

Net Zero & Going Beyond

Prologis UK displays its historic and future commitments to the environment while showing how a long-term property focus can provide important strategic benefits to customers.



Prologis is a global leader in the logistics real estate space. Recognised as one of the most sustainable corporations and a provider of crucial infrastructure for commerce around the world, Prologis is a brand which the wider logistics industry traditionally looks to as a valued partner. As the arm of Prologis in the UK market, Prologis UK represents the wider corporation's interests across the country and has similarly gained recognition as a trend setter in the UK's own logistics real estate market.

As a little historic context, Prologis was founded back in 1983, with the focus of the business being within the commercial and retail sectors. Through networking within these markets, the business quickly noticed the opportunities becoming available within the logistics space as a result of the modernising of business practices and distribution. Unsurprisingly, this quickly saw Prologis move into the market for logistics and industrial logistics property, establishing itself as an industry specialist and growing internationally in response to market demand. At present, the corporation has around 1bn square feet of property assets under management and circa 2.6% of global GDP actually passes through the Prologis estate.

In terms of what sets Prologis apart (especially in the UK market) is the attention to detail that comes from the highly specialised nature of the company. We can see this within Prologis UK, where the business' innate specialism has led to the firm acquiring a nigh-on unrivalled understanding of the logistics market. This understanding covers not only the identification of immediate commercial opportunities, but also the challenges facing both logistics businesses and the retail operations that many work alongside. Coupled with a far more long-term asset management approach than purely property development, this has led to Prologis UK being quite distinct into the market.

"Our business is industrial and logistics. We focus on that, we get to know our customers and their needs or requirements, and I believe that gives us a key strength. We do listen to other stakeholders too, but we're entirely focused on our sector and that does give you a real differentiator," detailed Robin Woodbridge, Head of Capital Deployment of Prologis UK. "It's about the way we manage our portfolio. We have a customer experience team and we recognise, and have done for some time, that the buildings we lease to our customers ultimately needed to function around them. What we do is keep our assets well maintained and ensure our sites secure. After that, it's about understanding the customer needs to adapt and alter their buildings. We like to think we're very flexible and very aware of what the customer wants to do and how we can assist with that.

"It's also about understanding that logistics customers generally run off relatively low profit margins and they are very aware of costs and how that will flow through their business. We've therefore taken a mindset to continually innovate with our buildings rather than doing anything terribly radical because that can sometimes put the customer on the back foot a little bit in terms of cost. I think if we can constantly take a lot of little steps, each time improving the product in different ways then we can look back in a year to see how far we've moved on in introducing better buildings into the sector.



PROLOGIS RFI DIRFT DC535

“And while we make incremental changes to our buildings, we do pride ourselves in innovation. We are a long-term owner and the buildings we build, we own for the long-term. Although we’re mostly known as a developer, we’re actually more of an investor. Because of that long-term ownership, when we build a building and the lease ends in 10 years time, we want it to be the best 10 year old building on the market because we want to re-lease it. Because of that we do take a lot of pride in the quality and the innovation that we deliver and we are constantly challenging ourselves to deliver better buildings.”

Innovation & Modernising Logistics Space

Following on from Robin Woodbridge’s comments, the idea of understanding the cost constraints facing the logistics market has been instrumental not only to Prologis UK’s commercial success, but also how it has been able to approach the direction of innovation so as best to reach the optimal outcome. In essence, this has

led to a number of realisations with the first being the changing operational systems within logistics businesses and the usage of logistics space. The clearest evidence of this change can be seen in the growing hybridisation of office space with logistics space as organisations have generally shifted towards integrating a greater degree of administrative functions into the logistics part of their infrastructure. With this being the case, Prologis UK has then looked at how the box can be modernised to better support those uses and support logistics businesses in attracting the talent they need.

Similarly, Prologis UK has also kept a close eye on the increased modernisation of operations in respect to digitalisation and disruptive technology. Noticing the rise of automation across the logistics industry, the firm has also tried to shift towards enabling these kinds of technologies to work within the spaces developed – that is, ensuring the built asset is suitable for adaptation and fit-out with such technologies, as well as supporting

the occupier in this as much as possible. This can be seen best in the firm’s utilisation of BIM and the handling of asset information, which we’ll touch on later in the article.

Commenting on the changing usage of space, Robin Woodbridge continued: “We do our own research and ask our customers how many people they employ and what they do. It’s shown that, over a number of years, the number of people per square foot was increasing. We do see it’s starting to slow, but the key change is in the type of job being employed. We are seeing HQ type functions, including HR and marketing which would typically be in an office building now being accommodated into the warehouse. On top of that, the whole sector is becoming far more technologically advanced with things like automation and robotics which needs people who can design, install, maintain, and programme it. All of these things are now much more prevalent in an industrial logistics building.”

