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Savills World Research  
Sweden Logistics

# Spotlight **Logistics** **Property Market**

September 2016



## SUMMARY

■ There is a boom in the Swedish economy and the GDP grew by 4.2% in 2015 which is strong compared to most mature economies in Europe.

■ Increased demand for faster deliveries will continue to drive the demand for modern warehouses and terminal buildings. Tenant interest for new and modern facilities is strong.

■ Automated warehouses and terminal buildings are likely to offer a higher security of cash flows as tenants are less likely to move due to the substantial investments made by the tenants.

■ The construction pace is strong in the sector and approximately 500,000 sq m of new developed logistics, warehouse and industrial facilities were constructed during 2015. The development pipeline for 2016 and 2017 is expected to be of equal size.

■ The majority of the construction has been focused in the region of Gothenburg and Stockholm over the past few years.

■ The majority of the newly constructed facilities accommodate logistics tenants and accounted for approximately 38% of the total construction volume between 2009 and 2015.

■ The transaction volume in the logistics, warehouse and industrial sector amounted to SEK 9.8bn in H1 2016, only SEK 3.2bn less than the annual average during the last decade.

■ An upward trend in speculative developments has been noticed over the past few years. In 2016, approximately 26% of the total construction volume will be speculative.

■ Market rents for light industrial buildings located close to Stockholm have increased rapidly as the stock have been drained by conversion schemes to residential developments. Demand is likely to increase further as last-mile deliveries needs to improve and logistics operators will need to be closer to consumers.

■ E-commerce and omni-channel retail will continue to push the demand for new and efficient logistics and warehouse properties. Retailers and logistics operators will continue to struggle to meet the demand for ever faster and more flexible shipping requirements by the consumers. Faster shipping will most likely require smaller delivery centres located closer to population clusters.

■ A clear trend among the tenants for shorter lease durations has been noted which may be an effect from the strong growth in e-commerce.

## MACROECONOMICS

### The Swedish economy

The ongoing expansive policy has contributed to a boom in the Swedish economy. The growth is strong compared to most mature economies in Europe and, according to the National Institute of Economic Research, Swedish GDP grew by 4.2% in 2015 and 3.9% during the first half of 2016. Growth has mainly

FIGURE 1 **Key figures Sweden**



Source: Statistics Sweden, HUI Research & NIER

been driven by increased exports, private and public consumption and investments into residential development schemes. Growth in the economy is expected to remain strong in the short-term and forward looking indices such as ESI and PMI continue to indicate a growth of the economy. Consensus forecast indicates a growth of 3.4% for 2016 with a positive outlook for 2017.

Other macroeconomic figures are also moving in a positive direction: bankruptcy rates are decreasing; the unemployment rate is decreasing and the employed workforce is growing. Confidence indicators for the industrial production industry and retail consumption indicate a rather optimistic outlook as they are above their long-term averages.

The main drivers of the economy in the short-term will be private and public consumption and rising investment into residential developments easing measures and recent repo-rate cuts should support the positive trend, as low interest rates drive consumer consumption. The interest rate is expected to remain low as the inflationary pressure is modest and to support the economy, the Bank of Sweden cut the repo rate by 15 basis points in February to -0.5%.

Brexit has led to substantial uncertainty and volatility in the financial markets and a period of political and economic uncertainty is expected. Due to the uncertainty, the Bank of Sweden left the repo rate unchanged at -0.5% in September and a first hike is expected to occur during the second half of 2017.

### Imports and exports

The Swedish economy is highly dependent on exports and the export of goods amounted to approximately SEK 1,282bn in 2015, which was 3.3% higher compared to 2014. The total import of goods in 2015 was approximately SEK 1,163bn, an increase of 5.4% compared to 2014.

As can be seen in Graph 1, imports and exports are both growing faster than the GDP. Today, export of goods represents 31% of the GDP, whereas import of goods accounts for 29%. This is an increased share of approximately 75% compared to

1990 when import and export of goods each represented 17% of the GDP. The increased cross-border trade has been positive for the transportation industry and logistics market.

### Modes of transport

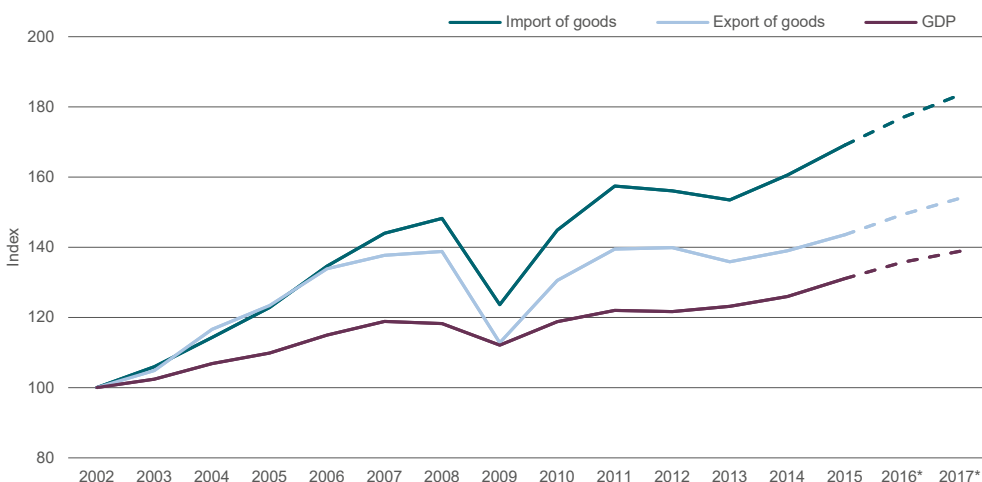
The domestic transportation of goods is heavily dominated by road-bound transports, which accounted for 88% of the transported goods volume in 2014. International transportation routes for both incoming and outgoing goods are mainly shipped by sea-bound transports and accounted for 71% of the transported goods volume in 2014.

An important confidence indicator for the transportation industry is the new registration of lorries, as they are long-term investments for transportation companies. The number of lorries is highly correlated to the volume of transported goods, which in turn affects the need for modern and efficient logistics facilities. Currently the number of new lorry registrations is above its long term average. The number of registrations tends to be seasonal, however the 6-month moving average (Graph 2) shows a positive trend.

A general trend for all modes of transport is a transition towards larger vehicles and vessels. The number of railway freights has decreased over the past decades and has resulted in an increased loading capacity per wagon with just over 60% since 1990.

