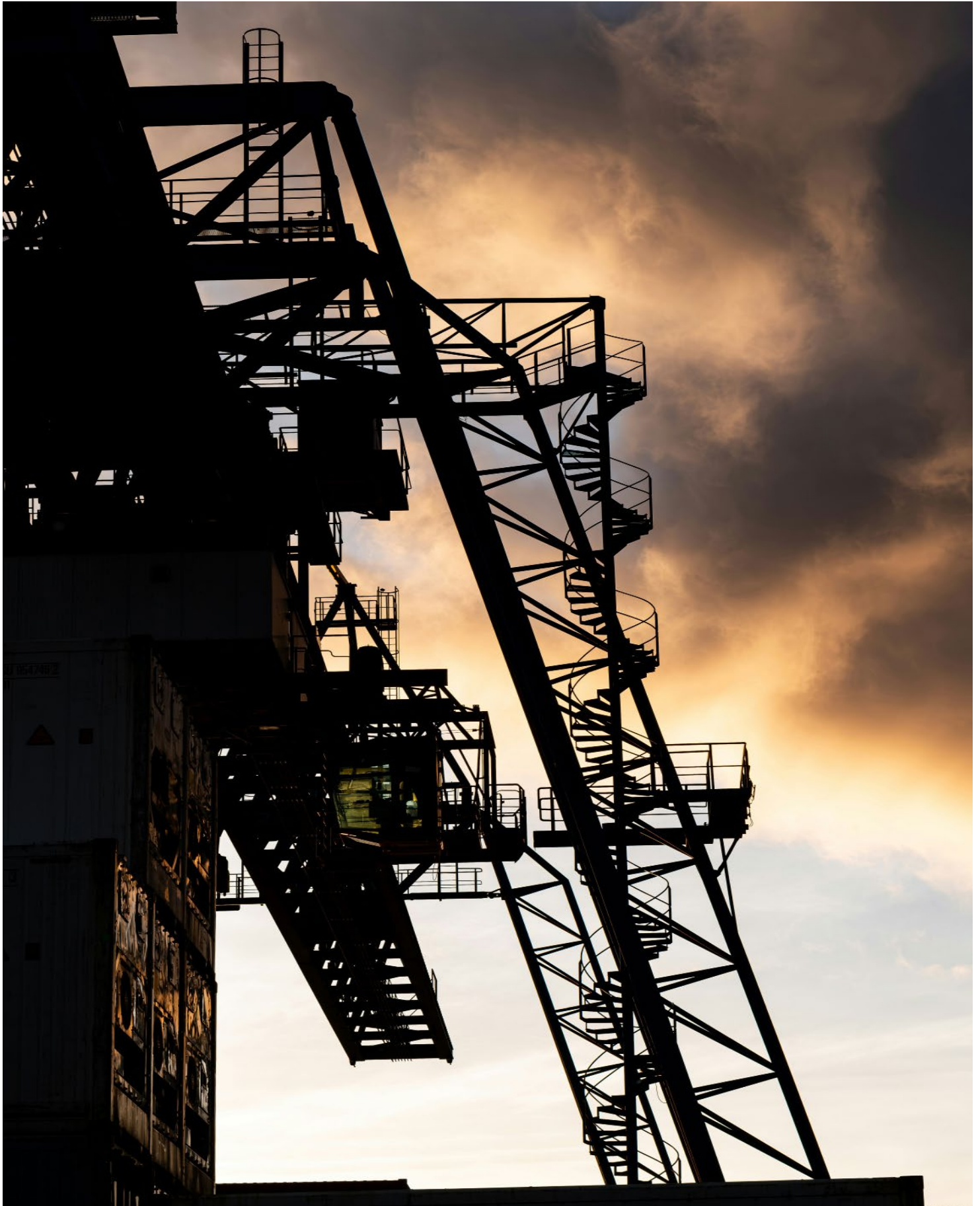


Logistics Market

savills



Economic Overview

At its June meeting, the European Central Bank (ECB) lowered interest rates by 25bps (basis points)—the beginning of a reversal in the hawkish monetary policy that began after the pandemic—bringing the rate down from 4.5% to 4.25%. This de-escalation follows two years of rate hikes, with further gradual cuts anticipated at the upcoming September meeting. With this rate cut, the ECB leads the way among major global banks, preceding the US Federal Reserve.

