

# Paris CBD Office Market



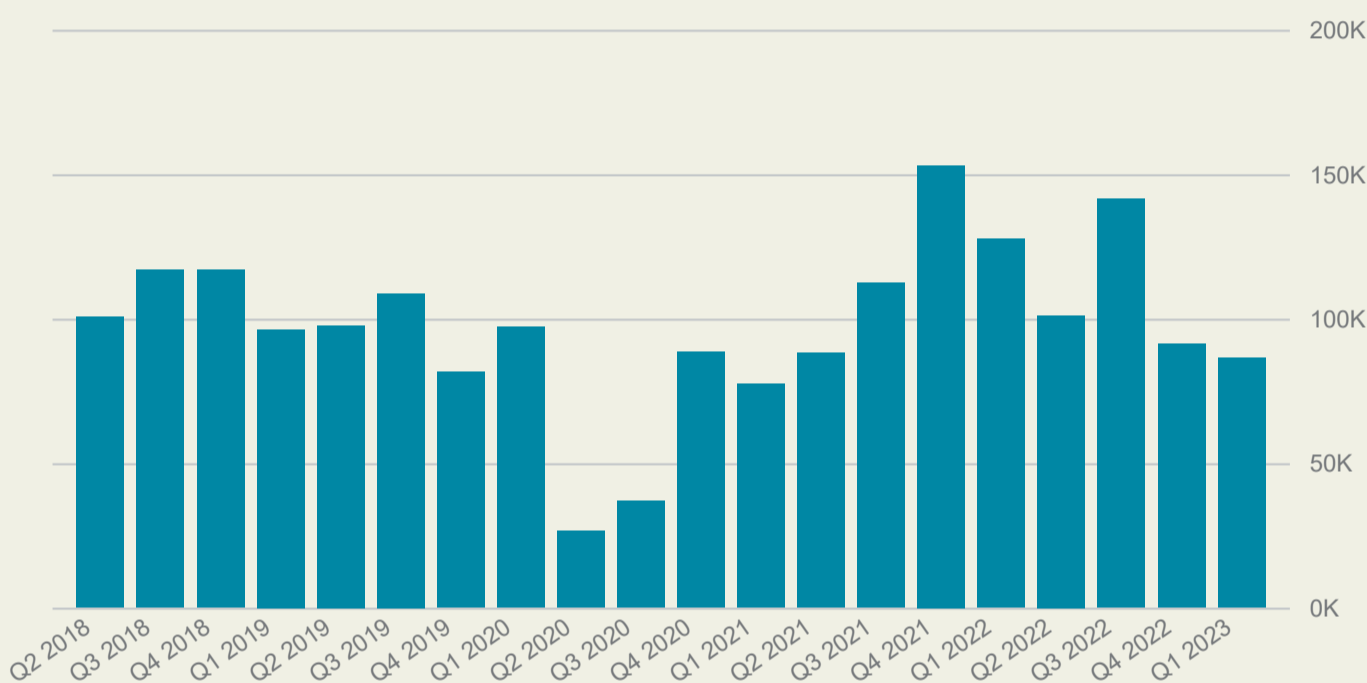
Q1 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

[knightfrank.com/research](https://knightfrank.com/research)

