

SPAIN

HS Retail Market Snapshot

Second 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. ▲

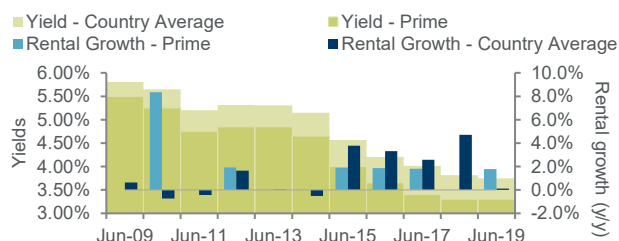
Prime Retail Rents – June 2019

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	270	3,240	364	0.0	2.4
Barcelona	285	3,420	384	1.8	1.5
Seville	130	1,560	175	12.1	1.6
Bilbao	140	1,680	189	-12.5	2.3
Valencia	145	1,740	195	0.0	3.0
Malaga	170	2,040	229	0.0	3.2
Palma	120	1,440	162	4.3	7.1
Zaragoza	95	1,140	128	0.0	2.2

Prime Retail Yields – June 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	4.25	4.50	6.00	4.25
Bilbao	4.00	4.00	4.25	6.25	4.00
Valencia	4.25	4.25	4.25	6.00	4.25
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	6.25	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

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 retailer and other entrant players such as F&B operators or even car manufacturers and tobacco companies willing to offer brand experiences. Specialised investors in high street assets as willing to acquire good product but are mindful of the high capital values the market is currently displaying, therefore the speed of new transactions is less than one or two years ago.

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. This implies that retailers are still keen to find new strategic locations but not at any price. The market rents are high at prime and near prime locations across the main capitals of Spain meaning retailers have to thoroughly study the cost effectiveness of their locations even though the sales, onmi-channelling services and experience showrooms are now mixed in one concept, where return form payed rents is more diffuse.

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 stayed stable in Madrid and Barcelona (3.3%) buy slightly reduced slightly in some cities during the first half 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. Rental levels will slightly increase for the best locations but have entered a stable phase in most of the high street retail areas of Spain.

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Ramiro Rodríguez

Associate Director
 Jose Ortega y Gasset, 29 - 6º Planta – 28006
 Madrid, Spain
 Tel: +34 91 781 0010
ramiro.rodriquez@cushwake.com
cushmanwakefield.com