

THE LETTING MARKET

PARIS CBD (Central Business District)

YEAR 2016

THE LETTING MARKET – YEAR 2016

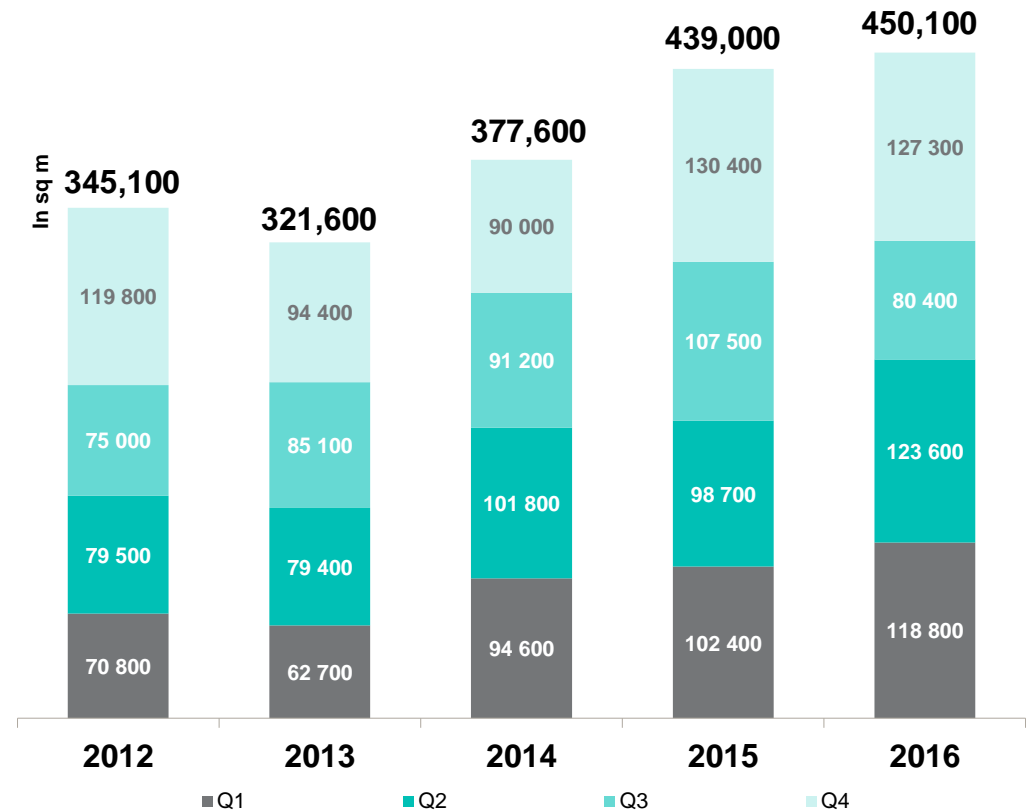
PARIS CBD

Take-up

450,100 sq m

Source: Knight Frank

- ◆ +3%: although modest, the increase in transactional activity in 2016 in the CBD (compared with a regional average of +13%) is no less remarkable, since it is calculated on the basis of very good results for 2015
- ◆ Another indication of its appeal: the volume of take-up has not exceeded 450,000 sq m for the past nine years
- ◆ The CBD has therefore confirmed its key role for the Paris region market, accounting for 18% of regional transactional activity in 2016 (in the early 2000s, its share had fallen below 15%)
- ◆ The CBD benefited from a high number of transactions for large surface areas, with eight for more than 5,000 sq m and a total of almost 80,000 sq m (compared with five transactions in 2015, totalling a little over 50,000 sq m), also in the context of a supply shortage
- ◆ The CBD's core target nevertheless remains users of small surface areas (under 1,000 sq m), a group which accounted for an unprecedented share in 2016, generating more than half of transactional activity



