Aberdeen Standard Investments

European Logistics Survey: the trends shaping the future of logistics property

Aberdeen Standard Investments worked with Transport Intelligence, a leading research organisation with a global client base of over 16,000 users, to investigate emerging trends in the European warehousing and logistics real estate market.

Introduction and background

It has never been more important for investors to understand the drivers of logistics assets and the factors influencing their ability to deliver returns. Tenants are responding to major changes in technology and consumption patterns, and investors need to get closer to their tenants to understand the potential risks and rewards in the sector. We believe the sector will grow in size and become ever more complex over the next five years. In this paper, we summarise the key observations from the results of the survey. We also offer insight into what this means for the tenant and landlord relationship, and the potential effects on sector performance for investors.

Aberdeen Standard Investments worked with Transport Intelligence, a leading research organisation with a global client base of over 16,000 users, to investigate emerging trends in the European warehousing and logistics real estate market. Over six weeks, we have completed surveys with some 123 supply chain executives across 29 countries. This represents a very considerable and compelling body of evidence. We have used the results to gain better insight into current and prospective issues in a sector evidently witnessing considerable change.

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Executive Summary

The survey revealed some fascinating new trends emerging in the European logistics sector. These include dramatic shifts in technological influence across the supply chain, a surprising level of engagement in sustainability initiatives, and results that reinforce the dramatic shift of demand towards the consumer and urban locations.

However, these trends create substantial tensions between policy, the environment, competing uses, and the need to satisfy last mile parcel delivery on a scale never seen before in Europe. We have broken the paper up into topics, as outlined in the executive summary below to fully examine the results of the survey.

- **Evolution of the operating environment** 76% reported their logistics businesses had grown in 2018, 42% of them "substantially", with cyclical and structural factors supporting growth.
- **Supply of warehouse and distribution facilities** 34% state that they do not have enough existing spare capacity to fulfil their growth targets, while 39% of respondents said there was a shortage of efficient space to expand into.
- **Occupiers are adapting to structural changes to risks** Respondents scored "changing technology" and "purchasing habits" as the two biggest risks to the success of their business.
- **"On-demand"** warehousing increasingly relevant as technology improves 62% of respondents believe on-demand warehousing will be increasingly common in the logistics industry.
- **The changing drivers of location** Over 50% of respondents believe the location of their logistics facilities will become a more important factor for consideration over the next five years.
- **The impact of autonomous vehicles on location and design** 60% of respondents see autonomous trucks influencing supply chains in terms of warehouse design or location.
- **Increased focus on labour** Labour is the largest operational cost according to 48% of respondents, supporting a push towards mechanisation, robotics and digitisation, which ultimately affects location.
- **Warehouse requirements and technology** focused on efficiency Automated technology was rated as the most important feature required in a warehouse facility.
- **Sustainability** 71% stated that their business is undertaking initiatives to reduce or offset environmental effects in their logistics facilities – through choice and not because of immediate necessity.
- **Brexit** Only 11.3% of respondents believe Brexit will improve business activity, but the message from the survey is not clear-cut.

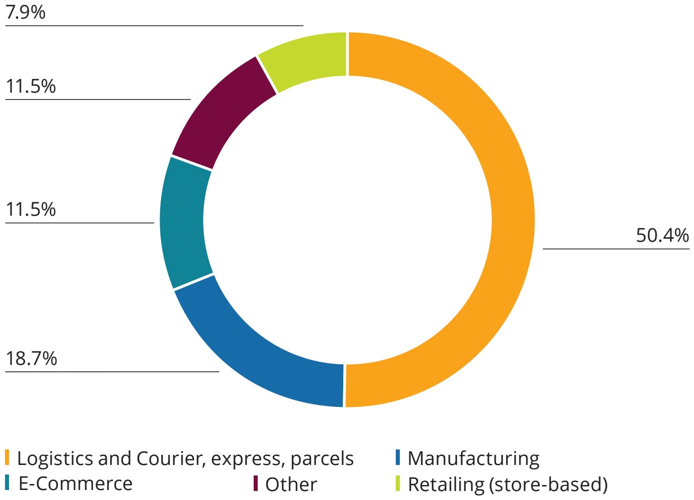
The findings in our survey support the positive real estate investor sentiment the market holds for logistics in Europe, with occupiers set for further growth. However, it is not all plain sailing and the risks are ever more pronounced. The survey reveals that the sector is going through substantial structural change.

1. The sample

The insights in this report are based on the responses of 123 supply chain executives from 29 European countries. The survey presents the views of a wide range of warehouse and distribution centre occupiers. Half of the respondents are involved in the logistics side of the business, operating either as third-party logistics (3PLs), or express/parcel couriers. Around 38% of respondents are shippers, including manufacturers, store-based retailers and e-retailers.

We believe the targeted nature of the sample constitutes a robust dataset from which to draw interesting observations from the 'live' trends in the industry. Broadly, the breakdown of the user types in the sample also reflects the share of occupier activity that we observe in the market. This means the sample should give a fair reflection of aggregate trends in the market.

Chart 1: Which sector do you operate in?



