The Logistic Property Handbook
Spain 2017
EXECUTIVE SUMMARY

The EMEA region accounts 12% of the total Logistic Investment volume. Spain accounts 4% of this amount.

Madrid’s Vacancy Rate stood at 8.5% due to the limited and outdated over-supply. While Catalonia’s healthy activity recorded a 4.6% Vacancy Rate, gradually decreasing YoY (5.5% 2015).

High expectations in Madrid’s potential speculative and turnkey new developments (500k sqm) in 2017. Moderate but balanced new supply expected for Catalonia.

Catalonia’s Take-Up hit its all-time record with 770k sqm in 2016, while take up in Madrid was more stable at 500k sqm concentrated mainly in the city’s surrounding areas.

Rent stability, with expected upturn due to the lack of quality space and the high level demand. The Barcelona city market ranks #2 within European Market Rent increase (2.5-5.0% Growth Rate).

In Spain, Logistic Investment volume increased in 2016 by 38% (€930m) and accounted for 8% of total non-residential investment.

SOCIMIs (Spanish REITs) took part in 35% of total Logistic transactions in Spain during 2016.

Spain leads Europe in Capital Value growth (22%). Madrid capital values is increasing by 21% and Catalonia capital values is increasing by 14% in 2016.

Full Due Diligence required to perform the optimal deal analysis:

- Financial Factors: Understanding of NOI vs GRI
- Business Performance: Analysis of income sustainability analysis
- Legal Factors: All intervenient contract analysis. Urban and legal risk analysis.
- Tax Factors: Analysis of tax impact on result analysis
- Technical Factors: Floor slab & roof condition. Importance of the Property Management and the warehouse design (BREEAM + LEED certifications)

Key Investment and Financing Drivers

- High Liquidity from an Equity perspective. However, the lending activity remains weak.
- High yields continue to ease the financing debt service.
- Large divestment pipeline on the sale side to pave the way for the entry of core / core+ investment players.
- Forward funding is back.

Market Overview

1. GDP growth: +3.3% 2016 (+2.3% 2017 F)
2. Unemployment rate fell to 19.2% during 2016, (2.9% decrease YoY)
3. Industrial Production Index: 2.1% annual growth followed by 16.2% annual growth in logistic take-up (CAGR 2013-2016)
4. Export growth: +6.9% (CAGR 2009-2016)
5. Business and Consumer Confidence Indexes show figures above pre-crisis levels
6. e-commerce: Yearly double-digit growth since 2011

Logistic Investment Market

3. The EMEA region accounts 12% of the total Logistic Investment volume. Spain accounts 4% of this amount.
4. In Spain, Logistic Investment volume increased in 2016 by 38% (€930m) and accounted for 8% of total non-residential investment.
5. SOCIMIs (Spanish REITs) took part in 35% of total Logistic transactions in Spain during 2016.
6. Spain leads Europe in Capital Value growth (22%). Madrid capital values is increasing by 21% and Catalonia capital values is increasing by 14% in 2016.
The Logistic Property Handbook
Spain 2017

EXECUTIVE SUMMARY

Drivers of the cross-border investment increase:

1. Yielding Assets are more attractive than Investment Grade Bonds
2. Returns expected in Spain through logistic investment are well above the European average
3. Dollar strength (For American investors) and Euro weakness
4. Political and financial uncertainty in certain countries is favouring Spain

International logistics giants expect to consolidate their international platforms in 2017.
Executive Summary

4% of the Total Logistic Investment

Source: Deloitte

European Investment Market
Mango Logistics Park (Spain) with €150m of Investment
Volume was the fourth transaction of 2016 in Europe.