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Robin Woodbridge, Senior VP and Head of Capital Deployment of Prologis UK





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Prologis have consistently stressed the importance of good, long-term working relationships with service

partners and Whiting Landscape are extremely proud to have been part of the Prologis supply chain for many years.

Whiting works closely with Prologis to identify innovative solutions and ensure the design of every scheme will enhance the landscape, incorporate sustainable solutions, and promote ecological safeguards. Schemes are designed to maximise green space - creating

places where business can thrive, employees enjoy coming to work, and communities and nature can flourish.

It has always been evident that Prologis' long-term vision is to promote sustainable solutions and we look forward to continuing our partnership to help them achieve their philosophy of bringing together the community, employees and businesses.



Perhaps as a response to the growing integration of technology in logistics property, one area that Prologis UK has identified is the need for some flexibility in the customisation of product. While working in the typical speculative manner, Prologis UK is aware of how changing business operations may lead into the requirement for adjustments to the build profile so as best to suit its long-term use. Understandably, this has led to an increased focus on communication during the project process in a bid to see where tweaks can be made to suit the occupier without drastically altering the development profile. To some, this may seem small, but to those organisations embracing automation and modern technologies, the smallest of change can make a huge difference in operational and cost efficiencies.

Further to those innovations being driven by the occupier, however, Prologis UK also has its own mandate for innovation, with specific focus being placed on sustainability. Interestingly, this is something that the company takes immense responsibility for, not simply in the context of following industry regulations and national targets, but instead showcasing environmental innovation to inspire best practices across not only the construction industry, but also the logistics businesses using these spaces.

“I like to think we sit in a camp where we really want to push this,” enthused Robin Woodbridge. “There’s a number of reasons for that. Firstly, I think it’s the right thing to do. Secondly, increasingly to our customers it’s even more important to them. Thirdly, it’s important to our team who get a buzz out of doing the right thing as well. Dare I say it, when looking back and knowing that you understand your buildings really well, you’re the best placed to come up with good ways of improving them and considering the product, how you build it, procure it, and how the customer will use it. If you don’t do these things then maybe someone will come along and tell you their way of doing it when they might not understand the product like you do.”

We’ll take a closer look at Prologis UK’s commitment to the environment after looking at one of the firm’s most notable projects over the years.

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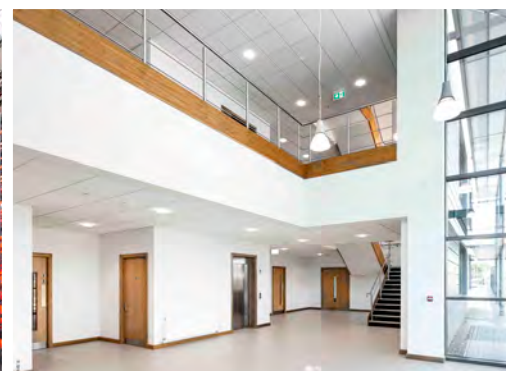
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Project Showcase: DIRFT



Known across the industry as DIRFT, the Daventry International Rail Freight Terminal is easily one of the UK's most widely recognised logistics parks. Maintaining proximity to the M1 motorway and West Coast Mainline, the facility not only offers incredible capacity to some of the UK's major brand names (including the likes of Tesco, Sainsbury's, DHL, Royal Mail, Eddie Stobart and boohoo), but also places a spotlight on Prologis UK's wider work on Environmental, Social and Governance (ESG) initiatives.

As a summary, DIRFT is the leading rail-served logistics park in the UK and maintains three rail freight terminals in

the heart of the UK's "Golden Triangle" for logistics. Through DIRFT, partners are able to access some 14m square feet of logistics space. Investment figures suggest a total investment of over £1bn by Prologis UK into the facility, with that level of investment being evidenced in the vast capabilities, working conditions, and social value created by the development. Much of this social value has been created through what is known as The Hub.

Based at DIRFT, The Hub was developed by Prologis UK in response to prominent labour and skills challenges within the logistics industry as well as in response to locally focused employment issues. Dedicated to logistics training and

development, The Hub serves as a vehicle for school leavers, the unemployed, and other relevant individuals to receive important training and professional development opportunities in the logistics sector. Understandably, this has proven vital in supplying the logistics market with new talent, while also offering new opportunities for those who may have struggled elsewhere in life. Current estimates show that The Hub has delivered £5m of social value since October 2021.

Robin Woodbridge, Head of Capital Deployment of Prologis UK explained: "We have created and are piloting our own Prologis Warehouse Logistics Training programme, which is running out of

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our park at DIRFT (our biggest park in the UK). We built a training hub facility there and we've been blown away by the feedback we've had from customers and users of that space. In less than a year we've created around £5m in social value in terms of training. Life doesn't always give people the best routes in where people find themselves, but it's about giving them a way of getting into another career or moving forwards in the logistics sector as well as pathways within the logistics sector."

