

FRANCE

Retail Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Stability for prime small unit and decrease for medium and large units. An upward trend can be noted on luxury high street and new generation retail parks.	▶
Prime Yields:	Stability for super prime assets and upward trend for secondary shopping centres which are suffering from decreasing footfalls.	▶
Supply:	Good development pipeline, although future supply is less significant than before due to restrictive planning laws and strong competition between retail locations e.g. out-of-town.	▶
Demand:	Stable in core locations, but demand is weakening in second tier and secondary markets.	▼

Prime Retail Rents – March 2019

HIGH STREET SHOPS (100 SQ M UNIT)	ZONE A €		US\$		GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR	
Paris (Av Champs Elysees)	19,000	13,992	1469	0.0	1.1	
Lyon	2,800	2,062	216	12.0	4.9	
Marseille	1,400	1,031	108	0.0	-6.9	
Bordeaux	2,400	1,767	186	0.0	1.8	
Lille	1,700	1,252	131	0.0	-5.0	
Toulouse	2,200	1,620	170	0.0	0.0	
Nice	2,200	1,620	170	0.0	0.0	
OUT OF TOWN RETAIL (RETAIL PARKS) >1,500 SQ M UNIT)	€		US\$		GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR	
Paris Region		220	23.1	0.0	4.1	
SHOPPING CENTRES (100 SQ M UNIT)	€		US\$		GROWTH %	
	SQ.M YR	SQ.FT YR	SQ.FT YR	1YR	5YR CAGR	
Regional shopping centre		2,000	210	0.0	0.0	

Prime Retail Yields – March 2019

HIGH STREET SHOPS (100 SQ M UNIT) (FIGURES ARE NET, %)	CURRENT		LAST		10 YEAR	
	Q	Q	Q	Y	HIGH	LOW
Paris (Av Champs Elysees)	2.50	2.50	2.50	2.50	5.00	2.50
Lyon	3.85	3.85	3.85	3.85	6.25	3.85
Marseille	5.00	5.00	5.00	5.00	6.25	4.75
Bordeaux	3.85	3.85	3.85	3.85	6.25	3.85
Lille	4.50	4.50	4.25	4.25	6.25	4.25
Toulouse	4.00	4.00	4.00	4.00	6.50	4.00
Nice	3.85	3.85	3.80	3.80	6.25	3.80
OUT OF TOWN RETAIL (RETAIL PARKS >1,500 SQ M) (FIGURES ARE NET, %)	CURRENT		LAST		10 YEAR	
	Q	Q	Q	Y	HIGH	LOW
Paris Region	4.50	4.50	4.25	4.25	7.25	4.25
SHOPPING CENTRES (100 SQ M UNIT) (FIGURES ARE NET, %)	CURRENT		LAST		10 YEAR	
	Q	Q	Q	Y	HIGH	LOW
Regional shopping centre	3.50	3.50	3.50	3.50	5.50	3.50

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.

Overview

Despite a turbulent international climate and in the face of the “Yellow Jackets” crisis, the French economy proved particularly resilient, with +0.3% growth in the fourth quarter of 2018 of 10 bps higher than that of the euro zone (+0.2%). The increase in household purchasing power induced by both real wage growth and the emergency measures announced in December, should stimulate household consumption (+0.5% expected in Q1 2019), which should partly offset the uncertainties surrounding the outcome of the current social dispute. By 2020, economists expect an unemployment rate of 8.7% - figures that are down compared to those of 2018 (9.1% in France).

Occupier focus

Confidence is gradually reappearing as general business outlook and retail trade business climate (102.4 in March) are again on the rise. Specialized trade benefited greatly from the effect of the increase in purchasing power on the recovery in consumption, and regained strength in the first quarter with +0.2 growth, following a difficult year-end (-3.3). Out of town retail seems to be doing well for the moment with a cumulative increase of +0.5% in sales in Q1 2019, mainly driven by medium-sized units (+1.4% y-o-y). Small retail showed more resilience than large scale ones. Home equipment, particularly DIY and furniture, posted the strongest quarterly sales increase (+3.5% and +3.1% respectively). Rental values for small units are stable for the best locations in high street and prime regional out of town schemes. Rents are expected to decline in the other categories of retail formats above all for medium and large units for which offer is more important than demand.

Investment focus

The Q1 2019 was marked by a slight decrease in volumes invested in commercial real estate compared to 2018 (-13% over the year) with nearly 630 million euros transacted representing 17% of the overall invested commercial volume. This performance is due to a relatively small number of transactions, with only one significant transaction for an amount exceeding €100 million. The GROUPE CASINO has sold to FORTRESS INVESTMENT a portfolio of 26 shops for around €400 million.

Outlook

Occupier and investor demand for core retail stock is forecasted to remain steady. However, demand for second tier and secondary markets is becoming much more selective, which may generate significant adjustments in terms of yields for the most vulnerable assets.

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