

**Middle East Real Estate  
Predictions: Dubai**

2020

#RealEstatePredictions

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# Executive summary



## Hospitality

Average daily rates (ADRs) continue to experience downward pressure as a result of increasing supply and minimal demand growth.

Dubai is expected to retain its position as one of the most attractive tourism destinations in the world, in terms of the total number of international overnight visitors and visitor spend.



## Residential

Average sales prices for residential property across Dubai declined by approximately 7% between Q3 2018 and Q3 2019. Average rents have also declined by approximately 9% over the same period.

Increasing supply continues to impact the residential sector performance. The formation of the Higher Committee for Real Estate in September 2019 is aimed at mitigating the imbalance in supply and demand through 'a strategy to add value to real estate projects'.



## Offices

Consolidation and workplace optimisation continue to drive occupier demand, though the pace of rental decline has slowed from 4% in 2018 to 2% in 2019.

The current pipeline for office space is expected to place further pressure on performance. The majority of upcoming stock is categorized as Grade A properties and this segment is expected to be impacted most in the short to medium term.



## Retail

The Economist Intelligence Unit (EIU) estimates that the total UAE retail sales volume will grow by approximately 0.4% whilst pressure continued on retail rents.

Chinese tourists have been the fastest growing nationality in terms of source markets for Dubai retail malls in 2019, more than doubling in number since 2016.



## Industrial and logistics

Oversupply in select locations and a limited number of new occupiers were among the key factors for the slow activity in 2019.

The primary source of demand continues to be from manufacturing and technology companies, although logistics and third-party logistics (3PL) firms are expected to be an increasing source of demand in the future.

# Hospitality market

# Dubai's hospitality market

ADRs continue to experience downward pressure as a result of increasing supply and minimal demand growth.

## Review of 2019 performance

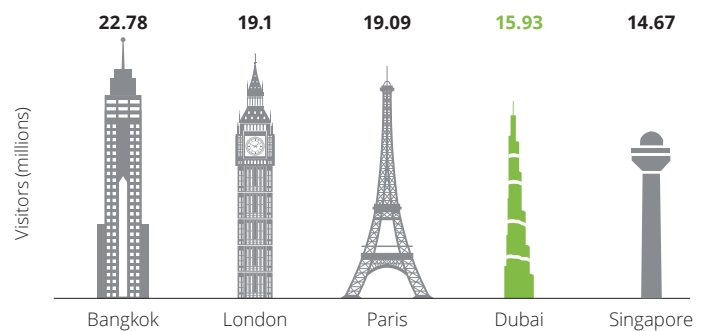
Dubai retains its position as one of the most attractive tourism destinations in the world in terms of the total number of international overnight visitors. According to MasterCard, Dubai also kept its position at the top of the Global Destination Cities Index in terms of visitor spending for the fourth consecutive year.

Both international overnight visitor numbers and visitor spend declined by 4% in comparison to 2018.

This decline is reflective of the performance of Dubai's hospitality market in 2019, which continues to experience challenges as new supply is added. Revenue per available room (RevPAR) decreased by 13% between 2018 and 2019 year on year (YOY) January to August. However, occupancy levels increased by 3% during this period, indicating greater competition among operators leading to lower ADRs.

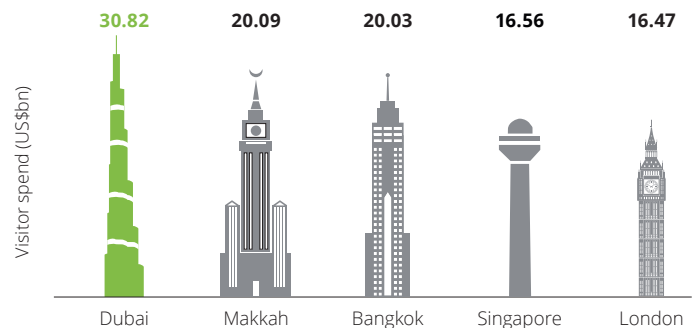
The Luxury, Upscale and Midscale sectors experienced a decline in occupancy of between -1% and -4% between Q3 2018 and Q3 2019, largely due to the increase in supply in these sectors. Over the same period, there was a marginal increase in occupancy in the Upper Upscale and Upper midscale sectors.

International overnight visitors, global top five destinations, 2019



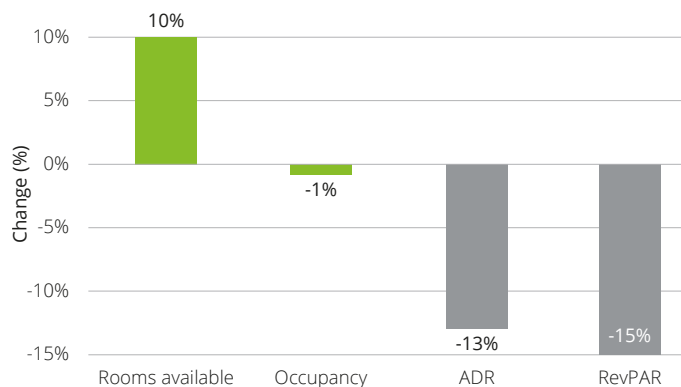
Source: Mastercard Global Destination Cities Index

International overnight visitor spending, global top five destinations, 2019



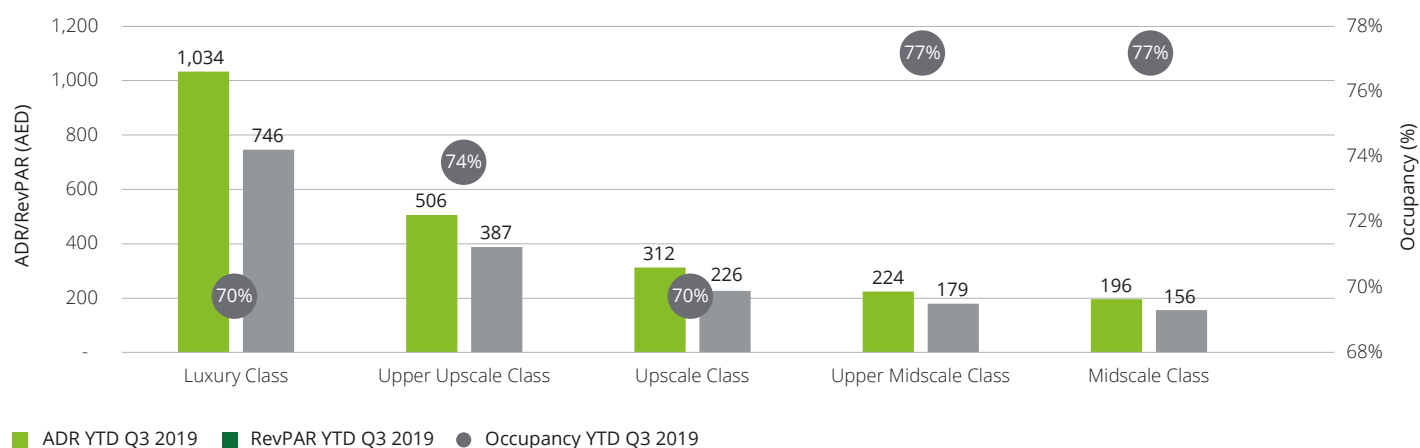
Source: Mastercard Global Destination Cities Index

