

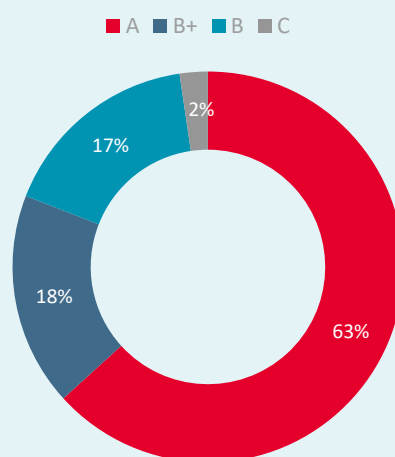
22@ District Barcelona | June 2019



22@ - A CONSOLIDATED BRAND

- 22@ once again led the demand for offices in Barcelona in 2018, not only in terms of the occupancy of spaces, but also by remaining the most sought-after office sub-market in terms of developers and investment funds.
- The attractiveness of the area is such that 2018 saw all-time record figures, with 128,000 sq m transacted. This is some 14% greater than the figure for the previous year. 33% of the total floor area transacted in Barcelona is located in 22@.
- Coworking spaces have become the leading players in the Barcelona market, swallowing up some 14% of the demand in 22@. The district is particularly attractive due to the fact that it brings together an offering of services, transport and high specification properties.
- Demand continues to seek out quality. 81% of the floorspace transacted was located in buildings classified as A/B+, where vacancies are scarce. Within the district, some 47,500 sq m lay vacant at the close of the first quarter of 2019. Over one year, the vacancy rate has fallen by some 20%.
- The lack of available floorspace is having an impact on rents, driving prime rent in the district upwards to a point in excess of 5% above the peak recorded ten years ago.
- Rents within the district had grown by some 13.5% at the close of the first quarter. This was in line with the growth recorded in Barcelona's CBD (13%).
- Up until 2020, the district will have six new projects amounting to a total of 43,000 sq m to add to the office stock in the area. 26% of this new floorspace is already committed.
- Investors are now taking positions in 22@ North. Six deals for new developments to the north of Diagonal have already been recorded since January 2018.

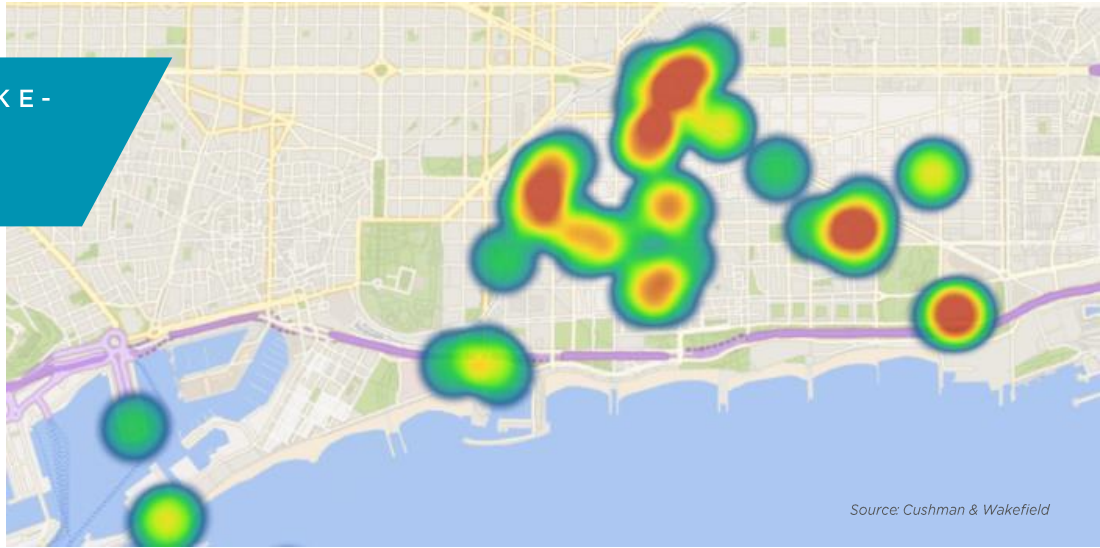
TAKE-UP OF OFFICE FLOORSPACE IN 22@ BY BUILDING CLASS (2017-Q1 2019)



Source: Cushman & Wakefield

81% of the floorspace transacted is located in buildings classified as A/B+

AGGREGATE TAKE-UP IN 22@ (Num.OF DEALS 2010-2018)



Source: Cushman & Wakefield

NEW RECORD FOR DEMAND

Since its beginnings, 22@ has played a fundamental role in the take-up of office floorspace in Barcelona. The district represents a success story, achieving in some years 50% of total take-up in the city.

