

# Madrid Office Market



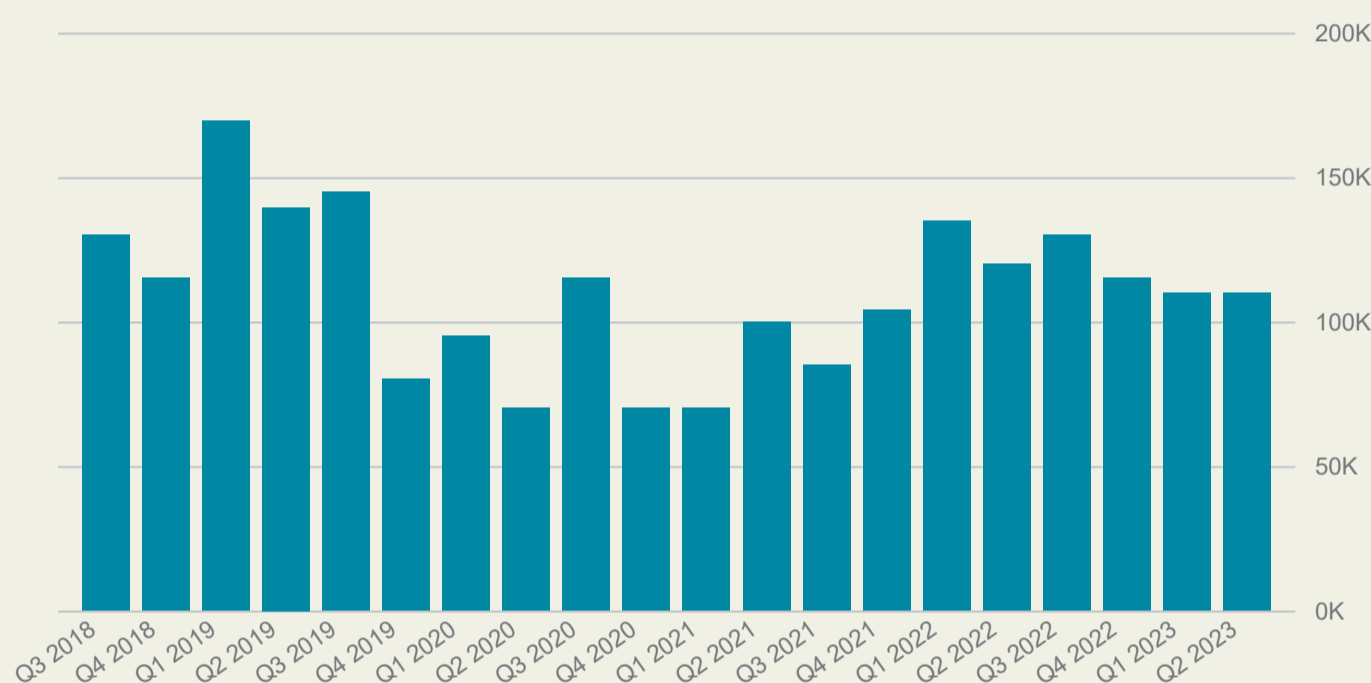
Q2 2023

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

[knightfrank.com/research](https://knightfrank.com/research)

