At a glance
OFFICES BARCELONA Q1 2018
NOTABLE TAKE-UP TO START THE YEAR

ECONOMIC CLIMATE
Having passed through a period of political turbulence during the last quarter of 2017 caused by the Catalonia crisis, forward data from the Bank of Spain showed continued expansion in economic activity at the start of the year. The flame that kindled uncertainties in the Catalan region has yet to be extinguished; however, there are signs that its impact on the national economy is limited. Proof of this is that growth of 0.7% is estimated for Gross Domestic Product for the first quarter of 2018, in line with the figure for the last eight quarters. In addition, employment creation continues apace and inflation is showing no sign of becoming worrisome.

RISE IN DEMAND
Gross floor area transacted in the office market of Barcelona and its area of influence reached 85,500 m² in Q1. This exceeds the quarterly average for the last 10 years by 33% (64,445 m²). It is also 5% above the quarterly average for the last three years (2015 – 2017), which has seen the fastest growth in the Barcelona office market.

A total of 84 new contracts were signed during the first three months of the year. This figure is below that of the quarterly average over the last three years (93), but the fewer transactions are for greater floor areas. The main drivers for the take-up of office floorspace consist of expansions and the creation of new businesses.

The requirements for larger floorspace are difficult to meet in the CBD and as such companies have been forced to turn their attention towards areas further out from the urban core. This is becoming commonplace. The three largest deals were for units of over 4000 sqm, in size in the Decentralised zone and the Outskirts. The first was struck in the multi-purpose BCN Fira District complex (6,467 m²) and the other two in El Prat de Llobregat (5,000 m²) and Cornellà de Llobregat (4,863 m²).

District 22@ remains attractive and the fourth most notable deal was signed in this area with Barcelona City Council taking on 3,500 m². In total, around 28% of the floorspace transacted during the first quarter was located in 22@, thus helping this area maintain its prominence. It is anticipated that 22@ will be able to attract greater demand as new office floorspace joins the market.

BOOM IN DEVELOPER ACTIVITY
The vacancy rate continues to slide, the area most impacted by this being the CBD where occupancy has reached almost 100%.

The vacancy rate in the Barcelona market stands at around 10.0% at the close of March and net take-up remained positive for yet another quarter.
Vacancy rate by zones

On the supply side, developer activity is particularly strong. It is anticipated that 177,091 m² will join the market over the coming two years, particularly within District 22@ where some 76% of the projects will be delivered. Due to its attractiveness to tenants, this zone is particularly favourable for developers. Aside from projects which are currently underway, this zone has land available for development over the short and medium term. A significant part of this land already possesses works licences (hence ready to build), although works have yet to commence. If market demand continues the 22@ land bank will become a highly attractive situation for developers and investors.

**PRICES DRIVEN UPWARDS**

The average rent in the Barcelona market continues to trend upwards. Meanwhile, the gap between effective rents and asking rents continues to shrink due to the reduction in incentives accompanying lease agreements.

The prime rent has increased to €24.00/m²/month since closing 2017 at €23.50/m²/month. Behind this performance is the scarcity of available floorspace in the CBD and in quality buildings. At the same time, the letting of new office floorspace joining the market is proving highly successful, thus reinforcing increases in rents.

**OUTLOOK**

It is anticipated that 2018 will close with gross take-up of around 335,000 m². Net take-up will remain positive: however this will not lead to a reduction in available floorspace due to the increase in new deliveries. Rents will continue to trend upwards, particularly prime rents where availability is practically non-existent.

**Key indicators for the fourth quarter 2017**

<table>
<thead>
<tr>
<th></th>
<th>CBD</th>
<th>Centre</th>
<th>Decentr.</th>
<th>Outskirts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock (m²)</td>
<td>874,600</td>
<td>2,479,300</td>
<td>1,197,700</td>
<td>1,092,100</td>
<td>5,643,700</td>
</tr>
<tr>
<td>Vacancy (m²)</td>
<td>27,700</td>
<td>176,400</td>
<td>140,500</td>
<td>227,100</td>
<td>571,700</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>3.2%</td>
<td>7.1%</td>
<td>11.7%</td>
<td>20.8%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Take-up Q4 2017</td>
<td>3,600</td>
<td>15,700</td>
<td>41,200</td>
<td>8,700</td>
<td>69,200</td>
</tr>
<tr>
<td>Year to date take-up (m²)*</td>
<td>19,300</td>
<td>80,700</td>
<td>150,600</td>
<td>53,700</td>
<td>304,300</td>
</tr>
<tr>
<td>Max. rent Q4 (€/m²/month)</td>
<td>23.5</td>
<td>20.0</td>
<td>18.5</td>
<td>12.5</td>
<td>-</td>
</tr>
<tr>
<td>Aavg. rent Q4 (€/m²/month)</td>
<td>18.6</td>
<td>15.0</td>
<td>16.4</td>
<td>10.2</td>
<td>15.1</td>
</tr>
<tr>
<td>Deliveries in Q4 2017(m²)**</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
<td>8,276</td>
<td>28,276</td>
</tr>
<tr>
<td>Deliveries in the pipeline in 2017 (m²)**</td>
<td>-</td>
<td>-</td>
<td>124,140</td>
<td>10,000</td>
<td>134,140</td>
</tr>
<tr>
<td>Deliveries in the pipeline for 2018 (m²)**</td>
<td>-</td>
<td>-</td>
<td>34,860</td>
<td>-</td>
<td>34,860</td>
</tr>
</tbody>
</table>

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

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