

ALL EYES ON ECOSYSTEMS

How Logistics Leaders Are Embracing The Ecosystem Evolution

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Logistics real estate leaders are actively seeking new sources of value – and ecosystems are one of the big winners in 2023.

Why are all eyes on ecosystems? And how can you position your logistics business to prosper in the ecosystem era? Read our latest thought leadership paper to find out.



Focus on the Future

Logistics assets were the darling of the commercial real estate sector over the pandemic period, underpinned by heavy demand from e-commerce companies and pharmaceutical firms.

Global headwinds are now blowing harder.

Higher borrowing costs and cautious consumer spending have forced some large occupiers to reassess their space and the 'just-in-case' mindset.

Nevertheless, an acute shortage of modern, institutional-grade facilities remains – as does the consumer demand for vast choice and fast delivery.

The logistics challenge becomes more complex each year, but the outlook is optimistic.

As highlighted by [C.H. Robinson](#), "Resilience and diversification will remain critical within the logistics sector in 2024."

But the region's real estate front runners are always on the hunt for new value – and that is why they are eyeing ecosystems.

STEADY AND ON TRACK

14%

of Leasing Activity - During Q3, take up totalled almost 6.3 million sqm of logistics space or 14% above the previous quarter's level.

4.3%

of Vacancy Rate - Supply pressure remains high as construction activity struggles to keep up with demand for new space. At the end of Q3, the average European vacancy rate was 4.3%.

10.8%

of Rents - Weighted European average prime rental growth hit 10.8% year-on-year in Q3.

