

Spain - Madrid

Key Performance Indicators

Prime Yield

4,85%

Expected Investment Returns
Change YoY: 60 bps

Prime Rent

€ 42,25

Monthly, per sq m
Change YoY: 11,2%

Average Rent

€ 20,93

Monthly, per sq m
Change YoY: 1,1%

Office Investment Volume

€ 243M

In Madrid during Q2 2024
€ 745M (Rolling 12 months)

Take Up

101K

Square Meter
249K Year2Date

Vacancy Rate

11,47%

Percentage of Stock vacant
Change YoY: -4 bps

Completions

79K

Square Meter
133K Year2Date

Total Stock

12.920K

Square Meter
11.438K Occupied Stock

(Forecast) Completions

147K (2024)

Square Meter
177K (2025) // 263K (2026)

The first half of the year closed in Madrid with 249,000 sqm of office space leased, which is 18% more than last year (+3% vs. the average of the last 5 years) and the second best year in the decade of the 2020s, with the average area in markets outside the M-30 increasing by 42% compared to 2023, which was a year where there was a shortage of large-scale transactions. Another highlight is the quality of leased projects in peripheral locations, with the rent and availability gap between the best buildings and older ones widening.

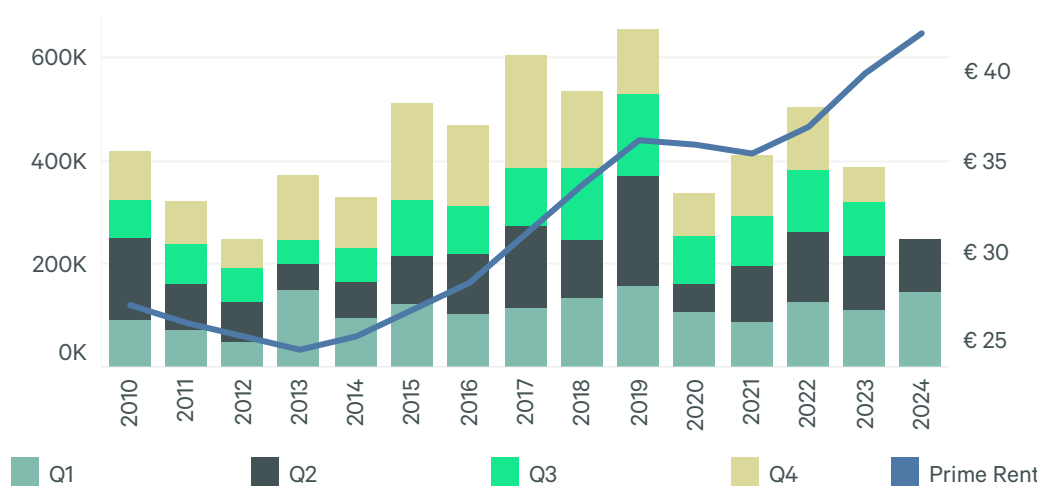
Compared to last year, three sectors are gaining market share in office leasing. The manufacturing sector due to the boost from the pharmaceutical sector, professional services due to moves by law firms and finally the public sector both at local and state level.

Availability in Madrid falls by 0.2 p.p. vs. 1Q 2024 (and also vs. 2Q 2023) to 11.5%. Availability in the CBD continues to fall, standing at 3.9%, close to 2019 values.

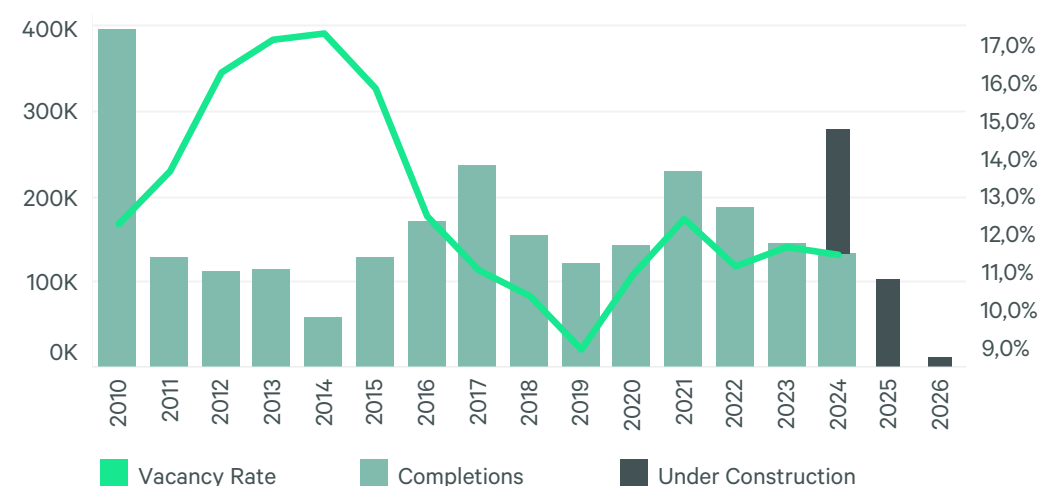
Prime rental growth in the CBD moderates, rising by €0.25/m2/month to €42.25/sqm/month. The rise is higher at €0.5/sqm/month in the A-1 and A-2 markets, while in A-6 it rises by €0.25/sqm/month.

