

Market in Minutes

Logistics: Madrid and Barcelona

Q2 2018



SUMMARY

The first half of the year exceeded outstanding take-up levels that were reached in the same period of 2017 in both Madrid and Barcelona.

■ The demand in the Madrid market during the first half of 2018 exceeded 450,000 sq m, with a total of 36 deals, representing a 17% y-o-y increase. Take-up during the second quarter surpassed 227,000 sq m, a figure which is slightly below the Q2 2017 level (<12%). 50% of take-up was concentrated in the third tier (>40km from the city), distributed over five deals.

■ The semestral take-up in the Barcelona market grew by more than 74% y-o-y and registered more than 390,000 sq m in 36 deals. In Q2 2018, both the take-up and number of deals posted a

50% y-o-y increase. These figures reflect the excellent performance of demand. Particularly noteworthy is the increase in surface area taken per deal, with five transactions, exceeding 20,000 sq m.

■ Rental prices in both Madrid and Barcelona remain stable as in previous quarters. The achievable prime rent in Madrid stands at between €5.0 - €5.50 per sq m/month, and in Barcelona, between €6.0 - €6.75 per sq m/month.

■ Interest in land market can be attributed not only to the lack of quality built warehouses in the market, but also to strategic trends

in land banking. During the second quarter, more than 280,000 sq m were transacted in six deals.

■ Although the interest on the part of the investors in the logistics market continues, H1 2018 registered just over €400m compared to the €490m of H1 2017, representing a drop of 17%. This decrease does not result from minor investor appetite but rather from lack of opportunities. The secondary markets are still the focus of attraction from investors due to the lack of quality built warehouses in both Madrid and Barcelona.

Main indicators

The favourable economic backdrop, the upbeat performance of the job market and the increased consumption have continued in 2018, boosting the logistics market.

The Spanish economy remains upbeat as in previous quarters. The GDP growth stood at 3%, according to the latest data of INE for Q1 2018. However, a gradual slowdown in the economy is expected in the next quarters, with the prospect of ending the year at 2.7% (according to Focus Economics).

The consumer confidence index showed a positive performance in June, gaining 1.2 points since June 2017.

The labour market continues to show signs of regrowth. The number of people registered with Social Security at the end of June exceeded 18.9m workers, almost 4.2% more than in the same month of 2017. Additionally, it has reached record levels of the decade.

E-commerce showed once again very positive data in the last quarter of 2017. According to the latest data from National Markets and Competition Commission (CNMC), the business volume in Q4 2017 increased by 28% compared to Q4 2016. The turnover volume in Spain exceeded €30,000m in 2017, reflecting a 26% y-o-y increase.

20,000 sq m, accounted for 48% of the total quarterly take-up. Two of them took place in Corredor del Henares and the remaining two in Zona Sur.

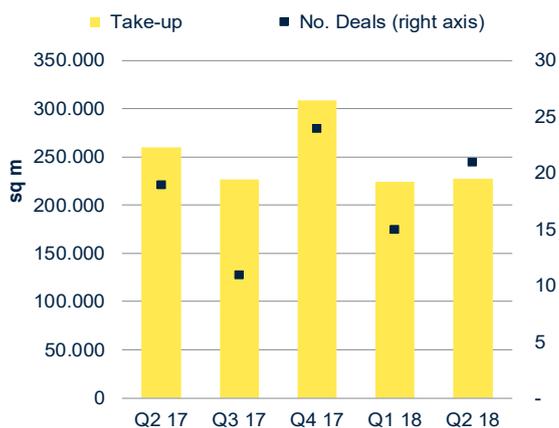
The highest rent of >€6.0 per sq m/month was recorded in Coslada, in a deal signed for a warehouse dedicated to developing cross docking. However, the achievable rent in the prime area currently stands at between €5.00 - 5.50 per sq m/month.

With regards to the geographical distribution, the zone which showed the highest level of activity this quarter was Corredor del Henares, with 11 deals, representing more than 118,000 sq m, which account for 52% take-up.

On the other hand, the South Zone, recorded a take-up of more than 91,000 sq m. This figure represents 40% of take-up, with seven deals. The rest of the demand was directed to the North Zone and the West Zone, with two and one deal respectively.

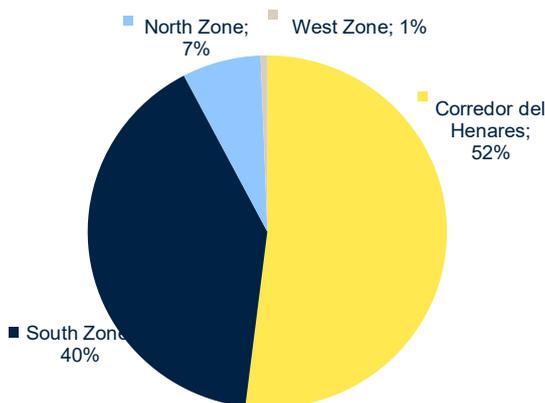
In terms of the number of transactions by municipality, of particular interest are Cabanillas del Campo, on the one hand, with four transactions, and on the other hand, the municipalities of San Fernando de Henares and Getafe, with three deals each.

