

THE LETTING MARKET - H1 2015

ILE-DE-FRANCE

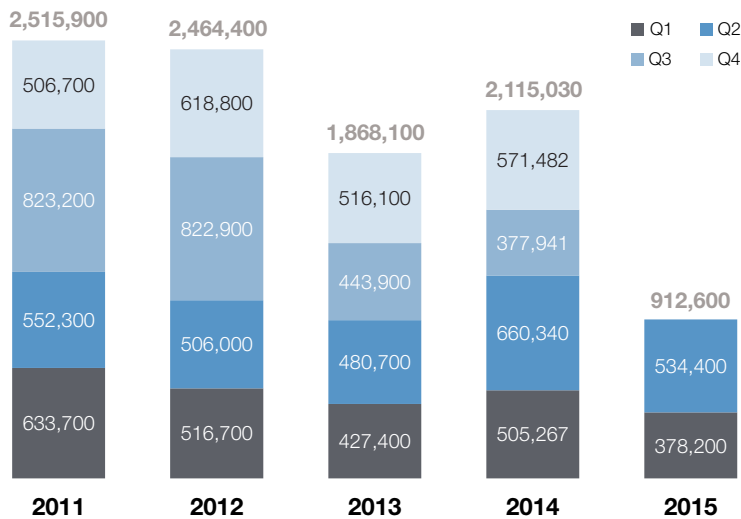


Take up

912,600 sq m

(Source: Knight Frank)

Take up in sq m

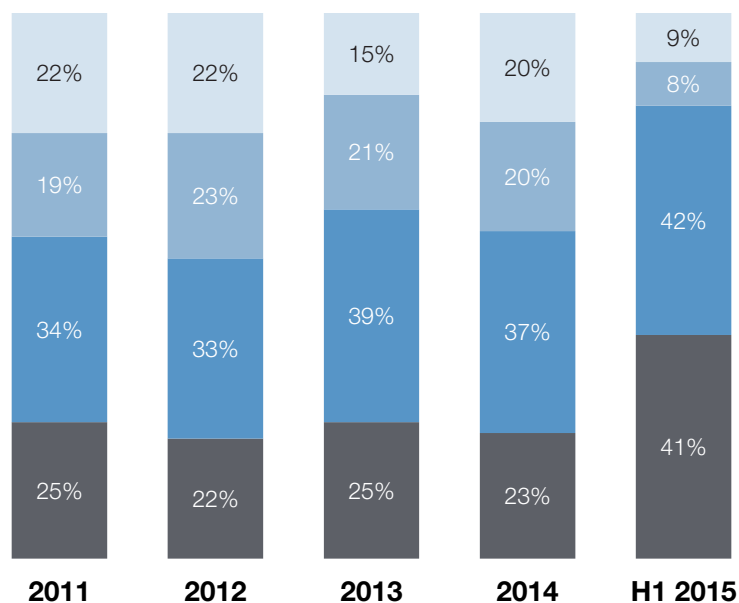


- 22%: Transactional activity in the Paris region fell sharply in H1 2015 compared to H1 2014
- This net slowdown is above all attributable to very large users. The transactions segment exceeding 5,000 sq m has collapsed (-23%) and is the main cause of the drop observed since the start of 2015. The drop in this segment is exaggerated by the Ministry transaction in the 7th district (46,000 sq m) that previously boosted transactional activity in the segment, although it does not impact the forward funded leasing market
- Reliant on these large users, transaction activity is and will remain volatile: the results of H1 2015 are not necessarily evidence of a long-term trend because the decisions of large users take time
- Very strong dynamism in transactions under 5,000 sq m that represent 83% of the take-up
- Furthermore, the Greater Paris region is far from being uniform: the general poor performance should not mask the good and very good results observed in inner Paris that represent 45% of take-up. There is a real premium in the most central markets

Size of transactions

(Source: Knight Frank)

- Small areas (≤ 1,000 sq m)
- Medium areas (from 1,000 to 5,000 sq m)
- Large areas (from 5,000 to 20,000 sq m)
- Very large areas (≥ 20,000 sq m)



Examples of transactions (≥ 5,000 sq m)

