

RESEARCH



LOGISTICS

SPAIN

2017

ECONOMIC BACKDROP

E-COMMERCE

NEW FACILITIES

OCCUPIER MARKET AND INVESTMENT

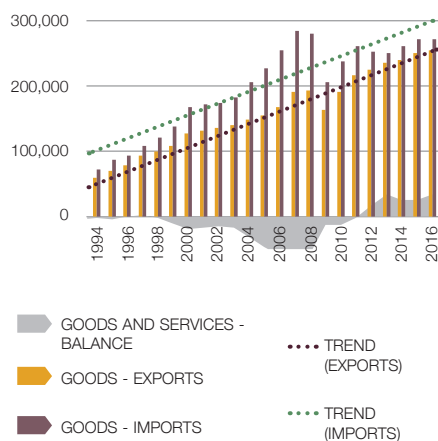
ECONOMIC BACKDROP

Exports have played a key role in the Spanish economic recovery, making the logistics sector crucial to ensuring the competitiveness of the country's products overseas.

The Spanish economy grew 3.1% y-o-y in Q3 2017, and according to the IMF, it is set to grow at a similar rate for the remainder of the year with the current growth cycle taking hold across 75% of the world's economy, and with the markets which Spain trades with the most experiencing sharp growth (namely the rest of Europe, the USA and China), this only further strengthens Spain's economic recovery.

Against this current backdrop of growth, the Consumer Confidence Index in Spain stood at 103.2 points in September, up 12 points y-o-y. The improved economic outlook has boosted household consumer spending, taking it 4.6% higher in the Q2 2017 y-o-y comparison. For the remainder of the year, both internal consumption and external demand are expected to bolster economic growth despite the appreciation of the euro and the weakening effect of low oil prices.

GRAPH 1
Spain's trade balance.
Import and export of goods
1994-2016. Millions (€)



Source: Bank of Spain

LOGISTICS AND ECONOMIC COMPETITIVITY

Transport and logistics are of growing strategic importance in the economy, not just because they are key for sectors such as Industry and Commerce, but also because they are vital in terms of the economy's competitiveness in general.

Increasing automisation and digitalisation is both revolutionising production processes and optimising logistics.

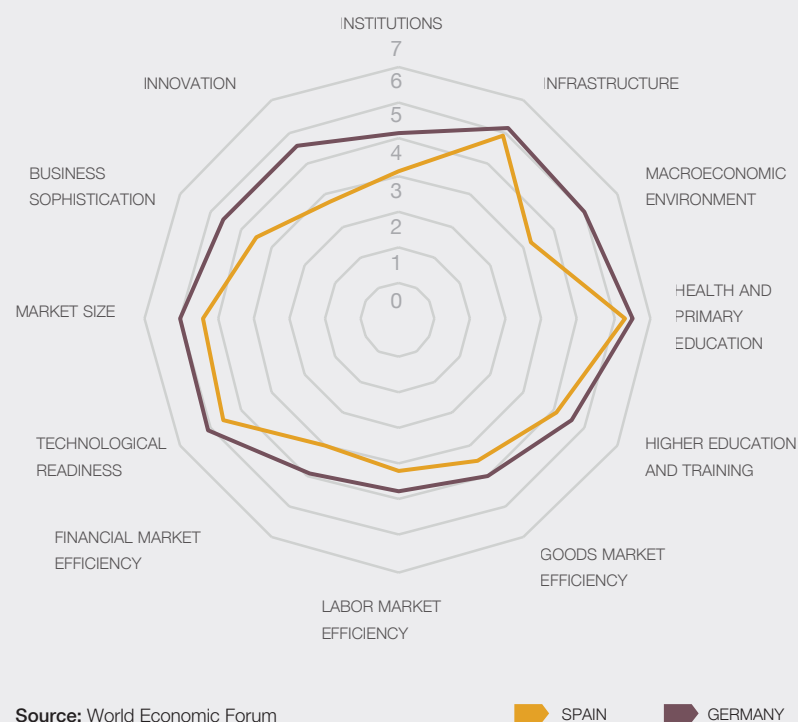
Prices are becoming more competitive

and reinforcing companies' need to be one step ahead of the rest, supporting the innovation of both products and processes.

The logistics sector is already taking the measures required to move in line with sustainability principles that allow it to continue growing within the context of the Fourth Industrial Revolution, driven by innovation such as robots, drones and artificial intelligence.

GRAPH 2
Competitiveness factors. Spain and Germany*
2016-2017

* Each area is scored 1 to 7, with 7 being the highest score.



Source: World Economic Forum

SPAIN GERMANY

THE E-COMMERCE REVOLUTION

According to figures published by the CNMC (the National Commission of Markets and Competition), the turnover generated by e-commerce sales made via virtual POS devices in Spain rose by almost 25% y-o-y in Q1 2017. At year-end this increase is expected to stand around the 20% mark versus 2016.

The increased security and privacy of on-line purchases, expansion to other markets, improved delivery times and cheaper transport costs are some of the reasons behind the rise of e-commerce in Spain.

Major brands are investing in the omni-channel approach, which helps them to boost sales thanks to the synergies that are generated between the on and offline buying experience.

