

# THE INVESTMENT MARKET

PARIS REGION

1<sup>ST</sup> QUARTER 2017

# THE INVESTMENT MARKET – 1<sup>ST</sup> QUARTER 2017

## PARIS REGION

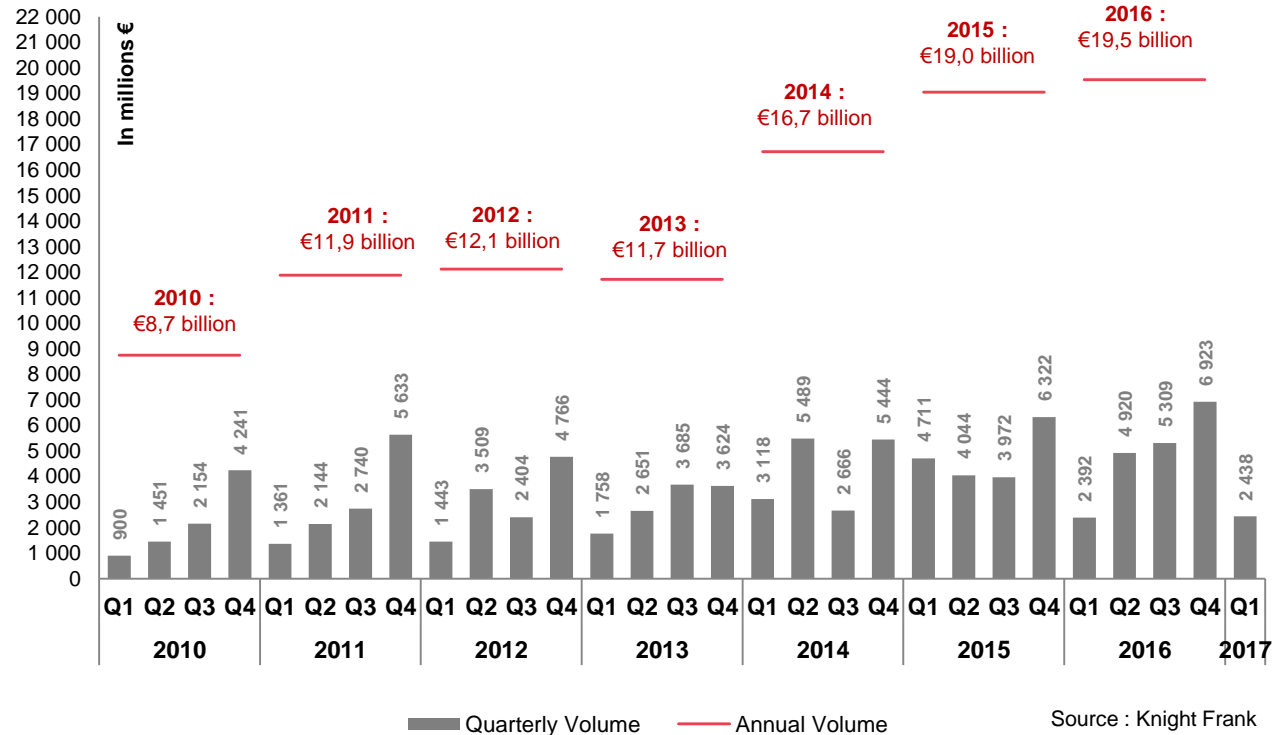


### Investment volumes

**€2.4 billion** for the 1<sup>ST</sup> quarter 2017

Source : Knight Frank

- + 2%: after a spectacular end to 2016, the market gets its breath back. The volume invested in the Paris region in the 1st quarter topped €2.4 billion, a slight increase on early 2016.
- Office assets still dominate by far while retail space is attractive and is represented more strongly than usual (with the exception of 2016)
- Domestic investors still control most of the volumes invested (64% in the 1st quarter), with, however, an increase in other investors from the Eurozone.
- More than half of the volumes invested involve transactions of between 100 and €200 million, a reflection of the reduction in their unit size.
- Early 2017 has nonetheless witnessed the bringing to market of a good number of sizeable transactions, due to be completed over the next two quarters, which bodes well for strong investment volumes over the coming year.



