

# **THE LETTING MARKET**

**ÎLE-DE-FRANCE**

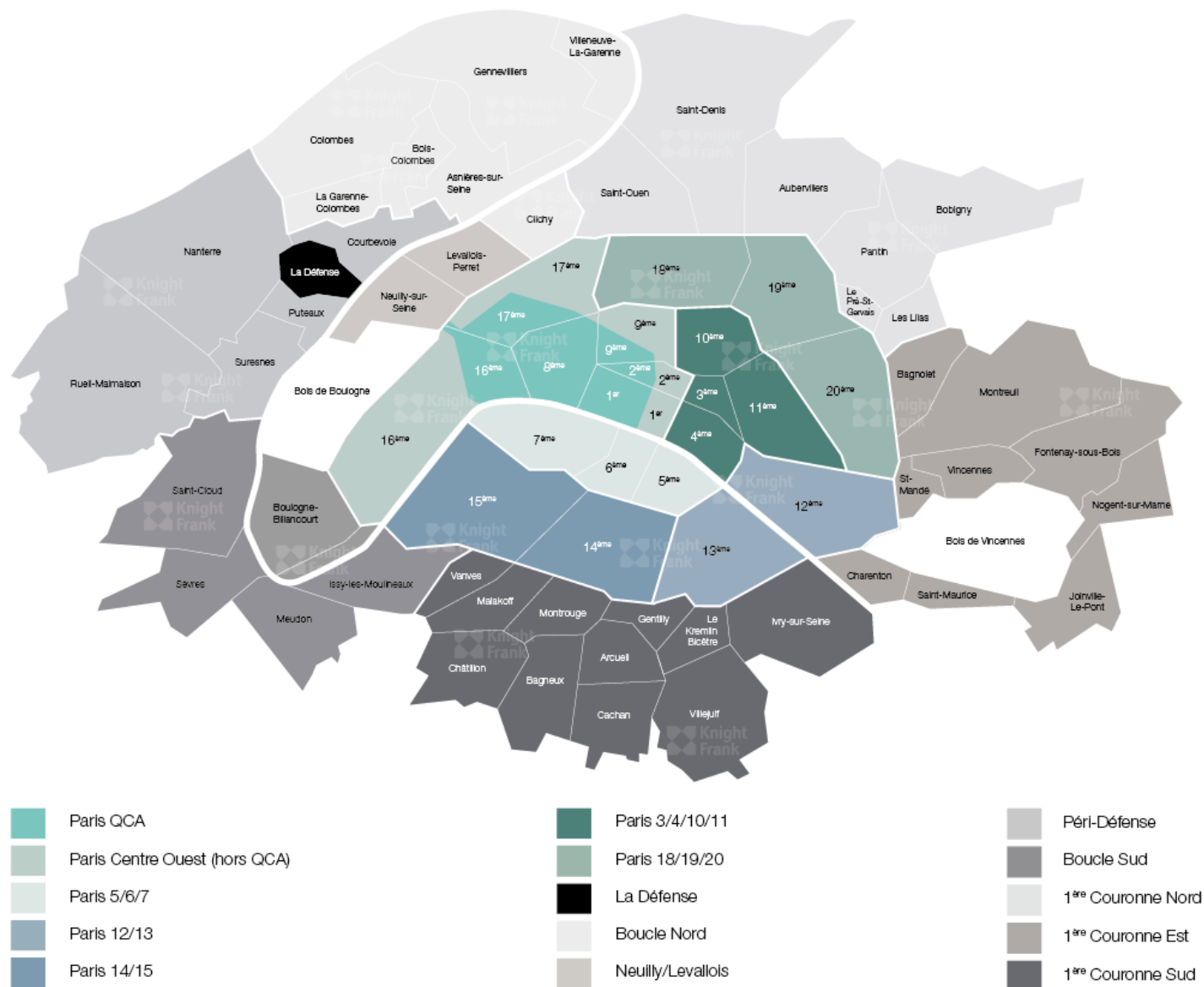
Q3 2016

# THE LETTING MARKET

## ÎLE-DE-FRANCE

### Mapping

Source : Knight Frank



# THE LETTING MARKET– 3Q 2016

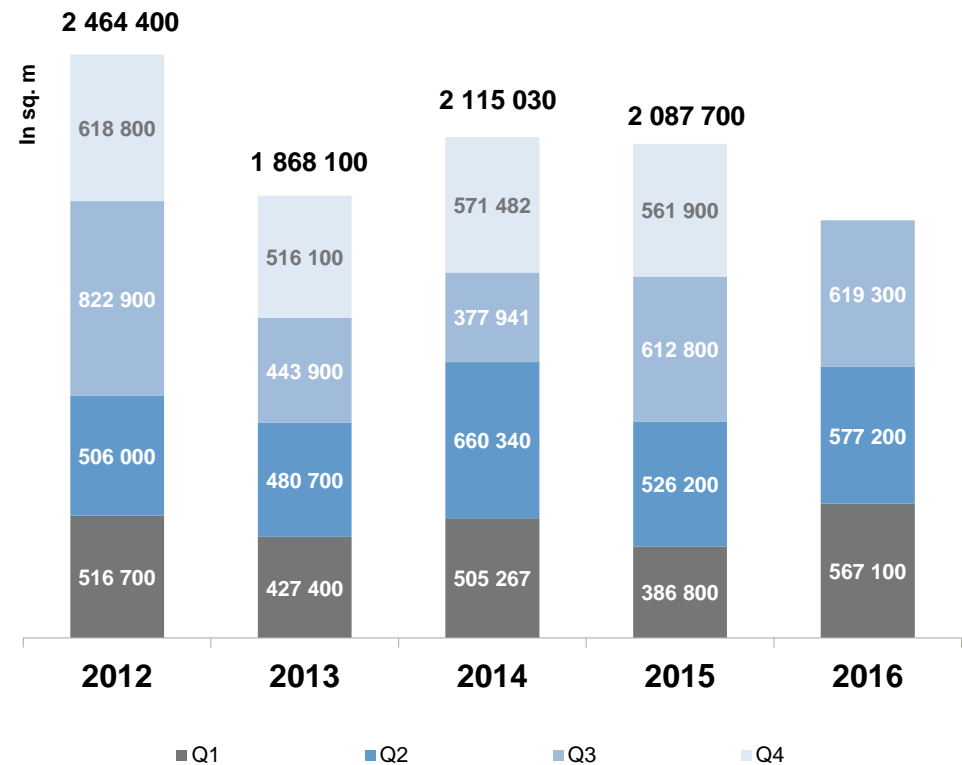
## ÎLE-DE-FRANCE

### Take-up

**1 763 600** sq. m

Source : Knight Frank

- ◆ +15%: transactional activity continued to sharply increase in the first nine months of 2016
- ◆ This good result is explained, firstly, by the fact that the segments of users of small and medium space remained as buoyant as in 2015 and, secondly, by the return of very large users (+20,000 sq. m) to the market: there were eight transactions in this segment accounting for 16% of the regional take-up
- ◆ The bracket of transactions from 5000 to 20,000 sq. m also posted a very good performance and accounted for 25% of take-up, the best result in five years
- ◆ The phenomenon of concentration of transactional activity in inner-city Paris and in the major hubs such as La Défense, which could already be seen in 2015, re-appeared in 2016
- ◆ The outlook for growth in transactional activity in the Greater Paris region (Ile-de-France) for 2016 is therefore reviewed upwards, with the bar of 2.4 million sq. m in sight, (above the average take-up over 10 years, situated at 2.3 million sq. m)



