



### UKWA Real Estate Advisory Board considers London Mayor's Draft Transport Strategy

The newly established UKWA Real Estate Advisory Board was hosted for a second time by Colliers International on September 26<sup>th</sup>. Following an overview of the real estate marketplace across the UK by Kevin Mofid of Savills, the focus for this session was on the London Mayor's Draft Transport Strategy 2017.

#### ***Market overview***

Kevin highlighted falling high street retail sales and increasing online retail sales, noting that online sales are projected to increase to £60,000bn in 2017, growing to £100,000bn by 2021, and will drive demand for more warehousing space close to population centres. He said that the supply of existing units has fallen by 71% since 2009, and despite a slight upward tick in supply, we are nowhere near where we were even five years ago.

While 2016 was a record year for new development, 2017 has been slower in most regions, with Build to Suit decreasing dramatically. However, according to Kevin, investment volumes remain strong.

Based upon Savills search criteria, there are currently 200 sites nationwide being promoted for logistics development, equating to over 10,000 acres capable of delivering 164m sq ft of space. Most of the core regions are at similar levels, hovering around 1000 acres, however the East Midlands leads with 2600 acres, equivalent to 49.5m sq ft, across 40 sites.

In Savills' current pipeline of speculatively announced units, 82% are between 100,000 and 200,000 sq ft, with just one unit is under construction over 300,000 sq ft in the South East.

#### ***The Mayor's vision***

The Mayor of London, Sadiq Khan, has invited views on his draft transport strategy, which sets out his plans to reshape transport in London over the next 25 years. As London's population grows from 8.7 million today to an estimated 10.5 million in 25 years' time, pressure on the city's transport system and the demand for new homes and jobs will increase. Accordingly, the Mayor has identified key challenges, including congestion and air pollution, and has laid out a vision for London to grow in a sustainable way, to improve people's lives and support London's growing economy.

### ***The voice of the logistics industry***

Clearly, for the continued success of the London economy and the quality of Londoners' lives, it is essential that the needs of the freight and logistics industry are included in far-reaching plans, to ensure that shops remain stocked and that the growing population is fed and clothed.

Online retailing continues to grow and consumer grocery shopping habits are changing to 'little and often' rather than bulk buying, so that urban logistics and final mile delivery in and around London has become critical for retailers and consumers alike.

As the voice of the logistics industry, UKWA has already been working to bring to the attention of national and local government the lack of available development land and fit-for-purpose warehousing space in London (and all cities across the UK) and the potential crisis in prospect if this fails to be addressed; now, in consultation with the high profile members of the UKWA Real Estate Advisory Board, the Association will formulate a considered response to the London Mayor's latest Draft Transport Plan on behalf of the industry.

Implications for the Capital hold true for other major cities across the UK, such as Manchester, Birmingham, Liverpool, Leeds and others.

### ***Logistics led mixed use developments***

Kevin touched on emerging mega-trends such as logistics led mixed-use developments in urban environments and identified labour supply as an emerging issue for the industry.

However, his message for the capital is that London's biggest challenge is the demand for new housing, which can only be fulfilled if the freight industry is able to deliver all the building materials needed and be there to take out the spoil. "New residents will need to furnish their homes with sofas, washing machines and TVs – again only with the help of logistics. And once they have settled in, they will continue to rely on supply chains to deliver groceries, online orders and take away their waste," he said.

### ***Land use planning – the 'hole in the bucket'?***

Director of Future City Logistics Ian Wainwright, whose former role with TfL equips him with well-informed insights into the needs of transport planning in London, expressed strong views on land use planning, which he referred to as the 'hole in the bucket'.

“Land use and transport strategies need to incorporate the movement of people and goods as essential to the urban area – and provide solutions,” he said, observing that there has been a 16 % reduction in industry land use across London, with retail storage becoming a real issue, particularly with the increase in ‘click and collect’ sales, yet the draft plan ignores existing use of land.

Ian outlined some key proposals within the Mayor’s Draft Transport Strategy that relate to improving the efficiency and safety of freight and logistics in London, “The trips that keep the shops stocked and the businesses running” and confirmed the Mayor’s commitment to improve safety and air quality, as well as reducing freight traffic at peak times. However, he emphasised the importance of recognising the growth of freight services and said policy should address long term logistics issues, not just freight traffic.

“There needs to be a clear understanding of the existing logistics network and a commitment to develop policies that support, protect and evolve services - working alongside the London Boroughs and stake holders to deliver solutions.”

“The Focus on Opportunity Areas raises concerns; it ignores existing land uses and the potential to tackle local issues and new demand,” Ian concluded. “It is vital that logistics and freight are addressed alongside other transport issues in the Mayor’s Transport Plan – including land use planning.”

### ***Right land in right location***

Jack Farmer of Segro supported this view, asserting that to keep London working, the right land would need to be allocated in the right location to service London’s future needs. He called for better understanding of the structural changes that have taken place in the logistics sector and support for innovation in the industry.

“What is required is a review of strategic industrial land and of policy designation, recognising the importance of establishing industrial locations for urban logistics operators.

A comprehensive demand assessment for the industry should include response to last mile requirements and infrastructure plans that support the industry’s adoption of environmental technologies,” he said.

### ***UKWA calls for innovation and imaginative thinking***

Summarising the consensus reached by the UKWA Real Estate Advisory Board, UKWA CEO Peter Ward concluded that whilst the group welcomed the London Mayor's intention to address congestion and his recognition that freight journeys were essential to keep London operating, there is dismay at the lack of detail. He said that the report failed to give proper focus to the needs of freight and logistics, particularly in the area of land use planning for warehousing and fulfilment.

"The general feeling is that there is a lack of innovative thinking," he said. "In the meeting we heard from Savills about the huge potential of underground warehousing and mixed-use development, there was also wide-ranging discussion around the feasibility of using mail rail tunnels, the underground network and cross rail 2 as potential means of freight distribution, yet in the Mayor's Draft Plan there is no 'blue sky' thinking as to how to maximise available space."

He continued, "Overnight delivery and consolidation hubs simply won't cut it – a wider view needs to be taken and a more imaginative response formulated to address the key issues for our industry – and for the future prosperity of London. As Brexit unfolds and requirement for stock holding in the supply chain increases, the pressures on space are set to become even more extreme. Therefore, intelligent land use planning is key.

As the trade association for the warehousing and logistics sector, UKWA stands ready to engage with the Mayor's team, and drawing on the vast experience of our members, provide informed feedback, expert advice and appropriate support."

#### **UKWA Real Estate Advisory Board attendees:**

Chris Evans, Colliers International

Matthew Lamb, Potter Group

John Gandy, Uniserve

Ian Henderson, Wincanton

Michael Green, Aviva Investors

Tim Ward, Chetwoods

Matthew Williamson, Weightmans

Kevin Mofid, Savills

Amy Gilham, Turley

Andy Melvin, SBH

Claire Weir, CBRE

Jack Farmer, SEGRO

Ian Wainwright, Future City Logistics

Peter Ward, CEO UKWA