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How Competitive Loans Can Drive Logistics Investment in Spain & Portugal

By **CHARLIE ARMSTRONG** 8th March 2022

There are sunny times ahead for the European logistics market.

And just like most sun-deprived Brits at this time of year, UK lenders are looking towards the continent for a piece of the action.

The same factors that have driven the UK's logistics and warehousing sectors to become the country's most investable real estate seem to be at play in Spain and Portugal.

This should greatly play into the hands of London-based lenders who both understand the sector, having supported its growth in the UK, and who have capital to deploy.

CBRE reported a 140 percent global increase in online sales between 2015 and 2020 – an addition of $1 trillion to the total market value of e-commerce.

As a result, demand for logistics space is at a record high as companies around the globe process more orders.

Therefore, unsurprisingly, vacancy rates are at record lows and rents on logistics assets at record highs: prime rents in Lisbon increased by 20 percent in 2021.

Meanwhile in Spain, the above average GDP growth has led experts to place it in the 'accelerated transition' category for e-commerce growth – alongside global leaders like China, Singapore, and Indonesia.

Rapid e-commerce growth inevitably will drive demand for logistics space, which is already at a premium due to Spain's high levels of urbanization (82%).

The relationship between e-commerce and demand for logistics space is now well-established.

The UK is a case in point.

Back in 2020, Cushman & Wakefield reported that the UK had the most mature e-commerce market in Europe, and the third most mature e-commerce market in the world.

Over the past two years, this has driven demand for logistics space to new heights.

2021 was a year of record investment and record sales, with over 70 million square feet of warehouses transacting for over £17 billion.

Similar patterns were observed in Poland and Germany, where high e-commerce market penetration was followed by significant rent increases on logistics assets.

There is good reason to think that Spain and Portugal will follow suit.

We are already seeing evidence of investor confidence. The capital volume invested in logistics in Spain has increased by 212 percent compared to the five-year H1 average.

Surveys of investors conducted by Savills found that Portugal and Spain are already two of the most desired investment locations in Europe.

Indeed, several large players have already emerged in the Spanish logistics markets willing to spend millions, such as Aberdeen Standard European Logistics Income PLC who purchased a €227 million portfolio in Madrid at the end of last year.

Amidst the increased levels of demand and tight supply, investors will need to generate a competitive advantage over other investors.

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One way of doing so is through exploring refinancing options to fund new acquisitions or pay down existing loans, at a lower interest rate.

With the statistics set out in this article and the view that real estate is seen as a safe place to park capital during times of high inflation, it is little surprise that many alternative UK-based lenders such as debt funds and family offices are keen to lend against Spanish and Portuguese real estate assets.

For owners of Spanish and Portuguese logistics assets, accessing the London Finance market might seem daunting, however an increasing number of sophisticated debt advisers are acting as the bridge between UK investment and these European opportunities.

E-commerce growth, investor confidence, and macroeconomic buoyancy will sustain a logistics boom in Spain and Portugal.

Lenders in London have the asset class experience, international funding lines and risk appetite to take advantage.

Read the full article here.

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