

Spain Real Estate Markets

Current situation and perspectives

A presentation prepared for:
Invest – Property Global Summit
Frankfurt | April 2017

Outline

1. Economic Backdrop
2. Investment
3. Madrid Office Market Focus

Key facts

More less

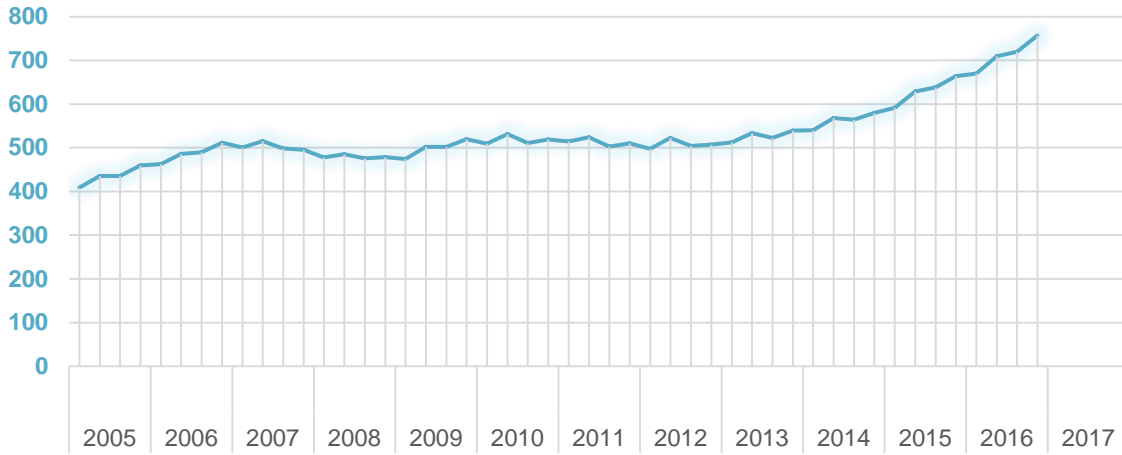
- Tourist visits from abroad are 1.6 times its entire population
- There are more bars-restaurants in Spain than in the US. We count one tavern for every 175 persons. The highest bar density in the world...
- Alleged Spanish inventions: mops and lollipops!



EBC POLICY: STILL POSITIVE

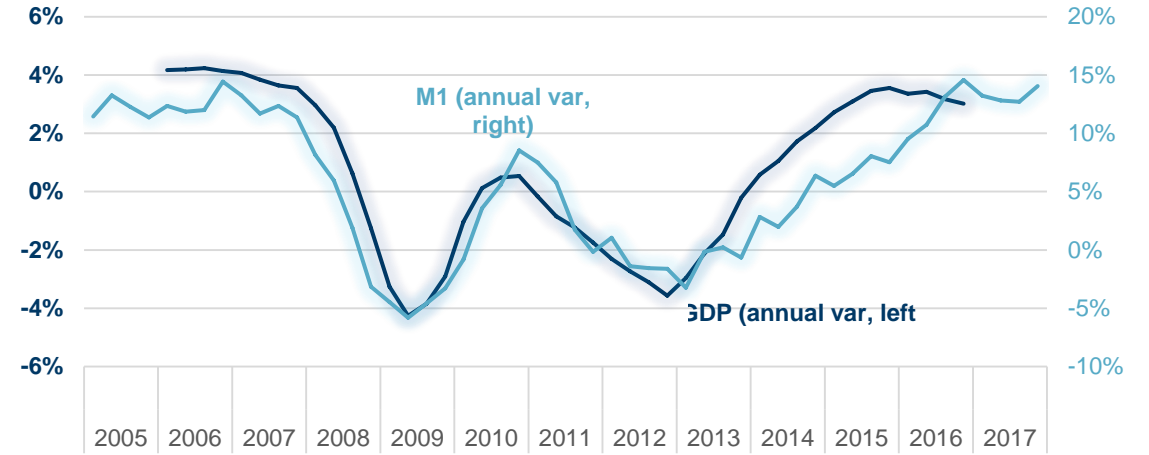
Money market dynamics in Spain

Money supply (M1, €b)



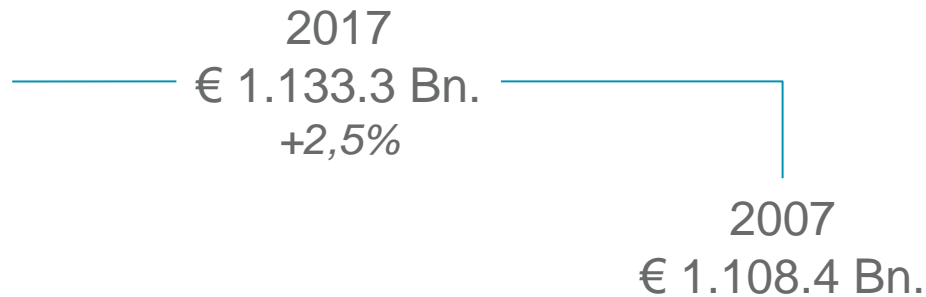
Source: Bank of Spain

Monetary and output expansion (%)



Source: Bank of Spain

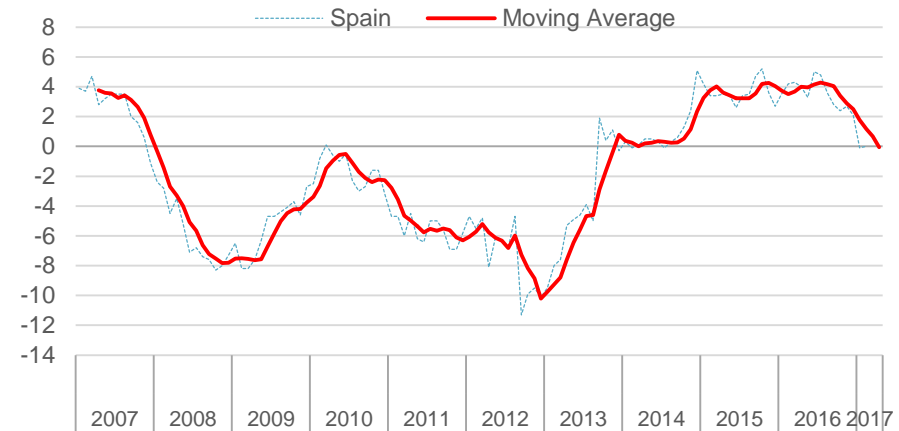
Spanish GDP?



