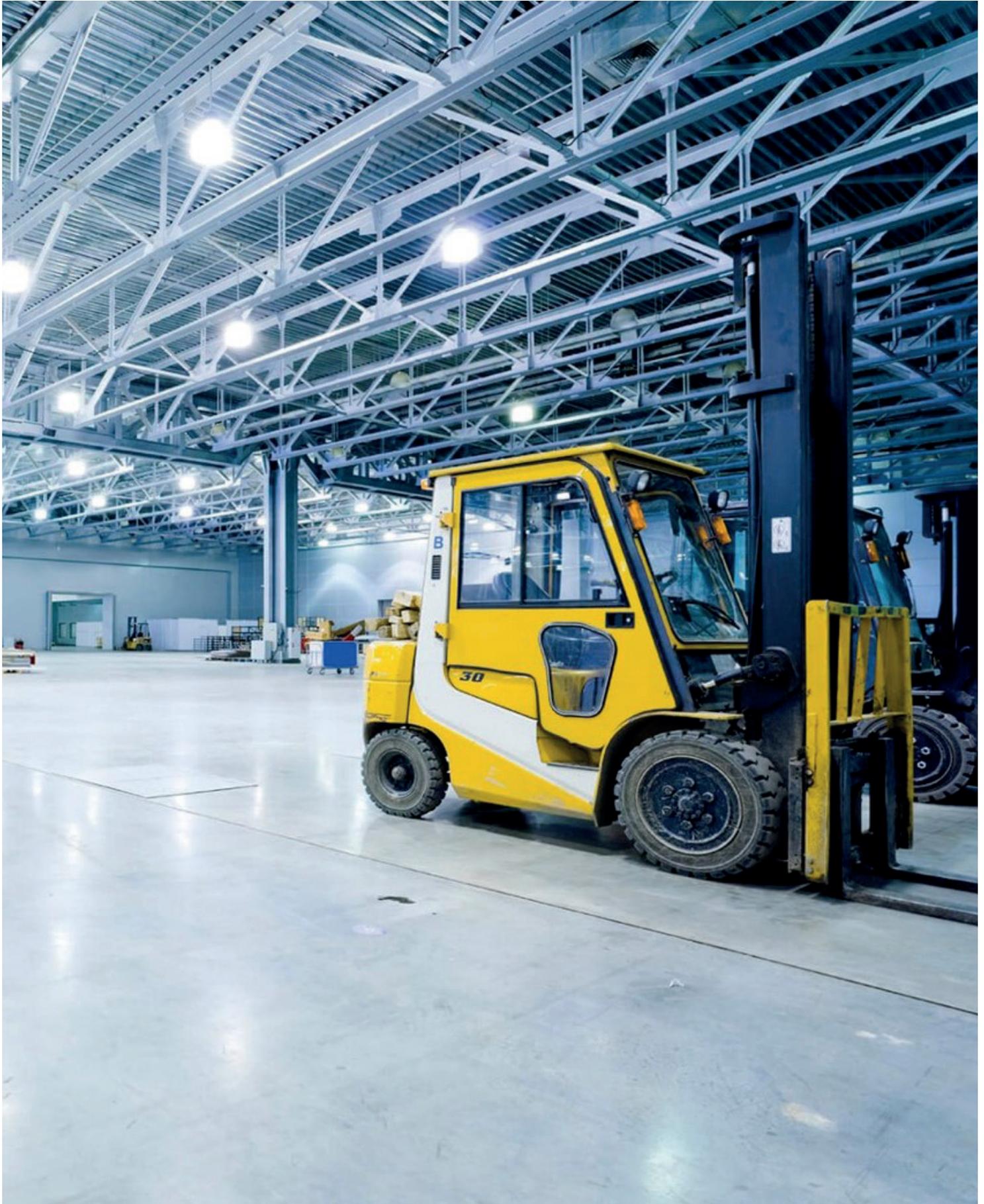


# Logistics Market



👉 Notable decline in take-up in the Madrid logistics market with prospects of a recovery in the next two quarters👈

**Economic Overview**

GDP growth in the first quarter of 2019 stood at 2.4% y-o-y, according to the latest data published by INE. The gradual slowdown of the Spanish economy that started in the first quarter of 2018 has been maintained. Year-end forecasts for 2019 stand at 2.2%, according to Focus Economics.

The Consumer Confidence Index showed a 4.7% y-o-y decrease in the month of March. The registered figures are very similar to those observed in October 2018.

