

Logistics Market in Spain



Economic Overview

2022 ended with annual growth of 5.5%, exceeding the forecasts that had initially declined due to various factors such as the war in Ukraine, the energy crisis, and the continuous rise in prices. Taking into account the impact of the COVID pandemic on the Spanish (and global) economy, combined with these challenges the year-end result can be considered relatively positive.

Looking ahead to 2023, although it appears that Spain will dodge a recession, economic growth is expected to remain modest at slightly above 1%, with quarterly increases barely exceeding 0%. Within the European framework, Spain is at the forefront of wealth generation, and one percentage point above the Eurozone forecast (0.1%).

In a time of economic slowdown, the labour market is expected to remain stable. There will be a moderate increase in the unemployment rate in Q1, which will remain at around 13% for the rest of the year. The most recent data (as of January 2023) shows the holiday season's impact on the number of unemployed registered with the SEPE (State Public Employment Service), which rose nearly 71,000 compared to the previous month, alongside a decrease in Social Security registrations of 154,000.

The recent increase in the minimum wage will provide relief to many families whose spending capacity has been drastically reduced due to the continuous rise in prices, which is now starting to level out. January's CPI was 0.2% lower than the previous month and 2023 is expected to end at 4.1% compared to 8.3% in 2022.

Measures aimed at stimulating private consumption include the temporary adjustment of VAT on basic food products, a monthly

allowance of €200 for low-income individuals, and a 2% growth limit on housing rental contracts. These initiatives are already reflected in the Consumer Confidence Index, which in January stood at 73 points, representing a 0.5% increase compared to December and marking three consecutive months of growth.

E-commerce

E-commerce continues to show positive figures. According to Q2 data published by the Spanish National Commission for Markets and Competition (CNMC), the total number of transactions recorded during the first half of 2022 grew by 12% compared to the previous year, while the turnover volume showed a year-on-year increase of 29%.

The analysis of retail-related categories also showed signs of growth, albeit more moderately, with increases of 2% and 12% respectively. The total lifting of restrictions in the wake of the health crisis has had a significant impact on online activity in sectors such as travel,

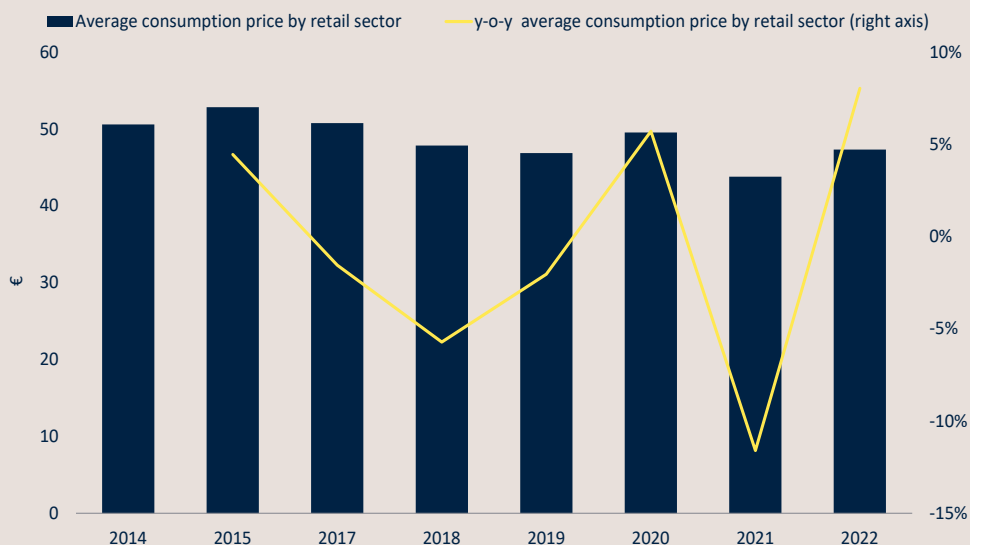
transport, and mobility, as well as hotels, accommodation, and sports & leisure activities.

However, the higher increase in turnover volume compared to the number of transactions has resulted in a rise in the average consumption price to €47 (€5 higher than in H1 2021, an 8% increase).

It should also be noted that the comparison of online retail data from H1 2022 with H1 2019 highlights the growing significance of digital activity in society. In 2019, e-commerce transactions related to retail accounted for 31%, while in 2022 this figure rose to 40%. In terms of turnover volume, the percentage increased from 29% in 2019 to 36% in 2022.

According to Forrester data, the penetration of e-commerce in Spain's retail sector was 13% in 2012, and is projected to grow at a constant rate of 0.2% until 2025.

E-Commerce: average consumption price by retail sector



Source: Savills Research with CNMC data

Madrid's logistics market sets a new market peak with 1.26 million square metres distributed across 92 transactions

Take-up and Demand

In 2022, Madrid's logistics market reached the best-ever results in terms of both take-up volume and number of transactions.

The 1.26 million square metres taken-up in 2022 represents a 5% increase compared to the end of 2021, which was the previous best year on record.

Demand for logistics space was strong, with 92 transactions recorded, six more than the previous year.

