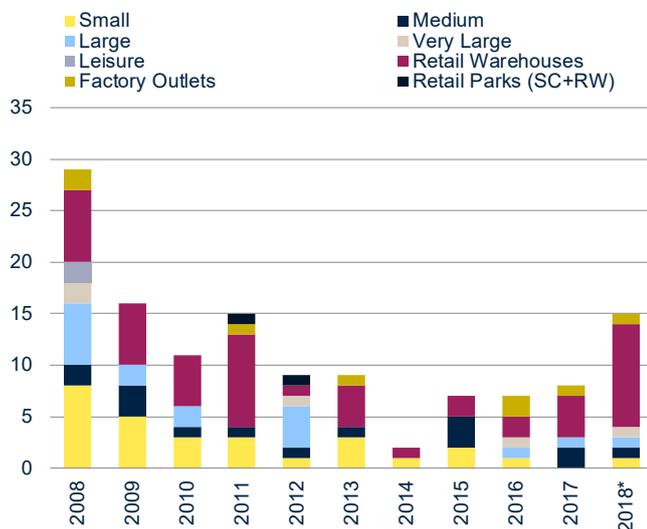


# Market Report

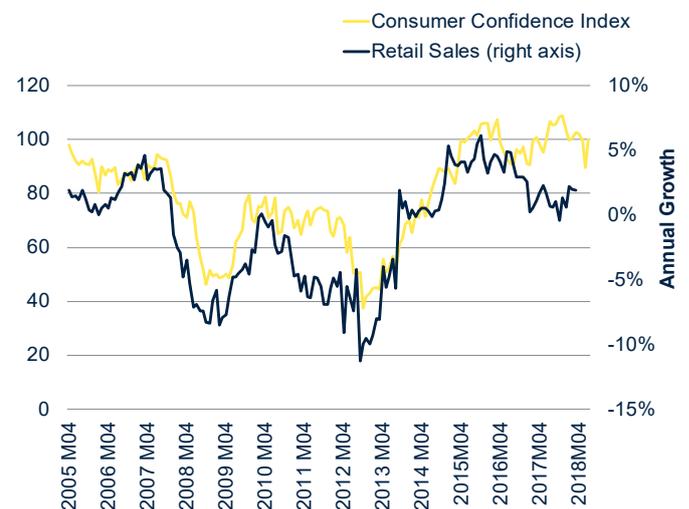
## Spain Retail Warehouses

GRAPH 1  
New Developments by Type of Scheme\*



Source: Savills Aguirre Newman / \* forecast

GRAPH 2  
Consumer Confidence and Retail Sales



Source: CIS / INE

## SUMMARY

### Record high investment in retail warehouses in 2017

■ The Spanish economy shows signs of a more steady recovery. For 2018, a growth of 2.7% is forecast, four tenths less than in 2017.

■ During the first nine months of 2017, e-commerce grew by 25%. From the sectors present in retail parks, Electronics captures the highest share of online sales.

■ With 94 retail parks and a floor area of more than 2.4 million sq m, Spain is currently fourth in the European ranking. The retail density for retail parks is 52 sq m per 1,000 inhabitants, still far below the European average of 65 sq m.

■ In the changing climate, retailers and landlords must ensure that the retail park is aligned with the market, through joint management, incorporation of new brands, and diversification of activities.

■ Three years ago traditional retail warehouse operators started opening units in urban locations, as a response to the need for expansion, client diversification and adaptation to the digital world / ecommerce challenges.

■ The lack of availability of prime products and the slowdown in the diversification process of retail offer are the main factors which are

impeding rental growth in the retail warehouse sector.

■ In 2017, four retail parks were developed, totalling more than 54,300 sq m. If all the forecasts are met, ten retail parks will be developed in 2018, totalling more than 250,000 sq m.

■ During the first four months of 2018, the retail market accumulated almost €495m of investment, around €95 m of which corresponds to the retail warehouse market.

### Economic Overview

In 2017, the Spanish economy continued to show strong dynamism and a more steady recovery than the previously recorded expansive cycles. In 2017, the GDP grew for the fourth consecutive year at a rate of 3.1%, two percentage points less than the previous year, but above the average of the other Eurozone countries (2.3%) and economies such as Germany (2.2%), United Kingdom (1.7%) and France (1.8%).

For 2018, Focus Economics forecasts a growth of 2.7%, four points less than in 2017. The

"Along with a more sustained economic growth expected in 2018, the Spanish retail market will maintain its attractiveness, and its progress will be reflected in rising investment volumes and the development of retail warehouses" Gemma de la Fuente, Research

slowdown is largely explained by the evolution of private consumption, which will grow at the same pace as household income, thus reducing the expansion momentum gained in previous years.

The CPI's interannual rate for the month of December 2017 fell to six bps points, standing at 1.1%, according to the definitive economic data published by the National Institute of Statistics (INE). The CPI forecasts for 2018 in Spain ensure stability and few notable changes, with some subtle increases. The latest CPI published (March) shows a value of 1.2%.

In 2017, the Spanish economy generated 560,000 jobs, which represents a total number of almost 19 million employed people, 2% more than in 2016. During the first quarter of 2018, the unemployment rate was 16.74%, two percentage points below the figure of the first quarter of 2016.

Consumer confidence ended 2017 with a y-o-y increase of almost eight basis points. This was due to increased public confidence in the economy. The Centre for Sociological Research (CIS) notes that this average is only one tenth below the one obtained in 2015, which is currently the historic high in the series. The accumulated value in April was 97.88, two points less than the accumulated value in 2017.