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 Q2 2018**



Source: Research Savills Aguirre Newman

Madrid logistics market

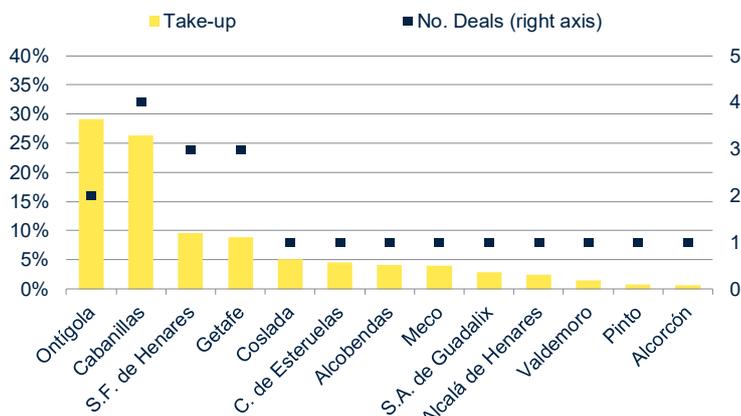
In H1 2018, the outstanding performance of demand exceeded 17% of the take-up of logistics spaces of H1 2017, with a total of 36 completed deals (387,000 sq m in H1 2017 vs 451,000 in H1 2018).

In Q2 2018, a take-up surpassing 227,000 sq m was recorded, an optimal figure, although this represents a 12% y-o-y decrease.

Moreover, 21 transactions were recorded, two more than in the same period of 2017.

With regards to volume transaction, it is important to note that four deals, located in the third tier (>40 km. from the city) with a size of more than

GRAPH 3 **Take-up and Demand by Zones in Madrid Q2 2018**



Source: Research Savills Aguirre Newman

Madrid land

In regards to land market, six deals were recorded, involving a surface area of more than 280,000 sq m. This data reflects the high level of interest in the sector.

The most relevant transaction is the purchase of more than 95,000 sq m in Alcalá de Henares.

Barcelona logistics market

Take-up for logistics spaces recorded during the first six months of the year reached more than 390,000 sq m, which represents an increase of more than 74% y-o-y.

The quarterly demand showed excellent performance levels exceeding 204,000 sq m, doubling the figures registered in the same period of the previous year.

Letting activity was significant in the first half of the year, with 36 completed deals compared to the 22 posted in H1 2017.

Among the most relevant transactions in terms of size, two stood out. On the one hand the deal carried out in La Bisbal del Penedès (Alt Penedès), with just over 48,000 sq m, by Vente Privé, a logistics platform and, on the other hand, in Barberà del Vallès (Vallès Oriental), involving a surface area of more than 28,000 sq m.

The highest rent was recorded at levels above the achievable rent in the prime area. However, the achievable rent currently stands at between €6.0 - €6.75 per sq m/month.

With regards to the number of deals by region, El Vallès Oriental accounted for the lion's share of the demand, with six transactions, accounting for 35% of the total take-up. Other regions with high level of activity are Barcelonès and Baix Llobregat Nord, with three deals in each region, and El Vallès Occidental, with two transactions.

It is important to note that the deal size increased in H1 2018, registering eight deals with a volume above 20,000 sq m compared to the two deals completed in H1 2017.

Barcelona land

The lack of land plots ready for construction and built warehouses is encouraging new players such as investment funds and developers to take positions in the sector by incorporating quality products.

Investment market

The high level of interest from investors in the logistics market continues, although the volume registered during H1 2018 (>€400m in 16 transactions) is 17% below H1 2017 figures (c.€490m). This decrease in volume does not result

from minor investor appetite, but rather from lack of opportunities.

Among the most relevant deals in the second quarter was the purchase of 75,000 sq m by the investment fund Green Oak in Alcalá de Henares.

The initial yield for most prime assets currently stands at around 6.0%, and even lower in certain transactions, at levels close to 5.5%.

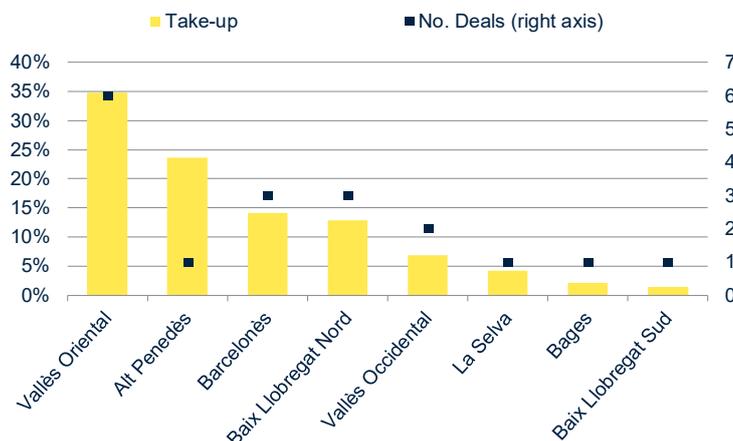
The secondary markets such as Valencia, Zaragoza, Sevilla, etc. continue to be the focus of interest from investors due to the limited quality products in both Madrid and Barcelona. ■

