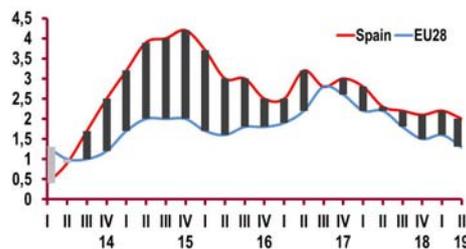


Shopping Centres in Spain: Semi-annual Activity Report November 2019

Economy:

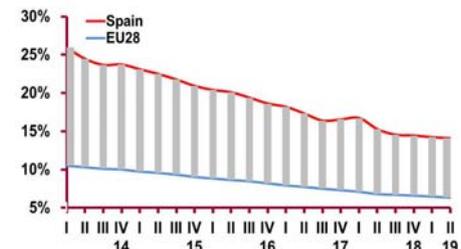
1. Spain's **GDP** is still growing above the European Union's average (28 countries). It grew 2.0% year-on-year during the second Quarter of 2019, whereas the European Union grew 1.3% year-on-year during the same period. (see Graph no. 1)
2. **Unemployment** has decreased to 14.10% during the second Quarter of 2019 – the lowest rate for nearly ten years, opposite 6.33% for the entire European Union (28 countries), which results in a gap of 7.77% with the rest of Europe. (see Graph no. 2)

Graph no. 1: GDP



Source: Banco de España and Eurostat.

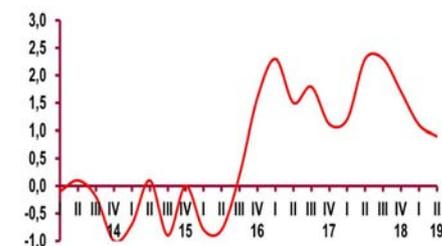
Graph no. 2: Unemployment



Source: Banco de España and Eurostat.

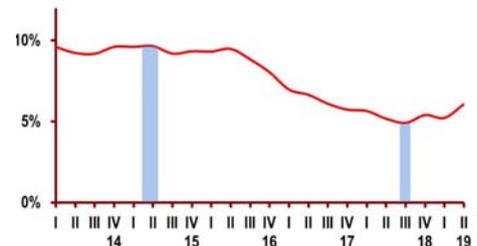
3. **HCPI (Harmonised Consumer Price Index)** has been dropping during the last few Quarters, and in the second Quarter of 2019 it was 0.9%. (see Graph no. 3)
4. The **Gross Family Savings Rate** began to rise during the last Quarter of 2018, after a long time of consistent decline. In the second Quarter of 2019 it was 6.1%. (see Graph no. 4)

Graph no. 3: Harmonised CPI



Source: INE

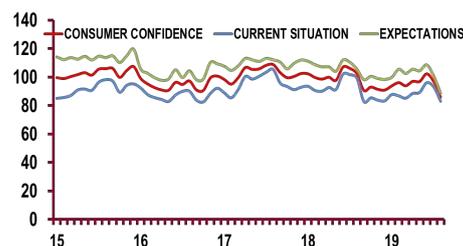
Graph no. 4: Gross Family Savings Rate



Source: INE and LaSBA

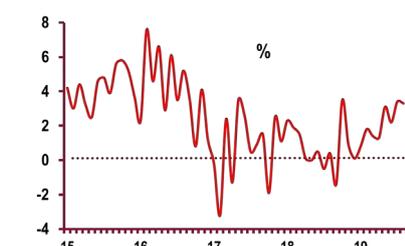
5. **Confidence indicators** were slowly rising in the beginning of the year, but began to decrease starting from July. The tendency over the last few years is a steadiness with slight fluctuations. (see Graph no. 5)
6. The **Retail Index** has been rising during 2019, reaching 3.3% in August, at constant prices (discarding service stations), based on 2015. (see Graph no. 6)

Graph no. 5: Confidence Indicators



Source: INE and LaSBA

Graph no. 6: Retail Index



Source: INE and LaSBA

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Shopping Centre Development:

7. During the first three Quarters of 2019 a total of 4 openings took place, which add up to a GLA of **127,200 sqm**; this amount includes 18,700 sqm of GLA corresponding to specialised medium-sized units established outside of retail complexes. This amount is higher with respect to the 79,300 sqm of GLA inaugurated during the same period of 2018. (see Table no. 1)

