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# The Retail Property Telescope

Investment & Financing Keys

**Spain 2024**

23 April 2024

Strategy and Transactions







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## EXECUTIVE SUMMARY

### 1 Market Overview



- **Spain's GDP: High frequency indicators suggest economic growth in Spain remains strong in Q1** despite the weak external environment. 2024 GDP forecast stands at 2.1%.
- **Inflation fell to 2.8% in Q1**, mainly due to lower electricity prices. However, food inflation remains very high and will continue to be the main trigger of inflation in the near term.
- **Spain's consumer confidence index rises 6.2 points (to 76.7)**. Such an increase reflects positive assessment of current situation and future expectations.
- **Consumer spending has increased four consecutive quarters**, driven by a recovery in real incomes and employment growth.
- Growth of the **E-Commerce penetration in Europe**: Online sales in Spain has reached 16%. EU avg 17% , UK 26%.

### 2

### Supply & Demand



- **Commercial density levelling off** to 350 sqm/1,000 inhab 2023 **with only 8 new openings/enlargements** last year (177,951 sqm).
- **48 out of the 60 new projects in the pipeline are Retail Parks** (991,627 GLA/1,462,488 GLA) leaving shopping centre developments on stand-by.
- **Consumer spending habits full of contradictions with both challenges and opportunities for Retailers** ("save but also splurge", cut costs on food but allocate more for dining out, etc.).
- **Food category once again "second to none"** in terms of performance vs 2019 (sales +18%) (Effort Rate - 23 bps). However it reached its highest peak. **Fashion "offload" is inevitable** following the Private equity quit.
- Tenants focusing more and more on **"Ad Revenues"** and **"Late fees"** to play up / disguise operating profits. An opportunity to partner with them.

### 4

### Financing Activity



- **Prime asset-sponsor combinations gaining momentum**, with main national and international lenders willing to grant new financings.
- **Very polarized appetite by subsegment**, shopping centres still stigmatized by many lenders on contrary than retail parks and supermarkets.
- **Borrowing costs expected to level-off soon** as inflation remains steady.
- **Top lenders open to underwrite large transactions**. The comeback of "market flex" to mitigate risk taking.

### 3

### Retail Investment Market



- **Global Retail Investment falling by 16% vs 2019 to €119bn**: Global retail investment is growing and recovering share vs. other asset classes (25% of retail over global CRE). In the meantime, **Spain -29% vs 2019 (up to €953M)**.
- **Yields have experienced less correction than other segments in LTM period** due to prior structural corrections that the sector underwent in the years leading up to the pandemic.
- **Still 36% price discount to NAV**: Stock markets showing retail as an opportunity given the "unreal discount". Recent market rally is expected
- **71% of retail pipeline today is prime**.
- **"Bearish" perception over the real estate format to sell retail**, marked by rising yields, **is not mirrored in business operations**, which exhibit stable EBITDA multiples. This market imbalance may soon be adjusted, **boosting a reinforcement of retail real estate investments**.

### 5

### SC - Key Performing Indicators



#### Prime Shopping Centre KPIs as of December 2023

	Sales growth vs 2019	Sales growth vs 2022	Sales (€/sq.m)	Effort Rate
Food	18.2%	10.9%	6,370	4.8%
Household and Furniture	7.2%	1.5%	2,199	9.5%
Services	3.8%	4.6%	3,210	11.2%
Electronics	-2.2%	10.5%	3,702	13.4%
Restaurants	-5.9%	5.4%	2,818	13.9%
Leisure	-6.9%	25.1%	440	24.7%
Fashion	-11.4%	4.7%	1,990	15.9%
Specialty Retail	-17.6%	1.9%	4,215	12.2%



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For further information...

**Request the Expanded Edition**

**Contents** (+300 pages):

1. Macro economic retail market
2. European retail performance data
3. Spanish retail market understanding
4. Supply and demand analysis: New supply, KPIs, Rents...
5. Retail investment share and transactions pipeline in Spain
6. Retail financing market main drivers

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