Environmental & Social Commitments

Thanks to the long-term approach that Prologis UK has, a great deal of opportunity is opened up to the company in terms of what it can achieve for the environment. While many firms are still in the early days of shifting towards a net zero approach, it's important to recognise that every development by Prologis UK over the past 14 years has been built to the standard of net zero in the construction process. This means that not only is Prologis UK actively looking at far more long-term environmental strategies, but it's also vastly ahead of where some of its competitors are still striving to reach – as evidenced by the fact that every Prologis UK project over the last 5 years has



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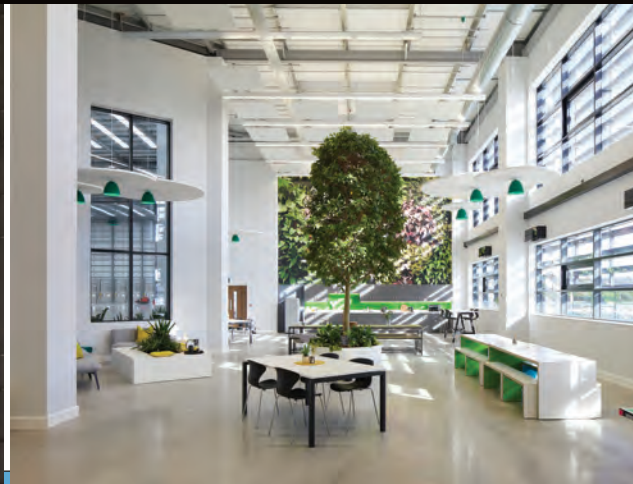
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Martin Cooper, Head of Project Management at Prologis UK

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achieved no less than BREEAM Excellent.

Introducing us into Prologis UK’s environmental strategies, Martin Cooper, Head of Project Management at Prologis UK explained: “Warehouses are pretty simple buildings, but our key differentiator as a property developer is that we hold our buildings. About 10 or 15 years ago we started to look at what buildings of the future would look like. We did a full lifecycle carbon analysis for the different ways of building a distribution centre and settled on the form that you will be familiar with now. Essentially we looked at what the buildings of the future would look like and since then, we’ve been building them. That’s because our key is to create buildings not just for our first customers, but the second generation and possibly even the third.”

So if Prologis UK are already where many developers wish to be on an environmental basis, then where is the company focusing now? Instead of looking at just embodied carbon, Prologis UK has been working to leverage its influence

as the developer to support occupiers in reaching operational net zero. To achieve this, the business has not only worked with occupiers and wider industry stakeholders to influence best practices (especially in terms of how the built asset is utilised), but has also rolled out new initiatives for minimising energy usage and maximising on-site green energy generation. This has incorporated the likes of 15% roof light integration across new-builds, LED lighting in locations wherever lighting is necessary, and a radical solar PV scheme.

Concerning Prologis UK’s solar PV scheme, we see an extension of the company’s insight into the logistics space coming into play. Again recognising the cost-conscious nature of the industry, Prologis UK’s approach has been to offer occupiers a way to offset risk and embrace environmental best practices at the same time. Instead of asking occupiers to pay for solar PV installations across their property, Prologis UK instead offers solar PV on a rental basis, which are intention-

ally costed to be cheaper than the energy costs would normally have been. Understandably this has allowed for companies to reduce costs and improve environmental standards at the same time, while also opening up a new revenue stream for Prologis UK.

As evidenced by The Hub at DIRFT, it goes without saying that Prologis UK’s environmental commitments come hand in hand with its social commitments too. Aiming to add value to local communities and have a positive social impact, the company is also striving to change the image of the construction industry and bring a combination of training and employment opportunities with every project, as well as prioritising the use of a local supply chain wherever possible – with this delivering both environmental and social value. At present, the company is targeted to deliver at least £100m in Social and Local Economic Value (SLEV) by 2025, with a shocking figure of over £70m already delivered.

