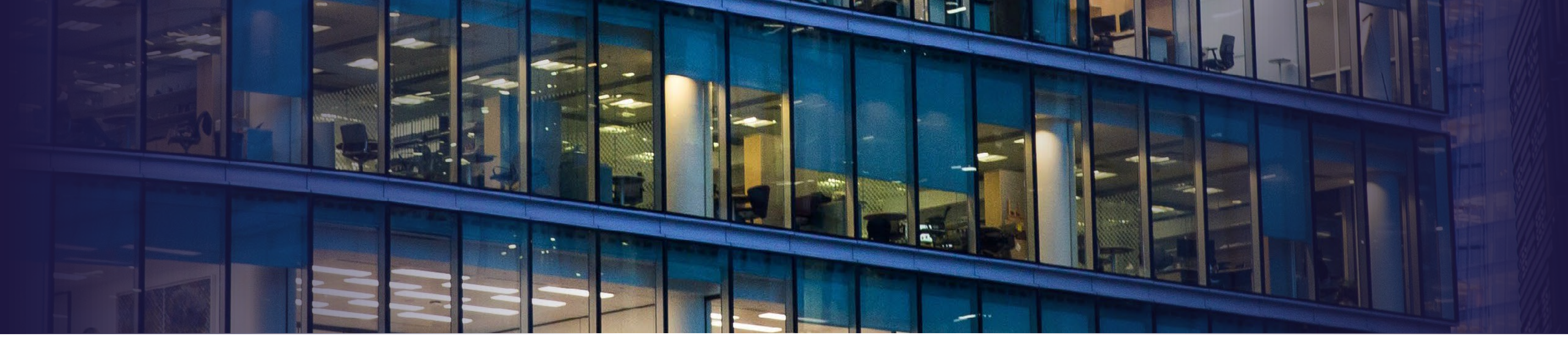
# MARKETBEAT
# MADRID
## OFFICES Q1 2025



CUSHMAN & WAKEFIELD

### MARKET FUNDAMENTALS

| | Annual change | 12-month forecast |
|---|---|---|
| **8.31%** Availability rate | ▲ | ▼ |
| **120,000** Absorption Q1 (sqm) | ▲ | ▼ |
| **€42** Prime Rent (€/sqm /month) | ▲ | ▲ |

### ECONOMIC INDICATORS

| | Annual change | 12-month forecast |
|---|---|---|
| **3.40%** Spain GDP | ▲ | ▼ |
| **9.06%** Madrid Unemployment rate | ▲ | ▼ |
| **10.61%** Spain Unemployment rate | ▲ | ▼ |

*Source: National Institute of Statistics & Moody's*

## ECONOMIC CONTEXT

After the end of a turbulent year like 2023 and a 2024 full of challenges, 2025 begins with a level of uncertainty similar to that experienced at the beginning of the previous year, also marked by the geopolitical environment. Inflation in the Euro zone has been as expected and the ECB continues with its interest rate cut policy at the expense of possible new public spending.

For Spain, GDP has been improving forecasts, placing it above the growth of the Eurozone, with a closing forecast for 2024 of 3.3% and a forecast of closing above 2.0% for 2025, being Spain one of the economic engines of the Eurozone.

## 2025 EXPECTS TO BREAK FORECASTS AGAIN

During 2024, office space taken up in Madrid exceeded 570,000 sq m in more than 550 transactions. This figure was higher than the forecasts for the beginning of the year, which indicated a total of 475,000 sqm. 2025 started with the inertia of the close of 2024 and the forecasts expect to return to figures close to 500,000 sqm thanks to the recovery in the dynamism of deals and the importance of the return of corporate operations that will mark the evolution of the year.

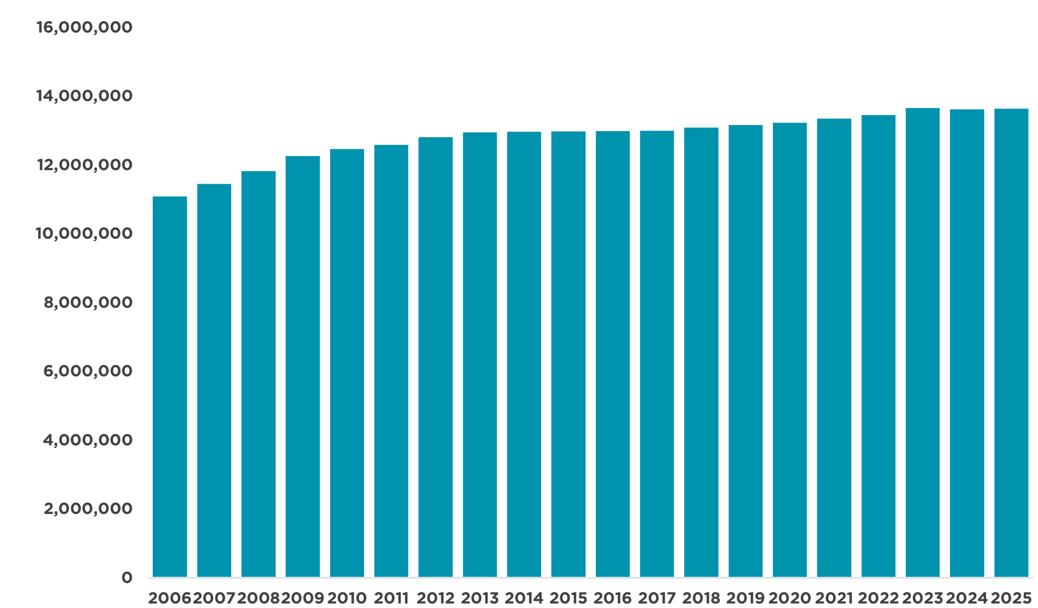
From January to March, the leased area reached 117,000 sq m distributed in 125 deals, similar figures to the fourth quarter of 2024. The average offices area in Madrid continues to be around 1,000 sq m. During the first quarter of 2025, there were no deals of more than 10,000 sqm, including Saleforce's signings in prime Madrid and Accenture's expansion of its headquarter in Azca.

