MARKETBEAT

MADRID

Offices Q2 2024

	YoY change	12 month forecast
9.92% Vacancy Rate (%)	▲	—
111,700 Take-Up Q1 (sq.m)	▲	—
41.50 Prime Rent (€/sq.m/month)	▲	▲

ECONOMIC INDICATORS – SPAIN Q1 2024

		YoY change
Anual change in GDP	2.50 %	▼
Spain Unemployment rate*	11.76 %	▼
C.Madrid Unemployment rate*	9.72 %	▼

Source: National Statistics Institute

From "Flight to quality" in 2023 to the sector's "Rise to Resilience" in 2024

Following a turbulent 2023, concluding with the much awaited news of the end of interest rate hikes, we are entering a challenging 2024 on the heels of a year in which rates started at 2.5% and ended at 4.5%. Moreover, the inflation data for the Euro zone in the most recent figures has proved to be much as expected and the ECB has already made its first rate cut. The scaling back will, however, be gradual in bringing about the beginning of a new positive economic cycle in the second half of 2024. Spain's GDP data is outperforming forecasts, placing it above the Eurozone growth rate, with an estimate for 2024 of 1.4%, followed by 2.0% for 2025.

The take-up of office space in Madrid during the second quarter of 2024 exceeded 110,000 sq m in 151 deals. This represents a 20% quarterly fall in floorspace transacted, following a previous quarter that stood out due to the signing of the Colon Towers deal (20,000 sq m), among others. The number of deals struck has, nevertheless, remained stable over the past three months. For the year-to-date, the first six months of 2024 have seen 250,000 sq m transacted. This is similar to the same period in 2023, though with an increase in the number of deals. The growth in the number of smaller transactions of up to 500 sq m has been a determining factor.

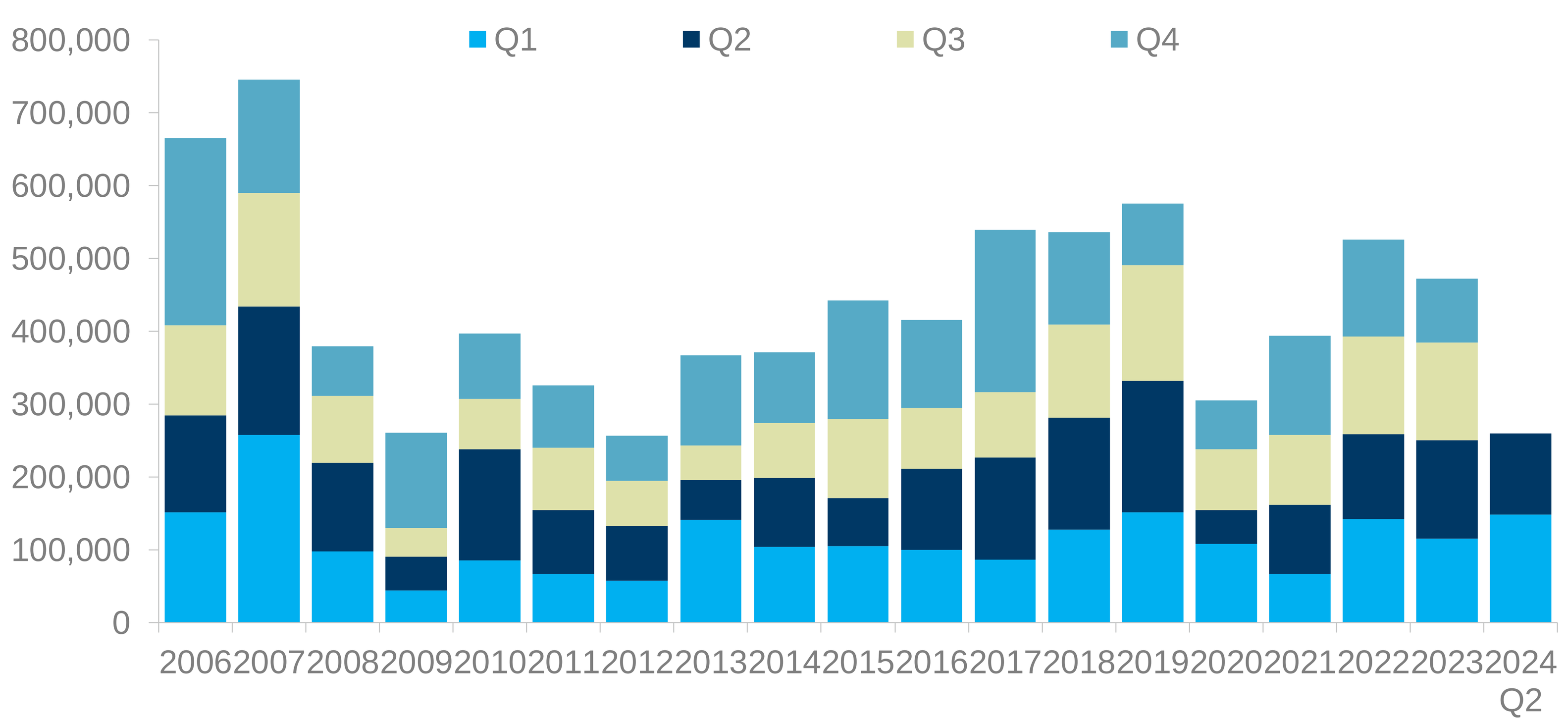
The average floorspace transacted in Madrid between April and June continued to slide and is now below 900 sq m. One of the most significant adjustments in average floorspace is seen in the City Centre (excluding the CBD), where the number of deals is close to reaching the total number struck in the whole of 2023, with 6 months yet to go in 2024.

For yet another quarter, the Learning sector remains significant in Madrid. The most significant transaction in terms of size during the second quarter was the signing of more than 7,000 sq m in the Aragón building (Madbit) by Udit.

