

# Paris - Île-de-France Office Market



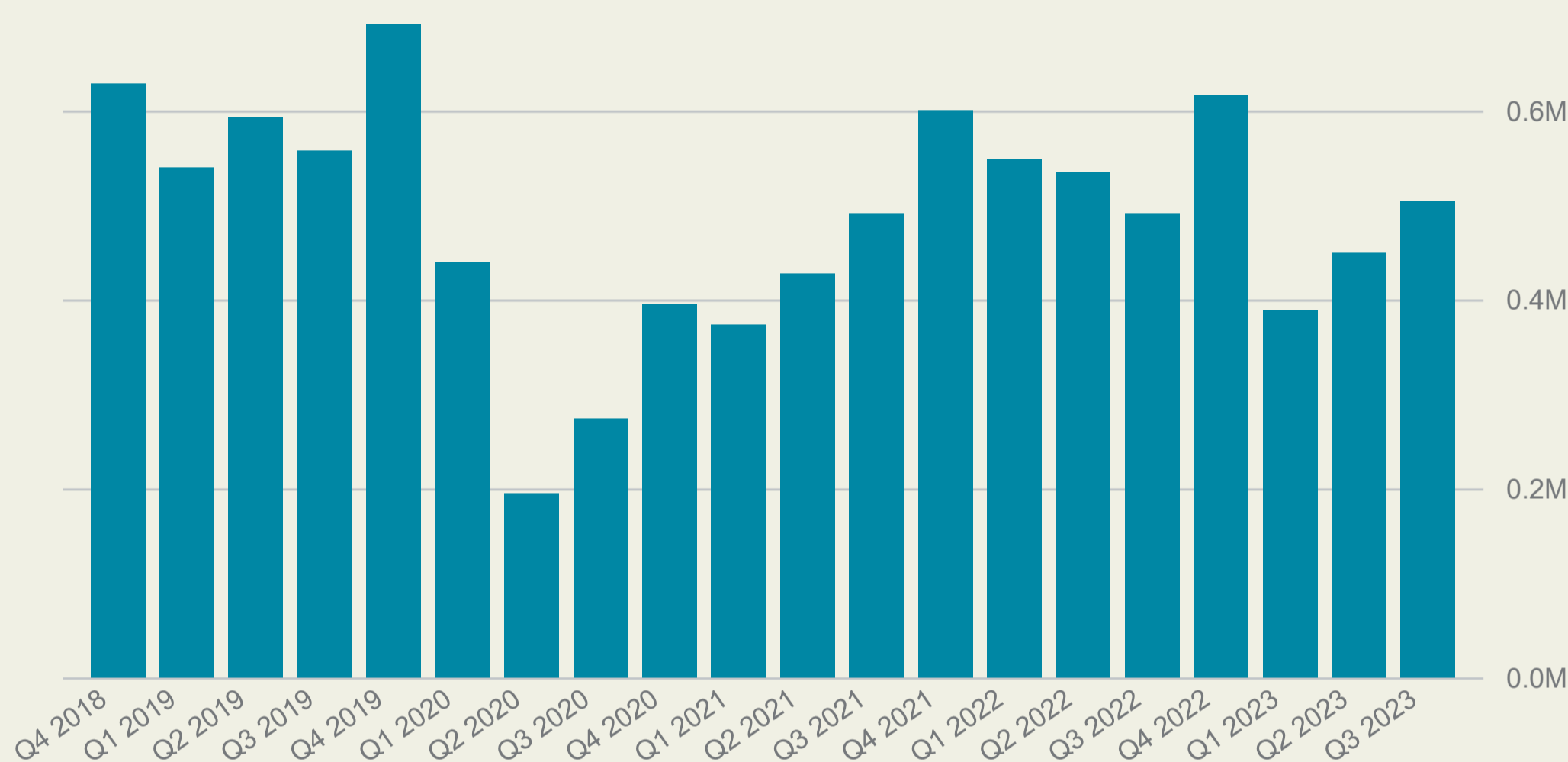
Q3 2023

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

**504,305 SQM**

Take up

**€ 485 PSQM**

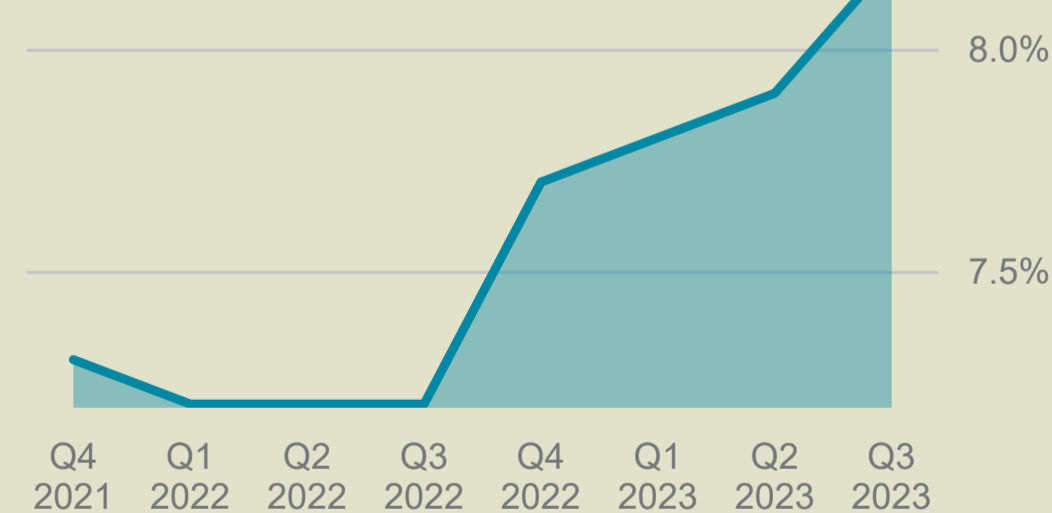
Average Rent

**8.2%**

Vacancy Rate

## Vacancy Rate

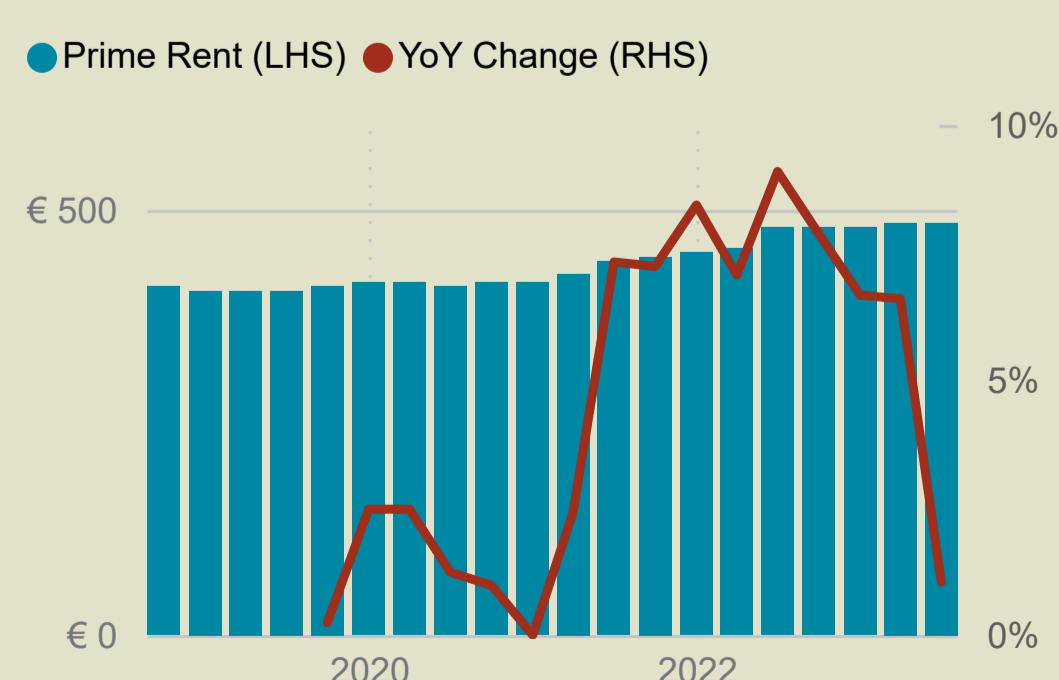
Measured in percentage terms



Source: Knight Frank Research

## Average Rent

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



Source: Knight Frank Research

## OCCUPIER HEADLINES

In the third quarter of 2023, the Île-de-France office market saw over 500,000 sqm of take up, 13% more than the volume seen in Q2 2023. This brings the total for the first nine months of the year to 1.37 million sqm, representing a drop