

Retail Spain | October 2024

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SPOTLIGHT
Savills Research

Retail Parks Spain



Challenges and Opportunities in the Current Economic Climate

Global economy

The surge in global economic activity has been driven mainly by strong consumption, both private and public, as well as by a solid labour market performance. On the supply side, services continued to be the primary contributor to the buoyant activity. As a result, the general consensus among analysts has been to revise the global growth outlook for 2024 slightly upwards, to around 3%.

EURO ZONE

According to Eurostat estimates, GDP in the Economic and Monetary Union (EMU) rose by 0.3% in the first quarter of 2024, compared to a minor decline of 0.1% in the preceding quarter. The rate exceeded the ECB's March growth forecast by two tenths of a percentage point, showing notable improvements across all four major economies in the region.

The latest economic indicators, particularly those associated with the services sector suggest that this renewed vigour is likely to continue throughout the second quarter. So economic activity in the euro area appears to be moving beyond the sluggishness that has persisted since the end of 2022.

Macroeconomic and retail sector indicators, Spain

Macroeconomic data	Current	Same period (previous year)	Retail economic indicators	Current	Same period (previous year)
GDP (quarterly)	2.9% Q2 2024	1.9% Q2 2023	Private consumption (forecast y-o-y)	1.8% 2024	1.8% 2023
GDP (annual)	2.7% 2024	2.9% 2023	Consumer confidence index (CCI) (monthly)	88.40 06/2024	92.40 06/2023
Unemployment rate (quarterly)	11.3% Q2 2024	11.6% Q2 2023	Retail sales index (RSI) (monthly)	105.39 06/2024	105.09 06/2023
CPI (monthly)	2.2% 08/2024 (Advanced)	2.6% 08/2023	Retail sales index Large units (monthly)	98.71 06/2024	102.65 06/2023

Source: INE, Oxford Economics, CIS (09/2024)

Spain

According to forecasts by the Quarterly National Accounts (CNTR), GDP growth in Q1 2024 rose 0.7%, 0.3 p.p. above the rate forecast in the Bank of Spain's March projection exercise.

The latest data from Oxford Economics expects Spain's GDP to grow above the European average, with increases of 2.5% in 2023, 2.5% in 2024, 1.9% in 2025 and 1.6% in 2026.

This growth is driven by strong net external demand, which exceeded expectations due to a rise in exports (up 2.4%), especially in tourism services (up 19%).

Spain's main macroeconomic indicators remain healthy:

- The country's employment rate continues to rise, reaching record highs: the number of employed workers in the second quarter of 2024 grew by 2% compared to the second quarter of 2023, and it is expected to continue to rise.
- The Spanish CPI remained stable at 3.1% in August, mainly due to the stabilisation of fuel prices.
- European interest rates are expected to remain steady in the short term.
- Wages are projected to outpace the CPI in 2024, leading to an increase in consumption.
- In 2024, Spanish disposable income growth is forecasted to exceed that of other major European countries.
- Spanish household debt continues to decline, falling below that of the major economies.
- In 2023, the number of tourists and total expenditure (in particular high-impact expenditure) increased by 14% and 26%, respectively. Up to April, 24 million international tourists arrived in our country, 14.8% more than in 2023.

E-commerce

E-commerce in Spain is growing at a slower rate than expected. Channel integration and investment in improving the in-store experience have helped to consolidate physical stores as the consumers' preferred shopping choice.

The retail park format is more resilient against online shopping, given its more competitively priced, wider range of products, as well as the opportunity for customers to physically try and compare items.

The volume of electronic transactions exceeded €84.1 billion in 2023, 16.3% more than the previous year (CNMC Data).

Travel agencies accounted for 11% of the total online transaction volume, followed by clothing and air transport (6% respectively).

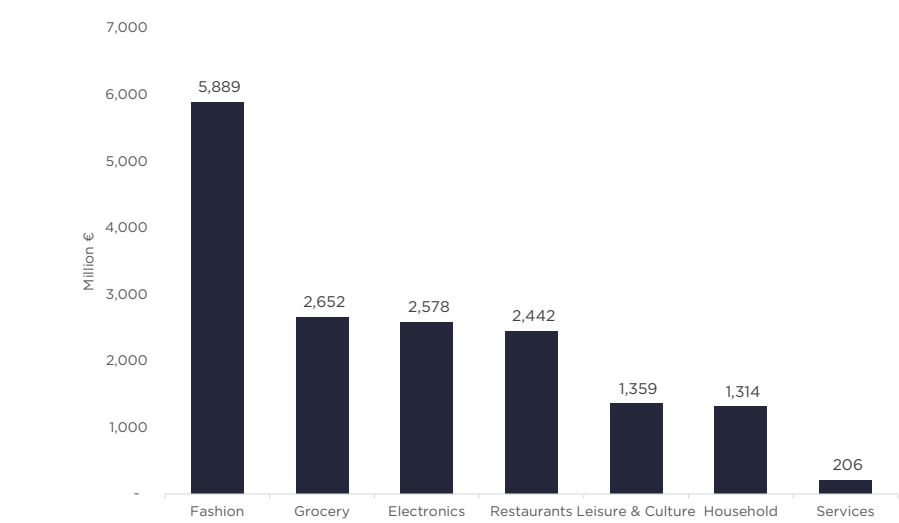
If we look only at electronic transactions in retail categories, i.e. those that take place in shopping centres or retail parks, the volume in 2023 was €84.1 billion, a 13.8% rise and 2.5 percentage points less than the entire volume.

This increase represents an online market share of 9.7%, behind economies such as France (12.6%) and Germany (13.8%) and in line with Mediterranean economies where the climate and culture favour shopping in physical stores.

The "entertainment shopping" retail category has the largest footprint, and it, along with "services," is the only segment to see an increase in turnover from 2022. Specifically, the "laundry and dry cleaners", "financial intermediation" and "artistic, sporting and recreational events" subcategories have experienced the highest growth (34%, 31% and 29% respectively).

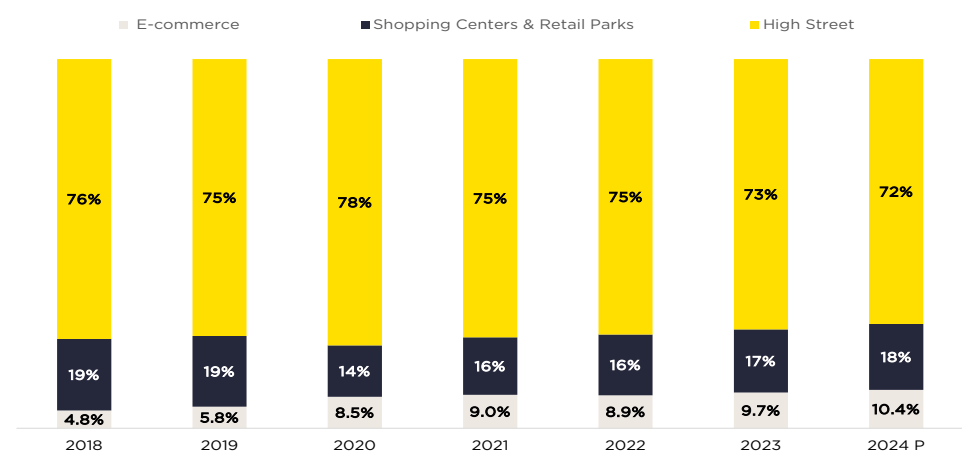
At the other end of the spectrum, "leisure and fashion" has seen the biggest decline in share with a 0.3 p.p. fall.

2023 Electronic transaction volume Existing activities in Retail Parks (million €)



Source: CNMC

Distribution of retail revenues by sales channel, Spain



Source: CNMC, AECC, INE, Savills

Retail Parks as Drivers of Retail Development

Stock

Spain currently has 132 retail parks and a GLA (Gross Lettable Area) of 3.4 million square metres excluding the standalone format; this figure represents 19% of the total GLA, which includes all retail formats.

The Valencian Community, Madrid and Andalusia are the regions with the largest surface area of retail parks, accounting for 60% of the current stock. By provinces, supply is concentrated in Madrid, Valencia, Seville, Alicante and Cadiz, which together represent 46% of the total supply.

