

# **THE LETTING MARKET**

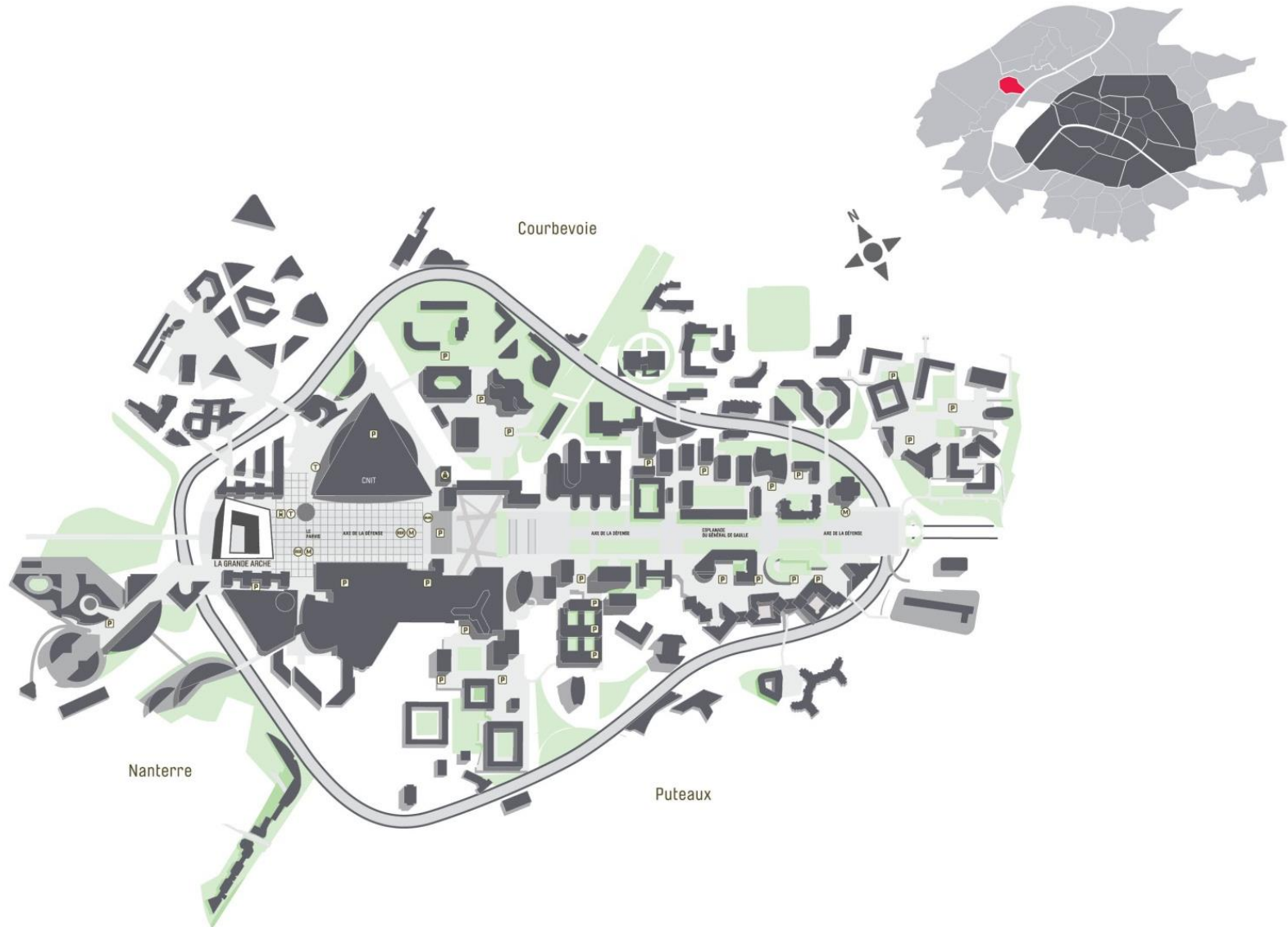
## **LA DÉFENSE**

Q3 2016

# THE LETTING MARKET LA DÉFENSE

## Mapping

Source : Knight Frank



# THE LETTING MARKET– Q3 2016

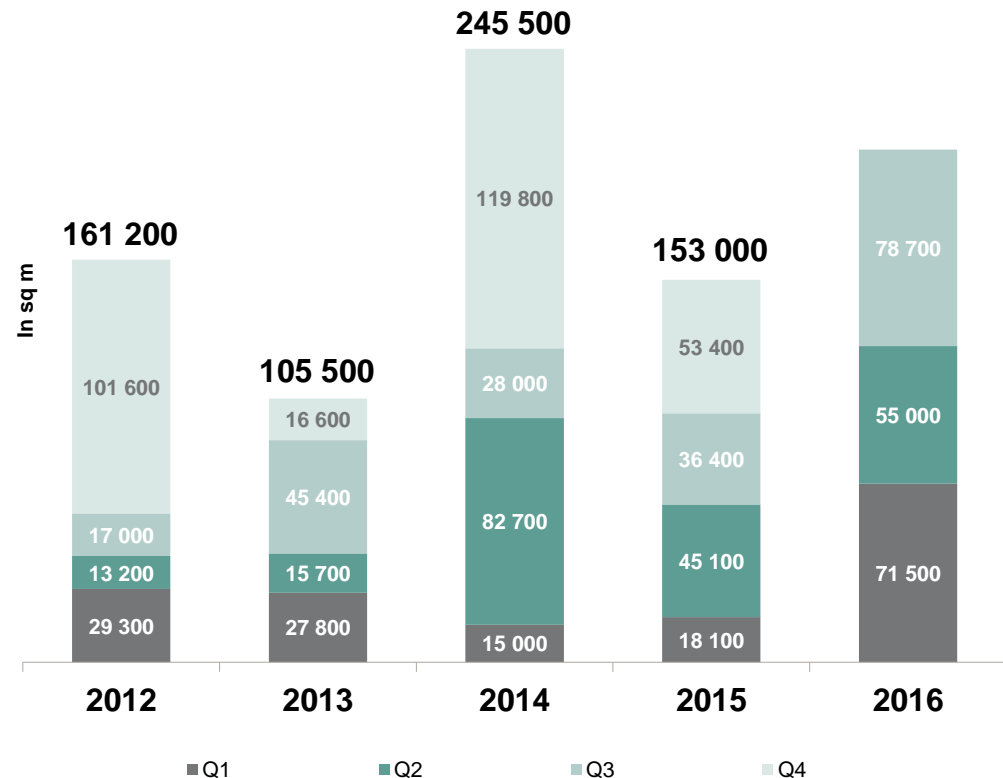
## LA DÉFENSE

### Take-up

**205 200** sq m

Source : Knight Frank

- ◆ +106%: transactional activity in La Défense showed a remarkable performance, with a doubling of take-up over the first nine months of the 2016 compared to 2015
- ◆ La Défense is structurally volatile, since its market relies on a few large transactions: 10 leases for over 5000 sq. m were recorded in Q3 2016, representing 76% of take-up
- ◆ The segment of space of less than 1000 sq. m, which had risen significantly in the first quarter, returned to its lower level, to only represent 4% of the 2016 activity
- ◆ The recovery since 2014 has largely been due to the discounts granted on headline rents, with the price positioning remaining a decisive factor in a market driven by cost-reduction objectives



