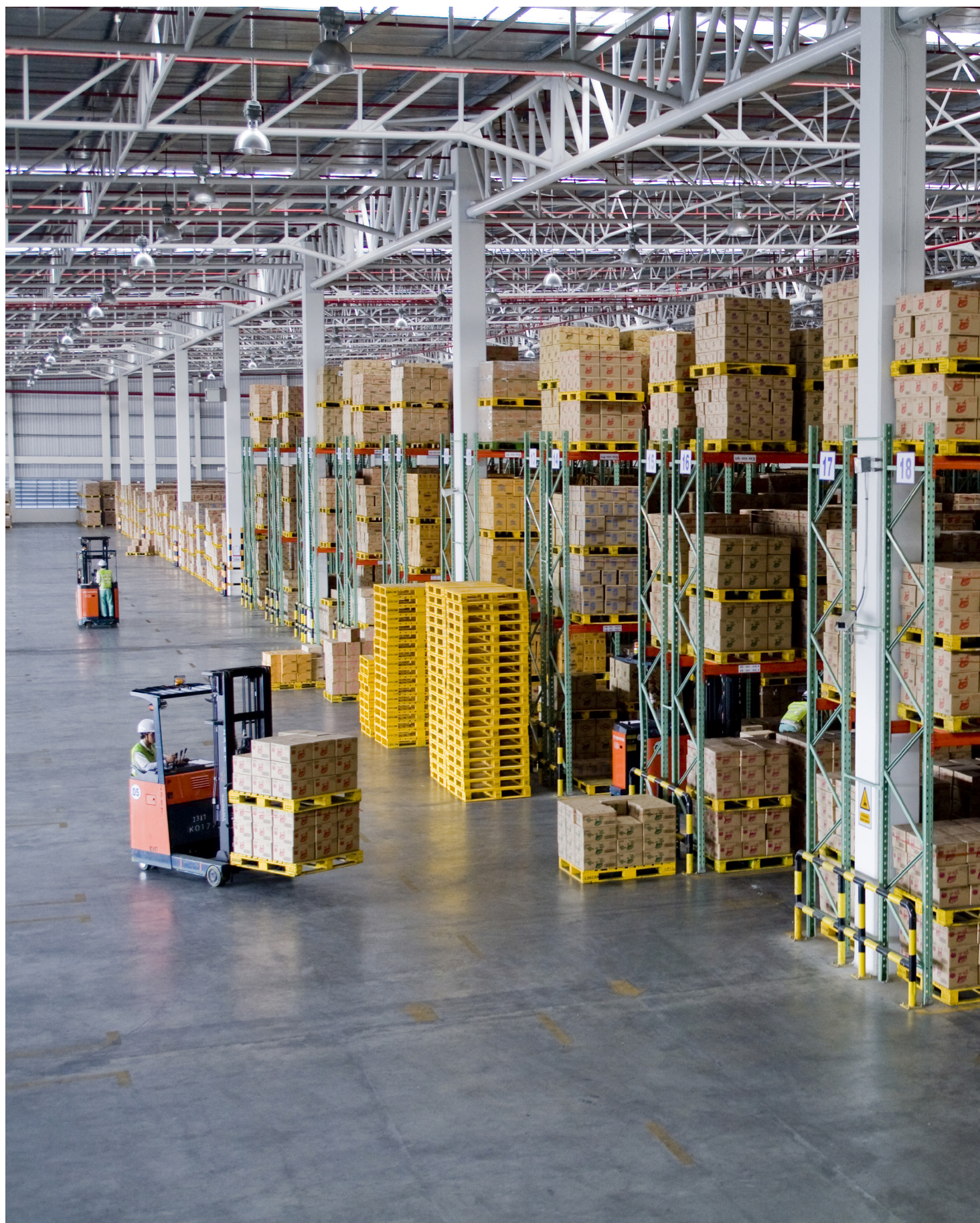


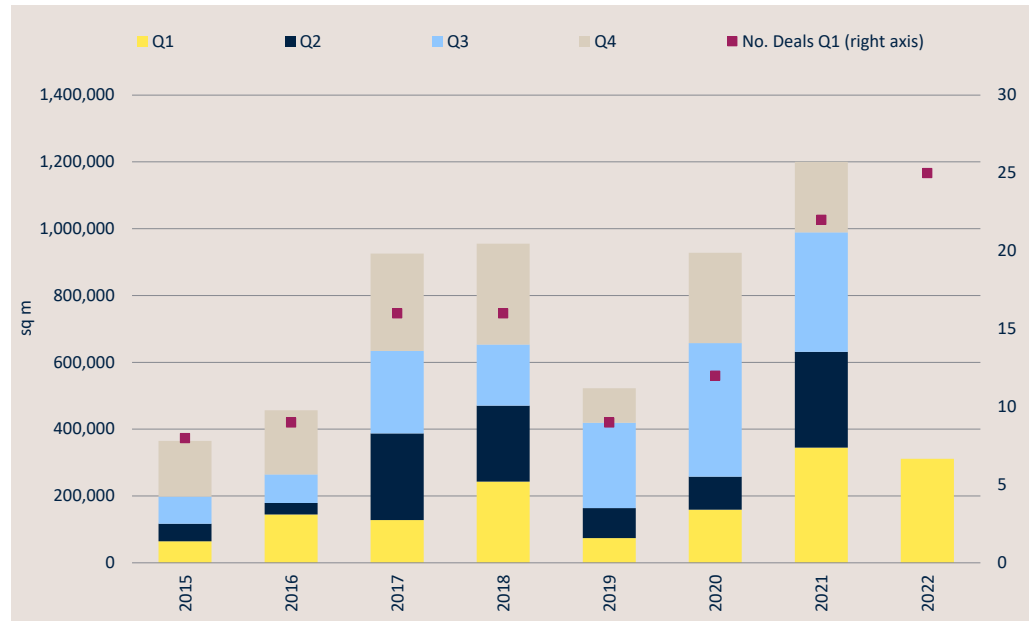
Logistics Market



📊 The Madrid logistics market remains very active and continues to register figures that are among the best quarterly records in the historical series, in terms of take-up, number of deals and average deal size 📈

Logistics Madrid

Take-up and No. of Deals by Quarter



Source Savills Research

Take-up and Demand

The Madrid logistics market continues to post excellent results. Although the just over 310,000 sq m of take-up in Q1 2022 represents a slight year-on-year decline (barely 10%), it is worth noting that this figure far exceeds the quarterly average of 2020 (+34%) and puts it in line with the average for 2021 (+4%).

In terms of deals, the 25 recorded set a new peak in the historical series, slightly higher than the 23 identified in Q3 2021 and in the last quarters of 2017 and 2018.

The growth in number of deals combined with the modest decline in gross take-up resulted in a decrease in the average deal size, standing at around 12,500 sq m. Despite being 20% below the figure for Q1 2021 and 10% below the annual total for 2021, it should be noted that it ranks fourth in the historical series average and third in the data from the last five years.