Compared with other European countries, the share of this segment in Spain is below the European average (26%), well behind economies such as the United Kingdom (37%), Germany (33%) and France (24%), where there is a greater retail park tradition.

This is one of the reasons why Spain has one of the highest retail park surface area growth rates in Europe over the last five years (22%), compared to the UK (3%) and Germany (4%).

Moreover, this segment has become the leading player in retail development in Spain. In 2023, 60% of the retail GLA inaugurated was developed under the retail park concept and its share is expected to reach 81% in 2024.

As a result of changing consumer habits, retail parks have moved closer to more densely populated areas and the size of the facilities has declined from 28,000 sq m to 18,300 sq m in the last five years.



Why Is the Retail Park Segment Gaining Traction?

SOME REASONS

1. Segment with growth potential
2. Resilient to e-commerce
3. Highly adaptable to the requirements of large-format stores
4. Financially sound operators
5. Long-term leases
6. Low construction costs
7. Non-intensive management
8. Opportunity to accommodate other uses (logistics, hotels, etc.) and diversify risk

SOME CONSEQUENCES

1. Professionalisation of the sector
2. Improved design and better service
3. Diversification of the offer and integration of food service and leisure activities
4. Improved customer experience
5. Smaller retail parks in smaller cities
6. Increased average stay and ticket per visitor
7. High potential returns, with very attractive yields

Openings

Eight retail facilities were opened in 2023, adding 121,000 sq m to the market. Six of these were retail parks (72,000 sq m). Except for Nexum and Oalma Center, the rest are small retail parks, most of them located in secondary cities.

- With a surface area of 26,000 sq m, Nexum (Fuenlabrada, Madrid) is the largest retail park to open in 2023; it hosts 38 brand names, including Supeco, Media Markt, Kiwoko, Pepco, Viva Gym, Norauto, McDonald's and Jysk. It also features 26 electric vehicle charging points (including 10 super-fast chargers).
- Oalma Center (León), with 17,000 sq m, was developed by Oalma Mimura, SL. Located in the Plaza de la Unión Europea, in the La Lastra Park (León), it houses 10 paddle tennis courts and a gymnasium. Stores include a Lupa supermarket, MaxColchón and Jysk, among others.

Three retail parks have been developed by private operators (Oalma Center, A Revolta and Atalaya) and the rest were built by developers with a track record in the retail sector (Equilis, LR21 and Ten Brinke).

Main Retail Park openings, Spain (2024)

Name	Province	Municipality	Developer	GLA sq.m.
La Laguna	Santa Cruz de Tenerife	San Cristobal de La Laguna	Leroy Merlin & other	43,000
OMO Utrera	Seville	Utrera	OMO Retail	21,000
La Isla Retail Park	Cadiz	San Fernando	Ten Brinke	15,403
Córdoba Retail Park	Cordoba	Cordoba	Bogaris	13,735
OMO Arroyomolinos Park	Madrid	Arroyomolinos	OMO Retail	13,000

Source: Savills

Future projects

There are 33 new retail parks planned for the years 2024 and 2025; 11 of them are anticipated to open in 2024.

With these openings, the number of parks will rise to 21% in 2024 compared to 19% in 2023. In terms of area, the proportion of parks in relation to the total GLA in 2024 could reach 20% compared to 19% in 2023.

Main features

01 SMALLER PARKS

The average surface area will fall to 18,800 sq m compared to the current 25,900 sq m.

02 LOCATION TYPE

Of the 33 projects planned until 2025, 23 are located in towns with less than 100,000 inhabitants. Of these, 17 will be in municipalities with less than 50,000 inhabitants.

03 MOST ACTIVE DEVELOPER

Bogaris will be the most active developer, with five scheduled openings totalling over 62,000 sq m. They are small developments (the average GLA is 12,295 sq m) - three are located in provincial capitals (Seville, Cordoba and Cáceres) and two in secondary cities (Vilanova del Camí and San Cibrao das Viñas).

Highlights

1. OMO Cañaveral

This is the biggest project. The developer, OMO Retail, which has an ambitious expansion plan with three projects in the pipeline, plans to open a retail and leisure park in one of the capital's largest residential developments in 2026. The project will have a GLA of around 60,000 sq m and will be located in the south-eastern region of Madrid, in the district of Vicálvaro, between the M-45 and the R-3 highways.

2. Promenade Lleida

This will be the first major retail development in the province of Lleida. Developed by Eurofund and Frey Invest, it will have a surface area of 55,000 sq m, of which an estimated 30,000 sq m could be occupied by medium-sized retail outlets. Confirmed brands include Yelmo Cinemas, Esclat, Fitness Park, Ilusiona, Sakito, Kiwoko, Sprinter and Maison du Monde. The opening is scheduled for 2026.

New store openings

Demand

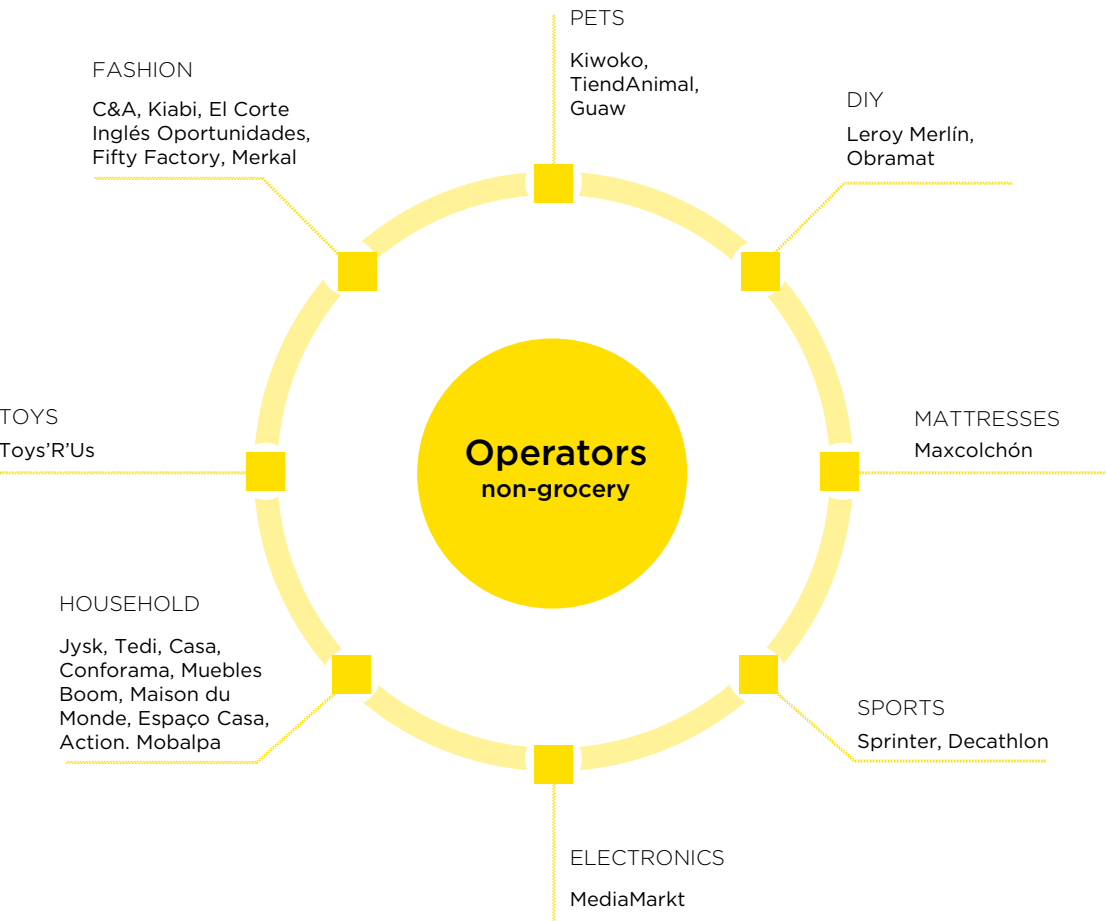
The number of new store openings is a key indicator reflecting the robust health of the retail sector. Activity in 2023 has increased compared to 2022, demonstrating that despite the economic uncertainty, operators are still committed to the physical format.