A total of 73 lease deals were struck in 22@ in 2018, amounting to 128,000 sq m (33% of the total for Barcelona), some 14% above the figure for 2017. The leading deals closed over the last fifteen months (exceeding 5,000 sq m) consisted of Everis (25,000 sq m), CCC – Facebook (9,000 sq m), WeWork (9,000 sq m), IMH (6,100 sq m) and Criteo (8,500 sq m).

As per the case since the close of 2016, pre-letting frameworks have played a significant role. These types of deals represent the appropriate formula to enable those businesses with space needs to secure their preferred building, as well as their possible growth, within a context in which flexibility and quality represent key requirements in decision-making.

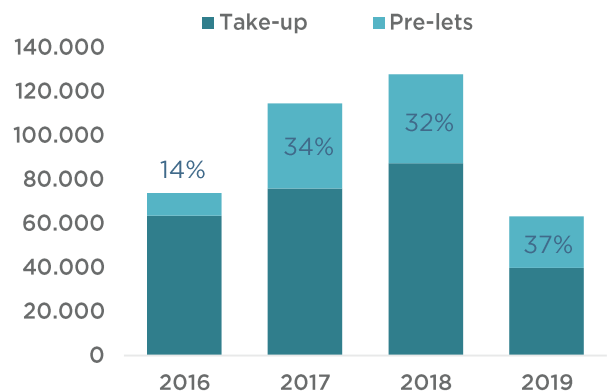
As may be seen from the figure to the right, some 34% of the floorspace transacted in 2017 was pre-let. This trend remains strong due to the scarcity of quality floorspace adapted to new deployments and the requirements of businesses and their new working methods, amounting to 32% of the floorspace transacted in 2018.

2019 began with significant take-up in Barcelona (a record first quarter for the last 10 years) and, of course, in 22@ which, with a market share of 43%, reached a figure of 63,000 sq m. (37% of this space was pre-let).

Large-scale requirements have followed the same trend in comparison with 2017. 50% of the deals in Barcelona exceeding 2,000 sq m were signed in 22@.

The leading demand is for medium-large offices, this being corroborated by the 54 deals exceeding 1,000 sq m between January 2018 and the first quarter of 2019. A total of 20 deals below 300 sq m were struck in the area, illustrating that it represents an option for this demand segment traditionally focused on the centre of Barcelona.

OFFICE DEMAND IN 22@ (M²)



Source: Cushman & Wakefield

***More than 30% of the
sq m transacted in the
district opted for “pre-
letting frameworks”***

DUAL SPEED
CONSOLIDATION

The need for new development is backed up by the lowest ever vacancy rate recorded for the district, dropping to 4.26% at the close of the first quarter. The available floorspace in 22@ at the close of the first quarter amounted to 47,500 sq m, in comparison with 60,000 sq m one year ago. If we consider only the highest specification buildings (A/B+), this indicator drops to just 2.7%. Added to this is the fact that vacancies are scattered. At the close of this report, the available supply exceeding 1,000 sq m amounts to just three options for the entire district.

The response to this lack of options has taken the form of new developments. These have added some 23,000 sq m to stock during the first three months of the year (100% occupied) and correspond to the 22@Platinum project comprising three buildings. Located within the block demarcated by the streets Pallars, Llacuna, Pujades and Roc Boronat, it has been pre-let in its entirety by WeWork, the IMH (Municipal Treasury), Barcelona City Council, N26 and Glovo.

Construction activity is still on the rise, the main objective being not to drown demand in a sub-market in which average annual demand amounts to 75,000 - 85,000 sq m. The district currently has six projects under construction/refurbishment, which will add a total of 43,000 sq m to the office stock in the area up to 2020. 26% of this new floorspace is already committed.

Projects with licence granted amount to 22,000 sq m, this figure rising to 275,000 sq m if we add those where licence is pending. The potential ceiling for offices in 22@ amounts to 700,000 sq m, of which 440,000 sq m are located on land ready for development (with approval in the Municipal Infrastructure Plan).