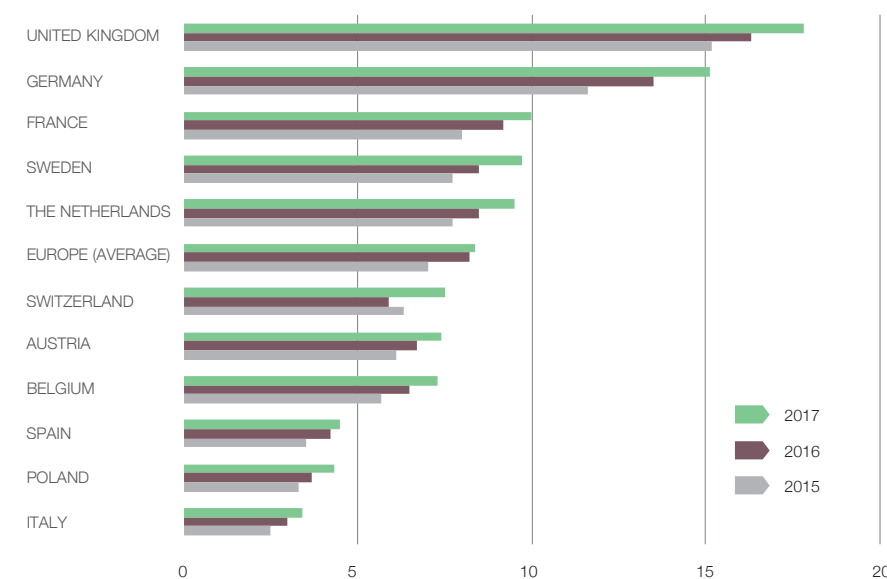
For the customer, the purchase ends as soon as they receive the goods that they have bought. Logistics plays a key role

in the availability of goods at the agreed time and place. With the rise of e-commerce, logistics has turned from a mere operational element, into an element that adds value to products depending on their availability.

Although retailers are aware of the growing importance of the last link in the chain, they are increasingly opting to manage the distribution of their products themselves. According to the E-Commerce & Digital Transformation Observatory, in 2017, 14% of e-commerce retailers said that they would prefer to manage their product logistics themselves, compared to 7% in 2016.

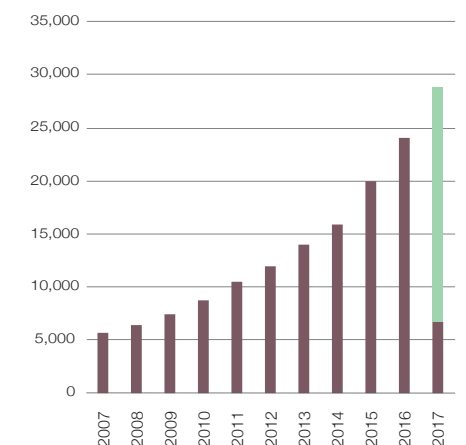
The thriving e-commerce industry and the need to cut delivery times makes the location and/or size of logistics facilities evermore important, causing them to move closer to cities or locations with very good transport links.

GRAPH 3
European retail e-commerce sales (%)*
2015-2017 (forecast close)



Source: Centre for Retail Research. * Excluding vacation, autos, gas & tickets.

GRAPH 4
e-commerce turnover
Spain. Millions (€)



Source: ONTSI | CNMC | latest available data to Q1 2017. Rest of data for 2017 based on Knight Frank forecasts.

GRAPH 5
e-commerce trends
Main factors underpinning e-commerce



SOCIAL MEDIA

Enables people to consult the opinions of other consumers and find out information about the brands and promotions.



MOBILE COMMERCE

Provides speed, flexibility, ease of use and mobility.



PAYMENT TERMS AND FINTECH

Provides access to services (cutting out the middle man), transparency, security, speed.



CLICK & COLLECT

Offers immediacy, security, ease of use, as well as saving time and costs.

Source: Knight Frank Research

e-commerce

WHAT DOES IT MEAN FOR THE LOGISTICS SECTOR?

e-commerce has presented the logistics sector with a great challenge: updating and improving how it is perceived and its competitiveness versus other markets.



MULTI-CHANNEL LOGISTICS WITH **MORE COLLECTION OPTIONS**, IN STORE, AT CONVENIENT PICK-UP POINTS, IN STATIONS AND AIRPORTS, ETC.

VERY SHORT DELIVERY TIMES, EVEN IN LESS THAN TWO HOURS. CUSTOMERS NO LONGER WANT SPEED, THEY WANT IMMEDIACY.

THE CUSTOMER CAN TRACK **THE STATUS OF THEIR ORDER IN REAL TIME**.

INCIDENTS ARE REDUCED THANKS TO IMPROVED **CONTROL** OF ORDERS.

BROADER INTERNATIONAL REACH, CAPACITY TO SELL TO MORE COUNTRIES.

INTEGRATION OF MORE **PAYMENT SYSTEMS, GREATER TRANSPARENCY AND SECURITY**.



THE MAIN OBJECTIVE:
DELIVER SATISFACTION

MAKE INVERSE LOGISTICS EASIER, BOTH IN TERMS OF THE ENVIRONMENT AND RETURNING PURCHASED GOODS.

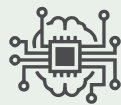
PROFESSIONALISATION OF THE SECTOR, COMBINING **THE LATEST ADVANCES WITH QUALIFIED STAFF**.

WHAT MAKES NEW FACILITIES DIFFERENT?



STRATEGIC LOCATION

Spaces located very close to cities, or with good transport links, in order to reduce delivery times as much as possible.



TECHNOLOGY

New technical facilities and systems that help to automate processes, allowing for faster deliveries, tracking and statistics for products, greater control over orders, and minimising work-related accidents, among other advantages.



MORE DEMANDING DESIGN

More efficient, sustainable and profitable industrial facilities. Use of specific materials and new refurbishment/construction methods that provide greater security and ease of maintenance are crucial. It is important to analyse the core purpose of the building, as this is not the same for every occupier.



AREA

There is demand for more space than in previous years, however this space is also used more efficiently.

NEW LOGISTICS FACILITIES

E-commerce has not only driven take-up of logistics space, but it is also changing the actual space inside the facilities. Companies are aware that they must redesign their logistics warehouses in order to adapt to the new business model. Warehouses are no longer

solely focused on storing and distributing stock, nor are they all located on plots of land far from the city centre due to price differences or availability of space. If companies want to be competitive in the current climate, they have to change their priorities.

GRAPH 6

Technology in new logistics facilities
Latest advances in operations

AUGMENTED REALITY

Workers wear smart goggles that indicate where the product can be most efficiently stored.

ROBOTICS

Robot helpers can carry out repetitive tasks or tasks that require the most physical work.

ITEM ENCODING (THE INTERNET OF THINGS)

Systems that can identify the exact amount of every product in stock, where it can be found, and how popular it is, in order to control production amongst other things.