Q4 was particularly dynamic, with 442,000 sq m taken up, making it the quarter with the highest take-up volume in the historical series. It also equalled the number of transactions recorded in Q4 2017 and Q4 2018, which to date were the leading quarters with 23 each.

In terms of the distribution of take-up and demand activity by area, Corredor del Henares accounted for 59% of the annual take-up, compared to 38% in the South Zone and 3% in the West Zone. Additionally, Corredor del Henares exceeded its historical record with 740,000 sq m of take-up.

In the fourth quarter of the year, the South Zone recorded the highest volume of take-up with 240,000 sq m, compared to 200,000 sq m in the Corredor del Henares area. Other areas showed no activity during this quarter.

With regards to demand activity by area, performance was in line with take-up. The Corredor del Henares area ended with 58 deals, 10 more than in 2021, which to date had been the year with the highest number of transactions. Meanwhile, the South Zone recorded five fewer deals than in 2021, signing a total of 32. The West Zone recorded minimal activity with just two deals.

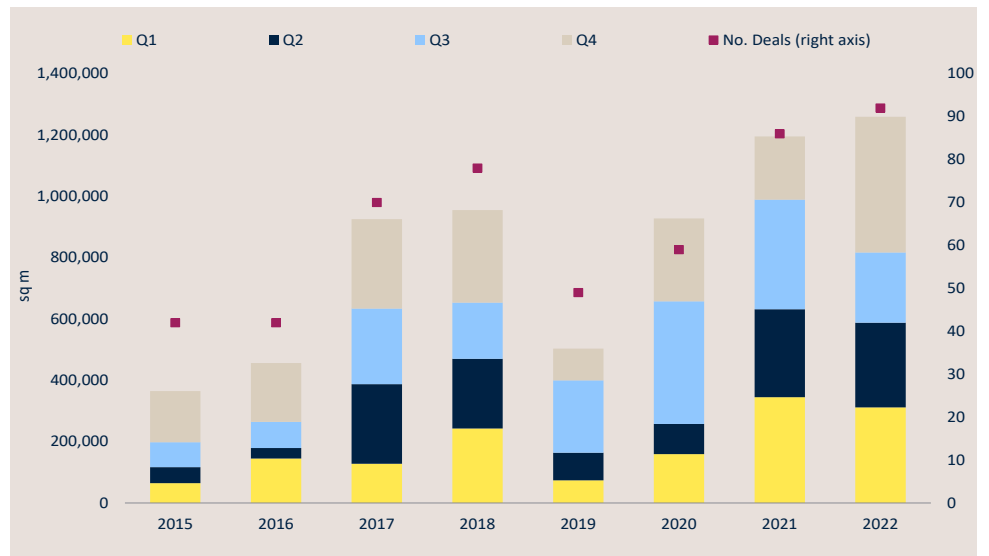
During the last quarter of the year, a total of 23 deals were signed, with 13 in the Corredor del Henares area and 10 in the South Zone.

In terms of the distribution of transactions by municipality, Coslada stood out with 13 transactions, followed by Alcalá with 11 and San Fernando de Henares and Getafe, each with 10. In terms of the surface area signed, Illescas (194,000 sq m) stood out with 15% of the total take-up, Marchamalo (151,000 sq m) accumulated 12% of the annual total and Torija (133,000 sq m) with 12%.

It is worth noting that all the surface area signed in Illescas was transacted in Q4 with a total of four deals, accounting for 44% of the

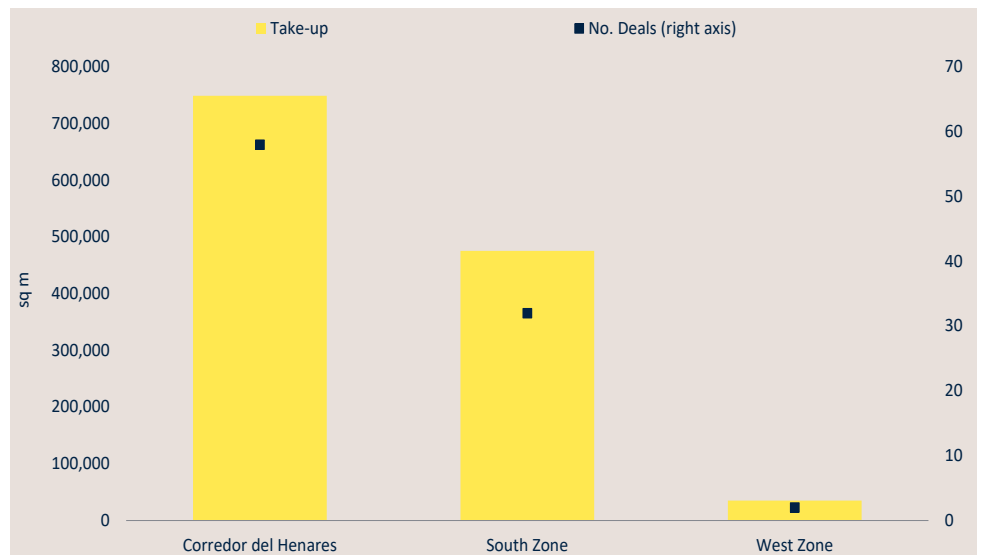
Madrid

Take-up and No. of Deals by Quarter



Source: Savills Research

Activity by market zone - 2022



Source: Savills Research

quarterly take-up.