The labour market has maintained the same dynamism as shown in Q1 2018. The number of people registered with Social Security at the end of March exceeded 19m, representing a 2.9% y-o-y increase, the best record since August 2008.

The unemployment rate continues to trend downwards reaching 14.70% (latest data of the EPA for Q1 2019). The projection for 2020 foresees a slight decline to 13%.

E-commerce returned to demonstrate very positive data, both in business volume and number of transactions. According to the latest data from the National Commission on Markets and Competition (CNMC), the business volume in the third quarter reflected a 30% y-o-y increase and the number of transactions rose by 35%. The accumulative business volume for 2018 represented 93% of the total reached in 2017. With this growth rate, 2018 closed the year with the highest growth in the historical series.

# Logistics Market

The upbeat levels of demand continue. In the Barcelona market the highest record was reached in a first quarter.

**Madrid Market. Take-up and Demand**

Take-up in Q1 2019 stood at 74,000 sq m distributed over nine deals, accounting for a 67% y-o-y decrease.

The largest transaction in terms of size was signed in Cabanillas del Campo, with 22,000 sq m.

The distribution of the number of deals by municipality has been very homogenous. Of particular note, San Fernando de Henares recorded two deals, while the other locations recorded only one transaction each.

By zones, Corredor del Henares accounted for 70% of take-up with more than 51,000 sq m. It also registered the most activity with six deals. Zona Sur, however, registered more than 22,000 sq m, representing 30% of take-up with three deals. The average deal size was around

8,200 sq m, slightly below the previous quarter, which stood at 13,000 sq m.

**Current and Future Supply**

The vacancy rate has slightly increased to 8.7% due to the incorporation of 267,000 sq m in Q1 2019, 61% of which is currently available.

New supply by the end of the year will exceed 1m sq m, 58% of which is currently vacant.

**Rents**

The maximum rent stood at €5.50 per sq m/month, signed in a transaction in Coslada.

The prime rent for logistics warehouses remains stable between €5.25 - 5.50 per sq m/month.

**Madrid Land**

The activity in the land market continues with the same

dynamism demonstrated in previous quarters.

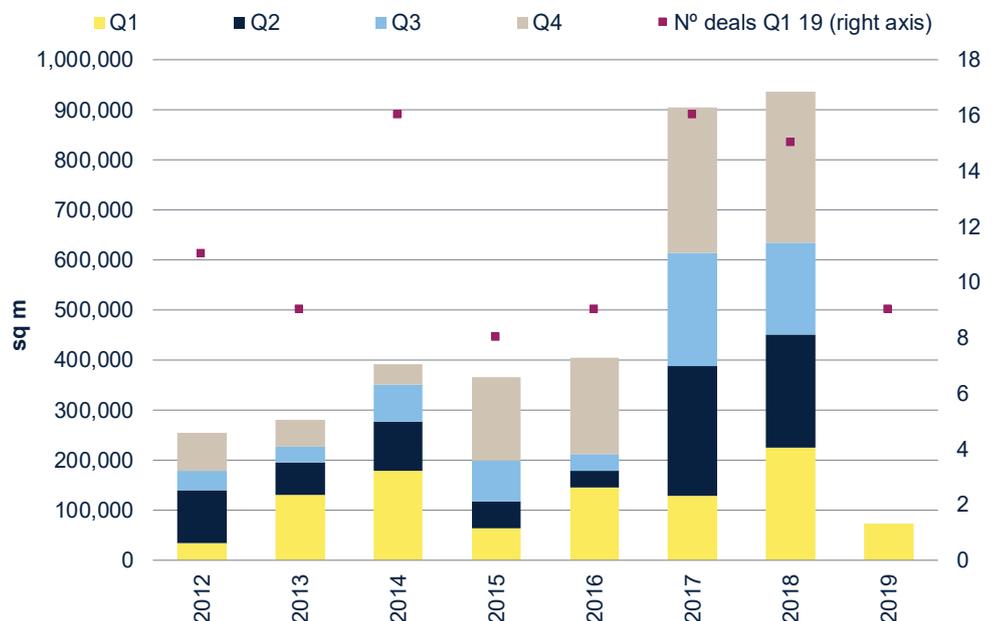
The interest shown both by investors and developers, as well as occupiers, for the development of their own projects is reflected in the volume of transactions for this quarter, which has surpassed 284,000 sq m in seven deals.

Most of the space taken up is concentrated in the first tier, with 60%, and the rest in the third tier.

**Barcelona Market. Take-up and Demand**

The demand performance in Q1 2019 was excellent, registering a take-up of almost 228,000 sq m in 15 deals. This represents the maximum historical figure of all first quarters, and accounts for a 22% y-o-y increase.

