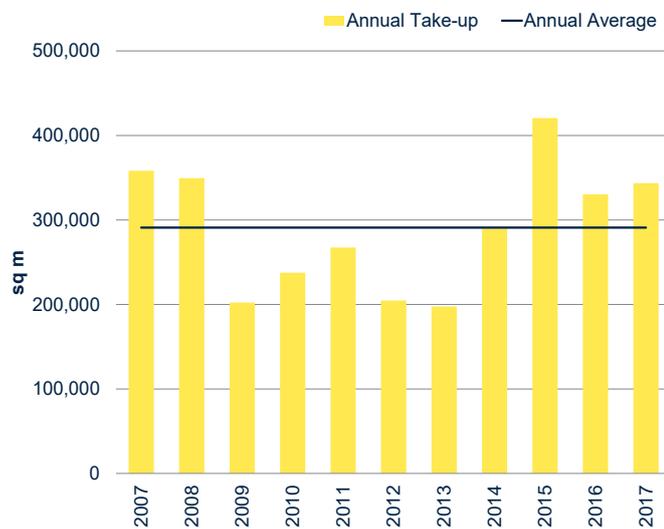


Market in Minutes Barcelona Offices

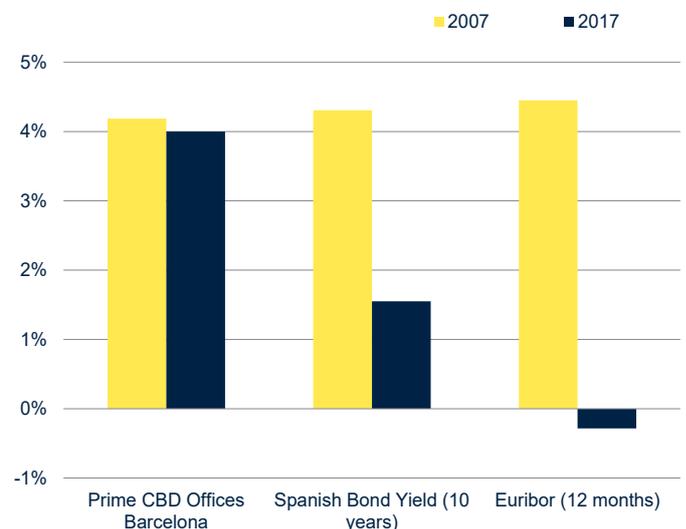
Q4 2017

GRAPH 1
Annual Gross Take-up



Source: Savills Aguirre Newman

GRAPH 2
Prime Yields vs Spanish Bond Yield and Euribor



Source: Savills Aguirre Newman/ INE

SUMMARY

Take-up increased for the second consecutive year

■ Take-up in Barcelona in 2017, close to 345,000 sq m, represented a 4% y-o-y increase despite the slowdown of the sector during the last part of the year. This was the second consecutive year of growth, and the annual figure remains above the average volume of recent years.

■ 50% of annual take-up was recorded in the New Business Areas (NBA). Just over 165,000 sq m were signed, accounting for a 75% increase over 2016 data. This increase continues to attract interest from occupier demand which seeks large quality spaces in prime areas.

■ Nearly 450,000 sq m of available space represents a vacancy rate of 7.54% for the whole market, and continues a downward trend which began in 2013. The Gracia / Diagonal hub has a vacancy rate of 1.5%, almost reaching a 100% occupancy.

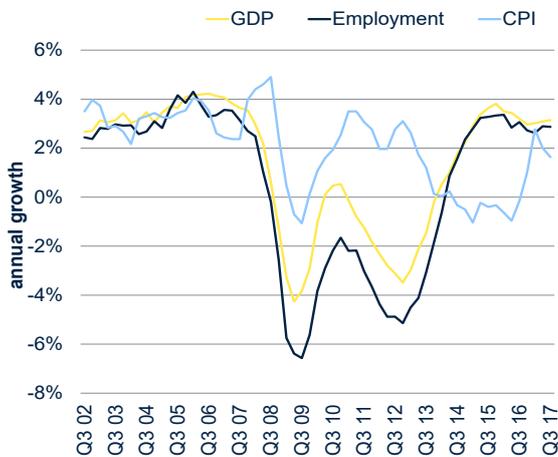
■ Just over 305,000 sq m is expected to be delivered in the next 24 months, 60% of which is currently available. The remaining 40% is comprised of pre-letting. All the pre-let area is set to enter the market during 2018.