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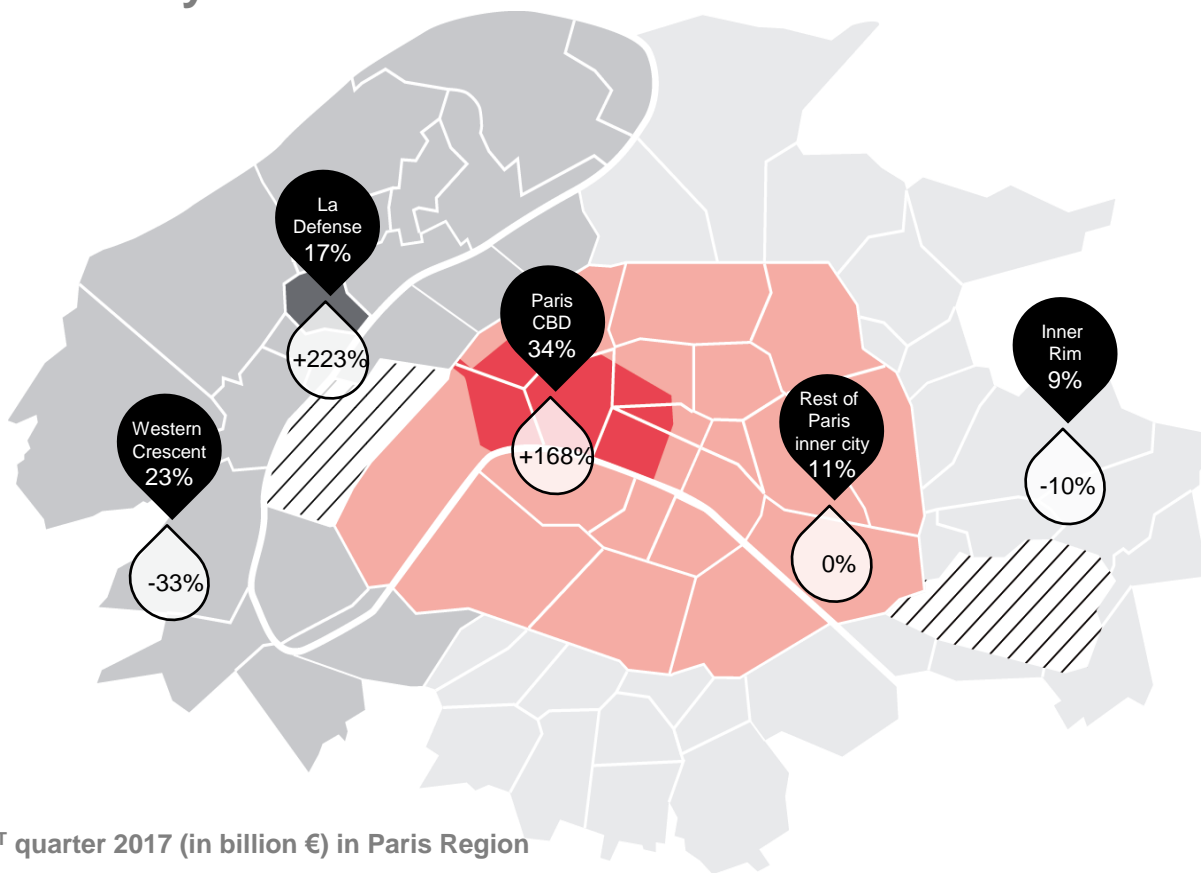
## PARIS REGION


### Location of Investment activity


## Strong activity

in the CBD and La Defense

Source : Knight Frank



 Share as a % of volumes invested in Paris Region in 2017

 Change as a % of volumes invested in 2017 compared with 2016

Volume invested in the 1<sup>ST</sup> quarter 2017 (in billion €) in Paris Region

