The Spanish economy continued to expand vigorously during the first quarter of 2019. Growth with respect to the previous quarter amounted to 0.7% and the outlook for 2019 points towards annual growth of around 2.6%. Despite the uncertainty in the Eurozone, consumer spending and a recovery in investment aimed at housing construction have been key to the strength of domestic demand, thus enabling this growth in the Spanish economy. For its part, the labour market continues to show signs of strength, with a rise in the number of national insurance registrations and a fall in the level of unemployment recorded during the first three months of the year.

The office market in Barcelona and its metropolitan area is setting all-time records for the level of activity. Strong demand performance recorded over the first three months of the year confirms the high level of business dynamism in the city. Take up during the first quarter amounted to a total of 152,300 sq m, representing an increase of 65% in comparison with the same period in 2018.

Historically speaking, Barcelona’s business fabric has consisted mainly of small and medium-sized enterprises. Over the last three years however we have seen major national and international firms opting for the city in order to locate their corporate head offices. Notable during the first three months of the year was the significant presence of deals exceeding 3,000 sq m, representing some 60% of total demand for the quarter.

This increase in the occupancy of office buildings rests upon the consistency of the fundamentals of the Spanish economy, making this quarter the best three months in the Barcelona office market since records began.

In terms of the number of deals, the first quarter of the year closed with a total of 91 new contracts, in line with the average for the last ten years (89 per quarter). Consequently, the average size of deal per quarter has increased.

The area of District 22@ continues to be the most dynamic within the market, with some 30 out of a total of 91 deals being signed here this quarter. The total of 60,900 sq m translates into some 40% of the quarterly total.

As of this report, 5 differentiated zones will be analysed (CBD, centre, decentralised, 22@ and the outskirts) in order to avoid skewing the figures for the decentralised zone upwards as a result of the strong performance of 22@. Due to its evolution over recent years, 22@ has clearly set itself apart from the remainder of the decentralised zone.

The two largest deals during the first quarter were recorded away from the city centre. The first consisted of the signature on 18,000 sq m by Galtina Blanca in Sant Joan Despi, whereas the second was located at no.159, Gran Vía de les Corts Catalanes, consisting of the lease of the entire “0 Building” (17,209 sq m) by La Caixa. Two transactions recorded in 22@ followed up in third and fourth place: 8,295 sq m on the part of Wework in one of the three buildings belonging to the Platinum complex and the signature on 6,094 sq m by the municipal tax office (Institut Municipal d’Hisenda). The presence of coworking centres was particularly noticeable this quarter, reaching a total of 33,300 sq m floorspace let. This was divided up into eight deals that amounted to a market share of 22% of total take-up. Following the closure of 2018 with a market share of 9% of total take-up, the first quarter of the year has seen a doubling of the market presence.

Increasing demand and a vacancy rate at an all-time low is leading to general increases in rents in the city of Barcelona, the average standing at €17.60/sq m/month. Prime rent in the city of Barcelona reached €27.00/sq m/month during this quarter. This figure represents an increase of 15% in comparison with the same quarter the previous year. The average rent for deals transacted in the CBD during the first quarter reached €22.10/sq m/month, whereas the asking rent for buildings located in the upper stretch of Diagonal hovered around €30/sq m/month.

The vacancy rate continued to fall to a level of 7.9% at the close of the first quarter, representing the lowest rate seen in recent years. Developers and funds are particularly confident that take-up will remain strong and, for the close of year, it is anticipated that around 124,308 sq m of office floorspace will be delivered in Barcelona. Added to the 65,500 sq m delivered during the first quarter, this makes up a total addition to supply of some 190,000 sq m in 2019. 50% of future supply will be delivered in District 22@, helping to attend to demand considering that the current level of availability is particularly low.

It is not anticipated that there will be any downward impact on prices as a result of new deliveries scheduled for the coming months. The strength of demand is absorbing new projects, meaning that vacancy rates and rents are not coming under pressure.
AT A GLANCE - MADRID OFFICE MARKET—Q1 2019

TAKE-UP & NUMBER OF DEALS EVOLUTION

TRANSACTIONS BY SIZE

91 Deals

Q1 2019

20% 16% 23% 41%

NUMBER OF DEALS EVOLUTION

Q1 2019

19% 4% 21% 40% 16%

<300 sqm 301-1,000 m² 1,001-3,000 m² >3,000 m² CBD Centre Decentralised 22@ Outskirts

VACANCY RATE (%)

Vacancy rate (%) Barcelona, Q1 2019

Barcelona, Q1 2019: 7.9%

Vacancy rate 7.9%

BNP PARIBAS REAL ESTATE
AT A GLANCE - MADRID OFFICE MARKET - Q1 2019

RENTS EVOLUTION

€/sqm/month

Max.  Avrg.  Min.

Average Barcelona: 17.6

CBD  Centre  Decentralised  22@  Outskirts

YIELD EVOLUTION

Prime Yields

Office  3.50%
Logistics  5.25%
High Street  3.00%

Datos Clave

<table>
<thead>
<tr>
<th></th>
<th>CBD</th>
<th>Center</th>
<th>Decentr.</th>
<th>22@</th>
<th>Outskirts</th>
<th>Total</th>
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<tbody>
<tr>
<td>Stock (sqm)</td>
<td>873,242</td>
<td>2,475,314</td>
<td>506,072</td>
<td>888,515</td>
<td>1,093,902</td>
<td>5,837,045</td>
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<tr>
<td>Vacancy (sqm)</td>
<td>24,213</td>
<td>153,748</td>
<td>60,492</td>
<td>10,567</td>
<td>213,621</td>
<td>462,640</td>
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<tr>
<td>Vacancy rate</td>
<td>2.8%</td>
<td>6.2%</td>
<td>12.0%</td>
<td>1.2%</td>
<td>19.5%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Take-up Q1 2019 (sqm)*</td>
<td>↓ 5,500</td>
<td>↑ 31,600</td>
<td>↓ 23,800</td>
<td>↑ 61,800</td>
<td>↓ 29,800</td>
<td>↑ 152,500</td>
</tr>
<tr>
<td>Year to date take-up (sqm)*</td>
<td>5,500</td>
<td>31,600</td>
<td>23,800</td>
<td>61,800</td>
<td>29,800</td>
<td>152,500</td>
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<tr>
<td>Max. rent Q1 (€/sqm/month)</td>
<td>25.0</td>
<td>26.3</td>
<td>23.0</td>
<td>27.0</td>
<td>12.0</td>
<td>-</td>
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<tr>
<td>Avrg. rent Q1 (€/sqm/month)</td>
<td>↑ 22.1</td>
<td>↑ 18.0</td>
<td>↑ 17.4</td>
<td>↑ 20.7</td>
<td>↑ 10.0</td>
<td>↑ 17.6</td>
</tr>
<tr>
<td>Deliveries in Q1 2019(sqm)**</td>
<td>7,650</td>
<td>-</td>
<td>-</td>
<td>93,158</td>
<td>96,842</td>
<td>190,000</td>
</tr>
<tr>
<td>Deliveries in the pipeline in 2018 (m²)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,308</td>
</tr>
</tbody>
</table>

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

A 360° vision

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