1. ECONOMIC SENTIMENT

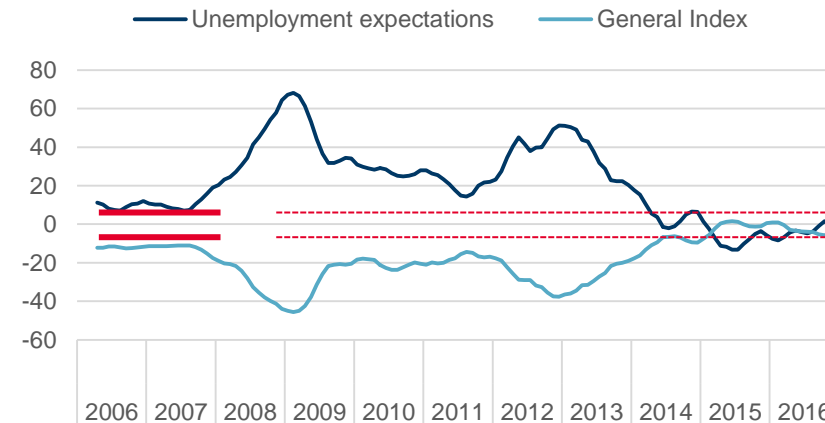
- Sustained output expansion at a pace of 3.2% of GDP in 2015 and 2016. Expected growth stands at 2.5% in 2017
- 1.4 million new jobs since 2014
- Retail sales in permanent expansion
- Tourists from abroad reached 75.5 million in 2016, another historical record (c.19 million added visits since 2011)
- Economic growth backed-up mainly by private consumption
- Budgetary adjustment remains a challenge limiting public demand contribution to GDP in 2017

Retail sales index (annual change, %)