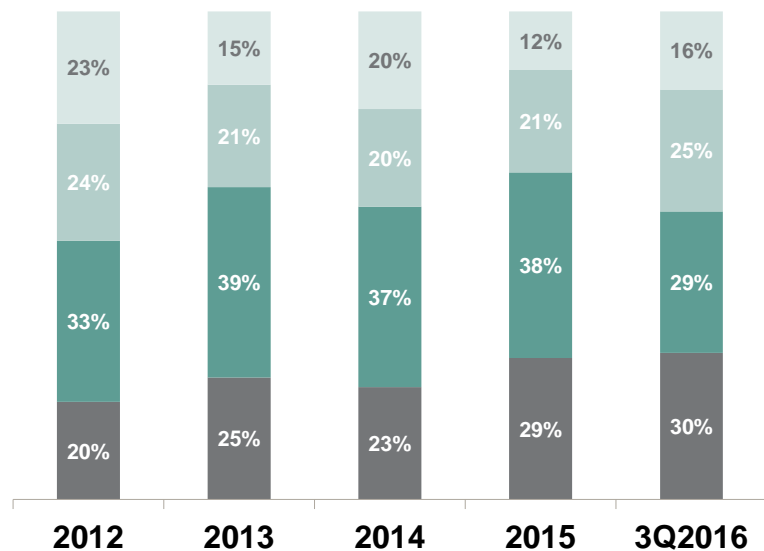
# THE LETTING MARKET – Q3 2016

## LA DÉFENSE

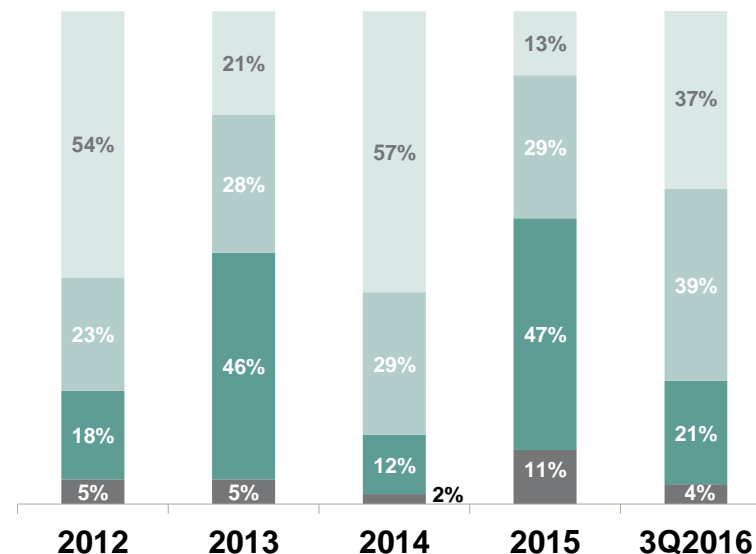
### Size of transactions

Source : Knight Frank

Ile-de-France (Greater Paris region)



La Défense



- Very large areas (>20,000 sq m)
- Large areas (from 5,000 to 20,000 sq m)
- Medium areas (from 1,000 to 5,000 sq m)
- Small areas (< or = 1,000 sq m)

# THE LETTING MARKET– Q3 2016

## LA DÉFENSE



### Transactions of over 5,000 sq m

Source : Knight Frank

Tenant	Building/Address	Date	Area (sq. m)	Rent	Building Condition
RTE	Window	Sept. 2016	44 000	NC	New
Deloitte & Associés	Tour Majunga	Jan. 2016	31 000	550€	New
Crédit Mutuel ARKEA	D2	Sept. 2016	17 800	NC	New
Bureau Véritas	Le Triangle de l'Arche	April 2016	12 000	NC	New
IMS Health France	Tour D2	March 2016	11 400	460€	New
Nexans	Le Vinci	May 2016	10 000	390€	State of repair
INVIVO	Tour Carpe Diem	Febr. 2016	8 000	NC	New
Pricewaterhouse	Tour PB5	July 2016	7 900	390€	Renovated
Axway Software	Tour W	April 2016	7 200	390€	State of repair
GIE Logement Français	Between	March 2016	5 600	372€	New

Nota : The transaction for the Saint-Gobain headquarters (49.000 sq m) was already recorded by Knight Frank in 2015

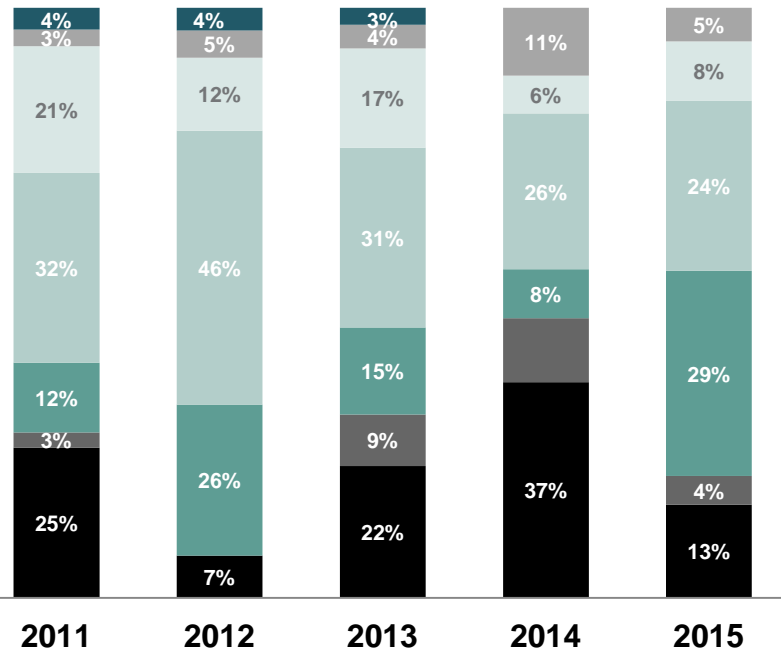
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## LA DÉFENSE

