

### Market indicators

	2H 10	1H 11
Vacancy	↑	↑
Take-up	↓	↔
Prices	↔	↔
Development	↔	↔

### Forecasts

The sector will continue to suffer the consequences of low economic growth and the decline in consumption in Spain, given that most of the skills it has are serving the domestic market.

Operators and investors are expected to continue to wait for the economy to get back on track in the second half of the year and the first half of 2012, before taking risks with new contracts.

Prices could fall slightly or they may remain unchanged. This will only affect private negotiations where incentives are still present.

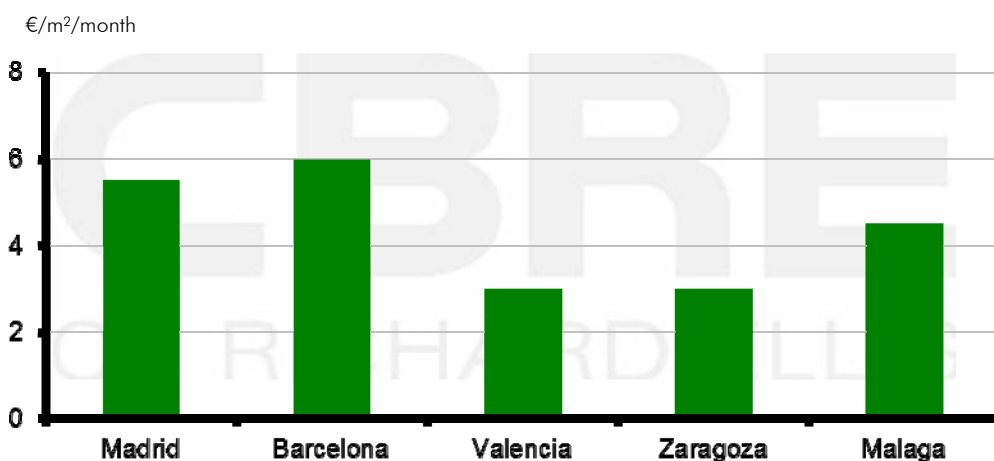
The absence of new properties adapted to the needs of large operators will become ever more evident. This will pave the way for new projects, which for now will be turnkey projects.

As the sector has reasonable potential, we expect that the sector will recover more markedly in the medium-term. Many facilities which are currently not up to market standard will be refurbished, and these will be used in the absence of better facilities.

### SUMMARY

- ❖ The fact that Spain is located in the southern periphery of Europe means that its prospects for developing the logistics sector are limited to a regional area, as European imports from North Africa or South America only make up around 5% of total trade in Europe. In contrast, the development of the logistics sector has been more evident in Central Europe, thanks to the opening up of borders in the Eurozone to encourage domestic trade.
- ❖ The amount of logistics space available in Spain increased over the past few quarters, although it is now beginning to fall as a result of the lack of new projects being built. There is beginning to be a lack of supply of large logistics spaces, therefore turnkey projects are necessary. There are alternatives for medium-sized or small areas, both in the direct owner-user market, as well as in the subletting or transfer of operators' surplus logistics space.
- ❖ Take-up has fallen to half of what it was two years ago in the main markets. Demand is weaker and the amount of space required is becoming ever smaller, even when rental reductions are helping take-up. This could be due to the uncertainty with regards to future commercial logistics agreements with operators, or because people are waiting for the economy to recover.
- ❖ Rental prices have hardly fallen in recent months because they had already fallen considerably. Negotiations are flexible and different incentives are being given (rent-free periods, annual reviews, etc.).
- ❖ It is an interesting investment product because there is a guaranteed minimum rental period and there is a secondary market for it. Yields are hardening due to a lack of opportunities.

### Rental prices



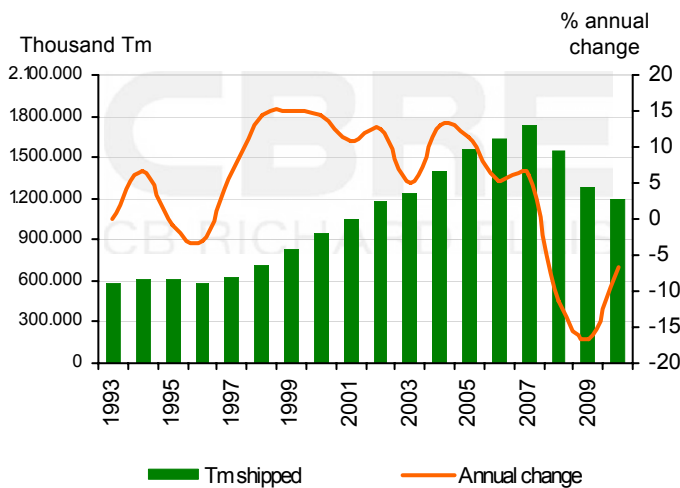
Source: CBRE

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Indicators - Spain	Value
Annual GDP growth	0.7%
Contribution to GDP – logistics sector	1.94%
Added value to market prices (millions Euros)	17,574.9
Overall unemployment rate	21.29%
Unemployment rate in the logistics sector	8.101%
Unemployed people - logistics sector	79,600
General inflation rate	3.5%
Inflation rate - transport	3.3%
Total stock of lorries and vans	5,136,214
Goods traffic on roads (2010)	1,199.3 million Tm
Road network in Spain (km) (9.44% of large capacity)	165,466
Rate of change in the price per km travelled	3.44%
Goods traffic by Plane (2010)	635.7 million Tm
Goods traffic – Ports (2010)	430.9 million Tm
Goods traffic – Railway (2008)	27.4 million Tm

