

THE LETTING MARKET

PARIS REGION

1ST QUARTER 2017

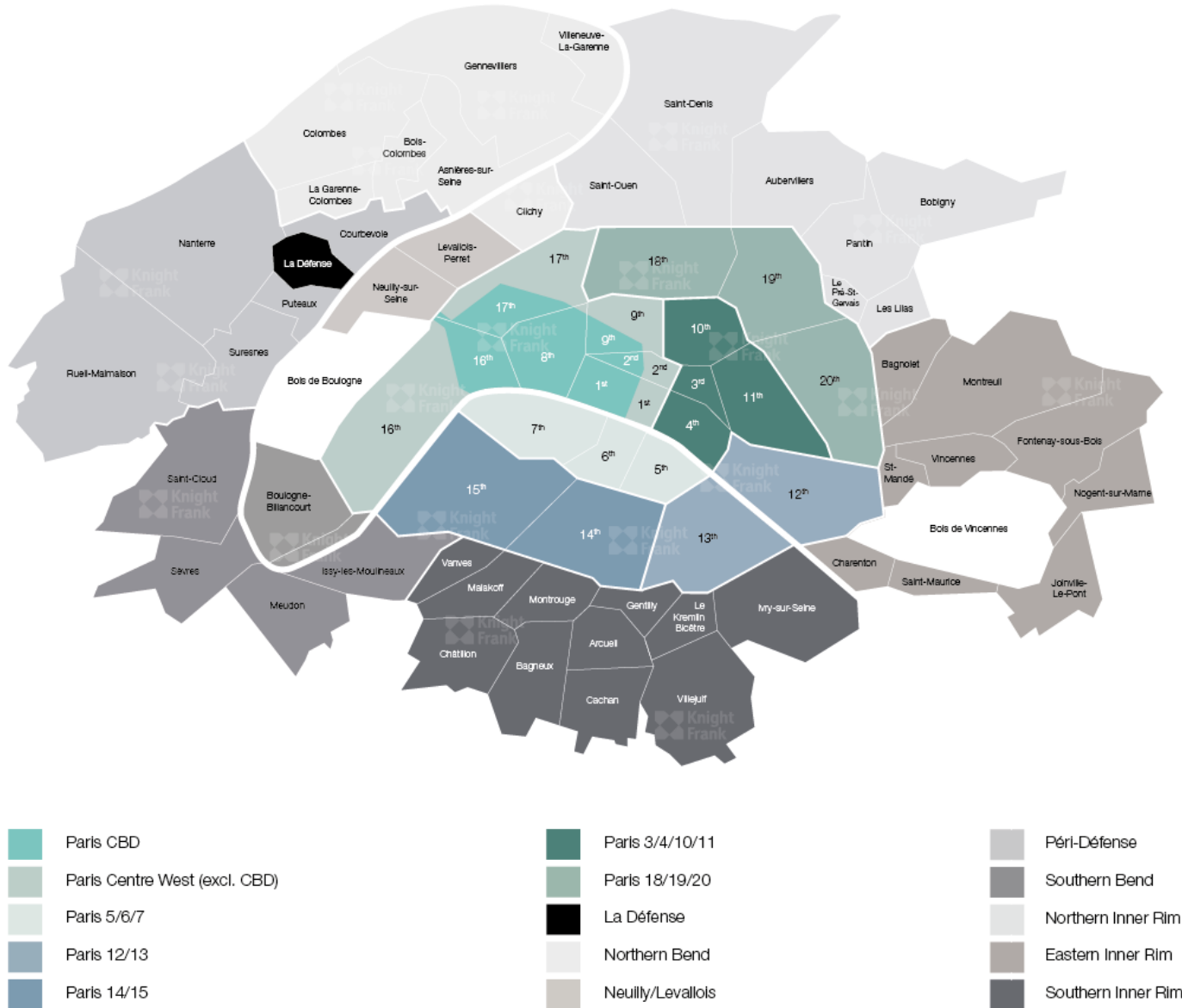
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Map