BIG DATA

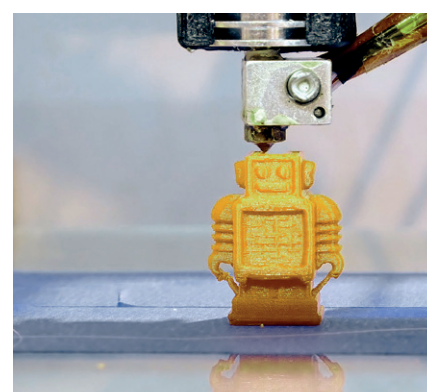
Constantly collating data creates huge possibilities in the field of Big Data, where knowing consumer behaviour with relation to encoded items is crucial in order to optimise resources during manufacturing, and also to detect new business models.

DRONES

Allows delivery to locations that are difficult to access. They can reach the highest shelves in the warehouse, confirming the amount of stock and space available.

3D PRINTING

Creation of objects, such as replacement parts, at any time and place, saving on storage and transport costs.





WHAT IS AT THE HEART OF THE MOST **GROUNDBREAKING** LOGISTICS COMPANIES?

Companies that are committed to investing in innovation, sustainability, and the efficiency and security of production processes are already reflecting the value-add of their brands in their logistics facilities.

AMAZON | MADRID AND BARCELONA

San Fernando de Henares Logistics Centre, Madrid
El Prat Logistics Centre, Barcelona

MERCADONA | MADRID

Ciempozuelos Logistics Centre, Madrid



AMAZON. Logistics Centre
San Fernando de Henares, Madrid

Dispatches thousands of orders across southern Europe every day, and can deliver to Barcelona in a matter of hours.

Distance from the centre of Barcelona: 11 km.

Size: 66,000 sqm on a 210,000 sqm plot.

Unique feature: 3,500 robots will automatically organise 30,000 shelves. The robots will be able to move 750 kg at a speed of 1.7 metres per second.

Other features: Amazon manufactures its own logistics robots, thanks to the creation of its "Amazon Robotics" business line, following the acquisition of the company Kiva Systems in 2012.

Value-add of the brand: technology.

Dispatches thousands of orders across Europe every day, and can deliver to Madrid in a matter of hours.

Distance from the centre of Madrid: 21 km.

Size: 77,000 sqm.

Unique feature: with the "Same Day Delivery Service", any purchases made before 2.15 pm can be delivered the very same day. With the *Random Stow* system, collecting products which are stored in a random order instead of by product type is quicker and more efficient.

Other features: once a month it opens its doors welcoming anyone who wants to visit the centre and receive a personal guided tour. **Value-add of the brand:** personal touch and transparency.



AMAZÓN. El Prat Logistics Centre, Barcelona



MERCADONA. Ciempozuelos Logistics Centre, Madrid

Flagship logistics unit; one of the most modern in the world.

Distance from the centre of Madrid: 35 km.

Size: 100,000 sqm on a 200,000 sqm plot.

Unique feature: automated processes allow all the stores in the city centre to be stocked within a short space of time. Technology removes all unnecessary work for employees, whilst also reducing the risk for work-related accidents.

Other aspects: nursery services for employees' children. Mercadona's current strategic plan for digital transformation optimises all the processes, particularly logistics processes. **Value-add of the brand:** commitment to employees. In-depth understanding of what their customers want.

THE DIGITAL GIANT

Amazon Case Study

The creation of Amazon marked a before and after for the logistics sector. The digital giant has enjoyed exponential sales growth, without the need for brick-and-mortar stores. Quite the opposite in fact; from the very outset, its name has been synonymous with the online market. As its sales have grown, it has also needed more physical space to receive, store and dispatch the enormous range of products that it stocks. The company's acquisition of logistics space therefore grows in tandem with its sales rates.

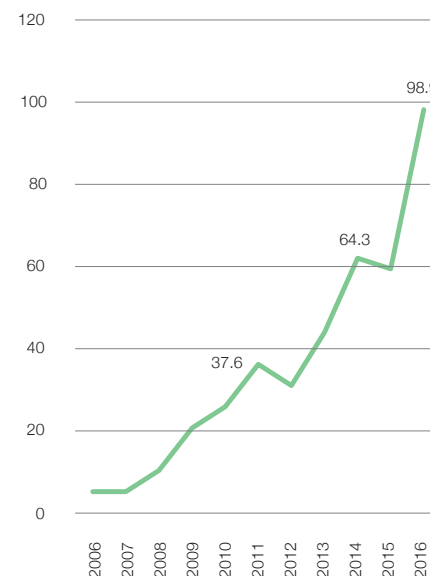
Amazon's strategy involves taking full control of the products that it sells, and not just during the distribution phase. It can predict trends using information that it collects about consumer preferences during distribution.

In fact, they are already launching their own clothing lines. Another of its strengths is making delivery points more flexible, like its smart lockers, packages delivered into the boot of your car using a key-storing compartment, or a smart doorbell that would allow delivery drivers to enter your home and deliver the package without the need for the customer to be at home.

The value of the company's brand has grown almost every year, and has stood at over \$50,000 million since 2014. Speed, along with the confidence that the brand instils in consumers, is one of the main advantages that Amazon has over companies such as AliExpress, that have longer delivery times, and that can be delayed by border checks.



GRAPH 7
Value of the Amazon brand
Billions of USD



Source: Statista

GRAPH 8

Amazon initiatives that change the way orders are made and received



Source: Knight Frank Research

AMAZON'S LOGISTICS INFRASTRUCTURE



Its large network of logistics facilities across Spain allows it to keep delivery times to a minimum. It boasts 314,800 sqm of logistics space, across 11 units.



Amazon has chosen Madrid as the headquarters of its technology centre for southern Europe, serving Amazon Business, which is a marketplace for companies. It will also be used to develop features and services aimed at the customers for the five marketplaces that it has across Europe.



It provides the transport companies that it contracts with software that contains daily traffic patterns and other information that helps to optimise delivery times on different routes.



