

Net Asking Rent

Vacancy rate on the rise, particularly in Ring 1

The vacancy rate in Madrid stands at 10.6% (986,000 sq m) following new market entrants recorded during the third quarter of 2020. Development activity continues apace and it is estimated that the stock of logistics units will grow by some 235,000 sq m by the close of 2020 (some 4% already committed). It is anticipated that around 275,000 sq m will be delivered in 2021 (some 50% has already been pre-let). The fact that developers continue to plough ahead with projects indicates that they have high expectations in terms of occupancy levels and confidence in the sector.

There is around 900,000 sq m of logistics land at the project stage, on which construction could commence either speculatively or by way of turnkey projects.

The increase in the volume of quality spaces over the past 2 years is in response to the fact that operators are focusing demand on high specification product. E-commerce will foreseeably continue to stimulate the market through 3PL operators. These will remain active, adapting to the new shopping habits of consumers.

Quarterly record for logistics take-up

At almost 330,000 sq m, the third quarter of 2020 has broken records in terms of logistics take-up. With only three months to go to the close of year and despite the exceptional circumstances brought about by the healthcare crisis, the total volume of logistics floorspace transacted in 2020 almost matches that of 2019 (515,000 sq m compared to 567,000 sq m). The growth of online sales in the majority of sectors is having a positive impact on the demand for logistics space.

Although the pace of economic activity continues to be set by the healthcare situation, companies need to adapt by implementing new supply chain strategies and, in consequence, are seeking out new, more flexible and efficient warehouses with special characteristics.

Stable prime rents over the short term

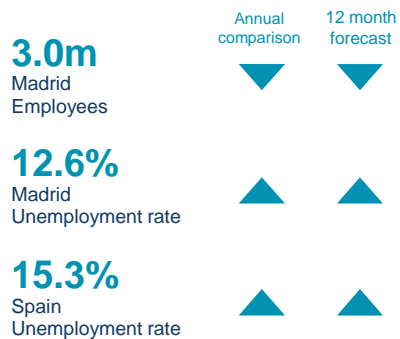
Prime rent has remained stable during recent years due to the fact that the new, high-specification offerings that have been delivered to the market have taken the pressure off the upward trend in prices. Meanwhile, and as a consequence of the increased demand for quality spaces, a greater proportion of higher rent deals have been struck. This has increased the average market rent in recent times.

It is anticipated that both prime and average rents will remain stable over the coming quarters.

Logistics assets have become the most sought after by investment groups. In addition, the sector enjoys solid demand on the part of users. Investors continue to have a healthy appetite for the acquisition of logistics assets, whether completed or under development. As far as the year-to-date figures go, the investment volume in Spanish logistics assets has exceeded €525m (some 75% being cornered by Madrid).

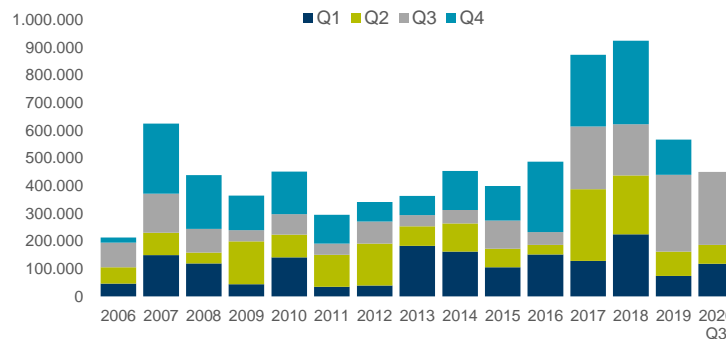
When it comes to yields for the classic real estate assets, the logistics sector has been the only one undergoing prime yield compression, going from 5.00% to 4.75%. This is in contrast to offices, for which the prime yield has remained steady, and shopping centres, which have seen a slight increase.

ECONOMIC INDICATORS September 2020

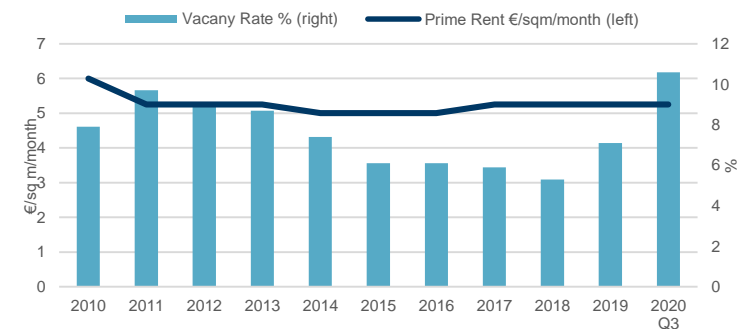


Source: National Statistics Institute (INE)

FLOORSPACE DEMAND by quarter (sq m)



OVERALL VACANCY AND PRIME RENT



MARKET DATA

SUB-MARKET	STOCK (sq m)	VACANT (sq m)	OVERALL VACANCY RATE	TAKE-UP CURRENT Q (sq m)	Aggregate TAKE-UP (sq m)	UNDER CONSTRUCTION (sq m)	PRIME RENT (€/sq m/month)	PRIME YIELD*
Ring 1	2,273,064	396,566	17.4%	43,329	72,965	103,039	5.3	5.00%
Ring 2	3,304,981	308,157	9.3%	18,576	123,298	125,175	4.2	5.50%
Ring 3	3,685,771	257,829	7.0%	101,091	153,170	287,247	3.5	5.75%
TOTALS	9,289,375	962,552	10.6%	162,996	349,433	515,461		

*Asking rent with full service

MAIN LEASE DEALS Q3 2020

Location	Ring / Highway	Tenant	AREA (sq m)	TYPE*
Illescas – Toledo	3 / A-42	DIA	68,000	Turnkey
Getafe	1 / A-4	Amazon	11,263	Extension
Torija - Guadalajara	3 / A-2	XPO Logistics	33,091	Extension

*Renewals not included in the take-up figures

MAIN ACQUISITION DEALS 2020

PROPERTY	Ring / Highway	VENDOR / BUYER	AREA (sq m)	PRICE (€m)
Torrejón and Getafe	Various locations in Spain	Patrizia / REAL I.S,	85,000	150
Yeles – Madrid	3/A-4	Confidential/Clarion Gamercy	37,160	16.7

MAIN DEVELOPMENTS DELIVERED IN 2020

PROPERTY	Ring / Highway	MAIN OPERATOR	AREA (sq m)	OWNER
Villaverde	1 / A-42	Vacant	52,000	SEGRO
Guadalajara	3 / A-2	Luis Simoes	34,500	Montepino
San Fernando de Henares	1 / A-2	Pallex	12,500	Merlin Properties

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