

Madrid Office Market



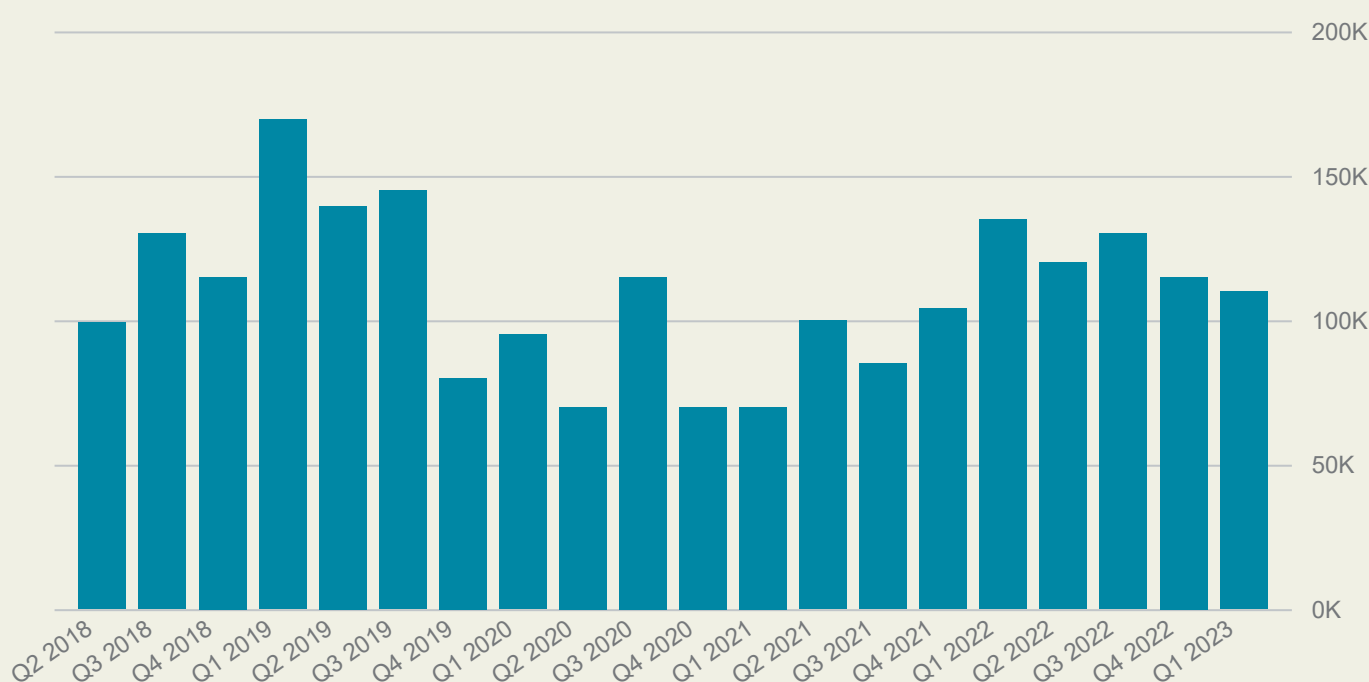
Q1 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

