

FRANCE

Industrial Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Headline rents are stabilised despite upward pressure for the best logistic platforms on core markets	▶
Prime Yields:	Prime yields for logistics are stabilised but small industrial are expected to decrease further; investors' appetite is facing a lack of assets	▶
Supply:	Increase in the logistic corridor with contrasted evolutions between markets. High pre-lettings are strengthening developers' confidence	▼
Demand:	Still strong on the corridor markets both from 3PL's and retailers/manufacturers	▼

Prime Industrial Rents – March 2019

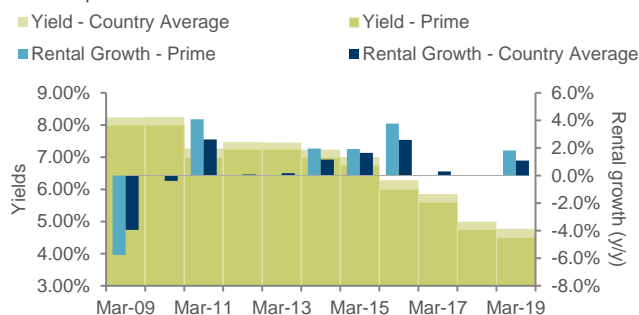
LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Paris	56	5.88	1.8	1.5
Lyon	47	4.93	0.0	0.9
Marseille	44	4.62	0.0	0.9
Bordeaux	43	4.51	0.0	0.5
Strasbourg	43	4.51	0.0	0.0
Lille	44	4.62	0.0	0.5
Toulouse	44	4.62	0.0	0.5

Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT		LAST		10 YEAR	
	Q	Q	Y	HIGH	LOW	
Paris	4.50	4.50	4.75	8.25	4.50	
Lyon	4.50	4.50	4.75	8.50	4.50	
Marseille	5.25	5.25	5.25	8.75	5.25	
Bordeaux	5.25	5.25	5.50	9.00	5.25	
Strasbourg	5.50	5.50	5.50	9.00	5.50	
Lille	5.50	5.50	5.75	8.50	5.50	
Toulouse	5.25	5.25	5.50	9.00	5.25	

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

French economy remains resilient with growth of +0.3% over Q4 2018 (10 bps higher than in the Eurozone). Consumer and business confidence are struggling to pick up as the direct impact of the “Yellow Jackets” protests on the economy has been limited so far (0.1% in Q4). Increase in real wages and emergency measures announced in December should stimulate household consumption (+0.5% expected over Q1 2019). Indicators related to logistics are mostly showing positive signals: manufacturing output increased (+0.5%¹) as well as transportation and storage (+1.4%¹) and wholesale trade (+3%¹) turnover. Supply-chain reshaping, and cost optimization still support a high level of logistics space demand from large-scale retailers. E-commerce growth continue to drive occupier demand from urban logistics to large platforms.

Occupier focus

Logistics take-up across France reached 737,400 sq. m in Q1 2019, reflecting a 24% rise year-on-year, well above the 10 years average. The logistic corridor gained momentum (63% of take-up), with the Greater Paris Region (230 000 sq. m), Lyon (111 000 sq. m) and Lille (49,000 sq. m) in the front line while Marseilles remain quiet this quarter. Take-up from retailers and manufacturers (large-scale distribution and wholesale trade) are almost on par with that of 3PL's at a country level. XXL space segment continues to play an important role with 2 deals: EASYDIS (76,500 sq. m) near Lyon and DOSSIN ET FILS (62,700 sq. m) between Lille and Paris. However, space segment from 10 000 sq. m to 30,000 sq. m concentrated 53% of take-up. Immediate availabilities lightened at a country level (2.6 million sq. m; -3% y-o-y) with some contrasted evolution : the Greater Paris Region (+3%) and Lille markets experienced rebound while other secondary markets outside the logistics corridor saw their availability decreased.

Investment focus

Investment reached €770 million in Q1 2019 in the French industrial segment, out of which €460 billion for logistics assets. At the beginning of 2019, core/core+ portfolios sold through sale and leaseback played a central role. High-quality assets secured turn-keys fitting European allocation strategy are highly targeted while several investors are structuring their portfolios to meet urban logistics and e-commerce requirement.

Outlook

E-commerce is a structural trend that continue to reshape supply chain and evolving logistics landscape. Limited class A supply push occupiers to find solutions in purpose-built facilities.

¹ last 3 months y/y

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