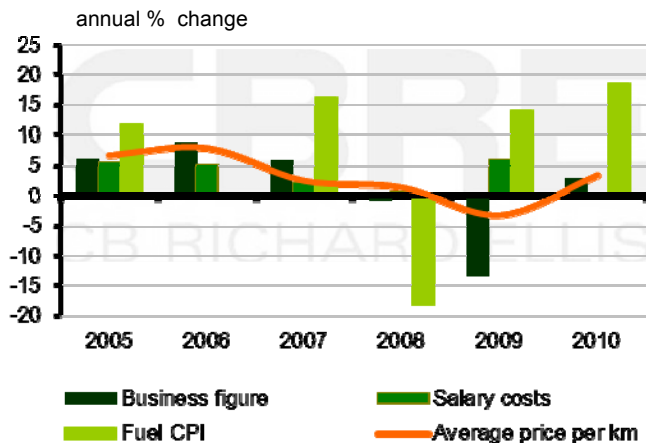
Sources: INE and Ministry of Public Works

### Road transport



Source: Ministry of Public Works

### Logistics sector data



Source: INE

### ECONOMIC INDICATORS

Retail activity and the economy need to function and grow in order to help the sector. In other words, logistics and transport services have reduced in capacity. Goods transport and logistics contributes to 1.94% of national GDP. In Spain, road transport is the preferred method of transport, as it primarily aims to supply the region, as opposed to the rest of Spain or abroad. This transport category fell by 6.57% last year and by 23% since 2005, when it was at its peak. Air transport amounts to 28% of transfers, whilst sea transport amounts to 19%. Rail transport comes in last, having been downgraded to supplying large industries, as direct access is difficult if there is no rail siding. The liberalisation of the railway sector a few years ago and the fact that investment has focused on high speed, as opposed to goods, are areas which can be covered in other reports, but not in this one.

The situation is unfavourable for logistics companies, not only because of the lack of consumer demand, but also because of the increase in inflation together with reduced business performance. The average price per km on a motorway increased by 3.44% at the end of 2010, whilst the amount of business done grew by 2.8% and fuel prices by 18.6%. However, logistics activity is not so sluggish – the unemployment rate is 8.1%, which is approximately a third of the general unemployment rate.

The Spanish foreign trade sector has a deficit, with a 22% difference between imports and exports. 74% of exports are to European countries (only 67% to the EU-27), whilst it only exports 5.6% to Africa, 9.5% to America and 7.5% to Asia. It exports the rest to Oceania and other countries. Regarding imports, it buys 61% of imports from Europe (54% from the EU-27), whilst it purchases 9.1% from Africa, 10.4% from America and 19.4% from Asia, with the rest from Oceania and other countries.

Interregional distribution is more dynamic, with some regions standing out from others in terms of transport methods. For example, interregional transport in La Rioja, Castilla La Mancha, Murcia, Aragón, Madrid and Navarre is more important than the regions' own consumption. Other regions such as Catalonia, Valencia or Andalusia consume more themselves or they import to manufacture products.

## MADRID

The first half of the year has gone by slowly and the weakness of the logistics market was apparent, as a result of economic uncertainty and the gradual decline in household income. Final consumption has only increased by 0.8%, but imports and exports have already grown by 18.4% and 23.4% respectively. This means that logistics activity can only gain in importance in the medium-term.

### Supply

Over the past few years, available supply has increased in Madrid, due to there being virtually no demand. Recent transactions have generally been for smaller logistics spaces, with only some of them being larger. The overall vacancy rate is 12.82%, with national warehouses in periphery areas contributing the most to this, with an overall vacancy rate of 19.35%, whilst local service buildings have an 8.43% vacancy rate and regional medium-sized warehouses have an 8.7% vacancy rate. There has been a slight decrease compared to the vacancy rates of one year ago, as fewer new projects have been completed.

With regards to immediate supply, a small number of new projects are expected to be completed this year in the Eastern and Southern areas (Meco and Ciempozuelos) whereas in two years' time there may be more facilities located in the Eastern and Southern areas (Alcalá de Henares, Azuqueca, Quer, Cabanillas and Toledo).

### Demand

The lack of demand has been evident since 2009, when there was an 18.2% decline in take-up, whilst in 2010 there was a 45% year-on-year decline compared to the previous year. We have gone from annual take-up levels of over 500,000 m<sup>2</sup> to exactly half of this (245,000 m<sup>2</sup>). Take-up at the end of the first half of this year is expected to be similar to last year's figure. Many companies are returning to the Community of Madrid due to the fall in prices.

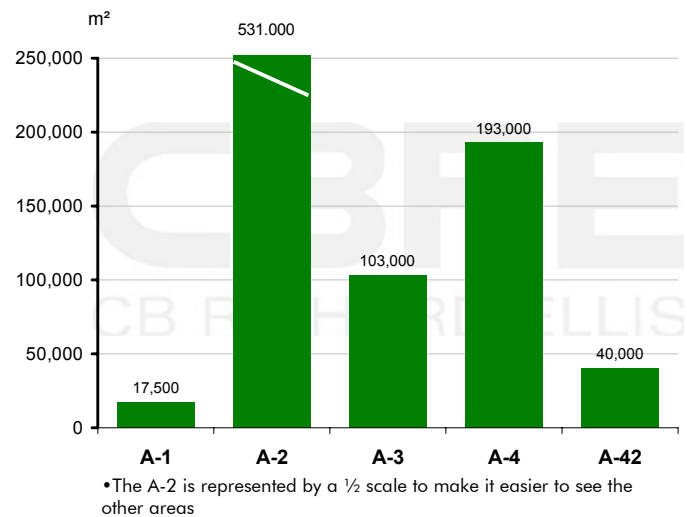
Both logistics companies and end users have taken space in the first half of the year. End users preferred to purchase logistics space. The size of the logistics modules taken has fallen to between 1,200 and 5,000 m<sup>2</sup> with very few exceptions above this. These are more common in the closest area to the capital, and some negotiations for larger logistics spaces (between 10,000 and 20,000 m<sup>2</sup>) have been signed on the outskirts of the city.

