

Logistics Market



Economic Overview

The emergence of the new omicron variant brought with it the tightening of measures and the reintroduction of restrictions to prevent it from spreading further. This mainly affected the retail, leisure, food & beverage, and tourism sectors, significantly impacting economic growth. The Spanish economy grew by 2% in Q4 compared to the previous quarter and by 5.2% compared to Q4 2020.

Nevertheless, after various economic organisations and institutions revised their projections downwards in recent months, this market performance has led them to slightly improve their forecasts.

The outlook for 2022 puts annual growth above the 5.5% recorded in 2021, although the progression of the pandemic and other global challenges, such as rising commodity prices and supply chain chaos, will determine the actual pace of economic growth.

Meanwhile, the Q4 unemployment figure maintains the rate of decline that began at the end of 2020 to stand at 13.33%. The data published by the State Public Employment Service (SEPE) in January 2022 leaves the number of registered unemployed at 3.123 million people. Although this is a slight increase compared to December 2021 (0.55%), it reflects a variation of -21.2% compared to January 2021, i.e. 841,275 fewer unemployed people.

The latest data published by the National Commission for Markets and Competition (CNMC), corresponding to Q2 2021, shows that e-commerce continues to operate at a healthy level.

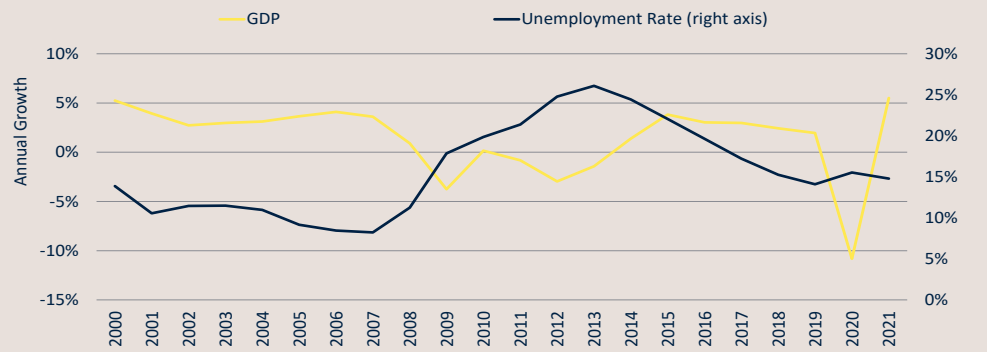
The accumulated data for the first half shows a year-on-year growth both in terms of transactions (21%) and business volume (8%). Analysis of the categories linked to the retail market indicates that they performed better, with increases of 43% and 25% respectively. In addition, retail activity gained presence in the total e-commerce figures, from 37% in the first half of 2020 to 44% in the same period of 2021 in terms of number of deals, and from 36% to 42% in turnover.

total retail sales turnover continues to rise. Internal estimates projected it to be close to 10% by the end of 2021, gaining just over one percentage point. Growth has slowed compared to 2020, when it grew by almost three percentage points, but is above the historical average of six tenths of a percentage point per year.

The strength of e-commerce data in the retail categories has a direct impact on the logistics market because of its direct involvement with online operators, retailers and courier companies. The increased workload of these companies means that they need to expand their storage space.

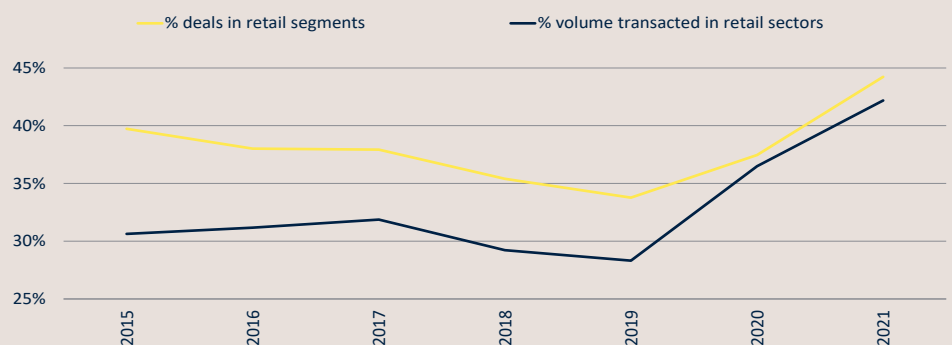
Likewise, the share of e-commerce in

Main Economic Indicators



Source INE

E-commerce on-line sales and yoy growth - 1H



Source Savills Research with CNMC data

Evolution of e-commerce

🏆 Record year in terms of take-up volume and number of deals, with more than one million square metres distributed across 88 deals 🏆

Logistics Madrid

Take-up and Demand

The Madrid logistics market performed excellently at the end of 2021, both in terms of take-up volume and number of deals, reaching the highest figures recorded to date. The almost 1,250,000 sq m signed in 2021 represents a 34% increase on the considerable take-up already registered in 2020 (almost 930,000 sq m). Demand was even more active than in 2020, as can be seen in the 88 deals signed in 2021 compared to the 59 in 2020, representing a 49% year-on-year increase.

