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TRANSPARENCY



In LOGISTICS

CUSHMAN & WAKEFIELD


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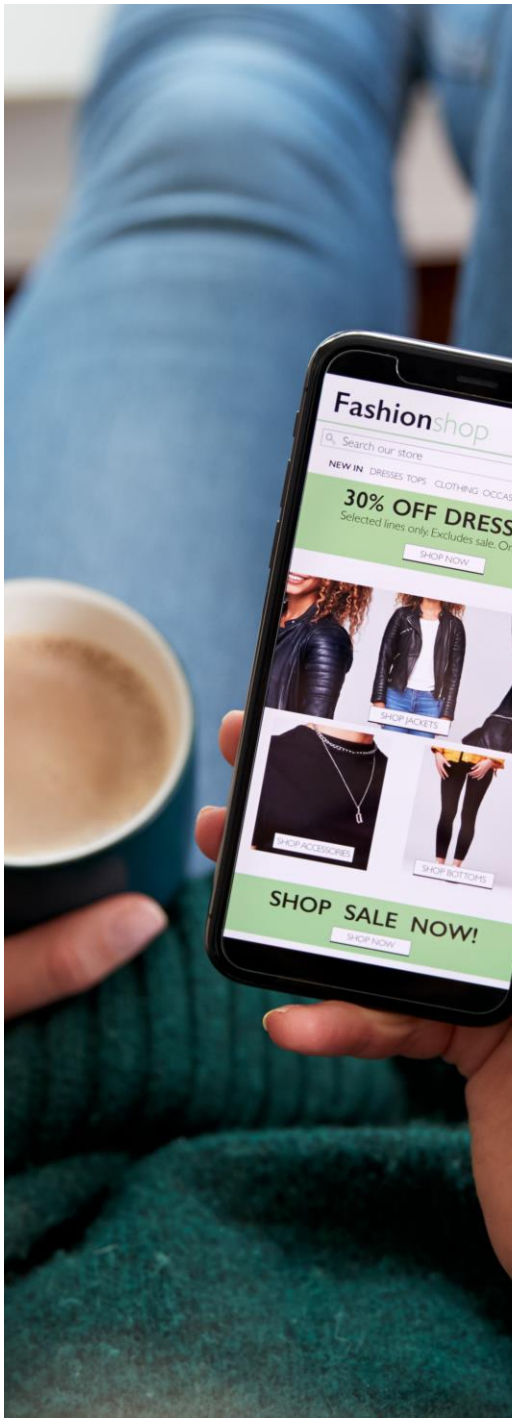


MARKET CONTEXT

/ PRE & POST-PANDEMIC

The impact of the new normal following the Covid-19 pandemic varies according to social customs and the different sectors of the economy. Whereas it has scarcely brought any change to some sectors, the impact has led to structural shifts in others. Spending habits represent a prime example of this, with people increasingly resorting to online channels, i.e. e-commerce.

Prior to the pandemic, around 2018, we began to witness a significant increase in transactions involving online purchases. It was during 2020 that an exponential increase in online shopping was recorded due, in part, to the limited options available given that many stores remained closed as a result of measures to combat the spread of Covid-19. During 2020, the number of online shoppers in Spain reached 26.2 million, representing growth of some 7.7% on the figure for 2019.



During 2020, 2.8 million Spanish people shopped online for the first time in their lives.

Although consumers cautiously began to return to bricks & mortar stores in tandem with the gradual lifting of restrictions, the large majority of these customers continued to shop online.

It is important to highlight the direct impact of e-commerce on the logistics sector, through the need to store and transport goods bought online by consumers.

Prior to the pandemic, leisure activities amounted to around 40% of e-commerce (flight/rail tickets, tourist accommodation, rentals of different types, etc).

During the period with the strictest limitations on mobility, namely the second quarter of 2020, the basket of physical goods acquired online grew by some 90% in comparison with the same period in 2019. Between the third quarter of 2020 and Q3 2021 (most recent data published), the basket of physical goods saw a quarterly increase of around 60% in year-on-year terms (comparing the second and third quarter of 2021 with the corresponding quarters in 2019).

During the quarters prior to the pandemic, the basket of physical goods grew by around 23% quarterly.

These changes in consumer spending trends have had an impact on the activities of logistics operators. This has consequently led to an increase in the demand for logistics floorspace throughout the country.

New shopping habits have a multiplier effect on the floorspace required by logistics operators in order to serve this demand.

