



MARKETBEAT



LOGISTICS
FRANCE

Market overview 2023



3.5m sq m

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Take-up



2.6 m sq m

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Immediate supply



4.0%

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Vacancy rate



€75 sq m/yr

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Prime rent



€1.7bn

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Investment volume

On a knife edge?

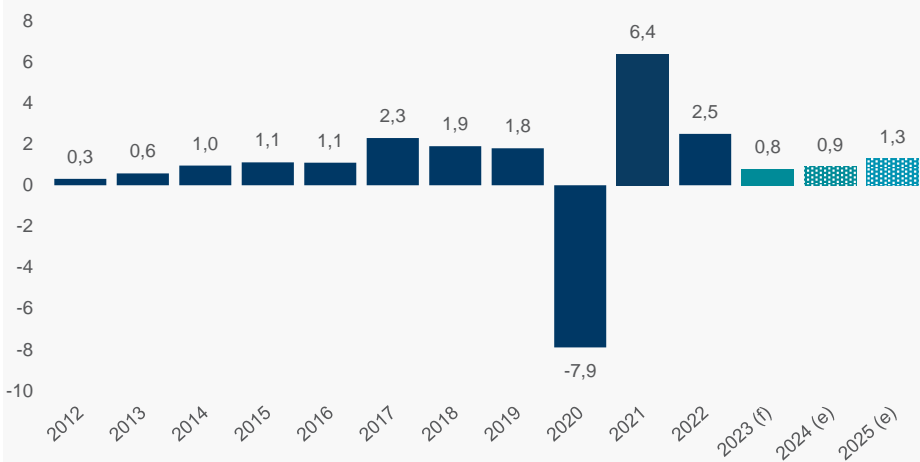
Between "post-crisis" and "pre-recovery"

France has not been spared from the confusion caused by the latest global health, political and economic upheavals. It is trying to keep its indicators afloat against a backdrop of falling demand and intense pressure, particularly from energy prices. The sluggish growth seen in Q4 (0% compared with the government forecast of +0.2%) followed negative growth in Q3 (-0.1%). 2023 therefore drew to a close with cumulative growth of +0.8%, down sharply on the previous 2 years (+6.4 in 2021 and +2.5% in 2022) but enabling the country to narrowly avoid recession. This sluggish trend is set to continue into 2024, with growth expected to reach +0.9%, insufficient to restrict the public deficit to 4.4% of GDP as promised by the government.

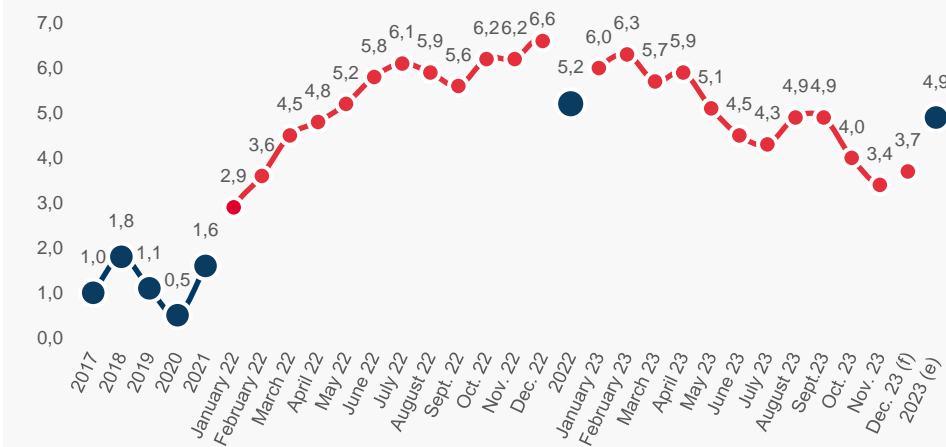
These results come against a backdrop of annual inflation of around 5%, despite having slowed since the summer. This more favourable trend is set to continue over the coming months, including for core inflation. After energy and services, the slowdown in inflation should be seen for food and manufactured goods, thereby contributing to recovery in household consumption. The latter virtually stagnated in 2023, at just +0.6%, after +2.1% in 2022. Purchasing power (+0.8% in 2023) remains at the heart of French people's concerns, so they continue to save where they can (17.7% of income). At the end of the year, the business climate and consumer confidence indicators remained below their long-term averages, pending any tangible outlook for recovery.