Source: Transport Intelligence, Aberdeen Standard Investments

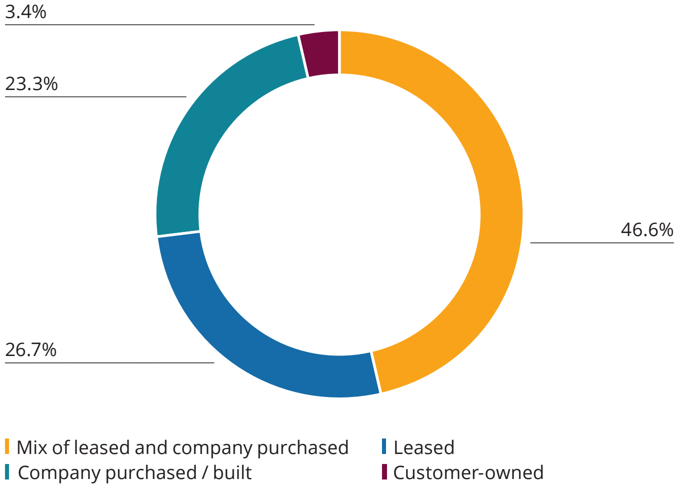
2. Occupational structure and concerns with facility management

Over a quarter of respondents (26.7%) lease logistics facilities, while 23.3% own the properties (Chart 2). Most of the respondents, however, adopt a balanced approach and rely on both leasing and buying assets. The balanced approach is a common strategy adopted by warehouse occupiers as it allows for flexibility in geographic growth or contraction, as well as ownership of assets.

In the competitive industrial real estate sector, occupier satisfaction is one of the most important indicators for monitoring competitiveness among landlords. Our survey reveals a broadly positive level of satisfaction with how landlords manage logistics facilities in Europe. The majority of those that lease their warehousing facilities (64.7%) stated they are satisfied (Chart 3), suggesting that these landlords are best placed to retain and grow with their existing customer base. Only 6% expressed dissatisfaction in their landlords' property management.

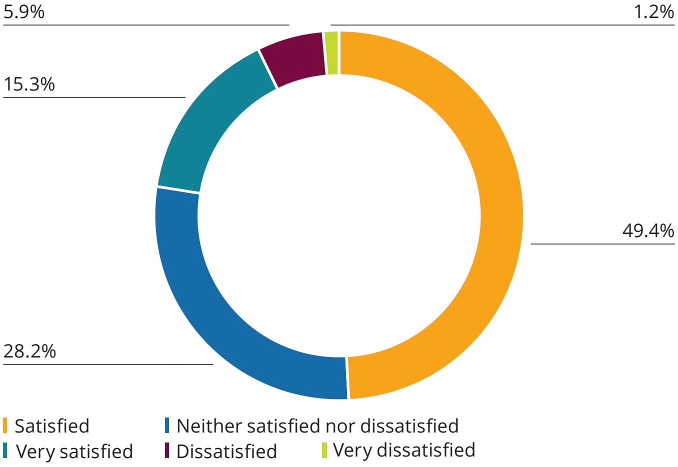
Implications: For those leasing their space, the sample broadly states that the management of their facilities is more than satisfactory. This might reflect the fact that many logistics leases are what the industry calls 'triple net', where the tenant is fully responsible for repairs and the general upkeep of the facility. This means the landlord's role is greatly reduced compared with some other sectors where it is more significant. Furthermore, for those logistics buildings that require more intensive upkeep from landlords, the aspects they are responsible for maintaining are typically uncomplicated – unlike offices and retail where aesthetics are much more important.

Chart 2: How do you acquire your logistics facilities?



Source: Transport Intelligence, Aberdeen Standard Investments

Chart 3: If you lease some or all of your logistics facilities, how happy are you with your landlord's management of these buildings?

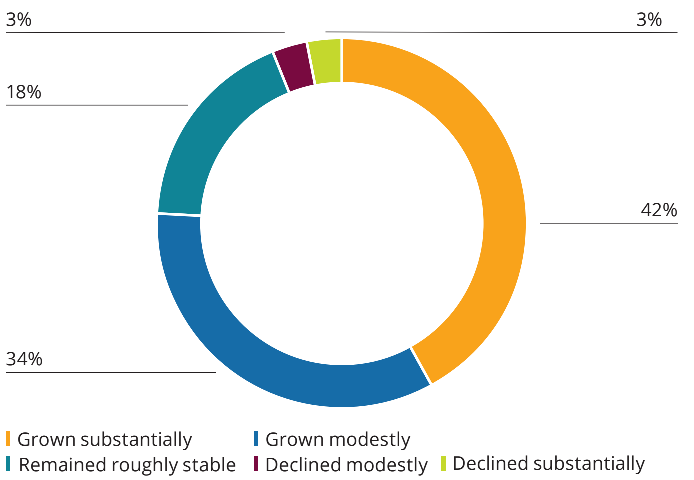


Source: Transport Intelligence, Aberdeen Standard Investments

3. Evolution of the operating environment

The survey corroborates the fact that demand in the logistics industry is going through a robust upturn. Around 76% of executives declared that their businesses had grown modestly or substantially over the last 12 months (Chart 4), with only 6% reporting a decline in business activity. Taking this a step further, it appears that growth potential is being restricted by a lack of capacity in their existing real estate, with one third of respondents indicating they do not have enough capacity to satisfy future growth aspirations (Chart 4). For a further 35%, their capacity only allows modest growth.

Chart 4: Through 2018, has your business:



Source: Transport Intelligence, Aberdeen Standard Investments

Around 76% of executives reported their logistics businesses had grown in 2018, 42% of them "substantially".

