

# **THE LETTING MARKET**

## **PARIS CBD**

3Q 2016



# THE LETTING MARKET– Q3 2016

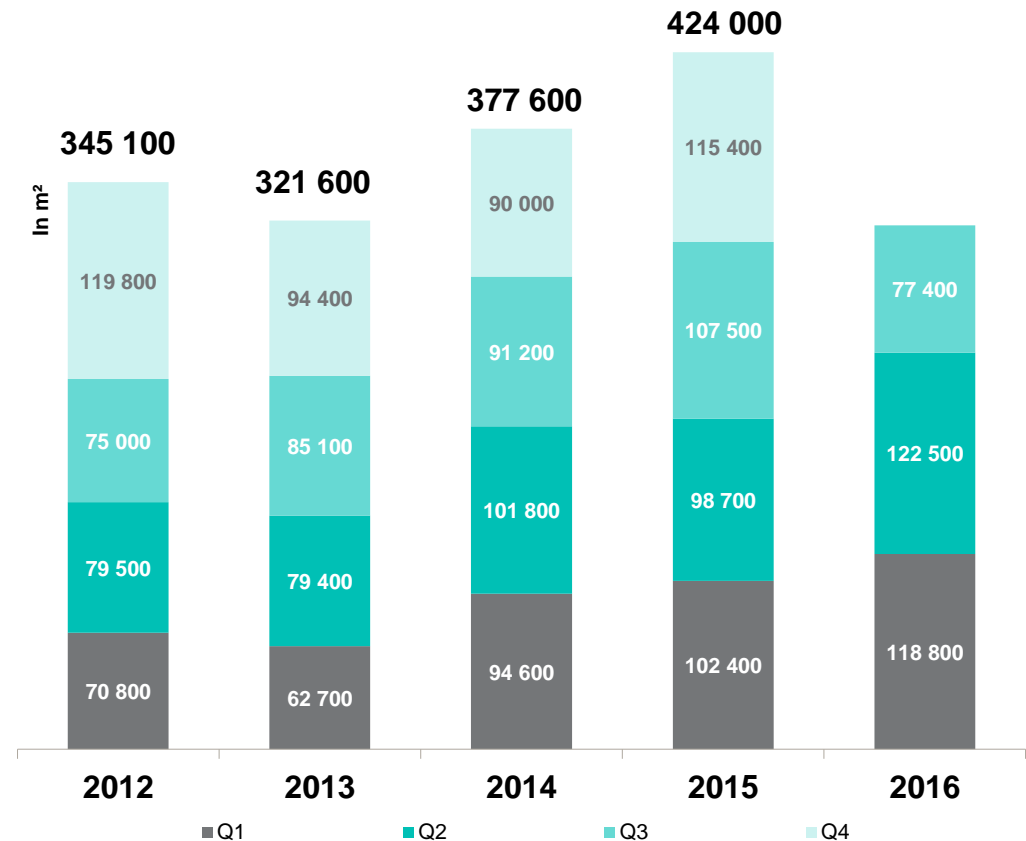
## PARIS CBD

### Take-up

**318 700** sq m

Source : Knight Frank

- ◆ +3%: The Central Business District confirmed its driving role at the regional level and posted its best performance since 2007: although less than the regional average (+15%), the increase in the CBD is no less remarkable since it has occurred on the back of the very good results in 2015
- ◆ The CBD accounted for 18% of the regional transactional activity at the end of Q3 2016
- ◆ However, Q3 2016 marks a slowdown in activity in the CBD: there is the effect of the scarcity of available supply, a phenomenon that is due to increase over the coming months
- ◆ The segment of users of less than 1000 sq. m has become more important than ever in the CBD, with 53% of transactional activity. At the other end of the spectrum, the segment of large users also posted a good performance, accounting for 13% of take-up via four transactions of more than 5000 sq. m.