Throughout 2021, 13 transactions were closed in excess of 25,000 sq m, a particularly significant figure as it is the only year in the historical series to reach such a high number. The cumulative volume of these transactions (>578,000 sq m) represents 46% of the total take-up.

Take-up in the last quarter of the year exceeded 257,000 sq m across 21 transactions. In the year-on-year comparison, there was a slight decrease in take-up (5%) and a moderate increase in the number of deals (5%).

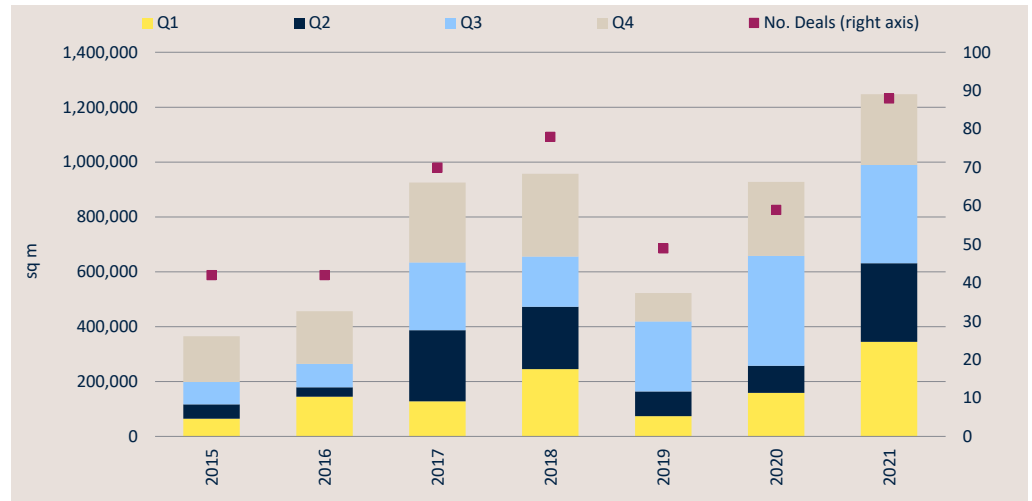
In terms of the distribution of take-up by area, the year as a whole exceeded the record highs, with the South Zone accounting for 52% (>646,000 sq m) and Corredor del Henares for 47% (>592,000 sq m). The remaining 1% was found on the A-3 Axis.

With regards to demand activity, the performance was completely opposite to that of take-up. Activity in Corredor del Henares has traditionally been higher than in the South Zone, but in 2021 it stood out significantly with 57% (50 deals) compared to 42% (37 deals) in the South Zone.

In Q4 2021, Corredor del Henares accounted for the bulk of take-up (59%, 140,000 sq m) as well as activity (62%, 12 transactions). The South Zone made up 42% (>109,000 sq m) across seven transactions and the remaining 3% on the A-3 Axis in one transaction.

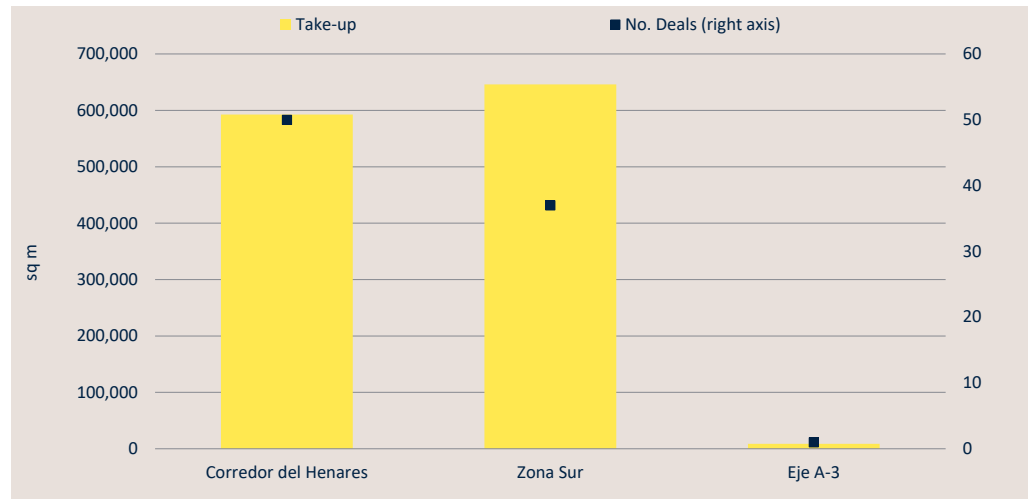
Among the largest deals of the year (those with more than 40,000 sq m), four stand out, accounting for 24% of the total take-up (>300,000 sq m). Two of these were signed in the third tier of the South Zone, in the

