



Industrial futures

The market for industrial property over the next decade

This study is being carried out and promoted as part of the RICS Foundation initiative aimed at raising awareness of possible futures for the real estate industry.

RICS FOUNDATION



1 Introduction & Objectives

The industrial property market has seldom been such a popular destination for investment funds. Over the past five years, consistently high total returns have placed it on the “buy” list for many investors. Yet this is set in a context in which much manufacturing industry continues to struggle and efficiency considerations continue to squeeze costs in warehousing and logistics.

Over the next decade amongst other things manufacturing industry must cope with massively increased global competition from China and the low cost base offered by the east European states acceding to the European Union in 2005.

How will these factors affect industrial property markets? Will we see an early-eighties style rationalization of the industrial stock reducing it still further? Or might we see a manufacturing renaissance led by high-quality, high-value products for the global market?

Distribution space has no fewer clouds on the horizon. Rigorous implementation of the working hours directive, for example, may well see an industry optimized around a completely different working pattern struggling to rebuild itself.

This report uses the existing UK industrial property market as its base and reports the expectations of the main stakeholder groups against a set of ten-year scenarios. For investors, developers and occupiers of industrial space this will provide important information for their long-term strategy.

2 Project inputs

There will be four main inputs to the research:

- A comprehensive literature review of industry and real estate sources;
- An empirical survey of industrial property investors, owners and occupiers throughout Europe to assess current practices and future expectations;
- An empirical survey of industrial occupiers to identify their expectations of change; and
- A set of in-depth interviews with members of each stakeholder group.

The survey and interview data will be set in the framework of different scenarios, identifying potential impacts upon different business processes and, in turn, mapping them onto different building types.



3 Project Outputs

Report

The main output from the project will be a report of circa 100 pages.

In structure (a draft table of contents is attached) the report will set the industrial market in context using political, economic, social and technological frameworks.

The trends apparent in the industrial market will be defined and discussed and the sector split down into standard industrials, distribution warehouses and workshops. For each of these categories, the spatial and occupational characteristics will be defined and the drivers discussed.

Future expectations based upon survey data will be placed in the context of scenarios based upon legislative change, economic pressure, social considerations and new technology.

The conclusions will include a detailed analysis of the prospects for each industrial type including changes in patterns of demand, supply and implications for the performance of the sector.

The report will be launched formally at the end of the project.

Website

Because this is a dynamic, fast-changing area, the content of the report will be supplemented by a website.

This will act both as a platform for discussion and an archive of case studies and scenarios developed by the project. The site will have a secure content area for project participants only giving access to the survey data, but also an open area for interested observers.

The website will survive the project for a minimum period of two years and provide an ongoing framework for discussion.

Workshops

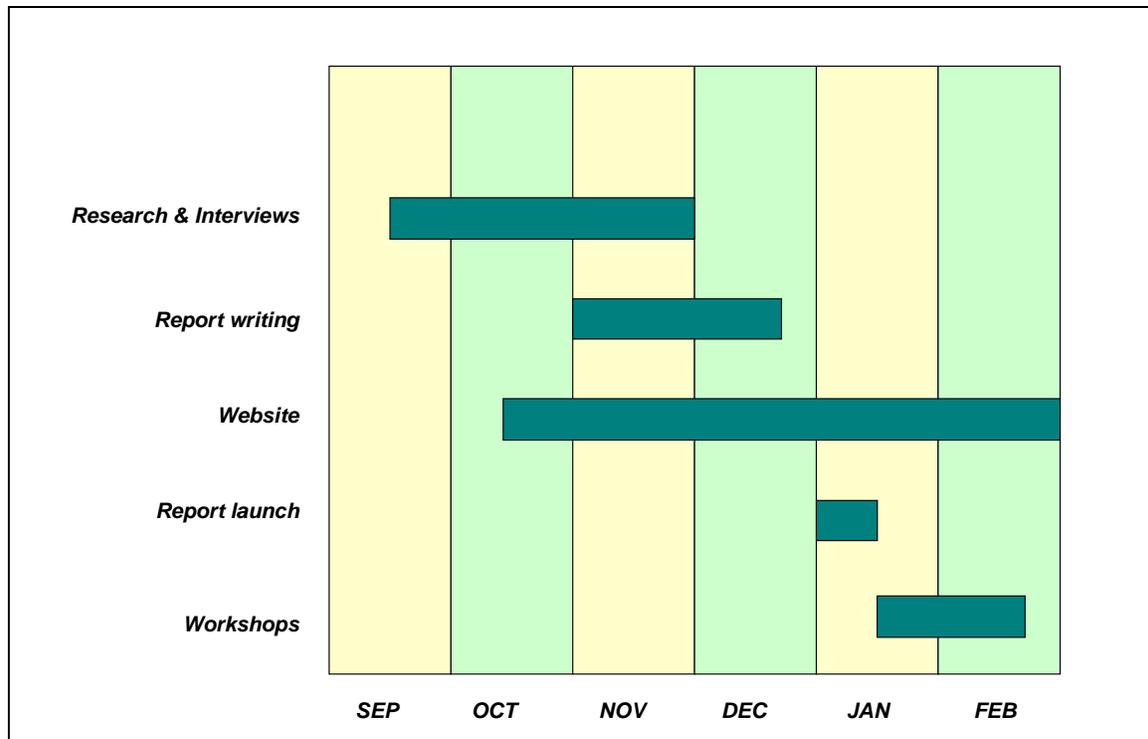
In addition to the formal launch of the project report, a series of workshops will be set up to present the detail of the research and to foment further debate on the issues raised. These will be a mixture of sponsor-only and public meetings.



4 Resources & Timetable

The project will be run by Bob Thompson, founder of RETRI Group and formerly Head of Research at King Sturge. He is widely published in the area of industrial real estate and is a market commentator of long-standing.

The timetable for the project is shown below. Subject to a critical mass of five participants, the report is expected to be launched at the beginning of January 2004, with workshops following on into February.



The project will cost £3,000 per participating company plus VAT. Invoices will be raised once the final written report has been presented.

Sponsors will also be invited to participate actively in the project, particularly as interview subjects and in the development of real estate scenarios.

To discuss the project further, or to confirm your interest, please contact:

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Draft Table of Contents – Industrial Futures

Introduction		
Context		<i>Setting out the external context to the industrial market</i>
	Political	<i>Industrial policy and legislative change</i>
	Economic	<i>Economic climate and changes to the competitive landscape</i>
	Social	<i>Environmental and employment issues</i>
	Technological	<i>New technologies and advanced implementations</i>
The UK industrial property market		<i>Defining the structure and identifying trends affecting the overall market for industrial property</i>
	Manufacturing	<i>Defining the location, characteristics and drivers affecting manufacturing property.</i>
	Distribution	<i>Defining the location, characteristics and drivers affecting distribution property.</i>
	General services	<i>Defining the location, characteristics and drivers affecting workshop property.</i>
Futures		<i>Comparing the expectations expressed in interview and survey data against scenarios of change.</i>
	Legislative change	<i>What impact will new rules have?</i>
	Economic pressure	<i>How will competitive changes affect the market?</i>
	Social trends	<i>How important will sustainability become?</i>
	Technological advances	<i>Will technology ride to the rescue?</i>
Conclusions		<i>Projecting likely impacts upon the industrial property market.</i>
	Patterns of demand	<i>Implications for occupiers and investors</i>
	Supply changes	<i>Implications for developers and planning authorities</i>
	Implications for performance	<i>Implications for owners and investors</i>

Full survey data will be made available electronically as an appendix to the report

