

# Disrupt Substitute Transform

# Is retail the new logistics?

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Chapman

International Partner,  
EMEA Capital Markets



James  
Lombard

Partner, Retail Capital Markets

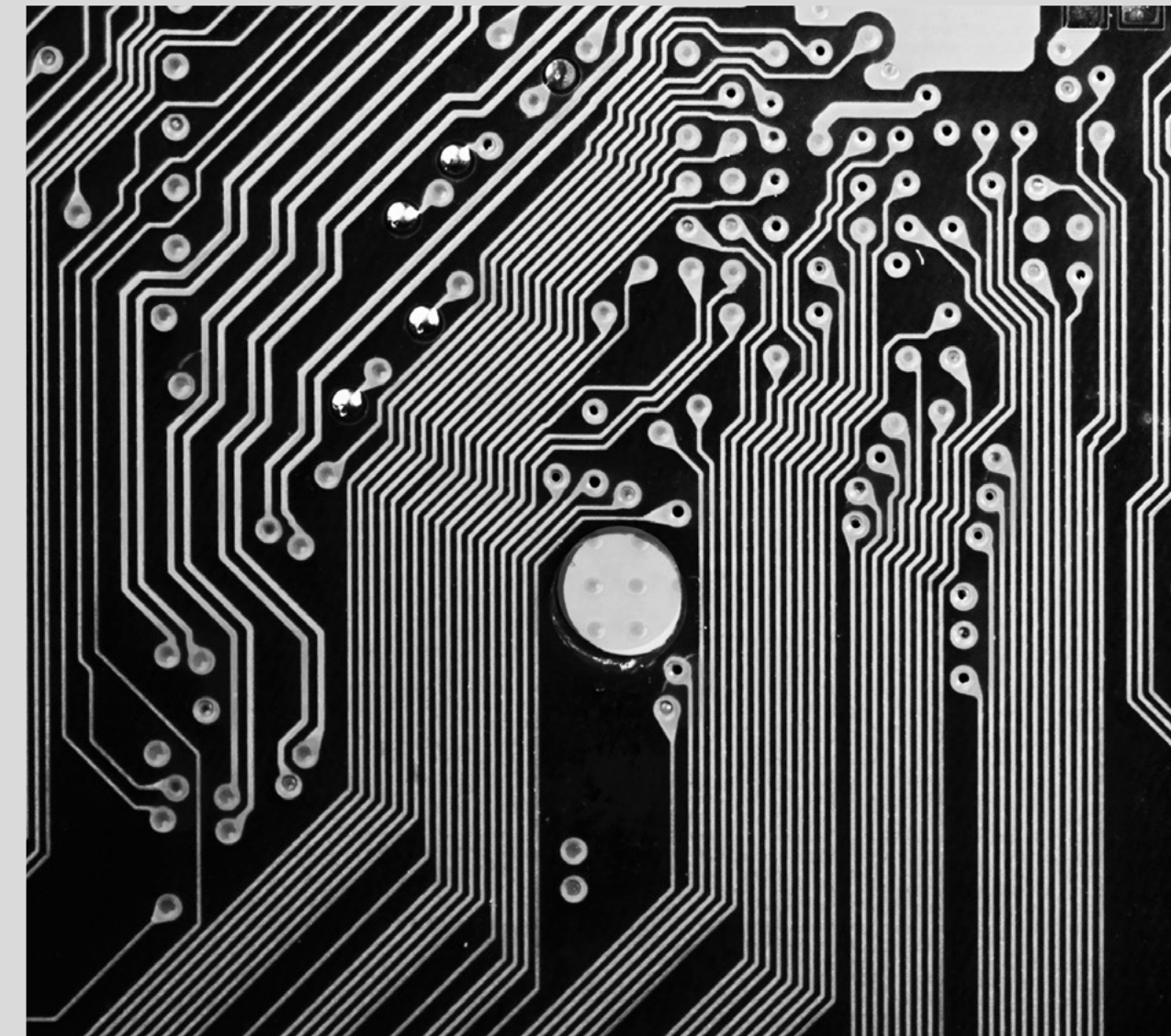
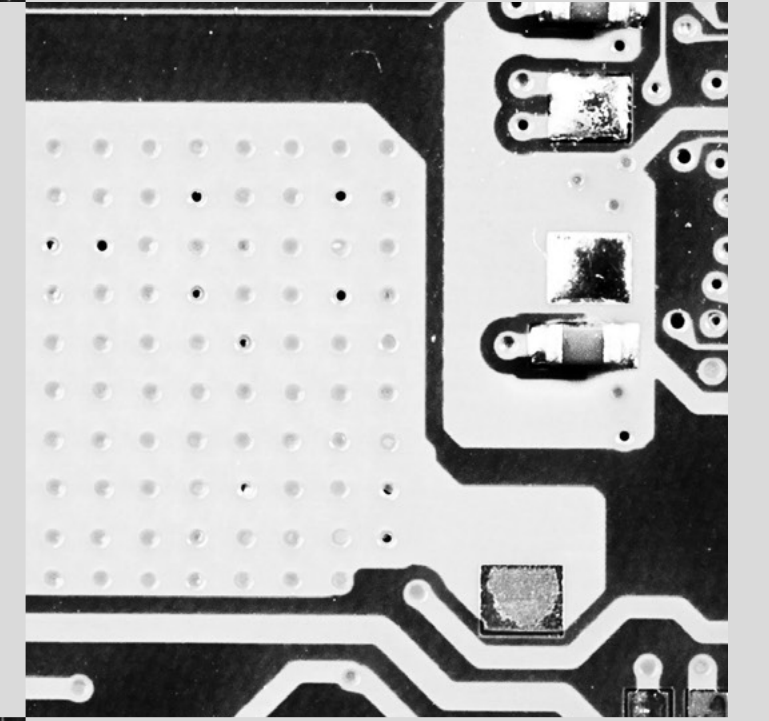
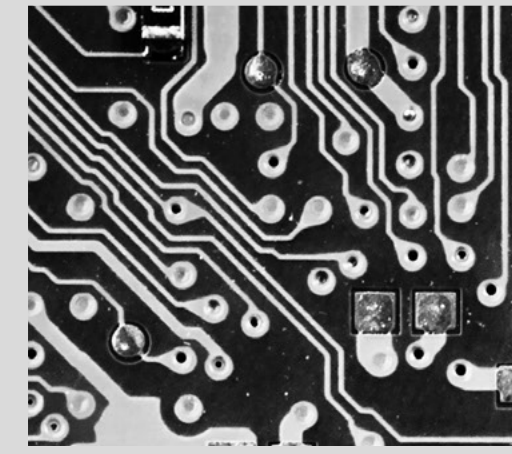