## Economy - Madrid

Indicators - Madrid	Value
<b>General</b>	
Area (km <sup>2</sup> )	8,052
Population (inhabitants)	6,481,514
GDP growth in real terms (2010)	1.4%
<b>Logistics market indicators</b>	
Total km of motorways (11.5% of motorways + dual carriageways)	3.40
Airport freight	2
Stock of lorries and vans (2009)	64,687
Goods traffic on motorways (2010)	121.0 million Tm
Goods traffic by aeroplane (2010)	372.6 thousand Tm

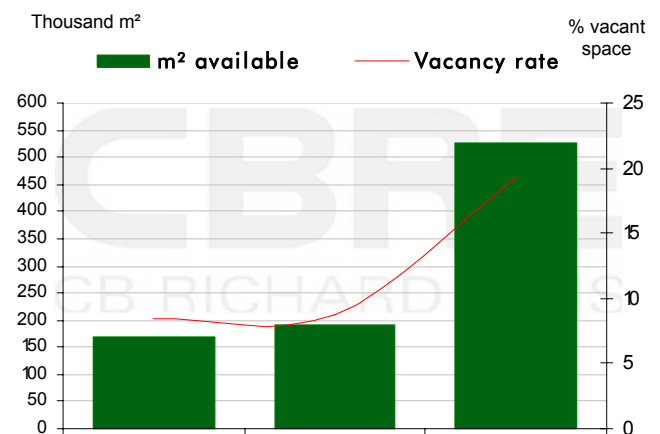
Source: INE and Ministry of Public Works

### Logistics space available - m<sup>2</sup>



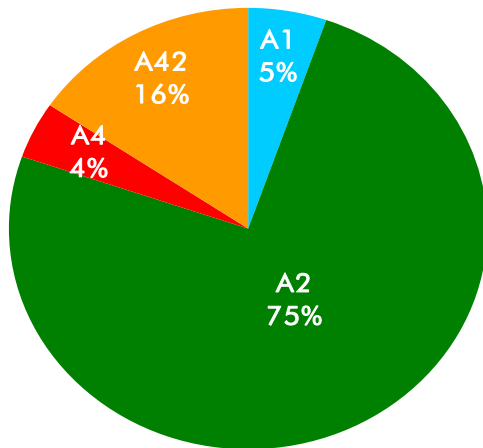
Source: CBRE

### Logistics space available



Source: CBRE

## Take-up by location

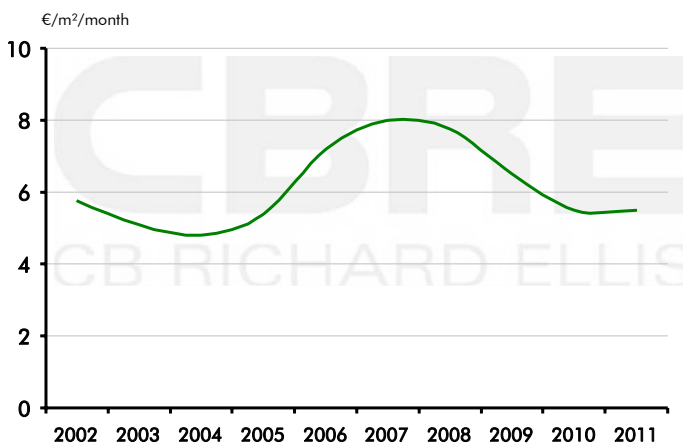


Source: CBRE

The A-2 heads up the take-up by area with 75% of total take-up, which is mainly due to the size and spread of the A-2 area. The A-2 has several local, regional and national logistics areas located in the vicinity, from Barajas to Torija. In addition to this, prices can be very affordable in some cases and there is more logistics space available. The A-42 (Toledo motorway) area comes second with regards to take-up (16% of total take-up). 5% of transactions were completed in the A-1 area and 4% in the A-4 area.

Although the prices are higher, local logistics space is also interesting for operators that operate nearby. Small logistics space is also available, where cost is relatively important.

## Change in maximum rental prices



Source: CBRE

The regional catchment area has been less interesting for operators, as a result of a decrease in prices in locations closer and further out of the city. Turnkey transactions are more affordable given the fall in land prices.

## Rents

Average rental prices fell by 2% last year. Rental prices in Algete, Leganés, Barajas and Azuqueca fell the most (between 9% and 11%). Rental prices remain unchanged in other areas with new developments such as Ontigola and Noblejas. These changes were a result of alternative supply, either because there is more space available or because the space is of higher quality than the average. Prices have remained stable in standard contracts compared to short-term contracts.

## Rents and prices

Area	Municipality	Land (Euros/m <sup>2</sup> )	Warehouse (Euros/m <sup>2</sup> /month)
A-1	San Agustín	150 – 180	4.00 – 4.20
A-2	Coslada	300 – 350	4.80 – 5.30
A-2	Alcalá de Henares	160 - 190	3.60 – 4.10
A-2	Azuqueca	130 – 140	3.20 – 3.50
A-2	Cabanillas	110 – 130	3.00 – 3.30
A-3	Vallecas	325 – 350	5.00 – 5.50
A-4	Getafe	250 – 300	4.20 – 5.20
A-4	Valdemoro	160 – 180	3.40 – 3.90
A-4	Seseña	120 – 140	2.75 – 3.10
A-4	Ontigola	75 - 90	2.80 – 3.00

Source: CBRE

As a result the market is beginning to stabilise, with two variables: the first, for an original product which can achieve the highest price; the second, for the supply of second hand properties with better specifications, where owners may be more reluctant to reduce prices.

After land prices fell by up to 50%, on average, land increased by 8.27%. This increase can be explained by higher prices in areas where both developers and occupiers are searching for logistics space. The increase in the demand for completed properties and turnkey projects may cause prices to increase further at the end of 2011 and in 2012. The sector is preparing for the market to recover, although it continues to be difficult to obtain financing.

## CATALONIA

Logistics activity in Catalonia has declined since the middle of the past decade and it has reduced over the past three years as a result of a lack of demand and private consumption.

Prices have fallen because of this reduction in demand and as a result of this reduction in costs, operators have opted for properties in the first area outside the city, where they can benefit from higher occupancy rates.

In addition, there has been an increase in requests for turnkey solutions, given the lack of supply of logistics platforms over 20,000 m<sup>2</sup>, which will have to be tailor-made. These projects are going to be built for leading firms in different logistics sectors.

