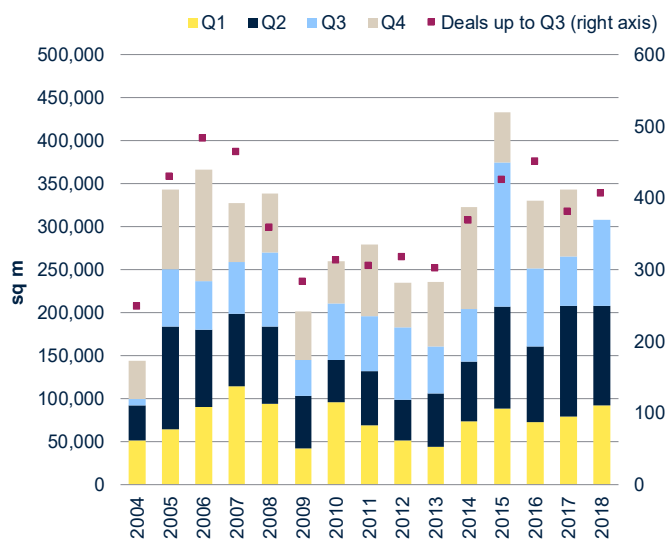


Market in Minutes Barcelona Offices

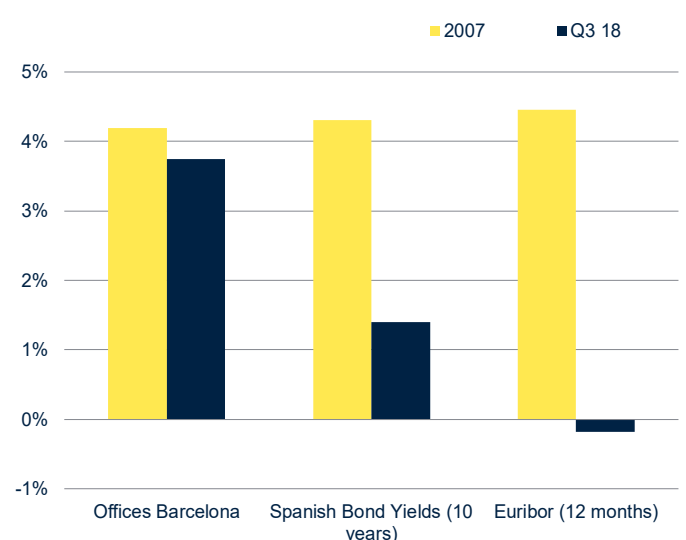
Q3 2018

GRAPH 1
Annual Gross Take-up



Source: Savills Aguirre Newman

GRAPH 2
Prime Yields vs Spanish Bond Yield



Source: Savills Aguirre Newman/ Banco de España

SUMMARY

The strong dynamics of demand bolster take-up, which reaches the highest level of the historical series

■ Letting activity in the Barcelona office market exceeds the figures recorded in 2017 both in take-up volume and number of deals in the quarterly and Q3 accumulated data. Year-end prospects are very optimistic.

■ The vacancy rate continues to trend downwards reaching 6% for the entire market. Prime CBD and City Centre (CC) areas reach virtually 100% occupancy, with vacancy rates between 1% and 3% respectively.

■ The occupier demand that does not meet space requirements in prime and CC areas diverts its search to New Business Areas (NBA) and the

periphery, which are increasingly gaining more importance in the market. Meanwhile, more occupiers are starting to search for spaces in Distrito 22@ (in NBA).

■ Over the next 15 months (Q4 + 2019), the incorporation of 201,000 sq m is expected, 50% of which will already be committed to pre-letting contracts. The remaining 50% will help reduce the lack of supply in the market, although NBA will account for almost 80% of the total speculative spaces.

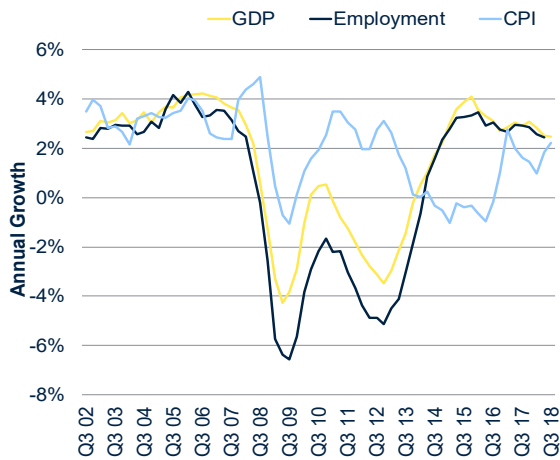
■ The average closing rents of the total market grew at an interannual rate of 5%. Meanwhile, the annual comparison

of the weighted average closing rent posted an increase of around 9% as several of the largest market transactions also appeared among the transactions with the highest rents.

