MARKETBEAT

SPAIN

Investment Q4 2022

	YoY change	12 month forecast
€13.148 bn Total Volume 2022	▲	▼
€4.173 bn Retail Volume 2022	▲	▼
€2.577 bn Office Volume 2022	▼	▼
€1.419bn Logistics Volume 2022	▼	▼

ECONOMIC INDICATORS - SPAIN

	YoY Chg
4.43% Annual change in GDP	▲
12.67% Unemployment rate	▼
3.66% Spanish 10-yr bond yield	▲

Source: INE, Moody's

Investment climbs above pre-Covid levels at the close of 2022

2022 closed with an aggregate figure of €13.2 billion in terms of investment deals in Spain, some 10% above the figure recorded the preceding year. Activity was primarily led by the retail (32%) and offices (20%) sectors, followed by residential (19%) and hotels (18%). The investor profile is in line with that which dominated the market prior to Covid-19: overseas buyers continue to swallow the lion's share of investment, although domestic investment has grown in importance over the past year. In terms of cities, Barcelona saw total investment of 3 billion Euro in 2022 and Madrid closed the year with total real estate investment of 3.3 billion Euro, representing changes of 24% and -35% on the 2021 figure in Madrid and Barcelona respectively.

The high volumes are in keeping with a number of major deals recorded throughout the year, such as the portfolio acquired by BBVA from Merlin for €2 billion in the retail segment and, in the office segment, the €239m acquisition of CaixaBank's head office (18,700 m² sq m) at no.51 on Madrid's Paseo de la Castellana by Inmo Criteria (InmoCaixa). In Barcelona it is important to highlight transactions such as Frey's acquisition of Finestrelles from Equilis for €128m, encompassing retail floorspace of 39,250 sq m.

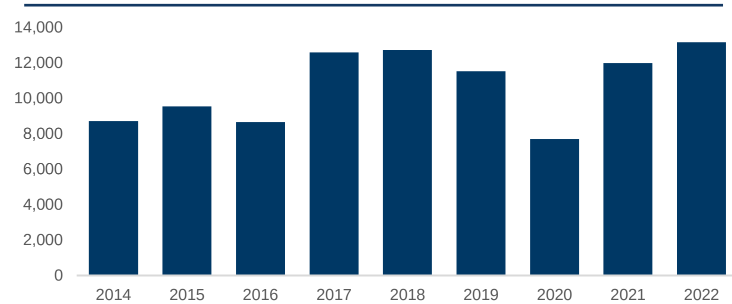
In the office segment, demand is focused on attracting and retaining talent, adjusting to the hybrid working model and opting for high-spec buildings with flexible spaces and amenities and which address factors such as sustainability and well-being. Investment continues to be concentrated within the M-30 ring road in Madrid and, in Barcelona, within 22@ and City Centre. Barcelona and Madrid closed the year with an investment of 1.2 billion Euro respectively. This represents a fall of 47% in comparison with 2021's figures recorded in Barcelona and a rise of 82% in Madrid, which closed 2021 with investment of €700m. Whereas the first half of the year in Madrid and Barcelona demonstrated that investor appetites remained strong, the second half, despite continued interest, saw the failure of a number of deals to come to fruition due to the degree of volatility on financial markets.

Investment activity in retail has come back to life in comparison with 2021. A number of significant deals regarding shopping centres were struck, including Torrecárdenas (Almería), Finestrelles (Esplugues de Llobregat), Ribera del Xúquer (Carcaixent) and La Rosaleda (Malaga). Residential product is another of the main focal points for investors, particularly with respect to student halls of residence.