In terms of emerging sectors in recent years, it is expected that by 2025, the educational sector will continue to make its mark on the capital's recruitment figures, with deals in prime locations, high quality buildings and an average surface area of close to 10,000 sqm. Other historic sectors, such as the public sector, have been relocating offices in order to improve office quality for several months now.

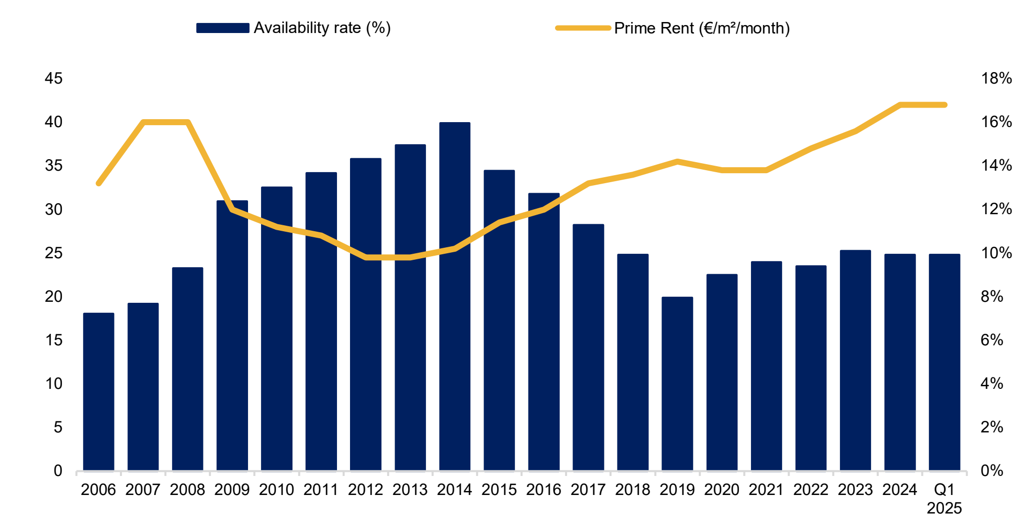
Demand continues to be driven by the search for quality and flexible assets, with A/B+ buildings accounting for close to 70% of leased space. Due to the high demand for this type of office space, vacancy is adjusting on a quarterly basis, breaking below 2% in markets within the M30.

Prime rents in CBD are expected to continue to rise throughout the year. Over the last 15 months, rents have also increased in some assets in certain submarkets, with a particular focus on the M30, where demand has continued to be active and has opted for newly refurbished or recently delivered assets, which meet the highest quality standards. Meanwhile, rents have remained stable in other submarkets where demand has not been as dynamic.

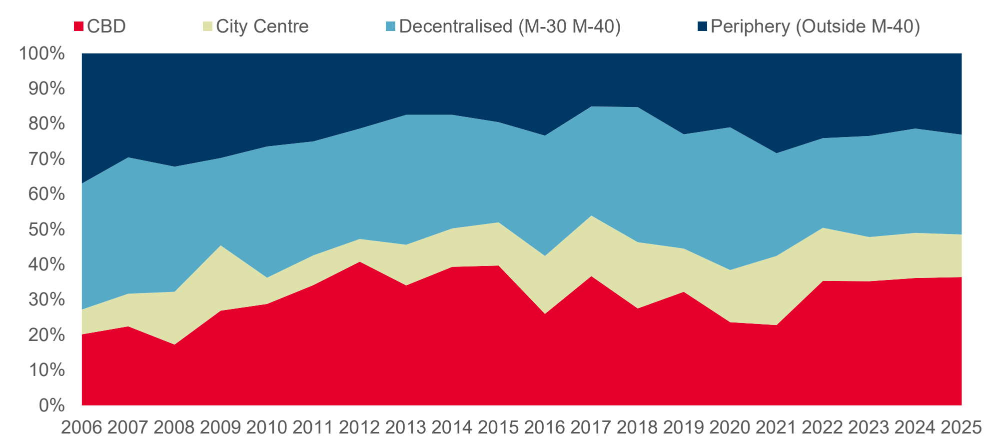
### STOCK (sqm)