Implcations: The main drivers of logistics demand are trade, manufacturing and the various forms of consumption. All of these factors have been growing steadily over the last five to six years, increasing the need for the movement of goods. Indeed, looking at gross domestic product (GDP) alone hides the specific nature of the growth in logistics drivers and the structural changes affecting demand. Eurozone GDP is now 15% higher than in 2004, while imports and exports are over 50% higher.

When we think about the future prospects for logistics returns, we must acknowledge that things are changing. The lion's share of growth has come from falling yields, and not rental growth, on the continent. But looking ahead, we wanted to get a feel for leasing tension. The clear growth message from the survey reveals that stronger rental tension could be emerging.

Demand reached a record high in 2017, with 2018 being the second-highest year. Roughly 80% of take-up was satisfied through pre-lets last year, suggesting there is a shortage of suitable standing stock to satisfy demand. London is an extreme example given the size of the city and the land constraints, but in the last five years logistics rents have increased by 40%. These trends support our expectation that income from logistics will at least become increasingly robust given shorter voids, with rental growth emerging where tensions are strongest.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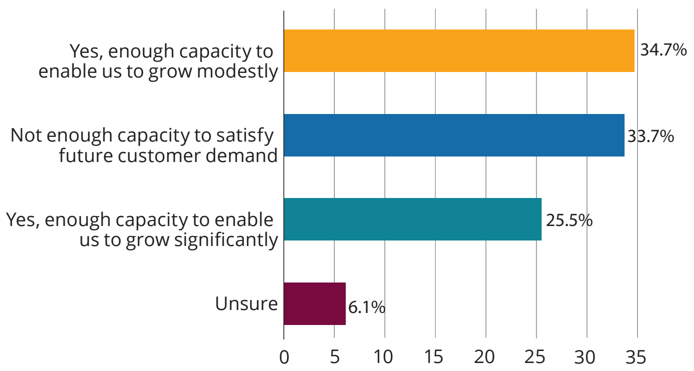
4. Supply of warehouse and distribution facilities

The survey reveals that a shortage of space is a challenge for future expansion. Around 68% of executives reported that they did not have enough spare capacity to grow their business at more than a modest pace (Chart 5A), and 39% declared that a shortage of efficient warehousing was a barrier to their growth ambitions.

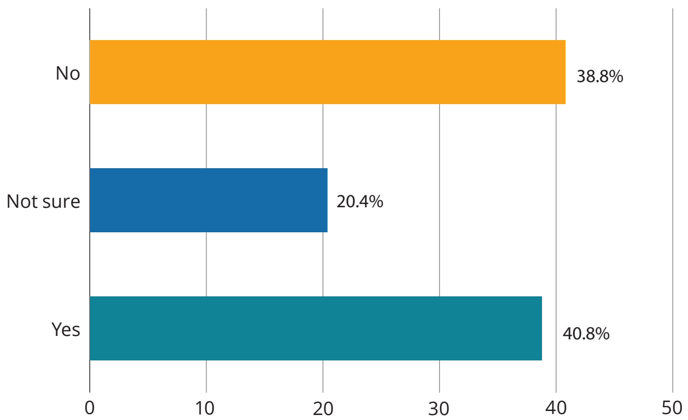
Significant spare capacity for expansion was reported by just over a quarter of the respondents. Only 40% of those with significant spare capacity were logistics operators, suggesting they are running at a higher capacity than other respondent types, such as manufacturers and retailers. Furthermore, only 12% of those with "significant" spare capacity were from the e-commerce sector, highlighting that this sector's growth aspirations outweigh its existing capacity.

Chart 5A: Do your logistics facilities have enough capacity to meet your growth targets over the next 1 to 2 years?



Source: Transport Intelligence, Aberdeen Standard Investments

Chart 5B: Is a lack of available, efficient logistics facilities hindering your business's growth?



Source: Transport Intelligence, Aberdeen Standard Investments

Implications: The shortage of warehouse space is becoming a real issue in some markets. Vacancy rates are typically below 5-6% for good-quality, modern logistics space in most European cities. Development levels, on the whole, are still relatively constrained.

A lack of good quality and efficient supply is more prominent in urban areas because of the diminishing supply of industrial land, a trend we see strengthening across European cities. The ever-widening low emissions zones in major cities and restrictive planning policies exacerbate the problem. This forces logistics to compete with residential and retail, both of which command higher rents. This is likely to restrict logistics facilities in major population centres, ultimately resulting in a limited supply and therefore competitive leasing conditions.

This supports our view that income from logistics should become more robust, resulting in pockets of stronger rental performance, particularly in urban logistics locations. Proximity to end customers is vital for e-commerce fulfilment but less important for other distribution sectors. It is mainly online retailers and their logistics partners that will face a shortage of supply of warehouse space and incur higher property costs overall, so there are risks to this view too.

Around 34% of executives state that they do not have enough existing spare capacity to fulfil their growth targets, while 39% of respondents stated there was a shortage of efficient space to expand into.

