

RETAIL NEWS

E-COMMERCE AND LOGISTICS –
THE MISSING LINKS

ISSUE 6

E-COMMERCE

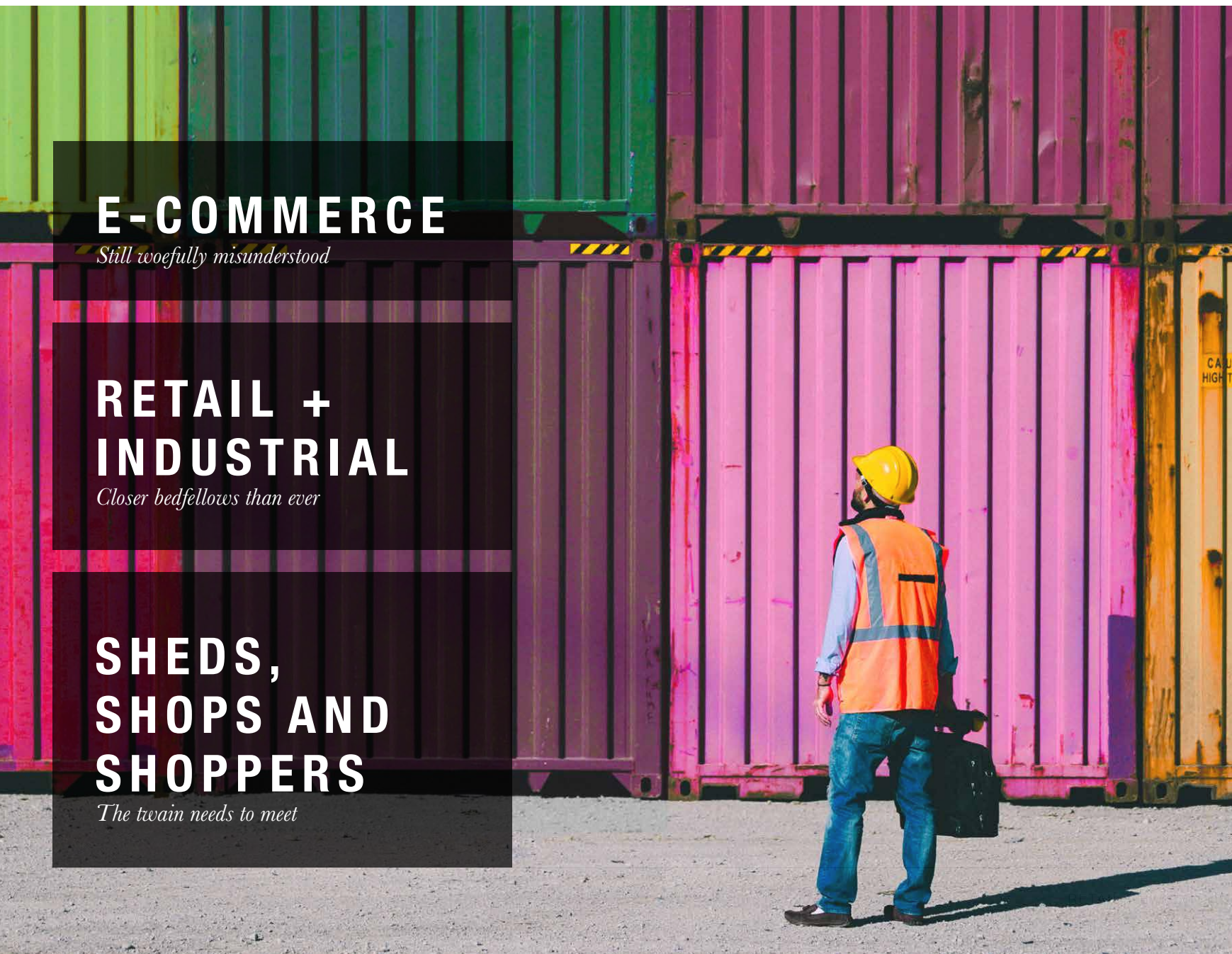
Still woefully misunderstood

RETAIL + INDUSTRIAL

Closer bedfellows than ever

SHEDS, SHOPS AND SHOPPERS

The twain needs to meet



KEY TAKEAWAYS

- ONLINE IS NOT DETRIMENTAL TO STORE-BASED RETAILING, BUT IT DOES PRESENT CHALLENGES THAT RETAILERS ARE CURRENTLY STRUGGLING TO MEET.
- THE BIGGEST CHANGE BROUGHT ABOUT BY ONLINE SHOPPING IS NOT MIGRATION OF SALES, BUT HIGHER CONSUMER EXPECTATIONS IN TERMS OF PRODUCT AVAILABILITY AND LEAD TIMES.
- SUPPLY CHAIN INFRASTRUCTURE OFTEN REFLECTS A PRE-DIGITAL, NON CONSUMER-CENTRIC AGE.
- THERE ARE ONGOING GEOGRAPHIC MISMATCHES BETWEEN THE LOCATION OF DISTRIBUTION HUBS AND WHERE HIGH PROPENSITY ONLINE SHOPPERS LIVE.
- THIS WILL CONTINUE TO DRIVE UP CAPITAL AND RENTAL VALUES FOR INDUSTRIAL SPACE IN LONDON AND THE SOUTH EAST, BUT WITH DAMAGING CONSTRAINTS ON SUPPLY.
- 'LAST MILE FULFILMENT' AND THE CONCEPT OF 'URBAN LOGISTICS' ARE THE ELUSIVE HOLY GRAIL AND REQUIRE SOLUTIONS BEYOND EXISTING MODELS.
- THE ROLE OF PHYSICAL STORES WILL INCREASE RATHER THAN RECEDE IF THE GAP BETWEEN DISTRIBUTION CENTRES AND SHOPPERS IS TO BE BRIDGED.
- THERE ARE STILL TOO MANY MISSING LINKS IN WHAT NEEDS TO BE A SEAMLESS SUPPLY CHAIN IN A MULTI-CHANNEL RETAIL WORLD.

INTRODUCTION

The retail and industrial property sectors have long been bedfellows, but the latter is certainly stealing the duvet in terms of performance. Both sectors are heavily embroiled in the e-commerce revolution, albeit with contrasting agendas. For retail, the rise of online has been both an opportunity and a huge challenge, often in unequal measure. For industrial, the street has been more one-way, as the widespread clamour for improved supply chain infrastructure has provided a massive fillip to the shed market.

Despite all the progress that has been made, there are still glaring gaps and shortcomings in what needs to be a seamless process. Much has been made of the impact online has had on the high street, but the real by-product of the rise of e-commerce is an on-demand consumer who will not compromise. If products are not available for delivery at a desired time and location, or orders are not fulfilled to his/her dictates, retailers are failing in their multi-channel aspirations.

The key supply chain challenges involve reconciling traditional models with modern demands, not least the geographic disconnect between historic distribution hubs and where consumer demand for multi-channel fulfilment is highest.

I hope you find this Newsletter of interest and please do not hesitate to contact the team if we can be of further assistance.



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LOGISTICS DASHBOARD

ONLINE = MULTI-CHANNEL, NOT NON-STORE



RETAIL – A KEY DRIVER BEHIND INDUSTRIAL PERFORMANCE



SHEDS, SHOPS & SHOPPERS – GEOGRAPHIC MISMATCHES



GLOSSARY OF TERMS

E-COMMERCE / E-TAIL / ONLINE RETAILING Commercial transactions conducted electronically on the Internet
PURE-PLAY Online retailer with no physical / store-based presence (e.g. Amazon)
MULTI-CHANNEL Retailer with both store-based and online operations (e.g. Argos)

10 KEY POINTS

- ❑ THE POPULIST VIEW THAT ONLINE IS IN CONFLICT WITH TRADITIONAL HIGH STREET STORES, IS FUNDAMENTALLY FLAWED.
- ❑ ONLINE WORKS IN COLLABORATION WITH STORES AND THE FUTURE IS UNDOUBTEDLY MULTICHANNEL.
- ❑ TOTAL ONLINE SALES ARE £43BN – £47BN, ACCOUNTING FOR BETWEEN 13%-15% OF ALL RETAIL SALES.
- ❑ HOWEVER AS THE DIVIDING LINE BETWEEN CHANNELS BLURS, THESE FIGURES ARE INCREASINGLY MEANINGLESS.
- ❑ ONLINE ‘PURE PLAYS’ (E.G. AMAZON, ASOS, AO WORLD) MAKE UP JUST 6% OF ALL RETAIL SALES.
- ❑ STORES STILL PLAY AN ACTIVE ROLE IN 94% OF ALL RETAIL SALES IN THE UK.
- ❑ THE REAL IMPACT OF ONLINE IS STILL HUGE IN TERMS OF STRUCTURAL CHANGE, ALBEIT LESS QUANTIFIABLE.
- ❑ E-COMMERCE HAS DRAMATICALLY RAISED CONSUMER EXPECTATIONS, PARTICULARLY IN TERMS OF FULFILMENT.
- ❑ THE ISSUE REMAINS THAT E-COMMERCE IS LESS PROFITABLE FOR RETAILERS THAN TRADITIONAL STORE-BASED CHANNELS.
- ❑ THE DEMANDS ON SUPPLY CHAIN ARE FAR HIGHER THAN BEFORE AND LOGISTICAL INFRASTRUCTURE IS OFTEN STILL FOUND WANTING.

E-COMMERCE – A GAME CHANGER FOR BOTH RETAIL AND INDUSTRIAL

WORDS: STEPHEN SPRINGHAM, HEAD OF RETAIL RESEARCH

“I’ve been in retail for 30 years. There has been more change in the last five years than in the previous 25 combined.”
– Andy Clarke, former President & CEO Asda

As has been well-documented, the retail sector continues to undergo seismic change. This change is structural, as opposed to cyclical, meaning that the landscape is shifting, rather than merely undulating. Digital capability and the unrelenting rise of e-commerce / online shopping is unquestionably one of the key catalysts to this change.

E-commerce has prompted each and every retailer in the country to re-appraise their respective business models. Contrary to widespread belief, e-commerce is as much an opportunity for store-based retailers as it is a threat, although harnessing this is a perennial challenge. Retailing is neither bricks & mortar nor online, it is both – ‘multi-channel’ or ‘omni-channel’ are the prosaic buzzwords, but in essence, everything falls under the more mundane banner of ‘shopping’.

Within the wider retail eco-system, the supply chain process has risen up the agenda. E-commerce is asking questions of logistics and drawing up challenges that were not there before, particularly in terms of lead times and delivery frequency. The industrial warehousing sector is in many respects as embroiled in this structural change as its retail counterpart.

E-commerce – the populist view is wrong

For all the column inches written on e-commerce, the concept is still woefully misunderstood. The populist view is that online has supplanted store-based retail and that consumer spend is

“If the rise of online is exponential, the decline of the high street is supposedly inexorable. This view is as wrong as it is simplistic.”

increasingly gravitating away from the high street, shopping centres and retail parks. In the face of this, traditional stores are increasingly redundant, hence waves of store closures, rising vacancy rates and a raft of retailer administrations and failures. If the rise of online is exponential, the decline of the high street is supposedly inexorable.

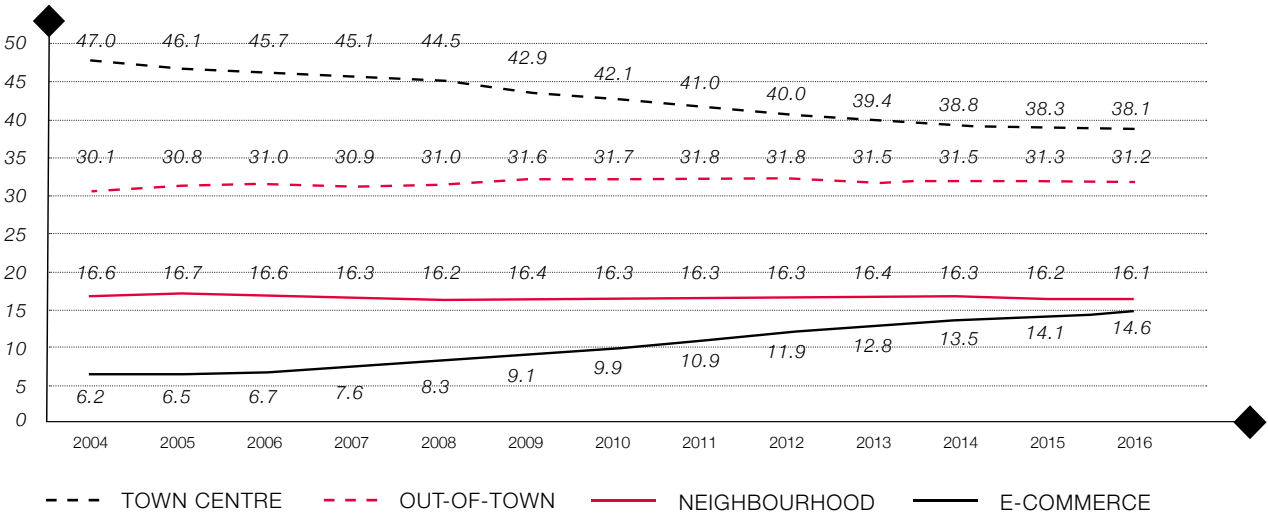
This view is as wrong as it is simplistic. The UK high street faces a multitude of challenges, but it would be short-sighted to lay blame for all the malaise at the door of online. Many of the negative manifestations of these challenges are the result of more fundamental weaknesses, not least the fact that the UK retail market is overly-competitive and over-shopped. Many retailers are also guilty of over-expansion, having taken on too many sites in the ‘good times’. Many outlets are over-rented – if not always in the strictest ERV sense, then on the basis that the retailer that occupies them is struggling to turn a profit. Many high streets, and indeed shopping centres, are also suffering from basic neglect, under-management and lack of investment.

