Just Retail

Publicación	Just Retail General, 28	Fecha	14/12/2022
Soporte	Prensa Escrita	País	España
Circulación	15 000	V. Comunicación	9 849 EUR (10,372 USD)
Difusión	15 000	Tamaño	333,01 cm² (53,4%)
Audiencia	28 500	V.Publicitario	1255 EUR (1322 USD)

RETAIL CERTAINTIES IN A VOLATILE ENVIRONMENT

Article by Hernán San Pedro, Investor Relations and Corporate Communications Manager at Lar España

The sharp rise in inflation during the first half of the year, the rapid succession of interest rate hikes and the latent threat of a recession sometime in 2023 have been the main obstacles to the economic recovery we all expected after the pandemic. It is clear that the invasion of Ukraine and the new global disorder have dramatically altered the supply of energy and much of the world's raw materials. It was inevitable that different sectors and industries would be affected by the current geopolitical and economic crisis, although at least in the stock market arena there has been some uncertainty as to where the risks end and opportunities begin, or vice versa.

In equity markets we speak of market consensus or analyst sentiment. These are more or less established states of opinion, often with an overly subjective component. For some years now, the only consistent sentiment seems to be that the real estate sector is not doing too well. There is some reason for this. Or maybe a lot, of course. It seems clear that rising inflation, rising interest rates and slower growth will affect the different real estate segments, but it is also clear that not all of them will be affected equally. In general, one might even expect considerably more stability from the bricks and mortar sector than from other sectors of activity.

It is worth remembering that a significant part of the real estate sector is made up of consolidated, solid and stable companies. They have

Just Retail

Publicación	Just Retail General, 29	Fecha	14/12/2022
Soporte	Prensa Escrita	País	España
Circulación	15 000	V. Comunicación	9 849 EUR (10,372 USD)
Difusión	15 000	Tamaño	531,32 cm² (85,2%)
Audiencia	28 500	V.Publicitario	1764 EUR (1858 USD)

proven to be professional and efficient instruments, as well as very necessary for the recovery of our country's productive fabric. In the last ten years, following the launch of the socimi real estate firms, the Spanish real estate sector has in fact completed a great deal of diversification accompanied by a high degree of professional development. There are companies specialising in the different segments, and managers have accumulated significant experience in each of them.

Companies have been able to undertake emblematic projects, universally recognised for their efficiency, profitability and innovation. In this way, we have managed to channel a large amount of capital from all corners of the globe to our country. Real estate assets in portfolios today are of proven quality, as attested to by their constant revaluation in recent years, returns obtained in divestment processes and the recognised quality and solidity of investors, end clients and tenants, whatever the segment.

If we move from real estate in general to retail in particular, it is in this sub-sector that most misgivings seem to have been aroused. If the slowdown is confirmed, consumption falls, rates rise and some tenants may throw in the towel. Many believe that shopping centres and parks will be particularly affected. This is an intuition that has been as common as it has failed to materialize in each of the previous crises. It will most likely be the same when we emerge from this one, hopefully sooner rather than later. The opinion of the markets is always free and should be respected, but a state of mind is not always enough to translate into reality. In fact, throughout the long history of retail, and practically year after year, companies have been refuting with facts what had only been negative opinions that have never crystallised.

As regards the pandemic, as soon as lockdown began, many experts and analysts warned that we could be facing a definitive boost for e-commerce. Shopping centres and retail parks were going to become inexorably obsolete. The reality is that, with each lockdown easing, footfall and sales picked up in centres and parks much faster than in any other retail format. For example, in the first nine months of 2022, Lar España's 14 assets have substantially increased both footfall and final sales compared to the same months in 2019, just before the pandemic. Few sectors have proven to be as resilient as retail.

In the wake of such a dramatic situation, investors have become particularly fond of safe havens. And in retail, quality is probably always the most proven and resilient value. We are talking about a retail business where seven out of ten customers still consider the in-store shopping experience to be their main decision factor. This aspirational element can only be guaranteed by prime shopping centres and parks, those that are truly dominant in areas of high population and with a tenant mix capable of continuously attracting potential customers.

In discussing dominant shopping centres or parks, this impact among users is abundantly clear, regardless of the specific moment of consumption. If it is a modern asset, with a mix of first class brands and tenants, it will be easier to transfer this qualification to the different age groups in its area of influence. Regardless of the particular consumer moment at any given time, rest assured that if investors, tenants and end customers can count on these characteristics, are aligned and brought together by high quality teams, we are witnessing a de facto thriving, profitable commercial asset capable of delivering long-term recurring income. ●