

## Lockdown and beyond: Urban Logistics

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*Changes in retail habits since the imposition of the COVID-19 lockdown have had a significant knock-on effect on the supply chain, in particular the urban logistics sector.*

Experience in this sector as a result of the lockdown has been varied. Companies whose models are based on delivery direct to the consumer market have been extremely busy due to the massive uplift in home delivery volumes. Whereas business to business trade has dropped drastically.

Early data has suggested that there has been an increase in the UK online retail market of between 18% and 20% since the lockdown commenced with talk of this increasing to as much as 35% in the near future. Some within the industry have suggested that, after the lockdown restrictions have been relaxed, as many as 40% of these new e-consumers may never return to their previous shopping habits.

### Industry considerations

Despite the increase in e-commerce, the cost of last-mile logistics is still a large and significant stumbling block for many online retailers. There is already a high degree of automation in the big fulfilment warehouses. However, new business models will require further automation and digital innovation to reduce costs and make last-mile business financially viable at the newly required scale. An increase in automation will also require an up-skilling of the workforce. These new models will need to be supported by integrated transport and infrastructure policies as last-mile logistics is thought to account for as much as 25% of congestion in urban areas leading both to large costs for logistics companies and pressure on local authorities to control the number of delivery vehicles.

In recent years there has been a lack of available new industrial property in the UK. There are suggestions that disused retail parks and other forms of vacant retail premises could be converted for use by the growing urban logistics sector. However, the parks in the optimum locations remain viable as retail assets.

Furthermore, many retail parks in urban areas are being converted to residential rather than industrial use as a consequence of the Government's push for an increase in residential housing. But new housing developments should not be planned in isolation; appropriate infrastructure to support home delivery requirements to these developments must form part of this planning. The urban logistics sector will suffer if 'last-mile' delivery sites are significant distances from the homes they are intended to serve. There are of course also environmental considerations at play.

Multi-storey logistics properties may provide an alternative solution may be. There is already a small number of two- and three- storey logistics facilities in the UK. But the UK lags behind other countries around the world where, for example in Asia, there are many multi-storey logistics facilities, often ten-storey or even more. Some commentators believe operators and users would be willing to adopt multi-storey facilities in the UK, especially international organisations which are familiar with such facilities in other areas of the world.

### Market view

At present, whilst the lockdown continues, transactions within the urban logistics property market are relatively slow due to practical limitations, such as the inability to inspect buildings and interact with agents. Some e-commerce companies have seen their trading volumes grow hugely in the last few weeks and are looking for new space but require flexibility as they anticipate that their market will slow considerably once the lockdown is relaxed. There is also demand for urban logistics space from companies who have stock coming into the country but whose retail outlets are currently closed due to the lockdown.

It is clear that the impact on pricing and rental income will be directly connected to the duration of the lockdown. The urban logistics sector will obviously be affected by COVID-19 but, as a result of the changes to consumer spending patterns, it should bounce back quicker than other sectors once restrictions are lifted.

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