Take-up Evolution and No. of Deals by Quarter



Source Savills Research

Take-up by Market Zones - 2021



Source Savills Research

municipality of Illescas, and the others in the third tier of Corredor del Henares, in the towns of Cabanillas and Marchamalo.

On the other hand, in the distribution of transactions by municipality at the end of the year, Getafe stood out with 14 transactions, followed by San Fernando de Henares with 10, Coslada with eight, and Cabanillas with six. The surface area signed between these municipalities represented 58% of total take-up, as well as 50% of the number of deals.

Despite a large number of transacted deals of more than 25,000 sq m, as previously mentioned, the

average deal size in 2021 decreased slightly to 14,171 sq m compared to 2020 (15,727 sq m).

Rents

The prime rent for state-of-the-art logistics warehouses in the best locations remains at €5.75 per sq m/month.

The highest rents of €8 per sq m/month were reached in very specific locations, such as Barajas and Ciudad Pegaso.

Current Supply

During 2021, more than 930,000 sq m of new space entered the market, bringing the stock to 11.3 million sq m.

Of the total new surface area, 50% entered the market available (467,000 sq m). Added to the existing available space, the current supply for immediate occupancy amounts to one million square metres, putting the vacancy rate at 9.3%.

The area of Corredor del Henares comprises 59% (>629,000 sq m) of the total available supply. Most of this is distributed among the municipalities of Alcalá de Henares, Alovera, Cabanillas del Campo and Marchamalo, with 38% of the total existing supply on the market.

As for the South Zone, there is a lower availability, just 255,000 sq m, representing 24% of the total supply. The municipalities with the highest availability are Villaverde, Getafe, and Pinto.

It should be noted that the availability in Corredor del Henares is concentrated in the third tier, while in the South Zone it is mainly in the first tier.

The remaining available supply of >173,000 sq m is mainly located in the municipalities of Vicálvaro (A-3 Axis) and San Agustín de Guadalix (North Zone).

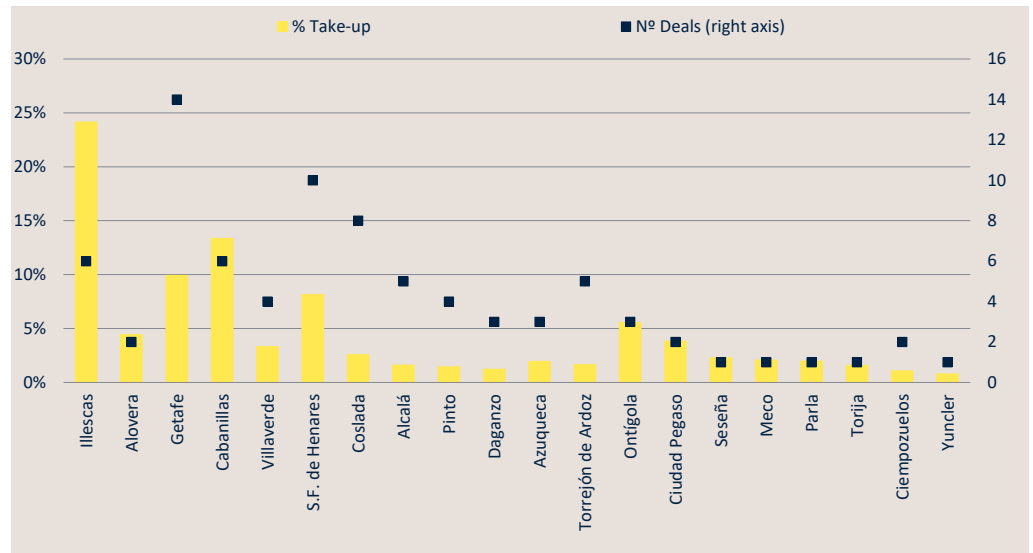
Future Supply

By 2022, almost one million sq m of new space is expected to be added to the market, of which 20% (200,000 sq m) is already committed.