of 13% compared to the same period in 2022 and 10% relative to the Q1-Q3 10-year average. This suggests that the strong leasing performance in 2022 was only a temporary surge resulting from pent-up demand after the pandemic.

Geographic polarisation is an underlying trend in the office market. Thus, inner Paris, the Western Crescent and La Défense accounted for three quarters of the take-up in the Île-de-France region since the start of 2023, compared to 69% just before the pandemic.

Across the Île-de-France region, the immediate supply totals 4.6 million sqm, an increase of 13% in one year and 60% compared to the start of 2020.

This brings the vacancy rate for the region to 8.2% at the end of the third quarter of 2023 compared to 7.9% in the previous quarter and 7.2% a year ago. There are, however, significant disparities across the submarkets. The vacancy rate stabilised in La Défense (14.5%) and in the Western Crescent (13.6%), while it continued to increase in the Inner Suburbs where it reached 14% (+0.6 bps on the quarter).

Amid the overall rise in vacancy, average rents for the region remained stable at € 485 psqm per annum.

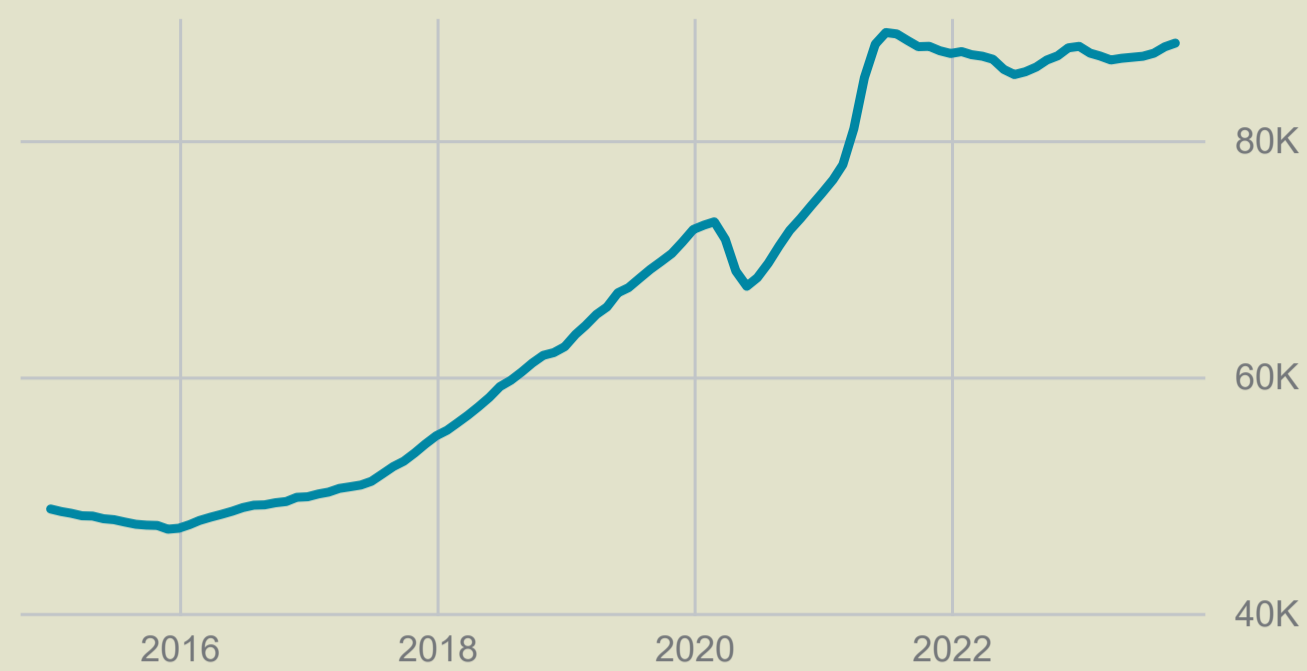
Unless there is a stronger rebound in take-up, available supply will start to rise more significantly in the coming months. More than 330,000 sqm of office space should be delivered in the fourth quarter in Île-de-France, of which 147,000 sqm are still available. This will bring the total for 2023 to 542,000 sqm.

