

Spain - Madrid

Key Performance Indicators

Prime Yield

4,80%

Expected Investment Returns
Change YoY: 70 bps

Prime Rent

€ 42,00

Monthly, per sq m
Change YoY: 13,5%

Average Rent

€ 20,03

Monthly, per sq m
Change YoY: 6,5%

Office Investment Volume

€ 37M

In Madrid during Q1 2024
€ 537M (Rolling 12 months)

Take Up

148K

Square Meter
148K Year2Date

Vacancy Rate

11,69%

Percentage of Stock vacant
Change YoY: 29 bps

Completions

54K

Square Meter
54K Year2Date

Total Stock

12.863K

Square Meter
11.360K Occupied Stock

(Forecast) Completions

287K (2024)

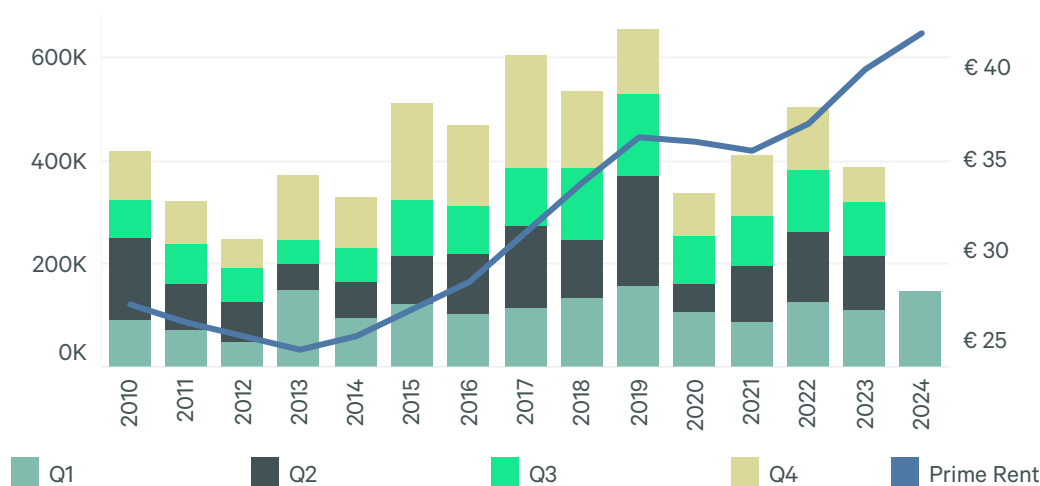
Square Meter
172K (2025) // 247K (2026)

Madrid commences 2024 with the strongest quarterly record since 2019, totalling 148,000 sqm, reflecting an annual growth of nearly 40%. The resurgence of significant transactions propels this robust start to the year. The average take-up area has increased from a mere 850 sqm in 2023 to 1,150 sqm; this excludes the main highlight of 2024, the substantial 20,000 sqm deal in the refurbished Torres Colón by Garrigues. Tenant interest remains centred on Grade A assets, capturing more than half of the activity.

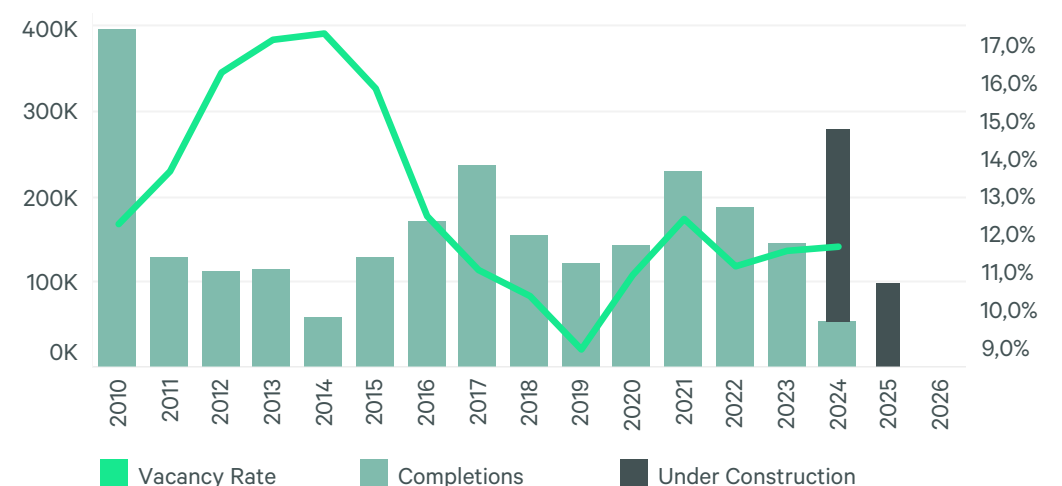
The vacancy rate (11.7%) shows minimal change and appears to have stabilised around 11.5% since mid-2022. Despite this, markets within and beyond the M-30 show varying trends; since 2020, the former has reduced its already scarce availability by 150bps (4.1%), and the latter has increased it by 250bps (18.4%). The higher vacancy rate outside the M-30 may present an opportunity for many tenants and, indeed, large transactions, 5 above 4,500 sqm, are also reaching these submarkets.