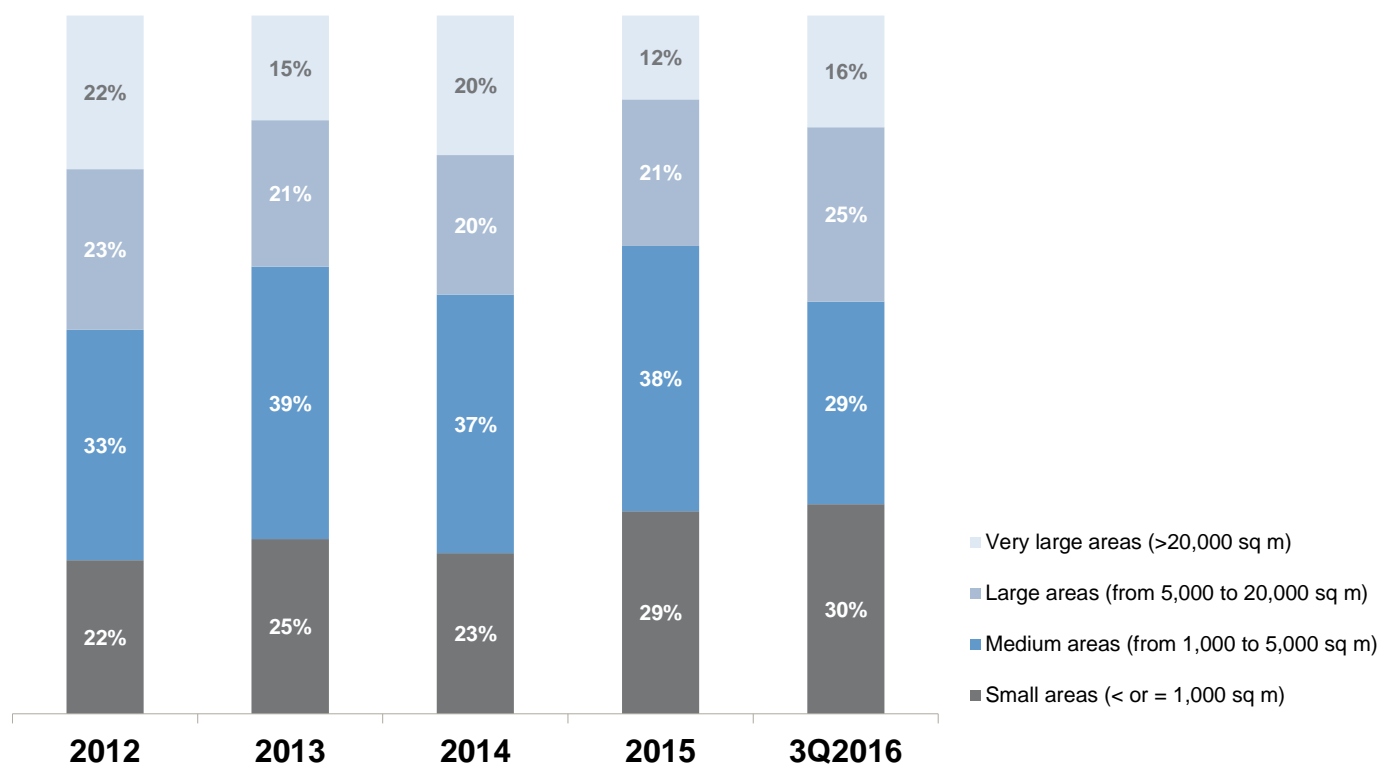
# THE LETTING MARKET – 3Q 2016

## ÎLE-DE-FRANCE



### Size of transactions

Source : Knight Frank



# THE LETTING MARKET – 3Q 2016

## ÎLE-DE-FRANCE



### Examples of transactions of over 5,000 sq m

Source : Knight Frank

Tenant	Address	Submarket	Date	Area (sq. m)	Rent	Building Condition
Conseil Régional d'Ile-de-France	Influence 1 et 2 Saint-Ouen	Northern Inner Rim	July 2016	56 800	370€	New
RTE	Window Puteaux	La Défense	Sept. 2016	44 000	NC	New
Crédit Agricole Consumer France	94 avenue de Paris Massy	Outher Southern Rim	March 2016	38 700	NC	State of repair
RATP	L'Elyps Fontenay-sous-Bois	Eastern Inner Rim	April 2016	32 000	270€	New
Deloitte & Associés	Tour Majunga Puteaux	La Défense	Jan. 2016	31 000	550€	New
Nextradio / Altice Média	Le Qu4drans 15 <sup>ème</sup>	Paris 14-15	March 2016	25 600	VU	New
BNP Paribas	Parc du Millénaire 19 <sup>ème</sup>	Paris 18-19-20	March 2016	24 000	350€	New
INSEE	Le White Montrouge	Eastern Inner Rim	July 2016	23 800	320€	New
Le Monde Libre	Lot A2 13 <sup>ème</sup>	Paris 12-13	May 2016	19 500	NC	New
Le Parisien / les Echos	10 boulevard de Grenelle 15 <sup>ème</sup>	Paris 14-15	Agust 2016	18 700	NC	New
Crédit Mutuel Arkéa	Tour D2 Courbevoie	La Défense	Sept. 2016	17 800	NC	New

