At a glance

OFFICES BARCELONA Q1 2016

THE MOMENTUM IN TAKE UP CARRIES OVER FROM 2015

➤ ECONOMIC CLIMATE

During the first quarter of the year, the Spanish economy sustained the momentum of 2015 and achieved estimated GDP growth of 0.7% (according to forward data from the Bank of Spain). Growth is likely to continue. Producer expectations for sales increase are indicated in the purchasing manager’s index (PMI) growth for the first quarter of 2016. This is backed up by private sector spending (both from households and businesses), better access to credit and increases in employment. With the latter the government recorded an increase of 138,000 new jobs in the period from January to March. Once seasonal effects are discounted, this figure adjusts to 53,000 employees, 93% of whom belong to the service sector. The growth in business activity and employment are unaffected by the climate of uncertainty.

➤ CONTINUING STRONG PERFORMANCE IN TAKE-UP

The take-up of office floor space during the first quarter of the year amounted to 63,200 m². Activity remained strong in gross take-up, at levels of one year ago when 66,330 m² were transacted. There was considerable imbalance in quarterly take-up between the four zones of the city. Around 71% of the floor area transacted was located in the central zones, whereas only 12.5% was found on the periphery. This distribution was created by companies faced with the prospect of rapid growth in rents, choosing to locate in the centre of Barcelona. The average size of contract also increased from the 500 m² seen over the last two years, to 650 m² during the first three months of 2016. In contrast, the average area transacted in the decentralised zones fell from 1,400 m², the average seen during 2014 and 2015, to 600 m² in Q1 2016.

➤ ENERGETIC ACTIVITY IN CONTRACT CLOSURE

The growth in the number of contracts is an indicator of the vigour of the office market in Barcelona. A total of 100 transactions were closed between January and March of this year, in line with the average for the last four quarters. It is important to point out the trend regarding the average number of contracts signed in the period 2007-2014, when this amounted to between 55 and 75 transactions per quarter. Few deals are massive in size: only 2 of the 100 deals struck amounted to more than 3,000 m². This reflects the intensity of business activity, capable of achieving healthy take-up without the need for major deals.
**VACANCY RATE REMAINS STEADY**

The available floor space fell in the central zones, but increased in the periphery especially in zones such as Cornellá de Llobregat and El Prat. This has led to the vacancy rate in the city of Barcelona remaining steady at 13%. Practically at a standstill over the last 5 years, construction projects are beginning to reappear. It is anticipated that 50,700 m² of office space will be delivered in 2016, originating from both new build and refurbishment. Almost 20,000 m² corresponds to the new building which Iberdrola is constructing in the Zona Franca. BNP Paribas Real Estate anticipates that developers will gradually begin work on new offices in 2016, for delivery in 2017-2018.

**THE STRENGTH OF MARKET ACTIVITY PUSHES RENTS UPWARDS**

Having remained at €19 /m²/month throughout 2015, prime rent reached €20 /m²/month in March 2016, due to the lack of quality space on offer. The average rent rose in the central zones of the city: the CBD has seen the greatest increase in average rent, amounting to €1.50 on average per square metre per month. Prices remain steady on the periphery. As a whole, the average rent in Barcelona remains at levels similar to one year ago and improving in comparison with the last quarter of 2015.

**OUTLOOK**

The economic outlook points towards GDP reaching 2.6% for 2016 which will help underpin occupier expansion plans. The lack of availability of office space in the central zone will push rents upwards in new contracts over the coming months. Given the increase in employment which will occur in the region, it is anticipated that the trend will increasingly be focused on greater floor areas, such as those of Plaza Europa, 22@ and the area of San Cugat del Vallés. It is expected that the annual take-up of office floor space will amount to 360,000 m².

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**Key indicators for the first quarter of 2016**

<table>
<thead>
<tr>
<th>Stock (m²)</th>
<th>CBD</th>
<th>Centre</th>
<th>Decentr.</th>
<th>Outskirts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>874,600</td>
<td>2,479,300</td>
<td>1,197,700</td>
<td>1,092,100</td>
<td>5,643,700</td>
<td></td>
</tr>
<tr>
<td>Vacancy (m²)</td>
<td>38,400</td>
<td>220,600</td>
<td>196,700</td>
<td>291,600</td>
<td>747,300</td>
</tr>
<tr>
<td>Vacuum rate</td>
<td>4.4%</td>
<td>8.9%</td>
<td>16.4%</td>
<td>26.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Take-up Q1 2016 (m²)*</td>
<td>7,300</td>
<td>37,200</td>
<td>10,800</td>
<td>7,800</td>
<td>63,100</td>
</tr>
<tr>
<td>Max. rent Q1 (€/m²/year)</td>
<td>240.0</td>
<td>225.6</td>
<td>20.0</td>
<td></td>
<td>150.0</td>
</tr>
<tr>
<td>Avg. rent Q1 (€/m²/year)</td>
<td>214.1</td>
<td>137.3</td>
<td>139.6</td>
<td>100.9</td>
<td>148.0</td>
</tr>
<tr>
<td>New deliveries 2016 (m²)**</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deliveries in the pipeline for 2016 (m²)**</td>
<td>0</td>
<td>10,000</td>
<td>40,700</td>
<td>0</td>
<td>50,700</td>
</tr>
<tr>
<td>Deliveries in the pipeline for 2017 (m²)**</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Figure analyzed and verified by BNP Paribas Reals Estate not including lease renewals
** Includes major refurbishments
*** Arrows denote quarterly variation

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