At a Glance

Investment in Spain
Q4 2015

Record figure for investment, reaching 11.7 billion Euro

The number of deals also hit a record, with 271 over the year

Economic Climate

2015 closed with a GDP increase of 3.2% (0.8% in the last quarter of the year according to Bank of Spain forward data). This rise in GDP from the 1.4% of 2014 is primarily due to the increase in private sector demand. The improvement in expectations, mirrored in the rising PMI over the year, provided the market with sufficient energy to make 2015 the year with highest GDP growth since the 3.8% of 2007. Underlying inflation (without unprocessed food and energy products) stands at 0.9%, almost one point above the general CPI (which stood at 0.0% in December). Imbalances in the labour market remain with an unemployment rate of around 20% although this is a substantial improvement on two years ago when it was over 26%.

Record Year for Investment

2015 closed with a total investment volume of 11.7 billion Euros, almost 67% higher than the figure for 2014. Around €1.6 billion was reached during the last quarter alone. It has been a record year, exceeding by 27% the investment seen in 2007 the highest point in the Spanish property market. The acquisition of companies with property portfolios (contained within the mergers and acquisitions heading) reached around 3.5 billion Euros. Asset deals being replaced by company deals is down to the scarcity of good quality products. The number of transactions has also reached the unheard-of figure of 271 transactions, an increase of 60% over the 169 in 2014. The main reason behind the investment figures for 2015 are property prices, many of which show favourable yields and may offer capital gain, along with expectations for better performance in rents and occupancy levels.

International Investors

Interest from international investors remained strong during 2015, both in direct acquisitions as well as stakes in SOCIMI investment vehicles. These listed companies have a shareholder composition which is more than two-thirds foreign. Direct investment is seeing players from France, the United States and the United Kingdom, as well as large-scale capital transactions originating from Asian countries such as China and the Philippines. The latter saw investors carry out the largest direct property transaction with the acquisition of the Torre Espacio (558 millions and 56,250 sqm). The Middle East and Latin America were present only in symbolic terms over the last year.
THE INVESTORS PROFILE REMAINS THE SAME

Real estate companies together with SOCIMIs were responsible for 62% of investment over the last year. Another real estate investment firm, Zambal, appeared in December, making 15 of this type of company listed on the stock exchange.

Madrid and Catalonia are the two areas with the greatest level of activity, making up 6 and 2 billion Euros of investment respectively. Regions such as Valencia and Bilbao are also participating, although to a lesser degree and by means of portfolios.

Yields continued their smooth and steady decline into the fourth quarter, reaching 4.5% for prime offices and 4% for high street retail. The logistics sector showed the best performance with 7.9%.

INVESTORS FOCUSED ON SHOPPING CENTRES AND OFFICES

The retail and office sectors have shown the greatest dynamism throughout the year, each with investment close to 4 billion Euros. Shopping centres were the most sought after during the first half of the year, in that the limited supply of retail floor space for rental brought forward a large number of acquisition deals. Transactions on office buildings and portfolios became the target during the second half of the year.

OUTLOOK

It is foreseeable that the investment volume will stabilise at around 8.5 billion Euros in 2016. This figure corresponds to an active investment market in line with the size of the Spanish property market, particularly if one remembers the volume invested in 2007 (9 billion Euros). This level is anticipated due in part to greater competition for existing assets. In addition, it is expected that GDP will increase by 2.5% in 2016 and the labour market will continue to recover.