(Source: Knight Frank)

Tenant	Address	Date	Area	Rent	Quality
OCDE	46 quai Alphonse Le Gallo Boulogne-Billancourt	June 2015	35,000 sq m	NA	Renovated
Nissan Europe	8 rue Jean-Pierre Timbaud Saint-Quentin en Yvelines	June 2015	13,000 sq m	NA	Renovated
Carlson Wagon Lit	Cours Emile Zola Boulogne-Billancourt	June 2015	10,700 sq m	NA	New
A Ministry	20 avenue de Ségur Paris 7 th	April 2015	46,000 sq m	NA	New (BEFA)
Pôle Administratif de la ville de Montreuil	65 rue du Capitaine Dreyfus Montreuil	April 2015	13,100 sq m	€403	Renovated
INRIA Investisseurs du Monde Numérique	41/45 rue de Charolais Paris 12 th	April 2015	9,800 sq m	NA	New
B2V Gestion Association	18 avenue Delcassé Courbevoie	April 2015	9,700 sq m	NA	Renovated
RFF - Réseau Ferré de France	Rue André Campa Saint-Denis	March 2015	14,500 sq m	NA	New
Exane	#Cloud Paris 2 nd	March 2015	10,300 sq m	€700 to 760	New
PSA Peugeot Citroën	7/9 rue Henri Sainte-Claire-Deville Rueil-Malmaison	Jan. 2015	16,200 sq m	€360	New
Cartier	33 rue La Fayette Paris 9 th	Jan. 2015	12,000 sq m	€680	Recent

Large occupiers

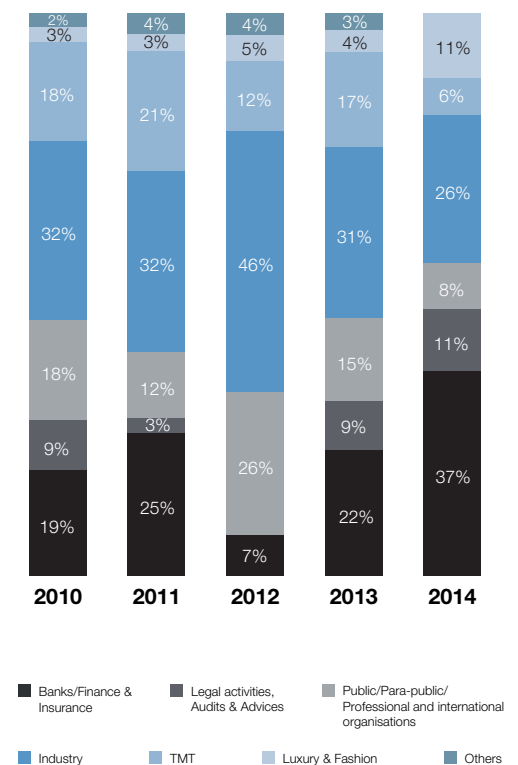
(> 5,000 sq m)

30%
of take up

(Source: Knight Frank)

- ◆ The large users segment plays an essential role in the Paris leasing market: its poor performance caused the leasing market to run out of steam in Q1 2015
- ◆ However, this segment continues to benefit from a feature that ensures it has a certain longevity: its diversity of players that are not reliant on one specific economic sector
- ◆ 2014 stands out due to the sudden return to the forefront of banks and insurance companies in leasing office areas: these players are part of a more stable environment and are increasing their property rationalization initiatives
- ◆ Luxury and fashion is the other business sector that rose sharply in 2014
- ◆ Conversely, the share of the industrial sector, as well as that of the public/quasi-public sector, has continued to fall