The rise in the unemployment rate to 7.5% at the end of 2023 seems to mark the end of a 7-year downward trend, from over 10% to a low point of 7.1% (Q1 2023). Stagnating growth and the implementation of pension reform should reduce the rate of job creations (less than 25,000 per quarter in 2024 compared with an average of 100,000 in 2022). Meanwhile, the end of government support measures and the difficulties encountered by VSEs and SMEs in repaying their PGEs (state-backed loans) are increasing the rate of bankruptcies which rose by +34.4% in 2023, particularly in the hospitality/restaurants and information/communications sectors. The combination of these factors should push the unemployment rate to around 7.8% by the end of 2025, a far cry from the government's target of full employment by 2027.

// Annual GDP growth (%)



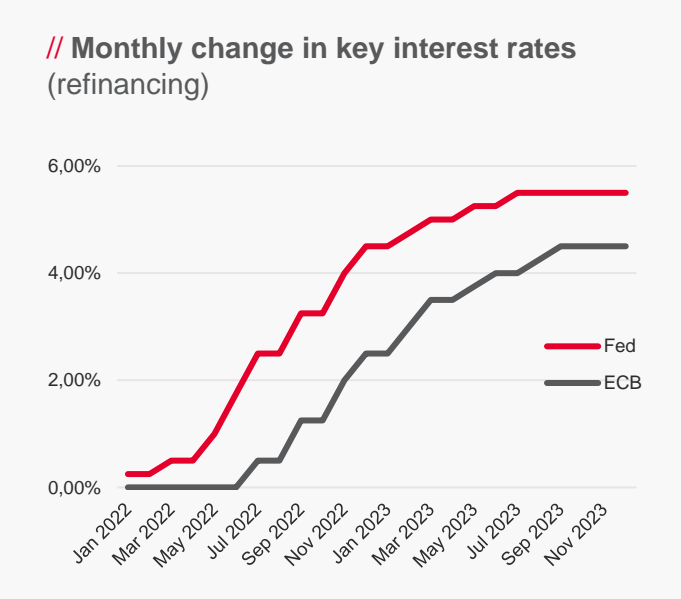
// Annual and interannual inflation rate (%)



Sources : INSEE, Banque de France

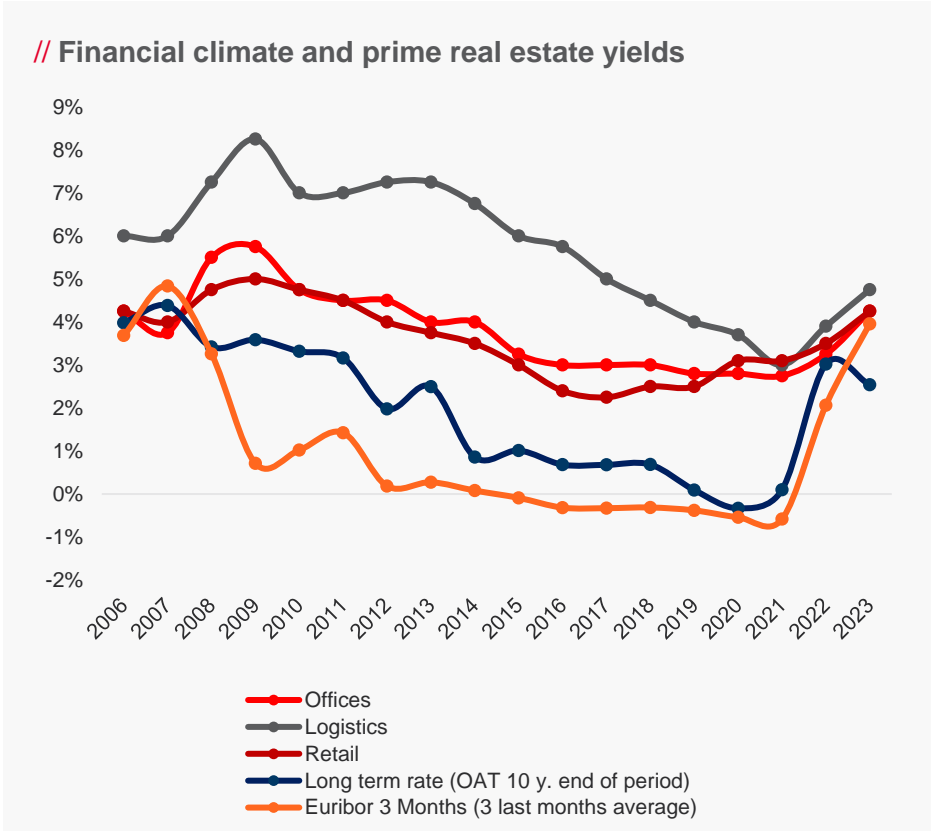
Key interest rates: start of a fall in sight