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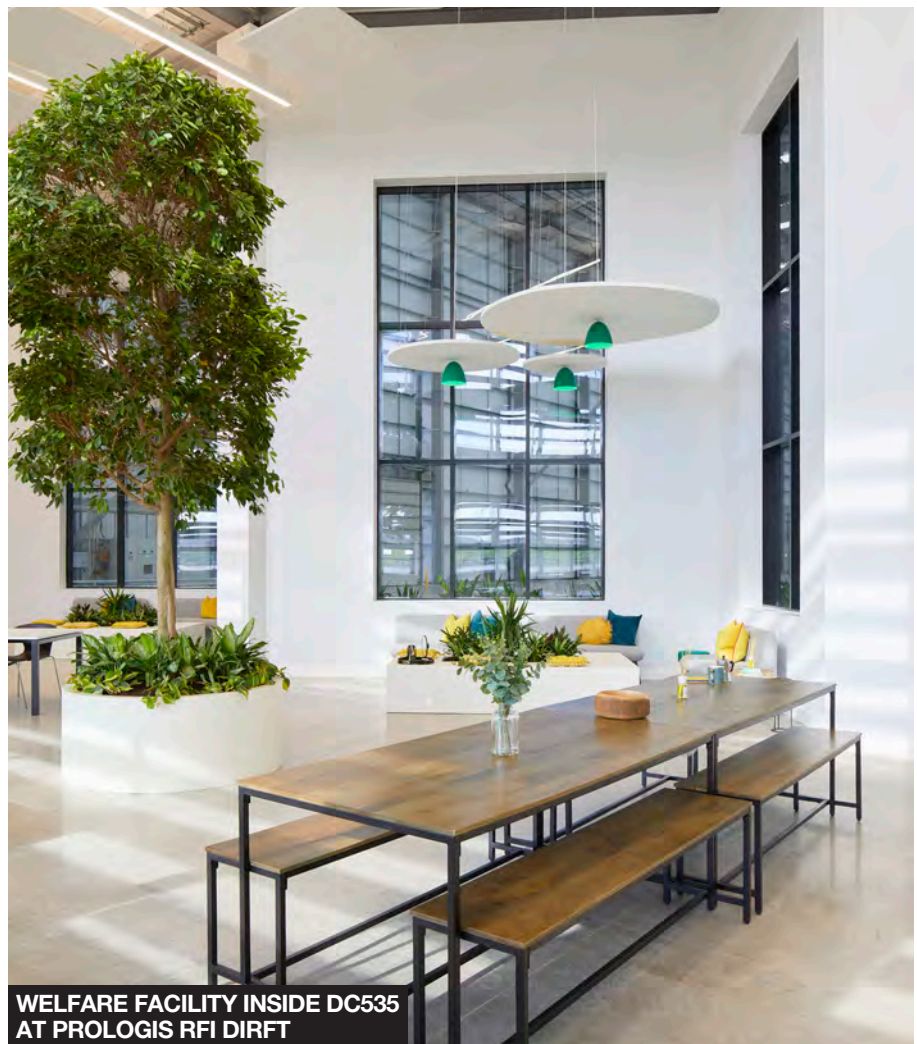
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“In 2018 we decided that we wanted all of our supply chain to sign up to a supply chain charter written by the Social Value Partnership, who are very active in the public sector. Our initial target was to record social and local economic benefits worth at least 10% of the construction contract value,” stated Martin Cooper. “In the first three years we achieved about £17.5m of social and local economic value which we were quite pleased with (about 8% of spend). In 2021 we revisited the target however and increased it to 20% of contract value. We also committed to deliver at least £100m of SLEV by 2025. At the time that felt like a bold and audacious target, but up to the end of last year we delivered up to £52m already, which is 30% of contract values.”

In terms of digitalisation within the business, Prologis UK is an advocate of BIM and has been scaling up the utilisation of BIM over the past few years. What’s interesting with Prologis UK, however, is the way in which BIM is actually being used. While the company does indeed use BIM to improve construction efficiencies, the long-term focus of the company has led to Prologis UK quickly identifying how this data can benefit the occupier’s use of the asset, assist in the development of fit-out plans,



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and also enable better long-term asset management. All of this works to pass on enormous value to the occupier, who is then provided with many of the tools required to make environmentally and financially efficient decisions.

“Over the last five years we have increased our focus on BIM and certainly now, all of our projects are designed in BIM,” clarified Martin Cooper. “It’s actively used for clash detection and all of the great things that BIM delivers, meaning the scheme is designed in BIM and the 2D drawings are generated from the model (not the other way around). That’s bringing efficiencies in design and it also means that when we have a customer on board, if they want to introduce their fit-out, then they can use our working model and seek to avoid clashes early on. The third and perhaps most important bit is that we can hand over the federated as-built BIM model which the customer can use for asset management and to answer any queries they have.”

What The Future Holds

Although it’s clear that Prologis UK has commercial ambitions and will no doubt expand in the market yet further, it’s wonderful to recognise the number of environmental and social commitments that the company has already made for the future. The coming years will see the firm continue to innovate in this space, expand the influence of Prologis UK within the market, and adapt to the emerging trends that we’ve already cited.

Following interviews being conducted and prior to publication, Prologis committed to net zero emissions by 2040 across Scopes 1-3: <https://www.prologis.com/news-research/press-releases/prologis-commits-net-zero-emissions-2040>





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