Large occupiers breakdown per activity



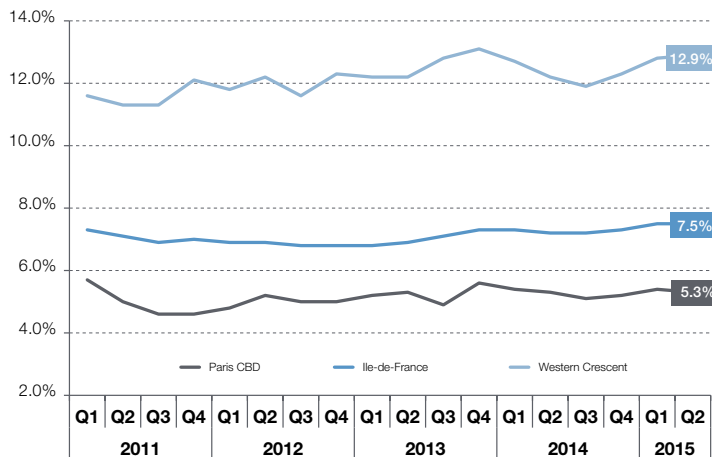
Available supply

7.5%

Vacancy rate

(Sources: Knight Frank, ORIE)

Vacancy rate in %



- At 7.5%, the vacancy rate rose slightly compared to the end of 2014: however, this rise is above all due to a change in the statistical approach of the stock. On the other hand, the volume of office areas immediately available is slightly down compared to that observed three months earlier
- This vacancy level falls within the upper range of the rates historically observed in the Paris region. However, it does not call into question the positioning of the capital region as a weak supplier market on the European scale
- The sharp internal disparities in the Paris region remain striking, with a generally under-supplied CBD and city centre, whereas the Western Crescent and La Défense maintain vacancy levels exceeding 11%

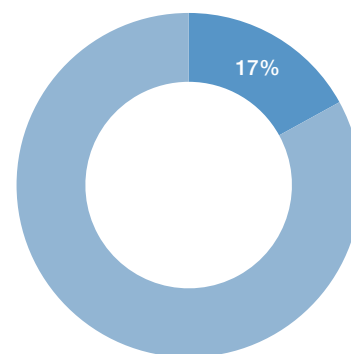
Grade A supply

17%

(Source: Knight Frank)

- Whilst the supply is quantitatively controlled, it remains qualitatively very deficient: Grade A office areas (new or restructured) only represent 17% of the available supply
- This ratio is down: The Greater Paris region continues to pay for the collapse in delivery volumes observed between mid-2009 and the end of 2012. The recovery made since has not offset the phenomenon (our definition of Grade A excludes buildings delivered over five years ago)
- The level of the Grade A supply is insufficient in view of the structure of office consumption by users: 81% of office areas exceeding 5,000 sq m leased in the Paris region in 2014 corresponded to Grade A (80% in 2013). This is a potential obstacle for the leasing market
- The shortage is nearly total in certain sectors, such as inner Paris

Share of new or redeveloped areas in the available supply



■ Second hand ■ New or redeveloped

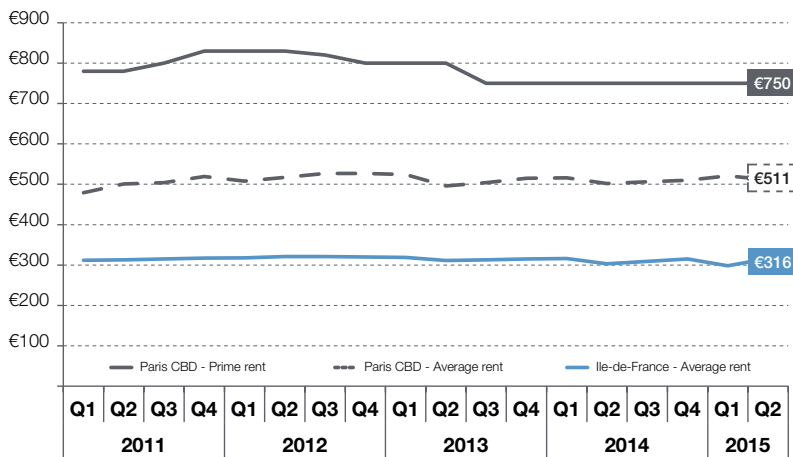
Rents

€750 /sq m/year excl. taxes and charges

Prime Rent

(Source: Knight Frank)