Just one step from fiction to reality



While the US Fed has announced plans for several rate cuts in 2024, due to slowing inflation and a resilient US economy, the ECB is still considering what direction European key rates should take. Some analysts expect to see an initial cut as early as March (before the Fed) due to the sharp fall in inflation seen in the Eurozone (+2.9% at the end of the year vs +9.2% in 2022). However, some ECB governors have expressed doubts as to the sustainability of this lower inflation and believe that any reversal in monetary policy is premature, making the scenario of a fall over Q1 2024 look less plausible. Meanwhile, European economies are clearly slowing and swift action needs to be taken before this trend becomes entrenched. The number and timing of rate cuts in 2024 are therefore still very unclear.

Be that as it may, the prospect of a cut in key rates in the short/medium term was reflected in the bond markets by a fall in long-term government borrowing rates. The 10-year OAT has fallen by more than 100 bps since its peak in early October, dipping to 2.54% by the end of December. The spread was therefore re-established with the prime real estate yield which continued saw further decompression across all asset classes, providing a better return on the risk and liquidity premium and giving the market some breathing space for 2024. However, it remains to be seen when investor confidence will return on a sustained basis, enabling a new cycle of recovery in real estate investment to begin.



Sources: Cushman & Wakefield, Banque de France



OCCUPIERS MARKET

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TAKE-UP

Regression or adjustment?

With a turbulent and uncertain economic period and geopolitical events destabilising world trade, 2023 marked a halt in the market that had soared in 2021 and 2022 in the wake of the pandemic.

Following a Q1 2023 performance above the 10-year average (1,052,000 sq m of take-up), Q2 and Q3 saw a sharp slowdown in the occupier market. The last quarter of the year continued in this vein, with just 764,000 sq m of take-up (-37% vs. Q4 2022), taking annual take-up to 3,534,000 sq m (-24% vs. 2022), with the number of transactions also down by -24% (222).

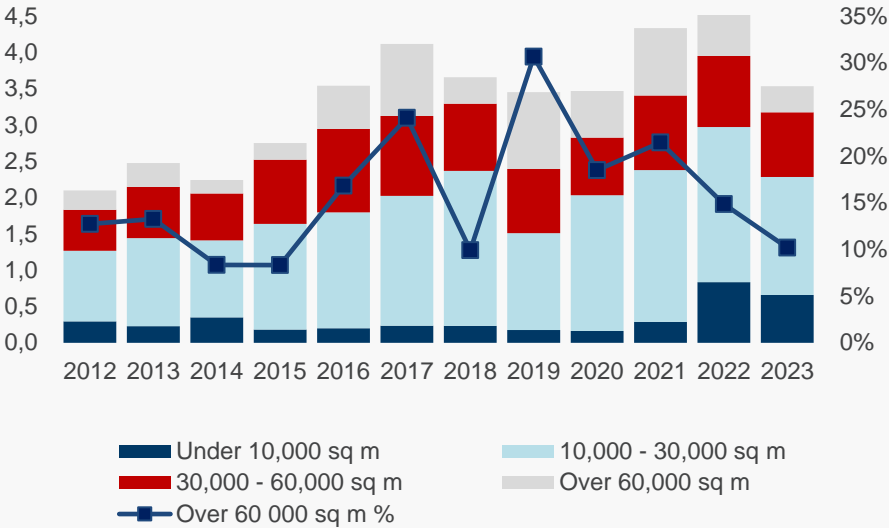
Over the year as a whole, reduced activity affected all space segments, with a particularly marked decline in the >60,000 sq m segment (-48% by volume and -44% by number of transactions). The average lot size stood at 15,900 sq m, compared with over 20,000 sq m between 2019 and 2021.

Geographically, markets outside of the Corridor were more active with a slight increase in take-up year on year thanks in particular to a shift in activity to areas bordering the Corridor, such as Centre-Val de Loire, AuRa (excluding areas in the Corridor), Normandy and Bourgogne-Franche-Comté, as well as an increase in the number of sites along the Atlantic Arc. Activity along the Corridor was penalised by the lack of supply in the southern section combined with the underperformance seen in the Paris Region (492,000 sq m, -61% vs. 2022).

