

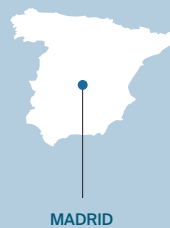
# Madrid Office Market Guide

Q4 2022



## MADRID MACROECONOMY

- Madrid Population: 6.8 million
- Size: 8,028 sq km
- Population density: 819 people/sq km
- Spain GDP: 5.1% increase between 2020-2021 (World Bank, 2021)
- Madrid has the highest GDP in Spain
- Unemployment rate : 10.2%
- Madrid's economy maintains positive growth projections



MADRID

Madrid's economy maintains positive growth projections

2021	2022	2023
+5%	+4.3%	+2.6%

Source: BBVA

## INTERNATIONAL RANKINGS

### 5th

Most attractive city in Europe for people, capital and businesses

*(Global Power City Index 2021, The Mori Foundation)*

### 6th

Best city for start-ups, technology and innovation investment

*(European Tech Cities of the Future 2021, fDi)*

### 10th

Best city for living conditions for expatriates

*(Expat City Ranking 2021, Internations)*

### 10th

Most open economy for Foreign Direct Investment

*(FDI Restrictiveness Index 2019, OCDE)*

## Madrid is the 4th largest metropolitan area in Europe

## Madrid is the preferred location for international investment in Spain

- Free and open economy (#14 in world) with the best tax relief in Spain.
- Strong financial regulation with a transparent tax framework.
- Principal legislative and decision-making hub.
- Spain's leading financial hub, home to the sector's main institutions.
- The government supports the installation and expansion of foreign companies.

### 62%

Over the past decade, Madrid has received 62% of all investment in Spain  
Main investment countries: Luxembourg, USA, France, the Netherlands and the UK

### 40%

of foreign businesses present in Spain have chosen Madrid as their headquarters

Source: Invest in Madrid

# Why Madrid?



## 1. Free market economy with low taxation

- **Spain's economic powerhouse and the fourth largest of the EU-27.**
  - Leading manufacturing region (19% of national GDP in 2020).
  - Leading place for the creation of businesses in Spain (23% of new companies set up there).
- **Economic and political capital of Spain.**
- **Main financial and decision-making centre.**
  - Operation headquarters for 70% of Ibex-35 companies and 67% of Spanish multinationals.
- **Madrid has the lowest tax burden among all Spanish regions.**
  - Incentivising fiscal policy with a promise to reduce taxes over 18 years and the definitive abolition of personal taxes.
- **Flexible business trading hours (Madrid operates 24/7).**



## 2. Direct access to a wide range of markets and the gateway to Latin America

- **Its strategic location provides direct access to the whole of Spain, Europe, North Africa and the rest of the world...**

1 hour to Marrakesh	12.5 hours to Hong Kong
2.5 hours to London	13 hours to Buenos Aires
7 hours 20 minutes to Dubai	13.5 hours to Santiago
8.5 hours to NYC	16.5 hours to Tokyo
- **Latin America is the fourth largest investor in Spain.**
  - Spain is the second largest investor in LATAM after USA.
  - Cultural and historical links mean that Madrid is the first option for Latin American businesses when expanding into Europe.
  - Madrid is the headquarters for the main multinational and financial Latin American institutions in Europe.
  - Close to 700,000 Latin Americans live in Madrid.



## 5. Madrid ranks as one of the top cities for innovation

- **Madrid has become the core for digital business and infrastructure in the south of Europe.**
  - 6th largest area for data centres in Europe.
  - International connection capacity surpasses the UK, France and Portugal combined.
  - Close proximity to the vast cable network that connects Africa with America.
  - There is rising demand for a digital hub in Southern Europe to complement Frankfurt, Amsterdam, London and Paris.



## 6. Strong entrepreneurial spirit

- **Madrid ranks as one of the top cities for innovation.**
  - 5th largest area for data centres in Europe.
  - International connection capacity surpasses the UK, France and Portugal combined.
  - Close proximity to the vast cable network that connects Africa with America.
  - There is rising demand for a digital hub in Southern Europe to complement Frankfurt, Amsterdam, London and Paris.



## 3. Highly skilled labour force at a competitive rate

- Active labour force of more than 3.5 million.
- Prestigious, quality education system.
- Primary and secondary bilingual education and the main international schools.
- Network of public (6) and private (8) universities with more than 320,000 students per year.
- Host to three of the most prestigious international business schools: IE Business School, IESE, ESADE.
- 50% of Madrid's population between 24-65 has a university education (European average: 32%).
- Diverse, international population (15% from overseas consisting of 180 nationalities).
- The hourly labour cost (€22.8) is 20% lower than the EU-27 average (€28.5).