Two of the largest transactions of the year were signed in Illescas (98,000 sq m) and in Torija (80,000 sq m), both of which were registered in the last quarter of the year.

Rents

Prime rents for state-of-the-art logistics warehouses in the best locations continue to trend upwards, now standing at €5.80 per sq m/month, 1% higher than the previous year.

Current Supply

Throughout 2022, 520,000 sq m of new space entered the market, bringing Madrid’s total stock to 12 million sq m.

Of the new space, 58% was delivered vacant (302,000 sq m), which, combined with the existing availability, brought the supply for immediate occupancy to 762,000 sq m and the vacancy rate to 6.33%.

The Corredor del Henares area saw historic lows in terms of supply, with less than 290,000 sq m available, 347,000 sq m less than in 2021, accounting for 37% of the total available supply. The municipalities with most of the vacant space are Torrejón de Ardoz, Torija, Coslada and San Fernando de Henares, which together account for 50% of the total availability in Corredor del Henares.

In the South Zone, which has historically shown lower availability than in Corredor del Henares, there is 320,000 sq m available, 42% of the total supply. Of the total availability in the South Zone, the municipalities with most of the vacant space are Getafe, with 102,000 sq m, and Illescas, with 78,000 sq m, representing 32% and 25% respectively.

It should be noted that the vacant space in Corredor del Henares is divided between the first and the third tier, while in the South Zone the majority is situated in the first tier. Of the remaining availability, Vicálvaro, located within the urban area on the A-3 Axis, has 77,000 sq m.

Future Supply

Over the next two years, almost two million sq m of new space is expected to enter the market. 1,295,000 sq m of this will be incorporated by 2023, of which 472,000 sq m is already committed. By 2024, a further 640,000 sq m is expected, with 15% already occupied before delivery.

As for the distribution of projected new supply in 2023, the South Zone (with 644,000 sq m) and Corredor del Henares (with 612,000 sq m) account for almost all of it, with the remaining 39,000 sq m on the A-3 Axis.

Among the municipalities with the greatest activity expected in 2023, Illescas stands out, followed by Torrejón de Ardoz, San Fernando de Henares and Azuqueca.

Land

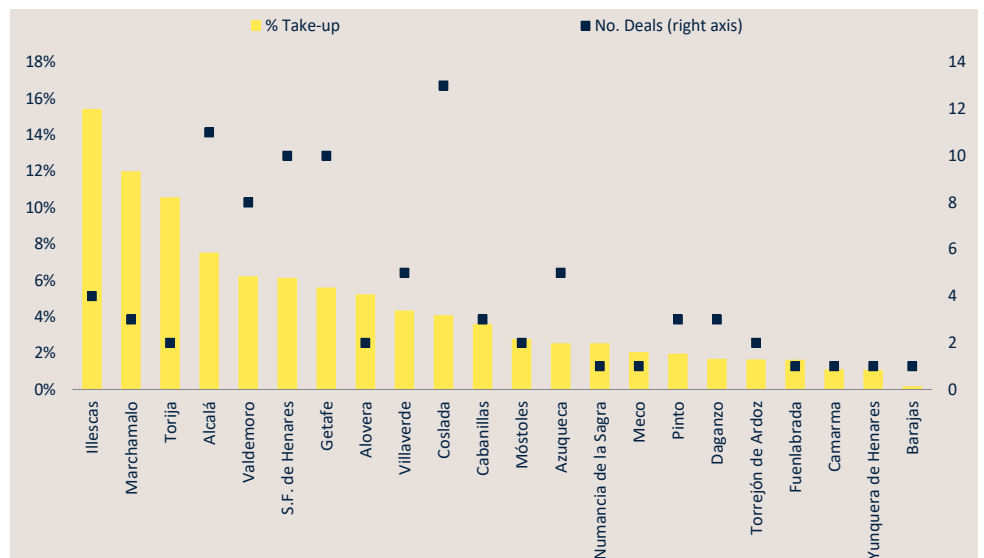
For yet another year, the activity in the land market continues to attract the interest of national and international investors as well as developers and occupiers.

In the Madrid land market, the surface area transacted amounted to around 1.2 million sq m across 18 transactions.

Demand was primarily located in the city centre, with 430,000 sq m signed across two deals, and in the first tier with 410,000 sq m transacted over seven deals.