110,000 SQM

Take up

€ 402 PSQM

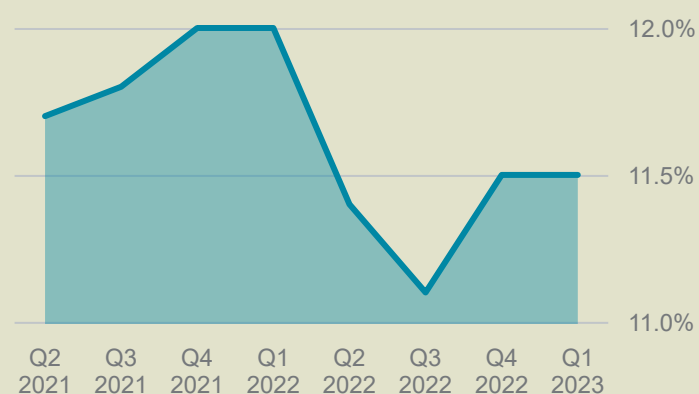
Prime Rent

11.5%

Vacancy Rate

Vacancy Rate

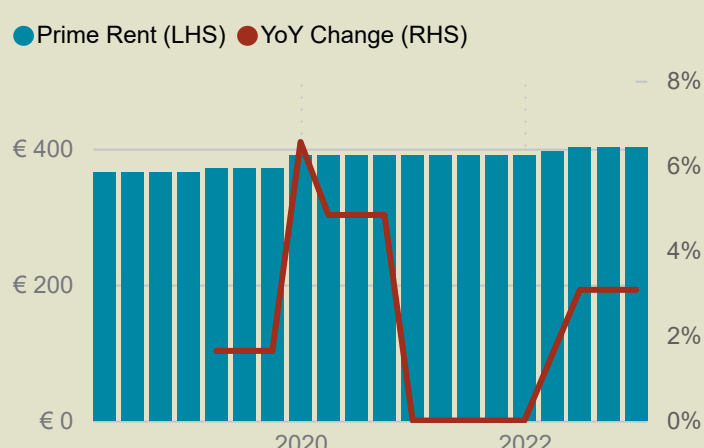
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

OCCUPIER HEADLINES

After a strong year in 2022 with an annual total of 500,000 sqm of take-up, the Madrid office market performed relatively well in the first quarter of 2023. There were 110,000 sqm of transactions recorded, 19% less than were seen in the same time period last year but close to the 5-year average of 118,000 sqm.

The vacancy rate remains unchanged at 11.5%, representing a 50 bps drop from its recent peak at 12% in Q4 2021 and Q1 2022.

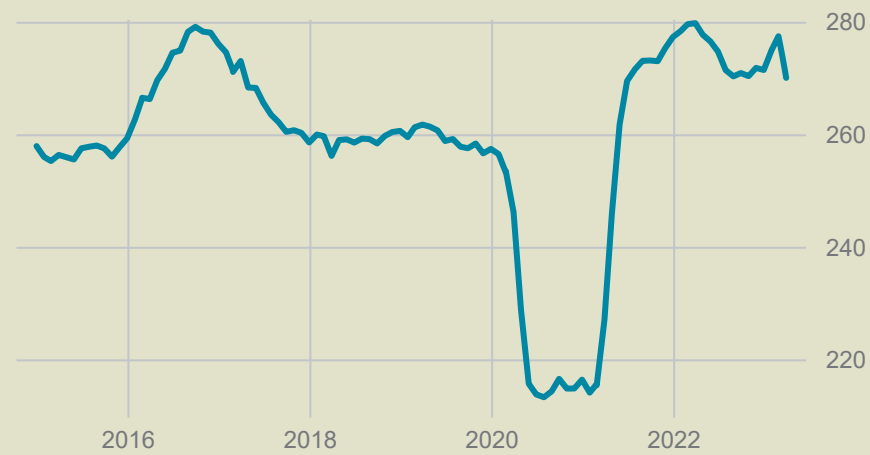
Construction completions totalled 10,532 sqm this quarter, and a further 220,300 sqm are expected to be completed this year. Currently, there are an additional 192,300 sqm in the development pipeline set for completion in 2024 and 2025.

Prime rents held firm for the third quarter in a row at €402 psqm per annum. This represents a 3% increase year-over-year from €390 psqm in Q1 2022, the level at which prime rents have held firm since Q1 2020.

ECONOMIC INDICATORS

New Businesses in Spain

12-month Rolling Average

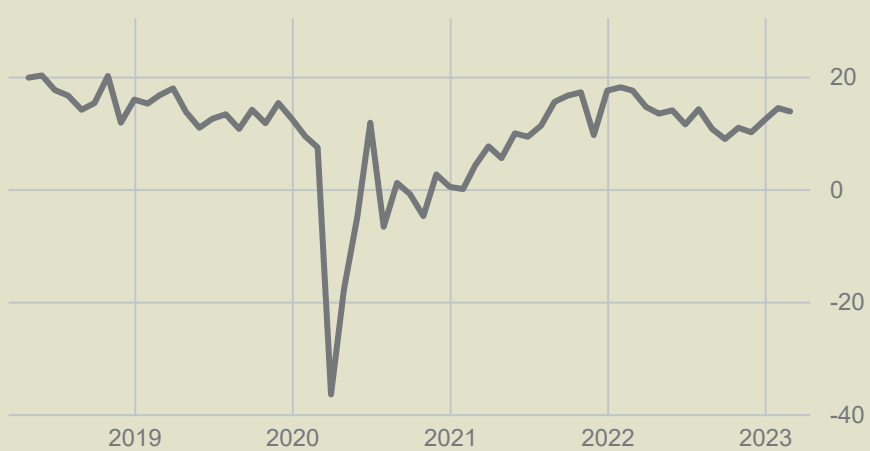


Source: Spanish National Statistics Institute (INE)

After a slump in new business starts during the pandemic in Spain, activity returned to pre-COVID normals in 2021 and peaked in the first half of 2022. Levels have recently slumped again due to a challenging economic environment, but the pace still remains similar to that seen prior to the pandemic.

