Knight Frank

National EV Solutions

2024

NOW is the time to consider EV charging

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Why is NOW the time to consider EV charging?

The move away from fuel for both financial and environmental reasons has created a huge surge in demand for electric vehicles (EVs). By 2035, UK governmental legislation will prevent the sale of petrol or diesel cars. To match the stock gap this will create, the International Energy Agency (IEA) forecasts that global EV stock will need to grow by massive 36% a year, reaching 245 million vehicles by 2030.

UK EV market

As of the end of 2023 there were around 1.56 million plug-in cars with approximately 975,000 battery electric vehicles (BEVs) and 590,000 plug-in hybrid electric vehicles (PHEVs) registered. In 2023, more than 452,000 plug-in hybrid and battery-electric cars were registered, showing a growth of 41% on 2022.

The majority of these registrations represent BEVs with PHEV sales now declining year-on-year.

Charging market

The deployment rate of public EV chargers in the UK is significantly lagging behind the uptake of EVs. As of the end of 2023, there were only approximately 54,000 public charge points.

As such there is significant investment required to support decarbonisation of the transport sector.

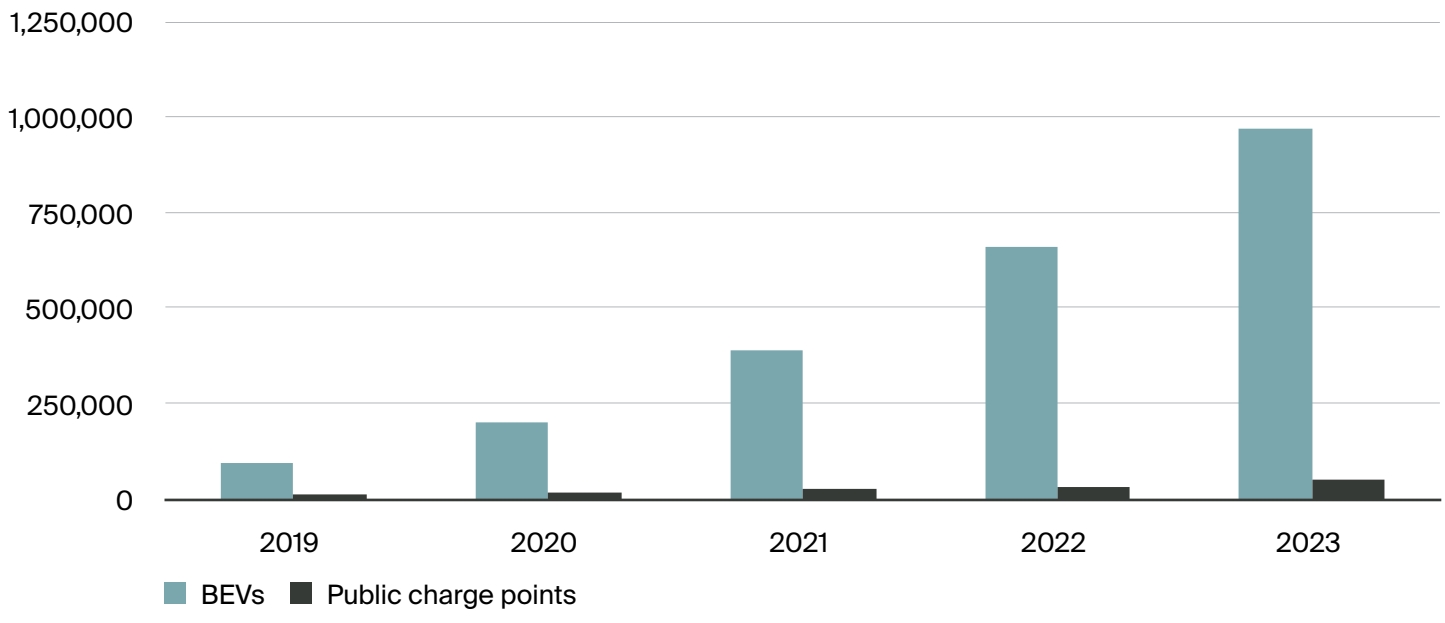
EV chargers

Broadly, there are four main types of EV chargers on the market:

- Slow (AC) chargers
- Fast (AC) chargers
- Rapid (DC) chargers
- Ultra-rapid (DC) chargers

The type and speed of chargers recommended for sites will depend on criteria such as asset type, dwell times, local market penetration and grid capacity.