### Supply

Total logistics stock in Catalonia, (platforms suitable for this use apart from other properties which are used for the same purposes), has risen to 3.1 million useable sqm. The vacancy rate is currently at around 25.5%, with almost 1.1 million m<sup>2</sup> of vacant space. We should point out the high vacancy rates in the regions of Barcelonés, Baix Llobregat and El Vallés, which are probably the highest vacancy rates since 2000

Current supply mainly consists of small logistics space and warehouses under 10,000 sqm with the potential to divide these into smaller modules. As a result, there are no large logistics warehouses on the market. With regards to the quality of the facilities available, there is vacant supply in all categories, from state-of-the-art logistics platforms, to empty properties which still need to adapt their facilities to regulations, in particular fire regulations.

There are two types of properties on the market: properties which are empty and are openly advertised by the owner or its manager and those which are occupied but have surplus space. These belong to logistics operators with space which they are trying to transfer to other companies. These tenants are trying to sublet or transfer this surplus space at more competitive prices due to the time constraints involved.

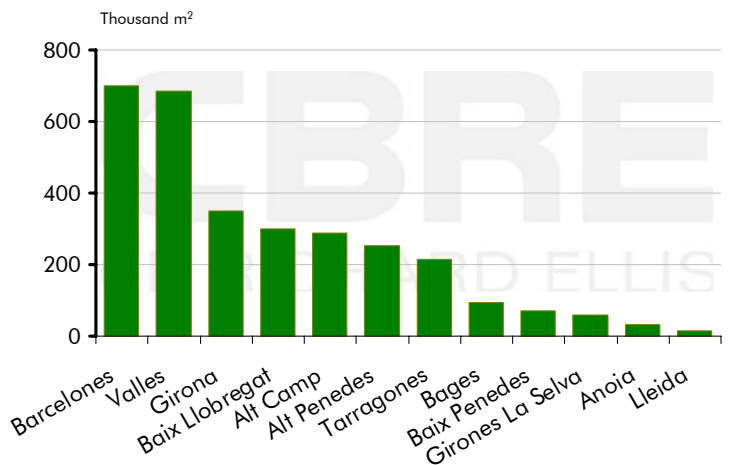
There continues to be a large amount of supply in the most outlying areas of the region such as Tarragona, although it is not easy to sign contracts because Barcelona is competitive and prices are low.

## Economy - Catalonia

Indicators - Catalonia	Value
<b>General</b>	
Area (km <sup>2</sup> )	32,091
Population (inhabitants)	7,535,251
GDP growth in real terms (2010)	1.1%
<b>Logistics market indicators</b>	
Total km of motorways (11.5% of motorways + dual carriageways)	11,981
Ports	2
Airport freight	4
Stock of lorries and vans (2009)	812,590
Goods traffic on motorways (2010)	222.5 million Tm
Goods traffic by aeroplane (2010)	103.9 thousand Tm
Goods traffic – Ports of Barcelona and Tarragona (2010)	76.34 million Tm

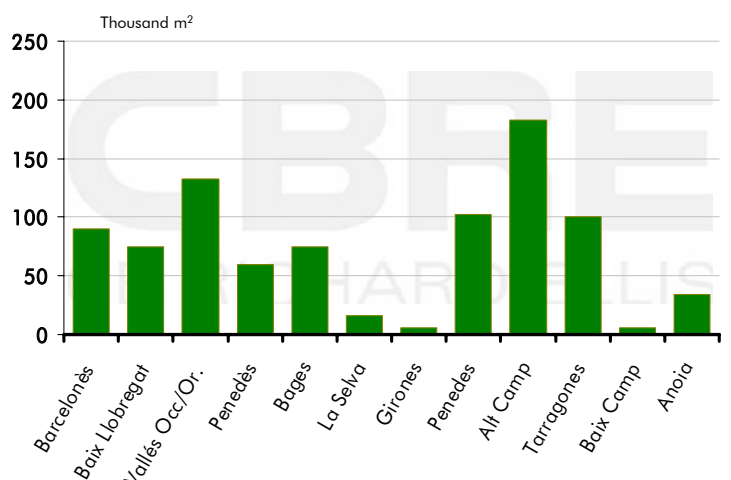
Source: INE and Ministry of Public Works