5. Occupiers are adapting to structural changes in risks

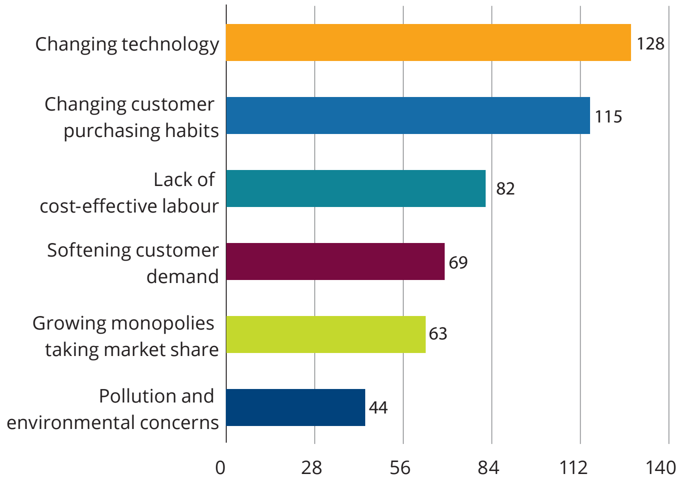
The effects of changing technology appear to be far reaching, with respondents scoring it as the single largest risk to their business (Chart 6). The specific nature of these risks becomes clearer in the technology section of this paper.

Changing consumer habits are clearly a challenge for the respondents, having scored it as the second biggest risk to their businesses. These first two risks are clearly linked, in terms of adapting to changing demand characteristics.

The fourth biggest concern was a softening in customer demand. This was encouraging in terms of the outlook for demand. Logistics is typically sensitive to the macroeconomic environment, yet despite a weaker economic turnout in 2018 than anticipated, respondents were not overly concerned about it.

The least significant risk was considered to be pollution and environmental concerns. This is unsurprising in some respects as in Europe these don't tend to be major barriers for distributors. Later in the paper, however, it is clear that respondents are placing significant emphasis on reducing environmental damage in the industry, an acknowledgement that the risks are long term in nature.

Chart 6: What do you believe are the biggest risks to the success of your business? Please rank the top three risks.



Source: Transport Intelligence, Aberdeen Standard Investments

Respondents scored changing technology and purchasing habits as the two biggest risks to the success of their business.

Implications: According to the latest available data, online retail sales are growing at a rate of 9% per annum in Europe, while in-store sales are only increasing at a rate of 2% per annum (data from August 2018). The trend is likely to remain strong for the foreseeable future. We would also recommend reading our research paper titled "No longer the mall the merrier", which provides insight into how changing consumption patterns are altering the prospects for retail real estate.

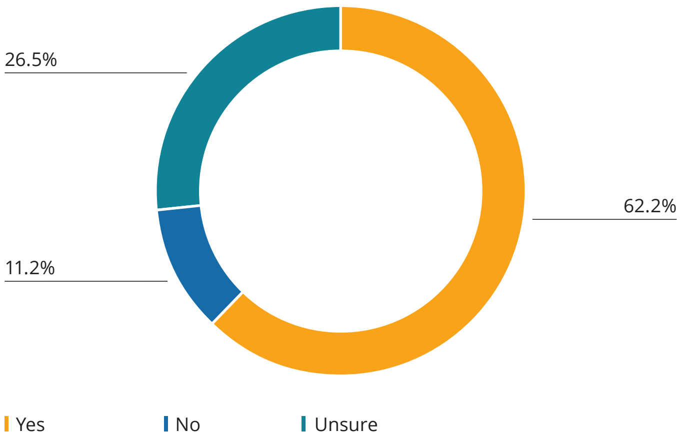
Clearly a growing share of take-up is being driven by pure e-commerce logistic operations, representing a structural uplift in the demand base. Furthermore, given that most traditional retailers are creating online sales channels, it is likely that the true growth of demand from online retail is understated.

Delivering a clear example of how this shift in consumption to online is influencing logistics locations, Amazon has developed facilities ever closer to the end consumer. Between 2014 and 2016, the average population within 10 miles of each facility increased substantially to 1.1 million people, more than double the population in its previous phase of development.

6. On-demand warehousing increasingly relevant as technology improves

The changing nature of risk and demand drivers is likely to drive a significant increase in the prevalence of on-demand warehouse provision (the equivalent of co-working services for offices). Survey findings suggest that operators will increasingly turn to on-demand warehousing to better balance the peaks and troughs of demand. According to the survey, 62.3% of respondents said they anticipate on-demand warehousing will pick up in the next five years (Chart 7). E-commerce fluctuations are likely to be the key driver here and spur demand for flexible options. A common problem for growing online retailers is the need to expand fulfilment to accommodate demand. Not only can this process be quite difficult, but in markets with large geographic scale, it can also cause considerable expense.

Chart 7: Do you believe on-demand warehousing will become an increasingly important solution for customers?



Source: Transport Intelligence, Aberdeen Standard Investments

62% of respondents believe on-demand warehousing will be increasingly common in the logistics industry.

Implications: Warehousing is rarely operated at full capacity. Not only is the under-utilised space not visible to other customers but, in any case, there is no traditional method of making it accessible. The modern supply chain is designed to be agile and flexible, dealing effectively with risks such as falling/increasing demand, trade wars and natural disasters. An example of an on-demand warehouse solutions provider would be Stowga, which has over 4,000 warehouses in 10 countries listed on its on-demand platform. It matches spare capacity with end users seeking flexibility.

The World Economic Forum states, "shared warehouse agreements provide companies (customers of logistics companies) with an opportunity to reduce their logistics costs by as much as 12 to 15%." Much of the cost saving will come from rental and property cost reduction, further reinforcing the importance of investing in well-located units close to end consumers.

For landlords, the implications are interesting. Tenants offering some space as flexible warehousing might ensure more stable cash flows through quieter times, while allowing them to charge a premium for spare capacity at the busiest times. However, the more efficient use of space could ultimately reduce the overall need for redundant or under-utilised floor space and this could result in the sector becoming modestly less supply constrained.