In 2023, Savills identified 581 openings in shopping centres and retail parks in Spain, 28% more than in 2022 (453 openings).

A total of 34 store openings in retail parks have been recorded, with Pepco and Kiabi at the forefront, each contributing 3 new locations. The Nexum Retail Park, which opened in 2023, has the largest number of store openings.

Activity has not slowed down during the first few months of 2024, with 104 openings identified by Savills. Of these, 20 have taken place in retail parks, including the openings of Canitas and Mya Sushi in Way Dos Hermanas (Dos Hermanas, Seville), Action in La Marina (Finestrat, Alicante) and Planet Fitness in Vía Sabadell.

Non-Grocery Operators with the Strongest Presence in Retail Parks



Source: Savills

Top 10 Most Active Operators

	Company origin	Average GLA
KIK	Germany	500- 800 sq.m.
LIDL	Germany	3,000-3,500 sq.m.
ACTION	Netherlands	1,000- 1,200 sq.m.
ALDI	Germany	3,000-3,500 sq.m.
JYSK	Denmark	1,200- 1,400 sq.m.
GUAW	Spain	700-900 sq.m.
KIABI	France	1,000- 1,500 sq.m.
SOULD PARK	Spain	1,000- 2,500 sq.m.
MERCADONA	Spain	3,000-3,500 sq.m.
PLANET FITNESS	France	1,500-1,900 sq.m.

Expansion Plans of the Leading Operators

The transition from the traditional retail park model, in which classic household and electronics brands were installed next to a hypermarket, has given way to new formats in which more emphasis is placed on the customer experience, enhancing the service and diversifying the offer with new activities that increase the average length of stay.

1 DIY

OBRAMAT

2023 marked an important milestone with the inauguration of four new outlets in Sabadell, Los Barrios (Cadiz), Vilanova (Barcelona) and Hospitalet (Barcelona), with an investment of €57.5 million. These openings expanded the chain's presence to 36 stores nationwide.

It is actively strengthening its strategy for growth with plans for new locations in Cordoba and Pamplona, as well as an expansion of its materials depot in Bormujos.

LEROY MERLIN

The company is in the midst of an ambitious expansion plan introducing new store concepts and a new omnichannel service model.

In 2023, the company invested in stores in Lorca (Compact), Valencia (Project), Fuengirola (Naterial) and Oviedo (Project). Its goal for 2024 is to continue to grow and invest in new formats in Linares and Calpe, as well as launching a Leroy Merlin Express in Madrid.

Adeje Shopping is one of its most ambitious development projects. It is situated in the tourist town of Villa de Adeje, Tenerife, on a site of around 365,000 sq m with a GLA of 58,666 sq m. The project is being developed in phases and began in 2021 with the inauguration of a Leroy Merlin outlet. Kiabi, Kiwoko and McDonald's have also opened to the public, and other brands such as Hiperdino, MediaMarkt, Merkal and Beds due to open soon. Completion is expected in 2024-2025.



2 HOUSEHOLD

CONFORAMA

This furnishings retailer has a portfolio of 57 stores, 13 of them in Portugal. Almost all of them are located in retail parks or in stand-alone buildings.

In 2023, the company furthered its expansion plan with the opening of two new stores in Elche (Alicante) and Santiago de Compostela (A Coruña).

HÔMA

The Portuguese chain of home decoration and household goods stores has launched its expansion in Spain, with an investment of close to €100 million over the next five years.

Its first store in Spain is located in the Islazul shopping centre (Leganés, Madrid), with a surface area of approximately 3,000 sq m. Founded in 1976, Hôma has 46 stores in Portugal.

MOBALPA

One of Europe's largest makers and distributors of kitchens and home furnishings, it continues to pursue its expansion strategy in Spain, which is a priority country for its international growth objectives.

In the coming months, the company will open a new franchise outlet in Jerez de Frontera, the first in the province of Cadiz and the third in Andalusia, adding to its existing locations in Málaga and Marbella.

The new establishment will be added to the 11 already existing in our country, in the following locations: Barakaldo, Santander, Marbella, Alcorcon, Madrid (2), Avila, Valencia, Málaga, Girona and Bilbao. All of them on a franchise basis.

Mobalpa, having entered the Spanish market in 2019, aims to establish 25 stores by 2025. Its priority target areas include the north of Spain, Madrid, Catalonia, Valencia and Andalusia.

3 SPORTS

DECATHLON

After selling off 90 stores in several European countries and downsizing some of its outlets, the company is currently in the process of revamping its brand. In addition to the new logo, its *Customer Journey* has been overhauled.

SPRINTER

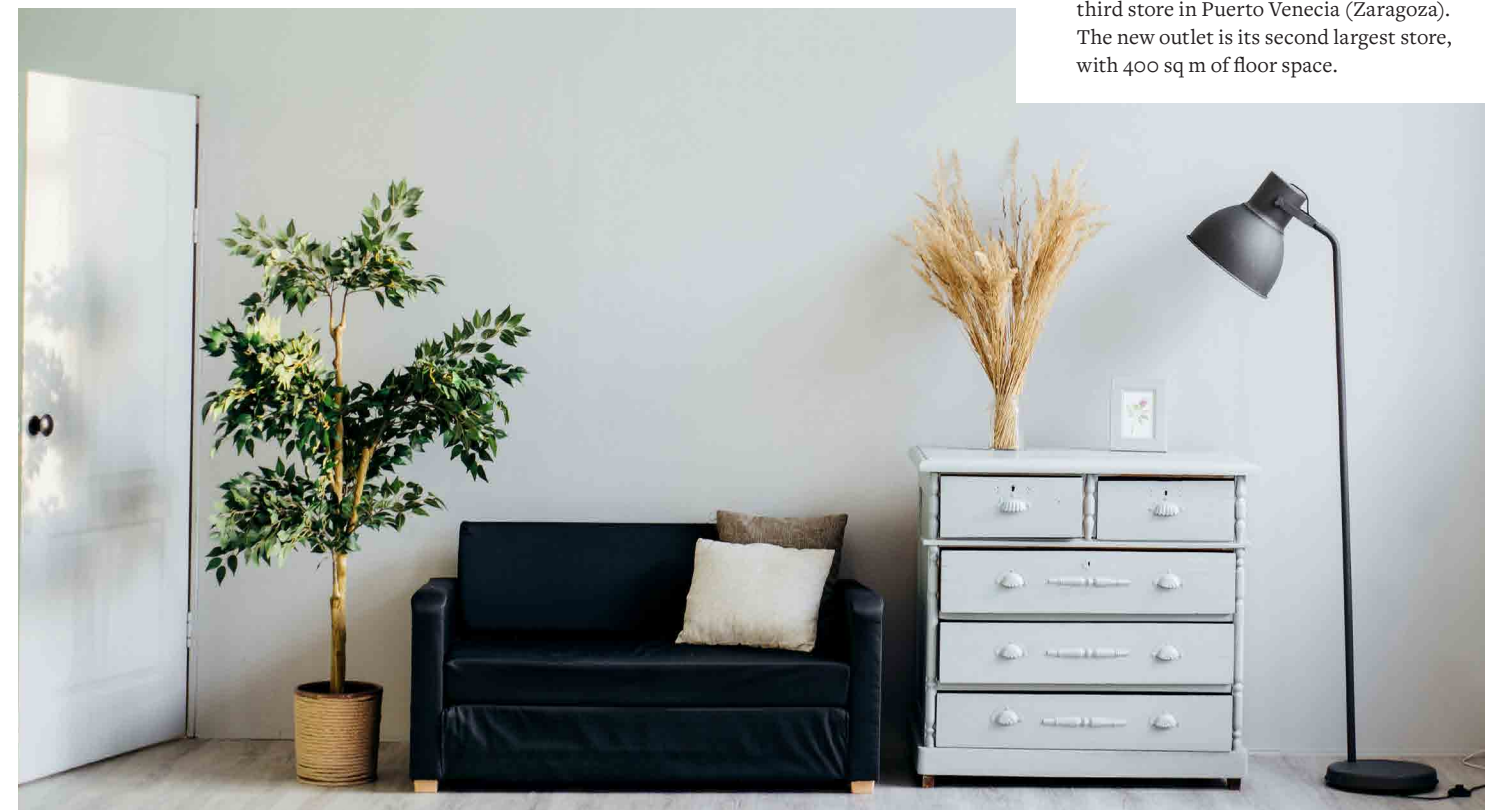
The company, owned by the British group JD Sports, has more than 200 stores in Spain, with 15 new outlets in the pipeline.