### Dubai hotel performance percentage change, January to September 2018 vs January to September 2019



Source: STR Global

### Dubai hotel market performance, Year to Date (YTD) Q3 2019



Source: STR Global

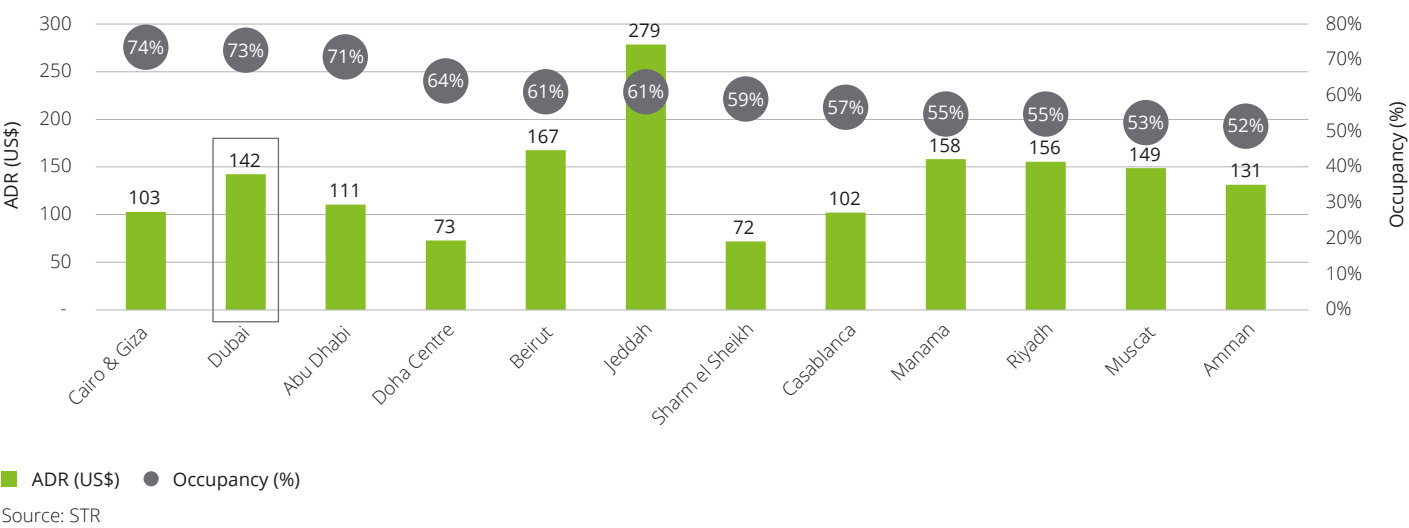
### Dubai hotel occupancy, YTD Q3 2019

Classification	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale
2018 YTD Q3 Occupancy	73%	73%	74%	74%	78%
Trend	↓	↑	↓	↑	↓
2019 YTD Q3 Occupancy	70%	74%	70%	77%	77%

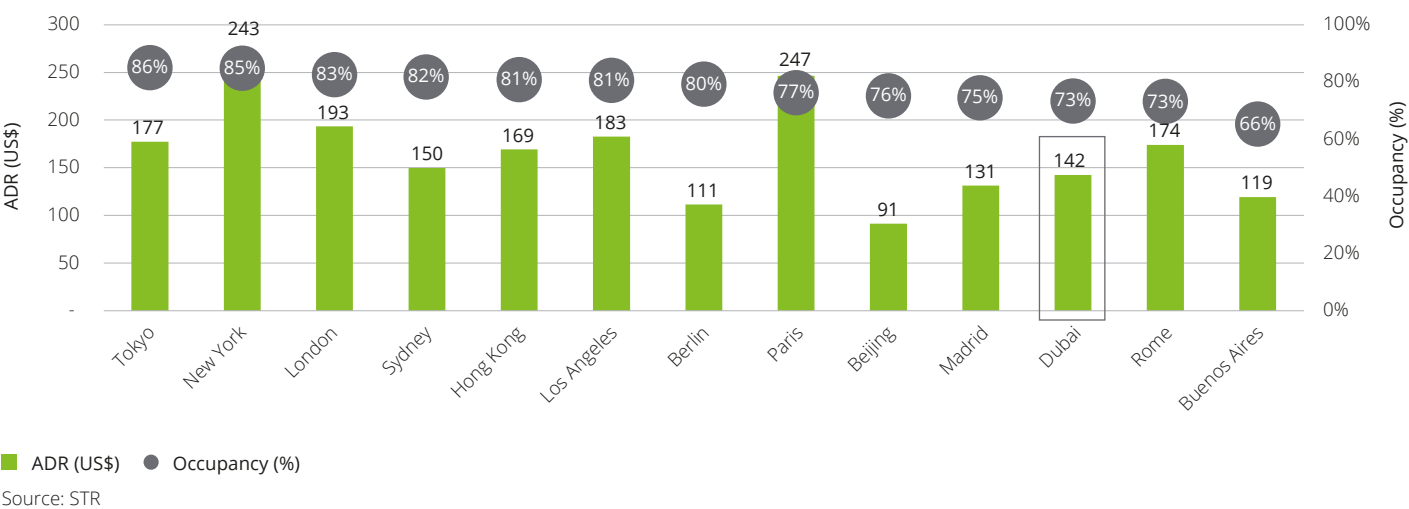
Source: STR Global

Note: % refers to average YTD hotel occupancy across all properties surveyed by STR Global in each submarket

Dubai ADR and occupancy vs. regional markets, January to September 2019



Dubai ADR and occupancy vs. international markets, January to September 2019



# Product differentiation is key to managing changing customer demand

As key performance metrics are under pressure, it is essential for hotel owners and operators to understand how to differentiate their offering and manage revenue.

There are two trends that both owners and operators must embrace in order to maintain profitability in a rapidly evolving and an increasingly competitive hospitality market.

## Private rentals

Private rentals, or holiday homes, have increased in supply and in popularity in local and global markets. The increase in lower-cost supply has been matched with a significant increase in the mid-market hotel segment in recent years. In the Middle East, regional operators have introduced mid-range hotel brands to their existing portfolios including Rove by Emaar and Zabeel House by Jumeirah, whilst international brands such as Aloft and Holiday Inn have expanded their footprint locally in response to the cost conscious consumer.

While Airbnb is known as the main industry disruptor from a private rental perspective, there are many other companies now competing in the same market including FlipKey, Vrbo, HomeAway, Expedia and more recently, Ease by Emaar, which was launched in September 2019. Ease by Emaar lists properties from Emaar communities that also have hotel-grade amenities and facilities such as Wi-Fi and housekeeping.

This parallel increase in Midscale hotel stock and private rentals is expected to increase mid-market supply creating additional pressure on key metrics in this sector.

Owners and operators must position their product to meet the growing mid-market demand. This may include delivering branded apartments, which blend more traditional rental inventory with hotel grade services, and integrating short term rentals within their existing loyalty programs. Marriott recently added Homes & Villas by Marriott International, a short term rental platform, into their Marriott Bonvoy loyalty program.

## Digital transformation

From online chatbots to virtual assistants like Alexa and Siri, Artificial intelligence (AI) continues to be leveraged in new products and service delivery techniques that are transforming the hospitality sector.

There is an increasing number of technology focused firms changing the way people travel. OYO, which is a hybrid between an online travel agency (OTA) and operator, has recently created a shift in the operator dynamic. OYO uses dynamic pricing which makes over 60 million pricing changes every day and has transformed the approach to revenue management.