Source : Knight Frank



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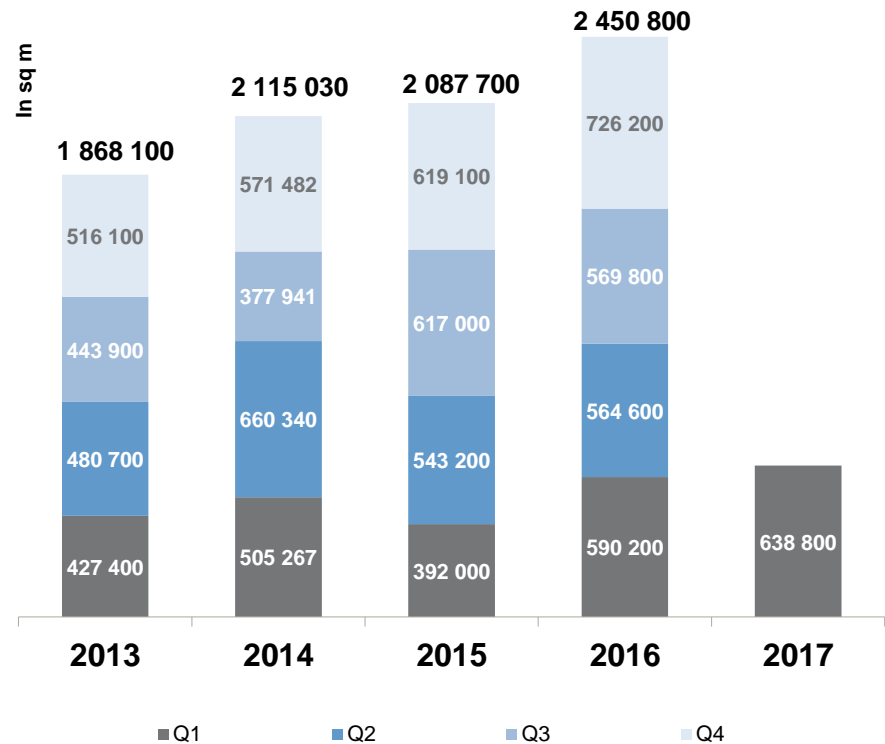


Take-up

638 800 sq. m

Source : Knight Frank

- ◆ +8%: transactional activity increased significantly in the 1st quarter of 2017 compared with the 1st quarter of 2016
- ◆ This good result is due to the fine performance of medium-sized surface areas (of between 1000 sq. m and
- ◆ 5000 sq. m), with this segment growing by 14% and accounting for 32% of take up. However, it was particularly due to the large surface areas which performed particularly strongly with 17 transactions of more than 5000 sq. m. This accounts for 46% of regional take up with 17% growth.
- ◆ In spite of the giant transaction for the Tours Duo
- ◆ (88 500 sq. m), activity was not driven by the very large rental segment but rather by transactions of 5000 sq. m to 20,000 sq. m, which grew by 25%
- ◆ The concentration of transactional activity on inner-city Paris, already in evidence in 2016, was again confirmed: 51% of take up was within inner-city Paris