FUTBOL EMOTION

The Aragonese company specialized in the sale of football merchandise has 25 establishments: 21 in Spain, two in Portugal and two in Italy. In Spain, Andalusia is the region in which it has the greatest presence.

BASKETBALL EMOTION

The brand embarked upon its expansion plan in 2024 with the inauguration of its third store in Puerto Venecia (Zaragoza). The new outlet is its second largest store, with 400 sq m of floor space.



4 FASHION

KIK

The German low-cost fashion company is pursuing an expansion strategy in the Iberian Peninsula and plans to open 15 stores in the first half of the year, closing the year with between 40 and 60 more outlets.

TK MAXX

A subsidiary of the US apparel and household goods firm TJX Companies, which opened its first store in the UK in 1994.

It has been planning to enter the Spanish market for many years and is already looking for locations in high streets, shopping centres and retail parks, mainly in the north-east of Spain. It intends to open 150 outlets over the next few years. The company's preferred store size ranges from 1,800 to 4,500 sq m.

HALF PRICE

This is the newest brand of the Polish group CCC, which operates under a low-cost sales model for high-end fashion, footwear and accessories, as well as selling home decor, sports equipment and pet products.

It currently operates in 11 countries and has more than 130 stores and 4,000 brands. In Spain they are looking for premises of around 2,000 sq m.

ÁLVARO MORENO

The Seville-based men's fashion company continues with its expansion plans throughout Spain, where it now has 66 outlets. Although the brand is present primarily in shopping centres and high street stores, it also has larger outlets in retail parks, including the 924 sq m. store in the Granaita retail park (Granada), and another in Luz Shopping (Jerez de la Frontera, Cadiz).

5 ELECTRONICS

MEDIAMARKT

The German company, which currently has 111 stores in Spain and a retail surface area of 250,000 sq m, is starting the year with four openings. The first was in the Nexum retail park in Fuenlabrada (Madrid) and in the coming months it will open in Adeje (Tenerife), Burgos and Gijón (Asturias). Furthermore, over 11 locations are set to be renovated.

It aims to increase market share by 1.5% and sales by 8% in 2024, following growth of 3% in 2023 with smaller sized outlets than those of traditional formats.

The group is set to roll out a new omnichannel model across Spain in 2025, affecting both retail and online sales processes.

6 PETS

GUAW

The specialist animal care brand has had a strong year with store openings in several regions. Last August, it launched a store in Salamanca, its first outlet in the region of Castile and Leon.

With this opening, the brand now has 28 locations in Spain and plans to open between 12 and 15 stores this year.

CANITAS

The brand, which focuses on animal healthcare, has a major growth plan centred primarily on Madrid, Barcelona and Valencia, where it intends to open 10 clinics in the second half of the year and another 30 in 2025.

7 SPORTS CENTERS

PLANET FITNESS

Planet Fitness, the leading gym chain in the United States, is expanding into Spain with a revolutionary concept, targeting the 80% of individuals who typically do not frequent a gym.

The company recorded a 14.4% increase in revenues in 2023 and expects to boost its sales by 5-6% this year. It has a very ambitious expansion plan with the goal of opening up to 150 locations in Spain.

PADELPRIX

The company, which currently operates centres in Coruña, Santiago, León, Ourense, La Finca, Cerceda and Milladoiro, has a total of 74 paddle courts across Spain and concluded 2023 with a turnover of over €1.5 million, up 20% from 2022.

It aims to surpass the €2 million mark in 2024.

8 LEISURE

SPEED PARK

The company is following an ambitious growth strategy following the opening of its first large location (5,500 sq m) in Oasiz (Torrejón de Ardoz, Madrid). It currently has a go-kart track, bowling alley, laser-game, electronic games, billiards, karaoke and a bar.

Speed Park, which belongs to the Otium Leisure group, is looking to introduce new brands like Koezio and Ko Jump.

ILUSIONA

The Spanish chain, with a long tradition in family leisure and entertainment, is present in more than thirty shopping centres in the country and aims to continue with its national and European expansion. The company's offer includes a variety of formats and options such as bowling alleys, mini-golf, children's play parks and 4D cinema, among others.

OZONE

Another major company with 28 leisure centres in Spain. It has several openings planned for the coming years. It features three concepts (Ozone, Ozone City, and Mega Ozone) that encompass snack bars, bowling, simulators, arcade and sports machines, along with unique experiences like Icezone or bumper cars in some of its locations, ensuring it remains a key player in this sector.

SOULD PARK

With more than 30 years of experience and 22 retail parks in Spain's major cities, the company has established itself as a market leader in the construction and operation of children's amusement parks, as well as "kiddies" platforms (coin-operated games), bowling, jumping, arcade games, and more.

Since 2023, the company's concept has been geared towards the younger demographic and families, with around 1,000 sq m of space including a state-of-the-art arcade zone, Virtual Reality and Sports Bar/Café.

9 OTHER

ACTION

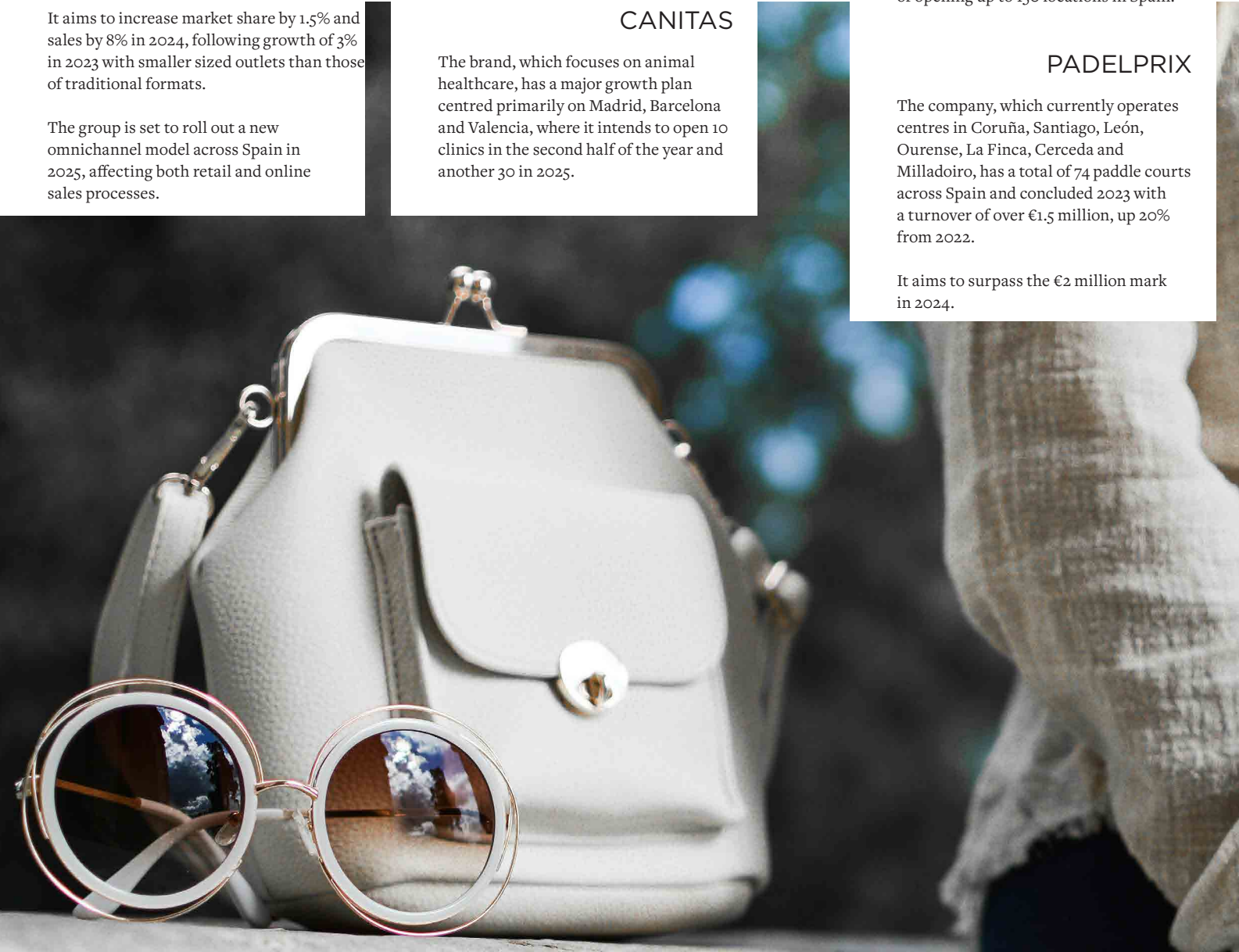
The Dutch low-cost chain of non-grocery shops, present in 12 countries, entered the Spanish market in 2022. It plans to extend its presence in Spain, with an initial target of 700 to 730 shops in the country, although the final number will depend on demographic and economic factors.