In terms of the geographical distribution of new available supply pending development (815,000 sq m), the South Zone has almost 470,000 sq m, Corredor del Henares around 325,000 sq m and the A-3 Axis with just 20,000 sq m. However, these are indicative figures because, as usual, the delivery of some projects will be delayed or in some cases the owners will postpone the start of construction.

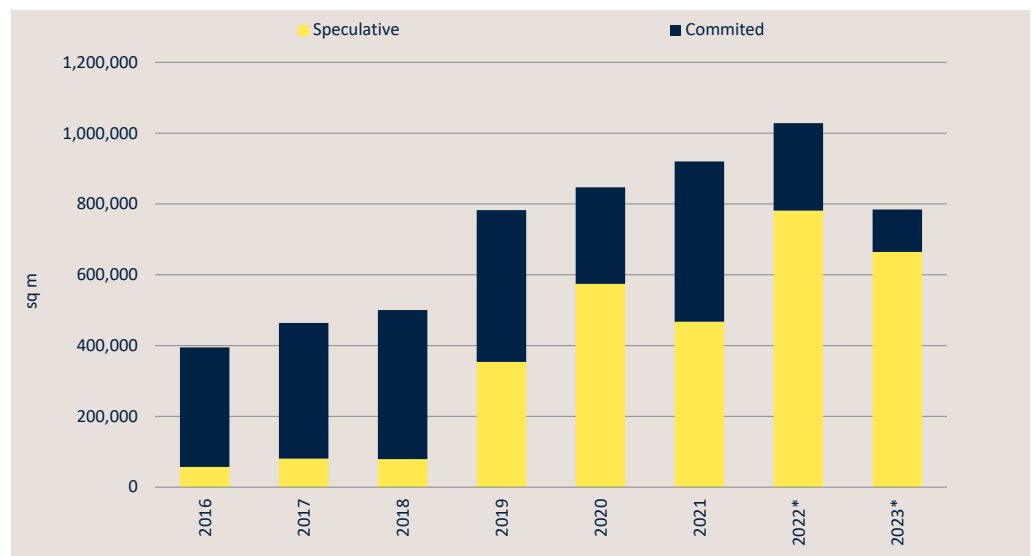
As for the municipalities where the most available supply will be incorporated, two stand out: Getafe, Ontígola and Illescas in the South Zone, and Alcalá de Henares and Cabanillas del Campo in Corredor del Henares.

Take-up and Demand by Municipality - 2021



Source Savills Research

Future Supply



Source Savills Research / *forecasts



“Notable market performance, reaching an all-time high in take-up volume, with more than 900,000 sq m distributed across 63 deals”

Take-up and Demand

The Catalan logistics market ended 2021 with the highest take-up volume recorded in the historical series (>908,000 sq m), 36% more than the level for 2018 (>665,000 sq m), which was the highest figure to date.

In terms of the number of deals, activity recorded a slight drop of 10% in the year-on-year comparison, with 63 deals compared to 70 in 2020. However, demand continued to perform at very high levels.

2021 was characterised by considerably large transactions. Eight transactions of more than 25,000 sq m were registered, which accounted for 55% of total take-up.

Take-up in Q4 2021 exceeded 249,000 sq m, the highest figure for a fourth quarter since 2012. It is worth noting that this volume was significantly impacted by the signing of four deals of more than 25,000 sq m, making up 85% of the quarter. Three took place in the second and third tiers, where it is currently possible to carry out large warehouse formats, which explains the consolidation in these tiers.

In terms of deals, there were 13 in Q4 2021, representing a 32% y-o-y decrease.

In the distribution of take-up by tier, during 2021 the third tier stood out, where 40% was concentrated, followed by the second tier with 23%. The remaining take-up was distributed between the first tier (19%) and Zona Centro (17%).

These figures are somewhat atypical, as take-up has historically been distributed between the first tier and Zona Centro, but in 2021 the largest deals were signed mainly in the third tier (four deals of more than 25,000 sq m).