June's Consumer Price Index (CPI) data confirmed a decline in inflation to 3.4%, down by 0.2 percentage points from the previous month. Meanwhile, the core inflation rate remained steady at 3% year-on-year.

The latest Consumer Confidence Index (CCI) from the Centro de Investigaciones Sociológicas (CIS) for May recorded an index level of 83.8 points, reinforcing the positive trend observed in the first quarter of the year.

The Business Confidence Index (BCI) rose by 1.5% quarter-on-quarter, reaching an all-time high. This development is driven primarily by the services sector, particularly transport, hospitality and retail.

According to the latest figures from the Spanish National Statistics Institute (INE), GDP in the first quarter of the year grew by 0.8% compared to the previous quarter. The year-on-year GDP growth rate stood at 2.5%, up 0.4 percentage points from the fourth quarter of 2023, which recorded 2.1% growth. The Consumer Confidence Index remained above 80 points for another month, reaching 83.8 in May. This figure marked a year-on-year increase of 2.8%.

E-Commerce

Based on the most recent data released by the CNMC (Spanish National Markets and Competition Commission) on the e-commerce sector, and estimates from Savills on retail activity, specifically businesses requiring storage and distribution, the online sector continued its fast pace of expansion, both in terms of revenue and transaction volume, consolidating the exponential growth seen over recent years.

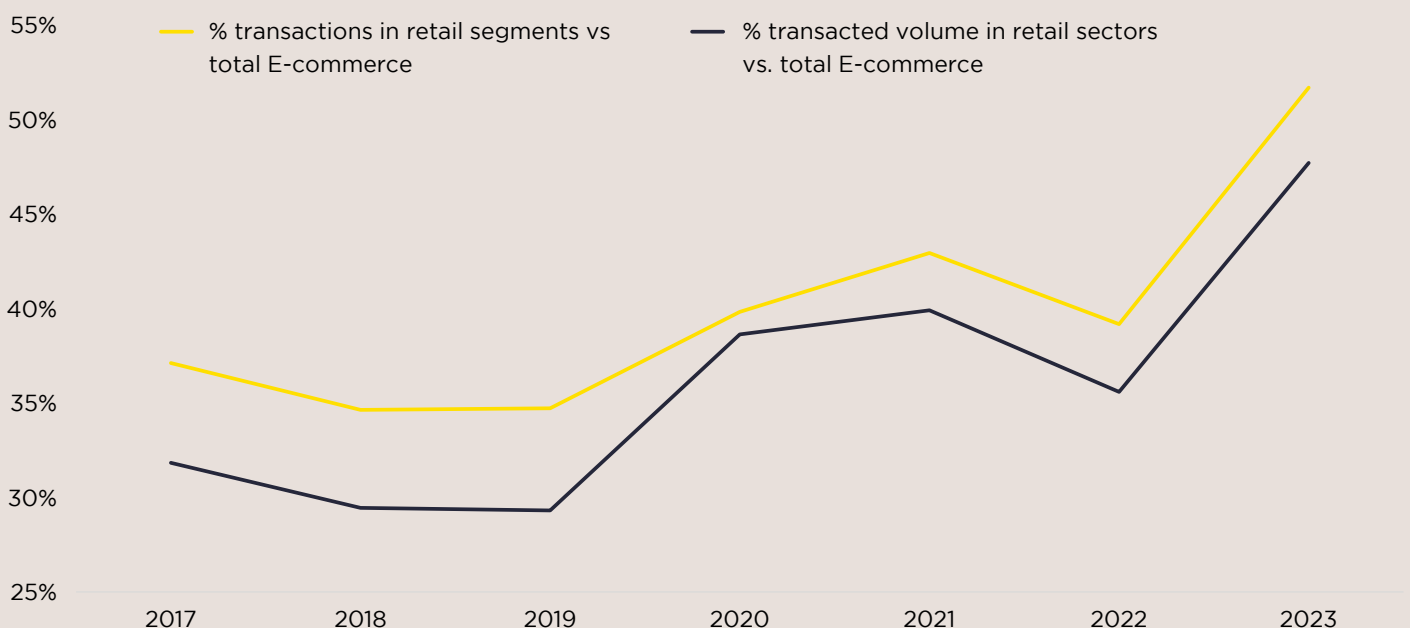
By the end of 2023, retail transactions accounted for more than 50% of total e-commerce activity for the first time ever, reflecting a year-on-year growth of 10%.