The rise of e-commerce has not been directly responsible for this apparent distress. It is one of a number of forces that have conspired to undermine the weakest parts of the retail sector. This decline would have happened in any case, the rise of online has probably only accelerated the pace.

Online has not killed the high street any more than video has killed the radio star.

SHARE OF TOTAL RETAIL EXPENDITURE BY LOCATION (%), 2004-16

Source: GLOBALDATA, MINTEL, KNIGHT FRANK



Quantifying e-commerce demand

There are also misconceptions as to the overall size of online spend. Online is a relatively immature retail channel, so reported annual growth is invariably very high in percentage terms. Retailers too report far higher growth figures for their online operations than they do their store-based ones. Impressive as this growth is, it is always worth stressing that it is being leveraged off a relatively low base.

Retail channels of distribution

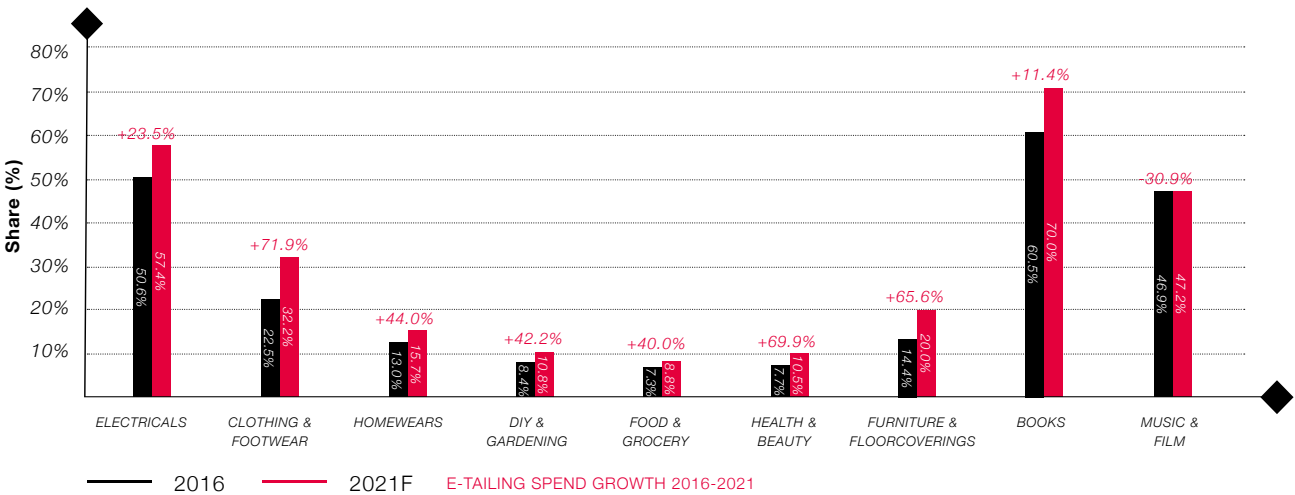
Be that as it may, industry analysts such as Mintel and GlobalData estimate that total online sales totalled between £43 billion and £47 billion in 2016, which accounts for between 13% and 15% of all retail sales in this country. This share has more

than doubled over the last decade (from between 6% and 7% in 2006), largely at the expense of town centre spend – retail warehousing and neighbourhood have seen some erosion, but have generally been more resilient. But flipping these figures on their head, around 85% of all retail spend is still made through traditional, non e-commerce channels.

The level of online penetration does vary by retail sub-sector. The most mature retail e-commerce markets are books and recorded music/films, by no co-incidence also the product categories that were first espoused by Amazon. Online now accounts for 60.5% of all UK book sales according to GlobalData and 46.9% of recorded music/films. But with maturity comes lower growth, and these categories are not forecast to be online trailblazers going forward – indeed, online sales of recorded

E-TAIL SHARE OF SECTOR 2016 vs 2021

Source: GLOBALDATA, KNIGHT FRANK



music and films is expected to decline, squeezed between more digital streaming and a slight resurgence in high street sales of physical product, such as vinyl.

Heavily branded, commodity-based retail sub-sectors such as electricals also lend themselves to e-commerce and online penetration is correspondingly high (50.6% in 2016, rising to 57.4% over the next five years). In contrast, online penetration in grocery remains relatively low at 7.3% (according to GlobalData), or just 5.5% (according to Mintel).

Online by retail sub-sector

Large as many of these figures are, they need to be treated with caution. Online does not mean ‘non-store’, as we will go on to discuss.

Understanding multi-channel

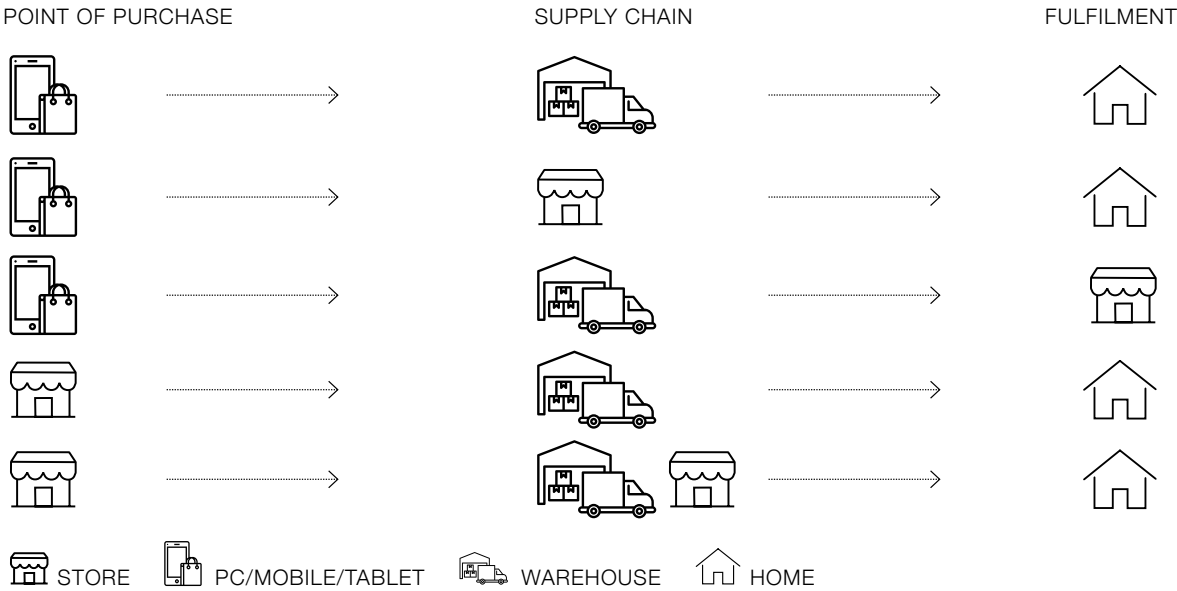
For many, Amazon is the standard-bearer for online retailing and its business model (PC/mobile/tablet ordering – central DC order fulfilment – home delivery) the epitome of e-commerce. For all Amazon’s pioneering of e-commerce, this is just one permutation of online shopping – and indeed one that is diminishing slightly as the market matures.

In basic terms, the online market sub-divides into two categories – ‘pure plays’ (Amazon, ASOS, BooHoo, AO World) and ‘multi-channel operators’ (traditional store-based operators who have developed e-commerce capabilities). Whereas pure-plays have traditionally adhered to just one model, multi-channel operators have a number of online permutations and combinations. Key ones include PC/mobile/tablet ordering – central



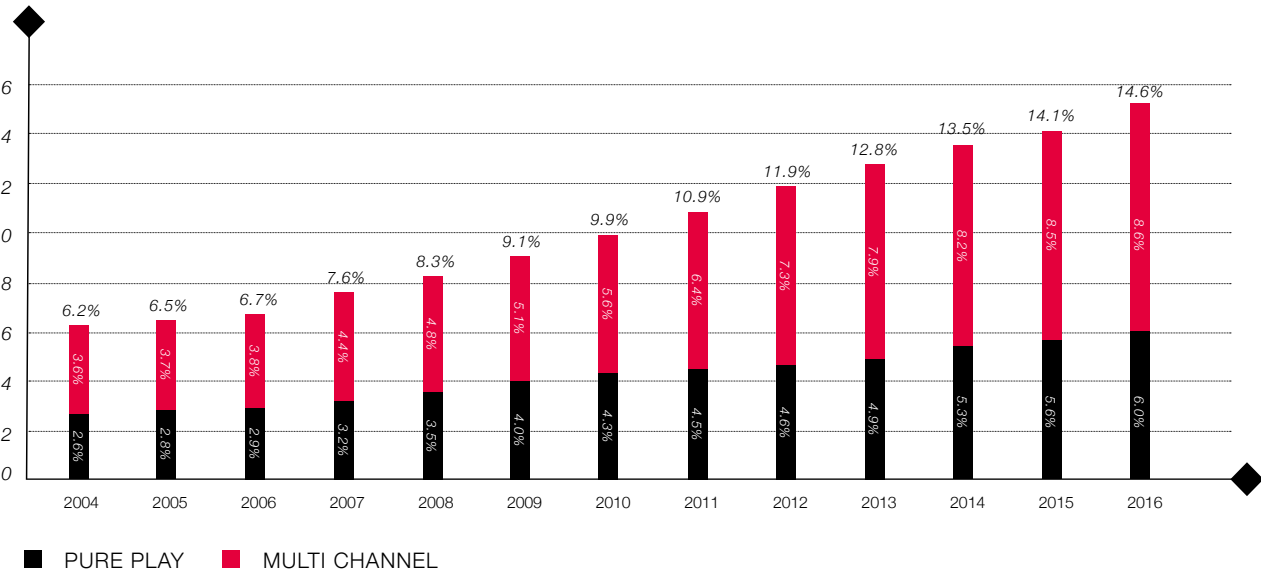
MULTI-CHANNEL RETAILING INCLUDES ALL OF THESE ROUTES TO CONSUMER, MOST OF WHICH STILL USE SHOPS.

Source: KNIGHT FRANK



ONLINE AS % OF RETAIL SALES

Source: GLOBALDATA, MINTEL, KNIGHT FRANK



DC order fulfilment – store-based pick up, which tends to go under the banner of click & collect. But this is by no means the only online model they employ. Even if a customer places an order instore and returns to the same store the following day to pick up this item, most retailers would classify this as an online sale, even though the shopper has had no recourse to a PC at all.

Factoring in all these permutations gives a somewhat alternate view to the populist one. Pure-play online retailing accounts for less than half of all e-commerce, the rest being made up through multi-channel models. Pure-play online makes up less than 6% of all retail sales – expressed another way, stores play a fundamental role in nearly 95% of all retail sales in this country. Indeed, of the top 12 online retailers in the country, only three are pure-plays (Amazon, Shop Direct and Ocado).

Online – Pure-Play versus Multi-Channel

The reality is that the dividing lines between channels are blurring to the point of becoming meaningless. The hackneyed term ‘bricks & mortar retailers’ is still used but is largely redundant as most are multi-channel operators, with an embedded online business. Nor is this a one-way street – pure-plays are tentatively also entering the physical space and opening stores of their own. Examples include Sofa.com and Missguided, which recently took on the former Forever 21 unit at Westfield Stratford City. Amazon has opened a few stores in its native US and may well ultimately follow suit here in the UK. But, by and large, it is more difficult for pure-plays to make the transition to multi-channel that it is (was?) for store-based retailers, on account of inherent costs involved in establishing a physical presence.

“Stores play a fundamental role in nearly 95% of all retail sales in this country.”

TOP 12 ONLINE RETAILERS IN UK

Source: MINTEL, KNIGHT FRANK

RANK	RETAILER	TYPE	2015 SALES (£M)	ONLINE SHARE (%)
1	Amazon UK	Pureplay	5,911	13.9%
2	eBay	Marketplace	4,875	11.4%
3	Tesco	Multichannel	3,051	7.2%
4	Shop Direct Group	Pureplay	1,650	3.9%
5	JLP	Multichannel	1,676	3.9%
6	Next	Multichannel	1,520	3.6%
7	Dixons Carphone	Multichannel	1,448	3.4%
8	Sainsbury's	Multichannel	1,251	2.9%
9	Ocado	Pureplay	1,108	2.6%
10	ASDA	Multichannel	951	2.2%
11	M&S	Multichannel	786	1.8%
12	Argos	Multichannel	590	1.4%

The notion of online being in conflict with stores is increasingly tenuous – online works in collaboration with stores, rather in competition. Statistics heralding the ongoing rise of e-commerce at the expense of stores are largely meaningless.

The real implications of e-commerce

Down-playing the traditional view of e-commerce and questioning the relevance of online shopping statistics does not detract from its influence across both retail and real estate industries. The true implications of e-commerce are far less quantifiable, but far more wide-reaching than any statistics could do justice to.

The single most significant factor of e-commerce is that it has dramatically changed consumer expectations. The rise of online has given rise to the ‘anything, anytime, anywhere’ on-demand consumer and the bar of expectation is higher than ever before. But at the same time, it has also destroyed the last vestiges of traditional customer loyalty and today’s consumers are far more promiscuous than those from a pre-digital age. The good news for retailers is that they are as pre-disposed as ever to part with their cash. The bad news is that what they expect in return is far more demanding – and if they fall short, the shopper will just turn to a competitor instead.

As we have already stated, the rise of online presented a number of opportunities to store-based retailers. A key one was to broaden the number of items they stocked. Without the constraint of shelf and store space, most retailers significantly expanded their SKU count. The number of channels to reach customers also increased, as evidenced by our earlier analysis of the various e-commerce permutations and combinations that are available. The opportunity to sell more products to a much wider audience was an incentive for store-based retailers to embrace e-commerce with open arms.

