

**225** (€/sq m/month)  
Prime Rent Madrid

YoY  
change

12-month  
forecast

**230** (€/sq m/month)  
Prime Rent Barcelona

**3.50%**  
Net Initial Prime Yield

#### ECONOMIC INDICATORS - SPAIN Q4 2021 (YoY change)

**4.75%**

Annual change in GDP

**15.1%**

Unemployment rate - Spain

**12.5%**

Unemployment rate - Madrid region

**12.8%**

Unemployment rate - Catalonia

Source: National Statistics Institute

### Uneven recovery (Prime and SuperPrime areas)

Along with consumer savings levels at an all-time high, the advanced rollout of vaccines has reactivated operators' strategic plans, leading to growth in lease deals and increased turnover on the SuperPrime and Prime stretches of the main retail thoroughfares in Madrid and Barcelona.

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 fourth quarter of 2021 closed with a vacancy rate of 4.5%. This is lower than the level seen during the third quarter of 2020; in other words below the rate existing prior to Covid-19, when the vacancy rate in the same areas stood at 4.9%. Of the almost 300,000 sq m of retail floorspace in these areas, only 13,330 sq m lie vacant (spread over 39 premises).

A comparison between streets sheds a different light on performance. Vacancy rates for the streets Preciados and Serrano continue to undergo compression, amounting to 0% and 2.3% respectively at the close of September. The trend is somewhat different with respect to Ortega y Gasset, where the vacancy rate has remained at around 14% over the past year. Goya saw a change in trend over the final quarter of the year and also experienced a fall in the vacancy rate having witnessed an increase in the number of vacant premises in preceding quarters. Despite the significant drop in footfall as a result of reduced tourism, Gran Vía is showing a vacancy rate of 10.6% along its Prime and SuperPrime stretches. This figure, however, includes the premises at number 35 (3,385 sq m), the use of which is institutional.

The Prime and SuperPrime stretches of Barcelona's main retail high streets closed the year with a vacancy rate of 9.0%. This rate is still above the figure seen prior to Covid-19 (3% in March 2020). The impact of the reduction in the number of tourists continues to affect the pace of recovery in the Catalan capital.

The market is evolving at a variable speed according to high street. The number of vacant premises on Portal de L'Àngel rose during the final quarter of 2021, whereas vacant floorspace on Passeig de Gràcia fell. There were slight falls in vacant floorspace on Portaferrià, Pelai and the Rambla Catalunya.

### Vitality in terms of lease deals

A total of 24 lease deals have been struck in the two cities during the fourth quarter of 2021 (8 in Madrid and 16 in Barcelona). This represents retail floorspace take-up of 6,145 sq m. The aggregate for the past 12 months shows a total of 92 deals, above the pre-Covid-19 level of 82 transactions during 2019. The same performance is noted in terms of retail floorspace occupancy: throughout 2021 some 34,500 sq m of retail floorspace was let, a rise of 6% in comparison with 2019 (take-up of 32,600 sq m).

The levels seen prior to the pandemic have, in other words, been recouped, both in terms of the number of deals and space occupancy.

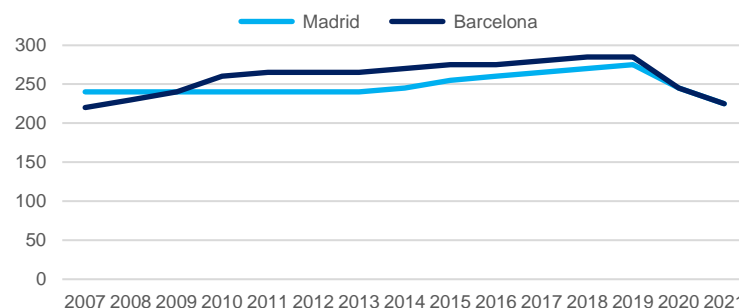
With respect to transaction size, deals relating to premises of up to 300 sq m predominated during the first half of 2021. Floor areas in new contracts began to grow during the second half of the year and the number of deals relating to spaces of between 300 and 800 sq m increased.

