MARKETBEAT
# MADRID
## OFFICES Q2 2025

CUSHMAN & WAKEFIELD

### MARKET FUNDAMENTALS

| | YoY change | 12-month forecast |
|---|---|---|
| **8.84%** Vacancy rate | ▲ | ▼ |
| **147,000** Take-up Q2 (sq m) | ▲ | – |
| **€42.50** Prime rent €/sq m/month | ▲ | ▲ |

### ECONOMIC INDICATORS

| | YoY change | 12-month forecast |
|---|---|---|
| **2.80%** Spain GDP | ▲ | – |
| **9.01%** Madrid Unemployment rate | ▼ | ▼ |
| **10.29%** Spain Unemployment rate | ▼ | ▼ |

*Source: National Statistics Office & Moody's*

## ECONOMIC CONTEXT

Following the end of a turbulent 2023 and challenging 2024, 2025 opened with a similar degree of uncertainty to that experienced at the beginning of the preceding year, also marked by the geopolitical context. Inflation data in the Euro zone has followed expectations and the ECB continues its policy of lowering interest rates at the expense of possible new public spending.

Spain's GDP data has outperformed forecasts, placing it above the Eurozone's growth rate. Closing 2024 with 3.3% and forecast to end 2025 above 2.0%, Spain is one of the economic drivers of the Eurozone.

## 2025 LOOKS LIKE BREAKING THE FORECASTS AGAIN

The take-up of office space in Madrid in 2024 exceeded 570,000 sq m in more than 550 deals. This figure closed the year surpassing forecasts made at the beginning of 2024 (around 475,000 sq m). The first half of 2025 confirms the positive trend. The forecasts (with last year reaching around 600,000) point towards a return to figures exceeding 500,000 sq m thanks to the recovery of the dynamism in transactions and with the importance of the return of corporate deals marking the future for the year.

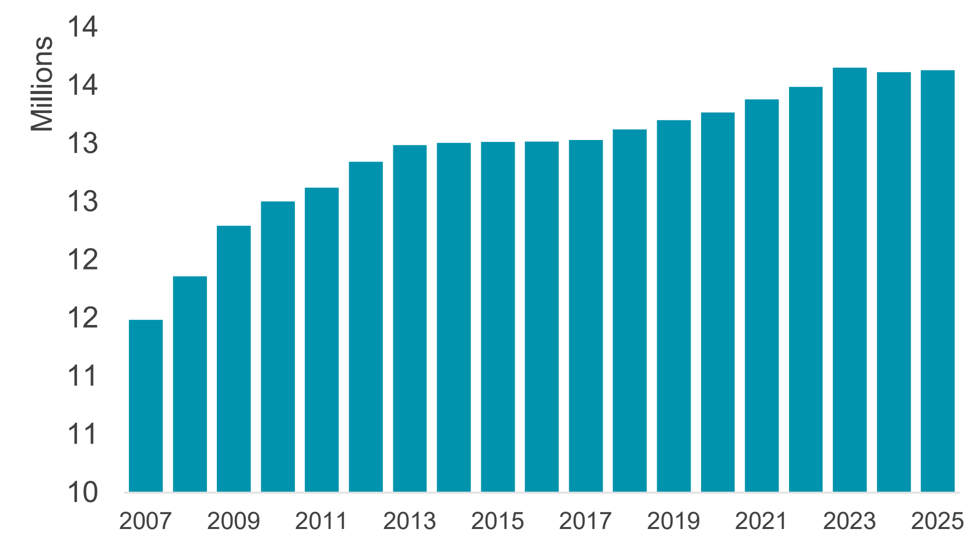
Between April and June, the figure for floor area transacted reached 147,000 sq m divided up into 107 deals. This was 25% up on the figure for take-up for the same period the previous year. Looking at the figures for the year to date, more than 274,000 sq m have been signed for, amounting to a 3% increase in comparison with the first half of 2024.

