



AT A GLANCE Q4 2021

OFFICE MARKET IN BARCELONA

BARCELONA MAINTAINS PRE-PANDEMIC LEVELS

Take-up levels in Barcelona broke through the 90,000 sqm barrier for the second quarter running, driven by large-volume transactions.

INFLATION AND AN UNCERTAIN HEALTH SITUATION MAY HOLD BACK ECONOMIC GROWTH

The pace of economic recovery forecast in Spain just a few months ago has been significantly curtailed. Renewed uncertainty about the health crisis from the omicron variant is adding to the problems created by inflation and the global supply chain crisis.

These factors may trigger a slowdown in private consumption and a greater inclination on the part of households to save,

thereby downgrading the growth forecast made in September.

The estimated quarterly growth for the Q4 2021 stands at 1.6%, while the yearly growth figure may be 4.5%. Looking ahead to 2022, forecasts fluctuate between around 5.4% and 5.8%. (Source: Bank of Spain; IMF & *Consensus Economics Forecast*).

LETTINGS RETURN TO PRE-PANDEMIC VOLUMES

With 2021 now ended, analysis indicates that market demand in Barcelona is back at pre-pandemic levels.

The letting registered in the last quarter of the year were 93,830 sqm, a quarterly increase of 3.5%, and marking a quarter of volumes not seen since 2019. The take-up volume for the 4th quarter represents an increase of 80.5% compared with the same period in 2020.

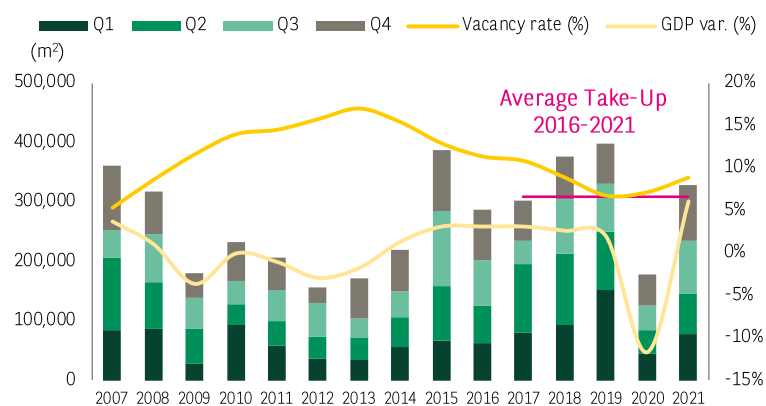
The overall figure for the year indicates that demand for office space broke through the 300,000 sqm barrier, to stand at 329,539 sqm. This represented growth of 85% compared against the previous year, and 17% lower than in 2019. Growth was also above the 5-year average unlike in 2020 when take-up fell well below.

Companies are keen to locate to the Catalan capital as 254 new contracts were signed during the year, with 81 transactions concluded in the last quarter. Transaction numbers are 12% higher than in 2020 and 18% below the figure for 2019.

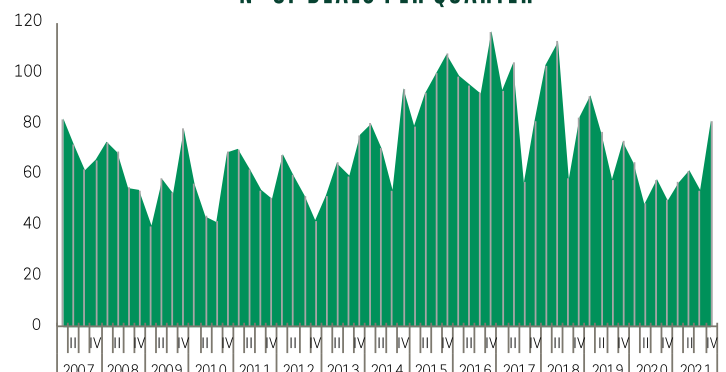
The average deal size during the year stood at 1,321 sqm, higher than the average seen in 2020, which was 819 sqm.

