MARKETBEAT

CUSHMAN & WAKEFIELD

Q3 2023

OFFICES

GREATER PARIS REGION

1,351m sq m

Q1-Q3 take-up

4.3m sq m

Immediate supply

€1,000*

Prime rent

*(*per sq m per year)*

7.4%

Vacancy rate

ECONOMIC OVERVIEW

Between slowdown and recovery

The activity seen over the spring (+0.5% in Q2) gave way to a slowdown over Q3, with timid growth of +0.1% to +0.2%; this was strongly linked to reduced demand in manufacturing and construction. The post-covid uptick effect is receding as the ECB continues to tighten monetary policy and the subsequent impact on financing. Once again ruling out the risk of recession, INSEE and the Banque de France have raised their growth forecasts to +0.9% for 2023, close to the government's target of +1% set at the start of the year, a target that will be dependent on changes in energy prices. Conversely, forecasts for 2024 have been downgraded to +0.9% by the Banque de France and +1.4% by the government which remains optimistic and is counting on its policy of budget reduction (-€16 billion) to meet its 2027 target of reducing the deficit to 2.7% and public debt to below 110% of GDP.

After reaching its lowest level since the start of the crisis in July (+4.3%), inflation picked up again in August and September (+4.9%) driven by a surge in food prices (+11.2% in August and +9.6% in September) and energy prices (electricity and fuel) with +6.8% in August and +11.5% in September. Inflation should ease between now and the end of the year, but at a measured pace, averaging around 5% over 2023.

The timid fall in underlying inflation (+4.6% in August and September compared with -+6.4% in June) helped to keep business confidence stable over the summer, albeit lower than at the start of the year. Consumer confidence fell slightly (-2pts in September) with no real outlook for an improvement in purchasing power as wage rises only partially offset the rise in prices. Household consumption has been falling since August (-0.5%) and is expected to remain sluggish in 2023 before picking up again in 2024.

Recent signs of a slowdown seen in the employment market continued with job creations slowing (+0.1% in Q3) against a backdrop of rising insolvencies and job losses, particularly in the construction sector. The Banque de France has revised its forecasts accordingly, with the unemployment rate at 7.2% of the working population for 2023 (7.3% according to INSEE) and a rise expected as early as next year (7.5% in 2024 and 7.8% in 2025). Unsurprisingly, the promise of full employment is fading with the end of the "whatever-the-cost" approach while VSEs and SMEs are struggling to repay State loans (PGEs) in a climate with limited growth and falling demand.

+0.1% ↓ **GDP Q3 2023** *(f)*

+4.9% ↑ **Inflation** *Sept. 2023*

100.1 ↓ **Business climate** *av. Q3 2023*

0.4% ↑ **Household consumption** *Q3 2023 (f)*

7.3% ↓ **Unemployment France** *(excl. Mayotte) Q3 2023 (f)*

18.6% → **Savings rate 2023** *(f)*

Sources: INSEE, Banque de France

TAKE-UP

Good Q4 with forecasts intact

With almost 485,000 sq m of office take-up, Q3 2023 performance was on a par with the same period in 2022. However, the slow start seen over H1 means that the cumulative January-September volume fell to 1.351 million sq m, representing a -12% year-on-year decrease. Future transactions for confirmed future space confirm full-year estimates of 1.9 to 2 million sq m.

In terms of the volume take-up recorded over the Q1-Q3 period, the reduction in year-on-year activity was seen across all space segments. Decreases were moderate in the small and medium space segments (-11% and -18% year on year) and only slight for large-format spaces (-7%). These reductions were also reflected in the number of transactions, albeit to a lesser extent: -5% year on year overall, and only -3% in the small space segment. Compared with 2021, 2023 is outperforming in terms of both numbers and volume (see table), suggesting an improvement on the 2020-2021 period.