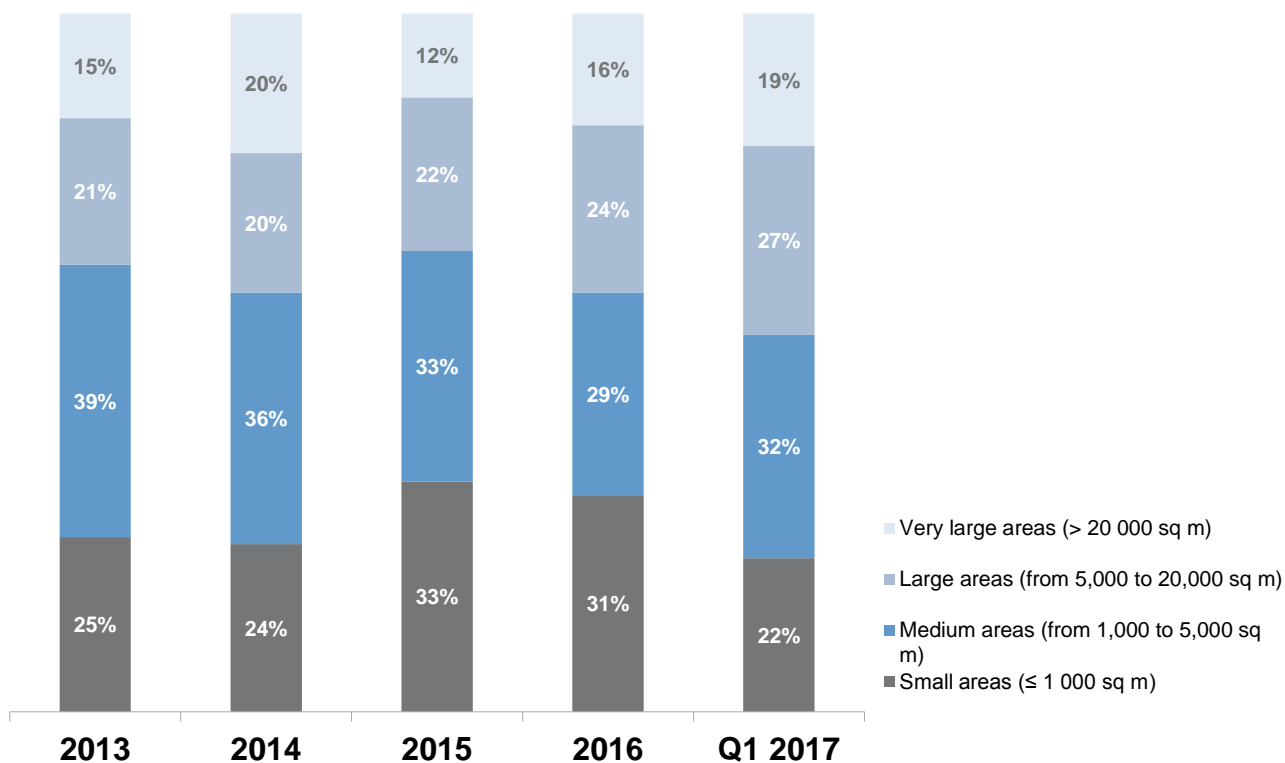
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Size of transactions

Source : Knight Frank



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Examples of transactions of over 5,000 sq m

Source : Knight Frank

Tenant	Address	Submarket	Date	Area (sq. m)	Rent	Building Condition
Natixis	Duo, Paris 13 ^{ème}	Paris 12-13	March 2017	88 500	€530	New
Groupe Lagardère	L'octant – le Sextant Levallois Perret	Neuilly – Levallois	Feb. 2017	32 700	N/A	Restructured
Orange	138 avenue de Stalingrad, Villejuif	Southern Inner Rim	Jan. 2017	18 000	N/A	New
Orange (Orange Business Services)	Cœur Défense, Courbevoie	La Défense	Feb. 2017	17 545	€530	Good condition for use
La Poste Immo	Green Office Opale Issy les Moulineaux	Southern Bend	Feb. 2017	16 700	Owner Occupier sale	New
Le groupe Amaury	Quai Ouest Boulogne-Billancourt	Southern Bend	Feb. 2017	15 800	N/A	Restructured
Groupama	West Park 1 Nanterre	Péri-Défense	Jan. 2017	14 300	Owner Occupier sale	Renovated
Faurecia	Projet W Nanterre	Péri-Défense	March 2017	13 100	N/A	New
MMA	Atlantique Place des 5 Martyrs du Lycée Buffon, Paris 15 ^{ème}	Paris 14-15	Jan. 2017	12 700	N/A	Renovated
Groupama	West Park 5, Nanterre	Péri-Défense	Feb. 2017	11 400	N/A	Restructured
Wework	Focus, Montrouge	Southern Inner Rim	Jan. 2017	9 600	€350	Good condition for use

