

# MARKET BEAT SPAIN

CUSHMAN &  
WAKEFIELD

## HS Retail Q4 2020

	YoY change	12 month forecast
<b>245</b> (€/sq m/month) Prime Rent Madrid	▼	—
<b>245</b> (€/sq m/month) Prime Rent Barcelona	▼	—
<b>3.50%</b> Net Initial Prime Yield	▲	—

### ECONOMIC INDICATORS – SPAIN Q3 2020 (YoY change)

	YoY change	12 month forecast
<b>+4.8%</b> Available Income	▼	▲
<b>-0.6%</b> Retail (December 2020, YoY change)	▼	▲

Source: Oxford Economics

### Softening of rents

2020 closed with three consecutive quarters marked by lockdowns, restrictions on mobility and limits on the capacity of commercial establishments. All of the foregoing have had a considerable impact on bricks and mortar retail. E-commerce has enabled a partial softening of this impact, improvements being made to reliability and ease of use. Retailers are channelling their efforts towards omni-channel strategies, with click-and-collect services on the premises.

Although the country's leading high streets have seen falls in rents, this has been uneven depending on the location of each and their respective strengths in the face of the crisis. Locations such as Passeig de Gràcia and Portal de L'Angel in Barcelona and Preciados and Serrano in Madrid have seen the smallest falls in rents during 2020.

An increase in the number of vacant premises has been noted throughout the length of the leading high streets, with greater impact in the more tourism oriented areas of the country.

### Dynamism in terms of openings, despite COVID-19

Brands have continued to roll out their expansion strategies in spite of the uncertainty prevailing during 2020.

In Barcelona, the sports firm Nike, has set up shop in a recently refurbished premises at no.17, Passeig de Gràcia. This was formally occupied by Banco Popular and boasts 3,000 sq m of retail floor space.

Sephora also announced the opening of its flagship store, offering almost 900 sq m, as did Armani (640 sq m at number 47) and Tiffany, which will have a new 460 sq m flagship at no.61 on the same street. In addition, Druni opened a new store occupying almost 800 sq m at no.24, Carrer Pelai.

New openings also flourished at a brisk pace in Madrid. The number of tourists visiting the main thoroughfare of the Gran Vía has fallen drastically, leading to a rise in the number of vacant premises. The street has, however, been home to the largest opening of floor space in 2020, at number 18. This premises will house 'Wow', a megastore encompassing hospitality, fashion, leisure and household. The second most important opening hails from the restaurant sector: 4,000 sq m let within the ABC Serrano urban shopping centre by the Life Gourmet F&B firm. At no.34 Calle Velázquez in the same district, Druni opened its first flagship store in Madrid, occupying a floor area of almost 670 sq m.

### High Street Investment

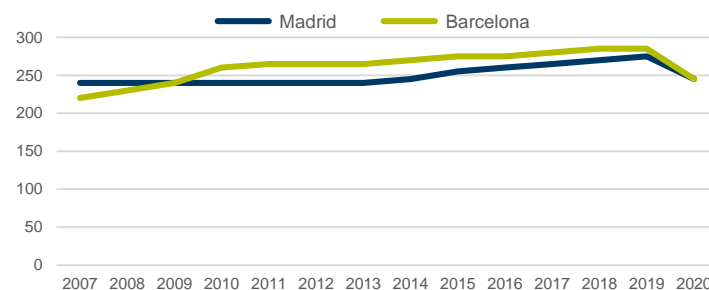
2020 closed with a figure of 330 million Euro invested in high-street retail premises at a national level. This represents a fall of some 60% in comparison with the previous year.

Investors remain attracted to prime areas within the major cities and, as a result, yields on the most retail focused thoroughfares in the country have scarcely increased, going from 3.30% at the close of 2019 to 3.50% in December 2020.

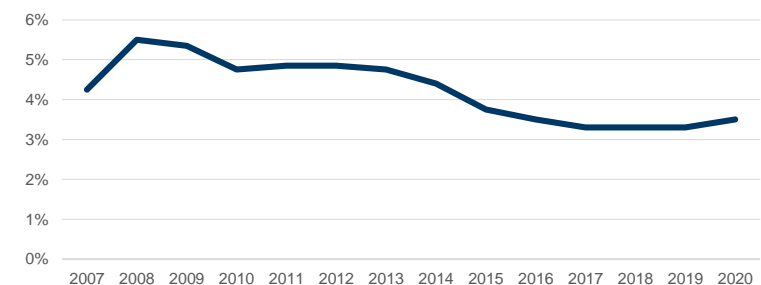
It is hoped that during the first half of 2021 the roll-out of the vaccine will help to dispel the added uncertainty caused by pandemic and that, during the second half, economic activity will gather pace.

The notion of "revenge spending" could come to the fore starting in summer 2021, based on pent-up demand and the high levels of household savings. During the third quarter of 2020 the household saving rate stood at +4.8% of available income, as opposed to -1.7% for the same quarter in 2019. In monetary terms, household savings amounted to 8.063 billion Euro at the close of September 2020. In contrast, this figure was -2.971 billion Euro one year previously (in other words, spending exceeded available income).