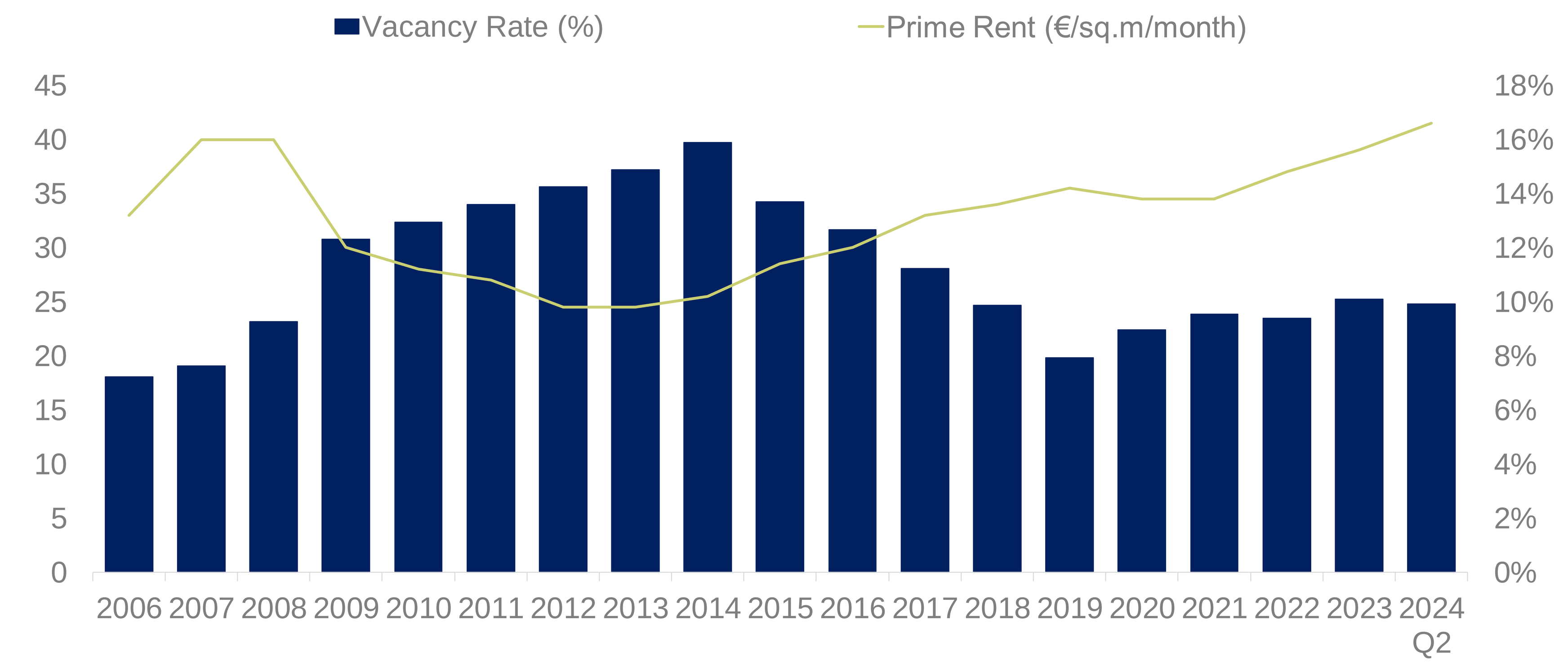
Demand continues to be driven by the search for high quality, flexible assets, with A/B+ rated buildings accounting for more than 75% of take-up. Vacancy rates are falling on a quarterly basis owing to the high demand for this type of office space, breaking lows of below 4% in markets such as the CBD.

Prime rents in the CBD or CBD Prime continue to climb in 2024, reaching €41.50 /sq m/month in Q2 2024. Rents have risen for some assets in certain sub-markets over the past 9 months. Notable among the latter is the M-30 ring road, where demand has remained active and has opted for newly refurbished or newly constructed buildings which meet the highest quality standards. Meanwhile, rents have remained stable in other sub-markets where demand has not been as dynamic.

DEMAND FOR FLOORSPACE (sq m)



