Schwerpunkt Einzelhandelsimmobilie

Are distribution and logistic centres the new retail properties?

Dank Internet muss der Konsument nicht mehr zur Ware kommen, sondern die Ware kommt zu ihm. Wo der Kunde einkauft, richtet sich, so weiß der Autor, inzwischen vor allem nach der Lieferzeit. Diese Entwicklung stelle auch an die Logistikimmobilien neue Anforderungen. Wo bislang ein großes zentrales Distributionszentrum genügte, um den Einzelhandel zu beliefern, seien heute mittelgroße, regionale Logistikzentren gefragt, von denen aus die Endkunden schnell erreichbar sind. Trotzdem bleibt ein Problem: Der Kunde ist in der Regel die meiste Zeit des Tages nicht zuhause erreichbar, um seine Bestellung in Empfang zu nehmen. Deshalb – und weil nicht jede Ware und Dienstleistung für den Online-Handel geeignet ist – werden klassische Ladenflächen weiterhin gebraucht. (Red.)

Over the years, retail units have become more sophisticated in terms of positioning, size, and environments, and have expanded into supermarket/hypermarket and shopping centres formats, amongst others. Supermarkets and hypermarkets represented, in particular, something of a turning point in retailing evolution as they significantly shifted the labour of shopping from the retail staff to the consumer; a study a number of years ago indicated that without the use of a car, the time taken for food purchases actually increased when supermarkets became common.

The internet changes all of that and reverses some of shift in service. Instead of the consumer going to the product, the product promises to come to the consumer. Instead of the product range being limited by geographical distances, the range is limited only by the time that the consumer is willing to allocate to the purchase – although that can be surprisingly demanding.

In that context, markets would be wise to take note that consumers become particularly price-sensitive in recessions, for obvious reasons, but that sensitivity does not disappear when economies return to normal. It lingers and effectively ratchets up, so that retailers need to improve their offer and efficiency even in the subsequent recovery. And, with universal delivery pricing being common, particularly amongst national carriers, even that may not be much of a differentiator. Most of the online suppliers' savings come in terms of staff costs and, when one compares the amount of idle time involved in staffing a retail unit for the full opening hours six or more days a week, the ability to employ workers on flexible rotas to deal with internet sales becomes an obvious cost-saving. This is then, wholly or in part, passed on to the consumer.

The erosion of trade barriers over the years means that national boundaries are increasingly a thing of the past. With the principle of free trade within the EU, it is only the tacit agreement by the European countries to maintain comparability on VAT rates that prevents consumers being able to eliminate the tax by purchasing from a 'freeport'. Consumers can now buy direct from Chinese manufacturers on the internet: Competition from the Far East is no longer an issue just for domestic manufacturers.

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A service or a product?

For most consumers, the retailer is the only part of the supply chain that is visible. The manufacturer or producer may even be in a different country but it does, at least, provide the brand. And it is the brand that can signify the quality differentiation and, in some case, the status that comes with the product. The logistics operation, however, is the 'utility' part of the business, commodity-priced with little added value. The shop provides the comforting environment in which the purchasing decision is made.

But there is much more ambiguity in the supply chain than the above would suggest. The brand is not really allied to the manufacturing process. As we have seen in the last couple of decades, the manufacturing has become much more of a commoditised process, very often occurring in multiple locations, with the brand owner being the controller of the process.

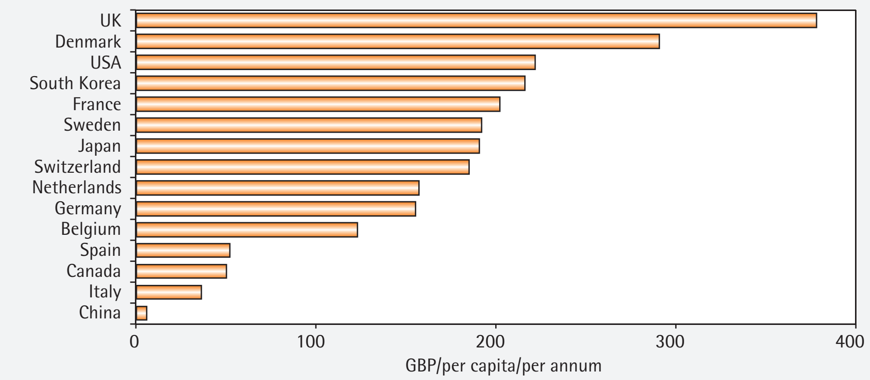
The point of sale, the retail unit, might arguably be perceived as part of the logistics process than a separate operation. That is certainly true when the sale is conducted online. This merely requires a delivery system and, implicitly in that, a storage system. The route now becomes one from the producer to the home rather than to the retail unit.

That final leg of the journey is really what differentiates the 'sale in the shop' from the 'sale on the internet'. The former will usually comprise a multiple package, a bulk delivery, whereas the latter will more commonly be a single item. Up to that point, there may not be much distinction in the logistics supply chain.

