



**SUMMARY OVERVIEW**  
**H1 2020 SPANISH REAL ESTATE MARKET**

**CG**

CG Capital Europe

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Investments & Financings

**HOSPITALITY ● RETAIL ● RESIDENTIAL ● OFFICES ● LOGISTICS ● CAR PARKS**

22<sup>nd</sup> September 2020

# H1 2020 Spanish Market Overview

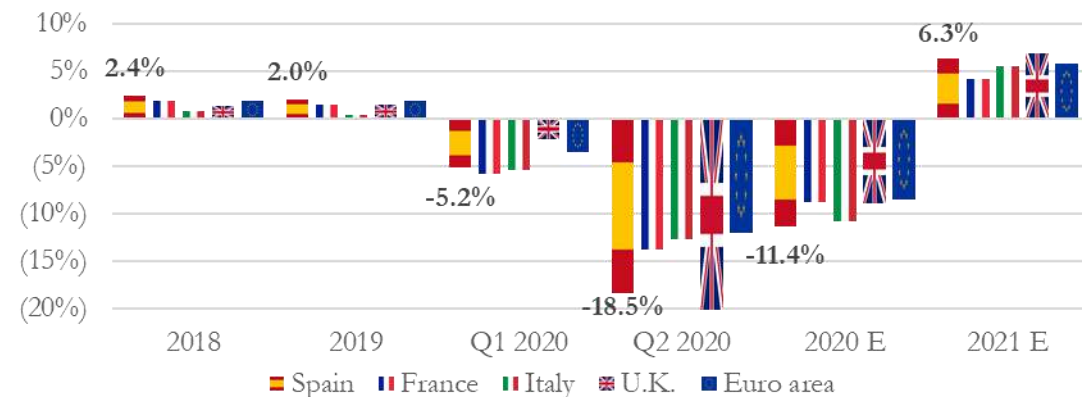
## Macroeconomics

Covid-19	<ul style="list-style-type: none"> <li>Spain has been one of the European countries most affected by the Covid-19 crisis, with c.600k cases and c.40k deaths<sup>(1)</sup>. A slower initial reaction led to the heaviest lockdown measures all over Europe, with c.3 months of state of alarm and total lockdown and all social and economical sectors suffering an unprecedented impact.</li> </ul>
GDP	<ul style="list-style-type: none"> <li>As a consequence of these extreme measures, Spain suffered an estimated 30% to 40% economical activity decrease, with internal demand and tourism severely affected.</li> <li>After several years growing above its European neighbours, Spanish GDP experienced an historical drop of -5.2% in Q1 and -18.5% in Q2, resulting in an interannual collapse of -22.5% during H1 2020. For FY2020, the IMF last forecast foresees a total drop of -11.4% in Spain, vs. a -8.6% in the Euro area.</li> <li>Economical recovery expected for 2021, with Spanish GDP growth forecasted above Euro area (6.3% vs. 5.8%).</li> </ul>
Un-employment	<ul style="list-style-type: none"> <li>Unemployment stopped positive tendency showed since 2013 and increased to a 15.3% rate and 3.4 million people by H1 2020. Moreover, thousands of companies applied for temporary employment regulation procedures (ERTE's), resulting in more than 600k workers currently affected.</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>Tourism, one of the pillars of Spanish economy, with more than 83 million visitors and representing 12.5% of 2019 GDP, is hardly suffering the consequences of Covid-19. As of July 2020, the number of visitors to our country decreased by 71.7% vs. July 2019.</li> </ul>
Other	<ul style="list-style-type: none"> <li>Aiming to support liquidity, financial entities have conceded State guaranteed credit lines in favour of companies and autonomous workers for a total amount of €140 billion.</li> <li>A 2<sup>nd</sup> phase of the financial system consolidation, after the 1<sup>st</sup> phase back in 2010-12, has just started with the announced merger of CaixaBank and Bankia, resulting in the largest Spanish bank.</li> </ul>

(1) As of September 15<sup>th</sup> 2020.

