

# Real Estate to go

*All Eyes on Industrial*

Issue 3 - November 2020

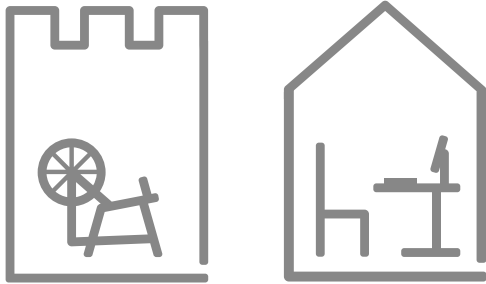
## The perks of revolting

The benefits of the Industrial Revolution (1760-1860), which was one of the most important events in history, were an overall increase in wealth and living standards. By 1850, it had made Great Britain the wealthiest country in the world. The Industrial Revolution also re-organised human labour: factories replaced shops and home workrooms. Funny though, that recent workplace dynamics are now bringing us back again to home workrooms due to the ability of digital workplaces.

## The evolution of workplaces

19th century

21th century

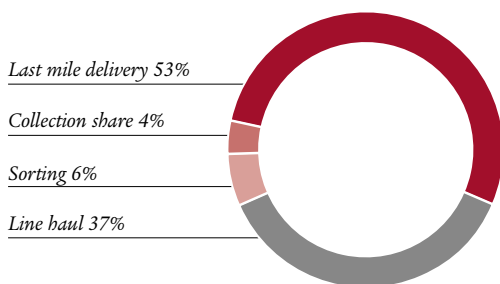


Sources: Jackson J. Spielvogel (2012); Economist; The Library of Economics and Liberty

## The cost of speed

The share of e-commerce is rising steadily. Simultaneously, customers are expecting their orders to be delivered as soon as possible. The so-called “last mile delivery” is ensuring a timely delivery and is putting e-commerce companies at a competitive advantage. However, this competitive advantage comes at a cost: more than 50% of the total delivery costs are attributable to the last mile. Nevertheless, the cost of speed can be worthwhile as consumers are willing to pay a premium for same-day delivery services.

## Costs of delivery



Sources: Business Insider Intelligence; Onfleet; Capgemini Research Institute

## Revolution at speed

16.3% is the compounded annual growth rate of the global Industry 4.0 market until 2026. By then, the global Industry 4.0 market, which is pushing the automation of traditional manufacturing and industrial practices, is expected to reach over EUR 220 bn. This value equals the GDP of Peru in 2019.

# 16.3%

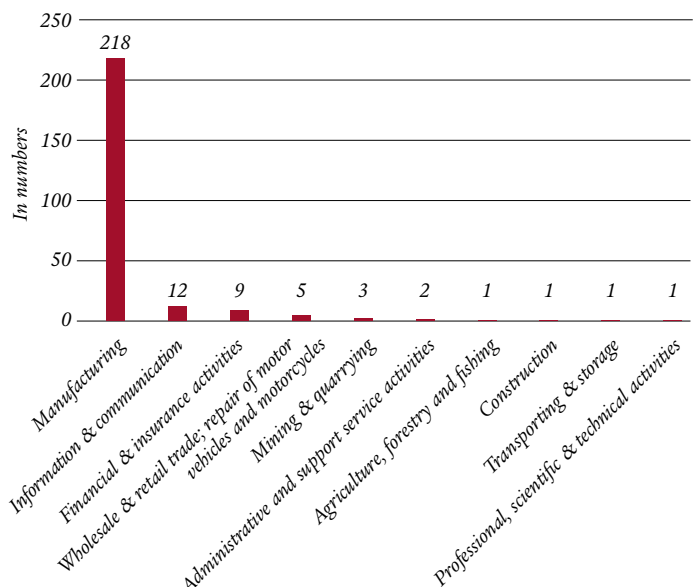


Sources: Fresno Observer; Worldbank

## Back to the roots

Reshoring – the relocation of production – is almost exclusively affecting the manufacturing sector. According to a study by Eurofond, more than 85% of all reshoring cases between 2014 and 2018 occurred in the manufacturing sector. Furthermore, the majority (>90%) of the analyzed companies reshored directly to their home country. Top reasons for reshoring production include, i.a., speeding up delivery times, which is an aspect of the megatrend urban logistics, and automation of production process, which is an Industry 4.0 matter.