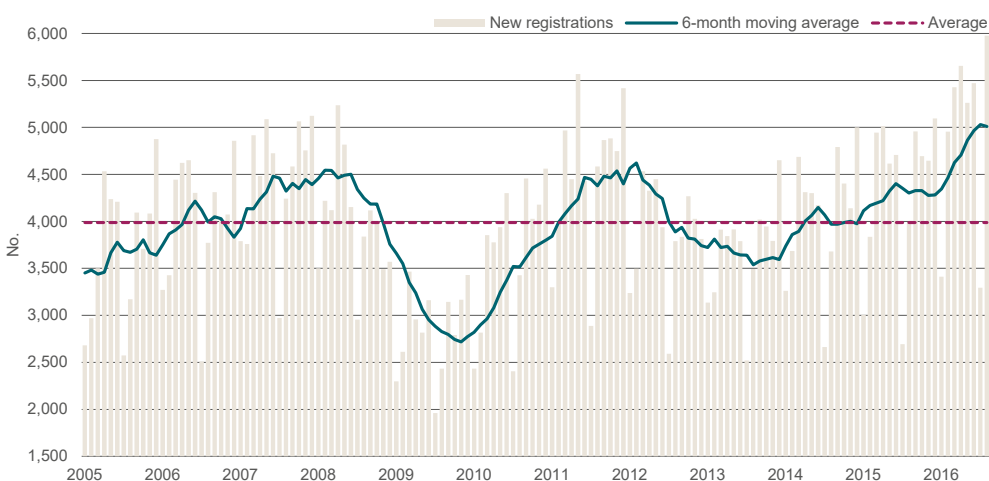
The Swedish-registered merchant fleet, measured in number of vessels, was at the end of 2014 the smallest since 1970. This means that the average gross tonnage for cargo ships is growing and since 2004 the gross tonnage per ship has increased with approximately 50%. This trend is also international, for example, the average size of newly built container ships in the world increased by nearly 80% between 2005 and 2012. This could affect the speed of delivery and therefore may have negative impacts on the flexibility of deliveries, which would not cater for the increasing demand for deliveries.

GRAPH 1  
Import, export and GDP index



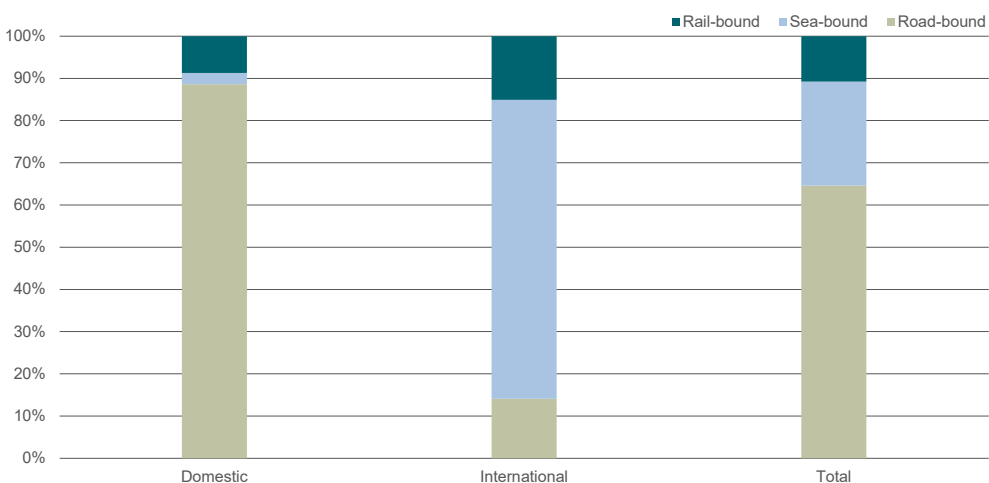
Graph source: NIER

GRAPH 2  
New registrations of lorries is strong among logistics operators indicating high business confidence



Graph source: Statistics Sweden

GRAPH 3  
International and domestic modes of transport (2014)



Graph source: TRAFRA

# POPULAR LOCATIONS

## Top logistics locations

Users of logistics properties want to locate close to the larger cities as this is where the population growth is the strongest and where the majority of the trade takes place. Furthermore, logistics users want to be located close to good transportation routes with accessibility to highways, railways, harbours and/or airports. This is why many logistics facilities have been

developed along larger highways between the Stockholm, Gothenburg and Helsingborg/Malmö/Öresund region.

Since 2005, Intelligent Logistik has ranked logistics areas in Sweden depending on several parameters such as construction pace, environmental sustainability and demographic location. In 2016, Gothenburg was ranked as the best logistics location in Sweden and has been placed at the top ever since the list was first published. The largest harbour in the North, a comprehensive transport infrastructure and a strong construction pace along with speculative developments are a few of the reasons why Gothenburg has been placed in the top.

Intelligent Logistik also classifies municipalities such as Örebro, Hallsberg, Arboga and Kumla located within the Mälardalen sector as top logistics locations with closeness to Sweden's demographic centre and excellent infrastructure in

terms of roads and railways. Örebro also has Sweden's largest combi-terminal and one of Sweden's largest cargo airports.

The E4 South sector with municipalities such as Norrköping, Linköping and Jönköping is also considered as a top logistics location according to Intelligent Logistik. The area is characterised by excellent rail links and motorway standard, closeness to Sweden's demographic centre, and, leading logistics education and combi-terminals.

Stockholm North and Stockholm South were classified as the fourth and ninth best logistics locations in the 2016 ranking. Stockholm North has closeness to a large population, combi-terminals and the largest airport in Sweden whereas Stockholm South also has closeness to a large population, great infrastructure and combi-terminals. However, Stockholm North is limited by its accessibility and Stockholm South lacks areas for new developments.