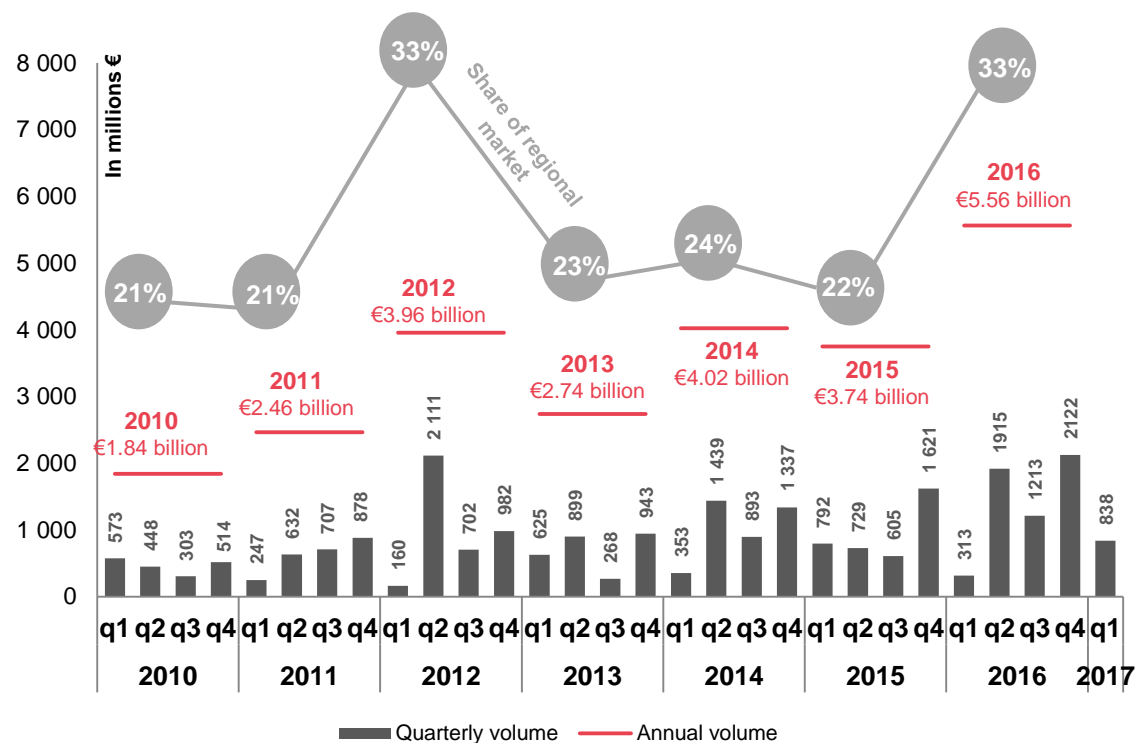
Paris CBD	Rest of Paris inner city	La Defense	Western Crescent	Inner Rim	Other	Total Paris Region
838	278	426	563	217	116	2 438

### Focus on the CBD

## Sustained momentum in the CBD

Source : Knight Frank

- There are excellent prospects for the CBD in 2017 insofar as the volume invested over the first 3 months is significantly higher than at the beginning of 2016 (+ 168%).
- The CBD has therefore retained a much higher than normal share of the regional activity (34%) which shows its continued attraction to investors.
- The CBD's success nonetheless is subject to one imponderable – the availability of assets for sale and the completion of one or several major deals. It is unlikely that 2016's performance will easily be equalled, given that it was boosted by the completion of an unusually large transaction (€1 billion). There are likely to be large numbers of disposals over the next few months which allows us to remain optimistic.
- Investors are particularly keen on CBD properties with a strong commercial element at street level.



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## PARIS REGION



### Examples of transactions

Source : Knight Frank

Date	Building	Asset type	Geographical area	Surface area	Price (in € million)	Buyer	Seller
Jan. 2017	Grand Central Saint-Lazare	Offices	CBD	23,000	335	Union Investment	The Carlyle Group
Jan. 2017	112-122 avenue Emile Zola	Offices	Paris 14/15	20,000	165	Société Foncière Lyonnaise	SMABTP
March 2017	102 avenue des Champs Elysées	Retail	CBD	687	115	AEW Europe	Thor Equities
Feb. 2017	Nework	Offices	Western Crescent	21,000	100	Générale Continentale Investissements	Eiffage Immobilier & Altarea Cogedim
Feb. 2017	Eria Tower	Offices	La Defense	26,000	70	Altafund	The Carlyle Group
Jan. 2017	6 rue de la Paix	Retail	CBD	740	65	Redevco	Savills AM
Feb. 2017	Horizon Défense	Offices	Western Crescent	16,000	60	UBS Real Estate	DeAWM