■ The achievable prime CBD rent in Q3 stood at €25 per sq m/month, 9% above Q3 2017 figures.

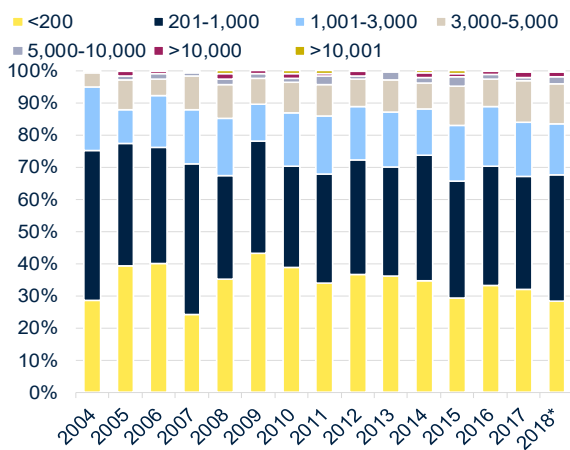
■ The investment market resumed activity during the summer and has already recorded more than €500m transacted (25% of the total national). Blackstone's acquisition of Planeta's headquarters (>€200m) is one of the largest of the year not only in Spain, but also in the historical series of Barcelona.

GRAPH 3
Main Economic Indicators



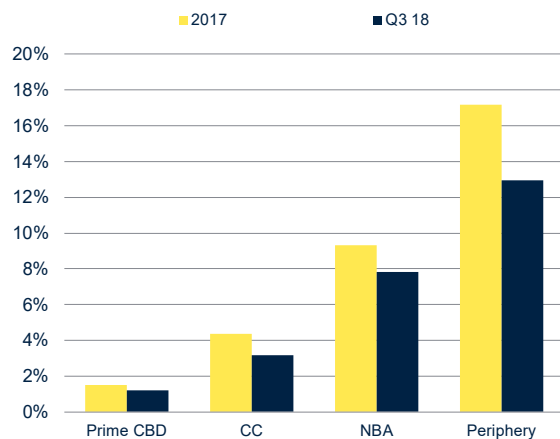
Source: INE

GRAPH 4
Transactions by Deal Size



Source: Savills Aguirre Newman / *up to Q3

GRAPH 5
Vacancy Rate by Market Zones



Source: Savills Aguirre Newman

Economic Overview

The Spanish economy grew by 2.5% in Q2 of this year (latest data published by INE). This is the second consecutive quarter with a slowdown in the economy, a trend that will continue over the next few years with an average annual growth of 2% until 2022 (according to Focus Economics).

In September, the Bank of Spain reviewed its downward forecast for 2018, which currently stands at 2.6% (one tenth below the figure published in June). However, most of the projections from financial institutions maintain a 2.7% growth in 2018.

The uncertainty regarding the economic situation due to the high level of parliamentary fragmentation, as well as the limited progress in the correction of public debt have increased the degree of vulnerability and are likely to have a negative impact on the national market.

Despite the slowdown, the Spanish economy is still in an expansive phase, which will be reflected in the improvement in the labour market. The Q3 Spanish EPA placed the unemployment rate at 14.5%, recording 22 consecutive quarters of gradual decline. The forecast for the second half of the year (also around 14%) will set the annual level at 15.3%. The downward trend will continue until 2022 when it reaches 12% (according to Focus Economics).

Take-up and Demand

The Barcelona office market maintains the dynamic levels of the previous quarters. Take-up volume in the third quarter slightly exceeded 100,000 sq m, which almost doubled the figures registered in the same period of last year. This data also ranks in the top 10 of the quarters with the best take-up figures, four of which were recorded in the last 24 months (two in 2017 and two in 2018). It should be noted that Everis, with 25,000 sq m, accounts for almost 25% of the quarterly data.

The accumulated data is just over 308,000 sq m, which already represents 90% of the annual total in 2017 and surpasses the record of the first three quarters of last year by 16%. Moreover, the 405 deals signed between January and September are ahead of those registered in 2017 by

25. Hence, year-end prospects are very optimistic.

According to Decoding Global Talent, a report published in 2018 by BCG, Barcelona ranks fourth among the most attractive cities to work highlighting the high level of digital expertise, which makes Barcelona an emerging city for employment technology.

