



LOGISTICS - DEBUNKING THE MYTHS



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Staying Safe at Home. Staying Open for Business.

We have all known for many years that retailing behaviours have been the main driver behind how logistics has become the UK's best performing and most desirable property asset class. First, we wanted 'Next-Day' delivery, then we wanted 'Same-Day' delivery, all of which needed to be free of charge including our Returns. As a result, many 'fast fashion' retailers had to price in an assumption that over 30% of product would be returned - that all adds cost which we all (unwittingly) pay for!

Our next demand was to move away from our weekly supermarket shop and just pick up our evening meal from a convenience grocery store on our way home from work and to do this whilst still wanting to stock up in bulk at our supermarket at the weekend - both needs placing very different and distinct challenges on the supply chain. But has all of this changed now that we are in lockdown (even though it is loosening) facing uncertain and as yet untimed stages as we return to 'normal'?

Without doubt, the last few weeks have been unprecedented in all property sectors but, the logistics sector does seem to have remained resilient. Going into lockdown we were in the midst of some of the lowest levels of supply of Grade A accommodation ever seen and with financial uncertainty surrounding us on all fronts the likelihood of a swift return to significant levels of speculative development seems unlikely. Once working safely from home in isolation, there was much talk initially that 'millions of square feet' were needed to alleviate the pressures on the grocery supply chain. What the supermarkets actually needed was quicker resupply of household staples such as pasta and toilet roll as opposed to extra warehousing in which to store them. Reports that over 5,000,000 square feet of take-up resulted were inaccurate and in fact much of the space required was dealt with through the reoccupation of dormant properties or 3PL 'grey' space.

Once through that peak we found then ourselves challenged to accommodate field hospitals or short-term mortuary requirements. Whilst inspections took place and terms were discussed, we saw negligible take up resulting. There have been reports that the NHS has acquired over 14,000,000 square feet of warehousing in the first quarter of this year as a result of reacting to the current pandemic. Unless the Nightingale hospitals are taken into account, we again believe that this is an unreliable statistic.

Actually, we are now in a period of transition. Those retailers who are succeeding online are now reviewing their needs again given the huge swing in that direction away from the High St. Those that are struggling are focused on keeping their business afloat, not property matters. Whilst we are seeing signs of renewed activity and confidence within our sector, we think it will be some months before moderate deal flow is resurrected but anticipate that demand will improve, given the need to create more resilient supply chains to hold more inventory in house and the possibility of reshoring some manufacturing activity in the UK.

When that confidence returns (and our leasing teams are reporting this will be soon) occupiers will need to operate in different ways to those pre COVID-19. Where previously developers talked about 'wellness' and site amenities in order to aid recruitment and retention of labour, now wellness takes on a much more serious connotation. Given the need to work with 'social distancing' in mind, perhaps requirements will actually increase in size to accommodate safe working practises, and we will see the advent of yet more mechanisation within our sector in order to operate safely.

Building effective supply chains is a complex and time-consuming process but expect the rate of change to accelerate through the experiences of Covid19.