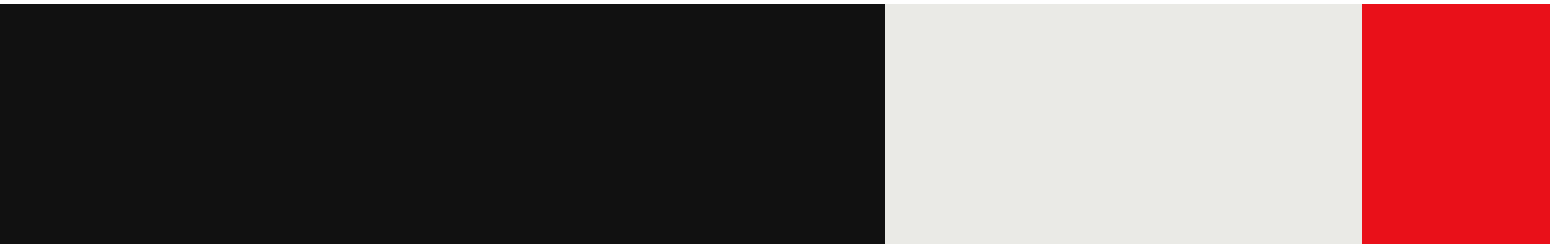


A port strike may be off the table, but retailers still face plenty of logistics and supply chain challenges this year

Article



The situation: While a crippling [strike at East and Gulf Coast ports](#) appears to have been averted after longshoremen and the shipping and port companies reached a tentative agreement, retailers still face no shortage of logistics and supply chain challenges this year.

The details: Retailers need to navigate a tough terrain, which includes:

- **Rising costs:** Warehouse costs are skyrocketing, with average asking rents across the US hitting \$10.13 per square foot in Q4—up 4.5% YoY and a staggering 61% from pre-pandemic 2019, according to Cushman & Wakefield data cited by The Wall Street Journal. Meanwhile, parcel shippers are feeling the pinch as **UPS** and **FedEx's** 5.9% average rate hikes took effect at the start of the year, and the US Postal Service's increase arrives on January 19.
- **Tariffs:** It's clear that President-elect **Donald Trump** plans to follow through on his campaign promise to use tariffs to upend global trade. Less clear is how exactly he'll impose them. Whatever shape or form they take, retailers will have to adjust and many are already [taking preemptive action](#).

In the short term, retailers like **Costco** are rushing to import goods before they take effect. Over the longer term, merchants like grill maker **Traeger**, fashion brand **Steve Madden**, and **Academy Sports and Outdoors** are shifting sourcing away from China.

- **Geopolitical tensions:** Even though Houthi attacks in the Red Sea no longer attract headlines, tensions haven't dissipated and risk remains. That's forced shipping operators to reroute vessels, resulting in longer shipping times and significantly higher costs.

Our take: Retailers are facing rising costs. While some may absorb a portion, many will pass the increases on to consumers.

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