

LOGISTICS FLASH

France

Q3 2023



Key figures



**2.55 million sq m
of take-up**

(-24%)

€1.1bn invested

(-71%)

Change N/N-1



Prime rent

€75 ↗

Prime yield

4.50% ↗

The economic situation is still complicated and the outlook difficult to evaluate. While remaining in line with the 10-year average over Q1-Q3, the occupier market continued to contract, with contrasting levels of activity by region. The government's aim to re-industrialise the country and an increasing focus on omnichannel are resulting in new real estate requirements. The lack of supply and land is not making these new deployments any easier and is maintaining upward pressure on values.

On the investment front, logistics has continued to lose ground, despite having undergone a rapid period of repricing. While the recent announcement of a pause key interest rate increases suggests that the financial environment will soon stabilise (a prerequisite for market normalisation) the strength of rental fundamentals should enable the logistics asset class to be one of the first to recover.

With a total of 2,545,000 sq m, by the end of September, the occupier market has fallen by -24% so far this year. However, take-up is still +3% higher than the 10-year average for the Q1-Q3 period. 875,800 sq m of take-up was recorded over Q3, representing a -23% year-on-year decrease. Even though further contraction was seen, there was a positive sign: Q3 take-up was +40% up on Q2.

Transactions for XXL warehouses (>60,000 sq m) are rare with just 3 recorded since the beginning of the year accounting for just 9% of take-up. New space remained in the majority with 65% of the take-up volume.

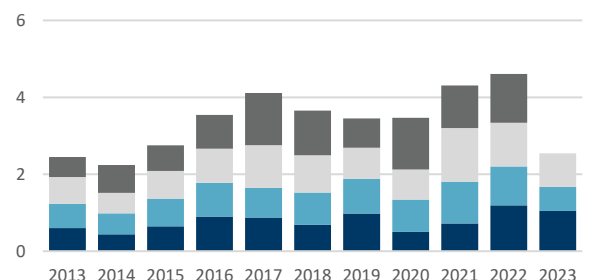
In terms of geography, nearby markets such as Normandy and the Centre Val de Loire recorded significant year-on-year growth (+140% and +10% respectively) as they benefited from a shift in activity due to the lack of supply along the Logistics Corridor. As a result, the Corridor only accounted for 42% of the transactional volume. 3PLs remain the most active players in the market (52% of take-up), but Retailers / Manufacturers are the primary consumers of large-format spaces.

Demand is still facing limited supply due to the lack of available land as well as administrative and economic difficulties in launching new projects. As a result, 2.5 million sq m is immediately available (34% of which is new). Despite an increase of almost +9% over the quarter, driven by the rise in new, there is still a shortage of supply, particularly in markets to the south of the Corridor (Lyon and Marseille). Only the Hauts de France and Centre Val de Loire regions have vacancy rates above 5%, a level below which markets are considered to be under pressure.

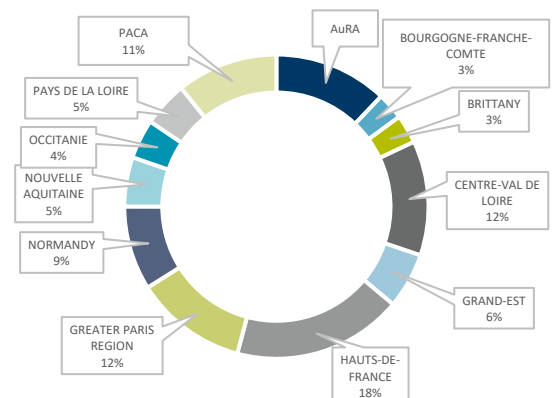
Nationwide, there are 5.8 million sq m with building permits, but only 13% of this is currently under construction. Projects are estimated at 7.2 million sq m. The Corridor's share of future supply (with or without building permits), represents only a third of this space.

Against this backdrop of a general shortage of supply and a decline in investment, rental values for both new and second-hand space are still rising. The prime rental values are also rising in the Greater Paris Region, Brittany and Normandy, and stabilising in the other regions.

Take-up



sq m, millions



Top 5 occupiers (by sq m)



Sources: Cushman & Wakefield / Immostat

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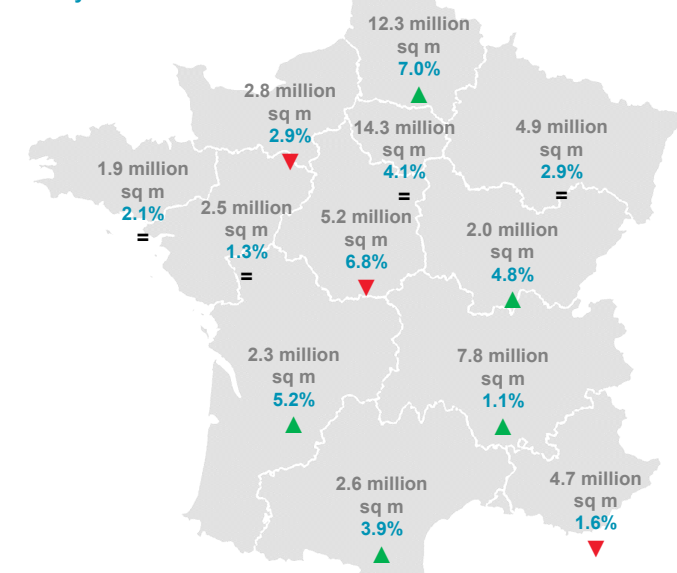
Q3 2023



