At a glance - Q2 2018

BARCELONA OFFICE MARKET

STRONG TAKE-UP DRIVES RENT GROWTH

Spain continues to grow at pace with the economy expanding by 0.6% over the second quarter. The thrust of this growth is mainly domestic demand along with stability in public sector demand. The labour market is also expanding with the unemployment rate falling to 15.28%; a drop of 1.94 percentage points over the past year. The outlook is also bright with growth forecasts at 2.8% for 2018 and 2.5% for 2019.

A highly dynamic Barcelona office market is picking up speed since the beginning of the year. Following a good first quarter, Q2 has seen an even stronger rally with take-up of 114,556 sqm resulting in 200,043 sqm for the first six months as a whole. This is an increase of 1.7% over the same period in 2017, making it the best six months in the last nine years.

The largest deals have again been struck in the Decentralised zone and Outskirts due to the lack of available floorspace in the city centre. The Decentralised zone has seen 43% of the deals struck this quarter, the signature for 9,026 sqm on the part of CCC Holding being particularly noteworthy. Around 31% of the office floorspace taken up was on the Outskirts, including 11,314 sqm by technology consultancy Indra in Sant Joan Despí, which was the largest transaction. The largest volume deals seen during the quarter occurred in Sant Joan Despí and 22@, the latter taking 20% of all leasing contracts making it the growing area most attractive to users.

The trend in rents continues to point upwards reaching an average of €15.70/sqm/month. This represents an increase of 9% compared to the same quarter in 2017. This is general growth, as performance differs across the various zones of the city. This is most obvious in the CBD with its tiny vacancy. Here the result is average rental growth of 30.3% between Q2 2017 and Q2 2018, reaching €21.70/sqm/month. With a vacancy rate of just 3.1%, new tenants in the CBD find themselves with reduced degree of bargaining power. In contrast, the Central Zone and Outskirts show less intensity in rent increases due more choice. The prime rent continues to creep steadily upwards and currently stands at €24/sqm/month (from the €23.50/sqm/month seen during the previous quarter).

Vacant floorspace continues to fall in Barcelona and the second quarter closed with a vacancy rate of 9.6% (from the 10.0% seen one year ago). Nevertheless, good demand and the favourable economic outlook are triggering property development activity in Barcelona. The second quarter has seen the delivery of some 26,200 sqm spread between three projects, all of which are located in the zone of 22@. These consist of the delivery of 17,000 sqm on the street Calle Tanger, let to Amazon, WeWork (4,200 sqm) and 5,000 sqm by the accommodation firm Airbnb. Alongside the developments in the Zona Franca, 22@ is pitching itself as the centre for new developments and it is anticipated that around 188,000 sqm of office floorspace in various developments will reach the market over the coming nine months.

Investor activity recorded in the office market has been very limited as a consequence of the scarcity of product. Among the most significant deals struck during this last quarter is the recent transaction for the head office of Mediapro in 22@, for 94 million Euros. The prime yield for the Barcelona market stood at around 3.50% at the close of the second quarter, some specific deals possibly being closed at levels below this.

The strong performance of office take-up will continue throughout the second half of the year. Average rental prices will also grow with performance differences depending on zone. It is expected that the strength of the national and regional economy will be mirrored in dynamic business activity in Barcelona and that the creation of new firms will continue.
AT A GLANCE - BARCELONA OFFICE MARKET - JULY 2018

OFFICE TAKE-UP EVOLUTION

Take-up (sqm)

Q1  | Q2  | Q3  | Q4  | Vacancy rate (%) | GDP var. (%)


Take-up average

Q2 2018

Take-up 114,566 m²

DEALS BY SIZE

NUMBER OF DEALS EVOLUTION

VACANCY RATE

Vacancy rate (%)  Barcelona, Q2 2018

Q2 2018

Vacancy Rate 9.6%

Barcelona, Q2 2018: 9.6%
AT A GLANCE - BARCELONA OFFICE MARKET - JULY 2018

RENTS EVOLUTION

€/sqm/month

Max. • Avrg. • Min.

CBD Centre Decentralised Outskirts

Barcelona’s Average 15.7

€/m²/month

Prime rent • Average rent


YIELD EVOLUTION

Office Logistic 10-year bond (IRR) EURIBOR (12 months) Retail High Street


YIELD PRIME

Office 3.50%
Logistic 5.85%
High Street 3.0%

Key figures

<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>873,242</td>
<td>2,475,314</td>
<td>1,263,587</td>
<td>1,090,402</td>
<td>5,702,545</td>
</tr>
<tr>
<td>Vacancy (m²)</td>
<td>27,000</td>
<td>173,300</td>
<td>124,300</td>
<td>225,300</td>
<td>549,900</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>3.1%</td>
<td>7.0%</td>
<td>9.8%</td>
<td>20.7%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Take-up Q2 2018 (m²)*</td>
<td>3,300</td>
<td>26,100</td>
<td>49,400</td>
<td>35,800</td>
<td>114,600</td>
</tr>
<tr>
<td>Max. rent Q2 (€/m²/month)</td>
<td>24.0</td>
<td>23.0</td>
<td>23.0</td>
<td>22.0</td>
<td>-</td>
</tr>
<tr>
<td>Avrg. rent Q2 (€/m²/month)</td>
<td>21.7</td>
<td>14.6</td>
<td>15.3</td>
<td>11.3</td>
<td>15.7</td>
</tr>
<tr>
<td>Deliveries in Q2 2018(m²)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26,200</td>
<td>-</td>
</tr>
<tr>
<td>Deliveries in the pipeline in 2018 (m²)**</td>
<td>-</td>
<td>-</td>
<td>177,390</td>
<td>10,564</td>
<td>187,954</td>
</tr>
<tr>
<td>Deliveries in the pipeline for 2019 (m²)**</td>
<td>-</td>
<td>-</td>
<td>78,961</td>
<td>-</td>
<td>78,961</td>
</tr>
</tbody>
</table>

* Figure analyzed and verified by BNP Paribas Reals Estate not including lease renewals
** Includes major refurbishments
*** Arrows denote annual variation
6 BUSINESS LINES
in Europe
A 360° vision

CONTACTS

Ilan Dalva
Head of Office
Tel: +34 914 549 900
ilan.Dalva@bnpparibas.com

David Alonso Fadrique
Head of Research
Tel.: +34 914 549 900
david.alonso-fadrique@realestate.bnpparibas

Daniela Capote
Research Analyst
Tel.: +34 914 549 900
daniela.capote@bnpparibas.com

Leopoldo Guzmán
Research Analyst
Tel.: +34 914 549 900
leopoldo.guzman@bnpparibas.com

PROPERTY DEVELOPMENT | TRANSACTION | CONSULTING | VALUATION | PROPERTY MANAGEMENT | INVESTMENT MANAGEMENT

BNP PARIBAS
REAL ESTATE

Real Estate for a changing world