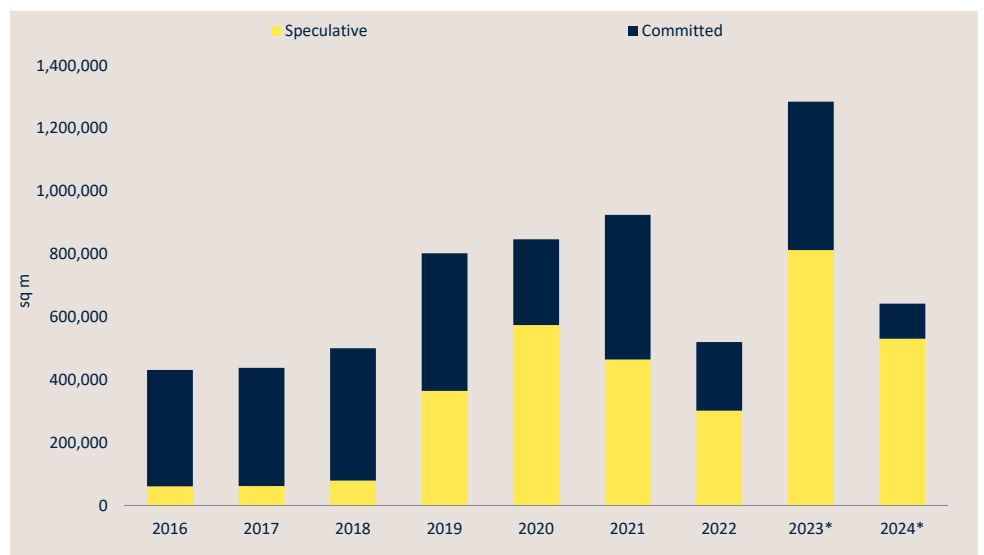
The largest transactions in terms of surface area took place in the first half of the year, in Villaverde (273,000 sq m), Fuenlabrada (>225,000 sq m) and Alovera (>134,000 sq m signed across two deals).

Activity by municipality - 2022



Source: Savills Research

Future Supply



Source: Savills Research / *Forecast

🗨️ 2022 achieved the second best take-up record in the historical series with 821,000 sq m. Demand was also robust with 60 deals signed 🗨️

Take-up and Demand

In 2022, the Catalan logistics market continued its positive trend from previous years. Take-up exceeded 821,000 sq m distributed across 60 transactions. In the year-on-year comparison, there was a slight decrease in both the surface area signed and the number of transactions (-10% and -5%, respectively).

However, this decline is not significant as 2022 still holds the record for the second highest take-up volume in the sector's history. It should also be noted that the take-up figures in 2022 were not influenced by large transactions from big operators such as Amazon, which had a significant impact in 2021 and accounted for 21% of take-up. Instead, the take-up in 2022 was driven by end-user transactions, which made up 19% of the total.

It is important to highlight that both the last and first quarters of 2022 performed exceptionally well, together accounting for 60% of the surface area taken up and transactions completed.

In Q4 2022 the surface area signed, over 236,000 sq m, was very close to the levels seen in the same period of the previous year, nearly 250,000 sq m. Demand was highly active, outpacing the previous year's performance: the 19 deals signed represented a 46% increase compared to the 13 deals signed in Q4 2021.

When analysing the distribution of take-up by tier, the third tier stands out, accounting for 52%, followed by the first tier with 33%, and finally the second tier and Zona Centro with 8% and 7%, respectively.

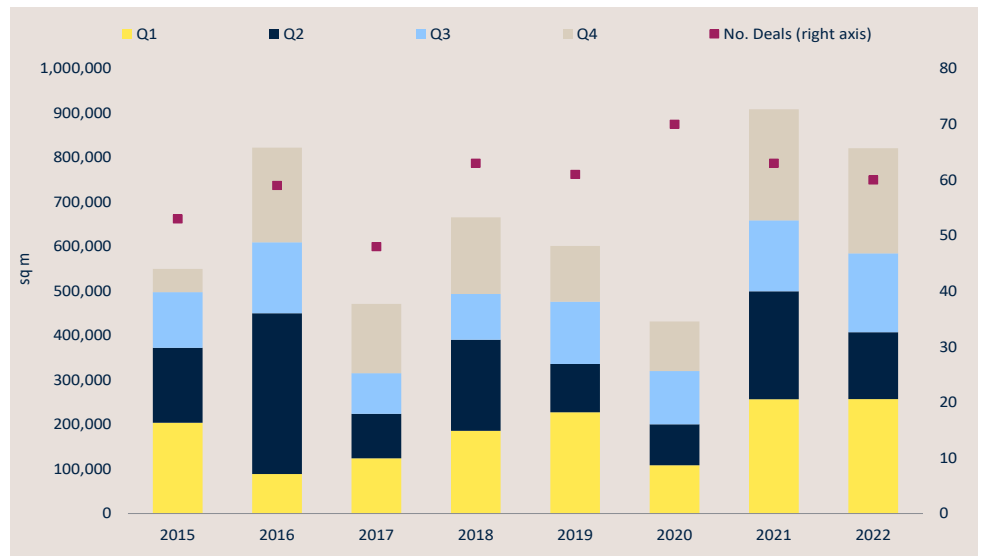
It is important to mention that, unlike other areas, the third tier offers the possibility of constructing large logistics platforms (>25,000 sq m). Over the last two years, occupiers have shown great interest in this opportunity; in 2021, four deals were signed, making up 34% of the take-up, and in 2022, six deals were signed, accounting for 40% of the total.

In terms of activity by region, in the year as a whole, Vallès Oriental stood out, both in terms of volume taken up and number of transactions, with almost 140,000 sq m distributed across 11 deals, followed by Vallès Occidental with >85,000 sq m over 10 transactions. Other regions, such as Tarragonès and Maresme, also saw significant take-up with >148,000 sq m and >95,000 sq m respectively, although the number of deals was limited to three in each.