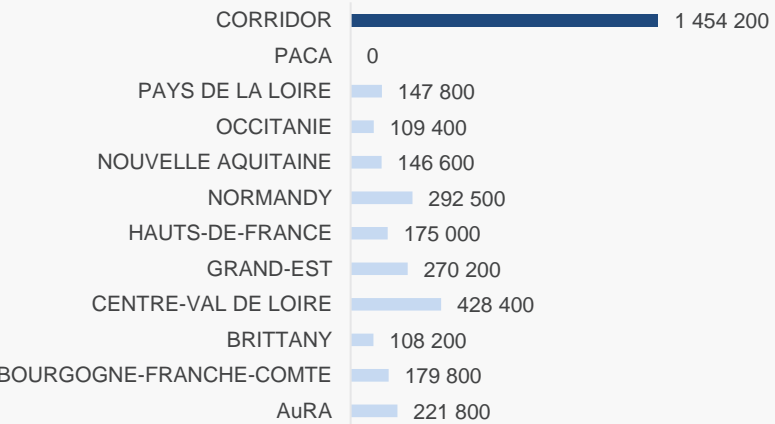
Despite the current climate, appetite for new space remains intact and accounted for 64% of the overall transaction volume. The difficulties associated with financing conditions had no impact on the proportion of sales (4.5% vs 5% in 2022) and owner-occupier transactions (23% vs 22% in 2022), the proportion of rental transactions (64% vs 55% in 2022) rose substantially while the proportion of turnkey transactions fell by -50%.

Lastly, 3PLs were the main drivers of activity (58%), although shippers were most active in the large space segment (Intersport - 86,000 sq m, Carrefour - 80,000 sq m, and CAFOM - 64,600 sq m).

// Take-up by space segment



// Take-up by market in sq m



Sources: Immostat, Cushman & Wakefield - Unit: sq m million

IMMEDIATE SUPPLY & VACANCY RATE

Insufficient availability and geographical imbalance

At the end of Q4 2023, immediate supply stood at 2.6 million sq m (+11% vs Q4 2022) representing a vacancy rate of 4.0%. While the volume of available supply increased over the year, the vacancy rate remained below the tension threshold (estimated at 5%) and the mismatch between supply and demand continues to be a cause for concern.

Geographically, the rates vary, with only Hauts-de-France, Normandy and Centre Val-de-Loire having vacancy rates above the tension threshold, while AuRa and PACA are at a low point. Availability is under 100,000 sq m in 7 out of 12 French regions. 47% of immediate supply is located in the Corridor and there is still an imbalance between the Hauts de France region, where supply has been replenished (933,000 sq m), and the Greater Paris Region and the southern region, where there is a lack of supply.

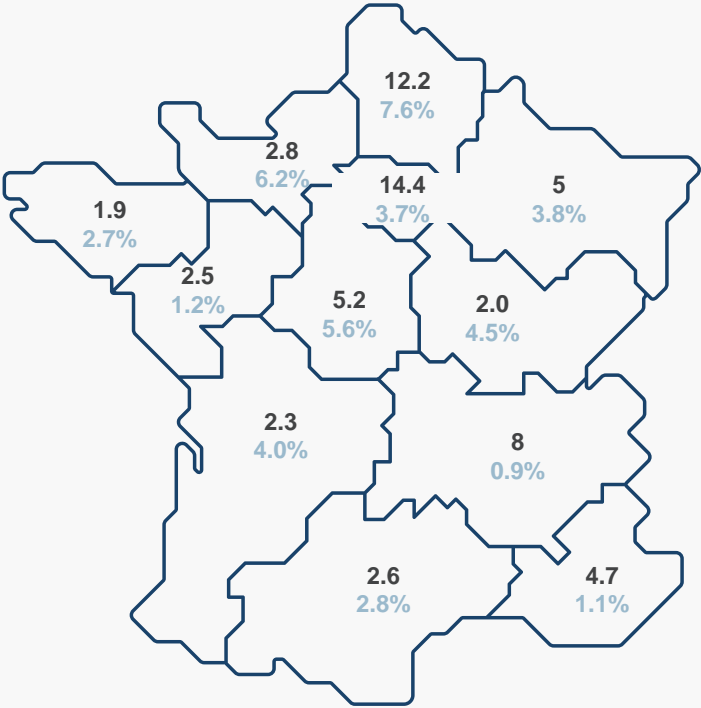
In this tense environment, there are only 7 XXL options offering immediate availability; this 693,000 sq m is mainly located in Hauts-de-France (Novaparc in Beauvais and Logistera in Nœuds les Mines) and in more outlying locations (Seine-Maritime, Aube and Loiret).