Richard  
Pickering

Head of Futures Strategy



# The impact of technology on real estate





# Digital takeover!

Economic shift  
to digital economy



UK GDP growing at  
1.7%<sup>[1]</sup>

e-GDP growing at  
> 10% pa<sup>[2]</sup>

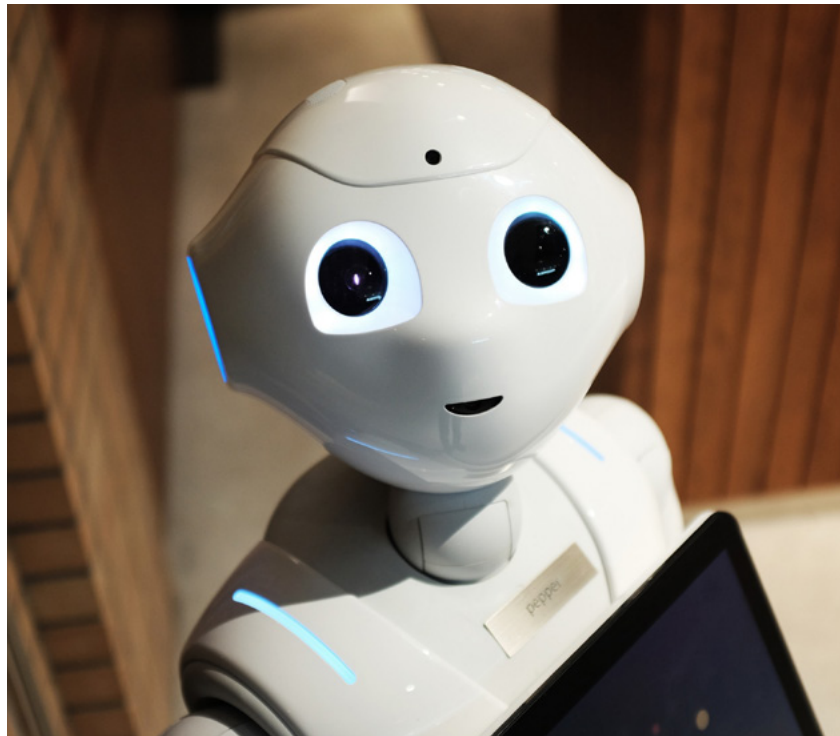
Shopping moves  
online



E-commerce = 18%  
total sales

Growing at  
>20% pa<sup>[3]</sup>

Work automated  
or performed  
remotely



35% of roles at high risk of  
automation<sup>[4]</sup>

1.5 million people now work  
from home<sup>[5]</sup>

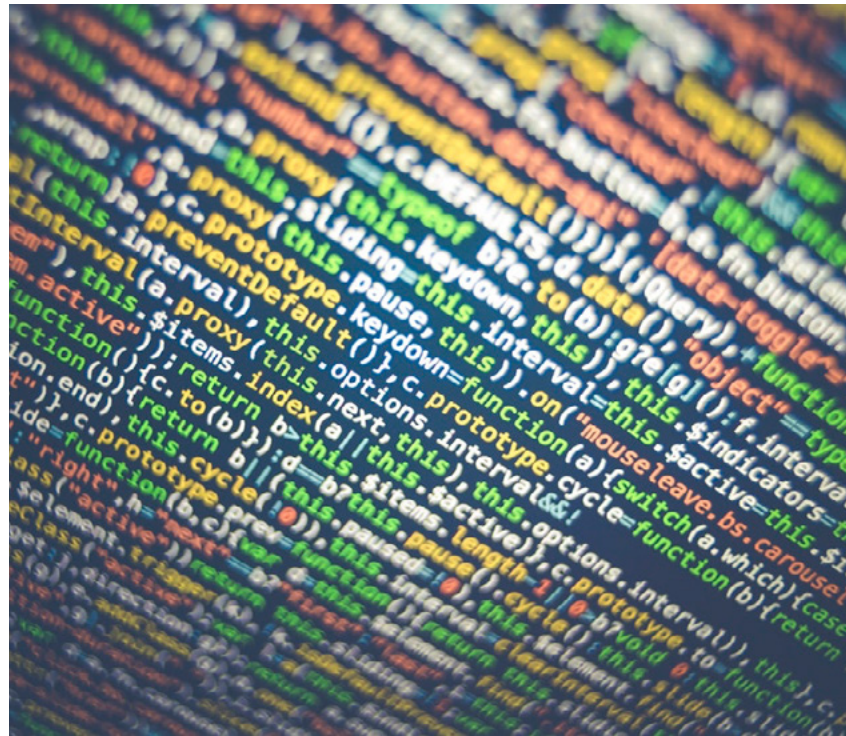
Social interaction and  
dating move  
online



Facebook users:  
2009: 100 million; 2018: 2.2 billion<sup>[6]</sup>

Most likely to meet partner  
online (19%)<sup>[7]</sup>

Exponentially large  
volumes of information  
being created



2005: 0.1 ZB  
created worldwide

2018: 30 ZB created  
worldwide<sup>[8]</sup>

Sources: [1] ONS [2] Boston Consulting Group [3] e-marketeer (2018) [4] Deloitte (2017) [5] TUC (2016) [6] Statista (2018) [7] the knot [8] Kleiner Perkins



# Real estate as a wrapper for human activity

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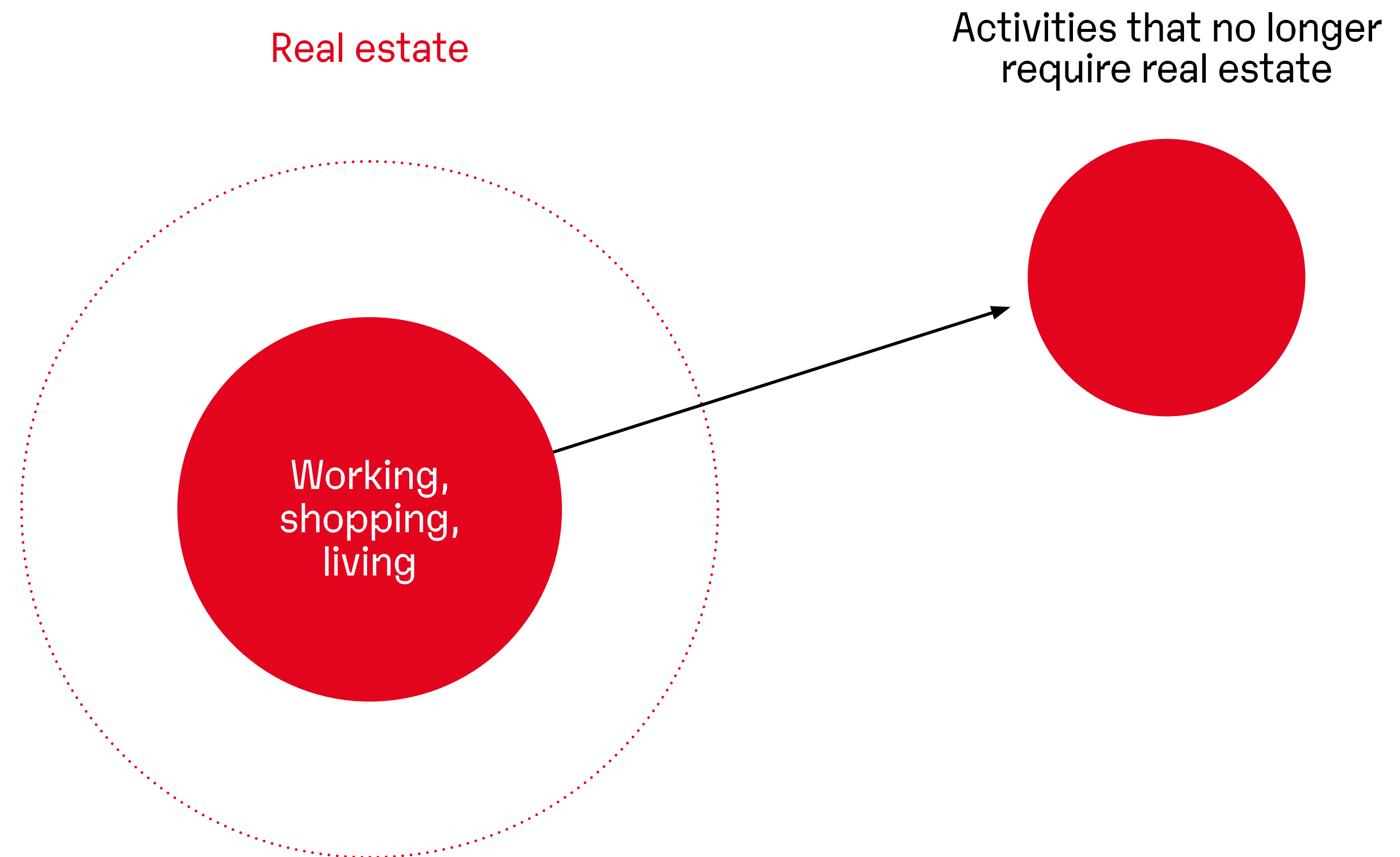




