Vigorous Take-up and Scarcity of Product

Having broken a record in logistics take-up in 2015 with 400,000 m², the vigour of this market held steady during the first three months of 2016, with 153,000 m² of floor area transacted. This represents more than half of the total take-up for 2014 (277,000) m². It means a very good start to the year and the beginning of a new phase in the logistics market of Madrid.

The local logistics arc saw the highest level of activity recorded, with 67% of the total square metres transacted and 8 of the total of 12 deals struck during T1 2016. Breaking down the total number of transactions, three are notable in terms of their size, amounting to 122,000 m². Of these, 57,000 m² are assigned to e-commerce (extension on the part of Amazon of its facilities in San Fernando de Henares).

In terms of tenant profile, 38% of the floor area was transacted by logistics operators and 62% by final users.

The vigorous take-up in the first quarter of the year continues to push the vacancy rate down, going from 9.5% in Q4 2015 to 9.1% in the first quarter, and the need for good quality units is becoming ever more significant. Developers view the possibility of offering new buildings to the market as being more feasible, including those which are speculative in nature. This is backed up by the outlook for increases in rents and business activity.

Having stabilised during 2015, rental prices have gradually begun to point upwards. The maximum rent of €5.5/m²/month is holding steady.

Investor appetite for the logistics sector also remains firm. Whereas 2015 closed with the highest ever investment figure (€612m), almost €320m had been invested throughout Spain during the first five months of 2016. Of this volume, almost €150m were transacted in Madrid. Prime yields in Madrid remain under downward pressure, although for the time being this is steady at 7%.

It is anticipated that the main SOCIMIs (REITs) and funds will remain interested in expanding their portfolios with logistics assets. Activity with logistics developments is also expected to continue. Moreover, an increase in GDP of around 2.8% is forecast for 2016 and the labour market will continue its steady recovery.