Throughout the whole of 2017, retail sales increased by 1.4% in both the seasonal and calendar adjusted figures. The Canary Islands (3.2%) and the Balearic Islands (2.8%) registered the highest rates. Catalonia, Extremadura (both with -0.2%) and País Vasco (-0.1%) are the only autonomous regions with decreases in the 2017 sales index. In March 2018, the retail sales index registered an annual growth of 1.9%.

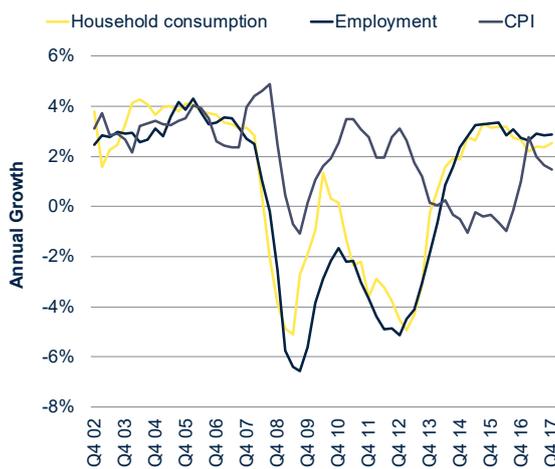
### E-commerce

The rapid progress of E-commerce in Spain is unstoppable. According to the National Commission of Markets and Competition (Comisión Nacional de los Mercados y la Competencia - CNMC), in 2016 (last full year available), online transactions of products and services accumulated a turnover of €24,185m, 21% more than in 2015.

During the first nine months of 2017, turnover amounted to €21,880m, representing a 25% y-o-y increase and 90% of the 2016 annual total.

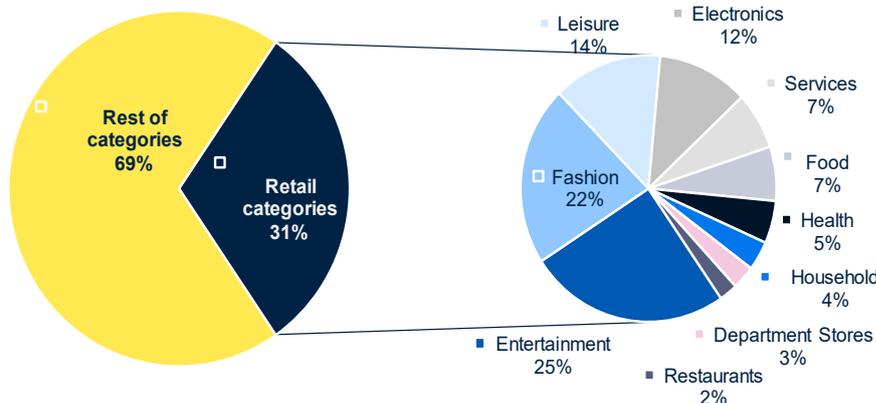
By considering only the categories most susceptible to being incorporated into shopping centres and retail warehouses, we obtain a figure of €6,742m transacted in retail categories, a figure that represents a 27% y-o-y increase, two percentage points above total growth.

GRAPH 3  
Main Economic Indicators



Source: INE

GRAPH 4  
Trade Volume Share in E-commerce by Category 2017\*



Source: CNMC / Accumulated Q3 2017

During the first nine months of 2017, the retail sectors which most increased their transaction value were Services (86%) and Household (70%). In 2016, however, the sectors which increased most were Grocery (61%) and Food & Beverage (47%).

Not all activity within a retail warehouse has the same weight. The electronics sector, with 12% of the total retail business in e-commerce, accounts for the largest online sales.

However, during the first nine months of 2017, this activity rose by 9%, registering a slowdown in growth of 11 percentage points compared to 20% the same period in 2016.

Activity in the home sector (a constant in retail parks) had the opposite experience, with its transaction volume growing by 70%, compared to 23% in 2016.

In spite of this, it is important to consider that online sales of home products has few supporters, and currently, it barely represents 4% of the total retail activity transactions.

With regards to the current positioning of the different brands in the online world in accordance with the latest index prepared by MHE, four logos have been chosen from ten present in retail parks based on the scores obtained:

Decathlon (which ranks first in the total ranking), Worten, Media Markt and Ikea. This index measures the customer's journey through the different purchasing channels (online, mobile and physical store).

This result demonstrates the degree of competitiveness that retail brands now have as real drivers of market changes in Spain and the omni-distribution channel as a growth strategy.

### Trends

The retail warehouse sector in Spain remains healthy. The duration of lease contracts, the stability in investment returns, and the emergence of market niches where there is still potential for new developments are some of the reasons for the continued growth of the sector.

The main retail warehouse operators are boosting the trend to convert physical stores into showrooms that allow online consumers to examine the product before buying it. The click and collect or click and deliver formats facilitate the purchasing process by ensuring all channels are already integrated.

Brand expansion policies are focusing on gaining the necessary funding in order to both refurbish and modernise current establishments with the latest technology and expand the number

of locations where opportunities are detected.

The great challenge lies in boosting the adaptability to new market trends and the demand of an increasingly volatile consumer.

To achieve this, the competitive advantages of the retail warehouse format, that is to say, its convenience, easy accessibility, parking, wide commercial offering and competitive price should be utilised. In addition, efficient and active management ensuring the commercial offering is aligned with the socio-economic characteristics of the environment should be undertaken.