# Real estate as a wrapper for human activity

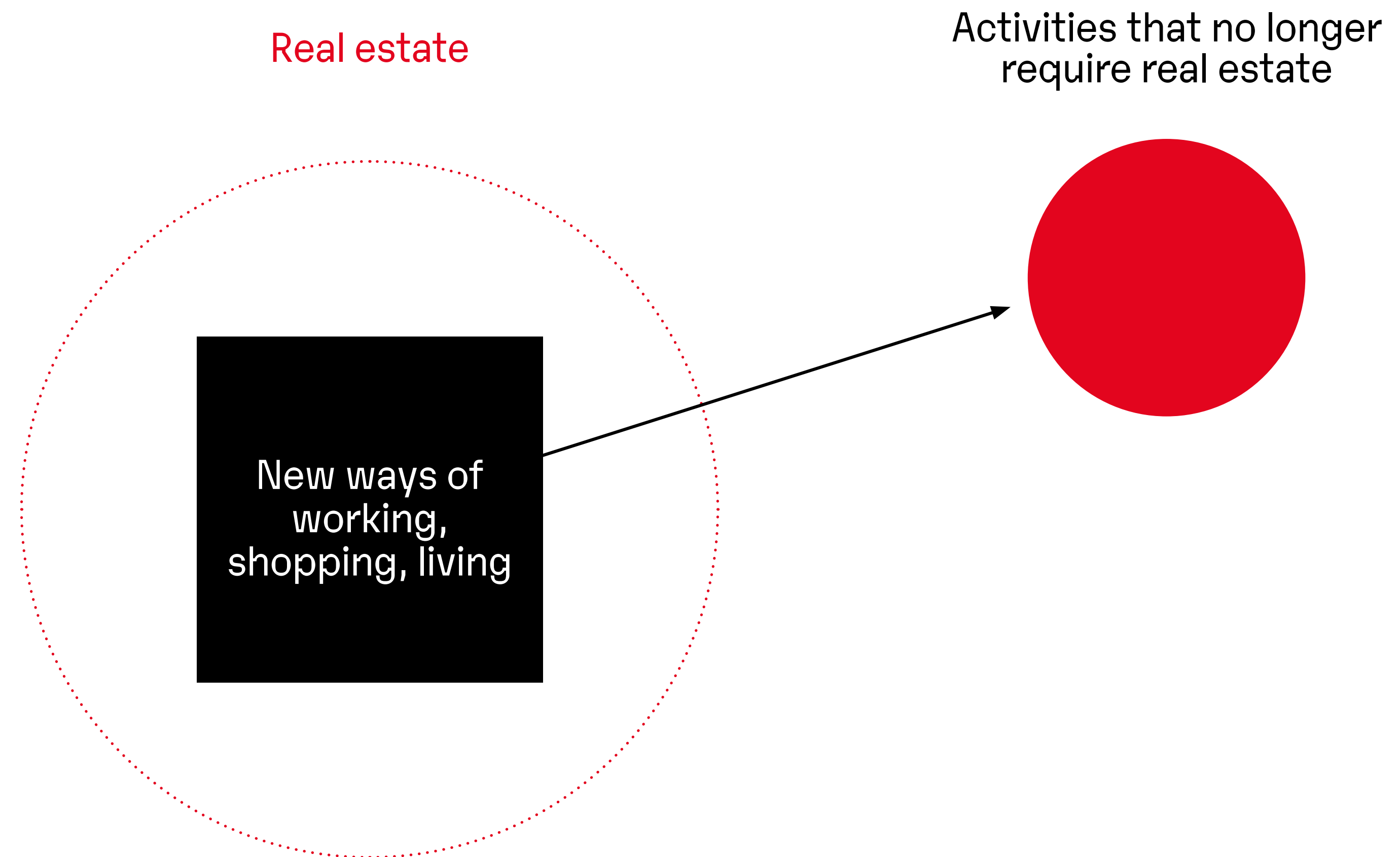


# Real estate as a wrapper for human activity

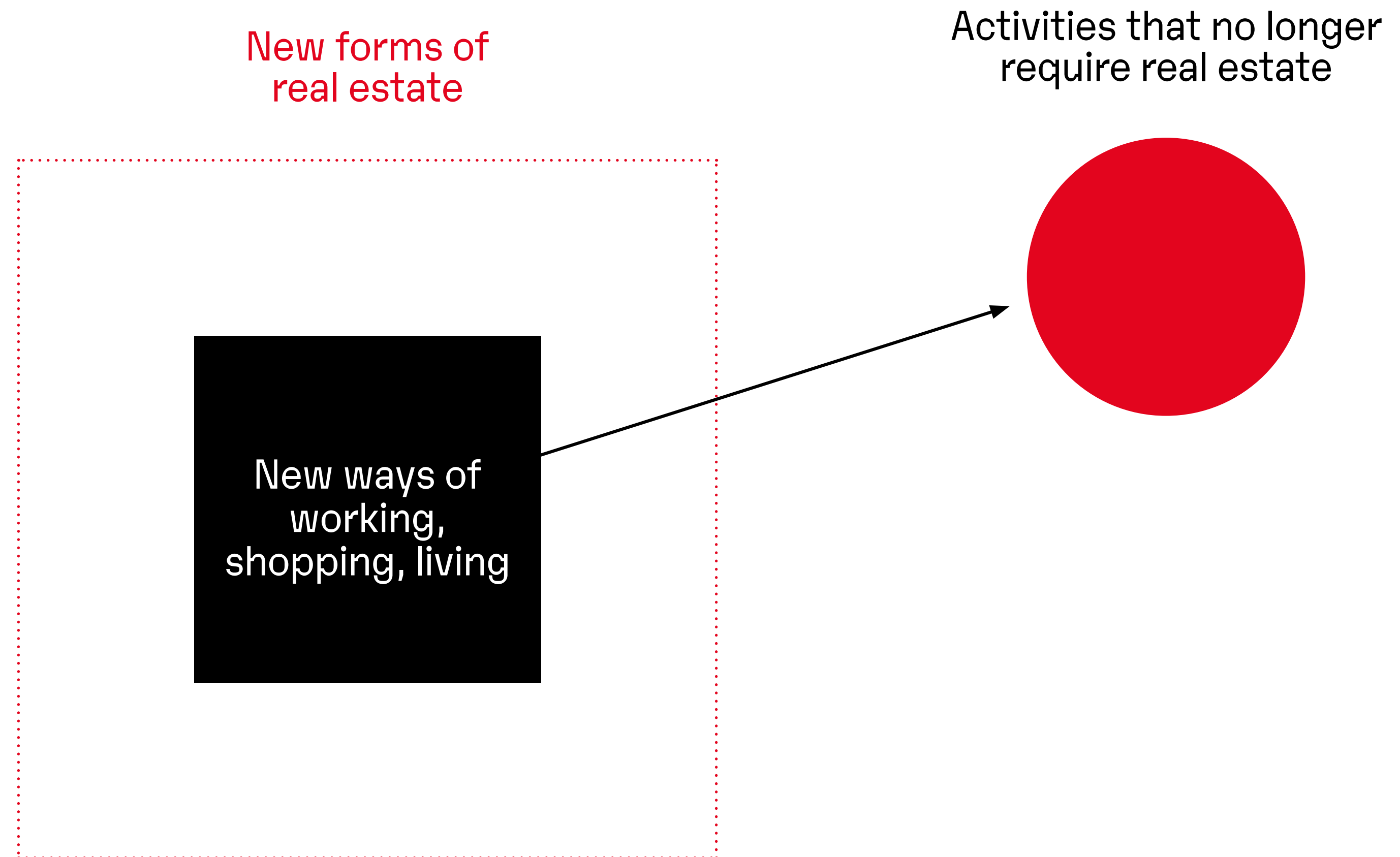




# Real estate as a wrapper for human activity



# Real estate as a wrapper for human activity



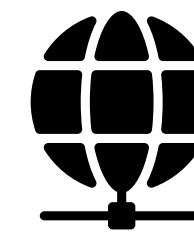
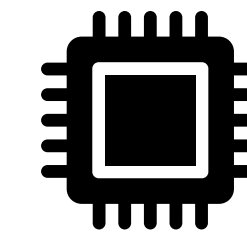
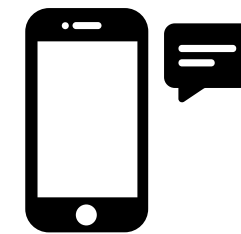


# Unbundling retail

	Brand engagement	Product awareness	Intention to buy	Transact	Distribution	Aftersales services
Shop existing →	Signage, quality, coordination	Display, shopfront, stock	Customer service, sales reps	Tills	Carry bags, drive home	Return to store when things go wrong
Substitutes →	Other marketing / TV advertising / social media	Online store with full product range open 24/7	Online customer reviews / chatbots	Online / RFID	Last mile / Amazon	Digital support channels
Shop's resilience →	Strong	Mid	Strong	Weak	Weak	Strong
Shop future →	Rich brand-led experiences	Interactive displays	Deep personalised interactions			An up-sell / added value opportunity

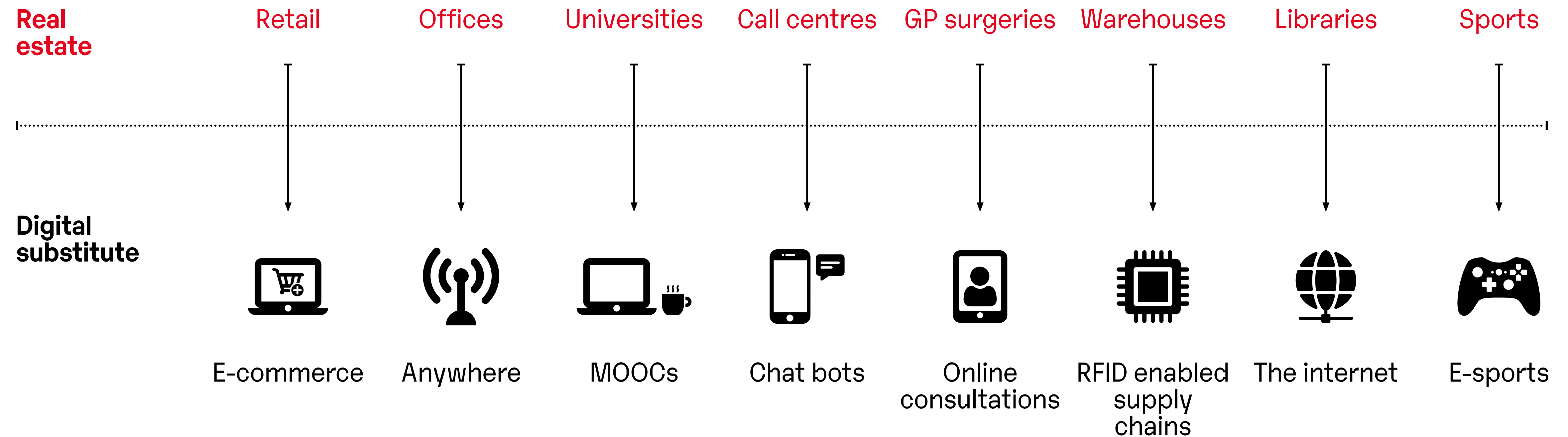
# Some real estate will be taken out of the value chain for some activities

Real estate      Retail      Offices      Universities      Call centres      GP surgeries      Warehouses      Libraries      Sports