## Take up

Over the last 5 years, square metres



Source: Knight Frank Research

## OCCUPIER MARKET KEY FIGURES

**110,000** SQM

Take up

**€ 402** PSQM

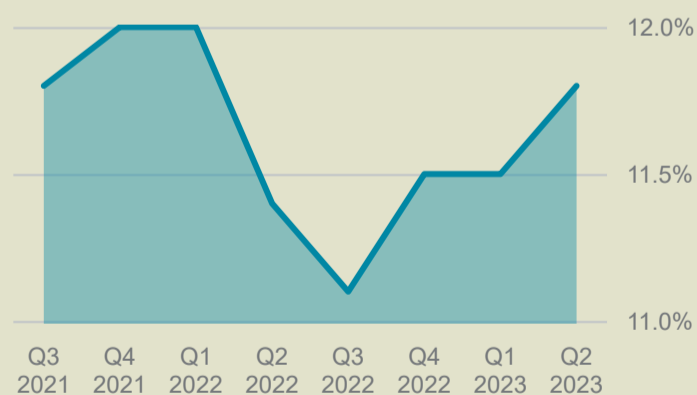
Prime Rent

**11.8%**

Vacancy Rate

## Vacancy Rate

Measured in percentage terms



Source: Knight Frank Research

## OCCUPIER HEADLINES

The Madrid office market saw 110,000 sqm of take up in the second quarter of 2023, the same volume recorded in Q1. This brings the total H1 2023 take up to 220,000 sqm, 14% below what was seen in H1 2022 but well above the totals from the first halves of both 2021 and 2020.

Two notable leasing deals recorded in Q2 2023 included Kyndryl España for 8,473 sqm and TeamLabs for 6,000 sqm,

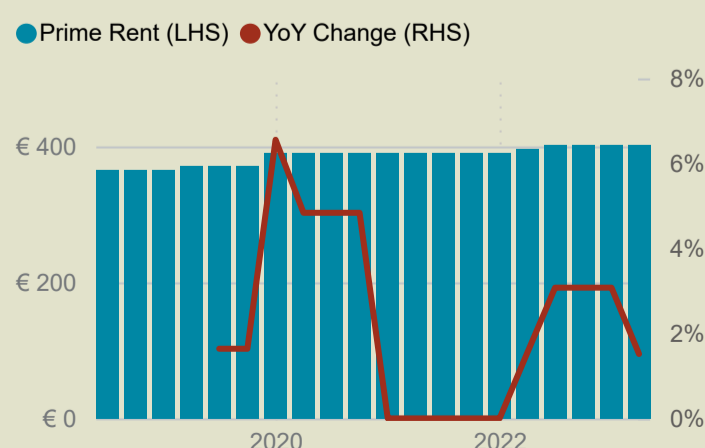
The vacancy rate ticked upwards by 30 bps since Q1, recorded at 11.8% in Q2. The most recent peak for the figure was in Q1 2022 at 12%, and the most recent low was 11.1% in Q3 of the same year.

There were 2,552 sqm of construction completions delivered in Q2, but the demolition of 5,548 sqm of stock has brought the net change to total stock to a decrease of 2,996 sqm. There are an estimated 90,000 sqm of remaining new supply expected in 2023, and a further 207,600 sqm anticipated throughout 2024 and 2025.

Prime rents have continued to hold firm for the fourth quarter in a row at € 402 psqm per annum. The market favourability is currently tipped toward the tenant but is expected to balance in 2024.

## Prime Rent

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

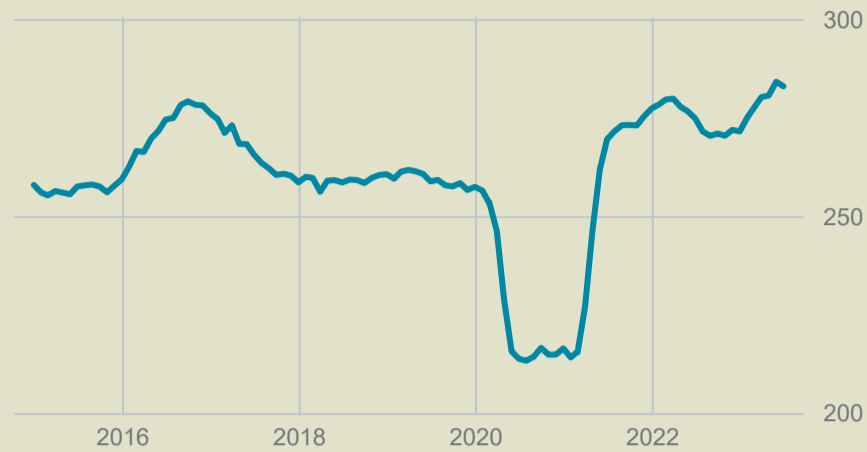


Source: Knight Frank Research

## ECONOMIC INDICATORS

### New Businesses in Spain

12-month Rolling Average



Source: Spanish National Statistics Institute (INE)

The pace of new business starts in Spain peaked in the first half of 2022 before moderating for the rest of the year. The monthly figures in the first two quarters of 2023 have been above the five-year average.