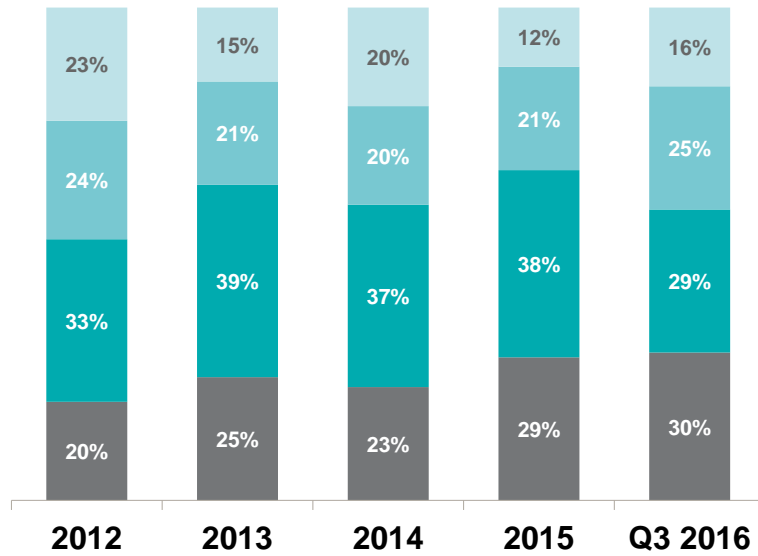
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## PARIS CBD

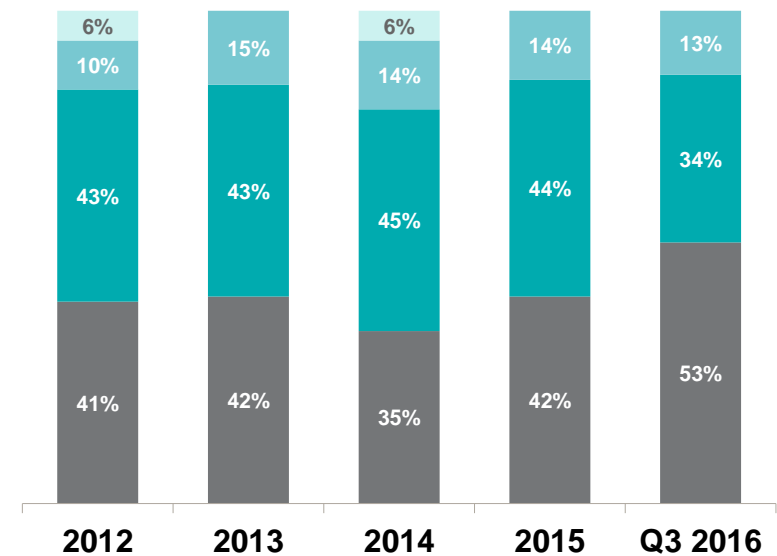
### Size of transactions

Source : Knight Frank

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



#### Paris Central Business District



- 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

## PARIS CBD



### Examples of transactions of < or = 1,000 sq. m

Source : Knight Frank

Tenant	Address	Date	Area (sq m)	Rent	Building Condition
Altaréa Cogedim	58bis rue la Boétie, 8 <sup>ème</sup>	Sept. 2016	988	640€	New
DTZ Investors	11-13 avenue de Friedland, 8 <sup>ème</sup>	July 2016	986	NC	State of repair
Expédia	65-67 rue de la Victoire, 9 <sup>ème</sup>	May 2016	983	NC	Renovated
Visiomed Group	112-114 avenue Kléber, 16 <sup>ème</sup>	Sept. 2016	930	720€	Renovated
Estin and co	3 rue du Docteur Lancereaux, 8 <sup>ème</sup>	May 2016	917	652€	New
BAP	144-150 avenue des Champs Elysées, 8 <sup>ème</sup>	Jan. 2016	906	NC	State of repair
Forsides France	52 rue de la Victoire, 9 <sup>ème</sup>	August 2016	894	600€	Renovated
Primonial	51 rue François 1 <sup>er</sup> , 8 <sup>ème</sup>	Febr. 2016	890	660 €	Renovated
EREN	96-98 avenue d'Iéna, 16 <sup>ème</sup>	March 2016	874	600 €	State of repair
Argos Soditic France	108-112 avenue de Wagram, 17 <sup>ème</sup>	Febr. 2016	847	700€	New
Orchestra Premaman	15-17 rue Auber, 9 <sup>ème</sup>	March 2016	844	535 €	Renovated
Groupe Castel	51 rue François 1 <sup>er</sup> , 8 <sup>ème</sup>	Febr. 2016	751	690 €	Renovated
3I Investissement	29-31 rue de Berri, 8 <sup>ème</sup>	Sept. 2016	739	690€	Renovated