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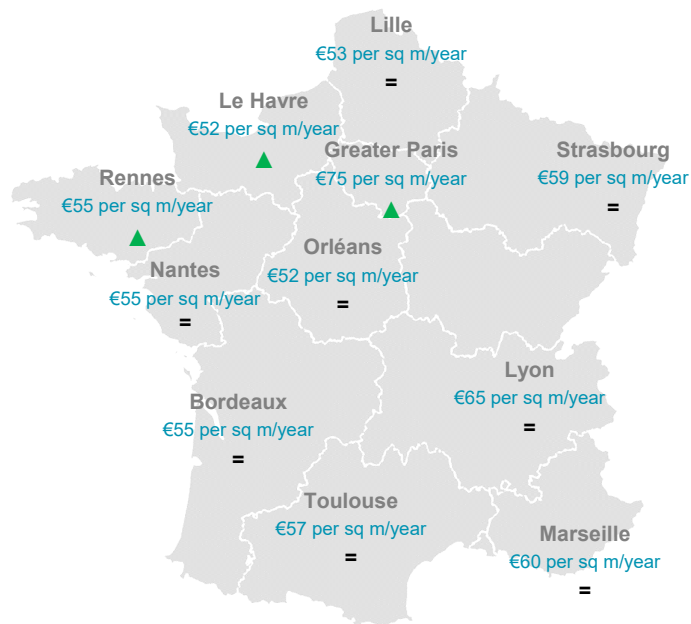
Stock and vacancy rate

Logistics stock France: 63 million sq m
Vacancy rate France: 4.1%



Sources: Cushman & Wakefield - Afilog
In thousands of sq m, at the period end; Class A, B, courier and refrigerated; > to 5,000 sq m
Change in vacancy rate based on the change between Q4 2022 and Q3 2023

Prime rents

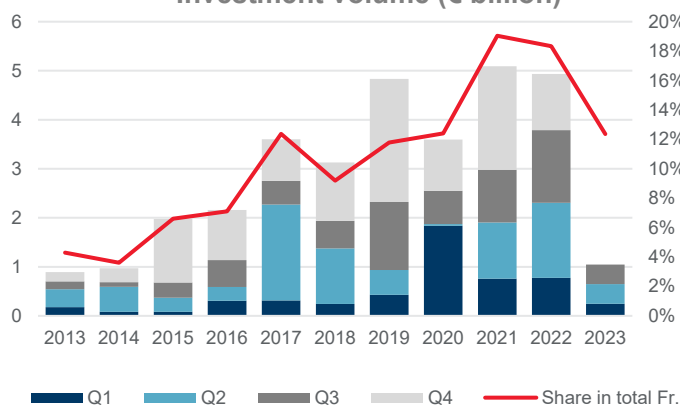


Sources: Cushman & Wakefield / Immostat

For the 4th quarter in a row, logistics investments continued to fall: with just €1.1bn since the start of the year, activity fell by -71% year on year. After the surge seen in 2021 and 2022, this asset class now accounts for just 12% of total commercial real estate investment in France. Given the unprecedented financial climate created by the scale and speed of key interest rate hikes, the logistics sector has been particularly hard hit due to its long-standing exposure to international investors who have withdrawn in a back-to-home reaction to the current situation as well as the increased difficulty of financing portfolios. More broadly, the attractiveness of real estate investment is still being affected by the low competitiveness of real estate yields which were further eroded by the ECB's latest rate hike in September triggering the recent spike in the OAT.

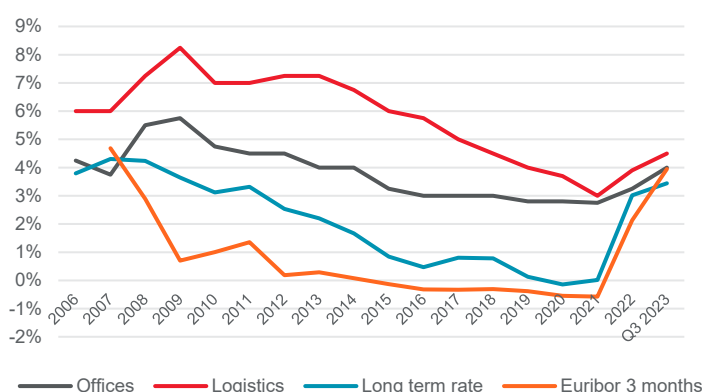
The prime yield for logistics remains at 4.50%: while levels have recovered by 150 bps since the Q1 2022 low point, favourably repositioning this asset class against offices or retail, the risk premium still needs to recover. The traditional end-of-year surge in activity is therefore not expected to be seen in 2023. However, the ECB's recent announcement of a pause in its policy of raising interest rates suggests that the financial environment will soon stabilise; this stability being a prerequisite for normalisation in the real estate investment market. In addition, liquidity could return to the logistics segment more quickly than to others due to the robust nature of its rental growth potential, supported by structural factors (scarcity of land, accelerated supply chain adaptation requirements, low cost compared with other major European markets, etc.).

Investment volume (€ billion)



Sources: Cushman & Wakefield / Immostat

Prime yield



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