Table no. 1: Openings 2018 until September

| Shopping Centre | Location | Developer | GLA (sqm) | | |
|---------------------------------|--------------------|------------------------|----------------|---------|-------|
| | | | Extended | Initial | Total |
| Parque Rioja Xperience | Logroño | Ceetrus | 8.500 | | |
| Lagoh | Sevilla | Lar España Real Estate | 100.000 | | |
| Total Shopping Centres | 2 | | 108.500 | | |
| Bricomart | Alcalá de Guadaira | Bricomart | 8.500 | | |
| Bricomart | Alcobendas | Bricomart | 10.200 | | |
| Total Medium-Sized Units | 2 | | 18.700 | | |
| Total Openings | 4 | | 127.200 | | |

Source: LaSBA

8. The highlight amongst the new openings is the Leisure and Shopping Centre **Lagoh**, in Seville, with 100,000 sqm of GLA. Developed by **Lar España Real Estate**, the retail complex has 200 shops, kiosks, restaurants and leisure units. Among them there are large retailers, such as **Inditex** with all of its brands, **Primark**, **Yelmo Cines Premium**, **Media Markt**, **Five Guys**, **Urban Planet**, **Victoria's Secret**, **Hollister**, **Mercadona** and the Danish toy store **Legó**, among many others.
9. Furthermore, during the same period, until September of 2019, **three extensions** of existing shopping centres were registered, corresponding to an increase of 21,150 sqm of new GLA. (see Table no. 2)

Table no. 2: Extensions 2019 until September

| Shopping Centre | Location | Developer | GLA (sqm) | | |
|-------------------------|------------------------------|--------------|---------------|---------------|----------------|
| | | | Extended | Initial | Total |
| Parque Melilla | Melilla | Grupo Murias | 4.000 | 34.600 | 38.600 |
| Pinatar Park | S. Pedro del Pinatar, Murcia | Activ Group | 2.650 | 10.500 | 13.150 |
| Sant Boi Xperience | Sant Boi de Llobregat | Ceetrus | 14.500 | 42.500 | 57.500 |
| Total Extensions | 3 | | 21.150 | 87.600 | 109.250 |

Source: LaSBA

10. For the final Quarter of 2019 around **130,000 sqm** of new GLA are planned for the market, with the opening of **X-Madrid** (39,000 sqm GLA) as the highlight. Furthermore, one extension of an existing shopping centre is planned, **Plaza Mayor**, which will have a new Outlet Centre with an additional amount of 18,000 sqm of GLA. (see Tables no. 3 and 4)

Table no. 3: Planned Openings Q4 2019

| Shopping Centre | Location | Developer | GLA (sqm) | | |
|------------------------------------|---------------------------|--------------------------------|----------------|---------|-------|
| | | | Extended | Initial | Total |
| Jaén Plaza (1 st phase) | Jaén | Grupo Alvares | 29.000 | | |
| La Galería de Canalejas | Madrid | Grupo Villar Mir / OHL Desarro | 16.000 | | |
| Mogán Mall | Puerto Rico, Gran Canaria | Fund Grube / Canfoto / Amid A | 18.000 | | |
| Rosa Center | Adeje | Grupo Número 1 | 10.000 | | |
| X-Madrid | Alcorcón | Merlin Properties | 39.000 | | |
| Total Planned Openings | 5 | | 112.000 | | |

Source: LaSBA

Table no. 4: Planned Extensions Q4 2019

| Shopping Centre | Location | Developer | GLA (sqm) | | |
|---------------------------------|----------|----------------------------|---------------|---------------|---------------|
| | | | Extended | Initial | Total |
| Plaza Mayor | Málaga | Sonae Sierra / McArthurGlé | 18.000 | 53.150 | 71.150 |
| Total Planned Extensions | 1 | | 18.000 | 53.150 | 71.150 |

Source: LaSBA

11. According to these estimations, the year 2019 should end with around **280,000 sqm** of **new GLA**, an amount which is slightly higher with respect to 2018 (265,300 sqm).
12. By the end of 2019, Spain will have a retail allocation of more than 21.5 million sqm of GLA (LaSBA's Data Base). This data is different than the one managed by the **Spanish Association of Shopping Centres (AECC)**, due to the fact that **LaSBA** includes in its Data Base department stores and some centres and retail parks that the **AECC** does not consider. Considering the current population data, the estimated retail density will be