Increases in immediate supply were fuelled by completions, with new space supply reaching 1.13 million sq m (+92% vs Q4 2022), the highest level for the last decade, and once again in the Hauts-de-France region. Meanwhile, second-hand supply is shrinking (-17%).

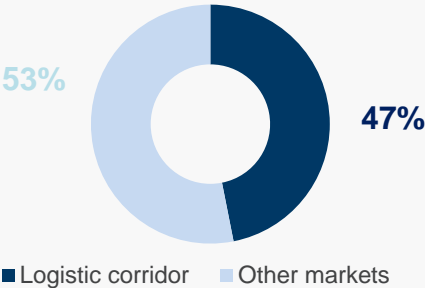
Lastly, most available options are in the 10,000 - 30,000 sq m segment, with 63 vacant options representing just over 1 million sq m, 2/3 of which are located in the Hauts-de-France, Greater Paris and Centre Val-de-Loire regions.

Sources: Cushman & Wakefield - Afilog
In thousands of sq m, at the period end; Class A, B, courier and refrigerated; >5,000 sq m

// Stock (million sq m) and vacancy rate (%) by region



// Proportion of immediate supply Corridor / other markets



FUTURE SUPPLY & PROJECTS

Downbeat outlook for supply renewal

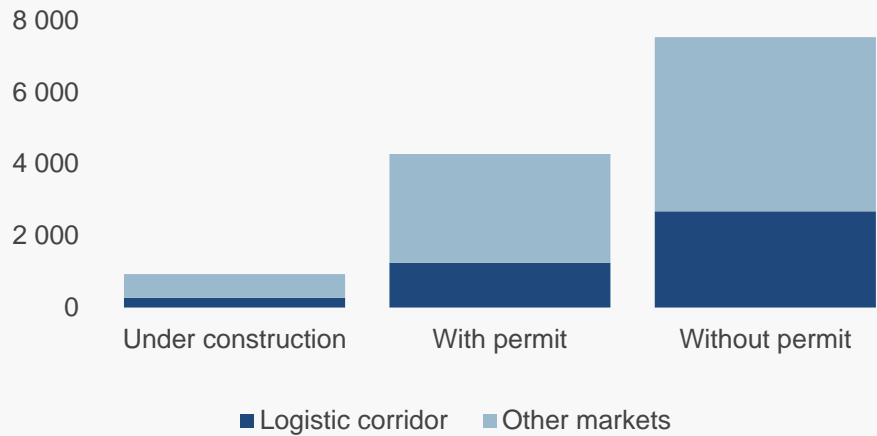
Of the 12.7 million sq m of future supply recorded, just 7% is under construction and 34% has secured building permits. The prospect of improving much needed fluidity in the market, against a backdrop of pressure on immediate supply, is receding. Given the increasing difficulties facing logistics projects across the country, this worrying situation looks set to continue: finding land in the context of the implementation of the ZAN policy (zero net land take) is and will be increasingly complex, particularly as projects must also meet operational requirements such as proximity to major roads and employment centres.

The answer to the shortage of future supply could lie in markets beyond the Corridor, with 658,000 sq m under construction and 3 million sq m with building permits. As with immediate supply, the situation varies with the Centre Val de Loire accounting for almost 800,000 sq m with building permits and 266,000 sq m under construction, while regions such as Nouvelle Aquitaine, Occitania and Brittany each account for less than 150,000 sq m (under construction and with building permits).

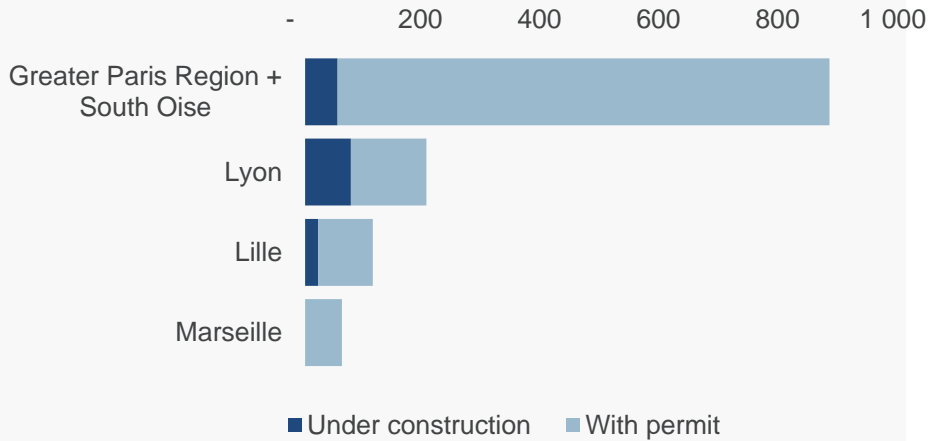
Representing just 29% of developments under construction (273,000 sq m) and of those with building permits (1,250,000 sq m), the Corridor is struggling with immediate supply renewal. This situation is set to continue as the proportion of projects without building permits is also limited (36%).