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Large occupiers

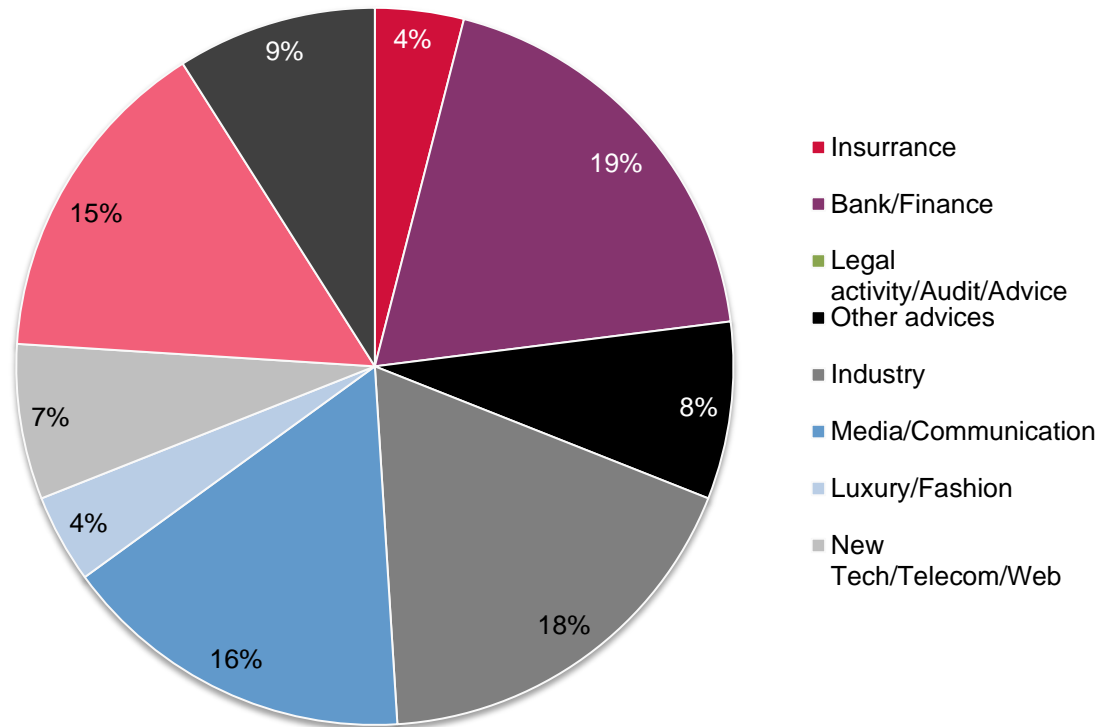
(> 5 000 sq m)

40%

Of the take-up in 2016

Source : Knight Frank

- ◆ The performance of the rental market in 2016 again showed the key role of large users in maintaining transactional activity
- ◆ Despite considerable variation from one year to the next, the large transaction segment has one sizeable advantage which largely keeps it sustainable: the diversity of its investors which avoids its dependence on any specific sector of the economy
- ◆ 2016 saw the Media/Communications sector, previously virtually absent, make a sharp comeback and reach 16%.
- ◆ Conversely, the share of the public/semi-public sector, which had been very active in 2015, fell by half in 2016.