### Distribution of Logistics Stock



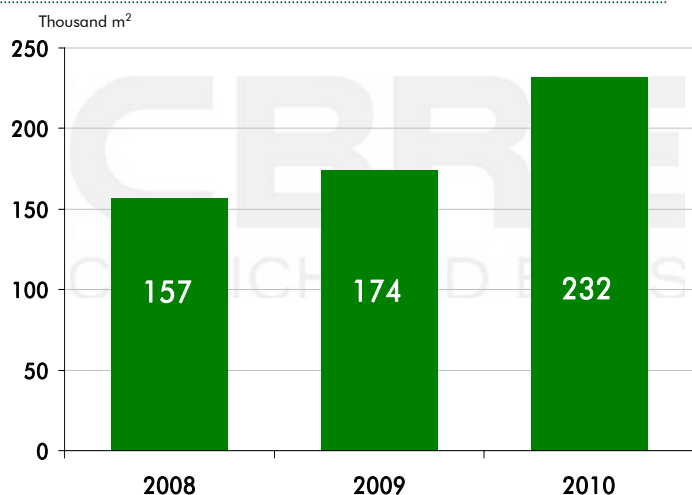
Source: CBRE

### Distribution of vacant space



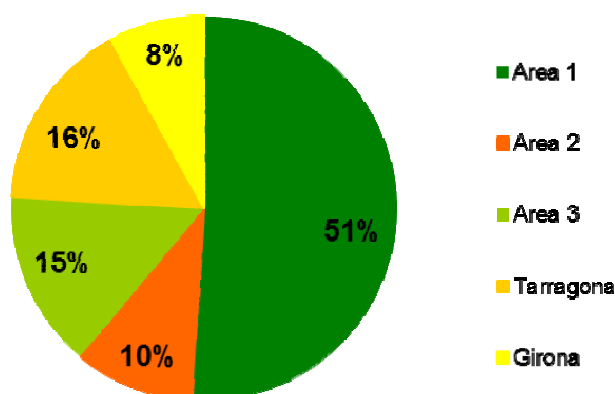
Source: CBRE

## Take-up



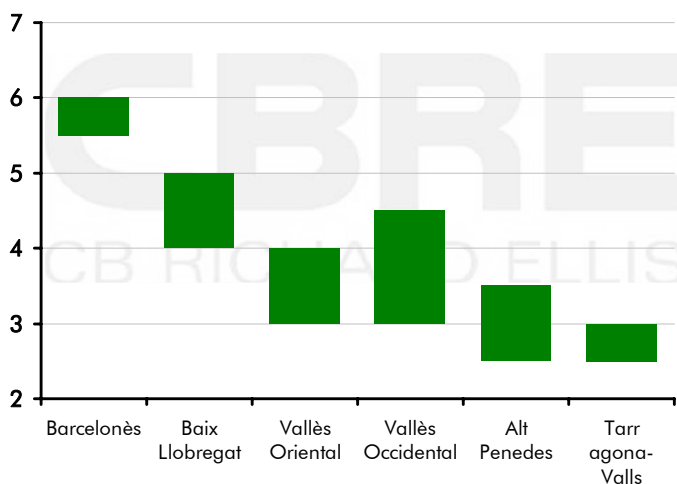
Source: CBRE

## Stock by area



Source: CBRE

## Rental prices (Euros/m<sup>2</sup>/month)



Source: CBRE

## Demand

Occupancy demand from logistics operators as well as companies and end users fell in the first half of 2011.

However, leading companies in the sector continue to look for space because they either want to expand their facilities in the future or they would like to relocate to areas closer to Barcelona. They are thinking about moving in the mid or long-term and the idea is to let space or even let with an option to buy.

These goals are justified by price corrections in the sector, where land values have fallen by over 45%, rental prices by 30% and sales prices by over 40%.

Demand has focused on the most developed business regions such as el Barcelonés, el Baix Llobregat and el Vallés Oriental/Occidental. These areas have better transport networks and an exemplary logistics set-up.

Demand has weakened considerably in areas outside of the capital such as Tarragona and international operators have lost some of their interest because prices are more affordable in Area 1.

Finally, following the general trend towards outsourcing, there have been very few new "tenders" in the final quarter of 2010 and this is not expected to improve much this year.

## Rents

Rental prices in the regional logistics sector continue to fall as a result of the high level of vacancy in the market, which is stopping prices from stabilising until the base rate reduces to 15% of stock. However, rents in the first half of 2011 have not reduced as much as they did last year, remaining between €5.50 and €6/m<sup>2</sup>/month in the areas closest to Barcelonés, although typical rents in the regions around Barcelona are between €3 and €5/m<sup>2</sup>/month.

Scaled rents are still being signed depending on the term of the contract – this model appears to have come about due to the national economic situation and the state of the sector.

Prices in periphery areas such as Tarragona remain historically low (between €2.50 and €3/m<sup>2</sup>/month) and things are not expected to improve very much in the short-term, given the increase in vacant supply.

## VALENCIA

Even though demand is weak due to the fact that occupied space is not being used to its full capacity, some transactions have taken place, with areas close to the capital being the preferred areas. Contracts have been finalised because prices have fallen, which makes the product more attractive. Business opportunities are expected to improve and prices are expected to stabilise from now on.

### Supply

The amount of supply should have increased in recent months, however this has not been the case, because there is hidden supply coming from companies which have a lot of surplus space and who have been privately negotiating with interested parties. On the other hand, the absence of new projects would cause the amount of vacant space to gradually decrease. Supply is more likely to remain stable until developer activity begins again, although at the moment, this would only be justified for turnkey transactions.

### Demand

There has been very little demand in the region – demand has focused on more liquid areas, such as Ribarroja and the main metropolitan area. The situation appears to have changed somewhat now, with a small but clear improvement in demand. Demand is coming from local or national companies which aim to establish themselves in the best logistics areas, which used to be Ribarroja and the metropolitan area.

### Prices

Rental prices have decreased by up to 40% compared to 2008 and are already close to potential minimum levels. Prices range from between €2 and €3.50 per m<sup>2</sup> per month, depending on the location.

Sales prices range from €250 to €750 per m<sup>2</sup> and there is less finance available in order to close these transactions.

There is still some room for negotiation in order to ensure results. Prices could continue to fall in the main areas such as Ribarroja or Paterna,, but this depends on the quality of the properties.

Industrial and logistics land prices have been more stable and transactions may improve at some point.

## Economy - Valencia

Indicators - Valencia	Value
<b>General</b>	
Area (km <sup>2</sup> )	23,255
Population (inhabitants)	5,111,767
GDP growth in real terms (2010)	0.3%
<b>Logistics market indicators</b>	
Total km of motorways (11.5% of motorways + dual carriageways)	8,560
Ports	3
Airport freight	2
Stock of lorries and vans (2009)	531,099
Goods traffic on motorways (2010)	169,4 million Tm
Goods traffic by aeroplane (2010)	14,5 thousand Tm
Goods traffic through Ports of Valencia (2010)	78.58 million Tm

Source: INE and Ministry of Public Works

### Rents (Euros/m<sup>2</sup>/month)

Area	Area 1	Area 2	Area 3
North	1.00 – 3.75	1.00 – 3.00	<1.00 – 3.00
Centre	1.00 – 4.00	1.00 – 3.50	<1.00 – 3.00
South	1.00 – 6.00	1.00 – 3.00	<1.00 – 2.75

Source: CBRE

### Sales prices (Euros/m<sup>2</sup>)

Area	Area 1	Area 2	Area 3
North	300 – 850	280 – 700	250 – 500
Centre	300 – 800	290 – 700	250 – 500
South	300 - 800	270 - 700	250 - 500

Source: CBRE

### Land prices (Euros/m<sup>2</sup>)

Area	Area 1	Area 2	Area 3
North	130 – 300	95 – 200	<95 – 160
Centre	130 – 300	130 – 300	<95 – 160
South	100 - 280	90 – 200	<95 - 160