### High Street Investment

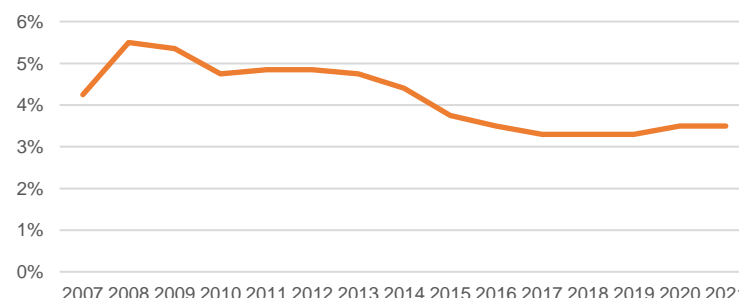
2021 saw an aggregate figure of 620 million Euro invested in the acquisition of high street retail premises.

Investor activity has been on the rise over recent quarters, it being important to bear in mind that interest in these types of assets has not waned since the beginning of the pandemic.

#### PRIME RENT MADRID AND BARCELONA



#### NET INITIAL PRIME YIELD - SPAIN



**72.0** (€/sq m/month)  
Shopping Centre Prime Rent

YoY  
change

12-month  
forecast

**19.25** (€/sq m/month)  
Retail Park Prime Rent

#### ECONOMIC INDICATORS - SPAIN 2021 (YoY change)

**+23.5%**

Retail Sales Growth  
12 month change

YoY  
change

12-month  
forecast

**+20%**

Shoppertrack footfall  
12 month change

Source: Cushman & Wakefield, INE and  
Shoppertrack

#### Market context

Shopping centre performance was impacted during the first quarter of 2021 by reduced footfall and sales volumes as a consequence of restrictions imposed in some areas and even the closure of businesses in some cases (e.g. restaurant and leisure businesses in some regions). This was a result of the rise in infections.

The recovery of pre-Covid sales levels for shopping centres speeded up during the second half of the year (source: portfolio of shopping centres and retail parks under the management of Cushman & Wakefield). Some sectors have already recovered their 2019 sales levels during 2021. This is the case for Household and Sports goods, which in 2021 have already returned to the level prior to the pandemic. At the other extreme we find leisure, where 2021 sales represent approximately half of the figure for 2019. Nevertheless, the trend for this sector during the second half of the year also improved. The pace of the recovery in shopping centre sales to pre-Covid-19 levels is faster than the recovery in footfall. This indicates a change in consumer behaviour, with shoppers visiting centres less often in 2021 though with a higher average spend per visit.

#### 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 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 (to 5.75%).

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. This represented an increase of 355 million in comparison with 2019.

This trend held throughout 2021 and the total figure for Spain for these types of portfolios amounted to €537 million.

#### Shopping Centres – reduced uncertainty

Following almost 2 years 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.

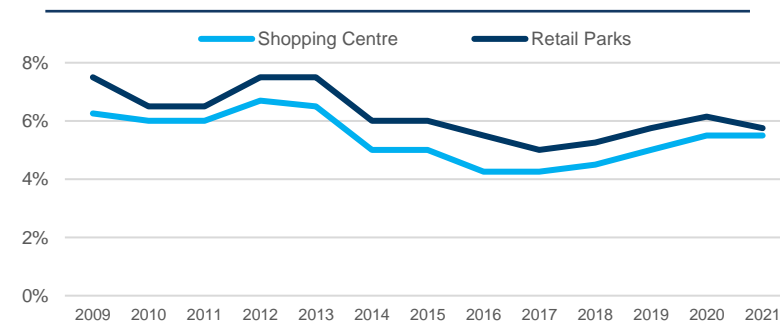
Shopping centres in Spain have overcome these tribulations without suffering major structural changes. A number of trends have strengthened over the months of the pandemic despite the boom in e-commerce. These correspond to the trends seen by this segment prior to Covid-19: the improvement of user experiences 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 which, until the arrival of the pandemic, continued to grow revenue and footfall.

#### PRIME RENTS - SPAIN (€/sq m/month)



#### PRIME YIELDS - SPAIN





## MAIN ACQUISITION DEALS - 2021

PROPERTY	TYPE	SUB-MARKET	VENDOR	BUYER	AREA (sq m)	PRICE (€m)
	Supermarkets	Various	Mercadona	MDSR Investments	37 units	103.0
	Supermarkets	Catalonia	Merlin Properties	Realty Income	123 units	100.0
	Supermarkets	Various	Carrefour	Realty Income	7 units	93.0
	High Street	Madrid	Invesco	Bankinter	1,134	81.0
	High Street	Barcelona	Confidential	BMO RE Partners		80.0
	Supermarkets	Various	MDSR	Realty Income Corporation	3 units	64.0
	Supermarkets	Various	Lar Real Estate	Blackbrook Capital		59.0

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