Retail Málaga

Spain Research – 2019

SPOTLIGHT
Savills Research

[Image of retail clothing]
Map 1 Distribution of Commercial Areas in Málaga

Map legend
1 Prime
2 Centro commercial Hub
3 Corte Inglés-Larios Hub
4 Secondary Areas

Source: Savills Aguirre Newman

Retail Market

Málaga continues to be a centre of attraction for national and international retailers, as well as institutional investors, family offices and private investors.

Málaga market

The city of Málaga continues to be a leading tourist destination. According to the Area of Tourism and Promotion of the City Council of Málaga, the city recorded a total of 2,692,668 over-nights stays in 2018, representing an interannual growth of 5.6%. The economic impact of just over 4.4 million tourists was estimated at about 3.5 million euros (36% year over year), and it is estimated that for every euro of tourism spending, the city produced a value of 1.5 euros.

During the first quarter of 2019 the province hosted 1.7 million tourists, which represents about 30% of total Andalusia. It is therefore the province with the greatest appeal. The average stay increased by 4.2% over the same period last year, to stand at 11.4 days. This is the longest period in the region, followed by Almería, with 7.4 days.

Over the last 12 months, the city has undergone a steady transformation in its commercial offering. Málaga is now experiencing an upbeat economic climate and has enormous commercial potential.

The prime retail area leads this transformation as it brings together major international brands, such as Victoria’s Secret and Pandora, as well as national brands, such as shops belonging to Grupo Inditex.

The rest of the city’s commercial hubs are prospering from mainly local retailers and investors.

Distribution of commercial areas

The most commercial areas of the city have been classified into three retail hubs depending on the type of consumer who frequents these places:

1. **Prime Area**: This area is comprised of two streets: Calle Marqués de Larios and Plaza de la Constitución.

2. **Secondary Areas**: Zone of Teatinos and Héroes de Sotoa-Velázquez.

The activity sectors in which this study has been divided are the following:

- **FASHION AND ACCESSORIES**: Premises dedicated to the sale of clothes and accessories (fashion jewelery, leather goods, footwear, etc.).
- **SERVICES**: Premises dedicated to the sale of different types of services (dry cleaners, hairdressers, pharmacies, banks, clinics, etc.).
- **LUXURY**: Jewellery shops and exclusive brands.
- **FOOD AND BEVERAGE**: Cafeterias and premises allocated for the sale of food and beverages (supermarkets, butchers, green groceries, etc.).
- **COSMETICS AND PERFUMERY**: Premises dedicated to all beauty products.
- **VARIOUS**: Premises not fit in any of the above (stationery offices, etc.).

The availability of retail premises in the Málaga market has been boosted in the last 12 months. The works are expected to be completed by the end of the year, thus regaining pavement space, which in turn will boost interest in Alameda Principal.

Retail investment has been focused on the prime area involving deals with yields between 4.25% and 5%, a market that has been boosted in the last 12 months.

**Changes and demand**

12% of the premises that have been analysed in the main shopping streets of Málaga (7 of the existing 1,498 units) registered changes of ownership of the property (proprietary) or tenants in the last year. This demonstrates the notable increase in activity in all areas of the city, the local retailers being the most active outside the prime area.

**Rents**

Rental prices in the Málaga market recorded an average increase of 12% y-o-y. The average rents grew mainly in the prime area of the city (14%), while the other commercial hubs hardly registered any changes.

**Vacancy**

The availability of retail premises in Málaga continues to be the trend in recent years. The prime area accounts for the lowest vacancy rate in the city due to the reduced rotation of brands, while the rest of the commercial areas register vacancy rates of above 10%.

Graph 1 Rotation of brands by zones

Graph 2 Comparison of average rents by zones

Graph 3 Vacancy rate by zones
Málaga continues to be part of the top five most attractive cities for retailers within Spain.

In terms of rental levels, Marqués de Larios, being the main prime retail area, continues to set records. However, retailers are in the process of deciding on the effort rates they are prepared to take on over the next few years.

The overall opinion appears to have reached a turning point in the rental curve if sales volumes remain at current levels.

Málaga and Seville remain the most attractive cities in Andalusia at the retail investment level, both in terms of yield and growth expectations for the forthcoming years. More investment funds present in Madrid and Barcelona are participating in the market, as they are finding Málaga to give more attractive yields.

Málaga prime market
The intense activity carried out in recent years by various public and private organizations for the promotion of the city of Málaga, both nationally and internationally, has also included the retail sector.

Retailers are looking to open shops in Málaga, positioning their brands on the street with the highest footfall (both for locals and visitors) in the first 300 metres of the prime area.

During the last 12 months, Calle Marqués de Larios has experienced the relocation and opening of Massimo Dutti’s flagship store, the new shop of Bershka and the inauguration of Intimissimi Uomo, amongst other retailers. This retail street is currently in the ranking of the top five most expensive streets in the country.

Rents
Rents continue to trend upwards in this area. Compared to the previous year, average rents grew slightly (17%), standing at €240 per sq m/month for Calle Marqués de Larios. On this same street, the maximum rent of €340 per sq m/month was recorded.

The increase in effort rates, along with the slowdown of sales, are hampering retailers from reaching rental levels, which will cause a clear decline in rental values in the short term.

Vacancy
The vacancy rate in the most exclusive area of the city stands at 4%, with only three available shops, which represents 4% of the total.

Investment
The investment market in this area has not registered any transactions. However, this has not stopped investor appetite from considering other nearby streets.
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Savills Aguirre Newman Research
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