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## PARIS CBD



### Examples of transactions of 1,000 sq. m to 5,000 sq. m

Source : Knight Frank

Tenant	Address	Date	Area (sq m)	Rent	Building Condition
Octo Technology	34 avenue de l'Opéra, 1 <sup>er</sup>	May 2016	4 840	NC	New
Mayer Brown	10 avenue Hoche, 8 <sup>ème</sup>	May 2016	4 560	800 €	New
Fives	3 rue Drouot, 8 <sup>ème</sup>	August 2016	4 500	650€	New
Kenzo	20 rue Vivienne, 2 <sup>ème</sup>	April 2016	3 400	NC	New
L'Etat coréen	20-20bis rue La Boétie, 8 <sup>ème</sup>	Febr. 2016	3 332	VU	New
Talan	18-20 rue de la Pérouse, 16 <sup>ème</sup>	June 2016	3 140	NC	State of repair
Viel & Cie	Vendôme Saint Honoré, 1 <sup>er</sup>	Febr. 2016	3 062	800 €	New
The bureau	28 cours Albert 1 <sup>er</sup> , 8 <sup>ème</sup>	April 2016	2 743	586 €	Renovated
GE	Le Centorial, 2 <sup>ème</sup>	March 2016	2 619	650 €	Renovated
Aviva Investor	25-27 rue d'Astorg, 8 <sup>ème</sup>	March 2016	2 474	NC	State of repair
Shire France	112-114 avenue Kléber, 16 <sup>ème</sup>	July 2016	2 449	750€	Renovated

# THE LETTING MARKET– Q3 2016

## PARIS CBD



### Transactions of more than 5,000 sq. m.

Source : Knight Frank

Tenant	Address	Date	Area (sq m)	Rent	Building Condition
Chanel	39-41 rue Cambon, 1 <sup>er</sup>	Febr. 2016	17 200	VU	State of repair
Wework	33 rue La Fayette, 9 <sup>ème</sup>	April 2016	11 700	550€	State of repair
BPI International Shiseido	Carré Saint-Honoré, 8 <sup>ème</sup>	Febr. 2016	7 400	700€	New
BDO France	43-45 avenue de la Grande Armée, 16 <sup>ème</sup>	July 2016	5 450	NC	State of repair

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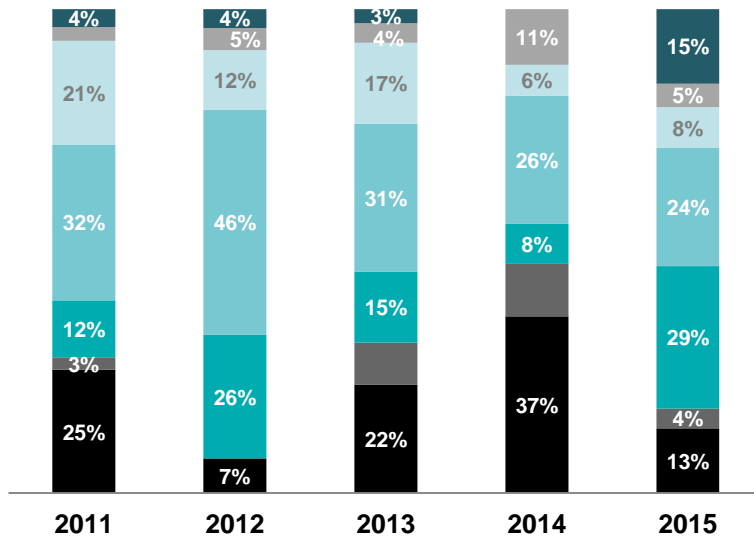
## PARIS CBD