Despite a dip in investment, this indicates that rental values should continue to rise, particularly as construction costs are also subject to rising inflation

// Future supply by development stage, in thousands of sq m



// Future supply by region, in thousands of sq m



Sources: Immostat, Cushman & Wakefield

RENTAL VALUES

Rents still on the rise

Prime values continued to rise throughout the year, although to varying degrees depending on the region. Some "secondary" markets, such as Le Havre, Bordeaux, Nantes and Rennes, even recorded double-digit growth.

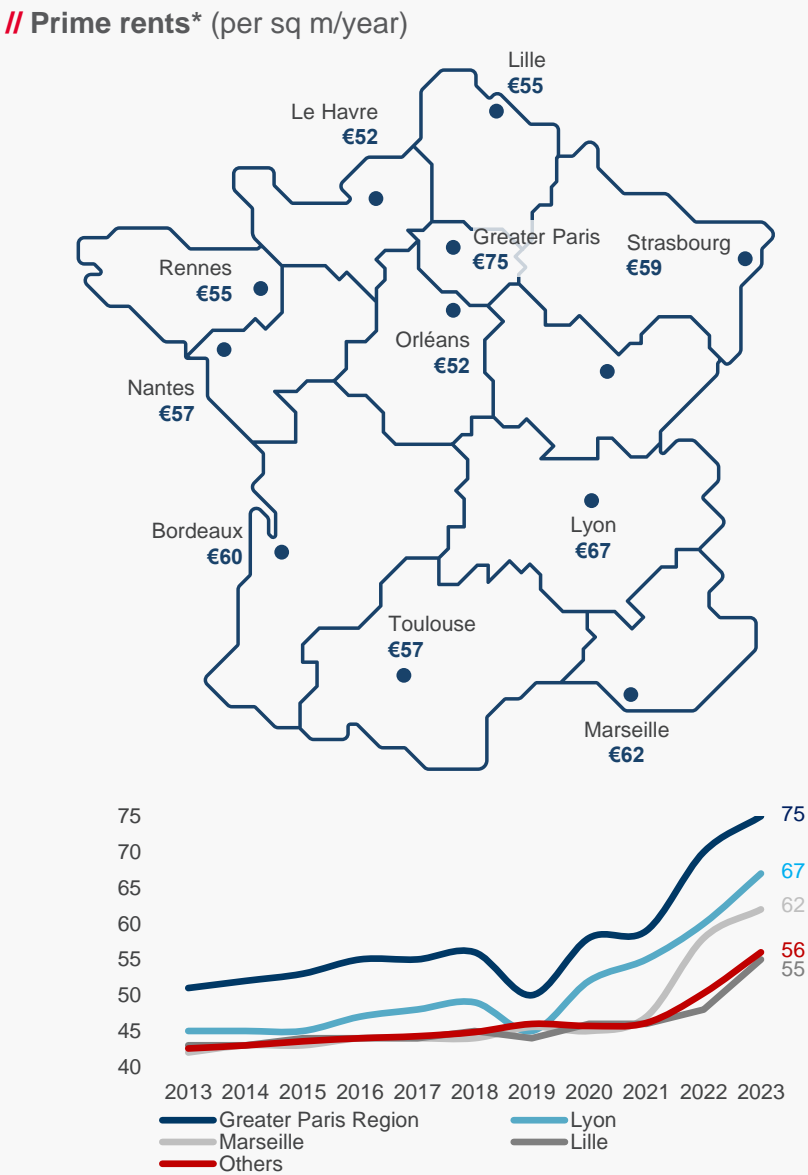
At national level, average rents for new space rose by +9% year on year and second-hand space by +8%. Increases for new space were greatest in the Nouvelle Aquitaine, Greater Paris and Pays de la Loire regions and for second-hand space in Bourgogne Franche-Comté, Nouvelle Aquitaine and Occitania.