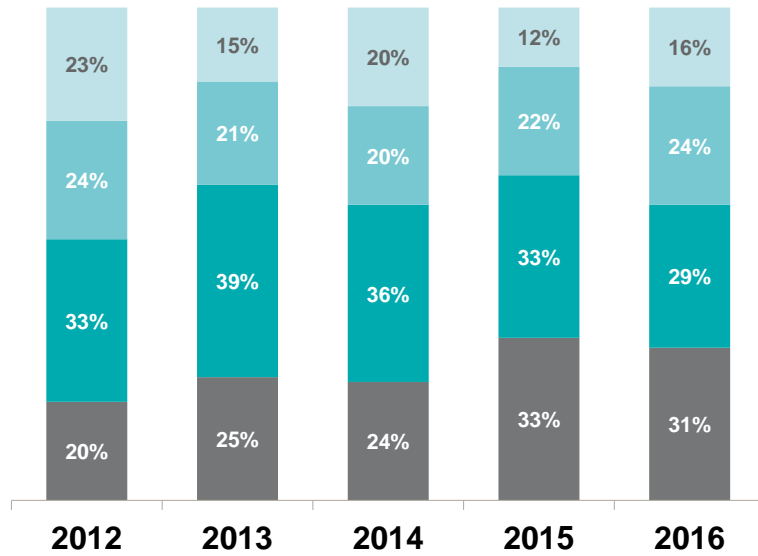
THE LETTING MARKET – YEAR 2016

PARIS CBD

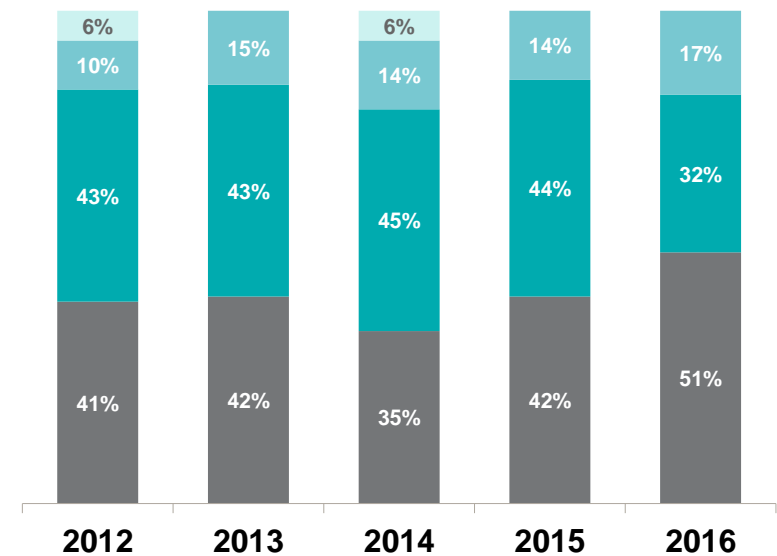
Size of transactions

Source: Knight Frank

Paris region



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 (< 1,000 sq m)

THE LETTING MARKET – YEAR 2016

PARIS CBD



Examples of transactions < 1,000 sq m

Source: Knight Frank

Tenant	Address	Date	Area	Rent	Condition of premises
Acofi Gestion	58bis Rue la Boétie, 8 th	October 2016	992 sq m	€640	Renovated
Altaréa Cogedim	58bis Rue la Boétie, 8 th	Sept. 2016	988 sq m	€640	Renovated
DTZ Investors	11-13 Avenue de Friedland, 8 th	July 2016	986 sq m	NC	Used
Expédia	65-67 Rue de la Victoire, 9 th	May 2016	983 sq m	NC	Renovated
Nafilyan & Partners	49 Avenue d'Iéna, 16 th	Nov. 2016	958 sq m	€526	Renovated
Visiomed Group	112-114 Avenue Kléber, 16 th	Sept. 2016	930 sq m	€720	Renovated
BRL Associés	11-13 Avenue de Friedland, 8 th	Jan. 2016	921 sq m	€590	Renovated
Estin and co	3 Rue du Docteur Lancereaux, 8 th	May 2016	917 sq m	€652	Restructured
BAP	144-150 Avenue des Champs Elysées, 8 th	Jan. 2016	906 sq m	NC	Used
Forsides France	52 Rue de la Victoire, 9 th	August 2016	894 sq m	€600	Renovated
Primonial	51 Rue François 1 ^{er} , 8 th	Feb. 2016	890 sq m	€660	Renovated
BENEFIT	3-5 Rue Saint Georges, 9 th	Sept. 2016	875 sq m	€500	Used
EREN	96-98 Avenue d'Iéna, 16 th	March 2016	874 sq m	€600	used