Source: CBRE

## Economy - Zaragoza

Indicators - Zaragoza	Value
<b>General</b>	
Area (km <sup>2</sup> )	47,720
Population (inhabitants)	1,345,132
GDP growth in real terms (2010)	0.5%
<b>Logistics market indicators</b>	
Total km of motorways (11.5% of motorways + dual carriageways)	11,432
Stock of lorries and vans (2009)	165,969
Goods traffic on motorways (2010)	77.5 million Tm

Source: INE and Ministry of Public Works

## Warehouse prices (sale and rent)

Area	Industrial Estate	Sale price (Euros/m <sup>2</sup> )	Rental price (Euros/m <sup>2</sup> /month)
A-23	Ciudad del Transporte	550 – 750	2.50 – 3.00
A-23	Villanueva de Gállego	450 – 550	2.00 – 2.50
A-68	Empresarium	400 – 500	1.50 – 2.50
A-68	PTR	450 – 550	-
A-2	Cogullada	550 – 700	2.50 – 3.50
A-2	Malpica – La Puebla de Alfinden	500 – 600	2.00 – 3.00
A-2	Alfajarín	450 – 550	2.00 – 2.50
A-23	Cuarte de Huerva	500 – 600	2.00 – 3.00
A-2	PLAZA	550 – 650	3.00 – 3.50
A-2	Centrovía	450 – 550	2.00 – 2.50
A-68	El Portazgo	550 – 650	3.00 – 3.50
A-68	Utebo	500 – 600	2.50 – 3.00

Source: CBRE

## Land prices

Area	Industrial Estate	Land (Euros/m <sup>2</sup> )
A-23	Ciudad del Transporte	120 – 140
A-23	Villanueva de gallego	70 – 100
A-68	Empresarium	70 – 90
A-68	PTR	90 – 130
A-2	Cogullada	125 – 150
A-2	Malpica – La puebla de Alfinden	80 - 110
A-2	Alfajarín	-
A-23	Cuarte de Huerva	80 – 120
A-2	PLAZA	120 – 140
A-2	Centrovía	70 – 100
A-68	El Portazgo	-
A-68	Utebo	90 - 120

Source: CBRE

## ZARAGOZA

The capital of Aragón continues to be a key location for transport and logistics activities, with 57.9% of inter regional goods passing through the area.

### Supply

With an increase in the amount of vacant space in recent months, new logistics supply has come to a standstill. This does not just include expected extensions of industrial areas, but also includes projects which have been drafted already. Most of the quality supply is located in the Madrid corridor in the Centrovía and Plaza industrial estates, although it is possible to find good quality properties in other areas. Although this seems somewhat strange, most of the completed logistics supply is located in Malpica, in the Estesa I and II buildings with 15,000 and 65,000 m<sup>2</sup> respectively.

### Demand

Demand has fallen over the past three years and transactions for smaller than usual logistics space have been completed. Most of the demand is for the closest and highest quality industrial areas such as Plaza, Centrovía and Malpica.

The logistics space taken recently, has been between 1,200 and 12,000 m<sup>2</sup>, with the majority being in the lower half of this range. However, the occupants are international companies, so the owners are satisfied with the agreements.

### Prices

Prices have fallen between 10 to 15% over the past year, both as a result of the lack of financing, as well as an increase in vacancy. Plaza has a reference rental price of between €3 and €3.50/m<sup>2</sup>/month.

Sales prices have experienced similar declines, with a minimum of €400/m<sup>2</sup> and a maximum of €750/m<sup>2</sup>. This is not just based on the quality of the property, but also on the size and the location of the property.

There have been no land sales, although land prices have remained unchanged. Developers are waiting for operators to arrive in order to carry out turnkey projects, adjusting the land and the final construction. As there is hardly any land on the outskirts of Zaragoza, there is more supply outside Area 2, in towns such as Alfajarín, Zuera, Figueruelas and Cadrete. There is also land available in PTR, Cuarte de Huerva and Centrovía.

## MALAGA

Malaga is awaiting the approval of the new General Urban Development Plan (PGOU), which will free up considerable amounts of land for logistics use (185,000 m<sup>2</sup> of buildable area) which will change the situation in the area. Logistics activity is restricted as a result of the market situation.

### Supply

Vacancy has increased in logistics warehouses in recent months. The average vacancy rate is 43.1% if we take the Antequera area into account, where the majority of vacant space is located. If we do not take this area into account, the average vacancy rate is 22.2%. Once Malaga's new PGOU has been approved, companies will relocate, leaving their current facilities to gradually occupy new space in the best connected areas with the best specifications.

Existing large projects have been postponed until the plan has been approved, or because of the uncertainty resulting from a lack of demand and the ability to obtain financing.

### Demand

Some logistics operators in the area have left the market because of a lack of quality opportunities at good prices. Other operators that remain in the area have surplus space due to the business environment. Demand is expected to improve when the city's Vía Híper-ronda opens, which will improve transport links with the development of new industrial areas in the north. The improved connections will attract new demand and will encourage firms currently in the area to relocate.

### Prices

Prices will continue to fall but they could recover when new projects are operating. Top tier companies will not mind paying more for good, modern facilities with better transport links than those that are there at the moment.

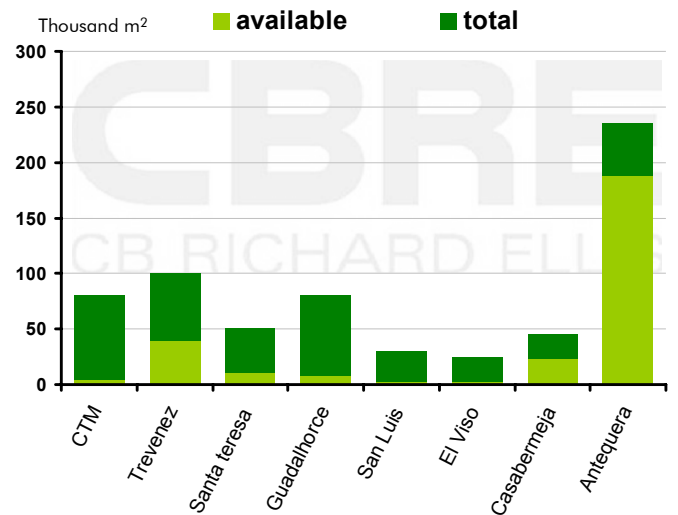
Rental prices range between €2.00 and €4.50/m<sup>2</sup>/month, although medium-sized and small areas could reach up to €6/m<sup>2</sup>/month in the Transport Centre. Sales prices are estimated to be between €350 and €900/m<sup>2</sup>. Guadalhorce is the main industrial estate. There is currently very little land available and transactions are not being completed, but when they do take place, the cost of a plot could be around 40% of the price of the completed property.