Source: JLL, [European Logistics Market Update Report](#) – November 2023



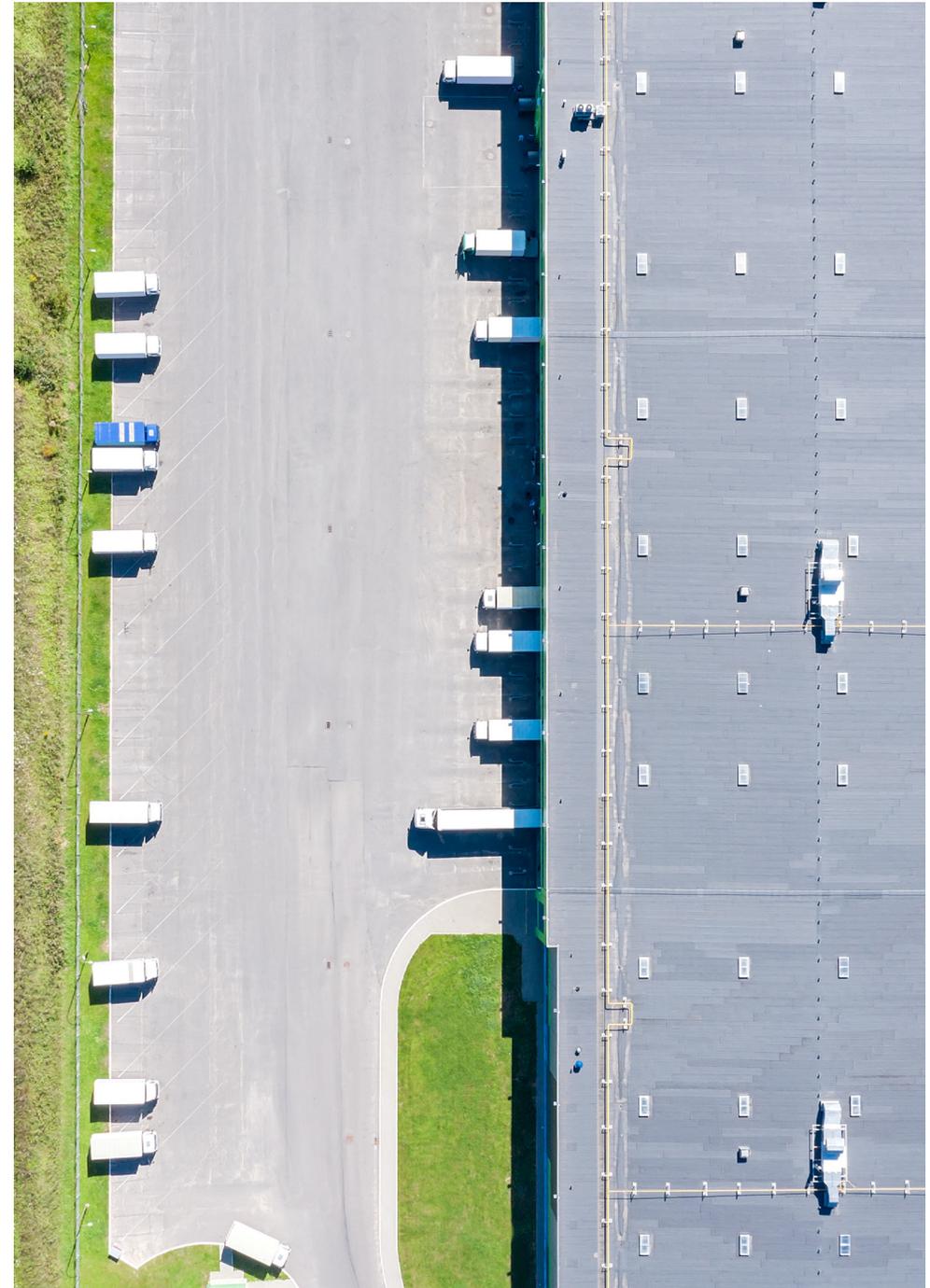
Ecosystems Unpacked

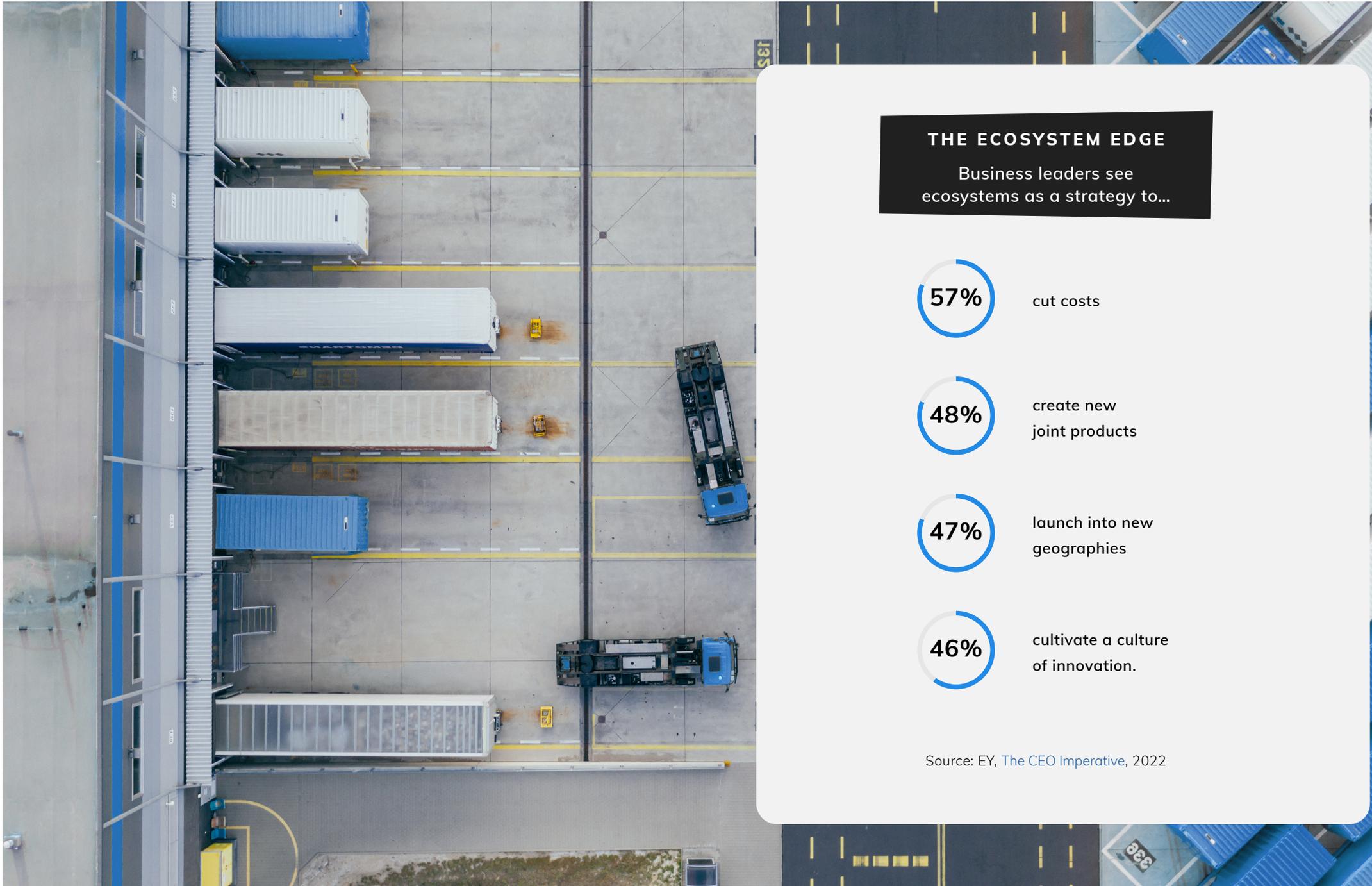
There are many types of ecosystems, ranging from Amazon's marketplace to the code-sharing model that airlines embrace.

Ecosystems make it easier for each player to share information, collaborate around a common purpose and create new value.

In the context of logistics real estate, an ecosystem is a Network of interconnected businesses, organisations and infrastructure that supports the movement of goods and materials through the supply chain. This ecosystem can include transportation providers, logistics companies, warehousing and distribution facilities, technology providers and more.

