

MARKETBEAT

OFFICES BARCELONA

A Cushman & Wakefield publication



Available space drop some 9% in Barcelona in comparison with last year. Total take-up during the first half of the year amounts to 208,000 m², some 39% above the figure recorded for the same period the previous year. Prime rent in Barcelona stands at €22.50/m²/month, some 7% above the same figure one year ago.

ECONOMY

Indicators continue to point towards the firm progress of economic activity. In May, the service sector turnover index grew by some 7.9% year-on-year and that of the industrial sector by 10.8%.

For the second quarter running, the business confidence index of la Caixa showed a rise in the percentage of business people with an optimistic outlook, pointing towards continuity of the strong economic momentum.

Both occupancy and real estate investment are based on positive prospects for employment creation and GDP growth in the Spanish market. If growth forecasts are met, the year will close with GDP growth of at least 3.1%, above the figure for 2008.

For their part, house purchase transactions grew by some 12% year-on-year (month of May).

MARKET INDICATORS

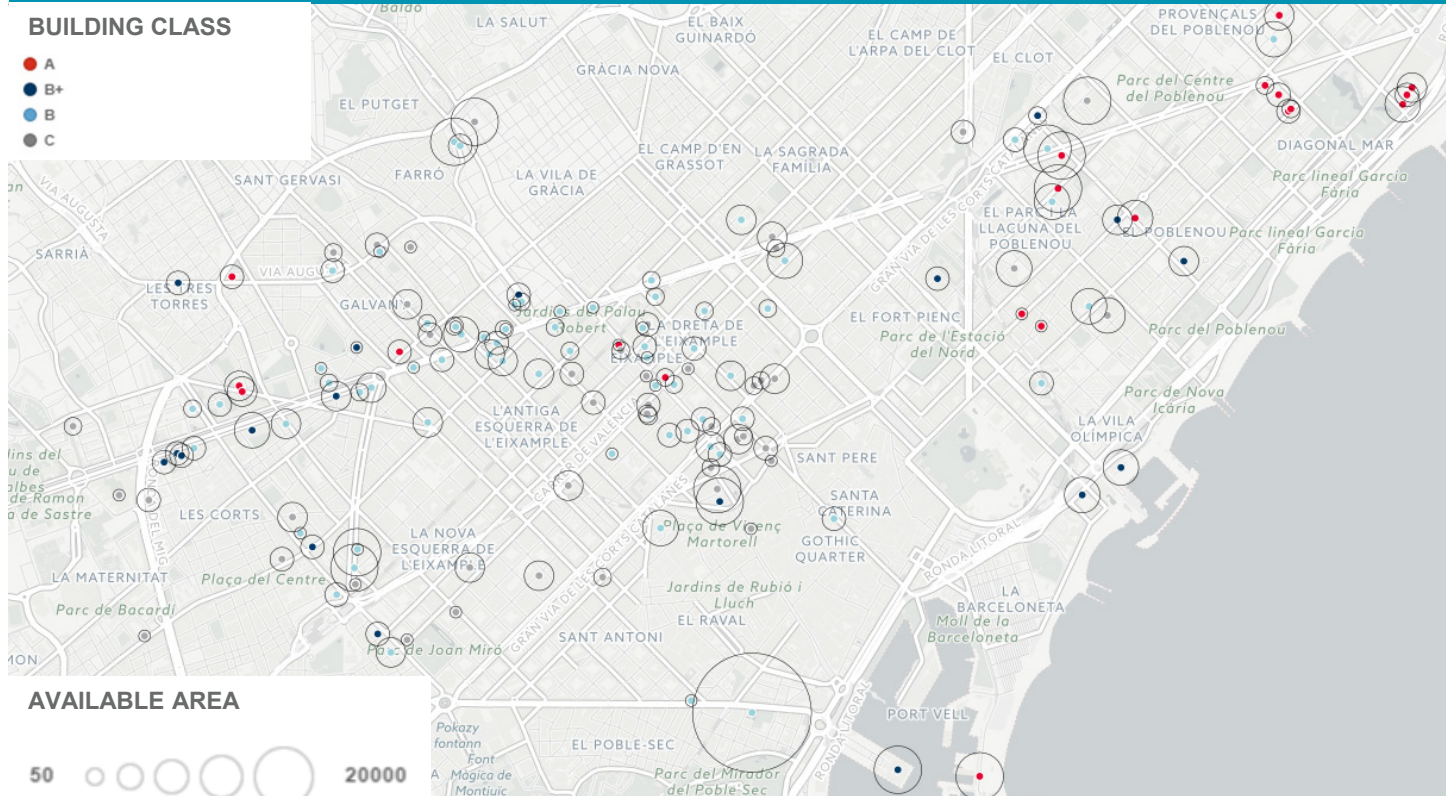
RENTAL

- 📉 Supply
- 📈 New Construction
- 📈 Take-up
- 📈 Prime Rents

INVESTMENT

- 📉 Supply
- 📈 Demand
- 📈 Prime Yields

AVAILABILITY ACCORDING TO QUALITY IN BARCELONA



SUPPLY

The available supply of offices in Barcelona at the close of the second quarter has fallen considerably in comparison with the data recorded for the same period the previous year. The fall exceeds 45,000 m². Available floorspace in Barcelona amounts to 485,000 m² and the annual fall of 9% demonstrates the favourable progress of the economy and the service sector.

The overall vacancy rate currently stands at around 8.2%. This figure reached its peak in 2010, exceeding 14%. The figure has fallen by more than 5 percentage points since then.

The drop in the available supply is explained mainly by the healthy levels of take-up and by the low levels of delivery of new uncommitted stock to the market. No new projects have been delivered during this second quarter in Barcelona. With the exception of the occasional refurbished asset and the handover of the Marina Tower in the Zona Franca (19,500 m²) during the third quarter, no new supply is anticipated to enter the stock in Barcelona until 2018 and 2019.

