

## 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:	Further hardening of yields for super prime properties in Paris and the Inner Suburbs.	▶
Supply:	Stable due to high absorption levels and large amount of speculative development to be pre-let.	▶
Demand:	Still high, with companies showing strong appetite for core and value-added investments.	▼

## Prime Office rents – June 2019

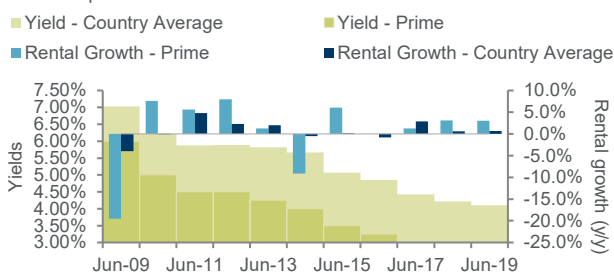
LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Paris (CBD)	850	95.4	3.0	2.7
Paris (La Défense)	550	61.7	1.9	-0.4
Lyon	300	33.7	0.0	2.1
Marseille	260	29.2	0.0	-0.8
Bordeaux	180	20.2	0.0	0.0
Strasbourg	190	21.3	0.0	0.0
Lille	190	21.3	0.0	0.0
Toulouse	190	21.3	0.0	0.0
Nice	195	21.9	0.0	0.0

## Prime Office yields – June 2019

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Paris (CBD)	3.00	3.00	3.00	5.75	3.00
Paris (La Défense)	4.00	4.00	4.00	6.25	4.00
Lyon	3.85	3.85	3.90	7.00	3.85
Provinces other	4.10	4.10	4.50	7.25	4.10

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

Given the level of uncertainty weighing on the global and European economies (intensification of the international trade and technological war, hard Brexit, rising oil prices), France should perform well in 2019 due to sustained domestic demand. This position, which contrasts with 2018, is driven by linear growth forecasts estimated at 0.3% through to the end of 2019. At this rate, average annual growth should reach 1.3% in 2019, representing a 40-bps decrease compared with 2018 and 110 bps compared with the exceptional results seen in 2017. These estimates place France slightly higher than forecasts for the wider Eurozone (+1.2%). With +1.3% in 2019 compared with +0.9% in 2018, household consumption should form the main pillar of the domestic economy against a backdrop of householder confidence that has been rising continuously since the end of 2018 (index at 101 in Q2 2019). Similarly, the business climate has also been recovering since the beginning of the year, reaching 105.9 by the end of June 2019. Given this context, household saving, which rose sharply over Q1 2019 (15% savings rate), should play a key adjustment role in consumption performance over the next few quarters.

## Occupier focus

Appearances can sometimes be deceptive ... as is the case for the office market results in the Greater Paris Region over Q2 2019. The 563,200 sq m of office space transacted over the last 3 months represents a slight quarter-on-quarter increase (539,000 sq m over Q1 2019) taking results for the Greater Paris Region market to over the 1-million sq m level for the H1 period. This may represent a year-on-year decrease of 19%, but this volume is in line with the average of 1.1 million sq m recorded between 2009 and 2018. In addition, the breakdown of the leases and sales to occupiers reveals promising trends for the second half of 2019. The trend for falling take-up was seen across virtually all the constituent micro-markets of the Greater Paris Region, in proportions ranging from -12% in Paris to -40% in the Outer Suburbs. The Inner Suburbs was the only submarket to post a year-on-year increase in take-up; this was largely due to major transactions. Elsewhere, the lack of transactions over 1,000 sq m in the West and the low levels of availability in Paris limited transaction volumes throughout H1 2019.

## Investment focus

At mid-year 2019, the French investment market posted a performance of 12.1 billion euros, a figure that allows us to expect a landing around 30 billion euros by the end of the year. In terms of asset class allocation, the office share rose to 78% in the first half of 2019, the highest level of the decade. This over-representation of offices is related to some mega deals recorded in the Greater Paris Region (€8.7 billion in H1) such as Texas portfolio made by CBD office assets sold by TERREIS to SWISS LIFE AM or "Le Lumière" acquired by PRIMONIAL & SAMSUB SRA from TISHMAN SPEYER; these transactions have been priced above €1 billion each. We must go back to 2007 to find a better market performance (more than 10 billion euros recorded mid-year). The momentum initiated by the major deals should continue in the second half of the year and thus increase investment volumes for the rest of the year.

## Outlook

After having gradually slowed from 2015-2018, completions of new or refurbished office developments in the Greater Paris Region are rising again with approximately 860,000 sq m due for completion in 2019 and over 1 million sq m expected in 2020. This increase also coincides with a change in geographic distribution: fewer new spaces in Paris but far more in the Western Crescent and the Inner Suburbs in 2019 with 206,000 sq m and 215,000 sq m respectively. In 2020, completions in La Défense should reach a volume of close to 240,000 sq m. To absorb this future space, the market will need to see a considerable revival in the West.

# FRANCE Office Market Snapshot

Second Quarter | 2019



LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP Q2 2019 (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Paris city	17,216,400	388,000	2,3%	268,900	480,700	465,300
La Défense	3,278,100	177,000	5,4%	22,950	46,300	450,000
Western Crescent	8,106,400	778,000	9,6%	104,100	239,400	482,200
Inner suburbs	7,994,600	536,000	6,7%	116,200	229,600	410,200
Outer suburbs	18,956,300	977,000	5,2%	51,100	104,400	99,400
<b>Greater Paris Region (Overall)</b>	<b>55,551,800</b>	<b>2,856,000</b>	<b>5,1%</b>	<b>563,200</b>	<b>1,100,500</b>	<b>1,907,000</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
MOODS	Northern Inner Suburbs	SOCIETE DU GRAND PARIS	30,000	NEW LEASE
LE BLEROT	Suburbs of La Défense	SKEMA	13,200	NEW LEASE
YONNES	Paris 12 <sup>th</sup> /13 <sup>th</sup>	WEWORK	12,743	NEW LEASE
ATELIER GAITE	Paris 14 <sup>th</sup> /15 <sup>th</sup>	WOJO (EX NEXTDOOR)	12,500	NEW LEASE
RESONANCE	Southern Inner Suburbs	ORANGE	12,276	NEW LEASE

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

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER
PORTEFEUILLE TEXAS	Paris CBD	TERREIS / SWISS LIFE AM
LE LUMIERE	Paris 12 <sup>th</sup> /13 <sup>th</sup>	TISHMAN SPEYER / PRIMONIAL (50%) / SAMSUNG SRA (50%)
TOUR CBX	LA DEFENSE	TISHMAN SPEYER / HINES France
PORTEFEUILLE TOM TOM + WAGRAM	Paris CBD	ARCANGE / OREIMA
REGION IDF FORMER HEADQUARTER	Paris 5 <sup>th</sup> /6 <sup>th</sup> /7 <sup>th</sup>	CONSEIL REGIONAL IDF / AG2R LA MONDIALE

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. ©2019 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](mailto:magali.marton@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)