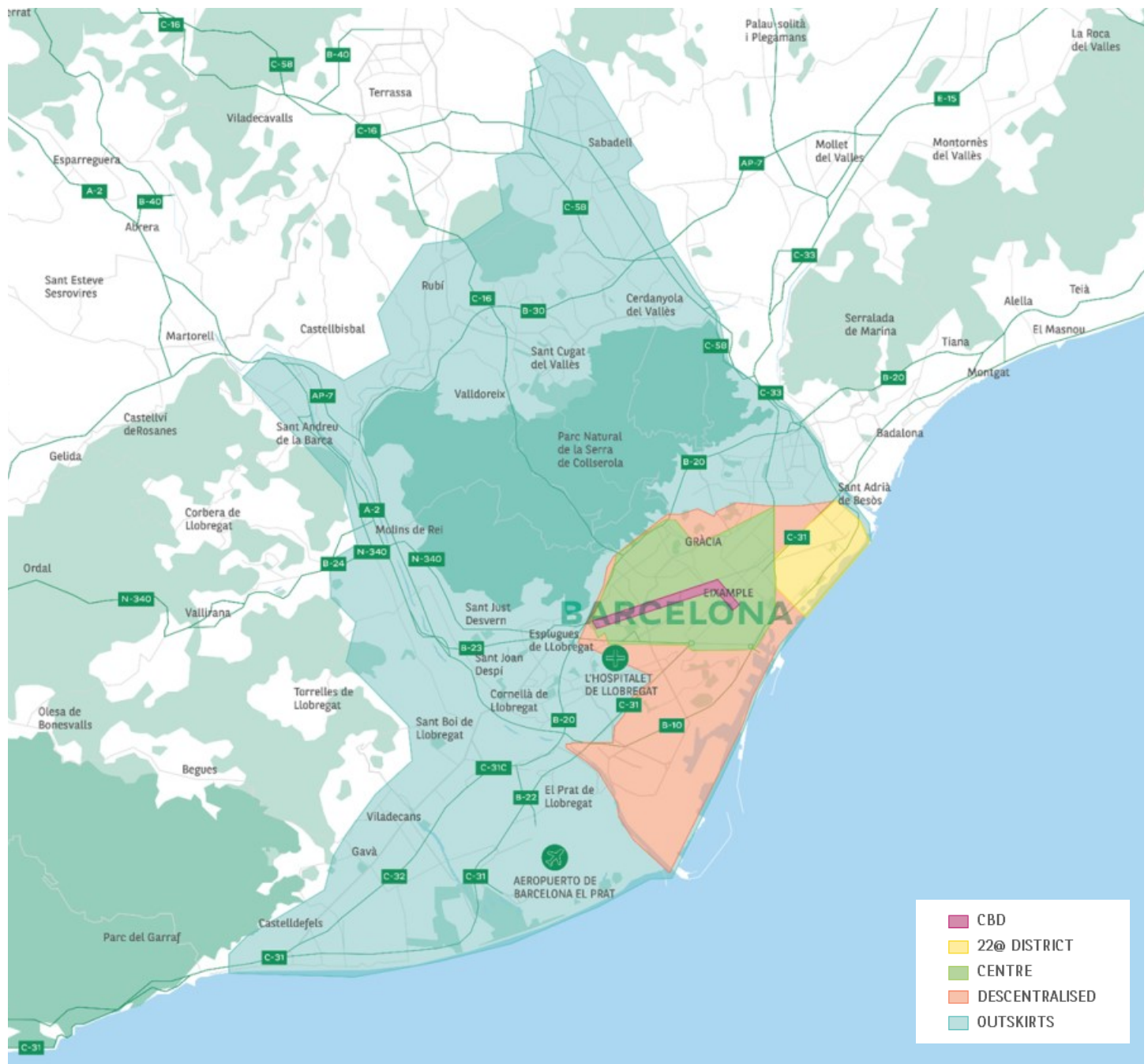
One of the largest deals was the GLOVO transaction in the 22@ district, where it will now occupy 2 buildings of the Mile 22@ business complex covering 30,000 sqm.

TAKE-UP EVOLUTION (sqm)



Nº OF DEALS PER QUARTER





22@ DISTRICT RESUMES ITS POSITION AS THE MOST ATTRACTIVE MARKET FOR TENANTS

The 22@ district continues to stand out from the rest, accounting for **59%** of take-up volume during the quarter, and almost a quarter of deal numbers. Following slowdown in 2020, the city's technology district has recovered its dynamism and demand from major firms. The third quarter witnessed resumption of big deals and the fourth quarter recorded the GLOVO transaction, the biggest of the year, as well as the 4,100 sqm leased by H&M on Calle Pallars.

The **Centre** and **CBD** areas in the city of Barcelona accounted for 26% of take-up during the quarter, with **16%** and **9%** respectively. The Centre had 30 transactions whilst 17 deals were finalised in the CBD: the best figures since 2019.

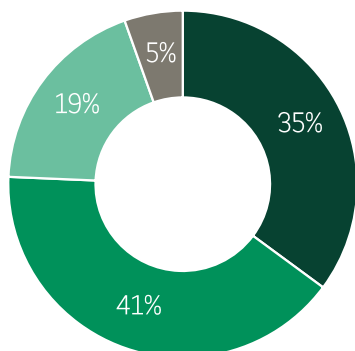
Within the CBD, particular mention should be made of a mini-headquarters leased by a major financial institution, covering nearly 1,895 sqm at the heart of Avenida Diagonal. The CBD

also saw the highest rental agreement signed, above **€26/sqm/month** at the heart of Avenida Diagonal.