Turnover figures are similarly strong, with retail sectors contributing 47.71% of the total—an increase of 14% compared to 2022.

The average transaction value in e-commerce reached €54.88, while in retail sectors it was €50.66, marking year-on-year growth of 2% and 4%, respectively.

The role of the logistics sector in supporting retail growth within e-commerce is poised to become even more crucial. As e-commerce continues to expand, logistics will be key to retailers' success, enabling them to meet the rising expectations of consumers.

Retail participation in E-commerce (%)



Source CNMC

☞ Take-up in the first half of 2024 continues at a strong pace, surpassing 2023 levels in both volume and the number of transactions. ☞

Logistics Madrid

Take-up and demand

In the first six months of 2024, logistics space take-up exceeded 450,000 sq m, spread across 38 transactions. Year-on-year, this represents a 1.8% increase in take-up and a 3% rise in the number of transactions. Compared to pre-COVID levels (2015-2019), these figures show a significant growth of 71% in take-up and 52% in the number of deals.

The average deal size in the first half of 2024, at 11,900 square meters, remained consistent with figures from the same period in 2023. A notable trend is the high proportion of deals involving floor areas under 10,000 square meters, which accounted for 70% of all transactions in the first half of the year.

In terms of volume, three major deals contributed 45% of the overall take-up: two big-box transactions with surface areas exceeding 40,000 sq m in the A2 zone, and one 80,000 sq m deal in Ontígola.

Geographical distribution of activity

In the first half of the year, market take-up was primarily concentrated in the third tier (59%), driven by big-box assets in areas furthest from the centre, followed by the first tier, which accounted for 20%. The Central market zone and the second tier contributed 13% and 8%, respectively.

However, when considering the number of transactions, the first tier led with 44% (17 deals), compared to 26% (10 deals) in the Central Area and 23% (9 deals) in the third tier.

Analysing the market by zone, in terms of take-up, Corredor del Henares represented 49%, followed by the South market zone, with 45%. The North market zone accounted for the remaining 6%.

Corredor del Henares and the South market zone continue to dominate, accounting for 94% of take-up and 97% of transactions. Specifically, the South market zone saw the most activity with 21 transactions, followed by Corredor del Henares with 16 transactions, while only one deal was completed in the North market zone.

Rents

The prime rent for the best quality, state-of-the-art logistics warehouses in top locations continue to show a strong upward trend. In Q2 2024, these rents reached €6.00/sq m/month, the highest level recorded to date. Rents climbed as high as €6.25/sq m/month in a few locations for last mile logistics deals.

The average market rent, calculated based on the available rental prices of transactions filed in Q2, was €5.84/sq m/month, up 10% on the previous quarter.

Stock and current supply

In the first six months of the year, over 575,000 sq m of new floor space entered the market, raising total stock levels to 13.45 million square meters.

At the end of H1, there were 1.64 million square metres of vacant floor space on the market, bringing the vacancy rate to 12.1%. This increase in vacancy was particularly significant in the first tier, which rose to 661,000 sq m. Furthermore, the recent influx of new speculative projects, many of which are large, single-occupier properties, also contributed to the increase in the availability rate.

As with take-up, the South market zone and Corredor del Henares dominate the logistics market, accounting for most of the available space. The South market zone leads with 850,000 sq m, representing 52% of the total vacant space, while Corredor del Henares follows with 654,000 sq m, or 40%. The North market zone, the A-3 corridor and the West market zone share the remaining 136,500 sq m, each of them accounting for 3% of available space.

In Corredor del Henares, Alcalá de Henares and Alovera stand out as the municipalities with the most available space, each offering more

than 100,000 sq m. In the South market zone, Villaverde, Pinto and Illescas lead in terms of vacant space.

The distribution by tier sees the third tier accounting for most available floor area, with 623,700 sq m, followed by the first tier, with 561,700 sq m. The first tier was the market zone that saw the highest increase in square metres available.