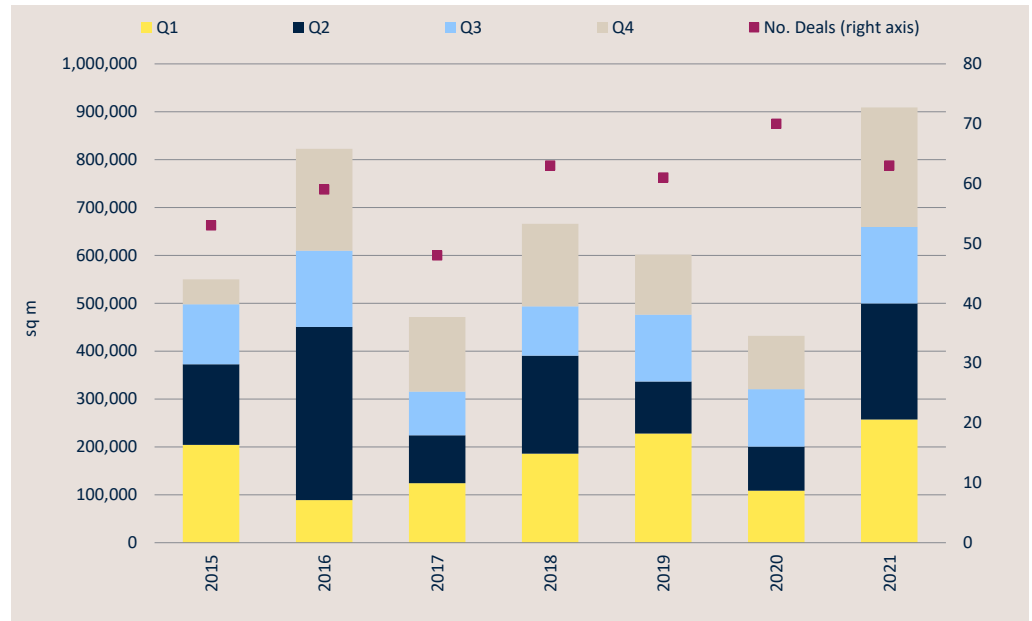
In terms of activity recorded by region, the following stand out in both take-up volume and number of transactions: Vallès Oriental with >225,000 sq m across 13 deals, Barcelonès with >120,000 sq m across 15 deals, and Vallès Occidental with >43,000 sq m across seven deals.

The performance of demand in these three regions during the year was very significant, accounting for 43% of total take-up and 56% of number of deals.

Among the most notable transactions of the year, all above 25,000 sq m, four stand out: the 120,000 sq m in El Far L'Empordà by Amazon, the 90,000 sq m in Lliça d'Amunt

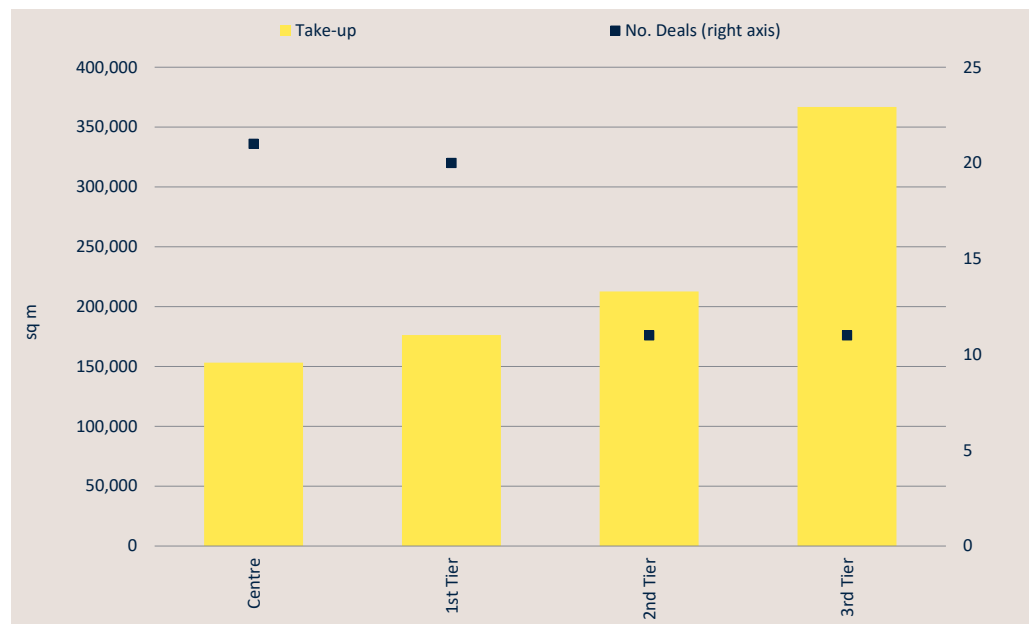
Logistics Barcelona

Take-up Evolution and No. of Deals by Quarter



Source Savills Research

Take-up by Tier - 2021



Source Savills Research

by Mango, the 50,000 sq m in Barcelonès and the >28,000 sq m signed in Valls.