## 4. First class infrastructure

- **Madrid is at the heart of the national AVE train network and the motorway network.**
  - Over 15,000 km of motorways and dual carriageways connecting Madrid to the whole of Spain and beyond.
  - Home to the world's second largest high speed rail network, (3100 km), giving access to every city in Spain and to the European rail network in under 3 hours.
- **The largest logistics hub in the Iberian Peninsula and home to 75% of logistics operators in Spain.**
- **With a leading European airport: Madrid Barajas Airport has the second largest capacity in Europe, 5th highest by passenger traffic and 6th for cargo traffic.**
  - Situated just 12 km from the centre (20 mins) with exceptional connections by metro or AVE.
  - Provides access to 220 destinations in 74 countries.



## 7. Unrivalled quality of life with first class public services

- The lowest cost of living amongst the main European regions.
- One of the safest cities in Europe, with a very low crime rate.
- The 2nd highest life expectancy in the world (83.8 years).
- Temperate climate with 300 days of sun a year.
- The preferred destination for business tourism, amongst the five top locations in the world for business meetings, conferences, trade fairs, conventions and work trips.
- Excellence in public services.
- Free healthcare system rated the 3rd most efficient in the world. Access to a healthcare facility from anywhere in Madrid in less than 20 minutes.
- High level public and private education with many leading international schools from across the world.



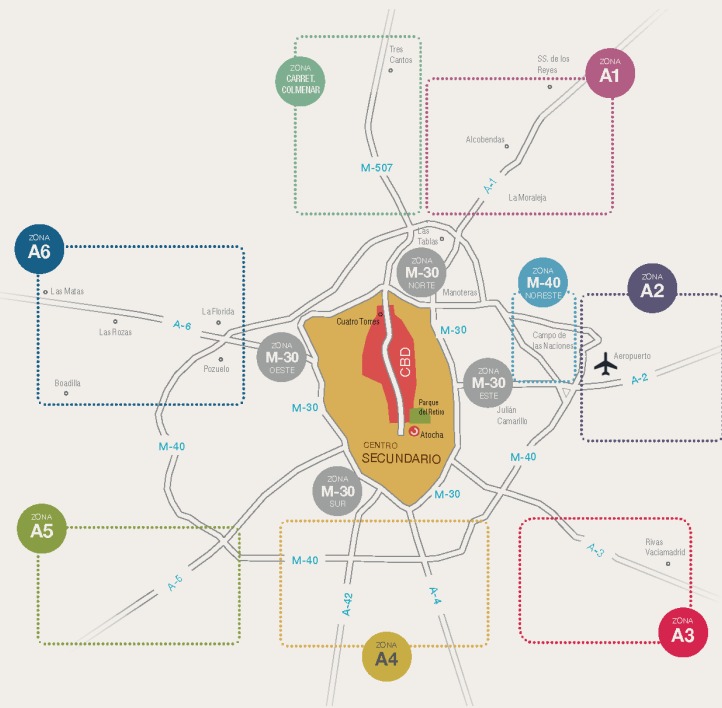
## 8. Committed to the Sustainable Development Goals (SDGs)

- Madrid has developed a strategy to implement and adhere to 5 aspects of the Sustainable Development Goals (people, planet, prosperity, peace and partnerships).
- It ranks among the top 15 in the Schroders European Sustainable Cities Index 2021 which assesses the response of cities to tackle climate change.
- The first green hydrogen plant is under construction, so called as it uses renewable resources. It is a pioneering facility as it will use waste water as its energy source.
- In 2020, it topped the Spanish ranking for sustainable bond issuance and issued the first green bond issued by a Spanish government.



# 2022 Q3 Office Leasing in Madrid

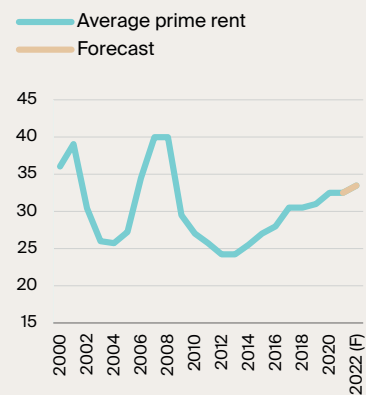
Take Up: **115,200** sqm **11.4%**  
 Prime rents: **33.5** €/sqm/month  
 Highest rent: **43** €/sqm/month  
 Vacancy rate: **11.5%** sqm