## Take up

Over the last 5 years, square metres



Source: Knight Frank Research

## OCCUPIER MARKET KEY FIGURES

**86,491** SQM

Take up

**€ 980** PSQM

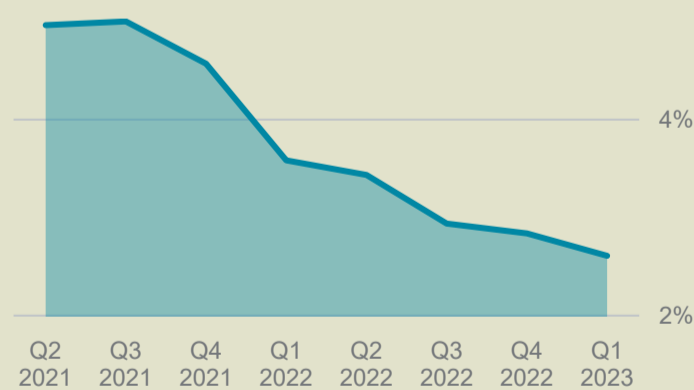
Prime Rent

**2.6%**

Vacancy Rate

## Vacancy Rate

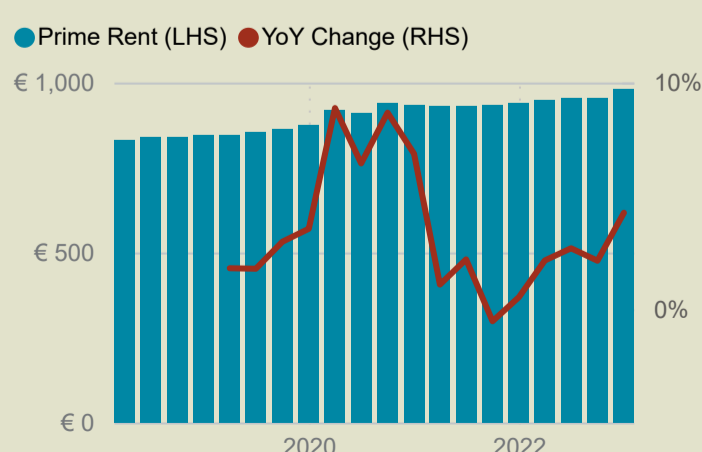
Measured in percentage terms



Source: Knight Frank Research

## Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

## OCCUPIER HEADLINES

While the Greater Paris Region is experiencing its highest levels of office vacancy since 1997, the CBD market continues to tighten, with vacancy ticking downward by 23 basis points since Q4 2022 to 2.6% in Q1 2023. This represents a 27% year-over-year drop, and points to the ongoing appeal of the inner city.

Prime rents have reached €980 psqm per annum at the end of March 2023, marking an increase of 4% year-on-year and 13% since the start of the Covid-19 pandemic. A further increase in rents would make it more difficult for some companies to access the Paris office market.

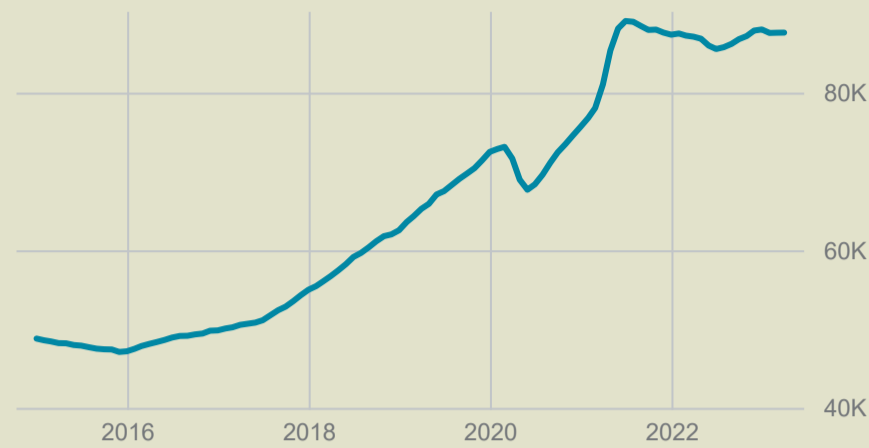
Construction completions totalled 18,394 sqm for Q1, down 76% from Q1 2022. A further 96,898 sqm are expected to be delivered this year.

A lack of large transactions across the Greater Paris Region has especially weighed on the performance of the Paris CBD. There were 86,500 sqm let in the 1st quarter of 2023, 21% below the 5-year average for Q1 activity. However, a few larger transactions are underway and expect to be completed soon. The CBD's appeal is not to be undermined as it continues to attract companies from other submarkets, while departures from the CBD remain very rare. This trend is unlikely to weaken in the coming months. Although the economic context is more uncertain and some occupiers are less present (start-ups, coworking), other business sectors that are usually drawn to the CBD, such as finance, consulting and luxury, remain very active. Finally, while the employment market is still very tight in high value-added sectors, the quality of offices and their location remain at the heart of strategies to retain and attract talent.

