

SPAIN

Shopping Centres Snapshot

Fourth Quarter | 2018



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 retail parks.	▶
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 – December 2018

	€	€	US\$	GROWTH %	
SHOPPING CENTRES	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR		CAGR
Tier 1 City - In town	86.00	1,032	109.3	1.2	0.2
Tier 2 City - In town	45.00	540	57.2	0.0	0.0
Tier 3 City - In town	33.00	396	41.9	0.0	4.1
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR		CAGR
Madrid	21.50	258	27.3	0.0	4.8
Barcelona	18.00	216	22.9	0.0	1.8

Prime Retail Yields – December 2018

SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.50	4.25	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	5.25	5.00	5.00	7.50	5.00
Barcelona	5.25	5.00	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

In 2018 sports goods and apparel retailers played a major role in the shopping centres and retail parks space demand and performance. While pure fashion operators keep on fine tuning their store/online strategies, F&B and leisure operators also increased their space share.

On the capital markets side, investors keep their interest in the success story of retail in Spain and the share of shopping centres and retail parks in the total volume of investment (30%) is ahead of the rest of real estate asset types for 2018.

Occupier focus

Retail sales may have expanded in 2018 between 0.5% and 0.9% (at the date of writing this report the observation for December has not been released).

Sports related fashion and shoes stand out, regarding their space search and turnover in shopping centres across the country. F&B brands are active in shopping centres and, during 2018, mildly increased their turnover, followed by electronics retailers.

Large fashion operators seem to keep their strategy of going from omnipresence to large flagship stores and online sales. This is creating both opportunities and threats. The first are for well performing centres with large units' scarcity that are now available to new retailers. The latter are for those centres with dependency on the fashion brands that may be releasing some space.

Investment focus

Investors remain interested in shopping centres and retail parks in Spain. 2018 ended with a share of 30% from SC and RP on the total invested volume and a stable figure in terms of volume, when compared to 2017. International capital was the main actor of the acquisitions (90%), some of them focused on refurbishment and repositioning. Prime yields in Q4-2018 remained at the same level of one quarter ago and for secondary locations some yields may be slightly moving out.

Outlook

Capital will keep on entering the Spanish retail market in 2019. New value-add capital will focus on deploying CAPEX on secondary assets attracting shoppers with destination offers such as leisure and F&B. Retailers may see Spain as an attractive location as production and consumption still have room to expand in 2019.

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