

Market Study

Grocery & Retail Market 2024





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Retail Market Report Spain

Overview

Forecast:

Prime Rent	The prime retail sector have seen an increase in prime rents in 2023 and is forecast to grow further within 2024 in both Madrid and Barcelona.	
Prime Yields	Prime Yields have gradually increase in 2023 for prime asset and are forecasted to see some further increase in both Madrid & Barcelona in 2024.	

Trend:

	Madrid	Barcelona
Prime Rent – High Street	245 €/m ² /month	250 €/m ² /month
Prime Yields – High Street	4,00%	4,00%

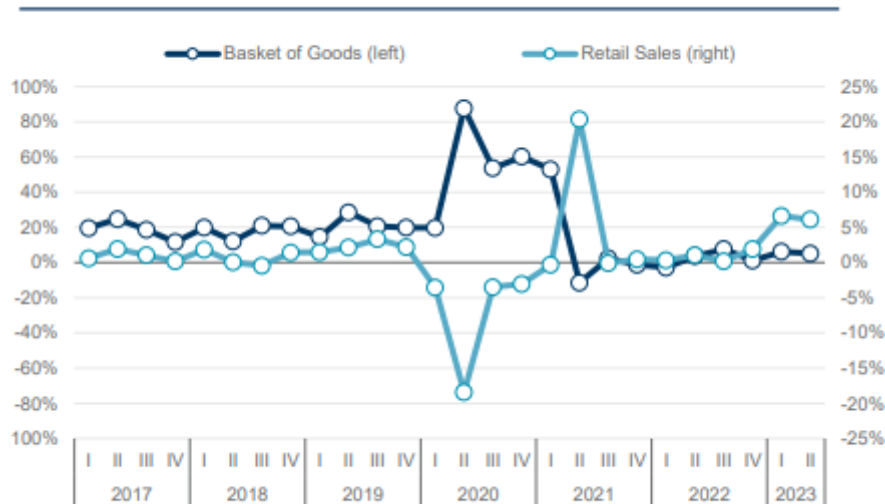
	Spain
Prime Rent – Shopping Centre	72 €/m ² /month
Prime Yields – Shopping Centre	6.75%

	Spain
Prime Rent – Retail Parks	19 €/m ² /month
Prime Yields – Retail Parks	6.50%

Economic Market Summary

- GDP growth in 2023: 2.4%, lower than in 2021 (6.4%) and 2022 (5.8%).
- Forecasts for 2024 and 2025 expected to follow 2023 trend.
- Inflation:
 - Year-on-year change moderated from 5.7% (Dec 2022) to 3.1% (Dec 2023).
 - Predicted to continue moderate growth: 1.4% (2024) and 2.1% (2025).
- Spain's savings rate:
 - Increased in Dec 2023 (+511 b.p.) compared to Dec 2022.
 - Eurozone rates remained stable.
- Monetary policy:
 - Central banks relaxed policies due to positive inflation trends.
 - Long-term swap rate dropped from 3.22% to 2.45%.
- Retail sales:
 - Spain: 5.2% year-on-year growth in Nov 2023.
 - Eurozone figures lower in 2023.
 - Retail sales growth in Spain exceeded online physical goods turnover.
- Second quarter of 2023:
 - Retail sales in Spain grew by 506 basis points compared to the same period in 2022.

Year-on-year change, Basket of Physical Goods – Retail sales (%)



Source: INE, CNMC. Q2 2023

Retail Market

Indices reveals a robust recovery in sales, surpassing pre-pandemic levels by 14.3% in 2019. Demand remains steady, and vacancy rates are low. Footfall has rebounded, exceeding 2019 levels by 1.6%, attributed to increased visit frequency, although dwell times have also risen. Health & beauty and leisure sectors experience notable growth, particularly in books, toys, and gifts categories. While the leisure sector sees improvement from 2022, it still lags behind 2019 figures, notably in the cinema sector. Despite leasing activity slowing in Q1 2023 due to reduced unit availability and floor area, total take-up remains relatively stable compared to 2019. Fashion dominates take-up in Madrid and Barcelona's main high streets, with smaller units comprising the majority of deals. Prime rents in 2023 outpace previous years, with forecasts indicating continued growth in 2024 amidst declining vacancy rates in Madrid and Barcelona.

Occupancy – Retail Parks & Retail Parks

Indices indicates a complete recovery of sales to levels prior to the pandemic (14.3% above 2019 figures). Demand remains steady, and vacancy rates are low.