In conclusion, the fundamentals in the Madrid office market show dynamic demand, stable availability and rising rents, with the prospect that tailwinds will persist in the third quarter.

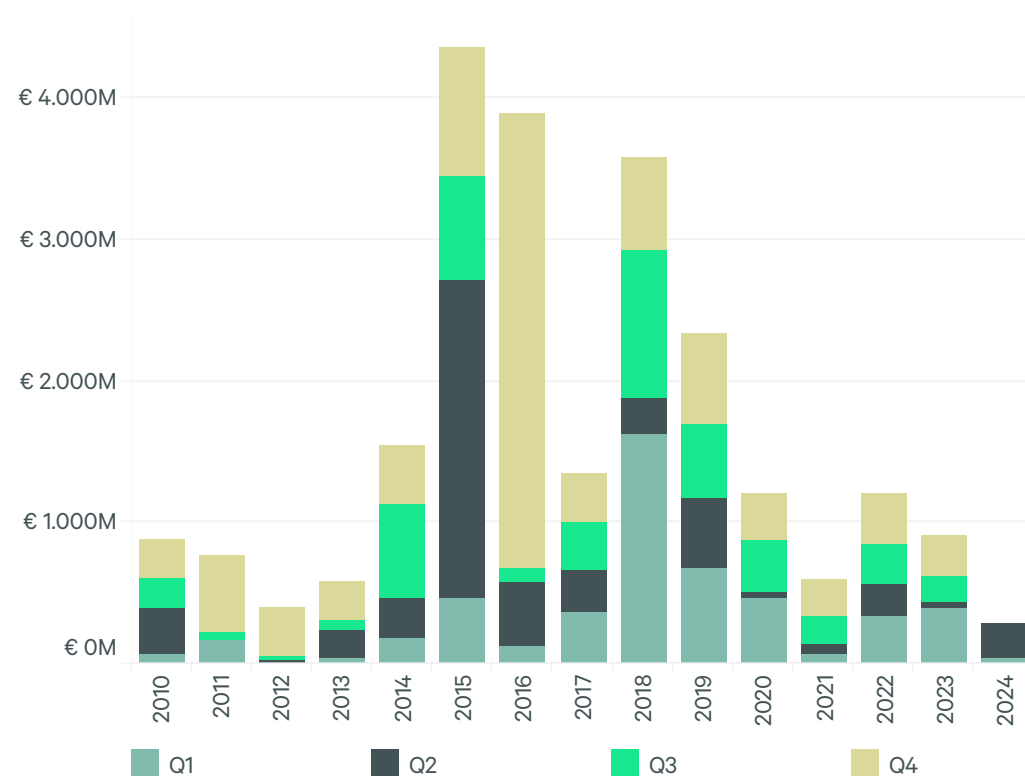
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Madrid Office Investment Volumes



Note: 2024 annual numbers till 30/06/2024

Investment in real estate slightly exceeds the levels of 2023 (+4% YoY), with expectations that the annual figure will surpass the total recorded last year. Office sector leasing recovery is reflected in the investment market, led by the midcap segment with an average ticket size of €29.8M in the first half of the year. Total office investment has surpassed €825M, a YoY growth of 13%. Two main trends persist: an increased appetite for office spaces for self-use (over €100M aside from the Junta de Andalucía portfolio purchase), and interest in acquiring office assets that can be repurposed for other uses (an investment exceeding €100M) expected to rise significantly in the second half of the year. Considering these trends, the total volume invested in office assets exceeds €1B in the first half of the year. The annual investment forecast is to surpass last year's volumes, although we await the return of significant transactions.

In Madrid, office investment gained traction in the second quarter, with over €230M invested compared to nearly €40M in Q1. Notably, 80% of transactions occurred within the M-30 with domestic capital, such as Príncipe de Vergara 108, Doctor Esquerdo 136, and Titán 8.