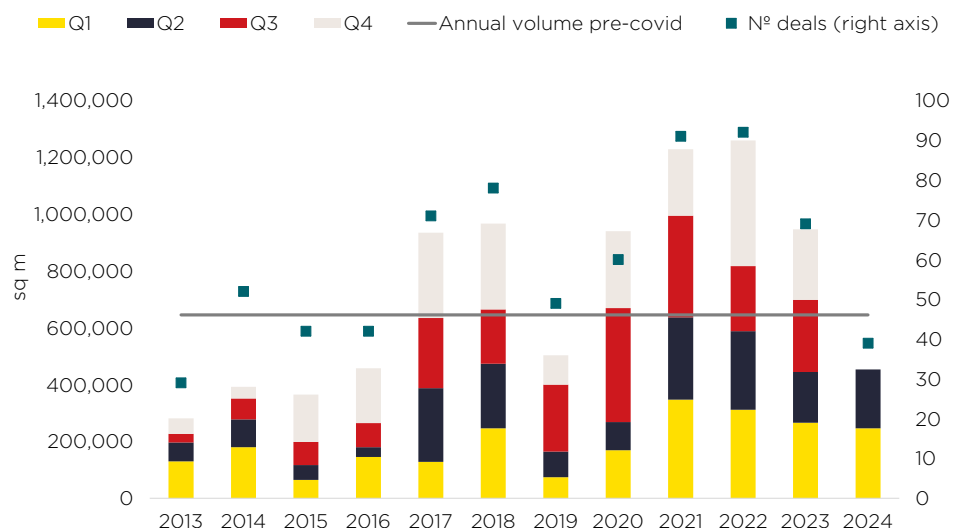
Future Supply

The supply expected to enter the market in the second half of the year totals approximately 280,000 sq m, with 69,331 sq m, or 25%, already available. These figures will bring the overall new supply on the market to over 930,000 sq m, bearing in mind that several of these speculative projects may be delayed until 2025.

Looking ahead to the next two quarters, the South market zone is set to receive 68% of the total new surface area, with the remainder distributed between Corredor del Henares (18%) and the North market zone (14%).

In 2025, some 587,800 sq m of space is projected to enter the market, of which 61% (358,420 sq m) is already committed. Of this committed space, approximately 68% (245,885 sq m) is located in the South market zone.

Take-up and deals evolution



Source Savills Research

👉 Demand remained robust during the first half of the year, with 27 deals signed—just one less than during the same period in 2023. 👉

Logistics Barcelona

Take-up and demand

The Barcelona logistics market closed the first half with a take-up of 244,000 sq m, reflecting a 23% contraction compared to the same period last year.

While the pace of take-up remains cautious, ongoing negotiations by logistics operators, new tenders, and fresh demand from the industrial sector and e-commerce suggest a positive outlook, with an estimated year-end take-up of around 650,000 sq m.

Furthermore, delays in decision-making by occupiers in 2023 resulted in several deals being finalised in the first half of 2024.

The market remained active in terms of the number of transactions, with 27 deals signed in the first half of 2024, just one less than in the same period in 2023. The average deal size stood at around 9,000 sq m, a figure influenced by the modest 7,300 sq m recorded in the first quarter of the year.

Geographical distribution of activity

In the first half of the year, take-up was primarily concentrated in the first tier, which accounted for 40% (129,000 sq m) of the total, followed by the third tier with 25% (60,000 sq m). The second tier and the city centre market zone contributed 14% and 8%, respectively.

The first tier also led in the number of transactions, with 25 deals. The remaining deals were evenly distributed across the other tiers, with four deals in each.

In terms of districts, as usual, Vallès Occidental was the most active district, accounting for the largest share of surface area take-up and the highest number of deals, totalling 86,600 sq m (30%) across 8 transactions.

