

1 Main Economic Drivers

“Forecast for 2019 indicates that **logistics is in a sharp rising trend**. Despite the **Spanish economy shows signs of deceleration**, it is well above the European average. Spain is still attracting high levels of equity and **remains as a high attractive market**.”

2 KPIs: Europe & Spain

“Spain benefits from its privileged location where **two of the European leading corridors** circulate while boosting its logistics activity. These good conditions have increased the investors’ demand while **rising the Madrid and Barcelona capital values above the European average**.”

3 Lease KPIs: Supply & Demand in Madrid

“**All time record of Take-up figures**, where the 3rd ring reaches a share of 56% of the total absorbed surface:

Take-Up: 950.000 sqm (7% YOY 2017-2018).

Prime Yield: 5.0% (-800bps YOY 2017-2018 and -1,000bps YOY 2006-2018).

Prime Rent: €6.60 sqm (6.4% YOY 2017-2018).

4 Lease KPIs: Supply & Demand in Catalonia

“**A 59% increase of Take-up** that encourage the number of speculative projects as future supply:

Take-Up: 715.000 sqm (59% YOY 2017-2018).

Prime Yield: 5.0% (-700bps YOY 2017-2018 and -1,000bps YOY 2006-2018).

Prime Rent: €7.00 sqm (3.7% YOY 2017-2018).

5 Lease KPIs: Supply & Demand in Valencia

“Increasing activity since **Q1 2019 Take-Up** figures accounts for **60% of 2018 total leased area**.

Take-Up: 180.000 sqm (12% YOY 2017-2018).

Prime Yield: 6.5% (-250bps YOY 2017-2018, reaching the historical minimum of 2006).

Prime Rent: €4.50 sqm (5.8% YOY 2017-2018).

6 Investment & Financing Market

“In spite of the 11% decrease in the logistics investment volume in Spain during 2018, the **logistics trend** continues at **highest levels** in comparison with the recent years.

Financial terms and conditions in 2018 have remained **similar** to 2017.”

7 Sustainability & Construction

“**Sustainability has become a must** in the current logistics market. **Taking into account every relevant point** for new warehouse developments is key to avoid unexpected costs and leasing limitations.”

8 Market Incoming Trends

“We believe that the **traditional logistics will keep leading the supply chain** in Spain for the **near future** living together with **punctual urban hubs** examples, due to the **current uncertainty** within the circulation and sustainability regulations in the city centres.”