It is redesigning its warehouses so that technology can be used more efficiently.



Robots are being introduced into warehouses to reduce the time between purchase and delivery from 60-75 minutes to 15 minutes.

AMAZON PANTRY

System designed for Amazon Prime customers, allowing them to do their everyday shopping by filling up a virtual basket. Each product takes up its real size and weight in the virtual basket.

AMAZON PRIME NOW

Ultra-express delivery service (1-2 hours), exclusively for Prime customers. This initiative opens the door to fresh produce delivery, as a reduction in delivery times means that produce can be kept cold, and food can be delivered in perfect condition. Amazon has collaborated with the Mercado de la Paz in Madrid, making it the first market in the world to deliver its produce via this service, combining the traditional market shopping experience with the speed offered by Amazon's technology. This service is available for deliveries to Madrid, Barcelona and neighbouring cities.

AMAZON DASH BUTTON

This system allows products to be ordered automatically at the push of a button, a button which is basically a device connected to the internet and to the user's Amazon account. According to Amazon, some companies in the USA receive half of their orders via this system.

PRIME WARDROBE

Amazon will allow customers to try on clothing at home before deciding whether or not to purchase the item, giving them the option to return any items they decide not to buy. This service is not available in Spain.

AMAZON GO

A checkout-free supermarket. The idea is that codes and sensors track the goods selected as customers do their shopping, with the customer's account being charged automatically at the end, and therefore avoiding ever having to queue or go through a checkout.

PRIME AIR

An Amazon project that uses drones to deliver packages. The first ever delivery (pilot project) was dispatched to a customer in the United Kingdom, and arrived just 13 minutes after purchase.

MADRID MARKET

SUBMARKETS

The industrial and logistics areas of Madrid are divided into three main rings, according to their distance from the city centre:

FIRST RING

The area closest to Madrid city centre, within a 15 km radius. This area includes Coslada logistics park, in the Corredor de Henares.

Main towns:

- | | |
|---------------------------|-------------------------|
| 1 Madrid | 5 Leganés |
| 2 Coslada | 6 Getafe |
| 3 San Fernando de Henares | 7 Rivas-Vaciamadrid |
| 4 Barajas | 8 Alcobendas |
| | 9 Velilla de S. Antonio |

SECOND RING

Comprises the area within a radius of between 15 and 42 km from Madrid.

Main towns:

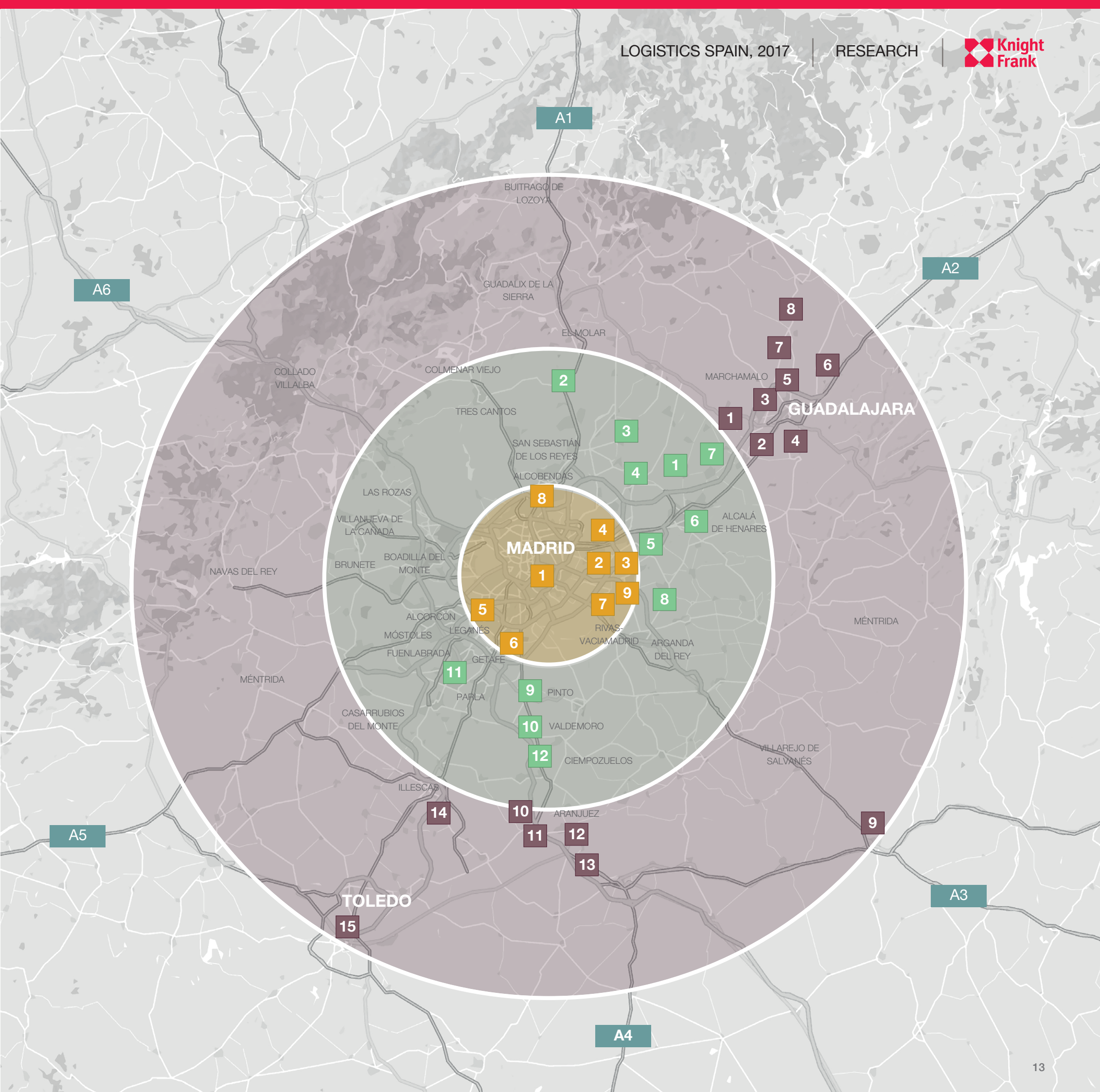
- | | |
|---------------------------|-----------------|
| 1 Camarma | 7 Meco |
| 2 San Agustín de Guadalix | 8 Loeches |
| 3 Algete | 9 Pinto |
| 4 Daganzo | 10 Valdemoro |
| 5 Torrejón de Ardoz | 11 Fuenlabrada |
| 6 Alcalá de Henares | 12 Ciempozuelos |

THIRD RING

The outermost area. Includes logistics facilities that are more than 42 km from the centre of Madrid. It contains logistics parks on Madrid's border with the provinces of Guadalajara and Toledo.