# THE LETTING MARKET – 3Q 2016

## ÎLE-DE-FRANCE

### Large occupiers

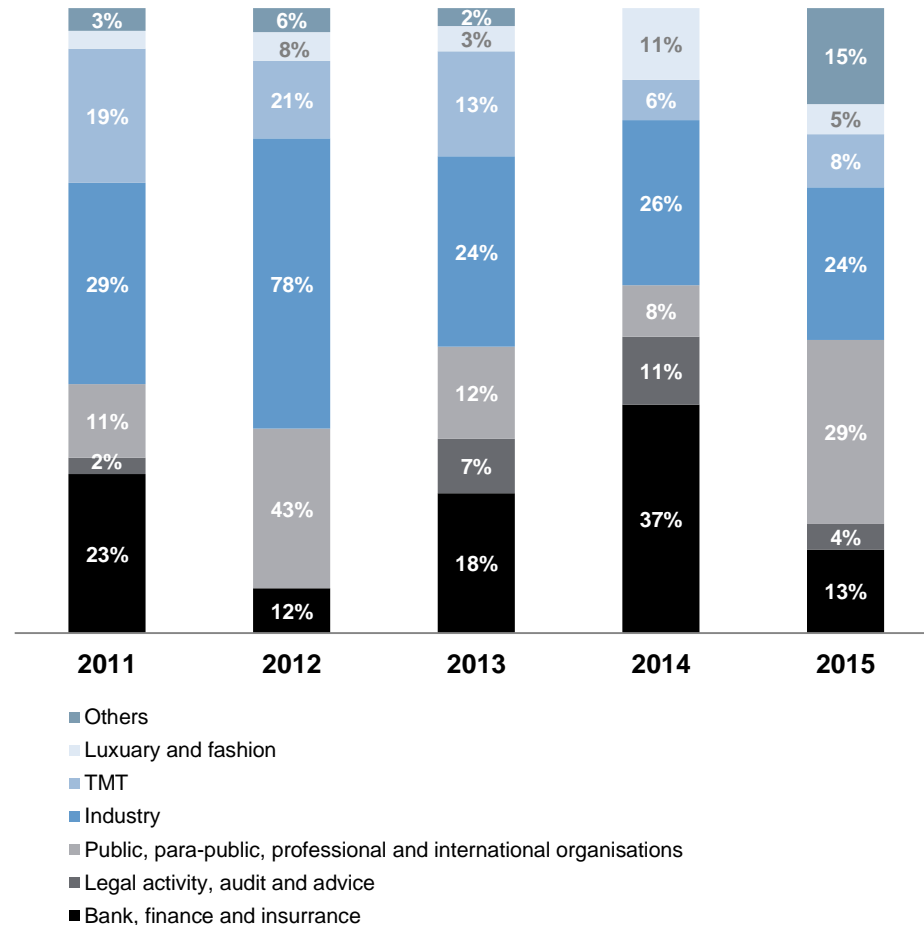
(> 5000 sq. m)

# 33%

## of transactional activity in 2015

Source : Knight Frank

- ◆ Despite sharp fluctuations in activity from one year to the next, this segment of large transactions can rely on a major advantage of size that gives it a certain sustainability: the great diversity of its players, so it avoids being too dependent on a specific economic sector
- ◆ The results for the rental market in 2015 once again show the key role large users play in maintaining transactional activity
- ◆ 2015 was marked by the sudden return to the forefront of the public and para-public sectors and professional and international organisations: these players have continued their real estate streamlining efforts in 2016
- ◆ Conversely, the share of the banking, finance and insurance sector, which was very active in 2014, and of legal, audit and consulting activities, fell in 2015. 2016 should see a correction in this phenomenon



