

SPAIN

High Street Retail Q1 2022

Uneven recovery (Prime and SuperPrime areas)

Along with consumer savings levels at an all-time high, the rapid pace of vaccination 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 first quarter of 2022 closed with a vacancy rate of 4.1%. This is lower than the level seen during the first quarter of 2020; in other words below the rate existing prior to Covid-19, when the vacancy rate for the same area was 5.1%. Of the almost 300,000 sq m of retail floorspace on the Prime and SuperPrime stretches of the 6 main high streets in Madrid, only around 12,000 sq m is vacant, these being shared between 25 premises.

When comparing high streets, each is subject to its own circumstances. The prime stretches of Goya and Fuencarral are approaching pre-Covid levels in terms of both vacant premises and vacant retail floorspace. Whilst Preciados is fully occupied, Ortega y Gasset remains unchanged with respect to the previous quarter. With 7,500 of its 66,000 sq m retail floorspace remaining available (corresponding to 8 premises), the vacancy rate for Gran Vía is likewise unchanged. It is important to bear in mind that 3,385 sq m of this vacant floor area belongs to the premises located at number 38 (for institutional use). Goya has been particularly active, with 9 of 13 premises that had been vacant finding occupants.

Barcelona, anticipating the return of foreign tourists

Although this report brings together the performance of retail premises in Madrid and Barcelona, the two markets have ceased to be comparable in terms of various parameters since the beginning of the pandemic. The most significant difference is the trend in the vacancy rate.

Barcelona has a high street retail premises market that is sized according to the international tourists that it receives every year.

Therefore, it is expected that the revival of international tourism will be the driving force in the coming quarters and, consequently, a decrease in the available area is expected.

In terms of comparing high streets, Pelai has seen a fall in vacant retail floorspace, the same being true to a lesser extent for Portaferrisa and Rambla Catalunya. Portal de L'Àngel and Passeig de Gràcia have remained practically unchanged.

Vitality in terms of lease deals

In terms of lease deal activity, the vitality recorded in 2021 has been sustained in both Madrid and Barcelona. A total of 36 lease deals were struck in the two cities during the first quarter of 2022 (20 in Madrid and 16 in Barcelona). This is the highest figure for the past three years and represents retail floorspace take-up of 9,500 sq m.

The aggregate for the past 12 months (Q2 2021 – Q1 2022) shows a total of 111 deals, some 40% higher than the 78 contracts signed during the same time period prior to Covid-19 (Q2 2019 – Q1 2020). Some 37,600 sq m of retail floorspace have been absorbed, representing an increase of 14% if we apply the same comparison.

In other words, both the number of deals and space occupancy continue to exceed pre-pandemic levels.

With respect to transaction size, the first 3 months of 2022 saw 26 of the 36 deals being signed for premises of up to 300 sq m.

YoY change 12-month forecast

225 (€/sq m/month)
Prime Rent Madrid



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



3.50%
Initial Prime Yield



ECONOMIC INDICATORS - SPAIN Q1 2022 (YoY change)

6.01%
Q1 2022 GDP



13.65%
Unemployment rate - Spain



10.36%
Unemployment rate – C. Madrid

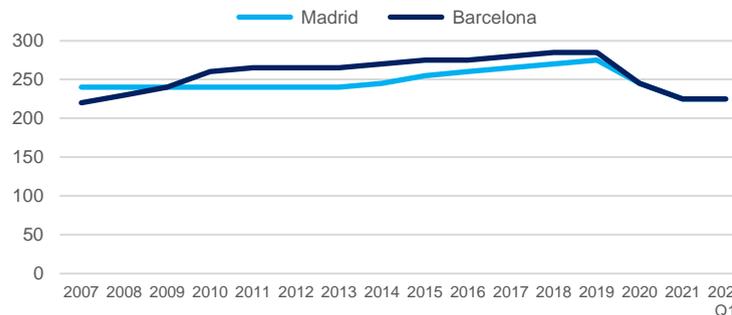


10.23%
Unemployment rate - Catalonia

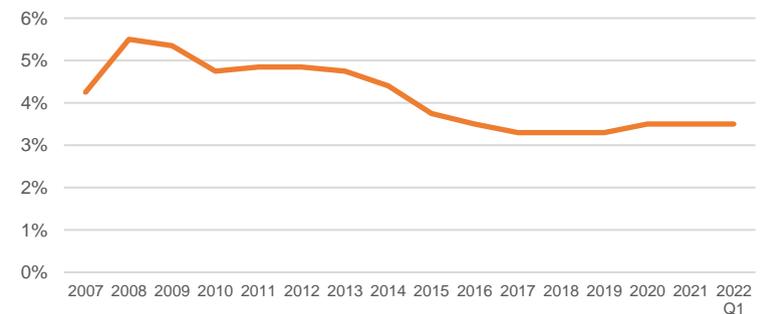


Source: National Statistics Institute

PRIME RENT MADRID AND BARCELONA



INITIAL PRIME YIELD - SPAIN



SPAIN

Shopping Centres and Retail Parks

Retail Q1 2022



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 2021 (YoY change)

YoY change 12-month forecast

+23.5% Retail Sales Growth 12 month change

+20% Shoppertrack footfall 12 month change

Market context

In comparison with the levels prior to the pandemic, shopping centre operator sales began to pick up pace during the second half of 2021. (source: shopping centre and retail park portfolios under Cushman & Wakefield management).

Some sectors, such as household and sports retailing, bounced back to 2019 (pre-pandemic) sales levels during 2021.

In contrast, the leisure sector did not get back to pre-Covid-19 levels during 2021. Sales in this sector amounted to approximately half of the figures achieved in 2019. With the end of restrictions regarding facemasks over the coming quarters, it is anticipated that leisure activities will increase both within enclosed spaces and exteriors.

The pace of the recovery in shopping centre sales (in comparison with the situation prior to Covid-19) is faster than the recovery in footfall. This points towards a change in consumer behaviour where, during 2021, shoppers visited centres less frequently, though on average spent more on each visit.

The data for February 2022 shows a significant increase in shopping centre operator sales in comparison with the same month in 2021. A significant increase in footfall was also recorded (source: shopping centre and retail park portfolios under Cushman & Wakefield management).

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 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 same trend was followed in 2021 and the total figure for Spain with respect to this type of portfolio amounted to 537 million Euro.

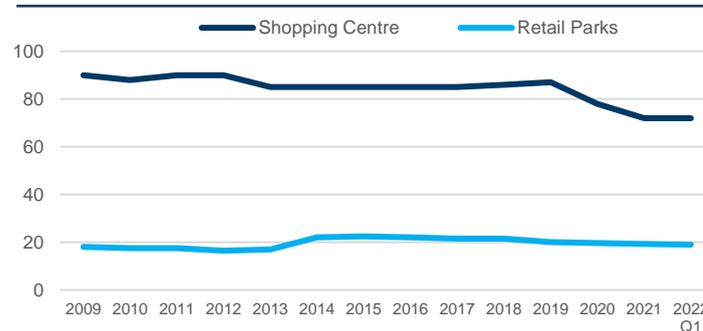
Shopping Centres – reduced uncertainty

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 volumes) converged with the outbreak of the health crisis, the clouds of uncertainty have gradually been 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 resurgence of interest on the part of investors in studying possible acquisitions of Shopping Centres is noted. The sale of a shopping centre covering 62,000 sq m has recently been closed and there are a number of transactions underway.

PRIME RENTS - SPAIN (€/sq m/month)



PRIME YIELDS - SPAIN



Source: Cushman & Wakefield, INE and Shoppertrack