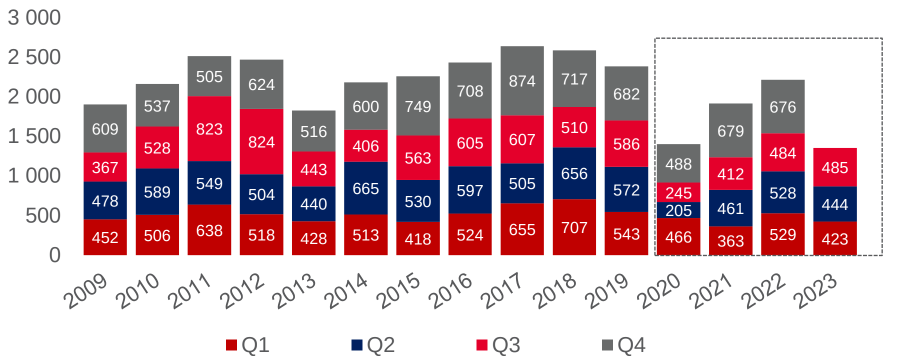
1,351m sq m
Q1-Q3 2023

-12%
y-o-y
By volume

2,207
transactions

-5%
y-o-y
By number

QUARTERLY TAKE-UP, SQ M THOUSANDS



TAKE-UP BY SPACE SEGMENT, Q1-Q3 2023

Q1-Q3 2022	*Vol.*	*No.*
Under 1,000 sq m	-11%	-3%
from 1,000 to 5,000 sq m	-18%	-18%
Over 5,000 sq m	-7%	-7%
Total	-12%	-5%

Q1-Q3 2021	*Vol.*	*No.*
Under 1,000 sq m	+3%	+4%
from 1,000 to 5,000 sq m	+6%	=
Over 5,000 sq m	+20%	+11%
Total	+8%	+3%

Sources: Immostat, Cushman & Wakefield

TAKE-UP

Strong performances for La Défense and the Outer Suburbs

The **Paris** market slowed in terms of both the number (-12%) and volume (-19%) of transactions compared with the Q1-Q3 period in 2022. However, the number of transactions recorded in 2023 (1,219) is higher than the 10-year average for this market but the year-on-year comparison is being drawn with the Q1-Q3 2022 (1,384) record which was far higher than normal. Volumes remain lower than before the pandemic.

A fine performance was seen in **La Défense** in terms of the number of transactions (+33% in one year), higher than the 10-year average, although the volume of take-up was lower than in the past, highlighting a general reduction in the average size of spaces leased.

Figures for the **Western Crescent** were down slightly in terms of both numbers and volume (-4% and -6% year on year). However, there are some stark contrasts across the sub-markets within this market with decreases in take-up recorded in Neuilly-Levallois and increases in the Southern Loop and Péri-Défense.

The large number of transactions for spaces >5,000 sq m in the **Inner Suburbs**, particularly in the south, means that the volume of take-up since the start of the year has been almost on a par with the levels seen in 2022 as well as with the 10-year average for the Q1-Q3 period. By contrast, the number of transactions was down (-10%). In the **Outer Suburbs,** figures were positive compared with last year, in terms of both the volume (+2%) and number (+27%) of transactions; this performance was attributable to some submarkets in particular, primarily Marne-la-Vallée. The number of transactions was also higher than the 10-year average.

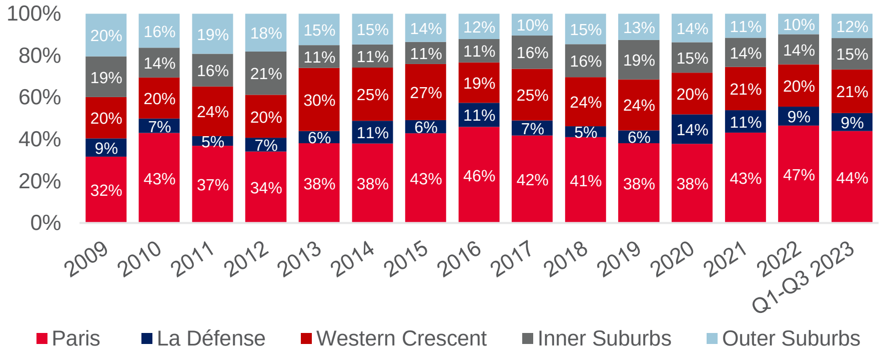
The business desire for **highly central** locations was reflected in the substantial proportion of activity recorded in Paris (44%) but the imbalance between supply/demand in the most central markets, combined with continued cost increases, is encouraging some businesses to reconsider/postpone moving. This partly explains the increase in take-up and market share seen in the Suburbs.