In 2024, nearly 1.3 million sqm of new office space is expected to come to the market, of which 65% is still available. The rebound in construction deliveries will, however, be temporary. The development pipeline will decrease significantly in 2025, falling to 860,000 sqm, of which 67% is available space.

## ECONOMIC INDICATORS

### New Businesses in France

12-month Rolling Average

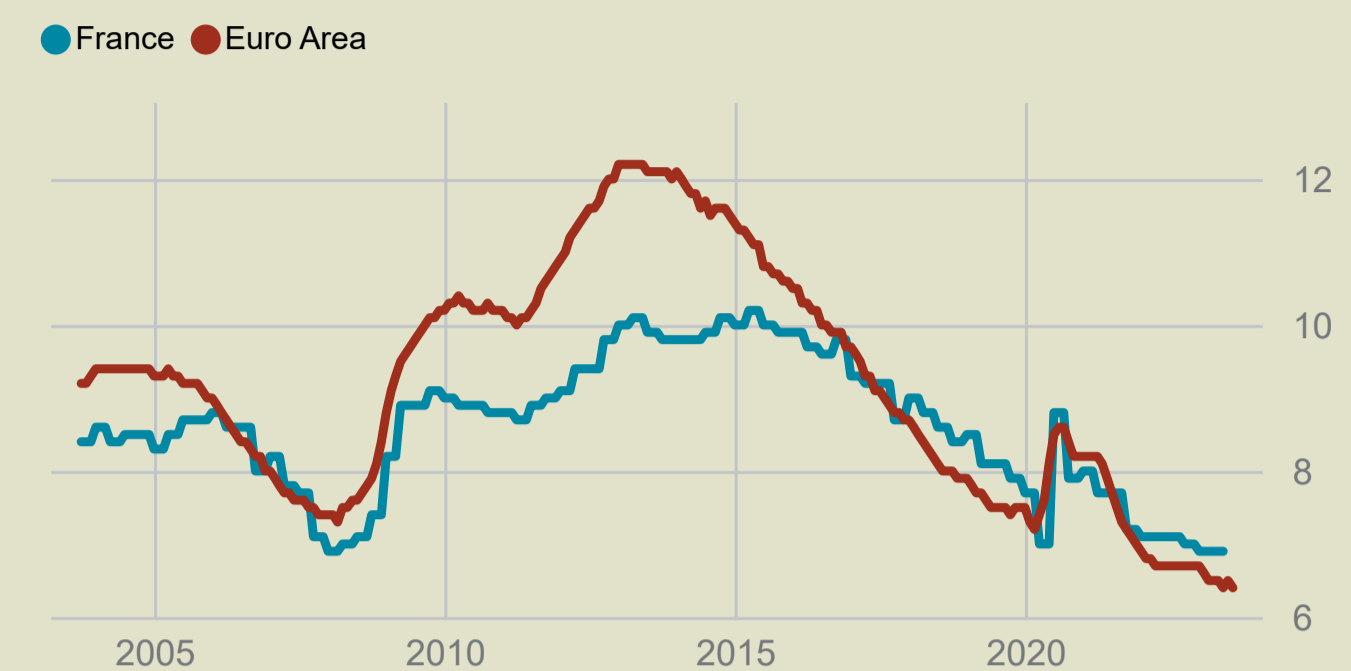


Source: French National Institute of Statistics & Economic Studies (INSEE)

Growth momentum in new business starts in France has slowed since 2022, after 7 years of solid growth and only a minor slump during the pandemic. Tighter financial conditions and high inflation likely weigh on new business starts.