Other companies from the technology sector and related industries have also entered the hotel market. This includes e-commerce giant Alibaba, which has opened a key-less, cash-less hotel in China where guests are served by robots and are able to access their room and hotel facilities through facial recognition.

It is essential that key providers embrace change and consider how technology can be used to improve their offering including personalising the guest experience, improving revenue management, and monitoring online reviews for real time property management.



# Residential market

# Dubai's residential market

Declines in prices and rents continue in 2019 due to increasing supply.

## Review of 2019 performance

Average sales prices for residential property in Dubai declined by approximately 7% between Q3 2018 and Q3 2019. Average rents also declined by approximately 9% over the same period, as the average price per sq ft for apartments fell from AED 1,178 in 2018 to AED 1,090 as at September 2019.

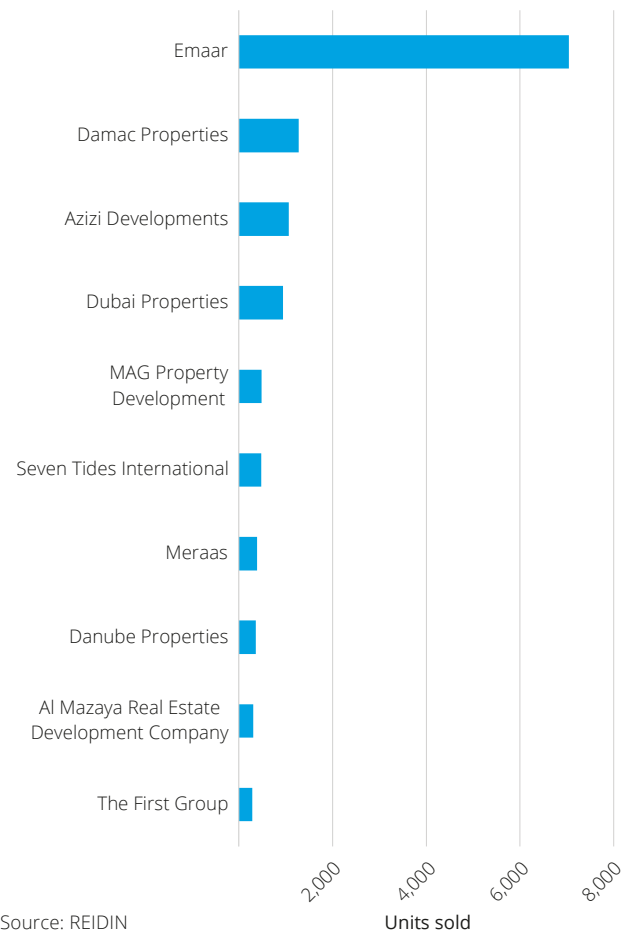
Cost conscious residents have a wide range of projects to choose from and landlords are providing increased incentives for tenants, including rent free periods and favorable payment structures.

Despite the continuing decline in prices, project handovers in Dubai continue in the lead up to Expo 2020. Based on consultations with key industry stakeholders, it is estimated that a total of 18,500 to 19,000 residential units were handed over in the first nine months of 2019.

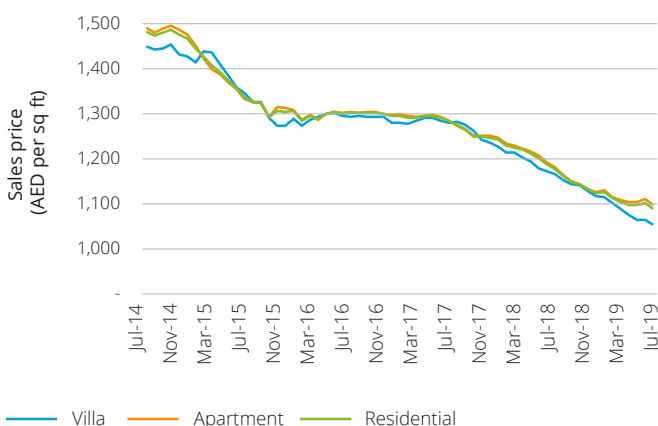
The formation of the Higher Committee for Real Estate in September 2019 is aimed at mitigating the imbalance in supply and demand through 'a strategy to add value to real estate projects'. Details of the plan have not been released at the time of reporting.

The adjacent graph provides a summary of the top 10 performing developers in terms of the volume of off-plan sales transactions in 2019. Emaar continues to lead the pack with more than 7,000 registered off-plan transactions, followed by Damac Properties with 1,276 transactions.

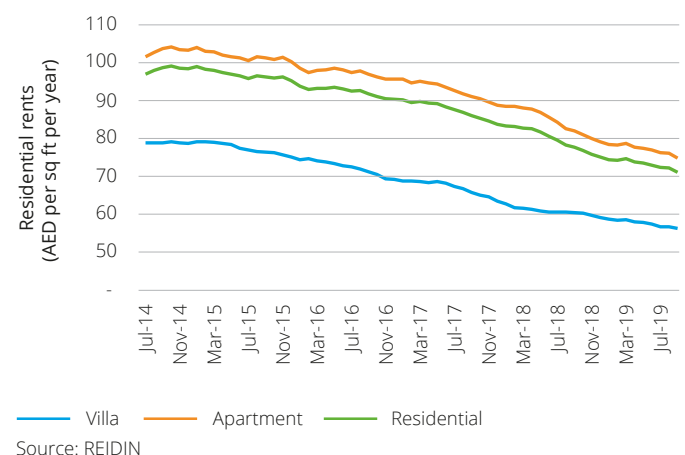
**Top 10 developers by off plan sales transactions, Q1 2019 to Q3 2019**



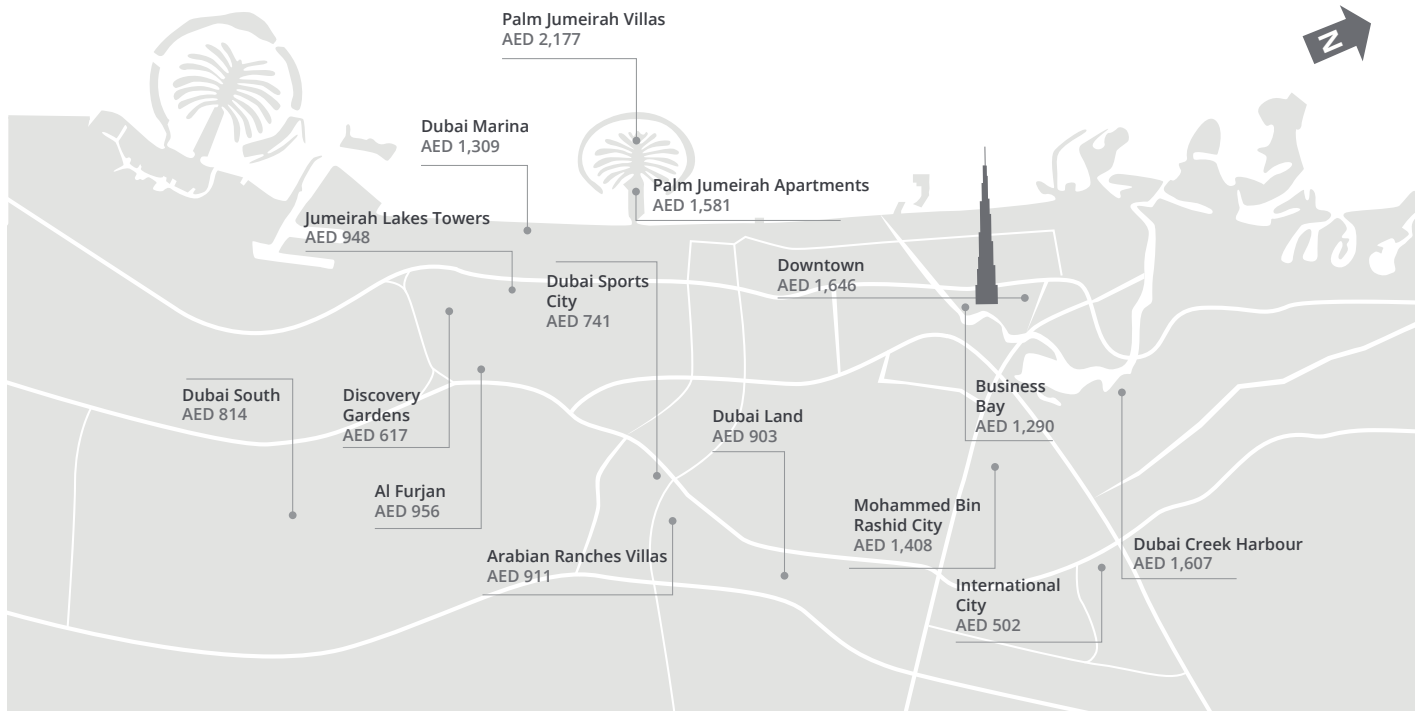
**Dubai residential sales prices, Q3 2014 to Q3 2019**