Source: CG Capital Europe Research, selected brokers' reports and Spanish Ministry of Health and Statistics Institute (INE), IMF, OCDE & Treasury Deputy.

## 2019 Real GDP Growth Rate



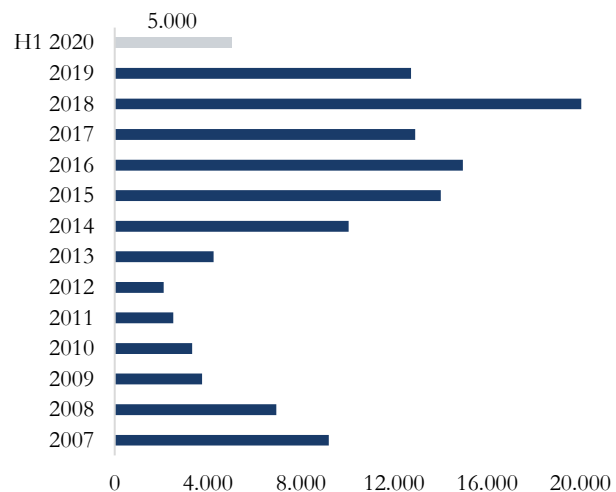
## Real Estate Activity

Investment volume in Spanish real estate sector	<ul style="list-style-type: none"> <li>Total direct investment in H1 2020 amounted c.€5.0 billion. The most 'desired' assets by typologies were: <ol style="list-style-type: none"> <li>Offices: €1,600 million (32%)</li> <li>Retail: €1,435 million (28%)</li> <li>Residential: €740 million (15%)</li> </ol> </li> <li>Exceptional Q1 of the year, with a severe impact of Covid-19 crisis in Q2 2020. Many transactions placed on-hold and investors in a wait and see position.</li> </ul>
Other highlights in H1 2020	<ul style="list-style-type: none"> <li>Top-5 Transactions amounted c.€1.4 billion, c.28% of total capital invested: Intu Asturias and Intu Puerto Venecia (two shopping centres, totalling €765 million), Hotel Edition in Madrid (€220 million), logistic portfolio of 11 assets in Spain (€213 million), and a portfolio of 27 Mercadona supermarkets (c.€180 million).</li> </ul>

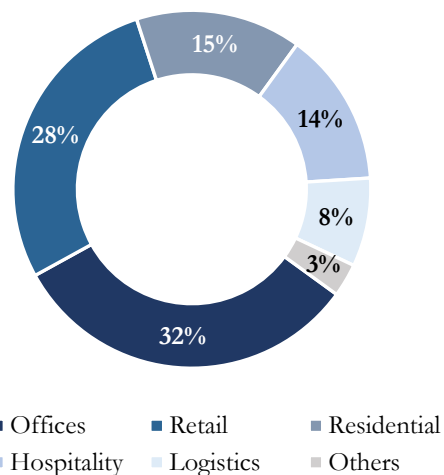
# H1 2020 Spanish Real Estate Market Overview

## Investment Overview

### Investment Volume (€ million)



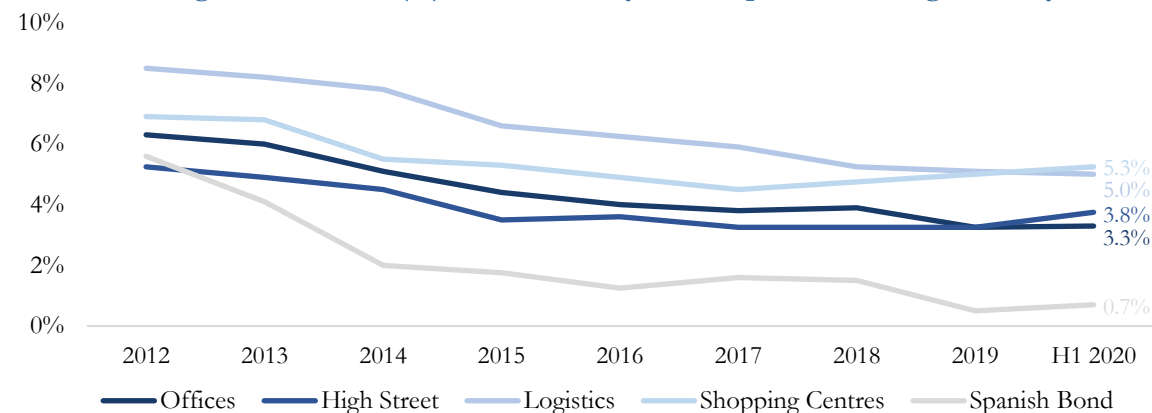
### Investment by Sector (%)