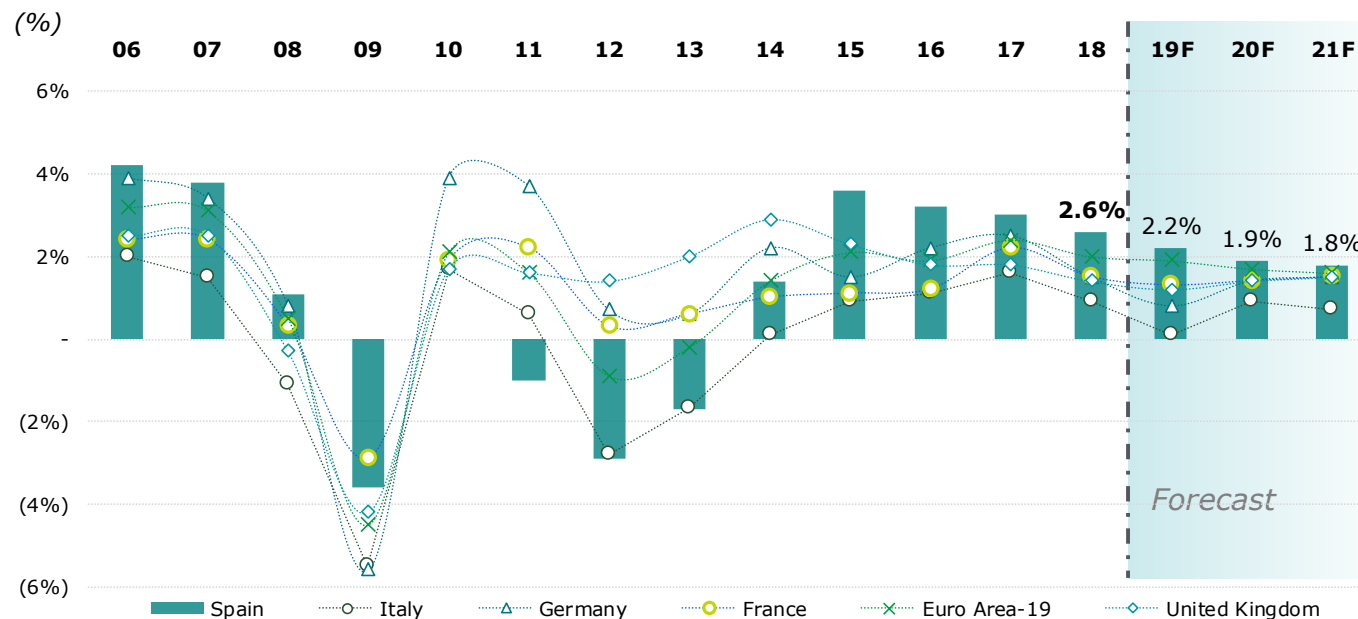
1 Main Economic Drivers



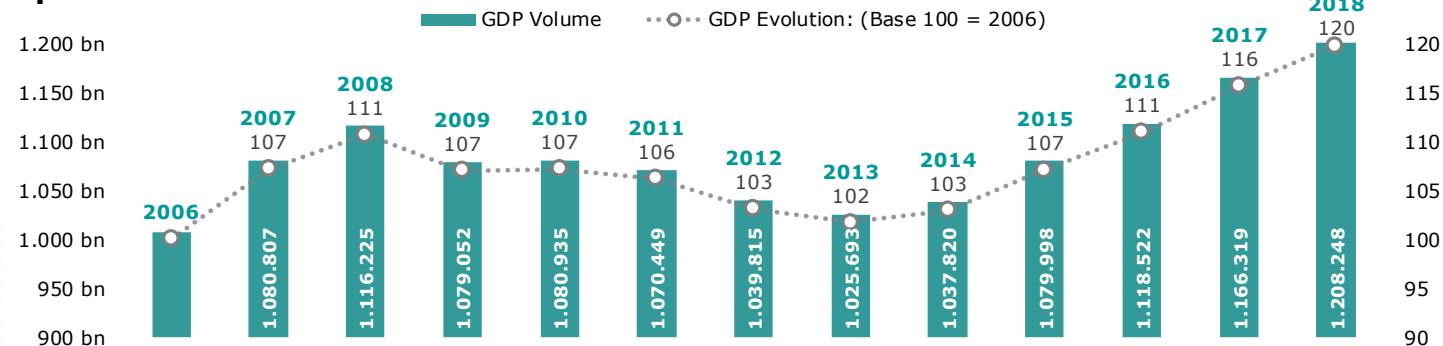


Spanish economic fundamentals: GDP

GDP YoY Variation



Spanish GDP YoY Variation



Source: INE (Spanish National Statistics Institute), IMF, BdE

“ The Spanish economy growth has experienced a **gradual slowdown**. After three years of GDP growing above 3%, the economy is entering a less expansive phase in the economic cycle. **Growth is expected to decelerate** further to 2.2% in 2019 and 1.9% in 2020, as the cycle matures.

Nevertheless, the International Community keeps placing Spain as one of the leading economies within EU.



E-commerce

E-commerce shows an **unstoppable growth** and presents big room for **improvement**.

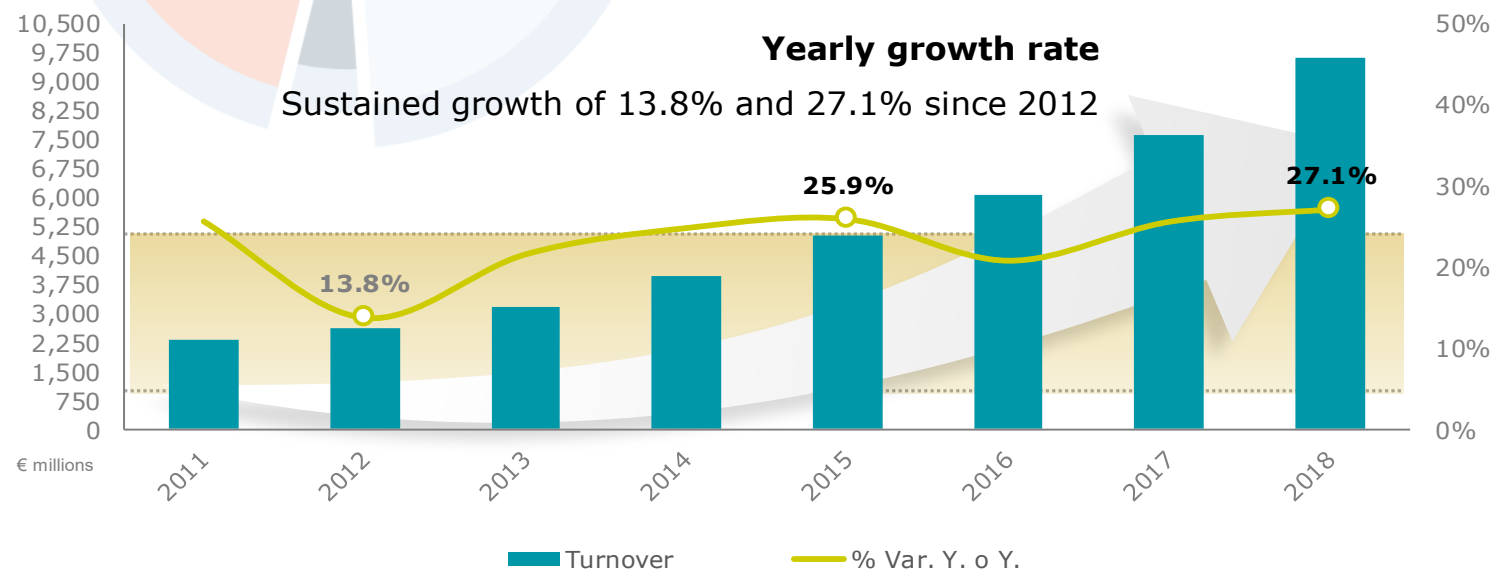


E-commerce market in Spain experiences a **rapidly expansion**. 2018 E-commerce **revenues** in Spain **grew by 27.1%** compared to the previous year period.

The tourism represents the highest turnover sector, followed by air transportation and hotels or similar lodging.

E-Commerce Turnover and YoY Variation

Source: CNMC



i) E-commerce

E-commerce has shown an **unstoppable trend since 2011**, with **notable increases surpassing 10.6% in all quarters** since the beginning of 2011. And a **notable peak has been reached on 1Q2018 of 32.8% growth**.