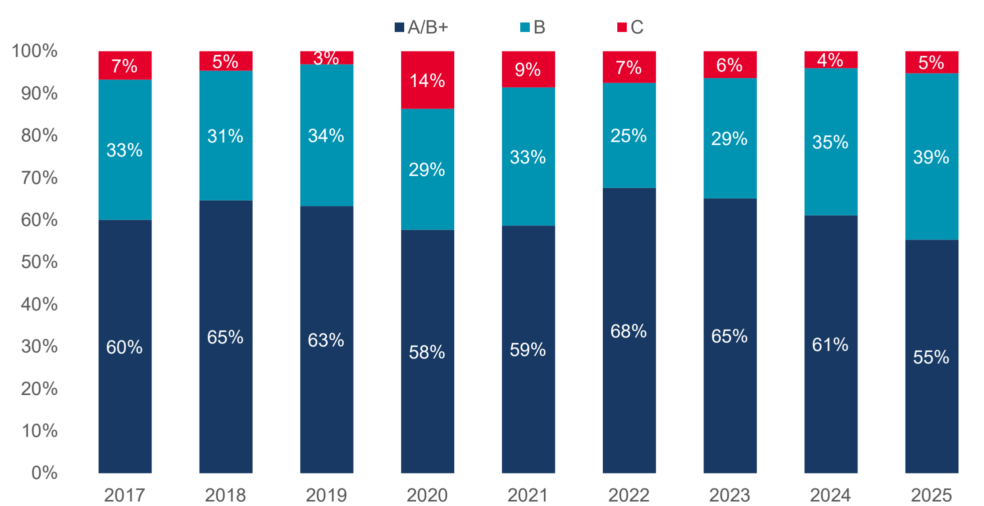

### VACANCY RATE AND PRIME RENT



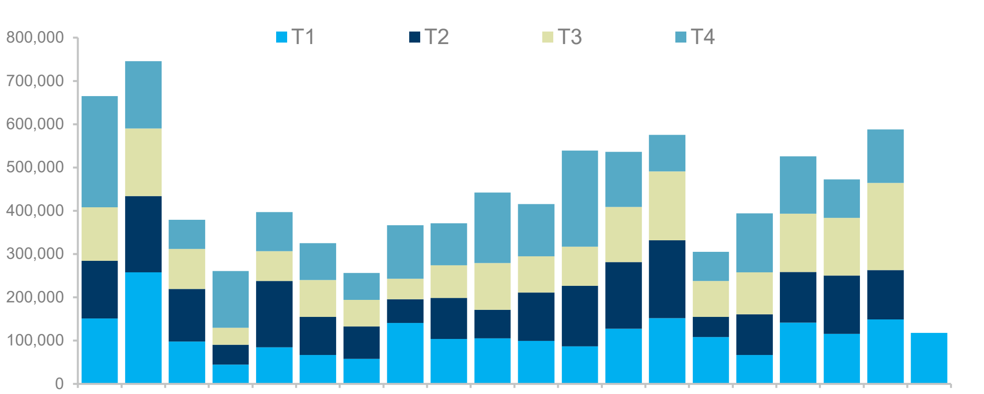
## TAKE-UP BY SUB-MARKET (sqm)




## TAKE-UP BY GRADE




## OFFICE DEMAND (sqm)




## M30 WILL SOON RUN OUT OF SPACE, DEC IS REACTIVATED

At the beginning of 2025, vacancy rate in Madrid remained stable, at around 9% with a forecasted downward trend in the medium and long term. Although it is true that as we move away from the metropolitan area the available area is increasing in some submarkets, driven by recent deliveries, the vacancy rate has fallen in all submarkets with respect to 2023. Meanwhile, within the M-30, availability is less than 3%. On the other hand, quality buildings continue to adjust their availability for consecutive quarters, with rates below 2.5% on average for A and B+ buildings in Madrid. In addition, in the last 3 years, there has been a shift of office use towards living in particular, with more than 100,000 sqm of office space being converted to adjust the stock in Madrid.

If we analyse demand by submarkets, it has been evenly distributed in terms of both the number of transactions and the total leased area between outside and inside the M-30, a trend that has been observed in recent years. However, in the last 9 months, the market outside the M-30 has been reactivated after several periods where the decentralised and peripheral areas had failed to get off the ground. This has changed with respect to the period prior to Covid, with a reduction in the average leased area. Given the lack of availability for certain areas in the CBD and City Centre, it is expected that areas outside the M30 will see increasing demand during 2025.

During the first quarter of 2025, the CBD led the way for the third consecutive year in terms of take-up, accounting for 36% of the space and 37% of the deals signed (209). Within the CBD, two micro markets continue to stand out, where availability was above average: Azca and Chamartín. While in the CBD Prime any availability is leased immediately. This trend is likely to continue during 2025, which, despite reducing availability to historic lows, is at its most dynamic inside M30.

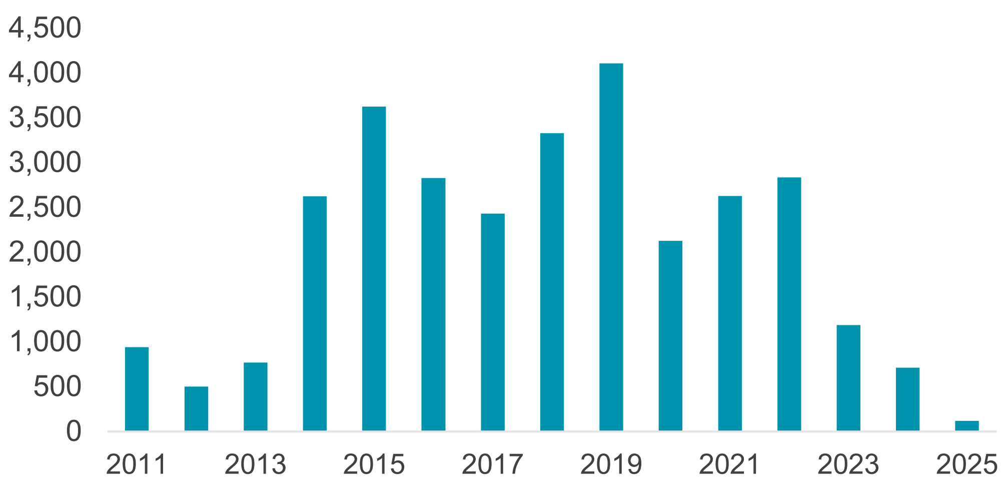
The decentralised area, the outer submarket closest to M30, has continued with the inertia that started in the second part of 2024, where the dynamism was reactivated after a 2023 with a downward adjustment of the figures. In the first quarter of 2025, more than 30,000 m2 were signed, 27% more than in the same period of 2024 and a positive quarterly variation of 47%. Of particular note are micromarkets such as Campo de las Naciones, a key office niche, which in one quarter has already closed almost 40% of all the deals done in 2024, and Manoteras, also with 4 transactions with an average surface area of over 1,600 sq m.

On a quarterly basis, periphery submarket adjusted downwards by 28% its demand during the first quarter of 2025, after a high level of demand in areas such as Pozuelo and Alcobendas at the end of 2024. From January to March, close to 30,000 sqm were registered, divided into 35 deals. Of note are two deals of around 3,000 sqm each in the education sector in the south-east. This sector continues to seek quality space in various micromarkets in the city.