FIGURE 2 **Top 25 logistics locations in Sweden**



FIGURE 3 **Distribution of consumption (left map) and production (right map)**

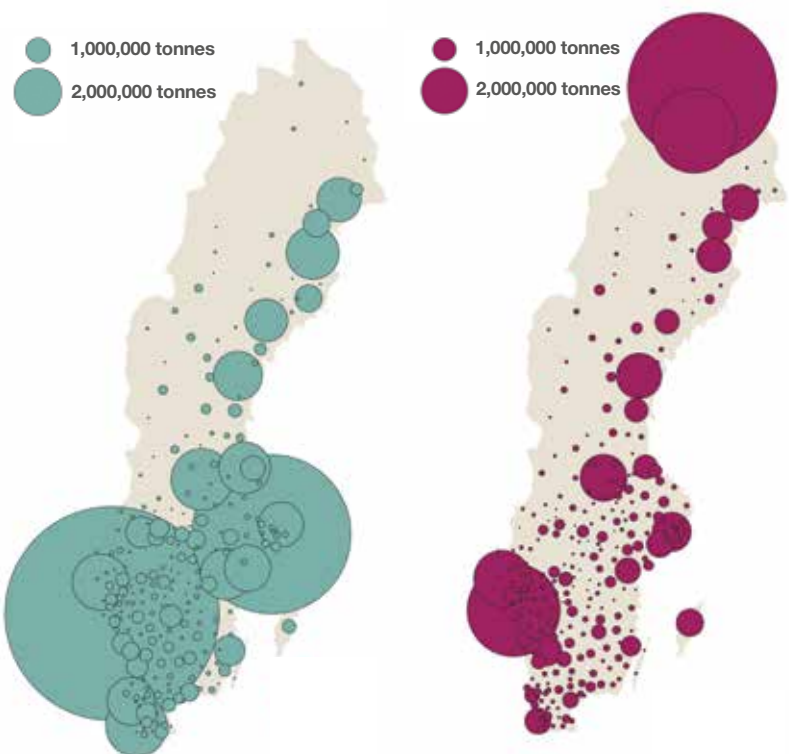


Figure source: Intelligent Logistik

Figure source: TRAFRA

# NEW DEVELOPMENT

## Strong construction pipeline

In 2015, approximately 500,000 sq m of new developed logistics, warehouse and industrial properties were completed and the development pipeline for 2016 amounts to just over 500,000 sq m. The development pipeline for 2017 is increasing steadily and by September 2016, just over 350,000 sq m have been scheduled for completion and the total volume is expected to be in line with the 2015 and 2016 figures. The construction volume in 2015 and development pipeline for 2016 are high volumes compared to the annual average of 350,000 sq m between 2008 and 2014, which is a clear indicator of the current strong demand for newly developed properties.

The most common construction size for new developments is between 5,000 and 14,999 sq m, and as seen in Graph 6, there is a negative linear relationship between the number of new facilities and their size. This relationship is also consistent for the scheduled completions in 2016 and 2017.

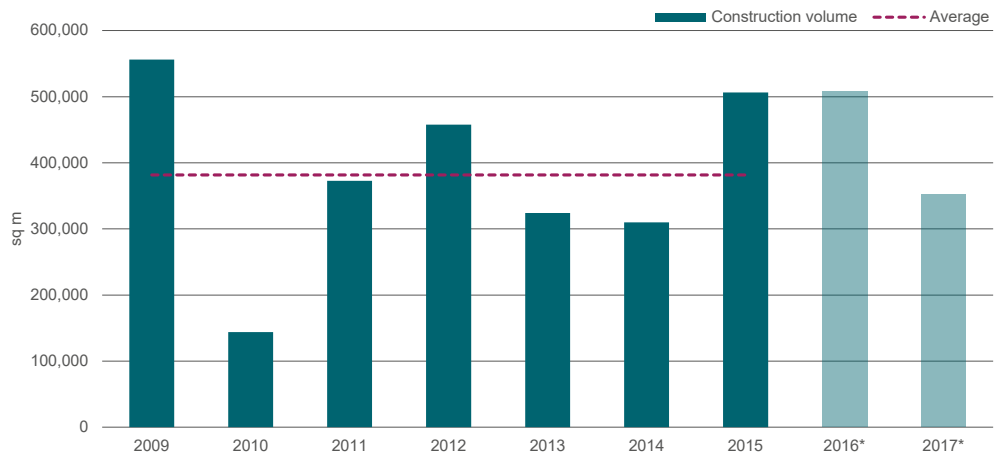
## Where is the construction located?

The majority of the construction has been focused in the Gothenburg and Stockholm (mainly North) region over the past few years. Between 2009 and 2015, Stockholm and Gothenburg accounted for almost 50% of the total construction in Sweden. Regarding the 2016-2017 development pipeline, Stockholm and Gothenburg are scheduled to represent just under 40% of the total construction volume.

The development pipeline scheduled for completion by 2017 in the Mälardalen region is the largest across all geographical sectors. A total of 279,000 sq m or 32% of the total development pipeline in 2016 and 2017 is scheduled to be developed, primarily in Örebro, which is a clear indicator of its popularity.

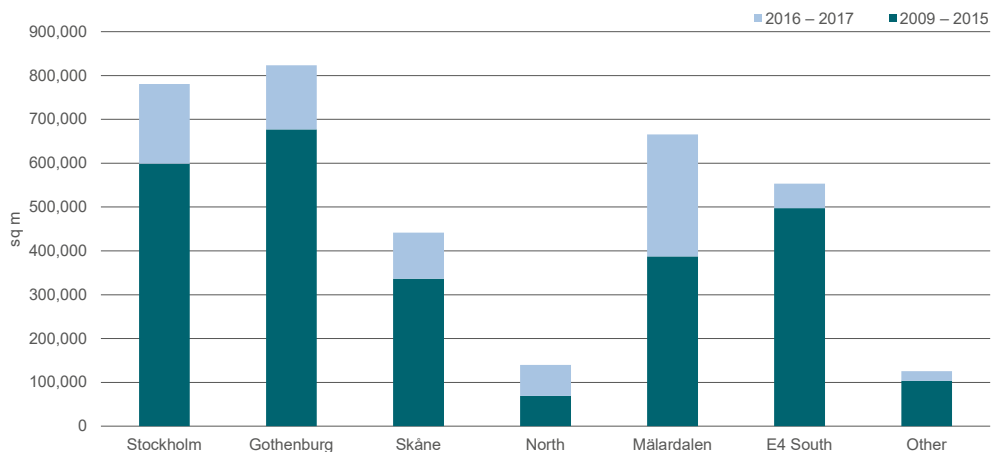
The development pipeline scheduled for completion by 2017 in the E4 South region is fairly low. Only 56,000 sq m or 6% of the total development pipeline is scheduled for completion and is primarily located in Jönköping and Norrköping.

GRAPH 4 Strong development pipeline in 2016 and 2017 in the logistics, warehouse and industrial sector