Against a backdrop of both inflation and undersupply, it is unlikely that the upward trend in rental values will end any time soon. However, to take account of increases in ancillary real estate costs, such as operating expenses and taxes, this growth should start to slow. This moderation in rising rental values is all the more likely as increases could reach a ceiling of acceptable levels for logistics occupier budgets, resulting in the postponement or cancellation of some projects which would then become economically unviable. And if occupiers were to start refusing to relocate or postponing their projects, demand could cease or some sub-markets could grind to a halt. We will therefore be keeping a close eye on the extent to which values change.

Sources: Immostat, Cushman & Wakefield

New class A warehouse >10,000 sq m, long-term lease

*Highest values recorded for transactions over the period



TOP OCCUPIER DEALS IN 2023

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Tenant/buyer	Location		Space	Class	Condition	Contract type
INTERSPORT	AUTRECHE (37)	Outside Corridor	86,000 sq m	A	New	OWNER OCCUPIER
CARREFOUR	MONDEVILLE (14)	Outside Corridor	80,000 sq m	A	New	TURNKEY
CONFIDENTIAL	GRANS (13)	Corridor	67,500 sq m	A	New	SALE TO OCCUPIER
CAFOM	MONTBEUGNY (03)	Outside Corridor	64,600 sq m	A	New	OWNER OCCUPIER
ALAINE LOGISTIQUE (LOG'LOIRE)	SURY LE COMTAL (42)	Outside Corridor	61,770 sq m	A	New	LEASE





INVESTMENT MARKET

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INVESTMENT

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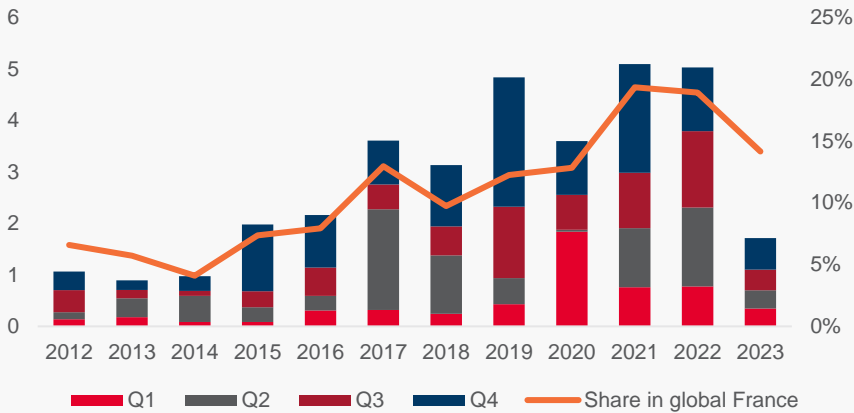
Severe slowdown for logistics

Logistics investments fell for the 5th consecutive quarter, with €0.6bn in Q4 2023, down -50% on Q4 2022. However, this reduction was less than the decreases seen over the previous 3 quarters (-56% to -77%). 2023 therefore ended with an investment volume of €1.7 billion and a -67% year-on-year reduction in activity.

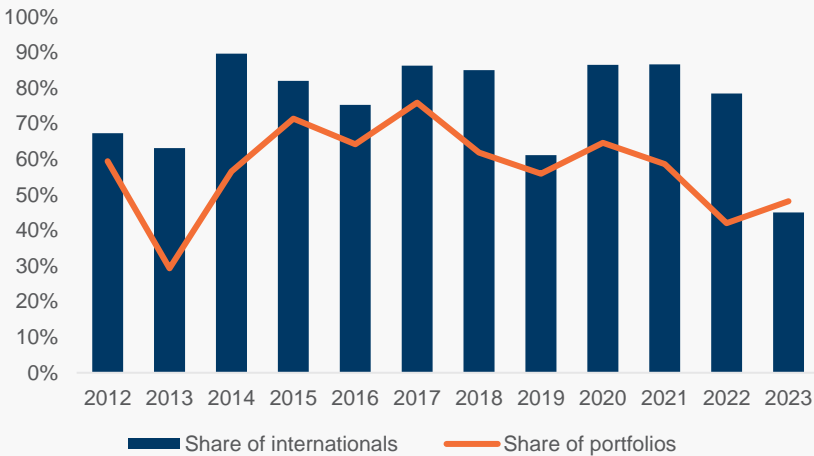
After the enthusiasm seen for this asset class in 2021 and 2022, when investors were actively seeking to diversify, logistics now accounts for just 14% of commercial real estate investment in France (-5 pts compared with these 2 peak years). Despite a more rapid repricing having been seen than for other asset types, logistics has suffered due its high exposure to international investors and their en-masse withdrawal to refocus on their domestic markets, as well as from financing difficulties which severely affected portfolio acquisitions. The >€50m segments accounted for only 37% of the investment volume, with 3 transactions (portfolios) exceeding the €100m mark (Camélia sold by Logikor to P3, Scott sold by Invanhoé Cambridge to KKR/Etche, and Olympe sold by CBRE IM/Virtuo to Axa IM) as well as 3 deals in the €50-100m segment.

