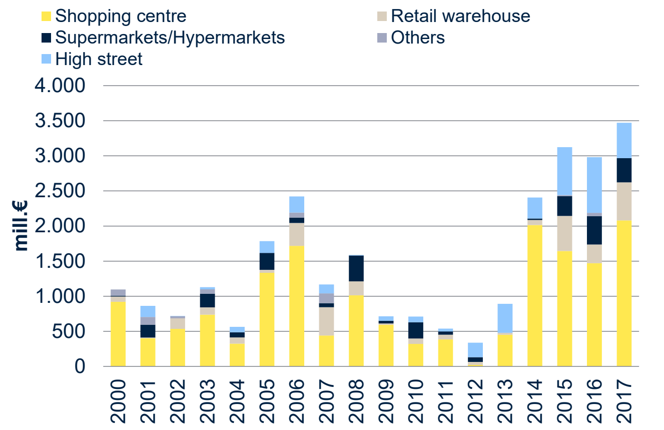
Market report
Spain Retail

January 2018

GRAPH 1

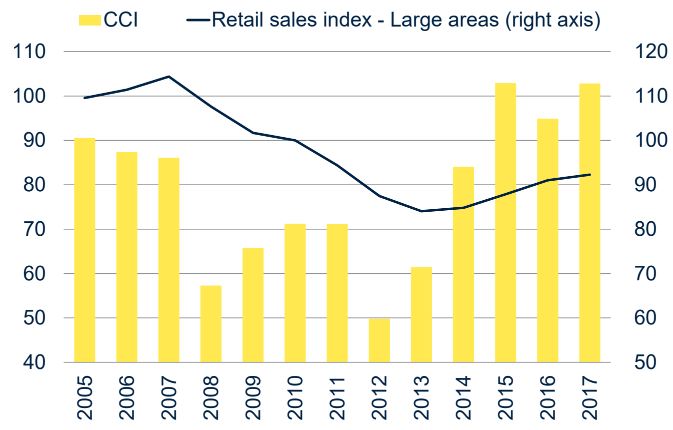
Investment volume by segment*



Source: Savills Aguirre Newman / * excluding Bank Branches

GRAPH 2

Consumer confidence index vs. Retail sales index



Source: CIS / INE

SUMMARY

Record high retail investment volume registered in 2017

■ The upbeat economic outlook and increased consumption helped drive the Spanish retail market in 2017.

■ The current supply of traditional retail space in Spain now stands at circa 16.5 m. sqm, with close to 615 retail schemes.

■ With a retail density of 353 sqm/1,000 inhabitants, the Spanish retail market is clearly a mature market.

■ New GLA continued to come onto the market in 2017, with the new space primarily focusing on niche concepts. A further 500,000 sqm is expected to be added to the stock in 2018.

■ The rise of e-commerce is heightening competition among shopping centres, which have become omnichannel spaces.

■ The food & beverage and leisure sectors are leading the way in terms of innovation, with pop-up stores, multi-purpose spaces and incorporating smartphones into the shopping process standing out as the forerunners of change.

■ Retailers are actively looking for new locations and there is an influx of international retailers looking to test the waters in the Spanish market.

■ An uptick in sales in prime centres favoured fewer incentives, greater numbers of lease renewals and higher rents in new prime urban developments.

■ 2017 was a record year for retail investment, and for the first time ever retail registered the highest investment volume in the commercial property sector in Spain.

■ Demand for retail assets and investor appetite continued to harden yields, although there is still room for further tightening in retail warehouse yields.

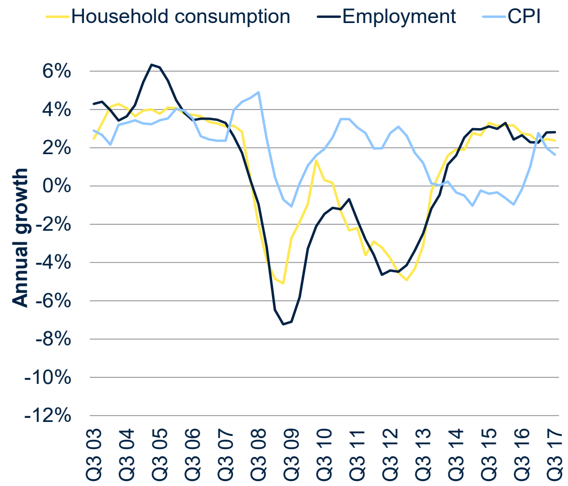
Economic overview

The Spanish economy grew for a fourth consecutive year after GDP registered 3.1% y-o-y growth in Q3 2017, according to National Accounting figures published by INE. After reaching this figure in Q3, we can safely say that GDP growth comfortably achieved 3% at YE 2017.