Solving the big challenges – whether supply chain volatility, cyber security or climate change – requires much larger and more sophisticated group of players than it did in the past.





THE ECOSYSTEM EDGE

Business leaders see ecosystems as a strategy to...



cut costs



create new joint products



launch into new geographies



cultivate a culture of innovation.

Source: EY, The CEO Imperative, 2022



A System of Shared Value

A partnership between one landlord and one tenant is no longer relevant when large tenants have multi-national footprints.

When a group of stakeholders leverage technology in a logistics real estate ecosystem, they can optimise operations, reduce costs, improve customer satisfaction and confront other big challenges.

An ecosystem is more than a partnership or a joint venture. It is an interdependent platform for collaboration and the creation of shared value.

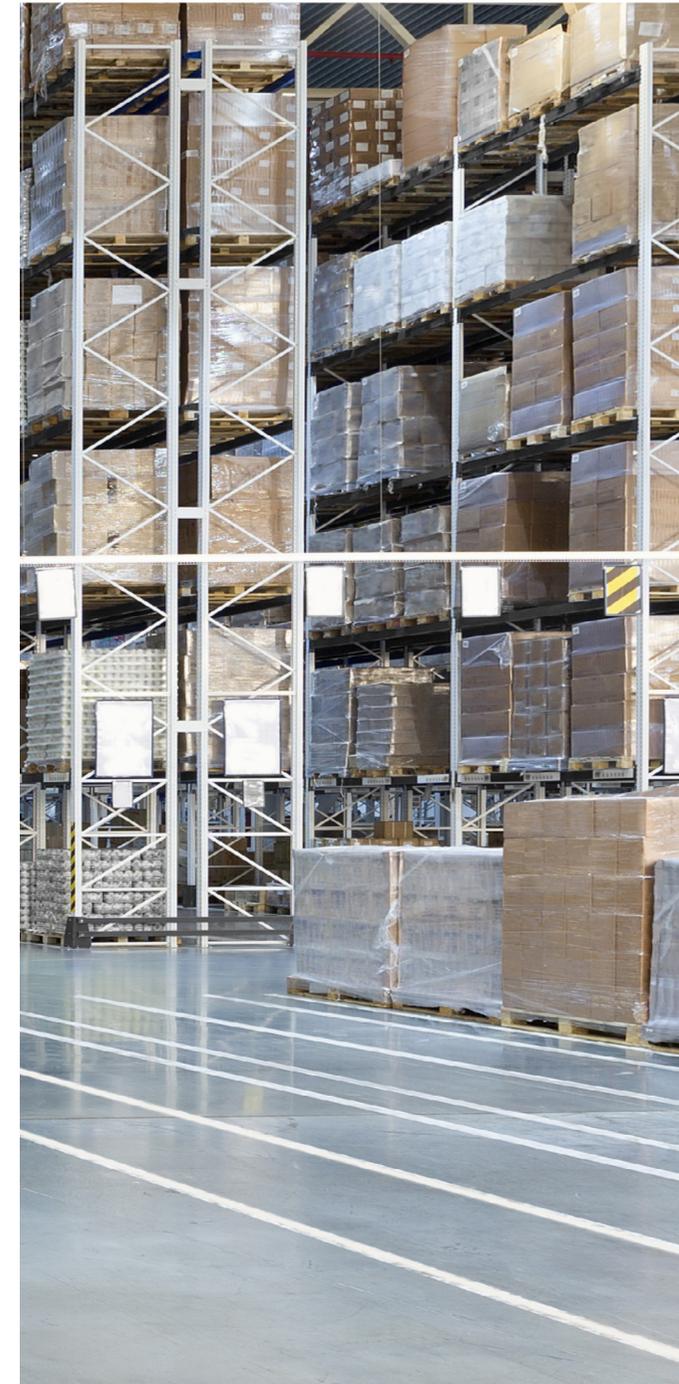
Communication and coordination are central to any effective ecosystem.

Therefore, technology is at the heart of the ecosystem evolution.

Profitable partnerships

"By the end of 2023, organisations that share data, applications or operations with their ecosystem partners through joint ventures will increase profitability by 5%."

