

marketbeat

Barcelona Offices



MARKET SUMMARY

Take-up of office floorspace reached 56,700 sqm in the third quarter, representing a quarterly fall of 56%. Nevertheless, the aggregate take-up for 2017 shows a rise of 12% in comparison with the figures for January to September 2016. Although this increase is considerable, it is not anticipated that the data in 2017 will surpass the record for Barcelona recorded in 2015 (a record year, with 420,000 sqm). Nevertheless, a close at around 320,000 sqm is anticipated, equalling the figure for 2016. Notable among the main deals during the quarter was that of WeWork in 22@, taking 6,500 sqm in the Luxa building.

Of the 291 **transactions** signed over the year to date, solely 9% exceeded 2,000 sqm. The majority of contracts were for less than 500 sqm (61%) and 23% corresponded to deals between 500 and 1,000 sqm. The average floorspace transacted in Barcelona during 2017 amounts to 900 sqm, whereas the average for deals exceeding 2,000 sqm stands at 4,400 sqm. Aggregate take-up since September has been concentrated on the new business areas, where the largest scale deals have been struck (representing 46% of total take-up). Take-up in the City Centre and the area of Passeig de Gràcia/Diagonal corresponded to 36% of the total, whereas the Outskirts cornered 18% of total floor area. Professional services and technology firms have to date grabbed 39% of the total square metreage transacted, followed by the industrial sector with 17%.

The **available supply** of offices in Barcelona at the close of the third quarter continues to trend downwards, the **vacancy rate** now standing at below 8%. The available square metreage now amounts to 468,000 sqm, some 3.5% below the figure for the previous quarter and 10% year-on-year.

In the area of Passeig de Gràcia/Diagonal and the City Centre, the **vacancy rate** stands at less than 5%. In the New Business Areas this indicator is hovering around 13%, whereas on the Outskirts, despite the considerable fall over the last year, the rate remains above 18%. Some 139,000 sqm of office stock will enter the Barcelona market over the coming 18-24 months, mainly within the zone of 22@.

The recovery **in rents** has consolidated across the various zones. Prime rent stands at €22.75/sqm/month, some 8% above the same figure one year ago.

Between January and September, 10% of deals were signed in the €18 - €21/sqm/month price range, compared with 6% for the years 2013 and 2014.

MARKET INDICATORS

October 2017

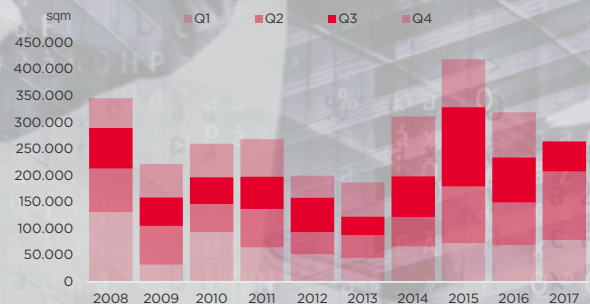
Occupancy

OFFICE STOCK: 5,880,000 sqm	▲
NEW BUILD Q1-Q3: 19,400 sqm	▲
TAKE-UP Q1-Q3: 264,500 sqm	▲
PRIME RENT: €22.75 /sqm/month	▲

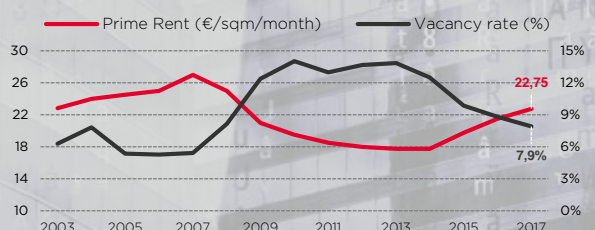
Investment

TOTAL VOLUME Q1-Q3: €1.75 bn	▲
OFFICE VOLUME Q1-Q3: €800 m	▲
PRIME OFFICE YIELD: 3.5%	▲

Trend in take-up in Barcelona according to quarter



Trend in the vacancy rate and prime rent in Barcelona



CO-WORKING SPACES

CO-WORKING: UBERISING KNOWLEDGE WORK

People dedicated to creativity, management and consultancy and similar activities use knowledge and intellect as their main work tools.