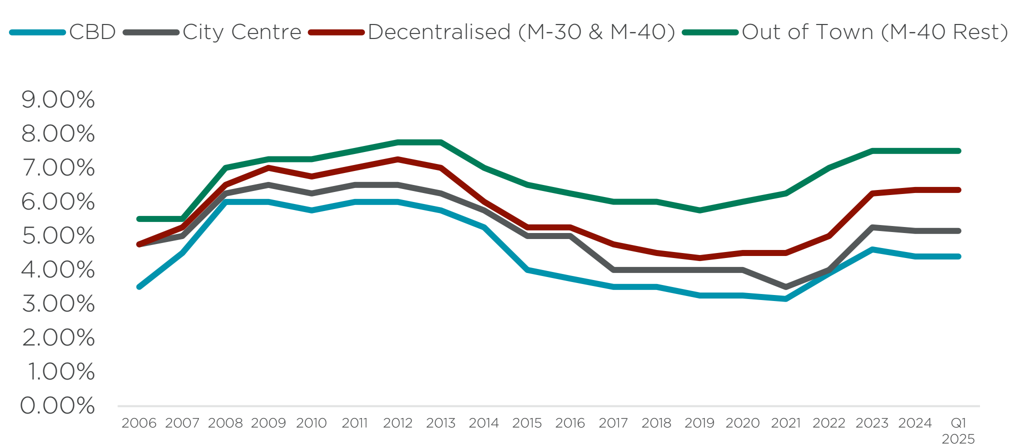
## OUTLOOK

- In 2024, similar figures to those recorded in 2023 were expected with take-up of between 460,000 sqm and 475,000 sqm with a focus on rental pressure driven by the low availability of class A buildings, practically non-existent within the M-30. However, the year-end figures exceeded expectations by far.
- However, it was expected that the inertia of the lack of availability within the M-30 would encourage other office niches with adequate communications and services to meet the needs of current demand.
- Global macro stability is key to sustainable growth in all areas of real estate and business.
- For 2025, forecasts expect to close the year at around 500,000 sqm, with strong activity in the second half of the year.

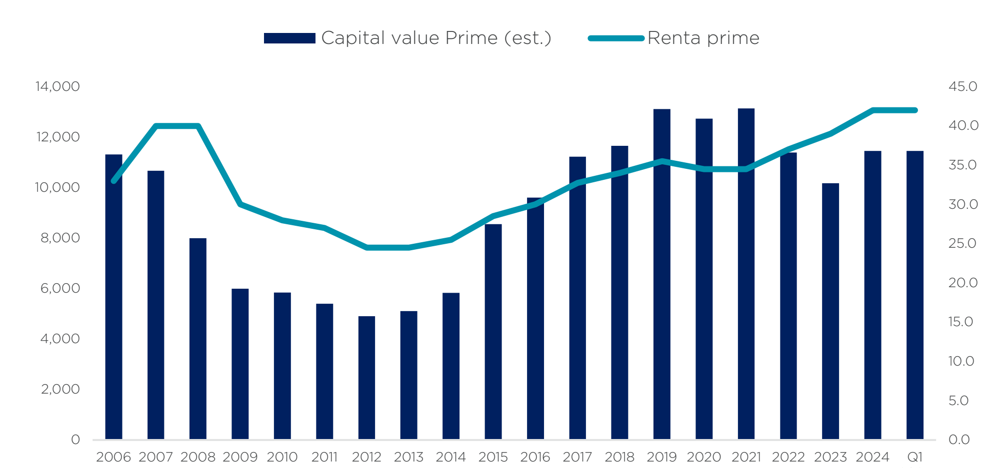
## OFFICE INVESTMENT VOLS. IN SPAIN (€M)




## PRIME YIELDS




## PRIME CAPITAL VALUES




## INVESTMENT MARKET

In recent months, the global economy has been influenced by the resurgence of protectionist policies, particularly from the administration of Donald Trump. The imposition of widespread tariffs has intensified trade tensions with numerous countries, contributing to a slowdown in global economic growth, which the International Monetary Fund estimates at 2.8% for 2025.

Despite this adverse international environment, Spain continues to show positive economic development. GDP grew by 0.6% in the first quarter of the year, and the IMF forecasts a growth of 2.5% for the entire year, positioning the country as one of the European economies with the best relative performance.

This context is framed within a continuation of the trends observed since the end of 2024, characterized by an increase in the yield of sovereign bonds and a possible upward revision of inflation expectations, which could affect the monetary policy of the European Central Bank in its interest rate cuts.

Regarding the real estate market, particularly the office segment, the last two years have been marked by uncertainty associated with interest rate hikes and structural changes in demand. These factors affected pricing and asset liquidity, especially in major capitals. However, as these pressures begin to moderate, a gradual recovery in investment volumes is expected, particularly in Madrid and Barcelona. This recovery could accelerate from the summer onwards, as macroeconomic visibility improves, and financial markets stabilise.

In this context, national office segment saw a total investment volume of 713 M€ in 2024, representing a 40% decrease compared to the previous year.

In the first quarter of 2025, the investment volume totals more than 118 M€. In Madrid, this quarter recorded an investment of €40 million, highlighting the sale of Claudio Coello 124 by AEW to Gran Europa, a national private investor.

Regarding prime yields, these have remained at 4.4%, with dynamic demand levels providing greater comfort and a higher concurrence of Core investors for property purchase transactions with stable cash flow.

## OUTLOOK

- Capital markets are facing a challenging landscape considering the economic uncertainty arising from various geopolitical conflicts and the decisions made by the ECB, the Fed, and the Bank of England over the past 18 months.
- With the first interest rate cut made in September, central banks began a multi-stage de-escalation process that is currently being followed. As a result, the volume is expected to maintain an upward trend in 2025, with particular attention to the second half of the year, where stability will give way to greater economic growth.
- Madrid positions itself as one of the most attractive capitals for investment. Change of use are also providing a recurrent influx of capital over the last 18 months, with deals of a more laborious nature but capable of achieving attractive returns.