The distribution of activity in the occupier market by area shows the continued importance of Corredor del Henares. The 227,000 sq m accounted for 73% of the quarter's take-up, spread across 17 deals, but it should be noted that the A2 axis makes up 55% of the stock and 60% of the available surface area. The significant boost in take-up in this area was due to the signing of the three largest deals of the quarter (all with >40,000 sq m), all registered in the third tier of Corredor del Henares.

The remaining 84,000 sq m was distributed between the South Zone (70,000 sq m and seven transactions) and the West Zone (14,000 sq m in one transaction).

The distribution by municipality places the three zones with the largest transactions at the top of the ranking: Torija, Marchamalo and Alovera, all in the third tier of Corredor del Henares. However, the municipalities with the highest number of deals were Getafe and Alcalá de Henares (with four transactions each), both located in the first tier, in the South Zone and Corredor del Henares respectively.

Rents

The average closing rent, calculated with all the values identified in rental transactions, reflects an increase of almost 2% compared to the annual level of 2021. The highest growth took place in the South Zone (+4%), as much of the activity in this axis was concentrated in the first tier, while Corredor del Henares, with an average increase of 1%, recorded 71% of the transactions in the second and third tiers.

For the fifth consecutive quarter, prime rent for warehouses in the best locations in the city centre and the first tier remains at €5.75 per sq m/month.