**Dubai residential rents, Q3 2014 to Q3 2019**



## Dubai residential sales prices by location, Q3 2019



Source: REIDIN

Note: Sales prices are quoted in AED per sq ft

Metric	Apartment rent	Apartment sales price	Villa rent	Villa sales price	Dubai average rent	Dubai average sales price
Q3 2018	AED 82 per sq ft per year	AED 1,181 per sq ft	AED 61 per sq ft per year	AED 1,166 per sq ft	AED 78 per sq ft per year	AED 1,178 per sq ft
Trend	↓ -9%	↓ -7%	↓ -8%	↓ -10%	↓ -9%	↓ -7%
Q3 2019	AED 75 per sq ft per year	AED 1,099 per sq ft	AED 56 per sq ft per year	AED 1,054 per sq ft	AED 71 per sq ft per year	AED 1,090 per sq ft

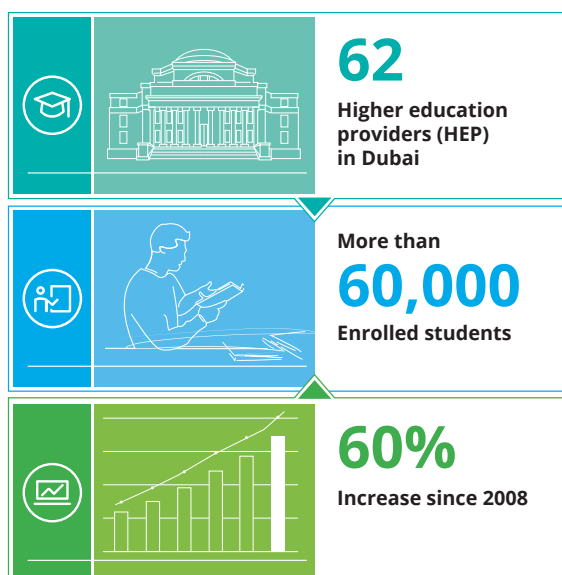
Source: REIDIN, Deloitte

# Alternative residential assets

Student housing, staff accommodation and senior living present unique opportunities as alternate residential assets in investment portfolios.

## Student accommodation

Student accommodation is well established in countries such as the UK, USA and Australia, which boast some of the best educational institutions in the world, attracting local as well as international students. Dubai provides a relatively high number of international universities. The Knowledge and Human Development Authority (KHDA) for Dubai estimates the number of enrolled students has increased by 60% since 2008.



Source: Knowledge and Human Development Authority (KHDA)

Existing student accommodation in Dubai can be divided into three categories:

- Accommodation on campus
- University affiliated off campus accommodation
- Purpose built student accommodation (PBSA): Student accommodation catering to students from different universities

Currently there are three PBSA facilities in operation in Dubai and two facilities in development. In certain developed markets PBSAs are often sought after by institutional investors given long lease commitments from universities.

## Staff accommodation

Staff accommodation refers to developments that house employees in purpose built developments. They are built on behalf of companies for self-use or by developers for strata lease to multiple third parties.

There is limited quality, purpose-built staff accommodation in Dubai, with primary occupiers being the hospitality, aviation and education sectors. However, given the focus to increase the contribution of the services sector, there are projects in the planning or development stages targeted at staff. Among these is the Warsan project by Al Wasl Group, which has 3,800 units under development, targeted at hospitality staff and expected to be completed ahead of Expo 2020.

### Senior living

Historically, Dubai has not been a viable retirement destination due to expatriate visas being linked to jobs. However recent initiatives by the Dubai Government aim to attract residents to settle in the UAE for the longer term.

#### UAE retirement visa requirements for a five year period (renewable):

- Invest in a property worth AED 2 million
- Have financial savings of no less than AED 1 million
- Have an active income of no less than AED 20,000 per month

#### Retirement homes are typically of the following type:

- **Active adult communities:** Designed for older adults, comprising primarily villas and townhouses. Most communities have a minimum age requirement to reside in the development.
- **Assisted living residences:** Community developments with full or part-time caregivers and domestic help.
- **Nursing homes:** Developments which accommodate elderly, providing 24 hour medical care.
- **Continuing care retirement communities:** Large campus developments which typically offer most senior living options. Residents can choose the offering to accommodate their changing needs over time.

While the demographic profile presents unique opportunities to provide targeted housing for staff, students and retired residents in Dubai, the primary challenge is the lack of appropriate regulation to support these developments.

Senior living in the Middle East presents both regulatory and cultural challenges. Developments within this sector often have strict healthcare regulations and have higher operational costs. In some cultures there is also a stigma attached to having separate housing for seniors.

By contrast, the senior living sector is significant in Europe, where the growing number of seniors with higher purchasing power present a unique investment opportunity. According to Savills<sup>1</sup>, yields typically trade at a 66-100 basis points discount to multifamily residential offerings and prime commercial assets.

According to Oxford Economics, the population aged 55 and above in Dubai is set to grow from approximately 147,000 in 2016 to approximately 575,000 by 2035 at a compounded annual growth rate (CAGR) of 6.1%. With the target age group population set to grow by approximately four times, senior living as an asset class is being considered by many developers.

<sup>1</sup> Savills, European Senior Housing Report 2019

# Office market

# Dubai's office market

Consolidation and workplace optimisation continue to drive occupier demand, though the pace of rental decline has slowed from 4% in 2018 to 2% in 2019.

## Review of 2019 performance

Dubai's office market experienced declining rents across the most established office districts in 2019 as consolidation and space optimisation continue to drive occupier demand. In response to this, landlords have continued to provide incentives to attract and retain tenants, including longer rent-free periods, shorter leases, and contribution to tenant fit-outs.

