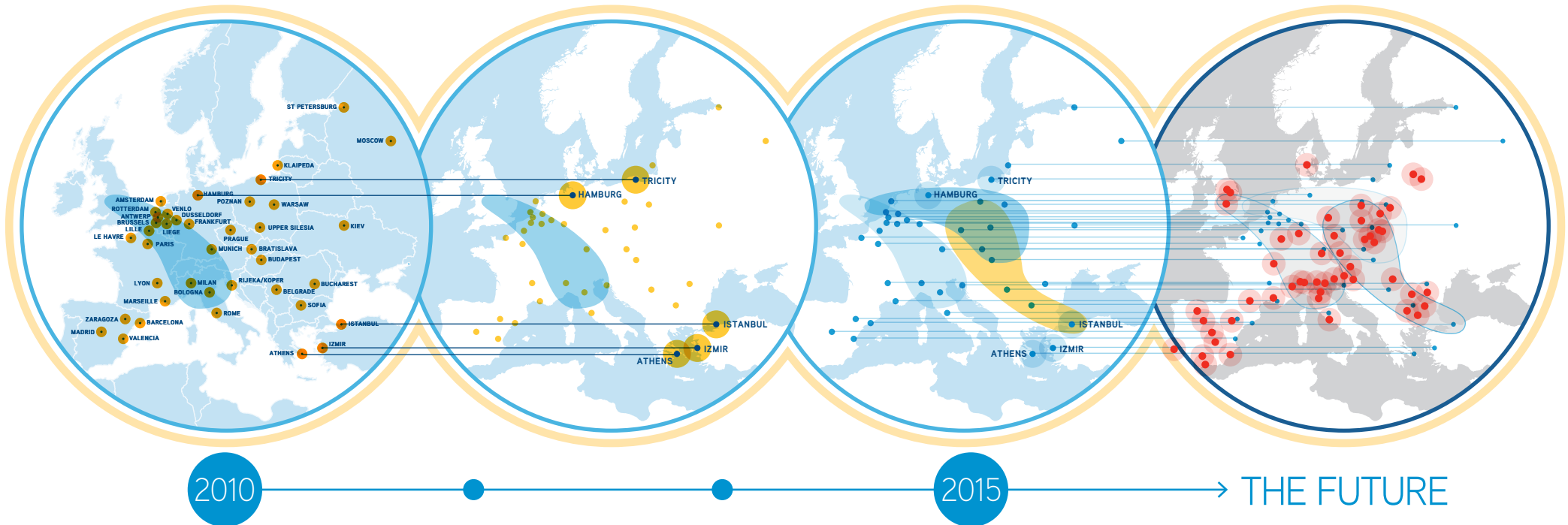


THE EVOLUTION OF DISTRIBUTION

EUROPEAN HUBS: TODAY AND TOMORROW



Up until recently, the 'Blue Banana' has been the primary area comprising the majority of European distribution, production and logistics operations. The dominance of trade via North Sea ports, combined with high population and GDP/capita density has supported the long-term establishment of this trading area. Yet the dominance of the blue banana is changing.

Since 2010, Northern German and Baltic ports, alongside Greek, Turkish and Spanish ports servicing Europe via the Mediterranean have seen the biggest growth in trade volumes. Concurrently, traditional ports have witnessed a decline in activity, or have remained stagnant at best.