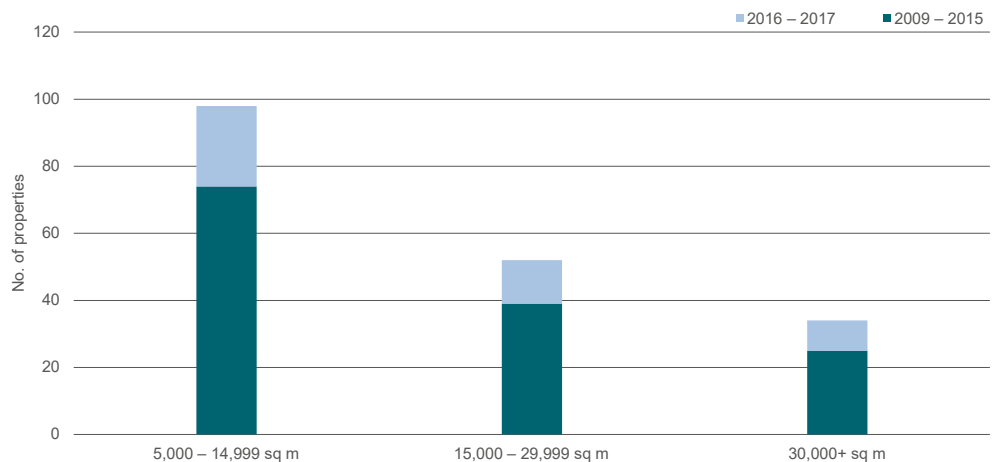
Graph source: Savills

GRAPH 5 Geographical distribution of new developments



Graph source: Savills

GRAPH 6 Size distribution in new developments



Graph source: Savills

# WHO ARE THE TENANTS?

## Tenants in new construction

The majority of newly constructed facilities accommodate tenants such as PostNord, Schenker and DHL. Between 2009 and 2015, just over 1,000,000 sq m, or 38% of the total construction volume, was constructed for tenants in the logistics category. In 2016 and 2017 approximately 250,000 sq m is scheduled for logistics operators, 29% of the total pipeline. Major construction companies indicate that there has been an increased demand for logistics facilities in recent years due to e-commerce and the strong construction pace is likely to continue.

The second largest category of tenants occupying newly developed facilities is the retail sector, which from 2009-2015 ordered approximately 660,000 sq m of new facilities (25% of the total construction volume) and an additional of 149,000 sq m is expected to be delivered during 2016 and 2017, corresponding to 17% of the total pipeline. The strong expansion from retailers is mainly driven by increasing consumption from the traditional store network, but also from a push from traditional retail into e-commerce. Both traditional retail and more so e-commerce are constantly driving towards faster deliveries, which is putting higher demand on the logistics

network. A lot of retailers are still struggling with their e-commerce expansion, since their traditional logistics network is unsuitable for direct B2C trade. Retailers have been forced to invest into separate logistics solutions in order to handle the deliveries.

**34%**

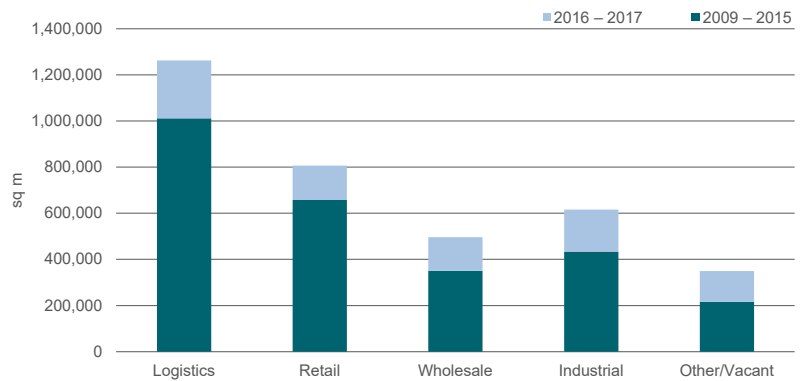
of the total construction volume between 2007-2018 was ordered by the 10 largest tenants

TABLE 1 Construction of new facilities by tenant (2007 – 2018)

Tenant	Tenant type	Approx. sq m	Share of total
PostNord	Logistic	255,000	7%
DHL	Logistic	219,000	6%
Schenker	Logistic	139,000	4%
Aditro Logistics	Logistic	125,000	3%
DSV	Logistic	116,000	3%
Lidl	Retailer	100,000	3%
Green Cargo	Logistic	96,000	3%
Biltema	Retailer	88,000	2%
Jula	Retailer	85,000	2%
Rusta	Retailer	68,000	2%
Rest	-	2,483,000	66%

Table source: Savills

GRAPH 7 Tenant categories in new developments



Graph source: Savills



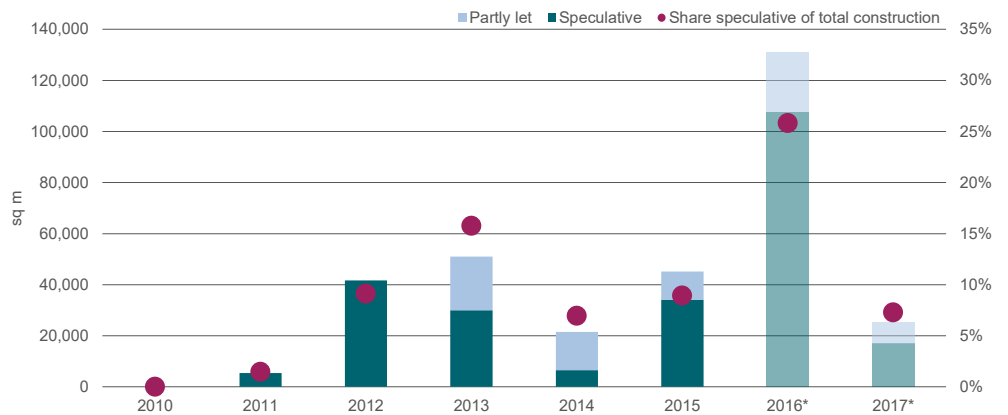
# INCREASED INTEREST FOR SPECULATIVE DEVELOPMENTS

## Speculative developments are increasing

The majority of the newly completed development projects are fully pre-let and developed for a specific tenant. However, most construction companies have noticed an upward trend in speculative builds. The main reason for this trend, according to the construction companies, is because logistics, warehouse and industrial properties are viewed as a less risky investment than previously and developers have a strong belief in demand for generic properties. This is most likely a result of a perceived shortage of logistics properties combined with a very low level of vacancies for fully modern logistics.

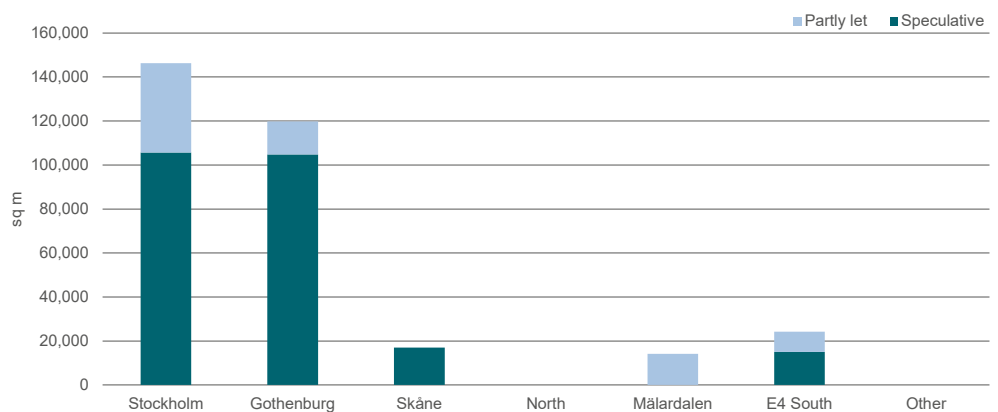
As seen in Graph 8, a clear trend can be discerned with increasing speculative developments, and throughout 2016, approximately 26% of all developments are speculative. Between 2010 and 2017, Stockholm and Gothenburg will each account for approximately 43% of the speculative developed area. The average size of the speculative developed properties between 2010 and 2017 is approximately 12,800 sq m, which is 29% smaller than the average size of fully pre-let properties during the same period. Even though the speculative development has increased drastically over the past years, the letting rate has been quite slow.

