

Logistics Market



Economic overview

In March, the annual change in the CPI figure stood at 3.2%, indicating a monthly increase of +0.8%. The underlying CPI, which excludes energy products and unprocessed foods, fell by -0.2 percentage points compared to the previous year, reaching 3.3%

Following its latest meeting in April, the ECB (European Central Bank) decided to leave interest rates unchanged for the third time running; the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.50%, 4.75% and 4.00% respectively. There is speculation that the ECB might start reducing official interest rates in the summer of 2024.

Based on the most recent data from the INE (National Statistics Institute), the GDP for Q4 2023 reached 2%, surpassing the previous year-end figure. It is projected that the annual GDP for 2024 will be 2.1%, which is 0.4 percentage points lower than in 2023.

In March, the CCI (Consumer Confidence Index) experienced a

notable increase of 4.1 points, reaching a high of 82.5. This marks the highest level achieved since last July.

E-commerce/AI

The logistics sector has undergone a significant transformation due to the rise of e-commerce, resulting in faster and more efficient product delivery to meet the demands of consumers. Meeting customer expectations has had a significant impact on every stage of the logistics process. The increasing demand for efficiency has led to the implementation of cutting-edge technologies such as real-time tracking systems, smart routing algorithms, and warehouse automation. These advancements have completely revolutionised the planning, management and execution of logistics operations.

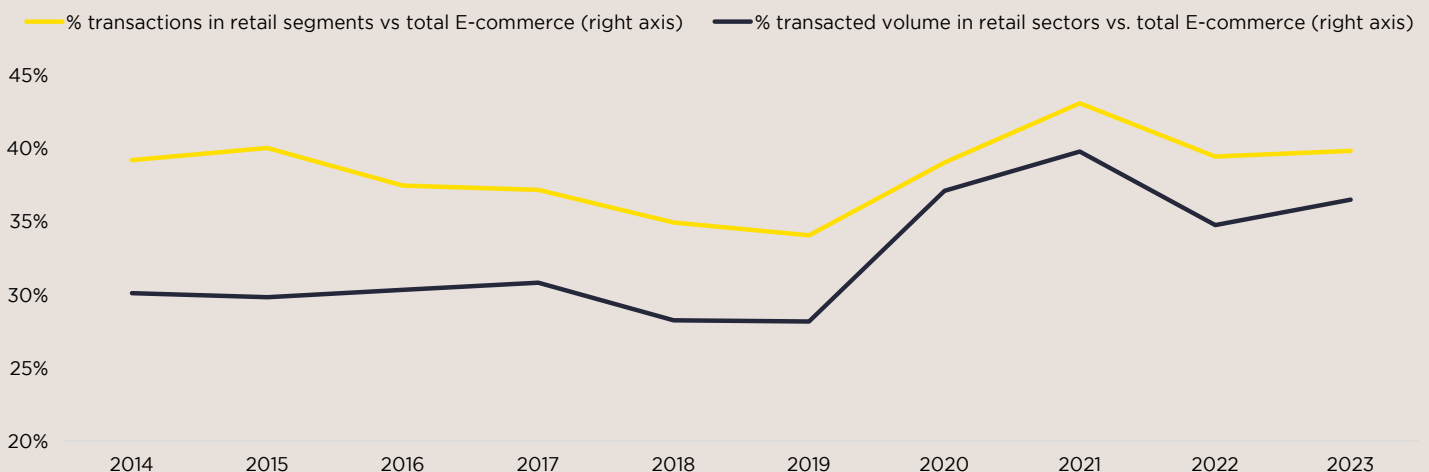
Based on the most recent data released by the CNMC (Spanish National Markets and Competition Commission) on the e-commerce sector, the retail industry, specifically activities requiring storage and distribution, experienced significant growth up to Q3 2023 (latest available data). This growth was observed in both

the number of transactions, which increased by 7.5%, and the volume of business transacted, which saw a 13% increase compared to the previous year.

During January-September, the average price per online purchase increased by 1% compared to the same period the previous year, reaching €54.86.

These figures clearly indicate the remarkable surge in e-commerce over the years, with forecasts predicting that 2023 will witness the highest volume ever recorded.

