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The Office Property Telescope

Investment & Financing Keys

Spain 2025

January 21st, 2025

EY Torre Azca, Madrid

Strategy and Transactions

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EXECUTIVE SUMMARY

1 Macro Overview

Spanish growth soars as Eurozone weakens

- **Expected GDP growth in Spain:** +2.2%, only surpassed by Canada and the USA worldwide. GDP per capita growing more than the economy
- **11.2% unemployment rate, the lowest level since 2008.** Youth unemployment still well above European average: 25% vs 15%.
- **Consumer confidence turning around falling to 104 due to loss of optimism** about economic and labor conditions in 2025.
- **Tourism, foreign direct investment, and immigration** together with lower interest rates anticipate a more active 2025.

2 Supply & Demand

- **Vacancy rates decreases slightly in Madrid (10.5%) but Barcelona keeps on the rise (13.1%)** as 22@ available area drives it upwards once again.
- **C. 370k sq.m of new office space delivered in Madrid and Barcelona,** 31% below 2023 as 22@ new supply cools down considerably. Net inventory increases by 170k sqm, since transformation into other uses removes c. 200k from the stock in 2024.
- **Take-up recovery in Madrid (450k sq.m/+7%) and Barcelona (270k sq.m/+23%) in 2024** driven by good economic prospects and Return-to-Office policies.
- The gap between office and living/hospitality values in non-CBD areas has already led, in 2024, to the **transformation of c.200k sq.m of former office buildings into other uses.** Such a phenomenon will keep ongoing in 2025, and it will push rents of prime office buildings up in the long run.

3 Office Properties Investment Market

- **Global annual investment in the office segment grew up by 21% in 2024.** Investors still overweighting Asia-Pacific and Americas against Europe and Middle East.
- **Investment activity of Offices in Spain increased by 7% in 2024 year on year.** The Office segment represents today only 15% of total real estate investment in the country (it used to be above 30% for over 20 years).
- Despite the continuous interest rates cuts since July 2024, **market yields in Prime locations are not compressing** in the best buildings in Madrid and Barcelona. **Outdated assets repurposing into housing or hybrid- RE will be the investment thesis to be considered** by Value Add investors

4 Financing Activity

- **Office investment and refinancings required in 2024 up to €1.3bn debt in Spain,** representing 12% of the total €10.8bn debt secured or every asset class
- **Offices debt will account for 13%** out the €18.6bn total Yielding Real Estate investment to be refinanced **from 2025 to 2027** (mostly from refinancings).
- **Offices still the "playing ground" of Traditional banking,** but alternative lenders debt book have been overweigthing offices since 2023.

5 Key Performing Indicators

By city area - January 2025

	Madrid area	Madrid Rent	Madrid Cap. Value	Barcelona area	Barcelona Rent	Barcelona Cap. Value
Max.	CBD	45	9,500	CBD	40	8,000
Avg.	CBD	**36**	**7,200**	CBD	**29**	**5,800**
Min.	CBD	30	6,000	CBD	23	4,600
Max.	DEC	18	2,750	22@	26	4,800
Avg.	DEC	**15**	**2,300**	22@	**20**	**3,700**
Min.	DEC	10	1,500	22@	16	3,000

Rent *(€/sq.m/mth) (YoY Var. %)* **Cap. Value** *(€/sq.m) (YoY Var. %)*

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