El inmobiliario para un mundo en evolución
EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

The structure of 22@

22@: The alternative Prime of Barcelona

22@ Capturing large scale demands

Flexible offices: Co-working

Upward trend in rents

Construction in full swing

Solid confidence from developers and funds

Investment Market

22@ IN FIGURES

46% ↑

INCREASE IN TAKE-UP IN 22@

22@ is the office sub-market most sought-after by businesses seeking a home for their head offices in Barcelona.

EXECUTIVE SUMMARY

31% ↑

AVERAGE SURFACE DEMANDED VS. 2017

22@ ATTRACTS DEMANDS FOR LARGE FLOORSPACE

The average size of deals signed in 22@ has increased substantially in recent years.

EXECUTIVE SUMMARY

8% ↑

RENTS TRENDING UPWARDS

Mismatch between supply and occupier requirements is pushing rents up.

EXECUTIVE SUMMARY

36% ↑

OF TOTAL INVESTMENT IN CATALONIA HAS BEEN IN 22@

22@ attracts both national and international investors, raising the volume of investment in office assets.

EXECUTIVE SUMMARY

4.25% ↑

Prime yield 22@ Q4 2018

With a dynamic occupier market and a sliding vacancy rate, competition is seeing yields go down.

EXECUTIVE SUMMARY

33,200 sqm ↑

DEVELOPER CONFIDENCE IN 22@

Delivered in 2018 (approx.)

Over the coming three years, it is anticipated that new speculative projects will enter the market, improving the quality of the office stock.

EXECUTIVE SUMMARY

€1,500–€1,600/sqm ↑

LAND DEMAND AND UPWARD TREND IN PRICES

High activity in the demand for land and prices new developments in the lower part of Diagonal within district 22@.

EXECUTIVE SUMMARY

31% ↑

IN RENTS VS. 2017

RENTS TRENDING UPWARDS

Mismatch between supply and occupier requirements is pushing rents up.

EXECUTIVE SUMMARY

33% ↑

INVESTMENT MARKET

22@ is the office sub-market most sought-after by businesses seeking a home for their head offices in Barcelona.
Barcelona is a pioneer in its transformation into a knowledge city. At the heart of this is the district 22@ project, undertaken 10 years ago to create a science park, bringing together many innovative, creative businesses belonging to the new economy.

The district was born out of an initiative to transform the industrial land in the Poblenou area into a digital city, housing offices focused primarily on intensive, knowledge-based activities. This led to the creation of a new model of compact city where innovative companies coexist with universities, technology research and training centres, industrial buildings and green spaces.

District 22@ is currently the most dynamic, sought-after office district in the city. A series of urban transformations provide technology to users who decide to locate here, in addition to creating space that fosters productivity and innovation in the new businesses.

**The Structure of 22@**

Barcelona is a pioneer in its transformation into a knowledge city. At the heart of this is the district 22@ project, undertaken 10 years ago to create a science park, bringing together many innovative, creative businesses belonging to the new economy.

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District 22@ is currently the most dynamic, sought-after office district in the city. A series of urban transformations provide technology to users who decide to locate here, in addition to creating space that fosters productivity and innovation in the new businesses.
**22@: THE ALTERNATIVE PRIME OF BARCELONA**

22@ is growing due to the demand for offices and due to its social transformation. Urban development from developer activity is transforming the area.

**TAKE-UP VS 2017**

DURING 2018, A NUMBER OF THE LARGEST DEALS were signed in this zone. From among these, particularly notable was the signature on a 25,000 sqm turnkey project at no.5 Carrer Badajoz by the consultancy Everis. This transaction is the largest ever recorded in the Barcelona office market, with the exception of the 37,200 sqm signed by the Catalonia Regional Government in 2015. During the second quarter of this year, Competence Call Center (CCC Holding) leased 9,026 sqm in the iconic Glories Tower to open a new content control centre for the social network Facebook. Additionally, last August saw Criteo, a multinational specialising in digital marketing, relocate its offices from the Mapfre Tower to a 8,500 sqm building at number 177-185 on Carrer Almogàvres, at the very heart of the district’s golden mile. It is important to point out the leasing of 5,097 sqm by the well-known distribution company, Globo. This was the largest transaction during the final quarter of the year.