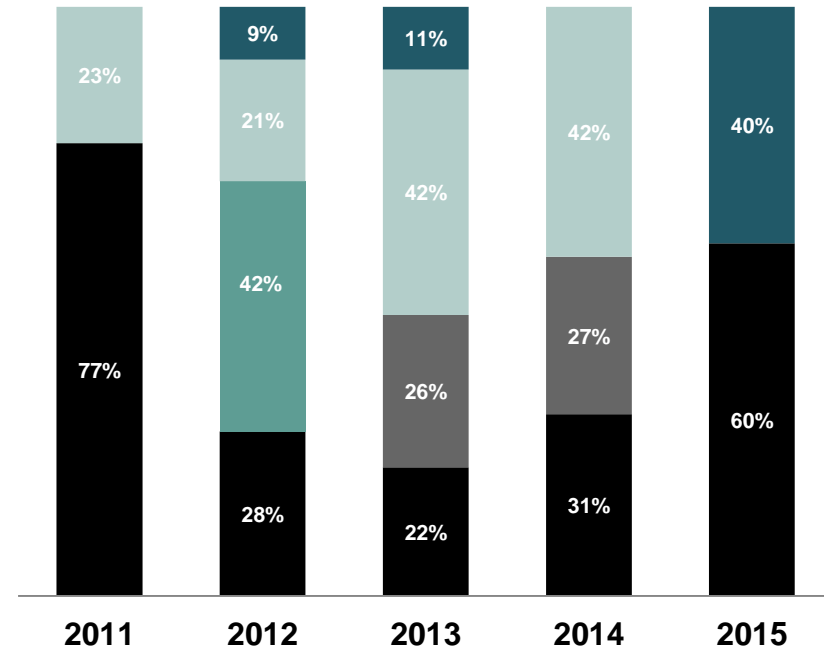
### Large occupiers > 5 000 sq m

Source : Knight Frank

#### Ile-de-France (Greater Paris region)



#### La Défense



- Others
- Luxury and fashion
- TMT
- Industry
- Public, para-public, professional and international organisations
- Legal activity, audit and advice
- Bank, finance and insurance