# Some real estate will be taken out of the value chain for some activities





...and what's left will be reinvented



wework





# A new supply chain?

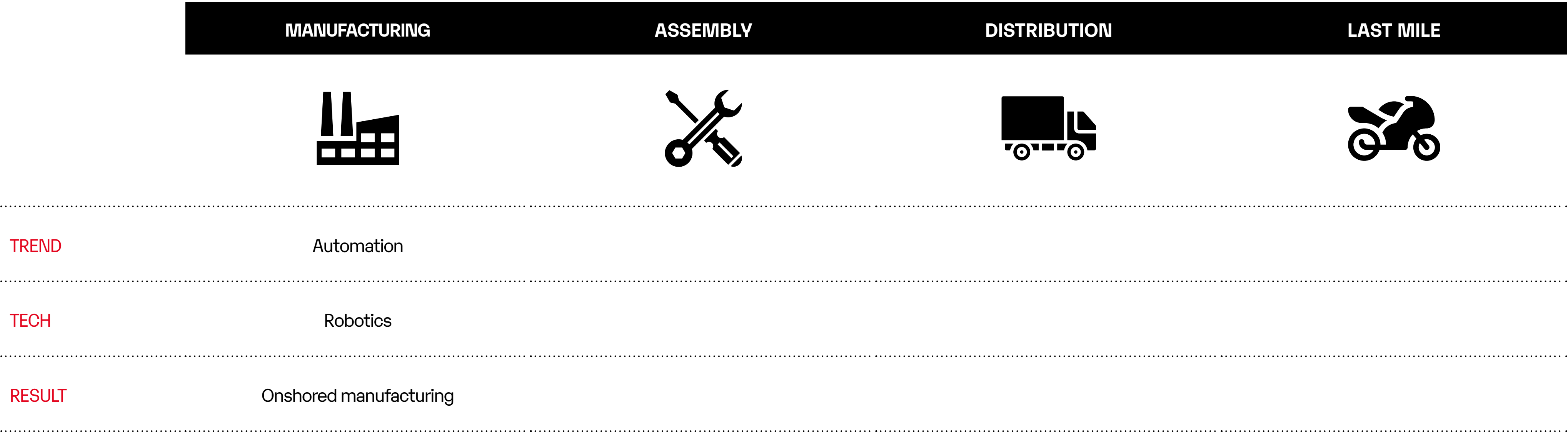


TREND

TECH

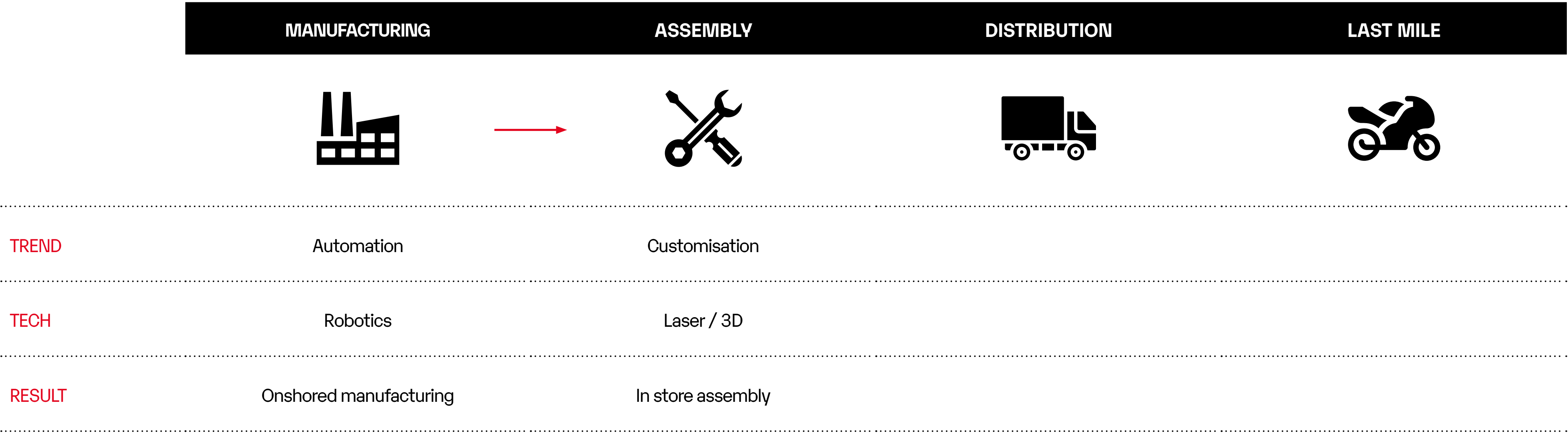
RESULT

# A new supply chain?

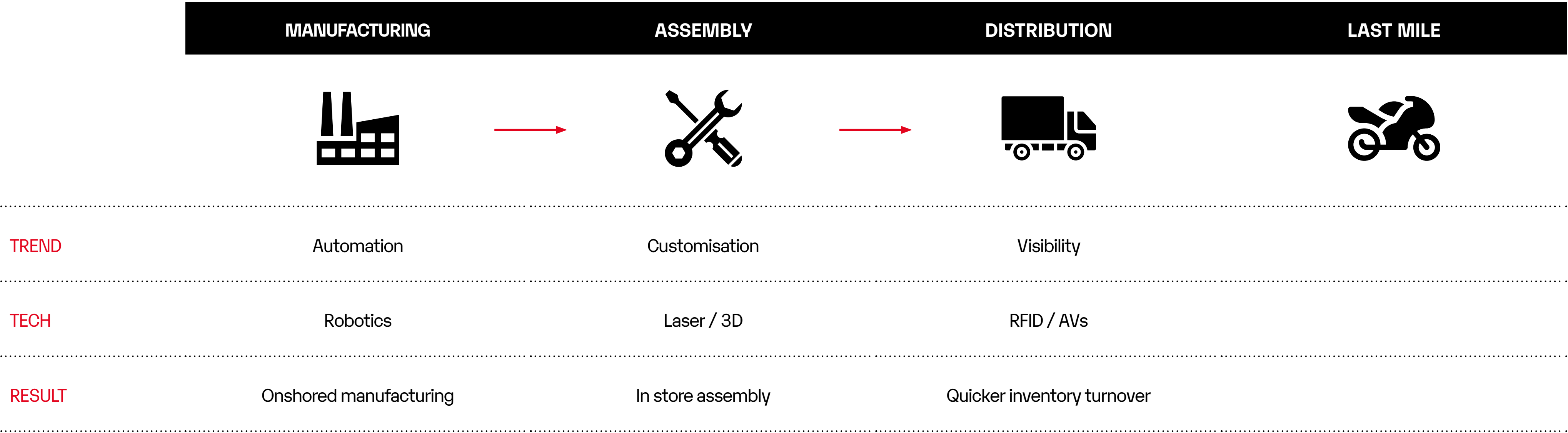




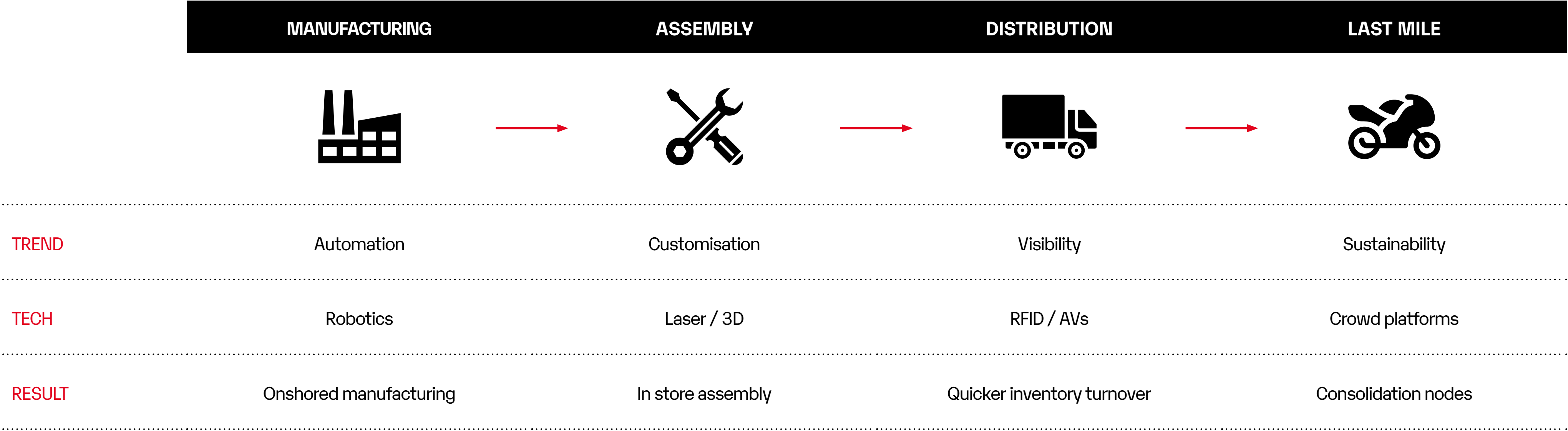
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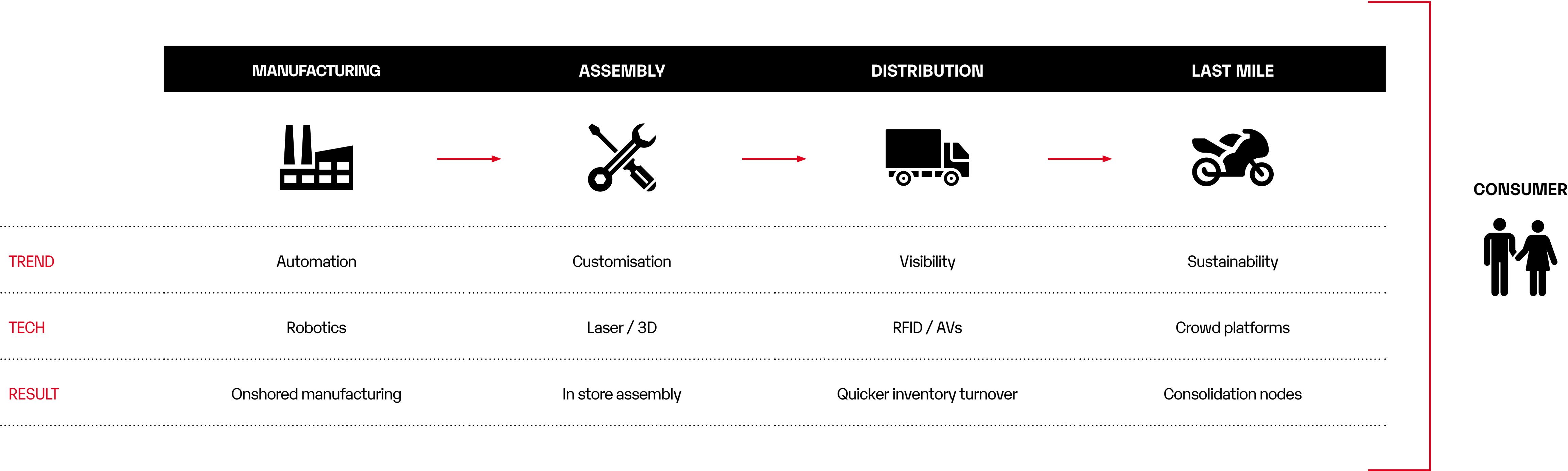
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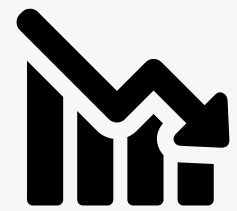


# A new supply chain?





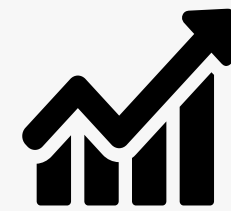
# In summary...