- H1 2020 Spanish RE investment totalled c.€5,000 million, achieving lower levels than H1 2019.** The year started with the extraordinary trend showed in recent years, with a total investment of **€4.0 billion in Q1 (c.35% more than in 2019)**. After Covid-19 appearance, investment activity stopped, with most of on-going transactions postponed.
- There is an **existing valuation gap** between **Asset owners'**, thinking in pre Covid-19 metrics, **and Investors**, thinking in higher price adjustments. **Investors' excess of liquidity** will lead to an **investment recovery during Q4 2020 and H1 2021**. **Core Assets** stand out as the **most demanded by Investors**, willing to entry at reduced yields in exchange of more secure assets.
- Investment funds** continue playing a **leading role**, with **more than 70%** of the capital invested. **Insurance companies** have also been very active, and **SOCIMIs**, international **REITs**, **property management companies** and **private investors** have had a significant presence in **transactions below €50 million**.

- The **main five transactions of H1 2020** were: two large shopping centres (Intu Asturias, €475 million and Intu Puerto Venecia, €290 million), Hotel Edition in Madrid (€220 million), a logistic portfolio of 11 assets in Spain (€213 million), and a portfolio of 27 Mercadona supermarkets by LCN Capital (c.€180 million).
- The **office sector** has taken up the baton as the **most dynamic asset class of the half year**, with a total investment of **€1,600 million (32% of total)**.
- Retail investment volume** in H1 2020 stood at **€1,435 million (28% of total), achieving almost FY2019 levels (c.€1,600 million)**.
- Residential** has also been one of the main sectors in H1 2020 with **c.€740 million (15% of total)**, representing an **increase of c.40% vs. H1 2019**, mainly thanks to the strength gained by the **BTR** ('Build To Rent') and **Multifamily** sectors.
- Hospitality sector** reached a **14%** of total H1 2020 investment, totalling **c.€700 million, c.50% more than the same period in 2019** (due to a few large Q1 deals).
- Total logistic and industrial's investment volume** in H1 2020 amounted to **€400 million (8% of total)**, representing a **c.20% decrease vs. H1 2019**.

