At a glance - Q3 2019

LOGISTIC MARKET—MADRID

SMALLER DEALS AND CLOSER TO THE CITY

The Spanish economy continued to expand in the third quarter of the year, albeit less strongly. GDP growth compared with the previous quarter stood at approximately 0.5%, confirming the deceleration seen in the last six months that stems from the riskier economic environment. Spain is doing well: while domestic demand maintained moderate growth rates, external demand still increased despite the uncertainty. Nonetheless, within the logistics market, the slowdown in the automobile sector has led to lower activity in both imports and exports.

Although slower take-up over the first half of the year prompted some concern, the third quarter picked up pace with 274,719 sqm of total take-up. This volume makes the quarter the second most active since records began after Q4 2018, which saw a figure of 301,498 sqm of rentals. The most significant transaction in the quarter was the signing of 98,757 sqm by Carrefour in Azuqueca de Henares, representing 36% of the total demand.

Take-up for the year to date (1 October) is 438,569 sqm, a decrease of 32% compared to the same period last year caused mainly by a drop in large unit demand. In 2018, nine lease deals for units over 30,000 sqm occurred, while there is only one transaction of this size signed so far in 2019. By the end of the year, take-up is likely to close around 600,000 sqm, exceeded only by 2017 and 2018.

The third quarter also witnessed the highest number of deals with 19 contracts signed.

The A-2 motorway or Corredor de Henares is area in most demand in Q3 with 64% of take-up. This equates to 177,616 sqm in eight deals. Within this area, the “arco nacional” zone dominated with five of the deals that total 153,639 sqm. Occupiers are also showing interest in other submarket of Azuqueca de Henares, Cabanillas del Campo, Fontanar and Yunquera de Henares.

In the southern area (A-4 / A-42), activity has been very high, representing 33% of the total (88,803 sqm) in eight deals. The most significant market in the southern area is Getafe, where four transactions were signed, highlighting the importance of Los Gavilanes industrial estate in this market.

The average size of the fifteen transactions is 14,459 sqm. This is higher than the previous two quarters (6,742 sqm in Q2 and 8,190 sqm in Q1) that had few large deals unlike Q3 where there were seven operations over 10,000 sqm.

Rent levels have not moved and the average rent is staying at €4.4 /sqm/month and prime rent at €6.2/sqm/month. New supply entering the market is slowing down the rent increase forecast earlier in the year. However, as the new space is absorbed we will see increases, especially in the “arco local” area.

The Madrid logistics park, comprising over 9 million square metres of rentable area, has an occupancy rate of around 95%, a sign of its attractiveness to occupiers. Furthermore, it is expected that more than 700,000 sqm will be delivered here over the next 18 months, increasing the proportion of top-quality premises within the area. The vacancy rate as of 30 September 2019 is 5.89%.

The investment market has already matched the historic record of 2018, with transactions of 1.3 billion euros to date. The most significant deal of the year is Prologis’s acquisition of Colonial’s asset portfolio located in Madrid, Guadalajara and Catalonia for approximately 425 million euros. Deals recorded to date and the ongoing transactions that will conclude in the coming months suggest the 2019 investment volume will exceed 1.6 billion euros, as we anticipated earlier in the year. The prime yield remains at 5.15% with forecast compression likely to take it down to around 5.00% by the end of the year.
TREND IN LOGISTICS TAKE-UP

AT A GLANCE - LOGISTIC MARKET MADRID - Q3 2019

Take-up
Q3-2019
271,536 sq m

TREND IN RENTS

TREND IN STOCK AND VACANCY RATE

Vacancy rate
5.9%
AT A GLANCE - LOGISTIC MARKET MADRID - Q3 2019

INVESTMENT VOLUME IN SPAIN

Total real estate investment in Spain Q1-Q3 2019 — €9.0 Bn

Logistics Investment Q1-Q3 2019
€1.3 Bn

YIELDS

PRIME YIELDS
Logistic 5.15%
Office 3.25%
High Street 3.00%

MAIN DEALS DURING THE QUARTER

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BUSINESS LINES in Europe
A 360° vision

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