

# marketshot

## Offices

**District 22@**  
Barcelona | June 2018

Cafeteria

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x  
x x

### KEYS TO THE DISTRICT

- At the close of 2017, 22@ remained the Barcelona district most sought-after by users and developers.
- It has broken records for demand for floorspace over the last 10 years, with 101,000 m<sup>2</sup> transacted in 2017 - some 34% more than the two previous years. 30% of the total floor area transacted in Barcelona is located in 22@.
- Co-working spaces have arrived and are here to stay. The development of 22@ is attractive for them and its share of take-up in the district for 2017 and the first quarter of this year amounts to 12%.
- Demand continues to seek out quality space. 78% of the floorspace transacted was located in buildings classified as A/B+. The availability of these types of properties is limited, the district having 60,000 m<sup>2</sup> vacant at the close of the first quarter of 2018. Over one year, the vacancy rate has fallen by some 15%.
- The lack of available floorspace is having an impact on rents, driving *prime* rent in the district upwards and in some cases leading to the peak recorded ten years ago being exceeded.
- Development has returned to the zone, with 129,000 m<sup>2</sup> of new construction to be delivered prior to 2019.

Demand in 22@ by building  
class (2017-Q1 2018)

■ A ■ B+ ■ B ■ C



**78% of the floorspace  
transacted was located in  
buildings classified as A/B+.**



## DEMAND BREAKING RECORDS

The significant role of district 22@ within take-up of offices in Barcelona has grown since its birth. In some years it has represented 50% of total take-up in the city.

A total of 86 lease deals were struck in 22@ in 2017, amounting to 101,000 m<sup>2</sup> (30% of the total for Barcelona), some 33% above the figure for 2016. The most significant transactions in terms of size were: Amazon (10,241 m<sup>2</sup>), King Shared Services (8,837 m<sup>2</sup>), Hewlett-Packard (8,132 m<sup>2</sup>) and WeWork (6,572 m<sup>2</sup>) among others, driving pre-letting deals in that 'their space' didn't exist in these cases. With deals of this type, companies are ensuring floorspace for the future and their possible growth, within a context in which flexibility and quality represent requirements of their current project.

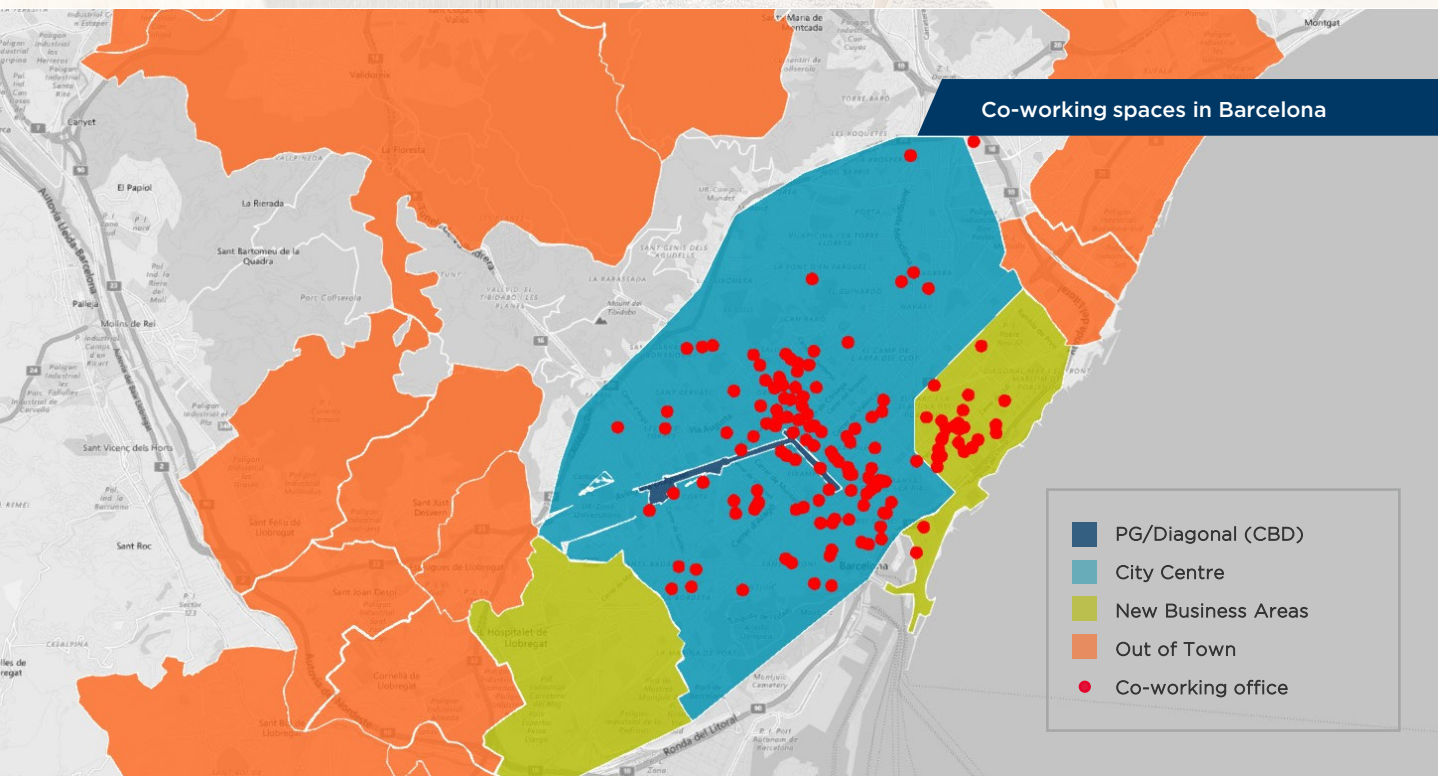
Interest in terms of large-scale requirements has increased in comparison with last year. During 2017, 34% of the deals in Barcelona exceeding 1,500 m<sup>2</sup> were signed in 22@. Moreover, the pre-letting format has become more prominent given the lack of quality product which fits new deployments, along with the requirements of companies and their new working methods.