## Economy - Malaga

Economic Indicators - Malaga		Value
<b>General</b>		
Area (km <sup>2</sup> )		87,597
Population (inhabitants)		8,415,490
GDP growth in real terms (2010)		0.8%
<b>Logistics market indicators</b>		
Total km of motorways (11,5% of motorways + dual carriageways)		23,504
Ports		6
Airport freight		2
Stock of lorries and vans (2009)		891,935
Goods traffic on motorways (2010)		17.1 million Tm
Goods traffic by aeroplane (2010)		8.5 thousand Tm
Goods traffic - Ports of Andalusia (2010)		109.44 million Tm

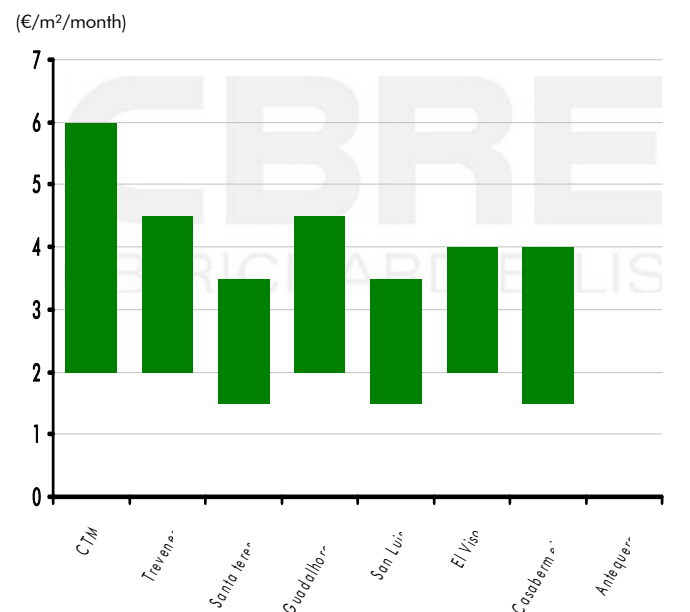
Source: INE and Ministry of Public Works

### Stock and availability



Source: CBRE

### Maximum and minimum rental prices



Source: CBRE

## Economy – Balearic Islands

Economic Indicators - Palma de Mallorca		Value
<b>General</b>		
Area km <sup>2</sup> (Balearic Islands)		4,992
Population (inhabitants – Balearic Islands)		1,112,712
GDP growth in real terms (2010)		0.90%
<b>Logistics market indicators</b>		
Total km of motorways (8.5% of motorways + dual carriageways)		2,167
Ports		3
Airport freight		1
Stock of lorries and vans (2009)		130,991
Goods traffic by aeroplane (2010)		17.2 thousand Tm
Goods traffic by aeroplane (2010)		11.7 million Tm

Source: INE and Ministry of Public Works

## New Supply

Area	Product	Area (m <sup>2</sup> )
Son Morro	Industrial warehouses	10,000
Son Morro	Warehouses	6,000
Son Oms	Modules	20,000
Pol. Son Castello	Retail warehouses	12,000
Son Oms	Modular warehouses	9,500
Marratxi	Industrial warehouses	4,000

Fuente: CBRE

## Precios de alquiler

Area	Industrial estate	Warehouse rental prices €/m <sup>2</sup> /month	Distance
North	Son Castelló	5.00 - 8.00	5
North	Can Valero	5.00 - 8.00	2
North	Son Rossinyol	7.00 - 8.00	4
North	Son Fuster	500 - 8.00	4
East	Levante	6.00 - 8.00	2
East	Son Oms	6.00 - 8.00	12
East	Son Morro	6.00 - 8.00	4

Source: CBRE

## Sales prices

Area	Industrial estate	Warehouse sales prices €/m <sup>2</sup>	Land sales prices €/m <sup>2</sup>
North	Son Castelló	1,350 - 1,750	750 - 1,200
North	Can Valero	1,300 - 1,700	800 - 1,200
North	Son Rossinyol	1,500 - 1,800	800 - 1,200
North	Son Fuster	1,300 - 1,500	800 - 1,000
East	Levante	1,450 - 1,600	800 - 1,250
East	Son Oms	1,200 - 1,600	850 - 900
East	Son Morro	1.250 - 1.600	800 - 1,200

Source: CBRE

## PALMA DE MALLORCA

The Balearic Islands market is improving as a result of foreign investment and tourism from northern Europe, where the Balearic Islands is still the preferred destination. Consumption demand seems to be improving and this could drive logistics activity.

### Supply

The logistics market is only for internal consumption which is why hardly any new projects have been started. Because of a lack of requirements, the properties are not very high-quality and they are sometimes outdated, but they are sufficient for their purpose. Almost all supply is located close to Palma, less than 12km away.

Given the fact that there is enough supply, there are no new projects being built and the market is waiting for the space which has already been developed to be taken up. Local developers are waiting for requests.

### Demand

Consumption has started to drive demand and requests are starting to come up, although only for properties to let. There is no demand for properties for sale. International operators are not ruling out acquiring large spaces on the outskirts of Palma, given the business interests in this location.