OVERALL VACANCY AND PRIME RENT



M A R K E T B E A T

MADRID

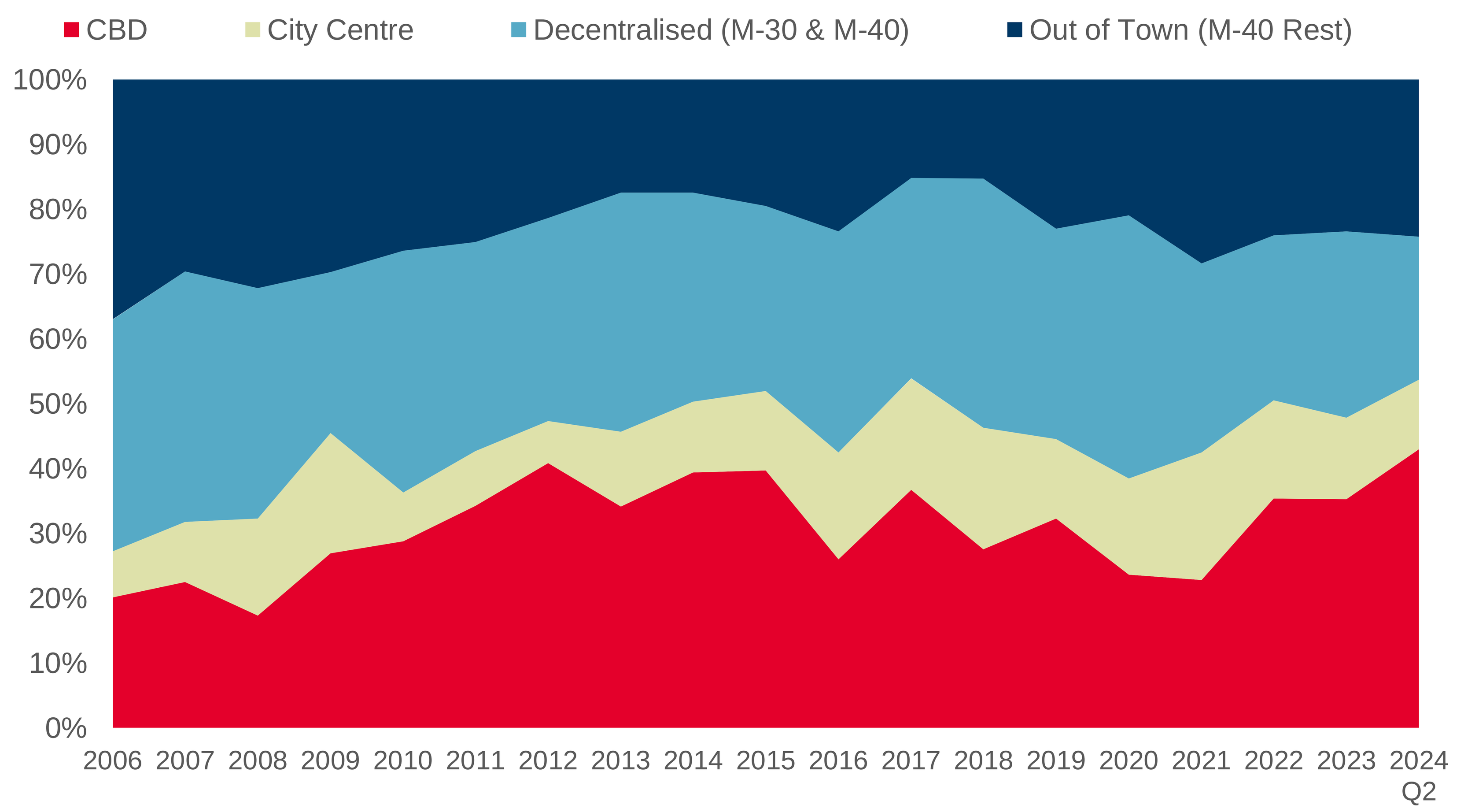
Offices Q2 2024

CUSHMAN & WAKEFIELD

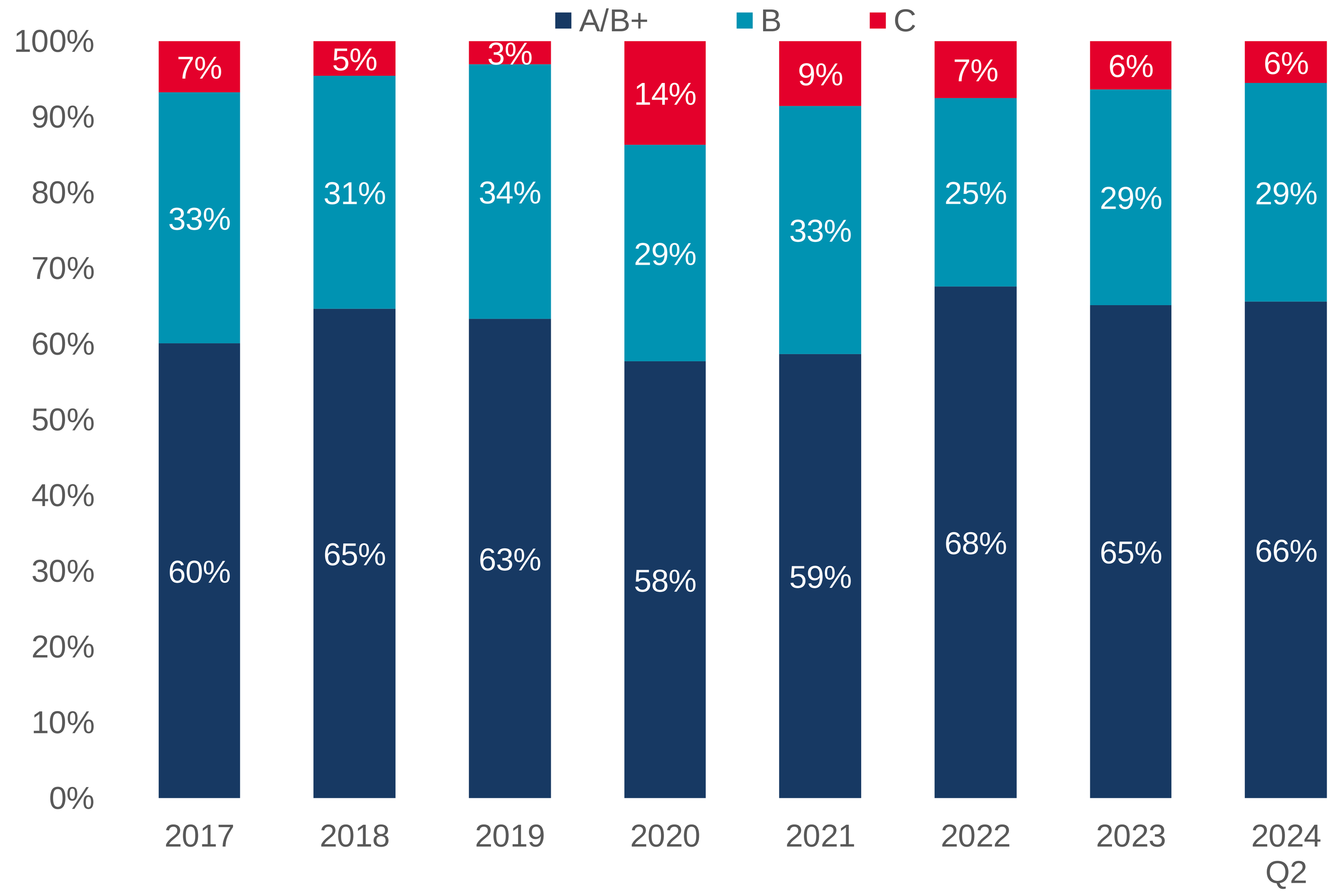
The CBD will soon run out of space

Having reached the close of the first half of 2024, the vacancy rate in Madrid once again remains stable at below 10%. While it is true that these rates increase as we move away from the metropolitan area, driven by deliveries in various micro-markets, slight downward adjustments have also been noted beyond the M-30. Within the M-30 however, the average vacancy rate is below 4%.
Turning to take-up according to sub-market, the end of the first half of 2024 matches the trend seen in the second half of 2023. Demand has been evenly distributed both in terms of new contracts and in total floor area within and beyond the M-30. The CBD has, however, emerged as the most sought-after sub-market in recent quarters.
The CBD has continued to grow in terms of market share during 2024, reaching 43% of take-up and 36% of deals struck (107). Three micro-markets stand out within the CBD, where vacancy rates were above average: Azca with 20% of take-up, Chamartín with 20% and the CBD Prime with 26%. These vacancy rates are due to the delivery of a new project to the market which was let in the subsequent 12 months, demonstrating that demand continues to seek out quality buildings with excellent location. This trend may mark the total for 2024, which continues to demonstrate the area's interest for businesses and may see its vacancy levels reduced to historic lows by the end of the year.
Beyond the M-30, the Periphery and the Decentralised area were almost a match in terms of share of take-up during the first half of the year, with 24% and 22% respectively. Within these sub-markets, the incorporation of buildings that meet the quality and ESG standards currently sought by businesses has led to growth in take-up with respect to 2022 and 2023 in several office locations. Both areas have seen their transaction activity increase by an average of 25% compared to the same period in 2023, due to the lack of availability within the M-30.
Forecasts for 2024 as a whole point towards similar figures to those recorded last year, with take-up of between 460,000 sq m and 475,000 sq m with a particular focus on rental pressure driven by the scarcity of A-rated buildings, now virtually non-existent within the M-30. The vacancy rate beyond the M-30 may increase slightly over the year and will be influenced by the speed at which future supply currently under construction is delivered to the market. Nevertheless, it is expected that the inertia brought about by the lack of offerings within the M-30 will drive other office niches with decent connections and amenities that can meet the needs of current demand.