The leading demand is for medium-large offices, this being corroborated by the 27 deals exceeding 1,000 m<sup>2</sup>. A total of 22 deals below 300 m<sup>2</sup> were closed in 2017. Although it is true that this demand is more focused on offices in the centre of Barcelona, 22@ also remains an option for these types of firms.

## CO-WORKING SPACES

This type of floorspace is becoming particularly prominent in the city and mainly within district 22@, where it now represents some 3.5% of the stock. Their proliferation will have an impact on the supply of spaces in the zone as well as on the use of square metres dedicated to this purpose. In 2013, Barcelona already possessed 100 co-working office spaces. In fact, it was the city with the largest number of these types of centres in Spain.

In 2017, 4% of take-up in Barcelona corresponded to co-working spaces, of which 10,500 m<sup>2</sup> was signed for in 22@. In 2018 we have already seen seven deals of this type, the largest of these (4,500 m<sup>2</sup>) being closed in 22@. These types of firms consider themselves as consumers of extensive floorspace and are particularly well received, not only by entrepreneurs, but also by companies seeking added value within a versatile, functional and community-based atmosphere. The increase in floorspace transacted by these types of companies amounts to 52% for the year-to-date in comparison with 2017 in its entirety.





## STRONG COMMITMENT TO NEW DEVELOPMENT

The available floorspace in 22@ at the close of the first quarter of 2018 amounted to just 60,000 m<sup>2</sup>, representing a vacancy rate of only 7%. If we take into account the A and B+ quality buildings in 22@, the percentage drops to 5.7%.

The district has 129,000 m<sup>2</sup> under construction and anticipated for delivery between the second quarter of 2018 and 2019, 43% which is currently pledged. We anticipate that this % will increase over the coming months, reaching up to 75%.

77% of the new build supply belongs to national groups, whereas the remaining 23% is in the hands of international developers. The potential ceiling for offices in 22@ amounts to 800,000 m<sup>2</sup>, of which 350,000 m<sup>2</sup> are located on land ready for development. The growth potential for stock in the zone is noteworthy and, in the event that all projects were completed, the office stock in this sub-market would double.

Les Glòries/the Audiovisual Campus is notable for housing the most emblematic projects, the best communication by means of both public and private transport and the largest offering of services for occupiers. Once this area is fully established, projects located above la Diagonal will begin to take shape, as in the case of the Parc Central zone.

