



LOGISTICS: AN ATTRACTIVE ASSET CLASS

The health crisis has been a real trend accelerator, especially for e-commerce and the related logistics channels. Indeed, during this period, **online sales have increased significantly, demonstrating their essential nature** and their complementarity with in-store sales. Industrial premises (warehouses, business parks and "last mile" logistics space*) have proven to be vital and have played a crucial role in the distribution of essential goods over the last 12 months. Today, **increased storage needs** due to the impressive growth in e-commerce sales **are motivating logistics channels to redefine and transform themselves.**

Surge in online sales

In France
€112 B
spent online
in 2020

IKEA
13%
increase in market
share since
March 2020

VINTED
10%
increase in market
share since
March 2020

The Covid-19 crisis and the lockdown measures adopted by governments have had a significant impact on **changes in consumption patterns. E-commerce has played and continues to play a primordial role** in the lives of many Europeans. Online sales have proven to be essential and complementary to in-store sales. Hence, small and medium-sized businesses have continued to operate thanks to online marketplaces such as Rakuten. According to "Brands & You", a CSA survey launched in 2020, at the end of the year Amazon became the most useful brand in the everyday lives of people in France, on a par with major retailers such as Carrefour, Auchan and Intermarché.

At the end of March 2021, Amazon, Vinted and Ikea claimed the top three spots in Foxintelligence's ranking of the 50 most popular online retailers. Vinted and Ikea have increased their market shares by 10% and 13% respectively since March 2020.

In France, online sales figures have seen steady growth for several years. According to Fevad, they exceeded €100 billion in 2019 and set a new record in 2020, with **€112 billion spent online** (up 8.5% year on year). More than 40 million people in France shopped online in 2020.

* Also referred to as urban logistics space, involved in the final stage of the process for delivering goods to consumers.

More generally, in Western Europe (the United Kingdom, Germany, France, Netherlands, Italy and Spain), forecasts indicate that online activity will represent on average 15.3% of total retail sales by 2022. According to the Centre for Retail Research (CRR), this rate could even be reached by the end of 2021.

Strong demand for urban logistics space

In order to meet the demand, **industrial premises** (warehouses, business parks and "last mile" logistics) **have proven to be essential and have played a crucial role** in the distribution of primary necessity goods over the last twelve months.

With the **increase in online spending**, the **demand for logistics space has risen** and companies want to ensure comprehensive **coverage of regions**.

Take-up of logistics space

> 8 %

in 2020*

*higher than the 10-year average

The health crisis has been a real trend accelerator, in particular by prompting **logistics channels to redefine and transform themselves**. In order **to meet the growing demand**, the search for available properties is now focused both on smaller premises located in the heart of the largest catchment areas, to be used as "last mile" logistics space, and on XL/XXL facilities located farther from city centers.

As a result, investment in logistics space performed strongly once again in France (for the fifth consecutive year) despite the health crisis. Given the increased storage needs linked to the impressive growth in sales generated by e-commerce, this market is attractive to investors. In addition to the good prospects offered by this market, logistics facilities offer significantly higher rates of return than those observed for prime office and retail properties. In France, investments totaled €4.4 billion in 2020. Although this volume is down 30% compared to 2019 (which set a record at €6.7 billion), it remains 66% higher than the 10-year average. Of the total amount invested in commercial real estate in France, **logistics accounted for 16% of the overall real estate market, up from 12% in 2019**.

In 2020, the logistics market accounted for

16% in France

13% in Belgium

16% in Spain

of total amounts invested in commercial real estate in each country

In Belgium, we observe the same **investor appetite for this asset class**, with more than €650 million invested in 2020 (equivalent to 13% of the annual volume).

With approximately €1.5 billion invested in logistics, Spain is also following the same trend. Despite a drop in investment volumes due to restrictions during the pandemic, logistics accounted for over 15% of total investment volumes in 2020. This market is proving to be highly attractive to investors.

Urban logistics

The demand for “last mile” or urban logistics space has accelerated, making investment in this asset class **very attractive**. Given the **development of e-commerce** and the **promise of rapid delivery**, it has been necessary to have **smaller premises in close proximity to consumption areas**. Demand for “last-mile” logistics assets has exploded and accounted for more than 20% of total demand in 2020, whereas this asset class accounted for only 10% of total demand before the Covid-19 crisis.

However, this **last step in the delivery process**, which represents about 20% of total delivery costs (cost of space, supply difficulties, etc.) and 35% of CO₂ emissions in the city, is **expected to expand further in coming years** (about 20% per year).

Several approaches are being considered in order to improve the supply chain, such as:

1

The establishment of small logistics facilities within mixed-use buildings in city centers.

3

The conversion of obsolete premises (offices, parking lots, etc.) into light industrial premises.

2

Reducing the environmental impact of deliveries (cargo bikes, drones, etc.).

4

The pooling of storage spaces with the implementation of co-storage, allowing several companies to share costs.



Logistics assets in the Venture CPL portfolio

Venture Corporate Properties Luxembourg has been able to anticipate and quickly unearth the potential of logistics by investing regularly in this sector since its creation in 2016.

Q4 2016

Saint-Laurent-Blangy (Pas-de-Calais), on the outskirts of Arras, in France.

Light industrial premises fully leased by Locaposte SAS (a La Poste subsidiary), located less than 6 km from the city center, which allows for rapid delivery of parcels in the region.



Discover our assets !

Q3 2017

Drancy (Seine-Saint-Denis), a northeastern suburb of Paris, in France

The site benefits from excellent road access from major highways, allowing for easy transit to the surrounding areas. The property is composed of shops on the ground floor, light industrial premises on the rez-de-dalle (1st floor), and offices on the 2nd floor. This property perfectly meets the current demand for small premises located in the heart of a major consumption area. It also offers good adaptability, with the option to convert the offices into light industrial space with access to light vehicles (constraints linked to the maneuvering areas for heavy vehicles).



Q2 2018

Démouville (Calvados), located less than 10 km from the center of Caen, in France

The site benefits from the proximity of the A13 highway and the Caen ring road. The asset is occupied by ThyssenKrupp, a German multinational with a focus on industrial engineering and steel production. This facility specializes in sales of plastic, aluminum and composite semi-finished materials, as well as their storage and cutting. The site is located in an area identified for light industrial/logistics premises.



Q4 2019

Vémars (Val-d'Oise), in France, located about 50 km from the center of Paris, in France.

The site benefits from its proximity to Paris-Charles de Gaulle Airport and the A1 highway. Occupied by TIP, it is dedicated to truck repair and has a one-hectare land reserve in a sought-after logistics zone.



Q4 2020



Brussels, in Belgium.

Logistics warehouse ideally located on the edge of the ring road. The site benefits from a triple connection via the Port of Brussels as well as the road and rail network. The asset is fully leased by Peugeot Distribution Service SA. Acquired on the basis of a Value Added strategy, this site will be able to benefit from value creation leverage. Thanks to the revaluation and transformation of the building, the site will be able to meet the demands of "last mile" logistics.

2021

Valencia, in Spain.

A sale and leaseback agreement with a pharmaceutical group will also be signed in Spain before the summer. The complex (consisting of six buildings), is located in the only industrial park within the Valencia ring road. The tenant is a pharmaceutical supply group. Eventually, the site could be redeveloped as a local urban logistics facility.

These examples demonstrate that Venture Corporate Properties Luxembourg's acquisitions are in line with current real estate market trends.



For more information regarding our services

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