At a glance

LOGISTICS VALENCIA Q3 2017

RISE IN DEMAND

Demand passing through a period of strength

The favourable period through which the economy of the Valencia region is passing, with GDP increases above the national average, a fall in the unemployment rate and an increase in spending, is benefitting the industrial logistics market. A total of 135,350 m² were transacted during the first three quarters of 2017, representing an increase of 35% on the total for 2016. Ribarroja accounted for most demand with 80% of total occupancy and 12 deals amounting to more than 107,000 m². Major companies are committing to extending their facilities, Mercadona being notable in this respect with the signature for 23,700 m² in Ribarroja. It is also important to point out the commitment of newly arrived businesses, such as Amazon, which has decided to locate in Valencia, in the Paterna area. The average size per deal for the year to date exceeds 7,500 m², two transactions having a volume of over 23,000 m².

Lack of availability

Vacant floorspace has continued to fall considerably, reaching minimums of 3.72% and there being 58,850 m² available at the close of the third quarter. Of this 40% of the available floor area is located within the municipal district of Ribarroja. The lack of available floorspace is leading to an increase in land deals and turnkey projects. Particularly important is the lack of cross-docking type units, these currently being much sought-after. Nevertheless, there are a number of projects underway in Ribarroja which are envisaged to open over the coming months. These will lead to an increase of more than 50,000 m² of vacant floorspace for the first half of 2018.

Rise in rents and investor interest

Strong demand activity and the scarcity of available spaces is provoking increases in rents. The areas witnessing this recovery in rents most are Ribarroja and Paterna.

Prime rents have risen and stand at €4.25/m²/month.

In the investment market, there is still a high degree of interest from buyers. This is a consequence of strong demand performance and the upward trend in rents. Deals with long-term contracts (8-10 years) and for cross-docking units are beginning to appear, with required yields of between 6.5% and 7.5% depending on location, warehouse specifications and contract.

Vacancy rate evolution

Take-up volume evolution and GDP

Maximum and minimum rents by municipalities Q3 2017