

Driving force

22 March 2018

The retail and logistics real-estate sector needs to be aware of the impact that the autonomous vehicles revolution will have, write Ian Craig and Mary Liu

A tap on your phone and a driverless car appears, drops you off on the high street and then parks itself nearby. When you're finished, another tap and your car comes back to pick you up. Or perhaps it drives itself to the supermarket to be loaded with the shopping you did online in the morning.

A glimpse of the future? Many believe we will soon be entering the age of driverless cars and that this is what the average shopping experience could look like. Even Parliament, that most old-fashioned of institutions, is embracing the prospect.

With the increasing hype around driverless cars, money is being poured into the technology. Recently, Delphi paid \$400m for [Nutonomy](#), a company that is developing autonomous vehicles, and last year, the UK government also [allocated ?20m to research](#). [The Automated and Electric Vehicles Bill](#) is currently progressing through Parliament, clarifying that driverless cars remain within the motor insurance framework rather than under product liability; it aims for ?consumers in the UK to be amongst the first in the world to reap the rewards that improved transport technology will bring?.

Indeed, some automation is already available. For example, the Active Park Assist feature available on Ford Focus models steers the car into parking spaces; however, this still requires human monitoring and intervention.

Driverless trucks could travel through our cities overnight

While the definition of driverless cars depends on who you ask, the ambition is broadly for a fully autonomous car that can navigate itself and sense its environment without human input. The intention is to get to a point where people can travel without needing to tackle traffic, park or even stay awake.

The general consensus is that it is now a question of when, rather than if, this technology becomes mainstream. There is even [a map](#) that allows you to see the preparations and trials taking place across the globe.

Changing direction

The development of real estate has always been heavily influenced by changes in the way we travel. Many built-up areas are around ports, from the time when ships were a significant mode of transport. As car ownership moved from a luxury to the norm, it placed strain on pedestrian-based city designs. Real-estate developers and planners have had to adapt, often by shoehorning an access road or parking space in wherever it will fit.

Anticipating and reacting to major changes such as these has been key to successful real-estate development and town planning. With driverless cars pegged as the next revolution in the way we travel, now is the time to start placing your bets on how cities will be affected. In this article, we will look at just a few of the potential changes for the retail sector.

A new landscape

One of the most widely anticipated changes is the effect that driverless technology could have on the landscape of cities. With this technology comes the ability for your car to drop you off and then drive away, either home or to a car park further away. Cities could then be redesigned as space is freed up by the reduced need for street-side parking.

Architects and developers are now working to ensure new buildings are constructed in a way that ensures they can easily be adapted, if and when driverless cars render parking spaces redundant. The real-estate investment trust [AvalonBay](#) is using level floors rather than inclines in its garages to make future conversion as straightforward as possible.

While this may seem like a great opportunity to increase net lettable space in buildings, there are negative implications for investors to consider. Parking revenue is of course a lucrative income stream to lose ? something already becoming apparent due to the rise of services such as Uber. But in turn, reduced demand for parking will present opportunities for those quick to find [innovative ways](#) to repurpose this newly available space.

Return of the high street

The limited space available in many urban locations has resulted in a visit to the high street becoming associated with the difficulty of finding an elusive parking space. With driverless cars set to eradicate this problem, there could be resurgence in footfall on high streets: not only will drivers be coaxed back to high-street browsing, those that cannot drive themselves, such as the elderly or disabled, could be transported there with ease in an autonomous vehicle.

Any resurgence of high streets could spell trouble for out-of-town retail parks and shopping centres. These have done well in recent years, in part due to their vast car parking capacity and the idea of a one-stop experience. If high streets become more convenient, retail developers may need to invest more in leisure to keep such parks attractive. Food courts and cinemas are a good start, but more may be required to entice people to point their driverless cars further from home.

Despite the success of online businesses such as Amazon and Asos, physical stores are not expected to die out completely, and numerous [studies](#) have concluded that people still prefer the experience of shopping this way. Although multi-channel retailing is clearly here to stay, if the industry adapts then driverless cars could present [new opportunities](#) for physical stores.

Driverless cars are also likely to revolutionise logistics to the benefit of brick and mortar shops. Physical stores could thus become more like showrooms, where customers can

come in to see the physical goods ? which is a key attraction of such outlets. They could then place an order which is picked up by a driverless car from a different location and delivered to their home within hours. This would reduce the space taken up by stock in physical stores, providing the space for a wider variety of goods or for alternative uses. It also brings some of the convenience of online shopping ? removing the need to lug around bags of shopping, for example ? to the physical shopping experience.

Will it deliver?

One of the evident benefits of driverless cars for delivering goods purchased online or in store is that, without the need for a human driver, such journeys could be made through the night and timed to appear whenever convenient for the consumer. This takes away some of the frustration from online shopping.

Many believe we will soon be entering the age of driverless cars

Warehouses are already using autonomous vehicles to sort and move parcels, within controlled environments, and the vehicles ? while able to move and perform these functions ? struggle to sense and avoid obstacles. Advances in autonomous vehicle technology could streamline the process, as well as deliveries from warehouse to home.

The rise in online shopping has already affected retail and real estate. One of the big current issues is finding land to build not only huge warehouses but also local depots in residential areas, and allow still quicker delivery times. If it is not possible to combine these as some are trying to do, driverless vehicles along with a scaled version of Amazon?s lockers could be the answer. Driverless trucks could travel through our cities overnight, not restricted by the need for sociable hours or sleep, dropping off deliveries at pick-up points that would appear throughout the city to accommodate demand.

Looking forward

While the vision of being able to take a nap in your car and wake up at your destination is further away than some companies might hope ? there are still some significant teething problems with the technology ? driverless cars and their effects are inevitable, if not immediate. The real-estate sector needs to accept that change is on the way and adapt to it, as it has many times before.

Ian Craig is a partner and Mary Liu a trainee solicitor at [Stevens & Bolton LLP](#)

Further information

- This feature is taken from the [RICS Property journal](#) (March/April 2018)
- Related categories: [Commercial property](#) ; [Retail property](#) ; [Town planning](#)