## MARKET INDICATORS

| SUBMARKET | STOCK (sqm) | AVAILABILITY (sqm) | VACANCY RATE | QUARTERLY TAKE-UP (sqm) | TAKE-UP PER YEAR (sqm) | UNDER CONSTRUCTION (sqm) | PRIME RENT (€/sqm/month) | PRIME YIELD (%) |
|---|---|---|---|---|---|---|---|---|
| CBD | 3,314,758 | 87,694 | 2.65% | 42,898 | 42,898 | - | 42.00 | 4.40% |
| City Centre | 2,305,726 | 118,048 | 5.12% | 14,170 | 14,170 | 26,913 | 24.50 | 5.15% |
| Decentralized | 3,358,484 | 470,504 | 14.01% | 33.428 | 33,428 | 22,831 | 20.00 | 6.35% |
| Periphery | 4,657,093 | 607,648 | 13.05% | 27,129 | 27,129 | - | 14.50 | 7.50% |
| **TOTAL MADRID** | **13,636,061** | **1,283,895** | **8.31%** | **117,623** | **117,623** | **56,598** | | |

**Rental levels correspond to exit rents.*

## MAIN LETTING DEALS Q1 2025

| BUILDING | SUBMARKET | TENANT | SUP. (sqm) | TYPE* |
|---|---|---|---|---|
| NEOS 20 | Decentralized | OHL | 5,311 | Relocation – Reduction |
| Paseo de la Castellana 36 - 38 | CBD | Salesforce | 4,646 | Relocation – more space |
| Paseo de la Castellana 83 - 35 | CBD | Accenture | 3,685 | Relocation – Reduction |

**Renewals not included in the statistics*

## MAIN INVESTMENT DEALS Q1 2025

| ADDRESS | SUBMARKET | BUYER | VENDOR | SUP. (sqm) | PRICE (M€) |
|---|---|---|---|---|---|
| Claudio Coello, 124 | CBD | Gran Europa | AEW | 4,300 | 37 |

## BUILDINGS DELIVERED IN Q1 2025

| BUILDING | SUBMARKET | MAIN TENANT | SUP. (sqm) | OWNER |
|---|---|---|---|---|
| Europa 20A | Out of Town | - | 5.417 | Confidential |

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MARKETBEAT
# BARCELONA
## OFFICES Q1 2025

CUSHMAN & WAKEFIELD

### MARKET FUNDAMENTALS

| | Annual change | 12-month forecast |
|---|---|---|
| **11.36%** Vacancy rate | ▲ | ▼ |
| **53,000** Take-up Q1 (m²) | ▼ | ▲ |
| **€30** Prime rent (€/sqm/month) | ▲ | ▲ |

### ECONOMIC INDICATORS

| | Annual change | 12-month forecast |
|---|---|---|
| **3.40%** Spain GDP | ▲ | ▼ |
| **7.87%** Barcelona Unemployment Rate | ▼ | ▼ |
| **10.61%** Spain Unemployment Rate | ▼ | ▼ |

*Source: National Institute of Statistics & Moody's*

### ECONOMIC CONTEXT

After the end of a turbulent year like 2023 and a 2024 full of challenges, 2025 begins with a level of uncertainty similar to that experienced at the beginning of the previous year, also marked by the geopolitical environment. Inflation in the Euro zone has been as expected and the ECB continues with its interest rate cut policy at the expense of possible new public spending.

For Spain, GDP growth has been improving forecasts, placing it above Eurozone's, with a closing forecast for 2024 of 3.3% and a forecast of closing above 2.0% for 2025, being Spain one of the economic engines of the Eurozone.

### VACANCY DOWNWARD TREND POLARISING THE MARKET

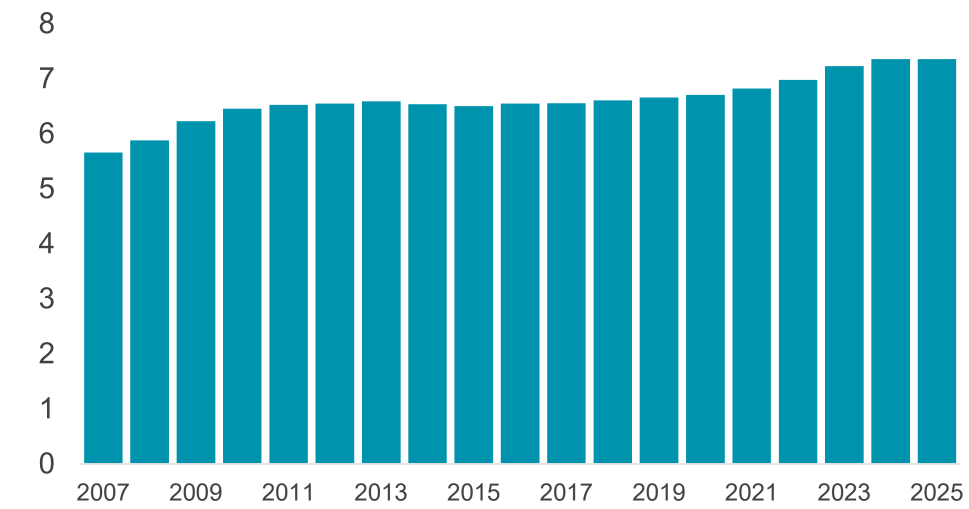
During 2024, a total of 95,000 m² were delivered, including both new buildings and complete refurbishments. Of this space, 75% was delivered without an end user. Added to the 146,000 m² delivered in 2023, this has significantly increased the available space in Barcelona. In the first quarter of 2025, the pace was maintained with the delivery of an additional 104,000 m², of which 26% was delivered with an end-user.

This increase, together with the supply of second-hand space returning to the market, continues to boost the vacancy rate in Barcelona, which stands at around 11.36%.

