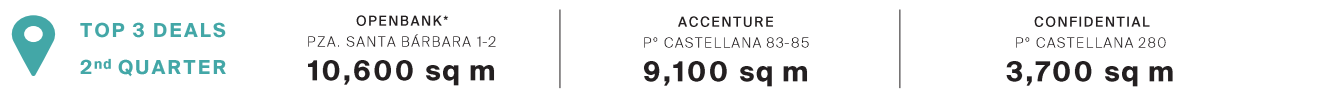


The sector indicators are compiled quarterly from a detailed and exhaustive study prepared by experts in the Knight Frank Madrid office and are based on real data and market trends.

Offices Snapshot

Q2 2020



*Tenant published in MisOficinas.es

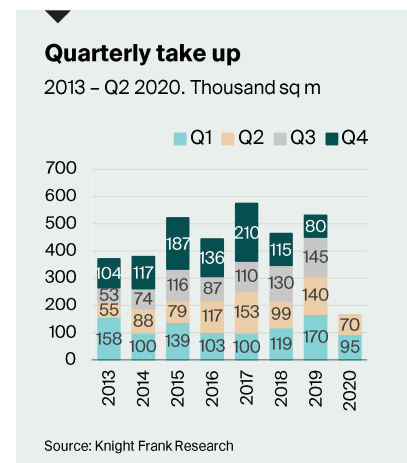
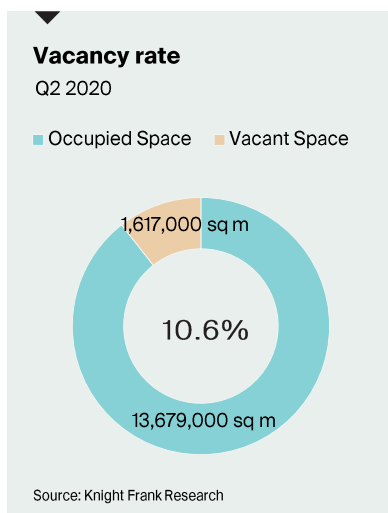
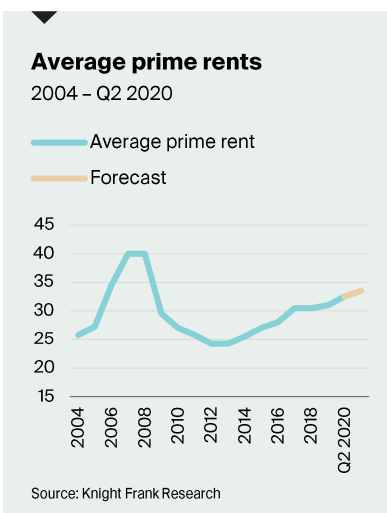
Madrid occupier Market

The second quarter of the year closed with a take up of almost 70,000 square metres, a figure similar to that recorded in years following the crisis of 2008. In the second quarter of 2013, just before the start of the economic recovery, take-up was 20% lower than today.

During the second quarter the average prime rent remained stable at

€ 32.5 sq m / month, while the maximum signed was € 41.5 sq m / month in an exclusive office building located in the CBD.

The vacancy rate is placed at 10.6%, this slight increase is due to the reorganization of office spaces that is being experienced due to the current situation. Of the 1.6 M square meters available, around 5% belongs to grade A buildings in the CBD, which represents about 0.5% of the total stock of offices in Madrid.



TAKE-UP AND HIGHEST RENTS ACHIEVED BY SUBMARKET*. Q2 2020

IN ORDER OF TAKE-UP	HIGHEST RENT (€)
1. CBD	41.5
2. Secondary Centre	21.0
3. M-30 East	n.a.
4. M-30 North	16.0
5. M-40 Northeast	14.0
6. A1	13.0
7. A2	11.5
8. A3	7.0
9. A6	17.0

* Distorsions caused by non-relevant deals have been removed.