The **Decentralised** area maintains the dynamism that it recovered from late 2020 onwards. It accounted **11%** of letting volume. Of particular note was the leasing of a complete building measuring 4,080 sqm in the Plaza Europa area, and the 2,116 sqm leased by a videogame company, also in the vicinity of Plaza Europa / Paseo de la Zona Franca.

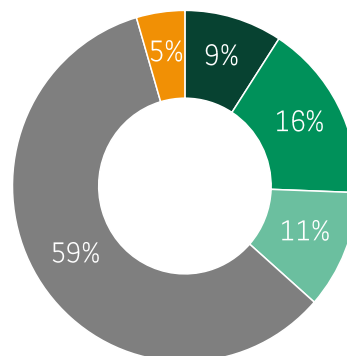
The **Outskirts** area made up **5%** of lettings during the last three months. The Periphery stood out during the pandemic thanks to the cheapness it offered companies looking to reduce costs. Now letting volumes have declined considerably, although market activity continues because of its cost saving potential.

N° OF DEALS PER RANGE OF SURFACE - Q4 2021



■ <300 sqm ■ 301-1,000 sqm ■ 1,001-3,000 sqm ■ >3,000 sqm

TAKE-UP BY ZONE (%) Q4 2021



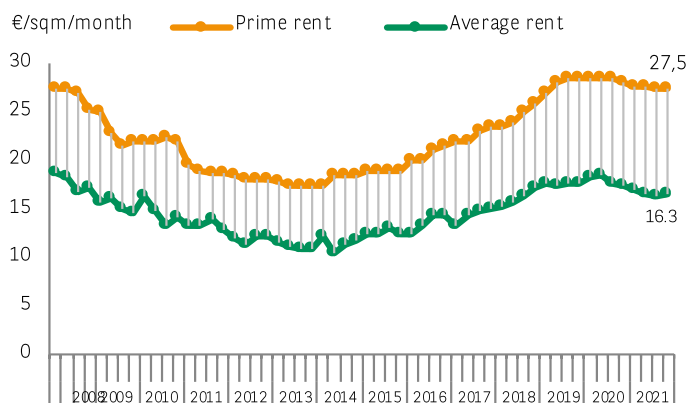
■ CBD ■ Centre ■ Decentralised ■ 22@ ■ Outskirts

AVERAGE RENTS STABILISING ACROSS THE CITY SUBMARKETS

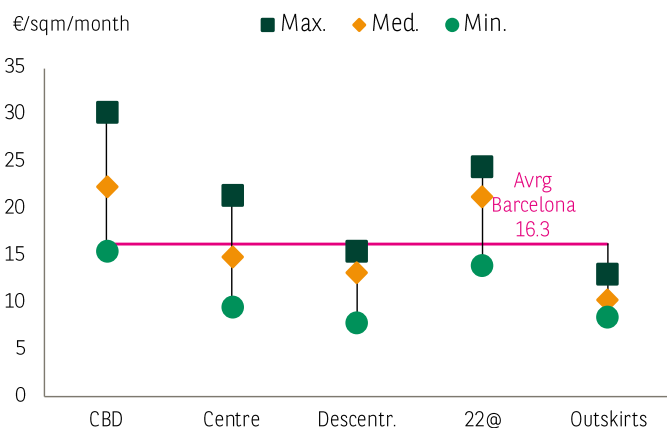
After a year of corrections, the average citywide rent stabilised compared with the previous quarter at **€16.30/sqm/month** in Q4. At the close of 2021 the average rent in Barcelona had **fallen by 6.2%** compared with 2020,

The average rent in each submarket registered a mean increase of nearly 10%, except for the Decentralised area where rents were lower than the previous quarter. In the CBD area, rents had undergone a considerable adjustment in Q3 because the bulk of transactions were for lower quality units due to availability. In Q4, the reverse happened with rents increasing due to the rapid take-up of modern offices that became available. Average rents were above **€22/sqm/month** in the CBD, an increase of 7.2% compared with the previous quarter.

RENT EVOLUTION (€/sqm/month)



MAXIMUM, MINIMUM & AVERAGE RENTS - Q4 2021



The dynamic performance of the 22@ district continues to stand out with increases in both letting volume and rent. Two of the year's biggest transactions took place in this area, with a combined volume of 50,000 sqm in 2021.

The activity meant that 22@ registered an average rent of €21.3/sqm/month, with maximums of €24.5/sqm/month in Torre Glories.

The Decentralised area saw average rents fall compared with the previous quarter because of a 4,080 sqm building rented for less than €12/sqm/month. The average rent is now slightly lower (-0.8%), standing at **€12.6/sqm/month**.