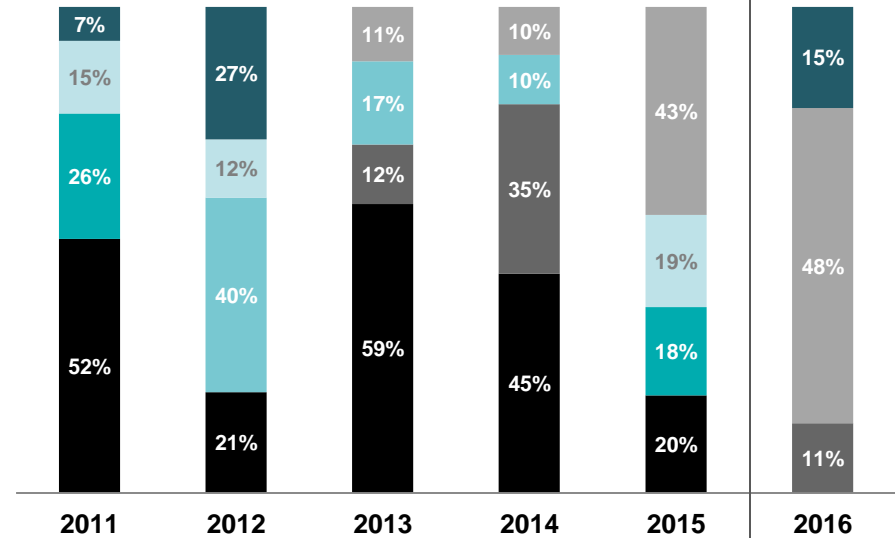
### Large occupiers > 5 000 sq m

Source : Knight Frank

Ile-de-France (Greater Paris region)



Paris Central Business District



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



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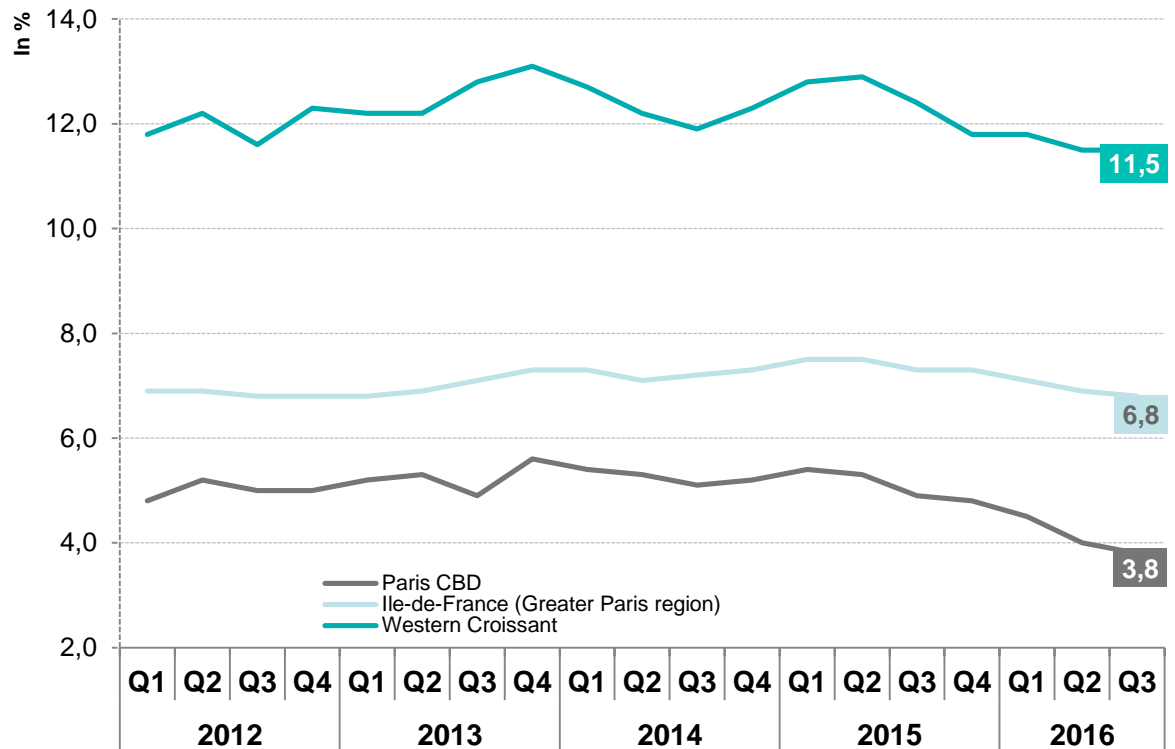
## PARIS CBD