Take-up and highest rents achieved by submarket\*. Q3 2022

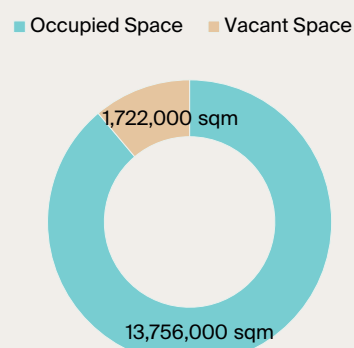
IN ORDER OF TAKE-UP	HIGHEST RENT (€)
1. CBD	43.0
2. Secondary Centre	32.0
3. M-30 East	14.5
4. A2	12.5
5. A1	13.0
6. M-30 North	19.0
7. Colmenar Road	12.0
8. A6	17.5
9. M-40 Northeast	17.0
10. A5	9.3

Average prime rents 2004 - 2022 (F). €/sq m/month



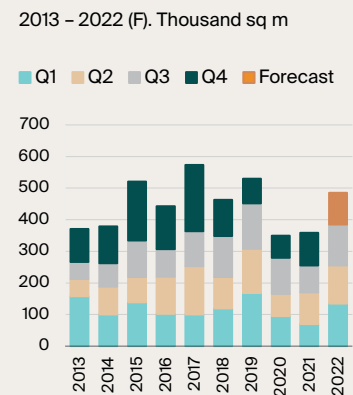
Source: Knight Frank Research

Vacancy rate Q3 2022



Source: Knight Frank Research

Madrid quarterly take up 2013 - 2022 (F). Thousand sq m



Source: Knight Frank Research





# Specific Real Estate Market Conditions

Lease Term	Typical Lease Length	5 years (3 + 2)
	Rent Quoted In	eur/sqm/month
	Typical Break Options	At 3 years
Rental Payment	Frequency of Rent Payable	Monthly
	Rent Deposits	2 months by law and 6 month bank guarantee the market standard
	Annual Index to Inflation	Yes
	Right to Renewal	No (only if contracted)
	Basis of Rent Review	As per contract
Service Charges, Repairs and Insurance	Frequency of Rent Reviews	Annual CPI and market review at break
	Internal	Tenant
	Common Parts	Landlord but included in the Service charges
Taxation	Building Insurance	Landlord but included in the Service charges
	VAT	21%
	VAT Payable on Rent	Yes
Disposal of Lease	Assignment / Sub-letting	As per contract
	Early Termination	Rent to be paid in full
	Tenant's Building	
	Reinstatement Responsibilities at Lease End	As per contract – usually reinstatement clause

## Q&A

### Is a security deposit required?

A cash security deposit of 2 months rent is legally required under national legislation (LAU). Generally the landlord will request an additional 6 month bank guarantee. Both deposits are usually refundable at the expiry of the lease provided the tenant has fulfilled its obligations under the lease.

### What is typically included in the rent?

Rent includes the usage of office and common space. Additional charges may include air conditioning charges, utility charges, property tax (IBI), waste management and car parking fees.

### Who pays for the brokerage fee and what is the typical fee?

The landlord usually pays agency fees, which are usually 10-12% of the first year's rent.

### Do landlords provide any incentives?

A fitting-out/rent free period of 1 month per 1 year term certain, depending largely on market conditions, but also on the size of the tenant and length of the lease. Fit-out allowances are not common but can be agreed with larger spaces.

### What is the typical lease term?

For small/medium offices, the typical lease term is 5 years, of which the first 3 are break-free followed by a 2 year extension option.

## The team

### Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



**Rupert Campbell**

International Corporate Consultant  
+34 600 919 085  
rupert.campbell@es.knightfrank.com



**Raúl Vicente**

Associate, Head of Office Agency  
+34 600 919 023  
raul.vicente@es.knightfrank.com



**Jorge Sena**

Partner, Head of Commercial  
+34 600 919 004  
jorge.sena@es.knightfrank.com

**Knight Frank Research**  
Reports are available at  
[knightfrank.es/research](https://knightfrank.es/research)



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Important notice© Knight Frank España, S.A.U. 2022. This report is published for general information only and is not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank España, S.A.U. for any loss or damage resultant from any use of, reliance or reference to the contents of this document.

As a general report, this material does not necessarily represent the view of Knight Frank España S.A.U. in relation to particular properties or projects. Reproduction of this report in whole or part is not permitted without prior written approval of Knight Frank España S.A.U. to the form and content within which it appears. Knight Frank España is a limited liability partnership registered in the Mercantile Register of Madrid with Tax ID No. (CIF) A-79122552. Our registered office is located at Suero de Quiñones 34, 28002 Madrid.