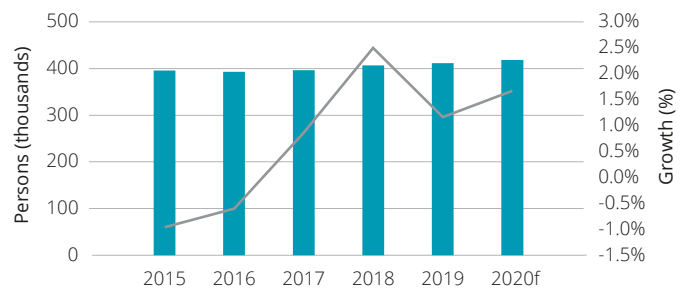
The most significant source of demand continues to be from firms looking to consolidate their operations. This is despite an increase in license issuance by approximately 9% in the first half of 2019, when compared to the same period in 2018.

In this environment, Grade A space has shown the most stability with larger floor spaces. Meanwhile there is also an increasing trend toward smaller, co-working space catering to startups.

The primary sectors seeking office space have remained the construction and engineering firms, followed by technology and media companies.

The current pipeline for office space is expected to place further pressure on rents. The majority of the upcoming stock is Grade A and it is expected that this segment will be the most impacted in the short to medium term.

**Dubai employment in financial and business services, 2015 to 2020f**



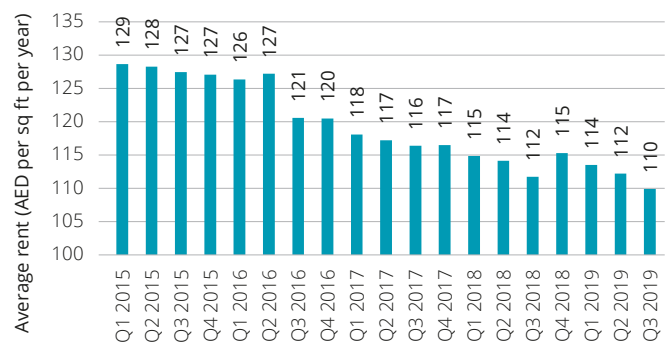
■ Employment in financial and business services

— Year on year growth (%)

f: forecast

Source: Oxford Economics

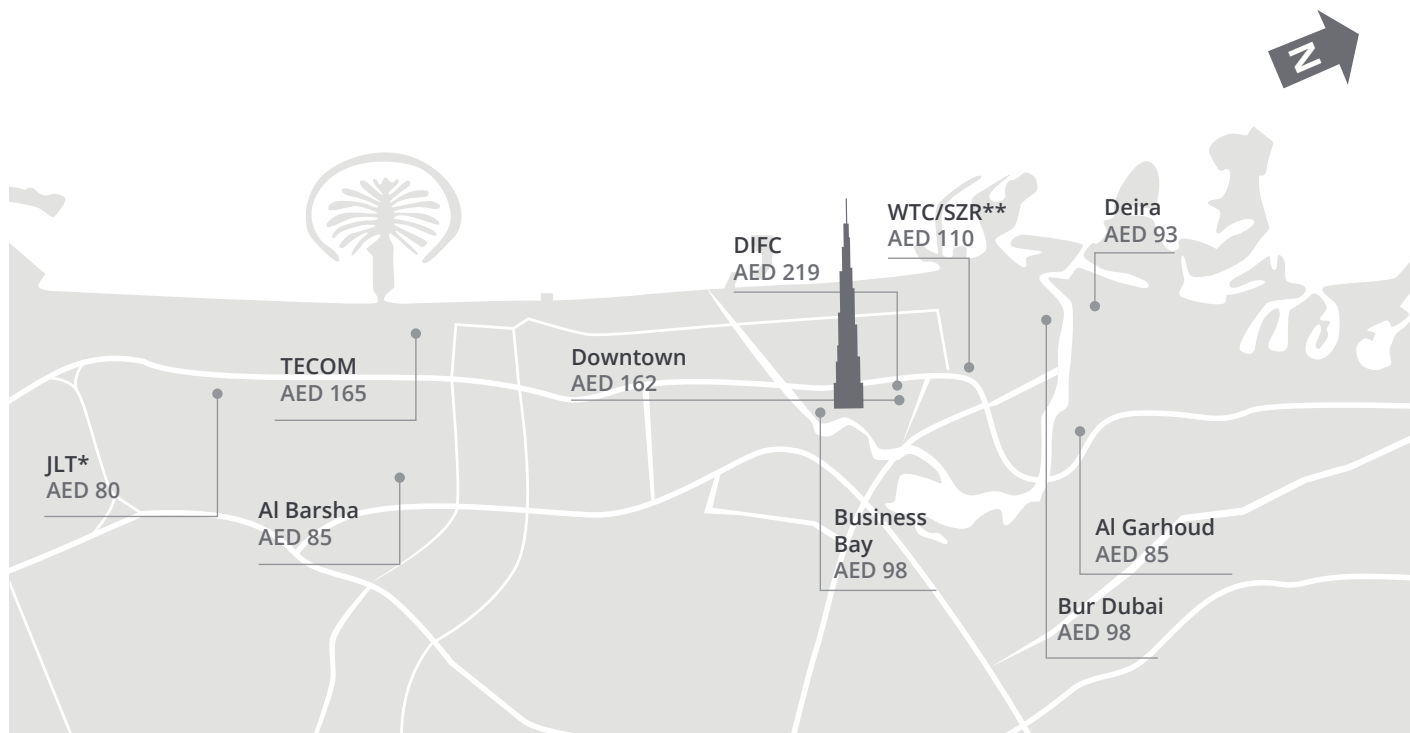
**Dubai average office rents, Q1 2015 to Q3 2019**



Source: REIDIN

Note: excluding service charge

## Dubai average office rents, Q3 2019



Note:

Rents are quoted AED per sq ft per year

Rents are average achieved rents for shell and core offices exclusive of service charges

\*Jumeirah Lakes Towers; \*\*World Trade Centre/Sheikh Zayed Road

Area	DIFC	Bur Dubai	Al Garhoud	Deira	WTC / SZR	Al Barsha	Business Bay	Down-town	TECOM	JLT	Dubai average
Q3 2018	227	105	94	99	114	95	103	168	172	88	112
<i>Trend</i>	↓ -4%	↓ -7%	↓ -10%	↓ -6%	↓ -2%	↓ -11%	↓ -5%	↓ -4%	↓ -4%	↓ -9%	↓ -2%
Q3 2019	219	98	85	93	112	85	98	162	165	80	110

Source: REIDIN, Deloitte



# Workspace strategy for the future is centered on agility

The workplace of the future is being defined by people and technology, thus impacting office space requirements and occupational needs.

Historically, the primary users of office assets were corporates and companies of different sizes. However, the focus is now on the individual using the building, so assets need to be adapted more effectively or converted to newer, flexible uses.

The growth of remote working is a trend enabled by technology that has led to a more efficient use of existing space through agile working. Tenants are occupying smaller overall space but using it more intelligently with a focus on multi-functional communal areas. The focus is increasingly on a blended model of traditional 'core' space, the headquarters, and agile shared areas in regional nodes on a needs basis. This drives overall efficiency and reduces workspace per employee particularly in a business hub like Dubai, where multinationals serve regional markets and employees regularly travel to their customer locations.

Even within the corporate headquarters, floor layouts are moving towards open-plan and hot-desking with breakout areas to foster collaboration and cater to employee experience.

Remote working and greater application of technology has also influenced operating metrics for property owners, with shorter lease terms, plug and play or ready to move options and flexible floor plates attracting a wider base of customers. Small and medium enterprises (SMEs) are leading this demand, as it requires lower capital expenditure and allows ease of migration.

While the entrepreneurial ecosystem is fueling the growth of flexible, shared workplace, an increasing number of corporates are consolidating their operations.