In the Centre and Periphery areas, the average rents were €14.70/sqm/month and €10.50/sqm/month respectively, representing an annual adjustment of 15.9% for the Centre and 3.1% for the Periphery.

The prime rent remained at **€27.5/sqm/month** in Q4, 1.8% lower than 12 months ago.

There were significant transactions concluded in one of the most prime office buildings located at the heart of Avenida Diagonal that set the maximum rent for the quarter.

VACANCY MOVED SLOWLY UPWARD IN THE FOURTH QUARTER

The vacancy rate in Barcelona increased slightly again by 20bps during the last three months of the year. At the close of 2021, availability stood at **8.9%**, out of a total stock of more than six million square metres.

Despite 80% higher take-up levels than in 2020, availability continues to increase because of the space freed up by companies reorganising. The pace of adjustment maybe shifting as the widespread use of home working and subsequent reorganisation by companies settles into new office space needs.

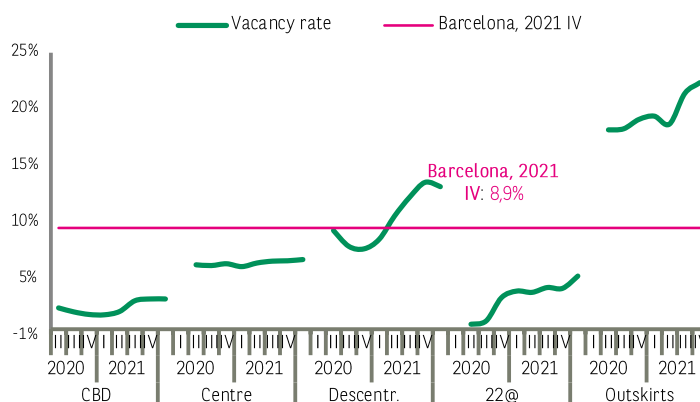
Most submarkets of the Barcelona office market experienced adjustment in vacancy, except in the CBD, where even allowing for several consecutive quarters of expansion, levels remained below 3%.

22@ District saw a slight increase in availability to above 4.5%. This rise is result of the Step Up project owned by Codic joining the marketplace, as well as new availability at the future Everis headquarters, and Sea Towers, the H&M headquarters.

Vacancy increases are strongest in the **Periphery** and **Decentralised** areas. Both saw an adjustment of more than 1%, to levels of **21.9%** and **13%** respectively. In these areas, companies look to attain a more centrally located headquarters with more favourable and flexible conditions, release excess space. Alternatively, they seek to take advantage of market conditions to renegotiating contracts or opt for a new contract with reduced space.



VACANCY RATE EVOLUTION BY ZONE



FUTURE SUPPLY

Property development activity continues to progress even with uncertainties presented by the omicron variant. Owners and investors are still developing new projects, with high-quality technical standards that fulfil current demand requirements.

Three new office complexes in the 22@ district stand out that have a combined area of 43,300 sqm, of which only 32% is currently available. These projects are the Sea Tower (Nova Icaria), Pallars 180 and Pamplona 104 (Codic Building).

PROSPECTS

The prospects for the coming months on the office market in Barcelona and its metropolitan periphery remain positive at the start of 2022.

The macroeconomic prospects for the coming months, and likelihood that the impact of the new omicron variant will be contained, suggest take-up activity seen at the end of the year will roll forward. Letting volumes for 2022 could amount to 340,000 sqm - 360,000 sqm.

| Key Figures | | | | | | |
|---------------------------------|---------|-----------|----------|-----------|-----------|-----------|
| | CBD | Centre | Decentr. | 22@ | Outskirts | Total |
| Stock (sqm) | 897,542 | 2,491,314 | 518,254 | 1,077,835 | 1,093,902 | 6,078,847 |
| Vacancy (sqm) | 24,350 | 154,224 | 65,391 | 53,066 | 239,434 | 536,465 |
| Vacancy rate | 2.7% | 6.2% | 12.6% | 4.9% | 21.9% | 8.9% |
| Take-up Q4 2021 (sqm)* | ↓ 8,612 | ↑ 15,408 | ↑ 10,227 | ↑ 55,324 | ↓ 4,259 | ↑ 93,830 |
| Annual Take-up 2021 (sqm)* | 44,813 | 49,726 | 57,630 | 123,791 | 53,579 | 329,539 |
| Max rent Q4 2021 (€/sqm/month) | 30.3 | 21.5 | 15.5 | 24.5 | 13.0 | - |
| Avg. Rent Q4 2021 (€/sqm/month) | ↓ 22.4 | ↓ 14.8 | ↓ 13.2 | ↑ 21.3 | ↓ 10.3 | ↓ 16.3 |

* Figure analyzed and verified by BNP Paribas Real Estate not including lease renewals

* Arrows denote annual variation



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