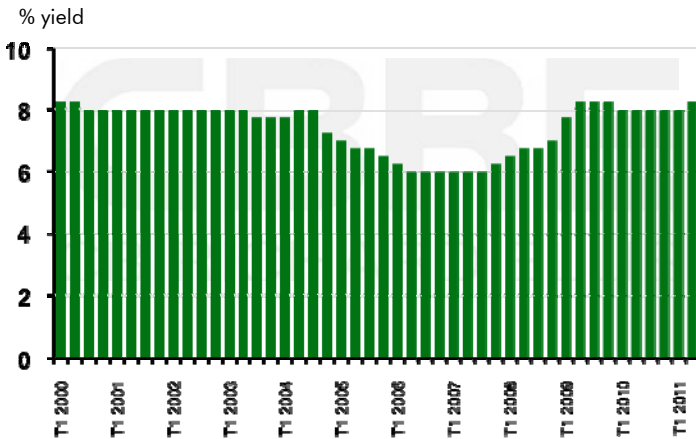
### Prices

Industrial rental prices in Palma have fallen in recent years. Just last year, maximum prices fell by 17%. The reason why prices have remained high is because the properties are located close to Palma, where it is difficult to find larger logistics spaces.

Sales prices remain high for the same reason, although in this case as the land value is more expensive on the islands than in other areas, this has limited the amount of new facilities being built, as well as sales transactions from improving.

The market trend in this region appears to be more flexible with regards to rents and demand appears to satisfy the supply requirements of hotels and tourist facilities. Meanwhile, sales of logistics properties are subject to the availability of financing, particularly for local industries.

**Change in yields**



Source: CBRE

**Main logistics catchment areas**



**INVESTMENTS**

The current outlook with regards to real estate investments in some way favours the logistics sector, since investors require a secure product with a high yield, which is exactly what “sale & leasebacks” on logistics platforms can offer.

There have not been many business opportunities in recent months, but significant transactions have been completed. In the first half of 2011 over €125 million worth of investment transactions of logistic properties were completed, which is similar to the amount recorded for the whole of 2010.

**Yields**

Yields have fluctuated depending on the different options in the market and in recent quarters the trend has been towards them moving out somewhat in order to encourage transactions. In the logistics sector, the acceptable yield may be lower than the general yield ranges in the market, because they have a guaranteed product, where the seller is committed to occupying the property as a tenant, for the long or medium-term.

Yields for logistics properties currently fluctuate between 8% and 8.25%. These may begin to harden or move out depending on whether there is an increase in take-up.

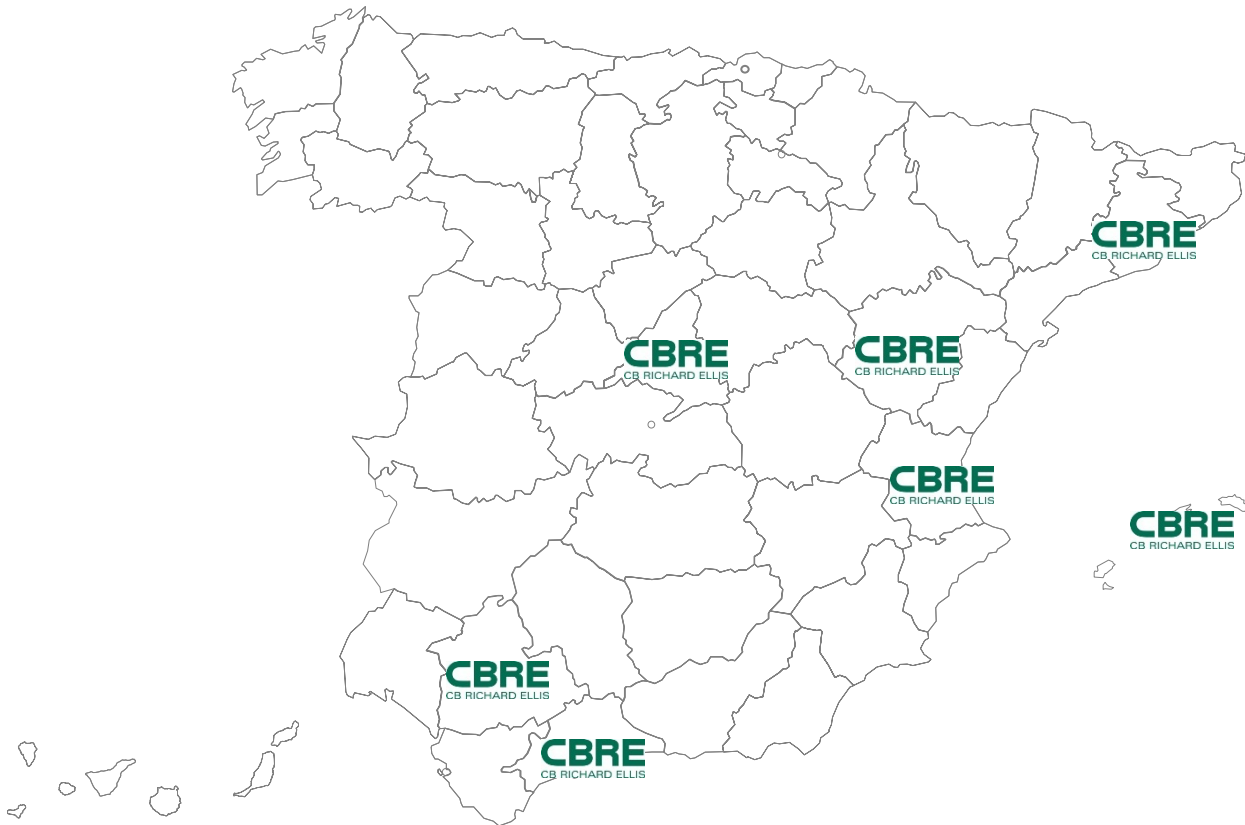
**Supply**

Investment supply comes from either distribution companies which acquired land and built on it in order to subsequently let the space, or from investors that decided to renew their portfolio in order to rotate their properties. There is less supply in the market and as a result, there is more demand than supply. This is good for the market because owners need to refinance their debt or because there are opportunities to buy other companies within the industry and they need capital for these purchases, which can be obtained via selling their properties.

**Demand**

Investors in the logistics market are generally specialised in these types of properties. Investment funds may also be interested in these properties. Recently, private investors are working together to purchase logistics platforms. These new investors are Spanish family firms that have a better understanding of the market; however, there is usually a balance with foreign buyers, such as investment funds for example.

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