■ New Business Areas comprise 84% of the new surface area, 57% of which is accumulated by 22@.

■ Rents continue to expand. The overall y-o-y growth of closing rental values stood at 9%. All the zones recorded an increase. The achievable prime CBD rent at €23 per sq m/month grew 7% y-o-y, reducing the difference with respect to the market peak at -18%.

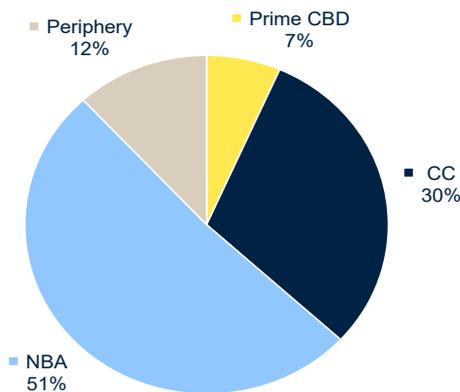
■ Just over €800m invested in the market indicate stability compared to 2016 data, albeit less buildings were transacted, which increased the average volume per deal, as well as the capital value. Yields also remained stable.

GRAPH 3
Main Economic Indicators



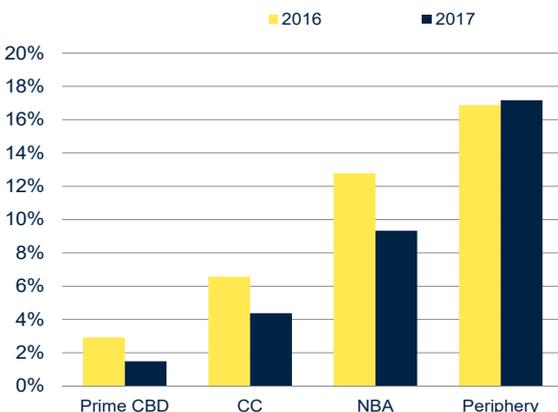
Source: INE

GRAPH 4
Deals ≥ 1,000 sq m by Market Zones 2017



Source: Savills Aguirre Newman

GRAPH 5
Vacancy Rate by Market Zones



Source: Savills Aguirre Newman

Economic Outlook

2017 ended meeting favourable expectations: the fourth quarter finalised with a 3.1% GDP, similar to the levels of previous months. This slows down the Spanish economic growth, since an average 2.1% for the next five years is expected.

The labour market also shows signs of recovery. According to the Ministry of Labour and Social Security, 611,146 people found jobs during 2017, 3.42% more than the end of last year. According to national accounting data, employment increased by 2.9% in Q3 2017 and the unemployment rate stood at 16.4%, far below the 17.3% expected. The outlook is promising, based on the steady reduction of the unemployment rate, reaching 12% in 2022 (according to Focus Economics).

Barcelona finished 2017 with an unemployment rate of 12.13%, representing an 18% y-o-y decrease (four points below the national average). This data is very positive if taken into account the political instability and its repercussion in the economic background of the region. Currently, the labour market has not been affected by the headquarters' relocation of more than 3,200 companies (according to the data of BORME).

Creating a government that assures the stability in the region will have a positive effect in the economic situation. S&P maintains a rating of 'B+/B' with a negative outlook for Catalonia due to the lack of government after the 21D elections.

Take-up and Demand

Take-up in the Barcelona market during 2017, close to 345,000 sq m, represented a 4% y-o-y increase, despite the slowdown of the sector in the last part of the year. This is the second consecutive year of growth and remains above the average annual volume of the last decade.

By contrast, in terms of the number of transactions, the change between the two years resulted in a negative balance (-16%), more evident when compared with the second semesters, with an adjustment of -27%.

Consequently, the average deal size let increased by 23% reaching 690 sq m.

