

HS Retail Q1 2021

245 (€/sq m/month)
Prime Rent Madrid

YoY change



12 month forecast



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



3.50%
Net Initial Prime Yield



ECONOMIC INDICATORS – SPAIN Q3 2020 (YoY change)

+4.8%
Available Income

YoY change



12 month forecast



-0.6%
Retail
(December 2020, YoY change)



Source: Oxford Economics

Relative calm in terms of rents

Twelve months of the pandemic have led to a drop in rents of between 10% and 20% on the main high streets of Madrid and Barcelona. This softening has been even greater on secondary streets and locations where tourism represents a key part of the local economy, such as in the case of Las Palmas de Gran Canaria and Santa Cruz de Tenerife.

Up until now, the decline has been generalised throughout the country.

During the first quarter of 2021 prices remained at the same level as the close of 2020. Although it is still premature to talk about generalised stability in terms of rents, it is possible to predict that the dynamics with respect to future reductions will become less uniform.

The performance of each street, or even each premises, will begin to differ as of the second quarter. Rents will continue to soften on some of the main retail high streets in Madrid and Barcelona, whereas prices will stabilise or be subject to only minor falls on others.

The main high streets in Spain will coincide insofar as rent increases are not anticipated anywhere throughout 2021.

Vacant premises and trends

The progress of vaccine rollouts enables us to sketch out a time horizon as to when the pandemic will come under control, helping to reduce the degree of uncertainty for operators.

Within this context and in comparison with the figures recorded at the close of 2020, the number of closures of premises on the main high streets of Barcelona did not increase during the first quarter of 2021.

In terms of Madrid, if we analyse high streets in greater detail we see that the performance differs depending on each street.

By way of example, during the first quarter of 2020 there were 6 vacant premises on the most retail oriented stretch of Calle de Serrano, this figure rising to 19 at the close of 2020 and dropping to 17 in the first quarter of 2021. However, if we look at the Super Prime segment of this street we note that only 2 premises lay vacant during the first quarter of 2020, rising to 5 in Q3 2020. Of these premises, 2 have been let and only 3 now remain available. Taking stock, we see that only one more premises lies vacant in comparison with the situation pre-Covid.

In contrast, the Gran Vía has gone from having 6 premises available in Q1 2020 to a total of 23 in Q1 2021. Nevertheless, on the Super Prime stretch of this street, between Calle de Hortaleza and Calle Miguel Moya - consisting of 43 premises, only 3 are currently vacant, rising from 2 at the beginning of 2020. In other words, and as per the case with Calle Serrano, only 1 more premises lies vacant within the Super Prime stretch in comparison with pre-pandemic times.

This goes to show that Super Prime areas display greater resilience in the face of uncertainty.

Other streets, such as that of Calle de Goya, recorded a higher number of vacant premises during the first quarter of 2021 in comparison with Q4 2020.

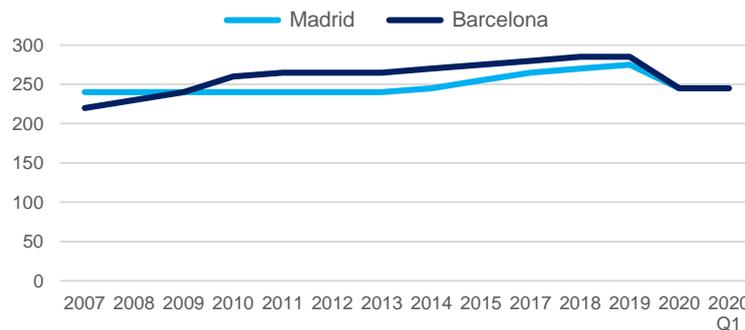
High Street Investment

The first three months of 2021 closed with a figure of 110 million Euro invested in the acquisition of retail premises.

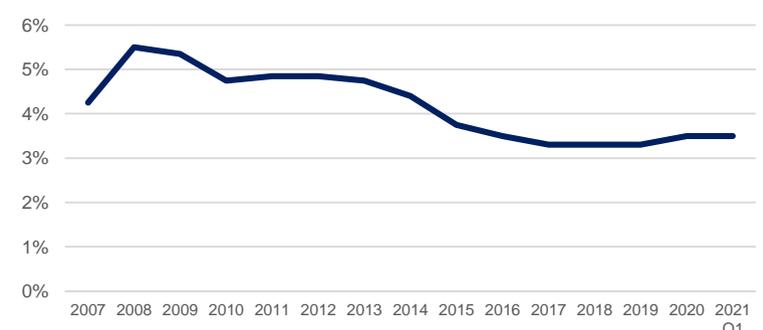
This is almost double the quarterly average for the preceding quarters (Q2 2020 – Q4 2020: average = €56m). It is important to bear in mind that a significant chunk of the investment recorded during the first quarter was due to the acquisition of a premises located at nos.9-11, Avinguda Del Portal de L'angel: €80 million

The prime yield remains at the level recorded during the second quarter of 2020: 3.50%

PRIME RENT MADRID AND BARCELONA



NET INITIAL PRIME YIELD - SPAIN



The pre-Covid19 context

Prior to the pandemic it was already possible to note a change in investor sentiment towards Shopping Centres. This was driven by the performance of the Shopping Centre market in the United States and the UK (highly distinct from the Spanish market in terms of both size and numerous other aspects), as well as by the growth in e-commerce.

These factors led many investors to misinterpret the implications for bricks and mortar stores and the importance of physical retailing in the new omni-channel structure of retailers in the Spanish market.

Despite this, a number of funds continue to exist that 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.