The search for a new shopping experience, new technologies and the multi-channel strategy are some of the factors that are, to a large extent, promoting change in the retail park sector. The attractiveness of these complexes will also be increased when unique activities in retail parks, such as fashion and accessories, restaurants or even leisure activities geared towards the whole family gain importance.

The arrival of new entrants is a determining factor in the promotion of this change from the traditional concept of retail parks as a mere revenue-generating scheme to a destination where activities are both more varied and more novel.

### Retail Park Stock

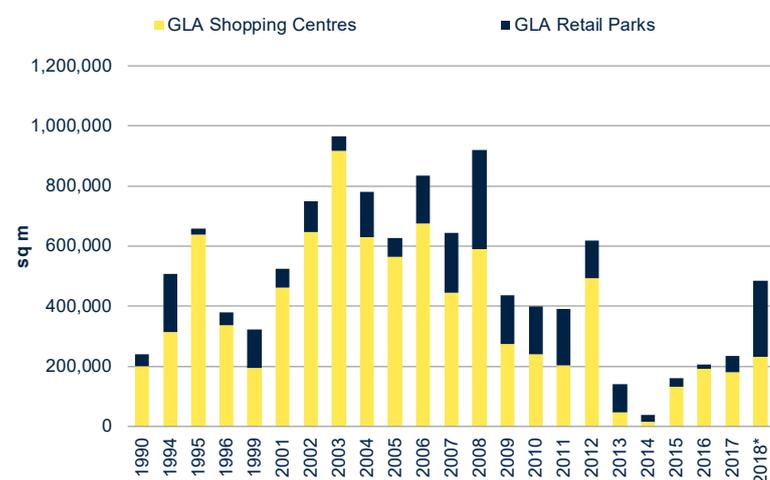
Retail warehouse stock already exceeds 2.4 million sq m. This places Spain in fourth place in the European ranking of countries with the largest surface area behind the United Kingdom, France and Germany.

This sector represents 15% of the total retail surface area in Spain, still considerably less than the United Kingdom and France, with a weight of 35% and 25% respectively. However, this format has gradually gained popularity since 2000, when it barely accounted for 10% of the total retail surface area.

In 2017, this stock increased by 2%, incorporating 54,300 sq m of new SBA into the market, distributed over four formats: two small retail parks in Carcaixent (4,400 sq m)

GRAPH 5

### New Openings



Source: AECC / Savills Aguirre Newman / \* forecast

and in Alcorcón (8,000 sq m), both developed by Corpin Capital Real Estate, as well as the Terraça Praça retail park (29,500 sq m) developed by City Grove and the Finestrat retail park (12,400 sq m) in Benidorm.

The development of these parks has slightly affected the average size of the retail parks in Spain, which has now dropped to 25,700 sq m.

In terms of the total distribution of retail parks by size, the lion's share of parks comprise between 10,000 and 19,999 sq m, 28 in total, although they barely represent 30% of the total market GLA.

The GLA breakdown by region is headed up by the autonomous regions that are home to the mega parks: Andalusia, with Luz Shopping (Cádiz) and the Madrid Region, with Parque Oeste (Alcorcón) and Megapark San Sebastián de los Reyes which account for 49% of the region's total GLA.

These regions also have a higher than average retail density (which refers to the average surface area for every 1,000 residents in each region), standing at around 52 sq m per 1,000 inhabitants.

The autonomous regions of Aragón and Murcia have the highest retail densities, with 113 sq m and 108 sq m per 1,000 inhabitants respectively, followed by the autonomous regions of Valencia (86 sq m), Madrid (77 sq m) and Andalusia (65 sq m).

At the other extreme, the regions with the lowest densities are Galicia (41 sq m), Catalonia (18 sq m) and Asturias (16 sq m).

When compared internationally, and according to the data of ICSC (International Council of Shopping Centres), Spain's retail density in terms of retail parks (52 sq m) is still below the European average (65 sq m for every 1,000 inhabitants) and currently occupies the 13th position compared to the rest of the EU28. It is important to note that with the exception of Belgium and the Czech Republic, the 13 countries with a higher density than Spain also have a higher than average shopping centre density.

## Total Retail Park and Stand-alone Retail Warehouse Unit Stock

The combined total GLA of retail parks and stand-alone retail warehouses occupied by the sector's main retailers stands at almost five million sq m.

Andalusia, Madrid and the Region of Valencia account for just over half of monitored space, with all three falling within the five regions with the largest amount of retail space, both in terms of retail parks and stand-alone retail warehouses.

At the provincial level, Madrid, Barcelona and Valencia occupy the top three positions, accounting for 35% of the Spanish total. Furthermore, the three provinces which lead the ranking in terms of stand-alone retail warehouses also feature among the five provinces with the highest GLA in terms of retail parks.

## Retail density in the retail warehouse market

Spanish retail density for the total retail warehouse market stands at 107 sq m per 1,000 inhabitants, equating to a 7% rise.

As such, 17 of the 52 provinces have already exceeded the national average density, six of them surpassing the 150 sq m: Zaragoza (211 sq m), Cádiz (190

sq m), Valencia (173 sq m), Toledo (173 sq m), Alicante (170 sq m) and Valladolid (159 sq m).