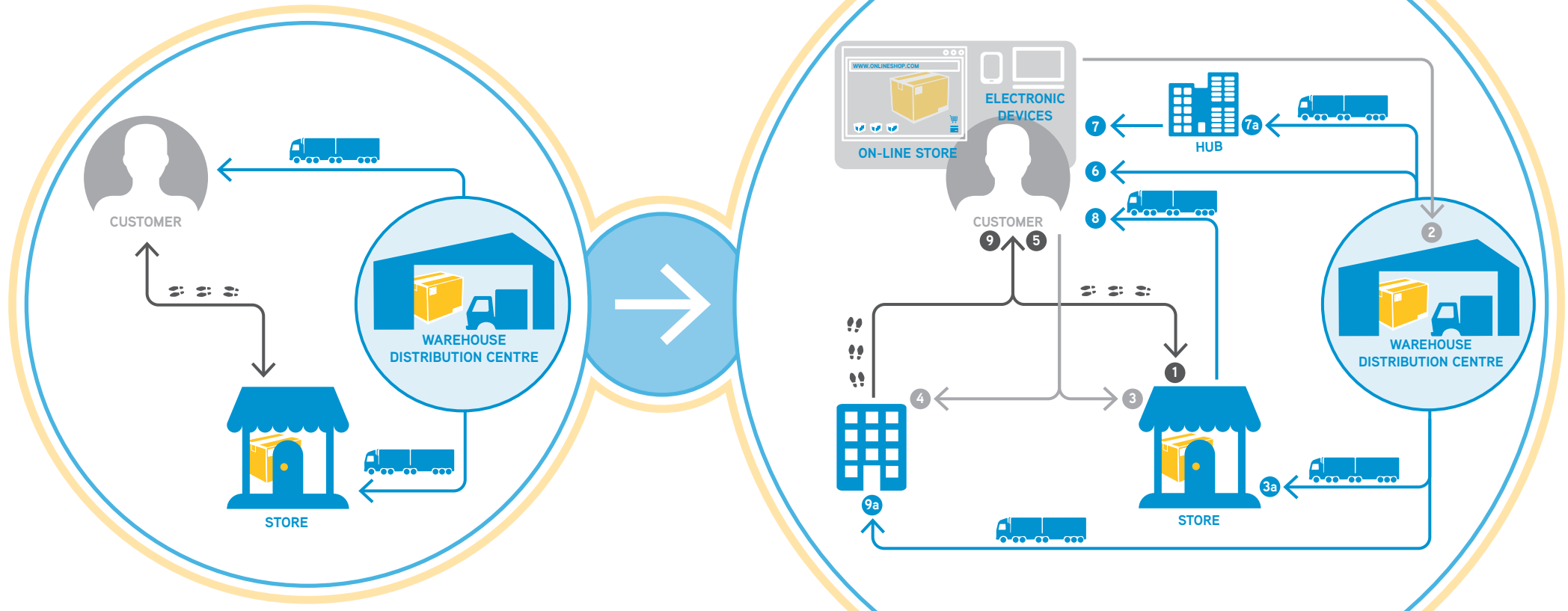
When combined with new infrastructure, evolving technology, E-commerce, improvements in supply chain efficiencies and demand growth from Central and Eastern Europe (CEE), this is altering the focus of European distribution and creating the expansion of another Blue Banana. We are also seeing the emergence of a manufacturing belt running from Poland to Turkey via Hungary, Serbia, Romania and Bulgaria as producers deploy best-shoring strategies and take advantage of lower-cost, but highly skilled workforces.

In future, the need for improvements in freight and supply chain efficiencies - in terms of cost, emissions and customer response times - will continue to evolve the distribution of key European production and distribution hubs. In particular, improvements in technology, multi-modal infrastructure and freight will create a network of major, modern hubs able to facilitate European wide customers. This will continue to create opportunities and challenges for major operators looking to optimise their hub and spoke network.

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SUPPLY-CHAIN COMPLEXITIES

GROWTH IN URBAN SPOKES



Just as distribution will continue to evolve at the hub level, changes in technology and consumption will impact the retailing experience. In particular, the shift to omni-channel retailing will drive change in the demand for various forms of retail and warehouse space and the logistics and urban freight fleets needed to service them.

- 1 Buy in store/ Order in Store
- 2 Order placed in DC
- 3 Order online from store
- 3a Delivery to Store
- 4 Order online
- 5 Pick-up in store
- 6 Delivery from DC
- 7 Delivery from Hub
- 7a Delivery to Hub
- 8 Delivery from Store
- 9 Pick-up at Box
- 9a Delivery to Box