# THE LETTING MARKET– Q3 2016

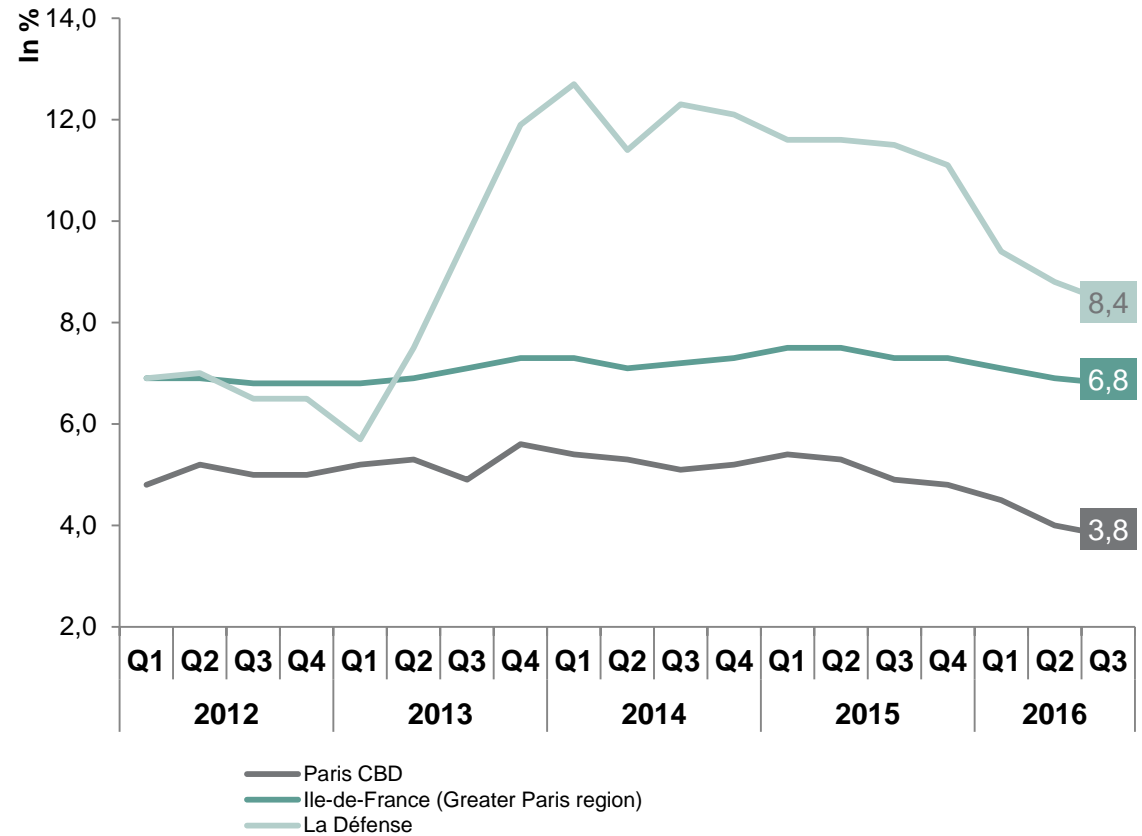
## LA DÉFENSE

### Available supply

# 8,4 %

Sources : Knight Frank, ORIE

- ◆ The fall in available supply in La Défense that started in late 2014 continued from the start of 2016
- ◆ The vacancy rate, at 8.4%, has not been at such a low level in La Défense since mid-2013. It nevertheless remains a little higher than the regional average (6.8%)
- ◆ This fall is explained by a scissors effect, with an upswing in transactional activity at the same time as a fall in construction activity: La Défense has entered a phase of gradual absorption of its available space
- ◆ This phenomenon is expected to gain momentum over the coming months
- ◆ A high level of supply is not an anomaly in a market dedicated to large users: an excessive fall in available supply may become a factor that hampers transactional activity
- ◆ The drop in available supply is likely to lead to a change in the financial conditions for the marketing of buildings, benefiting owners



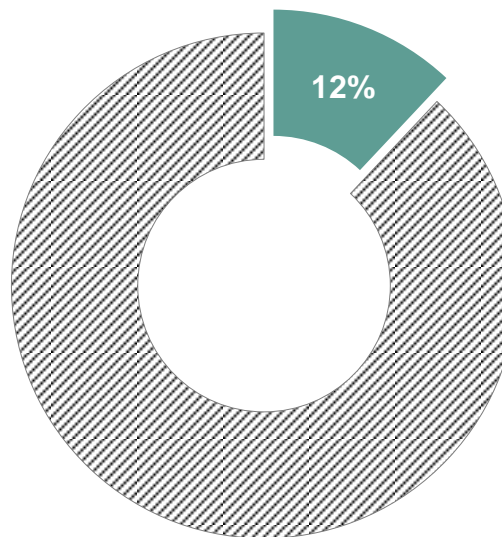
### Grade A Supply

# 12 %

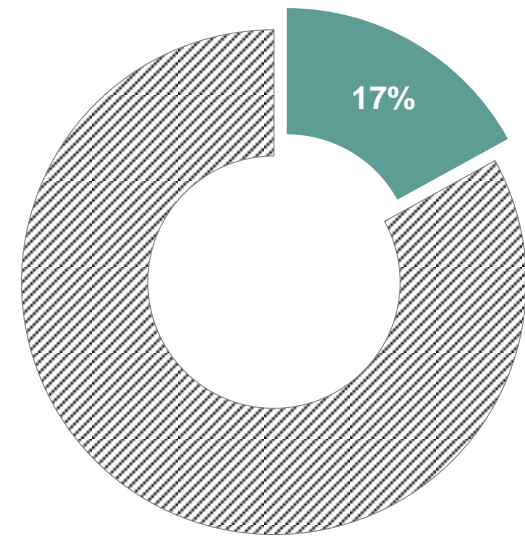
Source : Knight Frank

- ◆ Although the supply of Grade A in La Défense (new or restructured space) has been abundant for a long time, it has decreased significantly over the past few months: in one year it fell from 36% to 12% for the first time below the regional average
- ◆ This is an advantage that is disappearing for La Défense: amid a regional lack of quality supply, the abundant supply of Grade A had become an opportunity for La Défense. These spaces, which enable real gains in terms of efficiency and charges, are preferred by users (76% of spaces taken up in large transactions in 2015 in the Paris region corresponded to Grade A).
- ◆ The prolonged lethargy of the La Défense market, then its sudden revival, shows that the question of the positioning of the Grade A offer is as crucial for users: very large users, particularly when they concern housing a large back office, have returned when the owners have lowered the letting values