In the area of Passeig de Gràcia/Diagonal and the City Centre, the vacancy rate sits below 3% and 4% respectively. This figure points towards the scarcity of product in the market. The equilibrium point is understood to lie between a vacancy rate of 5% and 8%. Vacancy rates are somewhat higher within the New Business Areas and the Periphery, standing at between 12% and 21% at the close of the quarter.

The availability of quality supply is situated mainly in the Periphery and the New Business Areas. Some of the sub-zones in these markets are seeing significant changes with regard to the figures recorded for vacancies in recent years. Examples of this are Sant Cugat del Vallès in the Outskirts sub-market or 22@ and Plaza Europa in the New Business Areas. In the case of 22@ the vacancy rate stands at 7.5%, whereas it amounts to 9% in Plaza Europa. In both sub-markets, the pace of take-up over the last 12 months has translated into scarcity in terms of quality supply.

Vacant floorspace in 22@ peaked in 2013 with a rate of 17%. For its part, Plaza Europa reached a vacancy rate exceeding 36% in 2012. The levels currently recorded in both zones confirm the commitment on the part of companies to the search for quality floorspace which is well located in terms of public transport and consolidated with regard to the provision of services.

The area of 22@ is looking forward to the delivery of the majority of projects under construction. Almost 90,000 m² will be completed between the end of 2017 and 2019. Owned by Colonial and situated on the Campus Audiovisual, No. 150, Ciutat de Granada will offer a total of 25,000 m². In addition, Stoneweg, 1810 Capital Investments y Castellví will enter the market with their LUXA project, consisting of three office properties with a total of 22,000 m². Both projects currently have two pre-letting contracts for a significant proportion of the built space.

32% of the deals signed in the first half of the year corresponded to contracts for between 300 and 750 m².

Source: Cushman & Wakefield

The positive outlook for the close of 2017 and 2018 in terms of employment creation, retail sales, tourism, exports and industrial production point towards net positive take-up of office floorspace in Barcelona and a consequent reduction in vacant floorspace in the near future. New developments under construction will cover demand in the future and help to balance the vacancy rate.