In stark contrast, two provinces, Jaén and Segovia, have recorded retail densities of <10 sq m. However, the inauguration of the first phase of the Jaén Plaza retail park (29,000 m<sup>2</sup>), set for 2018, will substantially change the density of this type of park in the province of Jaén, which will increase from 7 sq m to 52 sq m per 1,000 inhabitants.

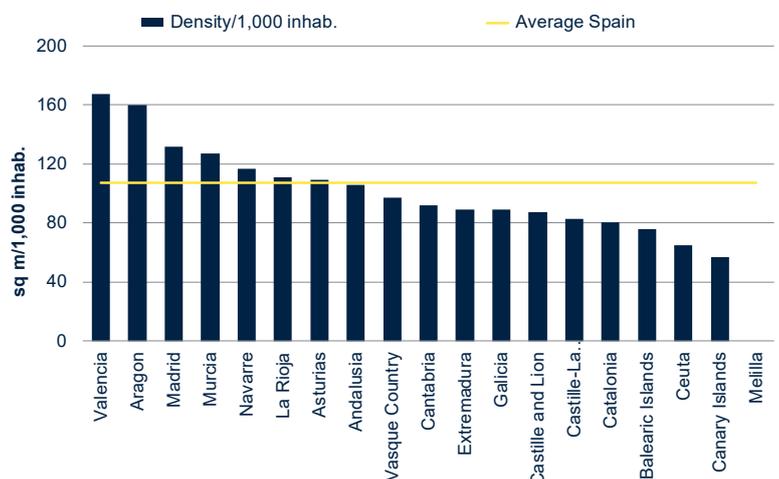
In the same manner, the two projects scheduled for 2018 in Sagunto and Alfafar (VidaNova Park in Sagunto, with 45,000 sq m and Alfafar Park in Alfafar, with 57,300 sq m) will significantly increase the retail density in the province of Valencia, which will be 213 sq m, the highest in retail warehouse density in the whole of Spain.

## Economic activity vs retail density

By including the value of retail expenditure per person, obtained from the household spending survey prepared by INE, in the retail density in retail warehouses, we can get an overall view of the existing correlation between both variables and the existence of market opportunities for the implementation of a new commercial offering.

Thus, the focus should be on the provinces that register a better

GRAPH 6 **Retail Warehouse Density Spain**



Source: AECC / Savills AguirreNewman

spending performance in retail and a lower density, as they are locations with spending potential susceptible to retail park formats.

This does not imply that other provinces with a level of retail density above the average do not offer opportunities. In all cases, an extensive analysis of the catchment area would be required, taking into account both the existing and future competition of each area in all retail formats, as well as the product quality in the nearby area.

The main opportunities are largely concentrated in the north of Spain: the Basque provinces of Álava and Guipúzcoa stand out, with a GDP per capita way above the average (60 and 40 points respectively), but with a retail density below the national average (largely due to the Basque restriction of the so-called Territorial Sector, "Plan Territorial Sectorial", for the construction and/or expansion of new spaces).

The Catalan regions, with a wealth of potential and high expenditure, also constitute the areas which are most sought after for the development of new retail parks.

Additionally, Segovia, Soria, Teruel, Huesca and Orense are provinces where focus should also be directed, as they have a low density

"Professionalism, diversity and novelty value are the three drivers that will promote the evolution of the retail warehouse sector. Taking the rest of Europe as an example, we can identify the drivers for change."

Alicia Corrales, Retail Research

and an expenditure per person above the average for Spain.

Valencia and Cádiz are in the opposite situation: with 173 and 190 sq m of commercial surface area per 1,000 people respectively. Considering that the national average stands at 107, the expenditure of both the above provinces barely reaches this figure. Being coastal areas, with a high tourist influx (the main source of income in Andalusia), spending figures may not reflect the consumption of tourists (data from INE from Household Budget Survey). This is however the main reason for the existing gap between expenditure and commercial provision being above the national average.

### Current Situation

The retail warehouse market in Spain has played a leading role in the retail market during the last few years. The formats that have been developed vary from medium-sized parks, where the main brands are present,

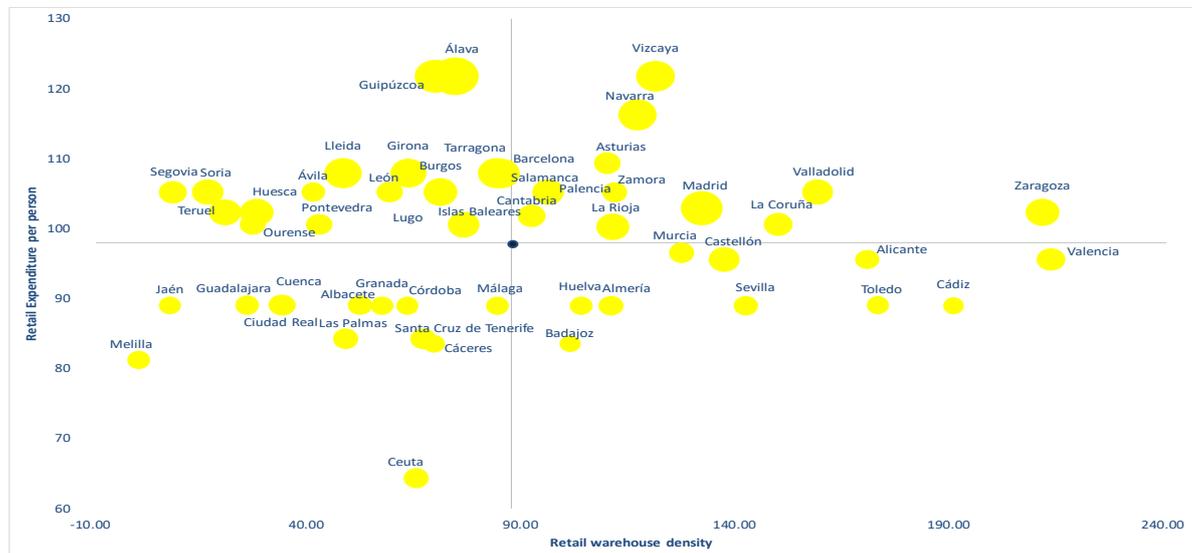
as well as other smaller parks, with a commercial offering more focused on their immediate surrounding. The common denominator is usually the supermarket, which in turn is accompanied by some fast food restaurants or second-tier brands of DIY activities, sports or electric appliances.