In recent years, 22@ has attracted annual gross demand of between 70,000 and 75,000 m<sup>2</sup>. The total demand recorded in 2017 (101,000 m<sup>2</sup>) has shifted average take-up to date. Our forecast is for this interest to remain strong and even increase up the close of 2018. The levels of take-up currently recorded and the forecasts for the coming months bolster the need for new developments. Both the drive of demand and the reaction to future supply will keep the vacancy rate in balance.

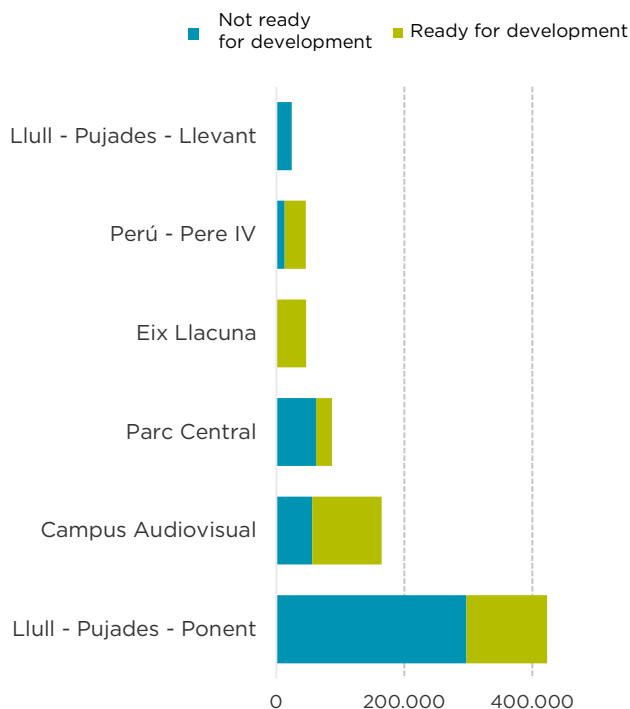
Bearing in mind current vacancy levels, the demand in the zone over the short-medium term and the envisaged lead times for each project, we could see a 2019 with a slight scarcity of new product, whereas 2020 and 2021 will be years in which the pool of new offerings will be more extensive.

New construction in the area has sprung to life in recent months due to the strength of demand and, to a large extent, the growth in rents. Foreseeing the continuation of this trend, this will have an impact on the capital market, where we will once again begin to see Forward Purchase deals. Groups using Core+ or Value Add capital to acquire finished product which is fully occupied or with some level of vacancy.

### Main projects under construction and waiting to commence



### Existence of land in 22@ (m<sup>2</sup>)



Source: Cushman & Wakefield



MAJOR INTEREST  
IN DEVELOPABLE LAND

The current buoyancy being enjoyed by 22@ is partly due to its capacity to construct new prime specification buildings which are flexible, exceptional and sustainable whilst offering maximum space efficiency.

One thing which particularly stands out in 22@ during 2017 in comparison with preceding years and the remaining office zones in the city is the number of land deals for new development. The forecast growth of occupancy data in the zone over the coming years justifies the acquisition of land within the district.

The figure for land investment volume trebles that recorded in 2016. A climate of economic expansion has driven investors to take positions in specific sectors in 22@.

- La Llave de Oro (Almogàvers, 135 – 139)
- Emesa (Pallars, 184)
- Shaftesbury (Cristobal de Moura, 66)
- Värde (Parc Central)
- Meridia Capital (Badajoz, 5)

are just some of the groups committing to development in this zone.

