

FRANCE

Industrial Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are stable but upward pressure for the best logistic platforms on core markets are strong	▶
Prime Yields:	Prime yields for logistics should decrease further both for logistics and for small industrial; investors' appetite is facing a lack of assets	▶
Supply:	High pre-lettings are a positive signal; lack of class A warehouses and of land availabilities is structural	▼
Demand:	Still strong on the corridor markets both from 3PL's and retailers/manufacturers; e-commerce pure player are quiet	▼

Prime Industrial Rents – June 2019

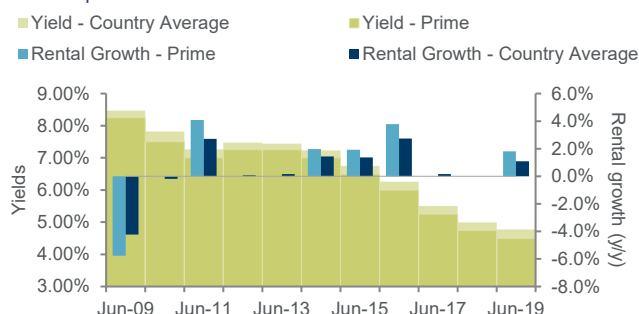
LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Paris	56	6.28	1.8	1.5
Lyon	47	5.27	0.0	0.9
Marseille	44	4.94	0.0	0.9
Bordeaux	43	4.83	0.0	0.0
Strasbourg	43	4.83	0.0	0.0
Lille	44	4.94	0.0	0.5
Toulouse	44	4.94	0.0	0.5

Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	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 is performing well due to sustained domestic demand given the level of uncertainty weighing on the global and European economies (international trade and technological war, hard Brexit, rising oil prices). Growth expectations place France slightly higher (1.3% in 2019) than forecasts for the wider Eurozone (+1.2%). Transportation and storage and wholesale trade turnover show positive trends while PMI MARKIT manufacturing index reports in June a rebound of this indicator to 52 points, its highest level in nine months. Supply-chain reshaping and omni-channel strategies support a high level of logistics space demand both from large-scale retailers and 3PL's. External growth movement are increasing and some key 3PL actors are preparing a round of M&A.

Occupier focus

Logistics take-up across France reached 1,4 million sq. m in H1 2019 (+2% year-on-year). Although this level is still well above the 10 years average, this pace benefits from the strong Q1 results. The logistic corridor gained momentum (60% of take-up), with the Greater Paris Region (445 000 sq. m), Lille (153,000 sq. m) performing well. Lyon (111 000 sq. m) market show mitigated signals, its activity almost based on a single XXL deal (EASYDIS; 76,500 sq. m) during the 1st quarter. Marseille (36,000 sq. m) remains quiet after a strong performance in 2018. After several quarter on par, take-up from retailers and manufacturers (56%) is now beyond that of 3PL's. XXL space segment continues to play an important role with 3 deals: EASYDIS, DOSSIN ET FILS and more recently 123PNEUS (62,700 sq. m). While warehouses between 10,000 sq. m and 30,000 sq. m concentrate 43% of take-up, 30 000 sq. m to 60,000 sq. m size played a key role with 5 deals in the high portion on this space segment.

Investment focus

Investment reached €1.2 billion in H1 2019 in the French industrial segment, out of which €800 million for logistics assets. This volume is almost two times lower compared to the same period last year (€2.3 billion). Sale and lease-back and core+ assets played a central role; several deals above €100 million expected in H2 and large-scale maneuvers will boost this volume during the next months.

Outlook

Economic framework is still positive both for occupier and investors. E-commerce, omnichannel strategies and large-scale distribution supply-chain transformation continue to reshape real estate logistics landscape.

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