

Market in Minutes Logistics: Madrid and Barcelona

Q1 2018



SUMMARY

The upbeat performance in demand for logistics spaces continues in line with previous quarters in both Madrid and Barcelona.

■ Take-up in the Madrid market in Q1 2018 exceeded 225,000 sq m over 15 deals, representing a take-up increase of 76% y-o-y. The third metropolitan tier stands out, with more than 145,000 sq m in five deals.

■ The quarterly take-up recorded in the Barcelona market reached 186,000 sq m, with a total of 18 transactions. This figure accounts for a 50% y-o-y increase. The deal with the highest volume (49,000 sq m) was made in the Region of Baix Llobregat Nord, more specifically, the first tier.

■ Rental prices in both Madrid and Barcelona remain stable as in previous quarters. The achievable prime rent in Madrid stood at between €5.00 - €5.50 per sq m/month, and in Barcelona, between €5.75 - €6.25 per sq m/month.

■ Land market activity in both Madrid and Barcelona has been very high, with nine deals totalling more than 295,000 sq m transacted. The lack of product with the characteristics that the existing demand requires continues to generate a high level of interest in land acquisition.

■ The strong dynamics of the sector continue to bolster investor appetite, which currently registers an investment volume that exceeds €290m. The secondary markets such as Valencia, Zaragoza, Malaga, Sevilla and the Basque Country are the focus of interest from investors, due to the lack of quality built warehouses in Madrid and Barcelona.

GRAPH 1

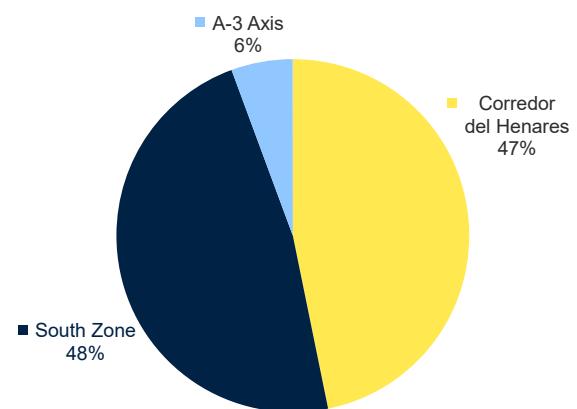
Take-up Evolution and No. of Deals by Quarter in Madrid



Source: Research Savills Aguirre Newman

GRAPH 2

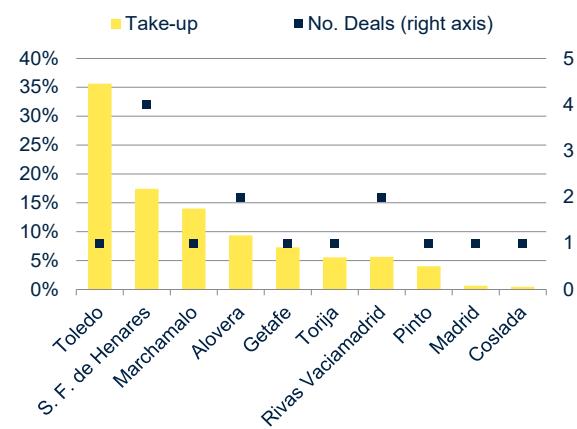
Logistics Take-up by Areas in Madrid Q1 2018



Source: Research Savills Aguirre Newman

GRAPH 3

Take-up and Demand by Zones in Madrid Q1 2018



Source: Research Savills Aguirre Newman

Main indicators

The current expansive period of the Spanish economy will continue during 2018. This is seen in the debt reduction in the private sector, the gradual reduction of public deficit, the drop in unemployment, and the stabilisation of the real estate sector.

The GDP forecast for Q1 stands at 3%, with an estimate of 2.7% for the whole of 2018 (according to Focus Economics in April 2018), and represents a moderate slowdown compared to 2017.

The Tourism and Construction industries, two of the most heavily weighted sectors in the economy, are joined by the logistics and transport sector, which accounts for 4.5% of the Spanish GDP, according to the latest data published by INE.

Consumer confidence ended 2017 with an increase of almost eight points compared to 2016 figures. This was thanks to increased public confidence in the economy and current climate.

E-commerce has continued to trend upwards since 2017. According to the latest data from National Markets and Competition Commission (CNMC), as of Q3 2017, business turnover recorded a 25% increase with respect to Q3 2016. Adapting to new trends in e-commerce will demand more installation specifications regarding logistics activity.