After starting the year at 2.3%, GDP y-o-y growth forecasts were constantly revised upwards throughout 2017 thanks to the positive performance of the main economic indicators.

GRAPH 3

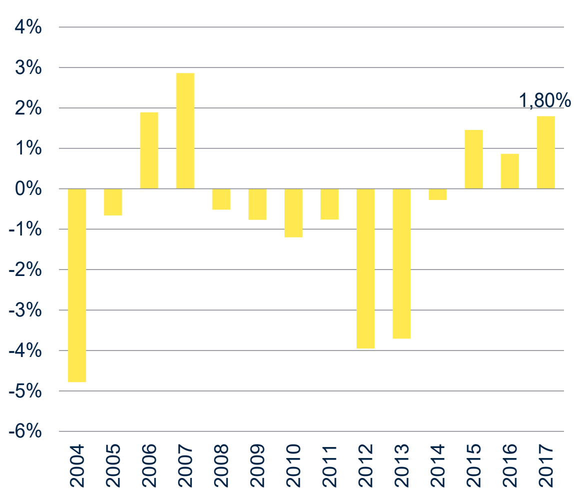
Economic indicators



Source: INE

GRAPH 4

2017 ShopperTrak index y-o-y variation



Source: ShopperTrak

"The increasingly positive outlook for the Spanish economy and recovering consumer confidence is being reflected in rising footfall and sales in shopping centres" Gema de la Fuente, Research

Household consumption held firm at 2.4% during Q3 2017, while employment climbed by 2.8% over the same period, and equivalent to the creation of more than 500,000 full-time jobs. Employment will continue trend upwards until 2021 according to forecasts by Focus Economics.

The jobs market continues to expand, with the latest figures published by EPA in 2017 placing the unemployment rate at 16.38%, down more than 9.68 percentage points versus Q1 2013 (when the all-time high was reached). According to the latest data released by the Public Employment Service (Servicio Público de Empleo Estatal - SEPE), in 2017 the unemployment fell by circa 9% y-o-y.

Sales and footfall in shopping centres

According to figures published by the Spanish Association of Shopping Centres (AECC), sales grew by €43.600m in 2017, up 3.5% y-o-y and 0.97 percentage points less than the increase recorded in 2015.

The latest figures posted by the ShopperTrak index confirm that the shopping centre sector is flourishing, and that footfall climbed 1.8% y-o-y, 0.9 percentage points more than in 2016 and highest growth seen since 2007.

However, it did not constantly trend upwards throughout the year. In fact, after climbing an average of 3.5% y-o-y in Q1, largely thanks to the spike recorded in January when it rose 5.1%, footfall dropped by an average of -0.27% in May and August.

October also saw particularly negative shopping centre footfall, with figures dropping by -3.18%, mostly a result of the poor weather conditions, although the Catalan crisis could have affected footfall in that particular region. Black Friday savings enticed shoppers back to the stores in November, kick-starting Christmas shopping, sparking a 1.3% rise in the cumulative index and favouring a positive end to the year.

Current stock and retail density

Traditional retail space in Spain, including shopping centres, outlet complexes, leisure centres, retail parks and hypermarkets, amounts to circa €16.5m sqm, up 1.4% y-o-y.

Madrid, Andalusia and the Region of Valencia continue to lead the regional GLA rankings and between them, they account for 50% of all retail space in Spain. The other end of the spectrum also remains unchanged. For example, Extremadura, the Balearic Islands, Navarre, Cantabria, La Rioja, Ceuta and Melilla account for just 6% of the total stock, with barely 940,000 sqm.

At national level, retail density stood at 353 sqm per 1,000 inhabitants, climbing 1.1% compared to 2016 and 2.2% compared to 2015.

According to the ICSC (International Council of Shopping Centres), excluding hypermarkets, Spain ranks 16th in Europe with a density of 302 sqm, 3% less than the European average of 312 sqm.

By region, with a density of 501 sqm Madrid has moved into first place following the opening of Plaza Río 2, ranking above Aragon (495 sqm) and Murcia (485 sqm).

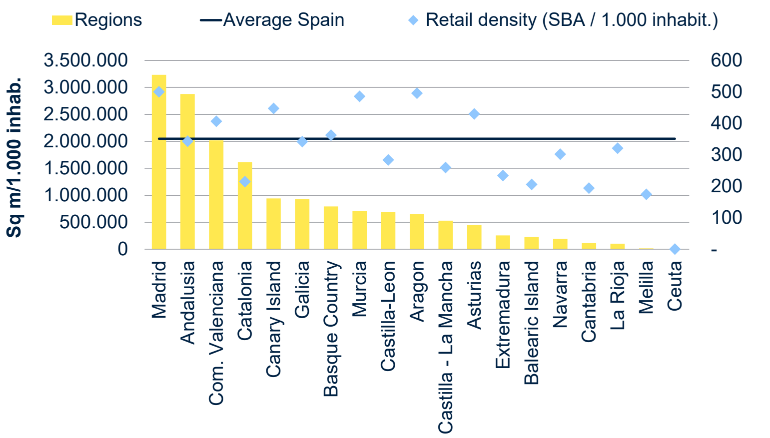
Over 2017, more than 233,000 sqm of GLA was added to the market. In terms of size, Alisios, (64,000 sqm) owned by Grupo Hermanos Domínguez and located in Tamaraceite in the Canary Islands particularly stands out, offering almost 125 retail units and 70 restaurants. One of its star attractions is the first Children's Cinema to open in the Canary Islands, as well as also featuring a host of popular retailers including Conforama, Kiabi, Media Markt, H&M, Cortefiel and Mango.