## Demand schedule risk

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Some existing activity  
dispenses with need for  
real estate



## New forms of demand

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Watch out for new sectors  
(e.g. life science / biotech)



## Location impacts

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Pay closer attention to  
location based risks



## New real estate products

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Product innovation brings  
opportunity to differentiate

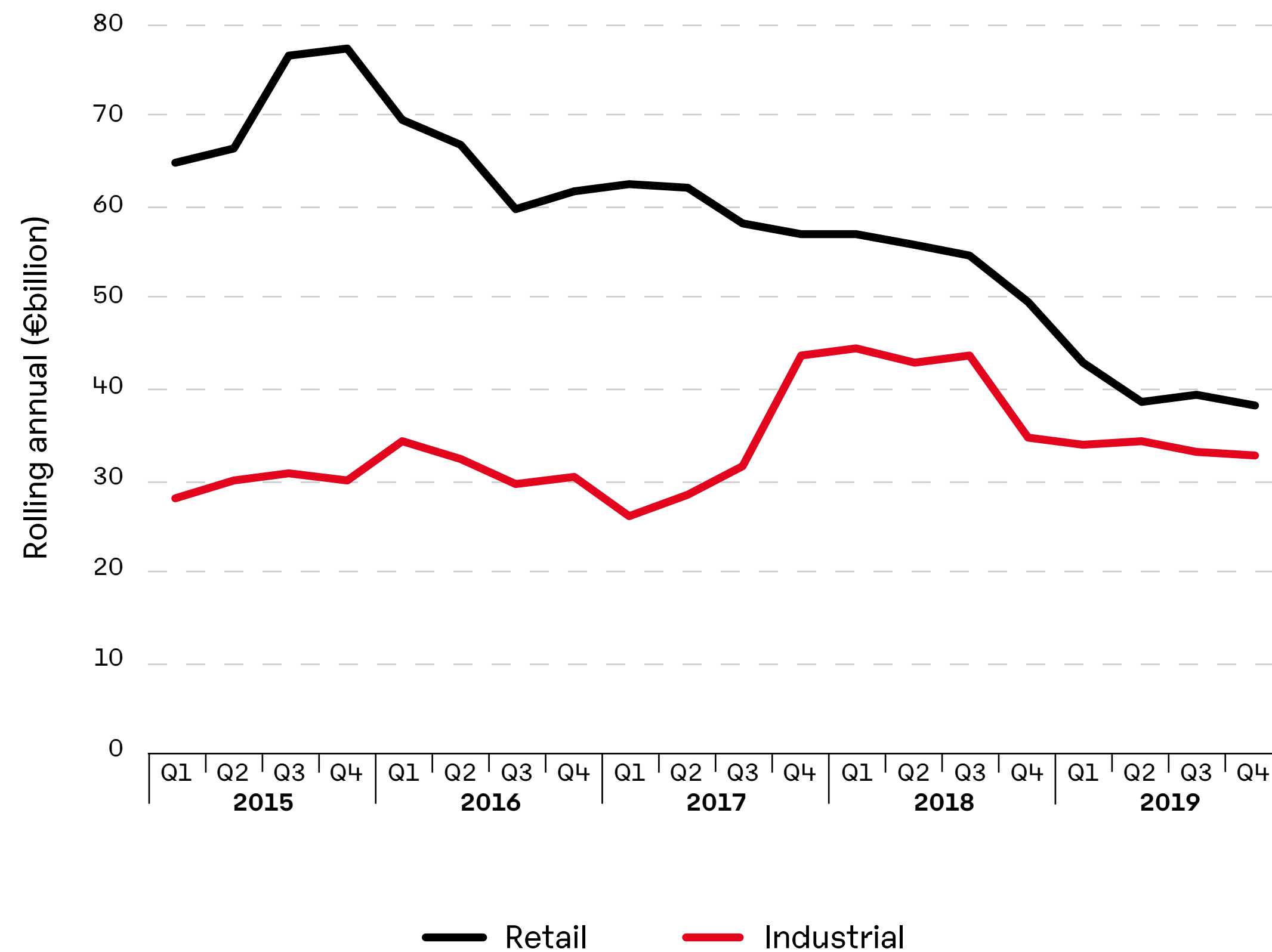
# Is retail the new logistics?



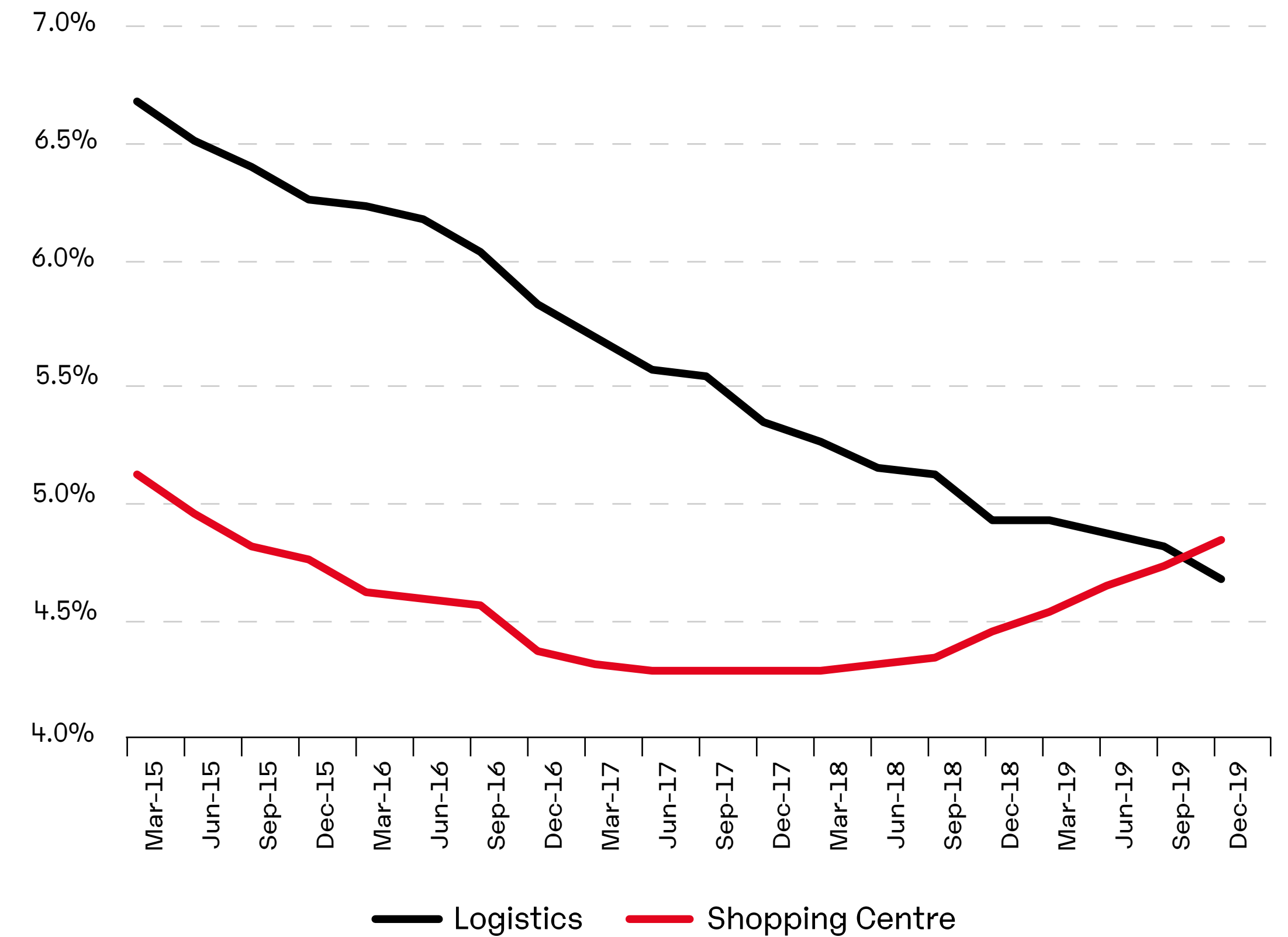
# Retail vs Logistics

5-year trends

## Investment volumes



## Yields





# Retail vs Logistics

Same market; same covenant; similar asset quality...