**Graph 1: Take-up evolution and num. of deals by quarter in Madrid**



Source Savills Aguirre Newman

“ The Barcelona logistics market recorded the maximum historical figure of all first quarters, thanks to the exceptionally high demand ”

It should be noted that two large deals were signed, representing 61% of take-up. One of them is a 93,000 sq m-project in Zal and the other is a 46,000 sq m-development by Goodman for DSV in Molins de Rei.

E-commerce continues to have a significant impact on the Catalan logistics market, as large deals are linked to this activity.

Activity in Q1 2019 was concentrated in Zona Centro and the first tier, with more than 194,000 sq m taken. Although Zona Centro stood out in terms of gross take-up, it was in the first tier where the greatest number of deals were carried out, with seven of 15 deals having been completed.

The average deal size was 15,000 sq m, in line with the previous quarter.

**Current and Future Supply**

The vacancy rate continues to trend downwards, standing at 3.63%. The supply of vacant logistics spaces for 2019 has been reduced to 248,000 sq m, 53% of which is currently occupied.

By 2020, it is expected that more than 415,000 sq m will be incorporated into the market, only 112.000 sq m of which is currently available.

**Rents**

The maximum rent reached was €7 per sq m/month, undertaken in two deals in ZAL. However, rents in the prime area are between €6.50 - 7.00 per sq m/month.

By volume, the most notable transactions were, on the one hand, the purchase by Prologis of a portfolio made up of five warehouses located in different cities (two in the Madrid market, two in the Barcelona market and one in the Basque Country), worth more than €64m; and on the other hand, the purchase by Pulsar Iberia Logistics of another portfolio, consisting of three warehouses and distributed throughout different cities (two in the third tier of the Madrid market and one in the Barcelona market).

**Yields**

The achievable yield for prime assets stands at 5.25% both for Madrid and Barcelona. However,

specific deals have been carried out below this figure.

The yield in secondary locations remains close to 6.25%.



The favourable results of e-commerce continue to boost the demand for logistics spaces in Madrid and Barcelona



Rents continue to trend upwards in the most consolidated areas

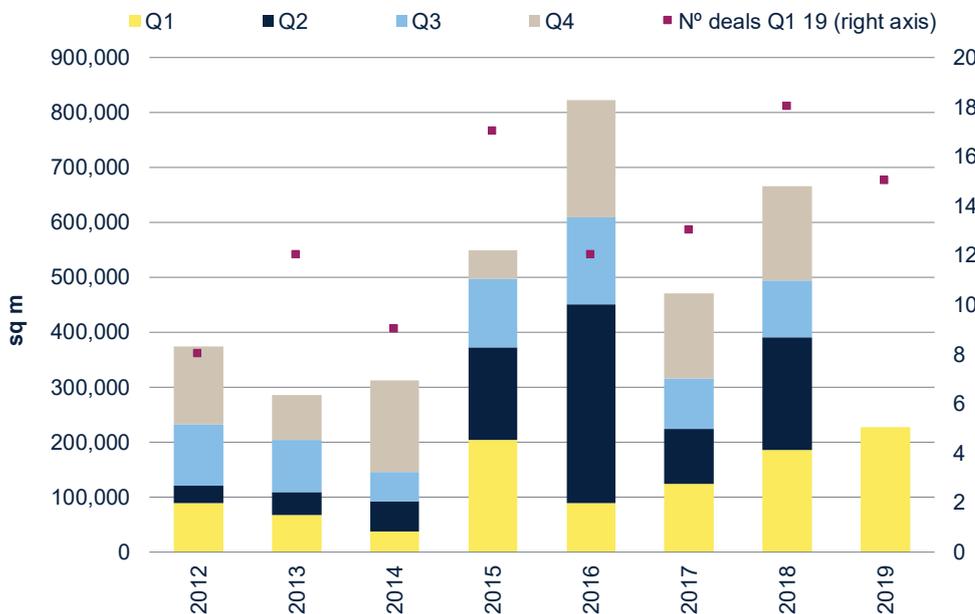


The land market continues to pique the interest of investors, to develop the type of product that the demand seeks, and which does not currently exist on the market



The new space expected to come onto the market during 2019 will increase stock by 17% in Madrid and 4% in Barcelona

**Graph 2: Take-up evolution and num. of deals by quarter in Barcelona**



Source Savills Aguirre Newman



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## Savills Aguirre Newman Research

accurate information on the current situation in each of the sectors, helping them make the right decisions at each moment.

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#### Savills plc

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