One of the most awaited openings in 2017 was Plaza Río 2 (38,931 sqm), which opened its doors on the 20th October. Developed by La Sociedad General Inmobiliaria de España (LSGIE), the project is set in a densely populated area that follows the course of the Madrid Río park. It offers three retail floors, whilst a fourth floor covering more than 3,000 sqm is entirely dedicated to food & beverage, the 'Mirador de Plaza Río 2', offering the perfect spot for visitors to enjoy views out over the city.

The Parque Melilla shopping centre (34,600 sqm), developed by Drago Capital, Tres Forcas and Grupo Murias is the first of its kind in Melilla city. Situated in the former Valenzuela barracks, the Parque Melila is an open-air centre comprising two connected buildings that offers brands such as Eroski (5,800 sqm), H&M, Decathlon, Springfield, C&A and various others belonging to the Inditex Group and Worten.

GRAPH 5

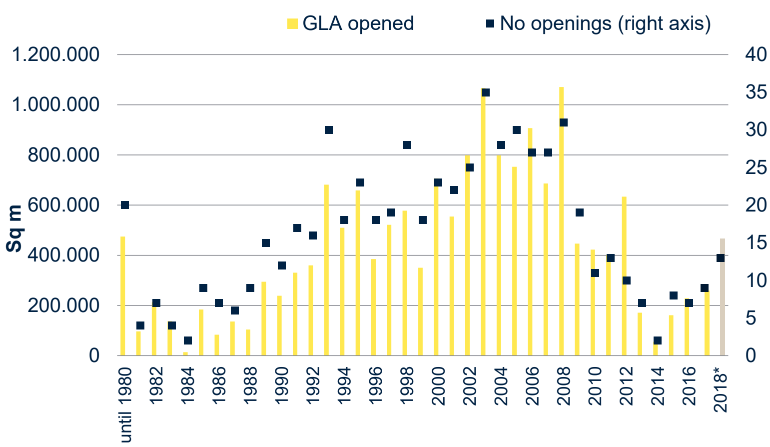
Retail density by region



Source: AECC / Savills Aguirre Newman

GRAPH 6

GLA inaugurated and number of openings in Spain



Source AECC / Savills Aguirre Newman

Special attention must also be drawn to the considerable amount of retail park openings in 2017, with a total of four new openings, 54,300 sqm of new retail park space came onto the market, which accounted for 23% of the total GLA added to the market over the year.

Pipeline 2018

More than 500,000 sqm of retail space is expected to come onto the market in 2018, such a level would boost GLA by 3% y-o-y and exceed the growth rate seen in recent years.

If the works schedules of all the forecast projects are met, retail density could reach 364 sqm by year-end 2018. One of the key factors that will determine how quickly each project's building work advances is the leasing rate, as the feasibility of each project will be scrutinised repeatedly by retailers who must decide which project is the right one for their expansion plans.

Digital society

The rise of e-commerce continues apace in Spain. In 2016, a total of €24,185m worth of products and services were bought online, €4,172m more than in 2015 and equivalent to a 21% increase.

The data available for Q1 2017 confirm this upward trend, with online sales increasing 25% y-o-y in the quarter.

In 2016, the top three business sectors in terms of e-commerce revenue were travel agents and tourist operators, which accounted for 14% of total sales, followed by airlines with 12% and clothes and accessories in third place with 7%.

In retail, the average e-sales ticket stood at €51, €1 down on 2015. This figure further underlines the fact that more and more people are starting to buy goods online and that an ever-increasing range of products are available to consumers.

Compared with the rest of Europe, there is still plenty of room for online sales to grow in Spain. In 2016, just 35% of people aged between 16 and 74 completed at least one purchase online, placing Spain 15th in the ranking of the 28 EU member countries; a long way from the European average of 45% and 43 percentage points below the UK which heads up the list with 78%.

The maturity of the UK market can also be seen from the total revenue generated by online sales, which came in at €157,000m in 2015 (the most recent data available), almost eight-fold the figure registered in Spain. In addition, the average online spend in the UK was €91 versus €67 in Spain and the e-commerce market share stands at 17% in the UK compared with 4% in Spain.