Their activities require flexible spaces enabling them to develop their services and generate business. Accordingly, the office represents the main platform for knowledge-based work and this, in turn, has recently transformed what we understand by way of an office.

The high momentum enjoyed by entrepreneurship and the more relaxed way of doing business - imposed primarily by new technology firms - have brought with them new formulas in terms of workspaces.

Knowledge work may now be performed in formats such as open space, shared desk, serviced offices and, more recently, co-working. The last two consist of property services contracted over short time periods, giving the maximum level of flexibility to modern workers. The essence of co-working is found in collaborative, interdisciplinary campuses. Great value is placed not only on design, but also rest and leisure.

New technology forms the basis for the use of collaborative workspaces. These enable access to workspaces by means of digital, mobile platforms and fill a niche in the market in terms of the take-up and occupancy of offices during short periods of time. Within this context, the knowledge worker has available a real estate offering based on use, just as in the case of accommodation with Airbnb or private transport through Uber.



The *New Era* of work

15 years ago the workplace was defined mainly in terms of costs; today it is much more focused on human aspects.

The idea of having a working life separate from one's personal life is diminishing, this meaning that our expectations concerning the professional environment will be different in the future.

Work in the new generation will be based on collaboration and this will form the essence of office occupancy.

Self-employed, freelance and entrepreneurs, without the need for infrastructure in their workplace, are a new generation workers that feed off knowledge and experience while gaining synergies by belonging to a 'community'.

The traditional office model is being complemented by spaces of this type due to the fact that they break down the isolation of working from home and enable the sharing of time and, ultimately, knowledge.

A distinguishing feature of these types of locations as opposed to business centres and shared offices is that co-working companies offer the concept of a manager. This role enables networking among the co-worker community in order to create business and opportunities at the professional and even personal level.

Tables, armchairs, workshops, after-work sessions - are all dominant features of collaborative spaces. The important thing is no longer the physical space, but ideas and how they are shared. Other keys are lifestyle and user's needs, as well as flexibility, branding and productivity, all breaking with the conventional office model.



CO-WORKING IN BARCELONA

In 2013, Barcelona had approximately 100 co-working spaces. It is currently the city offering the greatest number of workspaces of this type in Spain. Spain places third in global terms, behind the US and Germany.

Ever more frequently the search and rental of these spaces is advised upon by property consultants. The first fully-fitted office and workstation deals began to be recorded in 2005, though intensified with the economic recovery in 2014. 9% of aggregate take-up in Barcelona in 2017 corresponds to co-working firms and business centres.

These types of companies take on floor areas of between 500 and 1,200 sqm. The type of building sought for fully-fitted offices is mainly located on side streets and of medium or medium-high specification. For their part, collaborative workspaces use properties which are less classical from the office market point of view, being located in buildings for sole use but also in mixed-use properties.

The supply of business and co-working centres is spread throughout the city, although the former seek out space near to the business centre. In contrast, collaborative workspace firms commit to areas in which the residential and retail mix represents an added value by offering a direct connection between society and business. Proof of this is found in the fact that 62% of the supply of co-working space is found in the areas of Poble Nou, Gràcia and the Centre.

Examples such as Espai Born, Ample23 and Espacio Coperfield are found in the centre or the historic heart of the city, these neighbourhoods being densely populated and with a strong presence of entrepreneurs and businesspeople resident in the area.

The cost for the use of these spaces hovers between €350 and €550/person/month. Added values vary

among suppliers, however they usually include a workstation and the right to use shared meeting rooms and areas. Many even include F&B among their wide range of services, as well as cleaning, security, mail and courier services, etc.