Products bought online are offered in a multitude of formats and sizes and turnover is very high. As a result, it is not advisable to stack goods at height. More efficient operations therefore require increased occupancy of the warehouse footprint.





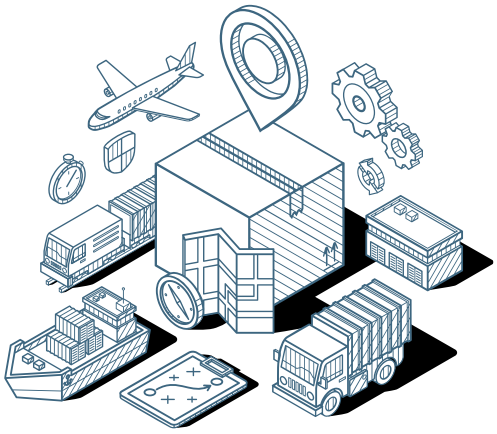
Within Cushman & Wakefield's Research and Insight Department we have broken down all of the products acquired online in order to ascertain which of these require logistics input.

Having established the basket of goods that consumers acquire online, we have analysed quarterly trends since 2014.

/ SUPPLY CHAINS

Another driver of the demand for logistics floorspace has come about through the appearance of supply chain issues.

International maritime transport grew during the months subsequent to the pandemic as a result of the increase in demand. Consumers began to spend more on goods than on leisure. The activities of many leading ports meanwhile came to a standstill. Supply chain pressures and even breaks have consequently been witnessed.



International supply chains are both efficient and fragile.



What is more, Russia's war on Ukraine has added further pressure to supply chains, leading to imbalances in the usual flow of goods. These chains depend on the global situation and have been impacted by economic sanctions. Both Russia and Ukraine are major raw material exporters: from grain to materials such as copper, aluminium, nickel and palladium. The latter are used in car manufacturing and the production of electronic goods.

Recent imbalances in global supply chains highlight their fragility. As a consequence of this, operators are seeking to reduce their dependency on distant suppliers and increase their commitment to proximity. However this is not always possible.



CHANGES TO INVENTORY MODELS

In the years prior to Covid-19, we had become used to a logistics paradigm that followed the just-in-time model, based on the arrival of the goods required in production precisely as and when they are needed, not before.

The quantities of materials arriving according to this system must also be just sufficient to satisfy the demand in question. The main goal of this method is to cut warehousing costs.

As a result of imbalances in supply chains in the months following the outbreak of the pandemic, numerous businesses began to experience issues involving the supply of intermediate production materials.

In order to remedy this situation, companies began to accumulate sufficient inventory in order to cover unforeseen demand. Businesses have increasingly shown their inclination towards this model in recent quarters. **Increased inventory entails increased warehousing space** which, in turn, leads to a rise in the demand for logistics floorspace.



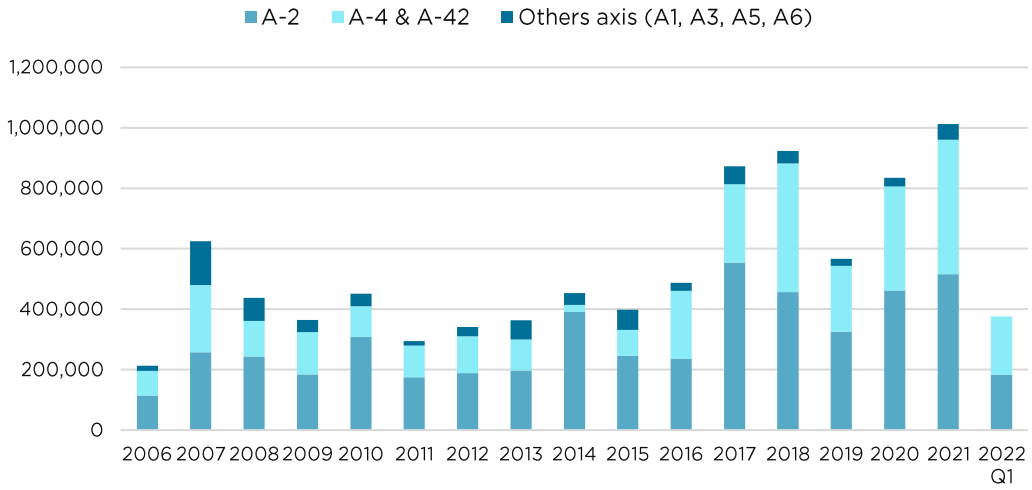
Increased inventory entails growth in the floor area dedicated to warehousing.