Another sign that the UK market is more advanced than the Spanish market is the slowdown in the y-o-y growth rate for online sales volumes, 16% in 2015, versus the 26% recorded in Spain.

Online retailers are resoundingly optimistic and confident in their forecasts for this year, expecting to register healthy growth.

According to a study carried out in 2017 by the E-commerce and Digital Transformation Observatory (Observatorio de E.commerce y de Transformación Digital), 63% of online retailers thought their sales increased by more than 10%, as opposed to the 1% who thought they shoud have fallen.

These optimistic forecasts are also supported by the data collected as part of INE's Survey on Household Possession and Use of Information and Communication Technologies.

Over 2017, the number of consumers shopping online continued to trend steadily upwards, with the percentage of customers having shopped online in the last 3 months of the survey jumping to 40% (up 5% y-o-y). In other words, 4 out of 10 people between the ages of 16 and 74 made an online purchase over the last three months.

At the global level, this growth is unstoppable. The International Telecommunications Union (ITU) stated that in 2016, there were 3,385 million internet users, equivalent to 46% of the world's population. According to INE, this figure climbed to 48% in 2017, growing to 80% in Europe and 85% in Spain.

The rapid rise of the Internet of Things (IoT) is reaching a point where it is no longer possible to quantify the scale of its impact on a market in which the products are connected to both the internet and people, creating a connected environment.

Customer service is becoming key in the online world. In fact, in 2017 the growing importance of technology such as chatbots (small programmes that allow customers to chat), augmented reality, smartphones and data intelligence particularly stood out.

These are all instruments which help maximise returns on investment and create a more personalised consumer experience.

According to the Ecommerce Foundation, internationalisation and purchases made via mobile phone will be the main drivers of growth for brands.

Today, the greatest challenge lies in designing a strategy via which brands can successfully "make it" in the small screen world (mobile phone), primarily by improving the customer experience offered by this type of device.

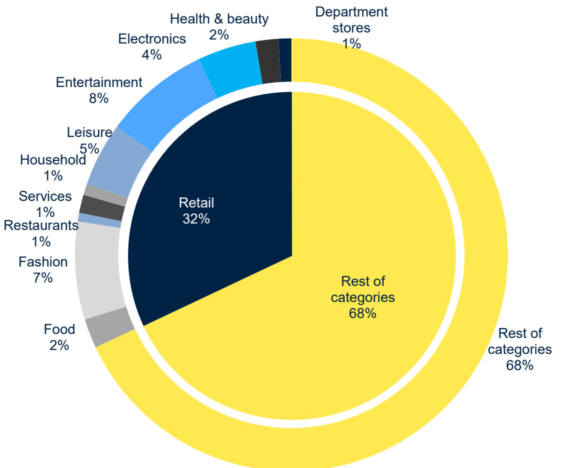
E-commerce is having a profound impact on traditional retail, however the declining sales that some brick-and-mortar retailers are registering does not mean that consumers have decided to stop shopping in physical stores altogether and only shop online.

Several factors, such as the retail saturation in some cities and the economic crisis have influenced consumer habits. Nowadays, when customers visit a shopping centre they tend to favour experience-based products over physical products.

In fact, in the United States, all top 10 US retailers, except Amazon, are all physical brands. Although many have made the brick-to-click plunge, their physical stores remain their

GRAPH 7

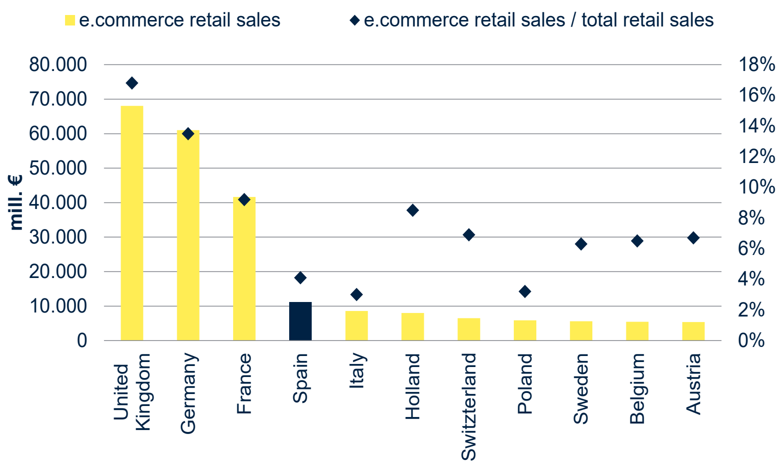
E-commerce in Spain 2016



Source: CNMC

GRAPH 8

E-commerce in Europe and market share



Source: Retailresearch.org

most profitable line of revenue. Amazon's acquisition of Whole Foods Market is a clear sign of an online giant investing in the offline world.

