

SPAIN

# HS Retail Market Snapshot

First 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 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. ▲

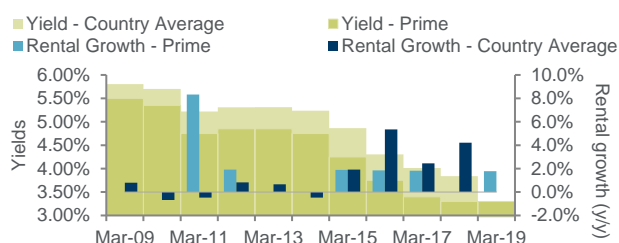
### Prime Retail Rents – March 2019

HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	270	3,240	340	1.9	2.4
Barcelona	285	3,420	359	1.8	1.5
Seville	125	1,500	157	7.8	0.8
Bilbao	150	1,800	189	-6.3	3.7
Valencia	145	1,740	183	3.6	3.0
Malaga	170	2,040	214	0.0	3.2
Palma	120	1,440	151	4.3	7.1
Zaragoza	95	1,140	120	0.0	2.2

### Prime Retail Yields – March 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Madrid	3.30	3.30	3.30	5.50	3.30
Barcelona	3.30	3.30	3.30	5.50	3.30
Seville	4.25	4.50	4.50	6.00	4.25
Bilbao	4.00	4.25	4.25	6.25	4.00
Valencia	4.25	4.25	4.25	6.00	4.25
Malaga	4.00	4.25	4.25	6.00	4.00
Palma	4.25	4.50	4.50	6.25	4.25
Zaragoza	4.50	4.50	4.90	6.25	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

Local and international brands remain active in their space search strategies but are mindful of the current rental levels. These are responding to high levels of occupancy in the main thoroughfares of Madrid and Barcelona and other key cities of Spain. Large shops and those with good location are targeted by, mainly, fashion retailers and F&B brands. Trophy assets are recurrently targeted by funds and private fortunes across the different key cities of Spain.

## Occupier focus

After 5 years of retail sales increases and sustained rental growth the market is changing gears in the high street market. Large international fashion brands are consolidating space and focusing on combining large flagship shops, an even physical presence and online sales. As a result, they are releasing some space in near-prime locations that are gradually being occupied. New tenants range from local and international markets to classical out-of-town retailers that are approaching in-town markets.

## Investment focus

Both institutional and private capital are targeting high street locations in prime and near-prime areas. Spanish Reits (SOCIMIS) are driving fresh capital to this market segment with the constitution of new specialised vehicles. These have higher capital costs than private investors so they are willing to make acquisitions in prime locations of secondary cities across the country. Prime yields reduced slightly in some cities during the first quarter of 2019.

## Outlook

2019 will proceed with stabilisation of retail sales and private consumption. However, spending levels are strong in Spain and retailers will keep their space search across the best locations in the country. Yet, rental levels are a well-considered factor that must fit on performance expectations. This implies they will make their location and investment decisions based on strong evidence of sustained profitability or strong brand impact value.

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