In the European framework, despite being more mature, the growth situation is similar. In the United Kingdom, the prime retail parks already have a commercial mix in line with those present in shopping centres, with the opening of brands such as M&S, Next and Gap.

French and German retail parks have also evolved and incorporated brands such as New Yorker, H&M, Primark, JD Sports, Five Guys, Claire's, Clarks, Accessorize and The Body Shop.

Some of the most significant milestones in Europe have been the

GRAPH 7 Retail Warehouses and Retail Parks Density by Region\*



Source: INE/ AECC / Savills Aguirre Newman / \* The bubble size is the GDP per capita

emergence of click & collect lockers that have favoured the increase in traffic and sales, as well as the setting up of several new entrants that have diversified the commercial offering and improved the image of the sector as a whole.

Furthermore, there have been improvements to the existing parks by way refurbishments, and in marketing, greater importance has been given to leisure and entertainment.

In Spain, in a climate where the retail market is undergoing profound changes, retailers and landlords must take actions to ensure that retail parks are aligned with new trends. In order to achieve this, there are factors that are considered key, which include a joint management, the entry of new brands (national and international), and the diversification of commercial offering through new activities.

The need for joint management is considered more and more important. Lar España Real Estate Socimi's acquisition of Parque Abadía (Toledo) in 2017 and Rivas Futura (Rivas-Vaciamadrid) in 2018 are significant milestones, as they make this company a specialist in retail parks, rendering this sector professional. Consequently, there is a need for consultants to manage the retail park as a whole and provide added value.

The reduced number of retail warehouse operators requires the incorporation of new brands. This trend is beginning to be observed, but in a subtle way. Such is the case with the Italian fashion brand Globo Moda, which now has three branches in Spain, and the French low-cost footwear giant Chaussea, which is present in Parque Oeste Alcorcón (Madrid), Parla (Parla Natura) and Pulianas (Alameda City).

The diversification of the commercial offering through new activities is also considered an essential factor as it increases the attractiveness of the previously highlighted formats, expanding their range of clients, and their average stay.

With this objective in mind, we

are now seeing developments of hybrid models, where traditional retail warehouses coexist with open buildings that incorporate restaurants, cinemas and retail premises allocated for family leisure.

VidaNova Park in Sagunto, which is currently in the leasing phase, is already incorporating 35% aimed at leisure and restaurant activities, whilst only 23% will be for traditional home and electronics retail warehouses.

The Spanish retailer Pause & Play, engaged in the gambling industry has recorded significant growth in recent years. It now has premises in the Terrassa Plaça retail park, and may end up being present in some of the projects that are currently being marketed.

The food and beverage sector has also been gaining importance in retail parks and will be visibly active when the presence of leisure activity increases.

It is important to highlight the recent opening of Foster Hollywood in Rivas Futura (Rivas-Vaciamadrid), La Tagliatella (500 sq m) in Terrassa Plaça (Terrassa) and the overwhelming restaurant offering that will be incorporated in VidaNova Park (Sagunto), with brands such as Vips, Ginos, Volapie and KFC.

Furthermore, the American food brand Blue Frog, which opened its premises in Spain at the Parquesur shopping centre in 2017, has confirmed its opening in the Alfafar Park retail park. This with be its first location in this format in Spain.

## Retailers

Three years ago, a trend started in which traditional retail warehouse operators such as Media Markt, Worten, Decathlon, IKEA and Leroy Merlin chose urban locations in response to both the expansion needs and the diversification of the clientele, as well as for their adaptability to the digital world.

These new urban formats tend to be smaller and designed more carefully in order to enhance the more experiential component.

Additionally, the inverse phenomenon is also taking place. That is to say, regular brands are expanding from the city centre and shopping centres, and are now beginning to look on the retail warehouse market favourably. Such is the case with brands such as Orchestra, Mustang and Deichmann that now also have larger premises in retail parks.

The home giant IKEA is expanding its business model. They have already established premises in the city centre and opened collection points. This complements their new strategy consisting of incorporating their products in market places such as Amazon or Alibaba.

The two drivers of growth for Decathlon will be its in-house brands and its human resource teams, for which it will focus its efforts on in-store services through personalised client advice and clubs for supporters of specific fields.