Shopping centre renovation and redesign

Innovation is no longer just an option, with both retailers and developers investing in enhancing the shopping experience that they offer.

The physical sales space continues to offer key draws that online channel cannot offer, and these have been carefully noted by e-commerce players who are increasingly foraying into the brick-and-mortar world.

Alibaba, Amazon, PcComponentes, Tiendanimal and Hawkers are just a handful of examples of e-commerce firms whose offline strategies now form a key part of their business growth plans.

Up until recently shopping centres have not been maximising the full potential of their food court areas both financially speaking and in terms of the services they offer to customers.

Food courts are no longer merely spaces where customers can eat and drink, they are now meeting at places for socialising and comfort at the heart of what they offer: children's play areas, mobile and laptop charging points, group reading zones, food pop-ups and cookery classes are just some of the features included to ultimately increase the average dwell time and create synergies with the other activities on offer in the centres.

Hence, shopping centres' leisure offering is also becoming increasingly important. The space occupied by hypermarkets (the traditional anchor) is gradually reducing, and this is giving developers the chance to incorporate new innovative activities that have occupied a very small area up until now.

Entertainment is key when it comes to consumers deciding whether to move away from the online world or not; and entertainment no longer merely means a cinema or gym, but is used in the much broader sense of the word, with both children and adults looking for novel experiences such as extreme sports, diving, trampolining and wind tunnels.

> "Shopping centres continue to incorporate concepts that tap into the difference between the real and the virtual world: dining and leisure activities are the main drivers of a process in which technological innovation will hold the key" Alicia Corrales, Retail Research

Technological innovation has also become an integral part of the way shopping centres are evolving; multiplayer virtual reality games with 3D printing technology, personalised messenger services such as the start-up Quiqup, apps for paying by phone and locators for parked vehicles are just some of the new additions starting to be seen.

Millennials, who represent 30% of the total population in Spain, are the driving force behind the changes in consumer habits in shopping centres. As they are the primary group of e-commerce consumers, they are not looking to simply make a required purchase, but to also have a memorable experience.

Given the infinite possibilities offered by online shopping, they hold experience-based and ephemera offline concepts in greater regard. Pop-up stores offering unique products for a short period of time are key if shopping centres are to adjust to the new trends.

Spaces occupied by anchor tenants are increasingly being converted into flexible shared retail spaces, which can be easily adapted to other types of business.

Shop window displays and kiosks in communal areas for business start-ups, pop-up stores, spaces for global brands, offline exhibitions for online players and virtual reality features that provide consumers with a more interactive experience.

Touchscreens, navigation panels, virtual changing rooms, magic mirrors and AR areas are all trends that can help create a more interesting retail mix, increasing brand awareness and footfall without having to compromise on rents.

Factory Outlets

The outlet format is starting to prosper and transform the retail landscape of some cities. Despite having a smaller presence in the Spanish retail market (there are 18 factory outlets representing just 2% of the total GLA), five outlets have opened in the past five years, covering a total GLA of 112,215 sqm.

Outlets can be divided into three categories in Spain:

1) the six Neinver factory outlets developed and marketed under the Style outlets brand which focus on families and young people and include a mass market offering;

2) the two outlets developed by Value Retail, La Roca del Vallés (Barcelona) and Las Rozas (Madrid), which target families and couples with a higher purchasing power;

3) and lastly the ten factory outlets developed by non-specialist companies that feature discount brands aimed at customers with an average purchasing power;

The opening of the McArthur Glenn designer outlet (18,000 sqm) in Malaga's Plaza Mayor shopping centre in 2018 will be a major milestone for the development of this type of retail product in Spain, given that it will mark the debut of this leading high-end outlet developer in the Spanish market.

Retailer expansion

Sambil Outlet Madrid (Leganés), Plaza Río 2 (Madrid) and Alisios shopping centres (Las Palmas de Gran Canaria) were home to the most store openings in 2017.

Other centres which broadened and diversified their offering over the course of 2017 were Madrid Xanadú, Parque Principado and Glóries.

In terms of mega store openings in 2017, the following were of particular note: the 13,500 sqm Bauhaus store in Alfafar retail park (Valencia), the 11,500 sqm Bricomart in El Mirador de Jinamar retail park (Las Palmas de Gran Canaria) and Primark in Granada's Parque Nevada Shopping (6,000 sqm).

Brands which have brought something new and original to Spain include: the opening of City Jump in Nassica (Getafe, Madrid), a 1,500 sqm trampoline park or Urban Planet in Sambil outlet Madrid (Leganés), and H2O (Rivas Vacia-Madrid, Madrid), a leisure brand in expansion that already have summed 4 openings during the last two years.