## Retail Warehouse

**Location**  
Three assets in Chelm, Lublin and Poznan

**Tenant**  
Castorama

**Covenant strength**  
Exceptional - SA1 (Dun & Bradstreet)

**Area (sq m)**  
28,366 sq m

**Yield (NIY)**  
7.00%

**Buyer**  
Corum

**Seller**  
Kingfisher

## Distribution Warehouse

**Location**  
Lodz

**Tenant**  
Castorama

**Covenant strength**  
Exceptional - SA1 (Dun & Bradstreet)

**Area (sq m)**  
50,000 sq m

**Yield (NIY)**  
5.70%

**Buyer**  
Tritax / EuroBox plc

**Seller**  
Panattoni





# Retail vs Logistics

Same market; same covenant; similar asset quality... but different pricing and appetite!



## Retail Warehouse

**Location**  
Three assets in Chelm, Lublin and Poznan

**Tenant**  
Castorama

**Covenant strength**  
Exceptional - SA1 (Dun & Bradstreet)

**Area (sq m)**  
28,366 sq m

**Yield (NIY)**  
7.00%

**Buyer**  
Corum

**Seller**  
Kingfisher

**Price**  
**€30 million**

## Distribution Warehouse

**Location**  
Lodz

**Tenant**  
Castorama

**Covenant strength**  
Exceptional - SA1 (Dun & Bradstreet)

**Area (sq m)**  
50,000 sq m

**Yield (NIY)**  
5.70%

**Buyer**  
Tritax / EuroBox plc

**Seller**  
Panattoni

**Price**  
**€55 million**



130 bps difference in yield...  
Is this a fair reflection of the market?



# The case for retail



“

It may make for intriguing headlines, but physical retail is clearly not dead. Far from it, in fact. But, to be sure, boring, undifferentiated, irrelevant and unremarkable stores are most definitely dead, dying or moving perilously close to the edge of the precipice...

Forbes 2018



# Recent retail processes

European examples



## Bluewater Shopping Centre UK

DATE  
2018

SELLER  
GIC / LENDLEASE

ASKING PRICE  
€975 million (42.5% stake)  
€575 million (25% stake)  
€460 million (17.5% stake)

## Project Spark Outlet Portfolio Italy

DATE  
2019

SELLER  
BLACKSTONE

ASKING PRICE  
€800 million



## Galleri K Denmark

DATE  
Q1 2020

SELLER  
PATRIZIA

BUYER  
AVIVA

SALES PRICE  
€240 million

## Barberino Designer Outlet Italy

DATE  
Q3 2019

SELLER  
NUVEEN

BUYER  
DWS

SALES PRICE  
€235 million





# Time to rethink retail?

Less shops and more F&B and leisure

## Less shops

Rise of online sales means less brick and mortar

Focus only on the best locations

Rise of 'experiential retail'

Focus on marketing / branding flagships

Preference for bigger stores

Europe is considered 'one'

Greater use of technology

Greater logistics requirements.



## More F&B and leisure

Significant increase in F&B operators

New concepts taking advantage of greater demand

UK market previously led the way but F&B operators are now looking at Europe

Extraction and filtering is making F&B cleaner.





# The rebirth of physical retail

New generation retail is here...



**Primark**  
Birmingham, UK

PRIMARK®

Opened 2019

The largest fashion store in the world at 15,000 sq m over five storeys

Employs over 1,000 people.

  
**Amazon Go**  
26 stores, USA

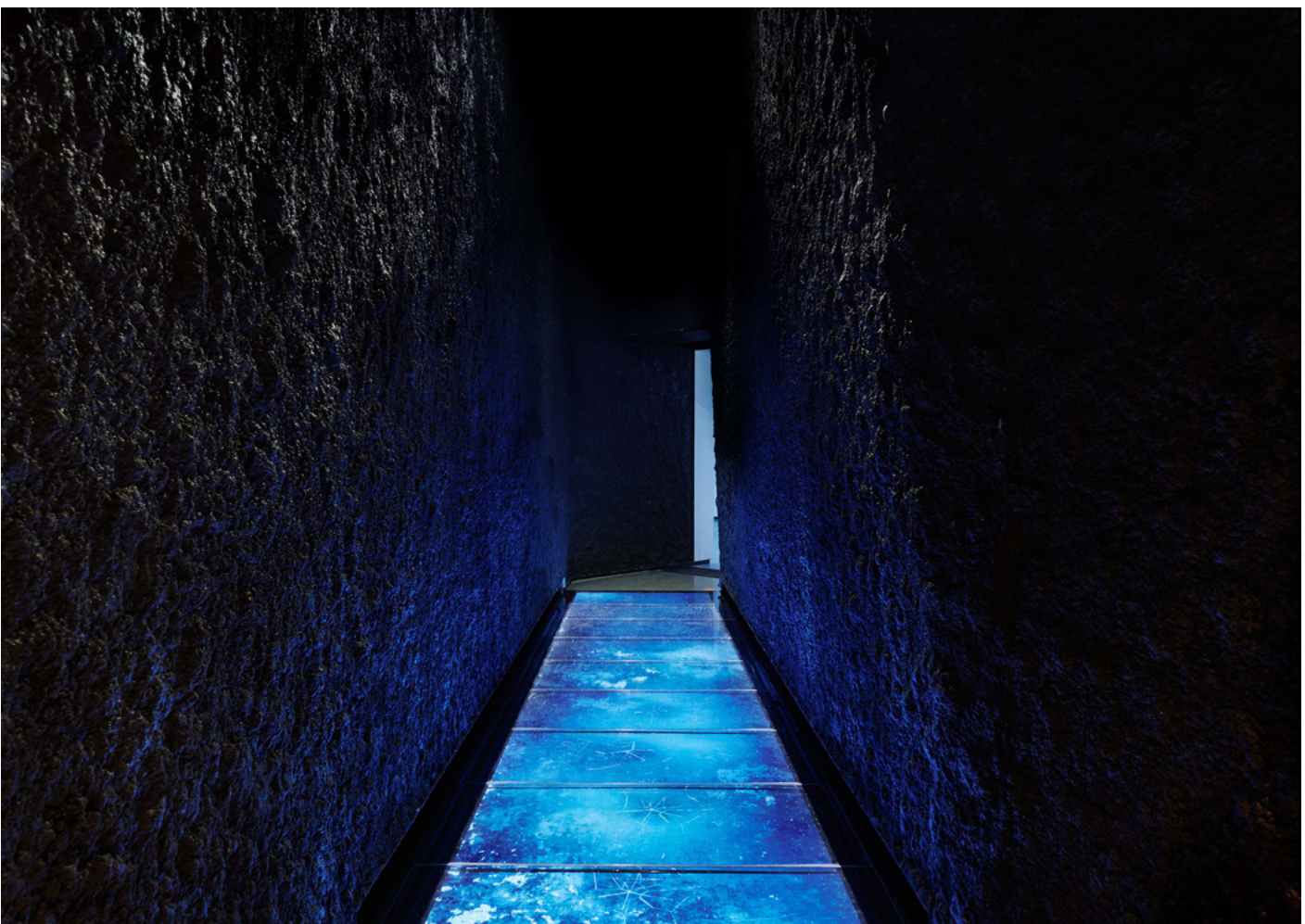
First opened in 2018

The first Amazon Go is essentially a grocery store with approximately 170 sq m of retail space

Cashier-less, convenience food store

Looking for space in the UK

Works with an Amazon Go application.



**Canada Goose**  
Toronto, Canada



Opened in December 2019

New experiential retail store 'The Journey'.



# Synergies between logistics and physical retail

Innovation, speed and technology



Sainsbury's took over Argos in 2016, following their acquisition of Home Retail Group for £1.3 billion

.....

Closed over 100 Argos physical stores and merged them into existing supermarkets

.....

Digital format with sales area being 100 sq m – 300 sq m and storage space being up to 1,000 sq m

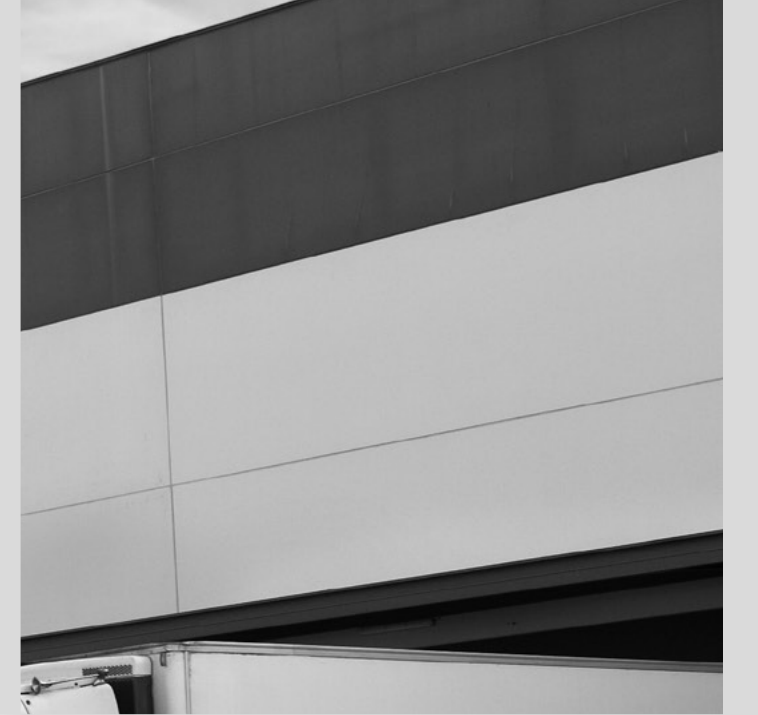
.....