Current Supply

Between January and March, some 102,000 sq m entered the market, of which 57,000 sq m was occupied. The remaining 45,000 sq m added to the total amount of space available for immediate

Economic Overview

Since 24 February, COVID-19 has taken a back seat in the world economy. The Russian invasion of Ukrainian territory and the subsequent war is now one of the key factors that will determine the economic growth. Not only for the two countries in conflict and their neighbours, but, in a globalised world, there will be repercussions for all corners of the planet.

The OECD, IMF and other economic institutions have already revised their GDP forecasts downwards, which could worsen further depending on the length and intensity of the conflict.

Spain's exposure to the two countries in the conflict is very limited due to the scant trade relations and its minimal dependence on Russian gas, but its economy will also be affected.

The first impact has come with the rise in the CPI, which in March registered a new peak compared to the figures of recent years (9.8% according to advanced data published by INE). Since October 2021 it has grown steadily, hitting record highs month after month, and it could potentially reach double digits, a level that has not been recorded since the 1980s.

Another significant aspect to take into account is the weakness in the supply chain. The global circular system, made up of small interdependent supply chains, is affected as soon as a small disruption occurs, affecting product supply, delaying the delivery of shipments, and ultimately increasing prices.

Higher commodity, energy and fuel prices will reduce spending power, and the uncertainty generated by the war will have some impact on consumer confidence, affecting the evolution of private consumption.

occupancy, around 972,000 sq m, putting the vacancy rate at 8.35% out of a total stock of 11.65 million square metres.

The modest incorporation of vacant space and the active demand in the occupier market has favoured a decrease in supply. By the end of the year, almost 370,000 sq m of available space is expected to enter the market, although it is likely that, as the months go by, the amount of committed space will increase, reducing the figure for available space.

The distribution of supply by market area clearly indicates the main axes of activity. Although Corredor del Henares and the South Zone are home to the greatest volume of supply (59% and 23%, respectively), they maintain a healthy vacancy rate (9% in Corredor del Henares and 5% in the South Zone). Meanwhile, the North, West and A3 areas have a vacancy rate of between 17% and 28%, despite representing barely 18% of the vacant surface area, between them totalling just over 173,000 sq m.

By municipality, Marchamalo and Alovera (in the third tier of Corredor del Henares) and Getafe (in the first tier of the South Zone), all with close to 100,000 sq m available, are the locations with the highest volume of supply.

Future Supply

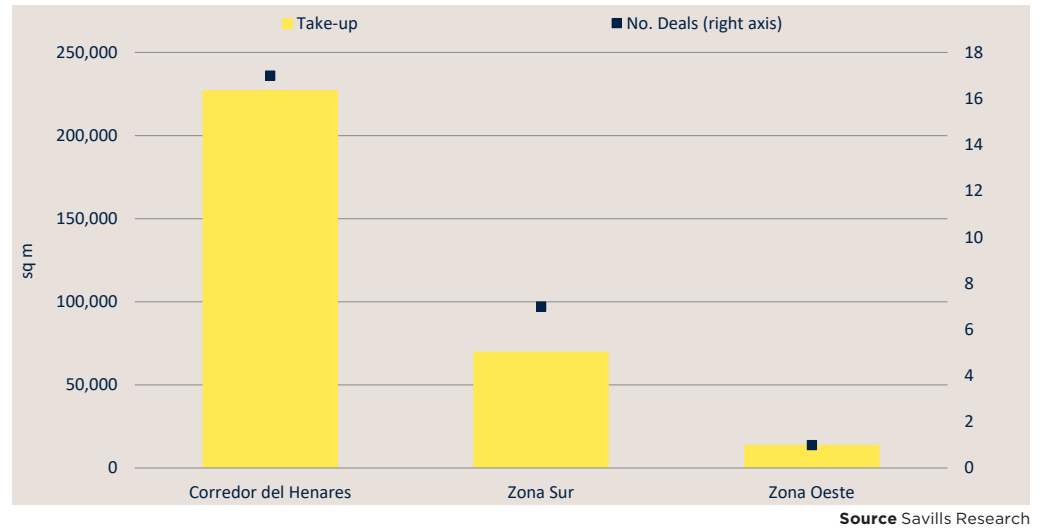
During the coming months of 2022, a further 530,000 sq m is expected to enter the market, of which 160,200 sq m is already committed (30% of the total), a figure that will increase as the delivery date of the projects approaches.

