At a glance - Q3 2019

BARCELONA OFFICE MARKET

RENTS INCREASING SHARPLY AS VACANCY DECLINES

The Spanish economy continued to expand in the third quarter of the year, albeit less strongly. GDP growth compared with the previous quarter stood at approximately 0.5%, confirming the deceleration seen in the last six months that stems from the riskier economic environment. Spain is doing well: while domestic demand maintained moderate growth rates, external demand still increased despite the uncertainty. In Catalonia, GDP is expected to grow by 2.2% in 2019 and 2.0% in 2020, while the unemployment rate will go down to levels under 10% in 2020 with the creation of 126,000 new jobs.

After closing the first half with an all-time high in lettings, the summer Barcelona office market showed less activity. Total take-up in Barcelona amounted to 81,166 sqm at the end of the third quarter. This represents a decrease of 11% compared to the same period of the previous year, although that figure includes an unusually large deal (25,000sqm) by Everis in 22@. If excluded, take-up this last quarter is 32% above Q3 2018.

Take-up for the year to date (Q1-Q3 2019) are 330,989 sqm, representing an 8.5% increase compared to last year (Q1-Q3 2018).

22@ continues to gain market share, posting 45% of the take-up in the quarter, followed by the decentralized area where 25% of lettings occurred.

The largest transactions occurred between the areas 22@ and Plaza Europa- Zona Franca, with the biggest deal being 9,080 sqm on Calle de L’Estany, 1.

Occupiers showed greater interest in the centre that took a quarter of the 58 transactions signed in the city. One of the most significant operations has been the leasing of 2,112 sqm by WeWork at Avenida Diagonal 371 reinforcing Barcelona’s appeal for coworking users.

The areas further away from the city centre where new projects are being developed, such as 22@ and Paseo de la Zona Franca, are intended for corporate headquarters or big space requirements, as in the case of the 8,761 sqm pre-released by TBS in 22@.

This creates an increase in average size of deals to around 1,396 sqm. Projects entering the market are not designed for medium-sized enterprises as units start at 2,500-3,000 m². Consequently, small businesses have difficulties in finding office space in both the city centre and decentralized areas because of the lack of suitable space, or frozen out by owners targeting large corporations.

During this quarter, 9,497 sqm of new office premises were delivered on calle Sancho de Ávila, Edificio Hexagon Glories in the 22@ district. This is already 90% rented to VMware and Gartner. By the end of the year, 2,100 sqm of office space will launch in this district. Over the next two years, a further 400,000 sqm will enter the Barcelona market in the way of renovations and buildings in progress. Around 56% of this space is located in the 22@ district and 29% in the area of Plaza Europa- Zona Franca. The remaining developments are office refurbishments in the centre and CBD without confirmed tenants.

The increase in demand for office space in Barcelona continues to decrease the vacancy rate that at the end of quarter was 6.9% with 419,832 sqm available (9.4% in Q3 2018). Vacancy at historic lows accelerates the general increase in rents all over Barcelona. The average rent in the city is €17.7/sqm/month, which represents an increase of 10% compared to Q3 2018. In the last quarter there have been various transactions over €25 /sqm/month in the most exclusive areas of the Barcelona office market (CBD and 22@) pushing the prime rent up to €28.5/sqm/month a 14% rise since last year. Also significant is the signing of 2,112 sqm by WeWork on Avenida Diagonal, 371 and that of The Boston Consulting Group at Edificio Alta Diagonal, with rents around €30/sqm/month.

The office market is also showing its strength in the investment market. Around 26% (€259 million) of the third quarter Spanish office investment total of 995 million euros took place in the city of Barcelona and its area of influence. One of the highlights of the last quarter was the sale of the portfolio of eight Generalitat buildings by AXA to the German fund KanAm Grund for 100 million euros.
AT A GLANCE - BARCELONA OFFICE MARKET—Q3 2019

TAKING UP & NUMBER OF DEALS EVOLUTION

VACANCY RATE (%)

NUMBER OF DEALS BY SURFACE RANGE

TAKE-UP BY ZONES

Vacancy rate 6.9%

Outskirts 2018 2019
Center 2018 2019
Descentr. 2018 2019
22@ 2018 2019
CBD 2018 2019

Barcelona, Q3 2019: 6.9%

Vacancy rate (%)
### AT A GLANCE - BARCELONA OFFICE MARKET - Q3 2019

#### PRIME YIELDS
- **Office:** 3.25%
- **Logistics:** 5.15%
- **High Street:** 3.00%

### RENTS EVOLUTION

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rent</th>
<th>Average rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>25+</td>
<td>20+</td>
</tr>
<tr>
<td>Center</td>
<td>18+</td>
<td>14+</td>
</tr>
<tr>
<td>Decentralised</td>
<td>12+</td>
<td>9+</td>
</tr>
<tr>
<td>22@</td>
<td>7+</td>
<td>5+</td>
</tr>
<tr>
<td>Outskirts</td>
<td>5+</td>
<td>3+</td>
</tr>
</tbody>
</table>

Barcelona’s Average: 17.7%

### YIELD EVOLUTION

#### Key Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>CBD</th>
<th>Center</th>
<th>Desctr.</th>
<th>22@</th>
<th>Outskirts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock (sqm)</td>
<td>873,242</td>
<td>2,475,314</td>
<td>506,072</td>
<td>1,006,457</td>
<td>1,093,902</td>
<td>5,954,987</td>
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<tr>
<td>Vacancy (sqm)</td>
<td>20,027</td>
<td>145,967</td>
<td>46,250</td>
<td>0</td>
<td>201,365</td>
<td>413,609</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>2.3%</td>
<td>5.9%</td>
<td>9.1%</td>
<td>0.0%</td>
<td>18.4%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Take-up Q3 2019 (sqm)*</td>
<td>5,559</td>
<td>9,517</td>
<td>20,690</td>
<td>36,696</td>
<td>8,704</td>
<td>81,166</td>
</tr>
<tr>
<td>Year to date take-up (sqm)*</td>
<td>19,495</td>
<td>63,253</td>
<td>59,846</td>
<td>134,641</td>
<td>53,754</td>
<td>330,989</td>
</tr>
<tr>
<td>Max. rent Q3 (€/sqm/month)</td>
<td>30.0</td>
<td>22.5</td>
<td>16.0</td>
<td>27.0</td>
<td>13.8</td>
<td>-</td>
</tr>
<tr>
<td>Avg. rent Q3 (€/sqm/month)</td>
<td>26.9</td>
<td>16.0</td>
<td>14.2</td>
<td>20.1</td>
<td>11.2</td>
<td>17.7</td>
</tr>
<tr>
<td>Deliveries in Q4 2018 (sqm)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,497</td>
<td>9,497</td>
</tr>
<tr>
<td>Deliveries in the pipeline in 2018 (sqm)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,100</td>
<td>12,100</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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