

SPAIN

HS Retail Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Slight increases in rental values for prime retail segments ▲
- Prime Yields: Prime yields stable for prime assets and with room for compression in secondary locations. ►
- Supply: Limited supply along key thoroughfares activating near-prime and secondary locations. ►
- Demand: Occupier and investors demand is expected to grow further as retail turnover improves. ▲

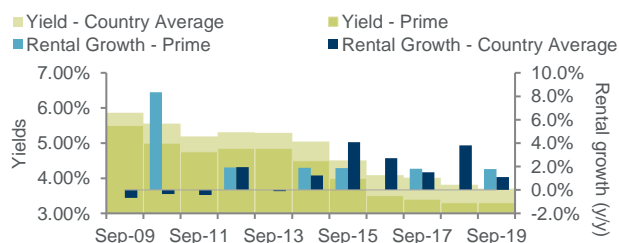
Prime Retail Rents – September 2019

HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	275	3,300	346	1.9	2.3
Barcelona	285	3,420	359	1.8	1.1
Seville	130	1,560	164	12.1	1.6
Bilbao	140	1,680	176	-12.5	2.3
Valencia	150	1,800	189	3.4	3.7
Malaga	175	2,100	220	2.9	3.1
Palma	120	1,440	151	4.3	5.9
Zaragoza	90	1,080	113	-5.3	1.1

Prime Retail Yields – September 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT		LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	3.30	3.30	3.30	5.35	3.30
Barcelona	3.30	3.30	3.30	5.35	3.30
Seville	4.00	4.25	4.50	5.80	4.00
Bilbao	4.00	4.00	4.25	6.00	4.00
Valencia	4.00	4.25	4.25	5.80	4.00
Malaga	4.00	4.00	4.25	6.00	4.00
Palma	4.25	4.25	4.50	6.25	4.25
Zaragoza	4.50	4.50	4.50	6.20	4.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.



Overview

Retail space demand is still strong in the main thoroughfares of Madrid and Barcelona. Rental values remain in high historical levels in the best locations given the strong interest from pure retailers and other entrant players willing to combine brand experience with omnichannel strategies. Specialised invertors in high street assets are willing to acquire good product but are mindful of the high capital values the market is currently displaying. Yet, investor intentions are strong given the correct approach in pricing.

Occupier focus

The fundamental variables for the retail sector such as sales, consumers' sentiment and private expenditures keep their slight but stable expansion profile in 2019. On top of classic fashion retailers and F&B new entrants are demanding space such as banking sector, car manufacturers, wellness and beauty and sports, among other. The market rents are high at prime and near prime locations across the main capitals of Spain, but demand is strong when good product hit the market in prime and near prime locations. Nevertheless, some retailers are more cautious given the rental levels and negotiation processes are taking more time than one year ago.

Investment focus

Capital markets have decreased their activity in 2019 in the retail cohort. However, investment in prime areas of the main capitals of Spain maintains some momentum this year as investment in high street assets is understood as value preservation approach for investment. Given this fact the reference prime yields keep at historical lows. It is foreseeable that investment volumes in shopping centres and high street assets will be similar by year end.

Outlook

2019 will end with different speeds in the occupier and capital markets. The former will close with good performance and rental values held high given demand pressures, especially in good locations. The latter will display lower activity than in recent years given the added risk perception of retail investors are perceiving across Europe. 2020 will gradually bring back the activity and higher investment volumes are already discounted.

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