**TAKE-UP EVOLUTION**

22@ IS PLAYING AN EVER GREATER ROLE IN THE TAKE-UP OF OFFICE FLOORSPACE IN BARCELONA. It is currently the office market most sought-after by businesses seeking to locate their head office in Barcelona. With 27,638 sqm of take-up in Q4 2018, it represents around 40% of quarterly take-up for Barcelona. For 2018, approximately 141,590 sqm of transactions took place, equating to 66 deals. Lettings volume is 40% higher than the same figure for 2017, a year that broke the 10 year record for take-up.

MAJOR MARKET ENTRIES HAVE TAKEN PLACE IN 22@ with a variety of businesses with different backgrounds opting for the district. At concept, pure technology businesses were envisaged for the area. As the area evolved the tenant pattern remoulded to the extent that 22@ established itself as one of the major financial districts and an area with the best prospects for general tenant demand in the city.

**CONCENTRATION OF DEALS IN BARCELONA (2017-2018)**

22@ is playing an ever greater role in the take-up of office floor space in Barcelona. It is currently the office market most sought-after by businesses seeking to locate their head office in Barcelona. With 27,638 sqm of take-up in Q4 2018, it represents around 40% of quarterly take-up for Barcelona. For 2018, approximately 141,590 sqm of transactions took place, equating to 66 deals. Lettings volume is 40% higher than the same figure for 2017, a year that broke the 10 year record for take-up.

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**TAKE-UP EVOLUTION**

22@ is growing due to the demand for offices and due to its social transformation. Urban development from developer activity is transforming the area.
With the difficulties faced by businesses locating in Barcelona city centre, created by the lack of large enough floorspace available in single properties, the relentless growth of 22@ is concentrating leasing of large floorspace. This is leading to the average size of deals increasing substantially. The average floorspace in 22@ increased by 27% in 2018 in comparison with the previous year, reaching levels exceeding 2,000 sqm.

During 2017, over 30% of deals above 2,000 sqm in Barcelona were struck in 22@, whereas in 2016 these amounted to 25% of all transactions. The market share for these size of deals increased again in 2018, representing around 40% of the total deals for the city of Barcelona. 22@ recorded 10 transactions over 3,000 sqm, which reflects the modernity of the buildings of offer plus the the surroundings.

The floor space range most sought-after in 22@ hovered between 300 and 1,000 sqm during the past year, in line with the average for the remainder of the city of Barcelona. A transactional volume in this range was 11,865 sqm (38% of the total) in 19 deals. The floor area range between 1,001 sqm and 3,000 sqm represented 16 transactions or 32% of the total. No significant demand is noted for floor areas below 300 sqm. The requirements for small office space are soaked up by the most central zones of the city. It is important to point out the trend over the last two years in this zone towards deals exceeding 3,000 m², 10 transactions having been carried out in 2018. This reaffirms the interest of businesses in the quality of properties and surroundings offered by 22@.

**Take-up by Floor Area Range in 22@**

- Less than 300 sqm: 10%
- 301-1,000 sqm: 32%
- 1,001-2,000 sqm: 38%
- More than 2,000 sqm: 20%

**Number of Deals >2,000 sqm**

- 22@: 60%
- Rest of Barcelona: 40%

Source: BNP Paribas Real Estate Spain
FLEXIBLE OFFICES: CO-WORKING

Barcelona’s eagerness to be a little smarter every day means that it leads Spain in terms of creativity and innovation and no Smart City could be without extensive development of flexible offices in their various forms, from shared to co-working space. This type of space has proliferated over the last three years, particularly in the 22@ technology district, through involvement of major international firms and local operators.

IN 2018, MORE THAN HALF OF THE FLEXIBLE LEASE DEALS OCCURRED IN 22@, reaching a figure of 16,604 sqm. This represents an increase of 33% over 2017. In addition, the deals signed in 22@ represent almost half of the take-up recorded in 2018 for the city of Barcelona.