## ECONOMIC INDICATORS

### New Businesses in France

12-month Rolling Average



Source: French National Institute of Statistics & Economic Studies (INSEE)

New business starts in France have been on a growth trajectory over the last 7 years, with only a minor slump during the pandemic, followed by a strong recovery thereafter. The momentum slowed again in 2022 but has since shown clear signs of returning to a positive direction.

### Employment Expectations in the Service Sector in France

Over the next 3 months, %



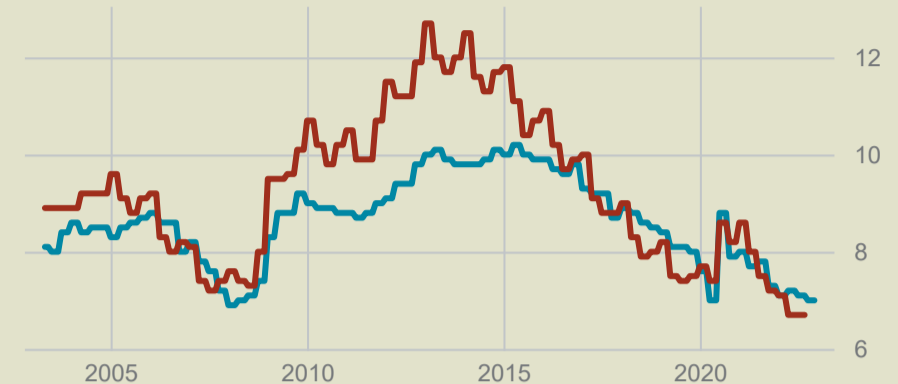
Source: European Commission (DG ECFIN)

Service sector employment expectations in France have remained in positive territory throughout Q1 2023, marked by strong hiring intentions for the year.

### Unemployment Rate in France

vs Euro Area, as a Percent of Civilian Labour Force, %

● France ● Euro Area

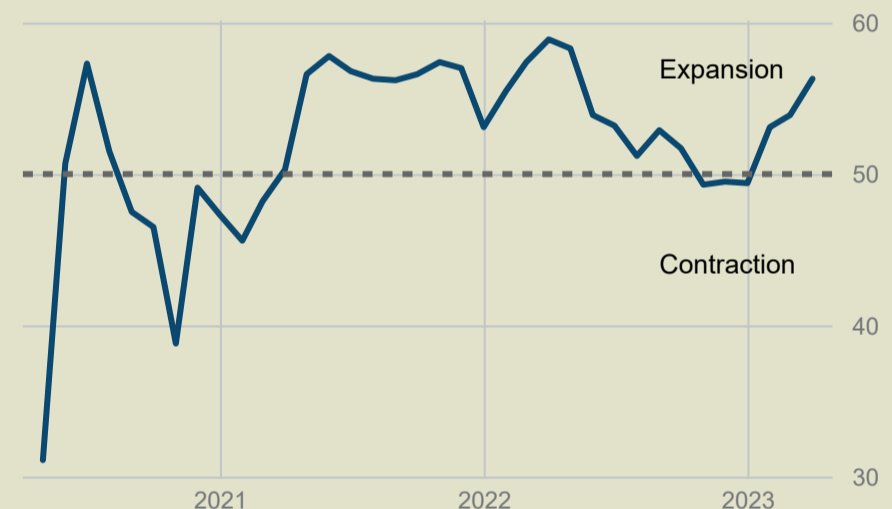


Source: Eurostat/ French National Institute of Statistics & Economic Studies (INSEE)

Having held up well in 2022, the labour market is expected to weaken in 2023, and could reach 7.5% this year according to INSEE forecasts. It is expected to continue its upward trend in 2024 before stabilising in 2025.

### Services PMI in France

Services PMI for the last 5 years, Index



Source: S&P Global

The service sector PMI in France improved considerably in Q1 2023, recorded at 53.9 as of March, up from 49.5 in December 2022. A pick-up in business activity drove growth as new order intakes rose faster, mainly supported by external demand.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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