However, there are a number of negative flip sides, not least increased fulfilment costs. E-commerce has prompted a sea-change in the interaction between retailer and consumer. In a pre-digital age, the relationship was largely on the retailers’ terms – the shopper came to them and bought from them. Now the relationship has been turned on its head and it is the shopper that pulls the strings – the retailer has to deliver to the shopper. The cost of shipping products to a location of convenience for the customer – be that at home, at work or any store of his/her choosing – is much higher than if they came directly to the retailer. Although most retailers have tried to recoup some of these costs through delivery charges, there is still some degree of push-back from consumers. The fact

remains that e-commerce is less profitable for retailers than traditional store-based retailing – in some instances, it may not even be profitable at all.

But the genie is out of the bottle. Consumers expect seamless fulfilment and expectations are of ever shorter lead times. The likes of Next and Debenhams pioneered next day delivery, while Argos has since raised the bar to same day delivery. All the time Amazon is also upping the ante through its Prime delivery options. The impetus to shorten lead times is immense – and this is only serving to intensify pressure on already onerous costs.

Supply chain and logistics implications

In simple terms, many retailers have got ahead of themselves in their promises to consumers and are running before they can walk. Few have the necessary infrastructure to adequately cater for the huge demands that e-commerce is placing upon them. Most are making do with what they have, but this masks

some serious operational shortcomings. Many of these remain behind the scenes, but they do periodically come to the fore at peak times, such as Black Friday and Christmas. In particular, Black Friday in 2014 laid bare many retailers’ supply chain limitations.

The issue is that improvements in supply chain have been evolutionary, whereas the rise of e-commerce has been almost revolutionary. Development in logistical infrastructure has not kept pace with the heightened demands and expectations of

the consumer. Retailers’ distribution hubs and networks are still largely geared towards a pre-digital store-based model – infrequent, bulk-based to a pre-defined network of stores. They are not designed to fulfil single-item orders to a location dictated by the consumer within as short a timeframe as possible.

In the next section of the report we highlight the co-dependencies of the retail and industrial property markets. For all the progression of e-commerce, the main conundrum remains – how to fulfil lofty consumer expectations in an efficient and cost-effective manner. The need for retailers to have access to a more nimble and flexible supply chain remains a huge opportunity for the industrial market. Our next analysis demonstrates the extent to which retail has been a positive driver for the industrials market in recent years. The chasm of where retailers are operationally now and where they need to be in the future suggests that we are only at the tip of the iceberg.

“The single most significant factor of e-commerce is that it has dramatically changed consumer expectations.”

10 KEY POINTS

- THE RECENT OUT-PERFORMANCE OF INDUSTRIAL PROPERTY HAS BEEN LARGELY DRIVEN BY RETAIL TENANTS TAKING LONG LEASES OF LARGE B8 UNITS.
- TOTAL RETURNS IN INDUSTRIAL WERE 6.1% IN 2016, A FULL 500BPS HIGHER THAN RETAIL.
- RETAIL ACCOUNTED FOR 49% OF TAKE-UP IN BIG SHEDS IN 2016.
- THE SO-CALLED ‘DISTRIBUTION RING’ (PREDOMINANTLY IN THE MIDLANDS) SAW 50% OF RETAILER INDUSTRIAL TAKE-UP IN 2016.
- DEMAND IS BEING DRIVEN BOTH BY PURE-PLAYS AND STORE-BASED RETAILERS MAKING THEIR MULTI-CHANNEL OPERATIONS FIT FOR PURPOSE.
- INDUSTRIAL OUT-PERFORMANCE IS SET TO CONTINUE, WITH ANNUAL TOTAL RETURNS FORECAST TO AVERAGE 7.5% OVER THE NEXT FIVE YEARS.
- THERE ARE POTENTIAL SUPPLY ISSUES GOING FORWARD – AVAILABILITY IS CURRENTLY <8M SQ FT – PUTTING PRESSURE ON LAND.
- OCCUPIERS INCREASINGLY COMMITTING TO PRE-LETS OF DESIGN & BUILD OPTIONS, LIKELY TO SEE A RETURN TO SPECULATIVE DEVELOPMENT.
- SUPPLY IS SCARCEST IN THE AREAS WHERE IT IS NEEDED MOST FOR ONLINE RETAIL FULFILMENT – LONDON AND THE SOUTH EAST.
- CRACKING THE ‘FINAL MILE’ AND THE CONCEPT OF ‘URBAN LOGISTICS’ ARE STILL THE (LARGELY ELUSIVE) HOLY GRAIL.



THE RELATIONSHIP BETWEEN RETAIL AND INDUSTRIAL

WORDS: LOUISA RICKARD, HEAD OF INDUSTRIAL RESEARCH

Bedfellows they may be, but as property sectors Retail and Industrial continue to witness vastly contrasting levels of performance.

Retail is the perennial under-performer of the major property classes, although recent trends suggest that it may soon surpass offices in the medium-term.

Industrial, on the other hand, continues to go from strength to strength. Total returns have outstripped All Property for the last four years and peaked at 23.3% in 2014. Having jostled with Offices for performance bragging rights in the past, Industrial eclipsed all other property classes last year, with a total return of 6.1% – a full 500bps higher than Retail.

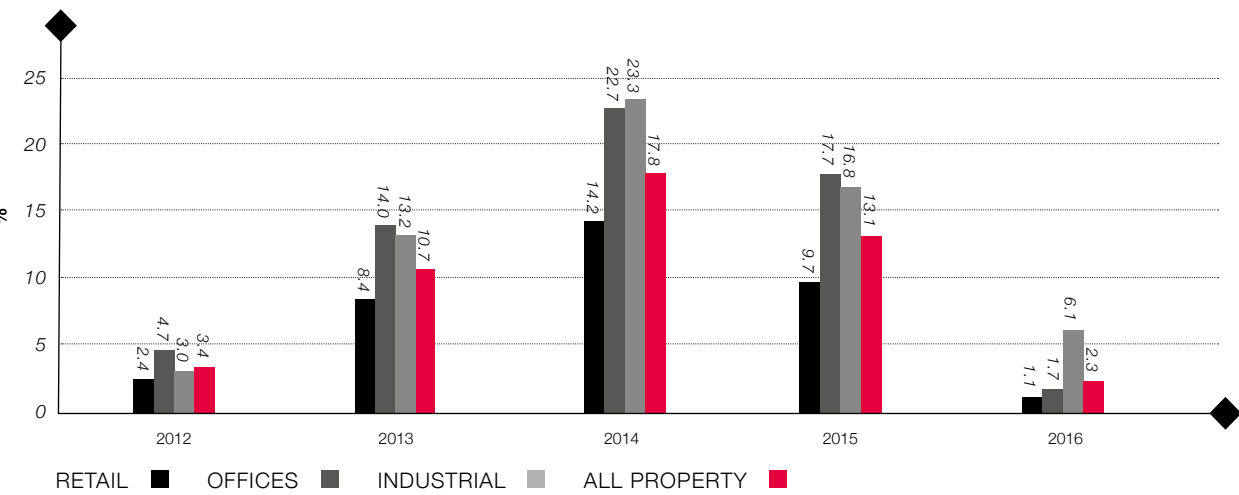
But to what degree has this out-performance been achieved through holistic benefits of the retail sector?

Retail as % of new take-up

Levels of take-up are a good barometer of the relationship between industrial and retail. The percentage of Big Sheds (defined as units over 100,000 sq ft) take-up by retail operators has increased significantly in recent years. In 2016 alone it accounted for almost half (49%) the take-up of Big Sheds

TOTAL RETURNS BY SECTOR 2012-2016

Source: IPD



(these figures including Amazon). This compares with a long run average of 38%, and is marginally higher than the last peak of 47% in 2003, which was driven by a move to centralisation. The absolute figures are perhaps as impressive as the percentage-based ones. Retail accounted for 16.2 million sq ft of Big Shed take-up last year alone. It is difficult to draw parallels with this in terms of store-based absorption as retail tends not use take-up as a core metric or market KPI. But for context, 16.2 million sq ft is equivalent to around ten Westfield London shopping centres, or around three times the total floorspace on Oxford Street and Regent Street combined (ca. 5.7 million sq ft).

Aggregated over the last decade (2007-2016), retail Big Shed take-up has totalled 109 million sq ft. Over the full timeseries (2000-2016), total take up has exceeded 173 million sq ft.

Regional variations in retail take-up

As we go on to explore later in the report, the geography of retail logistics is hugely significant in the context of multi-channel retailing. For the purposes of take-up analysis, we have used PMA's broad Market Area Definitions.

Both recently and over the longer term, retail take-up of industrial space has been heavily concentrated in two areas – the 'Distribution Ring' and the North & Scotland. The two

PMA'S MARKET AREA DEFINITIONS

Source: PMA

Distribution Ring	Fringe South	Key Rose	London	North & Scotland
Birmingham	Cambridge	Basildon	Croydon	Aberdeen
Bristol	Colchester	Basingstoke	Enfield	Bradford
Cardiff	Exeter	Crawley	Heathrow	Derby
Coventry	Huntingdon	Dartford & Thurrock	Park Royal	Edinburgh
Leicester	Ipswich	Hemel Hempstead		Livingston
Milton Keynes	Norwich	Luton		Glasgow
Newport	Plymouth	Maidenhead		Hull
Northampton	Poole	Newbury		Leeds
Nottingham	Bournemouth	Oxford		Liverpool
Peterborough	Portsmouth	Reading		Manchester
Rugby	Southampton	Slough		Newcastle upon Tyne
Swindon	Eastleigh	Watford		Sheffield
		Wycombe		Sunderland
				Telford
				Wakefield
				Warrington

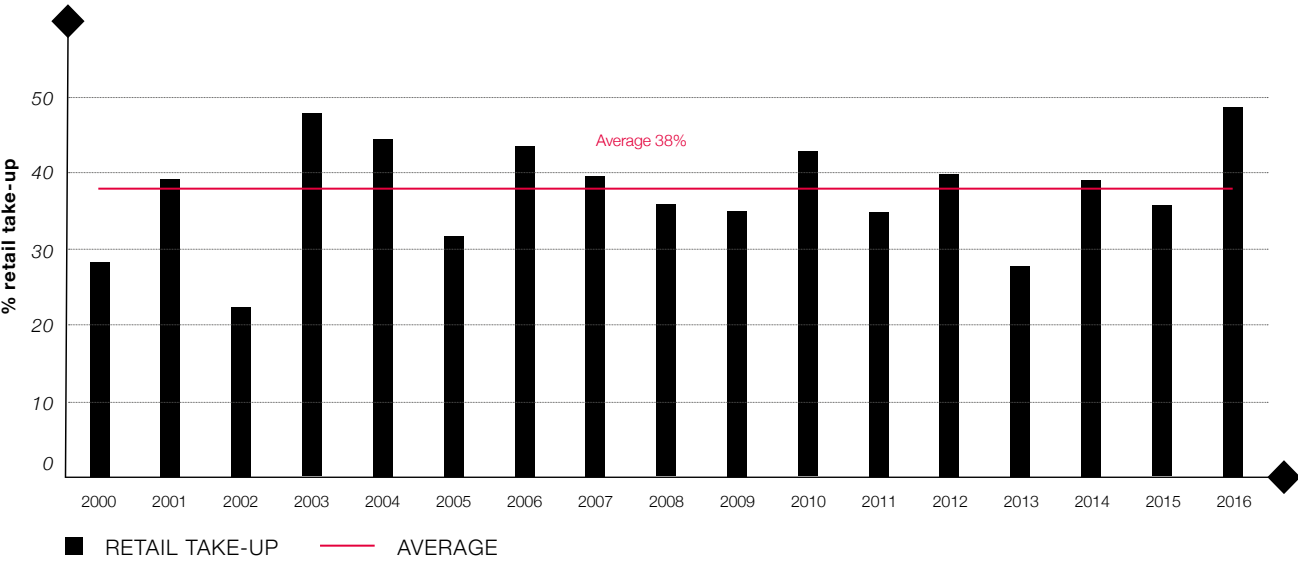
accompanying charts shows retail take-up by market area since 2000, the first in absolute (sq ft) terms, the second broken down as percentages.

The 'Distribution Ring' (which includes important hubs such as Birmingham, Bristol, Northampton and Milton Keynes) has accounted for around 46% of all retailer-based industrial take-up nationally between 2000 and 2016. Expressing the statistics another way, over the same time horizon, retailers have accounted for 36% of all industrial take-up in the 'Distribution Ring'. Nor is this a dying trend – in 2016, 50% of retailer industrial take-up was focussed in what is still the core geographic area for retailer logistics.

Within the 'Distribution Ring', Birmingham is home to a number of retailing and food wholesalers operating their own supply chains, including Sainsbury's, Betterware UK, Claire's Accessories, and John Lewis, who moved into the area in 2014. Supermarkets operating distribution warehouses in Bristol include Asda, Tesco, and Sainsbury's. The most recent large expansion saw Lidl agree a pre-let at Central Park. Another food retailer, Farmfoods, moved into the market in 2014, whilst value operator The Range also recently acquired a 55 acre site at Central Park over 2016, with plans to develop a 1.2 million sq ft logistics centre. Amazon expanded into the 335,000 sq ft Crossflow 550 unit in 2015.