Over 50% of respondents believe location will become a more important factor for consideration over the next five years.

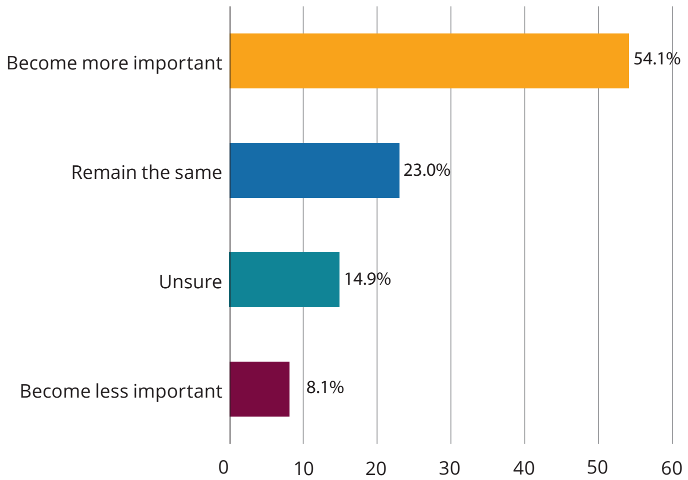
7. The changing drivers of location

According to the survey, 54% of respondents believe that location will become a more important factor to consider over the next two-to-five years (Chart 8). Only 8% indicate it would become less important. Pairing this with the risk factors, it is clear that technology and changing consumption patterns are driving this. "Proximity to consumers" was the second most important feature for operators to consider in relation to their facilities, reinforcing the urban logistics demand trends.

The shift to online retail reinforces the importance of last mile delivery. This results in supply chains becoming more focused on central locations as close to the end consumer as possible, while also becoming more fragmented.

At the same time, there is growing evidence that some manufacturing is gradually moving back to Europe and closer to the end consumer as a result of increased mechanisation and robotics in the manufacturing process, as highlighted in the technology section.

Chart 8: How will the importance of the geographical location of your logistics facilities change over the next 2 to 5 years?



Source: Transport Intelligence, Aberdeen Standard Investments

Implications: For landlords, it is vital to buy assets in locations that make sense for the long term. When so much is changing, the relevance of logistics locations must be constantly under review. Urban locations could be forcing some lower-margin operators out into new cheaper locations, while lower dependence on cheap labour makes urban locations more affordable for others. This changing dynamic is consolidating the importance of some areas, while creating demand in untested locations too.

As mentioned at the outset, supply in the best locations is limited and occupiers are often forced to consider new and emerging logistics areas. According to CBRE, the take-up of German logistics units increased by 4% in 2018. But breaking this down regionally, take-up in the top-five traditional locations fell by 43% given a lack of available space, with new locations evidently making up the considerable shortfall.

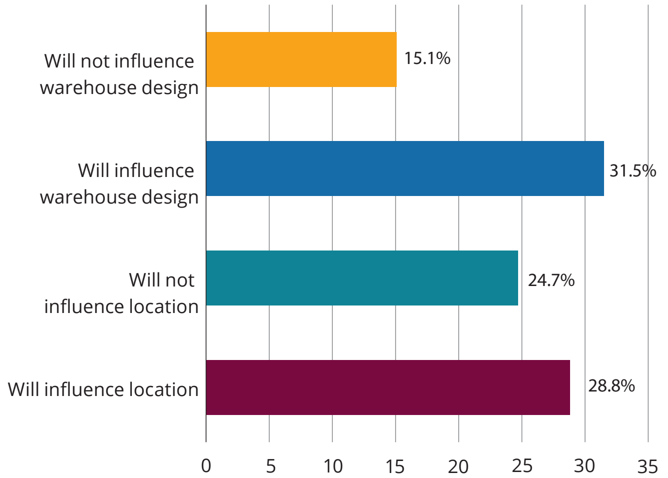
Given the increased sophistication of the supply chain and the continuous focus on speed of delivery, we believe the best logistics locations are likely to see stronger rental growth than they have done historically. Many logistics occupiers are increasingly willing to pay a premium for good quality, well-located logistics space. Reduced transportation time also implies reduced transport costs – by far the highest cost for logistics operators.

Around 60% of respondents see autonomous trucks influencing supply chains in terms of warehouse design or location.

8. The impact of autonomous vehicles on location and design

The potential impact of autonomous vehicles on supply chains and warehouse location is a clear concern for respondents, with 60.3% stating that this technology will influence their supply chain networks in one of two ways (Chart 9). However, there seems to be some dispute as to exactly what the impact will be. Around 29% expressed this technology would affect location, while 25% indicated that there would be no impact on location. Clearly, the range of responses to the question on driverless trucks was narrow, highlighting that the industry is still grappling with what this particular technology means to warehouse design and location.

Chart 9: What impact do you think autonomous vehicles will have on your warehousing and distribution networks in the next five years?