Fast Track Delivery and Click & Collect means that around 20,000 products can be ordered for same day.

.....



# The case for logistics





# Investor appetite has never been stronger

## OUR PROCESSES



### PROJECT MAXIMUS

**Pan-Europe**

**Lot size:** c.€970 million  
**GLA:** 1,000,000 sq m  
**Transaction:** Disposal  
**Client:** Apollo



### ELI PLATFORM

**Poland**

**Lot size:** c.€475 million  
**GLA:** 500,000 sq m  
**Transaction:** Recapitalisation  
**Client:** Redefine



### PROJECT OSTIUM

**Sweden**

**Lot size:** €375 million  
**GLA:** 295,000 sq m  
**Transaction:** Disposal  
**Client:** Alecta / Bockasjo



### PROJECT BARN

**Poland**

**Lot size:** €230 million  
**GLA:** 330,000 sq m  
**Transaction:** Acquisition  
**Client:** GLL



### GEMINI PORTFOLIO

**Netherlands**

**Lot size:** €190 million  
**GLA:** 250,000 sq m  
**Transaction:** Disposal  
**Client:** Aldera



### AMAZON PORTFOLIO

**Poland**

**Lot size:** €170 million  
**GLA:** 105,000 sq m  
**Transaction:** Disposal  
**Client:** Invesco

## PORTFOLIO PROCESSES IN THE LAST 24 MONTHS



### MAGNA PORTFOLIO

**Spain**

**Lot size:** €425 million  
**GLA:** 471,500 sq m



### ALPHA PORTFOLIO

**Germany**

**Lot size:** €370 million  
**GLA:** 340,000 sq m



### H&F PORTFOLIO

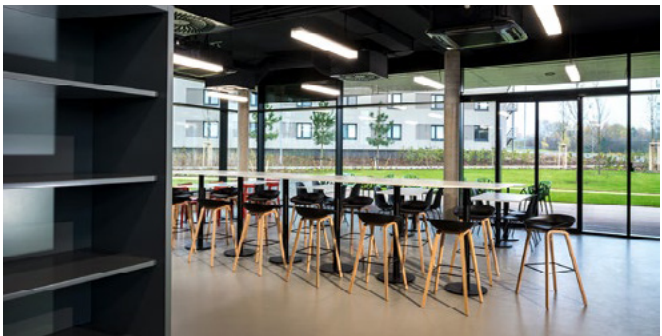
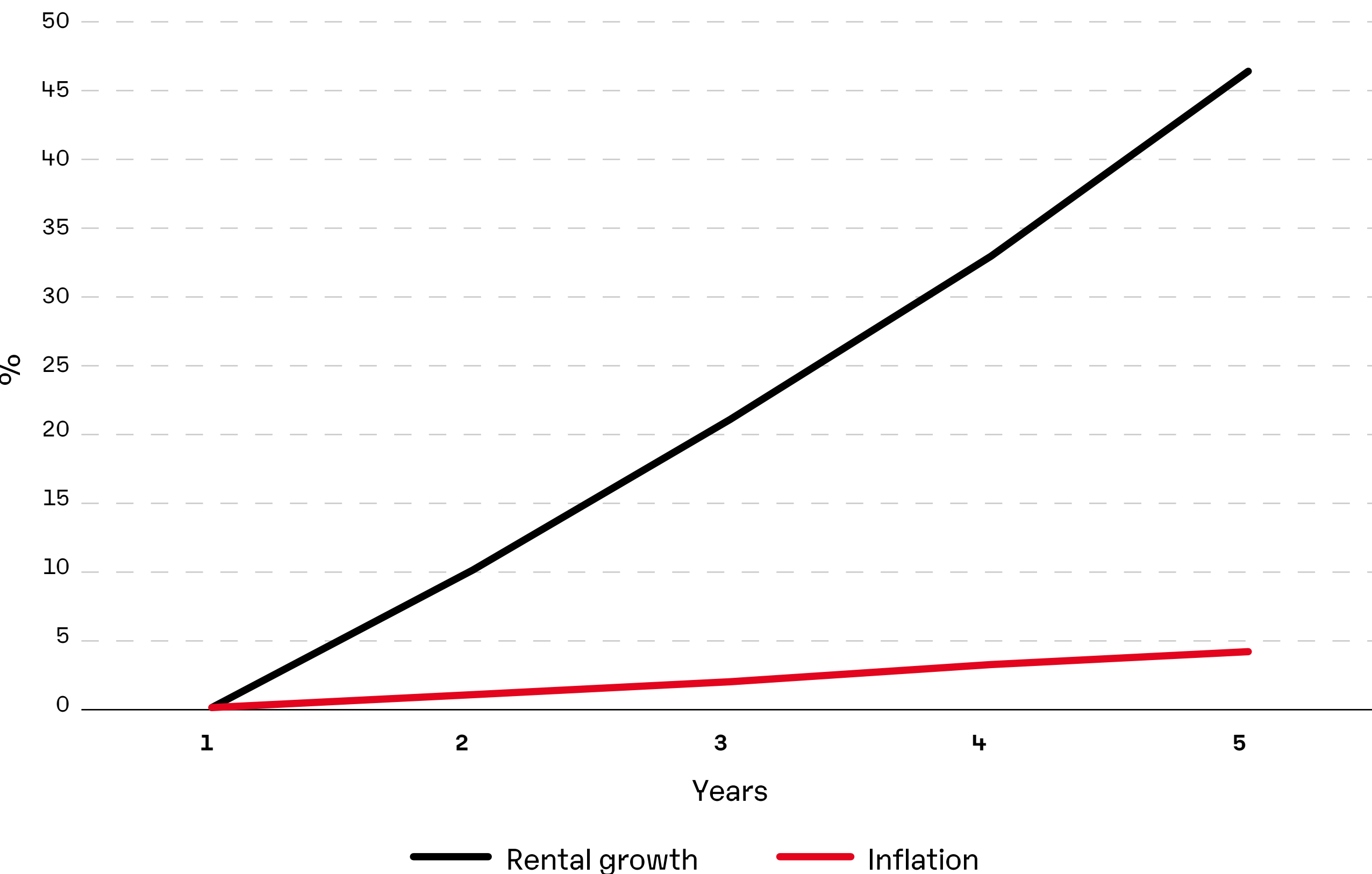
**France**