### Average Prime Yields (%) – Continuous yield compression during the last years

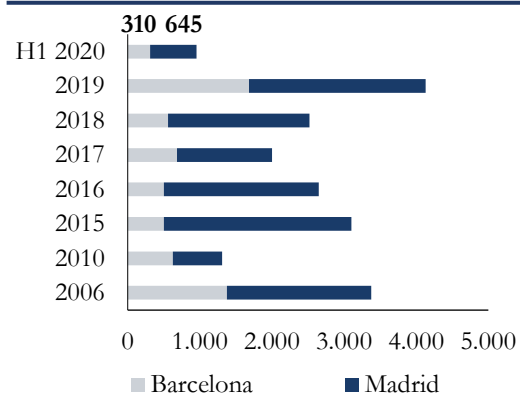




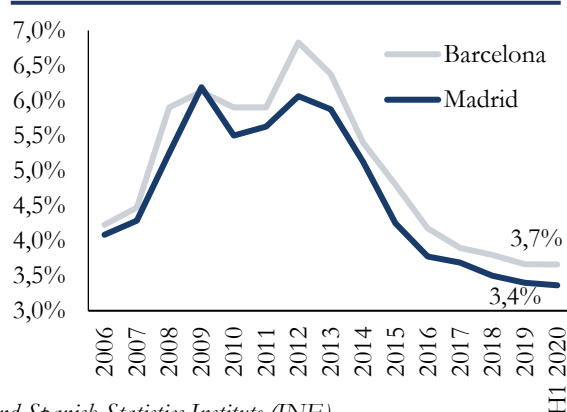
## Investment Overview

- During **H1 2020**, investment volume in the **office sector** totalled **c.€1,600 million**, **c.32% decrease y-o-y**, as a consequence of Covid-19 impact, with many **transactions being placed on-hold** (with reactivation expected in the coming months).
- Investment in **Madrid and Barcelona** fell by **c.52%** to **c.€955 million**. **Prime/Core** assets have been the **most appealing to investors**, still with high liquidity and seeking safe returns.
- Prime CBD rents** remained stable in **Madrid (c.€36/sq.m./month)** and experienced a **slight increase in Barcelona (c.€28/sq.m./month; c.+4% y-o-y)**, remaining **resilient to Covid-19 impact**. Landlords have become **more flexible**, negotiating **rent free periods** in exchange of **longer mandatory lease terms**.
- Prime yields in Madrid and Barcelona** remained unchanged with respect to H1 2019, staying at **3.4% and 3.7%**, respectively. Prime offices are expected to resist Covid-19 impact due to their core nature and the **shortage of available assets**.
- In H1 2020, **take-up in Madrid and Barcelona** fell to **c.225k sq.m.** (125k sq.m. and 100k sq.m., respectively), **c.57% decrease y-o-y**, due to **economic crisis** and the **temporary implementation of work from home measures**. For 2020, take-up volume is expected to reach c.500k sq.m. (300k in Madrid and 200k in Barcelona), after the expected slight recovery in H2 2020.

## Investment Volume (€ million)



## Prime Yields (%)



Source: CG Capital Europe Research, selected brokers' reports and Spanish Statistics Institute (INE).

## Selected Transactions

### Helios Building (New HQ of ING)

**Price:** €190 million  
**sq.m.:** 35,000  
**€/sq.m.:** 5,400  
**Quarter:** Q1 2020

**Buyer:** Kiwoom & Inmark  
**Seller:** Blackstone  
**City:** Madrid



### Castellana Norte Business Park

**Price:** €127 million  
**sq.m.:** 44,000  
**€/sq.m.:** 2,900  
**Quarter:** Q1 2020

**Buyer:** Harbert  
**Seller:** GMP  
**City:** Madrid



### Axis Building

**Price:** €100 million  
**sq.m.:** 4,000  
**€/sq.m.:** 25,00  
**Quarter:** Q1 2020

**Buyer:** GPF  
**Seller:** CBRE GI  
**City:** Madrid



### Forward purchase of building in 22@

**Price:** €100 million  
**sq.m.:** 17,400  
**€/sq.m.:** 5,800  
**Quarter:** Q1 2020

**Buyer:** Blackstone  
**Seller:** La Llave de Oro  
**City:** Barcelona



### Idom's HQ Buildings

**Price:** €90 million  
**sq.m.:** 31,000  
**€/sq.m.:** 2,900  
**Quarter:** Q2 2020

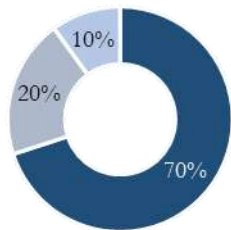
**Buyer:** Grosvenor and Catalana Occidente  
**Seller:** Idom  
**City:** Madrid & Bilbao



