

SPAIN

Shopping Centres 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

	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
SHOPPING CENTRES					
Tier 1 City - In town	87.00	1,044	109.6	2.4	0.5
Tier 2 City - In town	46.00	552	58.0	2.2	0.4
Tier 3 City - In town	34.00	408	42.8	3.0	4.7
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Madrid	21.00	252	26.5	-2.3	4.3
Barcelona	17.50	210	22.0	-2.8	1.2

Prime Retail Yields – March 2019

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

Consumer confidence is relatively high, with most retailers achieving positive sales performance levels and increasing footfall especially in prime/good schemes.

The retail sector sustains its positive tone thanks to strong economic fundamentals such as private consumption. Also, the large number of tourists that visit Spain continues to break records.

Strong activity in the redevelopment of shopping centres is present, aiming to adapt to the new retail concept in which experiences and leisure spaces grow in importance.

Occupier focus

Operators are responding accordingly and work on their formats to adapt to new requirements. Premises will increase their floor area due to the need to incorporate more than simple products display.

Occupier demand for shopping centres and retail parks remains strong, with retailers evaluating their expansion plans. Vacancy rates in dominant shopping centre are low.

The retail market is increasingly betting on restaurants and leisure areas, through both the extension and the refurbishment of existing spaces.

Investment focus

During 2019 a certain rebound effect regarding yields may be noted in shopping centres and retail parks, along with a positive trend in this indicator in secondary locations. The average increase for a shopping centre performing weaker than the average could amount to between 25 and 75 basis points over the coming 12 months.

Outlook

In real estate investment markets the focus of interest has been on core product which is in short supply. In the case of more secondary property, prospective purchasers are more cautious, although the return of bank financing and more recently mezzanine financing, has also boosted this market segment (although highly selective).

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