Action closed 2023 with 26 points of sale in Spain, with plans to open 30 to 40 outlets per year. Openings for 2024 are already planned in Madrid, Zaragoza, Valencia, Segovia, and Puertollano (Ciudad Real), among other cities.

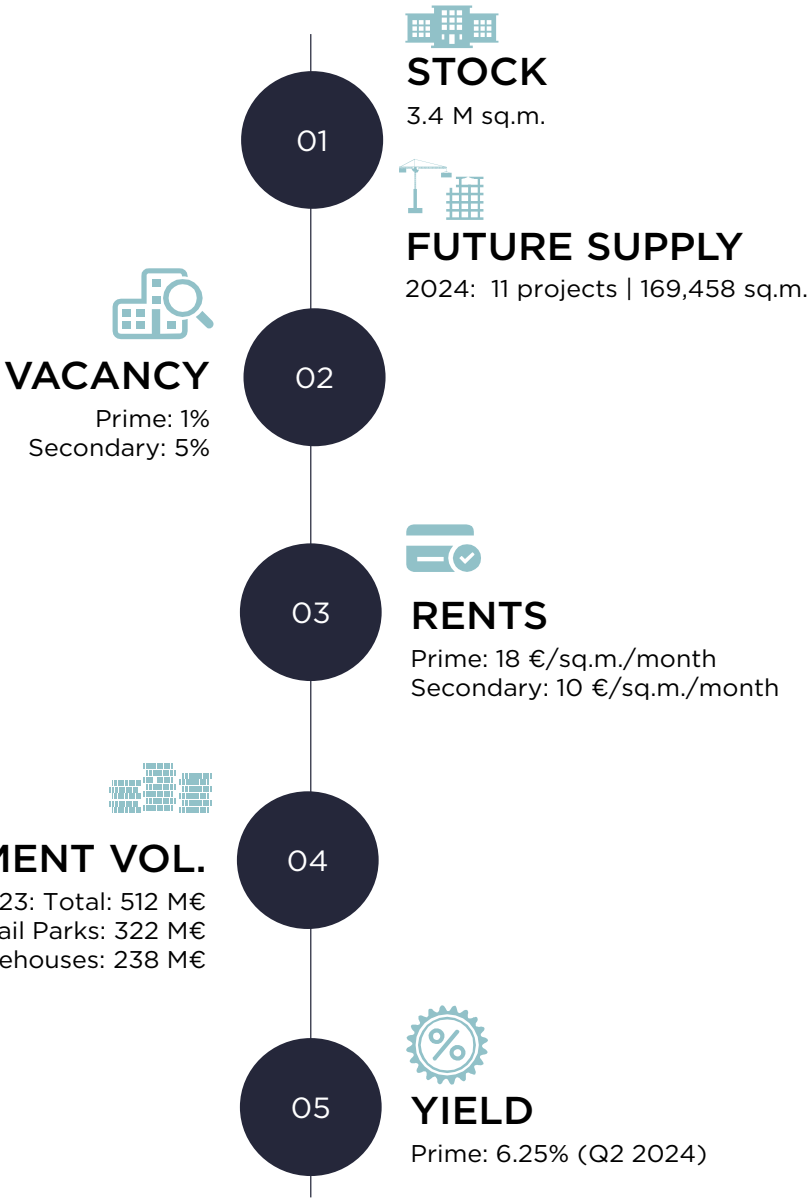
PRIMAPRIX

The Spanish company, which promises prices up to 40% below those of traditional operators, had 214 establishments in Spain at the end of 2023, 19% more than in 2022. This was the outcome of its 34 openings in 2023, in addition to the four shops operating in France since 2022.

In total, the group has been opening an average of 36 outlets per year since 2019.



KPI's | Retail Parks



Source: Savills

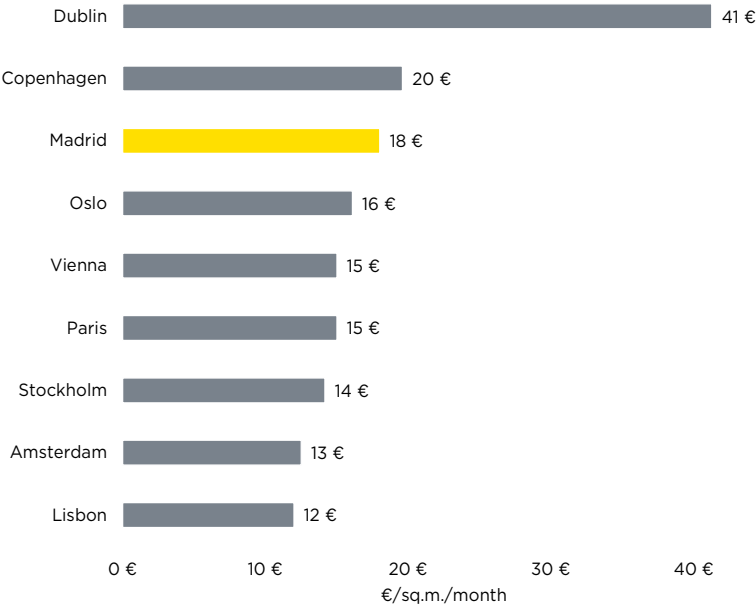
Rents

The average rent for retail parks in Spain is around €10/sq m/month. The figure stands at €18/sq m/month in prime parks and €10/sq m/month in secondary parks. In the latter, a distinction must be made between parks in mid-sized or small localities, which have a rent of around €7-8/sq m/month, and those in larger towns and cities, where rents vary between €8-€10/sq m/month.

By size, shops with a surface area of less than 1,500 sq m have an average rent of €11/sq m/month, while the average rent for surfaces between 1,500 sq m and 5,000 is €10/sq m/month. Finally, the average rent for retail parks larger than 5,000 sq m is around €9/sq m/month.

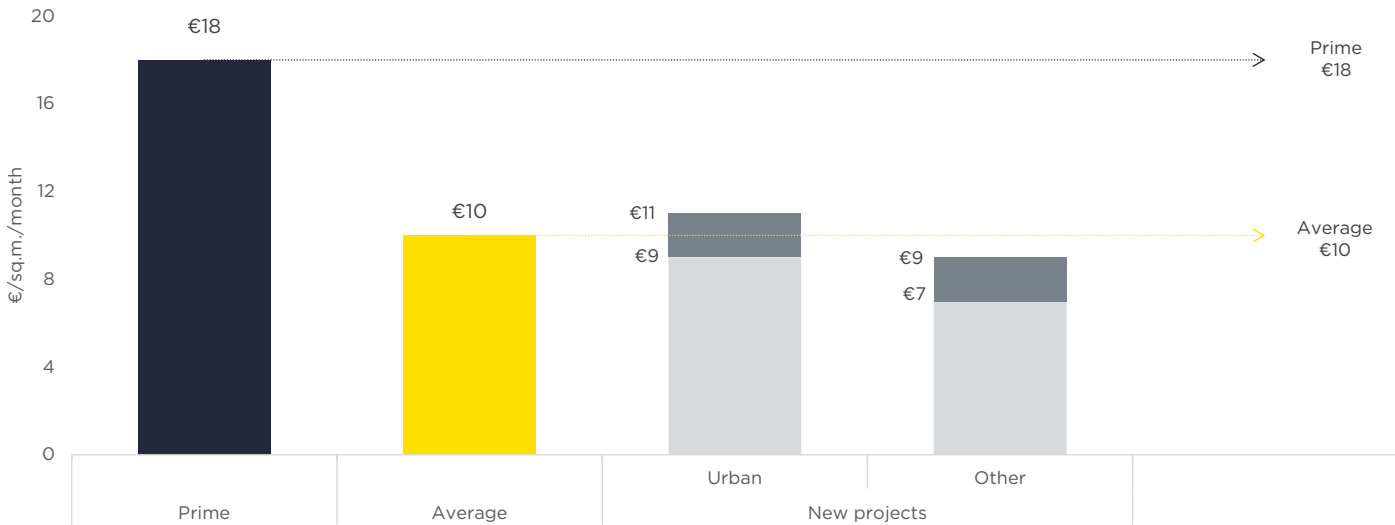
Analysing rent by activity, fashion and vehicle accessories command the highest rents at €12/sq m/month, two euros above the sector average. Gyms and entertainment shop have the lowest rentals, at €4 and €8/sq m/month, respectively, owing to the smaller profit margins of these types of activities. Additionally, gyms may occupy two floors for their operations.