La Défense



Ile-de-France (Greater Paris region)



■ New or Redeveloped   ■ Second Hand



# THE LETTING MARKET– Q3 2016

## LA DÉFENSE

### Rents

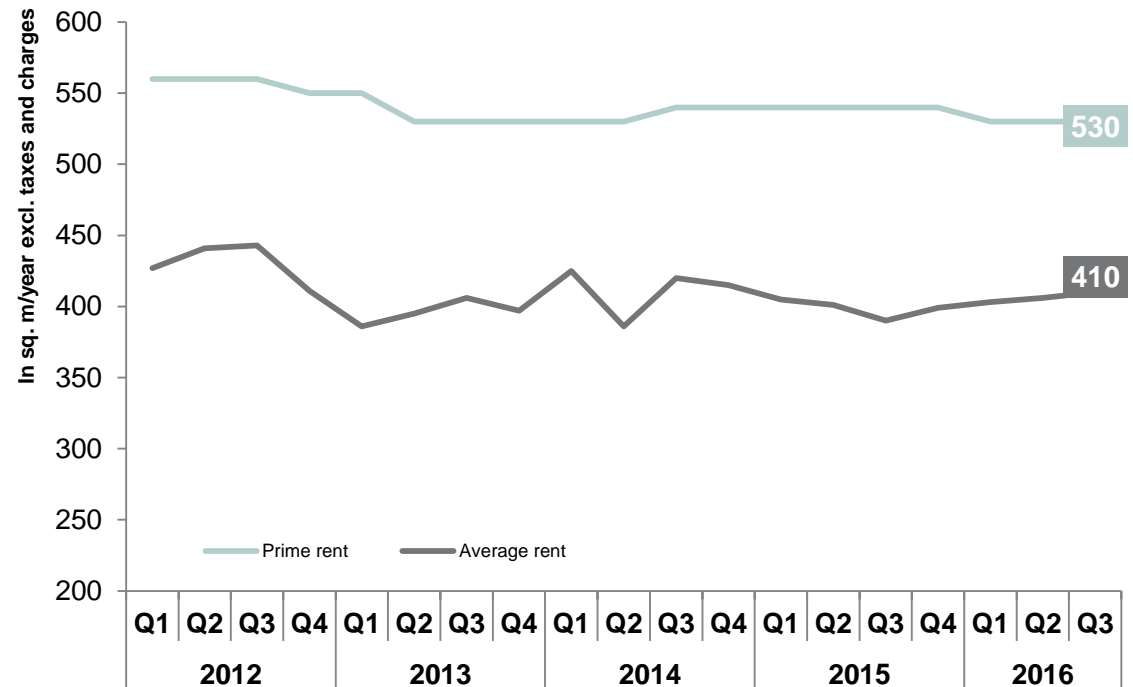
**530€** per sq. m/year excl. taxes and charges

Prime rent

Source : Knight Frank

- ◆ Deloitte's new lease in the Majunga tower was signed on the basis of a headline rent of €550
- ◆ Such a value nevertheless remains too exceptional to be considered representative for high-end rents in La Défense: most transactions continue to be signed at values markedly lower than €500, including for Grade A space
- ◆ After some lean years and given the competition from the Western Crescent markets, a drastic price review started in 2014, which since then has contributed to the success of La Défense in the rental market
- ◆ This adjustment is over and rents probably bottomed out already in late 2015/early 2016: the outlook is now a gradual fall in incentives (which are still often around 25% of the headline rent) and a rise in values
- ◆ However, this phenomenon will probably remain modest and gradual, at least initially: the users' determination to make cost savings and streamline remains a key criterion

