At a glance - Q4 2018

BARCELONA OFFICE MARKET

PRIME RENT IN BARCELONA REACHES €26/SQM/MONTH

The When official figures are published, it is likely that quarterly growth of the Spanish economy will be hovering between 0.7% and 0.8% above the average for the year as a whole (0.6%). This will give annual growth of around 2.6% for 2018, making Spain one of the fastest-growing countries in the EU. Following a number of years of strong growth of around 3%, the Spanish economy will expand at a slower pace in 2019 (2.2%), though more vigorously in comparison with the major European economies.

The take-up of office floorspace reached 73,282 sqm during the last quarter of the year, representing an increase of 6% over Q4 2017. The Barcelona office market had a great year, with annual take-up exceeding 2017 by more than 50,000 sqm, an increase of 16%. In total, 354,448 sqm of office floorspace was transacted in 2018, the second-best figure in the last ten years and only surpassed by 2015, when 388,000 sqm were transacted.

The floor area transacted during the fourth quarter was spread evenly across market zones. As has become commonplace, take-up in district 22@ represented 40% of the activity for the quarter, with close to 30,000 sqm let. Due to the importance that this zone has acquired in recent years, in BNP Paribas we will henceforth treat it as an independent area as of the first quarter of 2019. In second place we find the Outskirts, with 15,400 sqm that represents 21% of take-up for the quarter.

In terms of the number of deals, the fourth quarter closed with a total of 83 transactions, above the average for the last ten years (71 deals). The area with the greatest number of deals is 22@, with 25% of the total, confirming the desirability of this area for occupiers.

A total of 329 deals were signed in 2018 which represents a fall of 3.7% in comparison with the previous year, although remains 15% above the yearly average for the last ten years. It is also necessary to bear in mind the number of deals being struck in large business centres such as WeWork, Spaces and Utopic_us. These are effectively subleases that do not figure in conventional take-up figures and yet are attracting small and large businesses to the regional capital.

The most notable deals during the fourth quarter of the year include the delivery firm Glovo, which has taken a lease on 5,000 sqm in 22@; the 4,700 sqm in the CBD for the business centre WeWork and the signature on 3,560 sqm by the transport services firm Moventia, in San Cugat del Vallés. It is worth mentioning that among the five largest deals, two consist of transactions for co-working centres. These add up to almost 8,000 sqm (over 10% of the quarterly takeup volume).

The prime rent in the city of Barcelona climbed to €26 /sqm/month, driven by the renovation of stock that is taking place. This represents an increase in prime rent of 10.6% in comparison with the same quarter in 2017. Rents for office buildings continue to grow with the improvement in the quality of the stock and the low levels of availability. For the most exclusive buildings on Diagonal, the asking rent is now reaching €30/sqm/month. The average rent during the fourth quarter in Barcelona stood at around €17.30/sqm/month, representing an annual increase of 14.7%. In district 22@, the average rent stands at €23/sqm/month, 18% above the figure for the last quarter of 2017, whereas in prime buildings deals are being struck with rents above €26/sqm/month.

A total of 53,200 sqm of new office floorspace was delivered during the fourth quarter, although almost all of this space was handed over as pre-let stock. 2019 will see the delivery of around 130,000 sqm of new office floorspace in Barcelona, of which around 100,000 sqm will be located in 22@. Available office floorspace in Barcelona continues to diminish; the vacancy rate now stands at 8.8% and 2.3% in the CBD.
AT A GLANCE - MADRID OFFICE MARKET — Q4 2018

OFFICE TAKE UP EVOLUTION

Take-up in 2018: 354,488 sqm

transactions by size

number of deals evolution

vacancy rate (%)

Vacancy rate (8.9%)

Barcelona, Q4 2018:

2017 2018

CBD Centre Descentr. Outskirts

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AT A GLANCE - MADRID OFFICE MARKET - Q4 2018

RENTS EVOLUTION

€/sqm/month

Max. • Med. • Min.

CBD Centre Des centr. Outskirts

Media Barcelona 17.3

YIELD EVOLUTION

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

PRIME YIELDS

Office 3.50%
Logistics 5.30%
High Street 3.00%

Key figures

<table>
<thead>
<tr>
<th></th>
<th>CBD</th>
<th>Centre</th>
<th>Decentr.</th>
<th>Outskirts</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Stock (m²)</td>
<td>873,242</td>
<td>2,475,314</td>
<td>1,289,787</td>
<td>1,090,402</td>
<td>5,728,745</td>
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<tr>
<td>Vacancy (m²)</td>
<td>20,423</td>
<td>170,878</td>
<td>103,280</td>
<td>226,238</td>
<td>511,647</td>
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<tr>
<td>Vacancy rate</td>
<td>2.3%</td>
<td>6.9%</td>
<td>8.0%</td>
<td>20.7%</td>
<td>8.9%</td>
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<tr>
<td>Take-up Q4 2018 (m³)*</td>
<td>↑14,600</td>
<td>↓8,100</td>
<td>↑35,200</td>
<td>↑15,400</td>
<td>↑73,300</td>
</tr>
<tr>
<td>Year to date take-up (m³)*</td>
<td>↑22,500</td>
<td>61,200</td>
<td>170,800</td>
<td>87,800</td>
<td>354,500</td>
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<tr>
<td>Max. rent Q4 (€/m²/month)</td>
<td>28.0</td>
<td>26.0</td>
<td>26.0</td>
<td>11.2</td>
<td>-</td>
</tr>
<tr>
<td>Avrg. rent Q4 (€/m²/month)</td>
<td>↑21.9</td>
<td>↑17.1</td>
<td>↑19.5</td>
<td>↑10.6</td>
<td>↑17.3</td>
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<tr>
<td>Deliveries in Q4 2018(m³)**</td>
<td>7,650</td>
<td>-</td>
<td>42,000</td>
<td>3,550</td>
<td>53,200</td>
</tr>
</tbody>
</table>

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