With the prime yield at 4.75%, key rates stabilising and the OAT beginning to fall, the risk premium has been re-established. Given the robust nature of rental growth potential, this means that liquidity could return more quickly to the logistics segment. The logistics rental market is underpinned by structural factors (scarcity of land, rapid supply chain adaptation requirements, low costs compared with other major European markets, etc.) as well sustained demand in the occupier market, despite ongoing uncertainty in the economy.

// Logistics investment volumes per quarter, €bn



// Proportion of international and portfolio investments in logistics



Sources : Immostat, Cushman & Wakefield

TOP INVESTMENT DEALS 2023*

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Purchaser	Location	Vendor	Amount (€M)
AXA IM	OMEGA PORTFOLIO	CBRE IM / VIRTUO	Confidential
KKR / ETCHE	SCOTT PORTFOLIO	IVANHOE CAMBRIDGE	150
P3 LOGISTIC PARKS	CAMELIA PORTFOLIO	LOGICOR / BLACKSTONE	Confidential
ERAFP	PONT D'AIN (01)	HARBERT MANAGEMENT	Confidential
ALDERAN	MONTATAIRE (60)	CREIL MONTATAIRE DEVELOPPEMENT	49.9

*Excluding confidential transactions

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DEFINITIONS

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This report focuses on warehouses above 5,000 sq m in the Greater Paris Region and above 10,000 sq m for the other markets in France.

ICPE: An Installation Classified for the Protection of the Environment is, generally speaking, any installation owned or operated by an individual or organisation, public or private, that may be a source of danger or inconvenience, pollution, or nuisance, particularly where the health and safety of the neighbourhood are concerned

Operating licenses: Licenses required to operate a warehouse building. There are around a hundred different kinds, the most frequent being numbered as follows: 1510 (Covered warehouses), 1530 (Wood and/or paper stocks), 2662 (Honeycombed Plastics storage), 2663 (Storage of manufactured plastics, tires), 1412 (Container storage of flammable gases or aerosols), and 4310, 4320, 4321, 4330 et 4331 (Container storage of inflammable liquids).

Classification: Warehouses are classified according to their technical characteristics (hardness at ground level, unimpeded height, etc.), their accessibility (distance from the motorway, not being shut into an urban area), and their capacity for growth (adaptation to present and future ICPE standards and to the constraints of insurers).

Turn-key transaction: A building for which construction begins after a definite commitment from an occupier/tenant, even if the developer's project existed previously without construction having started. These operations are included in take-up only when certain preconditions (such as permits and financing) have been fulfilled.

Owner-occupier project / Built to suit: A building whose occupier is the owner

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

Corridor: Markets of Lille, Paris, Lyon, Marseille or in contact with the road infrastructures that follow this axis North-South (A1; A6; A7).

Warehouse: A building for stocking, distribution, or light assembly. Such premises are ranked in different categories: Class A for a highly functional or "new generation" warehouse, Class B for a building up to the standards of a modern warehouse, and Class C which includes all other warehouse buildings. Classification uses a number of criteria, such as the building's construction date, ceiling height, manoeuvring area, floor hardness, etc.

Core: Asset benefiting from a prime geographic location and ensuring safe rental yields due to the quality of the tenants, the duration of the leases, the low vacancy rate and low rental rotation rate.

EURIBOR: Euro Interbank Offered Rate: This is the rate at which Euro interbank term deposits are offered by one prime bank to another prime bank within the EMU zone. It corresponds to the daily valuation provided by a sample of 57 European banking institutions.

ABOUT CUSHMAN & WAKEFIELD

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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.

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KEY NUMBERS

AROUND THE WORLD

400 offices

60 countries

52 000 collaborators

\$10,1 Mds* USD turnover 2022

FRANCE

17 offices

+ 500 collaborators

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LIFE IS WHAT WE MAKE IT

