M A R K E T B E AT

SPAIN

HS Retail Q3 2021

	YoY change	12-month forecast
225 (€/sq m/month) Prime Rent Madrid	▼	—
230 (€/sq m/month) Prime Rent Barcelona	▼	—
3.50% Net Initial Prime Yield	—	—

ECONOMIC INDICATORS - SPAIN Q4 2021 (YoY change)

4.9%	Annual change GDP	▲
14.6%	Unemployment rate - Spain	▼
11.8%	Unemployment rate - Madrid region	▼
10.9%	Unemployment rate - Catalonia	

Source: National Statistics Institute

Fall in vacant floorspace (Prime and SuperPrime areas)

Bricks & mortar retail is gradually reasserting its dynamism.

There is a general trend towards a reduction in vacant floorspace along the leading high streets of both Madrid and Barcelona and within their Prime and SuperPrime stretches. As mentioned in previous reports, the recovery of the market for high street premises is uneven according to which thoroughfare we are dealing with.

If we analyse premises located in the Prime and SuperPrime areas of Madrid, the third quarter of 2021 closed with a vacancy rate of 3.8%. This is lower than the level seen during the first quarter of 2020; in other words below the rate existing prior to Covid-19. Of the almost 300,000 sq m of retail floorspace in these areas, only 11,200 sq m lie vacant (spread over 45 premises).
A comparison between streets sheds a different light on performance. Vacancy rates for the streets Preciados, Serrano and Fuencarral continue to contract, amounting to 0.5%, 1.0% and 2.1% respectively at the close of September. The trend is somewhat different with respect to Ortega and Gasset, where the vacancy rate has remained at 14% over the past year. Goya meanwhile is still not showing a trend towards recovery and the figure for vacant floorspace is on the rise. Despite the significant drop in footfall as a result of reduced tourism, Gran Vía is showing a vacancy rate of 7% along its Prime and SuperPrime stretches. This figure, however, is affected by the premises at number 35 (3,385 sq m), the use of which is dotational (which means it's only fit for a specific type of tenant).

The Prime and SuperPrime stretches of Barcelona's main retail high streets closed September with a vacancy rate of 7.6%. This rate is still above the figure seen prior to Covid-19 (3% in March 2020). Although the volume of vacant retail floorspace in Barcelona is on the decline, the impact of the reduction in the number of tourists continues to affect the rate of recovery.
The market is evolving at a variable pace according to high street. Portal de L'Ángel and Passeig de Gràcia have seen declines in the volume of available floorspace and are showing vacancy rates of 3.8% and 6.8% respectively. In contrast, the volume of vacant floorspace along Portaferrisa has grown over recent quarters. Similarly, the trend for Pelai does not point towards recovery and its vacancy rate stands at 10%. This figure is very similar to that of Rambla Catalunya (10.4%), where any resurgence is clearly sluggish.

Vitality in terms of lease deals

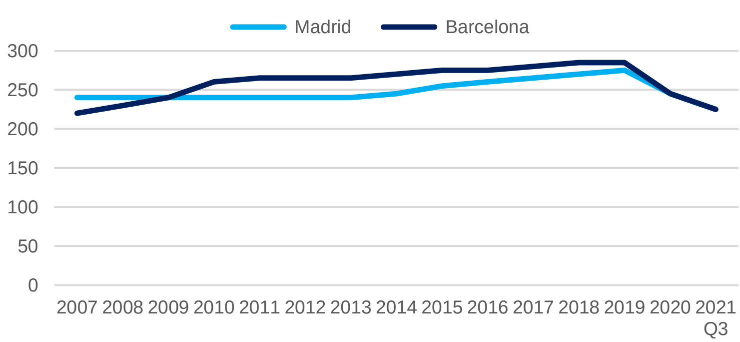
A total of 26 lease deals have been struck in the two cities during the third quarter of 2021(10 in Madrid and 16 in Barcelona). This represents retail floorspace take-up of 12.400 sq m. The aggregate for the past 12 months shows a quarterly average of 21 deals, above the pre-Covid19 average of 18 transactions between Q4 2018 and Q3 2019. The same performance is noted in terms of retail floorspace occupancy: the quarterly average for Q4 2020 – Q3 2021 is some 22% higher than the figure prior to Covid-19 (Q4 2018 – Q3 2019), namely 8,475 sq m vs 6,925 sq m.