GRAPH 8  
Speculative developments



Graph source: Savills

GRAPH 9  
Stockholm and Gothenburg dominating speculative build schemes



Graph source: Savills



# E-COMMERCE AND THE EFFECTS ON LOGISTICS

FIGURE 4  
**Online shares of retail trade**



Figure source: Ecommerce News

## Growth of e-commerce

Consumers' purchasing behaviour has been revolutionised by the evolution of the internet and the integration of the online and offline world. In 2014, 65% of the population in EU used the internet daily, compared to less than 31% in 2006. Nearly 60% of EU internet users shop online and e-commerce is growing rapidly with an annual average growth rate of 22%.

In Sweden, e-commerce grew by 17% in 2015 which is in line with the annual average during the last decade. The sales volume amounted to SEK 50.1bn and accounted for 6.9% of the total retail sales volume. The market share is still relatively small, but the growth is strong and there are a lot of potential market shares to gain and the sales volume is expected to amount to just under SEK 60bn for 2016.

Other countries such as the UK, Germany and France each have a higher share of e-commerce and it is likely that Sweden will reach equivalent levels in the near future.

## Delivery times

Consumers will require faster, more flexible and precise delivery and demand for last-mile delivery centres will increase along with new ways of delivery.

The customers' expectations on delivery times is still fairly low compared to current delivery times. In Sweden, consumers on average expect deliveries within 3.9 days, while on average companies deliver in 2.6 days. It is mainly young people who require faster deliveries whereas older people think of it as less important.

Consumers in Sweden require a 12 hour faster delivery in 2015 compared to 2014, and it is likely that consumers will require deliveries during the same day as an order or even within the hour of an order. According to a survey performed by PostNord, only 1% of consumers in Sweden expect same-day deliveries, however, 10% of consumers younger than 30 years old state that they will do more online purchases if goods were delivered within 24





hours. Amazon recently launched a game changing concept that will expand and put a pressure on current delivery times. In some cities they guarantee deliveries within the hour of an order and their plan is to expand this concept to more cities worldwide.

The demand for flexibility will also increase rapidly and consumers will want to know when, where and how their goods will be delivered. Volvo recently introduced a service called "Volvo In car Delivery" which allows consumers to have their goods delivered directly to the trunk of their car by providing the supplier with a temporary digital key. It is likely that similar concepts will emerge and consumers will be able to choose when, where and how their goods are delivered.

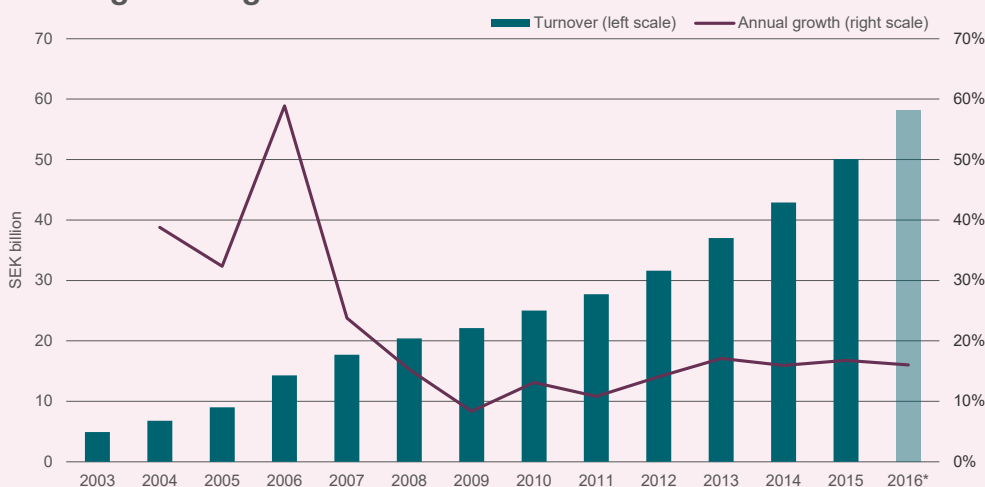
### Effects on logistics facilities

With a continuous rapid growth in the e-commerce sector and increased omni-channel retail, the requirements on the location and the characteristics of logistics and warehouse properties will increase for both logistics operators and retailers.

E-commerce is characterised by a wide assortment of goods, order-picking and package deliveries requiring high levels of service and ease of return logistics. The traditional retail trade has a narrower array of goods and logistics handling pallets and boxes with few returns. The number of orders will continue to grow proportionally to the sales volume and the demand for efficient, automated and innovative logistics and warehouse properties is likely to increase.

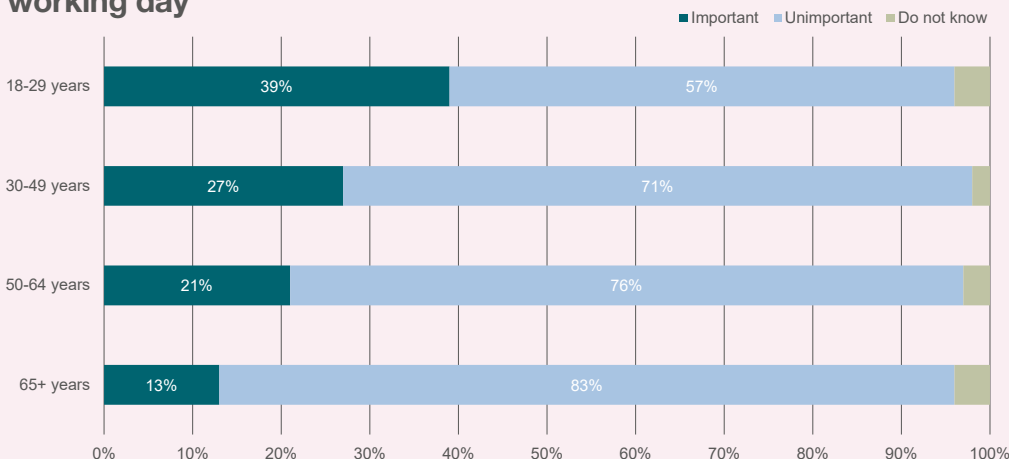
Automated warehouses and driverless vehicles are fast expanding technologies and will have profound implications on the logistics and warehouse sector. Today, semi- and fully-automated warehousing and order-picking solutions are in place, especially in small-item logistics, and the trend is likely to extend to a greater extent and for larger items.