The growth of this factor has boosted employment in both the transport and logistics sectors, since two out of three new jobs were related to e-commerce in 2017.

Madrid logistics market

In Q1 2018, demand for logistics spaces continued with the positive trend of the previous years, reaching a gross take-up of 225,000 sq m, involving 15 deals. This figure represents an increase of 76% y-o-y (128,000 sq m).

The two most notable deals in terms of floor area were the

letting of 80,000 sq m in the Industrial Estate of Santa María de Benquerencia (Toledo) and 31,000 sq m in Marchamalo (Guadalajara). The signing of these two transactions accounted for 50% of the quarterly take-up. Of the remaining 13 deals, it should be noted that five of them had a floor area of more than 10,000 sq m.

The highest rent recorded stood at more than €6 per sq m/month in a deal signed for a turn-key project in San Fernando de Henares. Rents in the *prime* area currently remain between €5.00 - €5.50 per sq m/month.

The zone which showed the highest level of activity this quarter was Corredor del Henares, accounting for nine deals out of 15 completed, representing more than 105,000 sq m. Meanwhile, the Zona Sur, despite having a similar take-up of 107,000 sq m, showed more moderate activity with four transactions, the most significant of which being the aforementioned 80,000 sq m transaction for a turn-key project in Toledo. The rest of the demand was directed to the A-3 motorway with more than 12,000 sq m of take-up in two deals.

In terms of the number of transactions by municipality, of particular interest are San Fernando de Henares on the one hand, with four deals, and on the other hand, the municipalities of Rivas Vaciamadrid and Allovera, with two transactions each.

Interest in the land market, both for the development of speculative and turn-key projects, continued in this first quarter of the year, with six land transactions, involving a total floor area of more than 176,000 sq m.

Barcelona logistics market

Take-up for logistics spaces recorded in the first quarter of the year reached more than 186,000 sq m, which represents an increase of 50% y-o-y. It is particularly relevant that take-up for Q1 2018 was significantly more than that of 2017, with 18 deals and 13 deals respectively.

The region of Baix Llobregat Nord accounted for the bulk of the take-up, with more than 78,000 sq m let in two transactions, representing 42% of the total take-up. The most active regions, however, were Vallès Oriental and Barcelonès, with four deals each. Another notably active region was Vallès Occidental with three deals, amounting to 21% of the total take-up.

The two most notable transactions by floor area were the deals signed in Abrera (Baix Llobregat Nord), with more than 49,000 sq m, and in Sant Esteve Sesrovires (Baix Llobregat Nord), with 29,000 sq m. Additionally, it is worth highlighting the completion of a transaction involving 25,000 sq m on the Riera de Caldes Industrial Estate, which belongs to the Vallès Occidental region.

The highest rent recorded stood at €7.00 per sq m/month in a letting transaction carried out in P.I. Pedrosa (Barcelonès). However, rents in the prime area currently stand at between €6.00 - €6.75 per sq m/month.

Given the lack of quality built warehouses, the level of interest from investment funds in the purchase of land has increased in order to make way for the development of speculative projects. Among the land transactions registered during

the first quarter of the year, it is important to note the land purchase of 36,000 sq m in Riera de Caldes Industrial Estate, which belongs to the region of Vallès Occidental, for the development of a 25,000 sq m logistics project, as well as the 67,000 sq m acquired by Segro in Vallès Oriental.

Investment Market

The current expansive phase of the economy and the strong dynamics of the sector continue to bolster investor appetite, which currently registers an investment volume that exceeds €290m.

Among the most relevant deals is the purchase of 85,000 sq m by a real estate fund, for the development of three logistics projects in A.E. Los Gavilanes for approximately €100m. Another relevant deal is the €80m project acquisition of approximately 90,000 sq m by Invesco, for the development of a new logistics space on the M-40 ring road.

The initial investment yield for the most prime assets remains in the region of 6.0%. It has even reached yields close to 5.50% throughout the year in some specific transactions.

