marketbeat

Barcelona Offices

ICT SECTOR

MARKET SUMMARY

The take-up of office floorspace reached 116,500 sqm in the second quarter of 2018, an increase of 24% in comparison with the previous year. The evolution of this in Barcelona has been considerable, surpassing expectations for the close and reaching take-up levels 43% greater than the quarterly average for the last five years. Notable among the main deals during the quarter was the lease of 11,300 sqm on the part of Indra in Sant Joan Despí.

Of the 143 transactions signed during the quarter, 8% exceeded 1,000 sqm. The majority of contracts were for less than 500 sqm (75%) and 17% corresponded to deals between 500 and 1,000 sqm. The majority of the floorspace transacted over the year to date has hovered around the 786 sqm mark, whereas the average floorspace for deals exceeding 2,000 sqm stands at around 4,182 sqm.
Take-up is focused around the New Business Areas, these representing 45.3% of the total. Take-up in the CBD and the city centre corresponds to 31.5% of the total, whereas the Outskirts cornered 23.2% of total floor area. Industrial, ITT and Service firms have garnered the majority of spaces transacted.

The available supply of offices in Barcelona at the close of the quarter continues to trend downwards, the vacancy rate shrinking to 6.2%. The available square metreage now amounts to 370,000 m^2, some 8% below the figure for the previous quarter and 24% year-on-year.
In the area of the CBD and the city centre, the vacancy rate stands at less than 3%. In the New Business Areas this indicator is hovering around 8.4%, whereas on the Outskirts it remains above 17%. Prior to January 2020 some 165,000 sqm of office stock will be added in Barcelona, of which 45% is already committed.

The recovery in rents has consolidated across the various zones. Prime rent stands at €25/sqm/month, some 11% above the same figure one year ago. The market continues to display very strong fundamentals with all parameters performing positively. As yet, this has still not crystallised into a greater number of investment deals with rising prices. The market is suffering from caution both on the part of the investor community and vendors. Faced with the scarcity of product, the market has reorganised itself by using off-market type deals. We anticipate that these will come to fruition during the second half of the year.

MARKET INDICATORS Q2 2018

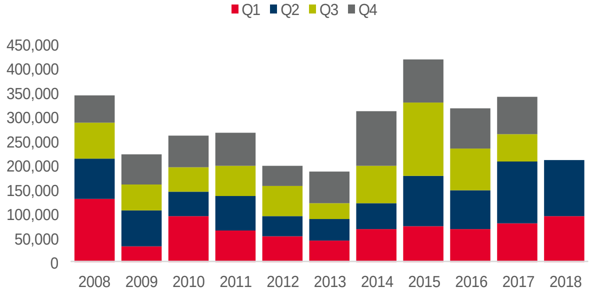
Occupancy

- OFFICE STOCK: 5,941,726 sq m
- PIPELINE FOR 2018: 58,800 sq m
- TAKE-UP 2018: 210,000 sq m
- PRIME RENTS: 25.00 €/sq m/month

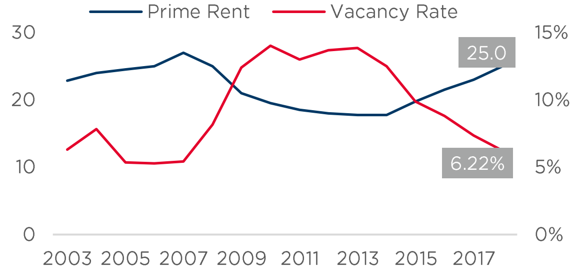
Investment

- TOTAL VOLUME 2018: €314 million
- OFFICE VOLUME 2018: €90 million
- PRIME OFFICE YIELD: 3.5%

Trend in take-up in Barcelona by quarter (m²)



Trend in vacancy rate and prime rent in Barcelona



BARCELONA: THE FOURTH INDUSTRIAL REVOLUTION

Among the factors enabling Barcelona to attract entrepreneurship and ICT projects, it is particularly worth mentioning: quality-of-life, the attraction of international talent and the start-up ecosystem, among others. This positions the city as a key enclave for start-ups and European innovation.