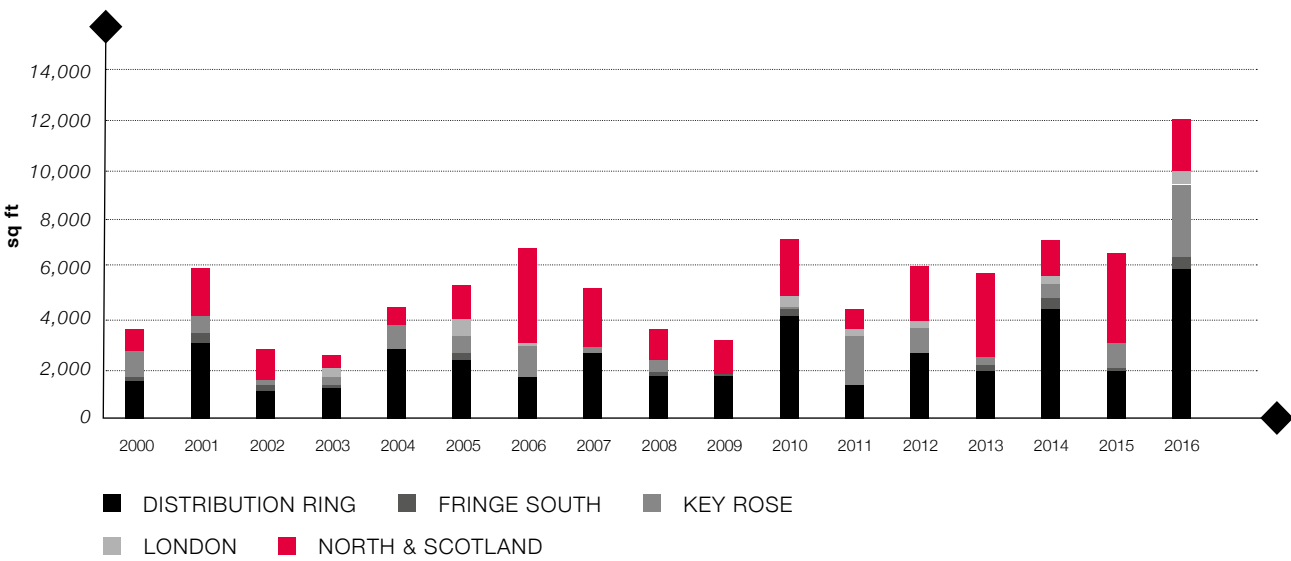
RETAIL TAKE-UP (UNITS>100K SQ FT)

Source: PMA



RETAIL TAKE-UP (UNITS>100K SQ FT), BY MARKET AREA

Source: PMA



The North & Scotland has accounted for 33% of retailer logistics take-up nationally between 2000 and 2016 and retail has contributed 31% of all industrial floorspace take-up in this area over this timeframe. However, there has been some recent tail-off. In 2016, the North & Scotland made up just 17% of retailer logistics take-up nationally, only around half the long-term run-rate. Whether this is the start of a long-term trend is debatable, as the preceding year saw an equivalent figure of 53%. The lower than average figure for 2016 may just reflect a lull following a wave of activity in 2015. However, it is worth stressing that Scotland, in particular, is not necessarily an ideal location for e-commerce fulfilment.

The ‘Rest of South East’ (which includes Basildon, Dartford & Thurrock, Reading and Slough) has traditionally been slightly less of a focus for retail distribution, accounting for 14.5% of retail logistics take-up over the 2000 – 2016 period. However, there was something of a spike in 2016, with the region making up 24% of retail industrial floorspace last year. Annual take-up in Dartford & Thurrock in 2016 was significantly boosted by the most recent 2.2 million sq ft letting to Amazon at London Distribution Park, Tilbury. Not surprisingly, ‘Fringe South’ and London are far less well

served in terms of retail logistics infrastructure, accounting for just 4% and 3% respectively of total national take-up over the 2000 – 2016 period. There was a slight pick up in 2016, with each region accounting for 4.4% total retail logistics take-up nationally. On the one hand, this reflects obvious cost issues. On the other hand, it also reflects ongoing centralisation and the creation of NDC-based networks, on the basis that a Midlands-based facility is able to service the majority of the UK population within a single days HGV drive.

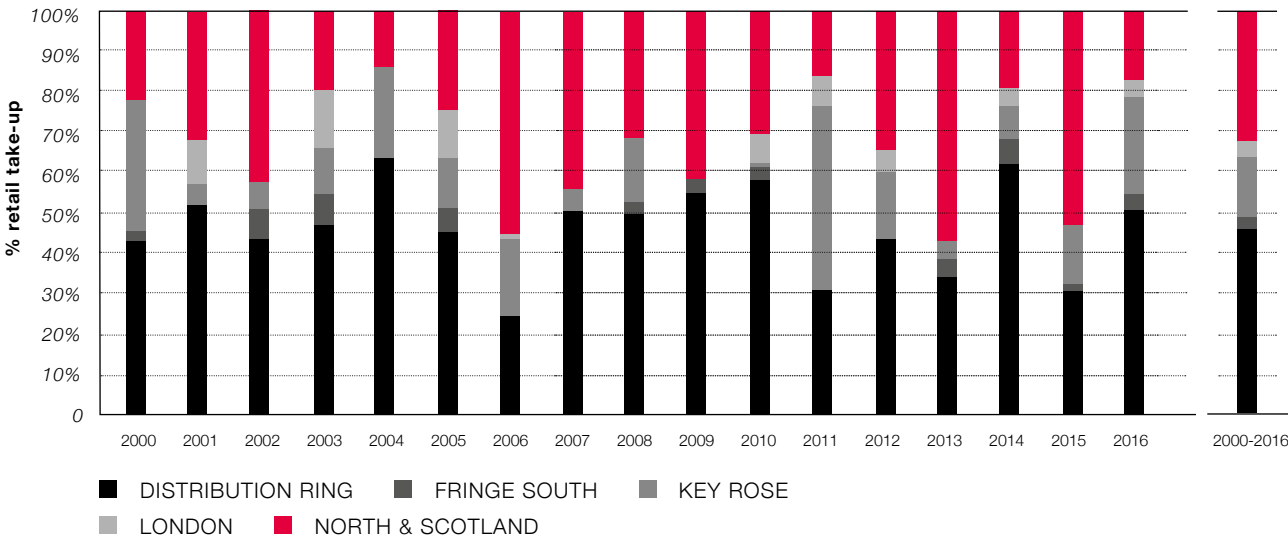
Any significant movements in ‘Fringe South’ areas tend to be driven by one key player – Amazon. The largest online ‘pure-play’ operator is obviously a key driver of industrial floorspace and not necessarily exclusively in the traditional areas of the ‘Distribution Ring’ and the North & Scotland. As a customer-centric business, Amazon will gravitate to where it can best serve its client base. And with deep pockets, it is less hamstrung on only operating cheaper industrial space in the Midlands and North.

Amazon is arguably ahead of its store-based peers in many aspects of its supply chain capabilities. The key question is whether it provides a blueprint that others will follow – or indeed be forced to follow.

“Amazon is arguably ahead of its store-based peers in many aspects of its supply chain capabilities.”

RETAIL TAKE-UP (UNITS>100K SQ FT) BY REGION (%)

Source: PMA



Occupier trends driving retail take-up

Growth in online shopping is evidently a key driver behind retail occupier demand in the industrial market. As we have already established in the previous section, this reflects multi-faceted structural change, rather than a straight substitution of store based sales with home shopping. Demand for new warehousing space is being driven as much by store-based retailers' making their multi-channel operations fit for purpose as it is pure-plays scaling up their infrastructure to support their growth.

We have already questioned the enduring relevance of online penetration statistics, on the basis that the dividing lines are too blurred between individual shopping channels. Figures from GlobalData and Mintel suggest that online, including all its multi-channel store-based permutations, accounts for around 15% of annual retail sales. The equivalent figures from the ONS broadly support this figure, albeit with interesting transparency as to seasonal trends. The peak month for online shopping is clearly November, with figures for 2016 suggesting that online penetration increased to 18.3%.

This is a clear manifestation of the influence of Black Friday in the UK. The irony is that in its native US, Black Friday was conceived as a store-based concept and continues to largely be that to this day. In the UK, the fact that Black Friday is a normal workday rather than a Public Holiday meant that it was always going to feed more into online. However, what could be a potential sales bonanza for UK retailers is actually more of

a supply chain headache. This came to a head in November 2015 in particular and although retailers have since militated against potential bottlenecks and holes in the supply chain, the fact is that logistics infrastructures are severely tested at certain times in the calendar and pinchpoints still occur.

Despite dramatic structural change in the retail market since the advent of e-commerce, the multi-channel evolution still has a long way to play out. This is clearly a positive stimulus for occupier demand on the industrial side. New and good quality space is already in short supply and this has been driving occupiers to commit to space through pre-letting or Design & Build options in recent months. We expect this trend to become more pronounced in the future, and to see a return to speculative development, given rental growth trends and projected future performance.

A buoyant investment market for retail sheds

A strong occupier market has translated into a robust investment market. Investors continue to be attracted to industrial assets and there is a weight of money targeting prime logistic assets. In 2016 a total of £5.9bn industrial assets changed hands, 6% up on the volume of turnover in 2015.

Key retail investment deals in 2016 included Tritax Big Box REIT's acquisition of the Amazon Distribution Centre at Kingston Park, Peterborough for £42.9 million in August 2016, reflecting a net initial yield of 5.60%. Asda also sold Portbury Way, Bristol, to Tritax for £25 million, at a net initial yield of

“The peak month for online shopping is clearly November, with figures for 2016 suggesting that online penetration increased to 18.3%.”

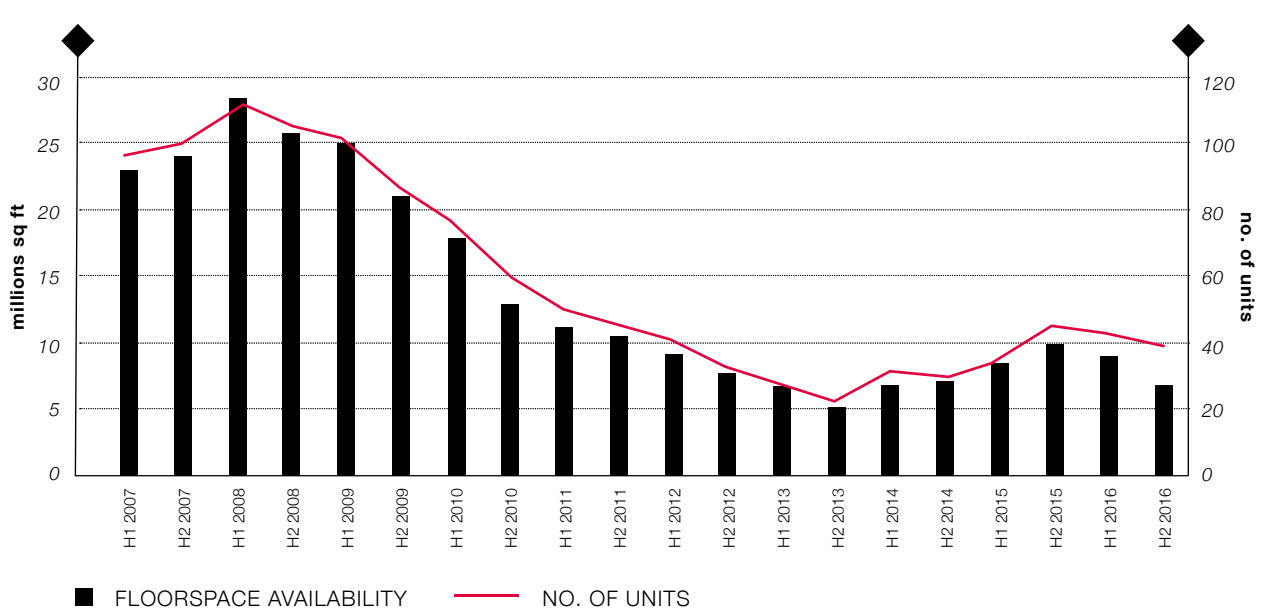
ONLINE SHARE OF UK RETAIL SALES 2011-2016

Source: ONS



NEW SHEDS AVAILABLE (UNITS>100,000 SQ FT)

Source: KNIGHT FRANK



5.18%, in March 2016. The more recent acquisition of Omega South, Warrington in November 2016 for £53.7m achieved a net initial yield of 6.60%.

In terms of current yield differentials, prime distribution warehouses (20 year income with fixed RPI uplifts) have stabilized at around 4.25%, whilst the price of a 15-year income is now

5.00%. This compares with 5.50% for good multi-let modern estates. By way of comparison with retail warehousing, yields on Open A1/Fashion parks are currently 4.50%. On Secondary Open A1 and Bulky Goods Parks they are closer to 6.00%. Solus Open A1 units are at 5.00%, Solus Bulky units at 6.00%.