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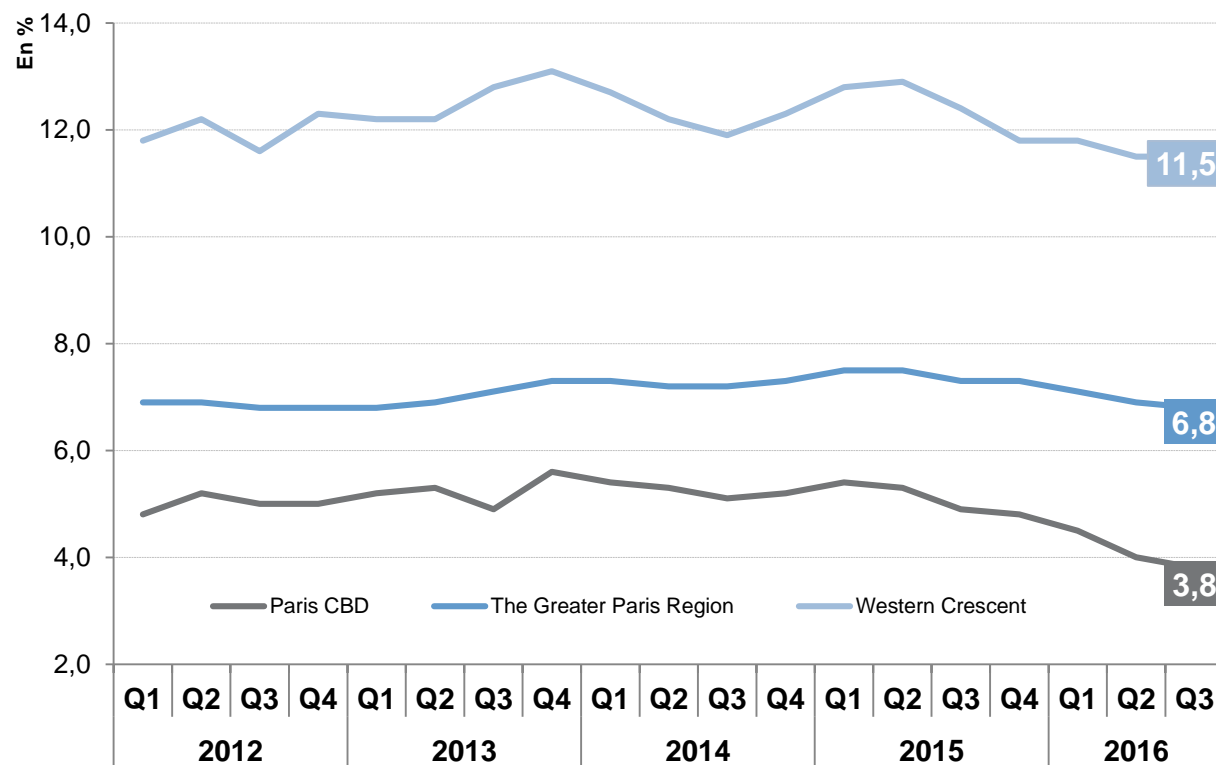
## ÎLE-DE-FRANCE

### Available supply

# 6,8%

Source : Knight Frank, ORIE

- ♦ The vacancy rate, at 6.8%, continued the drop that started in mid-2015: for the first time since 2013, the regional vacancy rate has fallen below the bar of 7% in 2016
- ♦ The increase in transactional activity has enabled a good level of absorption of the space delivered for more than a year
- ♦ Contrary to many preconceived ideas, the Greater Paris region is very far from an oversupply situation: the Paris region is one of the markets with the lowest supply in Europe, only the Greater London area has a lower vacancy rate
- ♦ This situation should nevertheless not mask the major internal disparities in the Paris region: while there is undersupply overall in the CBD and the rest of inner-city Paris, vacancy rates in the Western Crescent remain higher than 11%
- ♦ There has been a spectacular fall in available supply at La Défense, with its vacancy rate falling from nearly 12% to less than 9% in one year