Growth in the number of lease deals exceeding 300 sq m has also been noted. During the first half of 2021, almost 80% of the contracts signed related to premises of less than 300 sq m. In contrast, 12 of the 26 deals struck over the past three months were for floor areas exceeding 300 sq m.

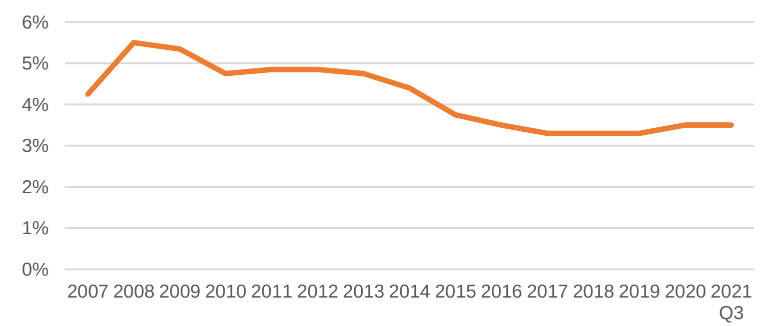
High Street Investment

2021 has so far seen an aggregate figure of 300 million Euro invested in the acquisition of high street retail premises.
This figure has been driven by two deals: the acquisition of a premises located at nos.9-11 Avinguda Del Portal de L'angel: €80 million and lthe acquisition of the premises at no.11, Puerta del Sol: €81 million.
The prime yield remains at the same level recorded during the second quarter of 2020: 3.50%.

PRIME RENT MADRID AND BARCELONA



NET INITIAL PRIME YIELD - SPAIN



MARKETBEAT

SPAIN

SC & RP Retail Q3 2021

	YoY change	12-month forecast
72.0 (€/sq m/month) Shopping Centre Prime Rent	▼	—
19.25 (€/sq m/month) Retail Park Prime Rent	▼	—

ECONOMIC INDICATORS - SPAIN Q4 2020 (YoY change)

	YoY change	12-month forecast
+10% Retail Sales Growth	▲	▲
+6.0% Shoppertrack footfall 12 month change	▲	▲

Source: Cushman & Wakefield, INE and Shoppertrack

Market context

Footfalls in Shopping Centres and Retail Parks have increased continuously in step with the progress of the Covid-19 vaccine rollout. The majority of the restrictions in place due to the pandemic have been cut back to a minimum or eliminated entirely.

In comparison with preceding months, the Leisure sector, and in particular the Cinema sub-sector, has recorded a reduced fall in sales during the final month of the third quarter. Cinemas have regained the possibility of operating at full capacity since September. Together with the restaurant and catering sector, the cinema sector is hoping to record an increase in sales over the coming months.

The Christmas campaign will be particularly significant this year in order to calibrate the performance of retailing in general and shopping centre retailing in particular. It is also likely that Christmas shopping will be brought forward due to the looming threat of product shortages owing to supply chain issues.

Retail parks and supermarkets – growing interest

The recovery of this segment has been conspicuously faster than other retail businesses. This trend has consolidated over recent months, meaning that these assets have greater potential in the eyes of investors and are gradually attracting the attention of institutional investors. Levels of uncertainty are falling and there is growth in the number of studies of new acquisitions of Retail Parks. A number of the buyers that are evaluating this market may even carry out their acquisitions with no need for external funding.

The prime yields for Retail Parks stood at around 6.00% at the close of September. However, due to growing interest on the part of buyers, it is likely that these will be subject to compression by the close of 2021.

The buyer dynamics are different with respect to supermarkets and hypermarkets: the interest of investors in acquiring assets related to the food retailing sector has remained constant. 2020 was a record year for investment in supermarkets, amounting to around 600 million Euro. This represented an increase of 355 million in comparison with 2019.

The figure for Spain as a whole for this type of portfolio is expected to break the previous investment record and reach 760 million Euro.

