

MARKETBEAT

OFFICES BARCELONA

A Cushman & Wakefield publication

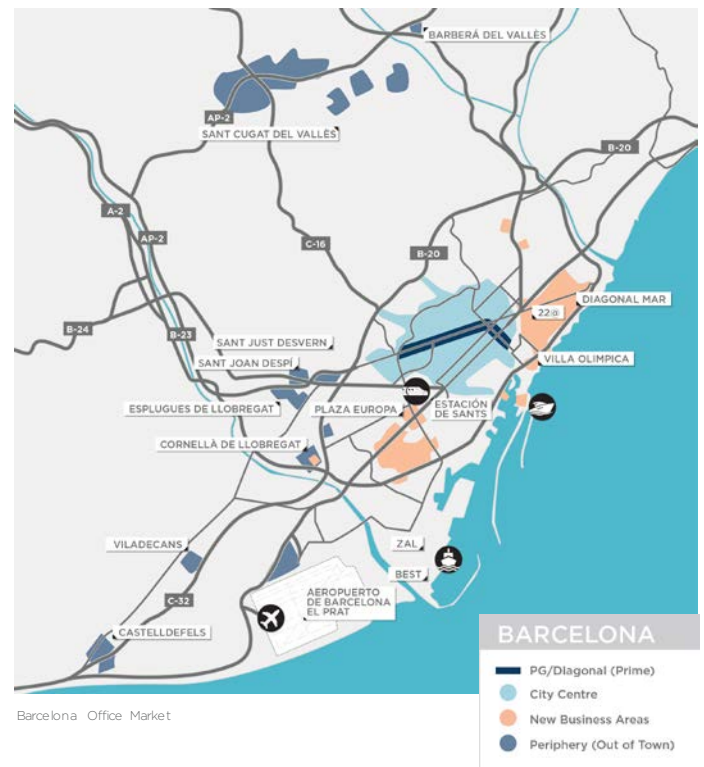


ECONOMY

According to the latest forecasts from *Oxford Economics*, the Spanish economy continues to grow strongly, with a 0.8% increase of GDP in the second quarter (the same as recorded in the first quarter of the year). Solid growth has been noted in all sectors; a 4.3% increase in exports is the main driver, but private consumption and fixed investment also grew significantly.

Although a certain slowdown in the economy can still be seen, short-term prospects remain positive; according to *Oxford Economics*, indications are that GDP will grow 0.7% in Q3.

According to INE, the sector of activity leading the recovery in supply since the situation began to improve in Q3 of 2013 has been the service sector.