Yields adjusting to the global situation

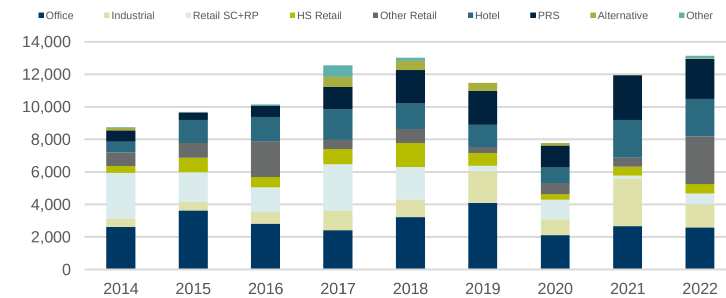
Investment data at the close of 2022 highlight a dynamic market thanks to high levels of liquidity in the capital markets, primarily due to deals struck during the first half of the year. The current volatility on financial markets and the rise in interest rates have led to a degree of caution on the part of investment groups as noted in the slowdown during the closing quarter of the year. The close of year reflects price volatility and, in the specific case of offices, prime yield stood at 3.90% and 4.00% for Madrid and Barcelona respectively. In 2023 it is expected that yields will stabilise as a result of inflation being brought under control and as a consequence of interest rates.

TOTAL INVESTMENT (€m)



Source: Cushman & Wakefield Research & Insight and Real Capital Analytics

TOTAL INVESTMENT BY SECTOR (€m)



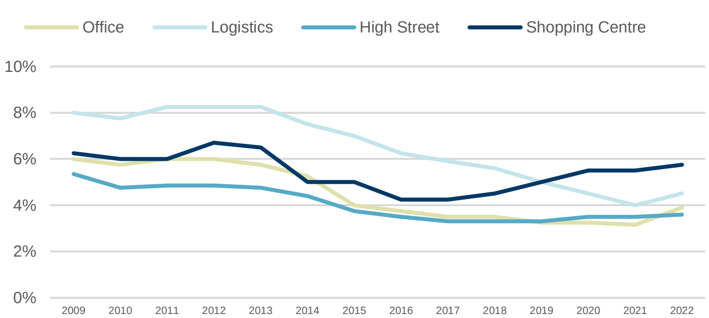
Source: Cushman & Wakefield Research & Insight and Real Capital Analytics

MAIN DEALS 2022

NAME/ADDRESS	TYPE	BUYER	VENDOR	TOTAL sq m/ UNIT	SALE PRICE (€m)	LOCATION
TSHG portfolio	Residential	Patrizia	The Student Hotel Group	680 rooms (2 bldgs.)	100	Barcelona*
Josep Tarradellas, 2-4-6	Offices	Franklin Templeton	Alternative and Real Assets	17,463	95.5	Barcelona*
Finestrelles	Retail	Frey	Equilis	39,250	128	Barcelona*
Paseo de la Castellana, 51	Offices	Inmo Criteria	CaixaBank	18,700	239	Madrid*
Mile 22@ Business Campus	Offices	GMP Properties	Freo	37,900	220	Barcelona
Portal de l'Àngel, 19-21	Retail	Redevco-Ares Management	El Corte Inglés	18,481	Conf.	Barcelona*
Alua Hotels & Resorts	Hotel	Fattal Hotel Group	KKR, Dunas Capital	5 hotels	165	Majorca and Ibiza

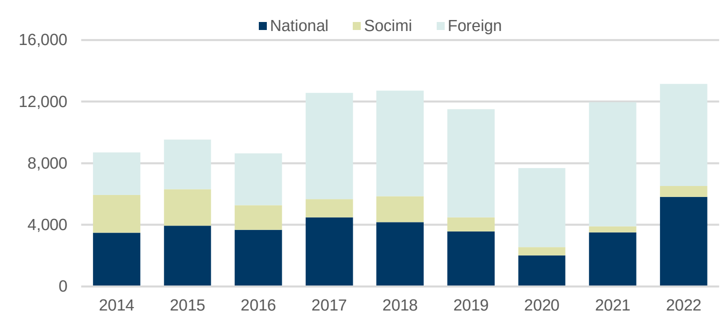
Source: Real Capital Analytics/ Cushman & Wakefield
**Advised on by Cushman & Wakefield*

TREND IN PRIME YIELD



Source: Cushman & Wakefield Research & Insight

TOTAL ACQUISITIONS BY CAPITAL ORIGIN €m



Source: Cushman & Wakefield Research & Insight and Real Capital Analytics

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