CHANGE IN TAKE-UP BY MARKET, IN SQ M THOUSANDS

Q1-Q3 2022	*Vol.*	*No.*	*10-year av. Vol.*	*10-year av. No.*
Paris	-19%	-12%	-	+
La Défense	-20%	+33%	-	+
Western Crescent	-6%	-4%	-	-
Inner Suburbs	-1%	-10%	=	-
Outer Suburbs	+2%	+27%	-	+

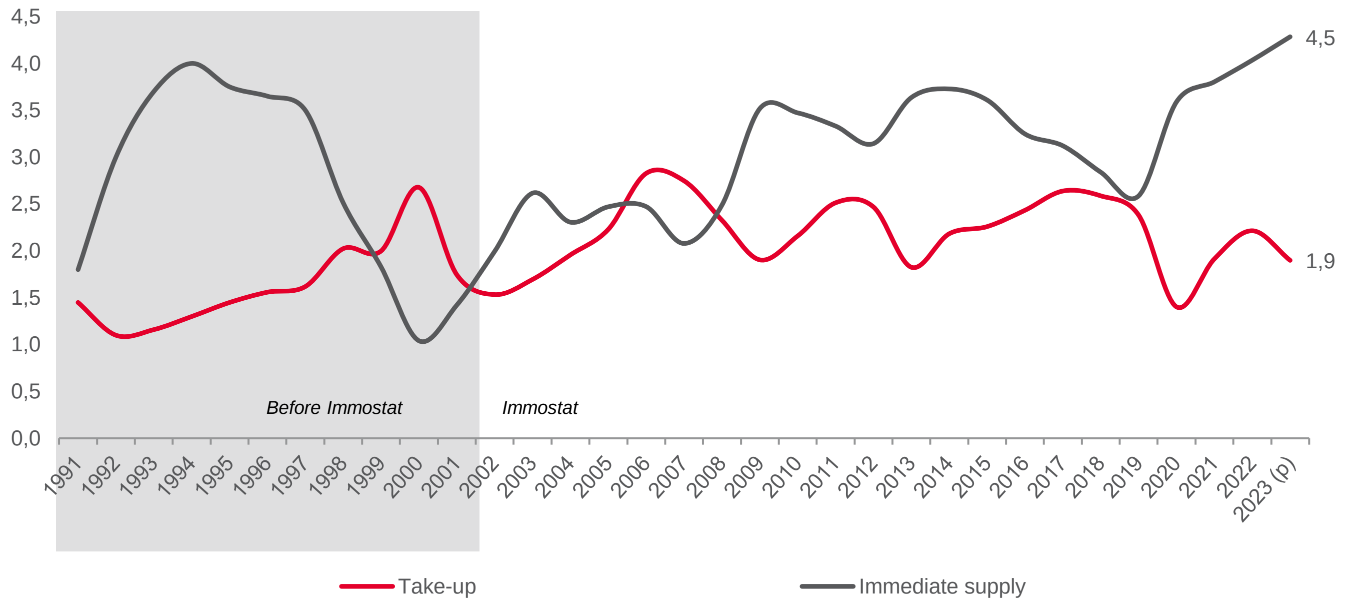
GEOGRAPHIC DISTRIBUTION OF TAKE-UP

% OF VOLUME (M²)



Sources: Immostat, Cushman & Wakefield

IMMEDIATE SUPPLY VS TAKE-UP



Sources: Immostat, Cushman & Wakefield

The difference between immediate supply and take-up has never been as wide: the volume of take-up is expected to reach a minimum of 1.9 million sq m by the end of 2023, while the volume of immediate supply is expected to top 4 million sq m.

Given the volume of new developments scheduled for completion, this gap should widen as vacancy rises in 2024 and stabilises in 2025.

SUPPLY AND VACANCY RATE

Immediate supply absorption needed in the North and West

Major completions of office space resulted in immediate supply in the Greater Paris Region reaching a record volume of over 4 million sq m. The vacancy rate has never been higher (7.4%), exceeding the records seen in 2009 and 2014.