Parque Rioja Xperience Logroño



Lagoh Sevilla



Bricomart Alcalá de Guadaira



Parque Melilla Melilla



X-Madrid Alcorcón, Madrid

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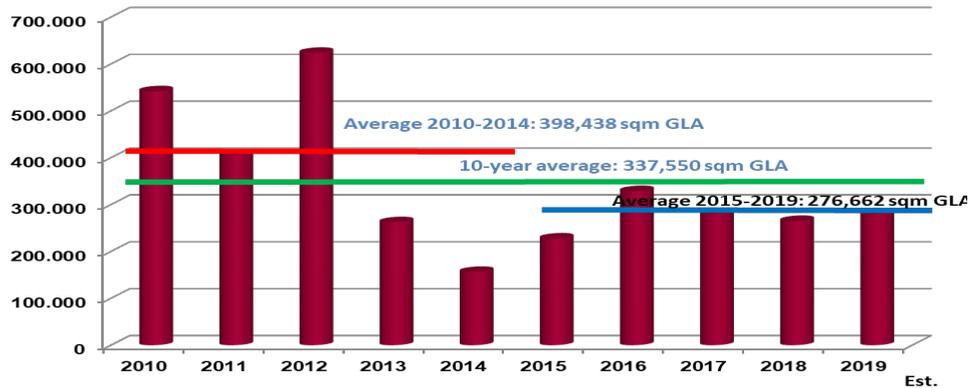
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457 sqm/1,000 inhab., slightly above the 455 sqm/1,000 inhab. of 2018.

Graph no. 7: Inaugurated GLA 2010-2019 (year-end estimation)



Source: LaSBA

Shopping Centres in Operation:

13. The number of visits to the Shopping Centers in Spain, according to the data from the **Spanish Association of Shopping Centres (AECC)**, has increased by 1.5% during the last 12 months and the sales have increased also by 1.8%. Graphs 8 and 9 show the evolution of both variables in the last four and a half years. According to the latest **ShopperTrak Index**, visits have decreased by -0.7% year-on-year in August of 2019 compared to the same month of the previous year.

Graph no.8: Affluence June19. % Interannual variation Graph no.9: Sales June19. % Interannual variation



Source: AECC

Source: AECC

14. British magazine Retail & Leisure, which every year organises the prestigious RLI Awards, giving out prizes to the most innovative Retail and Leisure projects, has nominated **Torrecedenas** under the category 'RLI International Shopping Centre 2019'. **Torrecedenas**, owned by **Bogaris**, was nominated together with other giants of the sector worldwide, such as **Oxígeno Human Playground** in Costa Rica or **IFS Changsha** in China.

15. Leisure and Shopping Centre **Espacio Coruña**, owned by **Inbisa**, is under a continuous refurbishment, which has been further consolidated over the last few months with the incorporating of new retailers and with leases being renewed. For example, there is a new 500 sqm unit for the Art Activities Centre '**El Laboratorio**', or **Yamaha Music School**, which supplies music classes to its customers.

16. **Max Center**, in Barakaldo (Vizcaya), owned by the joint venture between **Sonae Sierra** and Slovak developer **Peter Korbačka**, has begun an ambitious project that will include a complete refurbishment of the shopping centre. Renewing both its exterior and interior, the refurbishment aims to adapt the retail mix to the most innovative trends within the sector.

17. **Neptune**, joint venture between **Neinver** and **Nuveen Real Estate**, will invest on two of their largest centres in Spain, **Getafe The Style Outlets** and **San Sebastián de los Reyes The Style Outlets**. Both have begun their refurbishment, which will allow the incorporation of new brands and the extension of some existing units, in order to enhance visitors' experiences.