THE LETTING MARKET – YEAR 2016

PARIS CBD



Examples of transactions from 1,000 sq m to 5,000 sq m

Source: Knight Frank

Tenant	Address	Date	Area	Rent	Condition of premises
Octo Technology	34 Avenue de l'Opéra, 1 st	May 2016	4,840 sq m	€640	Restructured
Conseil National de l'Ordre des Médecins	4 Rue Léon Jost, 17 th	Nov. 2016	4,800 sq m	VU	Used
Bain & Cie	Espace Kléber, 16 th	Dec. 2016	4,700 sq m	€790	Restructured
Mayer Brown	10 Avenue Hoche, 8 th	May 2016	4,560 sq m	€770	Restructured
Fives	3 Rue Drouot, 8 th	August 2016	4,500 sq m	€650	New
Kenzo	20 Rue Vivienne, 2 nd	April 2016	3,400 sq m	NC	Used
The Korean State	20-20bis Rue La Boétie, 8 th	Feb. 2016	3,332 sq m	VU	New
Talan	18-20 Rue de la Pérouse, 16 th	June 2016	3,140 sq m	€630	Renovated
Viel & Cie	Vendôme Saint Honoré, 1 st	Feb. 2016	3,062 sq m	€800	Restructured
The bureau	28 Cours Albert 1 ^{er} , 8 th	April 2016	2,743 sq m	€586	Renovated
GE	Le Centorial, 2 nd	March 2016	2,619 sq m	€650	Renovated

THE LETTING MARKET – YEAR 2016

PARIS CBD



Transactions > 5,000 sq m

Source: Knight Frank

Tenant	Address	Date	Area	Rent	Condition of premises
Banque de France	Intown, 9 th	Dec. 2016	17,600 sq m	€600	New
Chanel	39-41 Rue Cambon, 1 st	February 2016	17,200 sq m	VU	Used
Wework	33 Rue La Fayette, 9 th	April 2016	11,700 sq m	€550	Used (excellent condition)
CBRE Holding	76-78 Rue de Prony, 17 th	October 2016	8,600 sq m	NC	Restructured
BPI International Shiseido	Carré Saint-Honoré, 8 th	February 2016	7,400 sq m	€700	Restructured
BDO France	43-45 Avenue de la Grande Armée, 16 th	July 2016	5,450 sq m	VU	Used
Confidential (ICT)	10-14 Rue de Londres, 9 th	Nov. 2016	5,000 sq m	VU	Restructured
Balmain	52 Rue d'Anjou, 8 th	Dec. 2016	5,000 sq m	€680	Restructured