THE MADRID LOGISTICS MARKET

/ DEMAND

The market corresponding to Madrid and its catchment area saw take-up in excess of one million square metres during the past year and reached around 840,000 sq m in 2020. The majority of this take-up was to be found along the 2 main logistics corridors: The Henares Corridor (A-2) and the Southern Corridor (A-4 & A-42). Lettings amounted to around 375,000 sq m over the first 3 months of 2022. In comparison with the average for the 4 preceding quarters, this represents growth of almost 50%.

Trend in logistics take-up in Madrid (sq m)



Source: Cushman & Wakefield

Logistics operators on the lookout for high-spec warehouses



In terms of operators' preferences, there is a clear trend towards high-quality logistics warehouses. Around 85% of the yearly take-up of units exceeding 5,000 sq m corresponds to grade-A assets.

The inclusion of ESG principles into the supply chain is now a key factor and these have been incorporated into the strategies of logistics operators, particularly with respect to those belonging to retailers. It is commonplace for all new projects to have environmental certification.

The driving motive behind lease deals over the past 2 years has been an expansion in activity on the part of operators. During 2020 and 2021, between 85% and 90% of take-up was driven by net demand for floorspace.



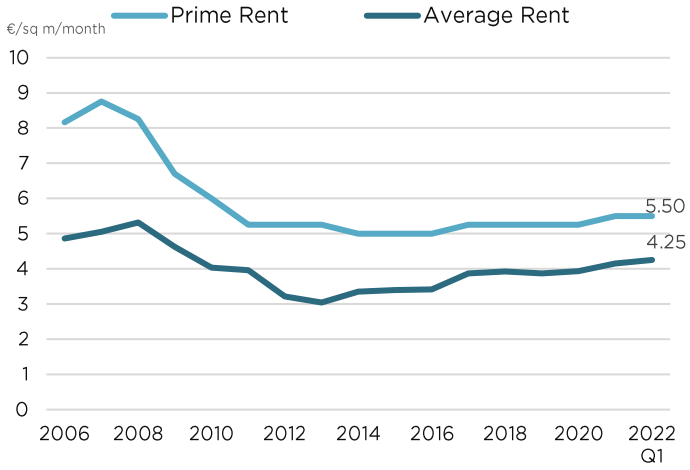
SUPPLY

The strong demand for logistics space over recent years has been accompanied by an increase in the activities of the construction sector. **Some 652,000 sq m of new logistics floorspace will be added to the market during 2022, 33% of which will be pre-let. Another 915.000 sq m will be delivered in 2023 (10% already pre-let).**
This market situation, with energetic demand on the one hand and adequate new supply on the other, means that rents are not subject to strong upward pressure. Although this is the general trend in rents in the Madrid market, increases in rental prices have been seen, particularly during 2021.

RENTS

The benchmark prime rent stands at €5.75/sq m/month, a rise of €0.50 since the close of 2020. **Although the overall trend is one of gentle price rises, there are sub-markets that have seen stronger increases in rents due to the particular local characteristics.**
The dynamics for some towns within the Madrid market are different to others. Rents in these locations have undergone above-average increases and these are expected to grow even further over the short and medium term.

Trend in maximum and average rent in Madrid



Source: Cushman & Wakefield



At the close of March 2022 almost all of the completed warehouses in Illescas were fully occupied. The delivery of scarcely 70,000 sq m is anticipated here up to the close of year, in a sub-market in which average annual requirements amount to between 100,000 and 150,000 sq m.
Following 3 years in which it stood at €3.50/sq m/month, the prime rent in Illescas has consequently jumped to €3.75/sq m/month. The delivery of some 260,000 sq m of new floorspace in Illescas in 2023 may satisfy the demand in this area.

Similar behaviour in terms of prime rent has been noted in **Getafe**. Prior to the pandemic, the prime rent in this sub-market stood at around €4.75/sq m/month, this benchmark figure rising to €5.25/sq m/month since the beginning of 2021.

It is possible to find examples of the same performance along the A-2 dual-carriageway.

Prior to the pandemic, **San Fernando de Henares** was producing a prime rent of €5.00/sq m/month. The growth in demand for floorspace along the Henares Corridor in 2021 led to the prime rent in this sub-market rising to €5.25/sq m/month.