TABLE 1

### Main New GLA Expected in 2018\*

Asset	Location	GLA (sq m)	Developer
Alfafar Parc	Alfafar	57,300	A. Interés Urb. Alfafar Parc
Vidanova Parc	Sagunto	45,000	Lar España Real Estate
Estepark	Castellón	32,000	Fyrtarn Family Office
Barranco las Torres F. 1	Adeje	32,000	Leroy Merlin/ Trop. Atlántico
Jaén Plaza F.1	Jaén	29,000	Grupo Alvores

Source: Savills Aguirre Newman / \*forecast

Additionally, during 2017, Decathlon inaugurated three shops in the city centre, with a size similar those on the peripheries of the cities. The Ortega y Gasset branch in Madrid allows us to order online and pick up in-store 24-hours a day using a barcode scanner.

To face the challenges of the digital world, which already accounts for 10% of Decathlon's total sales, the brand is testing a window counter for the purchase of products after business hours, along with online shopping services including pick-up within an hour and home delivery on the day, if the order is placed before 3 p.m.

Decathlon ended 2017 with the opening of its 166th Spanish branch, located in the municipality of Villanueva de la Serena (Badajoz), with a commercial area of 1,393 sq m. For its last opening of the year, Decathlon opted for a large format shop that joined the two already existing in Mérida and Badajoz as well as their brand called City in Cáceres.

With the merger of Leroy Merlin and Aki, both companies will create a new business model with shops of different formats that take advantage of the original strengths of each brand.

The restructuring process, which will be consolidated in 2019/2020, will consist of the development of

different retail offer suited to the needs of the population. In the first few months of 2018, three pilot stores opened in Colmenar (Madrid), Talavera de la Reina (Toledo) and Figueres (Gerona).

After the inauguration of the 20th Bricomart (9,400 sq m) in 2017 at the Terrassa Plaça retail park, by the end of 2018 the French multinational will have scheduled openings in Burgos, Villalonquéjar (7,000 sq m), Salamanca (7,500 sq m), Madrid, Alcobendas (8,500 sq m) and Barcelona, Cornellá de Llobregat (8,660 sq m).

As of 2019, the distributor plans its second establishment in the Basque municipality of Galdakao, Vizcaya (9,000 sq m). Moreover, the company has confirmed a new location in Lugo, Galicia, where a 25,000 sq m plot was acquired on the As Gándaras Industrial Estate.

In March 2017, Bauhaus, the German DIY-centre company inaugurated its 11th establishment in Spain, with 13,500 sq m of commercial space in Alfafar (Valencia), and is in negotiations to acquire a plot of 15,000 sq m on the road from Crevillent to Torrevieja, in the town of Elche.

The deep structural changes experienced by Media Markt in recent years are part of the process of adapting the company to the digital age.

The chain, which currently has 83 premises in Spain, in addition to its online store, has invested €47m in its digital transformation, which implies the updating of 100% of its establishments.

The company wants to take a step further in innovation, by including its own online market place with products from other brands, in order to expand its range of products without incurring logistics costs.

After the opening of its third physical store in Santiago de Compostela (Coruña) in 2017, Media Markt inaugurated a new shop in Zubiarte Shopping Centre (Bilbao), in a space of around 3,000 sq m. They also offer the well-known Stop&Go service in the car park of the shopping centre, allowing customers to collect the products purchased online without having to get out of their cars.

Worten is continuing its expansion plan in Spain with the aim of opening branches in each province.

After 2017, when this expansion process slowed down, with three new stores and relocations in Madrid, the brand is currently facing 2018 with the intention of rebooting activity by opening a new branch of 750 m<sup>2</sup> in Lepe (Huelva), and another of 1,500 sq m in the 7 Palmas Shopping Centre (Las Palmas de Gran Canaria), in addition to a project in Extremadura.

The German company Eggo Kitchen, which specialises in the design, manufacture and sale of kitchen furniture, and has a network of their own five shops in Spain, has begun its expansion through the franchise format. The goal of the company is to open at least five branches throughout the year, and 30 establishments during the next five years.

The French furniture and decoration brand Maisons du Monde, continued its expansion plan in 2017 with a total of six new openings, among which its 20th store in Parc Vallés (Tarrassa) stands out with 1,775 sq m. At an international level, the aim of Maisons du Monde is to continue with business development through

GRAPH 8  
Main Retail Warehouses Operators 17/18

Source: Savills Aguirre Newman

an omni-channel approach, and have opened 25 to 30 premises each shops, by 2020.

### Rents

The bargaining power of a developer in negotiating rents will depend on, among other factors, the characteristics of the project in terms of catchment area, number of inhabitants, (both residents, tourists and floating population), dimensions and characteristics of the land plot (surface area, buildability, parking), as well as competing prestigious brands existing in the immediate surrounding area.

The lack of prime product and the slowdown in the diversification of the retail offer are the main factors that are holding back the rental growth in the retail park sector.

In 2017, Spanish average rents continued to be in the region of €10 per sq m/month. This value amounts to €12 per sq m/month for prime retail parks and €9 per sq m/month for secondary retail parks.

With regards to secondary parks, rents in medium to small locations are around €7-8 per sq m/month and those in large locations are €8-10 per sq m/month.

By size, retail premises with a surface area of less than 1,500 sq m have an average rent of €11 per sq

m/month, whilst the range of surface areas varying from 1,500 sq m to 5,000 sq m have an average rent of €10 per sq m/month. Finally, retail warehouses over 5,000 sq m have an average rent close to €9 per sq m/month.

In regards to achievable rents, if we take into account a retail warehouse of approximately 1,500 sq m located in a super prime retail park, the Spanish average achievable rent will be in the region of €18 per sq m/month, higher than the European average, which is €16.40 per sq m/month.