THE LETTING MARKET – YEAR 2016

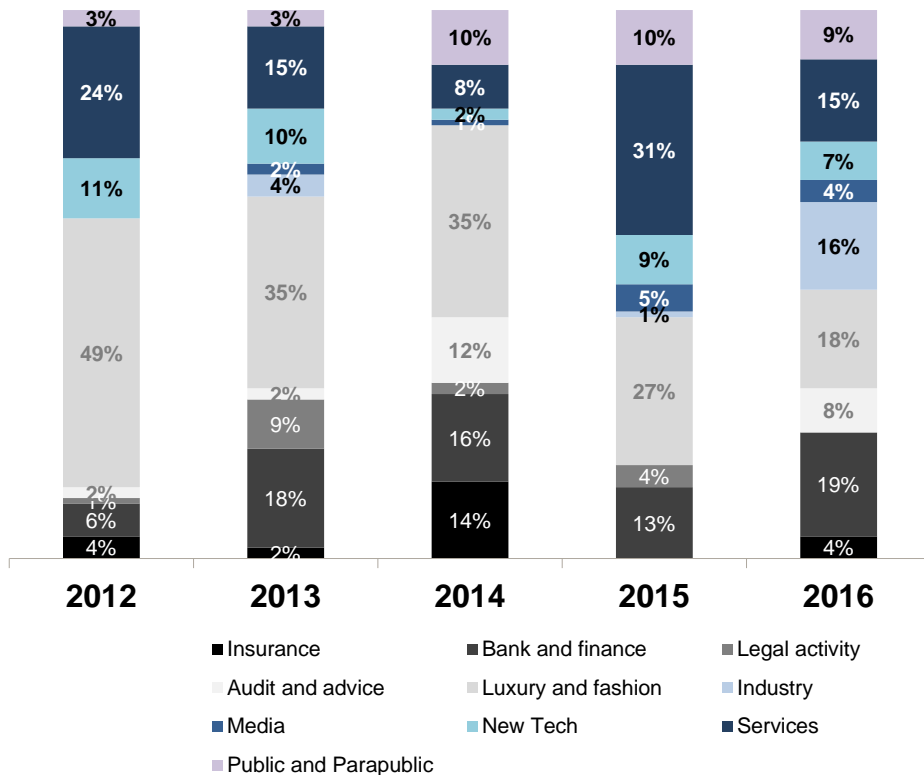
PARIS CBD



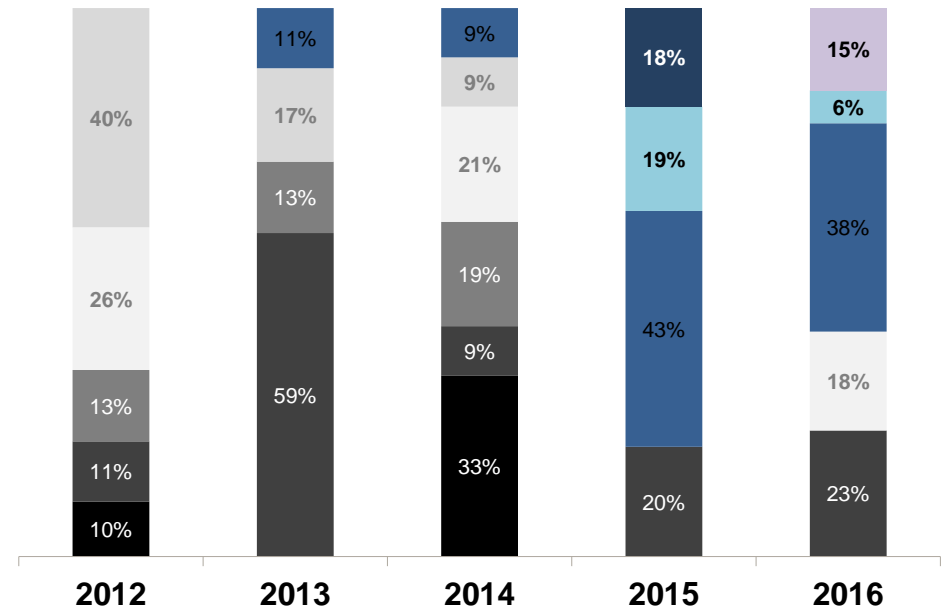
Large occupiers (> 5,000 sq m)

