

# SUSTAINABILITY, LIVING AND LOGISTICS DOMINATE THE NEW INVESTMENT CYCLE

2021 marks the launch of a new cycle in the Spanish property market, with investors making a very positive assessment of the year and anticipating a period of strong growth for 2022.

While they are optimistic about the future of the sector, investors believe that this post-Covid cycle will bring some differences compared to the previous period. Starting with the growing prominence of the sectors associated with living and logistics in strategies to allocate capital to Spanish real estate, while sustainability, particularly compliance with ESG requisites, will be an increasingly important criteria for major investors when the time comes to close deals. At the same time, and with capital markets on the rise, there is growing interest from institutional investors in non-traditional asset classes, which may open the door to new developments in the Spanish market.

Despite the positive sentiment that prevails, this doesn't mean that investors are unaware of the challenges; quite the contrary! Therefore, in this new cycle, they intend to be extremely selective in their choice of assets in terms of quality, and a strategic location will be more important than ever.

These are some of the principal conclusions of the Investor Survey carried out by Iberian Property in this edition, which included the participation of over a dozen major asset managers and investors in the Spanish property market. Join us in the next pages and find out the answers from industry leaders to the following questions:

**a) As an owner/asset manager, how do you view the evolution of the Spanish real estate market throughout 2021?**

**b) In your opinion, where are the best real estate investment opportunities in Spain today?**



Type of Investor	REIT
Gross Asset Value of Assets in Spain (€ Mn)	c.400
Number of assets Invested in Spain	5
% Ownership	N/A (listed company)
Asset Debt (€Mn)	<200
Net Asset Value of Assets in Spain (€Mn)	229
Major Investor in the Vehicules	"Hermandad Nacional de Arquitectos AGPCH"
Sector Allocation (in million €)	
City Allocation (in million €)	
Reference Assets	Plaza de España building (Madrid) - 15,000sq.m of retail surface area



**Mario Andrés**

**DUNAS CAPITAL**  
VP of Dunas Real Estate

**a)** 2021 has consolidated as a transitory year to normalise the post-Covid environment, in which the macro predictions in 2020, such as worldwide vaccine roll-out or release of pent-up demand, have started to play out. Overall, we have a positive opinion of this year's evolution and are prepping for the idiosyncrasies expected in 2022 (recovery stabilisation, inflation, supply chain disruption, etc).

Concerning real estate asset classes, the evolution has continued to be heterogeneous. Sectors with inherently resilient fundamentals, such as multifamily or logistics, have continued to perform well and liquidity has remained at all-time highs. The performance of offices and investment demand is still irregular, as uncertainty persists whether Covid-19 has triggered a secular change of paradigm towards a material long-term adoption of work-from-home initiatives. The hospitality sector has seen a larger number of closures, as investment demand for attractive opportunities and incumbent owners, underpinned by government-fuelled liquidity, narrow down on the clear bid-ask spread seen in 2020. Alternative asset classes continue on a growth trajectory, as Europe-wide real estate trends start to consolidate in Spain.

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**b)** For us, there are attractive opportunities in asset classes, locations and deals where the perceived risk, particularly due to the impact of Covid-19, sits significantly above the actual risk. Incumbent property owners with a pre-Covid entry have suffered a risk build-up release in most asset classes, hence new money is currently able to price the Covid effect and mitigate the downside risk. Nonetheless, dislocation of the perceived and actual risk still occurs in certain real estate subsectors, presenting an interesting window for investment.

Type of Investor	Asset Manager
Gross Asset Value of Assets in Spain (€ Mn)	350*
Major Investor in the Vehicules	Partners Group, KKR