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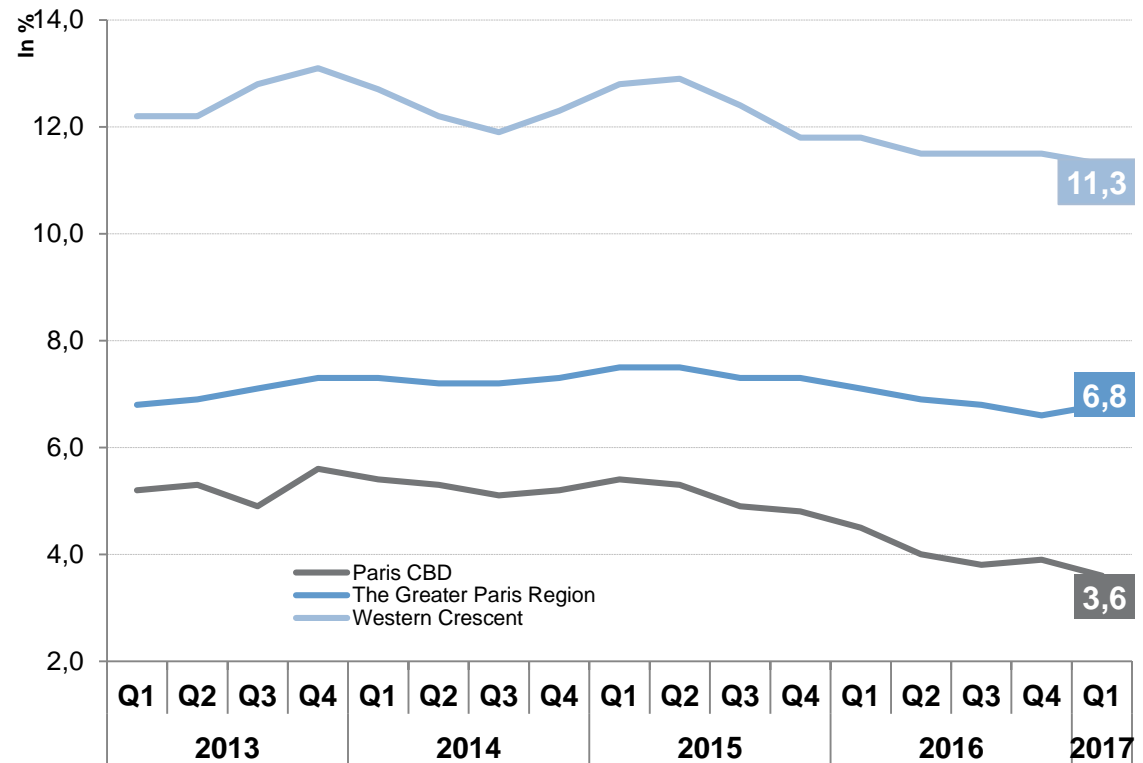


Available supply

6,8%

Source : Knight Frank, ORIE

- ♦ The vacancy rate, at 6.8%, remained under the 7% mark despite rising slightly in early 2017, due to a new estimate of the value of the stock.
- ♦ This increase in transactional activity allowed a good level of absorption of surface areas delivered over more than a year and these on the whole found takers
- ♦ Contrary to much received wisdom, the Paris region is far from being in a position of oversupply: it is one of the markets with the least supply in Europe, and now has a lower vacancy rate than London
- ♦ This situation should not, however, blind us to significant internal disparities within the Paris region: while the CBD and the rest of inner-city Paris are clearly in a position of oversupply at the moment, the Western Crescent still has vacancy levels of more than 11%
- ♦ La Défense continues to see a spectacular decline in available supply, with its vacancy rate falling from 9.4% to 8.5% in the course of one year



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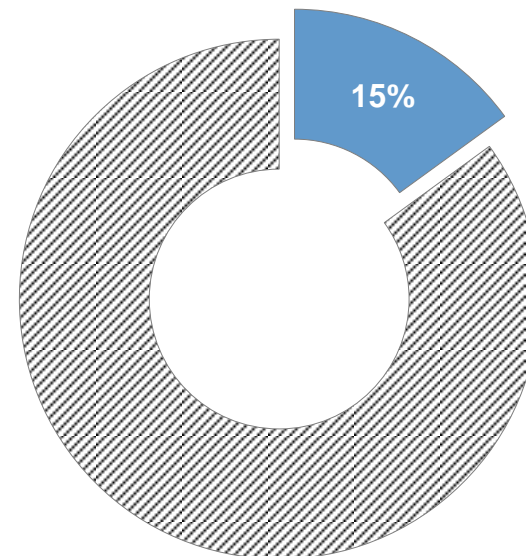
Grade A Supply