The CBD continues to dominate decisively, accounting for nearly half (47%) of the take-up. Its appeal and low availability levels will continue to put upward pressure on rents, which have already seen substantial growth: an annual increase of +€5 in prime rent, surpassing for the first time since 2008 historic highs, at €42/sqm/month.

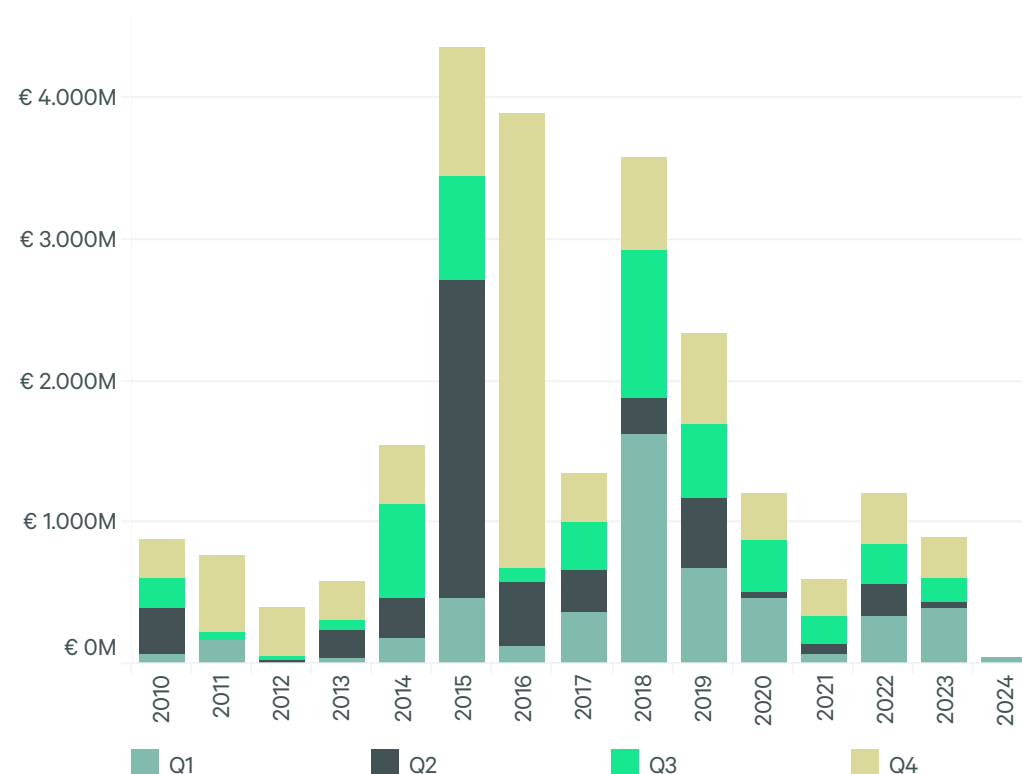
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Madrid Office Investment Volumes



Note: 2024 annual numbers till 31/03/2024

2024 commence with a decline in significant real estate investment transactions, resulting in a 31% decrease compared to Q1 2023. This drop is particularly pronounced in the office sector, with a 75% reduction. The sector began 2023 with a €300M transaction from Colonial's portfolio and now records a volume of €137.2M. However, we continue to observe two growing trends totaling €468M: the acquisition of offices for own use (€449M) and purchase for change of use (€20M). This raises the total to over €600M in office assets.

Faced with a lack of properties for sale and protracted processes, midcap transactions continue to dominate. The €40M invested reflects the absence of large deals, with a notable fall in the average ticket, barely exceeding €12M. Purchases for own use have stood out, and there is considerable dynamism for change of use transactions in the office sector, processes that require longer execution periods. We optimistically anticipate an increase in volumes in the second half of the year due to the closure of ongoing processes and the opening of new ones, with a return of larger deals.

The stabilization of interest rates by the ECB has mitigated upward corrections in prime office yields, which now stand at 4.80% (+70bps YoY) in Madrid. The market remains vigilant for a possible rate decrease, which could lead to a compression of yields in the medium term. Given the scarcity of comparables and the coexistence of two distinct market speeds (low and high volume transactions with very different financing needs), the prime yield maintains an even more theoretical character if possible.

