At a glance - Q4 2018

MADRID OFFICE MARKET

MAXIMUM RENTS EXCEEDING €40/SQM/MONTH

The official figures are published, it is likely that quarterly growth of the Spanish economy will be hovering between 0.7% and 0.8%, above the average for the year as a whole (0.6%). This will give annual growth of around 2.6% for 2018, making Spain one of the fastest-growing countries in the EU. Following a number of years of strong growth of around 3%, the Spanish economy will expand at a slower pace in 2019 (2.2%), though more vigorously in comparison with the major European economies.

Gross take-up in Madrid and its area of influence during the final quarter of 2018 amounted to 143,052 sqm. That meant the total take-up in 2018 reached 538,465 sqm, in line with the figure seen in 2017 (552,982 sqm). The figure for 2018 exceeds the ten-year average for take-up by 31% and by 13% for the recovery period of 2014-2018.

The strong letting dynamic sustained the number of contracts signed last year, resulting in 104 deals signed during Q4 and a total of 433 for 2018; in line with the average for the last four years. Business activity continues to generate expansionary demand for office floorspace, with around 50% of the deals struck by new businesses or expansion of floor area from existing firms.

Analysis by zone shows that the Decentralised area is where the greatest volume of space was transacted as the largest deals occurred here. The annual take-up for this market amounted to 190,619 sqm (35.4% of the total), with the deal involving 27,281 sqm signed by the technology consultancy Events in Manoteras standing out.

Nevertheless, the greatest number of deals occurred in the Centre zone, with a third of all contracts signed both during the final quarter (31% of the 104), and the year (32.5% of the 433). The most significant deal during the quarter (and second most for the year as a whole) was signed in this zone, consisting of the future head office of Catalana Occidente in Méndez Álvaro and amounting to 21,500 sqm.

Rental prices in the Madrid market are showing generalised increases, above all in areas where the levels of supply are not particularly high. The prime rent at the close of 2018 stood at €35/sqm/month, representing an increase of 13% in comparison with 2017. The rise in rents was more pronounced in central areas of the city (CBD and Centre), whereas in decentralised zones and the outskirts a more stable trend was noted. The highest rent was signed in the "Torre Serrano" (Serrano 47), at €41.50/sqm/month during the last quarter of the year. In addition, we are observing that the asking rent for the most exclusive buildings in the CBD is close to €45/sqm/month.

The net positive take-up of office space continues. The vacancy rate has fallen progressively throughout the year and with the absence of new deliveries in the final quarter the vacancy rate stands at 9.6%. Within the city centre (CBD and Centre), the vacancy rate fell to a level below 5%, whereas in the Decentralised zone and Outskirts it stands at between 13.0% and 14.5% respectively.

The investment volume for offices in 2018 reached 2,2286 billion Euros, of which 68% is in the Madrid market. The most notable transaction during the final three months of the year was the acquisition of the Evenis head office in Manoteras (Madrid), for an amount close to 148 million Euros.

The scarcity of supply in prime zones is ushering core funds and insurers to focus their attention on well-established decentralised markets, causing a slide in yields in these areas. The prime yield for the office market remains at 3.25% in Madrid. According to the forecasts from BNP Paribas Real Estate, take-up will remain dynamic during 2019. It is anticipated that rent growth will remain healthy, guided by the upward trend in prime rent. In addition, and bearing in mind the high degree of activity in the market and the large volume requirements currently in play, it is anticipated that the barrier of 500,000 sqm take-up will be exceeded for the third consecutive year in 2019. This is within a context in which businesses are ever increasingly optimising space.

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TAKE-UP

Take-up Q4-2018
143,052 sqm

Take-up average (2014-2018)

VACANCY RATE (%)

Vacancy rate 9.6%

TRANSACTIONS BY SIZE

NUMBER OF DEALS

VACANCY RATE (%)
AT A GLANCE - MADRID OFFICE MARKET - Q4 2018

RENT EVOLUTION

Prime Yields
- Office: 3.25%
- Logistics: 5.30%
- High Street: 3.00%

YIELDS

Prime Yields
- Office: 3.25%
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Key figures

<table>
<thead>
<tr>
<th>Stock (sqm)</th>
<th>CBD</th>
<th>Centre</th>
<th>Decentr.</th>
<th>Outskirts</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2,686,000</td>
<td>3,945,500</td>
<td>4,349,400</td>
<td>4,065,200</td>
<td>15,046,100</td>
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<tr>
<td>Vacancy (sqm)</td>
<td>123,500</td>
<td>166,200</td>
<td>564,500</td>
<td>589,600</td>
<td>1,443,700</td>
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<tr>
<td>Vacancy rate</td>
<td>4.6%</td>
<td>4.2%</td>
<td>13.0%</td>
<td>14.5%</td>
<td>9.6%</td>
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<tr>
<td>Take-up Q4 2018 (sqm)*</td>
<td>28,000</td>
<td>64,900</td>
<td>37,700</td>
<td>12,400</td>
<td>143,000</td>
</tr>
<tr>
<td>Year to date take-up (sqm)*</td>
<td>114,400</td>
<td>153,900</td>
<td>190,600</td>
<td>79,500</td>
<td>538,400</td>
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<tr>
<td>Maximum rent (€/sqm/month)</td>
<td>41.50</td>
<td>33.00</td>
<td>17.00</td>
<td>14.00</td>
<td>-</td>
</tr>
<tr>
<td>Average rent (€/sqm/month)</td>
<td>27.61</td>
<td>21.81</td>
<td>13.26</td>
<td>11.15</td>
<td>18.46</td>
</tr>
<tr>
<td>New deliveries Q4 2018 (m²)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deliveries in the Pipeline 2019 (sqm)**</td>
<td>6,900</td>
<td>1,000</td>
<td>158,090</td>
<td>-</td>
<td>165,990</td>
</tr>
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* Figure analyzed and verified by BNP Paribas Real Estate not including lease renewals
** Includes major refurbishments
*** Arrows denote annual variation
BUSINESS LINES in Europe
A 360° vision

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