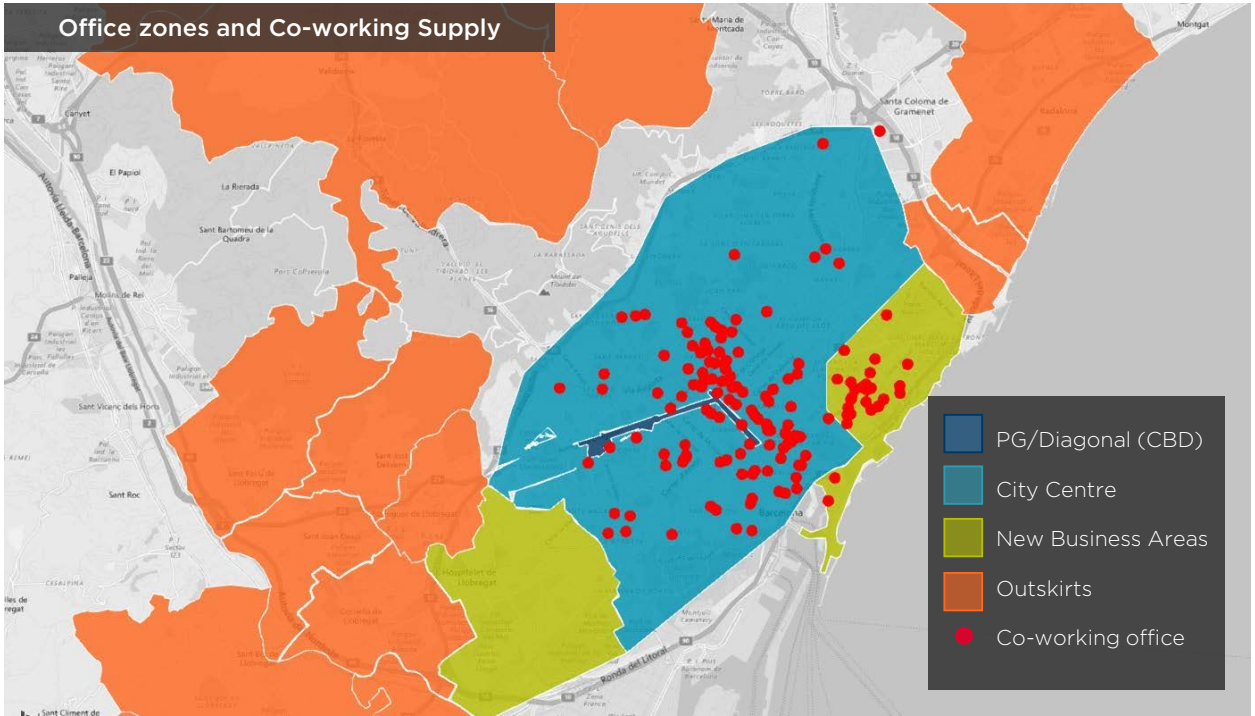
Flexibility is the rule, where ease of management of reservations on online platforms is integrated, with excellent access and adaptation for creative, collaborative work. It is anticipated that the demand for spaces such as these will continue to grow, adding value to start-ups and entrepreneurs seeking their launch platform in Barcelona.

WEWORK AND NEW PLAYERS

The most recent example of these firms in Spain is the arrival of WeWork in Barcelona and Madrid. WeWork has disembarked in Barcelona, setting up in district 22@ with a floor area of 6,500 sqm. WeWork is one of the world's giants in the co-working business. With its head office in Brooklyn, New York, clients such as Spotify, Salesforce, Microsoft, Bank of América and KPMG have relied on its services for a number of subsidiaries throughout the world. It consists of a community of more than 80,000 members, with offices in the United States, Argentina, China, the UK, India, South Korea, Mexico, the Netherlands, Colombia, Hong Kong, Brazil and Canada, among others.

Another example, Spaces (Regus), entered the Spanish market this April with a floor area of 3,000 sqm also in 22@ and, in this case, sharing a building with Hewlett Packard and Hawkers.

The cases of Wework and Spaces are special due to the fact that the floorspace taken up and assigned to co-working exceeds the average and, in addition, the fact that they represent a clear commitment to this format in the leading cities in Spain.



OUTLOOK

Undoubtedly this sector has now burst upon the office market scene, adapting the offering to workers on the move or those who do not require long-term leases.

The number of co-working facilities will keep on expanding. New offerings will consist of settings which are distinct from traditional offices, including industrial spaces, laboratories, residences, etc.

The self-employed and freelance workers, small businesses and entrepreneurs will continue to drive co-working and firms will adopt and adapt the working methods derived from collaborative spaces in order to improve productivity and increase commitment on the part of employees.

In the future we will see companies of this type focusing on residential spaces. In fact, in the United States there are examples of businesses in which employees "live and work" in the same place, reducing overheads and enabling the sharing of ideas at any time.

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