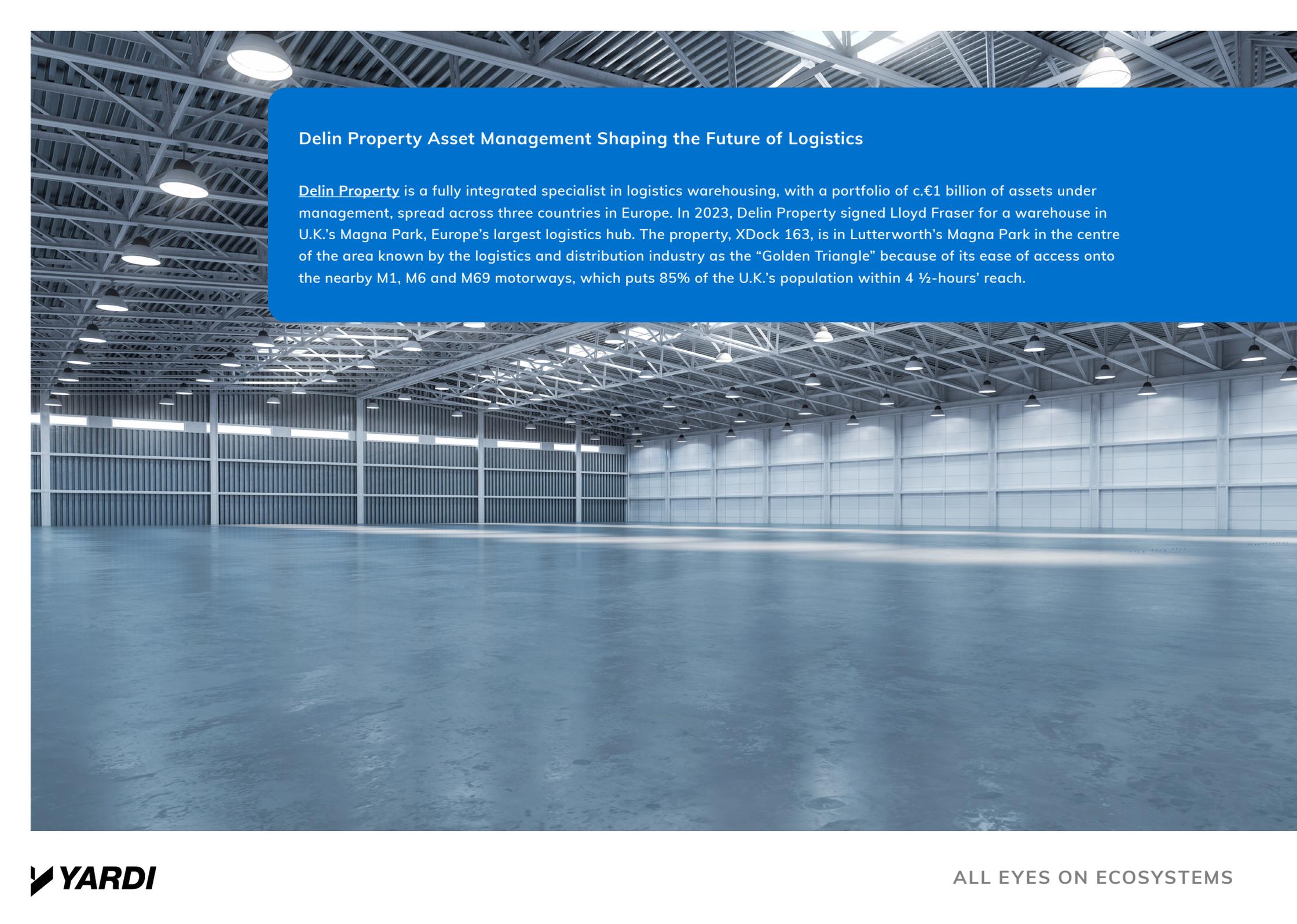
IDC FutureScape: [Top 10 Predictions for the Future of Industry Ecosystems](#)





Real World Real Estate Ecosystems

Each ecosystem is diverse, but all share two characteristics: **interconnectedness and innovation**. Here are a few of Europe's revolutionary real estate ecosystems.

The background of the slide is a photograph of a vast, empty industrial warehouse. The ceiling is high and features a complex network of white steel trusses and numerous circular pendant lights. The floor is a smooth, light-colored concrete that reflects the overhead lights. The walls are also white and appear to be made of large panels. The overall atmosphere is clean, modern, and spacious.