Source: CNMC

@ 2019 Deloitte Financial Advisory

2 KPIs: **Europe & Spain**

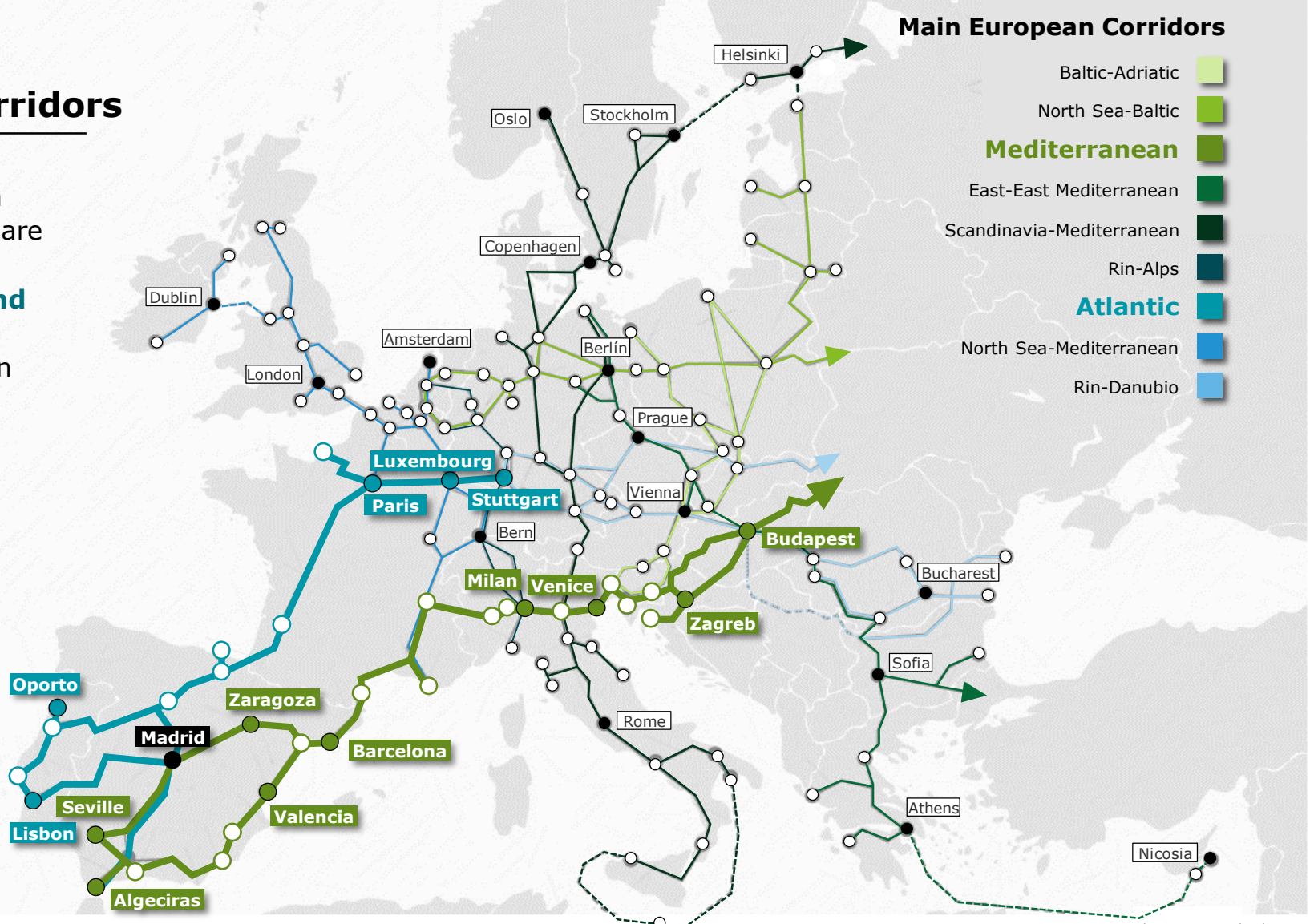


European logistics market snapshot

European corridors.

European corridors

Two of the most relevant European logistics corridors are as follows:
Mediterranean and Atlantic.
Spain takes part in both of them.



2 KPIs
Europe & Spain



European logistics market snapshot

Capital values in the main European Cities.

Average EU Prime Rent 6.5 (€/sqm/mth)

Average EU Prime Yield 6.00 (%)

Average EU Cap. Value 1,450 (€/sqm)

City	Capital Values (€/sqm)	Prime yields (%)	Prime rents (€/sq.m/mt)
London (West End)	4.347	4,50	16,30
Oslo	2.640	5,00	11,00
Munich	1.950	4,00	6,50
Barcelona	1.680	5,00	7,00
Dublin	1.670	5,75	8,00
Stockholm	1.636	5,50	7,50
Paris	1.600	4,50	6,00
Madrid	1.584	5,00	6,60
Vienna	1.364	5,50	6,25
Amsterdam	1.260	5,00	5,25
Brussels	960	6,00	4,80
Warsaw	950	6,00	4,75
Prague	939	5,75	4,50
Milan	916	6,00	4,58
Budapest	697	7,75	4,50
Lisbon	672	6,25	3,50
Zagreb	660	9,10	5,00
Moscow	524	11,45	5,00

Capital values
(€/sqm)

>3,000
2,500 – 3,000
2,000 – 2,500
1,500 – 2,000
1,000 – 1,500
500 – 1,000
<500

Spain VS Europe

Madrid and Barcelona logistics capital values stands above the European average.

3 Lease KPIs: Supply & Demand in Madrid










Key performance indicators: Madrid

MADRID | 2018

Madrid average **vacancy rate has increased 130 bps YoY (2017-2018)** due to the large number of speculative projects in the market (125,000 sqm).



Amazon Logistics Platform, Illescas

	2014	2015	2016	2017	2018
 Vacancy Rate 	11.8%	9.1%	7.0%	6.2%	6.5%
 Prime Rent (€/sqm/month) 	5.00	5.75	6.20	6.30	6.60
 Prime Rental Growth (%)	-	15.0%	7.8%	1.6%	4.7%
 Take-up (sqm) 	395,000	380,000	404,000	890,000	950,000*

*Take-Up Growth 7% (YOY 2017-2018)

Logistics key factors

TOTAL INVENTORY
9.6 m sqm

VACANT SPACE
620,000 sqm

€6.60/sqm/month
2018 Prime rent

5.00%
2018 Prime yield



2018 Investment volume
€193 m (Excluding portfolios)



2018 Openings
700,000 sqm

Source: Deloitte



4 Lease KPIs: Supply & Demand in Catalonia



Key performance indicators: Catalonia

CATALONIA | 2018

Average Catalonia Logistics Market **vacancy rate has decreased -550 bps YoY (2014-2018)** due to the strong increase of the demand and the lack of a quality supply.