Number of fully electric vehicles and public charging points in the UK



The impact of EV on real estate

The workplace

Charge-points will become an increasingly important amenity in a landlord's customer proposition, and will be vital to encouraging tenants to renew leases and attract new occupiers. This is of particular relevance to business parks where commuter accessibility by car is vital to their survival.

From an occupier perspective, workplace charging allows for greater flexibility and convenience for staff and visitors, whilst alleviating range anxiety. Responding to occupiers' needs demonstrates a receptive and committed landlord; improving tenant-landlord relationships and therefore the customer experience.

Workplace EV charge-points will also increase in popularity as the cost and payback periods reduce. Transport for London (TfL) currently estimate an average payback period of 5-7 years, dependant upon frequency of use and associated infrastructure costs. Savings can be made on installation costs if charge-points are installed during a major refurbishment or new build project, and not retro-fitted later.

Retail

For assets such as retail parks and/or shopping centres, EV charge-points are a way to generate greater footfall and extend dwell-time, benefitting retail occupiers and potentially investment returns for landlords. Retail sites can experience an increase in dwell-time of up to 50% for customers charging an electric vehicle on site. This in turn translates into average increased spending up to £80, from an average of £36 per visit, with 31 tonnes less CO_2 from visitor travel, according to research by RetailCo Solutions Inc.

Residential

Through an online tool launched by COPI in Sept 2019, air pollution disclosure is having an increasing impact upon residential property desirability, and therefore, in time, will impact value. As buyers are able to see the comparative air quality of the location where they are considering buying a property, this will inform buyer decision-making and drive them away from areas with poor air quality. This behaviour will in turn push residential developers to invest more heavily in EV infrastructure within new developments.

Logistics and industrial

Companies with large fleets, for example those in e-commerce and distribution, have a significant environmental impact and have a major challenge to reduce their vehicle-based emissions. Low-emission zones in major cities are encouraging sustainable travel, and penalising petrol and diesel vehicles.

Last-mile logistics hubs in particular are highly likely to utilise EVs. Indeed an emerging trend is for real estate developers to purchase assets that may be existing retail parks on the basis that in time these sites will be transformed into last-mile delivery hubs due to their size and location. Crucial for this model to succeed is that sufficient grid capacity is available at the site to charge the large numbers of EVs that will be required for last-mile fleets.

The trend for EVs for delivery vehicles is also being pushed forward by legislation. At the EU level CO_2 reduction targets have been set for delivery vehicles.

Funding Opportunities

With the rapid investment required in the EV charging network, Charge Point Operators (CPOs) are undertaking a frenzied 'land-grab' to secure land or lease parking bays to deploy and commercialise EV charging.

Currently on the market there are two main funding avenues:

- Landlord funded
- Third-party (CPO) funded

It is common for landlords to invest in AC chargers suited to workplaces and sites with longer dwell times.

Alternatively, given the high upfront investment and grid connections costs for rapid DC charging hubs, retail sites and forecourts present a particularly attractive option to CPOs to fund and operate these installations. Landlords will receive a base rent and/or profit share from the CPO, typically over a 15-25 year lease term.

Commercialisation of disused land in prominent public locations may not only provide ESG benefits for landowners but could also provide a lucrative investment opportunity.

About Knight Frank

Knight Frank is one of the world's leading independent real estate consultancies.

We provide innovative residential and commercial property solutions for our clients that add tangible value across property sectors and services.

As your partners in property, we will always act with integrity and care when it comes to our clients unique needs.

Knight Frank's National EV Solutions Team is the largest in the UK, comprising of 12 specialists in this space, geographically spread across the UK from London to Aberdeen, and is perfectly positioned to capitalise on the rapid move towards EVs. We have an established track record of expertise stretching back to 2017.

Our clients range from landlords in the form of both investors and owner-occupiers, EV charge providers and lenders.

We are uniquely positioned to provide advice across the full spectrum of automotive-related asset classes, alongside numerous other specialist and non-specialist property types, including retail parks, hotels, garden centres, and many more.

Reasons to install EV chargers

HITTING ESG TARGETS

By installing EV charging stations, landlords are showing a commitment to promoting sustainability and corporate ESG agendas.