#### Rents evolution :



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## LA DÉFENSE

### Future completions

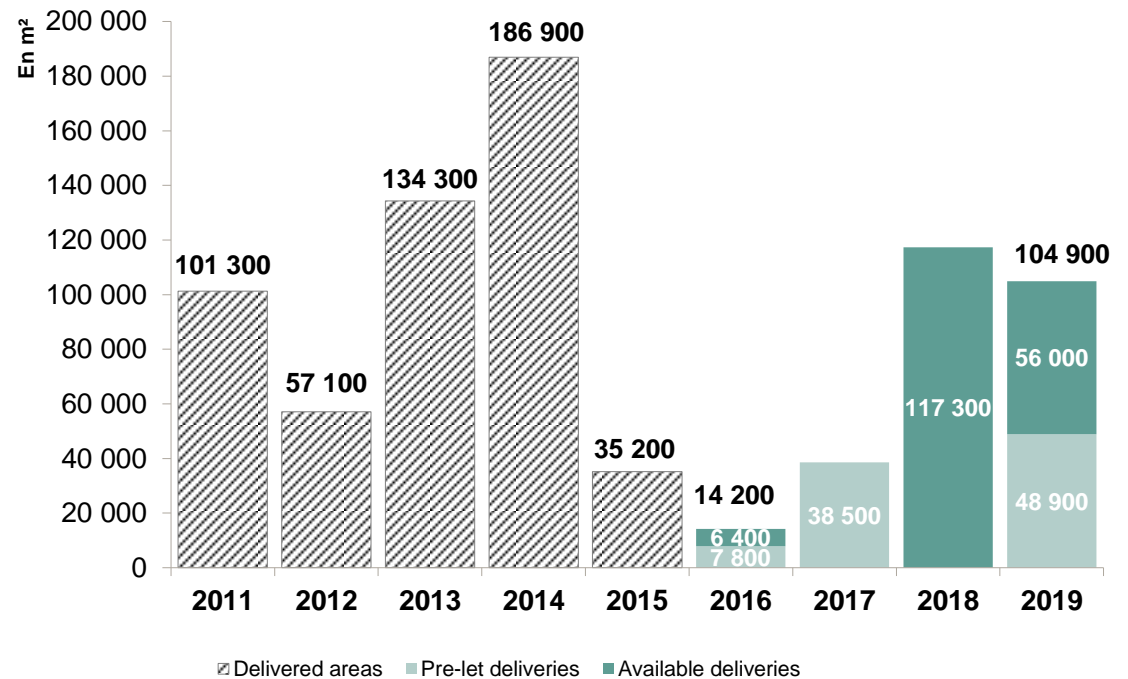
# 35%

Rate of pre-lets by the end of 2019

Source : Knight Frank

- ◆ 2015, 2016 and 2017 will be lost years in terms of construction: only the restructuring of the new Allianz head office (former Athéna tower) was the highlight of 2015, the delivery of E+ (future Sogeprom head office) will play that role in 2016
- ◆ This stagnation followed the fears as to the market imbalance that resulted from the La Défense renewal plan: it has taken a long time but most of the space concerned is now let
- ◆ Window, the sole speculative programme launched, is not expected to be delivered before the end of 2017: its 44,000 sq. m have just been leased by RTE. During the coming months, supply (particularly Grade A) is therefore likely to become scarcer in La Défense
- ◆ Pre-lets, which barely existed in La Défense before 2014, now represent 35% of the volumes expected to be delivered before the end of 2019: all the indications are that they will continue to increase in the short term
- ◆ In the longer term, the managing body of La Défense has expressed a strong desire to regulate and stagger delivery volumes, to avoid phenomena of peaks and troughs in marketing

New or redeveloped areas in La Défense :



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## LA DÉFENSE



### Summary

Sources : Knight Frank, ORIE

	Q3 2016	Q3 2015	Annual Change	Ile-de-France (Greater Paris region) Q3 2016	Market share of La Défense in Ile-de- France
Stock	<b>3 536 818 sq m</b>	3 536 818 sq m	=	54 232 320 sq m	6,5%
Take up	<b>205 200 sq m</b>	99 600 sq m	+106%	1 763 600 sq m	11%
Immediate supply	<b>296 000 sq m</b>	405 000 sq m	-27%	3 675 000 sq m	8%
Vacancy rate	<b>8,4%</b>	11,5%	-310bp	6,8%	-
Average rent	<b>410 €/sq m/year</b>	390 €/sq m/year	+5%	320 €/sq m/year	-
Prime rent	<b>530 €/sq m/year</b>	540 €/sq m/year	-0,2%	770 €/sq m/year	-