GRAPH 10 Stable growth figures for e-commerce



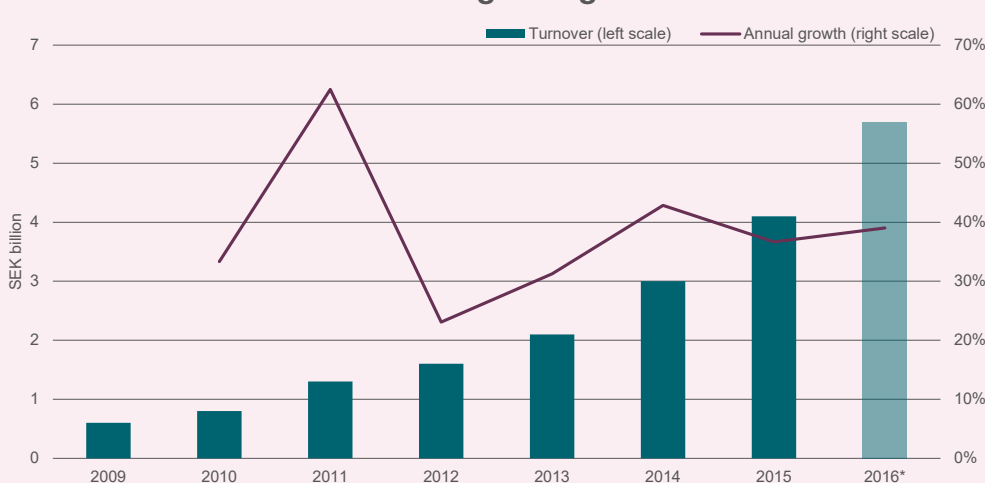
Graph source: E-barometern

GRAPH 11 Importance of having the goods delivered during the next working day



Graph source: E-barometern

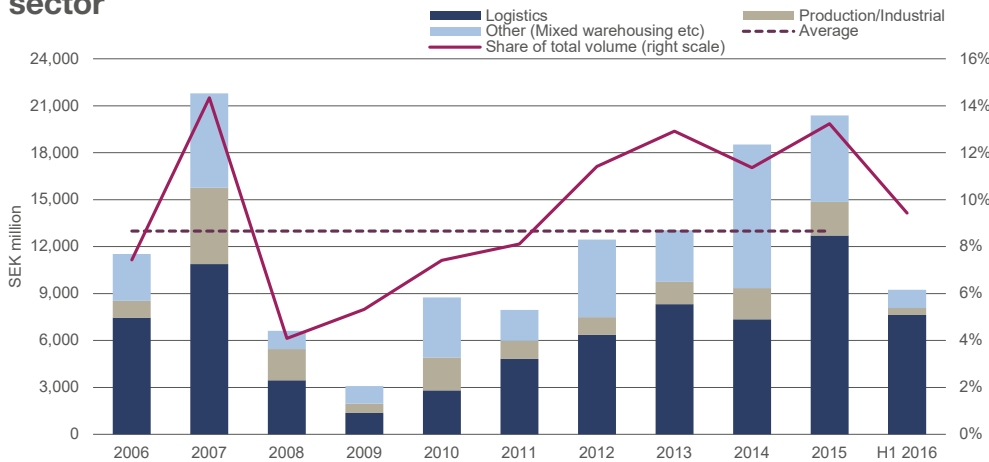
GRAPH 12 Online turnover of food sales is growing fast



Graph source: Svensk Digital Handel and HUI Research

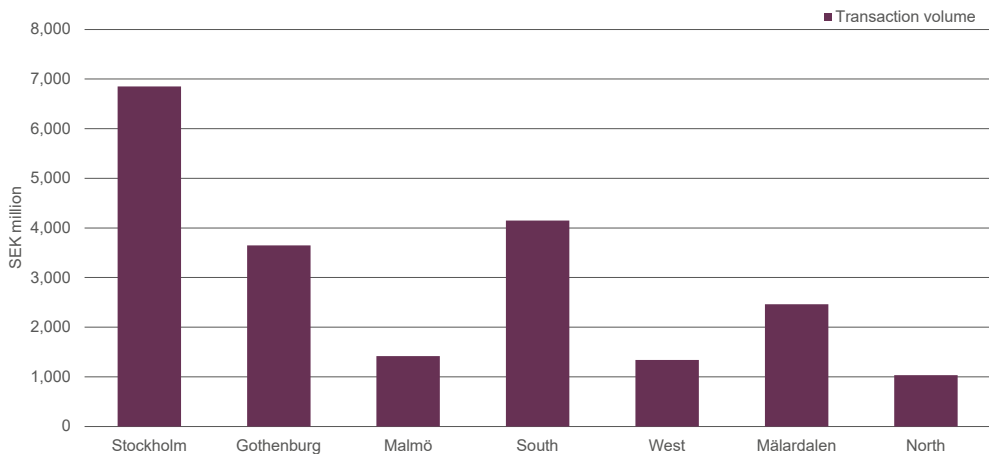
# INVESTMENT MARKET

**GRAPH 13**  
**Transaction volume in the logistics, warehouse and industrial sector**



Graph source: Savills

**GRAPH 14**  
**Geographical distribution of transaction volume in the logistics, warehouse and industrial sector in 2015**



Graph source: Savills

## Transaction volumes

The transaction market in Sweden is characterised by extreme liquidity and saw a record high transaction pace in 2015 followed by an all-time high transaction volume during the first half of 2016. The transaction volume in the logistics, warehouse and industrial sector during 2015 reached the highest volume since 2007.

The total turnover for logistics, warehouse and industrial properties amounted to approximately SEK 9.8bn in H1 2016, equivalent to 10% of the total Swedish property turnover. The volume was just under the high transaction volume in H1 2015, when the volume amounted to SEK 10bn. The transaction volume for logistics properties was approximately SEK 7.7bn in H1 2016, an increase of 32% compared to H1 2015.

The transaction pace in the sector increased drastically during 2015, with a total of approximately 99 transactions, which adds 48% to the same number presented in 2014 and

**SEK 9.8bn**  
Amount invested in the logistics, warehouse and industrial sector in H1 2016



well above the 10-year average of 66 transactions. The high transaction pace continued during H1 2016 and a total of 40 transactions were completed. It is worth noting that the sector seems to be highly liquid in spite of a weak transaction market. The number of transactions remained at decent levels in the years after the 2008 financial crisis, which is different compared to the other commercial segments such as retail and offices.