Prime Retail Park rents in Major European cities (€/sq.m./month) | Q2 2024



Source: Savills

Rental values by type of asset



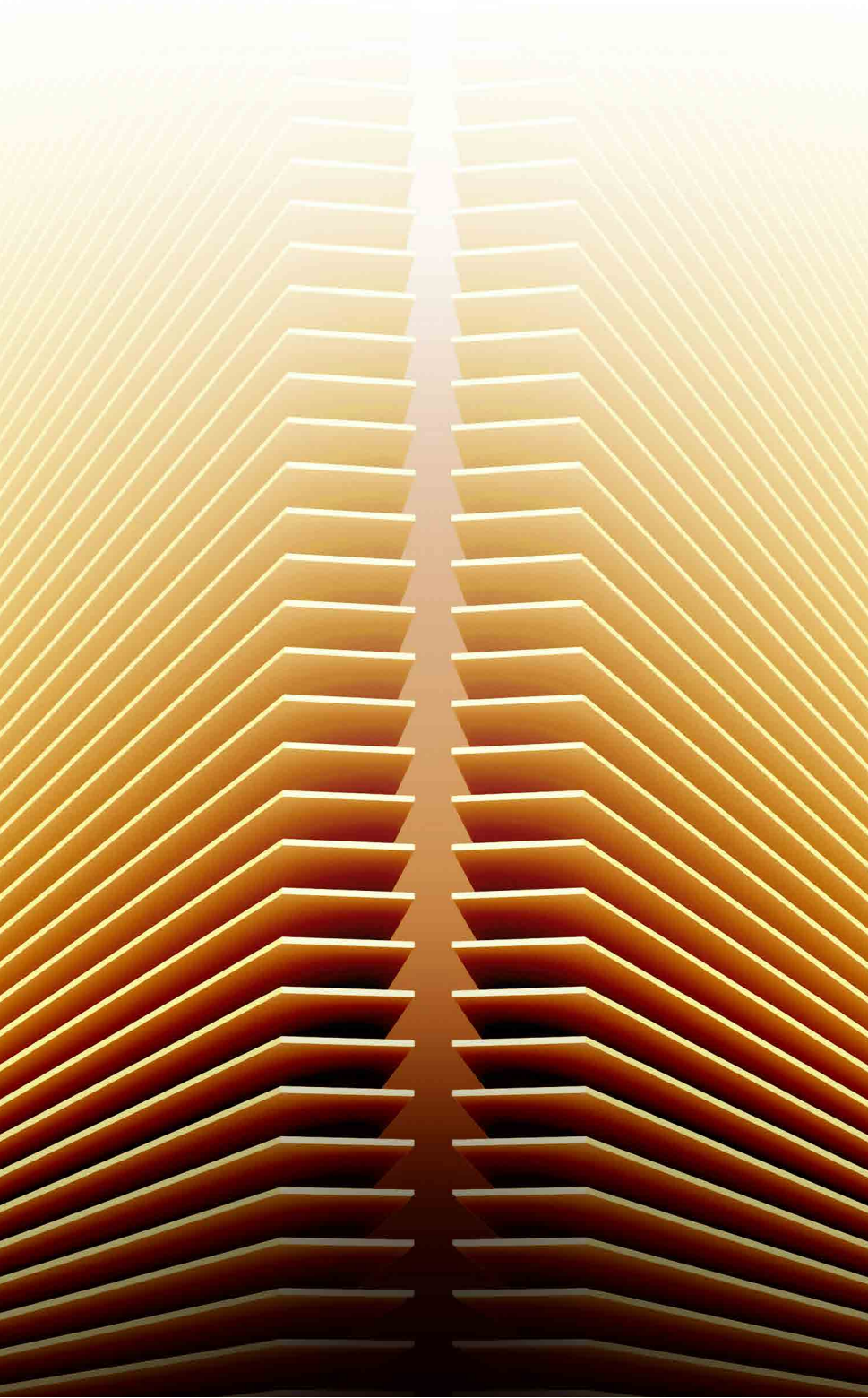
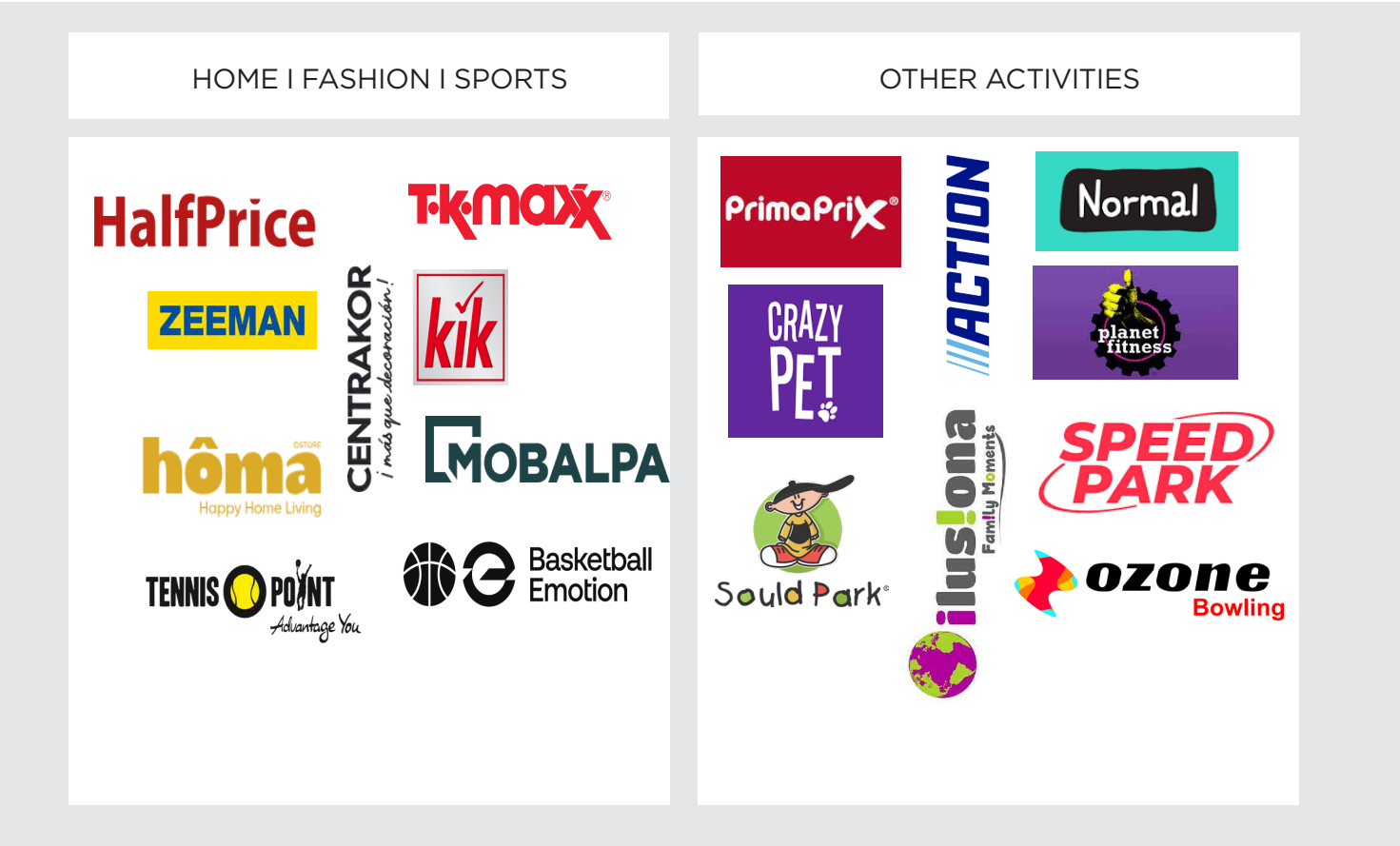
Source: Savills

Redefining the Shopping Experience and Retail Space Use

TREND #1: New Brands to Revitalise Retail Parks

Spanish shopping centres and retail parks continue to attract the interest of national and international operators. In the retail park segment, this trend is evidenced by 54 new openings of medium-sized retail outlets since 2023.