Le Citrail
Logistics
BUYER
n/a
VENDOR
Cnp Assurances
150,000 sqm

Mango Logistics Park
Logistics
BUYER
VGP
VENDOR
Mango
180,000 sqm

Amazon Mountpark Bardon
Logistics
BUYER
Vestas Investment Mgmt
VENDOR
Mountpark Logistics
124,712 sqm

London Distribution Park
Logistics
BUYER
Legal & General Prop.
VENDOR
Roxhill Developments
204,380 sqm

Technologiepark Köln
Logistics
BUYER
EQT Real Estate
VENDOR
Jaffé / Narat GmbH
116,115 sqm

Source: Deloitte
For more information see CHAPTER 3 (Investment Market)
European Investment Market: Spain still counts

Spain, with €930m of logistic investment volume in 2016, is playing a role at last within the European Market.

EXECUTIVE SUMMARY

European Yields (2016):

<table>
<thead>
<tr>
<th>Country</th>
<th>Prime Yield 2016</th>
<th>Minimum last 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>5.25%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Italy</td>
<td>6.90%</td>
<td>6.50%</td>
</tr>
<tr>
<td>France</td>
<td>5.80%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Spain</td>
<td>6.00%</td>
<td>5.50%</td>
</tr>
<tr>
<td>UK</td>
<td>4.50%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Belgium</td>
<td>6.50%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.75%</td>
<td>5.75%</td>
</tr>
</tbody>
</table>

Source: Deloitte

For more information see CHAPTER 3 (Investment Market)

---

**5 Spanish transactions are included within the Top 20 European deals.**

Amounting to €549m, these Spanish transactions account for 24% of the Top 20 investment volume.