Main towns:

- | | |
|----------------------------|-------------|
| 1 Quer | 8 Yunqueira |
| 2 Alovera | 9 Tarancón |
| 3 Cabanillas del Campo | 10 Seseña |
| 4 Chiloeches | 11 Borox |
| 5 Guadalajara - Marchamalo | 12 Aranjuez |
| 6 Torija | 13 Ontígola |
| 7 Fontanar | 14 Illescas |
| | 15 Toledo |



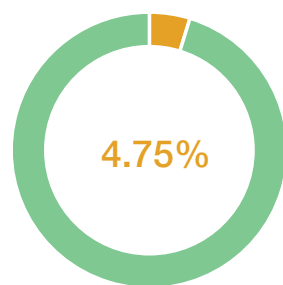
VACANCY AND FUTURE SUPPLY

The logistics vacancy rate in Madrid currently stands at 4.75%. However, a significant percentage of this vacant space is highly uncompetitive and outdated product.

The lack of logistics supply that meets the needs of today's operators is prompting the development of new projects. More than 50,000 sqm of logistics supply is expected to come onto the Madrid market in Q4 2017.

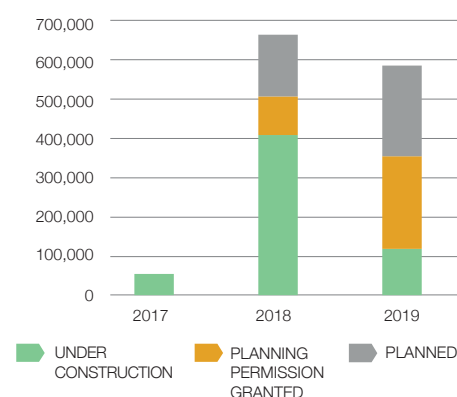
Over 650,000 sqm of new logistics space is in the pipeline for 2018. Almost 330,000 sqm of this will be turn-key projects, and circa 300,000 sqm will be speculative projects,

GRAPH 9
Vacancy rate
Madrid Market. Q3 2017.



Source: Knight Frank Research

GRAPH 10
Future developments by phase
Madrid Market



Source: Knight Frank Research

although most of these developments are likely to be pre-let prior to their completion. The remaining space will be owner-occupied.

Among the turn-key developments, we would highlight the more than 100,000 sqm P3 Logistic Parks project in Illescas, the 70,000 sqm being developed by Merlin in Azuqueca de Henares, and the 50,000 sqm that Inversiones Montepino are developing for Luis Simões in Cabanillas. The largest speculative projects in the pipeline for next year include the close to 54,000 sqm Mountpark project at Plataforma Central Iberum, as well as the "Puerta de Madrid" project, comprising two properties in San Fernando de Henares, which was commissioned by GreenOak, and will offer a total logistics area of 38,000 sqm.

For 2019, we would highlight the more than 100,000 sqm being developed by Inversiones Montepino for XPO in Marchamalo's Ciudad del Transporte. Goodman also has the potential to build more than 75,000 sqm in La Dehesa Logistics Centre in Alcalá de Henares, where it will develop upwards of 22,000 sqm of turn-key projects.

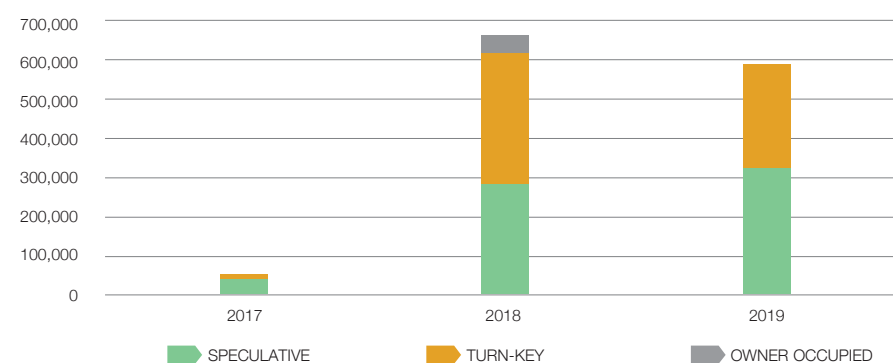
In the Madrid area, San Fernando de Henares is due to see the most logistics development over the next two years. VGP will develop 140,000 sqm of logistics ware-

houses here, on a plot that they recently acquired for €35 million, where they have already started the first speculative phase, due for completion at the end of this year. Two other noteworthy projects are the 90,000 sqm Prologis development, and Axiare's logistics park, which will comprise over 130,000 sqm, including two warehouses that the SOCIMI (REIT) is developing for Transaher.

We would further highlight the Puerta Centro Ciudad del Transporte project that will comprise 200 Ha between Guadalajara and Marchamalo, that will bring more logistics space onto the Madrid market in the coming years.



GRAPH 11
Future developments by type
Madrid Market



Source: Knight Frank Research

TAKE-UP

Logistics take-up in the first three quarters of 2017 totalled more than 675,000 sqm, higher than total take-up in previous years, with the year end figure expected to reach close to 800,000 sqm.

