

INVESTMENT SNAPSHOT

MARCH 2016

- Investment volume in 2015 reached €8.8 billion
- Retail and offices continue to be the most popular sectors
- Investment funds and SOCIMs have been the most active although private investors are increasing exposure to commercial property
- Increase in value-add investor activity as opposed to opportunistic investment

Record year, although growth is slowing

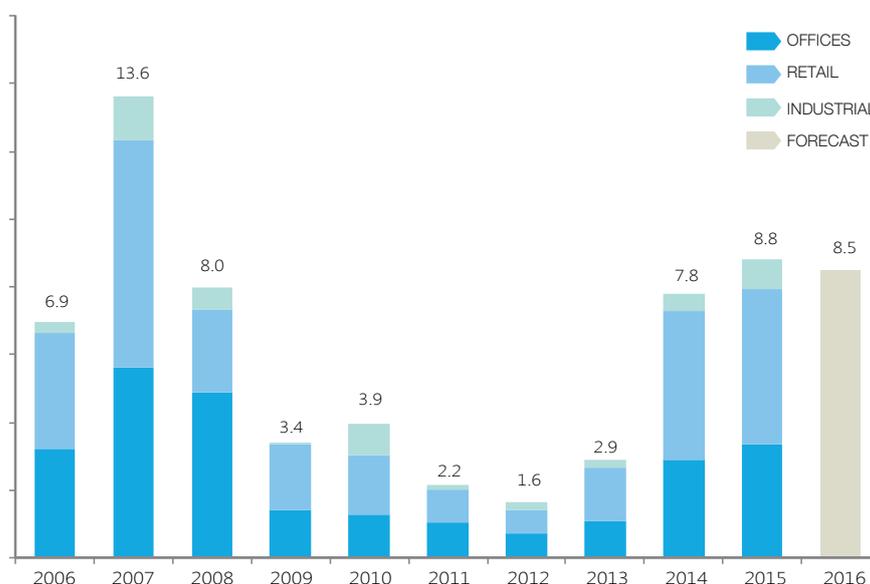
2015 was a record year in terms of investment volume. Commercial property investment (offices, retail, industrial and logistics)* reached €8.8 billion in Spain, which is the highest figure since 2008. Investment in Spain increased by 13% compared to the previous year.

In terms of sectors, offices and retail remain the most popular segments for investors. Shopping centres and High Street recorded €4.6 billion, accounting for 52% of investment. Offices accounted for €3.3 billion, representing 38% of investment. The logistics sector has grown exponentially, mainly due to the higher yields, reaching record levels of more than €850 million in 2015.

Nevertheless, hotels is close behind. This is for the strong recovery of the tourist sector - both national and international.

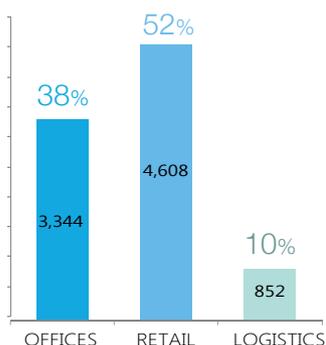
Forecasts for this year suggest that investment levels will remain slightly lower than in 2015, although a greater number of transactions are expected. Essentially we are facing a lack of product, not investor demand.

GRAPH 1
Evolution of direct investment by sector (billion €)



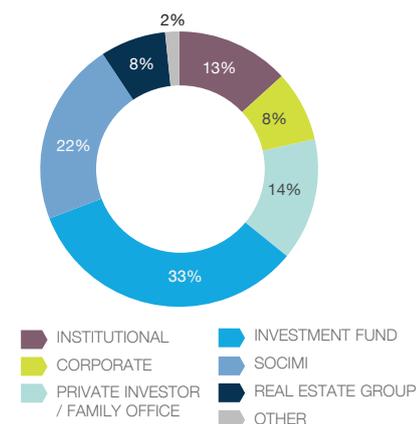
Source: Real Capital Analytics / Knight Frank