Among the largest transactions of the year, four stood out, all exceeding 40,000 sq m: 96,000 sq m in Constantí for Lidl, 90,000 sq m in Tordera

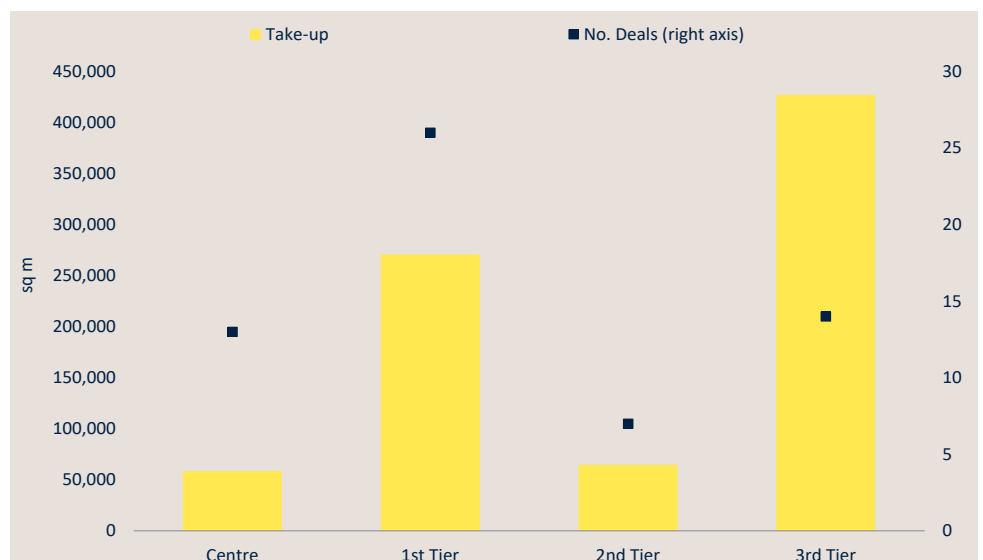
Barcelona

Take-up and No. of Deals by Quarter



Source: Savills Research

Activity by Tier - 2022



Source: Savills Research

for Kave Home, and two deals of 40,500 sq m, one in Constantí and the other in La Bisbal del Penedès.

Despite the fact that seven deals exceeding 25,000 sq m were signed, the average deal size decreased by 5% year-on-year. The average deal size in 2021 was 14,428 sq m, while in 2022 it decreased to 13,687 sq m.

Rents

The upward trend in take-up figures, coupled with low availability in the Catalan logistics market in 2022, has led to a significant growth in the average closing value in the most sought-after areas. The average closing rent in the first tier stood at €5.74 per sq m/month, reflecting a year-on-year increase of 13.7% (€5.05 per sq m/month in 2021).

Prime zone rents for state-of-the-art logistics warehouses grew by 4% compared to 2021, reaching €7.75 per sq m/month.

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

Current Supply

The 446,000 sq m of new space that entered the market in 2022 increased the total stock to 9.4 million sq m.

The new vacant space added in the last quarter of the year was reduced to 28,000 sq m, bringing the total available space to just over 185,000 sq m. This was the lowest level of vacancy since 2014, resulting in a further decline in the vacancy rate to an all-time low of 1.9%.

In terms of the distribution of available space by tier and municipality, the first tier accounted for 49%, distributed among the municipalities of Parets del Vallès, Palau-Solità de Plegamans, Castellbisbal, Polinyà and Santa Perpètua de Mogoda. The third tier accounted for 40% of the total available space, located in the municipalities of Bràfim and La Bisbal del Penedès. Finally, Zona Centro offered the lowest availability, limited to 11% and distributed between the municipalities of Barcelona and El Prat de Llobregat.

Regarding the regions with the highest availability, Alt Camp and Vallès Occidental stand out each with 34%, and Vallès Oriental with 15%.

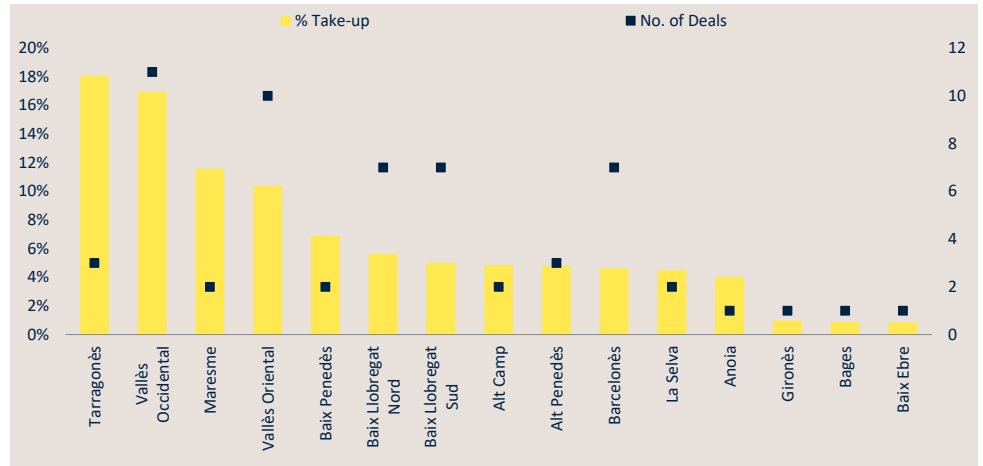
Future Supply

Almost 856,000 sq m is expected to be added to the market in 2023, the highest volume on record. This figure may change as the year progresses, with some projects being delayed in delivery or some owners choosing to postpone the start of construction.