Manpower comes not only from the city or from the rest of Spain, but also from other countries in the world.

In fact, some twenty multinational companies have opened branches or technology centres in Barcelona in recent years. Some are related to the new technologies sector, but others are engaged in insurance, food, distribution companies, etc.

Deal Size

The average quarterly spaces reached 1,000 sq m, driven by the Everis mega-deal (>10,000 sq m). This is the second highest level in the historical series, recorded in Q3 2015 when the Generalitat let 46,000 sq m. If the Everis transaction were to be disregarded from the analysis, the average deal size would reach 800 sq m, surpassing the figures from the last five quarters.

The accumulated data would set the average size at 760 sq m, 10% above the 2017 figures. By zones, the NBA and periphery far exceed the average size of the total market, with 1,750 sq m and 950 sq m respectively. On the other hand, prime CBD and CC areas are way below the average, with 290 sq m and 430 sq m each.

Activity by Market Zone

The NBAs continue to account for most of the commercial activity in the Barcelona office market, with 45% of the take-up (almost 140,000 sq m) and 29% of deals. The submarkets of Poble Nou 22 @ and Frente Marítimo accumulated 80% of the spaces taken.

It is important to highlight the importance that the submarkets of the periphery are gaining, where the approximately 81,000 sq m represent 26% of the total and almost double the annual figures registered in 2017. Baix Llobregat accounted for 76% of the periphery take-up, with Cornellà as an outstanding municipality, where close to 18,000 sq m were distributed over ten deals.

The CC also accounted for 26% of the accumulated take-up. However, when compared with the previous year, it shows a clear decline in activity, both in take-up volume and number of signed deals.

On the other hand, prime CBD barely contributed 3% to the take-up figures.

Current Supply

The just over 360,000 sq m of available spaces place the vacancy rate of the Barcelona office market at 6%. Hence, the supply continues to trend downwards.

The reduction of available spaces affected all markets. By volume, it is important to highlight the periphery, which fell by 15,000 sq m (-18% compared to the previous quarter), followed by CC, which with 9,500 sq m less, reflects a 21% q-o-q decrease. NBA, on the other hand, reduced almost 8,000 sq m up to 100,000 sq m of available spaces. The lack of available spaces in prime CBD becomes more pronounced because of the reduction in supply by 14%, although by volume it only dropped by 1,600 sq m.

In terms of vacancy rates by zones, prime CBD, with 1.2%, almost reached 100% occupancy. The CC has only 3% of available spaces, thus approaching the prime status. NBA stood at 8% and the periphery is the only large area of the market that exceeds 10%, allowing us to offer a wide range of spaces of different sizes, qualities, rental levels, etc.

Future Supply

Over the next 15 months, the entry of 201,000 sq m to the Barcelona office market is expected, 50% of which will be delivered empty. The recovery of developer activity will allow the office stock to grow, with almost 170,000 sq m more coming from new developments, and occupier demand shows a clear interest in these projects, as 92% of the spaces, close to 92,600 sq m, will be incorporated into the market as committed spaces through pre-let contracts.

By zones, the market will grow mainly in the Distrito 22@ and Fira, both in the NBA, which account for almost 70% of total new spaces and 66% of pre-let spaces. In the periphery, particularly in the Vallès area, new

spaces are distributed equally, although the entire pre-let spaces are concentrated in Sant Cugat.

Rents

The third quarter ended with the weighted average rent slightly above €15 per sq m/month, thanks to the boost of high rents in large deals. Three of the four signed lettings of >3,000 sq m were closed between €18 and €23 per sq m/month. By zones, the prime CBD, CC and NBA markets recorded double-digit increases for two consecutive quarters, the most outstanding of which took place in the NBA, with almost 30%. The periphery, on the other hand, dropped due to the discrete rent of the third deal in terms of quarterly volume (in the region of 8,500 sq m in El Prat de Llobregat).

With regards to achievable values in this quarter, prime CBD grew by 9% y-o-y, standing at €25 per sq m/month. For the third consecutive quarter, CC and NBA figures coincide. Both areas progressed, reaching €21 per sq m/month, although the y-o-y variation of NBA, 12%, reflected the enormous interest of occupier demand in this area. In fact, NBA exceeded CC figures both in the calculation of the arithmetic average rent and the weighted average rent, in both the closed deals registered in Q3 and the accumulated data up to Q3 2018.