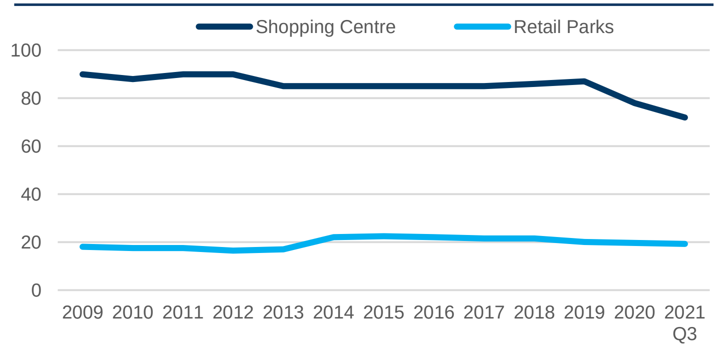
Shopping Centres – reduced uncertainty

Following 18 months of relative calm on the part of investors, a period in which misgivings driven by the performance of Shopping Centre markets in the United States and the UK (markets that are radically different to the Spanish market with respect to aspects and dimensions) converged with the outbreak of the health crisis, the clouds of uncertainty are gradually dispersing.

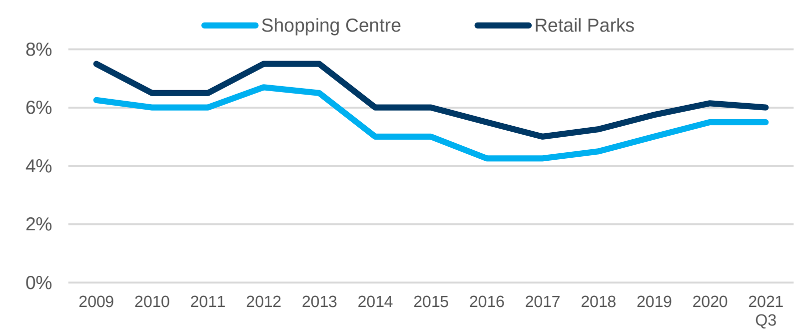
Shopping centres in Spain have overcome these tribulations without suffering major structural changes. A number of trends have strengthened over the months of the pandemic despite the boom in e-commerce. These correspond to the trends seen by this segment prior to Covid-19: the improvement of user experiences and diversification of leisure offerings.

As a result, a moderate resurgence of interest on the part of investors in studying possible acquisitions of Shopping Centres is noted. Nevertheless, throughout this buyer drought a number of funds have continued to exist who specialise in retail focused on high quality Shopping Centres that dominate their catchment areas and whom, until the arrival of the pandemic, continued to grow revenue and footfall.

PRIME RENTS - SPAIN (€/sq m/month)



PRIME YIELDS - SPAIN



MARKETBEAT

SPAIN

HS, SC & RP Retail

MAIN ACQUISITION DEALS - 2021

PROPERTY	TYPE	SUB-MARKET	VENDOR	BUYER	AREA (sq m)	PRICE (€m)
	Supermarket	Spain	Mercadona	MDSR Investments	37 premises	103.0
	Supermarket	Spain	Confidential	Realty Income	7 premises	93.0
	Supermarket	Spain	Carrefour	Realty Income	Porfolio	93.0
	High Street	Madrid	Invesco	Bankinter	1,134	81.0
	High Street	Barcelona	Confidential	BMO RE Partners		80.0
	Supermarket	Spain	Confidential	Realty Income Corporation	3 premises	64.0
	Supermarket	Spain	MDSR	Realty Income		64.0
	Supermarket	Spain	Lar Real Estate	Blackbrook Capital		59.0

MAIN PROJECTS IN PIPELINE

LOCATION	NAME	TYPE	AREA (sq m)	OWNER / DEVELOPER
Torrejón de Ardoz	Oasiz	Shopping Centre	91.000	Compagnie de Phalsbour
Benidorm	Benidorm-Terra Village	Shopping Centre	58,341	Unibail Rodamco Westfield
Lleida	Promenade Lleida	Shopping Centre	56,000	Eurofund
A Coruña	Breogan Park	Retail Park	45,000	
Vilanova i la Geltrú	PC Vilanova	Retail Park	32,000	Cel Urbá
Marbella	Marbella Plaza	Shopping Centre	30,000	
Vilanova i la Geltrú	Nova Centre	Theme oriented Park	28,400	Titán Properties Socimi
Cáceres	WAY Cáceres	Retail Park	24,964	Kronos

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