## Investment Overview

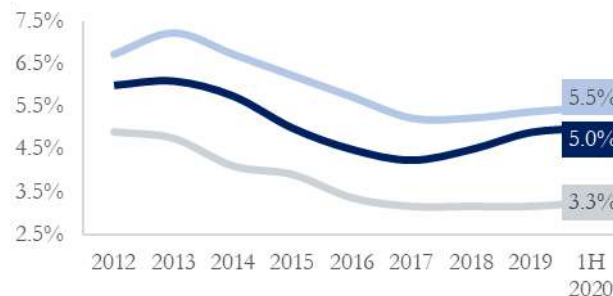
- **Retail investment volume** in H1 2020 stood at **€1,435 million, achieving almost FY2019 levels (c.€1,600 million)**. This significant volume is attributable to the transaction of **two large shopping centres** (Puerto Venecia and Intu Asturias, with a combined volume of c.€765 million).
- The severe lockdown measures led to a **partial closure of all non-essential shops in Spain for c.3 months**, seriously impacting all types of retail businesses. After the lockdown, **retail shops had to adopt new measures** (capacity restrictions or appointment requirements), in order to resume activity. **Contract terms have been under review** between tenants and landlords with temporary rent delays / reductions in exchange of longer mandatory terms
- **Fashion sales** were severely affected, with an **estimated fall of c.90% during the lockdown months**. For the **entire FY2020** fashion sales drop is expected to be around **-30% vs. FY2019**.
- There are **currently 7 large retail projects with forecasted opening in the next months of 2020, with a combined GLA of c.262,195 sqm**, located in several major Spanish cities such as Málaga, Zaragoza and Córdoba.

## Investment by Asset Class (%)



■ Shopping centers ■ High street ■ Retail parks

## Yield Evolution (%)



■ Shopping centers ■ High street ■ Retail parks

Source: CG Capital Europe Research and selected brokers' reports.

## Selected Transactions

### Puerto Venecia Shopping Centre

**Price:** €475 million  
**GLA (sq.m.):** 120,000  
**€/sq.m.:** 3,958  
**Quarter:** Q2

**Buyer:** Union & Generali  
**Seller:** Intu Properties  
**City:** Zaragoza



### Intu Asturias

**Price:** €290 million  
**GLA (sq.m.):** 74,000  
**€/sq.m.:** 3,919  
**Quarter:** Q1

**Buyer:** ECE European Prime  
**Seller:** Intu Properties  
**City:** Asturias



### 27 Mercadona's supermarkets

**Price:** c.€180 million  
**GLA (sq.m.):** n.a.  
**€/sq.m.:** n.a.  
**Quarter:** Q2

**Buyer:** LCN Capital Partners  
**Seller:** Mercadona  
**City:** Several






### Paseo de Gracia 109 – High Street

**Price:** €100 million  
**GLA (sq.m.):** 2,600  
**€/sq.m.:** 38,462  
**Quarter:** Q1

**Buyer:** Nortia Capital  
**Seller:** KKH  
**City:** Barcelona



## Key Metrics H1 2020 - Spain

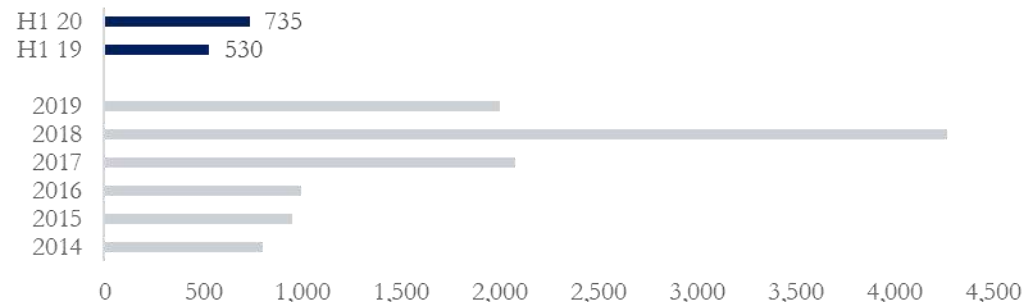
	High Street 	Shopping Centres 	Retail Parks 
<b>Prime Rents (€/sq.m./month)</b>	<b>259</b>	<b>92</b>	<b>18.4</b>
<i>Y-o-Y Variation</i>	-11.9%	-6.6%	-5.6%
<b>Prime Yield (%)</b>	<b>3.25%</b>	<b>5.0%</b>	<b>5.5%</b>
<i>Y-o-Y Variation</i>	+10 bps	+10 bps	+10 bps