THE FLEXIBLE OFFICE BUSINESS MODEL FITS PERFECTLY WITH THE GUIDING PHILOSOPHY OF THIS DISTRICT. They show a high degree of interest in sustainable, spacious buildings with modern, efficient styling that are digitally enabled. The accumulation of flexible space in 22@ is leading some operators to opt for more central areas of the city, such as Plaza Catalonia and La Rambla, attracted by their fantastic location and more competitive rents. Nevertheless, it is important to bear in mind that few buildings in the centre are able to meet the standards sought by flexible operators.

FOR FLEXIBLE SPACE OPERATORS, THE SIZE OF REQUIREMENTS PROVES A CHALLENGE in areas outside 22@ if floorspace needs exceed 3,000 sqm. 22@ is able to absorb large requirements and as a result, the average size of flexible space deals increased in 2018 reaching 2,600 sqm in Barcelona and 2,400 sqm in 22@. Worthy of note is the signature on 3,277 sqm by WeWork to Emesa in the ‘The Corner’ building, located at no.444, Diagonal. This type of supply is very scattered across the city and is helping to drive the development of new space. An example of this is the project being developed by the Praedium group, in which 40 million Euros will be invested in the development of a 30,000 sqm building designed to house a co-working centre for this district.

Flexible office projects are mainly interested in 22@ and location in high-quality buildings with a focus on design takes precedence over more central locations.

Source: BNP Paribas Real Estate Spain
The dynamism of the demand is absorbing the new deliveries, not increasing the vacancy rate and as a consequence not pressing the rents upwards.

The trend in rents in district 22@ continues to point upwards, this being true for Barcelona as a whole. Analysis of contract closures in 22@, shows that there is greater scattering of prices than in other markets within Barcelona. Rental variation is explained by the lack of homogeneity in product within the district where buildings of varying quality coexist. Offices of medium-low quality frequency are found standing alongside prime buildings with Leed or Breeam certifications. There is a strong concentration of high-quality sustainable buildings in the zone with Leed Gold certificates. Notable among these buildings is the HP building at no.66 Carrer Tánger, with a Leed Platinum certificate. The Luxa building complex, where the he law firm Cuatrecasas plus Amazon and WeWork are located, is a gold building, as is the iconic Glories Tower, a symbol of this district.

The interest of landlords in achieving environmental certification for their buildings is created by their clients, who include quality and sustainability specifications in their property requirements. This interaction brings about an increase in quality certifications and, as a consequence, there will continue to be significant variation in rental prices until the stock of 22@ is completely replaced.

The average rent in 2018 stands at €16.70 /sqm/month, representing an increase of 8% in comparison with the previous year. The strong take-up in 22@ since the beginning of the year means that, in many cases, rents exceed those of the CBD. The highest rents in 22@ at the close of year reached the same level as the prime rent of the CBD, both amounting to €26 /sqm/month. This is unsurprising as district 22@ represents the natural alternative to Barcelona’s CBD and the quality of some of the buildings justifies rental parity.

Despite new deliveries scheduled for the coming 24 months, no downward impact on prices is expected. The dynamism of demand means that newly built offices are easily being absorbed and the vacancy rate is not rising. As a result, the upward pressure on prices will not diminish.

Vacant floorspace in 22@ stands at around 35,900 sqm at the close of 2018. This translates into a vacancy rate of 4.3%, falling from the 13% seen at the close of 2017.

The maximum rents in 22@ are at the levels of prime rent. This is unsurprising bearing in mind that district 22@ represents the alternative to Barcelona’s CBD.

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22@ ATTRACTION A SIGNIFICANT SHARE OF THE DEMAND FOR OFFICES IN BARCELONA AND AS A CONSEQUENCE, THE SUPPLY IS RESPONDING TO THIS INCREASE IN DEMAND. A high proportion of developer activity is being pursued in 22@. Construction reactivated in 2015 initially by focusing on turnkey projects with limited risk. With stronger market recovery, construction companies are now assuming greater risk. Developers and investment funds are particularly confident that take-up will remain solid in district 22@. As a demonstration of this, it is expected that around 273,500 sqm of office floorspace will enter the market over the coming three years with no tenant agreed.