15%

Source : Knight Frank

- ◆ Early 2017 has not witnessed any change in the quality of available supply: there is still a lack of (new or redeveloped) Grade A surfaces which only account for 15% of available supply
- ◆ This level is totally unsatisfactory given the pattern of user office consumption: 72% of surface areas of more than 5000 sq. m leased in the Paris region in 2016 were of Grade A quality (76% in 2015). The lack of supply of Grade A consequently constitutes a potential block on the rental market
- ◆ This shortfall is increasing because the share of Grade A supply is steadily decreasing: the rental market in the Paris region is paying the price for the collapse in the volumes of deliveries from speculative programmes. The remedial action taken for more than a year now has not yet offset this cumulative shortfall
- ◆ This lack is acute in certain sectors, particularly in the CBD and the rest of inner-city Paris. It is also becoming the case for markets such as La Défense

Paris Region



■ New or redeveloped ▨ Seconde main

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Rents

€392 ↔ €770

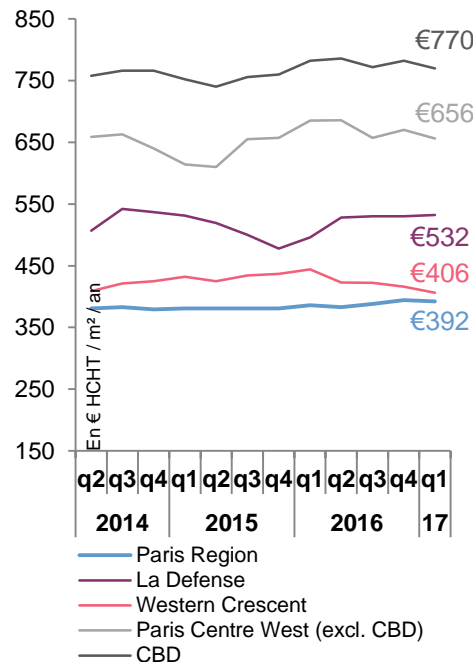
per sq. m/year excl. taxes, excl. charges

Prime rent Paris Region vs CBD

Source : Knight Frank

- ◆ The upward trend that started in early 2016 remains steady
- ◆ This increase is nonetheless limited to the CBD, where the typical rent for the upscale segment (calculated on the basis of the 5 largest transactions year to year) now stands at €770. This is occasionally also the case for more established markets
- ◆ Regardless of market sector, upscale rents only apply to a very limited number of properties: most transactions are completed at significantly lower prices
- ◆ There is still a considerable difference between prime transaction rents and average transaction rents, which stands at almost €260 in the CBD and €100 in La Défense

Prime rental transactions (year-on-year)



* : Western Crescent except Northern Bend

Average rental transactions:

La Défense
€432
(year-on-year)

QCA
€509
(year-on-year)

Average values of supply presentation:

La Défense
€375
(last quarter)

QCA
€500
(last quarter)

Prime values of supply presentation:

La Défense
€530
(last quarter)

QCA
€800
(last quarter)

Incentives:

La Défense
25 / 30 %
(last quarter)

QCA
8 / 17 %
(last quarter)