**Lot size:** €360 million  
**GLA:** 425,000 sq m



# Market projections

Rental growth and inflation



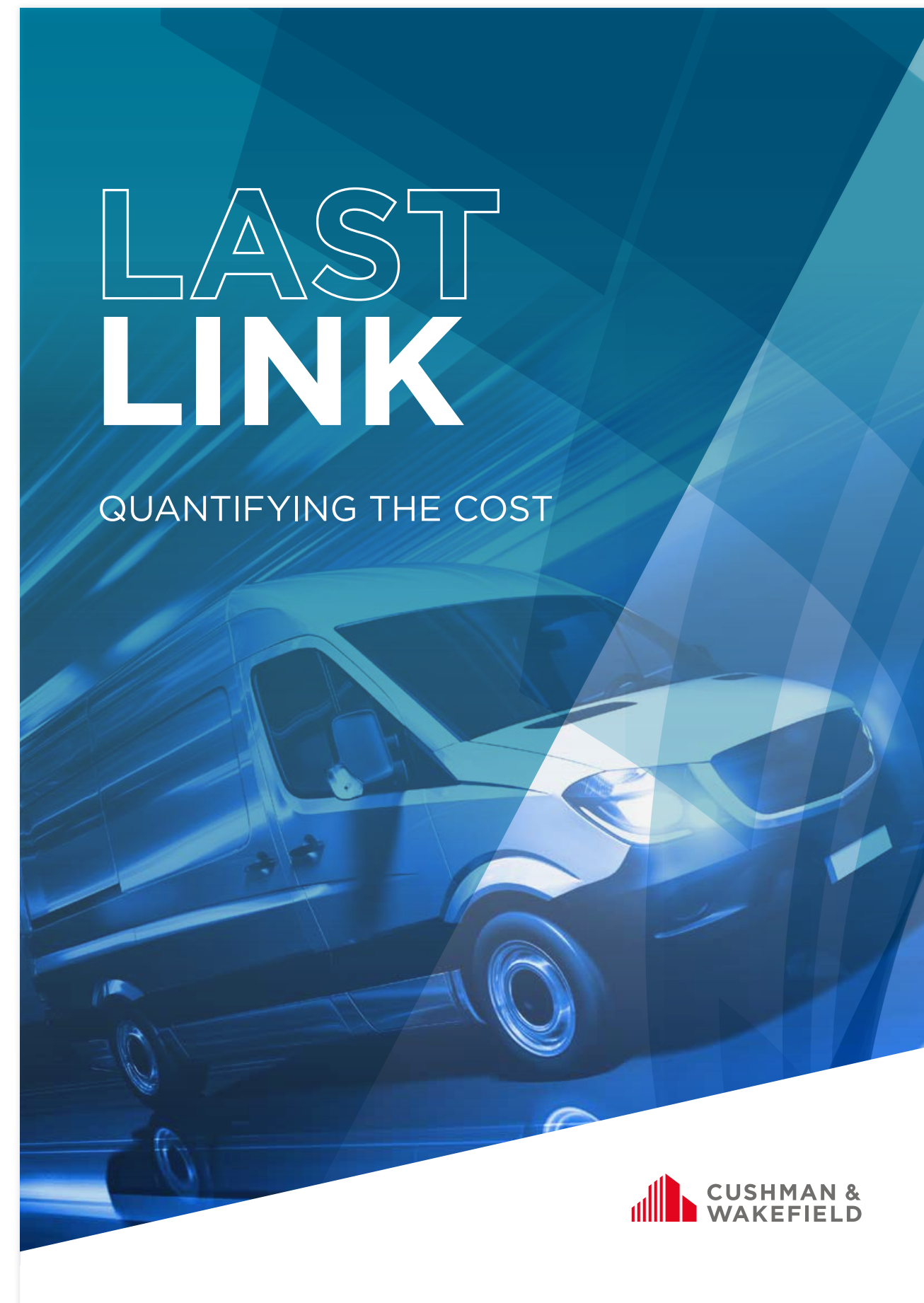


# Logistics is only just getting started

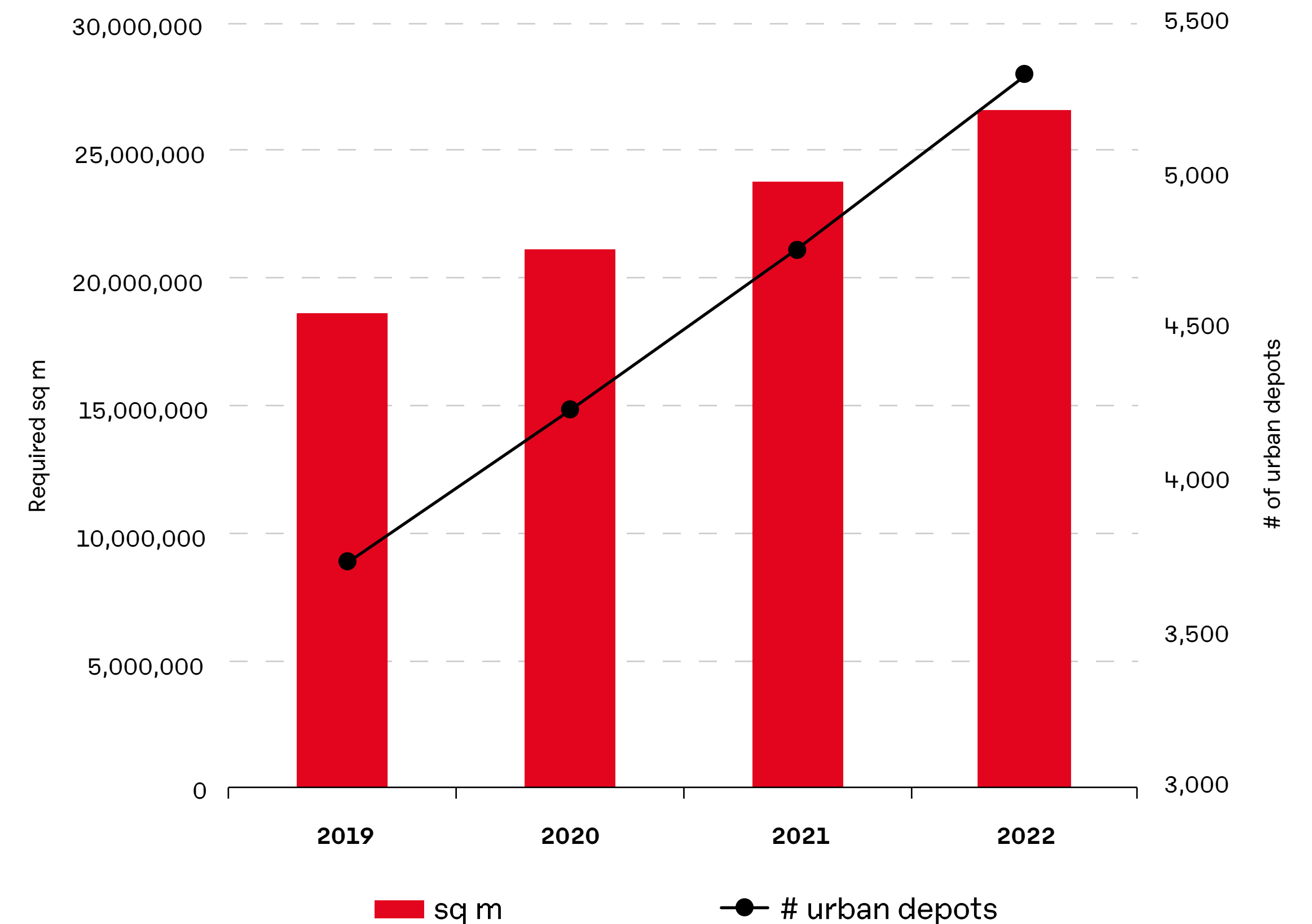
## EUROPE URBAN LOGISTICS REQUIRED SPACE

In 2019, we need  
18.7 million sq m

But by 2022  
we will need  
26.6 million sq m



## USM model estimates



Source: Cushman & Wakefield, Last Link



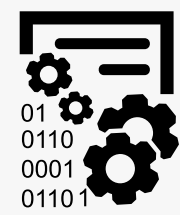
“

E-commerce operators require up to three times more space than traditional warehouse users – due to the greater diversity in products required that they have to handle and the need to have them immediately accessible.

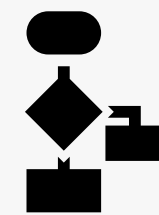
# The sector is still in its infancy

E-commerce has been the driver of change

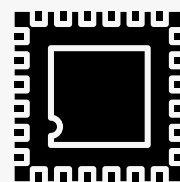
...however, real estate strategy will always be trying to catch up with supply chain innovation.



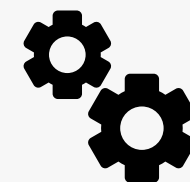
Data



Algorithms



Technology



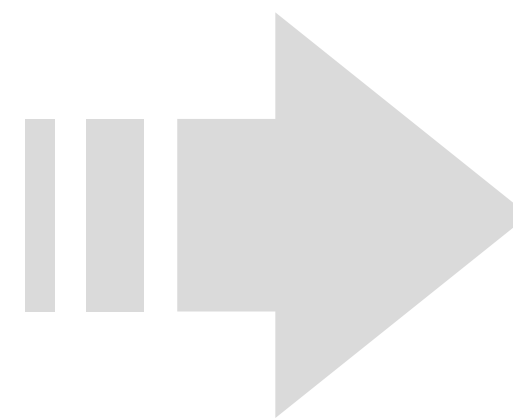
Automation



We have no crystal ball – but if you want to invest capital in 2020, you cannot follow the market.

# Shifting mindset in the investment market

Selecting logistics product as close as possible to urban locations



Selecting specific locations for specific types of logistics buildings





# The evolution of physical logistics buildings

No longer just a 'shed'



## Paris air2 logistique

Gennevilliers, France

Developed by Segro  
100% leased to IKEA  
63,000 SQ M



## DPD

Westminster



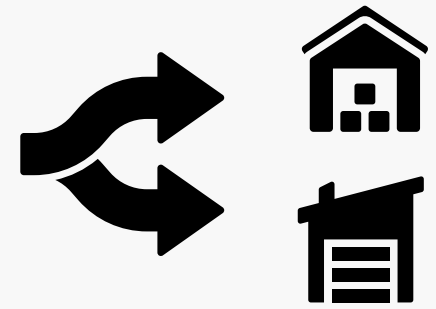
## Ravenside Retail Park

Edmonton, North London

Purchased by Prologis  
from M&G



# The best value proposition comes from being a part of the solution



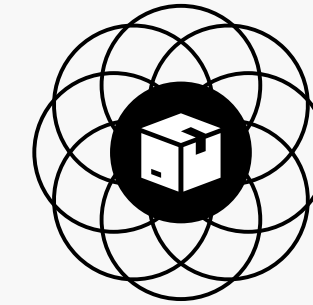
Diversify logistics portfolio with different logistic building types



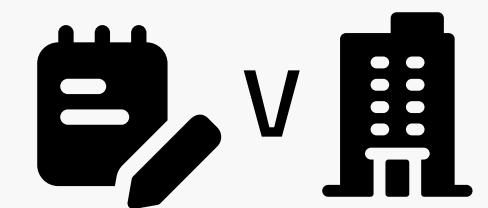
Experiment with different stages of the supply chain



Seek alternative use properties for logistics



Omni-channel strategy



Lease vs own solution



# Group discussion



# Group discussion

Is retail the new logistics?

## 01

Is 2020 the time to come back into retail?

If so, what would you buy?

## 02

Is logistics too hot to handle?

Which assets offer best value?

## 03

Is it actually mixed-use we should be considering?

If so, what are the best characteristics of the sector?

# Group feedback

Is retail the new logistics?

## 01

Is 2020 the time to come back into retail?

If so, what would you buy?

## 02

Is logistics too hot to handle?

Which assets offer best value?

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Is it actually mixed-use we should be considering?

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# Thank you!

Lunch will be served at 12:45 in Lokal & Terraza.

Please now make your way to the restaurant.

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