---

**Chapter 4: Key Investment and Financing Drivers**

**Table:**

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>Asset</th>
<th>GLA (sqm)</th>
<th>Price (€m)</th>
<th>Buyer</th>
<th>Vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>Technologiepark Köln</td>
<td>116.115</td>
<td>188</td>
<td>EQT Real Estate</td>
<td>Jaffé/ Narat GmbH &amp; Co. KG</td>
</tr>
<tr>
<td>2</td>
<td>United Kingdom</td>
<td>London Distribution</td>
<td>204.380</td>
<td>180</td>
<td>Legal &amp; General Property</td>
<td>Roxhill Developments Ltd</td>
</tr>
<tr>
<td>3</td>
<td>United Kingdom</td>
<td>Amazon Mountpark Bardon</td>
<td>124.712</td>
<td>160</td>
<td>Vestas Investment Mgmt, BNP</td>
<td>Moundpark Logistics</td>
</tr>
<tr>
<td>4</td>
<td>Spain</td>
<td>Mango Logistic Park</td>
<td>180.000</td>
<td>150</td>
<td>Mango (Isak Andic)</td>
<td>Cnp Assurances</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>Le Citrail</td>
<td>150.000</td>
<td>144</td>
<td>n/a</td>
<td>Trax Big Box</td>
</tr>
<tr>
<td>6</td>
<td>United Kingdom</td>
<td>Howdens Joinery Raunds</td>
<td>88.905</td>
<td>120</td>
<td>n/a</td>
<td>Roxhill Development</td>
</tr>
<tr>
<td>7</td>
<td>Spain</td>
<td>Saba / Abertis Portfolio</td>
<td>n/a</td>
<td>115</td>
<td>n/a</td>
<td>Merlin Properties - SOCIMI</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>Portfolio (6 warehouses)</td>
<td>207.500</td>
<td>110</td>
<td>n/a</td>
<td>Tristan Capital Partners</td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td>Portfolio (8 warehouses)</td>
<td>214.597</td>
<td>101</td>
<td>n/a</td>
<td>Fonciere Des Regions</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>Metrovacesa (16 warehouses)</td>
<td>250.000</td>
<td>100</td>
<td>n/a</td>
<td>CBRE Global Investors - Metrovacesa</td>
</tr>
<tr>
<td>11</td>
<td>France</td>
<td>Porteufeille de 19 entrepôts</td>
<td>360.000</td>
<td>100</td>
<td>Prouddeed France</td>
<td>Stam Europe</td>
</tr>
<tr>
<td>12</td>
<td>United Kingdom</td>
<td>Dixons Carphone</td>
<td>66.145</td>
<td>99</td>
<td>Trax Big Box</td>
<td>Consensus Business Group</td>
</tr>
<tr>
<td>13</td>
<td>United Kingdom</td>
<td>Argen National Distribution Centre</td>
<td>60.736</td>
<td>97</td>
<td>Trax Big Box</td>
<td>Rotch Property Group</td>
</tr>
<tr>
<td>14</td>
<td>Spain</td>
<td>Metrovacesa Portfolio</td>
<td>n/a</td>
<td>96</td>
<td>n/a</td>
<td>Merlin Properties - SOCIMI</td>
</tr>
<tr>
<td>15</td>
<td>United Kingdom</td>
<td>Birch Coppice Bus Park</td>
<td>72.553</td>
<td>94</td>
<td>Trax Big Box REIT Plc</td>
<td>M&amp;G Property Portfolio</td>
</tr>
<tr>
<td>16</td>
<td>France</td>
<td>1 Warehouse</td>
<td>29.000</td>
<td>91</td>
<td>n/a</td>
<td>Compagnie Du Parc De Bercy</td>
</tr>
<tr>
<td>17</td>
<td>France</td>
<td>Portfolio (4 warehouses)</td>
<td>136.430</td>
<td>88</td>
<td>n/a</td>
<td>Axa Real Estate Inv.</td>
</tr>
<tr>
<td>18</td>
<td>Spain</td>
<td>Zaphir Portfolio</td>
<td>151.459</td>
<td>87</td>
<td>n/a</td>
<td>Neinver &amp; Colony</td>
</tr>
<tr>
<td>19</td>
<td>Germany</td>
<td>Am Romerfeld 4-6</td>
<td>99.998</td>
<td>85</td>
<td>Invesco RE</td>
<td>Willi Betz</td>
</tr>
<tr>
<td>20</td>
<td>Germany</td>
<td>Siemens Siplace Training Center</td>
<td>27.494</td>
<td>85</td>
<td>Fiduciary Capital GmbH</td>
<td>Sirius Real Estate</td>
</tr>
<tr>
<td>21</td>
<td>Spain</td>
<td>BSH</td>
<td>79.998</td>
<td>44</td>
<td>GreenOak</td>
<td>Prologis</td>
</tr>
<tr>
<td>22</td>
<td>Spain</td>
<td>Proyecto logistico San Fernando</td>
<td>121.000</td>
<td>43</td>
<td>Axiare</td>
<td>n/a</td>
</tr>
<tr>
<td>23</td>
<td>Spain</td>
<td>4 Naves Logisticas</td>
<td>72.484</td>
<td>43</td>
<td>n/a</td>
<td>Trajano</td>
</tr>
<tr>
<td>24</td>
<td>Spain</td>
<td>Centro logistico Carrefour</td>
<td>44.000</td>
<td>39</td>
<td>Blackstone (Logicor)</td>
<td>Brookfield</td>
</tr>
<tr>
<td>25</td>
<td>Spain</td>
<td>Centro logistico H&amp;M</td>
<td>36.000</td>
<td>32</td>
<td>Blackstone (Logicor)</td>
<td>Brookfield</td>
</tr>
</tbody>
</table>

Source: Deloitte

For more information see CHAPTER 4 (Key Investment and Financing Drivers) in the full report.
Spanish Investment Market

Logistic property investment increased by 38% in 2016 while total non residential investment only increased by 4%. The “revolution” which is taking place throughout the whole supply change cycle for products and services is key. The logistics segment continues to gather momentum.