# Residential ('Institutional') Sector

## Investment Overview

- Spanish residential sector has also been affected by the Covid-19 crisis, but is considered to be the one of the **main drivers of the coming recovery**.
- Investment reached **c.€740 million**, representing an **increase of c.40% vs. H1 2019** and **c.17% of total real estate investment**, mainly thanks to the strength gained by the **BTR** ("Build To Rent") and **Multifamily** sectors.
- In Spain **24% of the population lives under rental regime**, being well below the **30% of European average**. This, together with the **average current residential net yields of 3.8%**, makes the residential rental sector **one of the most resilient to the current global crisis**.
- Average market rents stood at **c.€11.3/sq.m./month** by the end of **H1 2020**, having increased by **3.4%** vs. H1 2019.
- Development activity has been affected by the current healthcare crisis, with **10,296 new construction permit concessions** ("visados de obra nueva") granted, meaning a **c.25% decrease** vs. H1 2019.
- In terms of **price**, the continuous growth experienced in the last years has also been interrupted, decreasing average **free housing price to c.€1,380/sq.m.** (**-2%** vs. H1 2019)
- The **number of mortgages granted** in H1 2020 stood at c. 208,000, having decreased by **c.6%** vs. H1 2019.

## Total Investment 2014 – H1 2020 (€ million)



Source: CG Capital Europe Research, selected brokers' reports and Spanish Statistics Institute (INE).

## Selected Transactions

### 7 Development Projects

**Price:** €150 million  
**Dwells:** 919  
**€/dwell:** 163,200  
**Quarter:** Q2

**Buyer:** AXA IM  
**Seller:** Tectum  
**City:** Madrid



### Valdebebas 125 (Under Construction)

**Price:** €120 million  
**Dwells:** 395  
**€/dwell:** 303,800  
**Quarter:** Q1

**Buyer:** Hines & Acciona  
**Seller:** n.a.  
**City:** Madrid



### 400 units in Valdebebas (Under Construction)

**Price:** €110 million  
**Dwells:** 400  
**€/dwell:** 275,000  
**Quarter:** Q1

**Buyer:** Ares  
**Seller:** Amenabar  
**City:** Madrid



### 2 Rental Housing Buildings

**Price:** €51 million  
**Dwells:** 500  
**€/dwell:** 102,000  
**Quarter:** Q2

**Buyer:** Catella  
**Seller:** n.a.  
**City:** Vitoria



### Several Buildings Portfolio

**Price:** €40.8 million  
**Dwells:** 357  
**€/dwell:** 114,200  
**Quarter:** Q1

**Buyer:** Témopore Properties  
**Seller:** n.a.  
**City:** several





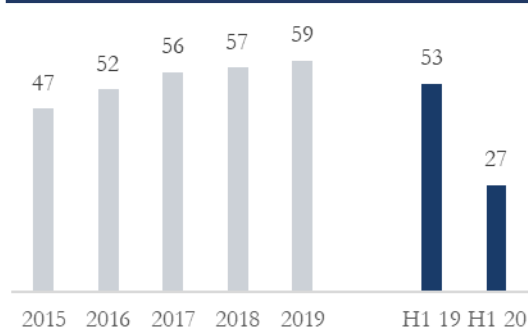
## Investment Overview

- The **hospitality sector has been one of the most affected by the Covid-19 crisis**, due to the severe **lock down, the closing of borders and the social and political uncertainty**.
- Consequently, **hospitality metrics have been heavily affected and contracted for the first time since 2012, breaking the upward record trend of the last seven years.**
  - **c.10.8 million of tourists** visited Spain during H1 2020 (-71.7% vs. H1 2019), with **44.1 million overnight stays** in Spanish hotels (-70.5%).
  - **Average Occupancy Rate** has decreased by 30% in H1 2020, reaching 45.5%.
  - **Average Daily Rate (ADR)** decreased to €60.3 (-29%).
  - **Revenue per Available Room (RevPar)** has decreased by 49% in comparison to H1 2019, reaching c.€27.
- **Forecasts for this year has suffered a severe downward readjustment**, with the total impact of the crisis still no foreseeable.
- **Investment volume in H1 2020 reached c.€700 million (+c.50% vs. H1 2019)**, mainly due to important transactions carried out by Q1 such us the Hotel Edition in Madrid and Hotel Punta Negra in Mallorca. **Volume of Transactions in Q2 2020 has been very low.**