Investment Market

The Spanish investment market already exceeds €2,100m and stands at 9% below the 2017 annual total. Barcelona, with €520m accounts for 25% of the national volume (aligned with the Ciudad Condal participation in the historical series).

After the first half of the year with limited investor activity, when barely €25m were recorded in four deals, the market seemed to have awakened from its lethargy. Since July, nearly €500m worth of transactions have been completed, although one deal accounts for 42% of the total of the second half up to October.

During the summer, the publishing house Planeta signed a sale and lease back transaction involving its historic headquarters, located on Avenida Diagonal, with Blackstone for €210m. It is not only the largest deal of the

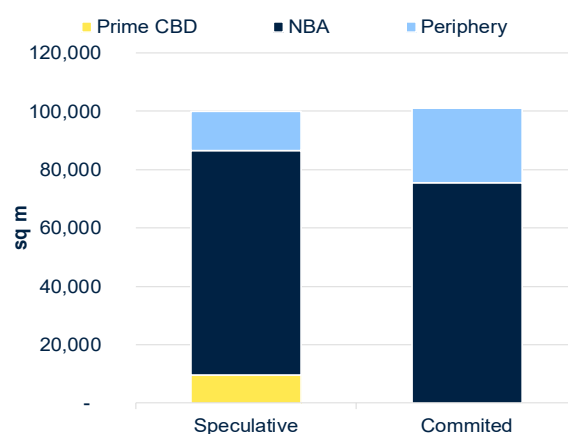
year in Barcelona but also in Spain. Additionally, it also leads the list of the largest transactions in the historical series of the Barcelona office market.

The available product on the market maintains the interest of investor demand which has confidence in the market with solid fundamentals.

Yields

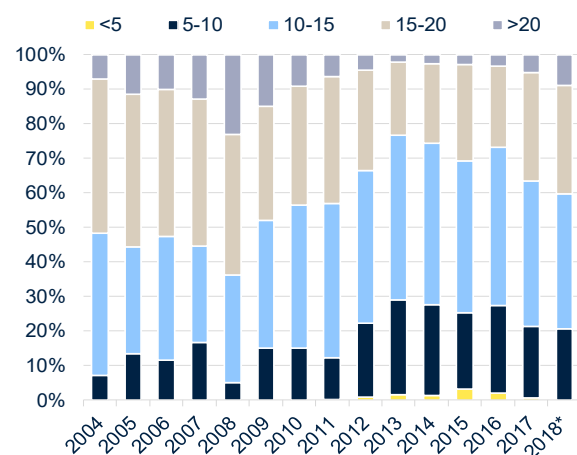
Yields remain stable compared to previous quarters. Prime CBD yield continues at 3.75% and prime decentralised (NBA) at 4.50%. The increasing capital values have not been affected by the political situation, thanks to the margin that rents continue to have. ■

GRAPH 4 Future Supply Q4 18* and 201* by Market Zone and Status



Source: Savills Aguirre Newman / *forecasts

GRÁFICO 6 Histogram of Rents



Source: Savills Aguirre Newman / up to Q3

TABLE 1
Main Deals- Occupiers Market Q3 2018

Tenant	Market Zone	Floor Area (sq m)	Activity Sector
Everis	NBA	25,000	Business Services
Criteo	NBA	8,500	Business Services
Media Markt	Periphery	8,500	Electronics / IT
Netsuite - Oracle *	NBA	3,400	Electronics / IT
Utopicus	NBA	2,100	Business Services
Deloitte *	NBA	2,000	Business Services
Everis	NBA	1,800	Business Services
DNV GL	NBA	1,600	Business Services

Source: Savills Aguirre Newman / *advised by Savills Aguirre Newman

OUTLOOK

2018

■ The excellent demand performance allows the forecast of the annual take-up volume to improve, exceeding the benchmark of 400,000 sq m. 2018 is on track to rank in the top three years with the best figures in the historical series.

■ The lack of supply is favouring a part of occupier demand that seeks temporary solutions until finding the building that meets most or all of their requirements. Shared office space in coworking companies is the perfect option for a temporary situation.

■ 50% of the new supply expected over the coming months will come onto the market as committed spaces. This shows the interest of occupier demand in ensuring quality spaces.

■ The expected pipeline by the end of the year would set the annual volume of €800m. The entry of new quality products into the market will be a key factor in satisfying the high level of demand and ensuring the continuity of investor activity.

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