E-commerce quarterly turnover (Mill. €) - Accumulated to Q3



Source: CNMC

🍷 The Madrid logistics market is experiencing significant growth, with over 220,000 sq m of take-up in Q1 🍷

Take-up and demand

In Q1 2024, the Madrid logistics market saw gross take-up of just over 220,000 sq m, which was a 17% decrease compared to the previous year. However, it was still 68% higher than the average of 131,400 sq m in Q1 during the pre-COVID period (2015-2019).

In terms of transactions, the market situation is comparable. In Q1 2024, there were 18 registered deals, five fewer than in Q1 2023, thus resulting in a 23% year-on-year decrease. However, this represents a significant 47% increase compared to the pre-COVID average.

In Q1 2024, the average deal size reached 12,970 sq m, showing a 7% increase compared to Q1 2023 (12,071 sq m). This figure was 14% higher than the average during the pre-COVID period (11,328 sq m).

Geographical distribution of activity

The distribution of activity in the occupier market by market zone underscores the significance of the South Zone's performance. The area recorded a take-up of 128,076 sq m over the quarter, representing 58% of the total take-up, and it also accounted for the highest level of developer activity in the pipeline.

However, in terms of number of transactions, Corredor del Henares was once again the most active zone, with nine deals signed compared to eight in the South Zone. Together, they accounted for all activity in Q1 2024.

With respect to tier performance, the continuous growth in new projects, together with the fact that much big box activity is concentrated in the third tier, propelled it to first place in terms of take-up in this first quarter, when it signed 130,653 sq m,

Madrid

accounting for 59% of the total take-up. This easily surpassed the first tier's 28% share, as well as the 9% and 3% shares of the Centre and second tiers, respectively.

Just three deals generated all the activity in the third tier, while 10 deals were signed in the first tier and the remaining four deals were divided between the centre and second tiers.

Rents

Rents for logistics warehouses that meet the highest quality criteria and are located in well-established hubs have continued on their upward trajectory in recent years, although the pace of growth has slowed. Prime rents remained steady compared to the last quarter (€5.95 per sq m/month), showing a year-on-year increase of 2%.

Based on all the available rental values of transactions registered in Q1, the average market rent stood at €5.33 per sq m/month, which is the highest on record.

Stock and current supply

The first quarter saw an influx of nearly 491,364 sq m of new space, bringing the total market volume to approximately 13.4 million sq m.

Seventy-three percent of the new floor space (357,864 square metres) came onto the market without an occupier. At the end of Q1, there were 1.4 million square metres of vacant floor space on the market, bringing the vacancy rate to 10.9%, 1.8 p.p. above that of the previous quarter.

As in the case of take-up, the two major logistics market corridors account for the largest part of the

available space. The 775,705 sq m in the South Zone reflect a vacancy rate of 13.88%, while the 554,320 sq m in Corredor del Henares represent a vacancy rate of 7.93%. The other two zones, the A-3 Axis and North Zone, shared the rest of the vacant floor area, with 49,791 sq m (9.26% vacancy rate) and 43,188 sq m (16.78% vacancy rate) respectively.