The digital economy is becoming ever more present: the number of persons employed growing by 3.5% over the last year and reaching 111,600 workers in Catalonia, 54,039 of whom are in Barcelona.*

**Catalonia Technology Barometer produced by the Catalonia Technology Circle*

In recent years, Barcelona has consolidated as one of the leading destinations for new technology businesses.

It is the fifth placed European city within this sector, behind London, Berlin, Paris and Amsterdam*.

Spain places fourth at a European level in terms of technology talent and is the second placed country in the EU in attracting international entrepreneurs to launch new businesses**.

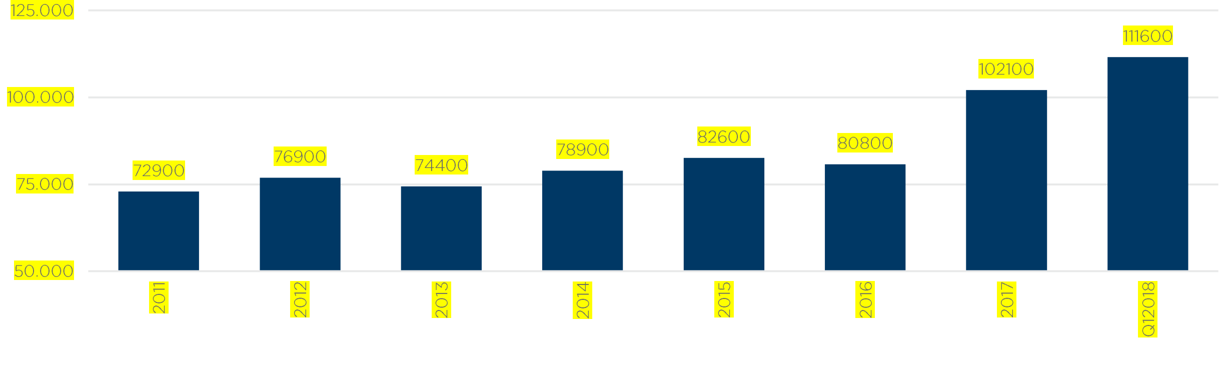
The ICT sector employs 111,600 workers in 15,000 companies in Catalonia, of which 2,750 are located in Barcelona. The number of employees grew by some 26% in 2017, this representing an all-time record. In contrast, the number of businesses as a whole grew by some 3.5%. Between 2010 and 2016, Catalonia placed second among southern European regions in terms of the capture of foreign investment projects in the ICT field.

34% of Spanish start-ups are housed within Barcelona. The majority of these businesses are focused on e-commerce, followed by business services and the creation of mobile apps.

**Source: Startup Ecosystem Overview, produced by Mobile World Capital Barcelona,*

***Source: Annual Report on the ICT sector 2018*

Persons employed in ICT in Catalonia – INE/Idescat

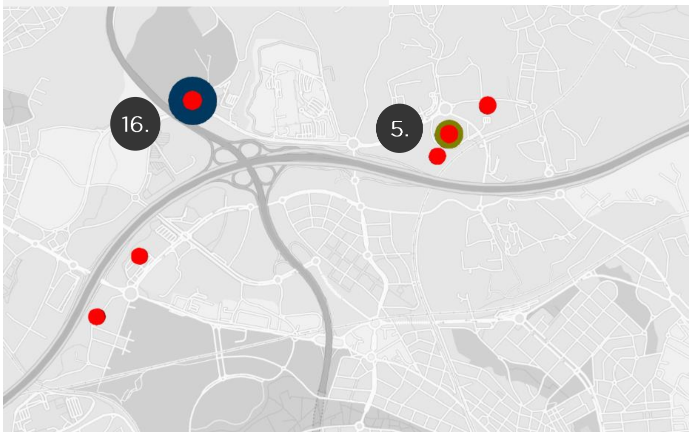


22@ - THE MOST PROMINENT HUB

Between 80% and 85% of ICT activity is concentrated within the Metropolitan Area of Barcelona, more specifically within 22@ and the Front Marítim (New Business Areas). On the outskirts, the area most sought-after by these types of businesses is Sant Cugat del Vallès.