In terms of food & beverage offering, the opening of the more than 500 sqm Five Guys hamburger restaurants in Parquesur (Leganés, Madrid) and Plaza Río 2 (Madrid), as well as the arrival of the first Wagamama restaurant in Parquesur are two examples of how the restaurant concept is changing.

Fashion and accessories retailers including shoes and jewellery represented 42% of total new openings in 2017. This was followed by the food & beverage retailers, that with 17% remain firmly committed to being the main drivers of changing how shopping centres are perceived.

Sports retailers also deserve a special mention, ranking third in terms of the number of openings in 2017, 31 new units (7% of the total number of new openings).

A study of the retailers that opened the most new stores in 2017 largely mirrors the results of the sector analysis.

H&M continues to grow and open more macro-stores in Spain, we would particularly note the opening of its 30th store in Madrid which comprises a total sales space of 2,700 sqm in the Plaza Río 2 shopping centre where it also opening an H&M home store, as well as the shop it plans to open in Torre Sevilla in 2018.

Primark also continues to grow its market share in Spain thanks to its new stores in Parque Nevada (6,000 sqm) and Parc Central (4,300 sqm). In terms of sports retailers, JD Sports leads the way, opening a 450 sqm store in Nueva Condomina (Murcia), a 380 sqm unit in As Cancelas (Santiago de Compostela) and 240 sqm store in Meridiano (Santa Cruz de Tenerife).

For the first time ever two restaurant chains ranked among the top 10 brands in terms of number of new openings in 2017: La Tagliatella started the year with a new 300 sqm restaurant in El Boulevard shopping centre in Vitoria-Gasteiz, before going on to open others in El Mirador shopping centre in Burgos (363 sqm), El Faro in Badajoz (355 sqm), Nueva Condomina (Murcia), Plaza Río 2 and La Gavia (Madrid) among others.

100 Montaditos was also not left wanting in 2017, sticking very closely to its expansion plans and opening new restaurants in El Mirador in Burgos (286 sqm), Rivas Centro (Rivas Vacia-Madrid, Madrid) and Carrefour Peñacastillo (Santander).
Although several shopping centre retailers have debuted in the high street market, this has not dampened their appetite for shopping centres, as their decision to take their brands to the high street is simply the result of strategies to diversify and create new market niches.

This is the case with Media Markt, which is continuing to open retail units in shopping centres (Parque Nevada in Granada, Albufera Plaza in Madrid and Alisios) despite opening various high street stores in Madrid and Barcelona.

Aki opened new stores in Calle Alcalá and Bravo Murillo in Madrid, as well as a pop-up store in Isla Azul (Madrid) and retail warehouses in Castellón, Cuenca and Tarragona among others.

Lastly, as well as opening numerous stores in cities such as Madrid, Oviedo, Sabadell and Segovia in 2017, Decathlon also opened stores in La Vaguada (Madrid), Ociopía (Orihuela, Alicante) and Ribera del Guadiana retail park (Villanueva de la Serena, Badajoz), among others.

New entrats

Although most international retailers looking to test the waters in the Spanish market have traditionally preferred high street stores, 2017 saw this trend change thanks to the evolving concept of shopping centres towards more flexible spaces that attract a broader range of clientele.

Of all the new international entrants identified, 62% opened in Madrid and 34% in Barcelona, with 48% of these opening in shopping centres and retail parks and 52% in high street stores.

28% of these new brands were Italian, 14% from the US and 10% from UK.

Also of note is that a considerable share (72%) of these were also fashion retailers while 7% were restaurants.

TABLE 1

Most active retailers in shopping centres

JD	H&M	Tagliatella
Sprinter	UDON	LUSH Fresh Handmade Cosmetics
PANDORA	MI SA KO	D DEICHMANN
AKI	PRIMARK	MANGO
100 Montaditos	pimkie	adidas

Source: Savills Aguirre Newman

The most-awaited opening in 2017 was Uniqlo's opening of its 1,730 sqm store at 18 Paseo de Gracia and Glòries shopping centre in Barcelona.

As for new entrants in shopping centres, the outlet brands S.T. Dupont, Unter Armour, Cath Kidston, Exchange, Lodi and G by Guess opened in various Neinver centres, the Italian fashion brand OVS opened a 750 sqm store in Plaza Norte 2 (Majadahonda, Madrid), Armani Exchange debuted in Plaza Río 2 (Madrid) and the Danish games company Lego opened a store in la Vaguada (Madrid).

Rents

The upbeat outlook for both the economy and consumption have driven up footfall and sales, reduced rental incentives and vacancy rates and, thus, increased revenue. However, rents started to trend upwards in new prime shopping centre and retail park developments.

With regards to new leases signed, rental growth is currently only being seen in prime centres and dominant retail parks, although the lack of available retail units makes it difficult to quantify the average growth, which is mainly attributed to new centres.