A similar example is that of **Cabanillas del Campo,** where the prime rent was hovering around €3.25/sq m/month approximately one year ago. For new and very high specification projects here nowadays, the prime rent amounts to €3.50/sq m/month.

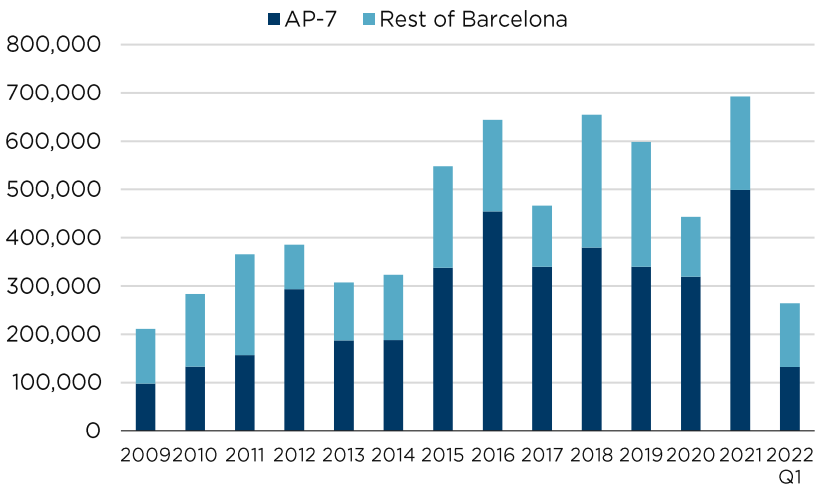
THE BARCELONA LOGISTICS MARKET

/ DEMAND

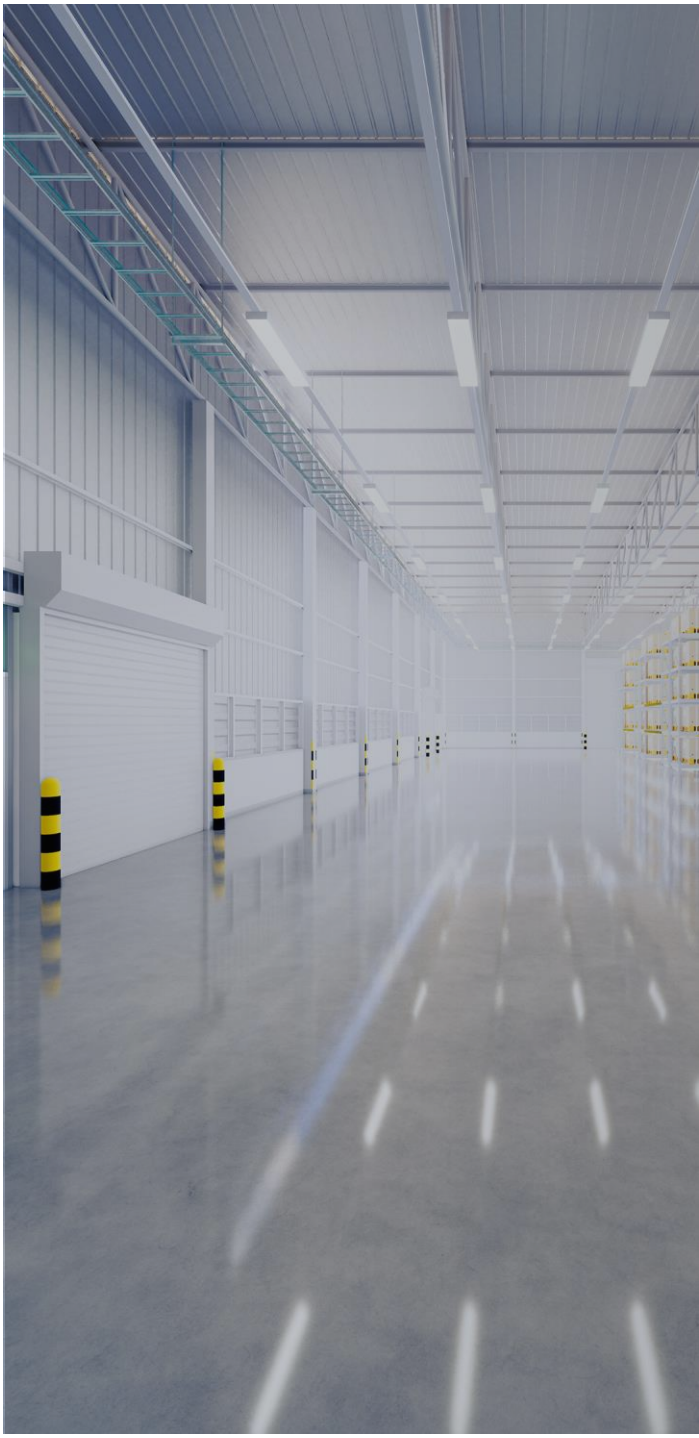
The market corresponding to Barcelona and its catchment area saw take-up amounting to 700,000 sq m during the past year and reached around 445,000 sq m in 2020. The majority of this logistics space was situated along the AP-7 motorway and within the prime zone. Lettings amounted to around 265,000 sq m over the first 3 months of 2022, representing an increase of 53% on the quarterly average for the 4 preceding quarters.