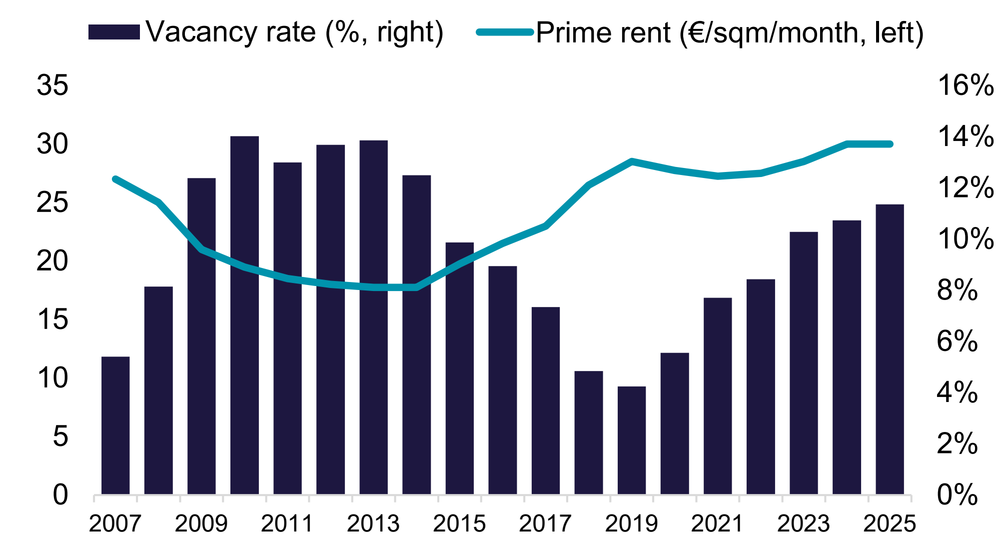
The delivery of Estel building, with more than 49,000 m², located in Barcelona's Eixample district, as well as the refurbishment of the B@B building, which provides more than 23,000 m² of quality stock in the 22@ district, stand out.

Barcelona expects to receive 118,000 m² of office space by December 2025, 28% of which already has an end user. 55% of new developments are expected to be delivered in 22@ district.

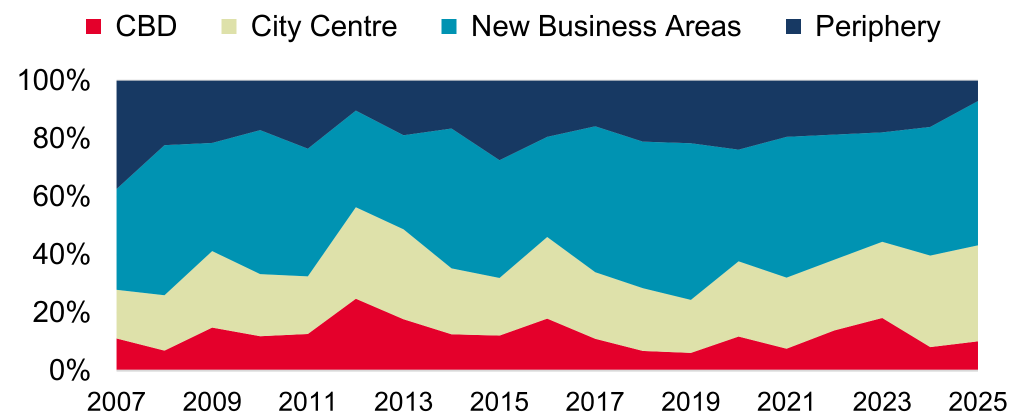
### STOCK (M sq m)



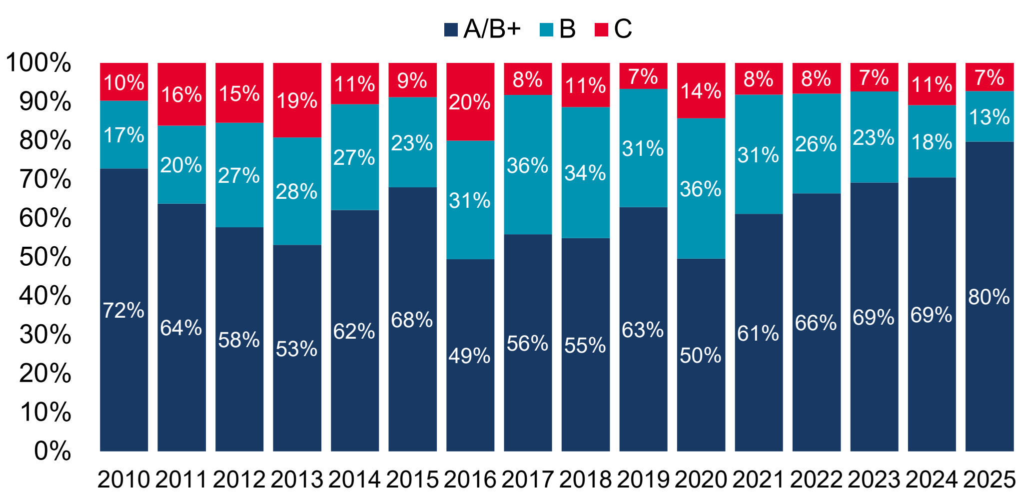

### VACANCY RATE AND PRIME RENT



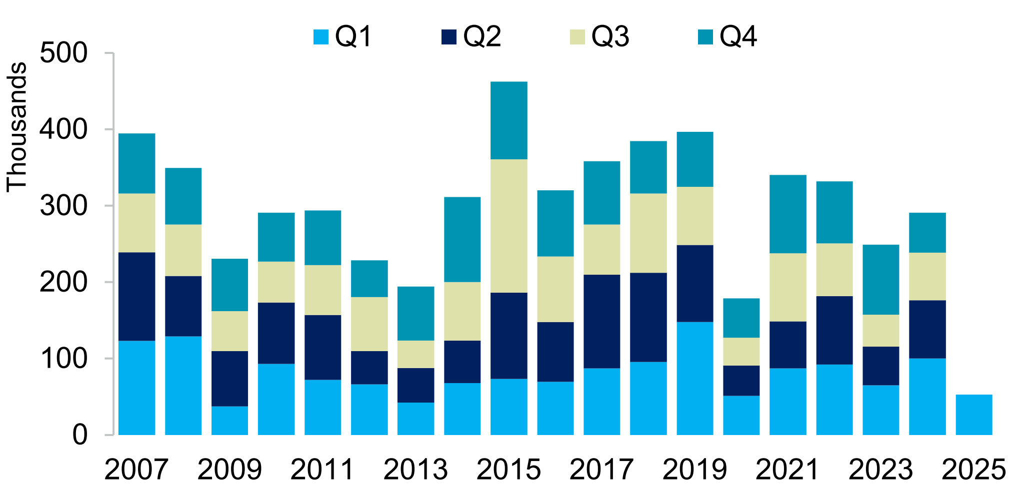
## TAKE-UP BY SUBMARKET (Sq m)




## TAKE-UP BY GRADE




## OFFICE DEMAND (Sq m)




## OFFICE DEMAND PRIORITISES LOCATION

In the first quarter of 2025, office space take-up in the Barcelona's office market stood at around 53,000 sq m with more than 62 transactions. This figure is in line with the average for the last five years.