New supply will be concentrated in the most consolidated axes, with 230,000 sq m being delivered along Corredor del Henares and around 290,000 sq m in the South Zone. However, only 54% of Corredor del Henares is currently available, while the level is 80% in the South Zone.

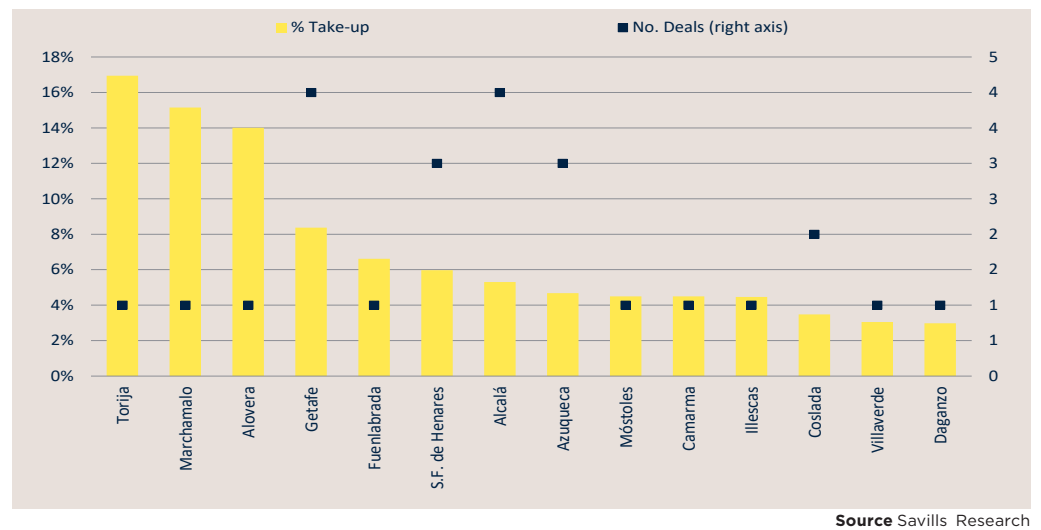
Illescas, with five new projects, is the municipality expecting the greatest volume of new space (just over 130,000 sq m, 100% currently available), although the new supply is already attracting the interest of demand and several deals are expected to be closed shortly.

The current supply chain disruption, shortage of raw materials, price increases, etc. could affect construction schedules, which would reduce supply entering the market.

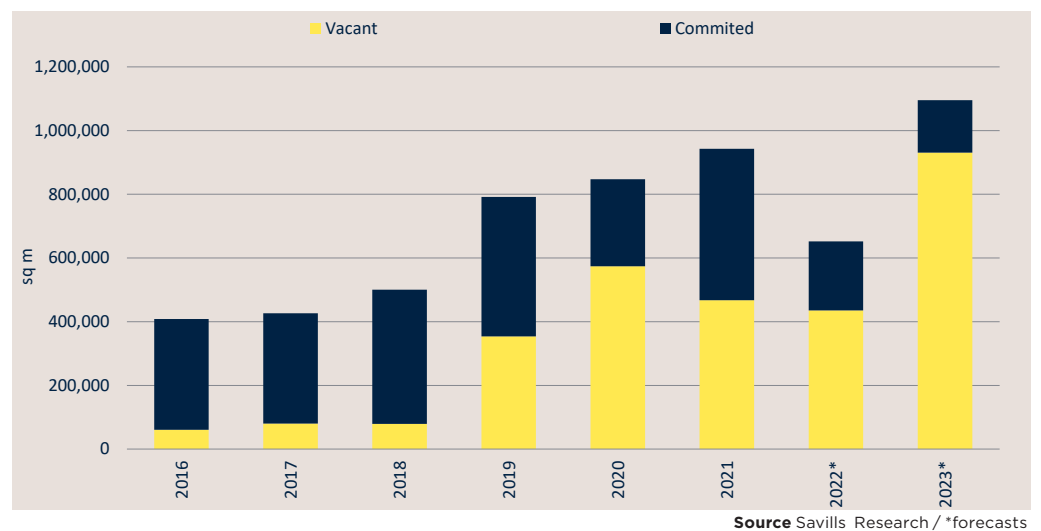
Activity by Market Zone - Q1 22



Activity by Municipality - Q1 22



Future Supply Evolution



🔑 With the alarming shortage of available space in the Catalan logistics market, future supply continues to be the best solution. The vacancy rate stood at just 1.7% in Q1, with Zona Centro and the first tier (both <1%) close to 100% occupancy 🏠