**ADR (€) 2015 – H1 2020**



**RevPar (€) 2015 – H1 2020**



Source: CG Capital Europe Research, selected brokers' reports and Spanish Statistics Institute (INE).

## Selected Transactions

### Hotel Edition Madrid

**Price:** €220 million  
**Rooms:** c.200  
**€/room:** 1.1 million  
**Quarter:** Q1

**Buyer:** Archer Hotel Capital  
**Seller:** KKH  
**City:** Madrid



### Hotel Punta Negra

**Price:** c. €135 million  
**Rooms:** 135  
**€/room:** 1 million  
**Quarter:** Q2

**Buyer:** Mandarin Oriental Hotel Group  
**Seller:** H10  
**City:** Mallorca



### Hotel Cristina

**Price:** €45 million  
**Rooms:** n.a.  
**€/room:** n.a.  
**Quarter:** Q1

**Buyer:** Dreamplace  
**Seller:** Marrero Family  
**City:** Las Palmas



### NH Las Tablas

**Price:** €21.3 million  
**Rooms:** 149  
**€/room:** 143,000  
**Quarter:** Q1

**Buyer:** Atom Hoteles  
**Seller:** n.a.  
**City:** Madrid



### Hotel Himalaia

**Price:** n.a.  
**Rooms:** 110  
**€/room:** n.a.  
**Quarter:** Q2

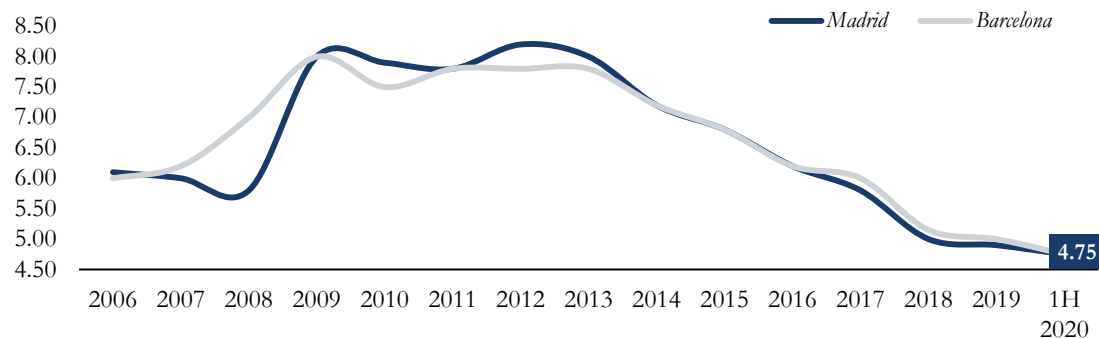
**Buyer:** MiM  
**Seller:** n.a.  
**City:** Baqueira Beret



## Investment Overview

- Logistics remained as one of the most resilient RE investment sectors, showing both pre and post pandemic **solid behaviour**. The pandemic has affected consumer habits, increasing e-commerce penetration and **boosting demand for last-mile logistics warehouses**.
- Total logistic and industrial's investment volume in H1 2020 amounted to **€400 million** (€230 million and €170 million in the Q1 and Q2, respectively), **representing a c.20% decrease vs. H1 2019**.
- Logistic park new leases accounted for **256,474 sq.m.** (c. +56% y-o-y) in Madrid and 175,590 sq.m. (c. -49% y-o-y) in Barcelona. Most of new leases by **logistic operators**.
- Vacancy rates increased in Madrid up to 8.7% (+302 bp y-o-y) and decreased in Barcelona to **3.2%** (-67 bp y-o-y). On the other hand, there are currently **c.513,000** and **c.255,000 sq.m** in **Madrid** and **Barcelona**, respectively, to be delivered during 2020 (currently under construction).
- Consequently, **rents for prime logistic** assets are **stabilized in Madrid** (€5.5/sq.m./month), and a **reduced increase showed in Barcelona** (€6.8/sq.m./month), due to less available demand. **Prime net yields slight decrease to c.4.75%** levels in both markets.