AROUND 33,200 SQM OF OFFICE FLOORSPACE HAS BEEN DELIVERED IN 22@ DURING 2018. The second quarter saw the delivery of the Luxa Silver building (17,047 sqm), where Amazon has established its head office for the coming 15 years. The acquisition of this building by Catalana Occidente last year represented the largest deal signed in Barcelona over the past decade. On the same street (no. 66, Carrer Tànger) 8,438 sqm were delivered and occupied by the US technology firm HP. During this last quarter, some 4,200 sqm were delivered (belonging to the Luxa complex) and occupied by the co-working firm WeWork, along with 3,500 sqm signed by the advertising agency McCann.

IN CONTRAST TO THE CBD, DISTRICT 22@ HAS SUFFICIENT LAND TO CONTINUE INCREASING THE OFFICE STOCK. In addition to ready-to-build plots and sites under management, there is still potential for offices on sites occupied today by industrial units and vacant buildings.
Solid confidence of investors and funds

Supply scarcity is generating significant activity in land acquisition for new developments. In 22@ acquisitions of this nature were focused on the area below diagonal. Particularly noteworthy is the acquisition of a site by the developer La llave de Oro for 22 million Euros from Metrovacesa, with the intention of developing and letting to a sole tenant. La Caixa has also taken an interest in land in this zone. Through its property subsidiary Inmo Criteria, it is negotiating the acquisition of land at the crossroads of Carrer Ávila and Badajoz for an office project of 27,000 sqm split into two buildings. In principle, this deal could represent a price of around €1,250/sqm.

Intensification of demand is having a direct impact on the price of land. Land prices have increased by approximately 20% over the last six months. In more prime locations within 22@, investors determine the land acquisition price using future market rents of between €20 and €22/sqm/month. There is variation in land prices on the two sides of Diagonal. In more prime locations, land acquisitions for average prices in the €1,500-€1,600/sqm bracket occur, particularly close to the neighbourhood of the Plaza de Glories square (below diagonal), where vacant land is waning due to insatiable demand. Investors and developers are expanding their spheres of interest as a result of the new requirements of the market. They are looking for opportunities in secondary zones on the other side of Diagonal (upper Diagonal), where land prices are 30%-40% lower. This is due to surroundings that are more residential in nature.

There is great diversity in buyers of land. Acquisitions are led by investors from across the risk spectrum. Consequently we see deals going forward from those with a value-add strategy from both national and international funds. We also see deals from investors with a core and core plus strategy such as insurance firms.

Plan of future supply

Investment funds and property developers are committing to areas of new development within 22@, where they are buying land to create office buildings.

Future supply in assets with confirmed delivery date

Rent expectations for new projects

Average land price in prime locations in 22@

20% in land prices over the last 6 months

Vacancy rate at Q4 2018
Regarding the behavior of the yields of the area, it is observed how due to the shortage of product and the strong buying pressure, yields in 22@ are compressing. Of the deals in Q4 2018 were struck in 22@.

**INVESTMENT MARKET**

**District 22@** is locked in the sights of investors. With a dynamic occupier market and a falling vacancy rate, the risk of vacant building is on the decline. This attracts both national and international investors, increasing the investment volume in office assets. Investment in the Barcelona office market during 2018 reached 695 million Euros, of which 36% of the deals took place in 22@.

**The second most important transaction of 2018 was signed in 22@.** During the second quarter of the year, the US fund Hines acquired the Imagina building for 90 million Euros. The head offices of Mediaprox are located here, at no.177, Avinguda Diagonal. In addition to the acquisition of the WIP building (housing the head offices of the co-working firm WeWork) for 20 million Euros, Catalana Occidente has acquired 50% of the building being built by the family construction firm Barcelona de Inmuebles for 24.5 million Euros.

IN ADDITION TO LAND DEALS AND NEW OFFICE PROJECTS, ACQUISITIONS OF DISUSED FORMER INDUSTRIAL BUILDINGS CONTINUE TO BE SEEN. One of the final deals closed in 2018 was the acquisition of an industrial building led by a Luxembourg-based fund. The building, located on Carrer de l’Agricultura, occupies 2,700 sqm and the new owner intends to refurbish this.