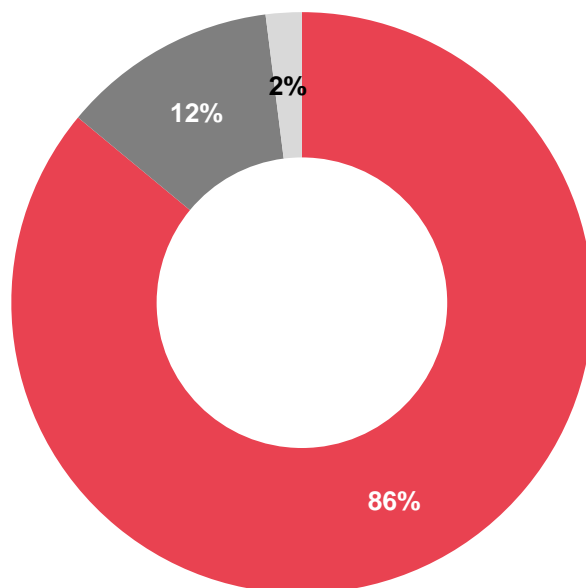
### Breakdown by asset type

## Dominance of offices

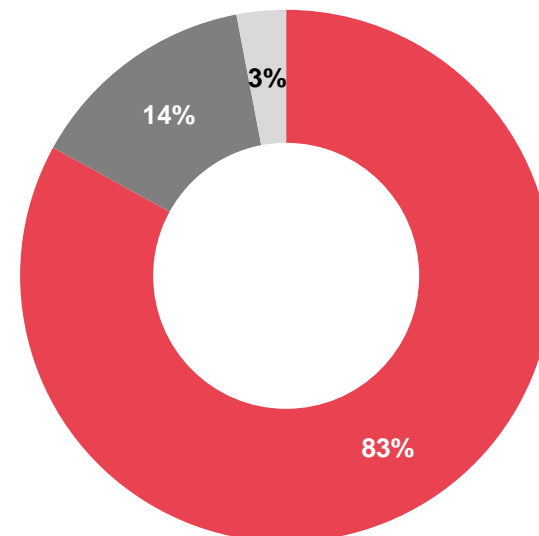
& a continued appetite for retail

Source : Knight Frank

2017



2016



■ Office ■ Retail ■ Other assets

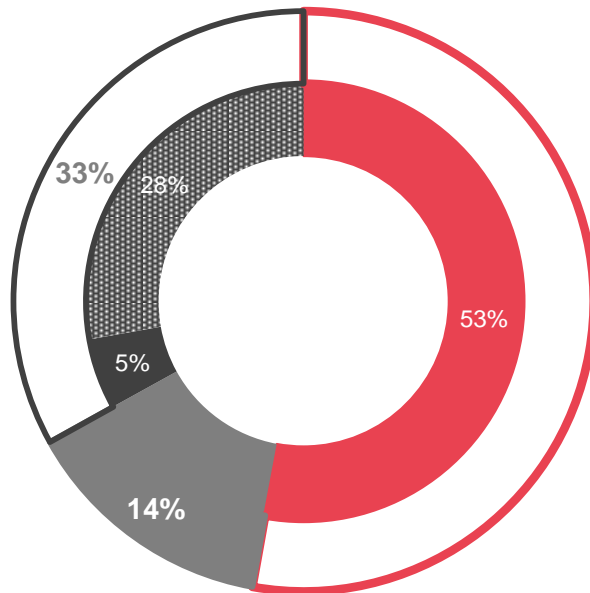
### Breakdown by risk profile

## The Core takes the majority share

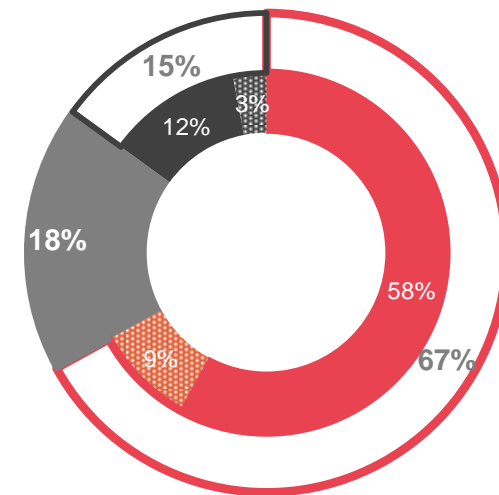
but Value Added is picking up

Source : Knight Frank

2017



2016



- Core
- Core Plus
- which in developments projects forward sale
- which in pre-rented developments projects
- Value Added / blanc

