

August 31, 2018

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## CBRE Releases Special Report “City Logistics: A New Era of City Warehouses”

### Last Mile Delivery Poses Challenge for Logistics Sector, But City Warehouses Offer Potential Solution

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CBRE today released “City Logistics: A New Era of City Warehouses”. The report considers the value of city warehouses as a means of facilitating the growth of logistics services in urban areas and examines the current situation in the Greater Tokyo area.

- The difficulty in sustaining shipping services, coupled with a rise in transportation fees, is affecting many business sectors in Japan.
- The increase in e-commerce and small-scale retailers such as convenience stores is leading to growing numbers of items being shipped in smaller lots and at greater frequency. This is causing a drop in efficiency and has also led to a shortage of truck drivers.
- One possible solution to raise the overall efficiency of delivery services is to establish intermediate bases in areas closer to the final delivery destination. While these intermediate sites would need to be located in urban areas where rents tend to be higher, a small floor area could be sufficient to meet operational requirements, therefore making it possible to keep rental costs under control.
- CBRE refers to warehouses located in urban areas; where space can be leased in small units; and which can serve as the base for last mile delivery, as “city warehouses”. CBRE foresees that demand for city logistics networks that utilize city warehouses will grow in future.
- Our analysis of tenant requirements in the Greater Tokyo area shows high demand for small-scale warehouses in Central Tokyo. In the three prefectures of Saitama, Chiba, and Kanagawa, the greatest demand is for warehouses of 1,000 tsubo or more, accounting for almost 46% of demand. In Central Tokyo, 83% of demand is for warehouses of 1,000 tsubo or less.
- Meanwhile, vacant space under 1,000 tsubo is on the decline in the Tokyo 23 wards. Additionally, the majority of vacant units under 1,000 tsubo are older buildings, and even these are in short supply. Looking at the breakdown of vacant units under 1,000 tsubo by year of construction, for Q2 2018 (number of buildings basis), at least 40% of the buildings were constructed 40 years ago or more.
- One option to tackle this low supply is to sub-divide a large property into smaller rental units.

While one must consider the burden of additional construction costs and contract management needs, with high demand for small-scale units, it should be possible to maintain high occupancy levels and therefore raise rental cost competitiveness.

- In addition to Central Tokyo, CBRE also expects to see solid demand for city warehouses in hub cities throughout Japan. Since improving the overall efficiency of delivery services is a pressing issue for the entire logistics sector, city warehouses are set to gain popularity and may also offer new investment opportunities.

For further details, please refer to “City Logistics: A New Era of City Warehouses” published by CBRE. <https://www.cbre.co.jp/en/research-reports/japan-research-archives>

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