Interest rate stabilization by the ECB has mitigated the upward corrections in prime office yields, now maintained at 4.85% in Madrid, the highest since interest rates began to rise. Despite close monitoring of potential rate cuts, no compression of values is expected in the short or medium term. Although a slight increase in activity is perceived, much is concentrated in smaller volumes, with no witnesses in the prime segment of large-volume assets, suggesting a divergence between prime yield based on size.

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Spain - Barcelona

Key Performance Indicators

Prime Yield

5,00%

Expected Investment Returns
Change YoY: 70 bps

Prime Rent

€ 29,00

Monthly, per sq m
Change YoY: 2,7%

Average Rent

€ 18,02

Monthly, per sq m
Change YoY: 6,0%

Office Investment Volume

€ 80M

In Barcelona during Q2 2024
€ 219M (Rolling 12 months)

Take Up

64K

Square Meter
159K Year2Date

Vacancy Rate

14,15%

Percentage of Stock vacant
Change YoY: 106 bps

Completions

6K

Square Meter
28K Year2Date

Total Stock

6.580K

Square Meter
5.649K Occupied Stock

(Forecast) Completions

118K (2024)

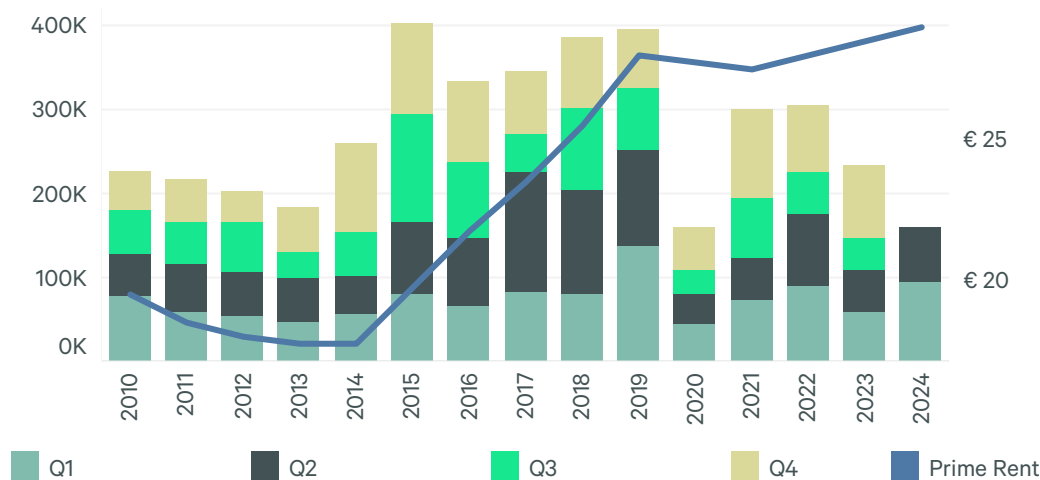
Square Meter
153K (2025) // 29K (2026)

In the first half of 2024, the office market in Barcelona witnessed a growth of 45% year-on-year. The take-up reached 165,000 sqm driven by larger volume transactions, despite a slight decrease in average leased space over this second quarter to 2023 levels. The 22@ district led the activity, contributing over 24,000 sqm in this quarter alone, accounting for nearly 40% of the total activity. Flexible operators continued to show keen interest in expanding, taking up over 8,000 sqm this quarter. This momentum allowed the Business Services sector to lead in terms of take-up with 26%, closely followed by the Tech sector at 25%.