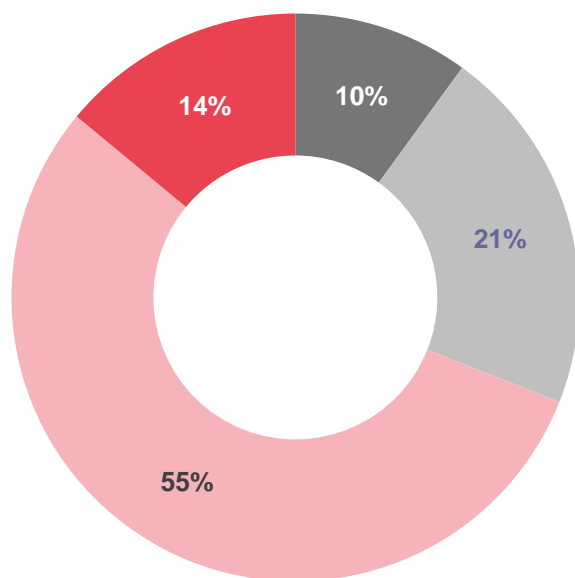
### Breakdown by amounts

## The market refocuses

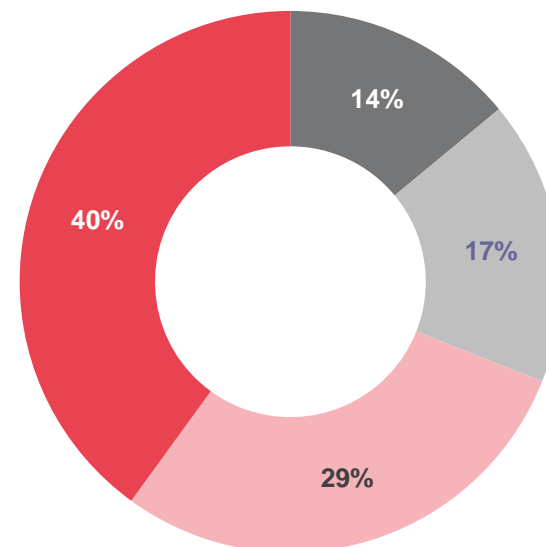
on intermediate deals (from €100-€200 million)

Source : Knight Frank

2017



2016



■ < €50 million  
■ €100 to €200 million

■ €50 to €100 million  
■ > €200 million

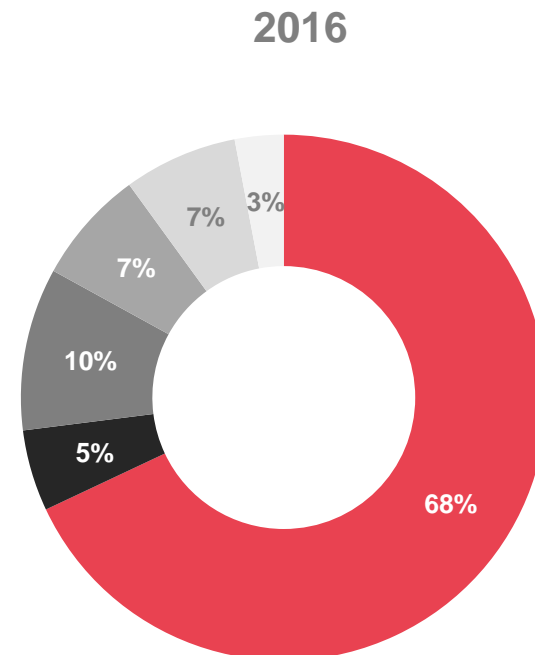
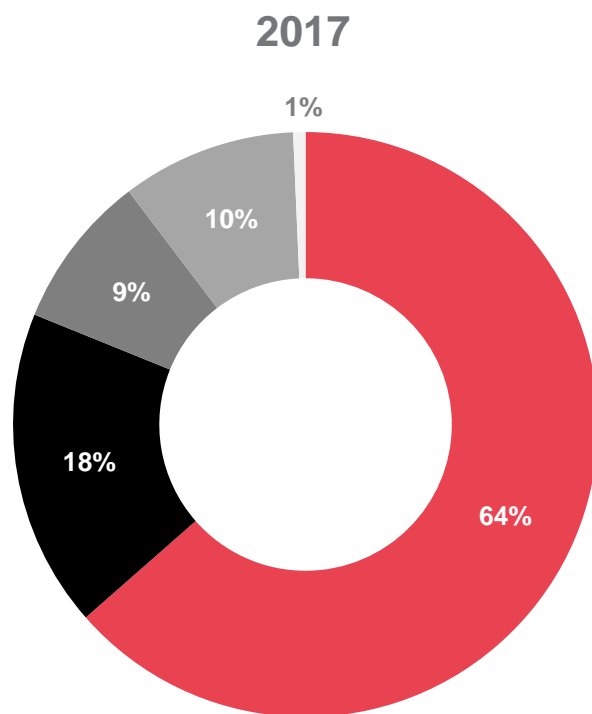


