



Building a better
working world

The Office Property Telescope

Investment & Financing Keys

Spain 2023

January 17th, 2023

Strategy and Transactions



The Office Property Telescope
Spain 2022

EXECUTIVE SUMMARY

1 Macro Overview



Inflation, macro uncertainty and tightening financing conditions make up for a challenging upcoming outlook

- **GDP expected** growth: + 1.3% forecasted to 2023, according to OCDE, compared to a 4.4% growth in 2022.
- **12.7% unemployment rate expected to grow due to the current global outlook.** Youth unemployment (<25y) still among the highest in Europe : 32% vs 15% European average.
- **Consumer confidence plunges 29 points in 2022**, from 89 to 60, due to the increasing uncertain macro context.
- As the Spanish Economy weakens progressively, **inflation slightly decreased in the 4Q'22**, suggesting the peak has passed.

2

Supply & Demand



- **Vacancy Rate**, reaching 10% in Madrid and Barcelona, is **increasing progressively** and concentrated in periphery
- **Circa 440k sq.m brand new projects delivered in Madrid and Barcelona.** 91% of supply delivered in Barcelona is located in 22@ district.
- **Take-Up** in Madrid and Barcelona stood slightly below **500k sqm** and **300k sqm** in 2022, respectively due to the really weak demand activity during Q4.
- **38 and 73 projects under construction in Madrid and Barcelona** initially expected to be delivered in 2023 and 2024 **will probably be delayed due to the low end-user demand** and the high development costs
- **"Gross to Net" rental income leakage keep on widening progressively** given the higher incentives and other allowances provided by landlords.

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Office Properties Investment Market



- **Worldwide office investment volume fell by 22% in 2022.** Capital inflow per region remained steady.
- **Despite the annual growth of 32% YoY, investment activity in Spain was not material at all compared to other European countries.** Office investment, as such, accounted for 16% of the total Real Estate investment.
- **Investors rational about the overall "high valuation" of sub-prime office is the main reason of the lower investment activity from 2017 to 2022.** Value Added and Opportunistic investors still on the chase of price correction to profit from the gloomy context.

4

Financing Activity



- **Alternative capital** providers gathering momentum to structure junior / mezzanine financing tranches.
- **Traditional lenders** limited to act only within the business district transactions, but with little room for action due to the rising financing costs.
- **Security packages** becoming more and more complex as mezzanine investors approach to the market progressively

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Key Performing Indicators



Key Indicators by areas in 2022

		Madrid		Barcelona	
		Rent	Cap. Value	Rent	Cap. Value
Max. ►	CBD	42 (+6%)	11,200 (-23%)	29 (+10%)	7,500 (-24%)
Avg. ►		34 (+10%)	9,100 (-21%)	26 (+8%)	6,700 (-23%)
Min. ►		28 (+6%)	7,300 (-25%)	21 (+9%)	5,500 (-24%)
Max. ►	DEC	17 (+3%)	3,000 (-18%)	26 (+10%)	5,700 (-20%)
Avg. ►		14 (+13%)	2,500 (-11%)	24 (+8%)	5,200 (-21%)
Min. ►		9 (+4%)	1,600 (-18%)	17 (+9%)	3,800 (-21%)
		Rent (€/sqm/mth) (YoY Var. %)		Cap. Value (€/sqm) (YoY Var. %)	



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For further information...

Request the Expanded Edition

Contents (+150 pages):

1. **Macro economic** overview related to the office segment
2. **European office** market performance
3. **Spanish office** market understanding
4. **Madrid / Barcelona supply and demand analysis**
 - New supply
 - Vacancy
 - Rents
 - Take-up
5. **Office investment share** and transactions pipeline in Spain
6. **Office financing market** main drivers
7. **Detail of most active players** and key **financial terms** offered
8. **Emerging trends** within the office segment
9. **Office key investment factors**

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