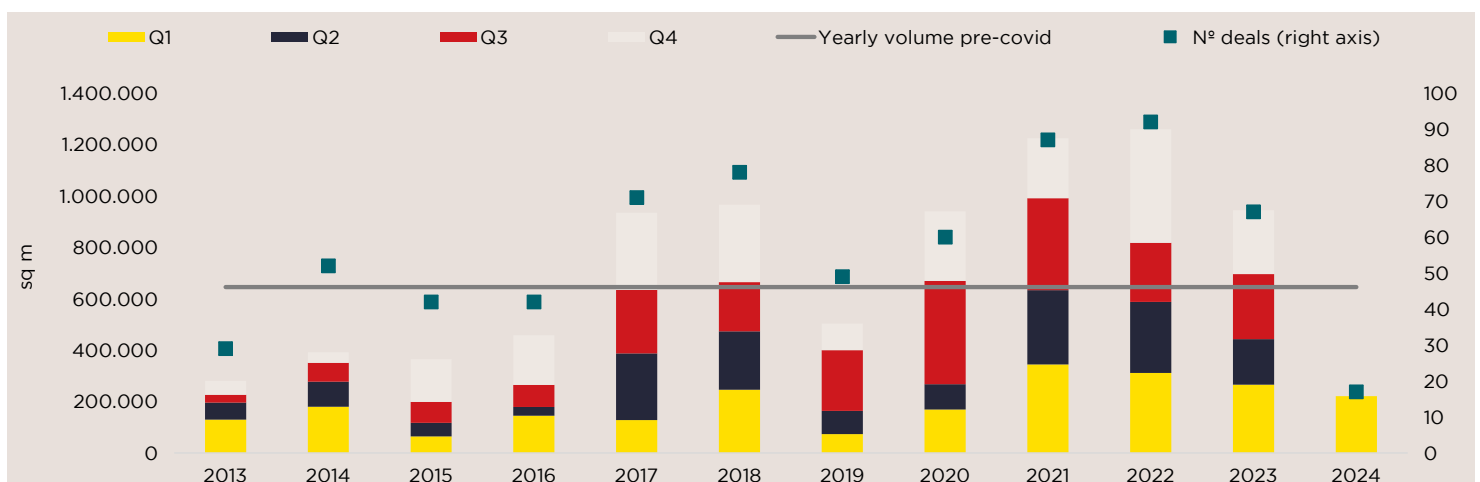
Alovera and Torrejón de Ardoz are the two municipalities in the Corredor del Henares with the largest volume of available floor area in the market. Alovera accounts for 9% of the total available floor area, while Torrejón de Ardoz makes up 7%. The municipality with the highest amount of available floor space in the South Zone, and in the entire market, is Illescas, accounting for 22% of the total. Getafe, Villaverde, and Pinto also have a significant share, each representing 7% of the vacant floor space in the overall market.

Future supply

At the close of the year, a significant amount of new space is projected to become available on the market (456,636 sq m), resulting in a substantial increase in the total new space on offer up to 948,000 sq m. However, this figure may be subject to adjustments as the year unfolds. Out of the projected new space for the remainder of the year, 26% (119,269 sq m) has already been filled, leaving 74% (337,367 sq m) still unoccupied.

Ninety-five per cent of the new floor space coming onto the market in 2024 will be concentrated in the South Zone and the Corredor del Henares. Specifically, 442,855 sq m will be added in the South Zone and 334,680 sq m in the Corredor del Henares, while the North Zone will account for the remaining 5%, totalling 38,000 sq m.