Source: INE

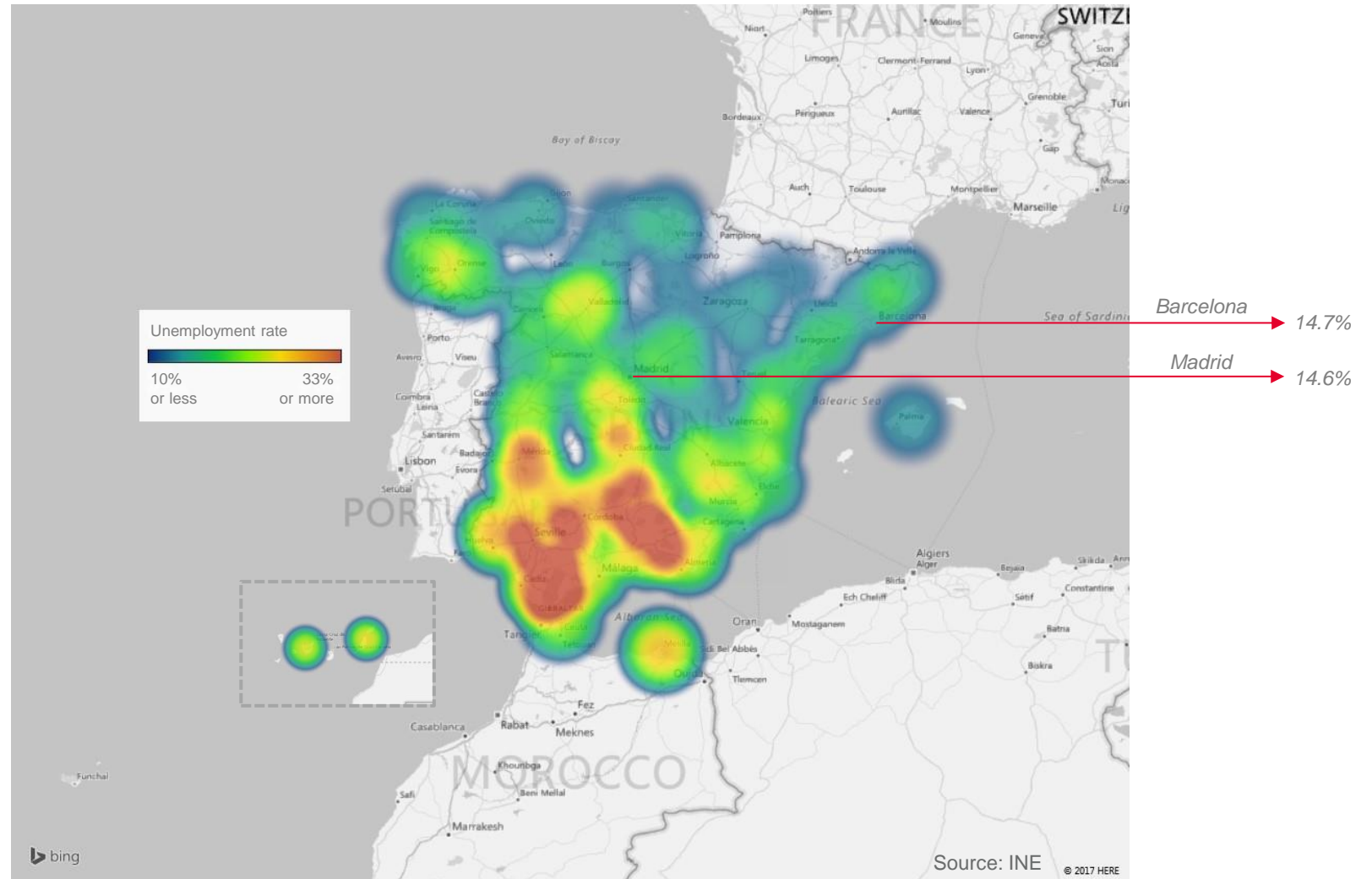
EC's Consumer Confidence Index



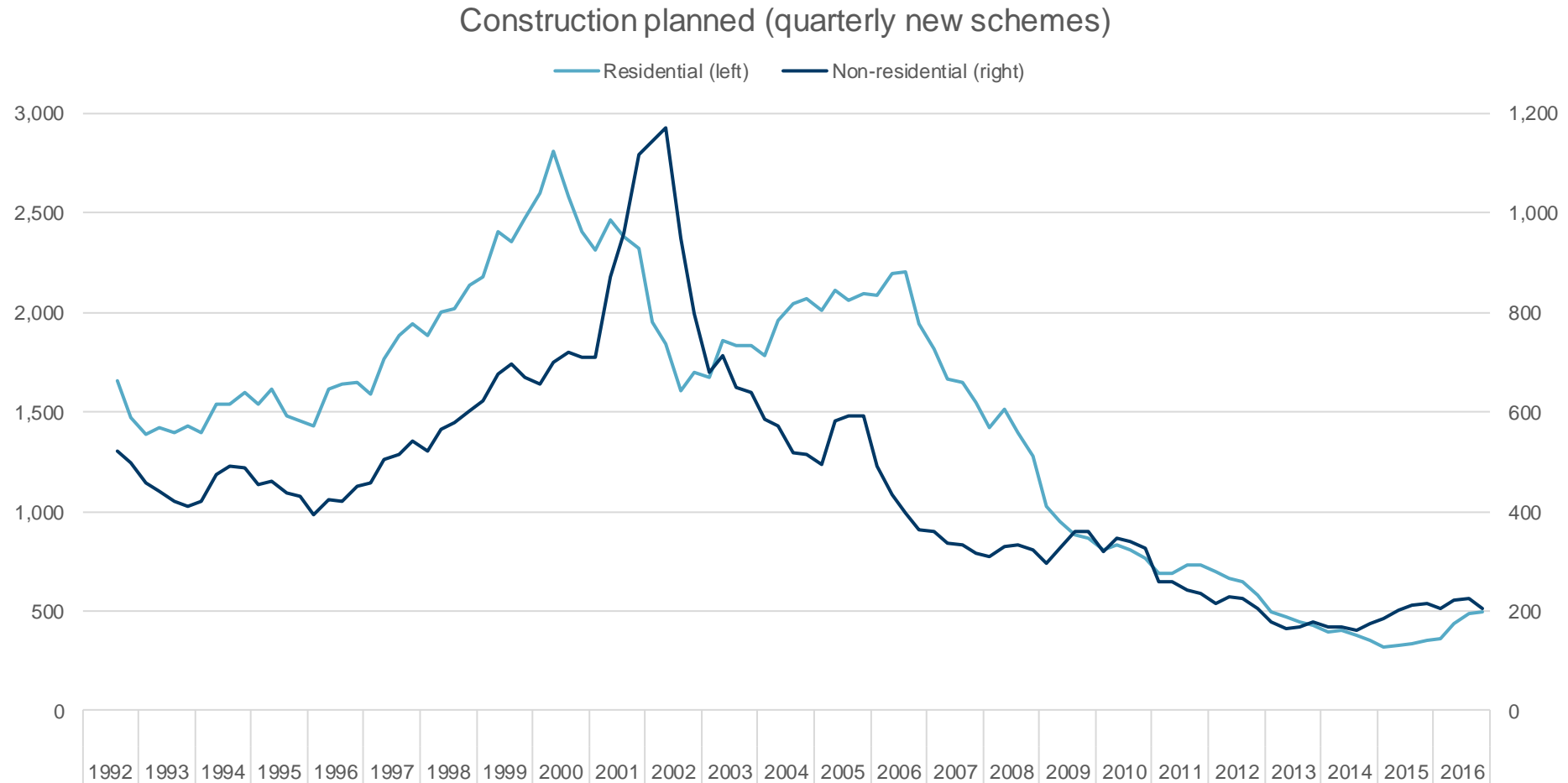
Regional unemployment

Q4 2016

Unemployment rate in Spain
18%



Progressive construction recovery