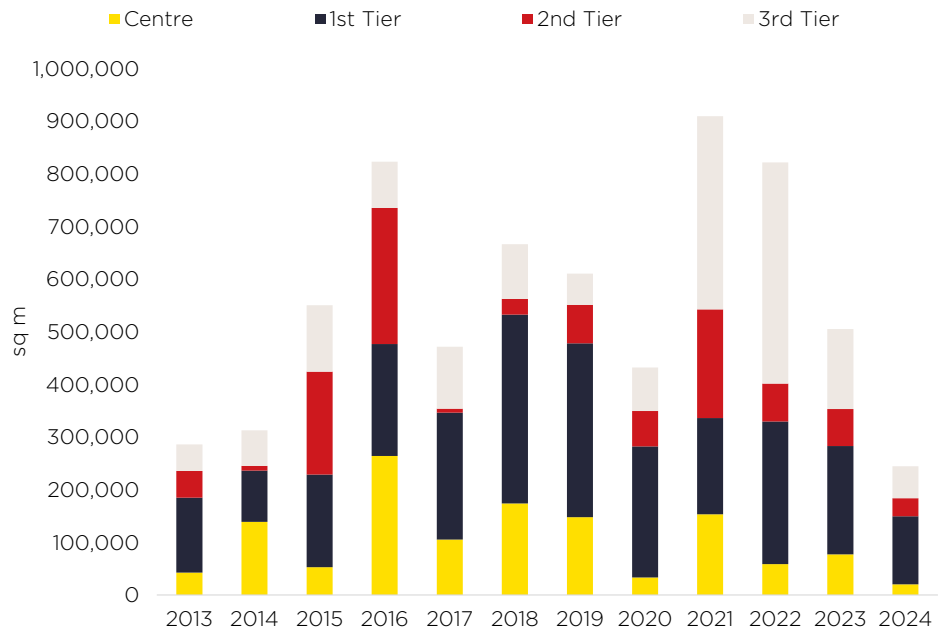
At the municipal level, the two largest deals in the first half occurred in La Bisbal del Penedès (Baix Penedès), with 39,300 sq m, and in Castellà del Vallès (Vallès Occidental), with 27,300 sq m—both completed in the second quarter.

Rents

The prime rent for state-of-the-art logistics warehouses in top locations remained steady at €/8.50 sq m/month, reflecting the upward trend seen in the previous quarters.

The scarcity of last-mile distribution properties has driven rent increases in new logistics projects, occasionally reaching as high as

Take-up by tiers - 1H 2024



Source Savills Research

€10.00/sq m/month in certain prime areas.

Stock and current supply

In the first half of 2024, approximately 170,000 sq m of new floor space entered the market, expanding the total stock to 10.7 million square meters—a 1.60% increase compared to the end of 2023.

Available supply during this period stood at around 550,000 sq m, reflecting a vacancy rate of 5.16%, similar to the previous quarter. The shortage of vacant premises continues to be a major challenge in Catalonia, particularly in the City Centre market zone and in the first tier, where the vacancy rates are as low as 0.99% and 2.24%, respectively. Most of the available floor area is located in the third tier, which represents 11.74%, with 302,000 sq m. However, as occurred in the previous quarter, the second tier saw the largest increase in vacancy, rising from 7.29% to 9.14%.

The districts of Tarragonès, Baix Penedès, and Alt Camp (all in the third tier) account for most of vacant floor space, comprising 60% of the market's total and showing the highest vacancy rates at 25%, 23%, and 15.4%, respectively. La Bisbal del Penedès remains the district with the most available supply, offering 107,788 sq m, which represents 20% of the total supply—5% less than in Q1 2024. Constantí also remained

steady, with 81,780 sq m, or 15% of the overall vacancy. The vacancy rate in the rest of the municipalities is below 10% of the total available floor area.

Future Supply

Over the next six months, close to an additional 332,000 sq m of new logistics space is expected to enter the market, with 193,721 sq m already occupied, bringing Barcelona's total logistics stock to nearly 11 million square meters.

Despite the ongoing challenge of a shortage of land for development in the Central market zone and first tier, 67% of this new pipeline is concentrated within a 30 km radius around Barcelona, with pre-leases accounting for just over 75% of the projects. These developments largely involve the refurbishment of obsolete assets, tailored to meet the growing demand for warehouses that adhere to the highest standards of efficiency and sustainability.

All the new supply is concentrated in four districts, which together account for more than 50% of the total; Vallès Occidental with 18.89%, Bages with 18.27%, Vallès Oriental with 15.75% and Anoia with 14.90%.

👉 At the close of the first half of the year, Valencia's vacancy rate stood at 1.5%, out of a total stock of nearly 4.4 million square metres. 👉

Logistics Valencia

Take-up and demand

The logistics market in Valencia is consolidating its position as a key player in the national logistics landscape, thanks in large part to its seaport that has grown in importance over the years and has become one of the largest in the Mediterranean.