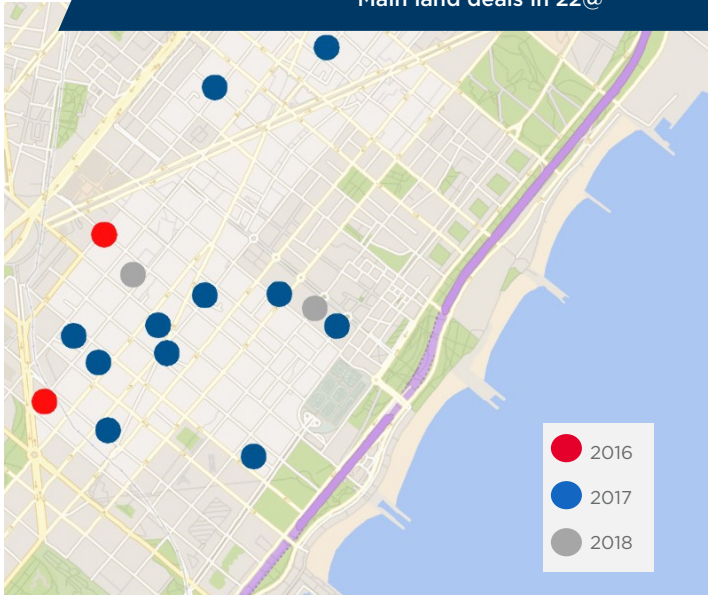
We have seen the largest number of deals of this type within the surroundings of the Audiovisual Campus, however, as may be noted from the map on the right, the area north of la Diagonal and the Eix Llacuna and Badajoz are becoming more prominent, as predicted in our report one year ago.

In 2017, district 22@ attracted both national and international groups in similar proportion and achieved an office investment volume of 526 million Euro, of which 179 million corresponded to land deals for new developments. The spread between the prime *yield* in 22@ (4.25%) and that of the CBD (3.50%) represents a clear attraction for investors.

Land investment volume in 22@

Year	m² (devpt. potential)	Total volume €m:
2016	33,000	51.4
2017	173,000	161
2018 (Q1)	11,700	11.5

Main land deals in 22@



In summary, the fact that we are beginning to see “movement” in the area north of la Diagonal and the thoroughfares of Badajoz and Llacuna represents a natural reaction to the fact that the level of availability in the area has fallen by half over the last 4 years.





## RENTS ON THE UP

The activity of the Barcelona market, the attractiveness of 22@ as an alternative to the central zones, along with the pre-letting formula (absent since 2008), are driving up both average and maximum rents.

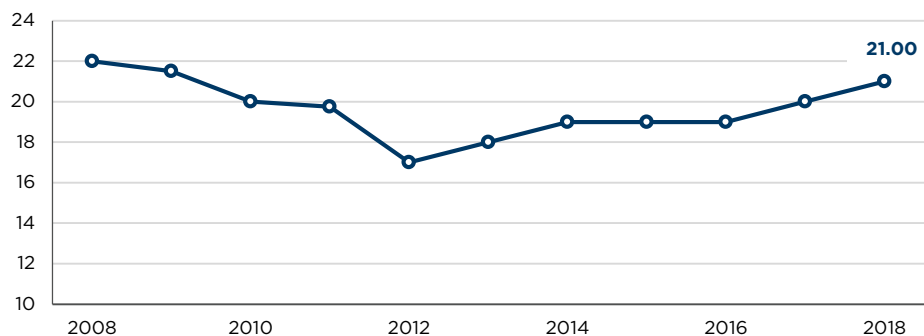
As of 2019 more than one scenario is available regarding the district as concerns rents and the demand attracted by new projects in the *pipeline*. On the one hand, if demand continues to perform strongly as at present, rents will continue to follow this trend for the best projects and those with higher specifications. On the other, how do we think that levels of leasing will perform if all of the projects on land ready for development in areas such as the Parc Central, la Escocesa or Badajoz get underway? The added supply would entail a softening of rent growth, particularly in those projects in areas at more of a disadvantage in terms of services and public transport.

For certain specific projects, *Prime* rent has recovered, reaching the peak recorded in the district exactly 10 years ago. Those companies renegotiating contracts must update their rent to market levels and those who opt for a new location will find a clear alternative in 22@ itself, in buildings under development or currently in the pipeline in the northern zone.

22@ is, possibly, the office sub-market in which we find the greatest spread of rents. Closing prices within the same district hover between wide ranges depending on each individual project. The rental price levels in this zone are hovering between €11 and €21 /m<sup>2</sup>/month. Demand has been occupying the various sub-sectors over diverse time periods, depending on location and specifications. Both the properties located in the Audiovisual Campus and the Seafront boasted the highest rents over the last year, exceeding the figure of €21/m<sup>2</sup>/month in some specific buildings.

*Prime rent in the district has recovered, reaching the levels seen 10 years ago.*

Trend in maximum rent in 22@ (€/m<sup>2</sup>/month)







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