

SPAIN

Shopping Centres Snapshot

Second 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:	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

	€	€	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 – June 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

With solid performance in fundamentals such as consumer spending and retail sales the retail space demand in shopping centres and retail parks continues to be stable. International retailers of certain sectors keep their focus in prime and secondary locations where space scarcity is relatively high. Specialised investors in retail keep their capital deployment intentions while generalist funds have a wait and see strategy.

Occupier focus

The retail brands keep their interest in strategic locations in retail parks and shopping centres. For the first, retailers such as super markets, fashion and F&B are gathering most of the demand while in the second sports brands have to be added and the shape of the sports goods and fashion demand may see a reflection in new stores in retail parks.

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 the first half of 2019.

Investment focus

The first part of the 2019 caution from investors was clear and the volumes were behind those of the recent years. As a result, prices have eased, and the reference prime yield was revised 25 pbs upwards. 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

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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