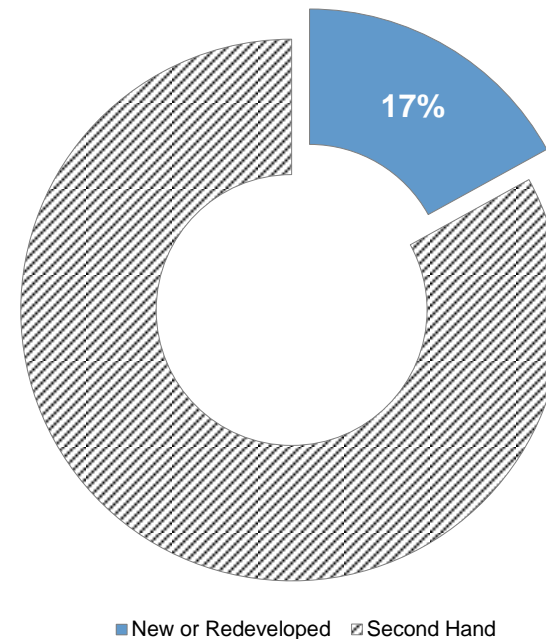
### Grade A Supply

# 17%

Source : Knight Frank

- ◆ While supply is quantitatively under control, it is qualitatively very inadequate: Grade A space (new or restructured) actually accounts for only 17% of available supply
- ◆ Such a level is completely insufficient given the structure of office take-up by users: 76% of the space exceeding 5000 sq. m rented in the Paris region in 2015 corresponded to Grade A (81% in 2014). The lack of supply of Grade A is therefore a factor that may hamper the rental market
- ◆ Moreover, the share of Grade A has been steadily decreasing for more than one year, with the shortfall increasing: the rental market in the Greater Paris region is therefore suffering from the collapse in delivery volumes of speculative developments. The correction since then has not been able to make up for the cumulative shortfall
- ◆ The shortage is glaring in certain sectors, such as the CBD and the rest of inner-city Paris

Ile-de-France (Greater Paris region)





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## ÎLE-DE-FRANCE



### Rents

# 770€

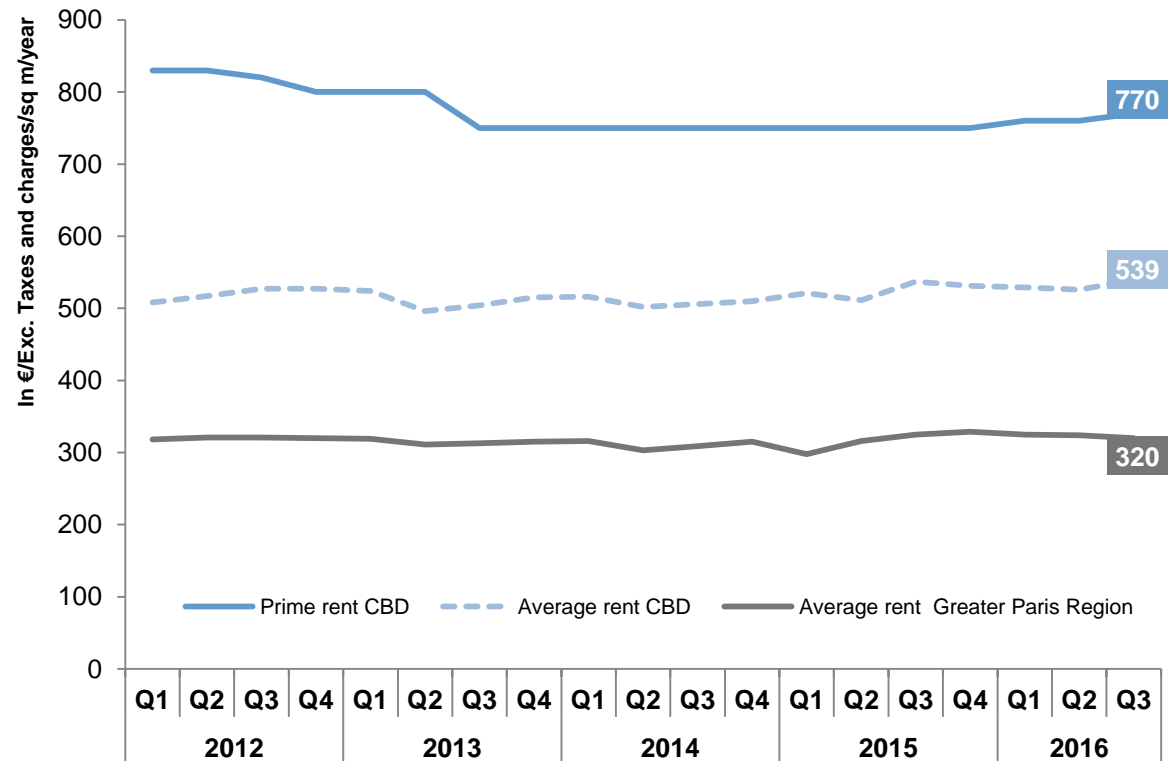
per sq. m/year excl. taxes, excl. charges

Prime rent

Source : Knight Frank

- The timid upward trend that started early this year is being confirmed for the level of high-end rents
- However, this increase is limited to the CBD, where representative rents in the high-end segment are now €770
- There have been a few higher values in CBD transactions since the start of 2016, but they are still too rare to be considered as representative
- Whatever the market sector, high-end rents concern only a very limited number of buildings: most transactions are signed at far lower values
- Average rents remain stable: the users vary their consumption according to the characteristics of supply and marketing conditions
- Incentives remain significant, even if they tend to be reduced in the CBD, notably for small and medium sized areas: they regularly exceed 20% outside Paris

