

FRANCE

# Industrial Market Snapshot

Third Quarter | 2019



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Rents are still stable but upward pressure for the best logistic platforms on core markets are strong; incentives are diminishing;	▼
Prime Yields:	Prime yields for logistics decreased further both for logistics and small industrial assets; investors competition is strong for core assets;	▲
Supply:	Declining. High pre-lettings send positive signals; structural lack of class A warehouses push occupier toward turn-key or speculative development	▲
Demand:	The shift in the centre of gravity of distribution from food retailers to non-food one need to be confirmed. E-commerce pure player are more present as well as XXL operations.	►

### Prime Industrial Rents – September 2019

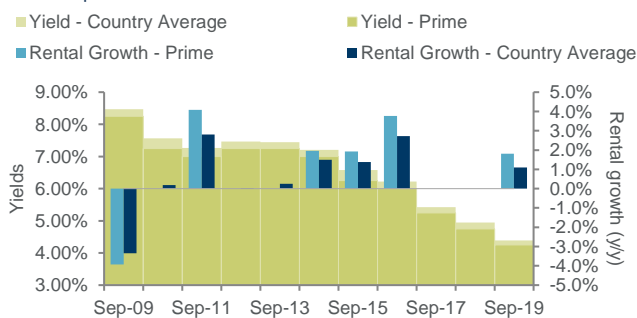
LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M	SQ.FT	1YR	5YR CAGR
Paris	56	5.87	1.8	1.5
Lyon	47	4.93	0.0	0.9
Marseille	44	4.62	0.0	0.5
Bordeaux	43	4.51	0.0	0.0
Strasbourg	43	4.51	0.0	0.0
Lille	44	4.62	0.0	0.5
Toulouse	44	4.62	0.0	0.5

### Prime Industrial Yields – September 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Paris	4.25	4.50	4.75	8.25	4.25
Lyon	4.25	4.50	4.75	8.50	4.25
Marseille	4.50	4.75	5.25	8.75	4.50
Bordeaux	4.75	5.00	5.25	9.00	4.75
Strasbourg	5.00	5.25	5.50	9.00	5.00
Lille	4.50	4.75	5.50	8.50	4.50
Toulouse	4.75	5.00	5.25	9.00	4.75

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, French economy is performing well. GDP Growth over Q2 was aligned with Q1 forecasts (+0.3%). Full-year ending is estimated at 1.3%, mainly driven by domestic demand. Transportation / storage and wholesale trade turnover still show positive trends, but manufacturing output decreased in the whole industry (-0.8% over a year). Omni-channel strategies support a high level of logistics space demand. E-commerce pure-player continue to take position in and around the main consumption basin. Threats like weakening world trade, domestic demand and Brexit impact on supply chains should be monitored carefully.

## Occupier focus

Logistics take-up across France reached 2,1 million sq. m at the end of the Q3 2019. Despite a sharp decline (-11% from a strong year in 2018) and a decreasing pace quarter after quarter, such take-up volume remains above the 10 years average. The logistic corridor gained momentum (almost 60% of take-up), as well as retailer and manufacturers (55%) while 3PL's are still supporting a high level of activity. Lyon is the only market in the main corridor to perform well (+26%) while the Greater Paris Region (-13%), Marseille (-10%) and Lille (-54%) show lower figures. Note that on these 3 markets, level of class A supply is both low and still declining. Turn-keys are booming (take-up has doubled over) while build-to-suit schemes are sharply declining and classic leasing transaction volume is above 1 million sq. m (a high level for this period). Take-up from large scale food distribution is less active while non-food distribution is performing well (STOCKOMANI, ACTION). The XXL space segment continue to play an important role with already 6 transactions (compared to 5 last year at the same period).

## Investment focus

Investment reached €2.3 billion (+4% y-o-y) in the first 9 months of 2019 in the French industrial segment, out of which €1.7 billion for logistics. Summer show a strong acceleration for the logistics with 3 deals over €100 million. Core assets gained momentum as well as sale and lease-back acquisition schemes. Several large deals expected in Q4 will boost investment volume during the next months. Prime yields compressed further.

## Outlook

Macro-economic framework is still resilient in France. Omnichannel strategies, e-commerce, and large-scale distribution supply-chain transformation continue to reshape real estate logistics landscape. Large deals are expected through the end of the year both on occupier and investors sides.

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### 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