A total pipeline investment volume of €600m is expected to be traded in Spain

EXECUTIVE SUMMARY

Top 10 Spanish transactions:

<table>
<thead>
<tr>
<th>#</th>
<th>ASSET</th>
<th>PRICE (€m)</th>
<th>GLA (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mango Logistics Park</td>
<td>150.0</td>
<td>180,000</td>
</tr>
<tr>
<td>2</td>
<td>Saba Portfolio</td>
<td>115.0</td>
<td>n.d.</td>
</tr>
<tr>
<td>3</td>
<td>Metrovacesa (16 warehouses)</td>
<td>100.0</td>
<td>250,000</td>
</tr>
<tr>
<td>4</td>
<td>Metrovacesa Portfolio</td>
<td>95.7</td>
<td>n.d.</td>
</tr>
<tr>
<td>5</td>
<td>Zaphir Portfolio</td>
<td>87.0</td>
<td>151,496</td>
</tr>
<tr>
<td>6</td>
<td>San Fernando Logistics Park</td>
<td>43.0</td>
<td>121,000</td>
</tr>
<tr>
<td>7</td>
<td>4 Warehouses</td>
<td>42.9</td>
<td>72,484</td>
</tr>
<tr>
<td>8</td>
<td>Carrefour Logistics State</td>
<td>38.5</td>
<td>44,000</td>
</tr>
<tr>
<td>9</td>
<td>H&amp;M Logistics State</td>
<td>31.5</td>
<td>36,000</td>
</tr>
<tr>
<td>10</td>
<td>2 Warehouses</td>
<td>14.2</td>
<td>28,035</td>
</tr>
</tbody>
</table>

Total Logistics investment volume in Spain as at 2016: €930m

For more information see CHAPTER 3 (Investment Market)
Lease Market

Recovery of activity indicators is having an impact on rent

EXECUTIVE SUMMARY

Average Rents

**Madrid**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>113</td>
<td>119</td>
<td>156</td>
</tr>
</tbody>
</table>

**Catalonia**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>104</td>
<td>108</td>
<td>108</td>
</tr>
</tbody>
</table>

Source: Deloitte

For more information see CHAPTER 2 (Supply & Demand)
Recovery of activity indicators is having an impact on rent. High level of stock (vacancy rate 8.5%) with significant impact on rents increase. Potential gap between rents depending on the assets year of construction and qualities.

Rents in the Prime area remain moderately stable except for the new built assets. Relevant up-sticks given a greater demand for large warehouses located in secondary areas (Toledo and Guadalajara).
Lease Market

Recovery of activity indicators is having an impact on rent

Rent stability, with expected upturn, due to the lack of scarcity of quality space and high level of demand. Barcelona city Prime area ranked #2 within European market rents increase (between 2.5-5% Growth Rate)

Prime rents have reached stability. However potential increases can be expected given the high level of demand. 2nd and 3rd rings rents notched up the highest increases given the lack of available quality product.

Source: Deloitte
## EXECUTIVE SUMMARY

### THE KEY FOR SUCCESS

The lease contracts have responded positively to the market momentum, particularly in **Prime areas**, experiencing significant decrease in rent free periods and cost recoverability.

---

### Main Terms

- **Average Rent Free Period**
  - **Prime/1st Ring**:
    - 2014: 10% of Contract duration
    - 2015: 8% of Contract duration
    - 2016: 5% of Contract duration
  - **2nd Ring**: 12% of Contract duration
  - **3rd Ring**: 14% of Contract duration

- **Total Office Space leased**
  - **2014**: 5%
  - **2015**: 5% - 7%
  - **2016**: 7-10%

- **Transfer of Property Tax and Community Charges to the tenant**
  - 2014: 80%
  - 2015: 100%
  - 2016: 100%

---

### Standard lease terms generally accepted

<table>
<thead>
<tr>
<th>Year</th>
<th>Contract Duration (years)</th>
<th>Total Office Space leased (Office sqm/Warehouse sqm)</th>
<th>Average Rent Free Period - Prime/1st Ring (% / Total signed months)</th>
<th>Transfer of Property Tax and Community Charges to the tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2-3</td>
<td>5%</td>
<td>6 (months) 10% of Contract duration</td>
<td>80%</td>
</tr>
<tr>
<td>2015</td>
<td>5</td>
<td>5% - 7%</td>
<td>3 (months) 8% of Contract duration</td>
<td>100%</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
<td>7-10%</td>
<td>3 (months) 5% of Contract duration</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Deloitte

For more information see **CHAPTER 2** (Supply & Demand)
Where to invest?
Key Factors to be considered 2016 to 2017

**EXECUTIVE SUMMARY**

**Madrid**

- Significant **Demand appetite** for new built projects.
- **New supply:** What to expect!
  Speculative Projects, with potential over-supply.
- **Positive capital value** growth given yield compression.