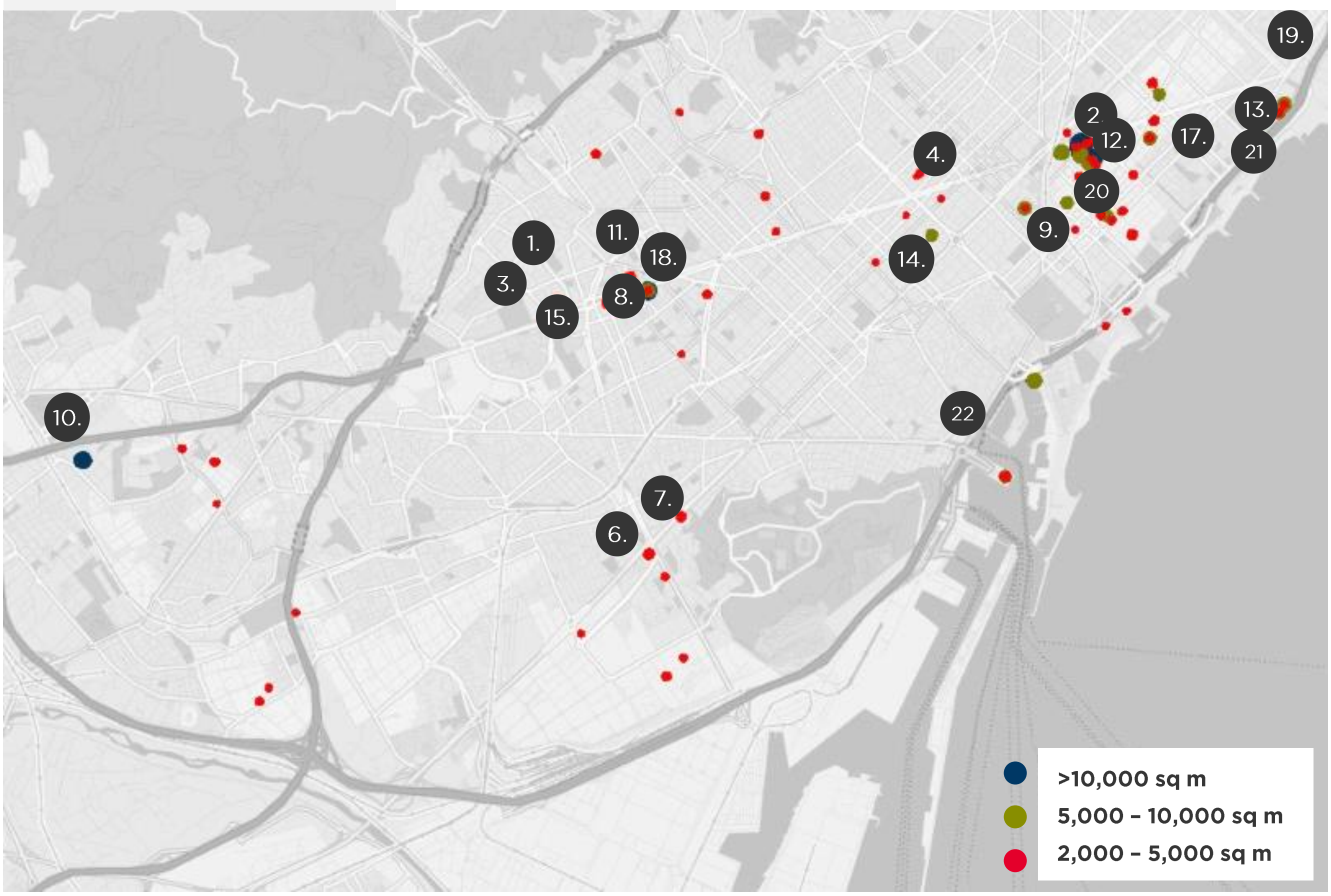
ICT sector giants with European head offices in Barcelona, R+D:

Sant Cugat del Vallès



1. ABERTIS
2. CCC
3. CISCO
4. ATOS ORIGIN
5. HEWLETT-PACKARD
6. FUJITSU
7. GETRONICS
8. IBM
9. ICA
10. INDRA
11. ITHINK
12. MEDIAPRO
13. MICROSOFT
14. NETAPP
15. ORACLE
16. RICOH
17. SEIDOR
18. SONY
19. TELEFÓNICA
20. T-SYSTEMS
21. SAP
22. AGILENT

Barcelona city and surroundings



WHAT SPACES ARE THESE BUSINESSES SEEKING?

