



# EUROPEAN LOGISTICS IN NUMBERS

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The logistics sector has been hugely boosted by the explosive expansion of online retail and the growth of D2C brands. We look at the latest numbers illustrating the ongoing boom in supply chain and distribution real estate.

## 79%



Percentage of European markets expecting increased logistics transaction volumes in the second half of 2020. This is a trend expected to be sustained into 2021 and 2022.

## 47%



Percentage of European markets predicting logistics capital value increases from H2 2020.

## Savills says

Our analysis shows that the higher the online sales penetration, the larger the share of industrial investment, with the split between industrial and retail close to 60:40 in the more developed markets, such as the UK and Sweden. On average, the share of industrial in the overall European industrial/retail investment allocation has shifted from 25% to close to 47% (2019) over the past five years. Market evidence and ongoing transactions demonstrate that pricing of prime logistics assets is likely to remain resilient this year, due to positive performance outlook, rising investment allocations (from a normal 10% up to 20% of a portfolio) and competition for good quality product.

Higher rental growth rates could be achieved for urban logistics properties, where transport savings are of great value to last-mile logistics companies. Besides, the pandemic could force companies to reassess their regional supply chains and nearshoring, it could create some new manufacturing hubs, especially in Eastern Europe, boosting further the overall industrial investment volumes.



**12-13%**

E-commerce Europe estimate of the EU's B2C sales growth over the next few years.



**CUSHMAN & WAKEFIELD**



**67%**

Western Europe accounts for the lion's share of online sales in Europe

SOURCE: CUSHMAN & WAKEFIELD

## UK

SNAPSHOT



39.6%



Logistics space in UK being taken up by retailers in 2020.

## FRANCE

SNAPSHOT



70%



New space as a percentage of total transactions. This is a record level.

## ITALY

SNAPSHOT



€270m



Investment volume for first half of 2020.

£775m



Investment in logistics space in H2 2020.

€2.3bn



Investment volume for first half 2020. This is a record level.

5.2%



Prime yield, logistics space.

36,040 sqm



Average logistics building size.

4%



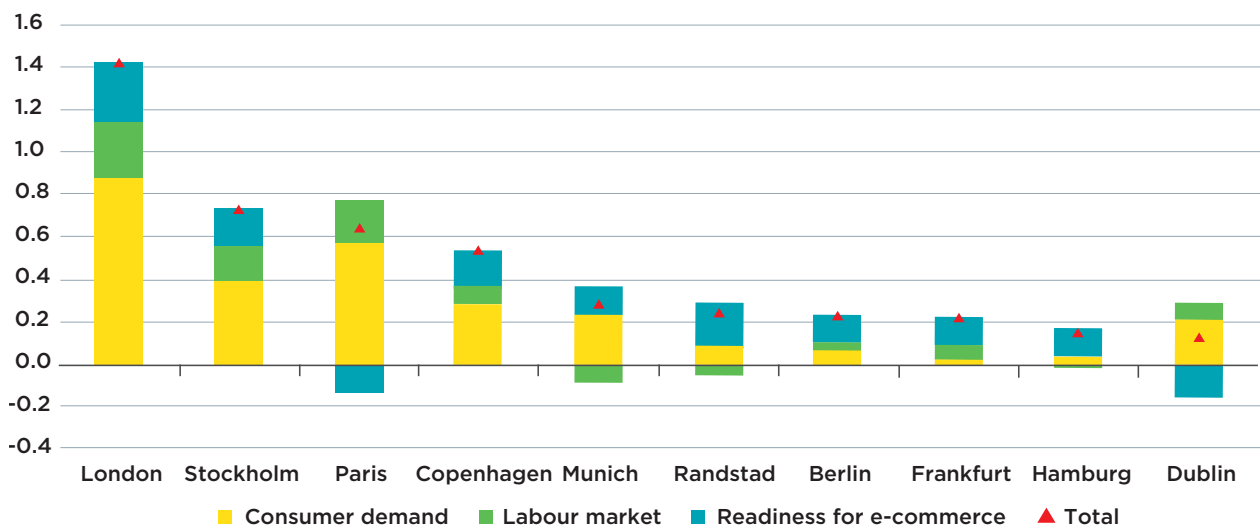
Prime yield, logistics space.

550,000 sqm



Space take up in first half of 2020.

# Strategic targets for urban logistics



Note: Regional UK cities excluded from analysis. Scores are standardised and reflect deviation from the mean.

## COMPARISON OF INVESTMENT POTENTIAL BY LOGISTICS SEGMENTS

MOST PREFERRED

### LAST MILE/URBAN LOGISTICS

- Supply constrained urban locations.
- High barriers to entry.
- Highest rental growth and capital appreciation prospects.

### NATIONAL/REGIONAL DISTRIBUTION

- Fewer barriers to entry.
- Rental growth prospects subject to competing land uses.
- Need to be selective.

### IMPORT CENTRE/BULK DISTRIBUTION

- High degree of substitution - occupiers are footloose.
- Only invest when lease credentials are strong.

### PRODUCTION-END

- Much greater risk.
- Macroeconomic uncertainty.
- Low barriers to entry.

LEAST PREFERRED

SOURCE: AVIVA INVESTORS

## URBAN LOGISTICS

Supportive demand and supply factors are concentrated at the consumption end of supply chains, notably for the rapidly growing urban logistics - last mile delivery - segment. On the demand side, it is in urban areas where the structural changes associated with the rise of e-commerce are having the greatest impact on occupiers' decisions, especially on how they're spending along the supply chains.

Consumer purchasing trends and technology are driving the e-commerce revolution. With consumers increasingly demanding instant gratification when they make online purchases, distribution requirements are expanding rapidly in infill sites within major population centres in urban locations. In many cases, these sites are being chosen over lower-cost options, such as those in more out-of-town locations, due to their perceived additional value.

In addition, urban logistics locations are generally more constrained from a supply perspective. The land they occupy has the greatest potential for a change to higher use and planning policy is often restrictive. These demand and supply characteristics suggest the possibility of strong rental growth and capital appreciation over the longer term, leading to our strong preference for urban logistics.