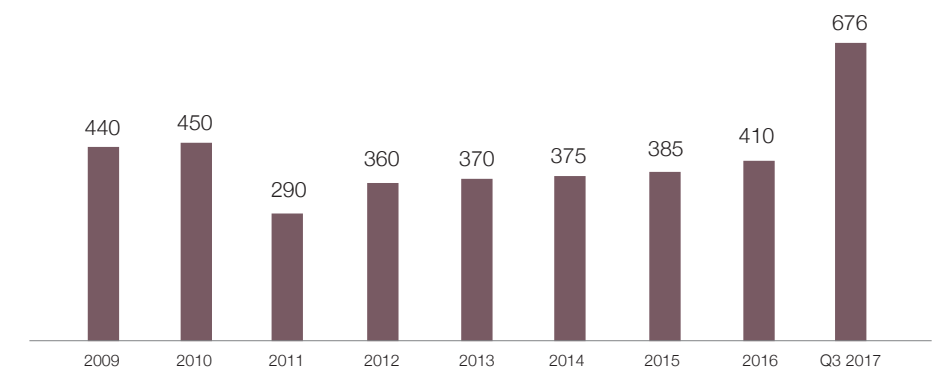
Take-up has been boosted by a surge in the number of lettings, especially for larger properties, with a total of seven leases being signed for properties over 40,000 sqm so far in 2017.

In terms of location, the first and third rings account for the largest share of take-up, with prospective tenants increasingly opting for third ring properties so far this year.

The developments in Illescas and Cabanillas del Campo have driven take-up in third ring to almost 40%. The slightly lower rents in this area favour take-up of larger spaces, whilst smaller spaces are let in first ring to solve the last-mile problem.

In first ring, there were two more lettings in San Fernando de Henares. One of these was the Axiare development for Transaher, including a logistics warehouse and a cross-docking property, comprising 42,000 sqm, with Grade A specifications and LEED Gold certification.

GRAPH 12
Take-up, Madrid ('000 sqm)
2009-Q3 2017

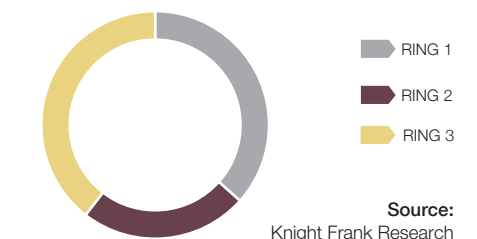


Source: Knight Frank Research

In second ring, Leroy Merlin signed close to 60,000 sqm in Meco.

Lastly, in third ring, DSV now manages 50,000 sqm in the new logistics park developed in the Si-20 industrial estate owned by Merlin, on the Corredor de Henares, where it has storage capacity for up to 65,000 pallets. XPO occupies 48,000 sqm in the same park, where Logista and Luis Simões can also be found.

GRAPH 13
Take-up by ring, Madrid. Q1-Q3 2017.



Source: Knight Frank Research

GRAPH 14
Main lettings in Madrid
Q1-Q3 2017

OCCUPIER	TOWN	PROVINCE	RING	AREA (SQM)
CONFIDENTIAL	Illescas	Toledo	3	103,000
LEROY MERLIN	Meco	Madrid	2	59,814
AMAZON	Getafe	Madrid	1	58,215
CONFIDENTIAL	San Fernando de Henares	Madrid	1	56,937
DSV	Cabanillas del Campo	Guadalajara	3	49,800
XPO	Cabanillas del Campo	Guadalajara	3	47,934
TRANSAHER	San Fernando de Henares	Madrid	1	42,000
GRUPO MIQUEL	Torrejón de Ardoz	Madrid	2	20,880
JAGUAR LAND ROVER	Cabanillas del Campo	Guadalajara	3	15,074

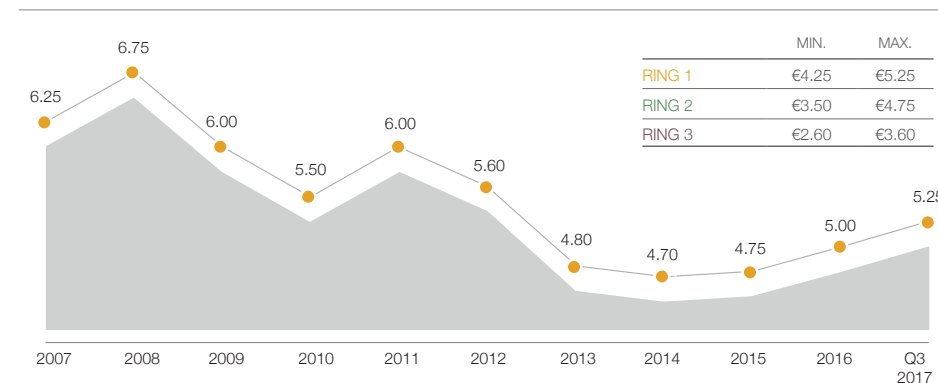
Source: Knight Frank Research

RENTS

Logistics rents in Madrid are gradually trending upwards, and the gap between rents in first and third ring is closing. This is due to a large number of new, high quality projects in third ring, that meet the needs of today's occupiers, and that have a narrower negotiating margin.

The prime rent in Madrid currently stands at €5.25 per sqm. Growing demand and the enhanced quality of new logistics facilities will drive up rents over the next few years, with an average annual growth of 3% forecast in Madrid.