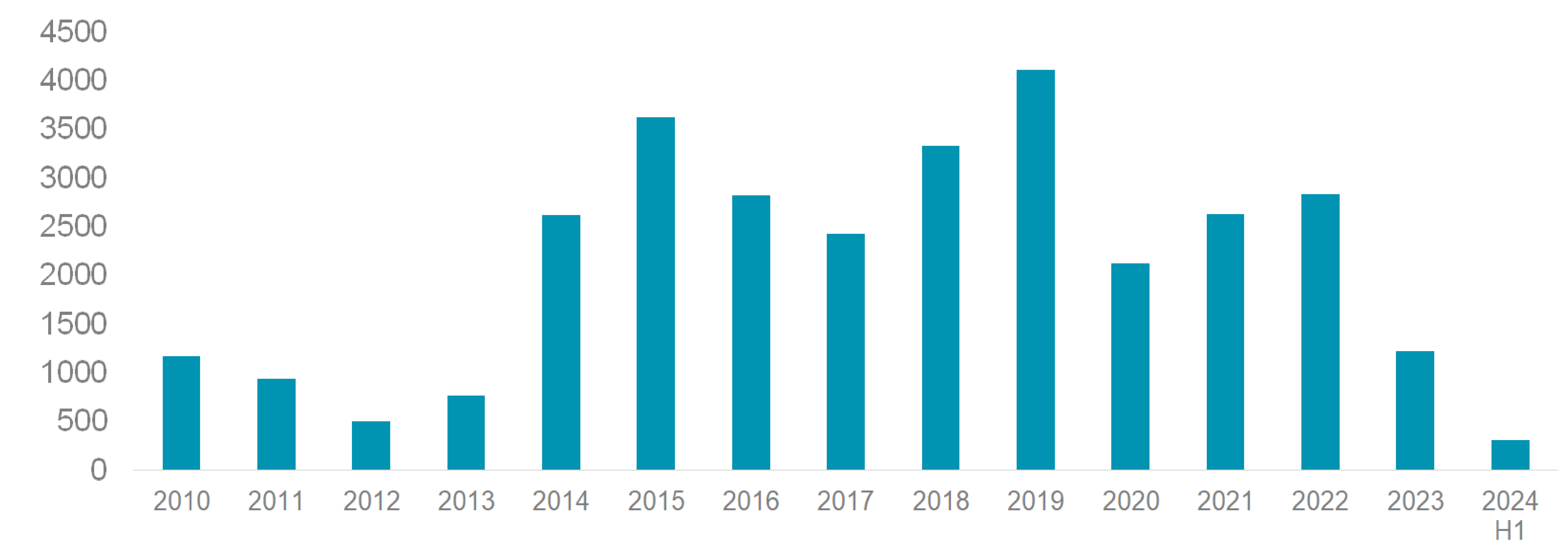
TAKE-UP BY SUBMARKET (sq m)



TAKE-UP VOLUME ACCORDING TO GRADE



OFFICE TOTAL INVESTMENT SPAIN (€m)



Investment

Spain's office sector has experienced a notable contraction in investment during the first half of 2024, recording a figure of €311 million. This represents as fall of 60% in comparison with the same period the previous year. In Madrid, it is worth highlighting the purchase of Titán 8, sold by Grosvenor to GMP, invigorating the institutional investment market when opportunities arise. Capital has shifted to the change-of-use modality, with transaction volumes exceeding €300 million in 2024.

Tight monetary policy implemented by the European Central Bank (ECB), including a hike in interest rates to curb inflation, has had a direct impact on higher financial costs and increased credit scarcity. Interest rates are now starting to decline.

Notwithstanding this general trend towards investment prudence, certain profiles such as insurance firms, family offices and Private Real Estate Investment firms (SCPI) remain actively on the lookout for properties that ensure stable income through solvent tenants and long-term contracts. At the same time, there is growing interest from Value Add profiles in projects involving new buildings or comprehensive refurbishments focused on 'brown-to-green' sustainable developments, with success stories already noted in urban centres.

Despite the adverse environment marked by economic uncertainties stemming both from the geopolitical outlook and political-monetary decisions at European and global level, a possible uptick in investment is expected by the end of 2024 or early 2025, thanks to the expected closure of a number of deals that remain pending.

Prime yield remained stable at 4.60%, pending the potential next reduction by the ECB.

MARKETBEAT

MADRID

Offices Q2 2024

MARKET DATA

SUB-MARKET	STOCK (sq m)	VACANT (sq m)	VACANT RATE	QUATERLY TAKE-UP (sq m)	YTD TAKE-UP (sq m)	UNDER CONSTRUCTION 2024-2025 (sq m)	PRIME RENT (€/sq.m/month)	PRIME YIELD*
CBD	3,334,822	125,916	3.78%	45,729	111,566	67,157	41.5	4.60%
City Centre	2,280,720	80,810	3.54%	13,754	51,624	109,776	23.0	5.35%
Decentralised	3,382,459	524,147	15.50%	30,899	57,420	46,095	18.5	6.35%
Out of town	4,626,978	621,042	13.42%	21,309	62,948	23,066	13.5	7.50%
TOTAL	13,624,979	1,351,914	9.92%	111,690	283,558	246,094		

MAIN ABSORPTION DEALS IN Q2 2024

BUILDING	SUB-MARKET	TENANT	AREA (sq m)	TYPE*
Edificio Aragón	Decentralised	Udit	6,532	-
Edificio Aqua	CBD	Comunidad de Madrid	3,807	-
Edificio Torre Rioja	CBD	Statkraft Development Spain	3,761	-
Avenida del Partenón 16-18	Decentralised	Confidencial	3,096	-

Renewals not included in the demand statistics

MAIN PROJECT/REFURBISHMENTS DELIVERED IN 2024

BUILDING	SUB-MARKET	MAIN TENANT	AREA (sq m)	Owner
Edificio Torre Rioja	CBD	-	22,526	Torre Rioja
Torre Oriente	City Centre	-	21,503	Inmobiliaria Colonial
Torres de Colón	CBD	-	20,000	Mutua Madrileña

MAIN INVESTMENT DEALS IN 2024

NAME/ADDRESS	SUB-MARKET	BUYER	VENDOR	TOTAL SQM/UNIT	PRICE (M€)
Príncipe de Vergara, 108	Out of Town	Mutualidad de la Abogacía	UBS	7,296	46
Titán , 8	Out of Town	GMP	Grosvenor	10,634	43.94

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A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.In Spain, where Cushman & Wakefield has over 30 years of experience, the company's business covers the entire Spanish geography. The headquarters are located in Madrid (Beatriz Building, Jose Ortega y Gasset, 29, 6º) and Barcelona (Passeig de Gràcia, 56, 7º). To learn more, visit www.cushmanwakefield.es or follow @CushWakeSPAIN on X.
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MARKETBEAT