Take-up and deals

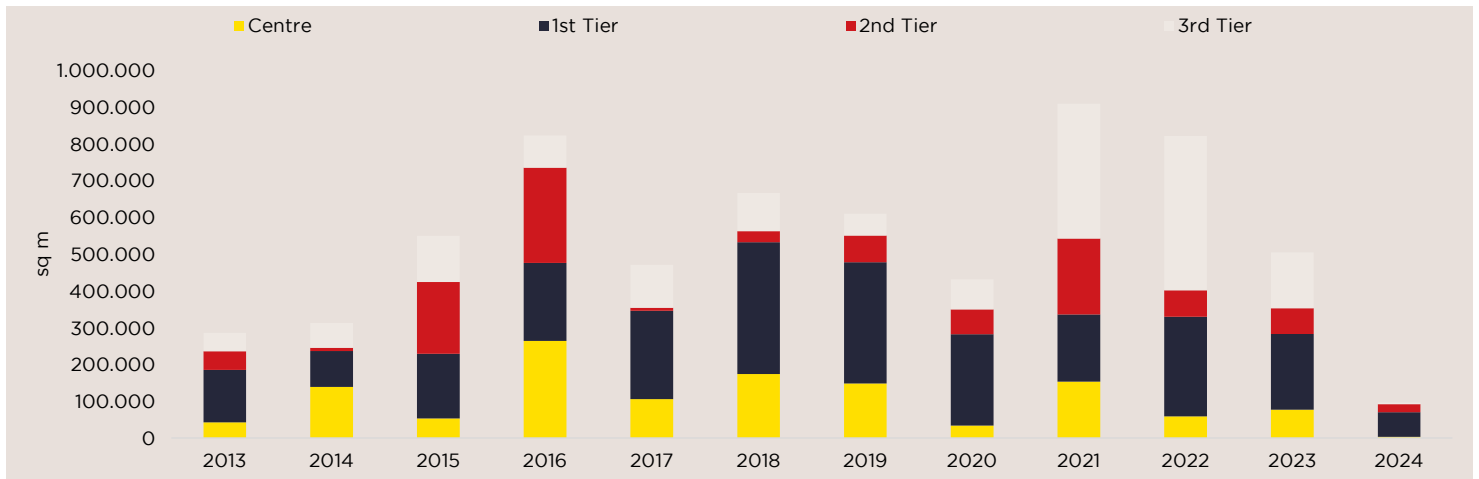


Source: Savills Research

💡 The low vacancy rate in both the Central Zone and in the first tier has resulted in take-up of around 100,000 sq m, shared among 13 deals 💡

Barcelona

Take up by ring



Source Savills Research

Take-up and demand

The take-up volume at the end of Q1 2024 stood at just 100,000 sq m, spread over 13 deals, resulting in a negative year-on-year comparison of take-up, number of deals and average size.

One of the primary causes for this drop is a lack of availability in both the Central Zone and the first tier, which have the highest market demand; this is exacerbated by the lengthening of negotiating periods and decision-making processes. The departure of Amazon, who historical drove demand for big-box units, is also having an impact on market figures.

The average deal size stands at 7,394 sq m, which is 40% below that in the same quarter of the previous year.

Geographical distribution of activity

Regarding the geographical distribution by tiers, as usual, the first tier topped the take-up ranking with 80% of total take-up, followed by the second tier with 22%, and the third tier and the Central Zone, with 5% and 3%, respectively. In terms of number of transactions, nine were signed in the first tier, accounting for 69% of the total, with two signed in the second tier and one each in the Central Zone and the third tier.

Vallès Occidental was the most active area, accounting for 38% of the take-up, distributed over four deals. It was followed by Alt Penedès with 13% of the share, generated in a single operation. The remaining areas each accounted for less than 10% of the floor area take-up in the market.

Regarding the municipalities with the most

favourable quarterly results, Santa Perpètua de Mogoda, located in the first tier of Vallès Occidental, registered the two largest transactions, one involving an area of 19,761 sq m, and the other, 15,287 sq m.

Rents

The average market rent, calculated based on the available rental prices of transactions filed in Q1, was €6.23 per square meter/month. This is the second highest figure on record and represents an 11% increase over Q1 2023.

The prime rent for state-of-the-art logistics warehouses in top locations continues to demonstrate a positive trend, as seen in previous quarters. It currently stands at €8.50/sq m/month, reflecting a 2% year-on-year increase.

Stock and current supply

The incorporation of a further 116,441 sq m onto the Catalan logistics market during Q1 brings the total stock to 19.36 million square metres.

The available supply increased by almost 40,000 sq m, resulting in a vacancy rate of 5.1%, 0.33 p.p. above Q4 2023.

Most of the available 296,511 sq m of floor area is located in the third tier, which represents 56.2% of the total, and which has a vacancy rate of 11.83%. However, the second tier experienced the largest vacancy rise compared to the previous year, with a supply of 42,753 sq m of floor area and the vacancy rate rising from 4.45% to 7.29%.

The municipality with the largest vacant floor

area, measuring 129,000 sq m, is La Bisbal de Penedès, representing 25% of the overall market availability, followed by Constantí with 81,780 sq m (16%). The vacancy rate in the rest of the municipalities is below 10%.

Future supply

During the coming months of 2024, 218,190 sq m of new floor space is expected to enter the market, of which 34,772 sq m will already be occupied.

In 2024, the largest proportion of new floor area will be concentrated in the first and second tiers, which will account for 61% and 21% respectively. The third tier will see a smaller share of new supply, at 11%, and the Central Zone will account for 7%.

By 2025, over 500,000 sq m are projected to come on stream, 77% (393,206 sq m) of which will be vacant, while the remaining 23% (118,600 sq m) will already be occupied.

The projected new floor area for 2024 is distributed across nine districts, although each of them occupies different volumes. The highest volume of new stock is in Valles Occidental, totalling 45,383 sq m of new floor area, followed by Vallès Oriental, with 28,389 sq m.