Interms of emerging sectors in recent years, the training sector has continued to make its mark on the capital's take-up figures in 2025, with deals for prime locations, high specification buildings and an average floor area of close to 10,000 sq m. Other historic sectors, such as the public sector, have been relocating offices for several months in an effort to improve quality. Companies have once again added to the market's dynamism, with firms such as Técnicas Reunidas in Adequa (over 20,000 sq m).

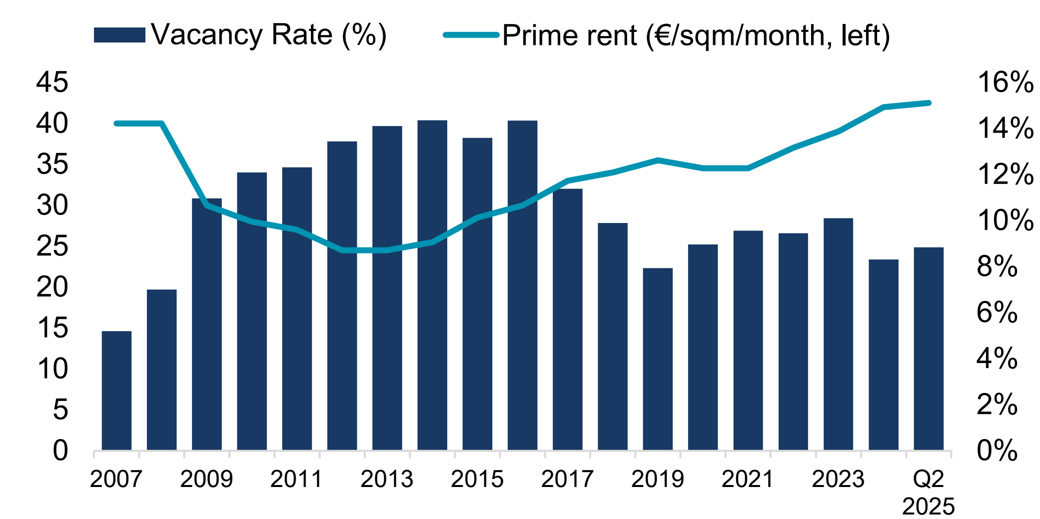
Demand continues to be driven by the search for quality and flexible assets, with A/B+ buildings accounting for close to 70% of transacted floorspace. Vacancy rates are falling on a quarterly basis owing to the high demand for this type of office space, breaking lows of below 2% in markets within the M30 ring-road.

Prime rents in the CBD are expected to continue to grow throughout the year, reaching €42.50/sq m/month in Q2 2025. Rents have also increased for some assets in certain sub-markets over the past 18 months, with a particular focus within the M30 ring road. Demand here has remained active and favoured buildings that meet the highest standards in terms of specifications and facilities. Meanwhile, rents have remained stable in other sub-markets where demand has not been as dynamic.

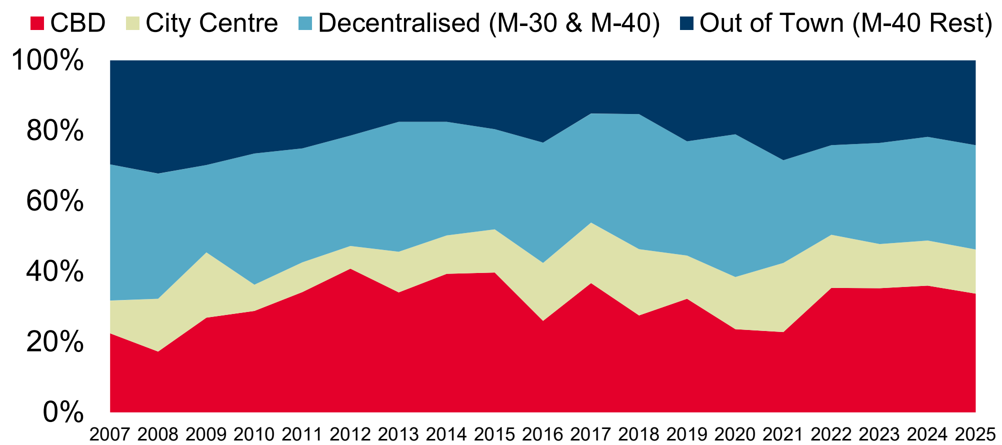
### STOCK (sq m)