Barcelona Office Market

BARCELONA OFFICES INDICATORS*

RENTAL

Supply

New Construction

Take-up

Prime Rents

INVESTMENT

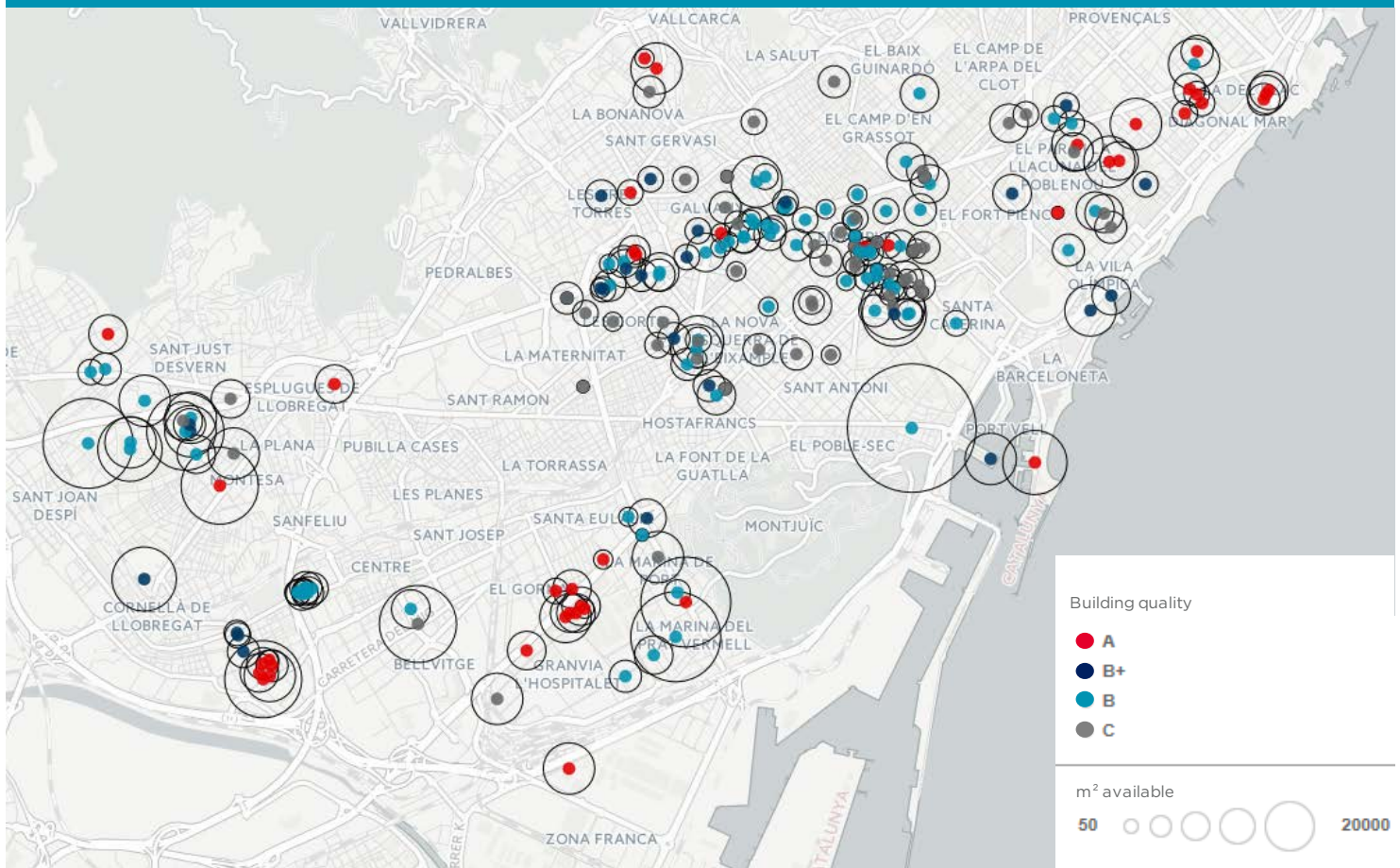
Supply

Demand

Prime Yields

* Indicators refer to T2 2016

Main developments available in Barcelona – Availability by quality and total floor space



Source: Cushman & Wakefield

SUPPLY

The vacant office supply in Barcelona at the close of the third quarter of the year continues to show a clear downward trend, the vacancy rate in September closing at under 10%.

The volume of available square metres at the moment is approximately 520,000 m², 5.82% lower than the previous quarter. The interannual adjustment for this indicator is -17.94%.

In the Passeig de Gràcia/Diagonal and City Centre areas, the vacancy rate is below 5%. In the New Business Areas, this indicator is around 12% and in the Periphery it still remains above 20%, even though this has decreased considerably in comparison to the figure a year ago.

One of the sub-zones where the vacancy rate has gone down is Sant Cugat del Vallès; this is due to an increased number of deals in recent months. A year ago, the vacancy rate in this area was 11.4%; currently it stands at 8%.

As regards new developments, the volume of speculative new building completions still remains very low when compared to previous years. Only 36,000 m² of office stock has been added in 2016, 80% of which is already committed.

The healthy levels of take-up recorded in recent months has changed the market paradigm and some of the developments that had been on hold have restarted.

A number of new buildings will be added to the Barcelona office stock over the next 18-24 months.

An important new development is “Parc Glòries”, which is being built by Colonial at the Campus Audiovisual, with 24,543 m² on 17 floors. The building, designed by Batlle & Roig, is located in the heart of 22@ area, next to Plaça de les Glòries and adjacent to Avinguda Diagonal. The development will have open-plan floors of approximately 1,800 m² and its completion is expected to be in 2018.

DEMAND

Take-up of office space in Barcelona reached 85,000 m² in the third quarter of the year, an increase of 5% compared to the previous quarter. However, if we include the take-up throughout 2016, this corresponds to a decrease of 29% when compared to October 2015. Although this is a significant evolution, we should remember that Barcelona saw a record take-up in 2015, reaching a total of 420,000 m² from January to December.

One of the most notable deals of the quarter was that of the 2,500 m² expansion of Criteo (world leader in digital advertising) in the iconic Torre Mapfre, where it already occupied over 2,400 m². The biggest deal of the quarter was the transfer to Grupo Planeta by the City Council of L'Hospitalet de Llobregat of the over 10,000 m² which had previously housed the offices of the law courts of L'Hospitalet. With an investment of between €7-10 million, the building will be converted into a training centre.

Another important deal in the City Centre was the leasing by Accenture of 4,591 m² in La Rotonda. This well-known building, owned since 1999 by the developer Núñez y Navarro and recently refurbished, is located at Avinguda Tibidabo, 2.