Of particular note is the arrival of European operators specialising in low-cost products such as Zeeman, Centrakor, Action, Normal, TK Maxx and Half Price, and leisure operators such as Ilusiona, Speed Park and Sould Park opting for the retail park format.



TREND #2: Supermarkets; a Safe Bet

The historical preference for retail parks anchored by a hypermarket has given way to retail parks with one or two supermarkets. The benefits are clear: on the one hand, the grocery brand brings high visibility to the retail park, and on the other hand, it generates a daily flow of customers.

TREND #3: Less is more

The need to move closer to densely populated residential areas has led to the development of smaller retail parks. This phenomenon also extends to some operators: the growth of e-commerce has prompted established brands such as Decathlon, MediaMarkt, Leroy Merlin and Merkal to rethink their business model and reduce the size of their retail space. By doing so, operators are able to enhance shop efficiency and reinforce the multi-channel approach, which is becoming increasingly sought after by customers.

The smaller store requirements frees up space that can be marketed with new activities, improving returns for retail park owners. This trend is generating opportunities for the arrival of leisure and service activities to retails parks, which can operate from the upper floors.

TREND #4:
The low-cost trend stronger than ever

Historically, the retail park concept has been associated with product variety and affordable prices. The arrival of international low-cost operators has further reinforced this positioning: Pepco, Kik, Action, Kiabi and Tedi are some of the brands that have become successful additions to our retail parks.

TREND #5:
Sustainability on the agenda

Car chargers, green areas and the use of renewable energy sources are some of the ESG initiatives pursued.

Nexum, the new retail park in Fuenlabrada, has 1,500 photovoltaic panels to supply energy to the park and the outlets that will be established there. The new retail complex will also have an electric charging station with 26 vehicle charging points, 10 of which will be super-fast charging points.

The circular economy is playing a key role in current trends. Retailers are implementing eco-friendly strategies by creating sustainable collections, embracing reuse concepts (IKEA and Decathlon), and providing second-hand sections (Alcampo), in addition to investing in the BREEAM certification process.

TREND #6:
The experience-convenience as a differentiating factor

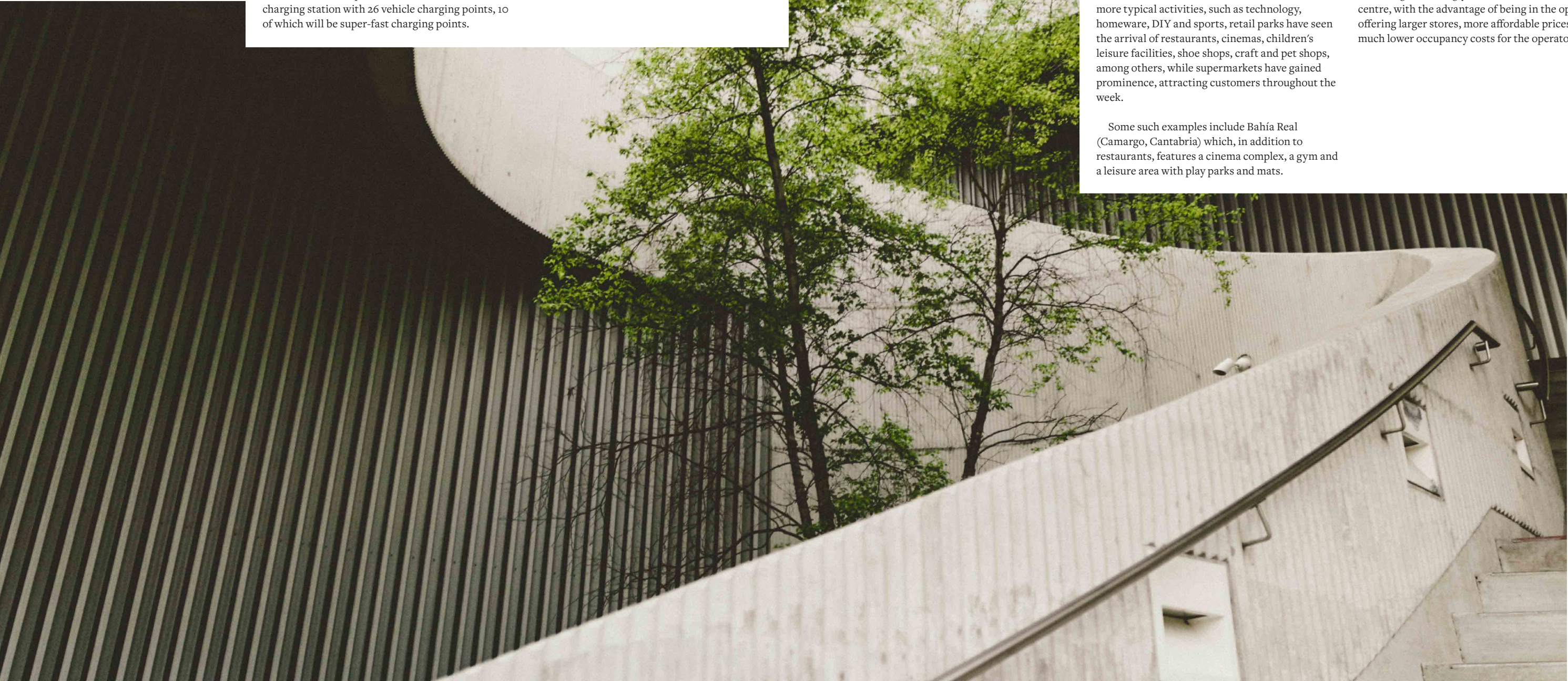
The experience-convenience tandem, together with nearby locations, functional design and easy access, are factors that have made the retail park format one of the customer's preferred options.

In recent years, this segment has evolved towards models with a more sophisticated design and commercial mix. In addition to the format's more typical activities, such as technology, homeware, DIY and sports, retail parks have seen the arrival of restaurants, cinemas, children's leisure facilities, shoe shops, craft and pet shops, among others, while supermarkets have gained prominence, attracting customers throughout the week.

Some such examples include Bahía Real (Camargo, Cantabria) which, in addition to restaurants, features a cinema complex, a gym and a leisure area with play parks and mats.

Plaza Coslada (Madrid) has cinemas, a gym and a leisure centre, while Oalma Center (León) features restaurants, a games room, a gym and 10 paddle tennis courts.

This diversification has significantly improved the image of the retail park format, which is becoming increasingly similar to that of a shopping centre, with the advantage of being in the open air, offering larger stores, more affordable prices and much lower occupancy costs for the operator.



Retail Parks in the Crosshairs of Major Investors

Investment Volume

In 2023, the retail park and stand-alone store sector was an important driver of investment activity in Spain, reaching a volume of €506.2 million, the second highest on record, and achieving a record share of 47% of the retail transaction volume.

One of the most significant transactions was the sale & leaseback purchase by Realty Income Corporation of a portfolio of 82 Decathlon stores in Germany, France, Spain, Italy and Portugal for €527 million, of which more than €200 million corresponds to assets located in Spain.