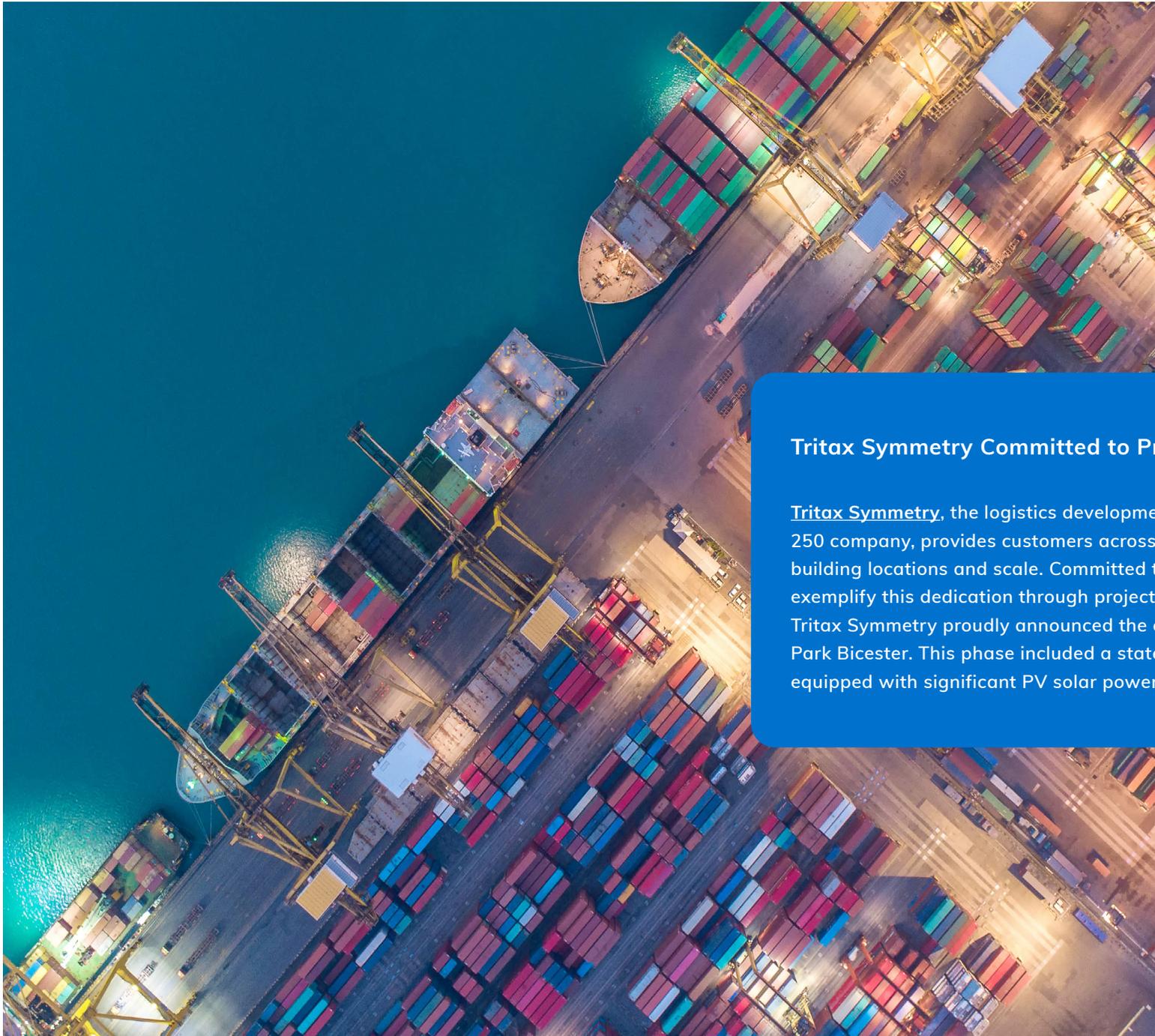
Delin Property Asset Management Shaping the Future of Logistics

Delin Property is a fully integrated specialist in logistics warehousing, with a portfolio of c.€1 billion of assets under management, spread across three countries in Europe. In 2023, Delin Property signed Lloyd Fraser for a warehouse in U.K.'s Magna Park, Europe's largest logistics hub. The property, XDock 163, is in Lutterworth's Magna Park in the centre of the area known by the logistics and distribution industry as the "Golden Triangle" because of its ease of access onto the nearby M1, M6 and M69 motorways, which puts 85% of the U.K.'s population within 4 ½-hours' reach.



Dream Industrial Delivering on Sustainability

Dream Industrial REIT is an unincorporated, open-ended real estate investment trust. As at December 31, 2023, Dream Industrial REIT owns, manages and operates a portfolio of 327 industrial assets totalling approximately 71.4 million square feet of gross leasable area in key markets across Canada, Europe and the U.S. Since 2022, Dream Industrial REIT delivered substantial completion on 14 roof-top solar installation projects in the Netherlands and Western Canada that are estimated to generate 89,000 tCO₂e savings over the lifetime of the project.



Tritax Symmetry Committed to Provide Best-in-Class Logistics

Tritax Symmetry, the logistics development arm of Tritax Big Box REIT plc, a FTSE 250 company, provides customers across the UK with unparalleled options in building locations and scale. Committed to delivering greener logistics buildings, they exemplify this dedication through projects such as Symmetry Park Bicester. In 2023, Tritax Symmetry proudly announced the completion of the first phase of Symmetry Park Bicester. This phase included a state-of-the-art net-zero logistics building equipped with significant PV solar power generation and EV car charging points.



P3 Group Moves With the Times

Europe's leading long-term logistics real estate investor and developer [P3 Group](#) has recently hit sustainability milestone with first warehouse ([Brownfield Site in France](#)) powered by geothermal energy. As part of the innovative project, P3 hired energy efficiency expert, [Accenta](#), to dig down into the earth to access geothermal heat. Pipes carry it from 200 meters underground, up into P3 Rouen, providing 77% of the new building's heating needs, with the remainder provided by an air-source heat pump. The innovative pilot scheme at P3 Rouen places the new warehouse in the vanguard of clean energy adoption in France and across Europe. While displaying "P3's commitment to cutting their environmental impact" by creating innovative modern warehouses.