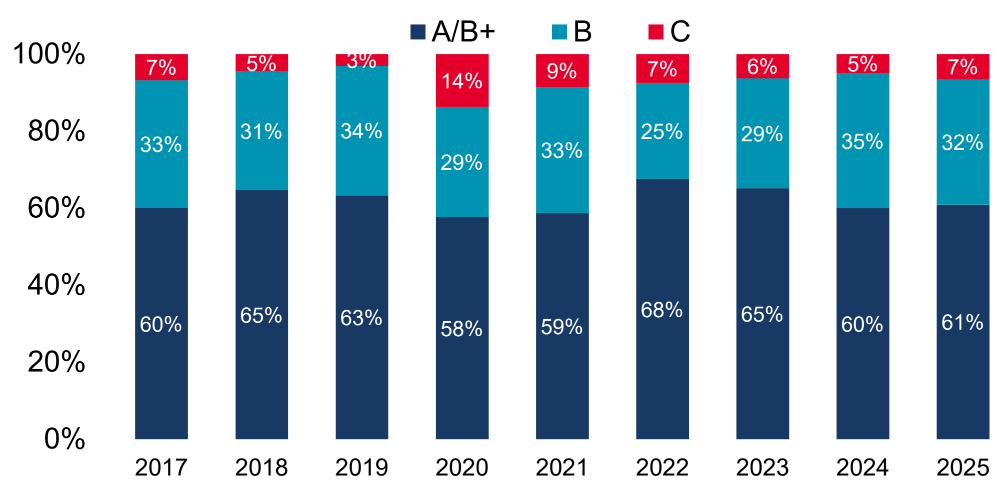

### VACANCY RATE AND PRIME RENT



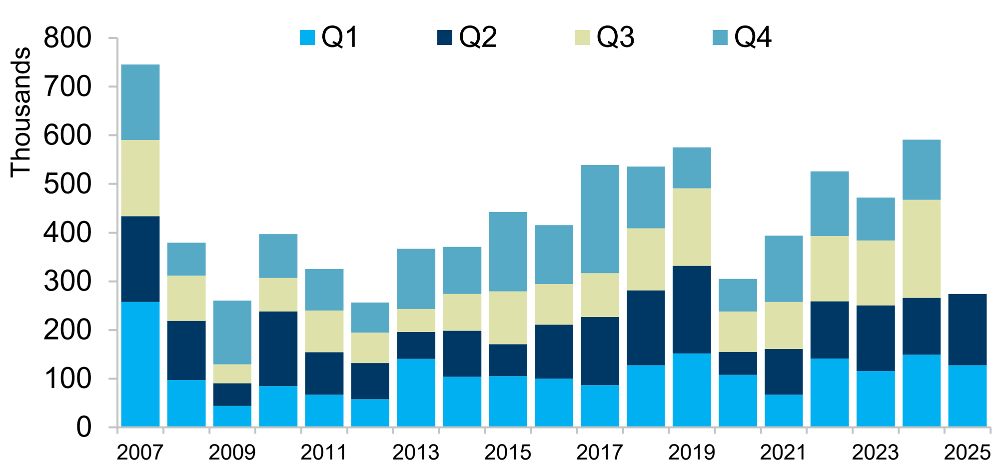
## TAKE-UP BY SUB-MARKET (sq m)




## TAKE-UP ACCORDING TO GRADE




## OFFICE TAKE-UP (sq m)




## THE AREA WITHIN THE M30 WILL SOON RUN OUT OF SPACE AS *DEMAND* REACTIVATES

The vacancy rate remains stable at around 9%, trending downwards over the medium and long term. It is true that as we move away from the metropolitan area vacant floorspace continues to stagnate in some sub-markets, driven by recent deliveries. However, the rate has decreased in all sub-markets in comparison with 2023. Vacancies meanwhile remain less than 3% within the M-30.

