CB RICHARD ELLIS

MarketView
Madrid Office Snapshot

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Q2 2011

Key Indicators

	Adjustments between Q1 11	Q2 11
Gross Take-Up	↓	↑
Vacancy	↑	↑
Rents	↓	=
Yields	=	=
Projects	=	=

Q2 2011 Highlights

- 36% fall in gross take-up compared to the first half of 2010.
- More interest in recently refurbished properties, which have better technical installations.
- Slowdown in the number of new projects.

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Market Commentary

✓ Demand for office space has remained sluggish in the first half of the year and occupiers continue to wait for an improvement in the economy. Gross take-up over the last 6 months reached 162,000 sqm, which is 36% less than last year. But we should not judge a book by its cover, as there are still properties which are under negotiation and could be completed at any moment. More medium-sized or one or two large transactions, need to be carried out in order to reach the last three year average of 408,000 sqm. 19% of lettings were for spaces larger than 1,000 sqm and 46.5% of space was contracted in the CBD. Industrial companies and professional services were the main occupiers taking space over the quarter.

✓ Despite the lack of new projects which have come on to the market, the low level of take-up has meant there has been a gradual increase in available space on the market. The vacancy rate increased to 12.9% and it is conceivabe that this will continue to rise. The central districts are the areas which have shown the least signs of net take-up. Companies are tending to reduce the amount of space they have contracted or are moving to better locations and continuing to pay the same rent that they were paying in more secondary areas. The majority of projects in the pipeline are awaiting a market recovery before starting.

✓ Market rents are currently extremely flexible and need to be in order to sign lease agreements. Only highly prestigious properties have not seen any movement in rental prices and this is normally because they are small spaces, where paying two or three euros more per metre does not make a huge difference. Rents have fallen more in more secondary properties. Rents will continue to be weak and could even fall slightly up until the end of the year.

Market Activity in Q2 2011

Zone	Stock (m²)	Take-up (m²)	Vacancy (% stock)	Future supply* (m²)	Prime rent (€/m²/month)
CBD	3,449,000	40,000	9.3%	110,000	26.00
Secondary Central	2,439,000	7,000	7.8%	12,000	18.00
A-1 Motorway	2,333,000	9,000	17.6%	33,000	16.00
A-2 Motorway	2,224,000	10,000	16.0%	124,000	15.00
A-6 Motorway	1,137,000	15,000	10.5%	0	14.00
Periphery	533,000	5,000	31.5%	0	9.00
Total Madrid	12,115,000	86,000	12.9%	280,000	26,00

*Future Supply 2011-12

Notable transactions

✓ BBVA has let 3,540 sqm in the recently refurbished Castellana 79 property. The property is owned by the investor Pontegadea and CBRE is managing the letting of the property. Habitat and Fnac have occupied the retail space in the property.

✓ Lettings continue to be signed in Mutua Madrileña's Torre de Cristal. The Tower, which is being marketed by CBRE now has two new tenants: Banco do Brasil and Grupo Thyssen.

✓ Via CBRE, Shire Pharmaceutical has let 1,522 sqm and 30 parking spaces in the Avenida del Partenón 16-18 property in Campo de las Naciones.