

FRANCE Office Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Mainly stable, but areas with very tight supply have started to see sustained upward pressure on rents.	▲
Prime Yields:	Down, but further hardening of yields may occur for super prime properties in core locations.	▲
Supply:	Stable due to high absorption levels but growing amount of large speculative development.	▲
Demand:	Still high, with companies showing good appetite for core and value-added investments.	▲

Prime Office rents – March 2018

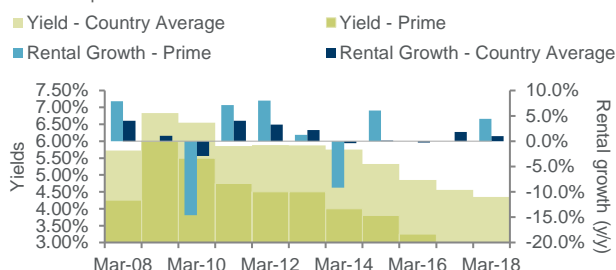
LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Paris (CBD)	825	95.8	4.4	0.1
Paris (La Défense)	540	62.7	0.0	-0.7
Lyon	300	34.8	0.0	2.1
Marseille	260	30.2	0.0	-0.8
Bordeaux	180	20.9	0.0	0.0
Strasbourg	190	22.1	0.0	0.0
Lille	190	22.1	0.0	0.0
Toulouse	190	22.1	0.0	0.5
Nice	195	22.6	0.0	0.0

Prime Office yields – March 2018

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Paris (CBD)	3.00	3.00	3.00	6.00	3.00
Paris (La Défense)	4.00	4.00	4.25	6.50	4.00
Lyon	3.90	3.90	4.50	7.30	3.90
Provinces other	4.90	4.90	5.00	7.25	4.90

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

On one hand, French Economy showed additional signs of a robust recovery: +2.0% growth for GDP in 2017 and a budget deficit at 2.6% of GDP and below the 3% SGP target. On the other hand, strikes by the SNCF (French National Railway Company) will impact some economic sectors (tourism, consumption, etc.) in Q2. French government also starts to face discontentment against its reformist program across many sectors like education and healthcare. Salaried employment is back to its pre-crisis level of 16.3 million and significant temporary contracts increase reflects a durable labor market recovery in Q1. Therefore, unemployment rate forecasts remain positive at 8.8% expected at year-end (down from 9.4% in 2017).

Occupier focus

Q1 take-up stood at 741,800 sq. m (+13% year on year), the best first quarter performance after Q1 2016 (756,600 sq. m). The market dynamic is led by two main drivers that are large occupiers' moves and Paris CBD attractiveness. Indeed, this quarter led to 23 transactions above 5,000 sq. m corresponding to 352,200 sq. m (up by 9% y-o-y). Despite the limited supply in Paris CBD, take-up reached a new high 129,000 sq. m, +52% y-o-y. Paris (330,800 sq. m, up by 11% y-o-y) and the Western Crescent (192,700 sq. m, up by 7% y-o-y) were the most dynamic submarkets in Q1. Acceleration in leasing transactions (+35% y-o-y) raised Q1 take-up to 120,900 sq. m in the Inner Suburbs. On the other side, La Défense's take-up (24,500 sq. m) decreased by 23% due to a unique large transaction recorded this quarter.

Investment focus

Dynamic activity seen on office deals over €100 m boosted the investment volume to €3.1 billion in Q1 (+4% year on year). This good start represents a 13% increase to 2014 - 2017 Q1 average volume (€2.7 bn). These large deals benefitted to the Greater Paris Region which concentrates 81% of the investment volume recorded over the quarter. Yield compression led investors to seek for new opportunities outside Paris or to focus on 'value-added' opportunities.

Outlook

Prospects for the French economy and the office sector improved and both occupiers and investors demand is expected to strengthen further in 2018. However prime yields seem to have reached a bottom and OPC/SCPI who were the most active players on the market have redefined their priorities and already moved from large to medium-sized volumes.

FRANCE Office Market Snapshot

First Quarter | 2018



LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP Q1 2018 (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Paris city	17,064,271	433,000	2.5%	330,800	1,125,897	744,436
La Défense	3,576,817	216,000	6.6%	24,500	172,388	306,231
Western Crescent	8 387 604	889,000	11.3%	192,700	672,712	494,927
Inner suburbs	6,642,813	607,000	7.7%	120,900	444,670	442,088
Outer suburbs	19,689,866	1,014,000	5.4%	72,800	303,252	162,182
Greater Paris Region (Overall)	55,323,355	3,159,000	5.7%	741,800	2,718,919	2,149,864

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
NEW HQ NANTERRE	Suburbs of La Defense	VINCI	62,649	TURN KEY
ORIGIN	Suburbs of La Defense	TECHNIP FMC	48,458	NEW LEASE
QU4DRANS	Paris 14-15th	ALTICE MEDIA	24,250	OWNER OCCUPIER
GRAND SEINE	Paris 12-13th	ACTION LOGEMENT	18,785	NEW LEASE
LEBON LAMARTINE	Southern Inner Suburbs	ORANGE	17,420	NEW LEASE

Source: Cushman & Wakefield, Immostat for transactions in the Greater Paris Region

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER
COEUR MARAIS & FHIVE	Paris 3-4-10-11th	BLACKSTONE / GENERALI
MARCHE ST HONORE	Paris CBD	BNP BANQUE / CBRE GI
EURO ALSACE	Paris 3-4-10-11th	COMMERZ REAL / UNION INVESTMENT
CHAPELLE INTERNATIONAL	Paris 18-19-20th	LINKCITY / BLACKSTONE
DOCKS EN SEINE	Northern Inner Suburbs	GECINA / BNP REIM

Source: Cushman & Wakefield, Real Capital Analytics, Immostat for transactions of assets located in the Greater Paris Region

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 Cushman & Wakefield LLP. All rights reserved.

Magali Marton

Head of Research – France
21 rue Balzac, 75008 Paris, France
Tel: +33 (0)1 86 46 10 95
magali.marton@cushwake.com
cushmanwakefield.com