But whereas bulk deliveries imply large vans, usually delivering at unsocial hours, very often in the early hours of the morning, the home deliveries require unique route planning, small vans, and deliveries during the daytime, when people are available to accept the parcels. In turn, that requires a different configuration of logistics units – ones with multiple loading docks or doors, much more manoeuvring space and, therefore, low site coverage. Combining such uses sounds difficult, but should be possible in theory, and that is what retailers with a physical presence would ideally like – instead of having similar goods being stored in two locations, with all of the duplication that that involves.

The chart shows the extent to which internet sales are penetrating retail markets. The UK is the largest globally, with ten per cent online (June 2013), but the growth was 18 per cent over the year to June, a remarkable shift that has mainly occurred over the 15 years or so. All of these internet spending rates are rising, and as the early movers slow, the gaps between the countries will tend to narrow, although they may still persist for some time because of different shopping habits.

Internet retail spending per capita in 2010



Source: JLL, AXA Real Estate Research

But this growth in internet sales is very likely to continue for a long time, and the parties in the supply chain are having to adapt as it progresses. Ignoring the underlying growth in sales volume over time, the implication is that there is a secular shift in logistic space requirements and an accelerated obsolescence in the older units. To cut down on journey times, the units involved in the 'last leg' of delivery need to be closer to the population conurbations, and the mode of operation might suggest that the scalability of the internal operations is much more limited than when supplying to shops. There is a need for more of them, and they will tend to be smaller.

One slightly interesting example of that are the so-called 'dark supermarkets'. These are supermarkets that are not open to the public and, instead, have a layout modified to make stock-picking more efficient for the staff assembling orders for home delivery. In effect, the supermarket has become a logistics unit, with the shoppers being replaced by a warehouse operation. In some countries, 'click and collect' has become a common practice, with, again, the supermarket performing a warehouse-type function.

At the other end of the spectrum, retailers are closing physical units because of competition from the internet – this is particularly prevalent in the UK, as will be evident from the chart – and replacing the outlets with online sales distribution networks. Taking this to the extreme, as undoubtedly some retailers will, and all that will be visible will be a brand, an internet site, and the delivery system. That will take us to the next step in the evolution, which is already evident in parts of the market: the disappearance of an obvious retail operation. After all, the picking is occurring in the logistics unit and the operation is now about how efficiently the goods can be shifted from the producer to the consumer. The retail operation has been absorbed into the logistics.

Perhaps the best, albeit a somewhat extreme, example of that is Amazon. Is it a retailer or is it a logistics operator? Maybe it is not quite either, and maybe it is merely part of the first stage of evolution. The unanswered question in this is whether the logistics companies will assume the role of the retailer – after all, they have the infrastructure largely in place – and move logistics from its low margin role.

Change brings uncertainty

We have already referred to the changing locational and specificational requirements of the logistics operators servicing homes, as opposed to shops. But the picture is not that simple. The phrase multi-channel retailing is often used to describe the cross-over between shops and the internet. Not all internet purchases are delivered to the home, for the perhaps obvious reason that there may not be anybody there to receive them in the working day. Of course, it does not have to be 'the shop', and petrol filling stations, installed lockers in shopping centres or other areas are ways of collecting goods.

Conversely, smartphones enable price comparisons to be made in shops, with the order being placed on the internet. Effectively, the shop becomes a showroom for the goods, with the sale occurring elsewhere. The disconnect between the shop retailer and the sale is, of course, disconcerting.

All of this is having an effect on the market for logistics units. In the immediate post-recession period, the appropriate business strategy was to realign for growth. For logistic operators, that typically meant moving from older inefficient space to new or very modern space. The overhang of speculative space from the pre-recession period facilitated that. Much of that modern space has been absorbed and the vacant space has increasingly become obsolescent.

But even that modern space was designed in an era when internet retailing was not obviously going to become the force that it now has. The bulk of those units are at risk of obsolescence and as the new generation is developed, will be subject to accelerated depreciation. Investors need to be aware of this and consider the flexibility of their logistic holdings or purchases to adapt to the new era in retailing. This will, of course, not be easy as even the existing retailers and logistics businesses struggle to anticipate the new demands.

So far in this staggered recovery, most new logistic development has been of 'build to suit' i.e. designed and pre-let to operators. There are two main reasons why this is happening. First, the costs of construction are higher than the value of the completed investment, because rental values still remain relatively depressed. To make such schemes financially viable, long leases are normally conceded by the tenants, and this reduces the capitalisation yield of the investment, thereby increasing its value to a point above the construction costs. Second, reflecting the changing environment, these new buildings are often not 'institutional standard', meaning that they are designed to meeting the occupier's requirements to such an extent that their (rental) value to another occupier might be impaired.