GRAPH 15
Variation in prime* rents, Madrid
€/sqm/month. 2007-Q3 2017

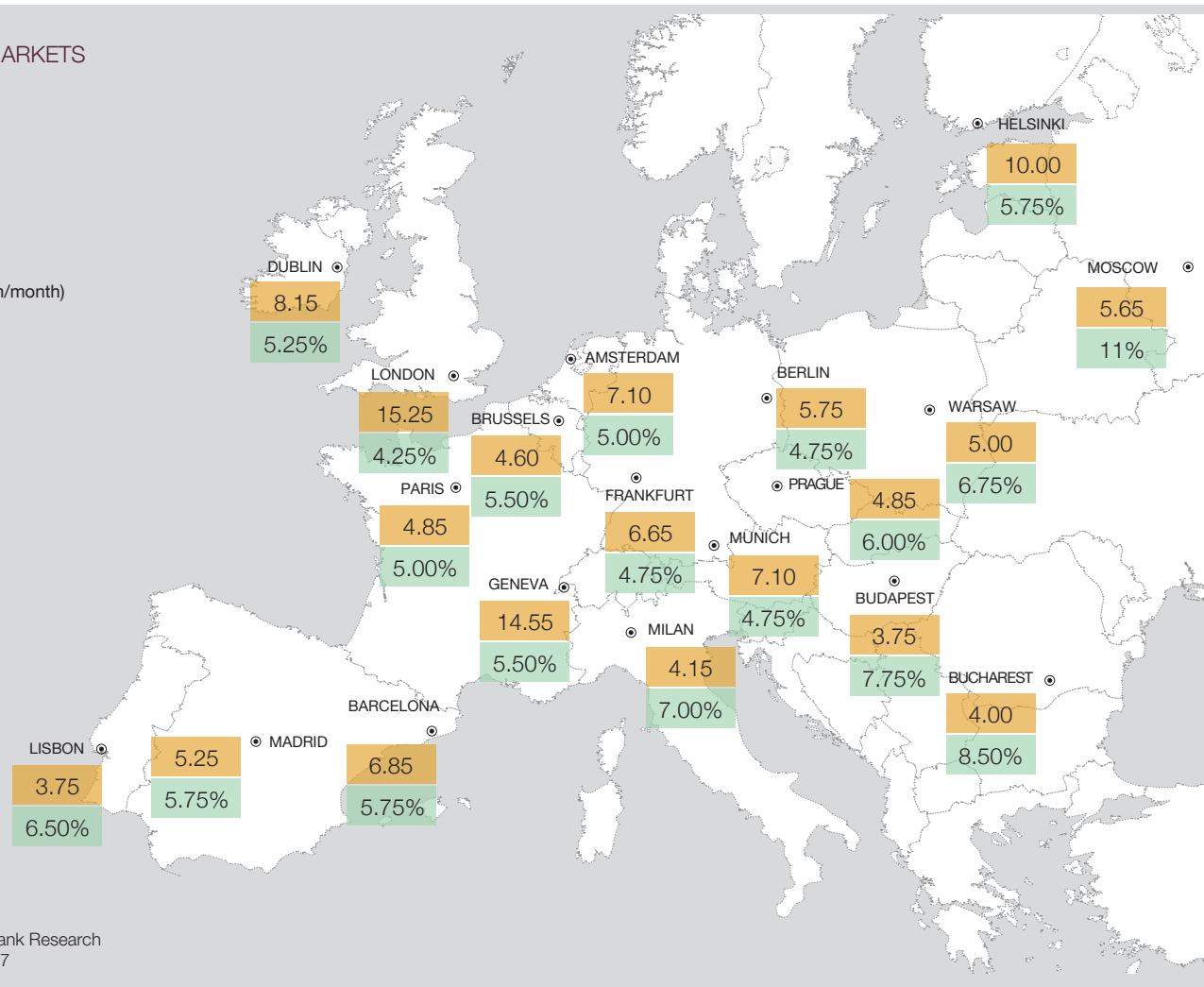


Source: Knight Frank Research. *Excludes non-relevant deals.

LOGISTICS MARKETS IN EUROPE

Prime rent (€/sqm/month)

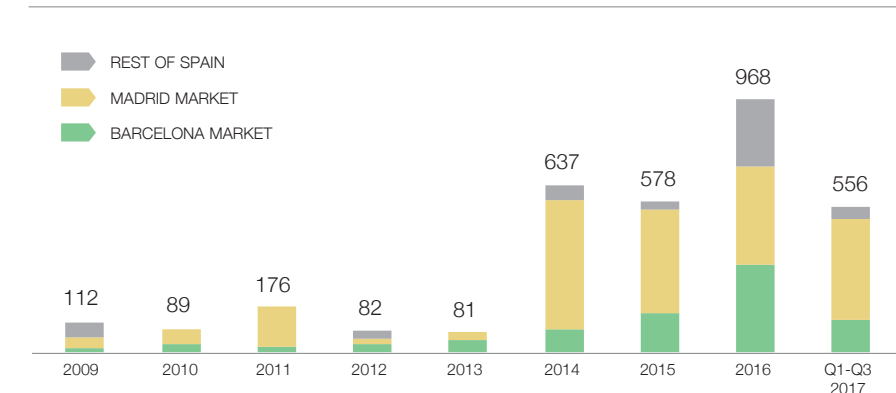
Prime yields



Source: Knight Frank Research
Data as at Q3 2017

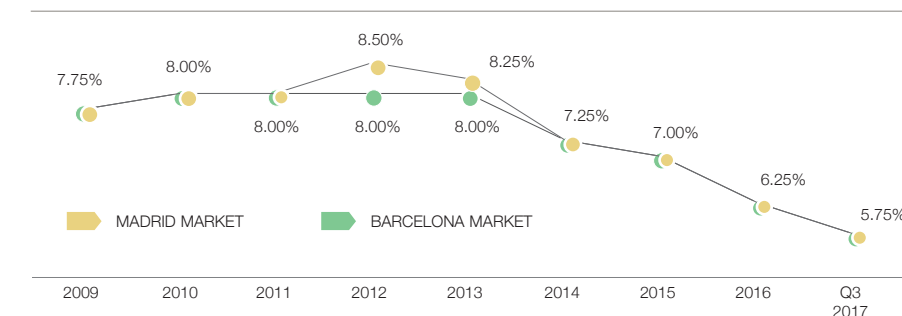
INVESTMENT

GRAPH 16
Investment volume in Spain
2009-Q3 2017



Source: Knight Frank Research

GRAPH 17
Variation in prime yields
2009-Q3 2017



Source: Knight Frank Research

GRAPH 18
Main investment deals in Spain
Q1-Q3 2017

BUYER	SELLER	LOCATION	PRICE (€M)
P3 LOGISTIC PARKS	GREENOAK	Various	243.35
GREENOAK	GOODMAN	Quer, Daganzo and Valdemoro	45.00
TH REAL ESTATE	CONFIDENTIAL	Ribarroja (Valencia)	38.50
AXIARE	GRUPO BARRAL	San Fernando de Henares	38.00
BARINGS	GLL	Ontigola	37.56
UBS	INVESCO	Leganés	35.15
GREENOAK	BANCO SABADELL	Quer	26.33
TH REAL ESTATE	GRUPO GALCO	Valdemoro	21.50