The ICT sector is undoubtedly one of the main drivers of the demand for offices in Barcelona. The retention of talent represents one of the main challenges faced by these businesses. As a result, their main requirements include:

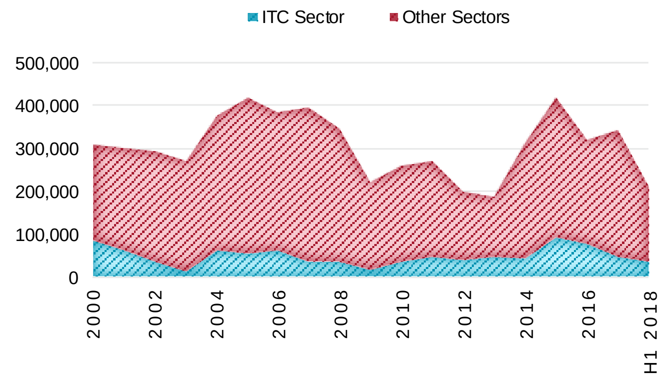
- Location with surroundings that are well adapted to the sector
- Efficient, flexible spaces
- A modern workplace strategy
- Good access by means of public and private transport

In fact, with the aim of stemming the drain of talent, these companies are implementing plans such as the offering of virtual spaces and collaborative environments in order to increase flexibility with regard to work and workplaces.

The largest companies of this type in Barcelona are located around the city centre and more than half have chosen District 22@. This zone was born out of the goal of housing the technology and media sectors in the same area, turning the city of Barcelona into a global benchmark for innovation.

The quality and presence of the projects within the district are endorsed by the fact that major firms such as Telefónica, Schibsted and Atos have chosen this sub-market. In addition, good public and private transport connections and the extensive offering of services make this area one of the best options for these types of businesses.
Over the last five years, the weight of the sector in terms of office demand in Barcelona has stood at around 20-22%, whilst reaching 30% in terms of the historical record. The data for the first half of the year reaffirms the consolidation of the levels reached in previous years. To date this year, these businesses have transacted on 40,000 m² of new spaces.

Take-up in Barcelona (sq m)



FUTURE NEEDS

The floor area transacted by these businesses varies and depends on the sub-sector of activity to which they belong. Consequently, the needs of technology businesses related to e-commerce differ from those of companies focused on Web Services and Software, the same being true of firms focused on hardware. Having said that, there are number of common strands in the demand for floorspace on the part of these types of businesses, summarised according to the following proclivities:

- Location within a multi-tenant building in which, to some extent, possible growth is guaranteed.
- Natural lighting and the latest technical specifications
- Multi-purpose spaces, oriented towards current cultural trends and fostering transversality
- Spaces which are open and integrated within the urban landscape, terraces for sharing space and holding informal meetings
- Integrated services within the building
- Reduced need for car parking spaces, as opposed to those for bicycles and motorbikes
- Buildings that are in line with their “modern” image
- Awareness in terms of low energy consumption, along with sustainability and well-being certification.
- Buildings with biophilic design, in which the aim is to incorporate items from nature in order to increase feelings of well-being.

The latter trend is commonplace and is widely approved of with regard to the future Buildings with this type of design are now being seen in sites in both Madrid and Barcelona.

The ICT sector has shown that it has the capacity to create high-quality occupancy with high added value. The offering of office spaces in Barcelona needs to maintain high construction and architectural standards in order to create attractive options for the entire range of businesses within the technology sector in Spain, whether or not these are new or fully positioned.

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