### PRIME RENT MADRID AND BARCELONA



### NET INITIAL PRIME YIELD - SPAIN



## SC &amp; RP Retail Q4 2020

	YoY change	12 month forecast
<b>78.0</b> (€/sq m/month) Shopping Centre Prime Rent	▼	—
<b>19.6</b> (€/sq m/month) Retail Park Prime Rent	▼	—

## ECONOMIC INDICATORS – SPAIN

## Q4 2020 (YoY change)

	YoY change	12 month forecast
<b>-31%</b> Retail Sales Growth	▼	▲
<b>-32.0%</b> Shoppertrack footfall 12 month change	▼	▲

Source: Cushman & Wakefield, INE and Shoppertrack

## The retail situation

Limits to the capacity of Shopping Centre and Retail Park establishments remained in place at the close of 2020 following three quarters of continued restrictions. The pressure on operators' cash flow caused by the drop in sales was partially offset by way of rent incentives given by landlords.

A number of operators have optimised their stores and the majority of these have incorporated omni-channel operations through click and collect. This merges the online and traditional store models, leveraging the sales of bricks & mortar stores due to the exposure of clients to the establishment in order to collect purchases.

Due to closing times and the lack of open-air terraces, restaurants within shopping centres have seen even greater falls in the number of customers than high street premises. Despite the challenging environment over recent quarters, retail parks and shopping centres are still holding onto their plans to grow the share of F&B and leisure. This corresponds to a strategic outlook over the short and medium term in that leisure activities will be subject to limitations over the very short term. The goal is centred around the mix acting as leverage to increase dwell times in future.

## Future Supply

Although new developments are pushing ahead, the pace of openings will depend on the evolution of the pandemic. The handover of projects will increase as the clouds of uncertainty begin to disperse.

With open-air common spaces and operators in sectors enjoying vigorous demand, such as household, decor, DIY and electronics, no delays are expected in terms of the delivery of new retail park developments. In contrast, and with a structure comprising mainly stores, it is likely that some delays will be seen in terms of shopping centre openings.

Nine shopping centre openings representing a total floorspace of 250,000 sq m are anticipated for 2021, amounting to a growth in stock of 2.1%. The floor area corresponding to retail parks will grow by 55,000 sq m during 2021, an increase of 1.7% on current stock with 3 new schemes..

## Rents and Yields

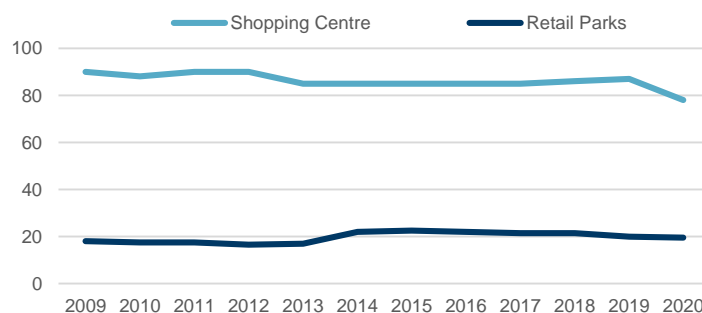
The supermarket and hypermarket sector proved itself to be the most resilient during 2020, recording record investment of 665 million Euro in acquisitions at a national level. This segment is enjoying stable cash flow and long-term lease contracts.

In total, retail investment amounted to 2.145 billion Euro during 2020, some 28% of total real estate investment in Spain. Much of this figure is down to two "megadeals": Puerto Venecia (€475m) and Parque Principado (€291m).

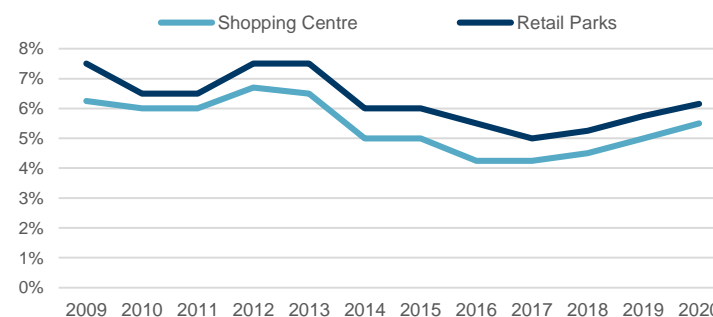
Prime rents in shopping centres softened, closing 2020 at €78/sq m/month in comparison with the €87/sq m/month seen at the close of 2019. The same dynamic was noted in terms of prime rents on retail parks, going from €20/sq m/month (2019) to €16.60/sq m/month (2020). Prime yields meanwhile stood at 5.50% for shopping centres and 6.15% for retail parks, representing an increase of +0.50 and +0.40 percentage points respectively over the figure for the close of 2019.

Operators will continue to focus upon strategic locations for their physical stores throughout the country, whilst persevering along the path of optimising their management of costs/rents. They will also be more inclined to take decisions regarding the closure of their less profitable stores, whilst remaining present in strategic locations and investing in new flagship stores.

## 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

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## MAIN PROJECTS IN PIPELINE 2021

LOCATION	NAME	TYPE	AREA (sq m)	OWNER / DEVELOPER
Alcorcón	Alcora Plaza	Shopping centre	17,000	Goldman Sach
San Cibrao de Viñas	WAY Ourense	Shopping centre	18,100	
Vilanova i la Geltrú	Nova Centre	Shopping centre	23,000	
Vigo	Vialia Estación de Vigo	Shopping centre	43,080	Ceetrus
Córdoba	Los Patios de Azahara	Shopping centre	10,200	Mitiska Reim
Madrid	Caleido (5ª Torre)	Shopping centre	12,000	Grupo Villar Mir
Torrejón de Ardoz	Open Sky	Shopping centre	91,000	Compagnie de Phalsbourg
Coslada	Plaza Coslada	Shopping centre	23,600	Inverlin
Camargo	Bahía Real	Retail Park	19,820	Citygrove

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