Source: Knight Frank

Paris region



Central Business District



THE LETTING MARKET – YEAR 2016

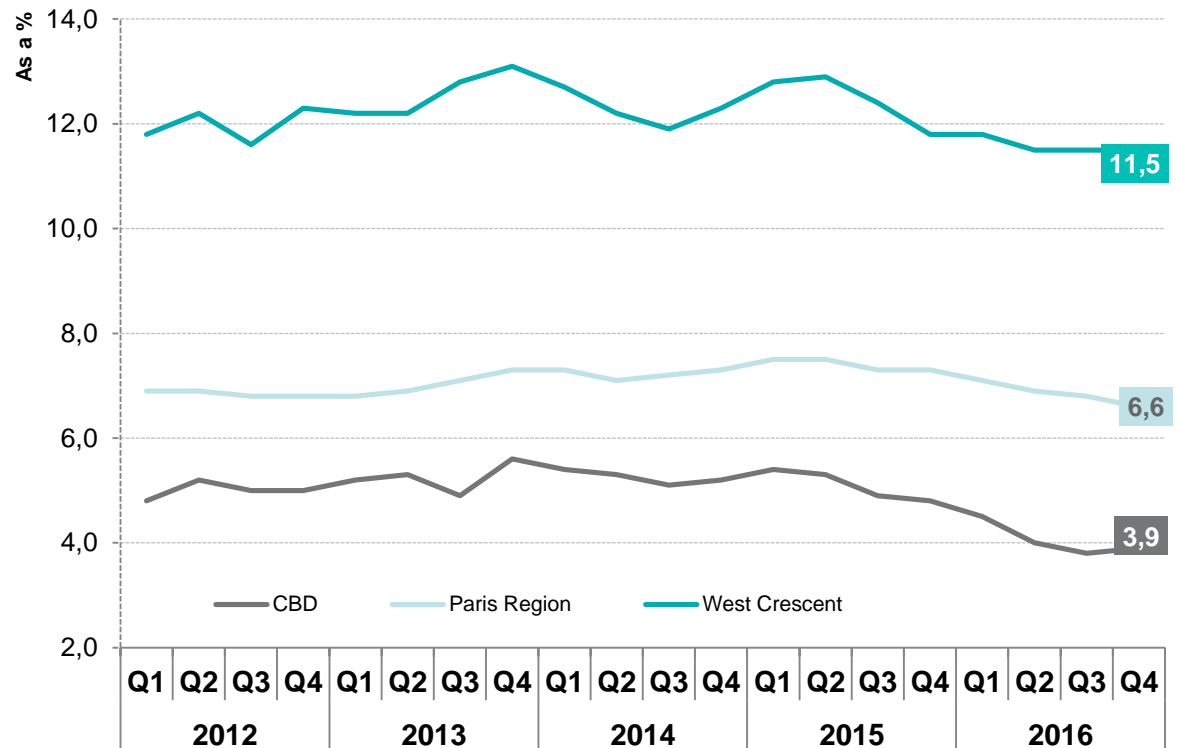
PARIS CBD

Available supply

3.9%

Sources: Knight Frank, ORIE

- ◆ With a much lower vacancy rate than the regional average (6.6%), the CBD is now in a situation of under-supply
- ◆ Yet this situation only emphasises the CBD's appeal to companies: economic crises and turbulence have never resulted in any decline in interest in this market, which remains the favourite destination for a number of users
- ◆ The current situation poses a threat to future transactional activity however, since a supply shortage, as currently exists in the CBD, may prevent some users from entering the market and force them to turn to other areas or renegotiate their leases.
- ◆ The increase in volume of new and restructured surface areas due to be delivered in 2017 is likely to inject new vigour into the CBD market however. This could nevertheless be more limited than hoped, due to pre-letting, particularly for high-quality products, as well as this market's strong absorption capacity (all surface areas delivered in 2016 have already been let)