Panattoni Creates Green Energy

Panattoni Europe, the largest logistics and privately owned industrial developer in Europe (with a client list of 2,500 international, national and regional companies), are spearheading efforts to build a greener future through the delivery of an energy park in Kettering, UK. The project involved the installation of nine GE 1.6MW turbines, to create a new 14.4MW wind farm at the site. The wind farm has saved an average of 12,831 tonnes of CO2 each year. In its remaining 15 years of life it is expected to save another 201,000 tonnes of CO2. Furthermore, as part of this project, leading members of the Panattoni team also designed a prototype for local energy generation that linked renewable energy technologies, local businesses and the local community in a virtuous circle of production and consumption.



Opportunities & Obstacles

Technology creates new opportunities. But it also creates new obstacles that can only be solved by ecosystems. Consider the complexities of:

Autonomous & Electric Vehicles

Self-driving trucks, EV's and drones are already revolutionising transportation. However, ensuring safe implementation demands careful coordination among logistics companies, landlords, technology providers and regulatory bodies.

Cloud Computing

Scalable and flexible computing resources empower logistics ecosystems to effectively manage data, applications and infrastructure. Although, not without the help of cloud providers, cyber security experts and IT services.

Blockchain

A secure, transparent and decentralised ledger that speeds up transactions and enables smart contracts is possible only when developers, designers, regulators and industry participants work together.

5G Networks

Telecommunications companies, equipment vendors and network operators hold the master key to the faster, reliable and secure wireless connectivity needed for real-time tracking and monitoring of goods, vehicles and assets.

Internet of Things (IoT)

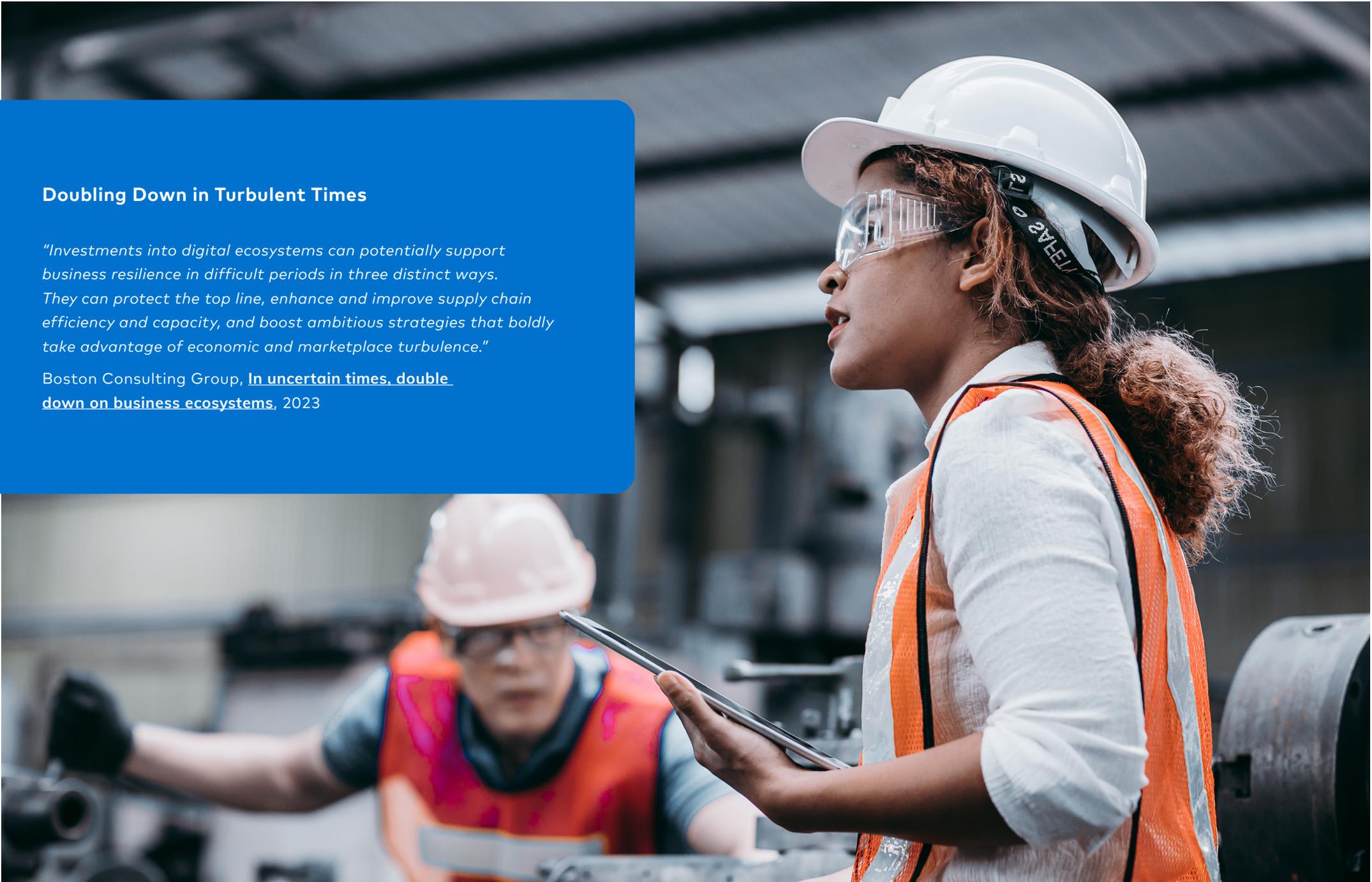
IoT sensors and devices can collect and analyse data to help logistics companies make more informed decisions and optimise operations. But the vast pools of data collected by IoT must be systematised – and that requires a partnership with technology and cloud providers.