Take-up and Demand

The nearly 257,500 sq m of gross take-up in the Catalan logistics market in Q1 is the second-best quarterly record in the historical series, surpassed only by the 361,000 sq m recorded in Q2 2016, which is evidence of the excellent performance of the sector.

In terms of the number of deals, the 17 identified are in line with the quarterly average of recent years, which have ranged between 15 and 18 since 2018.

A higher volume of transacted space and stability in the number of transactions has resulted in an increase in the average deal size. The average deal size was 15,145 sq m, which leads the annual average in the historical series and ranks second in the quarterly averages, only topped by 19,200 sq m in the previous quarter (Q4 2021).

As usual, take-up was concentrated in the first tier, although it is worth noting that it accounted for 74% of the total (well above the 41% average in the historical series), driven by the three largest transactions of the quarter, which came to 138,000 sq m (54% of the quarterly total).

In the distribution of deals by surface area size, it is worth noting that larger transactions are becoming more common, while those of <2,500 sq m are decreasing. In Q1 2022 there was only one transaction of <2,500 sq m, which represented 6% of the total, well below the 12% in the historical series. On the other hand, deals of ≥10,000 sq m have gained presence, with the eight signings in Q1 2022 accounting for 47% of the total, while in the historical series they accounted for only 30%.

Rents

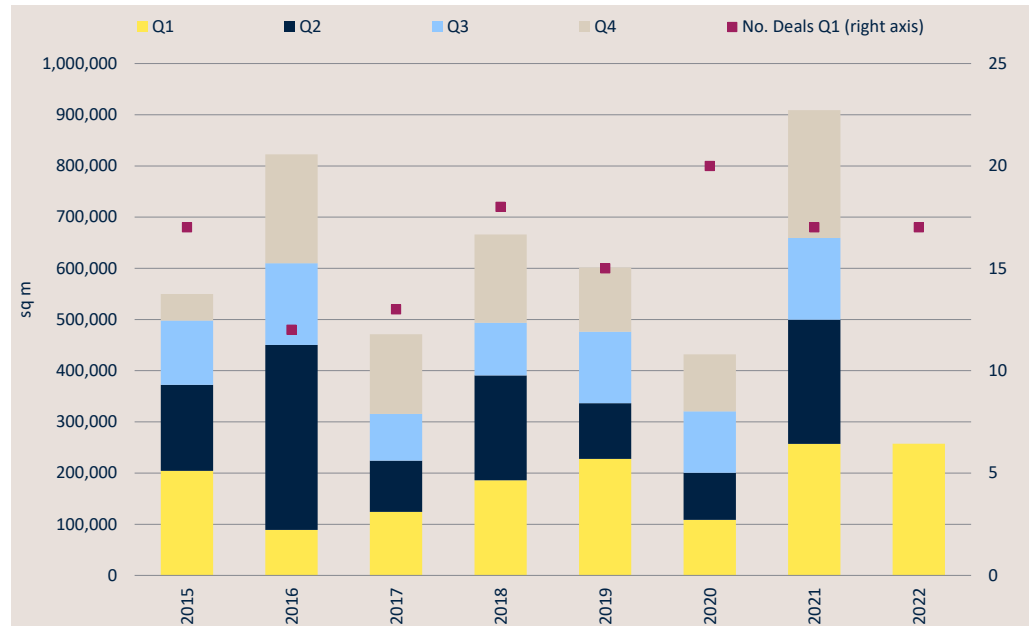
The average closing rent, calculated with all the values identified in the rental deals, stood at €5.70 per sq m/month, registering a growth of 1% compared to the annual figure for 2021.

The maximum value, €7 per sq m/month, was recorded in the second largest deal size (20,500 sq m), located in Sant Boi de Llobregat.

For the fifth consecutive quarter, prime rent for state-of-the-art logistics warehouses remains at €7.25 per sq m/month.