Torrecedenas Almería



Espacio Coruña A Coruña



Max Center Barakaldo



Planetocio Collado Villalba



Bahía Sur San Fernando

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18. American fund **AEW**, owner of **Planetocio**, located in Collado Villalba (Madrid region) has refurbished its asset. This work has mainly affected the outdoor spaces, the façade and the brand's design. Specifically, the outdoor square was redesigned and a playground introduced, a living area was created and new gardening areas were added as well.
19. **Merlin Properties** has set in motion a project that will refurbish, modernise and extend the **El Saler** shopping centre, with the goal of making it a reference retail complex in Valencia. The project is planned to be completed by the end of 2020.
20. **TresAguas**, shopping centre located in the town of Alcorcon, close to Madrid, has also refurbished its facilities, under the guidance of the studio Chapman Taylor. The owners, **Merlin Properties** and **Grupo Alonso**, intend to improve customer experience and to adapt to new market trends.
21. **Bahía Sur**, shopping centre located in San Fernando, will also refurbish its facilities. Construction is estimated to end in the Summer of 2020, with the opening of 15 units with new retailers.

Information regarding Retailers:

I. The Spanish Market

22. Groceries retailers continue with their expansion in Spain: **Carrefour**, **Aldi**, **Lidl**, **Consum**, **Alcampo**, **Uvesco**, **Condis**, **Eroski**, **Upper** and **La Sirena**, among others, are chains that continue to open new supermarkets in Spain.
23. **Uniqlo** have opened their first store in Madrid, at the Capital's **Milla de Oro**. The Japanese giant has chosen a privileged location at the heart of Madrid for the opening of its first boutique, at the mythic Jardín de Serrano. The shop has 1,590 sqm of GLA.
24. **Victoria's Secret** has opened its first store in Spain, at the **Parquesur** shopping centre, in Leganes. The American Lingerie company, owned by **L Brands**, then continued with its expansion plan by opening another store in Valencia, at the **Bonaire** shopping centre.
25. Swedish Fashion brand **H&M** has opened a new store at **Alzamora**. Located on the shopping centre's ground floor, it is **H&M**'s first store in Alcoy and it has more than 1,800 sqm.
26. Spanish Women's Fashion firm with Parisian influences, **Poète**, open their second store in Seville, at **El Corte Inglés** of the **San Juan de Aznalfarache S.C.**, reaching 20 units now in Spain.
27. **Ikea** has opened three new stores in shopping centres: at **Gran Vía Alicante**, at **Torrecañenas**, in Almeria, and at **La Sierra**, in Córdoba. The new units have their new store model, **Ikea Design**, following those that had opened in Benidorm, Ondara and Torrevieja. This new concept fits the company's new commercial strategy, based on urban stores.
28. The **Conforoma** chain, with an annual development in constructed area of approximately 23,000 sqm of sales area and another 20,000 sqm of storage area, opened on November 7 a store of 4,500 sqm of sales room and 4,000 sqm of warehouse, located in Majadahonda, in the medium-sized unit of the **CC Gran Plaza 2** shopping area in Madrid.
29. **Bauhaus**, chain that specialises in Home Improvement, Gardening and Workshop, has opened a new store at the **Espai Gironès** shopping centre in Salt, the second one in the Girona province. The new unit, with 1,300 sqm, strengthens the town's supply in gardening, home repair and decoration.
30. **Fnac**, distributor of cultural, leisure, technology and home products, has inaugurated its ninth store in Madrid. The new unit has 1,100 sqm and is located at the **La Vaguada** shopping centre, in the Pilar neighbourhood, to the Capital's north.
31. Dozens of **Adidas** stores have closed down, both in Spain and in Portugal. It is not a retreat by the German giant because of the growth of online sales, but a falling out with their main franchisee in the Iberian Peninsula, the entrepreneur Esteban Moreno.
32. **Sprinter**, Sports brand, thrusts its expansion in Spain with the opening of six new stores. Specifically, they open at **Plaza Mayor** in Gandia, **Trocadero** in La Palma (Tenerife), along with four others: one in Seville, one in Gran Canaria and two in Tenerife, thus resuming the transformation of all **SportZone** stores in the Canary Islands to **Sprinter** stores.
33. **AliExpress** have opened their first physical store in Europe, specifically at **Intu Xanadú**, just outside of Madrid. Around 3,000 people attended the unit's inauguration, and it has since received a lot of attention by consumers.
34. **Huawei** inaugurates its first store in Spain. The unit, named **Espacio Huawei**, is at the very centre of Madrid, at no. **48 Gran Vía**. It has an area of 1,100 sqm; an amount which makes it the brand's largest store in the world.