## Reshoring in Europe – breakdown by number of reshoring cases and sector

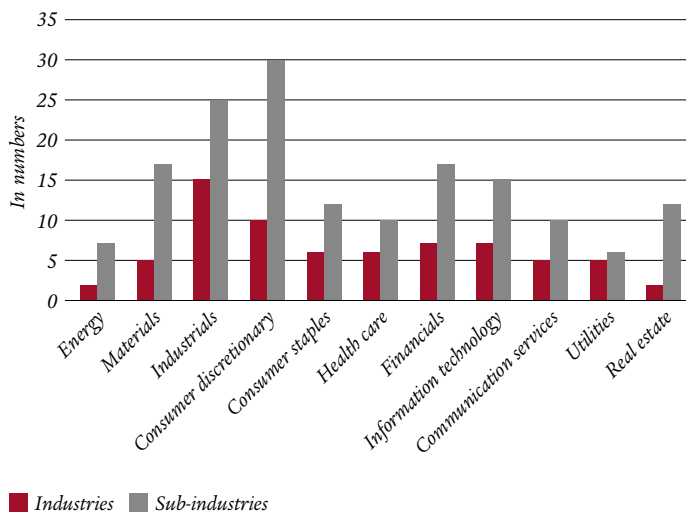


Source: Eurofound (2019)

## King of diversification

Diversification is necessary for risk management. In the context of sectors, it refers to a wide range of sub-industries. According to the common global classification standards (GICS) there are 11 sectors, which covers into multiple industries and sub-industries. Among the eleven sectors, the industrial sector comprises the most industries (15) and the second-most sub-industries (25). Thus, it could be considered a diversified sector. Moreover, recent academic research finds that the default correlation within industries is slightly below the median for manufacturing industries.

Number of industries and sub-industries per sector according to GICS

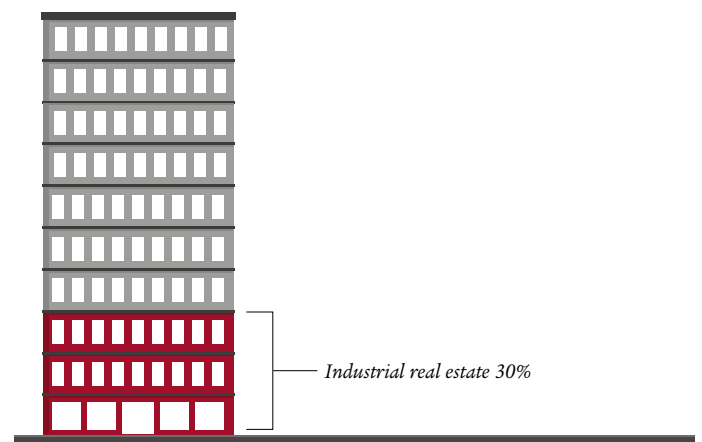


Sources: MSCI/Standard and Poor's; SLAM; Qi, Shi, and Xie (2019)

## The silent giant

Industrial real estate<sup>1)</sup> accounts for 30% of the entire commercial real estate property market value in Europe. Furthermore, data from the U.S. indicates that industrial real estate also accounts for roughly 30% of the square footage of the entire commercial property sector. It thus represents the largest sector with respect to occupied floorspace. Thirty, in general, seems to be the magic number when it comes to the industrial sector. It also accounts for one-third of the world's energy use, and therefore more than any other end-user sector of the economy.

The commercial real estate skyscraper



Sources: European Central Bank; NAREIT; Institute for Industrial Productivity

<sup>1)</sup> In a broader sense according to ECB. According to Swiss Life Asset Managers, industrial real estate comprises of four object classes: warehouse property (< 10,000 sqm), business parks, light manufacturing property and conversion property.

## Research



**Gudrun Rolle**  
gudrun.rolle@swisslife-am.com



**Francesca Boucard**  
francesca.boucard@swisslife.ch

Are you interested in our range of services and the research published by our company?

If so, contact us at: [info@swisslife-am.com](mailto:info@swisslife-am.com)

For more Information visit our website at: [www.swisslife-am.com/research](http://www.swisslife-am.com/research)



**Impressum:** Publisher: Released and approved by the Economics Department, Swiss Life Asset Management Ltd., Zurich • Editorial Board: Gudrun Rolle  
Translations: Swiss Life Language Services • Layout/Design: Thomas Grommes

**Disclaimer:** Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements, which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. **France:** This publication is distributed in France by Swiss Life Asset Managers France, 153 rue Saint Honoré, F-75001 Paris to its clients and prospects. **Germany:** This publication is distributed in Germany by Corpus Sireo Real Estate GmbH, Aachener Strasse 186, D-50931 Köln; Swiss Life Invest GmbH, Zeppelinstrasse 1, D-85748 Garching b. München and BEOS AG, Kurfürstendamm 188, D-10707 Berlin. **UK:** This publication is distributed by Mayfair Capital Investment Management Ltd., 2 Cavendish Square, London W1G **Switzerland:** This publication is distributed by Swiss Life Asset Management Ltd., General Guisan Quai 40, CH-8002 Zurich.