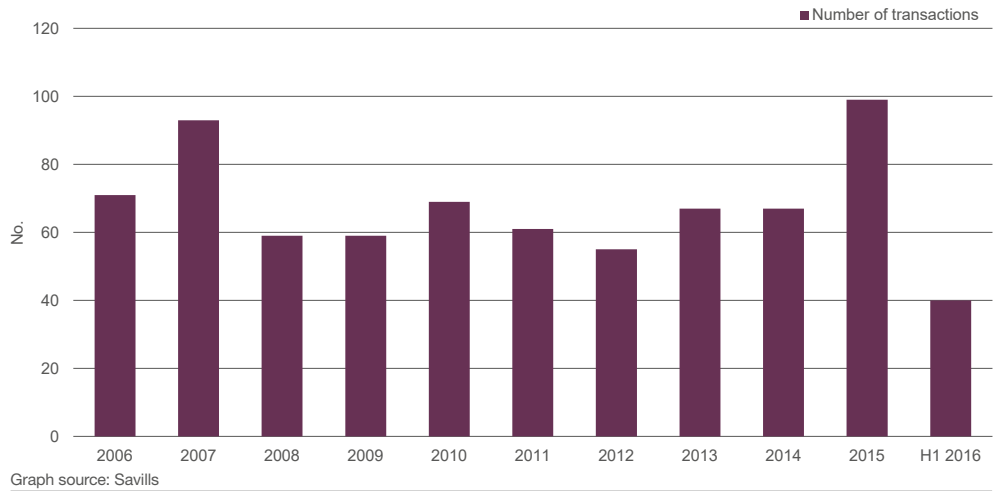
### Yields

The market was extremely well supplied with equity throughout 2015 and H1 2016, and the availability of bank financing has led to a highly competitive market where yields have continued to harden. The current yield for prime logistics in good locations with long leases and secure tenants can go as low as 5.5%, whereas yields for secondary properties are around 7.0%. We expect that yields will compress further, although at a slower pace, and it is likely that all-time low yields will be noted in the sector.

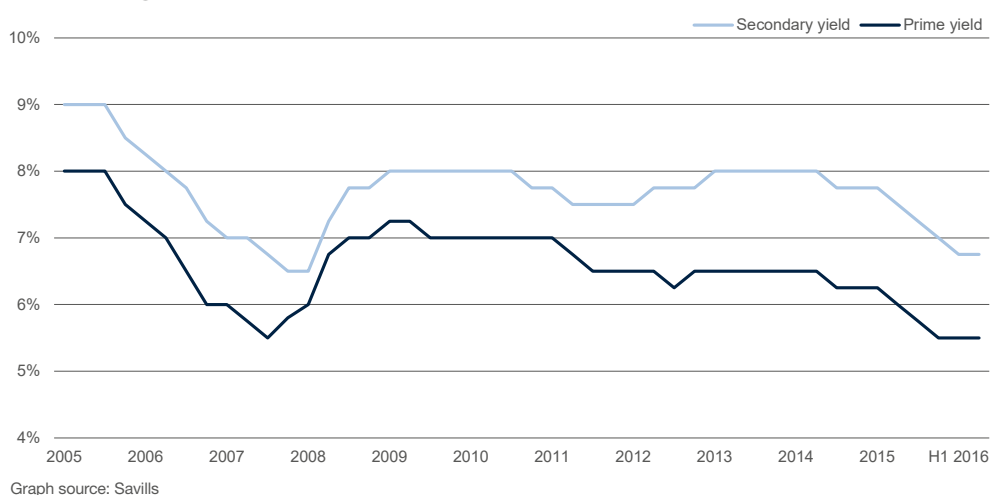
**48%**

Increased transaction pace in the logistics, warehouse and industrial sector in 2015 compared to 2014

**GRAPH 15** Stable transaction pace in the logistics, warehouse and industrial sector in spite of market conditions



**GRAPH 16** Yields logistics properties Stockholm



# MARKET PRACTICE FOR NEW DEVELOPMENTS



TABLE 2

## Technical standards, construction cost and rent

Feature	High standard logistics facility
<b>Ceiling height</b>	Approx. 12 m (increasing trend for higher ceiling height)
<b>Number of gates</b>	One per 1,000 sq m
<b>Office space</b>	5-10%
<b>Floor bearing capacity</b>	>3 tonnes
<b>Expansion possibilities</b>	Demand in most cases (initial development is approx. 30% of the site area)
<b>Environmental certification</b>	Decreasing trend
<b>Demand for rail access</b>	Yes
<b>Automated storage</b>	Increasing demand

	Terminal	Warehouse
<b>Construction cost</b>	10,000-14,000 SEK/sq m	5,000-8,000 SEK/sq m
<b>Rent</b>	900-1,300 SEK/sq m	450-900 SEK/sq m

Table source: Savills

### Technical standards - What do tenants require?

The demand from developers and tenants regarding the technical standard of the buildings has not changed notably over the last couple of years. However, some construction companies see a new trend with a greater interest for automated warehouses with, among other things, higher ceiling heights. This trend is also supported by the current pipeline, where a number of automated warehouses are under development.

The increased interest for automated storage is most likely a result of the need for faster shipping and also that personnel cost often represents the largest cost for the operator. However, high warehouse units are more costly and demand more technical installation. Fire protection sprinklers for example can only serve the normal 12 metre ceiling heights, and therefore, higher buildings need sprinklers to be set in multiple layers.

### Increased demand for shorter lease periods

In general, leases within the sector tend to be long compared to leases within other property sectors. However, developers have noted a clear trend for shorter leases among tenants. The standard lease for a newly developed facility tended to be on average 10-12 years, but tenants have started to ask for shorter leases in the 3-7 year range. Since leases often are construction cost based, tenants cannot bear the increased cost for short leases. The trend for shorter lease terms can, to some extent, be explained by third-party logistics providers (3PL) trying to match their 3PL contract duration with the lease duration.

Another reason for shorter leases can be the strong growth in the e-commerce sector. Many e-retailers or their contracted 3PL providers have difficulties in projecting their future need for warehouse and distribution space. The demand for shorter lease periods is something construction companies have to take into consideration when building new facilities. To be able to deal with this change in demand, the flexibility is an important improvement area. Flexibility, together with a longer period of notice, could facilitate the problem with having to change tenants after just a couple of years.

Demand for high storage warehouse



Demand for terminal buildings



Lease duration



### Are environmental certified buildings requested?

The environmental trend is stronger than ever and it is not something that is unique for the real estate sector; there is a demand across all sectors for more environmental friendly processes and products.