“ The logistics market in Valencia continues to be constrained by a shortage of availability ”

Valencia

Take-up and demand

Valencia's logistics market is becoming increasingly significant in the Spanish logistics sector, primarily due to its well-developed infrastructure, particularly the Port of Valencia, where its northern expansion has been approved and the Logistics Activities Zone (ZAL) issue has been resolved. The region's reputation as a distribution hub and its attraction for large industrial projects has generated further interest.

Q1 2024 recorded a gross take-up of around 29,500 sq m, which represents a quarterly year-on-year change of -74%. The decrease can be attributed to the limited availability of properties that meet the specific requirements of occupiers, such as location or contract type. The macroeconomic situation has also led to longer decision-making times among potential occupiers. However, the current take-up level is still higher than the pre-COVID period of 2015-2019.

In terms of number of deals, with just seven transactions signed between January and March 2024, we have witnessed a decrease of 56% compared to Q1 2023.

The decline in both take-up and number of deals resulted in a downward adjustment in the average deal size, which fell to 4,217 sq m. This is 41% below that in the same quarter of the previous year.

Geographical distribution of activity

The first tier accounted for 29,500 sq m across seven deals, which aligns with the ongoing trend

of recent years, with this tier remaining the primary area of interest, representing 67% of overall deals signed.

In terms of the distribution of activity by zone, the Central Zone remains the most highly sought after, with 24,200 sq m signed in five transactions, accounting for 49% of the total volume. It is followed by the South Zone, with a single 3,600 sq m deal, and by Pista de Ademuz, with a 1,700 sq m transaction.

Rents

The achievable prime rent for a building meeting the highest quality standards and located in a well-established hub, where there is high demand, continues its upward trajectory and already stands at €5.50/sq m/month, which is an increase of 6% compared to 2023.

The average achieved market rent, meanwhile, calculated based on all the rent values of the first quarter of the year, stood at €4.51/sq m/month, which is the highest figure ever and represents growth of 7% compared to 2023.

Stock and current supply

Between January and March, 83,449 sq m of new floor space were added to the market, bringing the stock on the logistics market in the province of Valencia to 4.3 million square metres.

It is important to note that the entire new floor area was already committed when delivered, thus leaving the overall supply in Q1 2024 at 93,222 sq m, divided between the first tier, with 66,380 sq m, representing 71%, and the second tier, with the remaining 26,842 sq m,

representing 29%.

The distribution of supply by zones is fairly balanced, with the North Zone accounting for 38%, followed by the Central Zone, with 27%, the South Zone, with 21% and Pista de Ademuz, with 14%.

The vacancy rate was 2.1% at the end of Q1 2024. Although the figure increased 0.5 p.p., it is still extremely low, and indicates the lack of available options in the Valencia market.