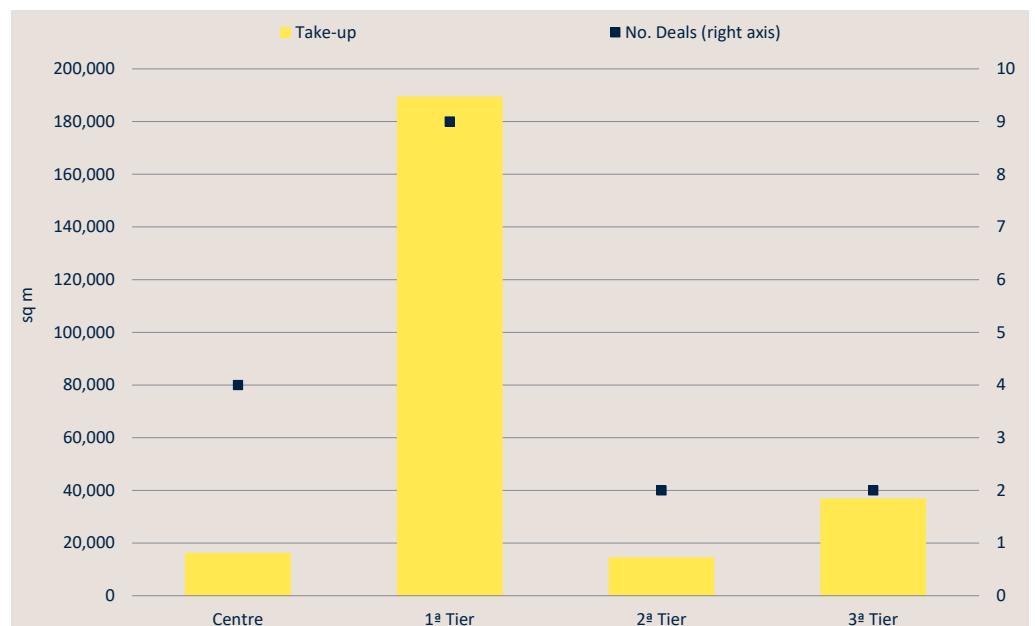
Logistics Barcelona

Take-up and No. of Deals by Quarter



Source Savills Research

Activity by Tier - Q1 22



Source Savills Research

Current Supply

The available space at the end of Q1 2022 was close to 150,000 sq m, a decrease of 67,000 sq m compared to the previous quarter. The excellent performance of demand has been the main reason for this decline, although the modest incorporation

of new space has also contributed, with only one empty warehouse with just over 9,000 sq m being delivered.

The reduction in supply and the very slight increase in total stock (0.1% compared to

December 2021), which stands at around 8.9 million square metres, continued to reduce the vacancy rate to 1.7%.

The analysis by tier shows that Zona Centro and the first tier (both with <1%) are at almost 100% occupancy. The following tiers slightly improve this situation, with 3% and 5% in the second and third tiers respectively.

By region, almost 50% of the vacant surface area is concentrated in Alt Camp, distributed across three complexes.

Future Supply

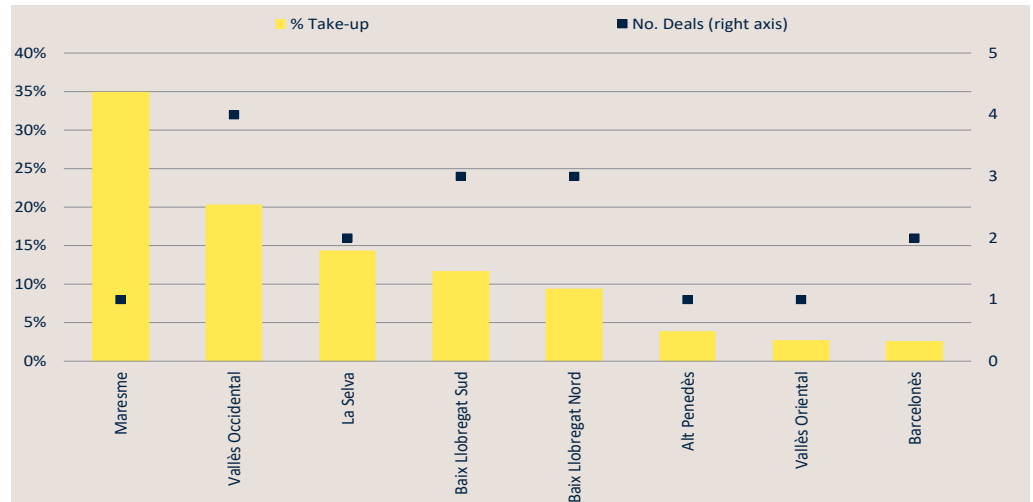
The future supply pending delivery stands at around 685,000 sq m, of which almost 52% will be occupied. This percentage will increase steadily throughout the year, as future supply is the best solution to the worrying problem of a lack of available space, which affects many municipalities in the Catalan market. Since 2016, the average committed space delivered each year has reached 90%.