Source: Knight Frank Research

During the first nine months of the year, logistics investment in Spain exceeded €550 million, with the year end total expected to reach €1.2 billion. The deal of the year was sovereign wealth fund Singapur GIC's purchase via P3 Logistic Parks of the GreenOak portfolio for €243 million.

GreenOak's purchase of the Goodman portfolio, comprising 4 properties in Quer, Daganzo and Valdemoro for €45 million is the second largest deal so far this year.

The need for companies to find logistics platforms closer to the end consumer means that other markets, such as Valencia and Seville, are starting to move onto international investors' radar. In fact, the largest deal in Q3 2017 was real estate fund manager TH Real Estate's acquisition of the Carrefour logistics platform in Ribarroja, Valencia.

Investor appetite is putting upward pressure on prices, and whilst rental increases remain moderate, yields continue to tighten.

A Knight Frank investor survey completed at its European Breakfast event found that 51% of investors selected industrial and logistics as their preferred asset class for investing in over the next 3 to 5 years, hence the sector is expected to continue to flourish over the next few years.



Carrefour logistics platform in Ribarroja, Valencia

WELCOME TO THE FUTURE OF LOGISTICS

ALEJANDRO GALÁN | Head of Industrial and Logistics, Knight Frank Spain

With more than 20 years of experience in the Industrial and Logistics sector, Alejandro Galán has been the Head of this area at Knight Frank for over seven years. In this interview, he gives us his take on how the sector is changing during this time of expansion.



The logistics market has broken all existing take-up records this year, what factor do you think has impacted logistics growth the most over the last year?

If there's one thing that has shaped the logistics sector this year, it has definitely been the tech revolution. With e-commerce generating more than €24 billion in Spain during 2016, and expected to generate even more in 2017, this has undoubtedly been a major contributing factor in the logistics sector's exponential growth.

What role do you think e-commerce has played up until now, and how will it change over the next few years?

It has played a crucial role, as the priority of large companies is now, at least in part, to focus on their online strategy. Companies such as Media Markt and Inditex have already chosen their new logistics platforms, where they can efficiently stock all of their products sold via their online channels. Meanwhile, Amazon's business model has been so successful that new operators are expected to launch a similar model on the Spanish market over the next few years.

Which areas of the Madrid market are currently the most attractive to companies?

In the Madrid province, the most sought-after areas remain the Corredor del Henares, particularly San Fernando de Henares and Getafe, to the south of the province. In neighbouring areas, Illescas in Toledo, and Cabanillas in Guadalajara.

What do companies look for when selecting a given location?

A location with good transport links, that is also not considered a handicap in terms of hiring personnel, is a must. Companies also look for an area with a good range of services and sustainable buildings.

What are the most common types of tenants in the Madrid logistics market, and

how is this expected to change in the future?

The most common tenants are logistics operators. This type of tenant is expected to become even more efficient and specialised, adapting to the needs of the market and making use of new technology as it appears.

What sort of limitations do they face?

Above all, the lack of a product that caters to their exact needs. The range of services offered by logistics occupiers is enormous, and each one requires its own specific needs.

What are the strengths of the logistics platforms in the Madrid market?

Their good transport links with the rest of Spain are without doubt one of their main strengths. Madrid also boasts strong performance figures: it holds the top spot for consumption in Spain, and also for the number of production centres. One of Spain's weaknesses is its railway network, which does not work as well in terms of freight transport as it does in other European countries.

How has the sector changed with the new cross-docking platforms?

It has optimised distribution systems, keeping times and storage costs to a minimum. This is a sector where efficiency is key, both in terms of costs and time, and the latest technology means that these can be reduced year after year.

How has this affected rents? And what other factors affect rents?

These new platforms occupy more space, pushing development prices up. That said, they also optimise space and time, offering greater long-term returns.

In terms of projects, what would be the optimal speculative-turn-key ratio in the current market climate?

The majority of operators want to create

bespoke spaces, which is why turn-key demand is so much higher, at approximately 75% compared to speculative projects (25%). Many speculative projects under construction will end up becoming turn-key, as they will be pre-let prior to completion.

What type of investors are interested in the Spanish logistics market?

All of the institutional funds, not just the traditional ones, but also new funds, are very interested. SOCIMIs (REITs) also represent

"If there's one thing that has shaped the logistics sector this year, it has definitely been the tech revolution. The new distribution systems keep time and costs to a minimum."

resent a high percentage. We could say that the logistics market is currently one of the preferred areas for investors.

What do they look for?

That depends on the investor, but most of them are looking for prime product in Madrid and Barcelona, or other markets such as Zaragoza and Valencia, with an estimated value of at least €20 million. Another important factor for investors is the asset's repositioning potential.

How is logistics investment expected to perform next year?

The lack of product is one of the main limitations, and so we expect a greater rotation of existing properties and tighter yields.

Could you give an example of a standout deal during the past year, and why do you think it was significant?

In recent months, we have seen a number of deals that reflect the healthy investor appetite for the sector. One example is UBS's acquisition of two logistics properties from Invesco for €35 million in Leganés. In terms of corporate transactions, I would highlight China Investment's purchase of Logisor for over €12 billion, the second largest real estate deal of all time.



Logistics properties recently acquired by UBS in Leganés

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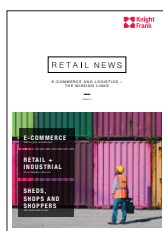
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