The take-up recorded in 2018 (128,000 sq m) has altered the average figure for take-up to date. Our forecast is for this level of interest to be exceeded at the close of 2019. The levels of take-up currently recorded and the forecasts for the coming months bolster the need for new developments.

Bearing in mind current vacancy levels, the demand in the area over the short to medium term and the delivery time frames anticipated for each project, we could be facing a 2020 with a scarcity of new product, whereas in 2021-2022 the stock of new supply should be greater. Nevertheless, everything will depend upon the pace of deliveries and the start-up of new projects in the area; projects with licence applications made and in the process of being granted.

FUTURE SUPPLY (SQ M)



Source: Cushman & Wakefield



TWO COMPLEMENTARY WORLDS

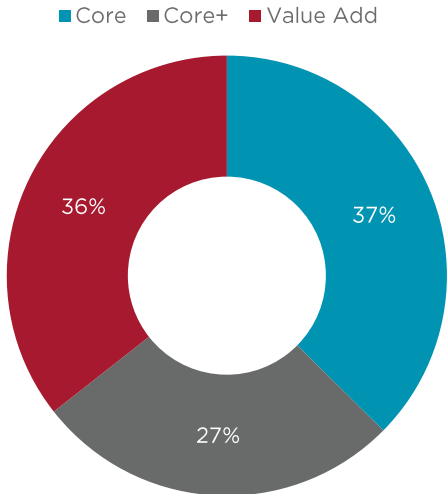
Private sector initiatives are seeking to provide for all of the growing demand in the district, with not only new buildings, but also the refurbishment of properties for office use. These in themselves represent a different product, restoring and maintaining the historic heritage of Poblenou.

One thing which has particularly stood out in 22@ during the last two years and with respect to the remaining office zones in the city is the number of land deals for new development. The growth forecasts in terms of occupancy data and rents in the area for the coming years reinforce the acquisition of land and, consequently, new real estate activity and new developers committing to this district.

There is considerable variation in the pace of consolidation of the areas comprising the district. Les Glòries/Campus Audiovisual 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. Although it is in this neighbourhood that we have seen the greatest number of land deals, the thoroughfares of Llacuna, Tànger and Badajoz have been gaining in prominence in terms of opportunities for groups carrying out acquisitions. The fact that we are beginning to see investor activity in the area north of Diagonal, more specifically the six deals since January 2018, represents a natural reaction to a vacancy rate that has fallen by half over the last four years.

The growth of stock, the increase in gross demand and rise in rents are attracting groups such as investment funds, insurance companies and pension funds looking to acquire buildings in the final stages. The aforementioned are understood as consisting of buildings which are finished and, in general, have a high proportion of their floorspace already committed to one or more tenants. In other words, they represent assets capable of generating revenue.

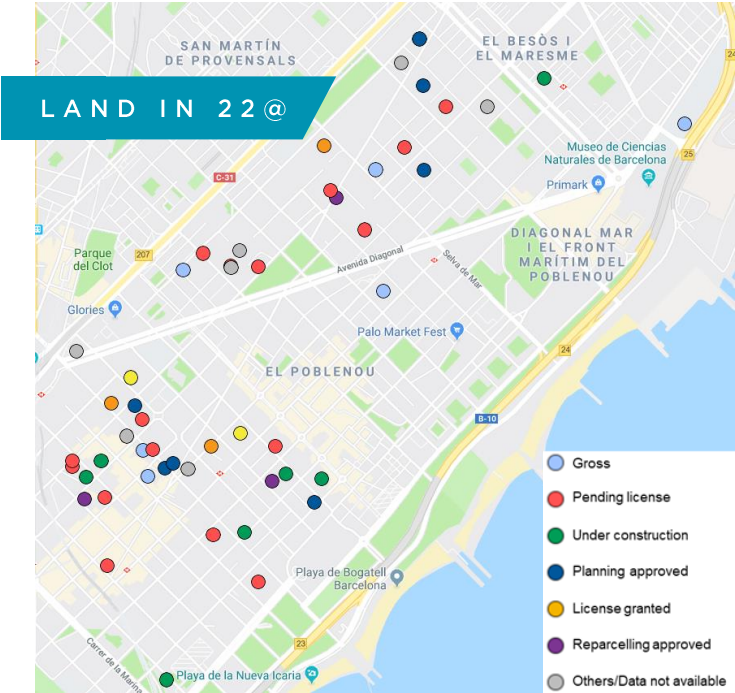
TYPE OF CAPITAL ENTERING 22@ (2018-2019)



Source: Cushman & Wakefield

Land investment volume in 22@		
Year	m² (devpt. potential)	Total volume €M
2016	33.000	51,4
2017	173.000	161
2018	147.000	177
T1 2019	33.000	43

Source: Cushman & Wakefield



Source: Cushman & Wakefield

Within an international context, the “22@ brand” requires little explanation. The majority of overseas groups have been aware of and understood this sub-market and its background since 2000.