It should be noted that currently 47% of the supply (almost 400,000 sq m) is already occupied, a clear sign that there is a shortage of available product built for immediate occupancy in this market.

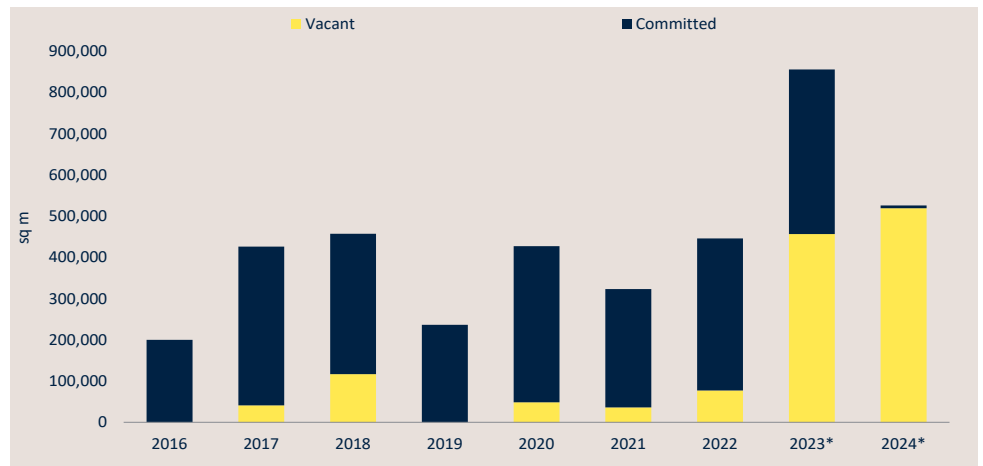
Due to the limited supply of quality-built product that meets the needs of demand, occupiers have opted to purchase land to carry out the development of their own projects, such that 17% of the total supply already committed corresponds to self-development. In addition, 22% of the

Activity by Market Zone - 2022



Source: Savills Research

Future Supply



Source: Savills Research / *Forecast

committed supply is in turnkey projects, with the remaining 8% in pre-let.

The just over 456,000 sq m of available space entering the market is mainly divided between the first and third tier, each with 41%. 15% corresponds to the second tier, with the remaining 3% in Zona Centro.

Based on current forecasts, the municipalities that will comprise the largest volume of available supply are Constantí and Polinyà, with five and three projects respectively. Other locations such as Granollers and Martorell will each have two projects, with the remaining 13 locations home to one project each.

Meanwhile, the largest projects will be located in La Bisbal del Penedès (>63,000 sq m), Santa Margarida i els Mojons (>39,000 sq m) and Sant Quirze del Vallès (>33,500 sq m). Additionally,

Masquefa and Esparraguera will each have one project with an average surface area of 26,000 sq m.

Land

Despite the scarcity of land in the Catalan market, it was very active throughout the year, with over 1.6 million sq m of land transacted across a total of 29 deals.

Most of the activity was concentrated in the second tier, where 50% of the surface area (870,000 sq m) was transacted.

The regions of Tarragonès and Vallès Occidental were the most active, with seven and six deals respectively. The most prominent municipalities in terms of surface area volume were Reus with 360,000 sq m and Constantí with 320,000 sq m. Furthermore, the largest transactions (>185,000 sq m in both cases) took place in these municipalities.

🗨️ In 2022, the Valencia logistics market reached an all-time high in both take-up and number of deals with almost 390,000 sq m spread over 58 deals. This is an increase of 3% and 23%, respectively, compared to 2021 🗨️

Take-up and Demand

The Valencia logistics market ended the year with close to 390,000 sq m of take-up, exceeding the previous year's record by 3% (377,000 sq m), making 2022 the market's strongest year in the historical series. The fourth quarter contributed 107,000 sq m, driven by several large deals, with three of the top five deals of the year (all around 20,000 sq m) taking place between October and December.

The 58 transactions registered in 2022 also represents the highest figure in the historical series, a year-on-year growth of 23%.

The modest growth in take-up, together with an increase in the number of deals, resulted in a slight decrease in the average deal size, which stood at around 6,700 sq m, compared to 8,000 sq m in 2021. In the analysis of deals by size, all surface area ranges recorded similar activity to the previous year, except for deals between 2,500-5,000 sq m, which more than doubled (25 in 2022 vs. 10 in 2021), impacting the average deal size.

The market's first tier continues to be the focus of demand, in 2022 accounting for more than 70% of total take-up (280,000 sq m), far exceeding the 44% in the historical series. In terms of number of transactions, it made up 93% of the total, compared to just over 50% in the historical data.

Regarding distribution by zone, Zona Centro saw the most activity with 250,500 sq m across 50 deals, representing 65% of take-up and 86% of the number of deals.

Ribarroja, in the first tier of Zona Centro, was the municipality with the greatest activity, accounting for 166,000 sq m and 39 deals (43% and 67% of the total, respectively).