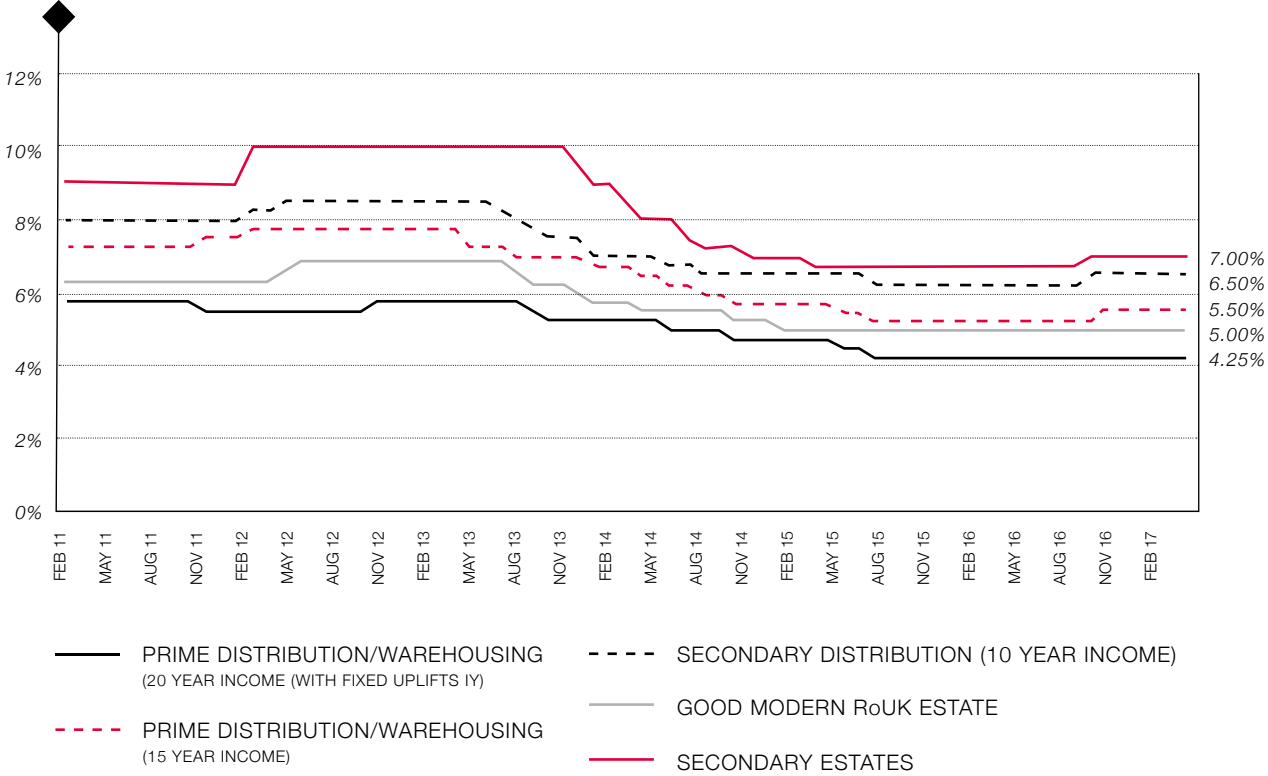


Distribution warehouses and retail warehouses are therefore in broadly the same pricing ballpark (and in some locations, rents are now also comparable), a factor that could prove significant if the dividing line between the two sectors is to blur slightly e.g. retail warehouses increasingly acting as supply chain spokes to the DC hubs.

The future — continued out-performance and even closer alliance
Industrial’s out-performance of recent years is forecast to continue. Our latest Experian forecasts show an above average total return for distribution warehouse (7.5%) compared with all industrials (7.4%) and the IPD all property average (6.2%).

WAREHOUSE AND INDUSTRIAL YIELDS

Source: KNIGHT FRANK



MARKET PERFORMANCE FORECAST 2017-21 (% P.A.)

Source: EXPERIAN, REAL ESTATE FORECASTING

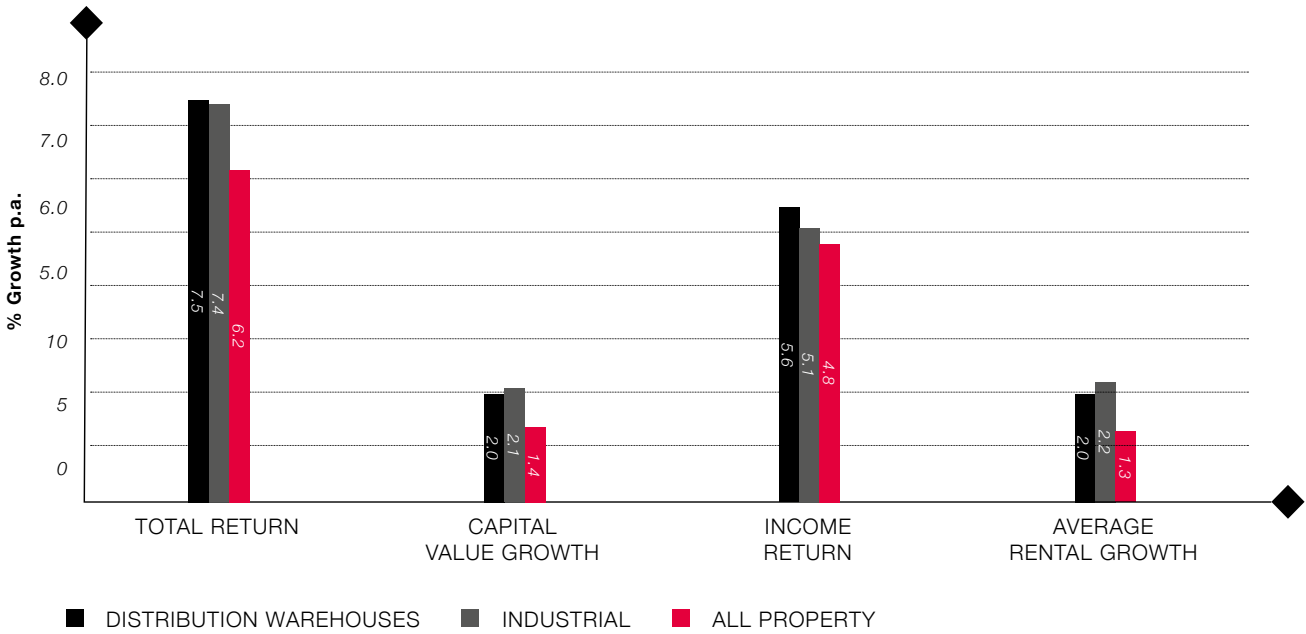
	2016	2017f	2018f	2019f	2020f	2021f	Forecast 2016-21	Forecast 2017-21
Total Return								
Distribution Warehouses	5.2	4.7	7.2	8.1	8.7	8.9	7.1	7.5
Industrial	6.1	4.9	7.1	7.9	8.4	8.6	7.2	7.4
All Property	2.3	3.0	5.9	6.7	7.6	8.1	5.6	6.2
Capital Value Growth								
Distribution Warehouses	-0.2	-0.7	1.6	2.5	3.1	3.3	1.6	2.0
Industrial	1.0	-0.2	1.9	2.6	3.1	3.3	1.9	2.1
All Property	-2.3	-1.7	1.0	1.8	2.7	3.2	0.8	1.4
Income Return								
Distribution Warehouses	5.4	5.4	5.5	5.5	5.4	5.4	5.4	5.5
Industrial	5.1	5.1	5.2	5.2	5.1	5.1	5.1	5.1
All Property	4.6	4.8	4.9	4.8	4.8	4.7	4.8	4.8
Average Rental Growth								
Distribution Warehouses	2.5	1.5	1.7	2.1	2.2	2.3	2.0	2.0
Industrial	3.3	1.8	1.9	2.2	2.4	2.6	2.3	2.2
All Property	2.3	0.4	0.6	1.1	2.0	2.5	1.5	1.3

The equivalent figures for retail property market performance are more subdued. But the fact remains that the retail and industrial market remain closely wedded and the holistic benefits of the former continue to drive the latter. If anything,

the co-dependency will only strengthen as the multi-channel conundrum unfolds. The retail sector needs supply chain solutions and the onus is largely on the industrial sector to provide them.

MARKET PERFORMANCE FORECAST 2017-21 (% P.A.)

Source: EXPERIAN, REAL ESTATE FORECASTING



10 KEY POINTS

- THERE ARE STILL SEVERE GEOGRAPHIC MISMATCHES BETWEEN THE THREE KEY PROTAGONISTS IN ONLINE RETAILING – SHEDS, SHOPS AND SHOPPERS.
- SUPPLY CHAIN IS STILL HEAVILY ORIENTATED AROUND MODELS THAT PRE-DATE THE DIGITAL AGE.
- HIGH PROPENSITY ONLINE SHOPPERS ARE FAR MORE LIKELY TO LIVE IN GREATER LONDON AND THE SOUTH EAST.
- DISTRIBUTION HUBS ARE STILL CONCENTRATED AROUND TRADITIONAL AREAS SUCH AS THE MIDLANDS.
- AREAS OF HIGH LAND AVAILABILITY, LOWER PROPERTY COSTS AND READY SUPPLY OF LABOUR ARE NOT CONSISTENT WITH AREAS OF HIGHEST ONLINE DEMAND AMONG CONSUMERS.
- ‘FINAL MILE FULFILMENT’ STILL PRESENTS SIGNIFICANT CHALLENGES AND RETAILERS CANNOT COME UP SHORT IN THIS AREA.
- STORE NETWORKS HAVE THE POTENTIAL TO BRIDGE THE GAP BETWEEN SHEDS AND SHOPPERS – IN SOME RESPECTS THEY ALREADY DO THROUGH CLICK & COLLECT.
- POTENTIAL FOR SOME STORES (ESPECIALLY RETAIL WAREHOUSES) TO DOUBLE UP AS DISTRIBUTION SPOKES.
- IN MANY LOCATIONS, THE GAP IN RENTAL VALUES BETWEEN DISTRIBUTION CENTRES AND RETAIL WAREHOUSE STORES IS ALREADY NEGLIGIBLE.
- ‘URBAN LOGISTICS’ WILL REQUIRE SOLUTIONS BEYOND EXISTING AND TRADITIONAL MODELS.

SHEDS, SHOPS AND SHOPPERS – THE TWAIN NEEDS TO MEET

WORDS: STEPHEN SPRINGHAM, HEAD OF RETAIL RESEARCH

The consumer has changed – the rise of digital has spawned a far more expectant ‘on-demand’ shopper. The retail market has also changed on the back of this – retailers continue to re-appraise and re-evaluate their store portfolios and make them fit for purpose in a progressively multi-channel world.

But have retail supply chains and logistics changed? To a degree, but not nearly to the extent that they need to if retailers are to consistently rise to the lofty expectations of modern-day consumers. The tendency among most retailers has been to ‘learn on the job’ in terms of adapting their supply chain, essentially retro-fitting existing infrastructure, rather than starting with a blank canvass.

Multi-channel has broken down many barriers. Goods are no longer just transported en masse from a distribution centre to a store, where a customer selects them on a whim. Shoppers know what they want and where they want it delivered (be it their home, their workplace or a store of their choosing), and at what time. The key question is whether the three supply chain protagonists – sheds, shops and shoppers – are sufficiently aligned for this process to be seamless, or whether there are still missing links in the chain.

Sheds – the bedrock of retailer supply chain

For the purpose of this analysis, we have focussed on both traditional store-based operators and online pureplays, in a bid to provide a representative picture of the UK retail industry as a whole. The 10 store-based retailers selected are both the leading retailers in the country and also key protagonists in the multi-channel arena. The grocery sector (Tesco, Sainsbury’s, Asda), ‘high street’ (Debenhams, John Lewis, M&S, Next, Argos) and retail warehousing markets (Dixons Carphone, Homebase) are all represented. The pure-plays analysed are Amazon, Ocado, ASOS and AO World.

As a general rule, retailer distribution hubs have traditionally been concentrated in the Midlands and the North. There are three main reasons for this. Firstly, it makes strategic sense geographically to cluster distribution facilities in the middle of the country, able to serve all corners of the UK. Secondly,

land is cheaper and property costs are significantly lower in what were, in many cases, former industrial heartlands. Thirdly, there is a more abundant workforce in many of these locations. Unemployment tends to be higher and there is a ready supply of workers making the transition from traditional ‘heavy’ industry to retail distribution. Labour costs are also substantially lower than in the South.

All very valid considerations, but ones that are increasingly being challenged by modern-day retailing demands.

We have identified over 170 distribution centres operated by the 14 key retailers under review. The list is not exhaustive, but should capture all the key warehousing hubs of both the multi-channel operators and the pure-plays. Although there is national representation, there are also distinct concentrations.

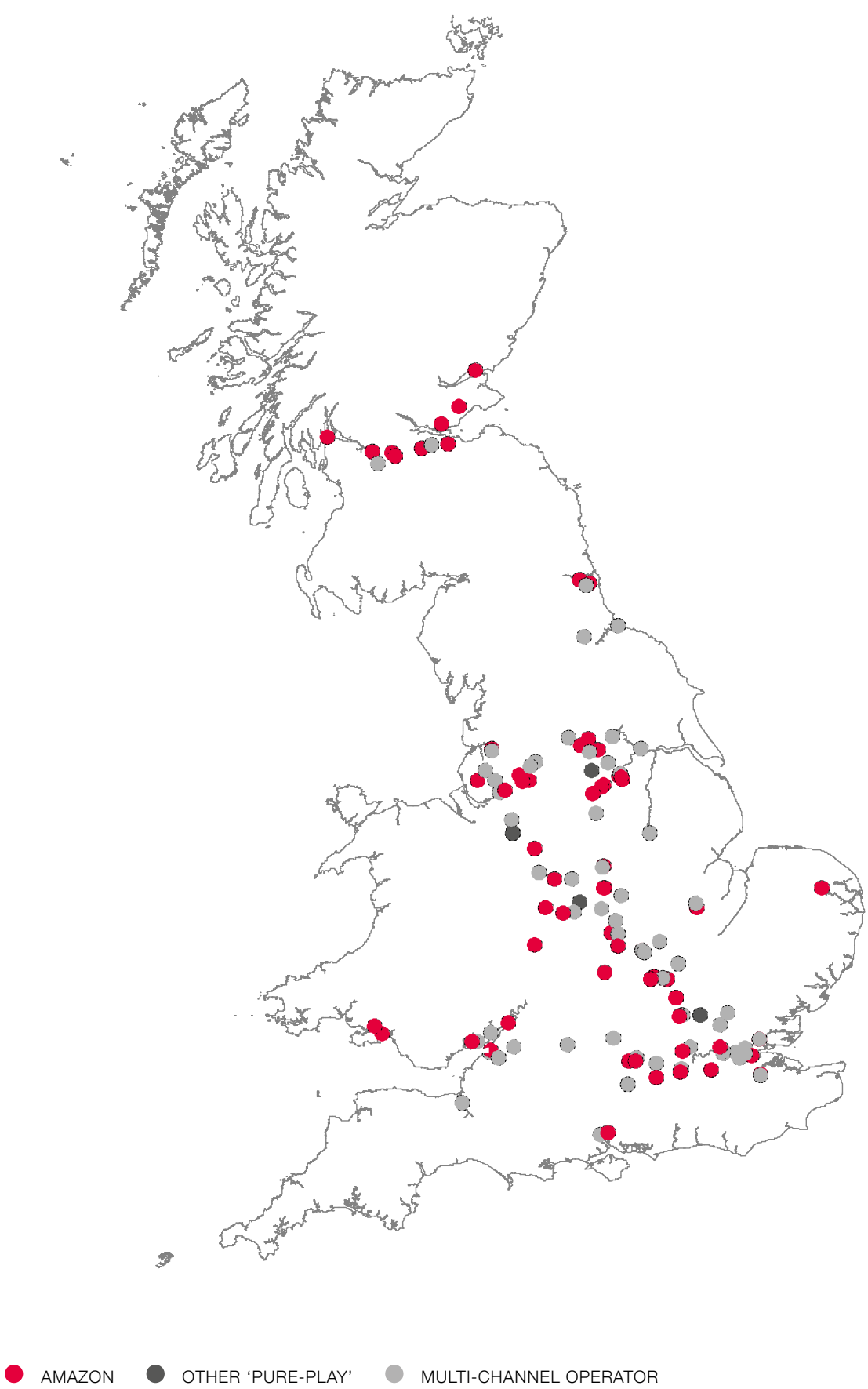
Predictably, the Midlands features heavily, accounting for around 20% of all retail distribution centres identified. All ten of the multi-channel operators have at least one logistics facility in the East Midlands, although representation is more modest in the West Midlands (Argos being an exception). The North West also has a higher density of distribution hubs than the North East, with Asda not surprisingly a key warehouse occupier in these areas.