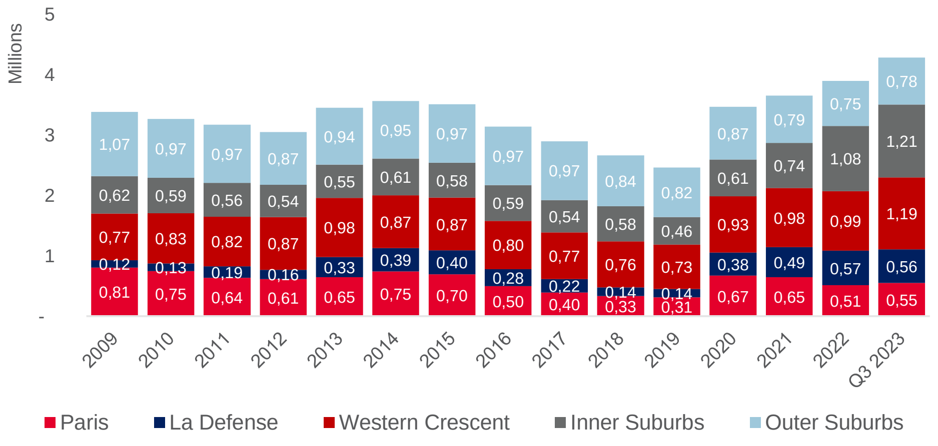
However, trends differ by market: the increase is mainly being driven by the **Western Crescent** (+21% in 9 months) and the **Inner Suburbs** (+12%), particularly Péri-Défense and Inner Northern Suburbs, where high-rise buildings and campuses were already under construction prior to the pandemic. The marketing lead time in these markets is close to 4 years, with vacancy rates of between 18% and 20%.

In **Paris**, immediate supply rose by a more modest proportion (+8% in 9 months), particularly in the outer districts, but levels continued to fall in the Central Business District which has a very low vacancy rate (1.7%) due to the shortage of available large-format space. Increases were only moderate in the **Outer Suburbs** (+4%) thanks to a strategy of launching projects only after having secured pre-lets. Following the successful lease of several well-located buildings, unlike other areas, **La Défense** saw a welcome reduction in immediate supply (-3%) and vacancy, although the vacancy rate remains high at 16.1%.

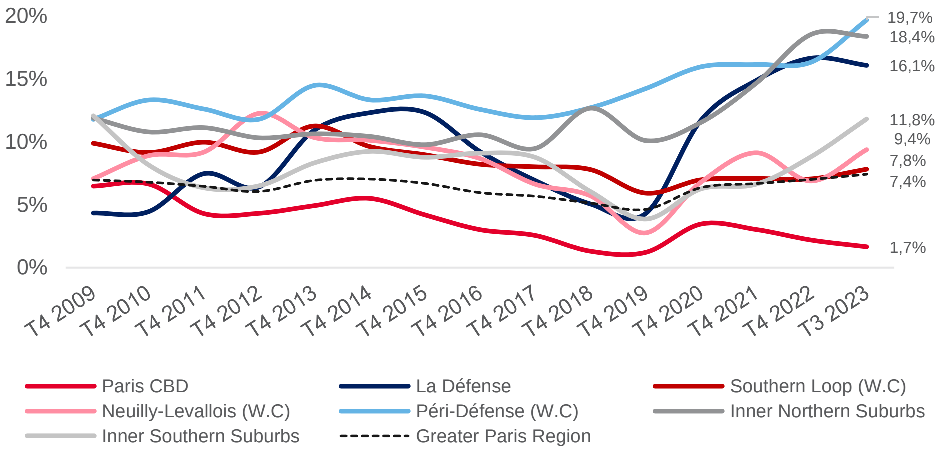
TREND /Q4 2022

PARIS	LA DEFENSE	WESTERN CRESCENT	INNER SUBURBS	OUTER SUBURBS
↑ +8%	↓ -3%	↑ +21%	↑ +12%	↑ +4%

IMMEDIATE SUPPLY BY MARKET, IN SQ M THOUSANDS



VACANCY RATE, %



W.C : Western Crescent

Source: Cushman & Wakefield

FUTURE SUPPLY OF MAJOR PROJECTS*

Record completions for 2024-2025

Given the high level of immediate supply, project completions scheduled for 2023 will not exceed 500,000 sq m. Several completions have been postponed until 2024-2025. The record volume forecast for 2024 (close to 1 million m²) is likely to fall over the medium term as projects are likely to be pushed back into 2025.