GRAPH 4 Take-up Evolution and No. of Deals by Quarter in Barcelona



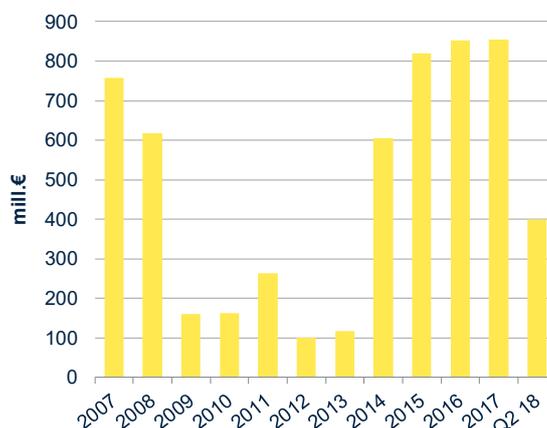
Source: Research Savills Aguirre Newman

GRAPH 5 Take-up and Demand by Zones in Barcelona Q2 2018



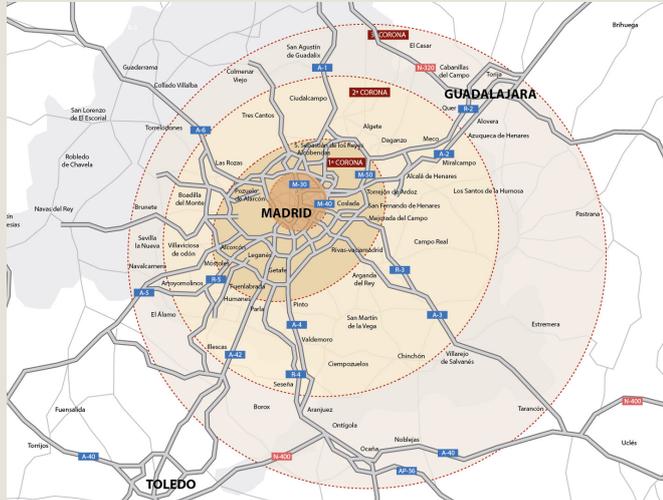
Source: Research Savills Aguirre Newman

GRAPH 6 Investment volume in the market 2010-Q2 2018



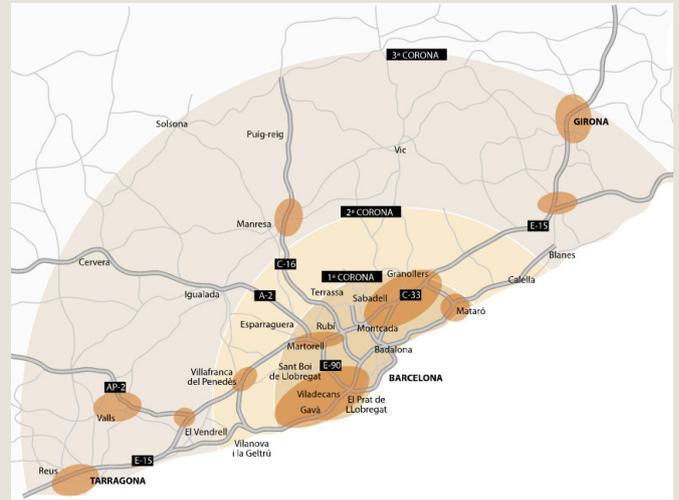
Source: Research Savills Aguirre Newman

MAP 1
Logistics Map of Madrid by isochrones



Source: Research Savills Aguirre Newman

MAP 2
Logistics Map of Barcelona by isochrones



Savills Aguirre Newman Team

For further information please contact:



Antonio Montero
Director Spain Logistics Agency
+34 91 319 13 14
antonio.montero@savills-aguirrenewman.es



Aitor Álvarez
Director Madrid Logistics Agency
+34 91 319 13 14
aitor.alvarez@savills-aguirrenewman.es



Gloria Valverde
Director Barcelona Logistics Agency
+34 93 439 54 54
gloria.valverde@savills-aguirrenewman.es



Pelayo Barroso
Research
+34 91 319 13 14
pelayo.barroso@savills-aguirrenewman.es



Gema de la Fuente
Research
+34 91 319 13 14
gema.fuente@savills-aguirrenewman.es

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This bulletin is for general informative purposes only. Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. It is strictly copyright and reproduction of the whole or part of it in any form is prohibited without permission from Savills Research. © Savills Commercial Ltd.