Rents evolution :



### Future completions

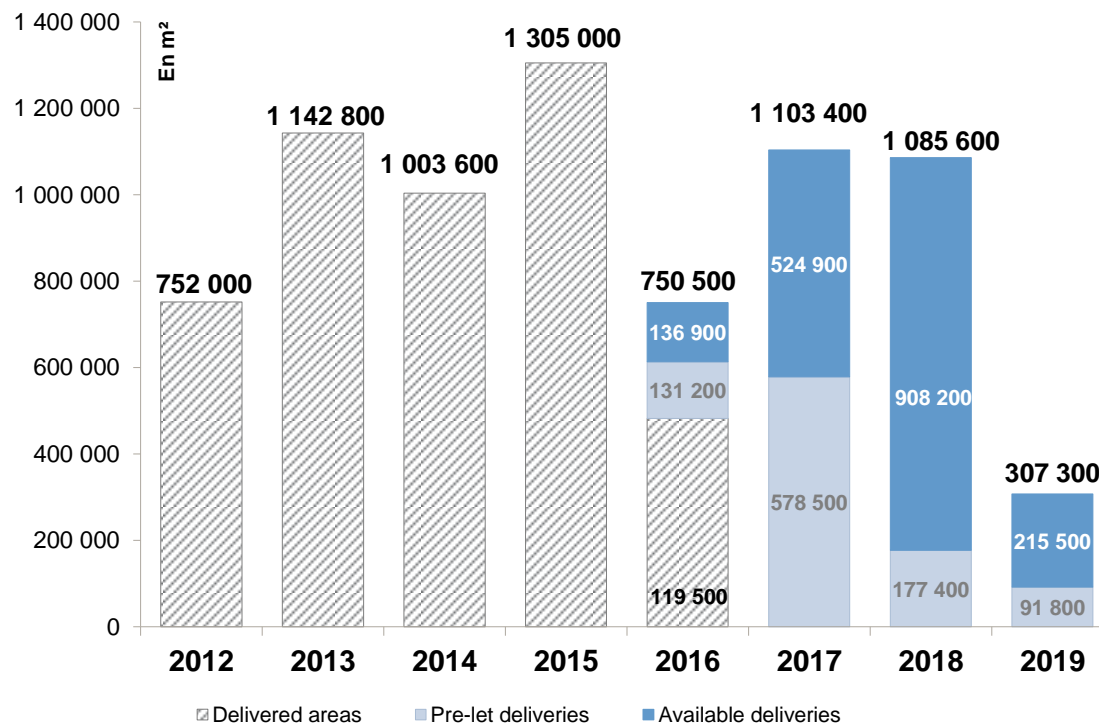
# 36%

Rate of pre-lets by the end of 2019

Source : Knight Frank

- ◆ The Greater Paris region remains a market with undersupply of Grade A space: the increase in delivery volume since 2013 has been absorbed and has therefore not had any impact on the volume of supply or on the size of availability in Grade A
- ◆ The shortfall in supply of Grade A will increase because of the expected collapse of construction activity in 2016
- ◆ The lack of Grade A supply encourages the pre-let phenomenon: more than 35% of the space expected before the end of 2019 has already been rented
- ◆ Pre-lets are traditionally used in emerging geographical sectors: while they are most attractive in terms of price, investors remain hesitant to launch speculative programmes
- ◆ The good absorption of the programmes delivered recently could encourage investors to accept more risk and give rise to the launch of new projects: it is, however, too late to save 2016 from a drastic fall in construction activity

New or redeveloped areas in Ile-de-France :



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## ÎLE-DE-FRANCE



### Summary

Source : Knight Frank, ORIE

	Ile-de-France (Greater Paris region) Q3 2016	Ile-de-France (Greater Paris region) Q3 2015	Annual Change
Stock	<b>54 232 320 sq m</b>	53 579 120 sq m	+1,2%
Take up	<b>1 763 600 sq m</b>	1 525 800 sq m	+15%
Immediate supply	<b>3 675 000 sq m</b>	3 949 000 sq m	-7%
Vacancy rate	<b>6,8%</b>	7,4%	-60bp
Average rent	<b>320 €/sq m/year</b>	324 €/sq m/year	-1,2%
Prime rent	<b>770 €/sq m/year</b>	750 €/sq m/year	+7%