

SPAIN

# Shopping Centres Snapshot

Third Quarter | 2019



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Slight increases in rental values for prime retail segments	▲
Prime Yields:	Prime yields increased due to correction in high capital values seen in recent years	▲
Supply:	Paced new supply across Spain with 4 new schemes in 2019 and 6 expected for 2020	▶
Demand:	Occupier and investors demand are expected to grow further as retail turnover improves	▲

### Prime Retail Rents – September 2019

	€	€	US\$	GROWTH %	
SHOPPING CENTRES	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR		CAGR
Tier 1 City - In town	87.00	1,044	117.2	1.2	0.5
Tier 2 City - In town	46.00	552	61.9	2.2	0.4
Tier 3 City - In town	37.00	444	49.8	12.1	6.5
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR		CAGR
Madrid	20.50	246	27.6	-4.7	2.6
Barcelona	17.00	204	22.9	-5.6	0.6

### Prime Retail Yields – September 2019

SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.75	4.50	4.25	6.70	4.25
OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	5.50	5.25	5.00	7.50	5.00
Barcelona	5.50	5.25	5.00	7.50	5.00

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

Shopping centres and retail parks are performing well in terms of occupation and space demand. The backdrop is retail sales expected to expand by 2% in 2019 and a stable but buoyant footfall. New schemes in 2019 and 2020 add up to 10 centres with more c. 410,000 sqm of added retail supply.

## Occupier focus

Space demand main sources are retailers from sports, F&B, health and beauty, and leisure sectors. Remarkably, fashion retailers are growing in sales and performance after a dry 2018. As a result, prime and secondary shopping centres seeing their vacant space reduced.

Rental values are keeping momentum and the best locations are let at higher values than in the end of 2018. Nevertheless, rents in secondary locations showed no signs of increase during January and September 2019.

## Investment focus

Caution from investors has been clear in 2019 and the volumes are evidently behind those of the recent years. As a result, prices have eased, and the reference prime yield is half a point higher than one year ago. Funds specialised in retail keep focused on prime and secondary assets with strong fundamentals. Yet, those without specialisation in retail are in wait and see positions.

## Outlook

The next twelve months will keep the favourable momentum in shopping centres and retail parks' visits and sales, especially in dominant assets. The most active retailers will be fashion and sports, the latter driven by the healthy trend in lifestyles.

Investors will be more active than in 2020 reacting to the good shape of the occupier market and the reprising dynamics that have pushed out the yields in both retail parks and shopping centres. Although some positive adjustments in yield may be seen by year end, we expect higher shopping centres purchases a year ahead. This most certainly will be aided by the financial side of the acquisitions that has also been cautious during the last year as a reaction of bad news in performance in, mainly the US and UK.

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