

	YoY Chg	12-Mo. Forecast
7.1% Vacancy Rate	▲	▼
567,000 Take-Up (sq. m)	▼	▲
€5.25 Prime Rent (sq. m/month)	▬	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
3.2M Madrid Employment	▲	▲
10.0% Madrid Unemployment Rate	▼	▼
13.8% Spain Unemployment Rate	▼	▼

Source: INE

Limited vacancy and development activity

The vacancy rate has increased by one and a half percentage points over the past 12 months due to the delivery of new projects. Construction activity in the logistics sector remains dynamic and it is estimated that in 2020 will see the stock of logistics warehouses growing by almost 683,000 sq. m. The construction of some 86% of this floor area began as speculative in nature, driven particularly by the appetite of international investment groups. It is anticipated that around 221,000 sq. m will be delivered to the market in 2021. The growth in stock reflects the willingness of developers to assume risk and the positive outlook concerning occupancy trends. Some 1,000,000 sq m of logistics floor area is in the project phase; floorspace which will either be developed speculatively in the near future or which is awaiting a future tenant in order for construction to commence. In terms of development land, there are still some pockets along the two main thoroughfares that are suitable for logistics.

Space take-up with good performance

Logistics take-up in 2019 amounted to 567,000 sq. m within the Madrid market. By way of a simple comparison, the fall seen during 2019 as compared with 2018 amounts to 38%, or 35% if we compare the figure with 2017. Reasons include:

- Logistics take-up in Madrid in the period 2013 - 2016 did not follow the pace of the recovery. This led to immediate needs for floorspace that were covered in 2017 and 2018, thus carrying take-up to record levels.
- E-commerce derived expectations around the use of floorspace pushed demand to ever higher levels during 2018.

The space take-up of 2019 is a 27% higher than the annual average 2014-2016 which means that the demand for logistics spaces has moved to a new cycle and even after two years of record space take-up, this year the demand has shown a dynamic activity. Deals to expand floorspace for operators are particularly noteworthy (figure 2), explaining 90% or more of take-up. In other words, both direct end-users and logistics operators (3PL businesses) have strongly expanded their distribution activities. E-commerce grew by almost 30% in Spain during 2018, the average for the past 5 years amounting to 23%. The impact on logistics demand is direct and its contribution to the take-up of floorspace is estimated to be between 20% to 30% with regard to the long-term trend.

Increasing average rents and stable prime rental values

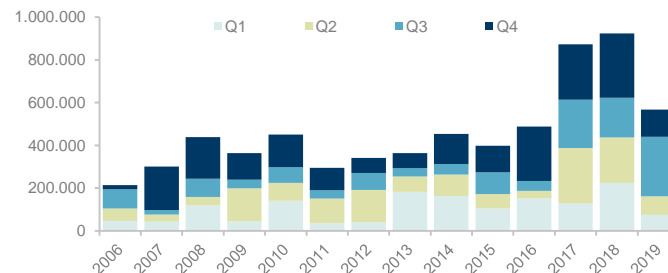
The average rent for the Madrid market has increased consistently over the past three years due the consequence of greater demand for floorspace and the contagion from the relatively high prices of deals struck for newly constructed warehouses. Prime rent has remained stable due to the fact that the new, high-quality supply delivered to the market in recent years has taken the upward pressure off prices.

In terms of logistics distribution zones, the local distribution ring (high turnover characteristic of parcel delivery) has seen the greatest increase in leases. This area is ideal for housing warehouses covering last mile delivery, the demand for which is on the rise. The supply of land here is scarce, thus limiting the availability of high-quality offerings.

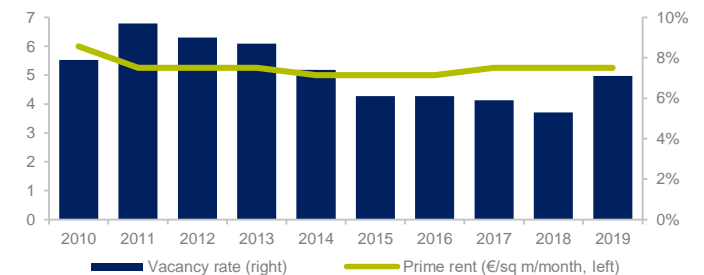
Within the national distribution ring (low turnover distribution), operators are seeking warehouses with extensive floor areas.

Investors continue to have a healthy appetite for the acquisition of logistics assets, whether completed or under development, and in 2019 the volume invested in logistics assets has achieved a record. In addition to the direct acquisition of logistics warehouses, investors are seeking alternative formulas such as participation in turnkey developments, as well as forward purchase and forward funding-type deals.

SPACE DEMAND by quarter (sq. m)



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (sq. m)	AVAILABILITY (sq. m)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (sq. m)	YTD TAKE-UP (sq. m)	UNDER CNSTR (sq. m)	PRIME RENT (€/sq. m/month)	PRIME YIELD*
Ring 1	2,166,929	139,429	6.4%	77,457	286,943	327,178	5.3	5.00%
Ring 2	3,323,608	294,550	8.9%	36,126	196,749	108,150	4.2	5.50%
Ring 3	3,570,723	219,867	6.2%	14,000	83,266	463,233	3.5	5.75%
TOTALS	9,061,260	653,845	7.1%	127,583	566,959	898,561		

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2019

Location	Ring / Axis	TENANT	SURFACE (sq. m)	TYPE*
Azuqueca de Henares	2 / A-2	Carrefour	98,757	Relocation-increase
Getafe	1 / A-4	Confidential	46,960	New
Pinto	1 / A-4	Media Markt	30,000	New
Cabanillas del Campo	3 / A-2	Logifashion	21,938	Increase
Getafe	1 / A-4	Talentum	21,714	Increase

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2019

PROPERTY	Ring / Axis	SELLER / BUYER	SIZE (sq. m)	PRICE (M€)
Colonial Portfolio (Madrid and Barcelona)	-	Colonial / Prologis	131,000	425
Getafe	1 / A-4	Invesco / M&G Investments	29,536	35.8
Getafe	1 / A-4	Undisclosed / Invesco	29,405	32.6
Torija	3 / A-2	Pulsar Properties / Round Hill Capital, KKR	53,370	26.7
Seseña	3 / A-4	Pavasa / GreenOak	29,000	20.2

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	Ring / Axis	MAJOR TENANT	SIZE (sq. m)	OWNER
Marchamalo	3 / A-2	XPO	122,000	Montepino
Alcalá de Henares	2 / A-2	Empty	74,915	GreenOak
Guadalajara	3 / A-2	Empty	47,000	Gazeley

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