

SPAIN

# Industrial Market Snapshot

Fourth Quarter | 2018



## 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 – December 2018

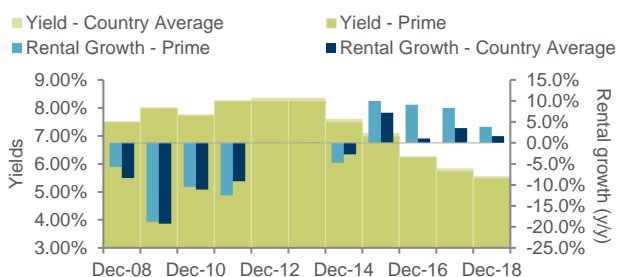
LOGISTICS LOCATIONS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	5.00	60.0	6.4	0.0	-1.0
Barcelona	6.75	81.0	8.6	3.8	6.2

### Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	5.60	5.70	5.90	8.25	5.60
Barcelona	5.50	5.50	5.75	8.50	5.50

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

2018 ended with the largest space take-up in logistics in the two main cities of Spain. Both ecommerce development and search for modern space were the main demand drivers. New supply is catering this demand and the pipeline for 2019 is bulky. Regarding investment activity the last year was active and resembling the activity of 2017. Consumption and online sales will keep on pushing the demand in 2019.

## Occupier focus

Logistics space absorption in Madrid and Barcelona is between 1.5 and 2 times the long-term average. 2018 has been remarkably active space demand and logistics operators are focusing on efficient and modern shed. Most of the lease transactions (70%) derived from larger space necessities while the rest were looking for space renovation and localisations. The number of logistics transactions is also reaching historical records.

Rental values have different dynamics in Barcelona and Madrid. In the former, prime rent has increased some 10% in the last 12 months, given the scarcity in areas close to the city. In the latter, new supply is catering added demand, containing rent increases. Yet, the outlook for 2019 is of slight increases in the two markets.

## Investment focus

Investors' appetite is ample in Spain and keeping the same tone of 2017. Most of the activity was focused in Madrid, but regional markets with strong logistics performance stood out such as Valencia and Zaragoza. Demand in Barcelona has reactivated responding to a more stable political landscape, after a quite dry first half of the year. Prime yields are more stable than in 2017 but given the liquidity of the capital markets and the expected good performance of the occupier markets, some investment transactions are registering lesser yields than in Q3-2018.

## Outlook

2019 will see strong logistics demand in Spain on the back of fundamentals expected to perform well. Although new supply will hit the market in 2019 most of it will enter already occupied.

Investor demand will sustain its momentum with still strong liquidity in Spain. Investors will seek modern product across the main logistics hubs of Spain, on top of Madrid and Barcelona.

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