### Breakdown by purchaser nationalities

## French investors

Keep the upper hand

Source : Knight Frank



■ France ■ Eurozone ■ Europe outside Eurozone ■ North America ■ Asia / Middle East ■ Other

Source : Knight Frank

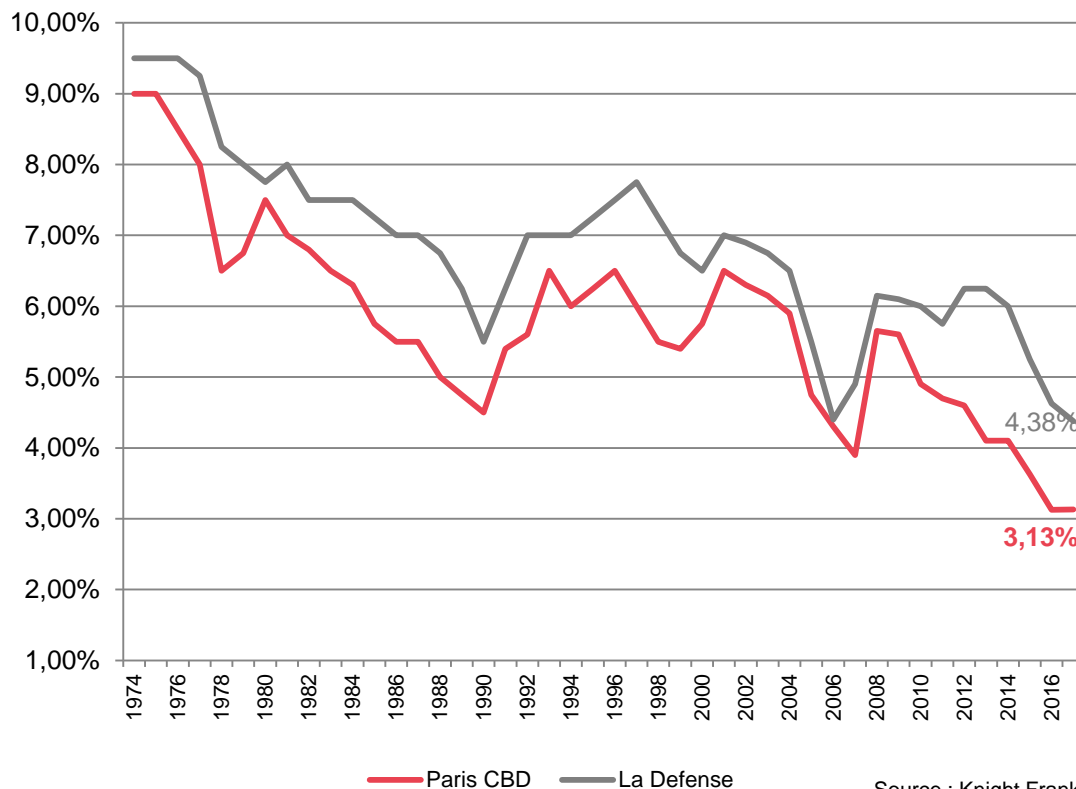
### Prime yield

## Historic lows

### on rates for Prime assets

Source : Knight Frank

- ◆ With a price bracket of between 3 and 3.25%, largely at the same level since mid-2016, Prime rates are at historic lows in the CBD.
- ◆ This extremely low level has in no way prevented the CBD from attracting investor interest.
- ◆ There may occasionally be continued compression of Prime rates in other markets in the Paris region after this has ceased to be the case in the CBD: this happened in La Défense early in 2017, with a Prime rate currently of between 4.25 and 4.50%.
- ◆ There are still wide differences in rates between Core, Core Plus and Value Added assets within each particular geographical sector, often of between 200 and 350 basis points
- ◆ A key element to the success of the real-estate portfolio among investors is the fact that the spread between Prime rates and bond yields continues to contract despite maintaining a significant advantage in the case of property assets (208 basis points compared with 238 in late 2016).