Shopping Centres - current context

Having now reached the first anniversary of the pandemic, investor activity with respect to Shopping Centres has slackened throughout the period. The gap between prices that buyers are willing to offer and vendors are willing to accept means that deals have been very thin on the ground. What is more, it is likely that this dynamic will persist over the coming quarters until there is better visibility in terms of operator/retailer performance. It is also important to bear in mind that the evolution of the pandemic is crucial in terms of when herd immunity will be achieved, the UK being particularly important in terms of the impact of its vaccination strategy.

Capital focused on Shopping Centre assets has switched from core to value-add strategies in recent months. Nevertheless, a reappearance of core capital is anticipated once the pandemic comes under control and there is greater visibility regarding sales volumes and household spending during the coming economic recovery. Within this context, investor sentiment is being closely followed, although a slight, generalised increase in yields is being noted.

The reduced demand for assets in the shopping centre investor market and the meagre number of deals currently in the pipeline mean that yield calculations have become more subjective. Nevertheless, this situation should prove temporary and investor interest should return once spending recovers.

With the information collected from Shopping Centres that reopened as of summer 2020, the general consensus points towards a return to a new normal (with social distancing) and the stabilisation of revenues. Investors will be able to properly recalibrate their price offers within this new market setting.

The prime yield for Shopping Centres stood at 5.50% in Q1 2021. In the case of non-prime assets (where revenue flows suffer added uncertainty) there was a slight increase in yield.

Retail Parks - current context

In terms of Retail Parks, it is important to differentiate between those that have numerous operators comprising the park and individual units (operators located on independent sites). A growing number of investors are on the hunt for urban Retail Parks (with a major super/hypermarket-sized operator) or Parks on the outskirts of cities that may also serve as "last mile" warehouses focused on distribution within the city's boundaries.

When it comes to high quality assets, investors have available sources of financing that confer a certain degree of liquidity to this market segment. Both buyers and sellers are, however, behaving with a degree of caution. For prime Retail Parks, the yield stands at 6.15%.

To sum up, the slowdown in investor activity is temporary and the number of deals is expected to increase in the latter part of 2021.

YoY change 12 month forecast

75.0 (€/sq m/month)
Shopping Centre Prime Rent



19.5 (€/sq m/month)
Retail Park Prime Rent



ECONOMIC INDICATORS – SPAIN

Q4 2020 (YoY change)

YoY change 12 month forecast

-31%
Retail Sales Growth



-32.0%
Shoppertrack footfall
12 month change

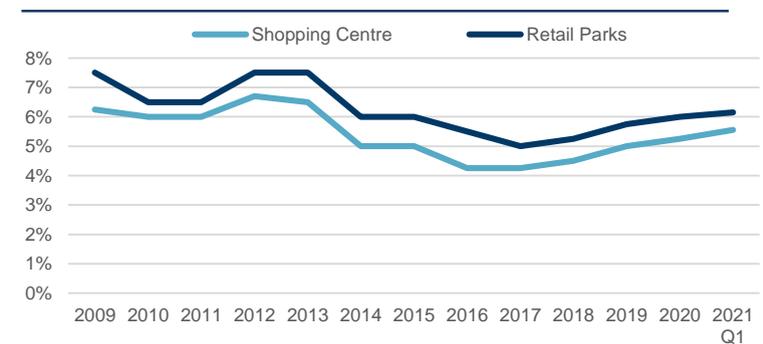


Source: Cushman & Wakefield, INE and Shoppertrack

PRIME RENTS - SPAIN (€/sq m/month)



PRIME YIELDS - SPAIN



MAIN ACQUISITION DEALS - 2020

PROPERTY	TYPE	SUB-MARKET	VENDOR	BUYER	AREA (sq m)	PRICE (€m)
Puerto Venecia	Centro Comercial	Zaragoza	Intu (50%)+CPPIB (50%)	Axis Generali + Union Investment	118,703	475.0
Intú Parque Principado	Centro Comercial	Oviedo	Intu (50%)+CPPIB (50%)	ECE	74,696	291.0
Portfolio Mercadona	Supermercado	Various	Mercadona	LCN	27 locales	180.0
Portfolio	Supermercado	Spain	Bright Food	Sagax	37 locales	152.0
Portfolio - Leroy Merlin	Parque comercial	Spain	Grupo Adeo	Batipart	10 locales	-
	Supermercado	Madrid	Invesco	Pradera European Retail Fund	56,157	130.0
SEAT	Local Comercial	Barcelona	KKH Capital Property	Nortia	3,884	126.5
Thader	Shopping centre	Murcia	MERLIN Properties	Silicius Inmuebles (Mazabi)	67,498	113.0

MAIN PROJECTS IN PIPELINE 2021

LOCATION	NAME	TYPE	AREA (sq m)	OWNER / DEVELOPER
Torrejón de Ardoz	Open Sky	Shopping centre	91,000	Compagnie de Phalsbourg
Jaén	Jaén Plaza	Shopping centre	46,000	Alvares
Vigo	Vialia Estación de Vigo	Shopping centre	43,080	Ceetrus
Donostia, San Sebastián	Garbera	Shopping centre	25,000	Unibail Rodamco Westfield
Coslada	Plaza Coslada	Shopping centre	23,600	Inverlin
San Cibrao de Viñas	WAY Ourense	Retail Park	18,100	
Madrid	Caleido (5ª Torre)	Shopping centre	12,000	Grupo Villar Mir
Córdoba	Los Patios de Azahara	Shopping centre	10,200	Mitiska Reim
Madrid	Mirasierra Galery	Shopping centre	9,800	Ten Brinke

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