In the Periphery, one of the most important of the large deals that took place was the leasing of 1,200 m² in a property owned by UBS by an important international consultancy, in Vallsolana Garden Business Park, in Sant Cugat del Vallès. This lease has allowed the business park to reduce its vacancy rate by around 50%, standing at the close of the quarter at 23%, compared to 47% a year ago.

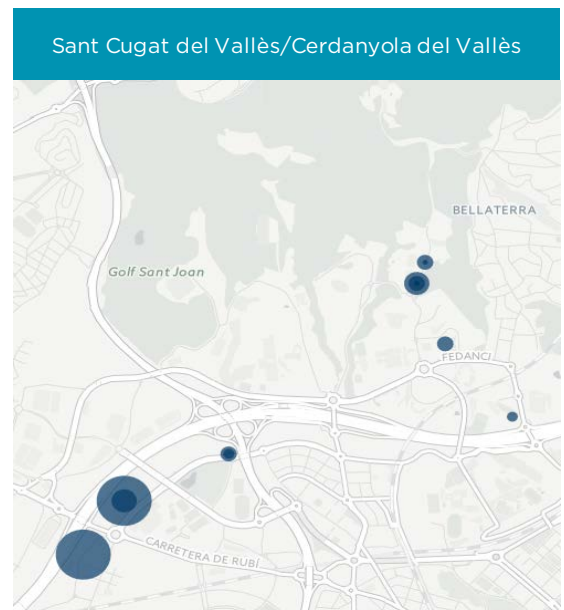
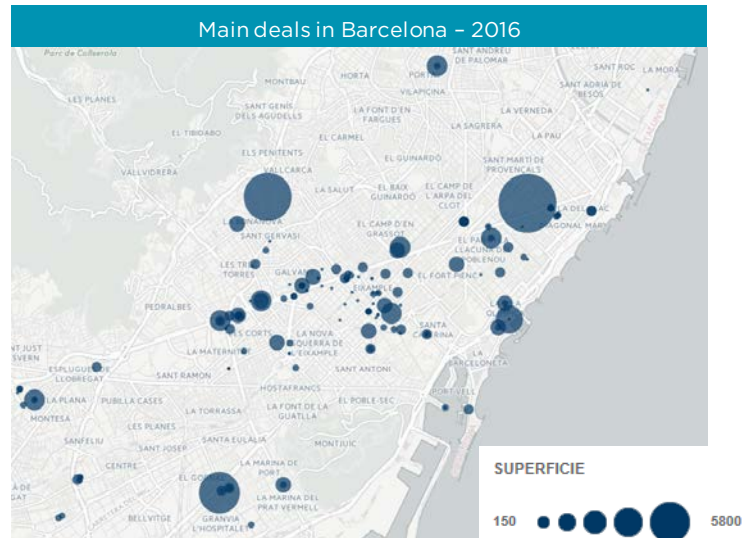
As regards size, of the 304 deals signed so far this year, only 7% were for deals for over 2,000 m². Most of the deals signed were for contracts of below 500 m², representing 57% of the total; 24% of the total were for deals of between 500 and 1,000 m². The average floor space taken up in Barcelona in 2016 is 770 m², in deals of over 2,000 m² the average floor space is 4,000 m². Smaller scale deals remain the majority and continue to play a very important role in total take-up.

As regards area, the total take-up so far this year continues to be concentrated in the centre, demand in the Passeig de Gràcia/Diagonal and City Centre areas representing 51% of this. Space taken up in the New Business Areas represents 23%, while in the Periphery this stands at 26%.

The service sector, professional services and ITT together represent 79% of the square metres leased in Barcelona so far this year. The industrial and pharmaceutical sectors follow, with 17% and 5% respectively.

RENTAL LEVELS

The recovery of rents in the various office areas of Barcelona is now a reality, consolidating the trend we have been recording since December 2014. Although it is true that the prime rent in Barcelona has remained stable compared to the second quarter, it is now 8% higher than a year ago, standing at 21.00 €/m²/month.



8%
 Prime rent in the Periphery has increased for the first time since 2013

Rents in the other areas saw few changes, except for part of the Periphery, where take-up and vacancy levels recorded have led to a rise in the rents of the best buildings in the area to 10 €/m²/month. For the first time in the last three years, there has been a clear increase in the rents of the best buildings in these areas, 8% above levels recorded in December 2013, to be exact.

If we look at take-up from January to September, 9% of deals were signed for between 18 and 21 €/m²/month. In 2013 and 2014, only 5% and 7% of deals were for these rental levels.