In the first half of 2024, the Valencian logistics market recorded a gross take-up of 142,600 sq m across 17 transactions. However, compared to the same period last year, this represents an 11% decline in take-up and a 35% drop in the number of transactions. Contrasting with the brisk pace of potential demand of both logistics and industrial spaces, occupiers remain cautious, delaying the acquisition of new space.

In Q2 2024, the average deal size reached 11,330 sq m, buoyed by two significant deals exceeding 25,000 sq m in the first tier. This marks the highest quarterly figure since 2019, bringing the half-year average to 8,388 sq m, an 18% increase year-on-year.

Geographical distribution of activity

The nearly 105,000 sq m distributed across 15 deals in the first tier accounted for 73% of the half-yearly take-up. Of the remaining transactions, 18% occurred within the V-30 ring road, and 9% was located in the second tier.

The Central market zone continues to attract the highest demand, with 43,000 sq m across nine deals, representing 30% of the total take-up. The South and North market zones contributed 36% and 18% to the overall take-up, respectively, while Pista de Ademuz accounted for just 16%.

Notably, 27% of the take-up in the first half of the year involved self-development projects, primarily in Valencia's second tier, where larger plots are available at more competitive prices.

Rents

The average closing value (€4.72/sq m/month) of the transactions recorded in H1 2024, reflected a 15% year-on-year increase. This rise is partly due to limited availability and a notable Q2 deal that closed at €7.50/sq m/month for an industrial cold storage facility. Excluding this specific deal, the average rent would be €4.52/sq m/month.

Prime rents have stabilised at €5.50/sq m/month, with potential for further increases given the current imbalance between supply and demand. This rental rate applies to top-quality warehouses in well-established hubs where demand is concentrated.

Stock and current supply

The addition of 193,600 sq m to the Valencian logistics market in the first half of the year has increased the total stock to 4.37 million square meters.

However, most of this new space entered the market with pre-signed agreements, leaving less than 25,000 sq m available for immediate occupancy.

This scarcity of vacant assets, coupled with already low availability, resulted in a vacancy rate of just 1.5% at the end of H1 2024—down one percentage point from the end of 2023. A significant proportion, 71%, of the existing supply is concentrated in the first tier (47,397 sq m), with the remaining 29% in the second tier (19,570 sq m). By the end of the first half of 2024, no availability remained inside the V-30 or the third tier.

The distribution of available space across market zones is relatively balanced. The Central Zone accounts for 43% of the available stock, followed by the South Zone at 34%, the North Zone at 14%, and Pista de Ademuz, which has the least available space, at 9%.

