

## **THE TAKE-UP OF OFFICES IN MADRID RISES SOME 26% UP TO 110,000 M<sup>2</sup> IN THE SECOND QUARTER, ACCORDING TO BNP PARIBAS REAL ESTATE**

- **The take-up of offices during the second quarter of 2016 increased by some 26% in comparison with the previous year.**
- **During the second quarter some 110 deals were signed. This amounts to seven consecutive quarters with contracts exceeding the figure of 100.**
- **Overcoming the barrier of 100,000 m<sup>2</sup> per quarter was confirmed, a figure never exceeded during the years of the crisis.**

The take-up of office floor space in Madrid reached 110,000 m<sup>2</sup> during the second quarter, representing an increase of 26% on the figure for the same period during the previous year. The barrier of 100,000 m<sup>2</sup> per quarter was therefore hurdled, a figure never exceeded during the years of the crisis. In half yearly terms the increase amounted to 14,000 m<sup>2</sup>, reaching 219,500 m<sup>2</sup>.

BNP Paribas Real Estate considers that the strength of take-up reflects the vigour of business activity in Madrid, driving expectations for the take-up of office floorspace.

In addition, approximately 110 deals were signed during the second quarter of 2016, thus making seven consecutive quarters with a figure in excess of 100 contracts. This is a good sign which underlines the solidity of this market, in that during the period 2009-2014 the average hovered around 88 contracts.

Moreover, BNP Paribas Real Estate highlights the capacity of the office market for organic growth, capable of achieving good figures for take-up without transactions involving extensive floor areas. The most significant deal during this period amounted to 8,000 m<sup>2</sup>. This means that a relatively solid level of take-up can be maintained with transactions averaging around 950 m<sup>2</sup>.

Average rents have risen in Madrid's four sub-zones (CBD, Centre, Decentralised and Outskirts). The general average rent has likewise increased by some 13% in annual terms, reaching €15/m<sup>2</sup>/month. For its part, the Decentralised zone saw the greatest take-up (42% of the total) and the greatest increases in rents (at around 30% year-on-year). By virtue of this data, the idea that the decentralised zones are gaining in prominence has been reinforced along with that of the reversal of the trend seen during the crisis, in which the majority of contracts were closed within the M-30 ring road.

Within a setting of steady growth in average rental prices, prime rents have also received a push upwards, although they remained at €29/m<sup>2</sup>/month during the second quarter. The outlook for a gentle recovery in rents and the scarcity of quality spaces makes property development



more attractive. New build projects are awakening ever greater interest on the part of developers and, for 2018, a new 33,100 m<sup>2</sup> office project on the Campo de las Naciones has been announced.

Available floorspace continues to fall in the face of the lack of office deliveries and the strength of take-up over the last two years. The vacancy rate at the close of June stood at below 15% and the trend continues to point downwards.

With regard to the second half of the year, BNP Paribas Real Estate anticipates that the figures for take-up will approach those of the first half and it is likely that rental prices will see a slight increase.

These figures are backed up by a labour market which continues to pick up, the latest employment statistics being positive. Unemployment is at its lowest level since September 2009 and it is anticipated that it will continue to fall.

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BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 20 by its Alliance network, that represents today more than 3,200 people).

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