	2014	2015	2016	2017	2018
Vacancy Rate	9.0%	5.0%	4.6%	3.8%	3.5%
Prime Rent (€/sqm/month)	6.00	6.25	6.75	6.75	7.00
Prime Rental Growth (%)	-	4.2%	8.0%	0%	3.7%
Take-up (sqm)	315,000	520,000	780,000	450,000	715,000*

*Take-Up Growth 59% (YOY 2017-2018)

Logistics key factors

TOTAL INVENTORY
5.30 m sqm

VACANT SPACE
176,750 sqm

€7.00/sqm/month
2018 Prime rent

5.00%
2018 Prime yield



Investment volume
2018

€229 m (Excluding portfolios)

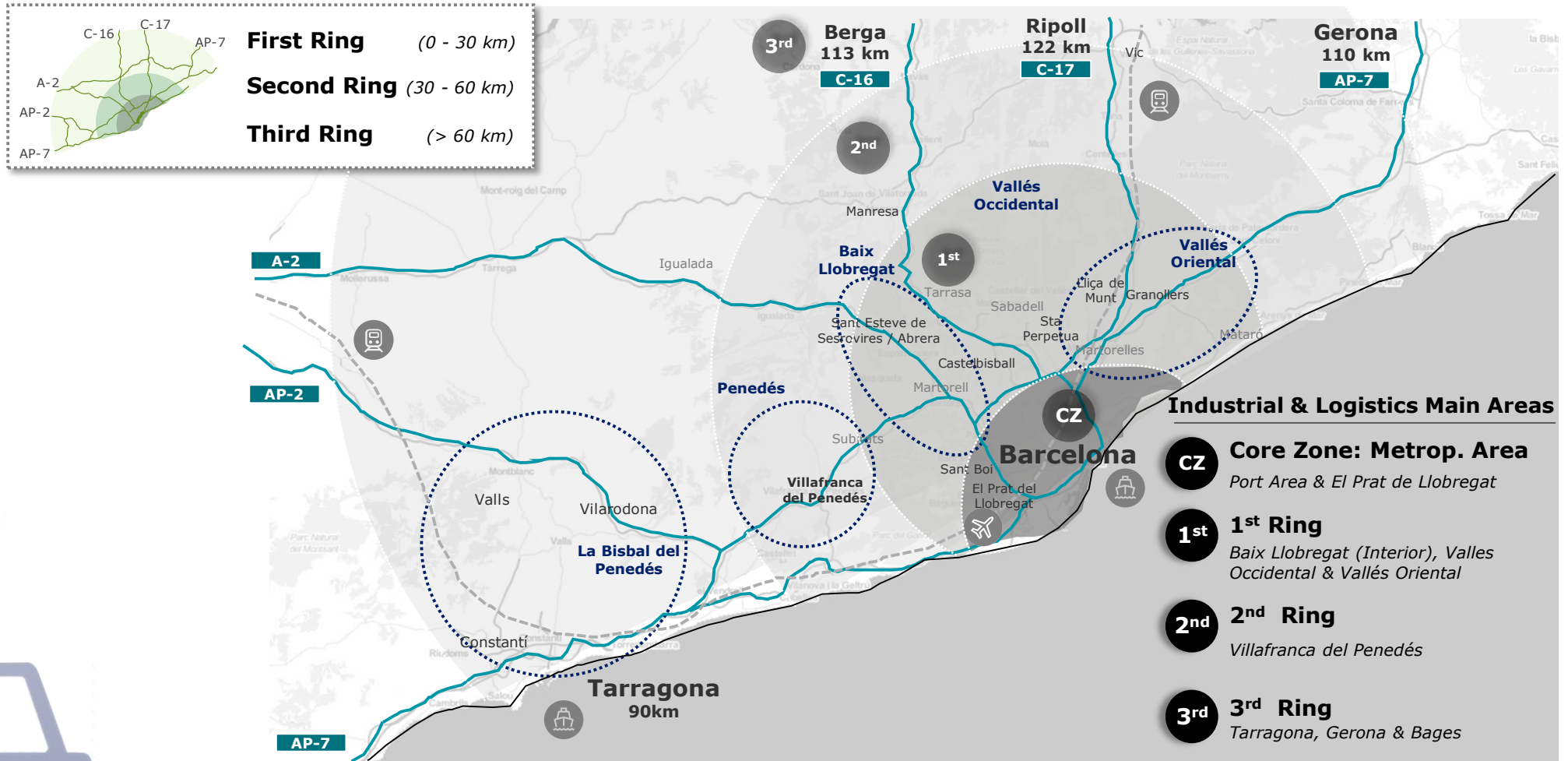


Openings 2018
214,000 sqm



Main logistics & industrial areas

The main Industrial & Logistics areas of **Catalonia Region** are gathered in Barcelona's Metropolitan Core Zone and three rings which are defined by the distance (km) to Barcelona's port.



