At a glance - Q4 2018

INVESTMENT SPAIN

2018 IS THE MOST ACTIVE INVESTMENT YEAR IN A DECADE

According to the latest forecasts, Spanish economic growth for Q4 is between 0.7% and 0.8%, slightly above the average seen throughout the year (0.6%). The downward trend of growth envisaged for 2018 is unlikely to happen. Growth of 2.6% is expected for the whole year according to BBVA. Caution remains for the outlook going forward given the number of risks. Both domestic and foreign demand remain strong, despite the high degree of uncertainty surrounding the wider macroeconomic environment. Other fundamentals are also good with, job creation stabilising and inflation slowing down, reaching 1.2% at the close of year.

Interest from investors in the Spanish property market made 2018 the period of greatest activity in recent history (2007-2018). The strong performance of market fundamentals, with occupancy levels at a peak and rents stable or growing in most markets, fostered this activity in the investment market. Moreover, the volumes of capital available in the markets and the meagre options offered by alternative financial products are leading many investors to remain committed to real estate assets in Spain.

The volume of direct investment in property assets (offices, logistics warehouses, hotels, retail and residential portfolios) totalled 3.7 billion Euros during the fourth quarter, 60% over Q4 2017. The high degree of activity recorded during the second half of the year (€7.4 billion) has driven the annual aggregate investment volume to 11.63 billion Euros, representing an increase of 8% on the figure for 2017. If we add corporate deals with an underlying property basis, the volume comes close to 19 billion Euros, making 2018 the most dynamic year for a decade.

The retail sector is the star player for the year by asset type. The volume invested in retail assets during the fourth quarter amounts to 1.26 billion Euros, reaching a quarterly market share of 34%. The annual total amounted to 4.28 billion Euros, some 23% greater than the figure recorded in 2017 (€3.475 billion). The largest deal during the last quarter was the acquisition of a portfolio of three shopping centres (Max Center, Gran Casa and Valle Real) by Sonae Sierra and Peter Korbacka for 485 million Euros. Particularly noteworthy during the closing months was the sale of two centres occupied by El Corte Inglés, more specifically those of la Vaguada (Madrid) and Parque Sur (Leganés) to Unibail Rodamco for 160 million Euros. Due to being considered a highly stable product, investor demand for high street retail remains very strong. Faced with the scarce supply of this type of asset, there is a high degree of interest in land for the development of retail parks. Yields remain around 3.00% for prime high street premises, between 5.00% and 5.25% for prime shopping centres and 5.75% for prime retail parks. Actively recorded in the office market followed the upbeat trend seen during the third quarter, reaching a figure of 986 million Euros in the last three months of the year. The aggregate annual volume reached 2.228 billion Euros, representing a slight annual fall of 4%. The scarcity of product for sale has led to fewer deals appearing in 2018 (59) as compared to 2017 (81). The most notable transactions during the fourth quarter consisted of the acquisition of the Evers head office in Manoteras (Madrid) for an amount close to 148 million Euros, the sale of the Colonial portfolio to Tristan Capital for approximately 280 million Euros in Madrid and the sale of the Nestlé head office in Barcelona by Meridia Capital to an Asian fund. The scarcity of supply for sale in prime zones is ushering core funds and insurers towards well established decentralised markets, causing a slide in yields in these areas. The prime yield in the office market remains at 3.25% in Madrid and 3.50% in Barcelona.

The logistics market long ago shrugged off the reputation of being the “ugly duckling” for investors. The strength of consumer spending, together with the increase in e-commerce and the performance of the economy have boosted investment in these types of assets. The investment volume recorded in the fourth quarter of the year amounted to 400 million Euros, whilst the aggregate total figure for the year set a new investment record in 2018: 1.3 billion Euros (some 30% more than in 2017). Along with strong investor pressure, the scarcity of product is translating into a significant slide in yields, the prime yield standing at 5.30% during Q4 2018 in Madrid and Barcelona. Nonetheless, high quality units in good locations and with long-term contracts are closing deals at lower yields.
AT A GLANCE - INVESTEMENT SPAIN Q4 - 2018

DIRECT INVESTMENT VOLUME EVOLUTION (MILLION €)

Q4 2018: 3.7 Bn€
+60% vs Q4 2017
Aggregate 2018: 11.63 Bn€

INVESTOR’S ORIGIN (MILLION €)

INVESTMENT BY TYPE OF BUYER (MILLION €)

MAIN INVESTMENT OPERATIONS Q4 2018

PORTFOLIO CC
Several locations
Bilbao, Zaragoza and Santander
Buyer: Sonae and Peter Korbacka
Surface: 184,100 sqm
Volume: €485 million

LOGISTICS PORTFOLIO
Several locations
Buyer: Blackstone
Surface: 162,000 sqm
Volume: €300 million

MANOTERAS BUILDING
Fuente de la Mora 1
Madrid
Buyer: Zambal
Surface: 42,000 sqm
Volume: €148 million

RESIDENTIAL PORTFOLIO
Paseo de la Castellana 22
Madrid
Buyer: RLH Properties
Surface: 150 rooms
Volume: €210 million

BNP PARIBAS REAL ESTATE
AT A GLANCE - INVESTMENT SPAIN - Q4 2018

INVESTMENT BY TYPE OF ASSET Q4 2018

- Oficinas: 27%
- Retail: 19%
- Logístico: 11%
- Hotel: 6%
- Residencial (Portf.): 4%
- Alternativas: 34%

INVESTMENTS IN MADRID & BARCELONA

INITIAL PROFITABILITY VS 10 YEAR BONUS VS EURIBOR

- Oficinas
- Logístico
- Bono a 10 años (RR)
- EURIBOR (12 meses)
- Retail High Street

YIELD PRIME
Office 3.25%
Logistic 5.30%
High Street 3.00%

PERSPECTIVES

Investment funds continue to be the leading market players, cornering 61% of the volume transacted in 2018. The SOCIMIs have been ever present in the investment market, both from the vendor side as well as buyer in the main land deals for the development of new product. The presence of Family Offices acquiring assets in the last quarter of the year is worth mentioning, these generally being for amounts below 50 million Euros.

Alternative investments remain within the sights of investors, principally attracted by student halls of residence, hospitals and care homes for the elderly. The aggregate volume in these types of assets reached 600 million Euros in 2018. Featuring strongly among these was the sale by Solvia of three hospitals let to Quirón Salud for approximately 200 million Euros during the last three months of the year and the sale of a portfolio of five care homes in Madrid for close to 50 million Euros. Within the student halls of residence market, activity is tending towards the development of new projects. The Luxembourg-based fund Corestate Capital has acquired land in Seville to develop a residence for 413 students, the opening of which is anticipated for 2020. The launch by Bankinter of a fund of between 300 and 400 million Euros will develop halls of residence in Spain and Portugal. The developments will be undertaken in Madrid, Barcelona, Valencia, Granada, Seville, Malaga, Lisbon and Porto.

In addition to direct investment deals for assets, corporate deals involving sales and acquisitions by companies with an underlying basis in property continue to be recorded. Acquisitions from Testa and Hispania by Blackstone in 2018 are worth pointing out as they amount to around 4 billion Euros, as is the acquisition of Axiare by Colonial for 1.8 billion Euros.

It is anticipated that the dynamism of the Spanish investment market will continue during 2019 as a consequence of the high degree of interest from investors. The sale of major portfolios could enable the levels seen in 2018 to be reached again, despite a foreseeable drop in the number of single property deals.
BUSINESS LINES in Europe
A 360° vision

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