THE LETTING MARKET – YEAR 2016

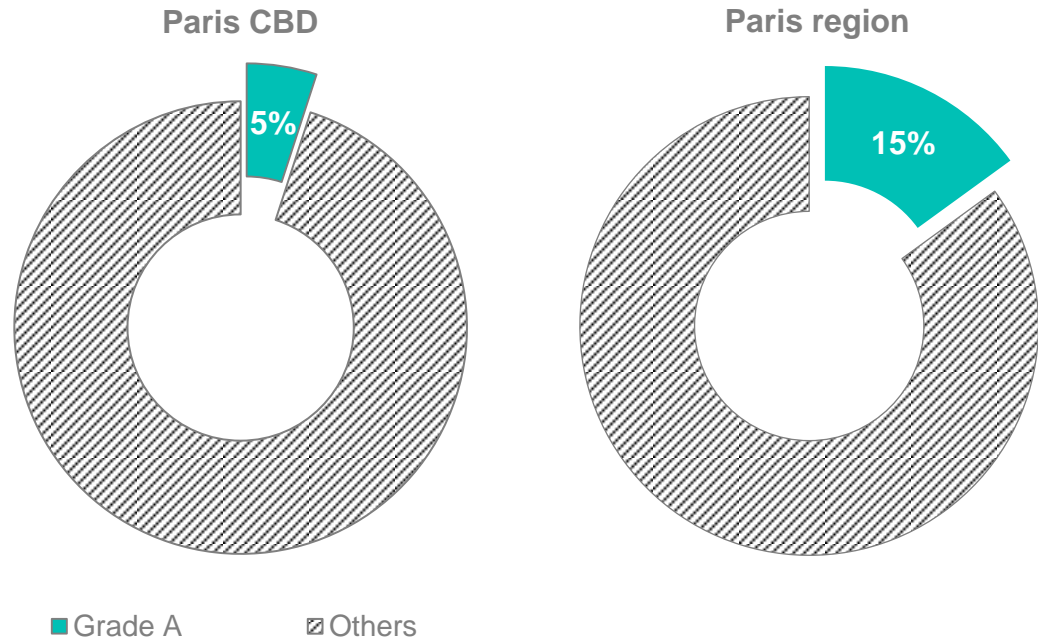
PARIS CBD

Grade A Supply

5%

Source: Knight Frank

- ◆ By the end of 2016, the CBD was more notable than ever for the scarcity of Grade A supply (new or restructured): the proportion of Grade A continued to decline (it stood at 12% a year before), particularly due to strong activity in large transactions, which are mainly concentrated on this type of surface area
- ◆ 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 2016, 72% of the take-up in the Paris region via large transactions was Grade A (and 33% of all take-up)
- ◆ The user appetite for this type of space is explained by their determination to achieve progress in terms of performance and streamlining real estate costs and work organisation: Grade A space is the best guarantee for succeeding in this effort



THE LETTING MARKET – YEAR 2016

PARIS CBD

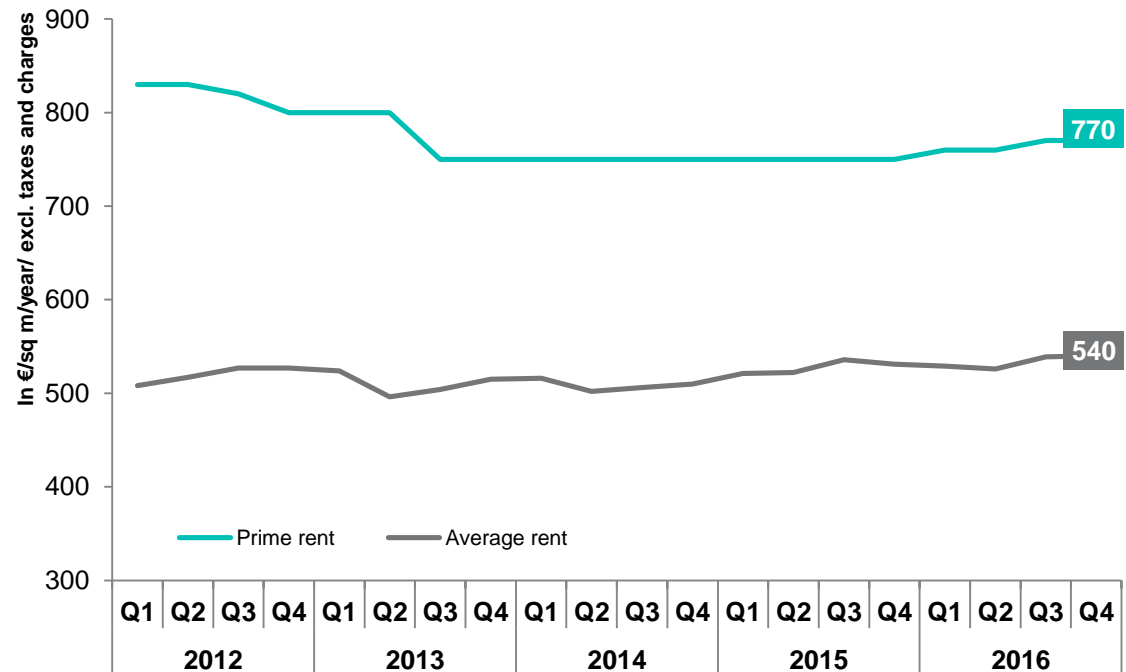
Rents

€770 sq m/year excl. taxes and charges

High-end 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 2016
- The first upturn in marketing values has taken 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 prestigious 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 continue over the coming months and values close to €800, already recorded in recent months, are likely to be repeated for the best buildings
- 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. #Cloud nevertheless currently remains the exception