High specification buildings continue see reductions in vacancies over consecutive quarters, with rates below 2% on average for A and B+ grade buildings in Madrid. In addition, over the past 3 years there has been an increase in changes of office use. This has shrunk stock on a quarterly basis, especially with a move towards the living sector with more than 130,000 sq m in buildings in need of comprehensive refurbishment to be adapted to current market demands.

If we analyse take-up by sub-market, demand has been evenly distributed both in terms of the number of deals and total floor area take-up between the interior and exterior of the M-30 ring road, a trend that has been noted over recent years. However, over the past 12 months the market beyond the M-30 has revived following several periods in which the decentralised and peripheral markets failed to really take off. It is worth noting that during this post-Covid reactivation there has been a reduction in the average floor area transacted in Madrid. Given the lack of vacancies for certain requirements in the CBD and City Centre, it is expected that areas beyond the M30 will be increasingly in demand during 2025. So much so that so far this year take-up increased by 11% compared to the same period in 2024.

The CBD continued to lead in terms of take-up during the first half of 2025, reaching 34% of the floor area transacted and 36% of the deals struck (91). This trend may continue through 2025 which, despite a fall in vacancies to historic lows, dynamism is at its highest within the M30. Highlights over the year to date include Salesforce at Castellana 36 - 38, Lvmh Iberia at Castellana 4 and Afianza in Torre Emperador with more than 6,000 sq m.

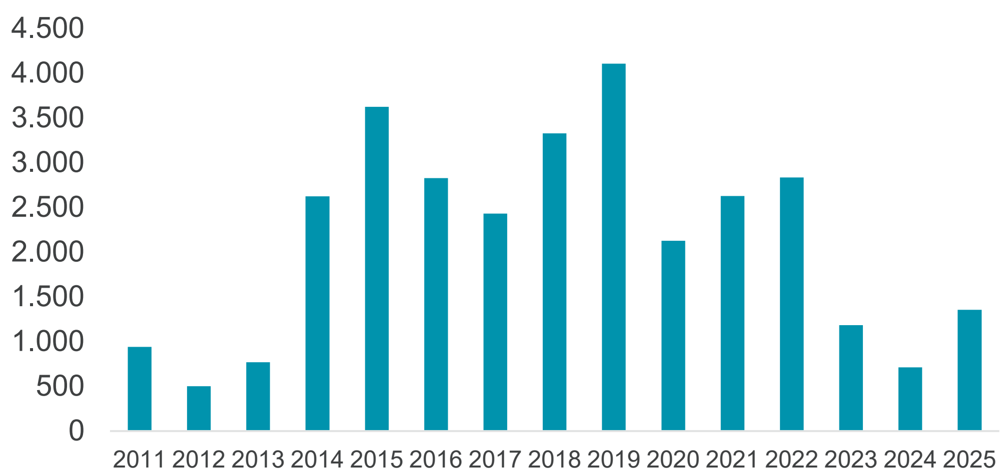
The decentralised zone (the outer sub-market closest to the M30) has continued the momentum begun in the second half of 2024, where a resurgence was seen following a 2023 with a softening in terms of its figures. The second quarter of 2025 saw deals amounting to more than 46,000 sq m struck, 32% more than in the same period in 2024 and representing a positive quarterly variation of 34%. Of particular note are micro-markets such as the Campo de las Naciones, a key office niche, which in the first half of the year has already exceeded 50% of all office space taken-up in 2024. With more than 28,000 sq m signed for in Las Tablas, the total take-up for the previous year has already been exceeded

The periphery has increased its quarterly take-up by some 25% compared to the first quarter of 2025. 66,000 sq m were recorded in the months from January to June, divided up into 64 deals. Of particular note were new deals exceeding 3,000 sq m each in the education sector in the south-eastern half of the capital.

