

SPAIN

Industrial Market Snapshot

Second 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 – June 2019

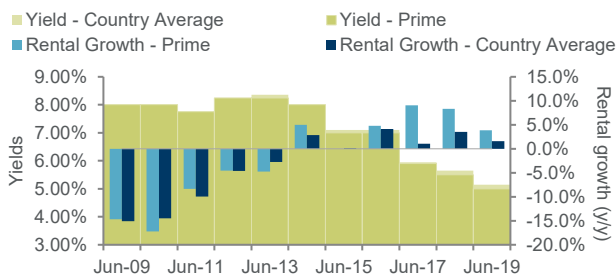
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	5.00	60.0	6.7	0.0	-1.0
Barcelona	6.75	81.0	9.1	3.8	6.2

Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	5.25	5.25	5.75	8.25	5.25
Barcelona	5.00	5.25	5.50	8.50	5.00

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

Warehousing and storage space keep on being critical for new the configuration of the supply chain in Spain. Operators and developers are betting boldly on new logistics premises adapted to the new era of ecommerce, multi-channeling retail and super-fast last mile distribution. In this context, the first half of 2019 has developed well in terms of space take-up, especially in Barcelona, and new deliveries. Investor intentions are also strong, and it is expected 2019 will sustain historically high investment volumes.

Occupier focus

Logistics space take-up ended the first half 2019 with lesser figures in Madrid than one year ago. The reason was strong figures in 2018 and a more paced demand that is waiting for the new product in the pipeline to hit the market. In Barcelona, logistics operators are keen to lease space, especially in the first and second ring (40 kms) from the city centre. In the Catalan capital there's pressure enough to sustain rental values increases in the second half of the year while in Madrid the new deliveries will act as cap for higher prime rents.

Investment focus

With good performance in the occupier markets investors are seeking opportunities in logistics premises across Spain. In 2019 the investment volume will reach some €1.2 billion, a similar figure to what was seen in 2018. The sale of two large portfolios may take place in the second half of 2019 boosting the investment figures. One will correspond to the sale of Colonial's logistics portfolio the other to datacenters owned currently by Telefonica. Prime yields keep at historical low levels given the liquidity of the market. Further compressions may be seen in H2 2019 for good assets traded in the main capitals.

Outlook

With market fundamentals such as GDP growth, consumer spending and online sales, logistics market remains an attractive one for both investors and 3PLs. An increase in occupation and reduction in vacancy rates is expected for the end of 2019 despite an upturn in the development activity, especially in Madrid. Investors are expecting return from the rental growth side as well as high occupation and some CPI inflation as well.

As seen in 2018 with a YoY of 29%, ecommerce expansion will remain robust meaning more logistics and last mile distribution sheds will be needed in the forthcoming years.

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