The average deal size more than doubled year-on-year, standing at 6,169 sq m in 2020 and rising to 14,428 sq m in 2021, driven by the high number of large deals signed (>25,000 sq m), as previously mentioned.

Rents

Rents in prime areas for state-of-the-art logistics warehouses remain at levels of €7.25 per sq m/month.

The transactions with the highest rents, exceeding even €7.25 per sq m/month, were signed in Barcelonès.

Current Supply

During 2021, just over 323,000 sq m of new space was added to the market, increasing the stock to 8.8 million square metres.

The available space for immediate occupancy continues to decrease. In Q4, 215,000 sq m was identified, bringing the vacancy rate to 2.4%. The continuous fall in supply is mainly a result of the shortage of existing product in line with demand requirements and needs.

With regards to the distribution of available space by tier and municipality, the third tier accumulates 39% between the municipalities of Bràfim, El Pla de Santa Maria and La Bisbal del Penedès. The first tier has 35% of the total available surface area spread across the municipalities of Sant Boi de Llobregat, Castellbisbal, Barberà del Vallès, Martorell, Palau-Solità de Plegamans and Polinyà. In the second tier, availability is more limited at 17% and is distributed between the municipalities of Gelida and Sant Fruitós del Bages. Finally, Zona Centro is the most sought-after and the one with the lowest supply, with just 9% concentrated in El Prat de Llobregat.

Regarding the regions with the greatest availability, the following stand out: Alt Camp (34%), Vallès Occidental (21%) and Baix Llobregat Sud (15%).

Future Supply

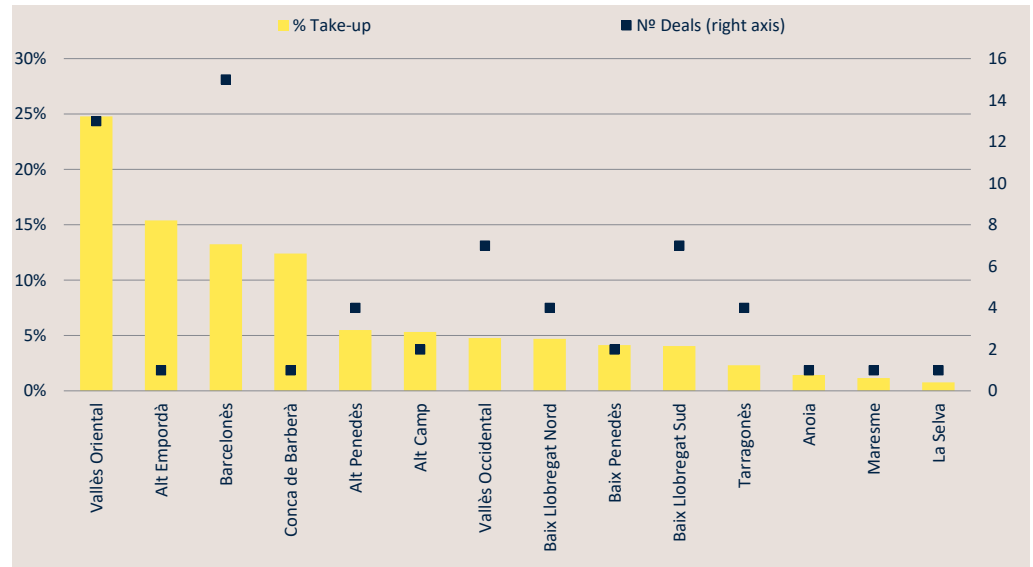
The supply forecast for 2022 reaches the highest levels since 2016, exceeding 760,000 sq m. However, despite being the year that will see the largest volume of space entering the market, 43% is already committed, a very positive figure. This reflects the Catalan logistics market's great need for new space in the face of the scarcity of built available supply for immediate occupancy.

The just over 403,000 sq m available to be added to the market is mainly concentrated in the first and third tiers, with 50% and 30% respectively. In the second tier, 16% will enter the market and the remaining 4% will go to Zona Centro.

The municipalities where the largest number of new developments are expected are Santa Perpètua de Mogoda and Polinyà, both in Vallès Occidental, with three projects each. On the other hand, Les Franqueses del Vallès and Constantí have two each.