Footfall has also rebounded, surpassing 2019 levels by 1.6%. The higher sales growth compared to footfall is attributed to the frequency of visits, although dwell times in shopping centres have increased.

The retail sectors experiencing the greatest growth currently are health & beauty and leisure. The most significant increases compared to 2019 are observed in books, toys, and gifts (including pet stores).

The leisure sector has shown significant improvement compared to 2022 (+17%), although it remains below 2019 levels (-14%). The cinema sector continues to face challenges, despite a 29% growth compared to 2022, with average sales still 25% below 2019 figures.

Occupancy – High Street

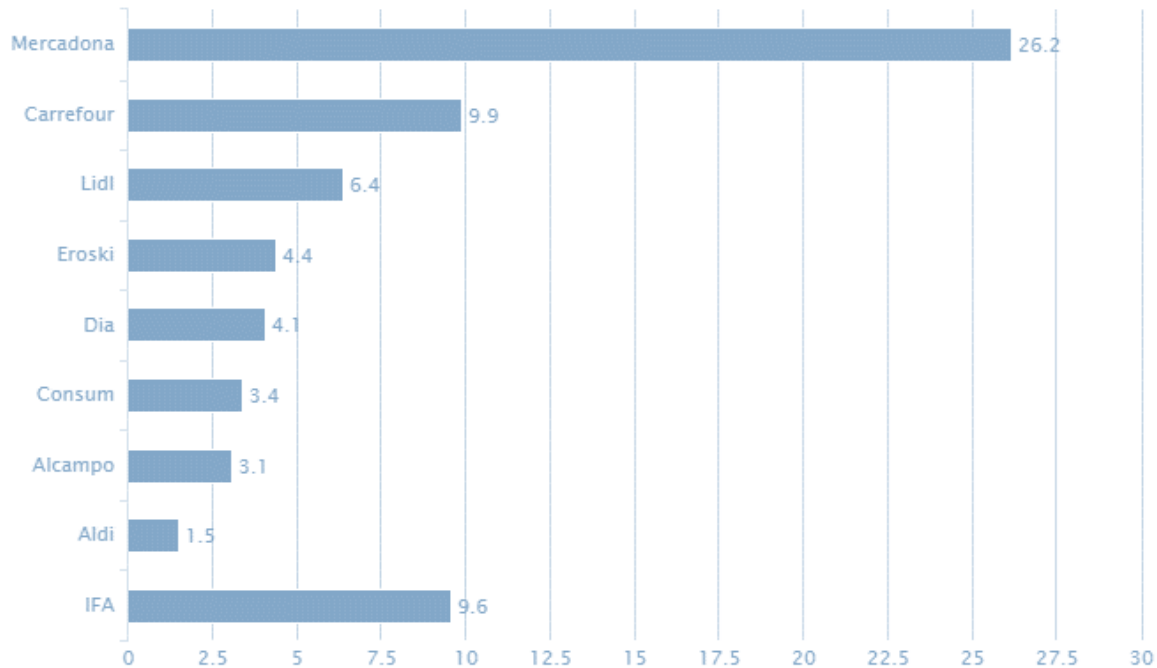
Following several quarters of heightened leasing activity, a slowdown was observed during the first quarter of 2023. This was attributed to a decrease in the number of available units and a reduction in available floor area, leading to a decline in the vacancy rate from 5.6% in Q4 2022 to 4.5% in Q4 2023.

- The total take-up for 2023 averaged 7,763 sq m let per quarter, just 5.2% below the quarterly average for the same period in 2019.
- From 2018 to 2023, the fashion sector accounted for the highest take-up, representing 52% of Madrid's and Barcelona's main high streets.
- Approximately 60% of the total number of deals involved units with a floor area of less than 300 sq m.
- By the end of 2023, prime rents were 9% higher than in 2021 and 2% higher than in 2022. The top rents in Madrid are currently €245/sq m/month (Calle Serrano) and €250/sq m/month in Barcelona (Passeig de Gràcia).
- The gradual increase in economic activity, coupled with decreases in vacancy rates in Madrid and Barcelona, is exerting upward pressure on rents. It is anticipated that this trend will continue into 2024, potentially returning to pre-pandemic levels by 2025.