Rents in €/sq m/year excl. taxes and charges



- ◆ After a downwards adjustment (-10% in 2 years) was made, high-end rent stabilised for over a year at €750 in the CBD
- ◆ The first upward tensions of the letting values for the best buildings were observed at the end of 2014 in the CBD
- ◆ The adjustment downwards has paradoxically often been more limited in the outlying markets, where the prices displayed only sometimes show a low margin of adaptation
- ◆ However, high-end rents only concern a very small number of buildings
- ◆ Incentive measures have increased everywhere but in diverse proportions (they are situated around 10 to 15% in the CBD and can rise to 20% in the rest of Paris and 25% in the outskirts)
- ◆ Medium rents remain stable: users vary their consumption depending on the characteristics of the supply

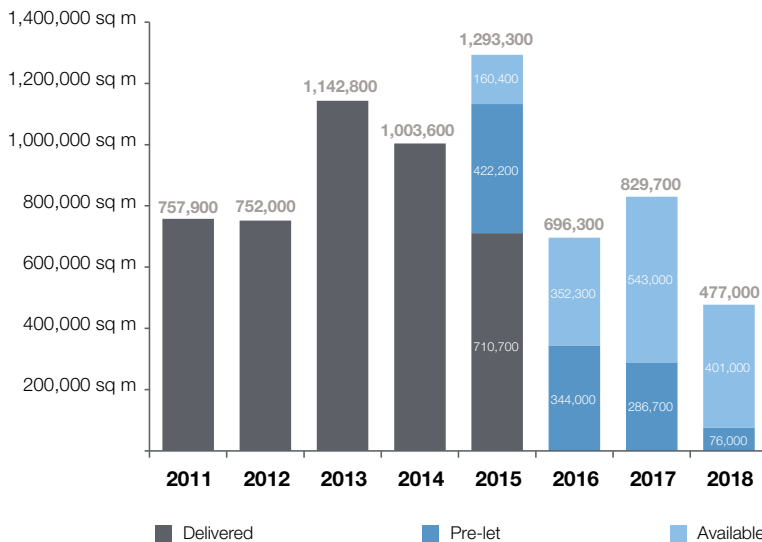
Future deliveries

34%

of new deliveries before Q4 2018 are pre-let

(Source: Knight Frank)

New or redeveloped areas in Ile-de-France



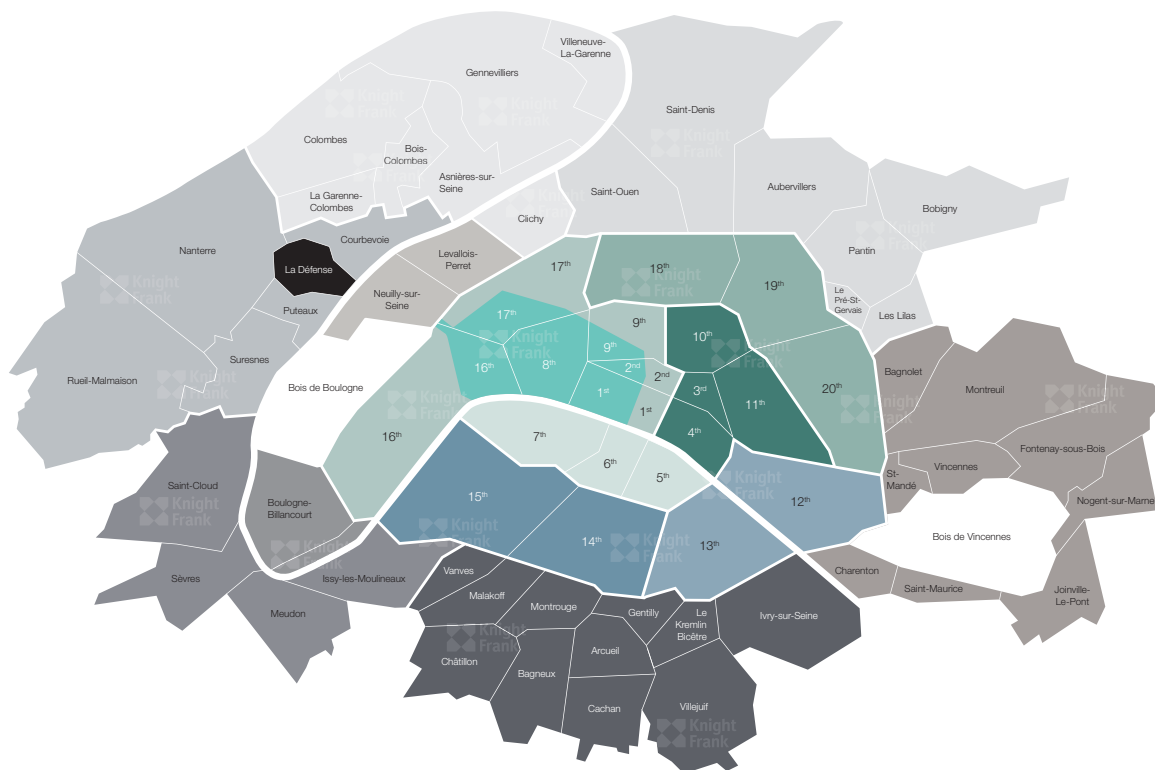
- ◆ The Greater Paris region remains an under-supplied market in Grade A office areas: the rise in volumes of deliveries since the end of 2012 has been absorbed and is therefore not passed on to the volume of the supply and to the size of the availabilities in Grade A
- ◆ The shortage in Grade A supply favours the phenomenon of pre-lets: over 35% of the office areas expected before the end of 2018 are no longer available
- ◆ In view of the configuration of the supply (in size, quality and price), turnkey programmes are becoming more widespread in large office areas and thus explain this trend
- ◆ Pre-lets are traditionally the prerogative of the geographical sectors offering the greatest price attractiveness. However, the phenomenon has also surfaced in the CBD
- ◆ 2015 will be one of the peaks with regard to deliveries, which should nevertheless be easily absorbed: on the other hand, it could encourage an increase in new projects in 2016 and 2017 – an acknowledged trend for several months