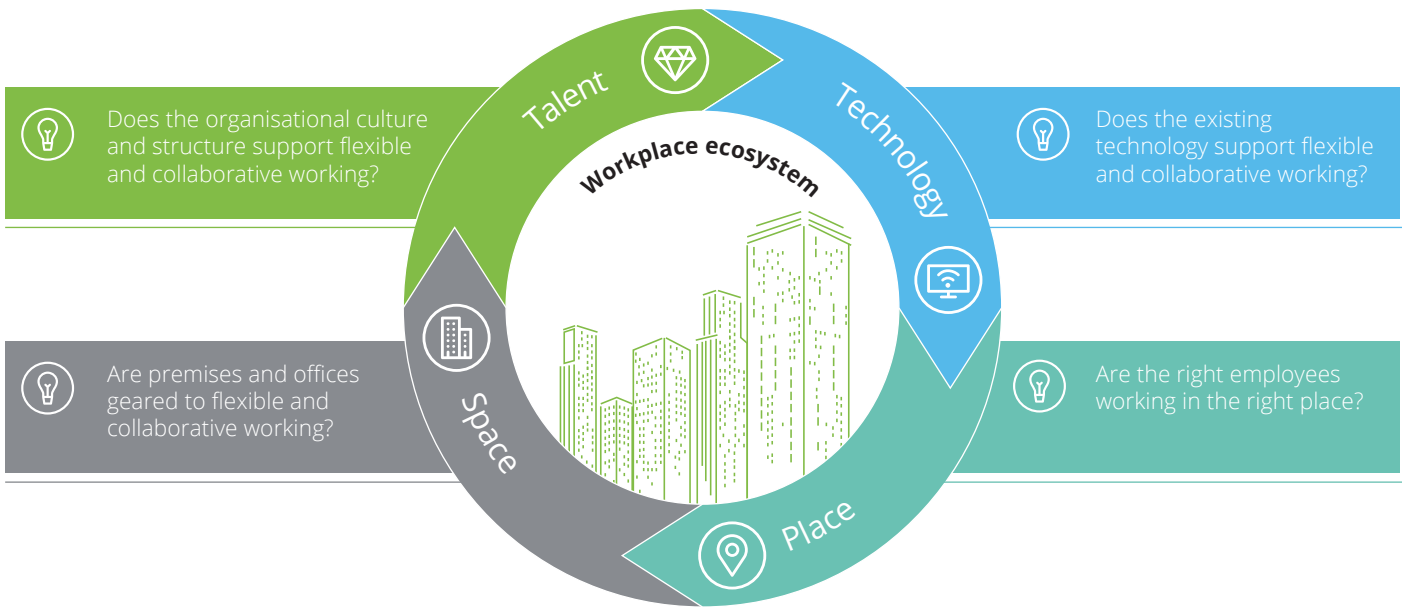
Companies such as Standard Chartered Bank, HSBC, Huawei and Mashreq Bank all have their own headquarters in Dubai. These purpose-built towers allow them to serve the region through an operationally efficient workplace model, while also aligning development parameters with industry benchmarks, such as sustainability standards. For example, both HSBC and Standard Chartered HQs are LEED Gold certified.

Technology is also driving improvements in operational efficiencies, and digital infrastructure is being met in certain cases by data centres. This has led to data center developments such as the Mubadala-owned Khazna in Meydan Dubai and Masdar City Abu Dhabi providing wholesale, co-location and multi-tenant data center services. Within this sector, certain firms are building their own facilities, such as Huawei’s upcoming data centre in Al Ain, which is expected to be completed in Q1 2020.

In Dubai, upcoming Grade A supply, including ICD Brookfield and One Central, along with existing vacancy levels of 15-20% in prime assets, are expected to fulfill requirements from large corporates in the short to medium term.

Owners will need to forge closer ties with occupiers to collaborate and analyse what is working for the people who are using the building throughout the day.

The four dimensions of the workplace



Source: Deloitte Readiness Assessment; Workplace transformation in the digital age

# Retail market

# Dubai's retail market

Increasing supply, popularity of e-commerce and declining disposable incomes continue to exert pressure on Dubai's retail market.

## Review of 2019 performance

The EIU estimates that the total UAE retail sales volume will grow by approximately 0.4% in 2019, with sales expected to decrease ahead of Expo 2020 before recovering in subsequent years.

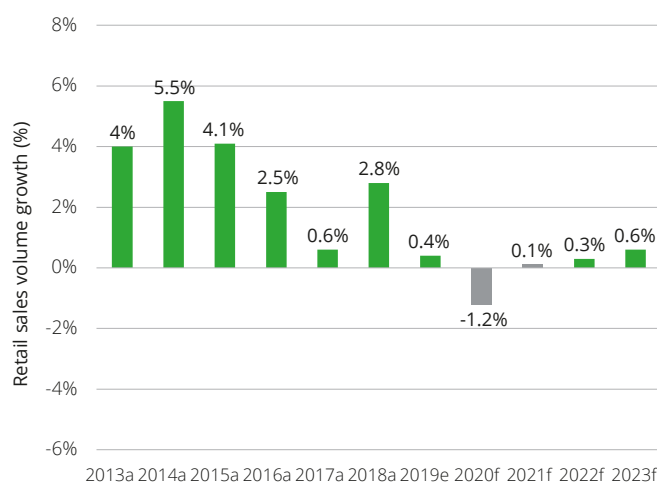
The GCC continued to be the lead source markets for Dubai's main malls in 2019, with a similar level of 25% coming from South Asian tourists. In terms of overall growth, Chinese tourists (captured within North East Asia) have been the fastest growing segment, more than doubling in number since 2016.

The upcoming supply of new malls and shopping areas is expected to exert further pressure on performance metrics. Super Regional and Regional Malls in the pipeline such as Meydan One, Al Khail Avenue, Cityland Mall, Deira Mall and Dubai Hills will add a further 1.1 million sq m of space.

The Dubai Mall and Mall of the Emirates continue to be the most popular malls with tourists in 2019, collectively capturing 51% of total tourist retail demand.

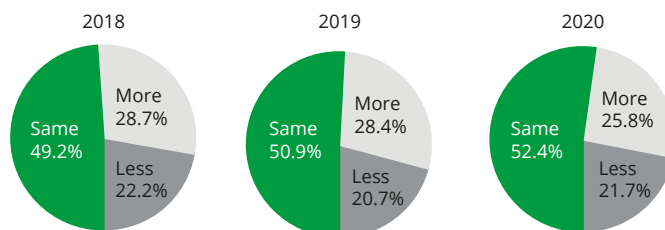
For residents, 'Other Malls' which include smaller community centres and convenience retail, and non mall outlets, continue to dominate due to their convenience and proximity to residential areas.