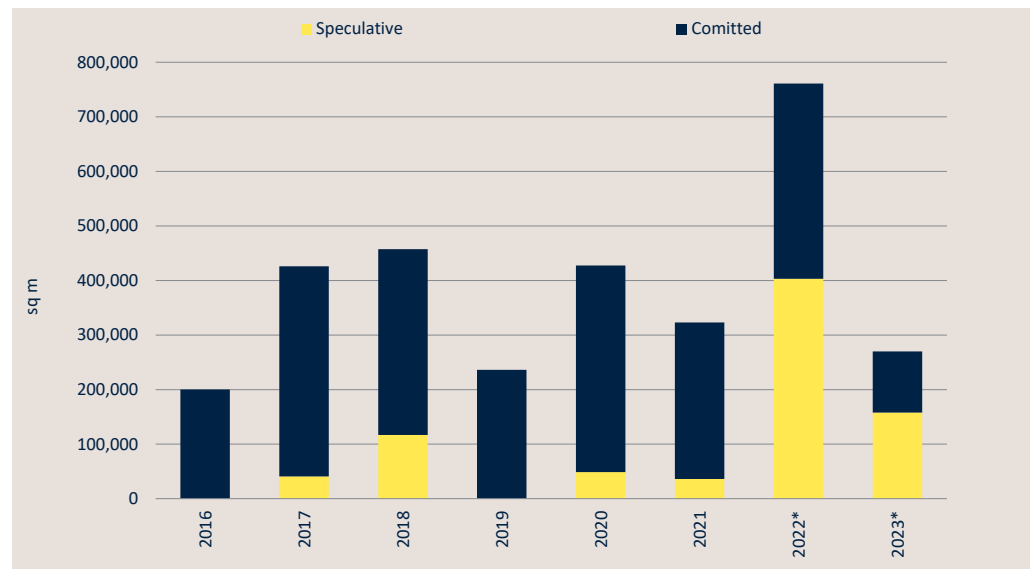
Meanwhile, the largest projects will go to La Bisbal del Penedès (>63,000 sq m) and Santa

Take-up and No. of Deals by Market Zone - 2021



Source Savills Research

Future Supply



Source Savills Research / *forecasts

Margarida i els Mojons (>39,000 sq m). In addition, Castellbisbal, Parets del Vallès and Castellar del Vallès will each have a project with an average surface area of 28,000 sq m.

Land

At national level, the land market showed a high level of activity during 2021, due to the considerable interest from both investors and developers.

The total volume transacted was close to three million square metres. The most active markets, both in terms of number of deals and volume of

square metres, were Zona Centro (Madrid and Castilla la Mancha), with 44%; Catalonia with 20%; and Seville with 8%. The remaining 28% was signed in markets such as Vizcaya, Valencia, Málaga and Zaragoza.

Activity in the land market in Madrid for logistics/ industrial use continued to grow for another year. A total of 21 transactions were carried out on a total surface area of approximately 1.3 million sq m, for both turnkey and speculative projects.

The most significant activity was in the third and

first tiers, where nearly 929,000 sq m was signed across four deals and more than 202,000 sq m over three deals, respectively. The most significant transactions of the year in terms of surface area took place in Illescas, Alcalá de Henares and Torija.

In the Catalan market, the continued shortage of finished product suitable for the requirements of demand fuelled interest in the land market. The transacted area was around 600,000 sq m and represented a slight decrease of 7% compared to 2020.

However, in the year-on-year comparison of the number of transactions, activity was very intense, showing a 53% growth with 23 transactions compared to 15 in 2020.

Among the regions with the most activity, El Vallès Occidental stands out with a pronounced difference, where 43% of deals were carried out, followed by Tarragonès and Vallès Oriental with 22% each, with almost 134,000 sq m.

The most significant transaction of the year in terms of surface area is the acquisition of a 230,000 sq m landplot in La Bisbal del Penedès by Panattoni.

Investment market

The logistics market was the most active of the year. The just over €2,600m registered in 2021 represented 24% of the total commercial market, gaining almost 17 bps up from the average of the historical series and 11 bps compared to the average of the last five years. This is also the highest volume recorded in the historical series.