Source: Deloitte



Supply



Demand



Locations

4

Lease KPIs
in BCN

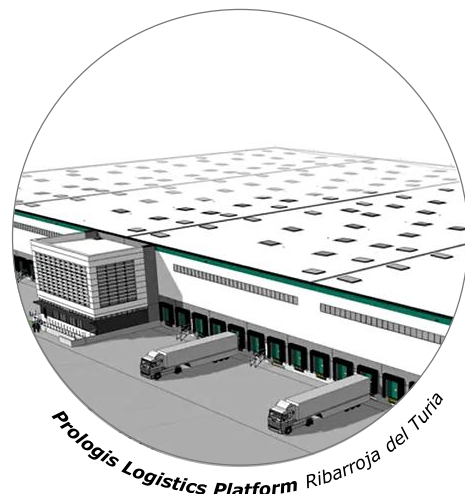
5 Lease KPIs: Supply & Demand in Valencia







Key performance indicators: Valencia

VALENCIA | 2018

Average Valencia Logistics Market **vacancy rate has decreased -320 bps YoY (2014-2018)** due to the strong increase of the demand and the lack of quality supply.



	2014	2015	2016	2017	2018
 Vacancy Rate ▼	6.2%	4.0%	3.5%	3.1%	3.0%
 Prime Rent (€/sqm/month) ▲	3.25	3.50	3.75	4.25	4.50
 Prime Rental Growth (%)	-	7.7%	7.1%	13.3%	5.9%
 Take-up (sqm) ▲	140,000	122,000	100,000	162,000	180,000*

*Take-Up Growth 12% (YoY 2017-2018)

Logistics key factors

TOTAL INVENTORY
1.70 m sqm

VACANT SPACE
50,000 sqm

€4.50/sqm/month
2018 Prime rent

6.50%
2018 Prime yield



Investment volume
2018

€ 30 m (Excluding portfolios)

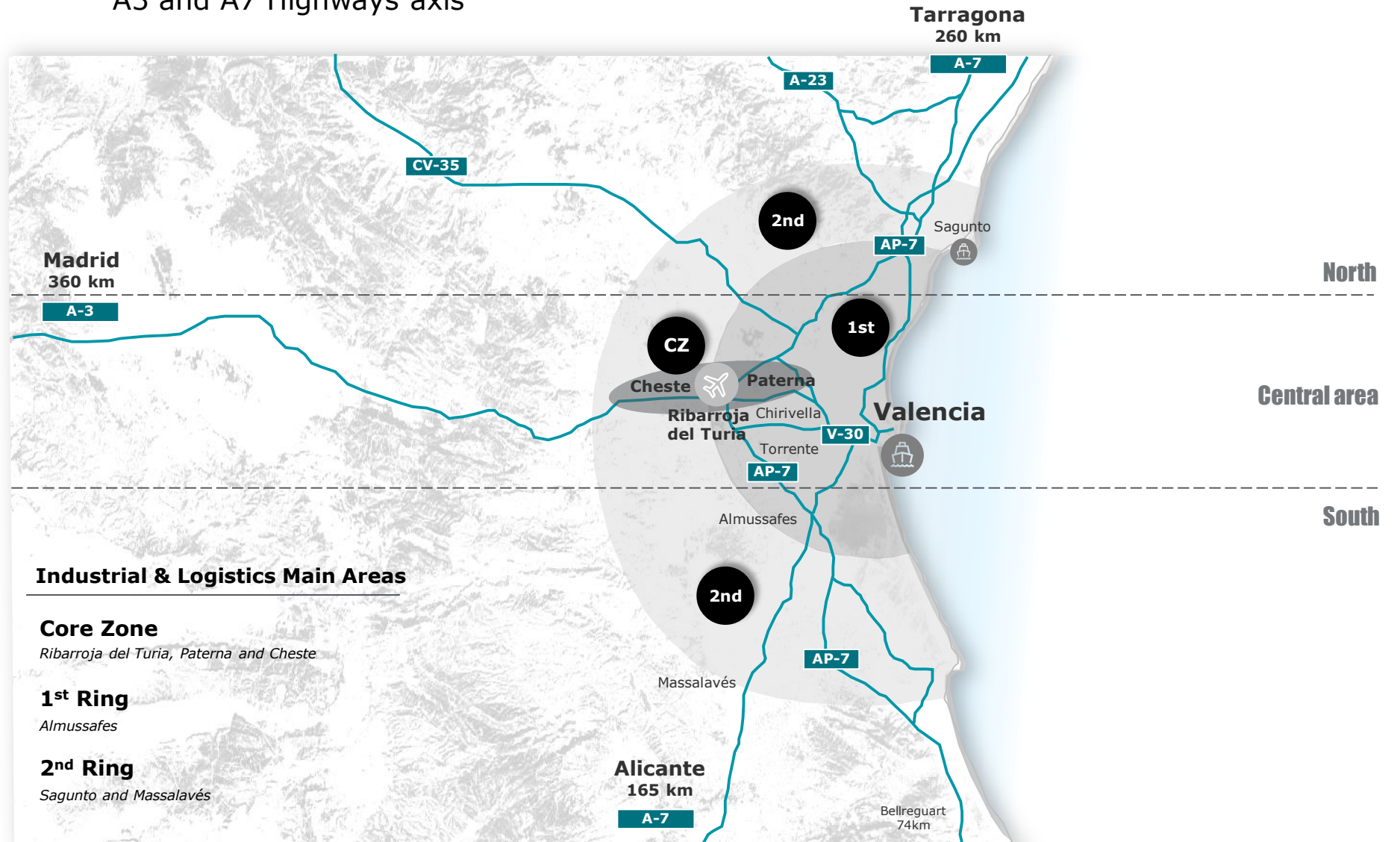


Openings 2018
144,000 sqm



Main logistics & industrial areas

The main Industrial & Logistics areas of **Valencia Region** are gathered adjoining to the A3 and A7 Highways axis