BARCELONA

Offices Q2 2024

CUSHMAN & WAKEFIELD

	YoY change	12 month forecast
10.10% Vacancy Rate (%)	▲	▲
76,600 Take-Up Q2 (sq.m)	▲	▲
29.00 Prime Rent (€/sq.m/month)	▲	▲

ECONOMIC INDICATORS – SPAIN Q1 2024

		YoY change
Anual change in GDP	2,50%	▼
Spain Unemployment rate	12,29 %	▼
Barcelona Unemployment rate	7,04 %	▼

Source: National Statistics Institute

Demand prioritising asset quality and location

The take-up of office floorspace during the first half of 2024 in the Barcelona market amounted to around 170,000 sq m in just over 170 transactions. A figure for floor area transacted some 52% higher than in the same quarter in 2023 and 8% growth in the number of deals point to more dynamic demand with businesses spurred into action. The average transaction size in Barcelona amounted to around 900 sq m in the first half of the year, in line with the average for 2019.

Accounting for 50% of take-up, the New Business Areas regained their prominence In comparison with the first quarter of 2024. The city centre followed with 34% of new contracts over the first six months of the year. The corresponding figures for the number of deals stood at 37% and 32% respectively.

Quality remains one of the most important decision-making factors, with 74% of the floor area transacted corresponding to grade A/B+ buildings.

The demand side is starting to explore the sub-letting market, particularly in terms of plug&play formats. This is largely due to the lack of visibility over the medium term and to avoid investment in new fit-outs. 7% of the demand in Barcelona this quarter corresponded to this format.

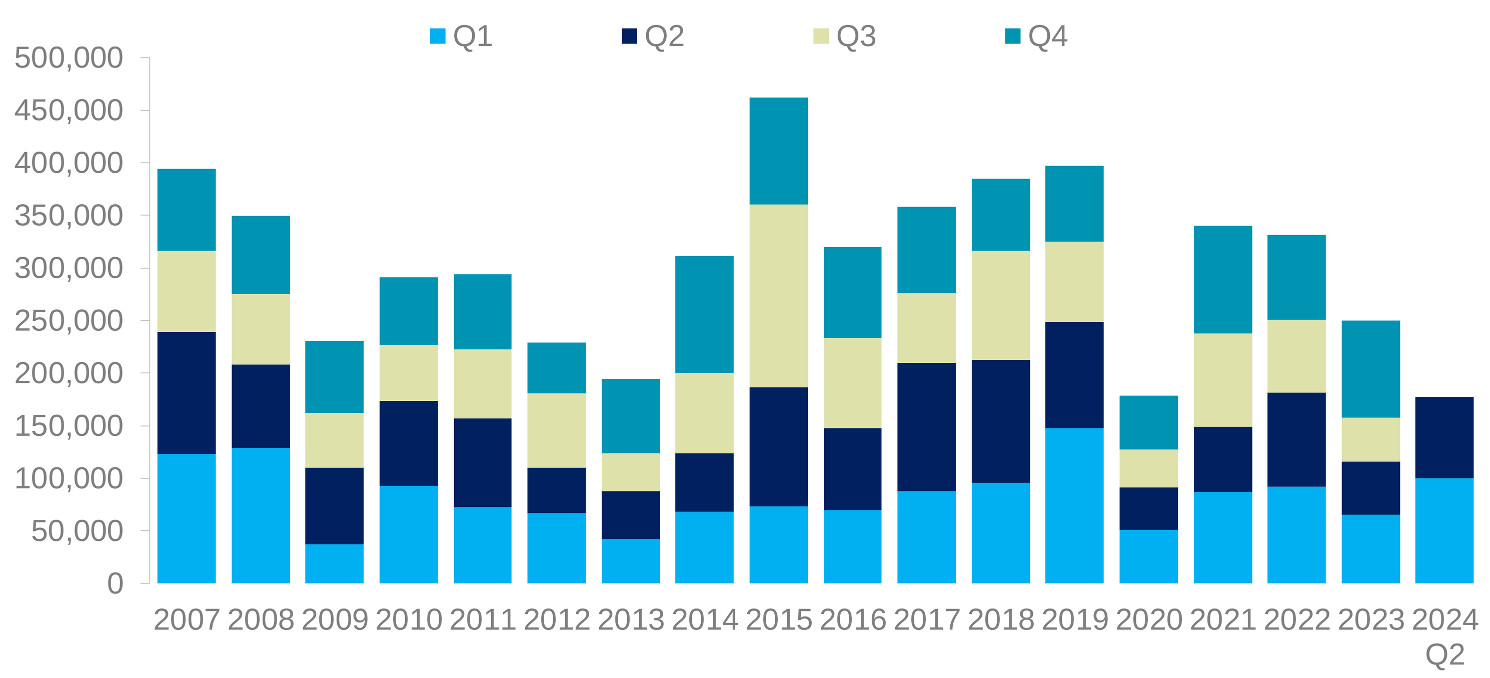
Turning to demand sectors, the growth in the share taken by telecommunications was notable in Q2, largely due to the rental of more than 6,000 sq m by Scopely Games Barcelona in the Green Business District, pushing the sector up to a share of 25%. This was followed by Life Sciences businesses at 18% and Industrial firms with 13%.

The flexible workspace value proposition has consolidated and continues to grow with new operators entering the Spanish market, meaning that they now represent some 3% of the built stock in Barcelona.