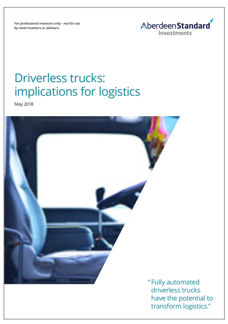
Source: Transport Intelligence, Aberdeen Standard Investments

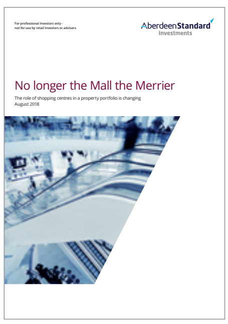
Implications: The obvious impact of autonomous vehicles in the logistics sector is the reduction of human workforce and efficiency in delivery processes. But responses point to even more far-reaching implications for supply chains. This technology offers optimisation opportunities, which in turn result in reduced fuel consumption, thereby increasing the distance that can be covered. With the potential for autonomous vehicles to reduce transport costs by slashing driver and fuel costs, the expectation is that the supply chain will consist of fewer warehouses, encouraging warehouse operators to consolidate fulfilment services.

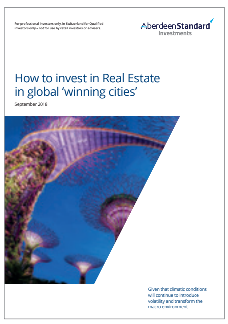
Slightly less than a third of respondents stated that autonomous vehicles will influence the design of their logistics facilities to accommodate these vehicles, which is highly relevant to investors when thinking about a sector with already high levels of obsolescence. This type of vehicle would require sizeable courtyards to allow for automated manoeuvring as well as battery loading stations. This suggests that the design and size of facilities will need to be adapted to account for the use of autonomous vehicles.

Our research paper "Driverless trucks – implications for logistics" covers our views on this topic in more detail. Please get in touch for more information.

Six truck manufacturers (DAF, Iveco, Volvo, Scania, MAN and Daimler) ran convoys of semi-autonomous trucks from across Europe to Rotterdam in 2016.





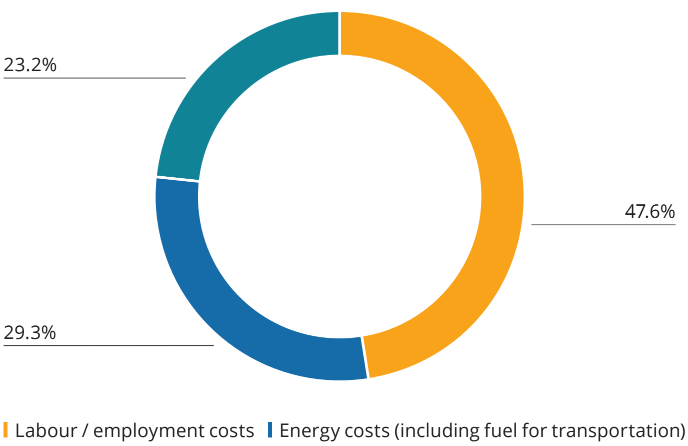


9. Increased focus on labour

Access to cost-effective labour is a key consideration in the pursuit of warehouse cost savings. However, as survey findings suggest, this is a significant challenge for businesses, with respondents citing the lack of cost-effective labour as the third biggest risk. Moreover, 47.6% of respondents stated that their business is most sensitive to labour costs (Chart 10), which should come as no surprise given that labour costs are typically the largest expense in warehouses.

On this same topic, we asked if the executives were undertaking any initiatives to improve working conditions for staff. Around 60% said their businesses were improving working conditions. Only 15% said that they were not undertaking initiatives and there were no plans to.

Chart 10: What cost is your business most sensitive to?



Source: Transport Intelligence, Aberdeen Standard Investments

Labour costs are the main concern for 48% of respondents.

Implications: The labour issue ties back to the increasing demand for properties located closer to the urban core. The closer the warehouses are to urban centres, the higher the labour costs. Operators typically have to pay higher wages where the costs of living are high and where competition from alternative employers is greater. Considering that demand for warehouse space shows no signs of slowing down, it seems unlikely that the warehouse labour crunch will be resolved any time soon.

Overall, the results point to a vulnerability in labour shortages and costs, suggesting that warehouse operators will need to identify a way to work more efficiently and limit exposure to increasing labour costs. One way to achieve this, and mitigate the impact of increasing labour costs and a shrinking labour pool, is through automation.

In an age where technology is gaining ground in warehouses and distribution centres, survey findings suggest that people remain the critical link that keeps the supply chain running. Indeed, the emphasis on labour is a theme throughout the survey and adds a different dimension to the 'robots replacing humans' narrative. This renewed focus on labour is mainly driven by two factors: rising costs for warehouse labour and a shrinking labour pool.

Implications: The overwhelming observation is that technology is increasingly important to the operational aspects of logistics. Automated warehousing creates opportunities to reduce labour costs, increase sorting capacity, and minimise human error. The survey respondents clearly recognise these benefits, particularly in relation to reducing the labour intensity within warehouses and supply chains. This also has implications for the type and location of warehouse requirements.

The evolving role of robots shows how technology is becoming sufficiently advanced with ever more dexterity to slowly eat into tasks that can currently only be performed by humans. With artificial intelligence beginning to assist in machine learning, this process will continue to accelerate. Ultimately, the human input in warehouses could shift more towards the analysis of how the chosen technology is performing. Our survey supports this view, with over 80% of respondents invested or planning to invest in data analytics tools.

Overall, these advances have two consequences for the real estate provision. Firstly, it implies cost-effective labour will become less important and therefore warehouse location can shift towards areas where labour costs are higher (closer to consumers). This helps remove one of the barriers for the cost of urban logistics, where labour costs tend to be higher to reflect greater living expenses.