### Available supply

# 3,8%

Sources : Knight Frank, ORIE

- ◆ The CBD continues to post a very low vacancy rate, significantly lower than the regional average (6.8%), to the point that it is now in a situation of undersupply
- ◆ For nearly two years, availability seemed inexorably to be heading downwards, and there is no indication that there will be a correction over the coming months
- ◆ The attractiveness of the CBD to companies is measured through this situation: economic crises and jolts have never resulted in any loss of interest in the CBD
- ◆ However, the current situation is a threat to future transactional activity: supply partly creates demand. Conversely, the lack of supply, as is now the case for the CBD, is likely to restrict certain users from turning towards this market

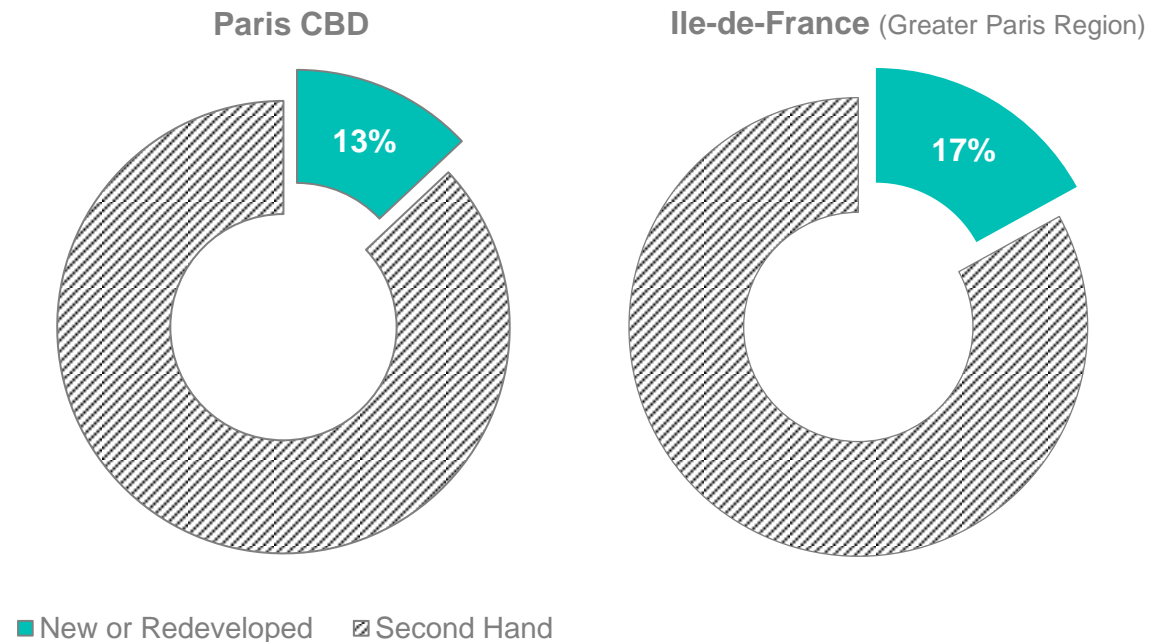


### Grade A Supply

# 13%

Source : Knight Frank

- ◆ The scarcity of supply of Grade A (new or restructured) remains one of the features of the CBD, but without the shortfall increasing: the percentage of Grade A in total supply has remained virtually unchanged over the past year (it was 12% a year ago)
- ◆ The CBD, even more than the rest of the Paris region, is very clearly in a situation of short supply of Grade A: note that in 2015, 76% of the take-up in the Greater Paris region via large transactions was Grade A (this percentage was 100% in the CBD)
- ◆ The user appetite for this type of space is explained by their determination to make improvements in terms of streamlining real estate costs and work organisation when they move: Grade A space is the best guarantee for succeeding in this effort