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ÎLE-DE-FRANCE



Future completions

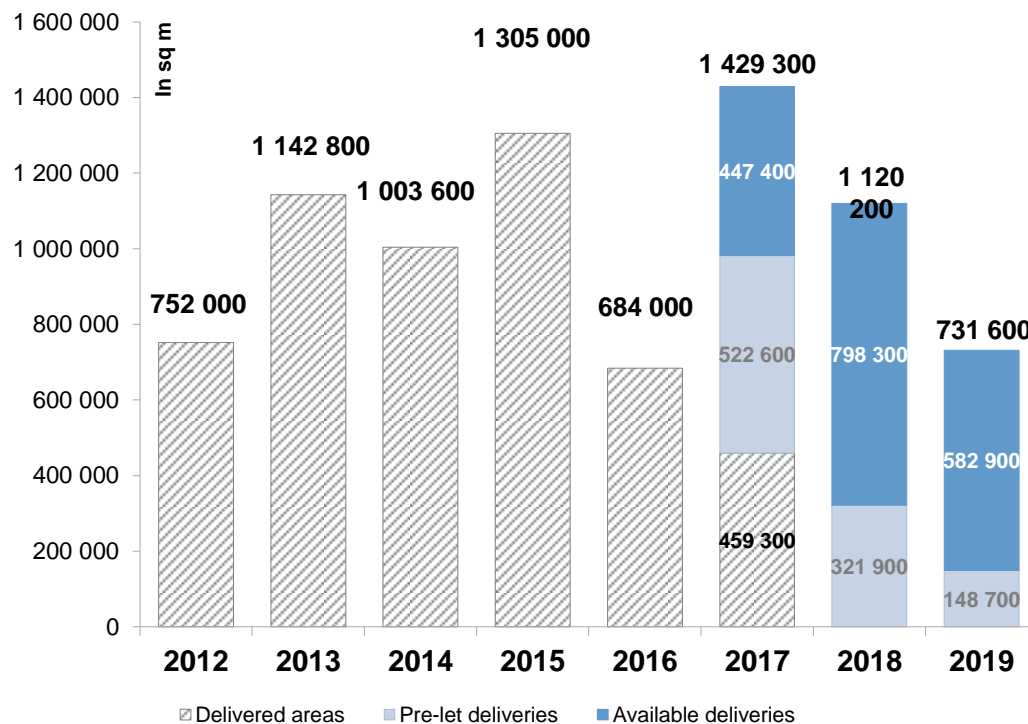
35%

Rate of pre-lets by the end of 2019

Source : Knight Frank

- ♦ The Paris region has an oversupply of Grade A surfaces and has fully absorbed all properties delivered over recent years
- ♦ The lack of Grade A supply favours sales off plan: 35% of surfaces expected to be available prior to the end of 2019 (54% of those delivered before the end of 2017) have already found a taker
- ♦ Off-plan sales are traditionally the preserve of emerging geographical sectors: while they are the most attractive in terms of prices, investors are hesitant to launch speculative projects in these places. Off-plan sales are, nonetheless, making a notable impact on sectors such as the CBD and La Défense, given the scarcity of Grade A supply
- ♦ There were hopes that 2017 would lead to a rebalancing of the market, given a surge in volumes awaited for delivery. This rebalancing is nonetheless likely to be limited because more than half of the 2017 deliveries have already found takers
- ♦ This commercial success should encourage new programmes to be launched which will be deliverable from 2018