The second issue is that logistics companies can't invest in equipment when their contracts tend to be short. And the cost of the equipment can't be amortised over a sufficient period to make it affordable. Where operators do commit to large-scale capital expenditure to secure operational cost savings, they may be willing to sign longer leases or perhaps pay a higher rent knowing they will be compensated in the long term by greater operational efficiency.

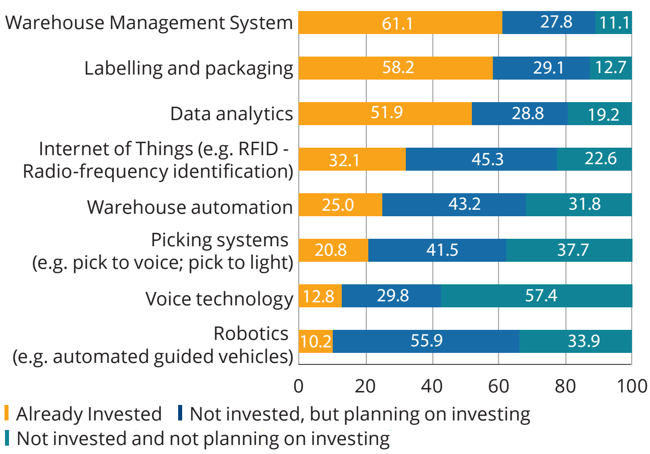
10. Warehouse requirements and technology focused on efficiency

Earlier in the survey, respondents highlighted that changing technology was the biggest risk to their businesses. Furthermore, automated technology was also deemed the single most important feature for a warehouse. In this section, we increased the scrutiny on the topic of technology by asking what technical features operators are invested in or planning to invest in.

The majority (61%) stated they were already invested in warehouse management systems, while 28% were planning to invest (Chart 11). Other commonly implemented systems included labelling and packaging, and data analytics technology.

At the other end of the scale, only 10% of respondents said they were invested in robotics. But this could change significantly, with 56% reporting that there is an intention to invest in this area in the future. This share was by far the largest in terms of future planning and highlights robotics as a key area for potential change. Related to this are picking and warehouse automation systems, many of which use robotic technology to identify and move items through the warehouse. Both of these also rank highly in future plans for investment.

Chart 11: Have you already invested or are you pursuing investment in any of the following areas?



Source: Transport Intelligence, Aberdeen Standard Investments

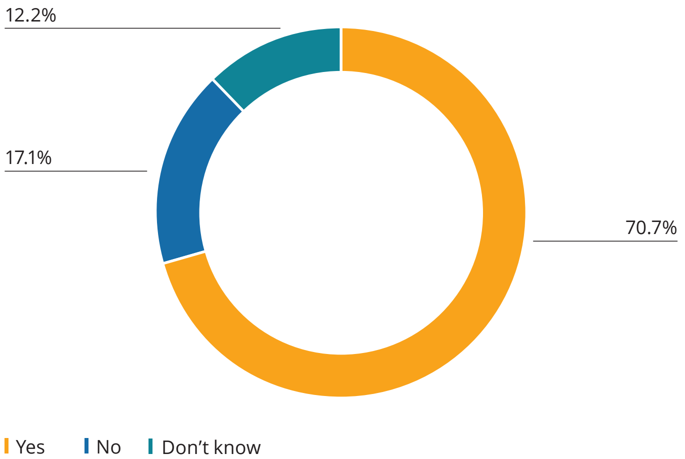
Automated technology was rated as the most important feature required in a warehouse facility.

Around 70% stated that their business is undertaking initiatives to reduce or offset environmental effects in their logistics facilities

11. Sustainability

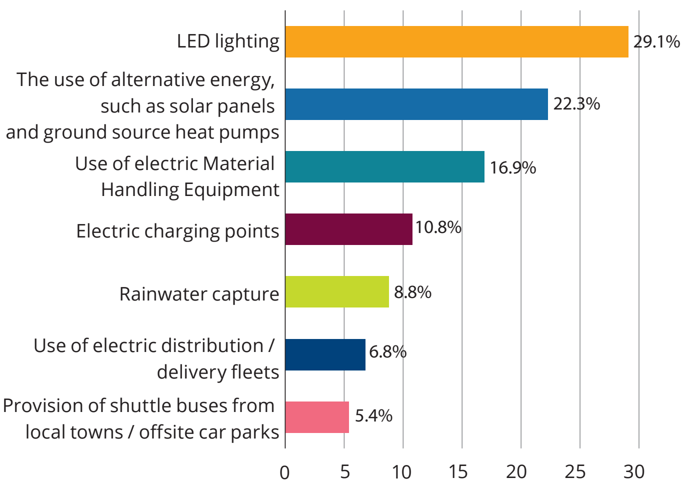
The results suggest that minimising the impact of logistics operations on the environment is a critical part of sustainability strategies. A significant proportion of survey respondents (70.7%) stated that their business is undertaking initiatives to reduce or offset environmental effects in their logistics facilities (Chart 12).

Chart 12: Is your business undertaking any initiatives to reduce or offset environmental impacts in your logistics facilities?