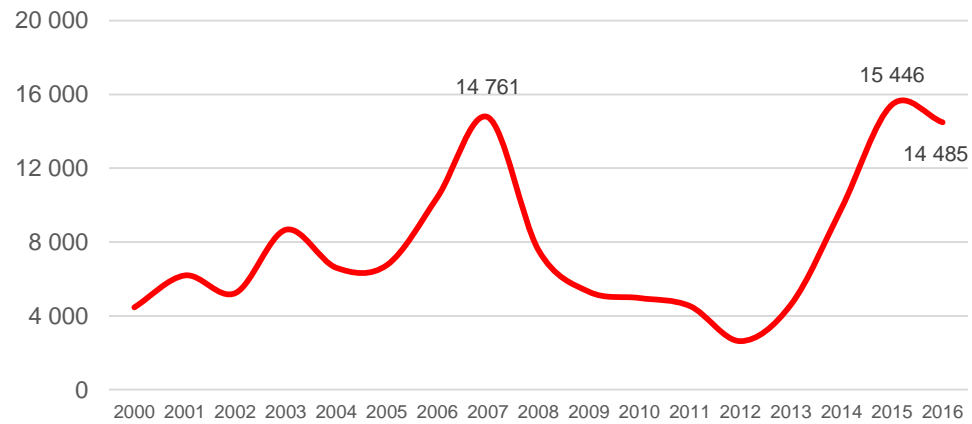


Source: Ministry of Public Works

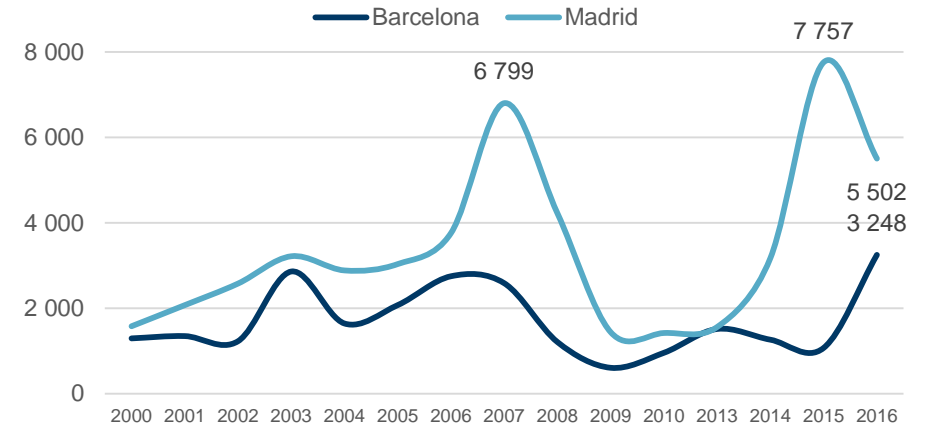
2. Investment Market

Investment volumes

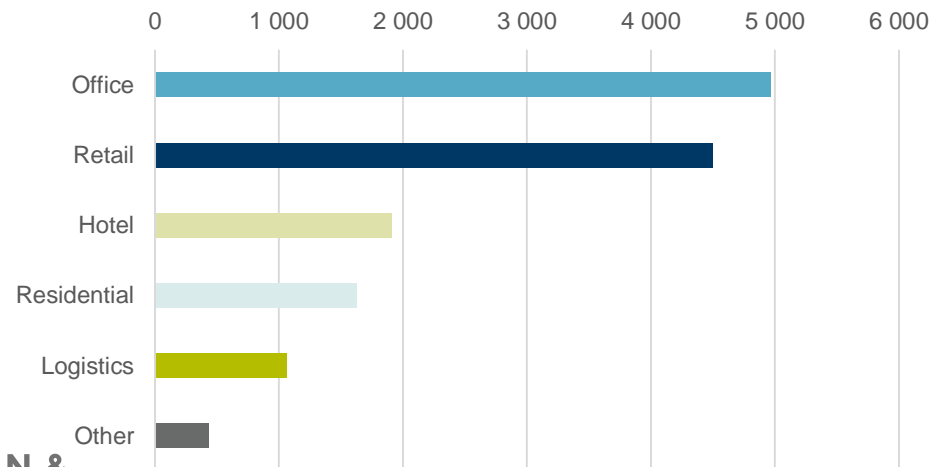
Total investment volume in Spain (M€)