Source: Deloitte

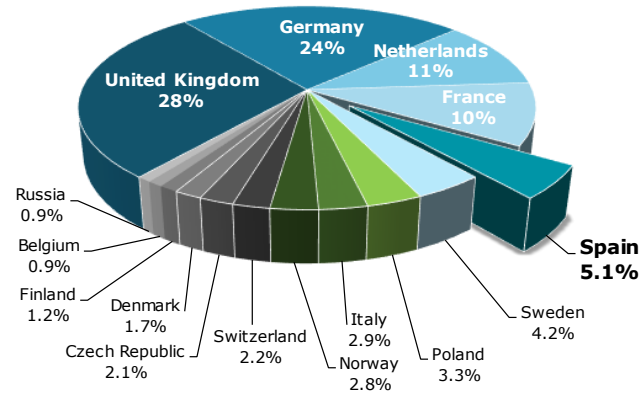
6 Investment & Financing Market





Logistics Investment Volume

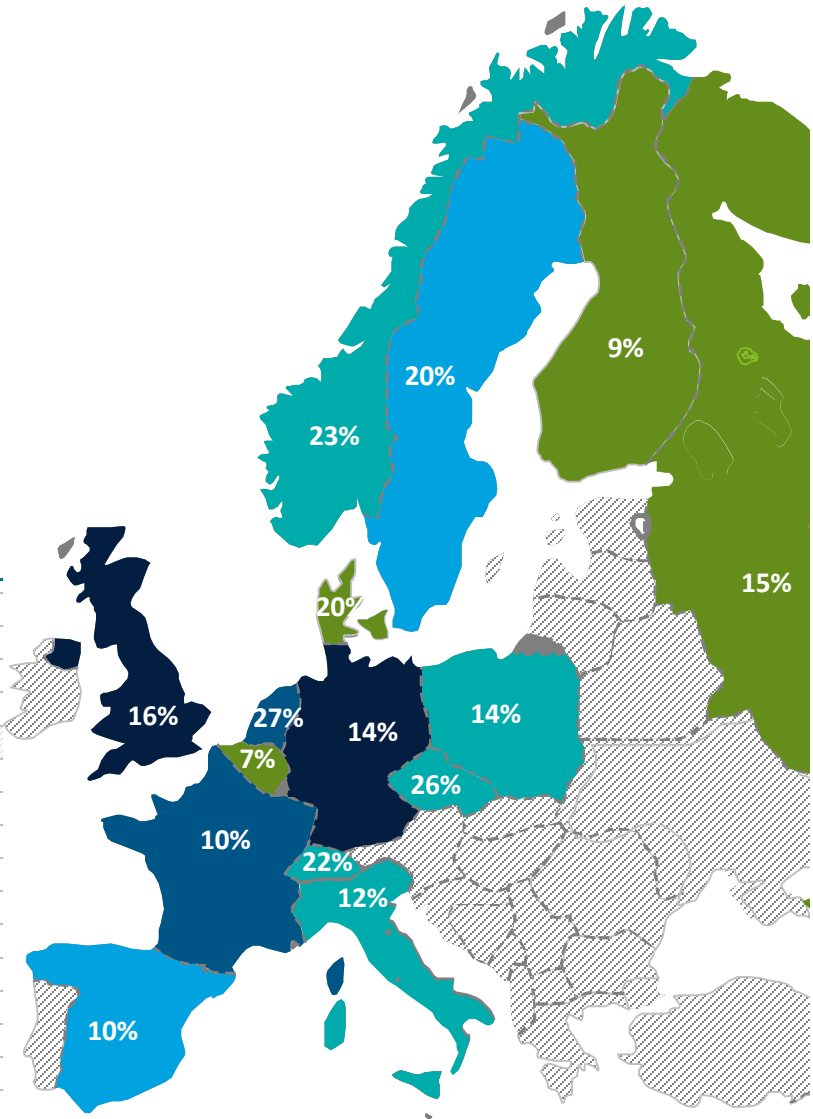
European and Spanish Logistics Investment & Financing Share



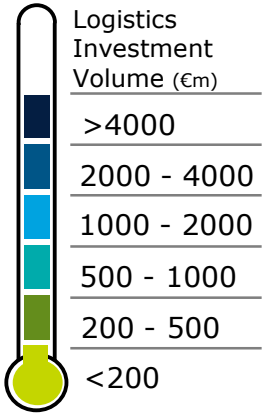
Logistics investment over total Commercial Real Estate investment in each country.

#	European Country	Total Investment (€m)	Logistic (%) over total	Logistic Investment Volume (€m) per country
1	United Kingdom	50,513	16%	7,968
2	Germany	46,660	14%	6,707
3	Netherlands	11,322	27%	3,030
4	France	28,694	10%	2,778
5	Spain	15,118	10%	1,452
6	Sweden	5,427	22%	1,193
7	Poland	6,517	14%	944
8	Italy	6,847	12%	820
9	Norway	3,493	23%	804
10	Switzerland	2,827	22%	629
11	Czech Republic	2,233	26%	586
12	Denmark	2,387	20%	469
13	Finland	3,697	9%	329
14	Belgium	3,671	7%	264
15	Russia	1,640	15%	245
TOTAL		191,045		28,218

Source: Deloitte, Real Capital Analytics



“ **Spain** is ranked the **fifth** in the European raking of Logistics Investment Volume, totaling **€1,452m**.