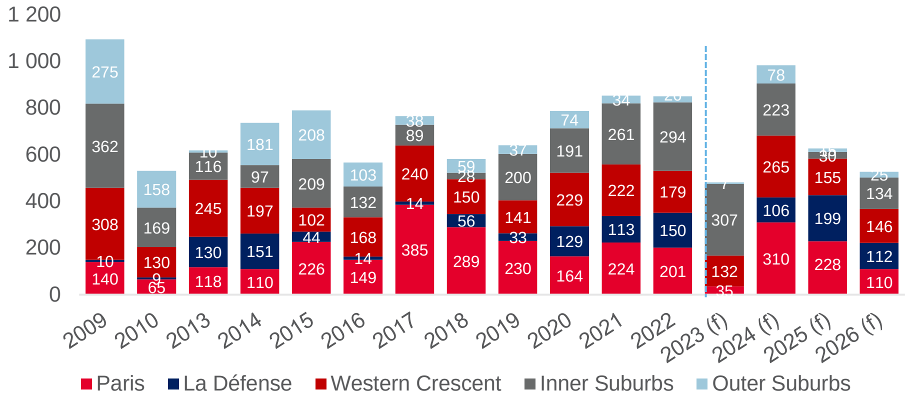
The imposing volume of completions scheduled over the next 2 years will partly contribute to immediate supply and therefore an increase in the average vacancy rate. The impact will not be the same in the Western Crescent and the Inner Suburbs (particularly Péri-Défense and the North) where supply is high, as in Paris where new completions will be welcome given the strong level of demand. However, not all the office space currently being refurbished in Paris meets the requirements of large companies and will therefore need to be offered for division.

Just under 2.3 million sq m of office projects that are scheduled for completion through to 2026 are currently under construction, 1.6 million sq m of which is still available; the represents an average pre-let rate of 33%. Just over 250,000 sq m of office space is scheduled for completion by the end of 2023, including 193,000 sq m of availability, more than half of which will be in the Inner Suburbs (mainly in the north and south).

*Major office projects >5,000 sq m under construction or being refurbished

OFFICE COMPLETIONS* BY AREA, IN SQ M THOUSANDS

*Forecasts made in light of construction starts for spaces >5,000 sq m



COMPLETIONS VS AVAILABLE FUTURE SUPPLY

2.3m sq m scheduled through to 2026

1.6m sq m of availability

33% Pre-let

250,000 sq m scheduled Q4 2023

193,000 sq m of availability

23% Pre-let

Source: Cushman & Wakefield

RENTAL VALUES

Surge in Paris

Rents for new and second-hand space continued to rise over Q3 due to the imbalance between supply and demand in Paris: +6% year on year for refurbished space in the Paris CBD and between +3% and +6% for all types of space in the Inner Suburbs. In Paris, the prime rent remained at €1,000/sq m, a historically high level.

In La Défense, average values have fallen (between -2% and -5% year on year), but there is a sharp contrast between new and refurbished buildings on the Parvis, which are rapidly being taken-up (prime rent €580/sq m/year), and more outlying buildings with long-term vacancy.

Average rents in the Western Crescent and Outer Suburbs remain stable overall, but there are some stark differences in trends between submarkets. The slight increase in rents seen for second-hand space in the Outer Suburbs (+3%) was mainly driven by Marne-la-Vallée. Lastly, the average rent for second-hand space in the Inner Suburbs rose (+6% year on year) across all space segments, with transactions for large-format spaces boosting values in the south.

PRIME OFFICE RENT, €/SQ M/YEAR

PARIS	LA DEFENSE	WESTERN CRESCENT	INNER SUBURBS	OUTER SUBURBS
↑	↑	→	↓	→
1,000	580	660	395	240

AVERAGE RENTS FOR NEW SPACE, € PER SQ M/YEAR

	Q3 2022	Q3 2023	Change N-1
Paris CBD	€825	€873	+6%
Paris	€632	€649	+3%
La Défense	€520	€511	-2%
Western Crescent	€405	€397	-2%
Inner Suburbs	€325	€322	=
Outer Suburbs	€208	€207	=