Vacancy rates in established secondary centres that are dominant in their catchment areas are slowly falling, and this is positively affecting rental income which, is slowly edging up.

According to Savills' database, rental income for the 2015-2017 period dropped by -27% compared to rental income over the 2008-2011 period. If we just consider new leases, it decreased by -23%. Rental income from smaller retail units and fashion stores saw the sharpest decline.

Fashion accounts for 54% of the total rental income generated, followed by food & beverage (12%), services (10%) and entertainment (9%).

If we use retail units of between 100 and 200 sqm as a benchmark to analyse achievable rents in prime shopping centres, the average rent for new leases stands at €90 per sqm/month.

In Europe, rents are highest in the UK, at almost €530 per sqm/month, followed by Ireland, at €237 per sqm/month. The average achievable rent for prime product in Europe stands at circa €153 per sqm/month, which is 70% above the figure for Spain.

Investment market

2017 was a record year for retail investment, registering circa €3,500m and accounting for almost 38% of all commercial property investment, easily outstripping the 28% average of the historical record.

For the first time ever, a higher volume was invested in retail than in any other commercial property sector in Spain, edging up above offices.

TABLE 2

New entrants in shopping centres

UNI QLO	OVS	Cath Kidston
VICTORIA'S SECRET	Xiaomi	
G BY GUESS	S.T. Dupont PARIS	wagamama
GARCIA JEANS	UGG	VAPIANO PASTA I PIZZA I BAR
LEGO	A|X ARMANI EXCHANGE	LODI

Source: Savills Aguirre Newman

There is now over €2,500m worth of retail space expected to come on to the market for sale in 2018, €2,000m of which corresponds to traditional retail and €500m to high street. This offer comprises portfolios of shopping centres, retail parks, high street stores and off-market properties that, together with the product due to come onto the market, is set to make 2018 a year in which the market will boast a large amount of available product; an offer that is still being met with a healthy investor appetite.

The analysis by sub-market type shows that investment in traditional property (largely made up of shopping centres, retail warehouses and supermarkets/hypermarkets) accounted for 85% of the total volume invested in retail, 36% up y-o-y. This increase balances out the 37% drop in high street investment.

The largest-volume deal in the high street segment was the acquisition of Preciados, 13 in Madrid by Hines for €150m, the only mega deal (>=€100m) completed in the high street category.

Another noteworthy deal was the sale of the retail building that is home to the San Miguel market to Redevco for €70m. Although this was not the market's largest deal in absolute terms, it was the most expensive per sqm that has ever been completed in the Spanish real estate market.

Activity in the traditional market

Standout mega deals in the Spanish real estate sector in 2017 included the acquisition of Madrid Xanadú by Intu and the subsequent sale of 50% of the property to TH Real Estate, Klepierre's acquisition of Nueva Condomina and the sale by Tristan Capital of a second portfolio of Carrefour and Eroski hypermarkets to MDSR Investments.

Retail warehouses

Savills noted increased investor interest in the retail warehouse segment, mostly among Socimis and institutional funds. In 2017, these two players closed an impressive €542m worth of deals. This equated to 16% of the retail investment volume figure, more than double the amount

> "2017 was a record year in retail investment volume. For 2018, a total investment amount of €2.5m (€2,000m traditional + €500m HS) have been identified, including those that will come onto the market in the first semester" Salvador González, Investment Retail

recorded in 2016 and an all-time record. The year's largest deal was closed by the Socimi Castellana Properties, which acquired a portfolio of retail parks and warehouses with a total GLA of more than 119,000 sqm from Redevco for €193m.

Cross border investment

In 2017, US capital represented 39% of investment in traditional retail product, compared to the average of 29% in the last 10 years.

This increase was largely due to the acquisition of Madrid Xanadú by TH Real Estate and Hines' acquisition of Preciados, 13.

Socimis remained active in the market, accounting for 20% of the total volume invested in traditional product, down on the 25% recorded in 2014, but higher than its 11% market share in 2016. The standout megadeal involving a Socimi in 2017 was the acquisition completed by Trajano Iberia Alcalá Magna (Alcalá de Henares, Madrid).

However, the Socimi Lar Real Estate is the out and out leader and responsible for 19% of the total volume invested by Socimis in retail product. Ores also merits a special mention, completing seven deals in 2017.

In terms of European feeder markets, France was the country to invest the most capital in Spain in 2017, accounting for 12% of the volume invested in traditional retail product, with €233m of this corresponding to Klepierre's acquisition of Nueva Condomina in Murcia.

Yields

The supply-demand imbalance existing in the market is clearly reflected in the performance of retail yields.