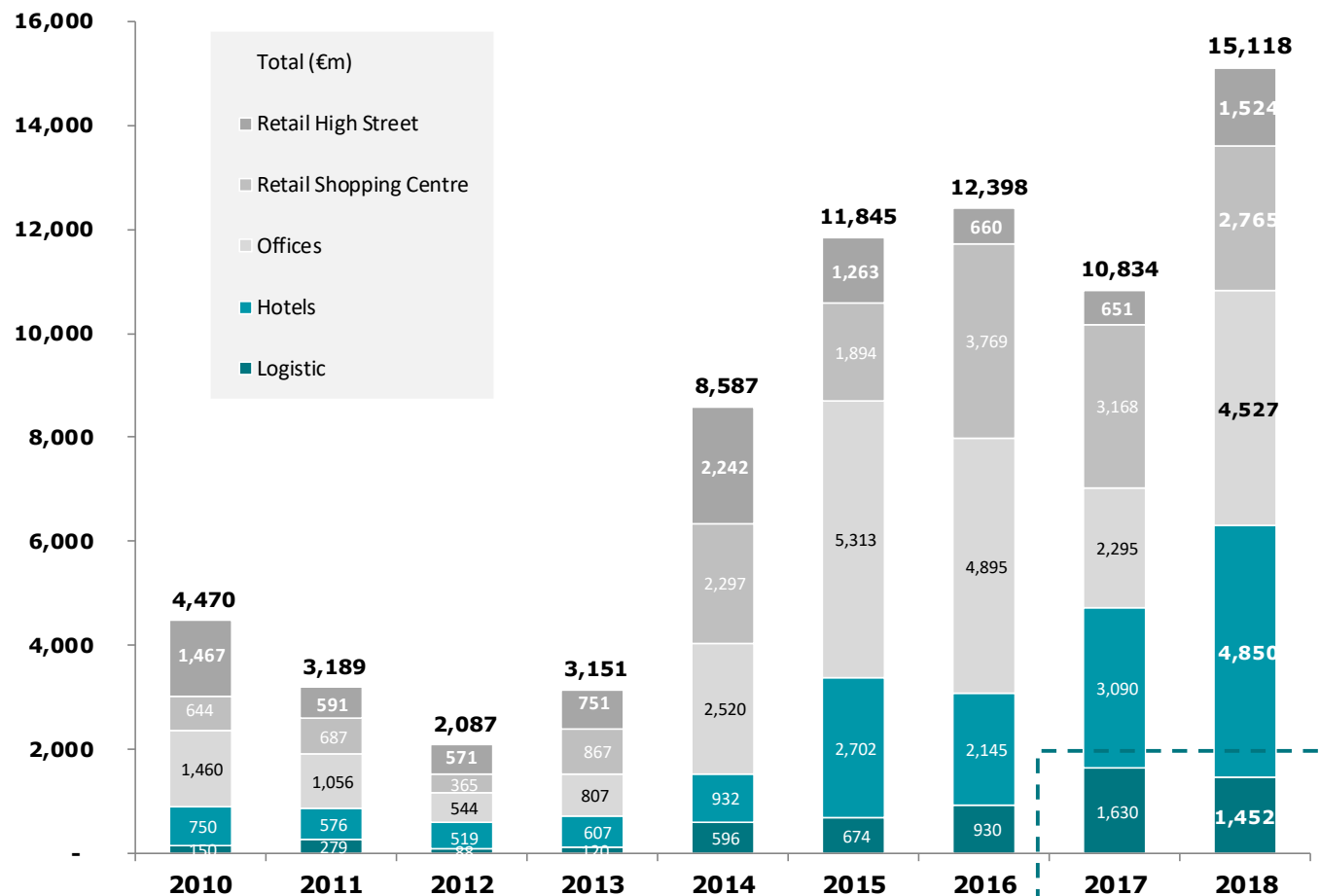




Logistics Investment Volume in Spain

Logistics Investment share of total Commercial Real Estate investment volume

Total Investment volume by Asset Class (€m)



Source: Deloitte


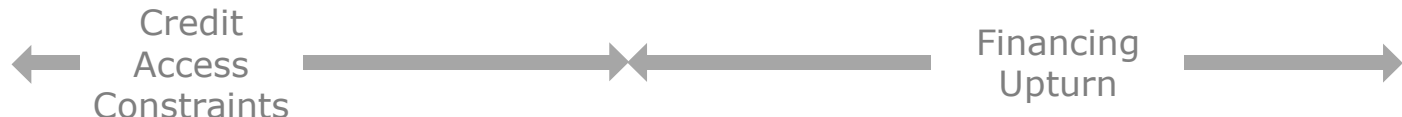




“ Commercial Real Estate investment volume **increased by 40% over the last year**. Corporate Deals returned in 2018.

“ **Logistics** investment volume has **decreased during 2018 by 11%**.



Financing Market

Yielding assets

	2013-14	2015	2016	2017-18	2019
 Framework					
 Upfront Fee	n/a	125-175pbs	100-150pbs	100-150pbs	100-150pbs
 Spread	n/a	250-300pbs	200-250pbs	200-250pbs	175-225pbs
 LTV	n/a	50%	50-55%	60-65%	50-60%
 Balloon	n/a	65%	80%	80%-100% ⁽¹⁾	80%-100%(1)

(1) Debt could be structured as bullet for investments with relevant covenants and long-term contracts.

Deloitte.

7 Sustainability & Construction





Certification Value

**Access to
financing**

6

CSR

5

**Comfort and
Health of its
Occupants**

4

1

**Less structural
vacancy**

2

**Higher
incomes**

3

**Less operating
expenses**



7
**Sustainability
&
Construction**





Construction Key Points

What to take into account when constructing a warehouse.



Urbanization works



If the plot of land is not urbanized, that cost should be assumed by the owner.

- Sewage network
- High voltage
- Services
- Easements



Geotechnical survey



A difficult land can increase construction costs remarkably.

- Foundations
- Water table
- Structural stability
- Soil contamination



Slabs



Slab characteristics could have direct impact on tenant's activities.

- Loading capacity
- Lay-flat
- Durability
- Operational maintenance



Fire protection



The level of protection developed will condition the activities in the warehouse.

- Risk level
- Fire sectors
- Installations
- Future tenant

Deloitte.