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Spain - Barcelona

Key Performance Indicators

Prime Yield

5,00%

Expected Investment Returns
Change YoY: 90 bps

Prime Rent

€ 29,00

Monthly, per sq m
Change YoY: 3,6%

Average Rent

€ 18,68

Monthly, per sq m
Change YoY: 14,0%

Office Investment Volume

€ 137M

In Spain during Q1 2024
€ 810M (Rolling 12 months)

Take Up

95K

Square Meter
95K Year2Date

Vacancy Rate

13,98%

Percentage of Stock vacant
Change YoY: 112 bps

Completions

22K

Square Meter
22K Year2Date

Total Stock

6.580K

Square Meter
5.660K Occupied Stock

(Forecast) Completions

148K (2024)

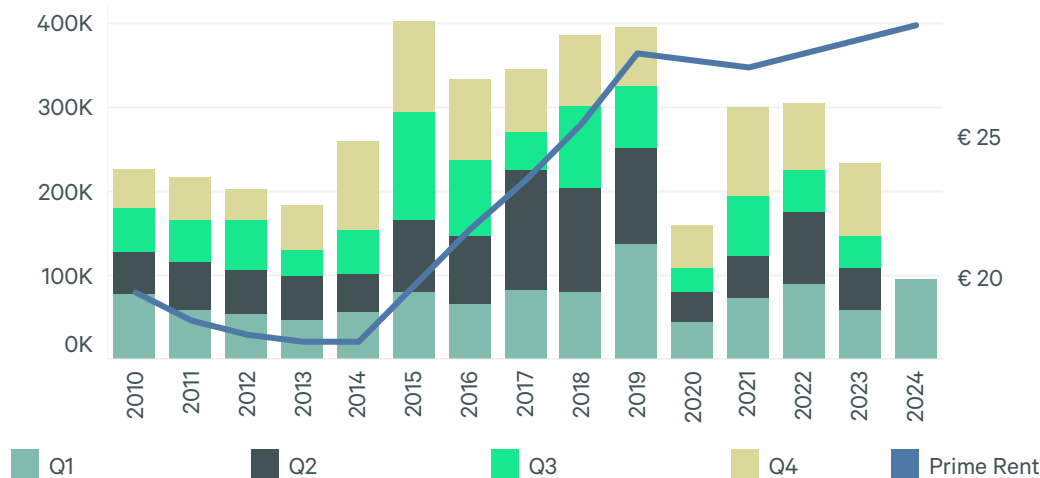
Square Meter
156K (2025) // 28K (2026)

The office market in Barcelona begins the year strongly, with nearly 100,000 sqm leased, a 60% improvement compared to the same period the previous year. This is the second-best quarter since the pandemic hit, largely driven by the return of major deals, with the average leased area increasing from 800 sqm in 2023 to 1,200 sqm. The pre-lease of over 25,000 sqm in the Estel building propels the Industrial and Energy sector to lead in leased area, while the Technology sector does so, once again, in the number of transactions. This tech companies' good performance has positioned the 22@ district as the second in terms of take-up (31%), only surpassed by Downtown (47%).

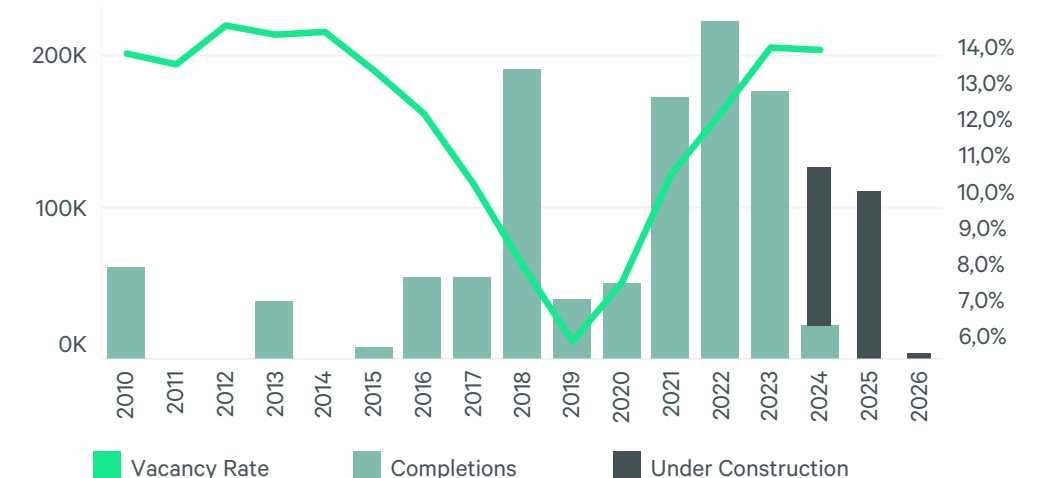
The positive data from 22@ has led to a decrease in the availability of the market (-1.5pp this quarter). In fact, Barcelona's availability rate would have dropped if it weren't for deliveries in other submarkets, yet it remains stable at 14.0%. These deliveries are in the City Center and CBD, which has increased the availability of Grade A in these two submarkets, which, in any case, continues to be low (0.2% and 2.1% respectively). In addition, with 70% of the total leased area signed in Grade A buildings, absorption expectations are positive.

