

SPAIN

Industrial Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Overall headline rents are expected to slightly grow in Madrid and Barcelona
- Prime Yields: Rising investor appetite against a lack of product is seeing yields compress as competition increases
- Supply: Low vacancy rates in Barcelona and a mixture of scarce and above-average supply in Madrid
- Demand: Active requirements are evident but these needs to be converted to actual deals

Prime Industrial Rents – March 2019

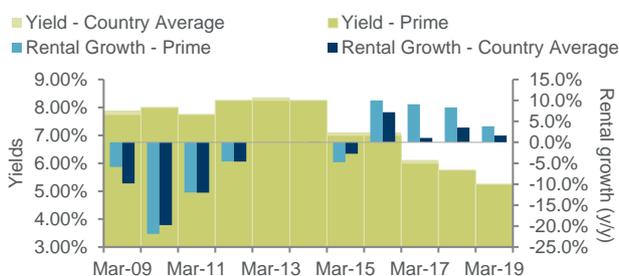
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	5.00	60.0	6.3	0.0	-1.0
Barcelona	6.75	81.0	8.5	3.8	6.2

Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	5.25	5.60	5.75	8.25	5.25
Barcelona	5.25	5.50	5.75	8.50	5.25

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The logistics markets of Madrid and Barcelona show similarities in terms of take-up, yields and prices. Yet the dynamics in terms of rents may change over the coming quarters. The fundamental factor is the volume of land available. There is still land for development in Madrid, however Barcelona is facing more acute scarcity.

Occupier focus

Demand for logistics spaces in Madrid and Barcelona is being dynamic, driven by new forms of consumption and retail and industrial activity. In Barcelona the year has started strongly, and the space take-up has been around 227,000 sqm in the first quarter, thanks in part to a build-to-suit project of 93,000 sqm for Decathlon. Madrid has closed the first quarter with 77,000 sqm below the 240,000 average for a quarter but deemed as temporary pause of the local market.

The trend regarding rental prices remains one of gentle climbs and no exceptional pressures are expected in terms of rents in the short term. Within the context of scarce availability in both Madrid and Barcelona, the new supply reaching the market is holding off rental price rises.

Investment focus

Investors continue to actively look for opportunities in the logistics warehouse sector in Spain. Faced with the lack of up-to-date product and demand for floorspace at an all-time high due to the rapid development of online sales, funds and Socimis have thrown themselves into the acquisition of warehouses or the development of new logistics facilities. The formulas used by logistics investors include participation in turnkey projects and in forward purchase and forward funding deals. This points towards many of them being willing to assume part of the developer risk and, consequently, raise their position on the yield curve.

Outlook

Investors are seeking existing warehouses or units under development in strategic locations close to centres of consumption, integration with 'last mile' distribution and international standard building specifications. With average growth of 20% per year (2010-2018) in e-commerce, there is still room for the demand for logistics floorspace in Spain to grow. This will confer added dynamism to a market with great potential for returns. On the yield side, and once the barrier of all-time lows had been broken, the first quarter of the year continued to show compression in prime yields in both Madrid and Barcelona, standing at 5.25%.

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