With three months left of the financial year and according to the figures analysed so far, we consider that 2016 has been a good year for the Barcelona office market, characterised as it is by a recovery of the rents in the city's best buildings and a low vacancy rate in quality floor space in certain areas.

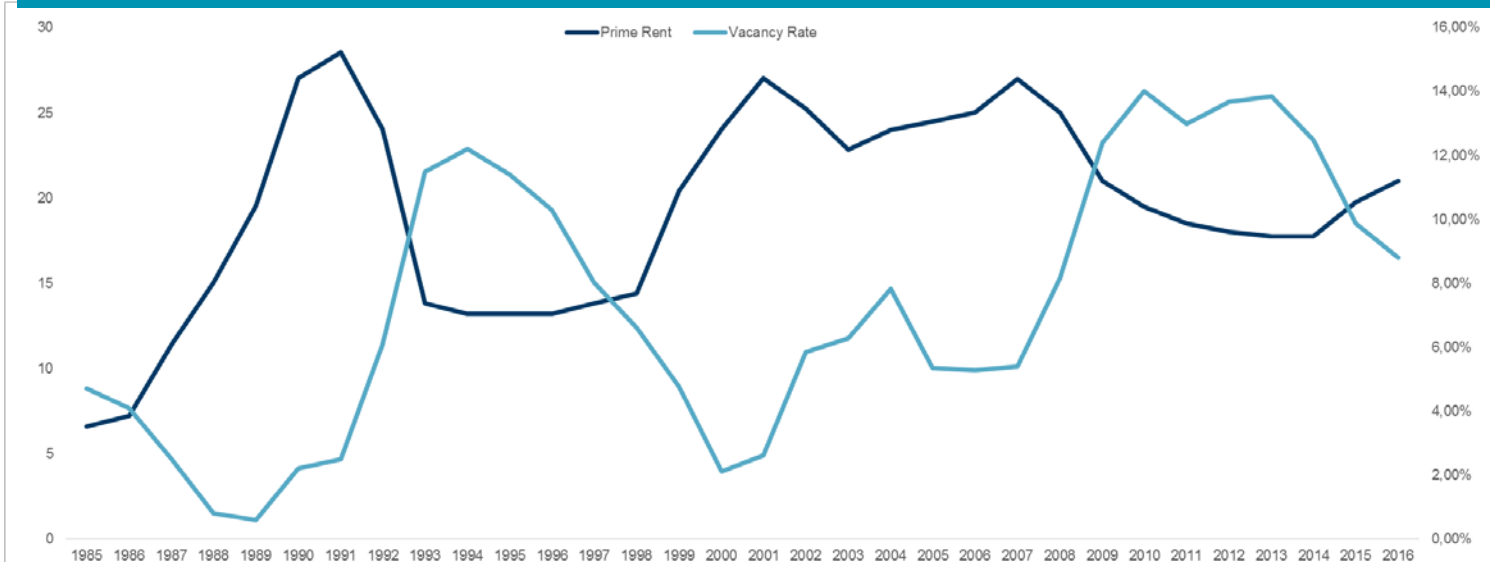
Taking into consideration the strength of demand for the best buildings, the reduction in the overall vacancy rate and the shortage of speculative developments over the coming months, we will probably see some additional adjustments in prime rents before the end of the year.

INVESTMENT

Investment in offices in Barcelona reached €195m in the third quarter, corresponding to more than 60% of total investment so far this year (€320m). Despite the fact that total investment is below the volume recorded between January and September 2015 (an exceptional year), it is demonstrating the high level of market activity taking place.

Despite the sluggish activity of the first semester of 2016, which was due to a shortage of assets for sale and political uncertainty, the second semester started off with more activity in the investment market and everything indicates that, given the negotiations and processes currently underway, the final quarter of the year will be busy as regards investment deals. Investors continue to show high levels of interest in Barcelona, creating strong buyer pressure in the market, which has led to even greater yield compression, reaching 4% in the prime zone.

Vacancy rate evolution and Prime Rent in Barcelona



Source: Cushman & Wakefield

Cushman & Wakefield is a global leader in real estate services, helping clients transform the way people work, shop and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world.

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2015 Cushman & Wakefield, Inc. All rights reserved.

Cushman & Wakefield
Passeig de Gràcia, 56 - 7th floor
08007 Barcelona - Spain

For further information, visit cushmanwakefield.es or follow us on Twitter @CushWakeSPAIN

CONTACT

Research & Consulting

Marta Esteves Costa
marta.costa@eur.cushwake.com

Marta Esclapés
marta.esclapes@eur.cushwake.com