Employment Expectations in the Service Sector in Spain

Over the next 3 months, %



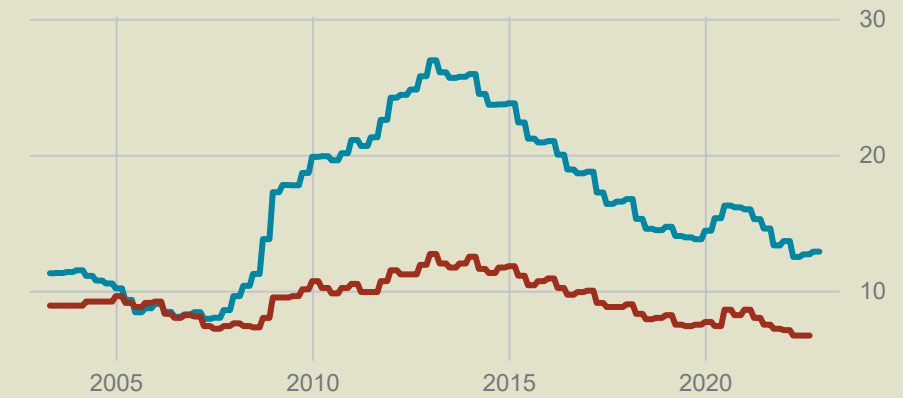
Source: European Commission (DG ECFIN)

Service sector employment expectations for the next 3 months in Spain continued to improve in Q1 2023, and remain in positive territory.

Unemployment Rate in Spain

vs Euro Area, as a Percent of Civilian Labour Force, %

Spain Euro Area

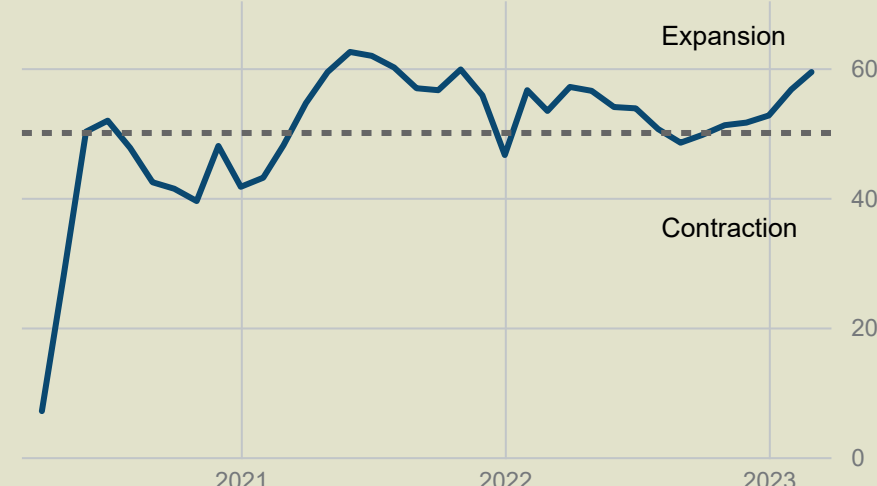


Source: Eurostat/ Spanish National Statistics Institute (INE)

Employment growth will be moderate in 2023 given that the unemployment rate is close to historic lows. And while the labour market conditions have recovered well from peak unemployment in 2013 at 27%, structural joblessness in Spain remains high and is expected to weigh on consumption and welfare costs over the medium term.

Services PMI in Spain

Services PMI for the last 5 years, Index



Source: S&P Global

The service sector PMI in Spain rose to 59.4 in March 2023 from 56.7 in February, surpassing market expectations. This is its highest level since November 2021 as demand for services rose significantly, both domestically and from abroad.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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