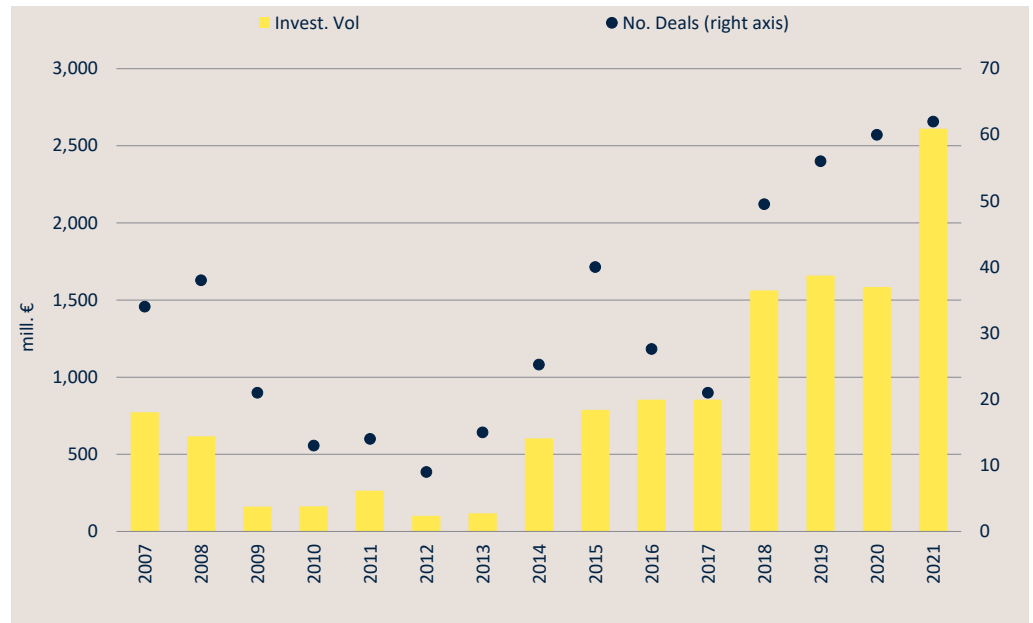
In the year-on-year comparison, the volume transacted grew by 65%, but it should be noted that only one transaction (the Montepino portfolio, acquired by Bankinter in the first half of the year) accounted for almost a third of the total. Excluding this deal, the increase in the market would be around 12%.

The distribution of logistics activity at the national level places the central area (Madrid and neighbouring provinces of Castilla-La Mancha) at the top of the ranking, with almost 63% of the volume recorded, increasing its share compared to 51% in the historical series. This is followed by the Catalan market, with Barcelona as the second largest logistics hub in the country, accounting for 15% of the region.

In this case, the Catalan market fell by seven

Investment Market

Annual Evolution of Investment* Market and No. of Deals



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

basis points compared to the historical figure. In this case, the Catalan market fell by seven basis points compared to the historical figure, due to the continued shortage of product.

The declining importance of the Catalan market gave an advantage to secondary locations, which are increasingly present on the radar of investors, accounting for 22% of the annual total.

In any case, the shift in the distribution by logistics area at national level was caused in part by the significant volume of the Montepino portfolio, with 89% of the volume located in the central area (between Madrid, Guadalajara and Toledo), almost 6% in Catalonia and the remaining 5% distributed between Andalusia and Aragon.

Among the alternative areas to the main logistics markets that are attracting investor interest, Zaragoza stands out, where eight assets were transacted for a total of €190m. This puts the average price at just over €23m, occupying second place, just behind the €28m in the central area. In terms of the average deal size, Zaragoza leads the ranking with 28,000 sq m, 5% above the 27,000 sq m in the central area and almost 30% above the national average of 22,000 sq m.

The markets of several provinces on the Cantabrian coast, as well as others on the northern plateau

(meseta norte), are becoming increasingly important. In 2021, they accounted for 6% of the total volume and 8% of assets. The average price and size in these markets (€16m and 14,000 sq m) are below the national average, but they are already favoured by international investors who accounted for almost 80% of deals.

The increase in e-commerce transactions by operators and retailers is related to the search for new centres of operations beyond the usual markets (central area and Catalonia). Extending their reach will allow them to reduce delivery times, one of the main challenges of online commercial activity.

International players continue to lead the investment market, with close to €1,700m in 2021. This figure is again altered by the Montepino portfolio transaction, acquired by Bankinter. Discarding this deal from the analysis puts the distribution at 95% cross-border capital and 5% domestic capital. Funds are the most common profile among international players, making up 88%, while there is a more balanced distribution with national capital (excluding Montepino), although led by private investors (38%).

Yields

Intense investment activity maintained the downward trend in yields. For the third consecutive quarter, prime and secondary yields were 25 bps lower at 4% and 5%, respectively.



Savills Research

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