Institutional investment is focused on the area and the existing product is attracting both Core+ and Value Add capital. The spread between the prime yield in 22@ (4.25%) and that of the CBD (3.50%) represents a clear attraction for investors.

COW@RKING THE STAR OF THE DISTRICT

These spaces are gaining in prominence in Barcelona, particularly within district 22@. This growth is a result of the commitment of major corporations to coworking. These spaces were dominated by the self-employed and freelancers during the early years of the new millennium. Today, however, the coworking phenomenon has pushed major firms towards using flexible spaces for part of their activity.

These types of spaces now represent some 1.7% of the stock in Barcelona. In 2013, Barcelona already possessed 100 coworking office spaces. In fact, it was the city with the greatest number of these types of centres in Spain. Their proliferation will have a major impact on the supply of spaces in the area.

Between January 2018 and May 2019, 14% of take-up in Barcelona corresponded to coworking spaces, of which 36,000 sq m were signed in 22@. The district currently houses 60% of the stock of coworking spaces in the city of Barcelona.

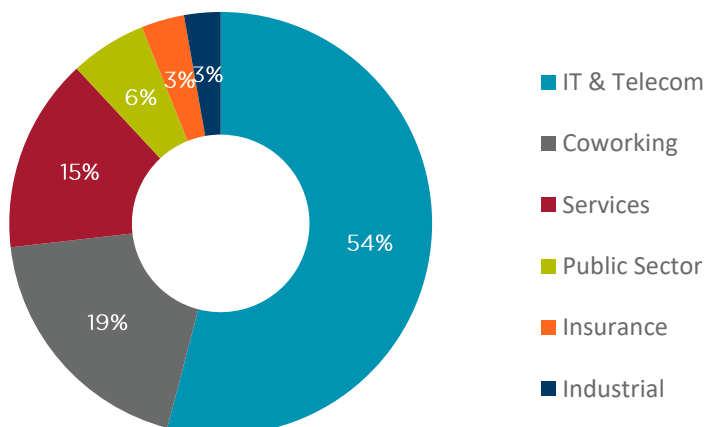
In the beginning, 22@ attracted businesses linked to the city and opting to relocate their head offices to the district. The current occupier profile revolves around international firms on the lookout for local talent. As the leading occupiers, these companies value the option offered by the district of being able to combine traditional office space with the possibility of locating part of their workforce in flexible spaces. This is due to the fact that they see added value in an environment which is versatile, functional and offers community.

In addition to major business groups that are happy to use this space model in order to optimise their property resources and employee productivity, large international coworking firms (WeWork, Spaces) have appeared in 22@ in order to satisfy demand.

In turn, the leading socimis, such as Merlin and Colonial, are adapting a number of their properties to add them to the supply of flexible buildings in the district, as well as promoting brands that manage coworking spaces (Loom House and UtopicUs respectively).



MAIN SECTORS IN 22@ (SQ M TRANSACTED BETWEEN JANUARY 2018 - MAY 2019)



Prime rent in the district exceeds the peak recorded 10 years ago.

Maximum and minimum rents in the area have increased within the past year by some 13.5% and 10% respectively.