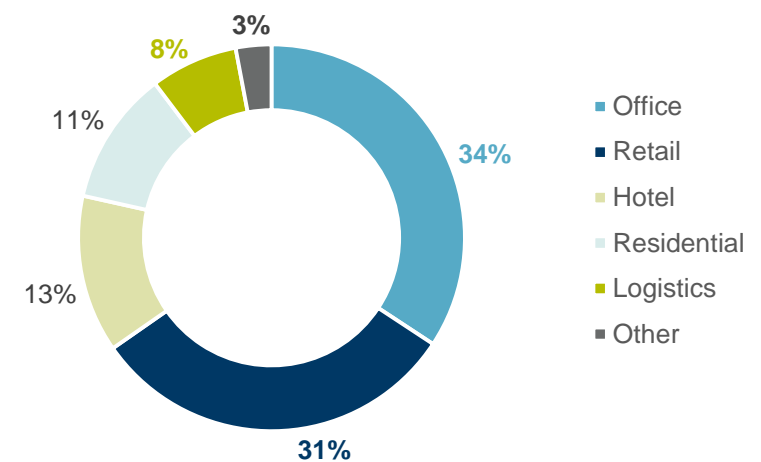
Investment volume at the local level (M€)



Investment volume by asset type (2016 - M€)

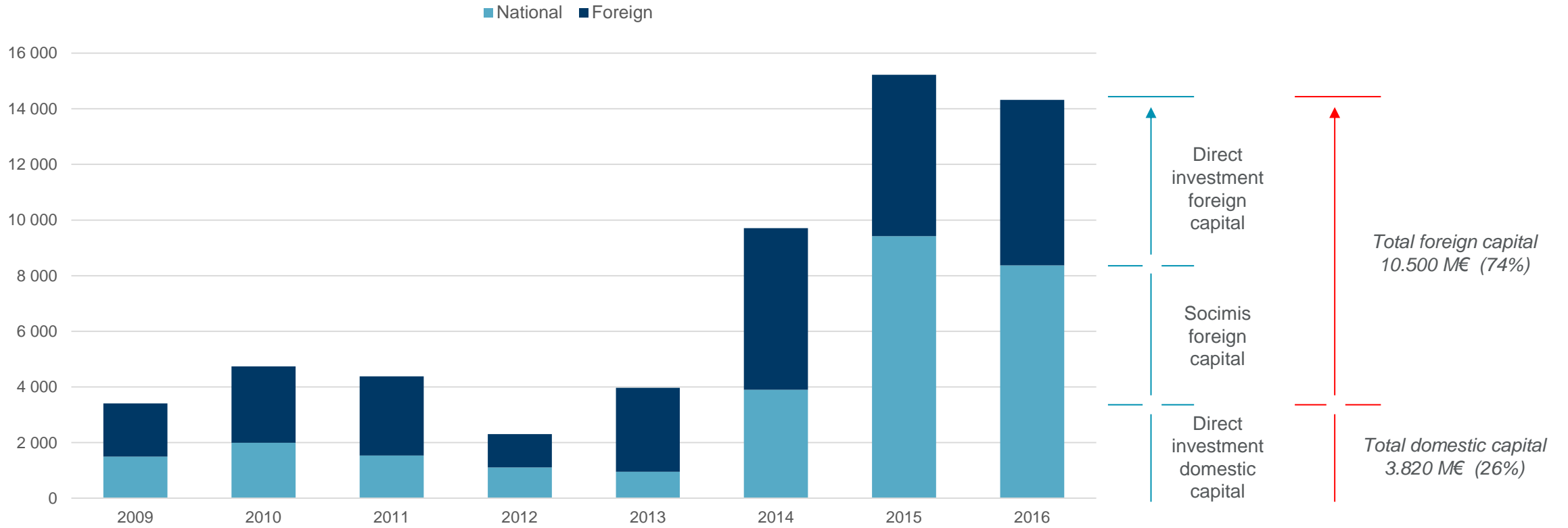


Breakdown by asset type



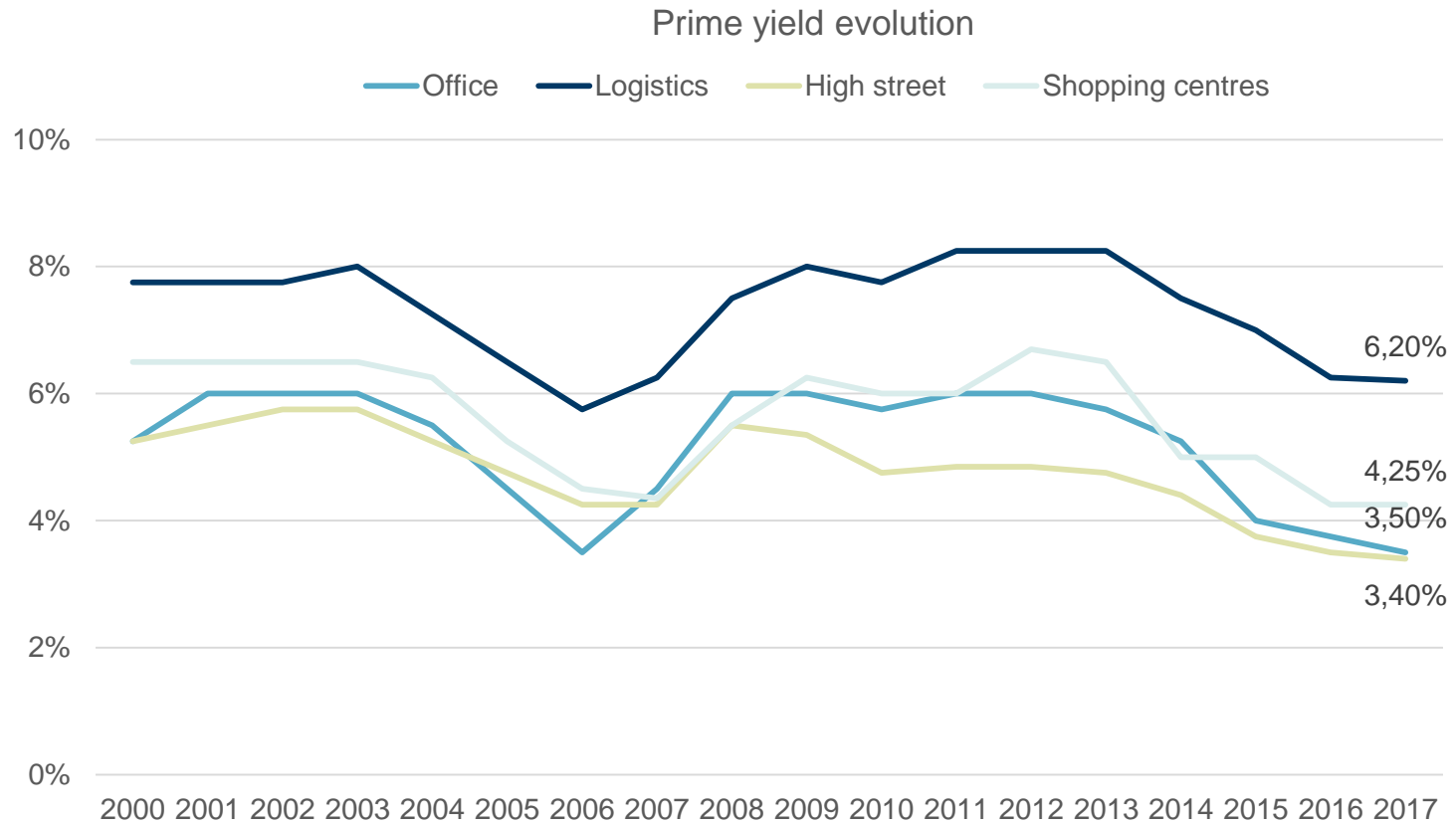
Origin of investors

Evolution of investment by source of capital (M€)



Source: Cushman & Wakefield - Research

Yields across markets



Source: Cushman & Wakefield - Research

Investment market ahead (1/2)

Main challenges and opportunities

Capital exits through the Spanish real estate

- Direct investment in near prime locations
- Key-but-not core cities
- eLogistics
- New retail parks
- Refurbishments in shopping centres
- Alternative assets
- Spanish Reits (SOCIMs) rotating assets after 3 years in portfolio
- Some SOCIMs specialising and selling non strategic assets
- Stock exchange growing markets
- M&A activity

Investment market ahead (2/2)

Main challenges and opportunities

What are investors taking care of

- Political and economic uncertainty (global, European and domestic contexts)
- CSR and efficient buildings
- Debt and leverage levels (the banks' dilemma)
- Advisory when refurbishing and developing
- Capital values and occupancy fundamentals

Stylised facts

OCCUPIER MARKET FUNDAMENTALS

Got connected?
Got social?
Got green?

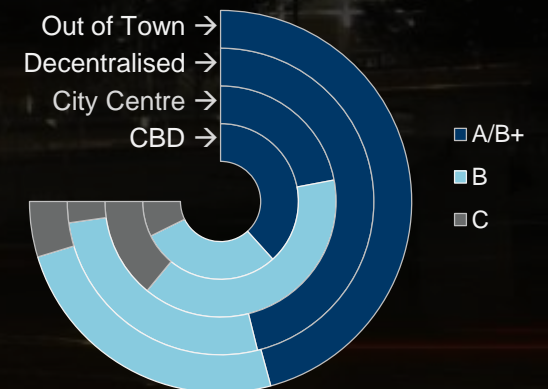
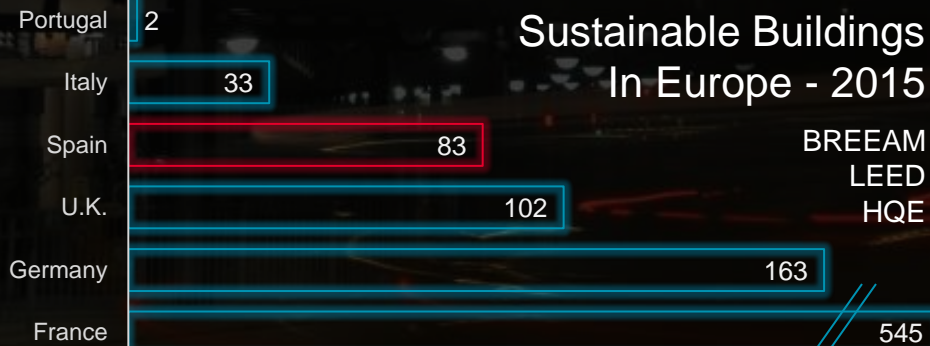
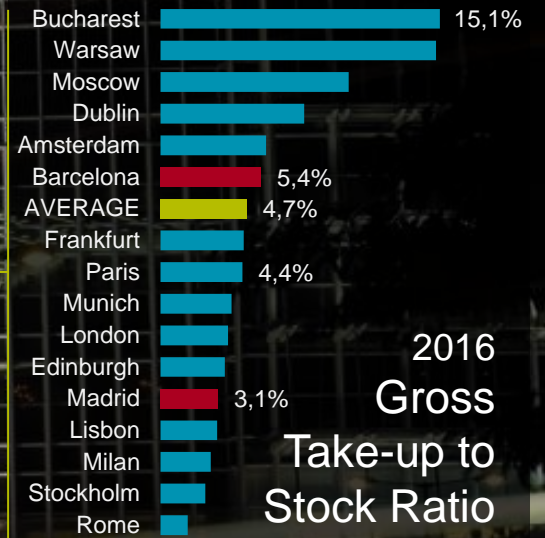
Millenials
looking for a
job