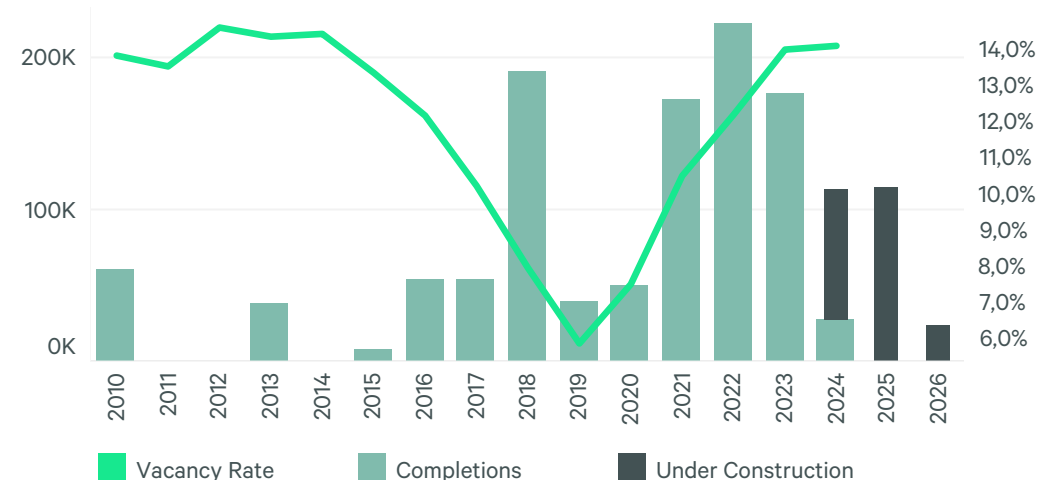
Vacancy rate slightly increased, though performance varied across markets. The Fira Area recorded a significant quarterly drop (-130bps), and the activity in the 22@ district, coupled with a lack of deliveries, also led to a drop (-70bps) for the second consecutive quarter. The Periphery is the market that increased its availability the most, now at 16.4%. Although the overall rate increased, the availability in Grade A buildings decreased (-40bps). Given that 59% of the activity this year has occurred in these types of assets, absorption expectations remain positive.

In general, while the market is still far from its historical highs, there is a noticeable improvement in the Barcelona office market compared to 2023. Given this situation, prime rents remain stable.

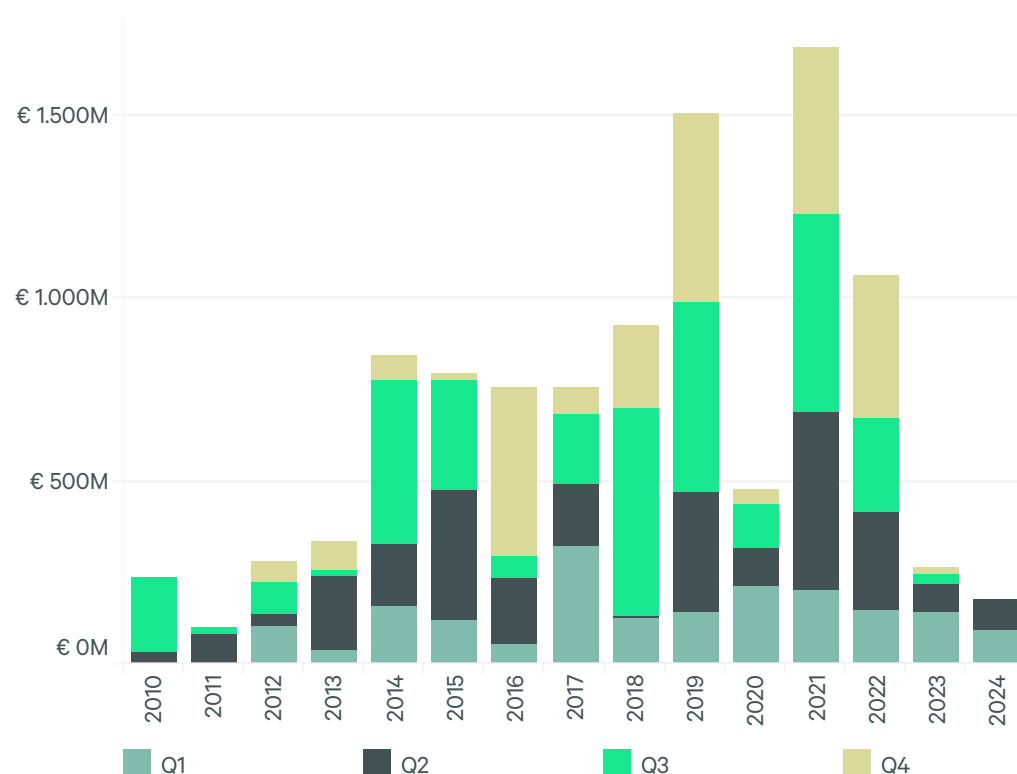
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Barcelona Office Investment Volumes



Note: 2024 annual numbers till 30/06/2024

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In Barcelona, the accumulated volume nears €174M, a YoY decrease of 20%. In line with national trends, the midcap segment leads the market, and the average ticket size barely reaches €17.5M in the first half of the year.

Interest rate stabilization by the ECB has mitigated the upward corrections in prime office yields, now maintained at 5.00% in Barcelona, the highest since interest rates began to rise. Despite close monitoring of potential rate cuts, no compression of values is expected in the short or medium term. Although a slight increase in activity is perceived, much is concentrated in smaller volumes, with no witnesses in the prime segment of large-volume assets, suggesting a divergence between prime yield based on size.

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