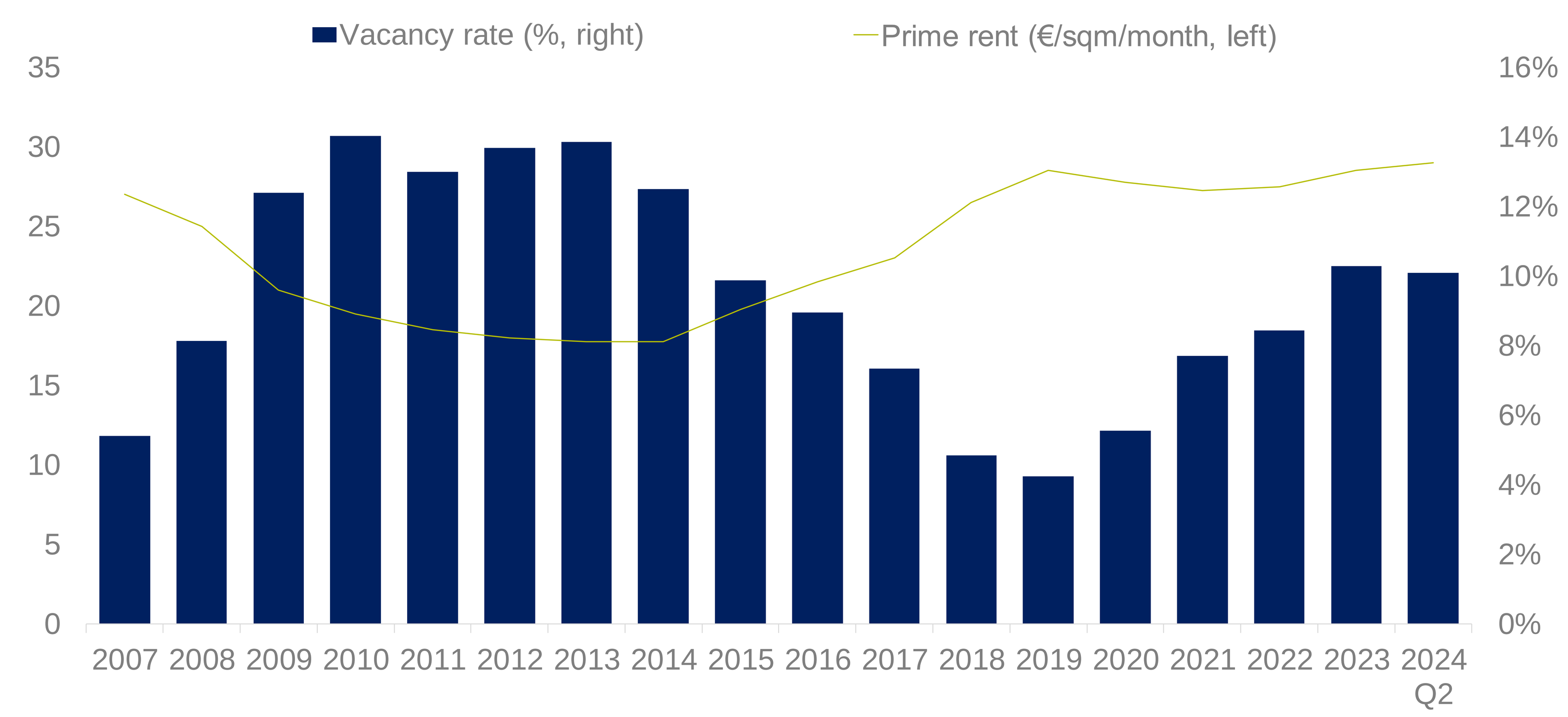
Looking to the future, Barcelona's fourth place among the Top 5 "Emerging Ecosystems in the World" and as third-Best European city to establish a start-up, for the sixth consecutive year behind London and Berlin, shows its clear commitment to the knowledge economy.

Noteworthy among the largest deals over the year to date is AstraZeneca's pre-letting of 25,500 sq m in the emblematic Estel building (city centre), currently undergoing full refurbishment, along with AXA's letting deal in the Zona Franca.

DEMAND FOR FLOORSPACE (sq m)



OVERALL VACANCY AND PRIME RENT



MARKETBEAT

BARCELONA

Offices Q2 2024

New deliveries and refurbishments boost the office vacancy rate

On the supply side and in addition to the return of previously let properties onto the market, deliveries of new and refurbished buildings with no end-user continue to push Barcelona's vacancy rate up, now standing at around 10.1%.

Between both new build and comprehensively refurbished properties, a total of 146,000 sq m were delivered without end-users during 2023. The first half of 2024 has seen a total of 53,000 sq m delivered, 17% of this having a pre-letting deal in place.

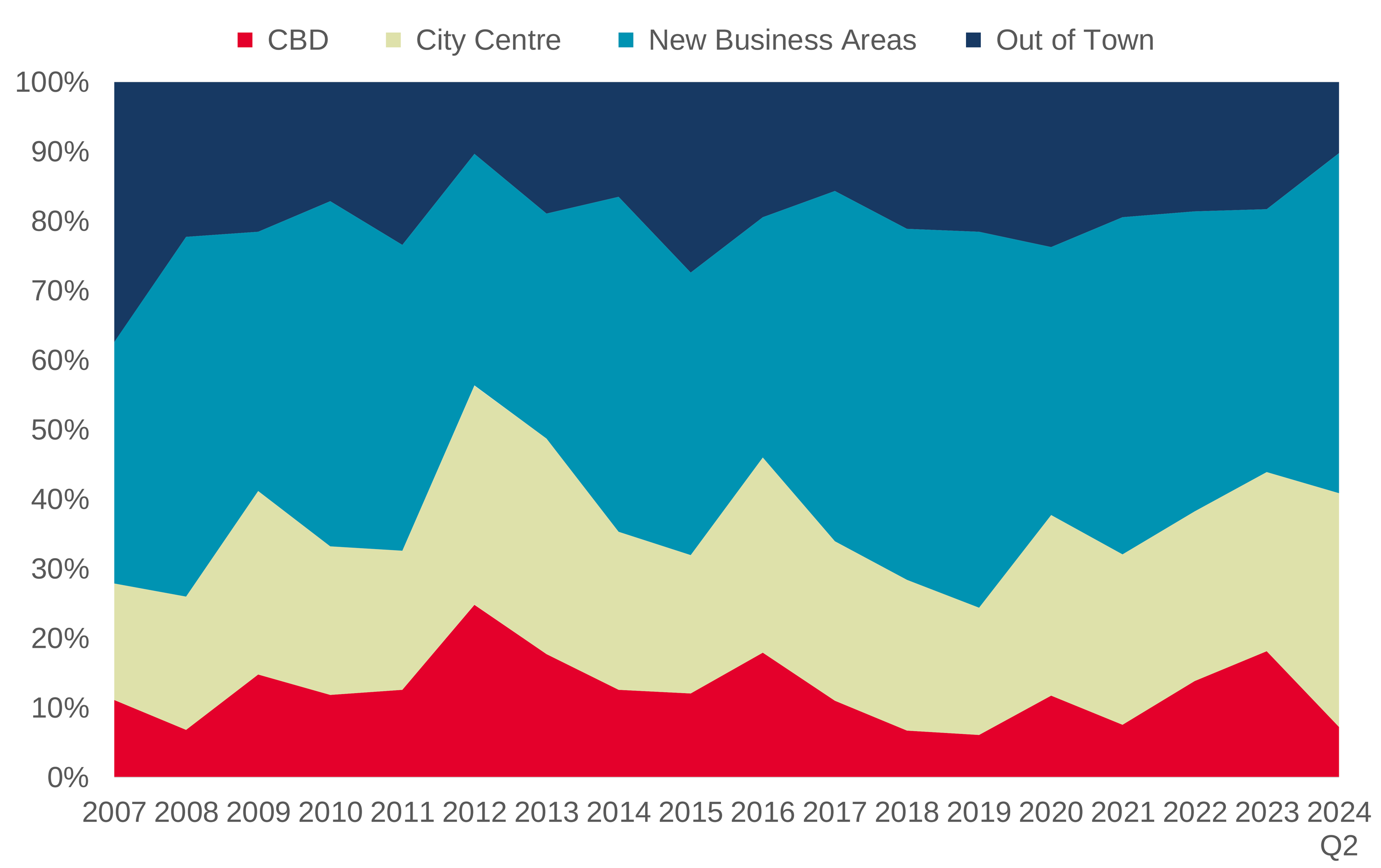
It is worth highlighting the delivery of two exceptional refurbishments: the emblematic AURA building, located in the prime area of Diagonal and offering more than 14,000 sq m, with the highest specifications and energy certifications making it the only Triple A building in the CBD Prime; and the delivery of the similarly refurbished Diagonal 197, with a floor area also close to 14,500 sq m and designed by David Chipperfield, located a few steps from the renovated Plaça de les Glòries in 22@'s prime area. Two new construction projects were delivered in the second quarter: the Lux Building at no.101 Pujades and the Campus 22@ building at no.124 Àlaba, both in district 22@ and contributing a total of more than 15,000 sq m to new office stock.