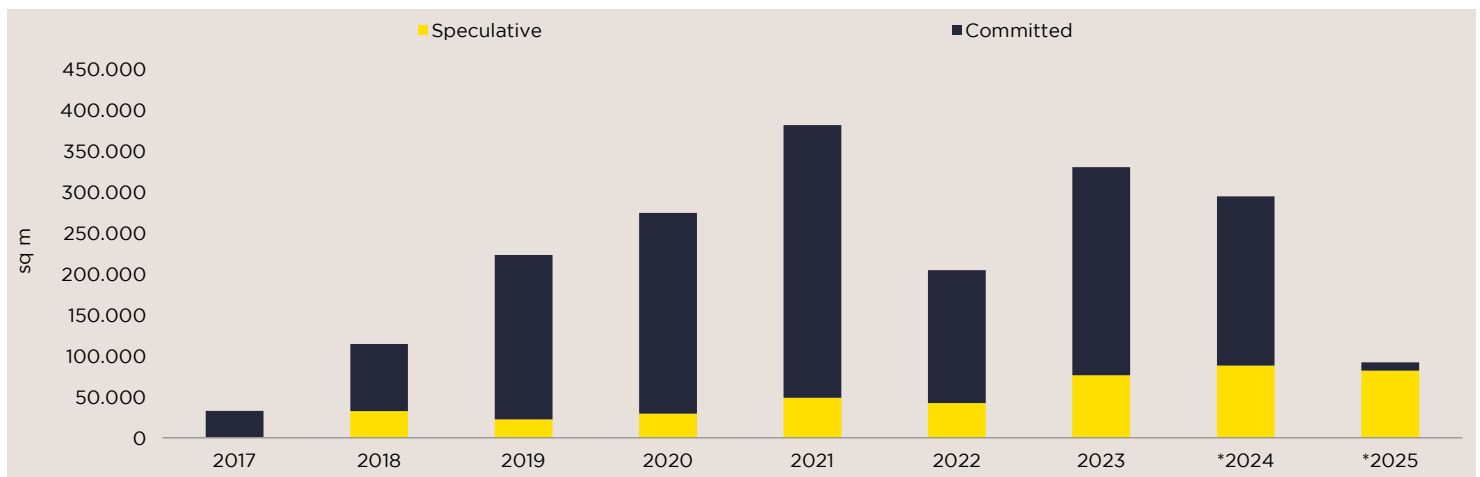
Future supply

By the end of the year, an estimated 211,000 sq m of surface area is projected to become available. Currently, 123,072 sq m has already been committed, while 87,880 sq m remains on the market, accounting for approximately 42% of the total, although this percentage may change as the year unfolds.

As has been the case in the last few quarters, due to a shortage of available supply, some customers are continuing to opt to purchase land for future development themselves.

There are several pre-committed large format projects scheduled for completion in 2024, including the 32,000 sq m for self-development in Sagunto (North Zone) and the turnkey project of over 30,000 sq m in Alacuás (Central Zone).

Future supply evolution



Source: Savills Research

💡 Investment activity is increasingly moving beyond the main logistics hubs. There are good opportunities for quality product in the best locations in secondary areas at higher yields 💡

Investment market



Investment market

Despite the strength of drivers such as e-commerce and increased stockholding, the logistics market has also been affected by the general decline in investment in the real estate market. The 40% decline in the market has impacted various segments, including logistics, despite its reputation for generating investor confidence. Retail was the only sector to experience a notable growth in Q1 2024. It grew five-fold compared to Q1 2023, mainly due to the return of large-scale shopping centre transactions.

From January to April, nine transactions were completed in the logistics market, totalling 170 million euros, and which made up 7% of the overall tertiary market. This figure resulted in an average deal size of 19 million sq m, the same as in 2023.

One notable transaction, with a volume of approximately 100 million euros, involved the sale of 11 assets situated in the third tier of Corredor del Henares, spanning across various municipalities in Guadalajara (Madrid).

Given the current climate of social uncertainty, including ongoing trade tensions between the United States and China and the geopolitical conflict in Ukraine, along with rising interest rates and construction costs, investors have become more cautious. As a result, decision-making is taking longer and an increase in risk aversion has resulted in a slowing down of investment activity. However, the anticipated interest rate cuts in the latter part of the year are poised to serve as a catalyst for a resurgence in investment.

An examination of the market by asset type (single asset or part of a portfolio) reveals that the portfolio category has significantly increased its market share. Portfolios now make up 63% of the total volume, compared to just 37% for single assets. This represents a growth of 139% from the previous year, when portfolios accounted for only 26% of the total volume.

Most investment activity remains concentrated in the country's main logistics hubs, including Madrid and the neighbouring provinces of

Castilla-La Mancha, as well as Valencia and Catalonia. Madrid accounted for 66% of the total investment volume, followed by Valencia with 13%. Catalonia, the region which had accounted for the highest investment activity in Q4 2023, had only 2% of the market share, while the remaining 19% was distributed among the other locations.

Yields

With the ECB's expected interest rate cut at the end of the year, investors in the logistics market can look forward to a more stable and secure environment. These conditions will foster a more stable climate in terms of in yields, ultimately bolstering investor trust in the market for the foreseeable future.

Prime achievable yields in Madrid closed at 5.35%, which is 10 basis points higher than in the previous quarter. Meanwhile, in Barcelona, the yields remained steady at 5.25%. Both markets anticipate a small correction towards the end of the year.



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 all sectors, helping them make the right decisions at each moment

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