THE LETTING MARKET – YEAR 2016

PARIS CBD

Future completions

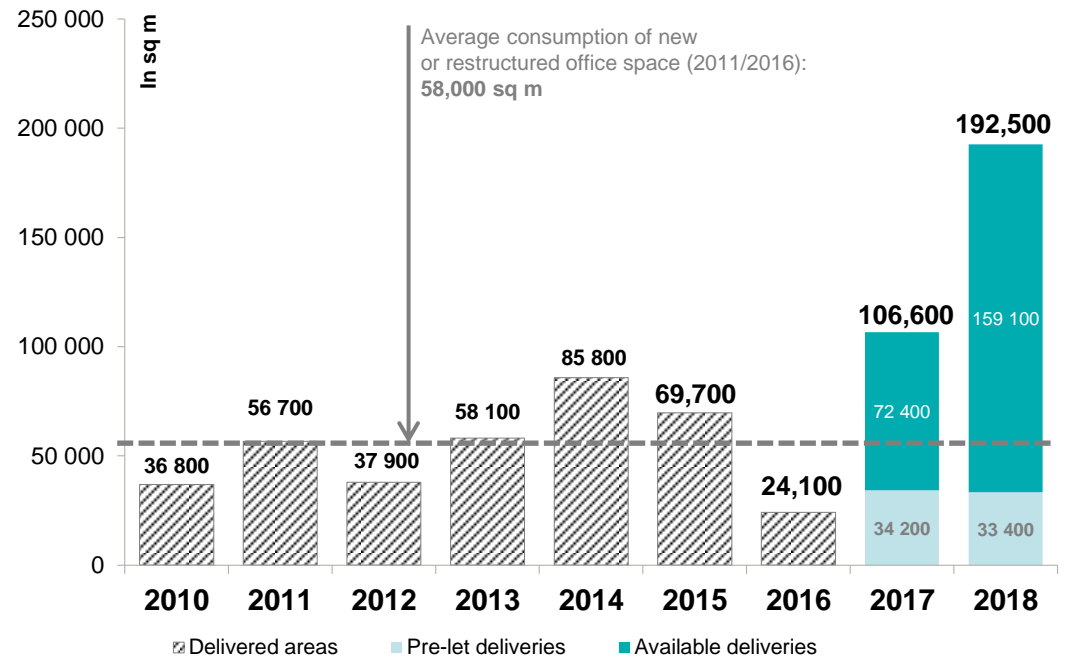
23%

Pre-let rate at end-2018

Source: Knight Frank

- ◆ The under-production of new or restructured supply since 2010 has led to a decline in the average annual take-up of Grade A space in the CBD: it is now 58,000 sq m, compared with 75,000 sq m four years ago
- ◆ The dominant model in the CBD remains marketing after the building has been delivered: almost all of the surface areas delivered in 2016 have already been let
- ◆ The scarcity of Grade A supply could end in 2017 thanks to a sharp increase in volumes of surface areas due for delivery, correcting current shortages in the CBD
- ◆ Pre-lets have nevertheless made a remarkable comeback, now accounting for 23% of expected volumes by the end of 2018 (while they accounted for only 6% of those surface areas at the end of 2015). The stimulus provided by the increase in deliveries could therefore be more limited than expected

New and restructured surface areas in the CBD:



THE LETTING MARKET – YEAR 2016

PARIS CBD



Summary

Sources: Knight Frank, ORIE

	2016	2015	Annual change	Paris region 2016	CBD share in the Paris region
Total	6,669,581 sq m	6,652,381 sq m	+0.2%	54,466,720 sq m	12%
Take-up	450,100 sq m	439,000 sq m	+2.5%	2,450,800 sq m	18%
Immediate supply	259,000 sq m	322,000 sq m	-19%	3,614,000 sq m	7%
Vacancy rate	3.9%	4.8%	-90bp	6.6%	-
Average rent	€540/sq m/year	€531/sq m/year	+1.7%	€324/sq m/year	-
High-end rent	€770/sq m/year	€750/sq m/year	+2.6%	€770/sq m/year	-