Stability remains the norm both in cities with local currencies (London, Stockholm, Oslo and Copenhagen), and where Savills is present in the Eurozone. The highest rental levels are found in Dublin and London, where they stand at €36.3 and €35.9 per sq m per month respectively, whilst Amsterdam and Belgrade are positioned at the other end of the spectrum, both with €10 per sq m/month, levels that have remained flat y-o-y.

### Future Projects

If all the anticipated deadlines are met, 2018 may become the year in which the largest number of retail parks will be developed, with a total of 10 projects. Alfafar Parc in Alfafar (57,300 sq m), VidaNova Parc in Sagunto (45,000 sq m) and

Estepark (32,000 sq m) are the most significant projects.

- Alfafar Park will be developed by Agrupación de Interés Urbanístico Alfafar Parc in the commercial area chaired by Ikea. Notable brands such as Bauhaus, Decathlon, Vips, Ribs, Gifi, Orchestra, Muerde la Pasta, Juguetilandia, La Piemontesa and Blue Frog stand out.

- The retail park of Lar España Real Estate Socimi VidaNova Parc is set to open in September. It has a hybrid design in which activities typical of a retail park will co-exist with others more related to leisure. Among the classic retailers that will be present, it is important to mention Leroy Merlin (8,000 sq m), Decathlon, Worten, Conforama, Jysk, Eggo Kitchen, C&A, Casa, TiendAnimal, Burguer King y KFC, Pause & Play, Urban Planet, Vips, Ginos and Volapie. Facilities will also include a Yelmo cinema complex and a Masymas supermarket.

- Estepark is a retail park with an open-air design. To date, the brands that have confirmed their presence in this retail park are: Leroy Merlin, Mercadona, Electro Hiper Europa, Alain Affelou and KFC. There has been firm interest on the part of Maison du Monde, Porcelanosa, Eggo Kitchen, Pause & Play, Ribs and Ginos. The retail park will also have cinemas and children's leisure.

### Investment market

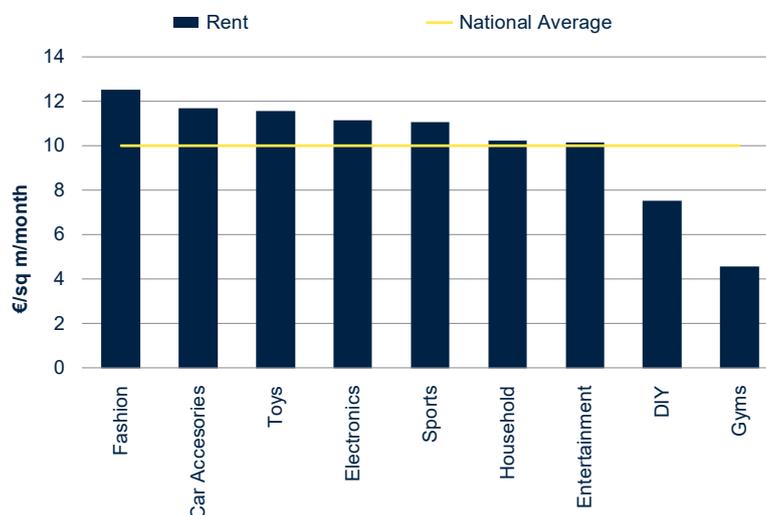
At the end of 2017, the investment turnover in the traditional retail segment exceeded 3.5bn, marking a historic record, 14% above the previous peak reached in 2015.

For its part, the retail warehouse sector also hit a record level, with €542m, representing 9% more than the total transactions since 2015. The two largest deals in the retail warehouse market in 2017 were:

- The purchase of nine retail parks and warehouses by Castellana Properties Socimi Iberian Ventures worth €193m from Redevco, a subsidiary of Vukile Property,

- And the purchase of the Abadía retail park in Toledo by Lar España Real Estate Socimi from Rockspring

GRAPH 9  
Average Rent by Activity Sector



Source: Savills Aguirre Newman

for €63m, without forgetting the sale transaction of Nueva Condomina to Klepierre, which includes the retail park attached to the centre.

During the first four months of 2018, the retail market had already accumulated almost €495m, of which almost €95m correspond to the retail warehouse market (18% of the annual total in 2017).

So far, the largest transaction this year has been the purchase of the Rivas Futura retail park (Rivas-Vaciamadrid, Madrid) by Lar España

"Despite the record investment volume in 2017, retail parks continue to face the possibility of further yield compressions" Salvador González, Retail Investment

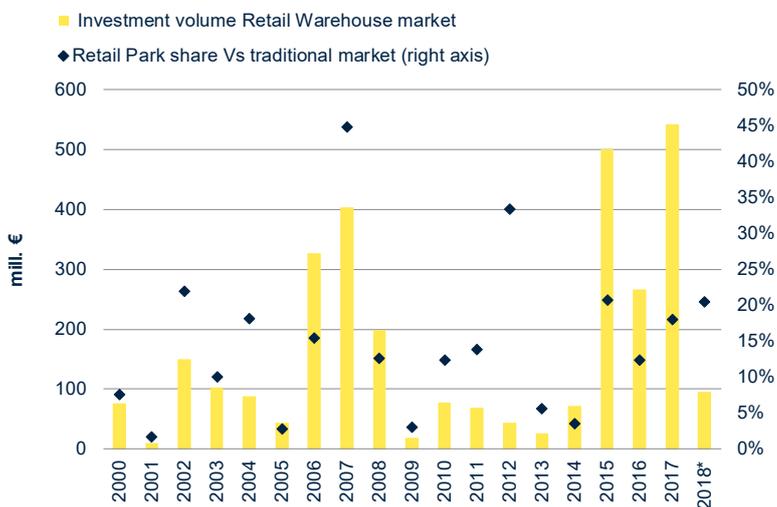
Real Estate Socimi for €61.6m from Credit Suisse.