Doubling Down in Turbulent Times

"Investments into digital ecosystems can potentially support business resilience in difficult periods in three distinct ways. They can protect the top line, enhance and improve supply chain efficiency and capacity, and boost ambitious strategies that boldly take advantage of economic and marketplace turbulence."

Boston Consulting Group, [In uncertain times, double down on business ecosystems](#), 2023





Five Steps to Prepare for the Ecosystem Evolution

How can leaders in logistics real estate sector prepare for the ecosystem opportunity?





1. Optimise your Data Management

European real estate companies are focusing on property technology.

Over 61% of those surveyed in the Yardi x EPRA report state that proptech will majorly impact their business in the next five years.

The acceleration of digitalisation and technology uptake in the real estate sector is flourishing and becoming a strategic priority and competitive differentiator for real estate companies, as highlighted in a recent Ernst & Young article.

In the Yardi x EPRA report, 66% believe technology is a business topic – rather than an IT topic – which shows a significant progression in the industry's mindset towards data management and digitalisation.

Furthermore, since 2022, European real estate companies have increased their use of proptech solutions by 9%.

“While many companies are looking at business process automation and artificial intelligence, a sizeable proportion of Europe's real estate industry is still operating from spreadsheets. Using spreadsheets will give you an answer... just not fast.”



Neal Gemassmer
Vice President and GM of International for Yardi

Smarter space decisions start with data

Yardi's new tool, **Planimetron**, integrates real estate and spatial data to provide graphic-rich insights into space management. With colour-coded floor plans, charts, reports and other decision support tools, logistics landlords can see their portfolios from new angles.



2. Take to the Cloud

Instant, mobile, anytime, anywhere access is only possible when your business is in the cloud.

But why is cloud computing important for ecosystem partnerships?

- **Collaborative** seamless communication and information sharing in real-time enhances the speed, clarity, visibility and effectiveness of joint decision-making.
- **Scalable** solutions give ecosystem partners the option to scale up or down their resources depending on their business needs.
- **Flexible** systems with the scope to integrate a variety of platforms and technologies promotes interoperability and enhance ecosystem efficiency.
- **Cost-effective** access to on-demand resources eliminates the need for unnecessary IT infrastructure.
- **Secure** systems with advanced security measures, redundancy, backups and strict access controls.

All ecosystem participants will have different systems, devices, applications and networks. None will be prepared to lower their standards. Prepare for the ecosystem evolution now by embracing common taxonomies, integration standards and cloud platforms.

The Sky's the Limit

Yardi was named among the [Forbes 2023 Cloud 100](#), taking a spot on the definitive ranking of the top 100 private cloud companies in the world for the seventh year in a row.

3. Get Serious About Cyber Security

As IoT adoption accelerates, the millions of siloed clusters of smart devices are becoming fully interconnected ecosystems.