Source: Transport Intelligence, Aberdeen Standard Investments

Chart 13: If yes, please indicate which initiatives from the list below:



Source: Transport Intelligence, Aberdeen Standard Investments

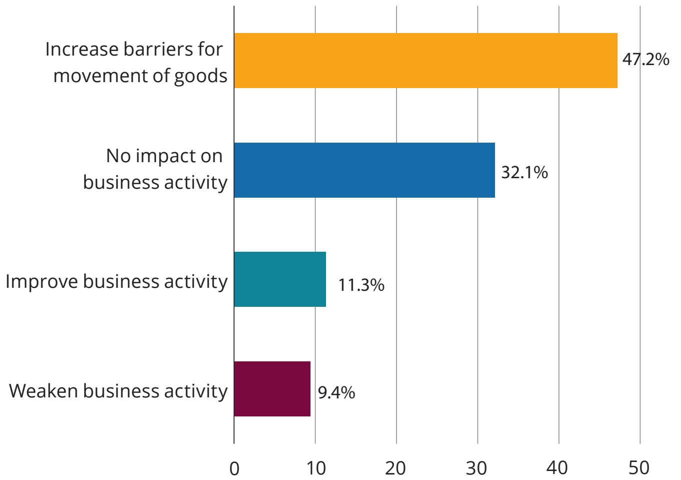
From the survey results, the most common initiatives undertaken include LED lighting (29%), followed by the use of alternative energy (22%), such as solar panels and ground source heat pumps (Chart 13). Only 7% of respondents said that the use of electric vehicles was an initiative they were using to reduce environmental effects.

Implications: The most encouraging aspect of greater environmental awareness is that the respondents didn't perceive pollution or environmental factors to constitute a business risk earlier in the survey. This implies that sustainability initiatives are being undertaken for reasons more closely associated to ethics, public relations and (realistically) cost savings. Initiatives aren't being implemented because respondents are being forced to adapt through legislation or immediate business risk.

One of the main drivers behind sustainability is public policy. As sustainable logistics becomes a top public policy issue, governments have begun enacting environmental standards for logistics property development and applying penalties for excess emissions from vehicles. The pressure from shippers is also significant and drives the implementation of this type of solution. Shippers are increasingly demanding that warehouse operators demonstrate environmental credentials.

An increasing number of shippers are not only adopting sustainable practices internally, but they take it a step further and demand that their logistics partners are committed to sustainable business processes. All of this suggests that sustainability will become standard practice in warehouses across Europe.

Chart 14: How do you think Brexit will influence your business?



Source: Transport Intelligence, Aberdeen Standard Investments

12. Brexit – the hot topic for logistics operators

In the survey, the body of evidence suggests that respondents are divided on the effects of Brexit on business activity. Despite the wide geographic spread of respondents, 47.2% said there would be increased barriers for the movement of goods (Chart 14).

Only 11% believe that Brexit will improve business activity. But only 9.4% indicated that Brexit would weaken business activity. The small spread in responses highlights the lack of cohesive response on the outcome by executives.

Only 11.3% of respondents believe Brexit will improve business activity, but the implications are not clear.

Implications: Given the lack of consistent response here, the UK leaving the EU should also be added to the list of potential risks to distributor business activity. The findings suggest that it is difficult to accurately anticipate the immediate impact Brexit will have on businesses. This should come as no surprise given the uncertainty over the kind of exit the UK will have from the EU. But there seems to be a general agreement among respondents that trade will suffer, with 47.2% of participants expecting that Brexit will increase barriers for the movement of goods.

The implications that Brexit has for European supply chains are impossible to ignore. Brexit is amplifying the shortage of warehouse space in the UK, with growing evidence that shippers are building up their buffer stocks and intensifying their search for additional distribution space to ensure supply in case of disruption. It is exactly these costly inventories and fluctuations in supply that supply chain managers aim to reduce.

Summary and recommendations

Investors are clearly increasing their allocation to sectors with strong structural tailwinds. The findings in our survey support the positive view the market holds for logistics in Europe. While this is creating pricing pressures for prime assets in some sub-markets, there are still substantial opportunities for investors to participate in the sector's growth.

But it is not all plain sailing and the risks are ever more pronounced. The survey reveals that the sector is going through substantial structural change. This is from two key aspects: the technological evolution of operational efficiency; and a seismic shift in the increasingly complex and time sensitive urban demand base.

The paradox is that while technology has dramatically disrupted the demand base and the complexity of the requirements of modern living, the solution also lies within technology. This is through the implementation of incredibly advanced robotics, picking systems and the data analytics that constantly monitor, adapt and improve the functionality of the hardware.

This technological leap could have a dramatic impact on us as humans and as investors. Human input is changing from arduous physical lifting and shifting to one of monitoring and oversight. This means that there could be some dramatic shifts in the whole supply chain and the real estate that supports it. If investors do not pay attention to these shifts, they could potentially be exposed to substantial risks without the rewards the sector offers.

From the findings of the survey, we would recommend tracking the following three areas of potential change:

- **Urbanisation:** The strengthening demand base in urban locations and the opposing forces of policy and competition for land
- **Tech disruption:** Changing technology and the implications on location, labour and physical warehouse design
- **On-shoring and supply chain risk:** The reduced dependence on low cost labour and the global implications for the location of both manufacturing and logistics facilities

Lastly, we would like to give special thanks to our partners in this survey, Transport Intelligence, for their invaluable support in conducting the study and for providing unrivalled insight and context alongside the results.

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The value of investments and the income from them can go down as well as up and your clients may get back less than the amount invested. Real estate is a relatively illiquid asset class, the valuation of which is a matter of opinion. There is no recognised market for real estate and there can be delays in realising the value of real estate assets.

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