There are some notable differences between the regional spreads of the multi-channel and ‘pure-play’ operators, although the latter figures are heavily influenced by Amazon. Indeed, CoStar identifies around 65 Amazon facilities across the country, giving the ‘pure play’ figures a more diverse and balanced geographic profile than may actually be the case. The other ‘pure-play’ operators tend to have larger distribution hubs located in one area only – in the case of AO World this is in the North West (Crewe), for ASOS this is in Yorkshire (Barnsley).

Ocado is more regionally diverse, a function of having a customer base strongly geared towards London and the South East. The business now operates three ‘Customer Fulfilment

MAP OF KEY RETAILERS’ MAIN DISTRIBUTION HUBS

Source: COSTAR, KNIGHT FRANK



REGIONAL SPREAD OF KEY RETAILERS’ MAIN DISTRIBUTION HUBS

Source: COSTAR, KNIGHT FRANK

	Pure Plays (%)	Multi-Channel Operators (%)	Total (%)
East	14.1%	12.5%	13.3%
East Midlands	7.0%	18.1%	12.6%
London	5.6%	5.6%	5.6%
North East	2.8%	5.6%	4.2%
North West	11.3%	9.7%	10.5%
Scotland	12.7%	2.8%	7.7%
South East	14.1%	16.7%	15.4%
South West	2.8%	8.3%	5.6%
Wales	4.2%	2.8%	3.5%
West Midlands	9.9%	4.2%	7.0%
Yorkshire and the Humber	15.5%	13.9%	14.7%
Grand Total	100.0%	100.0%	100.0%

Centres’ (CFCs) located in Hatfield, Dordon and Andover. In addition to these, Ocado also operates around 20 spoke locations on the fringes of urban conurbations, including London (Wimbledon, Dartford, Dagenham, Park Royal, Enfield, West Drayton, Ruislip).

The figures for the South East are perhaps surprisingly high, albeit largely skewed by a couple of retailers – Amazon and Tesco. Amazon has more than ten locations in the South East, including facilities in Hemel Hempstead, Weybridge, Reading, Dunstable, Basildon and Southampton. Tesco has traditionally operated around half a dozen distribution facilities in the South East, although these are now subject to a degree of rationalisation, with both Harlow and Weybridge facing closure.

For obvious reasons, London is still something of a ‘final frontier’ for retail logistics. Amazon has a few toeholds in the capital, while Sainsbury’s is the largest occupier on the multi-channel side.

Shoppers – some are more ‘online’ than others

Defining exactly who an ‘online shopper’ is has become an increasingly meaningless pursuit. Just as the boundaries between retail channels continue to blur, so does the distinction between ‘online’ and ‘bricks & mortar’ shoppers. Most consumers do at least some of their shopping online, but very few shop exclu-

sively online, whatever they may profess. In common with most retailers, most consumers are now multi-channel too.

Consumer classifications, such as CACI’s Acorn system, provide a telling insight into online shopping propensities. Acorn sub-divides and segments the whole GB population into 62 Types

(which aggregate up to 18 Groups and 6 Categories). These segments are derived through detailed analysis of all aspects of demography and lifestyle and reflect far more than basic affluence. Key feeds into the classification include attitudes and behaviours with regard to online shopping.

Across the three parameters analysed, four key Acorn Groups emerge as highest propensity online shoppers – ‘City Sophisticates’, ‘Career Climbers’, ‘Lavish Lifestyles’ and ‘Student Life’. Consumers in other Acorn Groups may also be online shoppers, but these four are more likely to represent a core multi-channel audience.

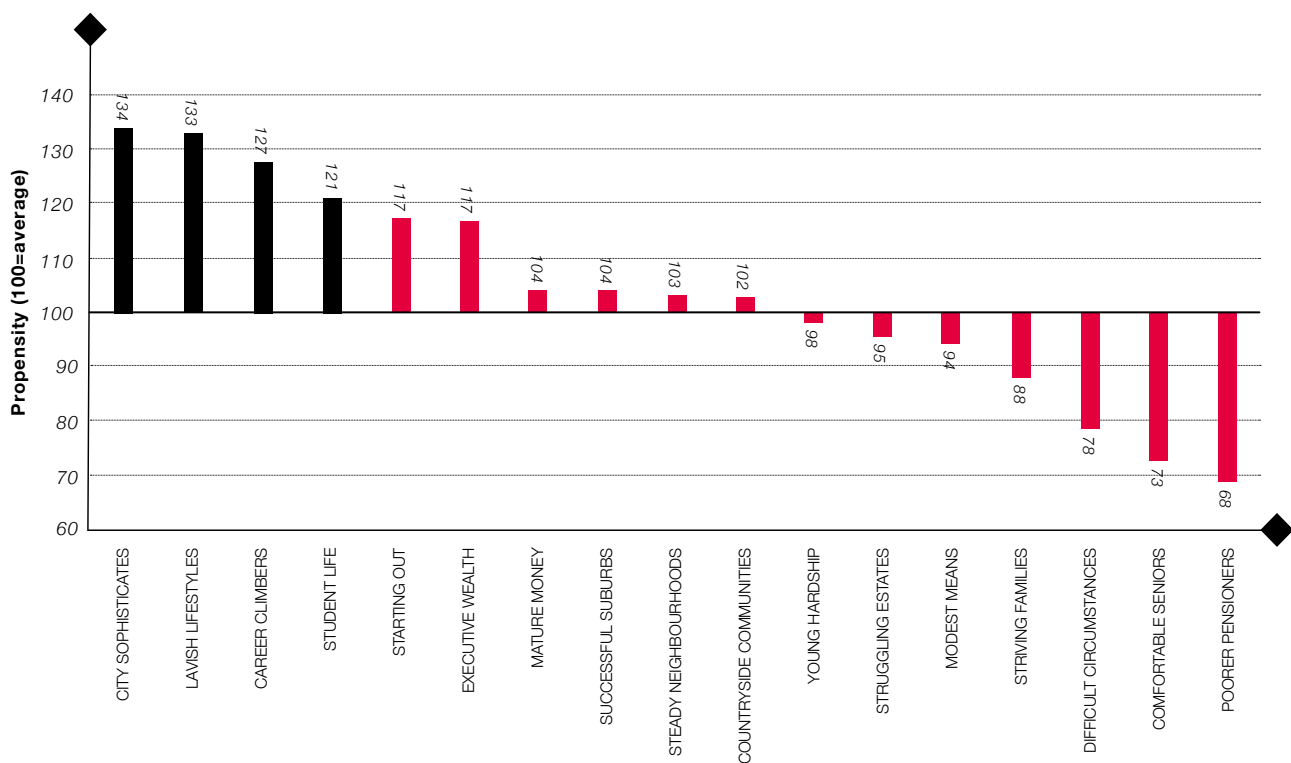
High Online Propensity Shoppers

Where do these people live? The four High Online Propensity Acorn Groups collectively account for just 13% of the entire population of GB. However, there are huge regional disparities, with very significant skews to both London and the South East. Some 40% of ‘High Online Propensity’ groups live in Greater London, compared to an 13.8% share of total GB

“London is still something of a ‘final frontier’ for retail logistics.”

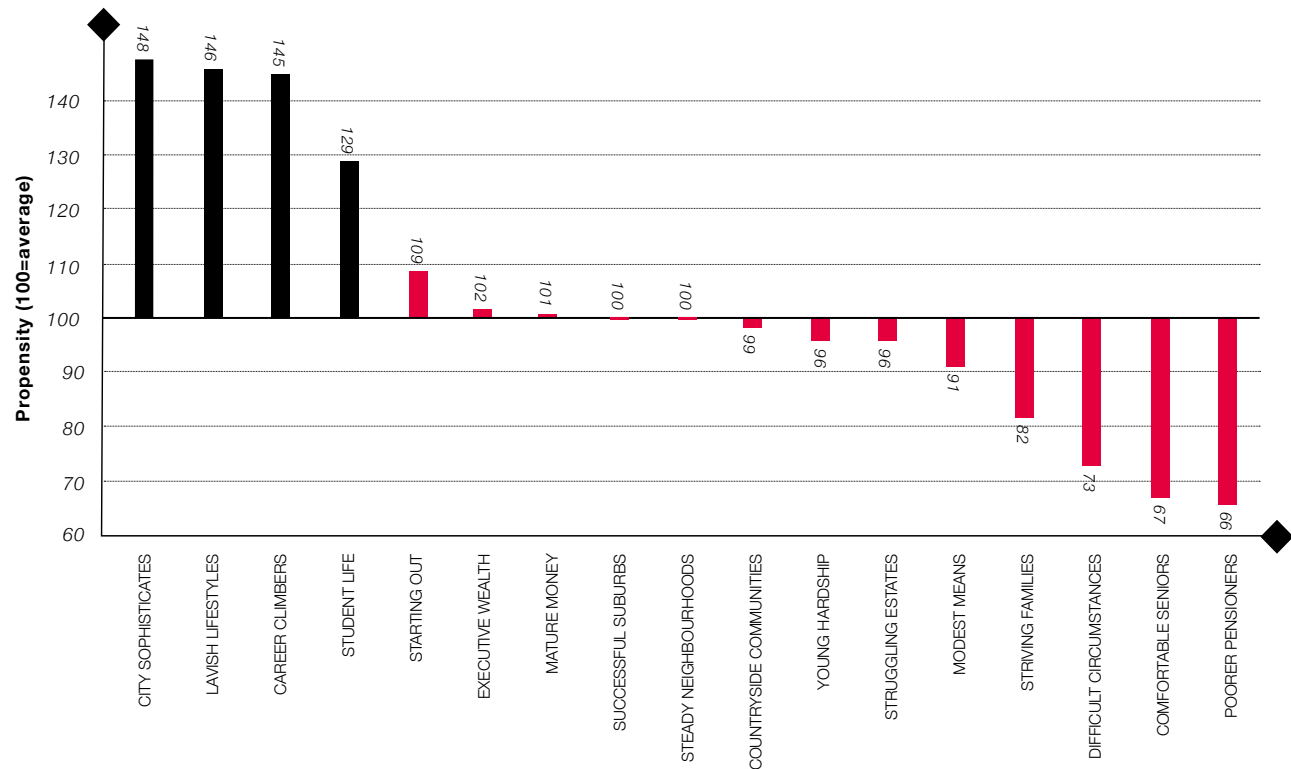
‘SHOPPING ONLINE MAKES MY LIFE EASIER’