Investment market

Madrid and Barcelona

If we analyse the total investment of the semester in the country, the decrease compared to 2019 has been around 30%, having exceeded €1,300 M until June 2020. Specifically in the second quarter, this closes with about €330 M in Spain, having registered in Madrid almost €160 M and in Barcelona €95 M. Investment continues to be somewhat restrained, although it is expected that operations will be closed in the coming months to improve the outlook at the end of the year.

At the level of prime yields, there is still a reasonable amount of liquidity in the market and an inertia that leads to stability of yields. There are still core investors with a lot of appetite and a very competitive cost of capital.

EUROPE PRIME YIELDS

LATEST AVAILABLE DATA | Q1 2020

BRUSSELS	4.00%
LONDON CITY	4.00%
DUBLIN	4.00%
LONDON WE	3.50%
AMSTERDAM	3.25%
FRANKFURT	2.75%
BERLIN	2.75%
PARIS	2.75%

Source: Knight Frank Research

TOP 3 DEALS

BARCELONA

22@ DISTRICT
VENDOR: ACTUAL CAPITAL ADVISORS
PURCHASER: DWS IBERIA REAL ESTATE

€90 M 3,930 €/sq m

Source: Idealista

MADRID Y BILBAO

IDOM HEADQUARTERS
VENDOR: IDOM
PURCHASER: GROSVENOR AND CATALANA OCCIDENTE

€90 M 3,900 €/sq m

Source: Expansión

MADRID

ARGANZUELA (FRAY LUIS DE LEÓN, 11)
VENDOR: CONFIDENCIAL
PURCHASER: PATRIZIA INMOB.

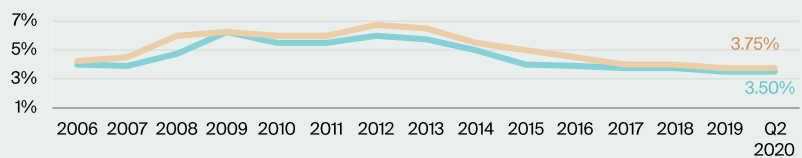
€45 M 3,010 €/sq m

Source: Knight Frank Capital Markets

The purchase by DWS of an office complex in Barcelona for € 90 M stands out, as does the sale of the Idom headquarters in Madrid and Bilbao, also for € 90 M. Another standout operation is the purchase of an office building in Madrid by Patrizia for € 45 million, mainly occupied by Vodafone.

Variation in prime yields

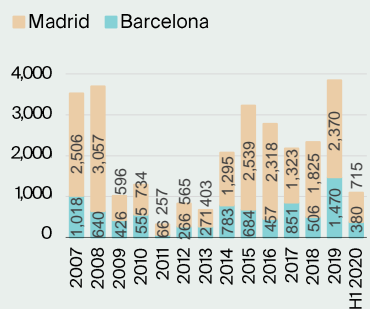
2006 - Q2 2020



Source: Knight Frank Research

Investment volume

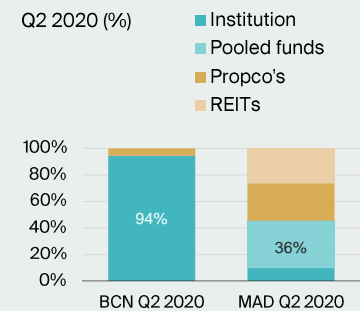
2007 - H1 2020 (M€)



Source: Knight Frank Research

Investment / type of investor

Q2 2020 (%)



Source: Knight Frank Research

COVID-19: Across Europe and beyond, market activity is being impacted in all sectors due to the Novel Coronavirus (COVID-19) outbreak. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, in providing our opinions on the market. Given the unknown future impact that COVID-19 might have on the real estate market and limited recent comparable, this report is meant to provide market insights as we see them at this time but we wish to highlight the material uncertainty which we may cause swift changes in the market. Please get in touch with our teams if you would like to discuss in further detail or receive an update regarding market conditions.

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