Barcelona expects to receive 68,000 sq m of office space by December 2024 and most projects will continue to be delivered to the market without a pre-letting deal, all deliveries this year being speculative. District 22@ will account for 57% of deliveries. A total of more than 250,000 sq m of new stock in 15 projects, 9 of which are planned for 2025, has been put on-hold in recent months. These projects are mainly located in district 22@.

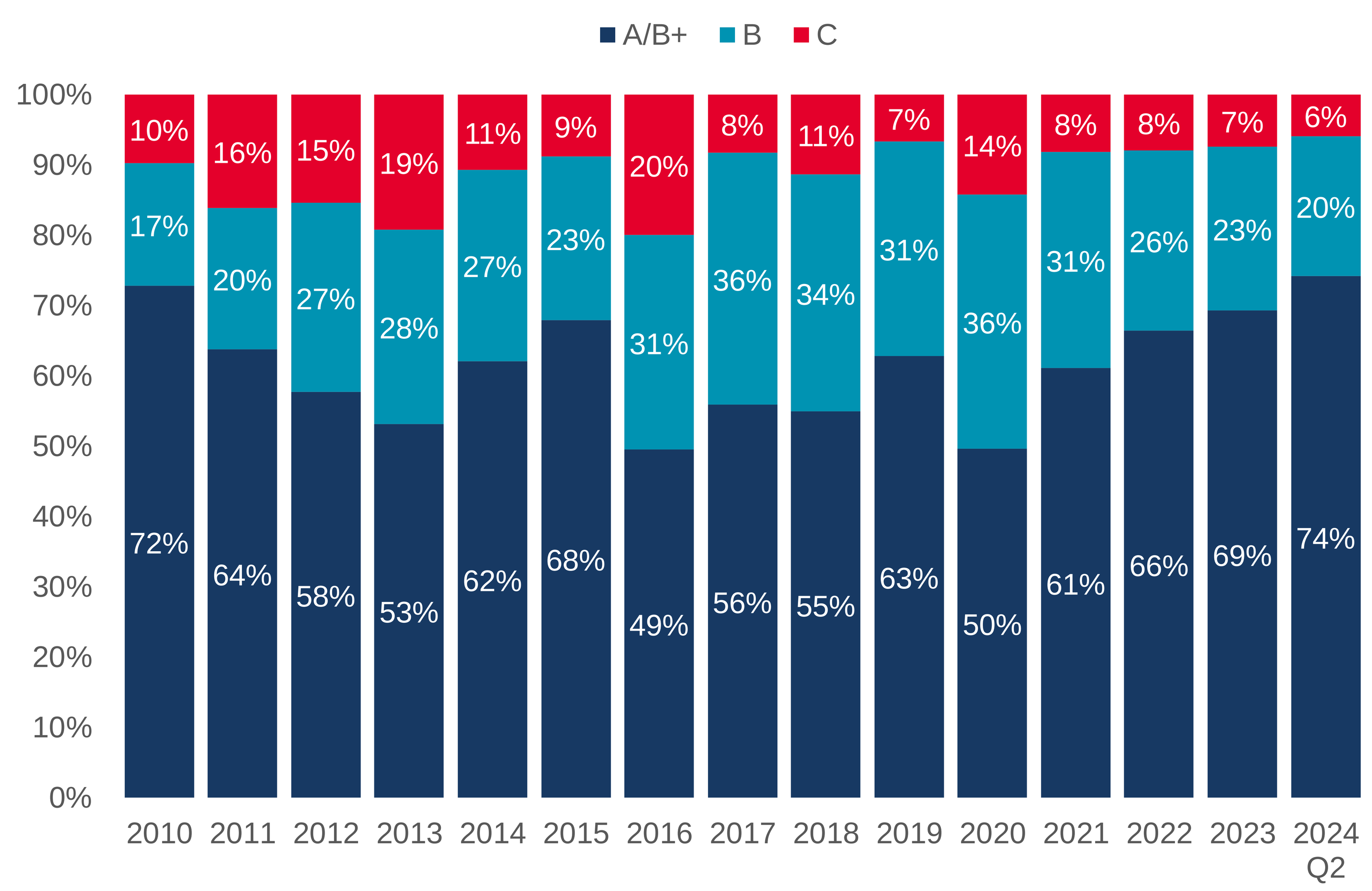
Prime rents will continue to trend upwards over the coming months

The degree of polarisation noted in terms of prime rents, due to the scarcity of quality floorspace available in PG/Diagonal, will continue to push rents upwards. The benchmark prime rent rose slightly to €29.00/sq m/month during the second quarter of 2024 (+5.5% compared to Q2 2023).
A rise in rents is anticipated in the prime area of the city in 2024, mainly due to the delivery of new projects on Barcelona's Diagonal. The emblematic AURA building, at no.471 Avenida Diagonal and the well-known Diagonal Vertical, at no.407, could break all-time records for prime rent in Barcelona.