## Prime Net Yields



Source: CG Capital Europe Research, selected brokers' reports.

## Selected Transactions

### Pan-European Logistic Portfolio (11 assets in Spain)

**Price:** €213.0 million  
**GLA (sq.m.):** 309,143  
**€/sq.m.:** 689.0  
**Quarter:** Q1

**Buyer:** Patrizia  
**Seller:** BentallGreenOak  
**City:** Madrid, Valencia, Barcelona and Bilbao



### Iberian's Group Logistics

**Price:** €42.8 million  
**GLA (sq.m.):** 48,000  
**€/sq.m.:** 891.7  
**Quarter:** Q1

**Buyer:** Barings RE  
**Seller:** Iberian Logistics  
**City:** Madrid



### Logistic Platform

**Price:** €30.5 million  
**GLA (sq.m.):** 43,000  
**€/sq.m.:** 709.3  
**Quarter:** Q1

**Buyer:** Kefren Capital and Tristan Capital  
**Seller:** Undisclosed  
**City:** Madrid



### Corredor de Henares' Logistic Corridor Portfolio

**Price:** €30.0 million  
**GLA (sq.m.):** 60,000  
**€/sq.m.:** 500.0  
**Quarter:** Q1

**Buyer:** Clarion Gramercy  
**Seller:** CBRE GI  
**City:** Guadalajara



### Airbus HQ's in Madrid – Sale and Lease Back

**Price:** €29.2 million  
**GLA (sq.m.):** 43,387  
**€/sq.m.:** 673.0  
**Quarter:** Q2

**Buyer:** Hines  
**Seller:** Airbus  
**City:** Madrid





# CG Capital Europe: Samples of Transactions Completed

CG Capital Europe is one of the most active Firms within the Iberian market

**Tourist / Residential  
Apartments - Málaga**



**Sale**  
*Confidential*

**Offices Madrid**



**Sale & Financing**  
*Confidential*

**Tourist Apartments  
Estepona II**



**Sale**  
*Confidential*

**Retail High Street  
Madrid**



**Sale**  
*Confidential*

**Luxury Hotel  
Madrid**



**Financing**  
*Confidential*

**Logistic Asset  
Madrid**



**Sale**  
*Confidential*

**Office Building  
Barcelona**



**Sale & Financing**  
*Confidential*

**Residential Building  
Barcelona**



**Financing**  
*Confidential*

**Office Building  
Madrid**



**Sale & Financing**  
*Confidential*

**Tourist Apartments  
Estepona I**



**Sale**  
*Confidential*

**Retail Prime High  
Street Barcelona**



**Sale**  
*Confidential*

**Residential Complex  
Marbella**



**Sale & Financing**  
*Confidential*

**Retail Unit  
Barcelona**



**Financing**  
*Confidential*

**Car Park  
Valencia**



**Sale**  
*Confidential*

**Logistic Asset  
Valencia**



**Sale & Financing**  
*Confidential*

**Shopping Center  
Madrid**



**Sale & Financing**  
*Confidential*

**Residential Building  
Madrid**



**Sale**  
*Confidential*

**Westin Hotel  
Valencia**



**Sale & Financing**  
*Confidential*



The background of the slide is an aerial photograph of a city, likely Madrid, during sunset. The sky is a mix of soft pinks, oranges, and blues. In the foreground, there are several large, ornate buildings with classical architectural features, including domes and balconies. The CG logo is prominently displayed in the upper center of the image.

# CG

CG Capital Europe

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Investments & Financings

If you request any further information, please  
do not hesitate to contact

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