Activity by Market Zones

Nearly 50% of the annual take-up was concentrated in the New Business Areas (NBA). Just over 170,000 sq m of this area accounted for almost twice the volume recorded in 2016. The new supply and quality of submarkets such as 22@ and SSSSS perfectly match the requirements of a demand that doesn't find the spaces suitable to their needs in the city. The y-o-y increase could be mainly attributed to the high level of activity of the NBA, since the other zones showed a decrease in take-up.

In Barcelona city, the central business hub represented 7% of the total and registered more than a 40% drop in take-up mainly due to the lack of available space in the area. The decline the vacancy rate in the rest of the urban area, which also had very low vacancy levels, stood at -13%, registering almost one third of the annual figure (ca. 110,000 sq m). The outlying area, on the other hand, accounted for 14% and recorded a 35% adjustment.

Deal Size

By size, the drop was more pronounced in letting deals of <500 sq m, considered to be the driving force of the market, passing from 72% in 2016 to 67% in 2017. Nonetheless, letting deals of >1,000 sq m registered a significant growth. Its share in terms of the number of transactions in 2016 reached 11% while in 2017 it represented 16% of the total. The New Business Areas were the leaders accounting for a little more than 50% of the large-scale transactions.

Activity Sector

The market continues to be dominated by the business service sector, which accumulated almost 37% of the total annual take-up and 42% of the number of transactions.

Companies related to the technology sector, internet or e-commerce are becoming increasingly important in the market. They are situated mainly in the 22@ zone, where the most innovative companies share location with research, training and technology transfer centres.

Current Vacancy

The vacancy rate stood at 7.54%, representing just over 460,000 sq m of available space in the Barcelona office market, confirming the downward

trend which started in 2013. The decline in supply affected all areas, although the most pronounced decrease was in the CBD (Paseo de Gracia and Diagonal) where available supply was reduced by 50% in a one-year period (hardly 12,000 sq m), with the vacancy rate standing at 1,5%.

Future Supply

Just over 305,000 sq m is expected to come onto the market in the next 24 months, 40% of which will be delivered by pre-let contracts. 100% of the pre-let space will be delivered this year, thus the new and refurbished supply will stand in the region of 60,000 sq m.

The geographical distribution of the new supply of office space confirms the high level of interest in the new business areas which represents 84% of the total, including 22@ whose total area accounts for 57%. The Fira area ranks second with almost 20% of the NBA. The enormous interest in these areas is also seen in the distribution of pre-let surface area. The NBA comprise 80% of the supply which is equally distributed between 22@ and Fira.

The largest project scheduled to be delivered in the short term is Torre Glories, which will incorporate 30,000 sq m for the first half of 2018.

Rents

Closing rents continue to rise. The average rent in the market increased 9%. Specific factors in each zone have either strongly or mildly bolstered growth, although the overall performance of all areas is positive.

The most evident growth was recorded in the central business hub. The average closing rent stood at €19 per sq m/month, representing a 13% y-o-y increase. In contrast, the average rent in the other parts of the city stood at 6%.

The average closing rent in the new business areas increased by 9%, reaching 14.75 per sq m/month.

In the outlying areas, the average rent exceeded €8 per sq m/month registering an 8.9% y-o-y increase.

The overall growth of the closing rents enabled the rise in achievable rents in all areas. The achievable prime CBD rent reached €23 per sq m/month, registering a 7% y-o-y increase and

reducing the difference compared to the peak of the market at -18%.

Investment Market

The office investment market in Barcelona ended the year 2017 with more than €800m worth of investments, representing barely a 1% y-o-y increase (disregarding the corporate deal of Metrovacesa carried out by Merlin).

However, the number of transactions, decreased by 20% reflecting a 22% y-o-y increase in the average volume transaction, passing from almost €20m in 2016 to €24m in 2017. At the same time capital value rose by 11%.

As in the occupier market, a study by area showed the high level of activity of the NBA (ca. €400m) pushing significantly the annual figures up. Within this area, 22@ was the centre of attraction, accounting for 77% of the total of the NBA (and almost 40% of the total investment in the whole market). In this area, Torre Glories topped the ranking in terms of annual volume. €142m represents 46% of the figures recorded at 22@.