By zones, the New Business Areas led the way accounting for 50% of the total demand. The City Centre accounted for 33%, the CBD 10% and the Periphery 7%. In terms of the number of transactions, the City Centre maintained its dynamism, accounting for 40%, closely followed by the New Business Areas with 31%, the CBD with 18% and the Periphery with 11%.

One of the most important decision factors continues to be quality, with 80% of the demand leased in grade A/B+ buildings. This percentage is the highest in the last 5 years, 17 bps above the average.

By sectors, the sustained presence of the technology sector stands out, accounting for approximately 50% of the total. This is followed by companies in the professional sector with 18%, and services with 13%.

During 2024, there was growing interest from companies in the *plug&play* format, as well as some subletting deals.

In terms of prime rents, polarisation due to the limited available quality space in PG/Diagonal continues to push rents upwards to €30/m$^2$/month by the end of the first quarter.

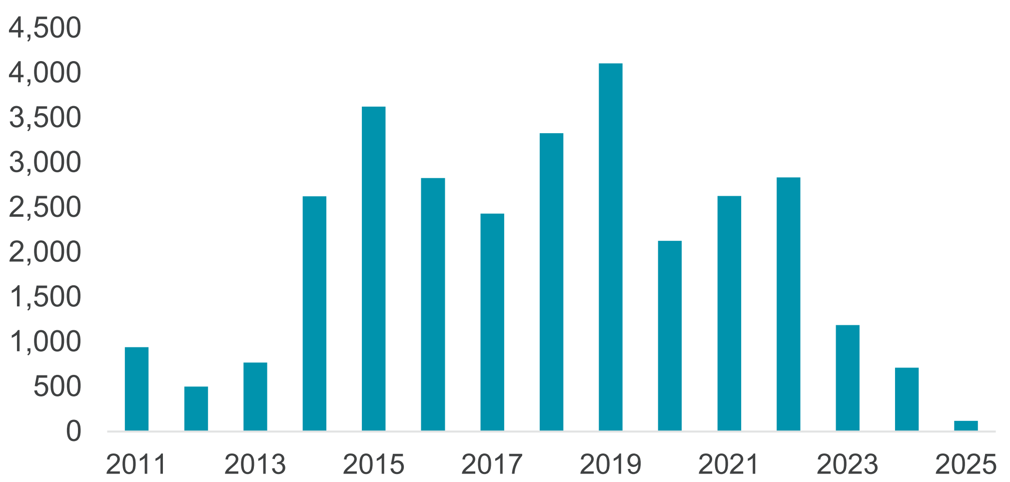
In the coming months, prime rental levels are expected to increase, driven mainly by the scarce availability of quality space in the city centre. This situation remains despite the delivery of new developments on Avenida Diagonal, such as AURA building (Diagonal, 471) and Diagonal Vertical (Diagonal, 407). The lack of vacancy in key areas of the CBD could continue to put upward pressure on prime rents.

## OUTLOOK

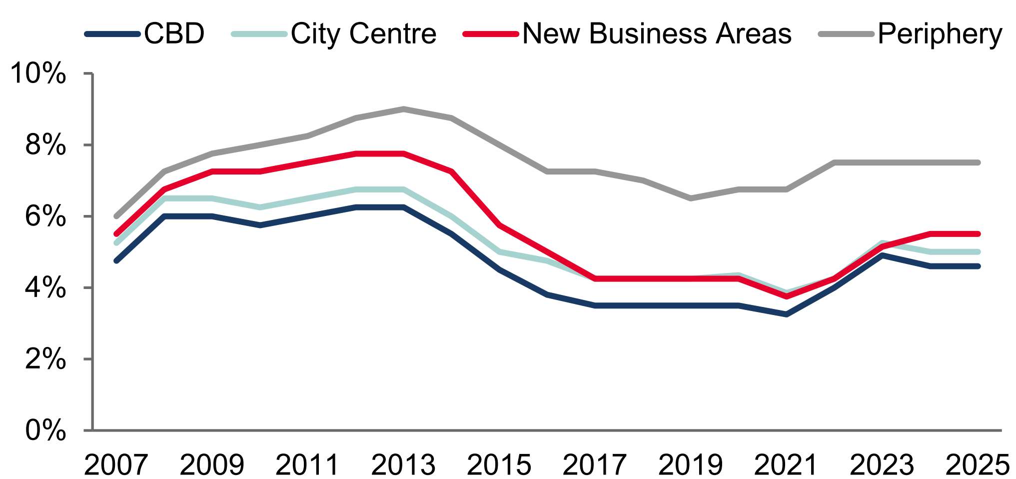
- The value proposition of flexible offices has been consolidated and continues to grow with new operators entering the Spanish market and whose growth has meant reaching 3% of flexible spaces over the stock built in Barcelona.
- Barcelona is clearly committed to the knowledge economy, being the fourth city in the Top 5* "Emerging Ecosystems of the World" and the third European city to establish a start-up, for the sixth consecutive year, behind London and Berlin.