To complete the rundown of investment transactions for retail warehouses, the sale by Lar España Real Estate Socimi to the French fund Pierre Plus of 7,649 sq m of retail warehouses in the Nuevo

Alisal retail park (Santander) and the Media Markt of Villaverde in Madrid, must be mentioned.

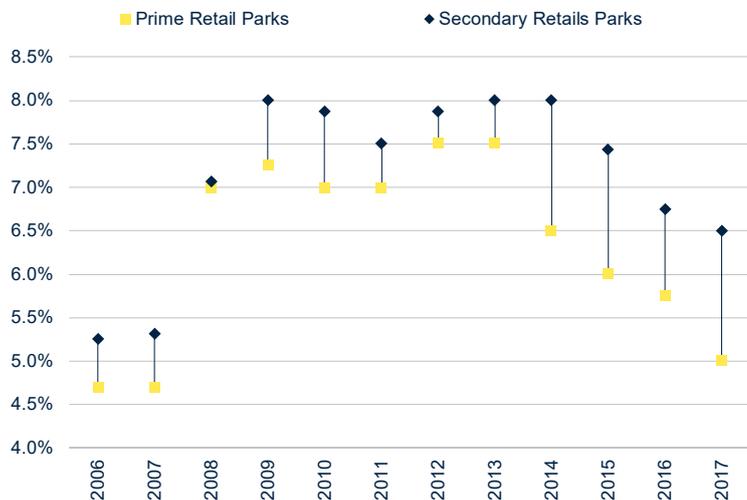
It should also be noted that new projects are being developed by institutional companies, with experience in the retail warehouse sector, that will incorporate their know-how and professionalise the sector, thus attracting more conservative investor profiles.

GRAPH 10 Retail Warehouse Investment



Source: Savills Aguirre Newman

GRAPH 11 Yields Spain



Source: Savills Aguirre Newman

**Yields**

The retail warehouse sector is the retail sector that has been registering the widest differentials with respect to the last market peak, recorded in 2007.

However, the gap has gradually fallen to the current differential of 5 basis points, indicating a continuing margin.

Prime retail park yields currently stand at 4.75%, 50 basis points above the prime product of shopping centres, when in 2007 there was barely a difference of 20.

Due to the growing demand, and the lack of product on the market, everything points to the conclusion that current prime product transactions may end up registering below 5%. In this case, the secondary product would remain around 6.50%.

TABLE 2  
Main Deals 2017/2018 (May)

Asset	Vol. Inv. Estimated (mill.)	Purchaser	Vendor
Medianas Redevo	193	Castellana Properties SOCIMI	Redevo
Nueva Condomina	n/a	Klepierre	S.C. Nueva Condo Murcia S.L.
Parc Vallés*	83	Frey Invest	Pradera
Parque Abadía	63	Lar España Real Estate Socimi	Rockspring Property Investment Managers
Rivas Futura (2018)	61	Lar España Real Estate Socimi	Credit Suisse
Terrassa Plaça*	60	Real IS	City Grove
El Manar	40	Catella y Aberdeen	Harbert Management Corporation
Medianas Parque El Alisal y Media Markt Villaverde (2018)	33	Pierre Plus	Lar España Real Estate Socimi
Medianas Forum en C. C.Artea y Parque Galaría*	19	Ores Socimi	confidencial
Parque Polígono Lanbarren	16	Savills IM	Privado
Pinatar Park	11	Castellana Properties Socimi	Active-Group

Source: Savills Aguirre Newman Research / \*advised by Savills Aguirre Newman

## Outlook

### 2018

■ 2018 is shaping up to be a year of sustained economic growth, albeit more moderate.

■ The retail warehouse sector continues to generate interest in investor demand. This will be reflected in 2018 both number of transactions and investment volumes.

■ Retail warehouse operators will carry on with their search for urban locations, but without losing their appetite for retail park locations. The lack of prime products will favour the emergence of secondary retail parks adapted into micro markets.

■ In 2017, we witnessed a subtle entry of new retailers, and expect that in 2018, this trend will continue with stronger dynamics.

■ The emergence of hybrid models with retail warehouses and buildings which offer leisure (cinemas) and restaurants will continue to be a trend in 2018.

■ Imbalance between supply and demand maintains a yield compression trend, which is more pronounced for prime assets.

■ The growing interest in demand and the lack of product on the market suggest that current prime product transactions may end up recording below 5%. The secondary product would remain around 6%-6.50%.

■ Near €300m have already been identified in retail warehouses, which could be completed by the end of the year.

## Savills Aguirre Newman Team

For further information please contact



**Luis Espadas**  
Capital Markets  
+34 91 310 10 16  
luis.espadas@savills-aguirrenewma.es



**Salvador González**  
Retail Investment  
+34 91 310 10 16  
salvador.gonzalez@savills-aguirrenewman.es



**Gema de la Fuente**  
Research  
+34 91 310 10 16  
gema.fuente@savills-aguirrenewman.es



**Alicia Corrales**  
Research  
+34 91 310 10 16  
alicia.corrales@savills-aguirrenewman.es

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