Average rental values
still to recover
+12% var.
2014-2016

The quest for
efficiency
10
m²/employee

Talent based
vs.
Cost based
occupancy

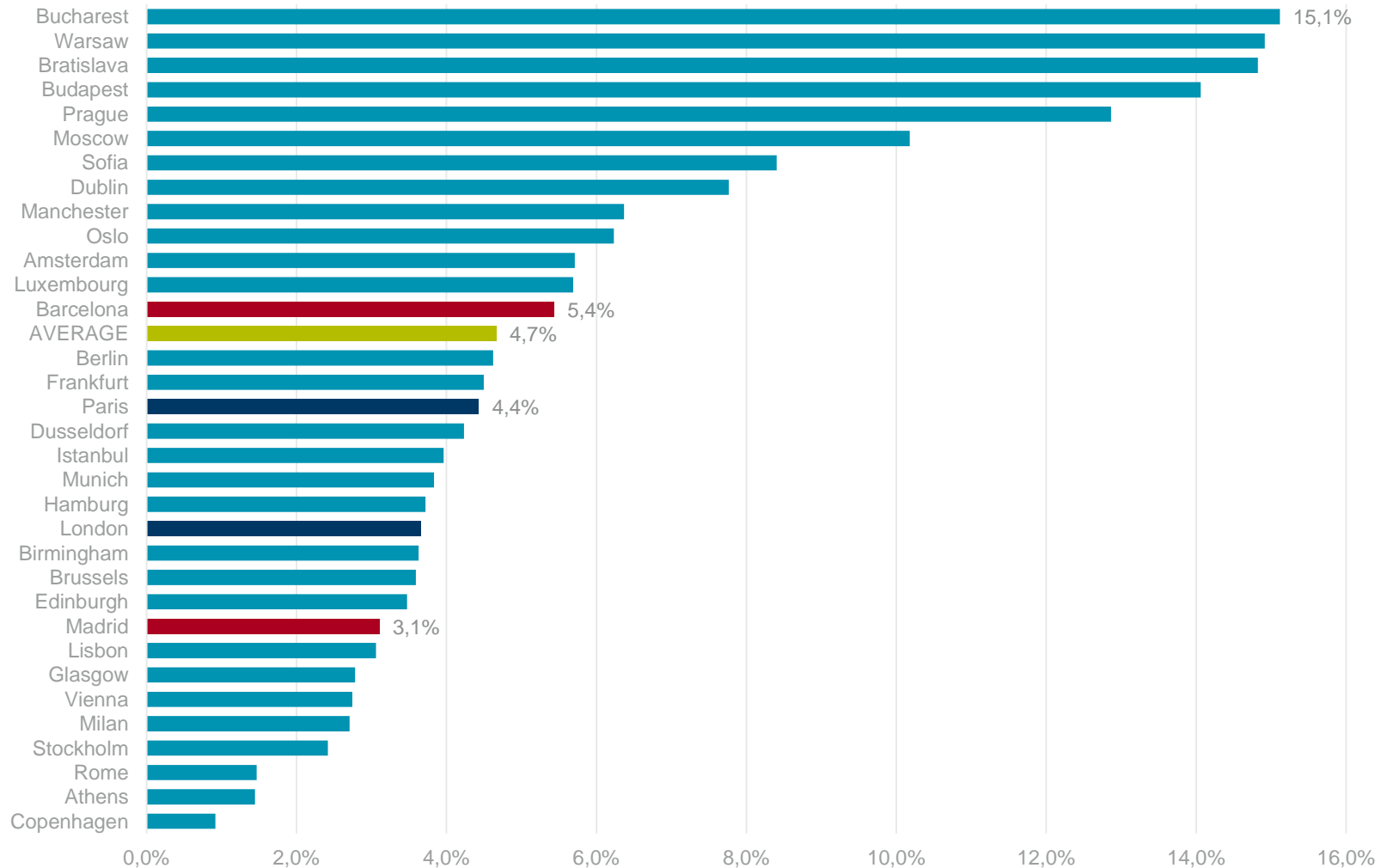
Quality scarcity lingers
5%
Grade A stock on total



3 Madrid Office Market Focus

European Office Activity Benchmark

Space take-up to stock ratio, 2016



Forecast
2017



GDP (var.)

2,4%



Inflation

1,5%



Spanish bond

1,6%



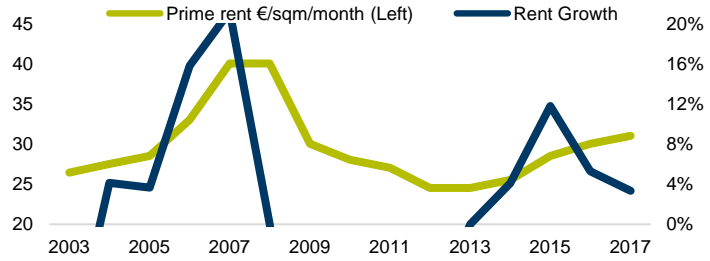
Unemployment rate

17%

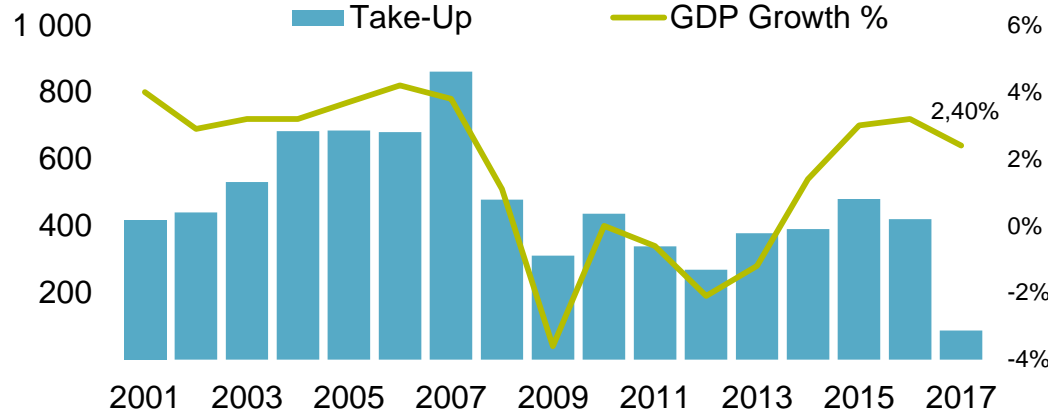
Madrid office market dashboard



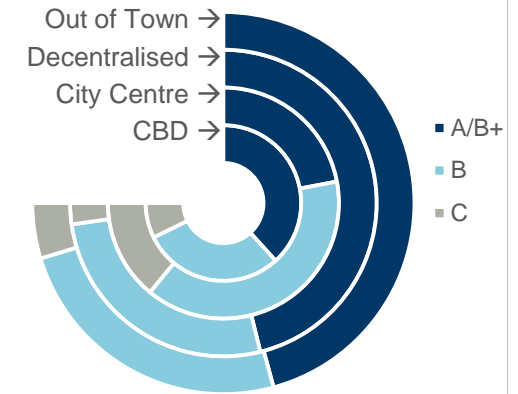
Vacancy rate



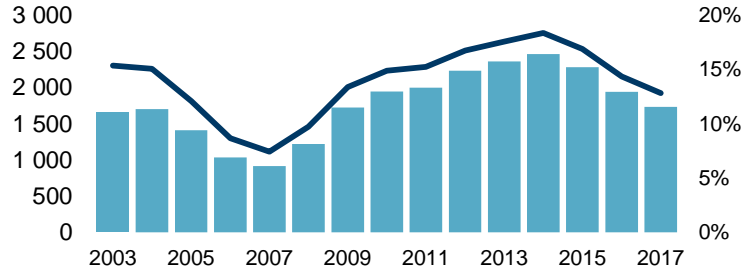
Gross Absorption (000 sqm) vs GDP evolution