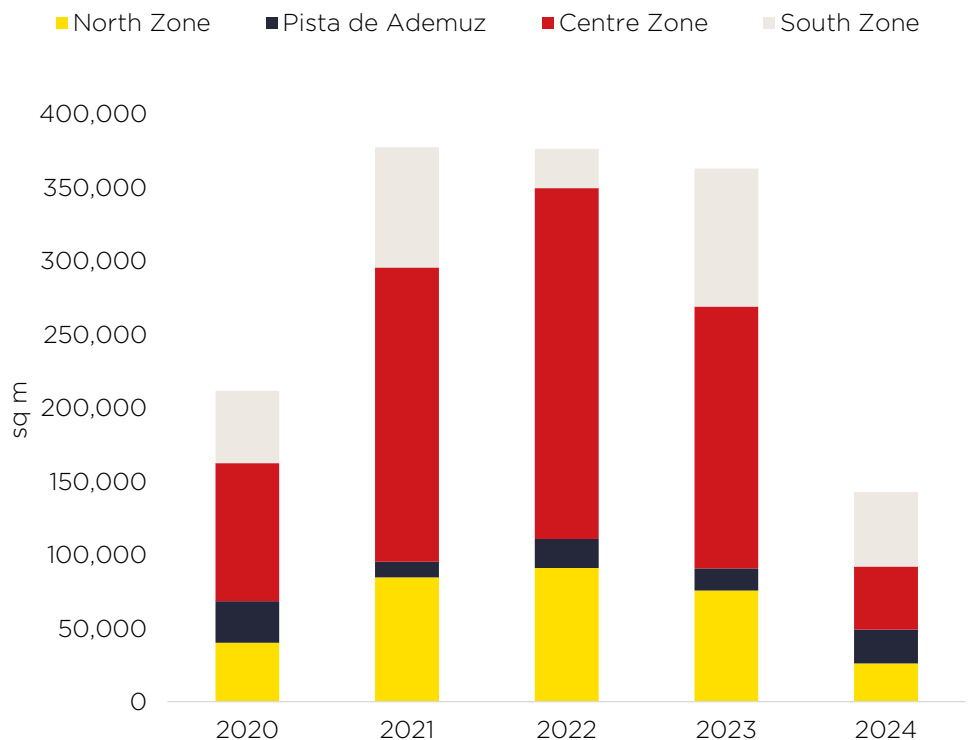
Future supply

Over the next six months, 92,940 sq m of new logistics space is expected to come onto the market, evenly distributed across the next two quarters. Approximately 70% of this upcoming space is already under contract.

The first tier will receive the majority of this new supply, driven in part by a significant project exceeding 30,000 sq m in the Central Zone, specifically in the municipality of Alaquàs.

Developer activity, together with public bodies, are actively promoting the creation of new sectors, particularly within the first tier. This will result in additional space becoming available in the coming years, catering to a wide range of occupier profiles. Although still in its early stages, the logistics market in Valencia is anticipated to continue the growth trajectory it has seen in recent years.

Future supply evolution by tiers



Source Savills Research



Investment Market

Investment market

The global investment market has experienced its slowest start since 2012, with a decline of 18% compared to Q1 2023. However, the industrial and logistics sector has reached a record high, now accounting for 27% of global real estate investment volume. This sector is emerging as one of the most attractive segments for investors over the next two years.

In Q2 2024, investment activity showed a significant improvement over the first quarter, with an investment volume of €643 million across 28 deals, resulting in an average deal size of €23 million.

A key characteristic of the current investment landscape is the scarcity of available premises for sale. This has led to a persistent imbalance between supply and demand, with demand significantly outpacing supply. Investor interest remains strong, as evidenced by the considerable number of offers received in the various formal sales processes.

In terms of investment destinations, while in 2023, 40% of the total went to Catalonia, 16% to Madrid and 10% to Valencia, Madrid has emerged as the leading market this year, capturing 40% of the total investment volume, amounting to €259 million across eight transactions.

Conversely, the Catalan market accounted for less than 5% of total investment over the first six months. In this region, developers have been the primary drivers, continuing

their focus on land transactions. An upswing in investment activity by funds is anticipated in Q2, particularly if interest rates decrease, which could bring more assets and portfolios onto market.

Unlike Catalonia, the Valencian region has continued to gain market share in the domestic logistics investment arena, recording a volume of €145 million across five deals. Development activity remains strong, outpacing investment activity, which has been negligible this half-year due to a shortage of product.

Yields

The economic climate has become less uncertain with the European Central Bank's (ECB) initiation of interest rate cuts, putting downwards pressure on yields which is positive

In Madrid, the prime yield has stabilised around 5.25%, reflecting a 10-basis point adjustment from the previous quarter, and in some Core+ operations, it has reached as high as 6.5%. Meanwhile, Barcelona's prime yield has remained steady at 5.25%.

Anticipating further rate cuts, many investors are adopting a cautious approach, with potential sellers holding off in the expectation of lower yields in 2025.