Summary

(Sources: Knight Frank, ORIE)

	Ile-de-France H1 2015	Ile-de-France H1 2014	Annual change
Stock	53,227,320 sq m	54,087 889 sq m	-1.6%
Take up	912,600 sq m	1,165,607 sq m	-22.0%
Immediate supply	4,002,000 sq m	3,887,000 sq m	+3.0%
Vacancy rate	7.5%	7.2%	+30 pb
Average rent	€316/sq m/year	€303/sq m/year	+4.0%
Prime rent	€750/sq m/year	€750/sq m/year	-

Map



- Paris CBD
- Paris 3/4/10/11
- Péri-Défense
- Paris Centre West (excl. CBD)
- Paris 18/19/20
- Southern Bend
- Paris 5/6/7
- La Défense
- Northern Inner Rim
- Paris 12/13
- Northern Bend
- Eastern Inner Rim
- Paris 14/15
- Neuilly/Levallois
- Southern Inner Rim

RESEARCH

Contacts for market studies

Cyril Robert

Research
+33 (0)1 43 16 55 96
cyril.robert@fr.knightfrank.com

Nadège Pieczynski

Analyst
+33 (0)1 43 16 88 84
nadege.pieczynski@fr.knightfrank.com

Contacts

Philippe Perello

CEO Paris Office
Partner Knight Frank LLP
+33 (0)1 43 16 88 86
philippe.perello@fr.knightfrank.com

Julien Bonnefoy

Capital Markets France
Partner Knight Frank LLP
+33 (0)1 43 16 88 89
julien.bonnefoy@fr.knightfrank.com

Aymeric Sevestre

Office Agency
+33 (0)1 43 16 88 92
aymeric.sevestre@fr.knightfrank.com

Laurence Karsenti

Retail
+33 (0)1 43 16 88 77
laurence.karsenti@fr.knightfrank.com

Guylène Brossart

Property Management
+33 (0)1 43 16 88 91
guylene.brossart@fr.knightfrank.com

Aron Shadbolt

Knight Frank Valuation
+33 (0)1 43 16 88 96
aron.shadbolt@fr.knightfrank.com

Arnaud Cosny

L'Atelier Knight Frank
+33 (0)1 43 16 56 00
arnaud.cosny@fr.knightfrank.com

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