Rents

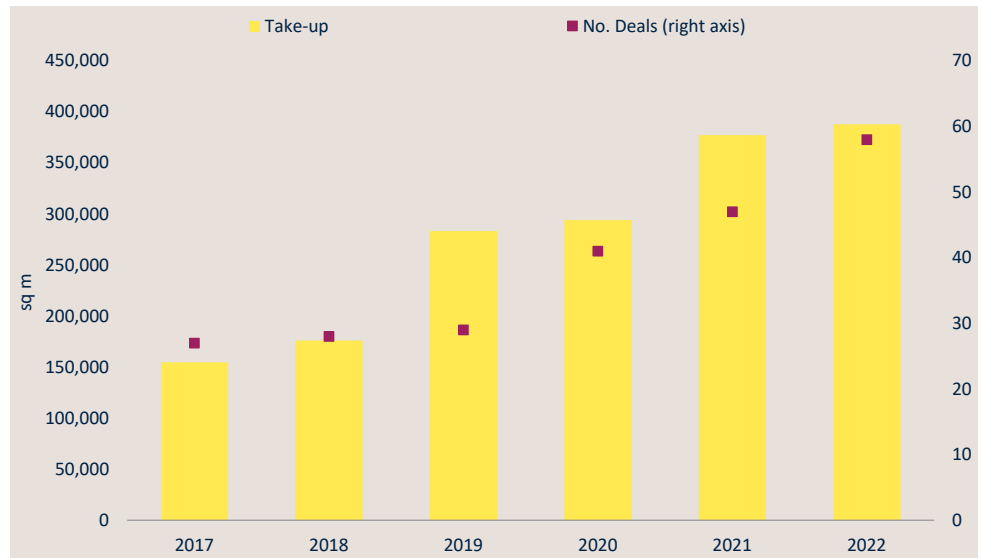
The imbalance between supply and demand continues to put upward pressure on rents. Prime rents stand at €4.75 per sq m/month for the highest quality warehouses in the best locations, marking a 6% increase compared to the market average in 2021.

The upward trend in rents is expected to continue in the short term, driven by robust demand and limited supply.

The highest rental value was recorded in Ribarroja, where the psychological barrier of €5 per sq m/month was reached for a newly built warehouse of 5,500 sq m, which came onto the market in Q1 2022.

Valencia

Take-up and No. of Deals by year



Source: Savills Research

Current Supply

During Q4, around 68,000 sq m entered the market, of which only 22,300 sq m was available. As of year-end, the total supply immediately available was just over 72,000 sq m, placing the vacancy rate at 1.9%.

Supply decreased by 43% in 2022 compared to the 126,000 sq m available at the end of 2021, when there was a vacancy rate of 3.5%.

The locations with the most activity in terms of take-up and transactions, the first tier and Zona Centro, correspond to the areas with the most available supply in the market. Within these areas, Ribarroja is home to a significant proportion of the vacant space, with almost 32,000 sq m (around 45% of the total), maintaining its position as the key location for driving growth in the logistics market in the Region of Valencia.

In the first tier, the average size of the available product stands at barely 4,000 sq m, with a few outliers of 5,000, 6,000 and 8,000 sq m. The largest product (>10,000 sq m) is located in the second tier of Valencia.

Future Supply

Over the next 12 months, 494,000 sq m is expected to enter the market, of which only 33% (164,000 sq m) is still available. It should be noted that a large part of the committed space, 66%, corresponds to self-development

projects (218,000 sq m) due to the scarcity of alternatives, with occupiers choosing to purchase land to develop a facility that is fully adapted to their needs. The remaining committed space, 16%, corresponds to two turnkey developments (54,500 sq m) and 18% to seven speculative projects (>58,000 sq m).

The high density of logistics product in the first tier is gradually shifting the market towards the second tier. In 2023, the second tier will accommodate 282,000 sq m of the planned surface area (57% of the total), of which only 35,000 sq m is still available.

The municipality to incorporate the largest volume of new space is Sagunto (second tier of the North Zone) with 173,000 sq m, although only 36,000 sq m is available. Albuixec (first tier of the North Zone), with 44,600 sq m of new space available, is the location with the largest amount of new supply. The rest of the new space available will be distributed between Cheste, Ribarroja and Manises, all of which are in the first tier of Zona Centro.

An additional 133,000 sq m has been identified with expected entry during 2024, of which only 25,000 sq m is currently available, located in Bétera (first tier of Pista de Ademuz).

“ Although there was continued strong demand in the last quarter of the year, the absence of new supply hindered the increase in take-up, meaning that 2022 ended at similar levels to Q3, with >153,000 sq m distributed across 17 transactions ”

Logistics Andalusia

Málaga

Despite continued strong demand in the last quarter of the year, the lack of available product in the capital of Málaga prevented any variation in take-up data, bringing the year-end figure to more than 153,000 sq m distributed across 17 deals.

The shortage of logistics product coupled with the lack of land plots ready for development will prolong this situation over time.

Pre-let deals are currently underway at the project located at the former Bacardi facilities, where several HOTs are being negotiated and will materialise during the first quarter of 2023. This project has a surface area of around 42,000 sq m divided between cross-dock and standard storage.