As part of its asset rotation strategy, Grupo Lar sold its Rivas Futura (Rivas-Vaciamadrid) and Vistahermosa (Alicante) retail parks, with a total GLA of 70,210 sq m, for €129.1 million.

Institutional funds have traditionally been the most significant players in the investment market: up until 2019, 53% of acquisitions were made by funds, rising to 69% over the last five years. A similar pattern has occurred with private investors, which, although having a smaller share (10% of investment since records began), are increasing their activity with larger transactions.

French REITs (investment vehicles that raise capital from private savers) have gained prominence in the retail park investment landscape and their weight is expected to increase in the coming months owing to the sector's strong appeal compared to their local market.

Regarding the profile of sellers, real estate agents hold the most significant share, at 24%, over the past five years, with operators and REITs following closely at 21% and 17%, respectively.

After the hiatus in investment in the last quarter of 2023, shopping centres have been the undisputed protagonists in 2024, with an investment volume of €872 million so far this year.

INVESTOR PROFILE IN THE RETAIL PARKS MARKET 2024 (JANUARY-SEPTEMBER)

Buyer

ORIGIN

44%
France
38%
Spain

PROFILE

62%
Fund
28%
Private

Seller

ORIGIN

63%
Europe
23%
Spain

PROFILE

67%
Fund
21%
RE Agency / Developer

Source: Savills

The medium-sized outlets and retail parks segment continued to perform equally well, with nine transactions and a volume of almost €99 million. Some of the transactions included the Lambarren retail park in Oiartzun (Guipúzcoa), Leroy Merlin in Río Norte (Alcobendas), Portal Mediterráneo (Castellón), Parque Comercial Sestao and Mejostilla (Caceres).

Several transactions in the retail park segment are expected to be concluded in the coming months. Investors are keeping an eye on the financial market, and we expect activity to intensify once rates have stabilised.

As a result, investment in traditional product will exceed that of 2023.



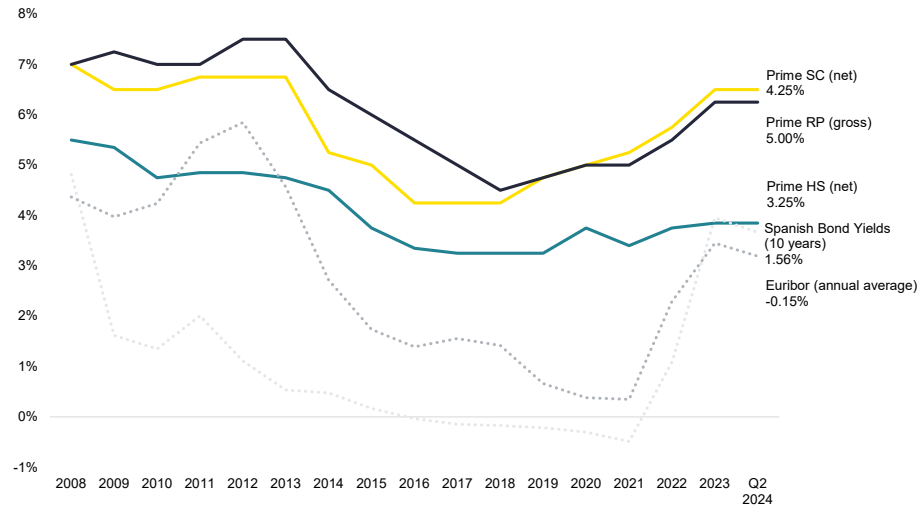
Yields

Prime yields in Spain are trending upwards on the back of rising rates, although they are expected to fall now that rates are starting to decline. The gross yield for a retail park that meets all the investment fundamentals (good location, high occupancy and long-term leases) is around 6.25%, 75 b.p. above the level recorded a year ago and 25 b.p. below the average yield of a prime shopping centre. Failure to meet any of these principles would be penalised by an increase in the initial yield level.

For secondary assets, yields stand at around 7%-8%.

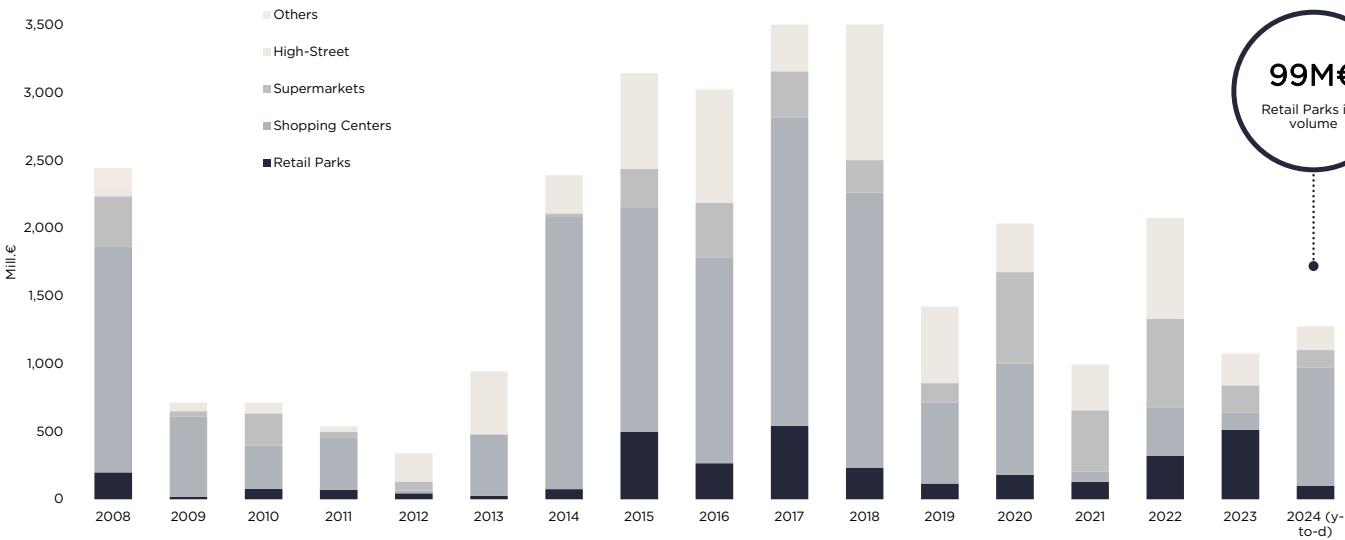
Compared to prime yields in the main European markets, Spain is already on a par with the average (6.25%), with Milan at the high end (8%) and Munich at the low end (5.10%). As a result, Spain is viewed as a competitive country where risk has been minimised, and with a significantly improved outlook for the main macroeconomic indicators, including private consumption.

Prime yield evolution (Q2 2024)



Source: Savills

Investment volumen evolution (Mill.€)



Source: Savills *Data till August 2024

Market Keys

- 1

Indicators for the Spanish economy remain positive, with growth forecasts outpacing the European average.
- 2

The weight of the retail park sector (19%, below the European average of 26%) demonstrates the growth capacity of this segment in Spain.
- 3

Development activity remains relentless: six retail parks were opened in 2023 and 11 are planned for 2024. These new projects will increase the share of the retail park segment to 21%, which is still below the European average.
- 4

Park density (71 sq m/1,000 inhabitants) remains well below economies such as the United Kingdom (160), France (90) and Germany (80).
- 5

The new retail park format is ideally suited to the size of the area of influence, with a wider range of activities, leisure, and restaurants, resulting in an increase in average stay.
- 6

OMO Cañaveral is the most ambitious project in the pipeline and the only project of this size to be launched within the next 4 or 5 years in Madrid.
- 7

Most operators continue to pursue ambitious expansion processes, especially in home and decoration, sports and supermarkets.
- 8

The *low-cost* format is still firmly entrenched in the retail park market.
- 9

Rents remain stable and virtually unchanged despite inflation.
- 10

One of the factors that generates significant interest in retail parks is the lower cost of occupancy compared to shopping centres.
- 11

Investors continue to favour the retail park format, with institutional funds, REITs and private investors leading the way among buyer profiles.
- 12

The evolution of yields will depend to a large extent on the decline in rates.



Savills Research

We carry out a thorough and objective analysis of the real estate market in order to provide our clients with accurate information on the current situation in each of the sectors, helping them make the right decisions at each moment.

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