GRAPH 2
Direct investment by sector



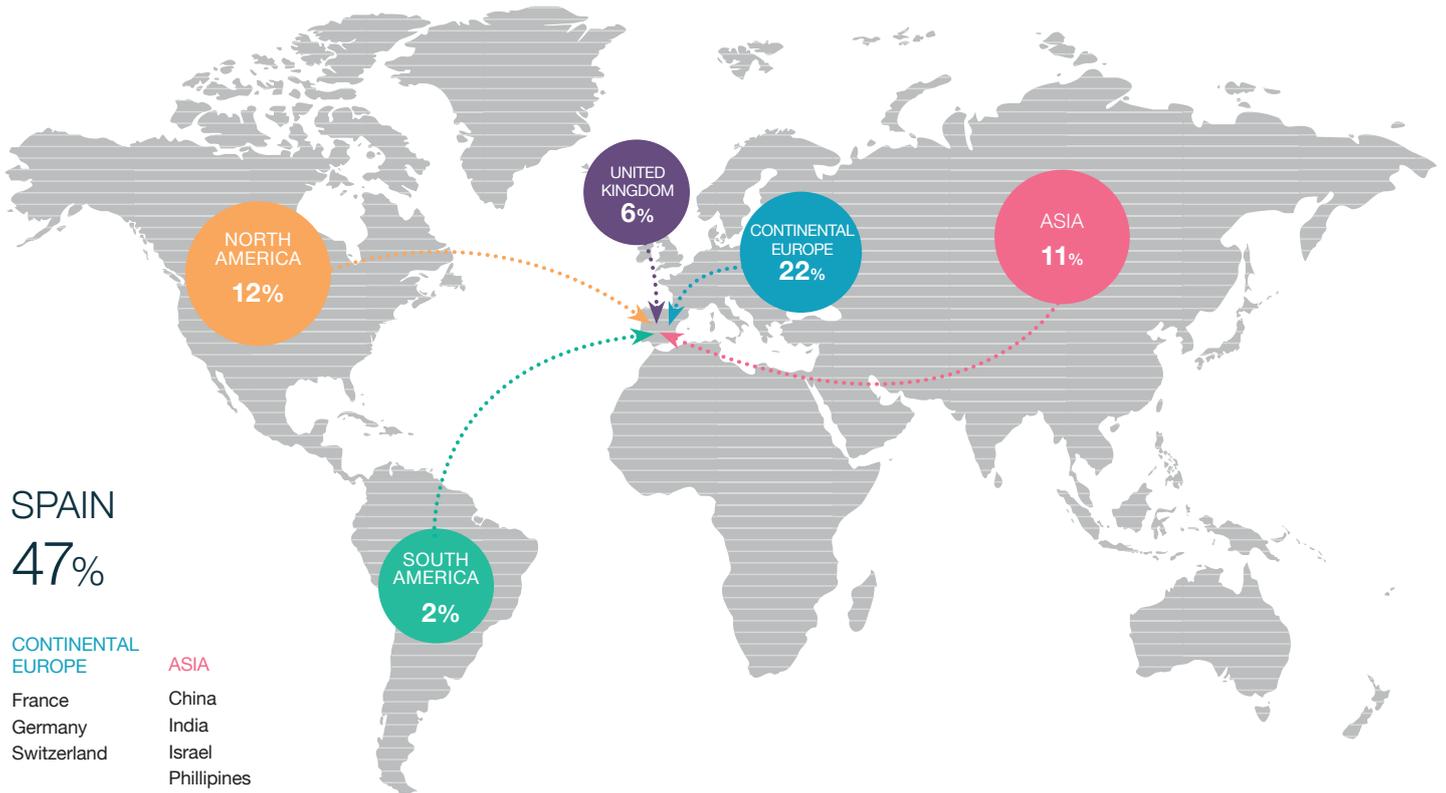
Source: Real Capital Analytics / Knight Frank

GRAPH 3
Type of investor



*€10.2m of investment including hotels, as well as offices, retail and industrial and logistics.

Commercial investment by geographical origin



SOCIMIs are the most active investors, although private investors are gaining ground

By investor type, investment funds and SOCIMIs have been the most active, accounting for more than half of all investment (55%). Active in Spain since 2013, SOCIMIs have increased their market share to become one of the main players in the sector, driving the market in the process.

Nevertheless, we would note the gradual increase in private investors and family offices taking on more commercial property exposure. In 2014, private investment accounted for 5% of all investment, while in 2015 this figure reached almost 14%.

In terms of types of investors, we would note that opportunistic investors have been gradually disappearing as the market has moved on. Prime and core plus investors have taken their place and have increased their market share (43% and 28% respectively), which traditionally operate in more stable and conservative markets.

Value add investors are especially active, accounting for 27% of the market.

Europe and North America, the most active after local investors

By country, the lion’s share of investment has been carried out by local investors (47%), bearing in mind that SOCIMIs are considered local investors, despite the

fact that much of their equity comes from international investors. France, the United States and the United Kingdom are still the main players in the Spanish commercial property sector. The Philippines stands out for the size of one investment (Torre Espacio, Madrid).

Forecasts

Property fundamentals bolstering investment have improved: office rents clearly have upside potential (+22% in the next 3 years, according to the Global Cities 2016 report), retail sales are on the up, yields are hardening and there is ever greater access to financing. However, the lack of quality product, particularly offices, poses a clear risk, which will affect investment volume in Spain.



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