Most of the planned surface area is expected in the second half of the year, although completion schedules could be altered due to external factors such as a disruption in the supply chain, shortage of materials and price increases, all of which could hinder the dynamism of the occupier market.

The distribution of new space by tier will mainly benefit the third tier, which has 44% of the total, followed by the first tier, with 33%, which will alleviate the extreme shortage of supply in this area, as it is also one of the most demanded in the market.

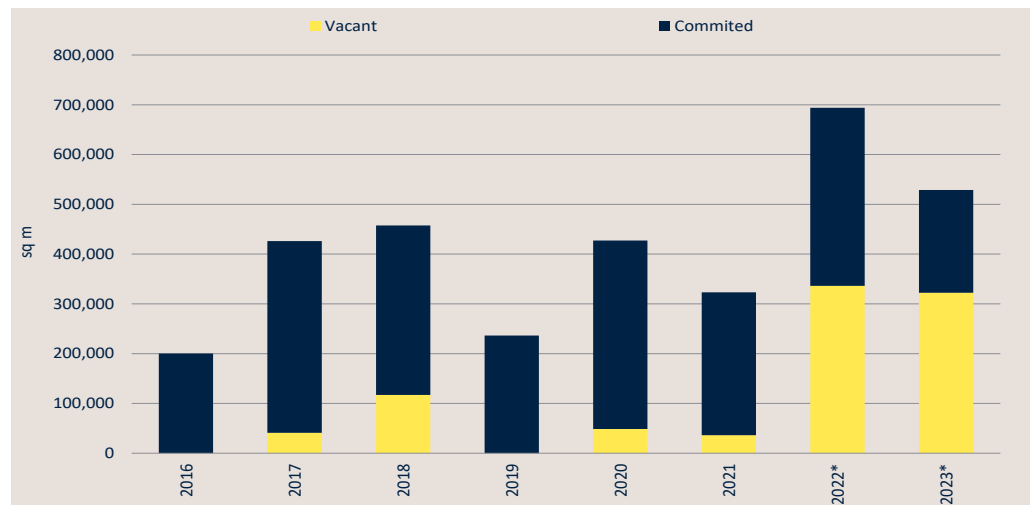
In the distribution by region, two of the areas in the first tier with the highest level of activity are among the top positions. Vallès Oriental and Vallès Occidental will account for almost 50% of new space, followed by Alt Empordà in the third tier, with 20% of the total.

Activity by Market Zone - Q1 22



Source Savills Research

Future Supply Evolution



Source Savills Research / *forecast



“The strong performance of online activity will encourage intense activity in the occupier logistics market, increasing investor interest in entering the segment with the largest yield gap compared to the last market peak (-320 bps)”

Investment Market

The investment market continued the momentum from Q4 2021, when around €700m was registered. Between January and March, just over €725m was recorded, an increase of 7% compared to the previous quarter and more than 150% compared to the same quarter of 2020.

The logistics segment continues to be the focus of investors. Although its share fell compared to 2021 (17% in Q1 2022 vs 28% in 2021), it is well above the average of the historical series (7%) and also above the average of the last five years (15%).

The outlook for the coming months is optimistic, not only because of the pipeline in the market, but also because the business figures for e-commerce, the main driver of logistics activity, continue to grow.

The Q3 2021 data published by the National Commission for Markets and Competition (CNMC) show that retail categories (those requiring logistics warehousing) continue to gain presence. In the first three months of the year, the retail sector accounted for 43% of total deals and 40% of turnover (compared to 39% and 38%, respectively, in the annual total for 2020).