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Deals in
Barcelona
during the first
half of 2017,
some 15%
greater than in
2016

RENTS

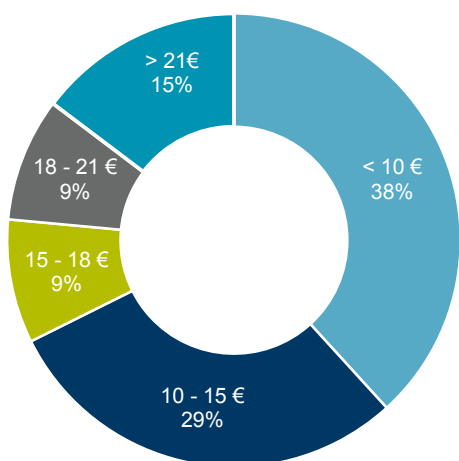
The trend in terms of rents in Barcelona is related to the increase in demand and the reduction in the availability of quality floorspace. Prime rents in the PG/Diagonal zone bottomed out in 2013 at €17.70 /m²/month. To date they have recovered some 35%, but have yet to reach the peaks seen in 2007 (€27/m²/month).

Prime rent in Barcelona stands at €22.50/m²/month, some 7% above the same figure one year ago.

In the remaining zones, upward movements in comparison with last year have also been seen. The maximum rent in the City Centre increased by some 4% and in the New Business Areas by 13%. The rise on the Outskirts amounts to 13.5% in comparison with last year, reaching a figure of €10.50 /m²/month. The lack of availability of quality floorspace in some sub-markets of this zone, such as Sant Cugat del Vallès for example, could push maximum rents upwards in the short term.

In general terms, there has been a reduction in incentives (free rent months/staggering of rents/contributions) on the part of landlords for new occupiers in comparison with the practices seen two years ago. The scarcity of available quality options in the various sub-zones are driving this change in trend within the sector.

TAKE UP ACCORDING TO RENTAL LEVELS 2017*



Source: Cushman & Wakefield

*The % corresponds to the deals to which C&W has had access.

INVESTMENT

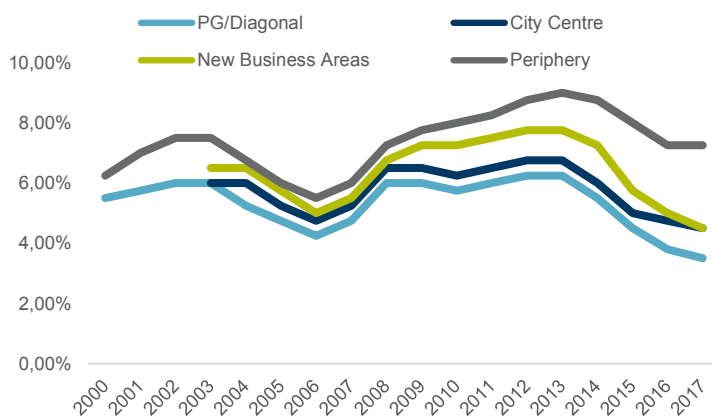
Investor activity in Barcelona during the first half of the year has increased in comparison with the previous year. A total of 16 investment transactions were closed between January and June, amounting to a volume exceeding €470m.

Funds, socimis (Spanish REITs) and family offices are playing the leading roles, to the detriment of the traditional developers who have survived the crisis.

Notable among the main deals was the acquisition of the 33,210 m² *Torre Agbar* by MERLIN Properties for €142m. In Sant Cugat del Vallès, the acquisition by GreenOak of the Vallsolana Garden Business Park in Can Sant Joan (up to that point owned by UBS). The complex consists of two properties: the Kibo and Vinson buildings, each of 9,800 m² spread over four floors.

A climate of economic expansion has driven investors to take positions in the Barcelona market and this is being mirrored in yields. These closed the first half of the year at 3.5% in the CBD. For their part, the New Business Districts are showing yields of between 4.5% and 5%. It is anticipated that these levels will remain steady up to the close of the year, although the lack of product in the market could be reflected in a degree of yield compression for some specific assets.

PRIME YIELDS



Source: Cushman & Wakefield

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