Uniqlo

Madrid



Victoria's Secret

Parquesur



AliExpress

Intu Xanadú



Espacio Huawei

Calle Gran Vía



FNAC

La Vaguada

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H&M

Alzamora



Ikea

Gran Via Alicante



IceCoBar

Arena



Zara

Dubai Mall



Rodilla

Miami

35. **Yelmo Cinemas** will open new units at the shopping centres **Bahía Sur** and **El Faro**. These units, with an area of 5,910 sqm, will have the latest technology in sound and image, as well as comfort for the viewer and large screens.
36. **Restalia** continues with its expansion. The Spanish company will open 120 units throughout 2019. The group inaugurates 12 units by its three new brands, **Panther Juice & Sandwich Market** (sandwiches, juice and coffee), **Pepe Taco** (Mexican food) and **De Pizza Madre** (DPM, the group's Pizza Delivery brand), joining the three existing brands: **100 Montaditos**, Cervecería **La Sureña** and **The Good Burger**.
37. **Foster's Hollywood** has inaugurated in Madrid its new fast casual concept '**FH Street**', also oriented towards take away and delivery. The new format has premiered in the Arganzuela district; specifically, at no. **2 calle Planeta Tierra**.
38. Ice-cream chain **IceCoBar** plans to close 2019 with around 15 units in operation, eight more than when the year began. Specifically, **IceCoBar** has inaugurated since January 5 units: in Valencia (**Plaza de La Virgen** and **Arena S.C.**), Barcelona (**Diagonal Mar**), Puerto de Sagunto and Palma de Mallorca.
39. **Unilever** will invest on **Carte D'Or** during this year, by opening new establishments. The British-Dutch company, which currently has over 100 sales points in Spain, will set in motion the openings of 50 new units throughout 2019.

II. Spanish brands in other markets

40. **Inditex** continues to expand and has opened its extended **Zara** flagship stores at **calle Preciados** in Madrid and at the **Dubai Mall** (Dubai), the latter being the largest of their units in the world with one floor only, at more than 5,000 sqm of GLA and with all the Men, Women and Kids collections.
41. **Lefties**, low cost brand by the same **Inditex** group, has opened its first flagship store in Casablanca (Morocco). With an area of more than 1,700 sqm, it is their first in Africa. The store is located at the **Morocco Mall** of Casablanca, the largest African shopping centre.
42. Galician Fashion firm **Bimba y Lola** has entered a new international market. Specifically, the company founded by the Domínguez sisters has inaugurated its first store in Malaysia, at **The Gardens Mall** of Kuala Lumpur.
43. Children's Fashion store from Coruña **Nanos** inaugurates its first store in Dubai. It thus continues with its expansion across the Middle East after the recent opening in Abu Dhabi. The new store is located at the famous **Mall of Emirates**, which houses the biggest brands in the world and is also known for having the largest indoor skiing slope.
44. **Fifty**, outlet chain which belongs to **Tendam**, lands in Mexico with the opening of its store at **Premium Outlets Querétaro**. **Fifty** continues with its international expansion plan and is already present in seven countries.
45. Restoration group **Udon** have opened their first restaurant in Mexico, expanding now to the American continent. The Catalan group which specialises in Asian food has closed a franchising deal with **Grupo Mandarin** and will open five new units at the Mexican Capital within the next 18 months.
46. Restoration chain **Rodilla** has landed in Miami (The United States), with its first restaurant outside of Spain, thus launching the company's international expansion. After this opening at the WynWood neighbourhood, three more openings are planned for Miami before the year ends, each of them in a different neighbourhood and aimed at a different target market.

Investment Market:

47. **German Bonds** and **Euribor** have been declining during the current year. Prime Yields remain stable, despite slight fluctuations. (see Graph no. 10)