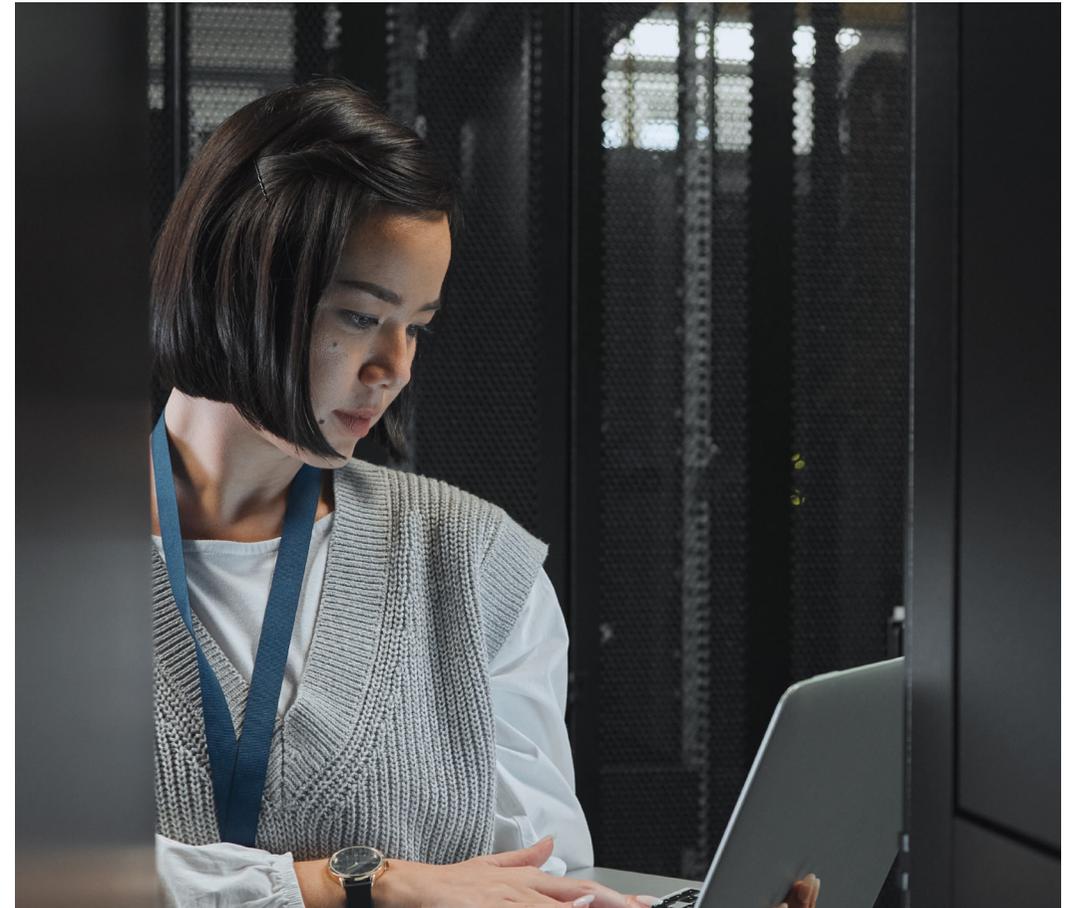
[McKinsey forecasts](#) the IoT suppliers' market will reach \$300 billion by 2025, with 8% CAGR from 2020 to 2025 and 11% CAGR from 2025 to 2030.

Billions of connected devices, communicating through diverse operating systems, networks and platforms, bring big cyber security challenges.

Governments around the Europe are tightening up their regulation in response to the rise in cyberattacks. Consider the following responses from governments.

- The UK government launched a £2.6 billion National Cyber Strategy to protect and promote the UK online. This strategy includes guidelines to help directors and business leaders boost their resilience against cyber threats, emphasising the importance of prioritising cyber threats as a key business risk.
- A new law in France came into force in April 2023, ruling that victims of cyberattacks will have 72 hours to report an incident to receive reimbursements under their cyber security insurance policy.
- The German government established a special police unit to combat cybercrime, reflecting the government's commitment to addressing cyber security challenges through legislative means.

Compliance is hard for companies of all sizes, but especially for small players without the apparatus, technical teams and legal brains. The best solution? An ecosystem with everyone from clients to competitors collaborating to combat the challenge head on.



"Our digital lives can only work well if there is general public trust in the cyber security of IT products and services. It is important that we can see that a product has been checked and certified to conform to high cyber security standards. There are currently various security certification schemes for IT products around the EU. Having a single common scheme for certification would be easier and clearer for everyone."

European Commission, [Shaping Europe's Digital Future - Cyber Security Policies](#), 2023

4. Set Net Zero Targets

Buildings are responsible for 42% of annual CO2 emissions, according to [Architecture2023](#).

The hundreds of millions of vehicles that transport goods also pump emissions into the atmosphere – [with transport accounting for 22%](#) of the world's carbon footprint.

Eliminating emissions from the logistics sector will take breakthroughs in technology and business models – underpinned by an unparalleled commitment to multistakeholder collaboration.

Ecosystems of investors, regulators, customers, employees and others will translate ambition into action – but joining net zero ecosystems will require credible commitments and transparent targets.

Take the [Net Zero Asset Owner Alliance](#), for instance. Convened by the United Nations, the Alliance represents 85 institutional investors with USD \$11 trillion assets under management. As Alliance members transition their investment portfolios to net zero by 2050, they are scrutinising every asset and every partnership against four principles - governance, alignment, stewardship and transparency.





5. Experiment with Artificial Intelligence

With generative artificial intelligence, we can now teach a machine to not just analyse, but to learn, imitate and innovate.

Generative AI tools are already capable of passing legal exams and writing poems, crafting jokes and coding websites.

As people realise generative AI's potential, the market has exploded.

From USD\$7.9 billion in 2021, [analysts expect the market size](#) for generative AI to top \$110.8 billion by 2030. That's a compound annual growth rate of 34.3%.

Chatbots, like those integrated into [Yardi's RentCafe](#), can take on the repetitive tasks that once dominated the days of leasing agents and landlords, freeing them to focus on higher-value work that involves the human head and heart.

Generative AI programs, such as ChatGPT, can automate parts of the payment and invoicing process by pre-filling vendor forms, e.g., to accelerate approvals and payments. ChatGPT can create first drafts of leases, purchase agreements, information brochures, advertising copy and emails in seconds.

Generative AI can also aggregate and interpret data at speed to help you make better decisions. What does this mean for ecosystems? It means your partners will be playing in the AI sandpit – and so should you.



Energised Ecosystems are Ahead

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