

MARKETBEAT MADRID



CUSHMAN &
WAKEFIELD

Offices - Q4 2020

Annual comparison
12 month forecast

10.1%
Vacancy rate



64,007
Take-up (sq m)



34.5
Prime Rent (€/sq m/month)



ECONOMIC INDICATORS September 2020

3.0m
Madrid
Employees



13.3%
Madrid
Unemployment rate



16.3%
Spain
Unemployment rate



Source: National Statistics Institute

The existing trend continues in terms of major deals

2020 closed with a figure for office take-up of 300,000 sq m, in a year in which the pandemic has dictated the performance of the world economy and the office model has mutated towards flexibility, accelerating a trend that had already been evident in recent years.

The take-up of office floorspace during 2020 represented a fall of 19% in comparison with the years 2013-2014, the point marking the recovery of the Spanish economy. The drop also amounted to 35% in comparison with the average for the years belonging to the new real estate cycle (2013-2019). Compared to the most recent years, namely 2018-2019, the decrease reaches a figure of 45%.

Despite the fall in occupancy levels, the 2019 trend continued in terms of the number of major deals (>8,000 sq m), with a total of 8 transactions (7 in 2019). This demonstrates the fact that the space occupancy plans of businesses have not been brought to a standstill and that the new workplace ecosystem model (traditional and flexible) is consolidating.

As expected, the most dynamic sectors in terms of office take-up during 2020 were technology and pharmaceuticals/healthcare, going from 11% of total take-up in 2019 to 17% in 2020, and from 1% to 9% respectively. Following two years of minimal activity, the public sector also came back to life, going from 2% of total take-up (2018-2019) to 11% in 2020.

The hunt for quality

High specification buildings remain the most sought-after and, in 2020, these cornered some 67% of total demand (A and B+ rated buildings). This represents an increase of 7 percentage points over the figure for 2019.

The 8 major deals struck in 2020 represented a floor area of 91,115 sq m. Five of these consisted of newly constructed or recently refurbished properties, representing 60% of floor area, whereas the other three were related to class B+ buildings.

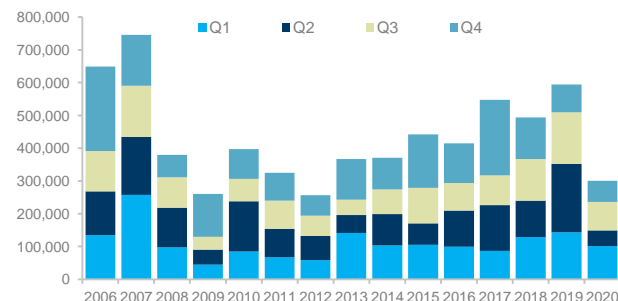
The total vacant floor area in the Madrid market as a proportion of stock gives us a vacancy rate of 10.1%. The increase in comparison with December 2019 is not worrying.

Rents continue to soften

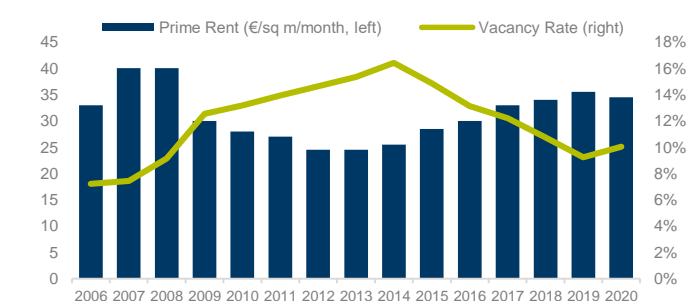
Reduced activity in terms of take-up throughout 2020 has led to a downward adjustment in the benchmark prime rent, the figure of €34.50/sq m/month representing a fall of 3% in comparison with the close of 2019.

An increase in take-up incentives in the form of longer free-rent periods is in line with the tightening of conditions on the leasing of new spaces and the desire of landlords to maintain levels of headline rent wherever possible.

OFFICE TAKE-UP (sq m)



VACANCY RATE AND PRIME RENT



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MARKET DATA

SUB-MARKET	STOCK sq m	VACANCY (sq m)	VACANCY RATE	QUARTERLY TAKE-UP (sq m)	YTD TAKE-UP (sq m)	UNDER CONSTRUCTION 2021-2023 (sq m)	PRIME RENT (€/sq m/month)	PRIME YIELD*
CBD	3.117.424	172.913	5,5%	25.036	71.449	138.845	34,5	3,25%
City Centre	2.239.300	90.884	4,1%	11.144	45.156	3.872	22,0	4,00%
Decentralised	3.895.071	462.538	11,9%	11.840	121.181	248.215	17,5	4,50%
Out of Town	3.950.547	606.436	15,4%	15.987	62.717	75.737	13,0	6,00%
TOTAL	13.202.343	1.332.771	10,1%	64.007	300.503	466.669		

*The rent levels correspond to asking rents

MAIN LEASE DEALS Q4 2020

BUILDING	SUB-MARKET	TENANT	sq m	TYPE*
Paseo de la Castellana, 280	CBD	Madrid Region	7,785	Relocation with expansion
Av. de Barajas, 26, 28108 Alcobendas	Out of Town	Confidential	7,320	Relocation with expansion
Calle Acanto, 11	City Centre	Global Alumni Education SL	6,170	Relocation with expansion
Calle Quintanaduenas, 6	Decentralised	Bristol-Myers Squibb SA	6,053	Relocation with expansion

*Renewals not included in the demand statistics

MAIN ACQUISITIONS Q4 2020

BUILDING	SUB-MARKET	VENDOR / BUYER	SIZE (sq m)	PRICE (€m)
Titán, 8	City Centre	UBS / Grosvenor	10,634	Confidential
Francisco Gervás, 10	CBD	Zurich / Blackstone	7,954	Confidential

BUILDINGS DELIVERED Q4 2020

BUILDING	SUB-MARKET	MAIN TENANT	SIZE (sq m)	LANDLORD
A-2 Plaza, Nanclares de Oca 5	Out of Town	-	24,282	Iberdrola Inmobiliaria
Méndez Álvaro 31	City Centre	Catalana Occidente	21,500	Catalana Occidente

DANIEL CAPRARIN

Senior Analyst

Research & Insight Spain

daniel.caprarin@cushwake.com

JAVIER BERNADES

International Partner. Director - Office & Industrial Agency Spain

Business Space

javier.bernades@cushwake.com

cushmanwakefield.com

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