Lack of product in both the Madrid and Barcelona markets continues to cause an increase in interest in secondary markets such as

Valencia, Zaragoza, Málaga, Sevilla and the Basque Country. It also promotes growing interest in the purchase of land both for the development of speculative and turn-key projects, under either forward funding or forward purchase formats. ■

GRAPH 4

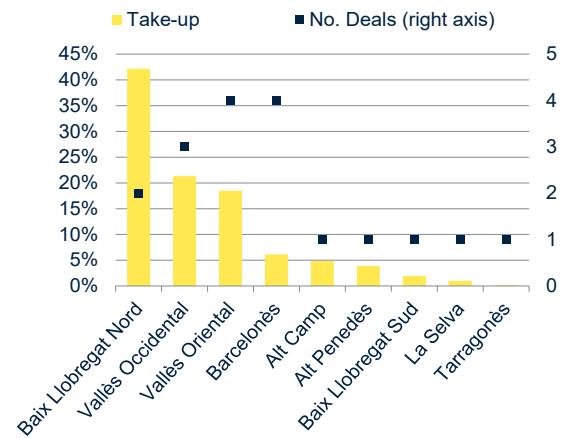
Take-up Evolution and No. of Deals by Quarter in Barcelona



Source: Research Savills Aguirre Newman

GRAPH 6

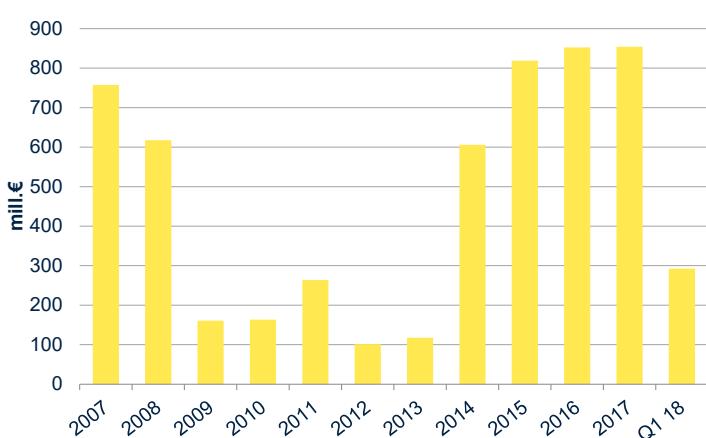
Take-up and Demand by Zones in Barcelona Q1 2018



Source: Research Savills Aguirre Newman

GRAPH 5

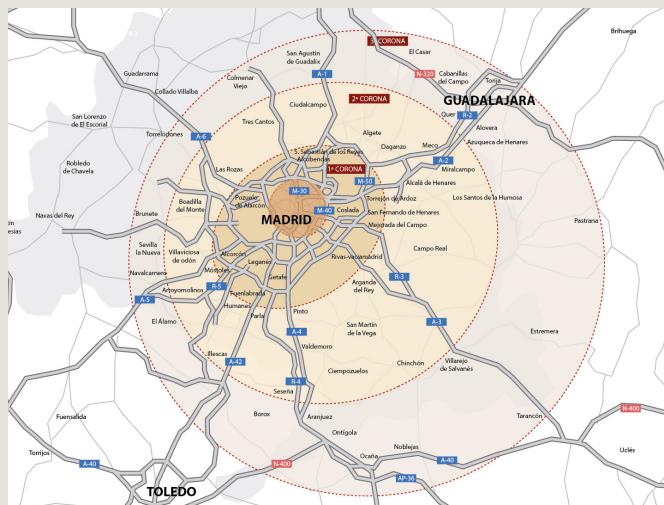
Investment Volume 2007-Q1 2018



Source: Research Savills Aguirre Newman

MAP 1

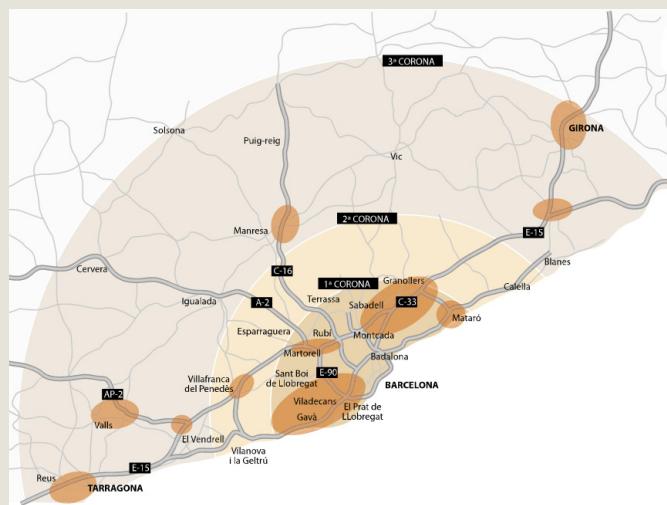
Logistics Map of Madrid by isochrones



Source: Research Savills Aguirre Newman

MAP 2

Logistics Map of Barcelona by isochrones



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