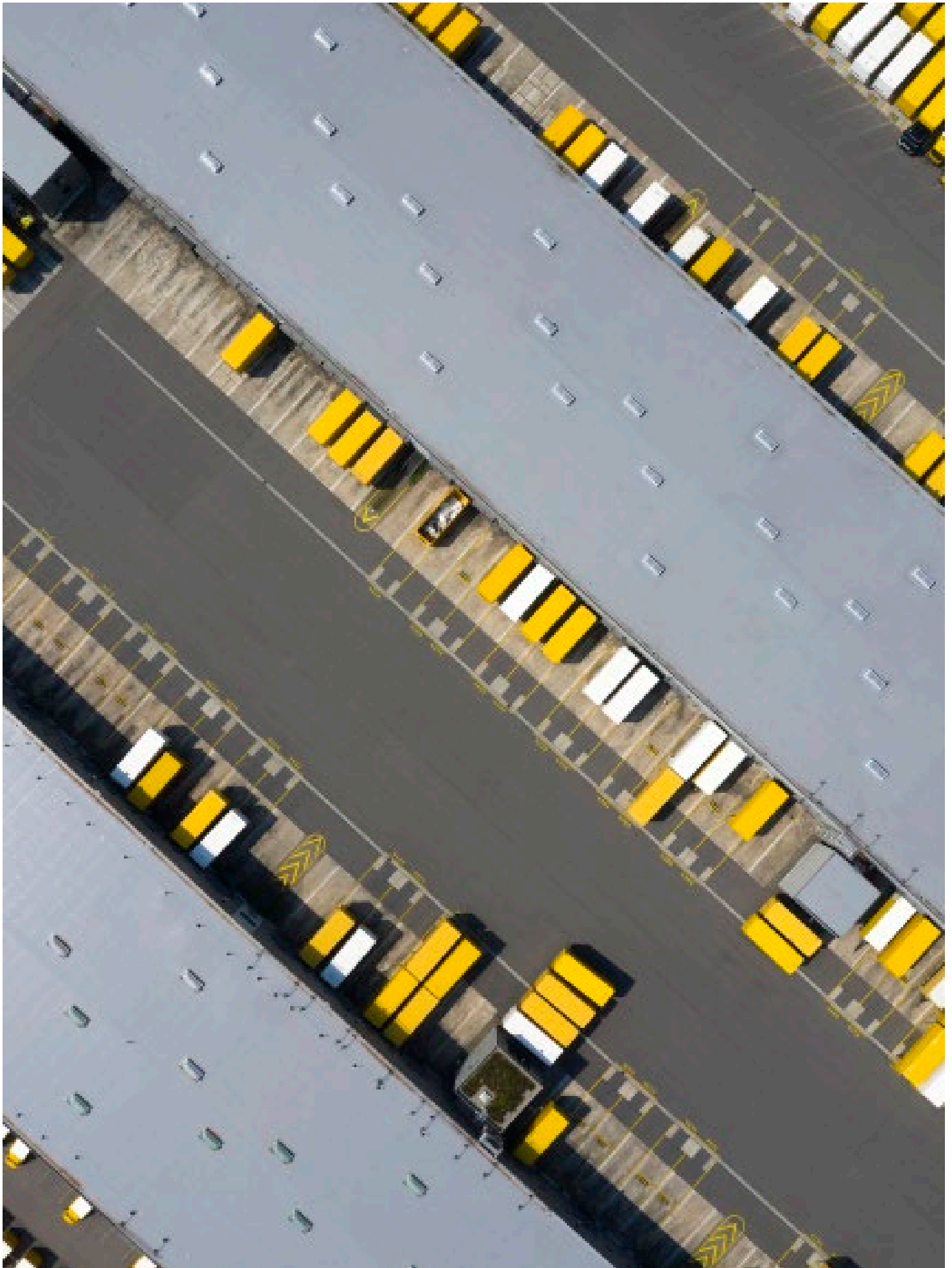
Forecast

In a macroeconomic landscape marked by the onset of interest rate cuts, this trend is expected to serve as a catalyst for market revival. There is already substantial capital poised for investment and a growing interest in selling. However, Core profile transactions may take longer to materialise due to the widening gap between A-grade assets and other asset classes.

Although the improvement in market activity will likely be gradual, a significant uptick in transactions is not expected until the end of the year. This initial increase is anticipated to set the stage for a more substantial and consistent recovery in 2025 as the market adjusts to the new financial conditions and investor confidence strengthens.

Looking ahead to the medium and long term, market trends indicate that ESG (Environmental, Social, and Governance) criteria are becoming increasingly pivotal for investors. Demand for sustainable and socially responsible assets is on the rise, reflecting a heightened awareness of the importance of sustainable business practices.

Additionally, the development of new logistics infrastructure is increasingly shaped by developments in advanced technologies and the construction costs. Cutting-edge technology, such as automation and artificial intelligence are revolutionising the logistics sector, improving efficiency and reducing costs. Simultaneously, these advancements are pushing developers to seek innovative solutions to maintain the viability of their projects.





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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