The majority of operators are seeking quality, with between 80% and 90% of the floorspace transacted in terms of units exceeding 3,000 sq m over the past 2 years corresponding to grade-A buildings. This is a consequence of the growth of the retail sector and the hunt for more modern logistics warehouses.

Trend in logistics take-up in Barcelona (sq m)



Source: Cushman & Wakefield



SUPPLY

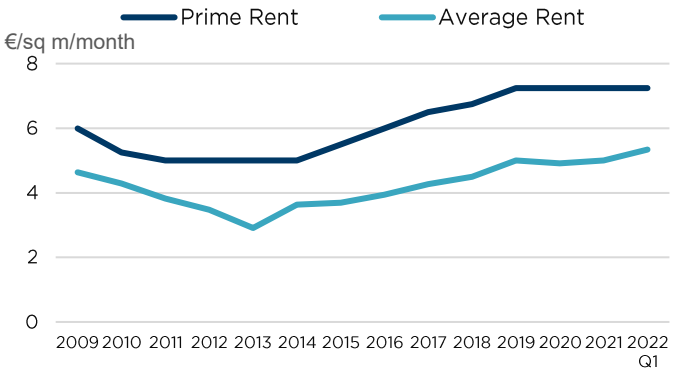
The vacancy rate in Barcelona stands at around 3.6%, which translates into some 275,000 sq m of available logistics floorspace. The majority of this space is found within the second and third logistics rings (25% and 52% of the total respectively).
The areas with the least vacant floorspace are the Prime area and the first logistics ring, neither of which are anticipating the delivery of major new projects.
In the case of the prime zone, new supply in the form of comprehensive refurbishments is scarce. This is even truer in terms of new build units owing to the geographical characteristics of this sub-market. Although the first logistics ring is anticipating the delivery of around 295,500 sq m up to 2023, some 61% of this floor area already has tenants.
Although the potential new supply that could be added to the Barcelona market up to 2024 amounts to around 1,263,000 sq m, almost 60% of this floorspace is already pre-let. The remaining 530,500 sq m may not reach the market in its entirety given that there is still no date for the commencement of works regarding some 265,000 sq m.



RENTS

This future supply is unevenly shared within Barcelona's logistics market. As a consequence, some areas are experiencing greater upward pressure on rents than others. An overall increase in rents is expected as a general trend.

Trend in maximum and average rent in Barcelona



Source: Cushman & Wakefield

The softest pressure on rents is seen in the third logistics ring, an example of this being Tarragona due to the availability of existing land.
A somewhat different trend is anticipated in areas such as Vallès Occidental and Vallès Oriental, where the upward pressure on rents is already a reality and will remain in place over the coming quarters. The same performance is expected in both the Zona Franca and Sant Boi de Llobregat.
Requirements for extensive floor areas are additionally facing an acute scarcity of available product in areas near to Barcelona. This could lead to upward pressure on rents in these.





INVESTMENT

2021 was a record year for investment in these types of assets in Spain. Between January and December 2021, total investment amounted to €2.9 billion, an increase of more than 150% on the figure for 2020.

The numbers for 2021 place Spain amongst the fastest-growing countries in Europe in terms of logistics sector investment.

Given the scarcity of product, it is unlikely that this year will see the achievement of investment figures similar to those of the past year.

Yields have continued to undergo compression during recent quarters, reaching record lows of 3.75% in both Madrid and Catalonia during the first quarter of 2022.



With the aim of achieving net neutrality, logistics warehouses are adjusting to the Agenda 2030 goals. This translates into a growing trend towards promoting logistics warehouses as "green": sustainable and efficient.

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