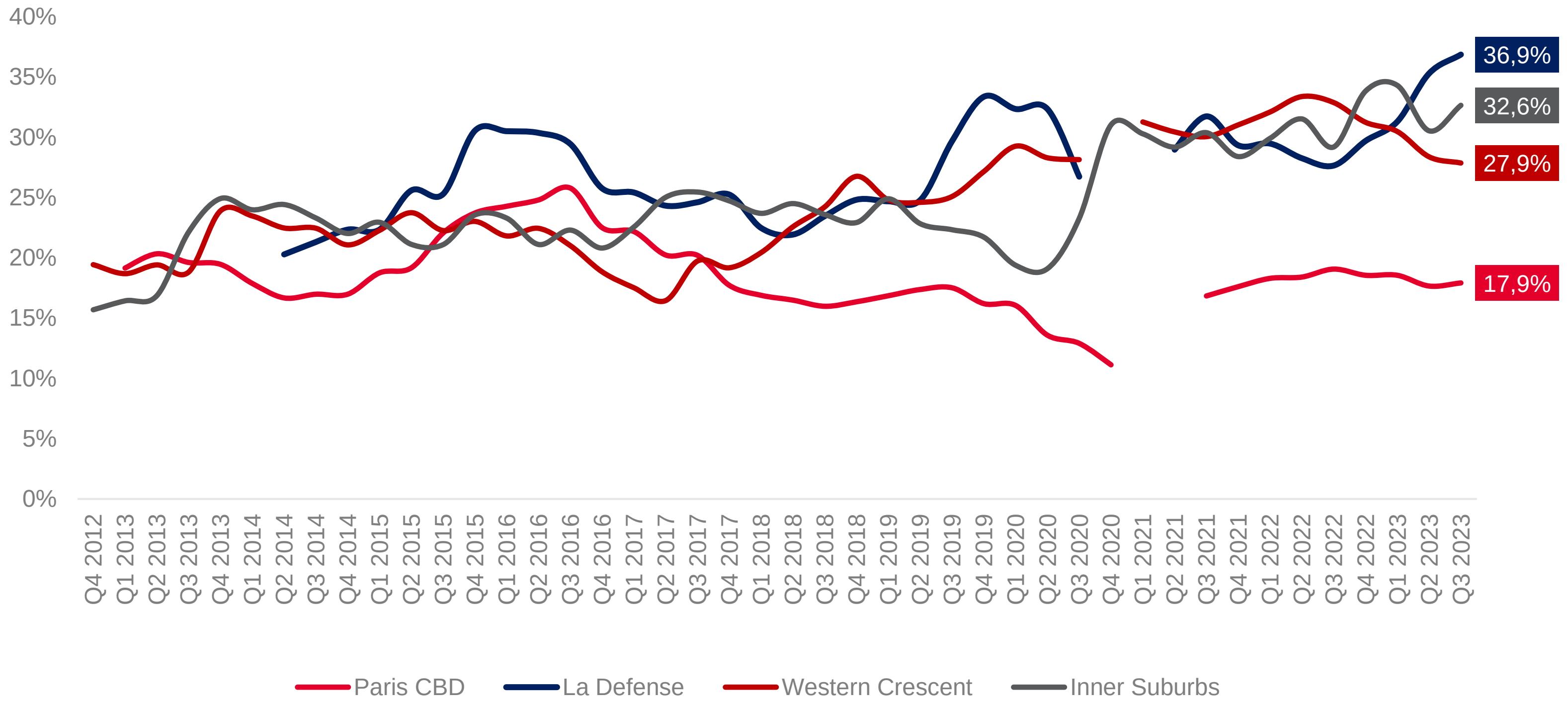
AVERAGE RENTS FOR SECOND-HAND SPACE, € PER SQ M/YEAR

	Q3 2022	Q3 2023	Change N-1
Paris CBD	€676	€701	+4%
Paris	€531	€562	+6%
La Défense	€430	€408	-5%
Western Crescent	€324	€323	=
Inner Suburbs	€253	€269	+6%
Outer Suburbs	€149	€154	+3%

Source: Immostat, Cushman & Wakefield

INCENTIVES

Marked disparities in incentives for spaces >5,000 sq m



INCENTIVES RISING IN THE SUBURBS

Incentives continued to rise in the Suburbs, particularly in Péri-Défense and the Inner Suburbs where levels for large buildings stand at around 34-35%. In La Défense and the Outer Suburbs, average incentives for medium-sized spaces also reach similar levels of >30%.