**RENTS
SURPASSING ALL-TIME HIGHS**

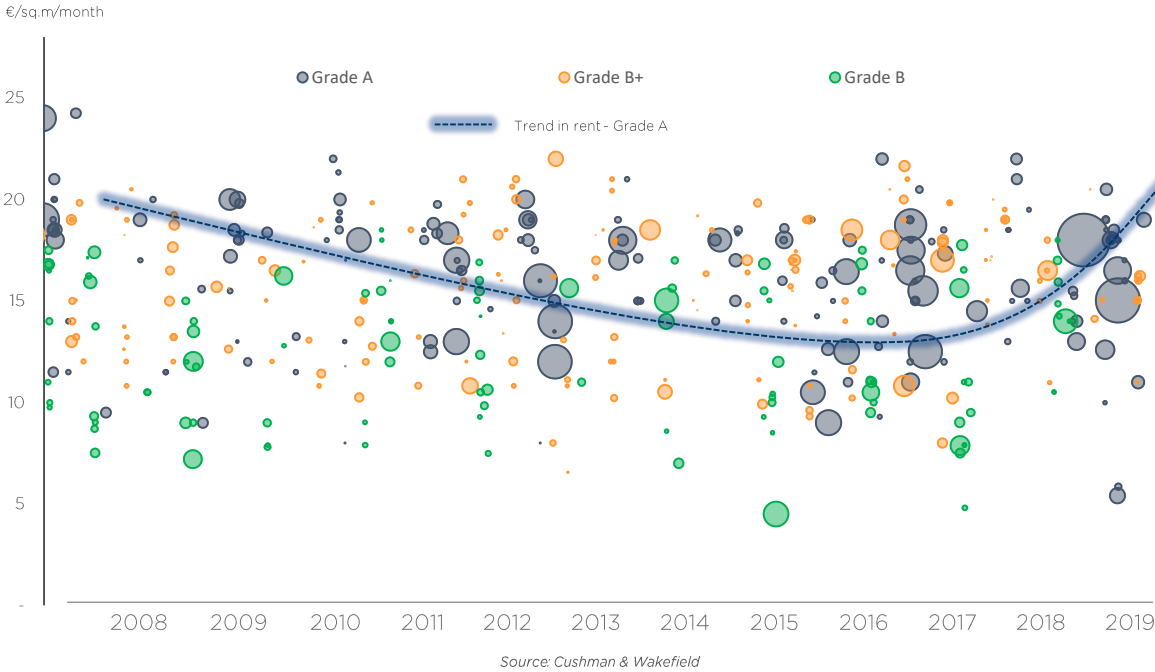
The average and maximum rents in the district continue to be driven by the level of activity in the Barcelona market, the attractiveness of 22@ as an alternative to the more traditionally sought after areas, as well as the use of pre-letting structures.

As a “product”, 22@ is recording rent growth as a result of strong economic activity of sufficient depth to be sustainable. In itself, this fact is attracting new real estate activity to the district, along with developers, investment funds and occupiers willing to form part of the transformation of this area.

22@ is the office sub-market in which we find the greatest spread of rents. Prices oscillate between €13 and €23 /m²/month within the same district (depending on the area and type of project). The spread between the maximum rent reached in the CBD of Barcelona and that recorded in 22@ is increasingly diminishing. Both the properties located in Campus Audiovisual and the Seafront boasted the highest rents, exceeding the figure of €23/m²/month in some specific buildings.

As of 2020, more than one scenario is visible regarding the district in terms of rents and the demand attracted by new projects. On the one hand, if demand continues to perform strongly as at present, rents will continue to follow this trend for the best projects. In contrast, if the projects located to the north of Diagonal continue to progress as anticipated, the added supply will entail some moderation in rent growth, more specifically with regard to projects located in less attractive areas in terms of public transport and services.

TREND IN DEALS IN THE AREA ACCORDING TO SPECIFICATION, SIZE AND RENT LEVEL



cushmanwakefield.es @CushWakeSPAIN

Cushman & Wakefield is the global leader in real estate services and advises its clients on transforming the manner in which people work, shop and live. The firm's 51,000 employees in 70 countries provide in-depth local and global knowledge which adds significant value to occupiers and investors around the world.

Disclaimer

This report contains publicly available information which has been stated by Cushman & Wakefield on the basis that this is accurate and complete. Cushman & Wakefield accepts no liability whatsoever should this not be the case. No warranty nor representation, either express or implicit, is made with regard to the accuracy or completeness of the information herein, this being subject to errors, omissions, changes in price, rent or other conditions, retraction without prior notice and any other special condition imposed by our directors.

©2019 Cushman & Wakefield LLP. All rights reserved.

To learn more about our reports, please contact

Research & Insight:

Marta Esclapés
Associate Director
Spain Research & Insight
marta.esclapes@cushwake.com

Ramiro J. Rodríguez, PhD
Associate Director
Head of Research & Insight - Spain
ramiro.rodriguez@cushwake.com

Media contact
Jenny Pizarro
Partner
Head of Marketing & Communications
jenny.pizarro@cushwake.com