Prime rents in Málaga remain at €5.00 per sq m/month for state-of-the-art logistics warehouses. However, given the incorporation of new supply in the short term and the existing high level of interest from demand, there is potential for rents to increase.

Other areas of the province, such as Antequera and Cártama, do have projects that offer the possibility of renting space. However, the need for occupiers to operate from the capital of the Costa del Sol means that these options are not currently attracting rents.

In the last quarter of 2022, the lack of product has pushed end-users to explore the option of purchasing land ready for development.

Seville

Given the rapid take-up of new projects coming onto the market, in the last quarter investors began to consider the purchase of new vacant developments.

In response to the demand for quality products that meet the needs of end-users, developers have focused on acquiring land that is ready for development or even land that is under management, i.e. land on which urban development procedures are still pending. This once again reflects the fact that Seville is a highly liquid logistics market.



Investment market

The dynamism of the investment market meant the €2bn mark was surpassed for the second year in a row. The nearly €2.25bn in 2022 represented 13% of the total commercial market, which continues to gain importance compared to the 8% average in the historical series.

The comparison with 2021 shows a 13% decrease due to the Montepino portfolio (which accounted for one third of the total). However, if this deal is excluded from the analysis, the market recorded a growth of 29%.

In the distribution of activity by location, Zona Centro (which includes Madrid and the neighbouring provinces of Guadalajara and Toledo) remains the focus of interest, with 40% of the volume. This is followed by Catalonia, which accounts for 33%, with Barcelona as the epicentre (just over €600m).

However, secondary markets are increasingly gaining prominence, making up 25% of the volume in 2022. It is important to note that the Valencia market already ranks third in terms of investment volume (close to €300m) and that Andalusia is gradually expanding its logistics footprint beyond the provinces of Seville and Málaga. Meanwhile, some of the locations which are less frequented (Galicia, Basque Country, Castilla y León, etc.) are also appearing on the investment map thanks to portfolio transactions.

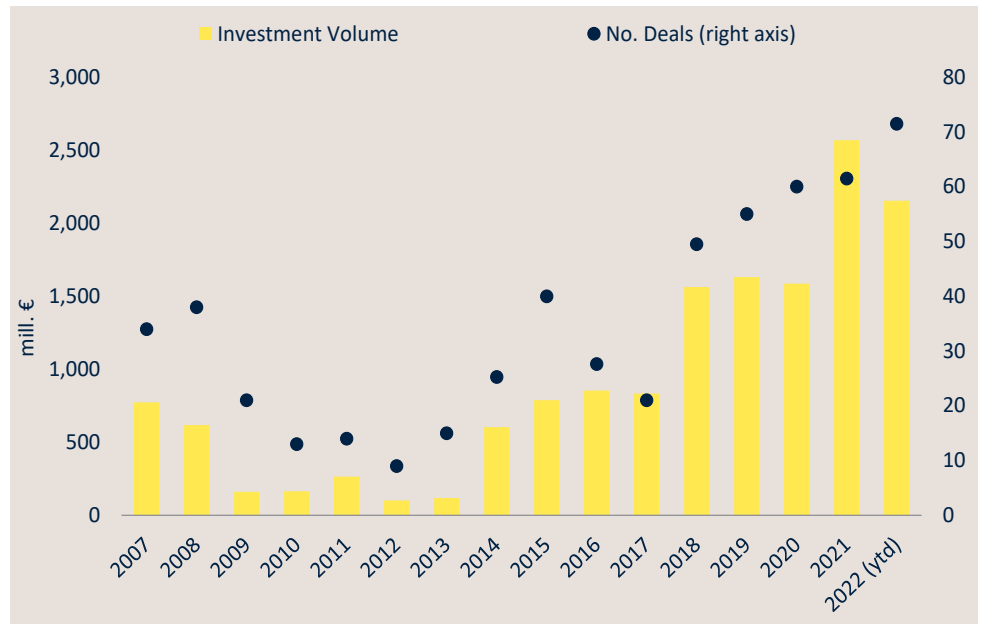
In this regard, portfolio transactions have become increasingly frequent, accounting for a large part of the volume transacted (58% on average since 2019). Asset quality, strategic locations (even if not the main logistics hubs), an adequate level of occupancy and long-term contracts are aspects that provide comfort to investors who seek to minimise risk. The average price for portfolio transactions in 2022 was close to €120m, although three portfolios significantly exceeded the annual average.

On the other hand, the logistics segment was the most active in sale and leaseback transactions. A total of 14 deals were identified, making up 38% of this type of transaction in the real estate segment. These are generally small deals (€10m on average), but they are also on the radar of international funds.

International capital dominates the logistics market, with 95% of the total. The presence of national players is limited to several private investors, some Socimis and some real estate companies that enter the logistics market in order to diversify their portfolio.

Investment market

Graph 9: Annual Evolution of Investment Volume* and No. of Deals



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

Yields

Yields have decompressed due to the tightening of monetary policy and the increase in interest rates. The prime achievable level closed the

year at 4.75%, 75 bps higher than in Q4 2021. All signs point to the ECB implementing at least two more hikes, which will likely affect yield performance.





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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