* *Global Startup Ecosystem Report 2023*

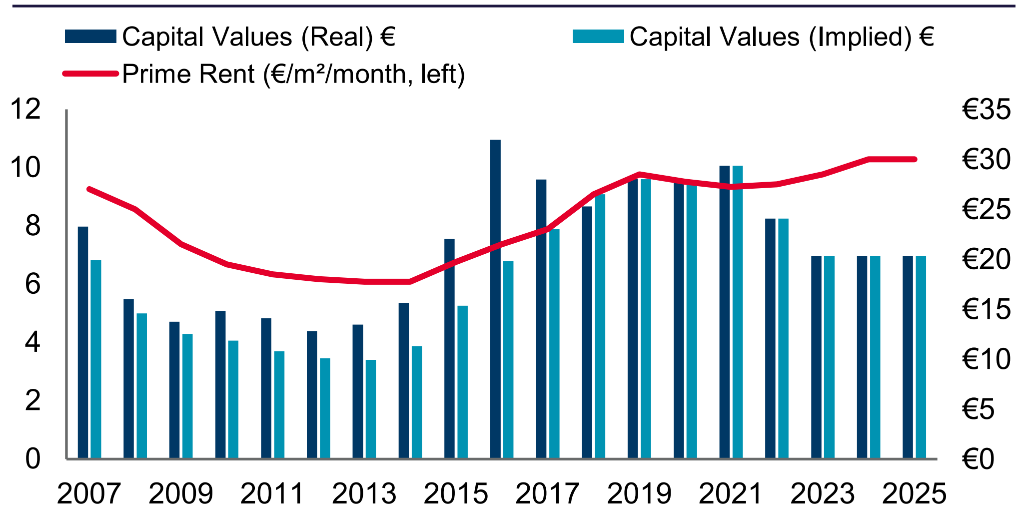
## OFFICE INVESTMENT VOLS. IN SPAIN (m€)




## PRIME YIELDS




## PRIME CAPITAL VALUES




## OFFICE INVESTMENT MARKET READJUSTING

In recent months, the global economy has been conditioned by the resurgence of protectionist policies, especially by Donald Trump's administration. The imposition of widespread tariffs has intensified trade tensions with many countries, contributing to a slowdown in global economic growth, which the International Monetary Fund puts at 2.8% by 2025.

Despite this adverse international environment, Spain continues to show a positive economic performance. GDP grew by 0.6% in the first quarter of the year, and IMF forecasts point to growth of 2.5% for the year as a whole, positioning the country as one of the European economies with the best relative performance.

This context is part of a continuation of the trends observed since the end of 2024, characterized by an increase in sovereign bond yields and a possible upward revision of inflation expectations, which could affect the European Central Bank's monetary policy in its interest rate cuts.

In this context the office segment at national level, the total investment volume reached EUR 713 million in 2024, which represents a decrease of 40% compared to the previous year. In the first quarter of 2025, the volume of investment totalled more than 118M€.

In Barcelona, an investment of €40M was recorded this quarter, half of the previous year's figure.

In the last two years, the office market was marked by monetary policies and structural changes that affected the pricing of this type of asset. However, as these factors begin to neutralize positively, investment volumes in both Madrid and Barcelona are expected to start a positive upswing, which should accelerate especially from the summer onwards.

Prime yields have remained at 4.6%, due to an increased appetite of core investors for property purchases with a stable cash flow.

The current situation reflects a continuation of the trends observed at the end of 2024, with rising bond yields, upward revisions in inflation expectations and adjustments in the ECB's monetary policy in response to global economic conditions. This scenario could have an impact on the evolution of yields.

## OUTLOOK

- Capital markets face a challenging outlook given the economic uncertainty arising from the various geopolitical conflicts and the decisions taken by the ECB, the Fed and the Bank of England over the past 18 months.
- With the first rate cut in September 2024, central banks started a de-escalation with several steps that are being accomplished. As a result, volume and closing volumes are expected to pick up and remain in a bullish tone throughout 2025.

## MARKET INDICATORS

| SUB-MARKET | STOCK (m²) | AVAILABILITY (m²) | VACANCY RATE (%) | QUARTERLY TAKE-UP (m²) | YTD TAKE-UP (m²) | UNDER CONSTRUCTION (m²) | PRIME RENT (€/m²/month) | PRIME YIELD (%) |
|---|---|---|---|---|---|---|---|---|
| CBD | 888,822 | 51,280 | 5.77% | 5,346 | 5,346 | 0 | 30.00 € | 4.60% |
| City Centre | 2,620,851 | 122,714 | 4.68% | 17,483 | 17,483 | 19,000 | 24.50 € | 5.00% |
| New Business Areas | 2,443,715 | 498,234 | 20.39% | 26,236 | 26,236 | 116,869 | 22.00 € | 5.50% |
| Periphery | 1,406,097 | 163,844 | 11.65% | 3,696 | 3,696 | 1,500 | 11.00 € | 7.50% |
| **TOTAL BARCELONA** | **7,359,485** | **836,072** | **11.36%** | **52,761** | **52,761** | **137,369** | | |

**Rental levels correspond to asking rents.*

## MAIN TAKE-UP DEALS Q1 2025

| BUILDING | SUBMARKET | TENANT | SUP. (m²) | TYPE* |
|---|---|---|---|---|
| Illacuna Building C | New Business Areas | Factorial - Everyday Software | 5.595 | Relocation – more space |
| Casa Tecla Sala | City Centre | Institute For Study Abroad | 5.380 | Relocation – more space |
| Alaba 111 | New Business Areas | Sage | 3.663 | Relocation – more space |
| Urbit Building 1 | New Business Areas | Confidential | 2.438 | Relocation - Reduction |

**Renewals not included in the demand statistics*

## MAIN INVESTMENT DEALS Q1 2025

| ADDRESS | SUBMARKET | BUYER | VENDOR | SUP. (m²) | PRICE (M€) |
|---|---|---|---|---|---|
| Rambla Catalunya, 19-21 | City Centre | Nuñez i Navarro | Angelini | 3.000 | 15 |
| Zócalo Noreste-2 | New Business Areas | Confidential | Tristan Capital Partners | 5.122 | 15 |
| Diagonal Mar T3 | New Business Areas | Ardian & Rockfield | Henderson Park & Hines | 3.627 | Conf. |

## BUILDINGS DELIVERED IN Q1 2025

| BUILDING | SUBMARKET | MAIN TENANT | SUP. (m²) | OWNER |
|---|---|---|---|---|
| Estel Building | City Centre | Astrazeneca | 25.449 | Freo - Bain |
| B@B Bilbao 128 | New Business Areas | - | 23.400 | Värde Dospuntos |
| Inspire | New Business Areas | - | 10.967 | REinvest Asset Management |

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