TOP DEALS IN Q1-Q3 2023

Tenant/buyer	Building	Address	Commune	Space (sq m)	Contract type
STELLANTIS NV	POLE TERTIAIRE PSA	45 RUE JEAN PIERRE TIMBAUD	POISSY	39,104	TURNKEY
RENAULT	X WORK / NEW R	QUAI DE STALINGRAD	BOULOGNE BILLANCOURT	23,750	LEASE
CDC		47 QUAI AUSTERLITZ	PARIS 13	23,587	LEASE
SUEZ GROUP	ALTIPLANO - PB10	4 PLACE DE LA PYRAMIDE	PUTEAUX LA DEFENSE	22,500	LEASE
ROTHSCHILD MARTIN MAUREL		54-56 RUE LA BOETIE	PARIS 08	21,540	LEASE
INFORMATIQUE CDC (ICDC)	NETWORK 1 & 2	40 AVENUE ARISTIDE BRIAND	BAGNEUX	15,951	RENT

MAP AND DEFINITIONS

TAKE-UP: Total of rental and sales deals carried out by end users including pre-lets, turnkeys and owner-occupier deals.

IMMEDIATELY AVAILABLE SUPPLY: Total of vacant space offered for sale/lease at a particular time T. Searches for replacement tenants and leases under notice are excluded until the tenant has vacated the premises.

AVERAGE RENT – NEW SPACE: Expressed in Euro per year, excluding taxes and charges. The average rent corresponds to the average of rents, weighted by the total area of new space transacted (new and refurbished space).

AVERAGE RENT – SECOND HAND: Expressed in Euro per year, excluding taxes and charges. The average rent corresponds to the average of rents, weighted by the total area of second-hand space transacted (excluding new and refurbished space).

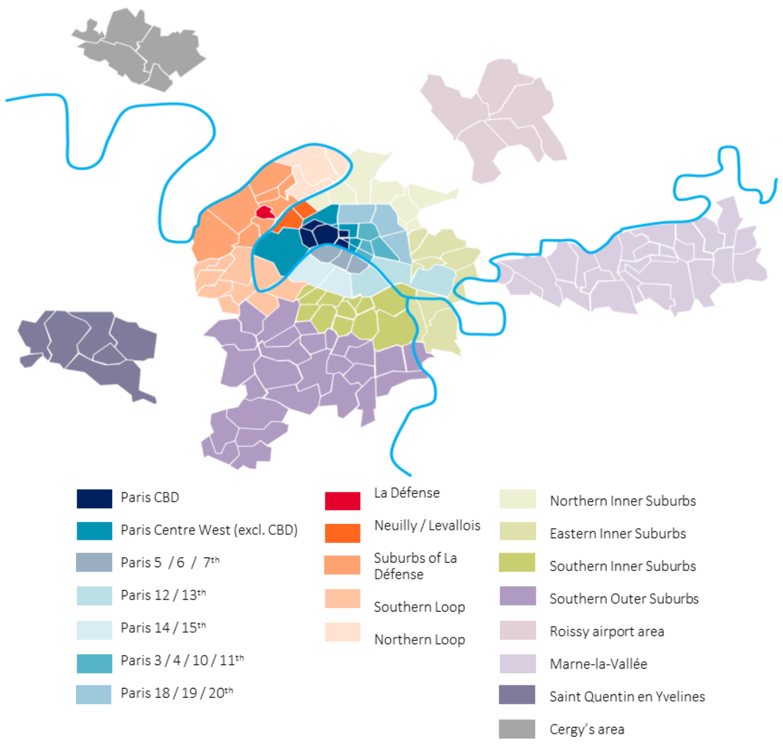
PRIME VALUE: The prime rent is the average of the highest transaction values recorded for new or refurbished buildings that are in the best locations and are let on long-lease terms.

NEW DEVELOPMENT: Total of new space to be built and under construction with or without authorization (planning permissions and consent) and not yet delivered.

CONFIRMED NEW DEVELOPMENT: Total of developments underway at a moment in time T, not yet delivered.

LIKELY NEW DEVELOPMENT: Total of developments not yet underway at a moment in time T with consent and/or planning permission.

VACANCY RATE: Share of immediately available supply in the existing office stock at a time T



Immostat organization geographical sectors

ABOUT CUSHMAN & WAKEFIELD

Our services

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of $10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more.

For additional information, visit www.cushmanwakefield.com

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- Asset Services
- Capital Markets
- Facility Services
- Global Occupier Services
- Investment & Asset Management
- Project & Development Services
- Tenant Representation
- Valuation & Advisory

KEY NUMBERS

AROUND THE WORLD

400 offices
60 countries
52 000 collaborators
$10,1 Mds* USD turnover 2022

FRANCE

16 offices
+ 500 collaborators

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LIFE IS WHAT WE MAKE IT

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