Spanish Distribution Sector

In the ever-evolving landscape of the Spanish distribution market, the dominance of key players and the shifting dynamics between organised and traditional distribution channels are pivotal factors shaping the industry. Authored by Bernardo Rodilla, Retail Business Director at Worldpanel Division, Spain, this report delves into the performance of leading chains and forecasts the trends expected to define the market in the coming years.

Market share of large distribution chains – Spain



Source: Kantar

Key Highlights

- The top five chains collectively hold over 51% of the market share, reflecting a trend towards consolidation in the Spanish distribution sector.
- Mercadona emerges as the undisputed leader, securing a commanding 26.2% market share, followed by Carrefour, Lidl, Grupo Eroski, and Dia.
- Organised distribution outpaces traditional models, driven by consumer preferences and strategic initiatives by major chains.

Detailed Analysis

- **Market Leaders:** Mercadona maintains its stronghold with a growth rate of 0.6 percentage points, bolstered by strategic pricing adjustments and customer-focused initiatives.
- **Carrefour's Strategy:** Carrefour sustains its position with a modest growth rate of 0.2 percentage points, prioritising pricing strategies and loyalty programmes to enhance customer engagement.
- **Lidl's Expansion:** Lidl demonstrates significant growth as the second-fastest-growing chain in 2023, driven by expansion plans and consumer-centric initiatives.
- **Grupo Eroski's Performance:** Grupo Eroski consolidates its position amidst competition, leveraging growth within its geographical footprint and regional strengths.
- **Dia's Challenges:** Dia experiences a decline in market share, attributed to divestments, yet strives to enhance customer experience through store renovations.

Outlook for 2024

- The year 2024 is anticipated to witness stability in volume amidst controlled inflation, signalling a gradual recovery from the crisis cycle.
- Concentration within organised retail is expected to continue, with chains capitalising on the transition from traditional distribution channels.
- Pricing strategies and communication initiatives will play a crucial role in enhancing affordability and sustaining competitiveness amidst evolving consumer preferences.
- Regional operators are forecasted to gain traction, offering differentiated offerings and challenging established players within their niche markets.

Conclusion

In conclusion, the Spanish distribution market presents a dynamic landscape characterised by consolidation, evolving consumer preferences, and strategic manoeuvres by key players. As the industry navigates through uncertainties, adaptation to changing market dynamics and consumer behaviours will be imperative for sustained growth and competitiveness in the years ahead.

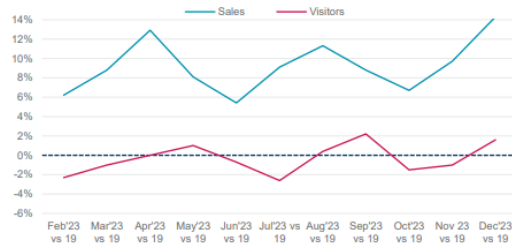
Statistics

PRIME RENT (€/sq m/month)



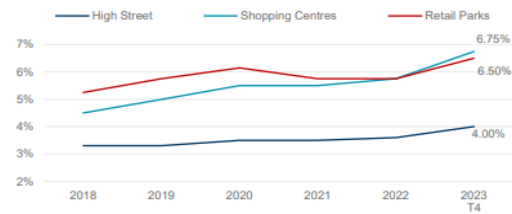
Source: CW Research & Insight

C&W Sales/Footfall in Shopping Centres – 2023 vs 2019

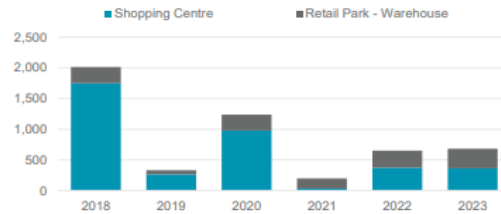


Source: CW Shopping Centres Portfolio Benchmark Index. España, Dic 2023

Trend in Prime Retail Yields (%)



Investment Volume in Retail (excl. M&A)



Key sales transactions in 2022-2023:

Type	Location	Seller	Buyer	Size (m ²)	Price (€M)
HS Retail	Castellon	Private Invetor	Tisara 2015	200	1.1
Bank Branch	Spain	Merlin Properties	BBVA	659 units	1.937
Bank Branch	Spain	Axa IM	BBVA	381 units	300
Supermarket	Spain	Dia	Alcampo	237 units	267
HS retail	Madrid	Patrizia	Mutualidad de la abogacía	2.560	88,56
Retail Warehouse	Santander	Citygrove y Burlington	Savills IM	20,000	60

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