# THE LETTING MARKET– Q3 2016

## PARIS CBD

### Rents

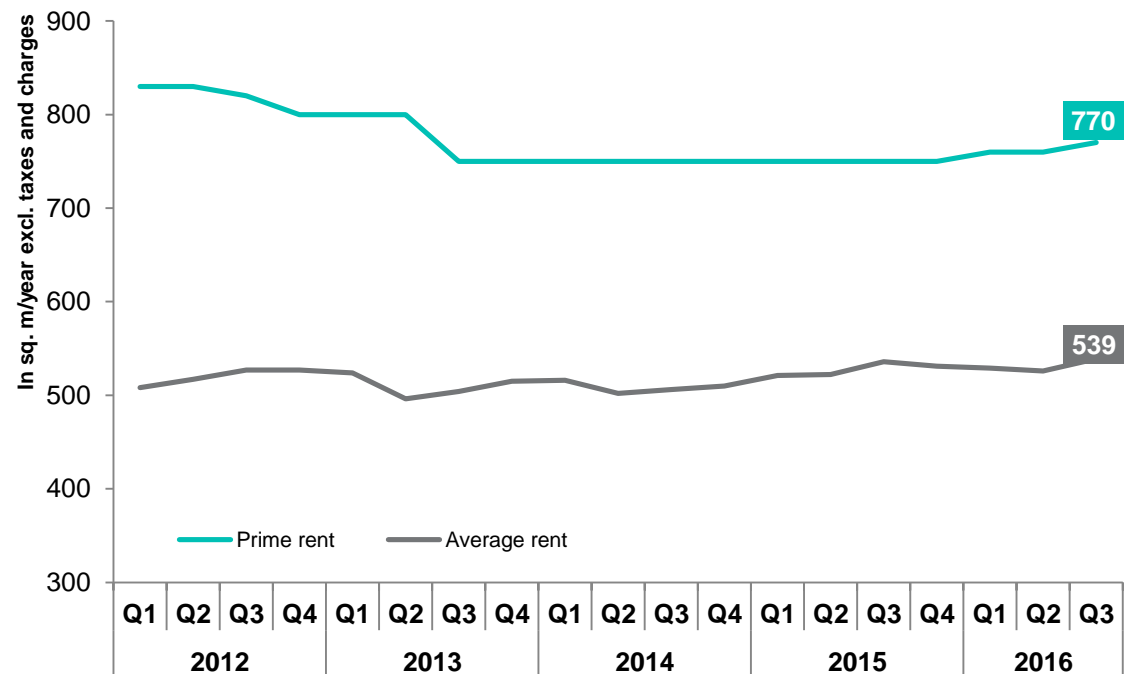
**770€** per sq. m/year excl. taxes and charges