Source: CACI, KNIGHT FRANK



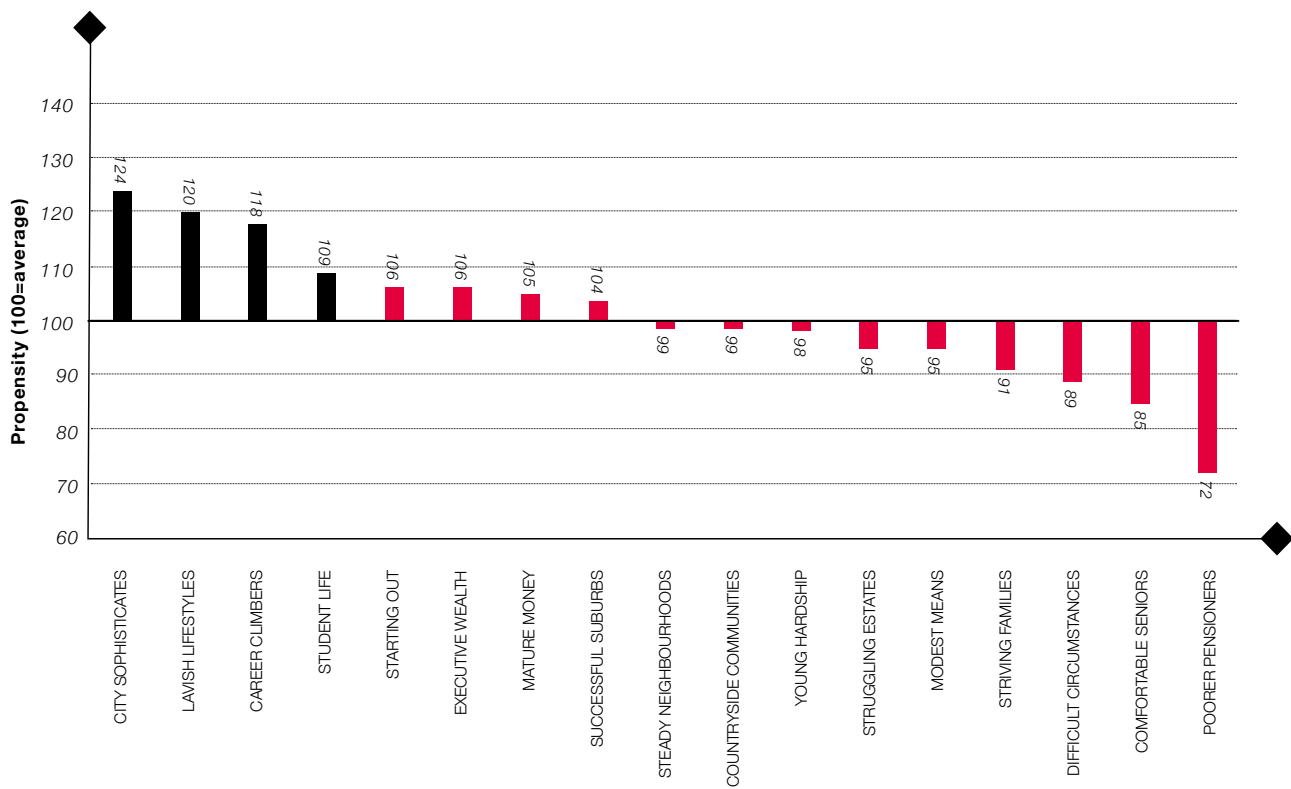
PROPNESITY TO MAKE AN ONLINE PURCHASE – MOBILE

Source: CACI, KNIGHT FRANK



PROPNESITY TO MAKE AN ONLINE PURCHASE – PC/LAPTOP

Source: CACI, KNIGHT FRANK



Online Propensities				
	CITY SOPHISTICATES	CAREER CLIMBERS	LAVISH LIFESTYLES	STUDENT LIFE
% of GB population	3.2%	6.0%	1.3%	2.5%
Shopping online makes my life easier	134	127	133	121
Make online purchase – PC/laptop	124	120	106	118
Make online purchase – mobile	145	146	109	148

population. A further 22.4% live in the South East, compared to 19.9% of total GB population. In aggregate, London and the South East account for nearly two thirds of ‘High Online Propensity’ shoppers.

Although the other regions ‘under-index’, that is not to say that there aren’t still pockets of high online propensity elsewhere in the country. As ‘Student Life’ are one of the constituent Acorn Groups, it follows that university locations are a significant factor in online penetration, hence higher representation in cities such as Manchester, Leeds, Glasgow and Edinburgh.

As a more general observation, urban conurbations are far more likely to be hotbeds of online activity than rural locations. This is interesting as it runs counter to original perceptions of online retailing, namely that it was a means of reaching areas not covered by stores. Reality and experience has proved this theory wrong – online flourishes best in areas that are generally well-represented by physical stores.

Cross-comparing the concentrations of core online shoppers and the location of retailers’ distribution hubs highlights some obvious mismatches. In simple terms, there is often a disconnect

between the location of where retailers store and circulate their goods and where the shoppers that are most likely to demand them live. This is particularly true of Greater London, but also of certain areas of the South East, particularly the swathe of Home Counties between the capital and the South Coast. Retailers have distribution centres that serve these areas, but is the current status quo ideal?

Shops – the bridgehead between sheds and shoppers?

Retail location planning is usually a far more sophisticated process than many understand. Few retailers aspire to operating a store in each and every town and city the length and breadth of the land. Indeed, national coverage is subordinate to ensuring that the network is as profitable as possible – the location planning process tends to be a lot more ‘bottom up’, with retailers aiming to open in the most suitable locations. More often than not, this will result in clustering, rather than nationwide coverage.

The role of the physical store has been reappraised in light of the rise of multi-channel shopping. Initially, the store was perceived to be redundant in the online model, with consumers simply ordering goods from their PC/mobile and having them delivered to their homes. As the online market has matured,

“There are huge regional disparities, with very significant skews to both London and the South East.”



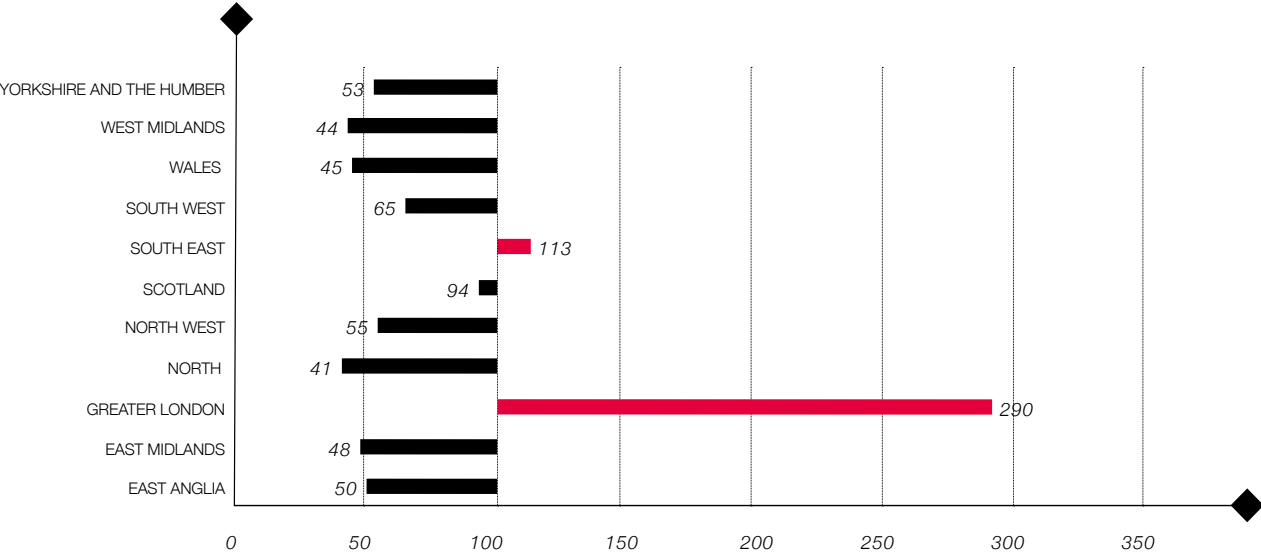
REGIONAL SPREAD OF HIGH PROPENSITY ONLINE SHOPPERS

Source: CACI, KNIGHT FRANK

	Core Online Shoppers (%)	GB (%)	Index (100=average)
East Anglia	1.9%	3.7%	50
East Midlands	3.6%	7.4%	48
Greater London	40.0%	13.8%	290
North	2.0%	4.9%	41
North West	5.8%	10.5%	55
Scotland	8.0%	8.5%	94
South East	22.4%	19.9%	113
South West	5.6%	8.6%	65
Wales	2.2%	4.9%	45
West Midlands	4.0%	9.1%	44
Yorkshire And The Humber	4.5%	8.5%	53
Total	100.0%	100.0%	100

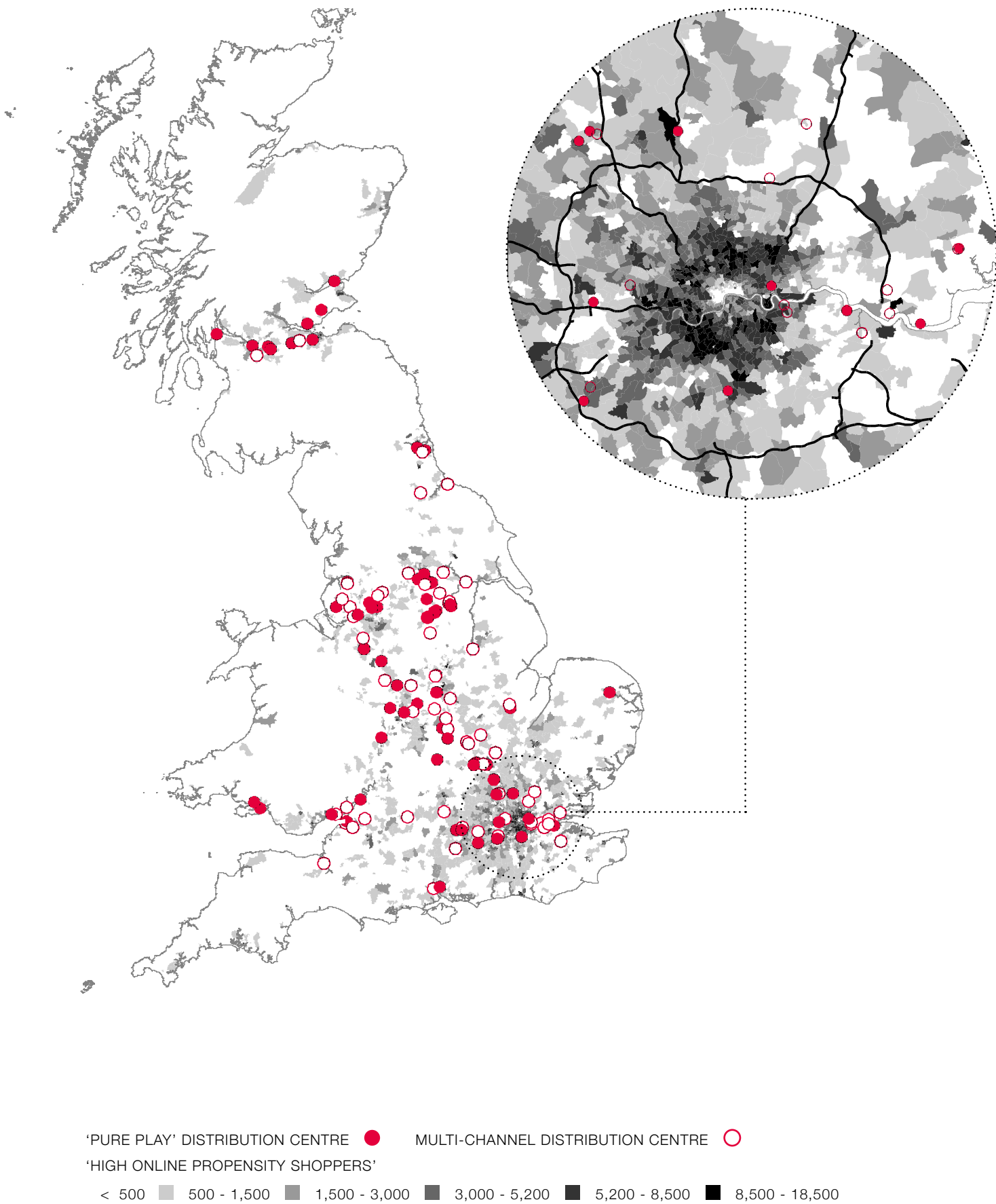
CORE ONLINE SHOPPERS VS GB INDEX (100 = AVERAGE)

Source: CACI, KNIGHT FRANK



MAP OF HIGH PROPENSITY ONLINE SHOPPERS VERSUS DISTRIBUTION SHEDS

Source: CACI, COSTAR, KNIGHT FRANK



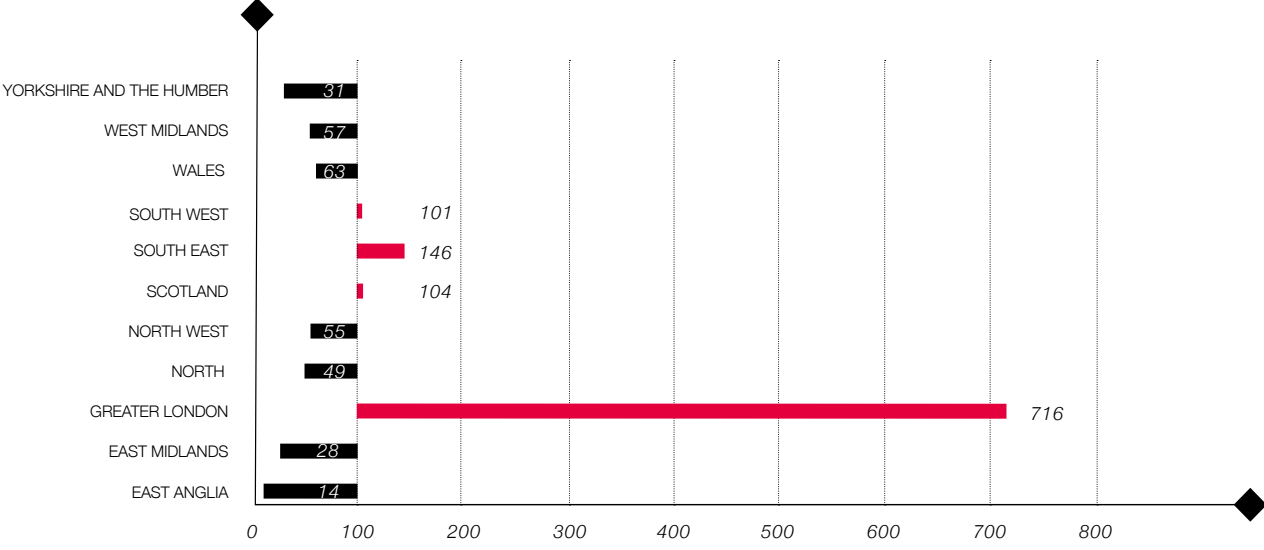
REGIONAL SPREAD OF HIGH PROPENSITY ONLINE SHOPPERS VERSUS SHEDS

Source: CACI, KNIGHT FRANK

	Core Online Shoppers (%)	Shed Distribution (%)	Index (100=average)
East Anglia	1.9%	13.3%	14
East Midlands	3.6%	12.6%	28
Greater London	40.0%	5.6%	716
North	2.0%	4.2%	49
North West	5.8%	10.5%	55
Scotland	8.0%	7.7%	104
South East	22.4%	15.4%	146
South West	5.6%	5.6%	101
Wales	2.2%	3.5%	63
West Midlands	4.0%	7.0%	57
Yorkshire And The Humber	4.5%	14.7%	31
Total	100.0%	100.0%	100

DISTRIBUTION OF SHEDS vs ONLINE SHOPPER INDEX (100 = AVERAGE)

Source: CACI, KNIGHT FRANK





this perception is proving to be increasingly misguided, with stores still representing a vital element of the wider retail eco-system. Stores can be 1: a show-room for purchases made online. 2: an order and/or pick up point for online orders. 3: a location for unwanted online purchases to be returned. 4: a combination of these or all of the above.