## UAE retail sales volume growth, 2014 to 2023f



Source: EIU a: actual, e: EIU estimate, f: EIU forecast

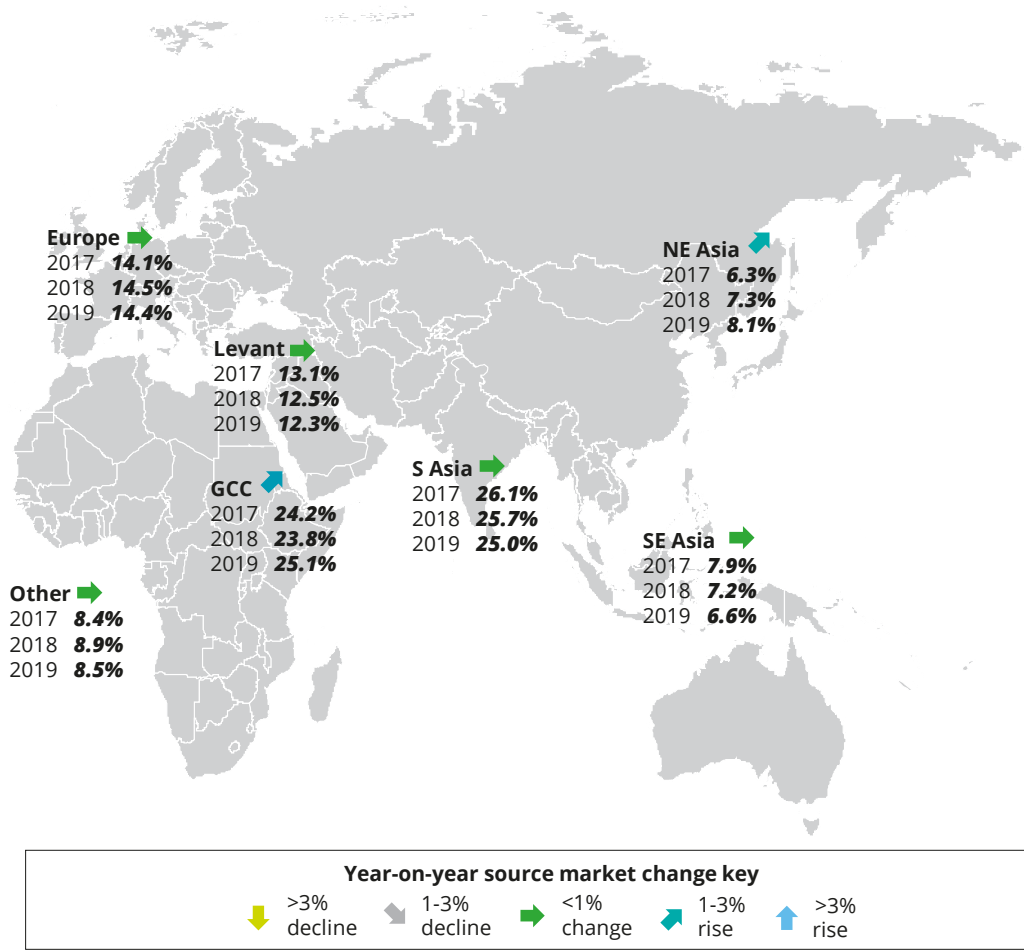
## Dubai expectations on disposable income, 2018 to 2020



Source: grmc

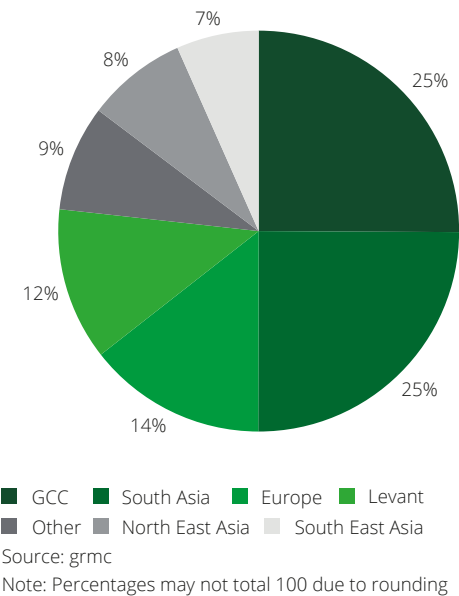
Note: Percentages may not total 100 due to rounding

Dubai key retail mall source markets, 2017 vs 2018 vs 2019

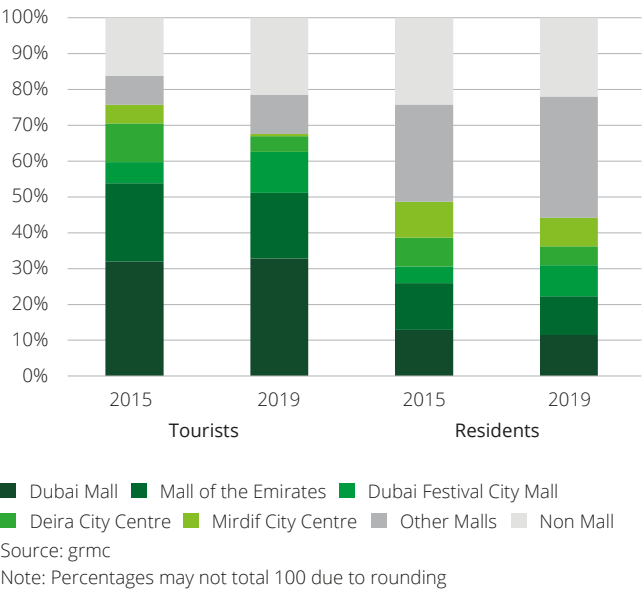


Source: grmc  
Note: Percentages may not total 100 due to rounding

Dubai retail mall source markets, 2019



Dubai tourist and resident mall preferences, 2015 vs. 2019



# Dubai's changing Food & Beverage landscape

Dubai's Food & Beverage landscape is in the midst of a significant transformation with online disruptors changing how often consumers dine out.

Total Food & Beverage (F&B) consumer spend remains positive with estimated growth at a 2% CAGR between 2020 and 2035. From 2001 to 2019, consumer spend on eating out declined by a CAGR of 0.15%. Oxford Economics predicts that consumer spend on eating out is forecast to return to positive growth at a CAGR of 1.5% from 2020 to 2035. Dubai Chamber of Commerce and Industry estimates that online F&B sales in the UAE grew at a 20.6% CAGR between 2015 and 2018. When compared to the marginal growth expectations for eating out, it is clear that there is a new dynamic within the F&B sector.

The Business Registration and Licensing section within Dubai's Department of Economic Development published figures in early 2019 identifying that a total of 1,109 new restaurants and cafes opened in 2018, compared to 1,011 in 2017 with a total of 11,813 restaurants and cafes in the Emirate at the end of 2018.

Over the course of 2019, several F&B market leaders have cited high rents combined with turnover provisions as a key challenge for the sector. With the increase in competing retail supply, it is apparent that the tenant is starting to have more power. This has been seen with the shift in incentives such as summer rent free periods and capital contributions; in particular, for unique, well positioned and quality F&B concepts who can drive footfall in new or struggling locations.

Deliveroo, UberEats, Careem Now (previously Roundmenu), Zomato, and Talabat have made it possible for consumers to dine at home or the office rather than the restaurant. With the merger of Uber and Careem, there is likely to be further consolidation in the online delivery market whilst other international players seek areas of high growth for expansion. It is likely that consumers in Dubai will see new entrants to the market over the next 12 months.

Dubai has also seen the emergence of ghost, dark, virtual or cloud kitchens (all describing the same concept) where kitchens are established for delivery only customers. These kitchens provide a low barrier to entry for start-ups with incubator style support, as demonstrated at Kitchen Nation in JLT, and allow established brands the opportunity to reduce overheads, especially with the adoption of algorithms that forecast peak demand in order to minimise waste and ensure freshness of ingredients. Once established, new brands are expanding beyond delivery only kitchens to offer unique and innovative F&B concepts in their own restaurant premises.