Prime rent

Source : Knight Frank

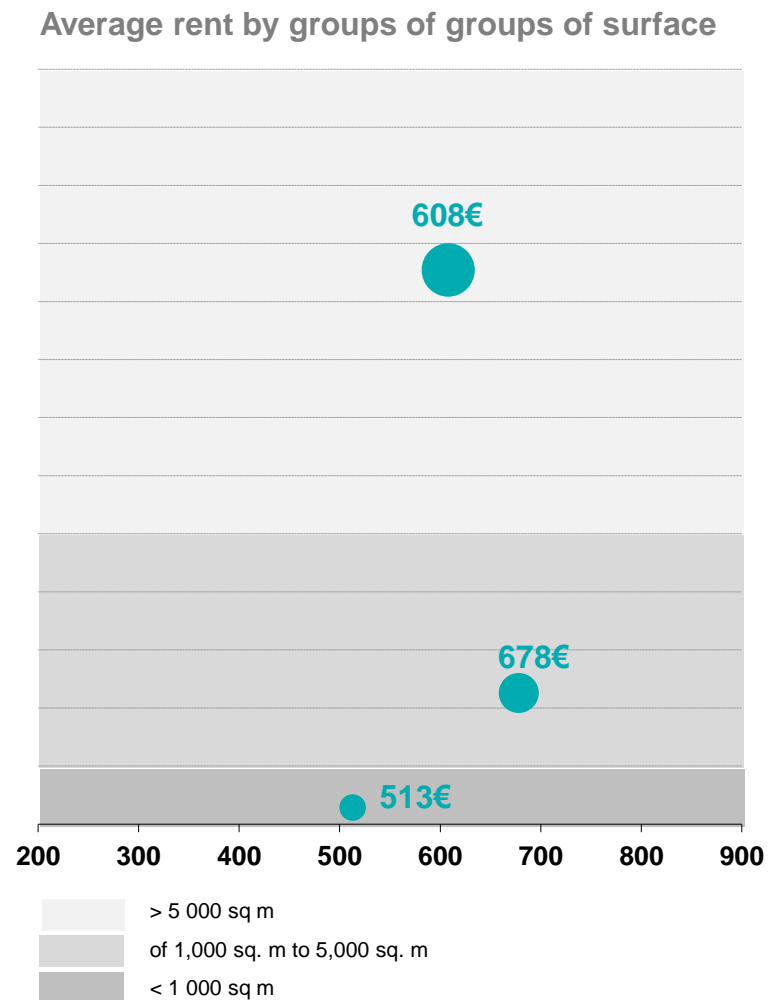
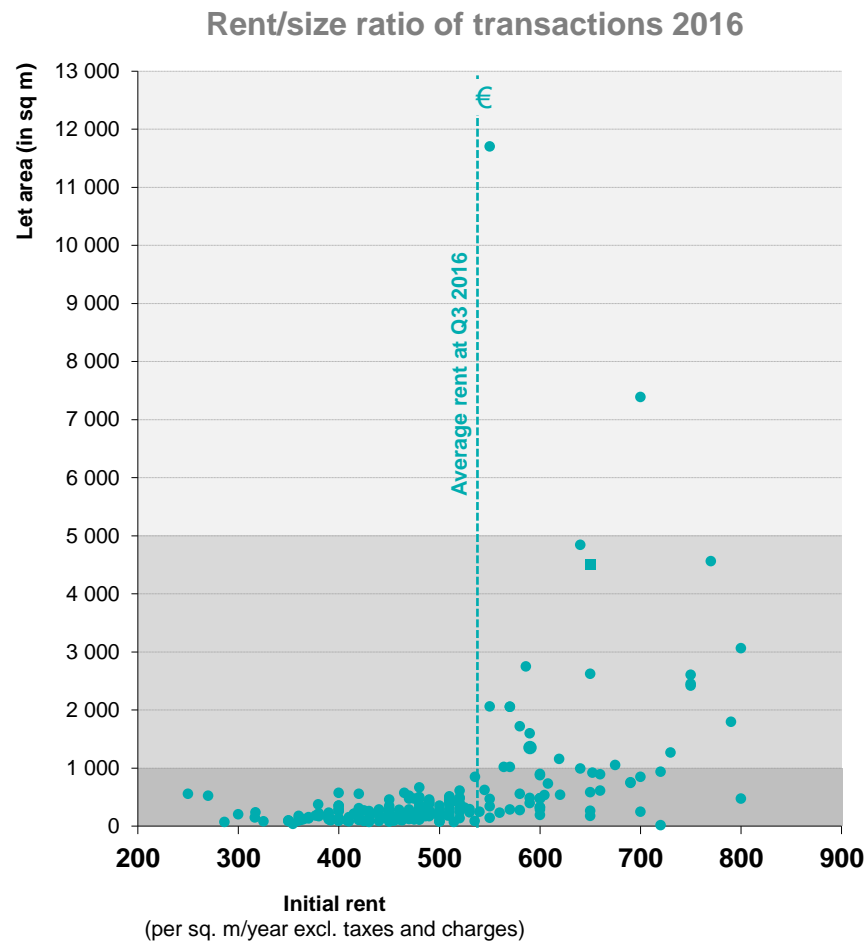
- ◆ While some higher values have been seen since 2015, high-end rents considered as representative for the CBD were €770 at the end of the Q3 2016
- ◆ The first upturn in marketing values took place in 2016, after a more than three year long period of zero increase
- ◆ For the time being, the magnitude of the increase is limited and applies only to the best buildings that combine technical sophistication, quality and location: in the rest of the market, moderate pricing continues to dominate and is one of the key explanations for the excellent performances of the CBD in the rental market since 2014
- ◆ The upward trend is nevertheless likely to gather momentum over the coming months, given the signing of several transactions at unprecedented levels (around €800)
- ◆ The marketing of a building such as #Cloud marks another significant shift: high-end values, which until now have been limited to the Western CBD (Golden Triangle) are appearing east of the Opera, in the Financial City

