The improvement in the economy is yet to be mirrored by the take-up of offices in Madrid

Average and prime rents grow as a result of demand in the centre

According to the real estate consultancy BNP Paribas Real Estate, the take-up of offices in Madrid during the second quarter of 2014 (65,900 m²) saw growth of 30% in comparison with the same period in 2013, however the figure for the first three months of the year was not exceeded. The aggregate volume of the two quarters amounted to 169,000 m², a figure below the result for the first half of 2013.

“The good feeling coming from the performance of the economy at a macro level has not been effectively translated at other levels. As a result, it is still too early to perceive the impact on office occupancy”, explains Ilan Dalva, National Agency Director of BNP Paribas Real Estate in Spain.

The average size of transactions closed during the last quarter varied between 500 - 600 m², a volume in line with the new standards of the crisis (900 - 1000 m² prior to this). Solely 18% of the transactions signed exceeded 1000 m².

The number of transactions closed during the quarter (79) was also in line with the historic average for the years of economic slowdown (prior to the crisis more than 100 transactions were closed every three months).

The most active companies in search of offices in Madrid belonged to the legal, financial, consultancy and general services sectors. The most sought-after zone was, by far, the Central Business District (CBD), where a total of 56 transactions were closed. The CBD and Central zone cornered 60% of the floorspace transacted during the quarter, demonstrating that the level of prices reached in these areas continues to be an effective inducement for companies to relocate to within the city.

The activity during the first half year was insufficient to compensate for the freeing up of second-hand space. As a result, net take-up was negative, despite the fact that no significant deliveries of new floorspace were recorded. The vacancy rate grew from 15.6% of stock to 16.3% at the close of June, although it remained stable in the Centre (13.6%) and CBD (6.6%).

The maximum rent increased once again, reaching €25.50/m²/month. With somewhat more volatile behaviour, average rent rose some 24%, reaching €16.00/m²/month, due to the pressure suffered by prices in the CBD.

Forecasts point towards the vacancy rate falling throughout 2014 in the central zones of the city, to be joined by other areas in 2015 as a consequence of the recovery in employment in the service sector. Positive pressure on prime rents will continue in response to the scarce supply of good quality, well situated product.

About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

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