8 Market Incoming Trends

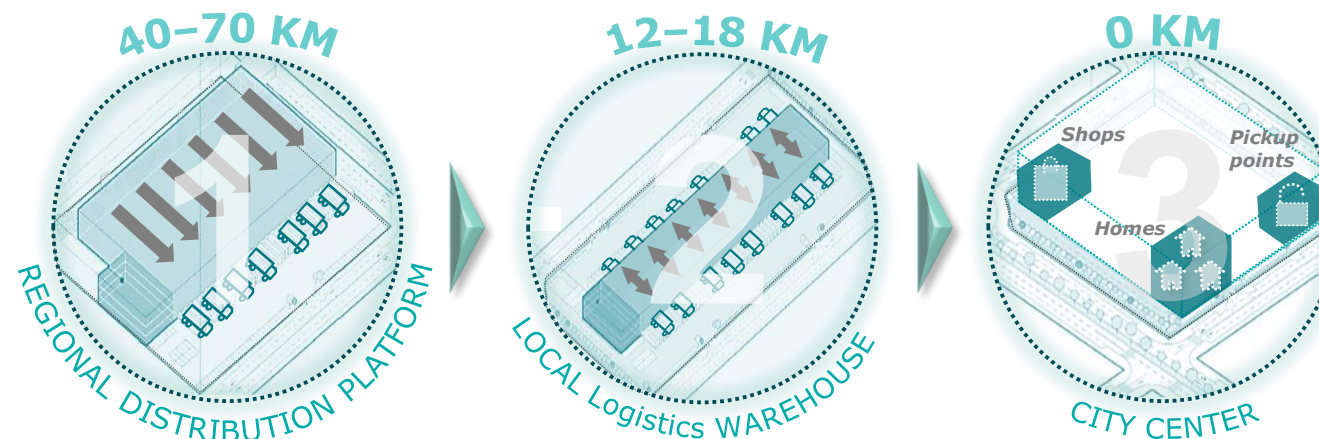




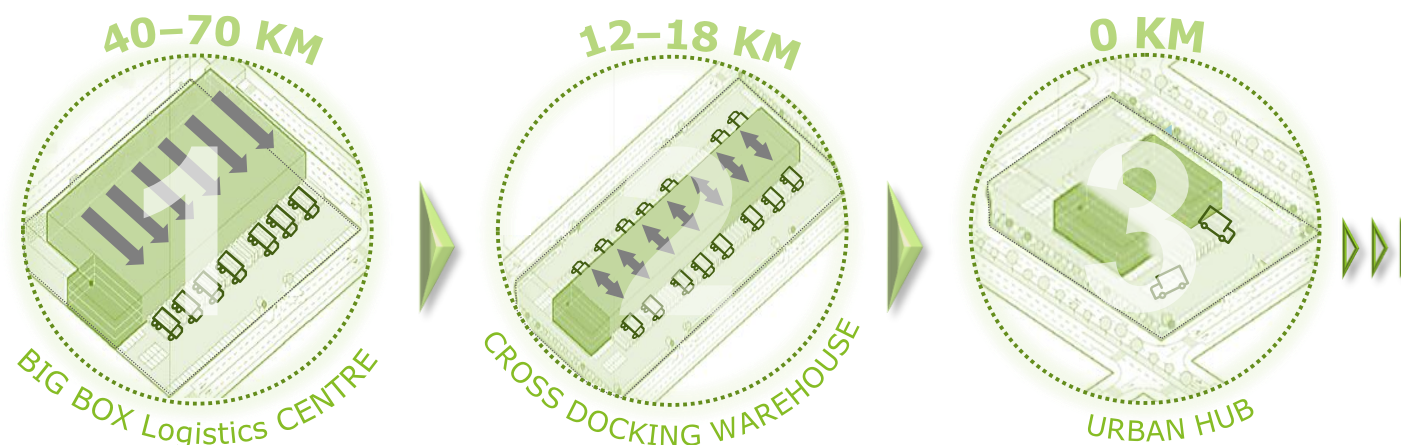
Future of logistics

The increasing trend of the e-commerce directly impacts on the **traditional distribution chain**. Operators need more specialized last mile units to supply the demand; **consumers rule the distribution chain**.

TRADITIONAL
LOGISTICS



FUTURE
LOGISTICS





The Logistics Property Handbook 4.0

Investment & Financing Keys
Spain 2019

#TheLogisticsPropertyHandbook

www.deloitte.com/es/financial-advisory/the-Logistics-property-handbook

Alberto Valls, MRICS

Managing Partner
Financial Advisory II Real Assets
avalls@deloitte.es

Rafael Arcas

Partner
Financial Advisory II Real Estate
rarcas@deloitte.es

Joaquín Linares, MRICS

Partner
Financial Advisory II Real Estate
jlinares@deloitte.es

José María Espejo

Director
Financial Advisory II Real Estate
jespejo@deloitte.es

Lorena Juriol

Senior Manager
Financial Advisory II Real Estate
ljuriol@deloitte.es

Luis González Martino, MRICS

Senior Manager
Financial Advisory II Real Estate
lgonzalez@deloitte.es

Miguel Ochoa, MRICS

Senior Manager
Financial Advisory II Real Estate
mochoa@deloitte.es

Francisco Astorga

Manager
Financial Advisory II Real Estate
fastorga@deloitte.es

Javier Zambrana

Associate
Financial Advisory II Real Estate
jzambranafernandezcu@deloitte.es

Ignacio Herrero

Associate
Financial Advisory II Real Estate
iherrerofrutos@deloitte.es

Agustín Manzano

Associate
Financial Advisory II Real Estate
amanzano@deloitte.es

Pablo Valles

Analyst
Financial Advisory II Real Estate
pvallesperez@deloitte.es

Eric Heyder

Analyst
Financial Advisory II Real Estate
eheyder@deloitte.es

Alejandro Castillo

Analyst
Financial Advisory II Real Estate
acastillo@deloitte.es

María Beunza

Analyst
Financial Advisory II Real Estate
mbeunza@deloitte.es

Rodrigo Magán

Analyst
Financial Advisory II Real Estate
rmagan@deloitte.es