Rents evolution :



### Size/rent ratio of transactions by groups of surface

Source : Knight Frank



### Future completions

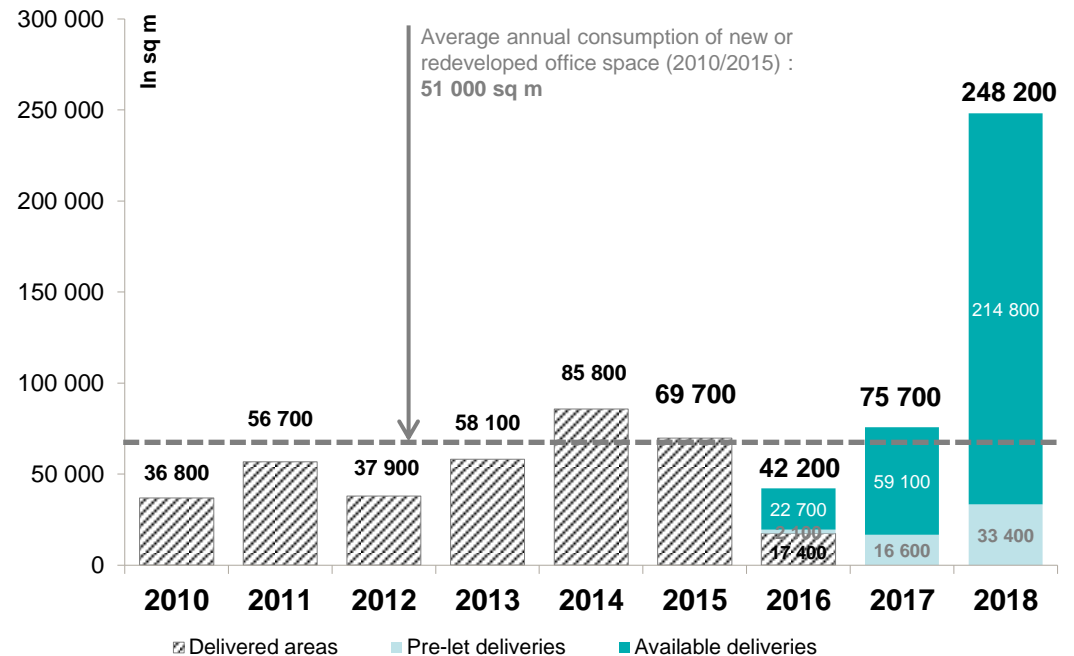
# 15%

Rate of pre-lets by the end of 2018

Source : Knight Frank

- ◆ The under production of new or restructured supply observable since 2010 has led to a fall in the average annual consumption of Grade A space in the CBD: it is now situated at 51,000 sq. m, compared to 75,000 sq. m three years ago
- ◆ The dominant model in the CBD remains the letting after delivery of the building: 95% of space delivered since the start of 2016 has already been rented
- ◆ While pre-lets remain exceptions, they have made a remarkable comeback: they now account for 15% of expected volumes by the end of 2018 (while they accounted for only 6% of this space at the end of 2015)
- ◆ 2016 will amplify the drop in construction activity, accentuating the current shortfall in the supply of Grade A, and intensify the upward pressure on rents for the best space

New or redeveloped areas in Paris CBD :



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## PARIS CBD



### Summary

Sources : Knight Frank, ORIE

	Q3 2016	Q3 2015	Annual Change	Ile-de-France (Greater Paris region) Q3 2016	Market share of CBD in Ile-de-France
Stock	<b>6 662 881 sq m</b>	6 652 381 sq m	+0,1%	54 232 320 sq m	12%
Take up	<b>318 700 sq m</b>	308 600 sq m	+3%	1 763 600 sq m	18%
Immediate supply	<b>254 000 sq m</b>	326 000 sq m	-22%	3 675 000 sq m	7%
Vacancy rate	<b>3,8%</b>	4,9%	-110bp	6,8%	-
Average rent	<b>539 €/sq m/year</b>	536 €/sq m/year	+0,5%	320 €/sq m/year	-
Prime rent	<b>770 €/sq m/year</b>	750 €/sq m/year	+2,6%	770 €/sq m/year	-