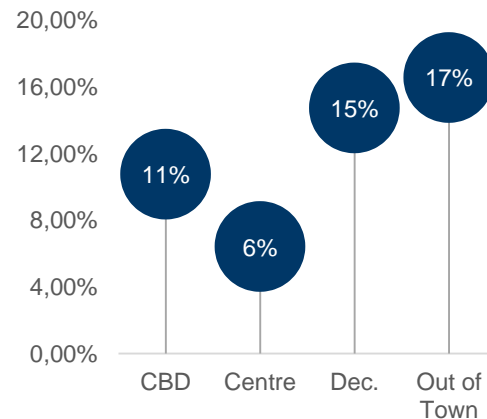
Vacant space by Grade (%)



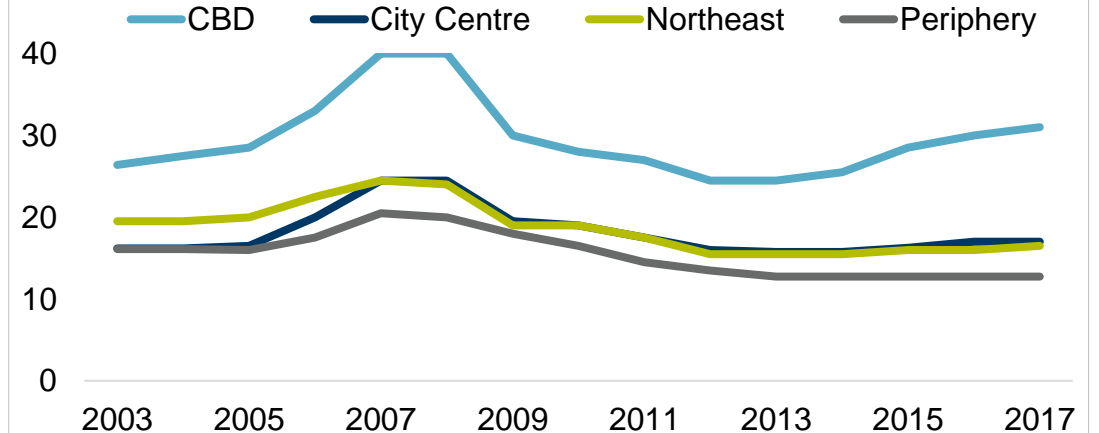
Available Space (000 m²) & Vacancy rate



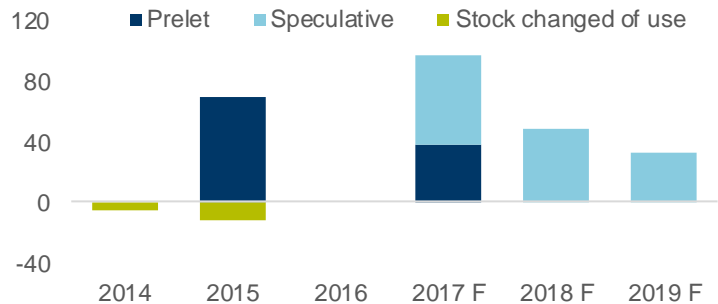
Vacancy by sub-market



Prime rent evolution (€/m²/month)

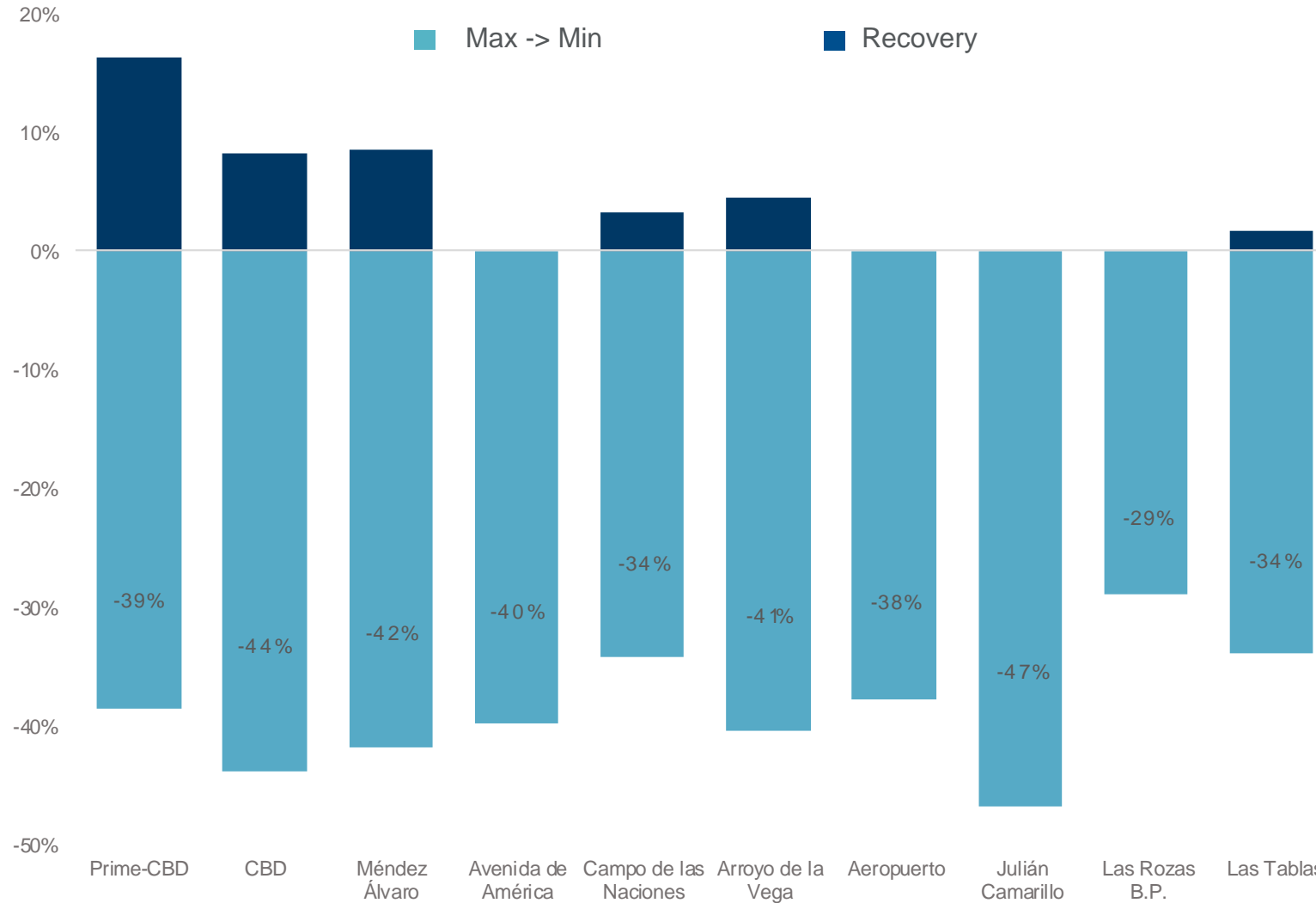


Future Supply (000 m²)