The recent prevailing trend in the property sector is that more projects strive to achieve high environmental certificates. However, for logistics the trend seems to be the opposite as fewer projects are announced with an environmental certificate. The process of obtaining the certification is not only time consuming, but also costly for the developer. The majority of the developments are, however, built in accordance with environmental standards as tenants require energy-efficient facilities, but do not require the actual certification of the building. The short production period for new facilities also acts as a constraint on certifying the asset. However, developing new properties without environmental certifications might not come without risks for the developers as some investors include environmental grading in their investment criteria.

- Demand for automated storage


- Maximum development of site

50%
- Possibility for rail access


- Demand for environmental grading



### Rent and construction costs

Rents for newly produced facilities naturally depend on the construction costs, which is a function of the different demands from tenants and developer costs. It is also highly dependent on the cost of land which varies significantly depending on the region. Typically, the market rent for modern logistics properties with normal specifications varies between SEK 500-900 per sq m assuming normal lease terms, but there are exceptions where the rent can be higher or lower depending on the appeal of the location and specifications of the building. Distribution centres tend to have a much higher rent due to the higher production costs of such facilities.

The variation in rent levels is primarily due to variations in the price of land across the country. Data of construction prices for normal warehouses range from low SEK 5,000 to high SEK 8,000 per sq m. The ground condition of a site area for example can greatly affect the construction costs. If the development site needs a lot of piling works for the foundation, the cost can increase by as much as SEK 1,500 per sq m.

The recent boom in residential development has led to a workforce shortage within the construction segment. This could lead to an upward pressure on construction costs and rents in the short-to-mid turn.

- Rents


- Construction costs


- Land prices





## SUMMARY OF KEY TRENDS



### ■ E-commerce

E-commerce will have profound implications on the logistics and warehouse sector. Consumers will require faster and more flexible deliveries which will increase requirements on the location and the characteristics of logistics and warehouse properties. E-commerce in Sweden is still relatively small compared to other countries, but with an annual average growth of 19% in the last decade, it is likely that e-commerce will gain market shares boosted by online and omni-channel sales.

### ■ Last-mile delivery

Logistics companies want to locate close to where consumers live and where the majority of the trade takes place. It is likely that last-mile delivery centres will be developed in city-close areas, mainly in Gothenburg and Stockholm. Consumers will expect same-day delivery or even same-hour delivery and retailers, as well as logistics providers, need to be able to manage complex orders and distribution channels in urban environments. The demand for last-mile delivery centres in areas located close to the city centre is likely to increase rapidly as a result of the changes in consumers' expectations and shopping behaviour due to the integration of online and offline shopping. It is likely that last mile-delivery centres will grow to become a new asset class in the near future.

### ■ Automatic warehouses

Supply chain management is a business that has grown rapidly in recent years with the driving force being the rapid growth in the e-commerce sector and the advancement in technology. Today, semi- and fully-automated warehousing and order-picking solutions are in place, especially in small-item logistics, and the trend is likely to extend to a greater extent and for larger products. Automatic warehouses located within the "last mile" of consumers will shorten delivery times and increase flexibility significantly.

### ■ Will speculative developments be a part of the future?

In 2016, approximately 26% of the total construction volume will be speculative developed and the question is whether speculative developments will be a part of the future. The trend towards more advanced and automated facilities is likely to limit the possibilities for speculative developments, since most projects will be developed for a specific tenant.

### ■ Demand for rail access

Another trend that is expected to appear in the future is an increasing demand for the possibility of rail access. The EU's White Paper on transport suggests that 30% of the road transports longer than 300 km should be transported by other modes by 2030, on railway for example. This is a trend some have been expecting for a while, however, goods transported by road are increasing. The combined transport performance for goods transported by road, sea and railway is expected to increase 50% by 2030.

Environmental awareness should lead to an increased demand for rail access (the most environmentally friendly mode of transport) for the medium to long transport routes. The lack of demand can partly be explained by the large expenses involved and partly by the already crowded rails. It is a problematic investment and a project that should be undertaken in collaboration with the municipalities.

### ■ Shorter lease periods

A clear trend of shorter lease periods has been noted. Tenants have started to ask for leases within the 3-7 year range which is significantly shorter than the considered average of 10-12 years. One reason for the shorter leases may be the strong growth of e-commerce — many e-retailers or their contracted 3PL providers have difficulties in projecting their future needs for warehouse and distribution space. To be able to deal with this change in demand, flexibility is an important area of improvement. Flexibility, together with a longer notice period, could facilitate the problem with having to change tenants after just a couple of years.

### ■ Young consumers demand faster deliveries

There is a significant difference between the expected delivery time between younger and older consumers. 39% of the consumers within the age of 18-29 think it is important to have goods delivered the next working day, whereas this figure is only 21% for consumers within 50-64 age group. Consumers in Sweden require a 12 hour faster delivery in 2015 compared to 2014 and the requirements will increase further, especially for younger generations.

### ■ New concepts take deliveries to a new level

New concepts, such as Amazon Prime Now and Volvo In-car Delivery, are setting new standards when it comes to fast and flexible deliveries. Amazon Prime Now guarantees deliveries within the hour for certain goods and Volvo In-car Delivery allows for consumers to have their goods delivered to the trunk of their car whenever they require. It is likely that similar concepts will emerge and increase the demand for city-close logistics and warehouse properties.

### ■ Will Stockholm manage the future?

The future trend of positioning logistic centres in proximity to cities will require large sites for new developments. The availability of land is fairly good in the metropolitan areas of Malmö and Gothenburg, while there are limitations in the already heavily developed city of Stockholm. Stockholm is the largest city in the Nordic countries in terms of population, consequently making it a strong trade area which increases the demand for city-close distribution centres. The question is how Stockholm will manage this expected increase in demand and where possibilities to develop new facilities will arise.

### ■ Legislation/road taxes can quickly shift interest to rail, but is the capacity there?

The demand for rail access today is still fairly low but potential changes in legislation and road taxes can quickly shift the interest to rail which could be troublesome for the logistics industry. In Sweden, both passenger and goods transport share the same, already crowded, railway and an increase in transportation of goods would likely exceed today's capacity. The number of vessels is decreasing which would become a limitation if the interest of rail transportation increased.

### ■ Driverless vehicles

There is a strong chance that the logistics sector will adapt driverless vehicles faster than other industries, which will have a major impact on the flexibility of deliveries as well as the location of logistics and warehouse properties. Driverless vehicles will have huge effects on both long- and short-distance transportation of goods. In urban environments, in combination with last-mile delivery centres, driverless vehicles will allow for faster and more efficient deliveries. Long distance transportation will become independent of physical drivers, hence, goods will be transported in a more efficient, safe and faster way and warehouses will become less dependent on the location.





## Savills Sweden

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