New or redeveloped areas in Ile-de-France



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Summary

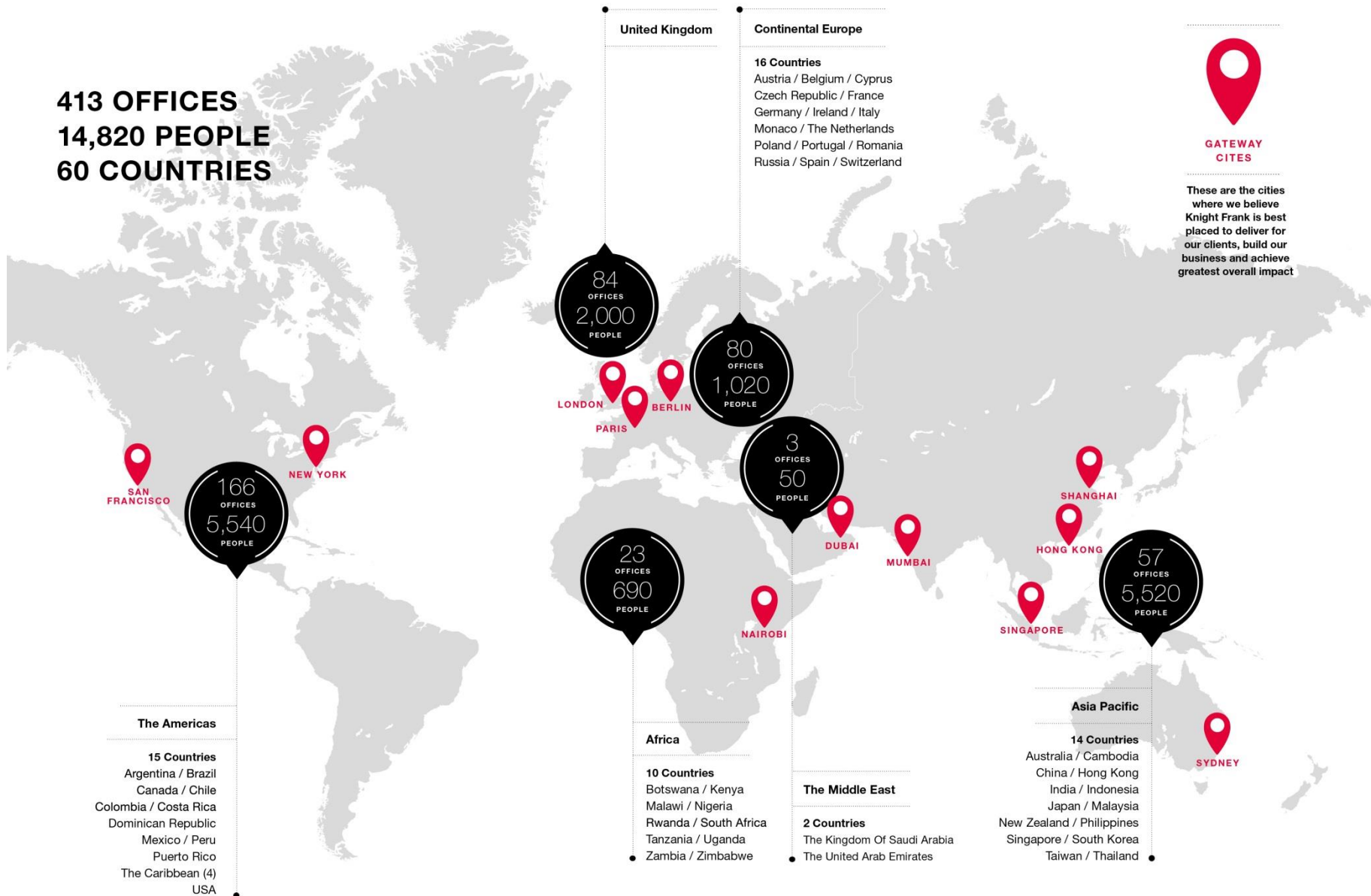
Source : Knight Frank, ORIE

	Paris Region Q1 2017	Paris Region Q1 2016	Annual Change
Take up	638 800 sq m	590 200 sq m	+8%
Immediate supply	3 622 000 sq m	3 833 000 sq m	-5%
Vacancy rate	6,8%	7,2%	-40pb
Average rent	€ 399/sq m/year	€ 401/sq m/year	-0,5%
Prime rent	€ 770/sq m/year	€ 782/sq m/year	-1,5%

KEY FIGURES



413 OFFICES
14,820 PEOPLE
60 COUNTRIES



Knight Frank is an international real estate advisor.

In France, the company operates in the corporate real estate market, mainly comprising offices, retail premises and industrial or logistics buildings.

Knight Frank France serves two separate groups of clients: **owner investors and tenant companies.**

Knight Frank France was founded over 40 years ago and is organised into six business lines:

Offices, Retail, Capital Markets, Property Management, Knight Frank Valuation and L'Atelier Knight Frank (a spatial design consultancy).

The Knight Frank France team includes 80 professionals working from Paris. Historically specialising in the real estate market in the centre of the capital, the company has gradually widened its field of expertise and is now a recognised

consultant in areas including La Défense and the Western Suburbs of Paris. The Capital Markets department, along with the independent subsidiary Knight Frank Valuation, also support their clients throughout France.

Knight Frank France is the French branch of Knight Frank LLP, a British company founded more than 120 years and now operating in **60 countries**. It offers its clients the skills of its **15,000 professionals**, working from **413 offices** worldwide.

A global platform and an independent partnership, specialising in tertiary and residential real estate and employing professionals dedicated to their clients, Knight Frank enjoys a unique position in the world of real estate consultancy.

Drawing on the constant support of its clients and its recognised integrity, Knight Frank is increasingly establishing itself as the consultant of choice.



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