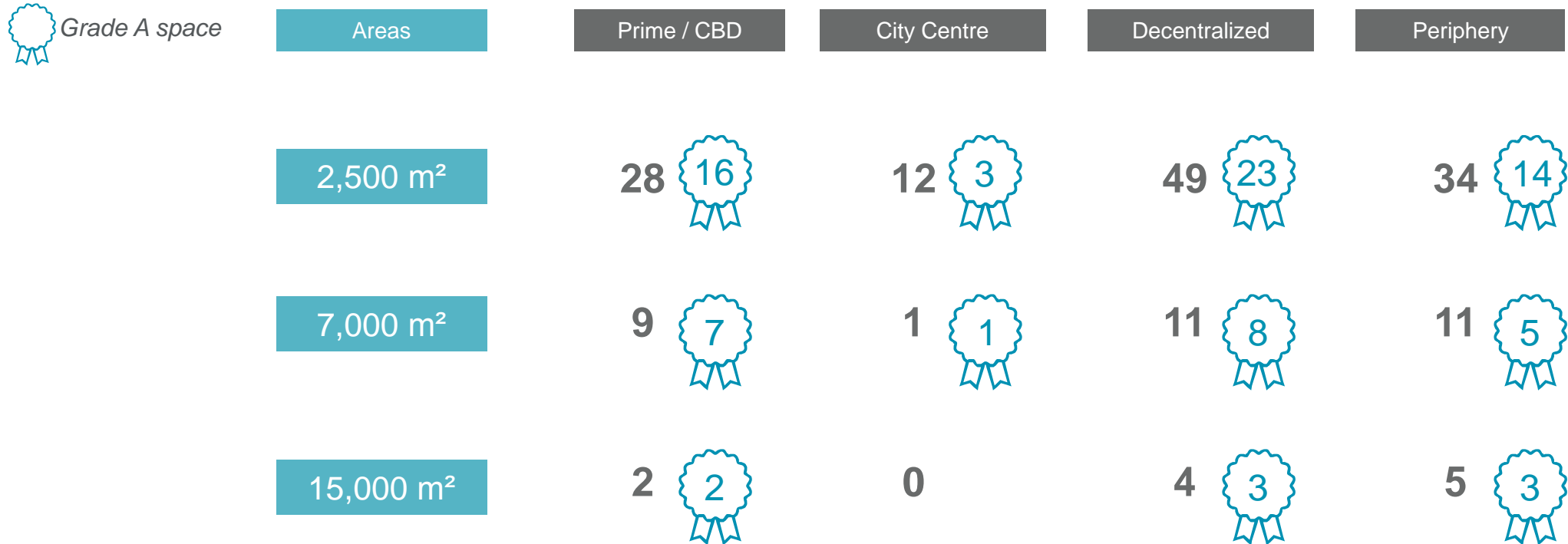
Rents Adjustment – 10 Year Spread

Madrid occupier market



Available quality buildings

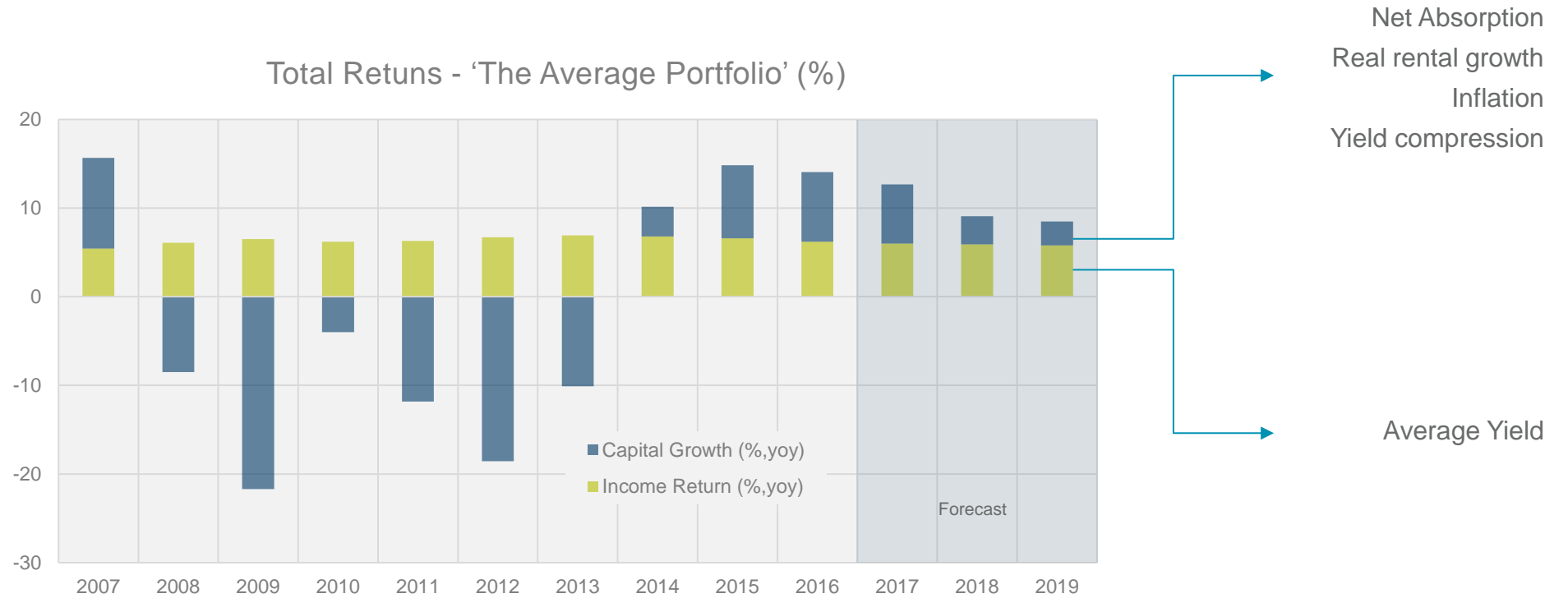
Madrid occupier market



Source: Cushman & Wakefield - Research

Office returns dynamics y Madrid

C&W performance model



Thank you for
your attention



Dr. Ramiro J. Rodríguez
Associate, Head of Research, Spain
ramiro.rodriquez@cushwake.com

[Index](#)