This scarcity of quality space on offer in the most central markets, together with the signed rent levels and high expectations of their projects, allows the prime rents of these two markets to continue their upward trend, €29.00/sqm/month (+€1.00 y.o.y.) in the CBD and €24.50/sqm/month (+€2.00 y.o.y.). The rest of the markets maintain their stable prime rents: €22.75/sqm/month (-€1.00 y.o.y.), €18.50/sqm/month (+€0.25 y.o.y.) in the Fira & AP Zone, and €12.25/sqm/month in the Periphery.

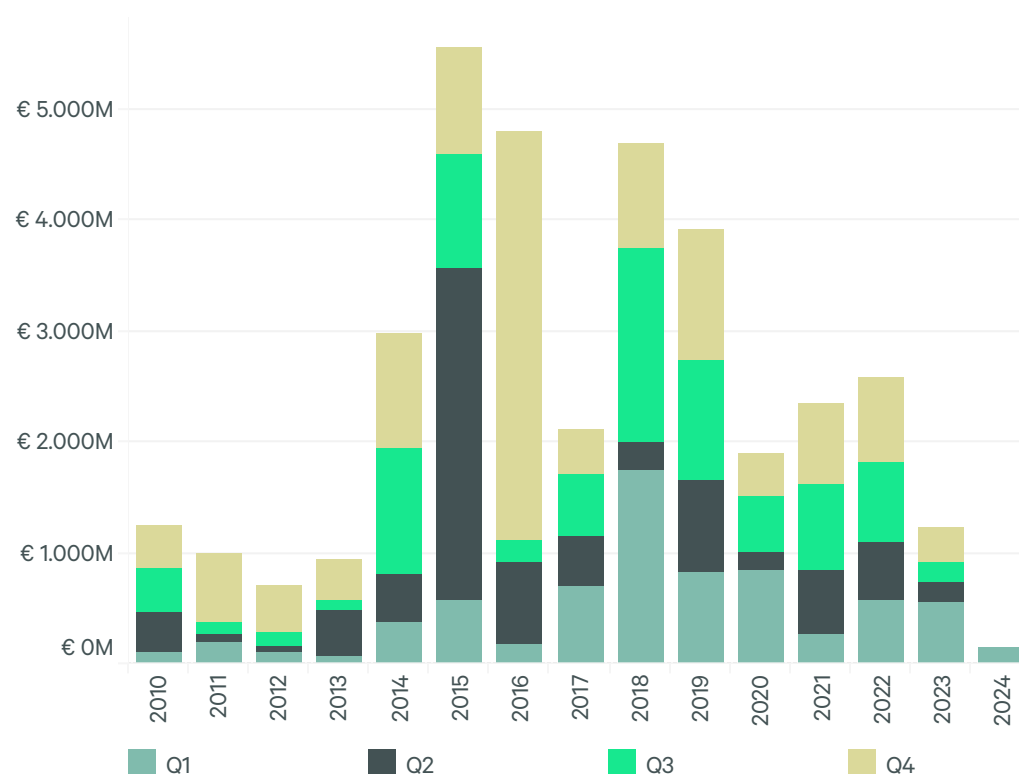
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Spain Office Investment Volumes



Note: 2024 annual numbers till 31/03/2024

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Barcelona has been the focal point of investment in this first quarter, accounting for 68% of the total national investment, driven by the acquisition of 5 assets by Stonshield in the Periphery, with a plan to develop a LifeScience hub. There is also an increased occupier appetite for the purchase of freehold buildings. Regulatory rigidity is limiting the possibilities of change of use transactions from offices to other alternatives. However, volumes are affected by the lack of large-scale deals that have prevailed in recent years, particularly driven by the momentum of 22@, hence more transactions are predominant in the MidCaps segment.

The stabilization of interest rates by the ECB has mitigated upward corrections in prime office yields, which now stand at 5.00% (+90bps YoY) in Barcelona. The market remains vigilant for a possible rate decrease, which could lead to a compression of yields in the medium term. Given the scarcity of comparables and the coexistence of two distinct market speeds (low and high volume transactions with very different financing needs), the prime yield maintains an even more theoretical character if possible.

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