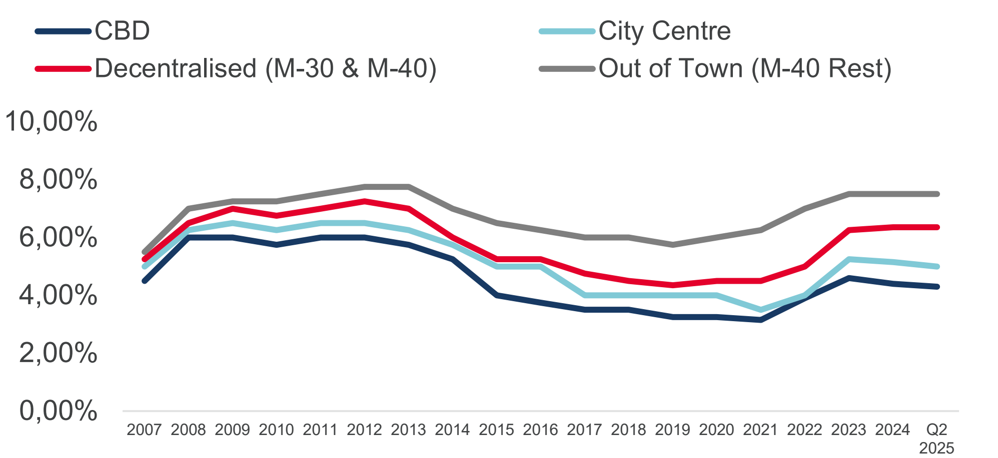
## OUTLOOK

- Forecasts for 2024 as a whole pointed towards similar figures to those recorded in 2023, with take-up of between 460,000 sq m and 475,000 sq m with a particular focus on rental pressure driven by the scarcity of A-rated buildings, now virtually non-existent within the M-30. However, the year-end figures exceeded expectations by far.
- Nevertheless, it was expected that the inertia brought about by the lack of supply within the M-30 would drive other office niches with decent connections and amenities that could meet the needs of current demand.
- The data reflected in the first quarter of the year shows that global macro stability is key to sustainable growth in all areas of real estate and business.
- For 2025, forecasts point towards a close of year at around 500,000 sq m, with strong activity in the second half of the year.

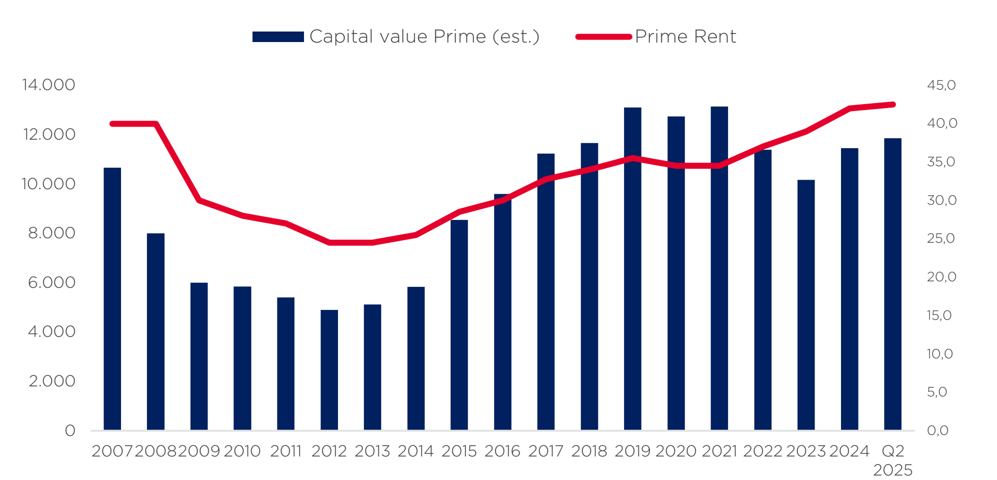
## OFFICE INVESTMENT IN SPAIN (€M)




## PRIME YIELDS




## PRIME CAPITAL VALUES




## INVESTMENT

In recent months the global economy has been shaped by the resurgence of protectionist policies, especially coming from 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 2.5% by 2025.

Despite this adverse international environment, Spain's economic performance remains positive. 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, making the country one of the best performing European economies in relative terms.