### Unemployment Rate in France

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

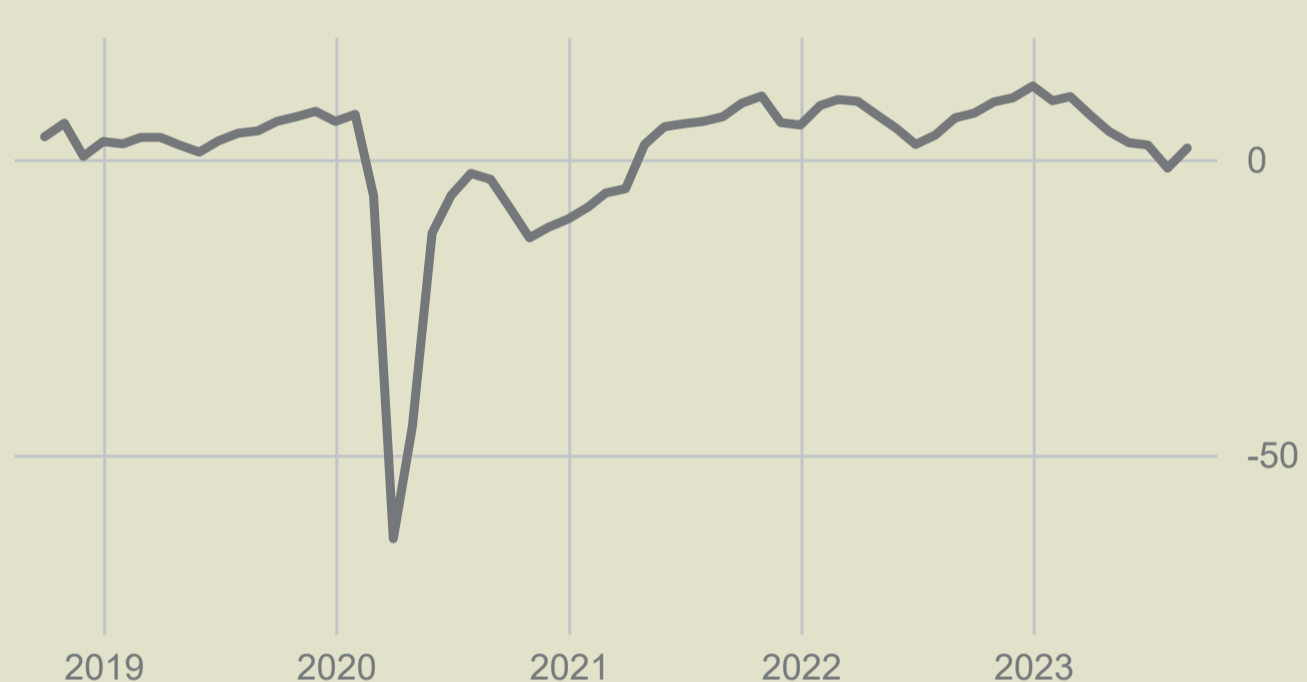


Source: Eurostat/ French National Institute of Statistics & Economic Studies (INSEE)

The French labour market is showing signs of cooling. According to INSEE forecasts, the unemployment rate is expected to increase moderately in 2024 and 2025 to reach approximately 7.5%, still well below pre-pandemic levels of 8.5%.

### Employment Expectations in the Service Sector in France

Over the next 3 months, %



Source: European Commission (DG ECFIN)

Service sector employment expectations ticked up marginally in September 2023 after trending downwards since the beginning of the year, indicating a less subdued outlook for the next quarter.

### Services PMI in France

Services PMI for the last 3 years, Index



Source: S&P Global

The service sector PMI in France remained in contractionary territory in Q3 with a September 2023 reading of 44.4, a three-year low, pointing to ongoing weak demand expectations.

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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