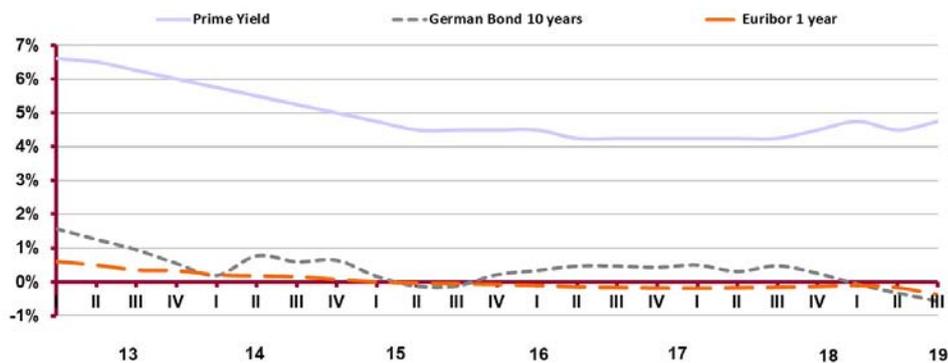
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Graph no. 10: Comparative Yield / Financial Cost / Debt



Source: Banco de España, Euribor-Rates.eu and LaSBA.

48. **Yields** for prime shopping centres have been fluctuating between 4.5% and 4.75% throughout the entire 2019 so far, whereas yields for **retail parks** have risen to 5.25%.
49. **Property investment** in shopping centres has had a significant decline this year compared to the last few periods. During 2019, until September, there were shopping centre transactions by an amount which is around 500 million Euros, an amount which is significantly lower when compared to the same period of the previous year (1.5 billion Euros).
50. There were **9 transactions** where 12 shopping centres and retail parks were acquired with an aggregate GLA of around 385,000 sqm. (see Table no. 5)

Table no. 5: Main Investment Operations 2019 until September

| Shopping Centre | Location | Province | Seller | Buyer | GLA (sqm) | Price (Mln€) |
|------------------------------|--------------|-----------|---------------------------|---|-----------|--------------|
| Bahía Plaza | Los Barrios | Cádiz | n.d. | Siicius | 19.200 | 20 |
| Ballonti | Portugalete | Vizcaya | Deka Immobilien | Bilball Centre Invest. / Ballon Invest. | 52.500 | n.d. |
| Castellana 200 | Madrid | Madrid | Silvercode | Allianz Real Estate | 6.500 | 250* |
| Dos Mares | San Javier | Murcia | Dos Mares Shopping Centre | General de Galerías Comerciales | 24.800 | 29 |
| El Corte Inglés Av. Diagonal | Barcelona | Barcelona | El Corte Inglés | AM Gestió | 52.000 | 152 |
| El Corte Inglés Bahía Sur | San Fernando | Cádiz | El Corte Inglés | Castellana Properties | 12.000 | 37 |
| Hipercom Los Arcos | Sevilla | Sevilla | El Corte Inglés | Castellana Properties | 11.000 | |
| El Corte Inglés Colón | Valencia | Valencia | El Corte Inglés | Inbest | 40.000 | |
| El Corte Inglés Bilbao | Bilbao | Vizcaya | El Corte Inglés | Inbest | 66.000 | 184 |
| El Corte Inglés Princesa | Madrid | Madrid | El Corte Inglés | Inbest | 60.000 | |
| P.C. Olaz | Pamplona | Navarra | n.d. | Atalaya Superficies Comerciales | 12.000 | n.d. |
| Puerta de Europa | Algeciras | Cádiz | Varde Partners | Castellana Properties | 29.300 | 57 |

* The transaction includes 20,000 sqm of offices.
Source: LaSBA.

51. The Province of **Cadiz** was the one with the highest number of transactions, as three assets sold were located there.
52. The largest operation until September was the acquisition of three **El Corte Inglés** department stores, in Valencia, Bilbao and Madrid, by **Inbest**, for 184 million Euros.
53. Another operation of a similar amount was the acquisition of **El Corte Inglés Av. Diagonal**, in Barcelona, by **AM Gestió**, for 152 million Euros.
54. In addition, **Castellana 200** was bought by Allianz Real Estate, in an operation of 250 million euros. However, this amount corresponds not only to the shopping center (6,500 sqm of GLA), but also to the two office buildings (20,000 sqm of GLA).
55. Another significant operation was the sale of **Puerta de Europa** (Algeciras) to **Castellana Properties**, for 57 million Euros.

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Research Program

Paseo Castellana, 143 6º C
28046 Madrid, Spain
Tel. +34 914 178 100

Praça de Alvalade, 6 1º C
1700-037 Lisbon, Portugal
Tel. +351 213 136 060

Calle 93 A # 19-50 Dep.308
01424-000 Bogotá, Colombia
Tel: +57 316 446 5733

www.lasba.com