ADDITIONAL INCOME STREAMS

Landlords can receive income directly from chargers they have funded and installed which may provide lucrative benefits as utilisation rates grow. Alternatively, funded installations can provide a strong steady income stream.

FUTUREPROOFING AND ASSET VALUE

Real estate equipped with EV charging points can command higher resale and rental values due to the added convenience and attractiveness to potential tenants or investors.

EXTEND CUSTOMER DWELL TIMES

EV chargers can increase site footfall and encourage customers to spend more time on the premises while their vehicles charge. This can lead to increased spending on-site.

REGULATORY REQUIREMENTS

New building regulations and local planning authorities require active and passive chargers to be installed with new developments and major renovations. Landlords who provide these stations can avoid fines and penalties.

How we can support your EV requirements

Knight Frank focus on supporting clients through every step of their EV infrastructure journey and pride ourselves on offering services across the full project lifecyle.

1. Portfolio reviews and commercialisation strategies

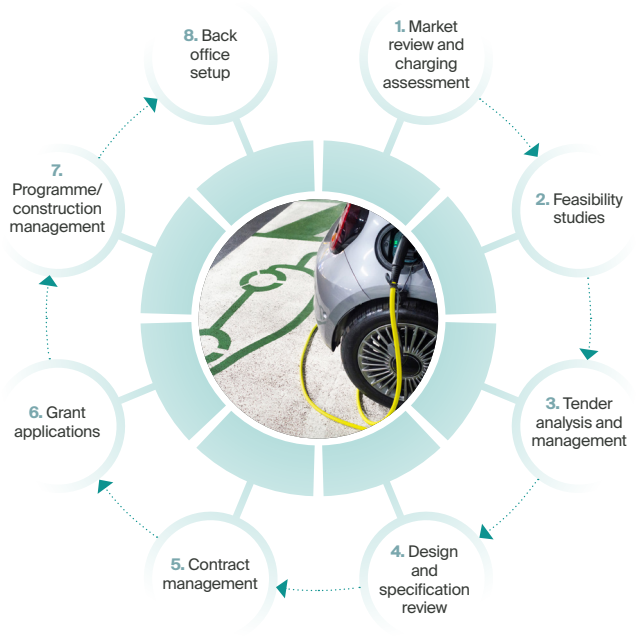
Qualitative and quantitative analysis of funding options and strategic portfolio reviews to assess charging approach for different asset types

2. Landlord-funded

For client funded opportunities, market assessment and feasibility studies are advised as a starting point. Knight Frank undertake a deep-dive analysis using geospatial tools to assess EV market penetration rates to assess a suitable number and type of chargers for different asset classes. We assess current electrical infrastructure in place, charging layouts and complete cashflow modelling for expected payback and returns.

3. Third party-funded solutions

Many clients are initially uncertain on whether to retain control of charging units or investigate opportunities for funded leased solutions for rapid charging hubs. We can investigate the opportunities for each across a client's portfolio for solutions best suited to their objectives



4. Valuation / transactional

Our Knight Frank EV Valuation experts provide an extensive range of valuations, development appraisals, market appraisals and consultancy services specific to landlord funded and third-party funded EV solutions.

Track Record

Charging locations where Knight Frank has provided services.

UK's largest real estate EV solutions team

Over 50 sites

Over 300 rapid chargers deployed

More than 100,000 hours of charging

Case Studies

With demand for EV chargers growing exponentially, the income potential for landlords is becoming increasingly attractive, particularly through ground rents and profit share mechanisms at public assets.

Knight Frank's EV Solutions team has been involved with and advised on over 50 EV Charging opportunities across the UK, with over 300 chargers deployed.

We have advised a variety of REITs, Investment managers and Propco's on EV charging solutions across the UK.

UK REIT

- Portfolio of 19 mixed-use/retail assets for rapid EV charging
- Charge Point Operator (CPO) funded solution

Scope

- Successful introduction of leading CPO
- Heads of terms and lease negotiations
- Construction Management

20 mixed-use and retail assets
c. 150 chargers

5 Assets
c. 50 chargers

Private Equity Client

- Advised on 5 office buildings in the UK for landlord funded solar PV and EV charging
- EV chargers powered in part by solar PV

Scope

- Feasibility studies
- Tender analysis and management
- Design and specification review
- Contract management
- Programme and construction management
- Back office support and setup

Please reach out to hear more from the UK's largest EV consultancy team

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