**Of the transactions during this last quarter, three out of seven were executed in 22@.** In December, the investment fund Metrópolis invested 50 million Euros in an office building under construction by the family-owned real estate firm Britilen. One month previously, the Universitat Oberta de Catalunya (UOC) acquired an office complex at Can Jaumandreu for a total of 30.6 million Euros. The Can Jaumandreu complex has a floor area of 12,284 sqm and is built around a former industrial unit.

Scarcity of product and strong pressure from buyers is resulting in yield compression in the zone. The prime yield in 22@ stands at 4.25%, having fallen 50 basis points over the last 12 months.

**Outlook**

In Q4 2018, 40% of the deals were struck in 22@.

**At BNP Paribas Real Estate** we anticipate that the high level of office sector activity in Barcelona, and in particular in 22@, new floorspace will be absorbed as it is delivered to the market.

With a declining vacancy rate rental prices will maintain their upward trend, reaching all-time highs.

**The capacity of demand** to occupy the new supply of properties in 22@ will mean that the vacancy rate will not undergo increases.

**Office demand is widespread across Barcelona.** Even though users and investors concentrate searches on 22@, the dynamism of the Barcelona office market means that the strength of office take-up in the rest of the city and its metropolitan ring will be maintained.

**There are other zones** positioning themselves as alternatives to 22@. This is the case with the consolidation of the area of Plaza Europa and the Paseo de la Zona Franca boulevard.
ECONOMIC CLIMATE SPAIN

2.4% GDP CHANGE, Q4 2018
1.0% CPI CHANGE, Q4 2018
2.10% UNEMPLOYMENT RATE Q4 2018
-0.129% EURIBOR DEC 2018

REAL ESTATE INDICATORS BARCELONA: 22@

OFFICE INVESTMENT MARKET

SPAIN

20% OF DIRECT TOTAL INVESTMENT IN SPAIN

BARCELONA

€2.228m

31% OF TOTAL INVESTED IN OFFICES IN SPAIN

22@ DISTRICT

€695m

36% OF TOTAL INVESTED IN OFFICES IN BARCELONA

PRIME YIELD EVOLUTION IN BARCELONA

BARCELONA REAL ESTATE INDICATORS: 22@

RENTAL MARKET

QUARTERLY TAKE-UP Q4 2018

Take-up (sqm) Interannual var.
Barcelona 73,362 6%
22@ 28,638 43%

AVERAGE RENT 2018

Rent (€/sqm/month) Annual var.
Barcelona 16.1 12%
22@ 16.7 8%

ANNUAL TAKE-UP 2018

Take-up (sqm) Annual var.
Barcelona 378,337 24%
22@ 141,590 46%

VACANCY RATE Q4 2018

Vacancy rate
Barcelona 8.9%
22@ 4.3%

AVERAGE RENT BY ZONE Q4 2018

Average rents (€/sqm/month)
Barcelona 22@
CBO 21.9 18%
Centre 17.1 14%
Decentr. 19.5 19%
Outskirts 10.6 4%

NUMBER OF DEALS 2018

Num. of deals Annual var.
Barcelona 357 6%
22@ 66 15%

MAXIMUM RENT 2018

Maximum rent (€/sqm/month) Annual var.
Barcelona 22@ Prime rent
2018
29.0 12%
26.0 19%
26.0 11%

NEW SUPPLY

Surface (sqm) Delivered To deliver
2018 2019 2020 2021
Barcelona 22@
2018 64,500 130,000 295,500 235,057
2020 33,200 77,800 61,100 196,057

Source: INE Source: INE Source: Banco de España

Source: BNP Paribas Real Estate Spain

Barcelona 22@

Take-up (sqm)
73,362
28,638
378,337
141,590
357
66
29.0
26.0

Barcelona 22@

Rent (€/sqm/month)
16.1
16.7
21.9
17.1
21.9
17.1

Number of deals
64,500
33,200
130,000
77,800
295,500
61,100
235,057
196,057

Source: BNP Paribas Real Estate Spain

Barcelona 22@