At a glance - Q4 2019
LOGISTIC MARKET—MADRID

SLOWDOWN IN DEMAND FOR LARGE AREAS

The Spanish economic growth in the last quarter confirmed the deceleration seen in previous months. GDP growth stood at approximately 0.4%, lower momentum than most quarters over the economic recovery. A less dynamic end to the year is likely to see reduced annual GDP growth of around 2.0%. Consumer spending continues to be one of the main growth drivers of the economy, supported by slower but consistent employment gains.

Lettings of logistics space in the fourth quarter reached 103,863 sqm, 65% lower than in the same period last year. A total of 8 deals were signed during the last three months of the year for an average size of 12,983 sqm. The most outstanding operation involved Mercadona signing for 46,960 sqm in Getafe, the industrial area of Los Gavilanes. This is a newly built location that has become very popular with users in recent months and attracted 64% of contracts for the quarter. However, the Henares Corridor continues to be the axis most in demand as far as users are concerned, accounting for 75% of operations signed in Q4 2019.

On aggregate, lettings totalled 542,432 sqm in 2019, a considerable fall of 42% with respect to 2018, when they reached record levels of 940,545 sqm. The decrease is due to fewer large sized deals carried out in 2019 compared to 2018 when there were 9 contracts for units over 30,000 sqm. In contrast, 2019 witnessed only 3 such deals. Furthermore, fewer contracts were signed in 2019 than in 2018, 49 in comparison with 77 showing a decline in demand.

In the logistics axes, around 58% of the take-up was located in the Henares Corridor, while 41% occurred in the south between axes A4 and A42. However, if we analyse demand by arcs, users continue to look for locations in the last mile, with the local arc accounting for 40% of take-up. The national arc attracted the highest amount of take-up at 46% of demand. Indeed, this arc has recorded the biggest deals as it is the location where users have the most options for large logistics platforms and land for turnkey projects.

Rents for 2019 remained unchanged from 2018 as the arrival of new projects in the market continues to hold back rent increases. The prime rent closed the year at €6.2 per square metre per month, while the average rent for the market stands at €4.4 per square metre per month. However, in locations very close to the airport or cross-docking platforms near the city, rents can be higher than the prime.

Madrid has almost 9.5 million square metres of logistics space and an occupancy rate of nearly 95% which shows the healthy situation of the market. More than 1,013,500 sqm of development are also expected to deliver in the next 18 months. This will represent a considerable expansion in the space available compared to the existing total offer. The vacancy rate as at December 2019 stood at 5.57%, 33 basis points below Q3 2019.

Investor interest in the logistics market remains very high. The investment volume recorded in the fourth quarter of the year stood at 545 million euros, while the total figure for the year set a new record in 2019: 1,853 billion euros (42% up on 2018). Product shortages, coupled with high investment pressure, is leading to yield compression. Prime yields fell to 4.90% for the first time in the fourth quarter of 2019.

The outlook for 2020 remains positive. There is currently demand for large and medium-sized units with new contracts expected to be signed over the next few months that will boost letting volumes. Investors and developers also continue to buy land to develop new logistics platforms, which illustrates their confidence in the occupancy market in the short to medium term.
TREND IN LOGISTICS TAKE-UP

- Local
- Regional
- National
- GDP (var. %)

Take-up Q4-2019
103,863 sq m

MADRID LOGISTICS MAP

TREND IN RENTS

€/sqm/month

Prime Rent
Average rent

TREND IN STOCK AND VACANCY RATE

Vacancy rate 5.5%
INVESTMENT VOLUME IN SPAIN

Total real estate investment in Spain
2019 — €12.7 Bn

Logistics Investment
2019
€1.9 Bn

YIELDS

PRIME YIELDS
Logistic 4.90%
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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