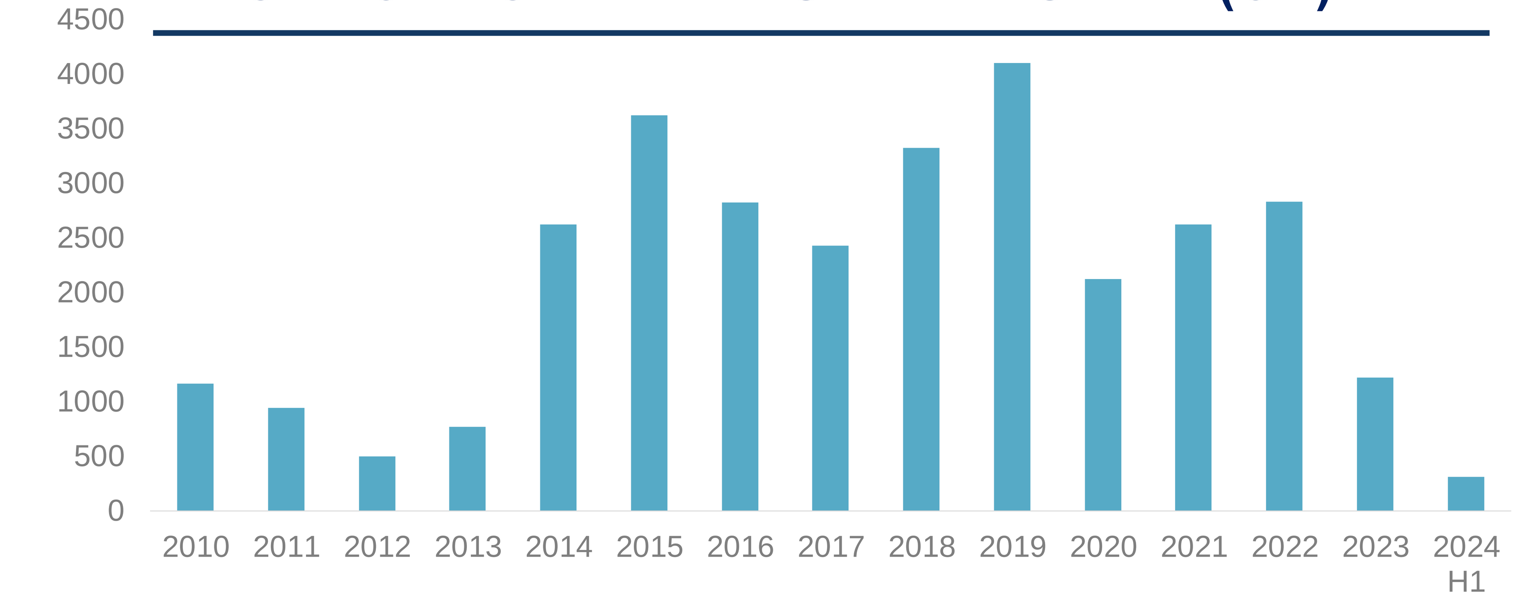
TAKE-UP BY SUBMARKET (sq m)



TAKE-UP VOLUME ACCORDING TO GRADE



OFFICE TOTAL INVESTMENT SPAIN (€m)



The office investment market is readjusting

Spain's office sector has experienced a notable contraction in investment during the first half of 2024, recording a figure of €311 million. This represents as fall of 60% in comparison with the same period the previous year. This phenomenon has been mainly driven by caution on the part of international capital in the current economic, geopolitical and market context, awaiting further price shifts and a narrowing of the gap between buyers' and vendors' expectations.

The beginning of the year in Barcelona was characterised by the appearance of new sectors in the real estate market, the Life Science sector being notable among these. A significant example of this was Stoneshield Capital's acquisition of several real estate assets valued at approximately €85 million. Tight monetary policy implemented by the European Central Bank (ECB), including a hike in interest rates to curb inflation, has had a direct impact on higher financial costs and increased credit scarcity. Interest rates are now starting to decline.

Notwithstanding this general trend towards investment prudence, certain profiles such as insurance firms, family offices and Private Real Estate Investment firms (SCPI) remain actively on the lookout for properties that ensure stable income through solvent tenants and long-term contracts. At the same time, there is growing interest from Value Add profiles in projects involving new buildings or comprehensive refurbishments focused on 'brown-to-green' sustainable developments, with success stories already noted in urban centres.

Despite the adverse environment marked by economic uncertainties stemming both from the geopolitical outlook and political-monetary decisions at European and global level, a possible uptick in investment is expected by the end of 2024 or early 2025, thanks to the expected closure of a number of deals that remain pending.

The prime yield remained stable at 4.90%, 65 basis points above the level reached in the second quarter of 2023.

MARKETBEAT

BARCELONA

Offices Q2 2024

MARKET DATA

SUB-MARKET	STOCK (sq m)	VACANT (sq m)	VACANT RATE	QUATERLY TAKE-UP (sq m)	YTD TAKE-UP (sq m)	UNDER CONSTRUCTION (sq m)	PRIME RENT (€/sq.m/month)	PRIME YIELD*
CBD	890,567	44,364	4.98%	8,203	12,721	14,944	29.00 €	4.90%
City Centre	2,571,626	113,916	4.43%	13,312	59,443	89,327	24.25 €	5.35%
New Business Areas	2,406,948	420,848	17.48%	44,970	86,537	94,639	22.50 €	5.50%
Out of Town	1,392,148	154,449	11.09%	10,054	18,057	16,973	11.00 €	7.50%
TOTAL	7,261,289	733,576	10.10%	76,538	176,758	215,883		

The rent levels correspond to asking rents

MAIN ABSORPTION DEALS IN Q2 2024

BUILDING	SUB-MARKET	TENANT	AREA (sq. m)	TYPE*
Green Business District G02	New Business Areas	Scopely Games Barcelona Sl	6,062	Relocation with more space
Bcn Fira District Torre Ponent	New Business Areas	Grupo Axa - Inter Partner Assistance Sa	6,000	-
Carrer José Agustín Goytisolo 30-32	New Business Areas	Monolithic Power Spain Sl	4,225	Relocation with more space
Carrer Diputació 390-392	City Centre	Aticco Workspaces - Cospace Sl	3,701	-

Renewals not included in the demand statistics

MAIN PROJECT/REFURBISHMENTS DELIVERED IN 2024

BUILDING	SUB-MARKET	MAIN TENANT	AREA (sq. m)	OWNER
Campus 22 @	New Business Areas	-	9,091	Invesco Real Estate
Edificio Lux	New Business Areas	-	6,318	Unijes - Universidades Jesuitas

MAIN INVESTMENT DEALS IN 2024

NAME/ADDRESS	SUB-MARKET	BUYER	VENDOR	TOTAL SQM/UNIT	PRICE (M€)
Baix Llobregat, 3	Out of Town	Stoneshield Capital	Bayer	25,164	49
Solsonès, 2	Out of Town	Arkea Reim	Freo	24,000	25
Gall, 35	Out of Town	Stoneshield Capital	Tikehau Capital & Ireit Global	20,919	25

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