This is in line with a continuation of trends noted since late 2024, characterised by rising sovereign bond yields and a possible upward revision of inflationary expectations. This may influence the monetary policy of the European Central Bank in terms of its interest rate cuts.

As for the real estate market, in particular the office segment, the past 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 is being noted, especially in Madrid and Barcelona. As expected, this recovery accelerated from the second quarter onwards.

Within this context, the total investment in the office segment in the first half of the year exceeded €1 billion, already 40% higher than the total for 2024.

In the first half of 2025, investment will amount to around 500 million Euro in Madrid. Of note during this period were the closure of deals such as the sale of the Amazon campus in Méndez Álvaro and several acquisitions outside the M30 for a total of more than €100 million.

Prime yields have softened 10 bps to 4.3% due to dynamic take-up levels providing an increased degree of comfort and a greater appetite on the part of Core investors for property acquisition deals involving stable cash-flows.

## OUTLOOK

- Capital markets are facing a challenging outlook if we take into account the economic uncertainty surrounding multiple geopolitical conflicts and the decisions taken by the ECB, the Fed and the Bank of England over the past 18 months.
- With a first rate cut in September, central banks began de-escalation in various stages that are being implemented. As such, investment is expected to remain bullish in 2025 with a focus on the second half of the year, with stability giving way to further economic growth.
- Madrid, in turn, is positioned as one of the most attractive capitals in terms of investment. Changes of use have also been bringing in recurrent capital over the past 18 months, with deals that are more labour intensive but may achieve attractive returns for the investor.

## MAIN INDICATORS

| SUB-MARKET | STOCK (sq m) | VACANT (sq m) | VACANCY RATE | QUARTERLY TAKE-UP (sq m) | YTD TAKE-UP (sq m) | UNDER CONSTRUCTION (sq m) | PRIME RENT (€/sq m/month) | PRIME YIELD (%) |
|---|---|---|---|---|---|---|---|---|
| CBD | 3,306,798 | 66,145 | 2.00% | 44,369 | 92,547 | - | 42.50 | 4.30% |
| City Centre | 2,305,295 | 103,527 | 4.49% | 19,397 | 34,387 | 26,913 | 24.50 | 5.00% |
| Decentralised | 3,358,145 | 442,418 | 13.17% | 46,610 | 81,354 | 9,989 | 20.00 | 6.35% |
| Periphery | 4,659,898 | 593,072 | 12.73% | 36,619 | 66,007 | - | 14.50 | 7.50% |
| **TOTAL MADRID** | **13,630,136** | **1,205,161** | **8.84%** | **146,996** | **274,296** | **56,598** | | |

**Rent levels correspond to asking rents*

## MAIN DEALS IN TERMS OF TAKE-UP Q2 2025

| BUILDING | SUB-MARKET | TENANT | AREA (sq m) | TYPE* |
|---|---|---|---|---|
| Adequa Business Park | Decentralised | Técnicas Reunidas SA | 16,010 | Consolidation |
| Avenida de Bruselas 8 | Periphery | Confidential | 9,539 | Relocation - Expansion |
| Torre Emperador | CBD | Afianza Asesores SL | 6,554 | Relocation - Expansion |

**Renewals not included in the demand statistics*

## MAIN INVESTMENT DEALS H1 2025

| ADDRESS | SUB-MARKET | BUYER | VENDOR | AREA (sq m) | PRICE (€m) |
|---|---|---|---|---|---|
| Rámirez de Prado 5 | City Centre | IBA Capital, Batipart | Axa IM | 60,000 | 274 |
| Claudio Coello, 124 | CBD | Gran Europa | AEW | 4,300 | 37 |
| Avenida Bruselas 8 | Periphery | Confidential | Confidential | 9,674 | Confidential |

## BUILDINGS DELIVERED IN H1 2025

| BUILDING | SUB-MARKET | MAIN TENANT | AREA (sq m) | OWNER |
|---|---|---|---|---|
| Europa 20A | Periphery | - | 5,417 | Confidential |

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