Activity in the logistics investment market was mainly concentrated in Zona Centro, which includes Madrid and the neighbouring provinces of Castilla-La Mancha, with almost two thirds of the total amount transacted (around €480m), and within this area, in Corredor del Henares, where just over €415m was registered.

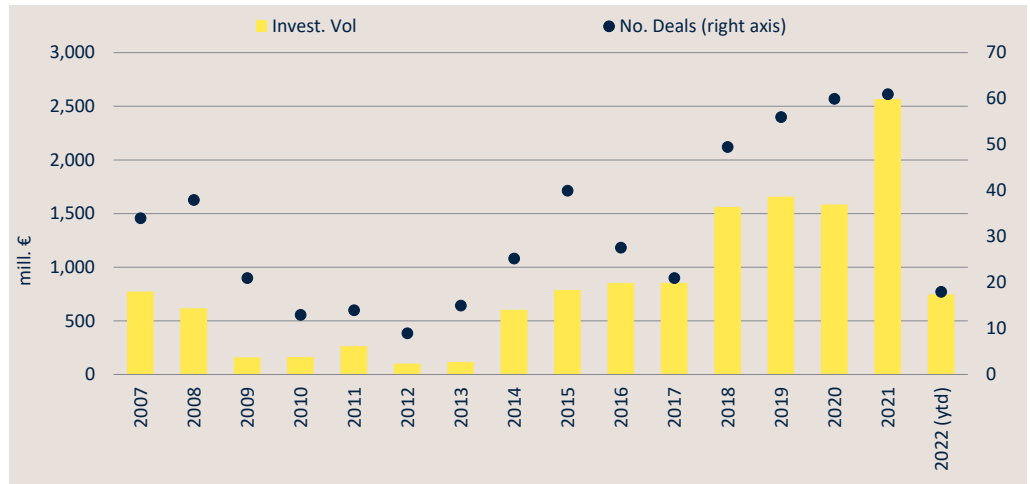
In the regional distribution, Catalonia ranked second with close to €100m. This contrasts with the strong market fundamentals, although the main barrier to entry into the Catalan market is the shortage of product.

In addition to the two main logistics markets, the zone in Levante stood out during the first three months of the year, with Valencia as the main driver. All the assets transacted in the Region of Valencia (five in total) were integrated in a portfolio of 11 warehouses. The remaining six locations were distributed between Zona Cento, Catalonia and Castilla y Leon.

Portfolio transactions are becoming increasingly more frequent, enabling investors to participate in the market

Investment Market

Annual Evolution of the Investment* Volume and NO. of Deals



Source Savills Research / *excluding corporate transactions, land and final user purchases

quickly or to accelerate the growth of a portfolio. The volume recorded in portfolios accounts for 80% of the total so far, as they coincided with the largest transactions of the quarter (>€100m).

More portfolios will be closed until the end of the year, while some processes are already active in the market and others will enter in the coming months. Spain will also be a key point in several European portfolios that are expected to be finalised in 2022.

As for the origin of investors, almost 100% of the volume came from international players. There was only one transaction from domestic capital: Azora acquired a warehouse in Alcalá de Guadaira (Seville) under the sale and leaseback format.

Yields

The achievable level of yield on prime product remained stable at 4% in Q1 2022, while buying pressure continued to compress yields on secondary products to 4.75% (-25 bps from Q4 2021 and 100 bps below the Q1 2021 level).

Main Deals - Investment Market - Q1 22

Asset	Location	Purchaser	Vendor
Portfolio Tiger	several locations	GIC	EQT Exeter
Portfolio Gemstone	Zona centro	EQT Exeter	Logicor
P.I. Mohedano II	Guadalajara	Arrow Capital Partners	Private investor
P.I. Constanti *	Tarragona	Tristan Capital Partner / Ke-fren Capital Real Estate	Goodman
P.I. Inbisa II *	Madrid	Starwood Capital	Meridia Capital

Source Savills Research / *advised by Savills



Savills Research

We carry out a thorough and objective analysis of the real estate market in order to provide our clients with accurate information on the current situation in each of the sectors, helping them make the right decisions at each moment.

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