In simple terms, the role of the store has changed in the digital age and in many respects, has yet to be fully defined. But examples of retailers closing down rafts of stores as they are deemed obsolete in an online world are very rare.

Undertaking geographic analyses of the store portfolios of key the retailers reveals some interesting results. All ten multi-channel operators do achieve national coverage to some degree, albeit with regional skews. Most of these are unsurprising e.g. Asda's portfolio is geared more towards its heartland in Yorkshire/Humberside and

the North West, with lower than average representation in London and the South East. In contrast, 25% of Sainsbury's stores (including Sainsbury Local) are located in London and further 14% in the South East.

Aggregating all ten retailers' portfolios into one provides some telling statistics. In general terms, the location of retailers' estates is more geographically even than either the clusterings of distribution hubs and concentration of high propensity online shoppers.

The fact that the regional breakdowns of the store portfolios lies somewhere between those of the distribution hubs and high propensity online shoppers is as symbolic as it could be strategic. Stores are already in many respects the bridgehead between shed and shoppers, but in a multi-channel world, this relationship can be cemented further still.

“The role of the physical store has been reappraised in light of the rise of multi-channel shopping.”

REGIONAL SPREAD OF LEADING RETAILERS' STORE PORTFOLIOS VS ONLINE SHOPPERS

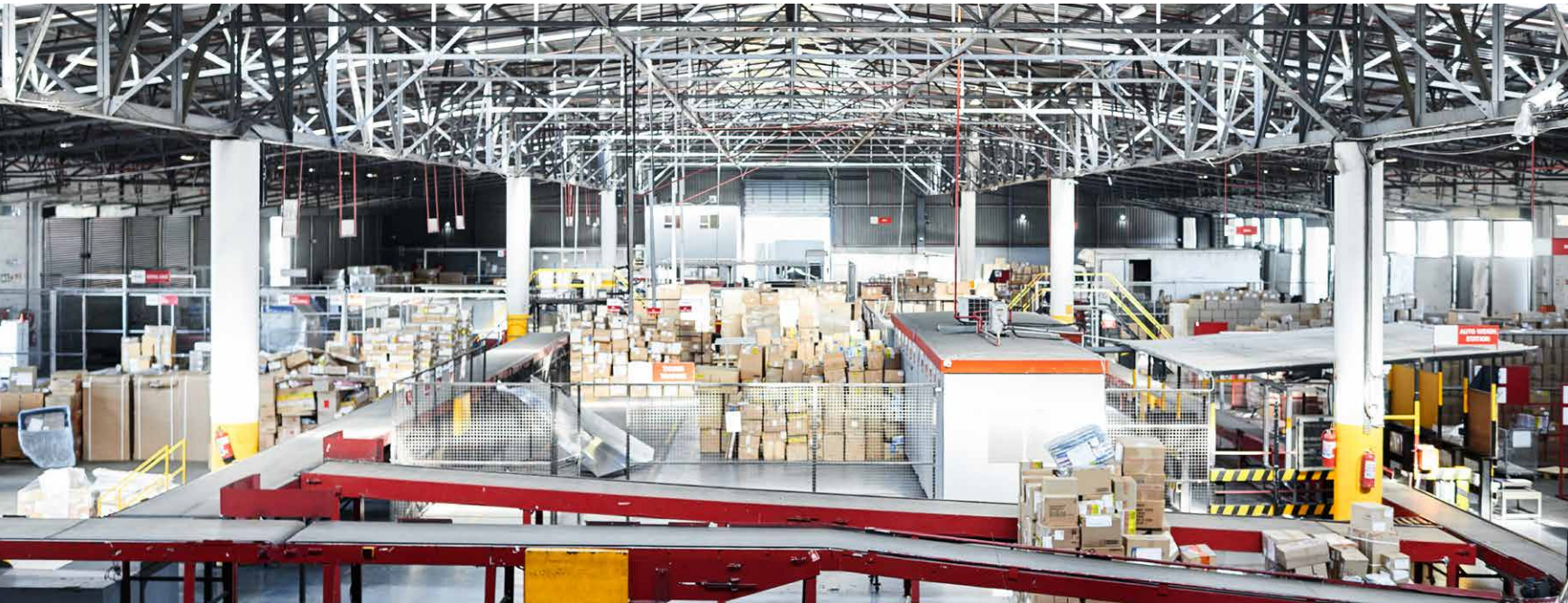
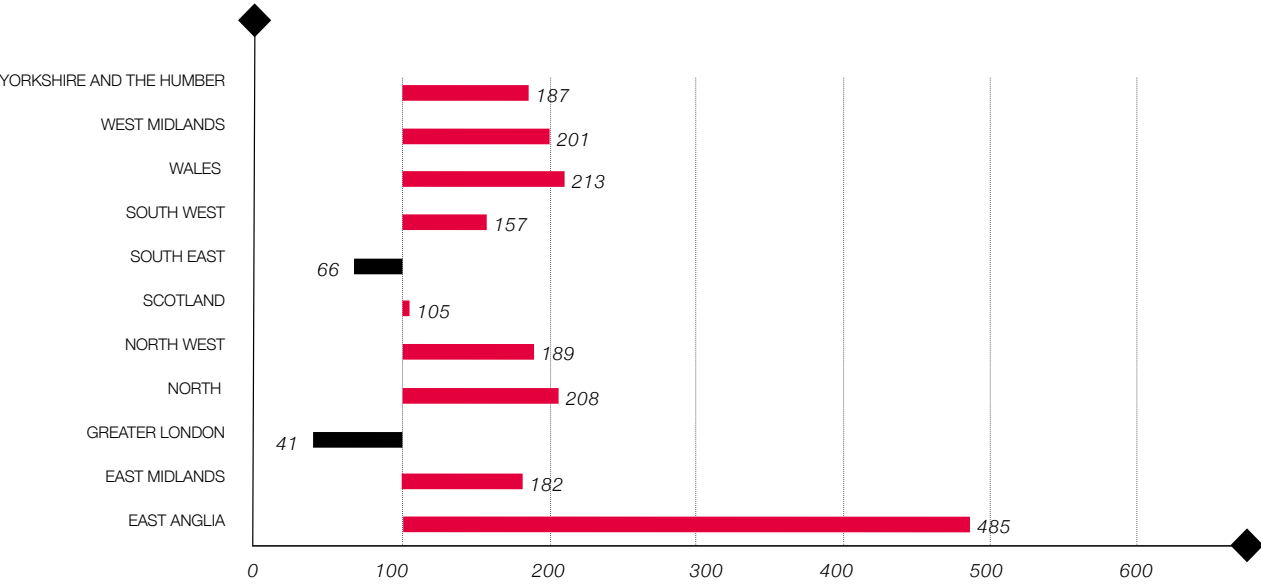
Source: CACI, KNIGHT FRANK

	Shop Distribution (%)	Core Online Shoppers (%)	Index (100=average)
East Anglia	9.0%	1.9%	485
East Midlands	6.5%	3.6%	182
Greater London	16.3%	40.0%	41
North	4.3%	2.0%	208
North West	10.9%	5.8%	189
Scotland	8.4%	8.0%	105
South East	14.8%	22.4%	66
South West	8.9%	5.6%	157
Wales	4.7%	2.2%	213
West Midlands	8.0%	4.0%	201
Yorkshire And The Humber	8.4%	4.5%	187
Total	100.0%	100.0%	100

NB Includes all fascia and formats operated by that retailer (e.g. Dixons Carphone includes Currys, PC World and Carphone Warehouse), both in-town and OOT. Regional analysis excludes Northern Ireland.

DISTRIBUTION OF SHOPS vs ONLINE SHOPPER INDEX (100 = AVERAGE)

Source: CACI, KNIGHT FRANK



REGIONAL SPREAD OF LEADING RETAILERS' STORE PORTFOLIOS VS SHEDS

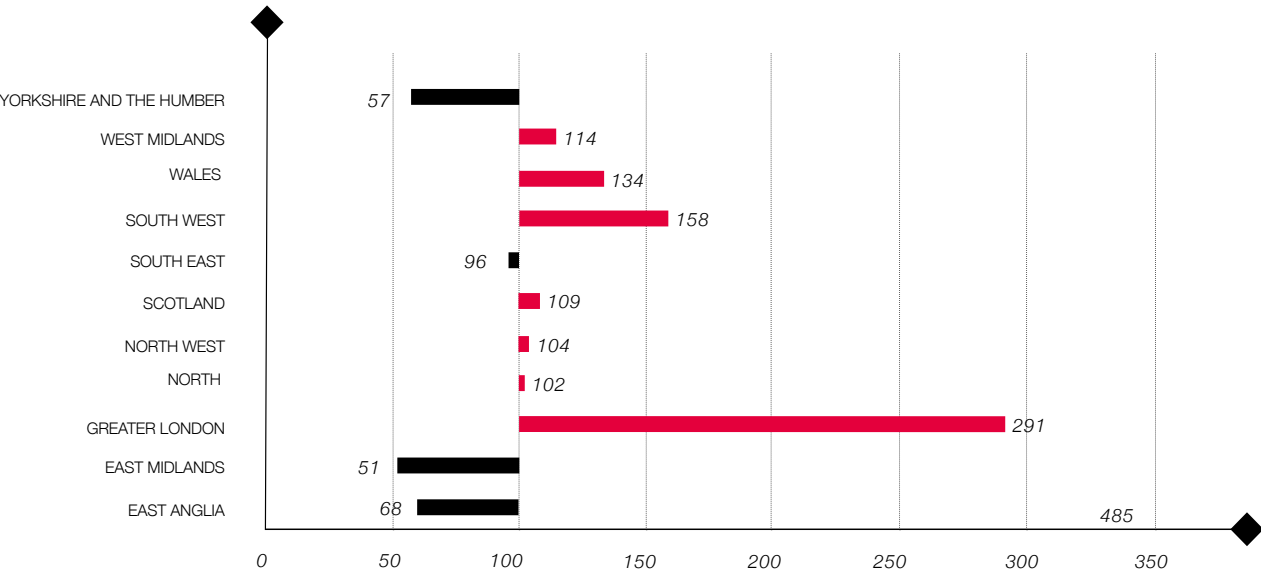
Source: LDC, CACI, KNIGHT FRANK

	Shop Distribution (%)	Shed Distribution (%)	Index (100=average)
East Anglia	9.0%	13.3%	68
East Midlands	6.5%	12.6%	51
Greater London	16.3%	5.6%	291
North	4.3%	4.2%	102
North West	10.9%	10.5%	104
Scotland	8.4%	7.7%	109
South East	14.8%	15.4%	96
South West	8.9%	5.6%	158
Wales	4.7%	3.5%	134
West Midlands	8.0%	7.0%	114
Yorkshire And The Humber	8.4%	14.7%	57
Total	100.0%	100.0%	100

NB Includes all fascia and formats operated by that retailer (e.g. Dixons Carphone includes Currys, PC World and Carphone Warehouse), both in-town and OOT. Regional analysis excludes Northern Ireland.

DISTRIBUTION OF SHOPS VS SHEDS INDEX (100 = AVERAGE)

Source: LDC, CACI, KNIGHT FRANK



Stores already play a fundamental role in the ‘last mile’ of fulfilment – within online shopping, click & collect is growing at a far faster rate than home delivery. However, our analysis would seem to suggest that stores could play an even more involved role in the broader supply chain process. In some instances, selected online orders are already serviced

and dispatched from individual stores. In certain locations (particularly in Greater London and the South East), stores could assume an even more ‘hands on’ logistics role, doubling as quasi-distribution spokes. This obviously resonates particularly with retail warehousing, many retail park units actually being over-spaced for their prime purpose as retail outlets.

IMPLICATIONS

HIGHER DEMAND

for retail occupiers (both pure-play and multi-channel operators) for distribution space around and within the M25

LIMITED EXISTING SUPPLY

of warehousing sheds could prompt a wave of new speculative development

SHIFT AWAY

from large ‘one-size-fits-all’ distribution hubs, towards a more fragmented network of geographically diverse hubs and spokes

POSSIBLE CONVERSION

of other space in key areas e.g. light industrial and other brownfield sites

BLURRING OF DIVIDING LINE

between industrial sheds and retail warehousing, the latter bridging supply chain gaps

SUPPLY, PROPERTY COST

and labour force implications?

POSSIBILITY

of ‘temporary lets’ to cope with periods of peak demand e.g. November/December?

EVOLUTION

of the ‘urban logistics’ model and final mile fulfillment

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