Building a better working world

The Office Property Telescope

Special analysis: “The Future of Work”

Spain 2022

Executive Summary

July 2022

Strategy and Transactions

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EXECUTIVE SUMMARY

1 Macro Overview

Slight improvement amidst high prices and inflation
2022

- **2022 EU Real GDP expected** growth: **+2.7%** (5.3% in 2021).
- **Improvement in Spanish unemployment rate** as of 1Q22 **(13.65% vs. 15.9% in 2021).**
- **Final consumption expenditure** increased **by 2.4% YoY.**
- **Spanish CPI stands at 10.2%** in YoY change, as of June 2022.
- **Consumer confidence Index decreasing:** 65.8 bps (vs. 81.3 bps as of Dec21).

2 Supply & Demand

- **Vacancy rates** in Madrid and Barcelona stood **at 9.5% and 8.5%,** respectively in 1H22.
- **Positive trend in take-up for both cities,** with **+43% in Madrid and +33% in Barcelona** for 1H22 vs. 1H21, amounting to 244k and 175k sqm (24% of it in 22@).
- **Within the 22@, vacancy rate increased** into levels **c.9.8%** driven by excess of new supply delivered.
- **524,074 sqm of new office supply** expected in 22@ between 2022 and 2024.
- Over **51% of the upcoming 2022 new supply in the 22@ is still speculative**, totalling c. 131k sqm
- **Tech players** continue to be the greatest demand drivers, having **accounted for +40% of total take-up in the past 7 years.**

4 Future of Work

- **Inventory of flex spaces** in Spain is **c.340k sqm** (c.1.58% of total office inventory)
- Madrid flex spaces inventory **reached c.1.4% of the total office in 2021** (c.175k sq.m), while **Barcelona's stood at c.2.6%** (c.167k sq.m), and is mainly located in New Business Areas such as 22@ district.
- In Spain, there are **c.450 life-science** related companies with **more than 70,000 employees and occupying c.1m of sq.m,** around 4.6% of the total office inventory.

3 Investment and Financing activity

- EMEIA Office Investment in 1H22 **decreased by c. 10% vs. 1H21, amounting to €37bn** and flowed back to the Americas.
- **Investment** in Spain is highly **concentrated in Madrid and Barcelona** as of 1H22, with c. **€1.2bn** invested (c.€391m in Barcelona and c.€466m in Madrid). 22@ registered 29% of the total investment in Spain.
- **International and Spanish lenders** are becoming **selective**, warned of a potential oversupply scenario, as well as the effect of **borrowing costs, which** have started to increase given the hike in interest rates by Central Banks. Moreover, **most alternative capital** providers are currently out of the market for office financing.

5 Key Performing Indicators

Key Indicators by areas in 1H22

KPI	MAD	BCN	BCN-22@
Total Inventory (m sq.m)	*13.89*	*6.48*	*1.10*
Inventory Flex Spaces (k sq.m)	*175*	*-------- 167 --------*	
Inventory Life Science (k sq.m)	*----------- c. 1,000 k -----------*		
Take-Up (k sq.m)	*244*	*176*	*42*
Total vacant stock (k sq.m)	*1,320*	*551*	*109*
Vacancy rate (%)	*9.5%*	*8.5%*	*9.8%*
Prime Rent (€/sq.m/month)	*32*	*25*	*22*
Prime Yield (%)	*3.5%*	*3.7%*	*4.5%*
New Supply delivered (k sq.m)	*88*	*112*	*78*

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Request the Expanded Edition...

1. **Full analysis of historical demand trends,** and expected performance in the upcoming years
2. **Max granularity on the forecasted new supply** within the Barcelona office market
3. **Full detail on the most recent office / turn-key project / land transactions** within Barcelona and the 22@ office area
4. **Overview of the land market performance and perspectives:** historical price trends and expected pipeline in the near future

...do not hesitate to contact us

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