The interest in the technology district does not focus only on a finished product, but also on construction projects. For example, the Luxa complex acquired by Catalana Occidente from Grupo Castellví will house the headquarters of Amazon and We Work in 2018. The insurance company's stake on the zone is clear since this is already its fourth transaction in the last two years.

The acquisition of the land plot of the old textile factory of Can Ricart by an American investment fund Värde to build offices (excluding it from the annual total since a land plot was involved) would be another example of the importance of creating a product suitable to the needs of the current demand in a submarket which is already considered a new CBD.

Despite the increase in the activity level of the year, there is a need to point out that the pro-independence movement in Catalonia has affected the investment market by either delaying or stalling ongoing transactions. The most notable was the sale of the Hispania portfolio, although it only included three assets in the whole portfolio. The total

volume recorded in the fourth quarter barely reached 5%.

Cross-border Activity

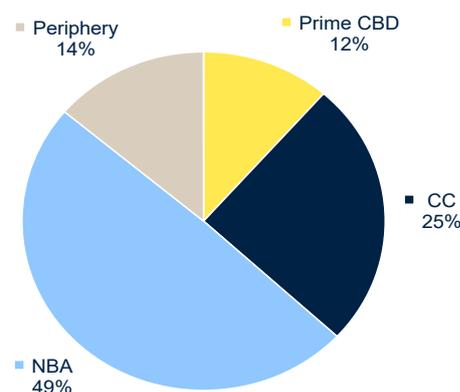
The Barcelona investment market continues to be dominated by nationals, representing 63% of the total volume. Among the locals, the Socimis, boosted by Torre Glories, accumulate the highest total investment accounting for 34%. Taking into account the international involvement of its shareholders, the total investment volume of the Socimis and the cross-border capital would account for almost 60% of the annual total.

Among the international players, several American investors have dominated the market. In terms of volume, it is worth highlighting Hines with its acquisition of the headquarters of Banco Popular on Paseo de Gracia, with the plan of refurbishing it and re-positioning it in the area, with the lowest vacancy rate in the market. Oaktree, meanwhile, acquired the assets of BBVA known as Boston involving eight assets in Barcelona, located in different parts of the market, mainly in the NBA and in the outlying areas of the city.

Yields

The political situation in Catalonia has not affected the achievable yields. The Prime yields, both in the CBD and outside the urban area, maintained the figures recorded in the last quarter, standing at 3.75% and 4.50% respectively. ■

GRAPH 6
Investment Volume by Market Zones 2017



Source: Savills Aguirre Newman

TABLE 1
Main Deals - Occupier Market Q4 2017

Tenant	Zone	Floor Area a/g (sq m)	Activity Sector
Laboratorios Dr. Esteve *	NBA	11,900	Industry-Manufacturing
King	NBA	8,800	Electrónica-IT
Confidential *	NBA	2,400	Construction and RE
Teleperformance	NBA	2,100	Business Services
Manpower	CC	2,000	Business Services
SOC	NBA	2,000	Public Administration
Confidential	Periphery	1,700	Public Administration
Ocado *	CC	1,600	Electrónica-IT
SAGE	NBA	1,500	Electrónica-IT
Sap	NBA	1,400	Electrónica-IT
Schibsted Classified Media	NBA	1,400	Electrónica-IT

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

OUTLOOK

2018

- The slowdown in the occupier market during the last quarter created a demand for office space which is expected to be resolved as soon as the regional government stability is re-established.
- The entry of new and refurbished buildings into the market will increase the vacancy rate. However, it will improve the situation in areas where vacancy is very low.
- New and refurbished buildings will highlight the competition in the area through rents, maintaining the upward trend on rental values.
- The lack of supply in the business districts will lead the demand to other submarkets. The technology district is increasingly attracting companies seeking new or modern large office space. The area is already reaching similar rental levels to that of the Paseo de Gracia-Diagonal hub.
- The confidence of international players in the Barcelona market will be fully restored when there is regional government stability.

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