### Employment Expectations in the Service Sector in Spain

Over the next 3 months, %



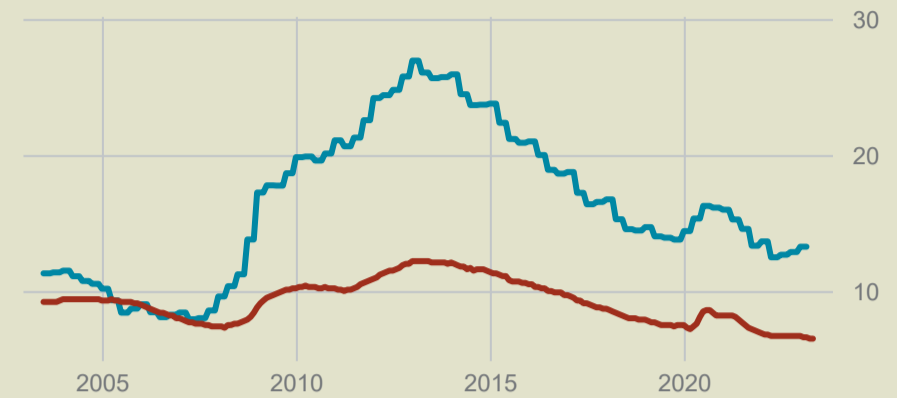
Source: European Commission (DG ECFIN)

Service sector employment expectations for the next three months continued to be positive in Q2 2023, benefitting from a recovery in tourism.

### Unemployment Rate in Spain

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

Spain Euro Area

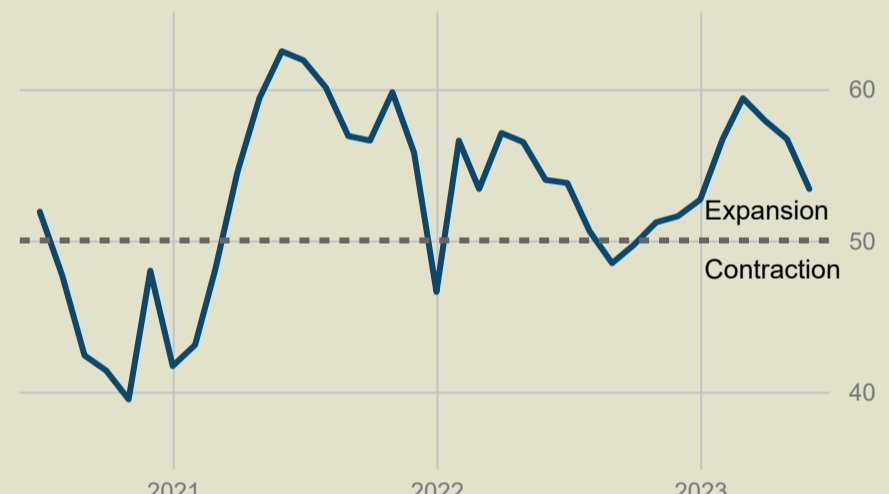


Source: Eurostat/ Spanish National Statistics Institute (INE)

The labour market is showing signs of weakening after a surprisingly strong performance this year. Employment growth weakened in June, but the pace of job creation should remain robust in the near term as the tourism season is underway. However, it is unclear if this momentum can be maintained given that the unemployment rate is moving closer to historic lows.

### Services PMI in Spain

Services PMI for the last 5 years, Index



Source: S&P Global

The final PMI Spain suggests services kept growing in June, although at a moderating pace. However, the figure came in below expectations, suggesting the sector's slowdown may be materialising more rapidly than expected. Inflationary pressures in services eased further in June, although they remain elevated.

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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