**Catalonia**

- Balanced Market?
  High Demand & Low Vacancy Rate.
- **Moderate new supply** Turnkey & Built to Suit Projects.
- **Higher Liquidity?**
  Rents upturn trend & Significant Yield Compression.

---

**2016 Take Up Figures**

- **Madrid**
  - 500 sqm

- **Catalonia**
  - 770K sqm

---

**2017 High Expectations for Madrid while Catalonia returns to standard Take Up levels.**

- Larger units
  - Large volume
  - Less Deals

- Smaller units
  - Smaller volume
  - More Deals

---

Source: Deloitte

The Logistic Property Handbook
Spain 2017
### Executive Summary

#### Main Drivers for the Increasing Lending Appetite

- **Macroeconomic Environment**
  - Fundamentals improvement
  - Monetary Policy: QE, low funding costs, etc.

- **Financial Sector**
  - Restructure of the Financial Sector
  - P&L reconstruction

- **Real Estate Investment Market**
  - Excess of Liquidity: Increase in transactions
  - Entry of new sponsors
  - Alternative to the fixed income / bond yields

#### Financing Market

**Yielding assets:** Lending activity still remains weak

<table>
<thead>
<tr>
<th>Year</th>
<th>Framework</th>
<th>Credit Access Constraints</th>
<th>Financing Upturn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Main Players</th>
<th>Institutional Investors / Debt Funds</th>
<th>Banking / Insurance Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Upfront Fee</th>
<th>Spread</th>
<th>LTV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2014</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2015</td>
<td>125-175bps</td>
<td>250-300bps</td>
<td>50%</td>
</tr>
<tr>
<td>2016</td>
<td>100-150bps</td>
<td>200-250bps</td>
<td>50-55%</td>
</tr>
</tbody>
</table>

- **Forward Funding:** Turnkey projects: limited lenders
- **Senior Debt:** Yielding assets: gathering momentum

Source: Deloitte

For more information see CHAPTER 4 (Key Investment and Financing Drivers)
**EXECUTIVE SUMMARY**

**CORE PROFILE STILL DOMINATES:**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core (€m)</td>
<td>471</td>
<td>610</td>
</tr>
<tr>
<td>Value Added (€m)</td>
<td>203</td>
<td>207</td>
</tr>
</tbody>
</table>

---

**Equity**

- VGP
- GREENOAK
- MERLIN
- lar
- AXIA
- Colony Capital
- Deutsche Bank
- TPG
- NEINVER
- CBRE
- LOGICOR
- ROCKSPRING
- ASG Iberia
- Blackstone
- Meridia Capital
- BARINGS

**Debt**

- CaixaBank
- Aareal Bank
- Sabadell
- ABANCA
- Santander
- Crédit Agricole
- Popular

---

**Most active players expected to stay active in 2017:**

Source: Deloitte

For more information see [CHAPTER 4](#) (Key Investment and Financing Drivers)
EXECUTIVE SUMMARY

LEADING SUSTAINABILITY CERTIFICATIONS

BREEAM and LEED certifications are the most relevant sustainability certifications worldwide. Both standards are regularly updated in line with the market momentum.

Disruption
Process Automation & Robotics

Globalization
Emerging markets

Logistic Property Trends

BREEAM & LEED facing the future

Pick up Location
consumer demand

Urban Consolidation Center
Centrally-located city hubs

Relocation
Reshoring and Nearshoring
WHAT IS NEXT?