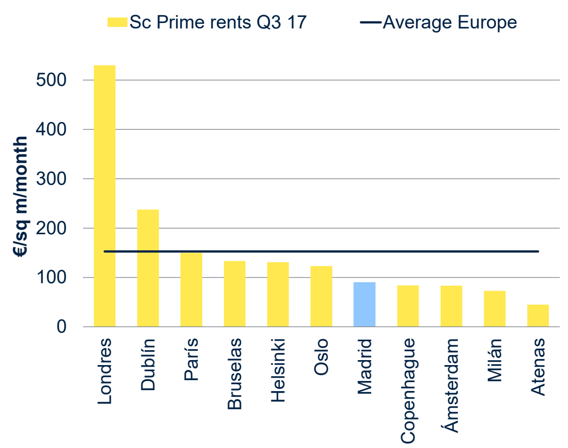
Since 2013, the turning point of the last market cycle, there has been an across-the-board tightening in traditional retail product yields, down by an average of 206 basis points. However, if we just consider the prime shopping centre yield, which currently stands at 4.25%, this has hardened -250 basis points.

Secondary shopping centres continue to be of interest to investors as an alternative to the lack of prime product. Yields in this category stand at 6%, equal to those registered in 2007 and 175 basis points above the market peak.

In terms of retail parks, with a difference of 250 basis point compared to 2013 and currently 30 basis points above the market peak, this is clearly the product with the greatest potential value uplift in the traditional retail market.

GRAPH 9

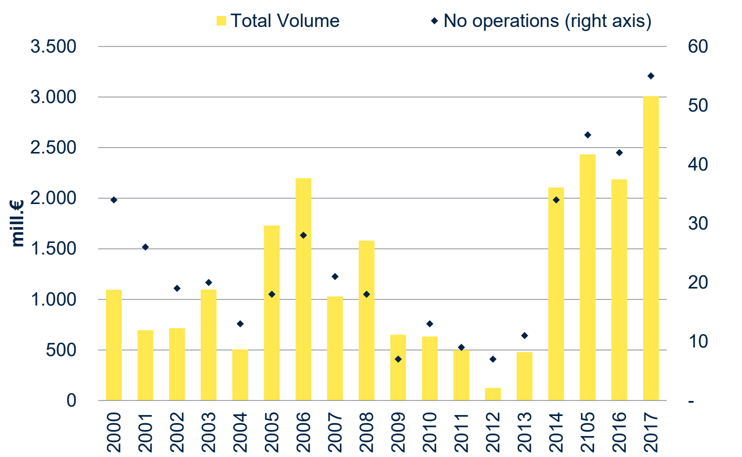
European Prime rents



Source: Savills

GRAPH 10

Investment activity in the traditional retail sector*



Source: Savills Aguirre Newman / * excluding Bank Branchess

TABLE 3
Main deals 2017

Asset	Inv. Vol. Estim. (mill.□)	Purchaser	Vendor
Xanadu	530	Intu	Ivanhoe
Xanadu (50%)	264	TH Real Estate	Intu
Nueva Condomina	233	Klepierre	Nueva Condo M. S.L., Eroski, Forum
Portfolio Redevco	193	Castellana Properties Socimi	Redevco
Portfolio Tapas *	150	MDSR Investments	Tristán
Area Sur	110	AXA / Sonae Sierra (JV)	Union Investment
Alcala Magna	100	Trajano Iberia	Incus
ABC Serrano	80	Banca March	CBRE GIP / IBA
La Marina	75	Marathon asset management	Pradera
H2Ocio (70%)	70	CBRE GIP	Alpha Real Trust Limited
El Tormes	70	LaSalle Investment Management	RPFI El Tormes
Parque Abadia	63	Lar España Real Estate	Rockspring
4 Supermarkets (Eroski +Carrefour)	63	Ores	Armuco
Terrassa Plaça *	confidential	Real IS	City Grove

Source: Savills Aguirre Newman Research / *advised by Savills

OUTLOOK

2018

■ The upbeat Spanish economic outlook is boosting the confidence of investors looking for new opportunities in the retail market.

■ Several shopping centre, retail park and high street portfolios are expected to come onto the market in 2018. Almost €2,500 m. is in the pipeline, guaranteeing an investment-intense 2018.

■ Continued economic stability will favour rental growth in prime centres, as well as secondary centres to a lesser extent.

■ Yields are expected to remain stable in prime and secondary centres, tightening slightly in leading secondary centres. Leading prime retail parks is where there is the greatest potential for further hardening of yields.

■ Innovation is no longer just an option, and both retailers and developers will continue to invest in enhancing the shopping experience.

■ Gone are the days when new entrants to the market only opened high street stores, with debuting in shopping centres becoming an increasingly popular choice.

■ Although some shopping centre retailers are branching out and opening city centre stores, this will not dampen their appetite to open new shopping centre stores in 2018.

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
Retail Research
+34 91 310 10 16
alicia.corrales@savills-aguirrenewman.es

Savills plc
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