At present, the Department of Economic Development estimates that food sold in retail outlets is approximately 75-80% imported and 20-25% locally processed. The world's largest vertical farm is currently under development in Dubai and by embracing hydroponic technology it is possible that further reductions in overheads and improvements to quality could be achieved by delivery only kitchens sourcing produce locally from co-located vertical farms.

The F&B sector in Dubai is forecast to continue to grow but the landscape is dramatically shifting. Leveraging technology as a disruptor will ultimately enhance Dubai's position as a globally competitive destination with unique F&B concepts.

# Industrial and logistics market

# Dubai's industrial and logistics market

The primary source of demand for industrial units continues to be from manufacturing and technology companies. However, logistics and 3PL firms are expected to be among the primary drivers of demand in the future.

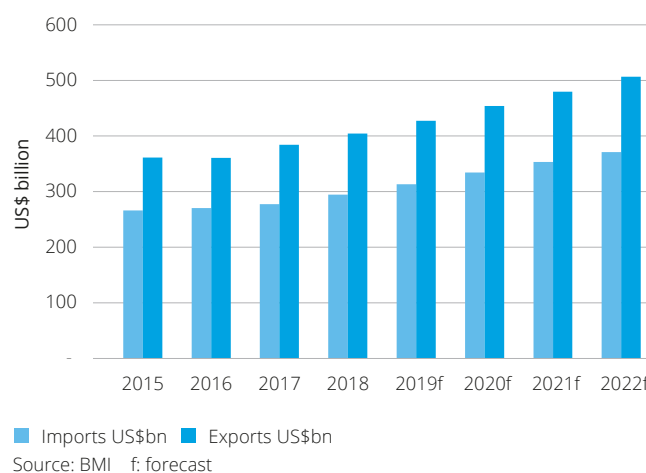
## Review of 2019 performance

Sentiment across the industrial and warehousing markets in the city was subdued in 2019, a trend which has carried through from 2018. Oversupply in select locations and a limited number of new market entrants, were among the key factors for the slow activity.

Declines in the prime market have been more subdued in comparison to lower tier properties, creating a two-tier market. While this sector continues to receive interest from regional institutional investors, the underlying ownership models, which typically include land leases and sub-lease fees, have discouraged a wider base of participants.

The expanding adoption of e-commerce means that demand for logistic space is likely to increase. However, as e-commerce companies have favored building their own facilities, the market is expected to move towards targeted offerings.

## UAE imports and exports, 2015 to 2022f



## Dubai key logistics indicators, 2018 vs 2019f

Period	DWC cargo throughput	DXB cargo throughput	Jebel Ali container throughput	Jebel Ali tonnage throughput	Road freight tonnes
2018 (H1)	0.48 m	1.27m	16.1m	7.3m	29.9m
Trend	↓ -5%	↓ -3%	↑ 3%	↑ 1%	↑ 2%
2019 (H1)	0.45m	1.23m	16.4m	7.4m	30.4m

Source: BMI, Dubai Airports f: forecast m: millions

## Dubai average warehouse rents, Q3 2019



Source: REIDIN; Deloitte

Note: Rents are quoted AED per sq ft per year; Rents are average achieved rents for purpose built warehouses exclusive of service charges



# Consumer expectations, technology and data are driving the logistics sector evolution

There is a structural shift in demand for modern logistics resulting from changes in the e-commerce sector. However, investors need to keep track of the sustainability of this demand even as online sales are expected to grow in the coming years.

Logistics have been a consistently attractive mainstream real estate sector over the past decade in the global capital markets. It is now benefiting from growth in the e-commerce segment and rising consumer expectations around product availability and speed of service. Logistics solution provider Prologis estimates that each dollar spent on e-commerce requires roughly three times more logistics space than the equivalent brick and mortar dollar<sup>1</sup>.

In Dubai, the logistics sector is driving demand for built-to-suit (BTS) facilities due to limited existing supply in this segment, which typically requires space greater than 20,000 sq m. The requirement is coming from both forward logistics – people wanting their goods faster, i.e. same day or few hours delivery, as well as reverse logistics, which is products being returned. The last mile delivery needs distribution centres to be located in dense city areas, along with smarter facilities that are more efficient.

The critical success factor in the coming years will be the use of robotics or automation to improve supply chain efficiencies and to gather information on where things are and where they need to be. This autonomous tracking is expected to make the logistics sector more efficient, releasing information from silos and reducing bottlenecks.

Third party specialists are currently providing technology enabled services to the logistics market in Dubai. This includes robotics fulfillment center 'IQ Fulfillment', which provides automated infrastructure to SMEs that do not have the capability to deploy capital expenditure themselves<sup>2</sup>. Meanwhile, intralogistics provider Swisslog is assisting established retailers such as Al Marai and Mai Dubai to automate their storage and production facilities.

An emerging specialty sub-sector within the logistics space is food storage, which is dominated by cold storage warehouses and distribution centres needed by food delivery service providers and online groceries.

For instance, Kibsons, an importer and distributor of fresh fruits, vegetables, dairy products, and meat, opened a custom-built integrated office-cold storage warehouse facility at Dubai Fruit and Vegetable market in November 2019<sup>3</sup>.

The UAE was ranked 11th globally on the World Bank's Logistics Performance Index (LPI)<sup>4</sup> in 2018 and more specifically, ranked 5th for international shipments. Tracking key metrics such as infrastructure, ease of shipment, quality of logistics services, among others, the existing parameters point towards UAE's readiness to benefit from the predicted growth in the e-commerce sector, which is expected to reach US\$ 27.2 billion in value by 2022<sup>5</sup>.

<sup>1</sup> Global E-Commerce Impact on Logistics Real Estate, Prologis

<sup>2</sup> Leaders in Logistics 2019 Panel: Warehouse automation, Middle East Logistics

<sup>3</sup> Construction Week Online; Kibsons.com

<sup>4</sup> World Bank, Logistics Performance Index

<sup>5</sup> Admitad Annual Report, 2018/2019

## Influence of trends on stakeholders across the logistics ecosystem



### Customers

- **Increased delivery speed:** Drive to decrease time between order placement and order receipt
- **Lower shipping price:** Desire for insight into different price points and 'free' shipping options included in a subscription (e.g. Amazon Prime)
- **Flexible destinations:** Push for flexibility on location to pick up a package (home vs. smart locker)
- **Dynamic shipments:** Ability to divert a package mid-shipment
- **Easy returns:** Desire for hassle-free, low-cost returns
- **Simple tracking:** Ability to seamlessly track individual orders throughout the journey



### Retailers

- **Shifted shipping mix:** Rebalance the shipping portfolio (e.g. third parties vs. in-house)
- **Increased customer insight:** Provide insight into customers through digital touchpoints
- **Enhanced visibility:** Enhance visibility to shipments, both internally and externally sourced
- **Distributed distribution:** Increase the need for distribution centers near urban centers to enhance delivery speed
- **Proliferation of shipping options:** Create need to vary service level (e.g. expedite for key customers, deliver to locker)



### Carriers

- **Reduced cost:** Reduce the cost structure of each individual delivery
- **Increased accuracy:** Help to manage the network to achieve higher accuracy
- **Analytic insights:** Enable predictive and prescriptive insights from network data
- **Increased utilisation:** Increase utilised capacity and throughput
- **Shifted talent base:** Enhance returns on hiring and retaining skilled labor
- **Increased safety:** Minimise accidents and lower insurance costs

Source: Deloitte Insights (Future of freight: Simplifying last mile logistics)

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