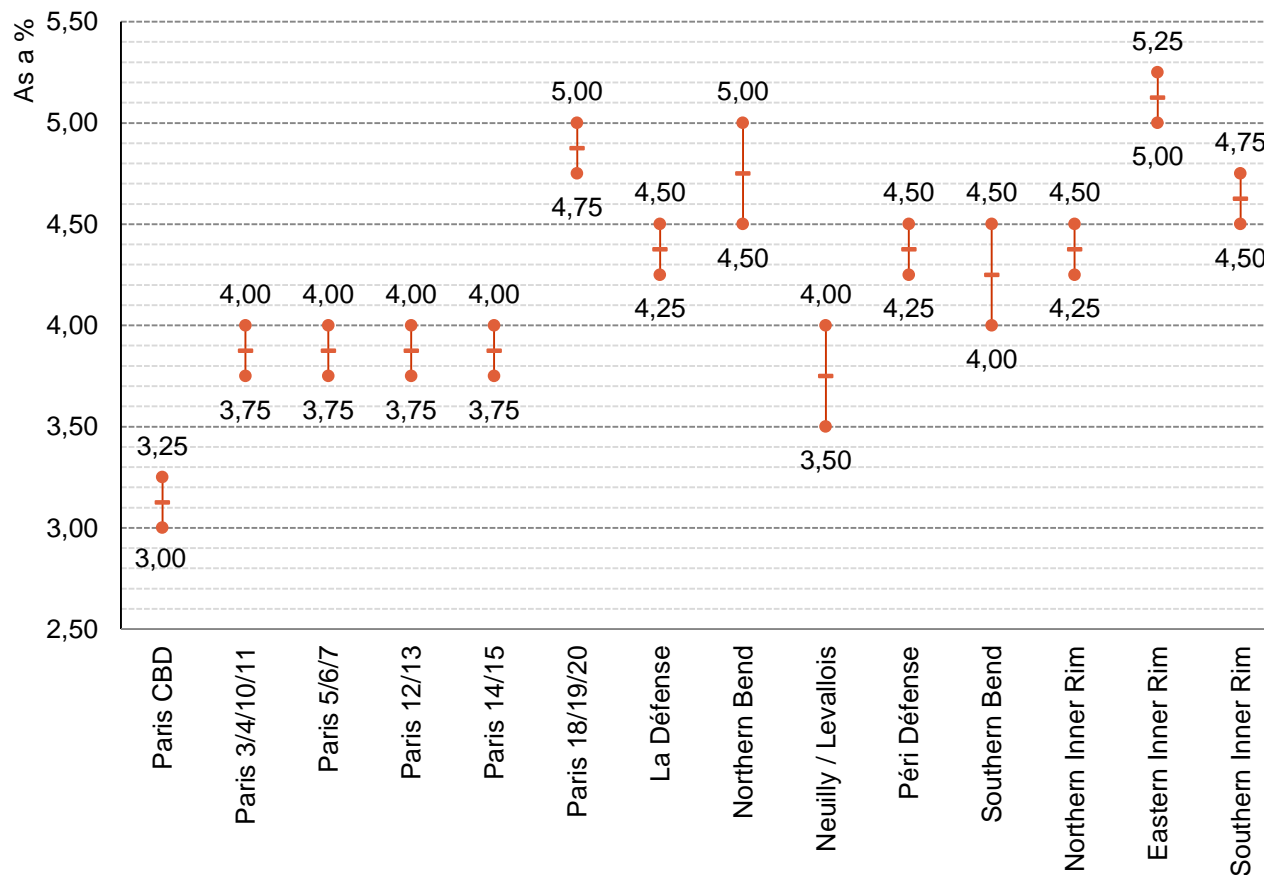


Source : Knight Frank

### Prime yield

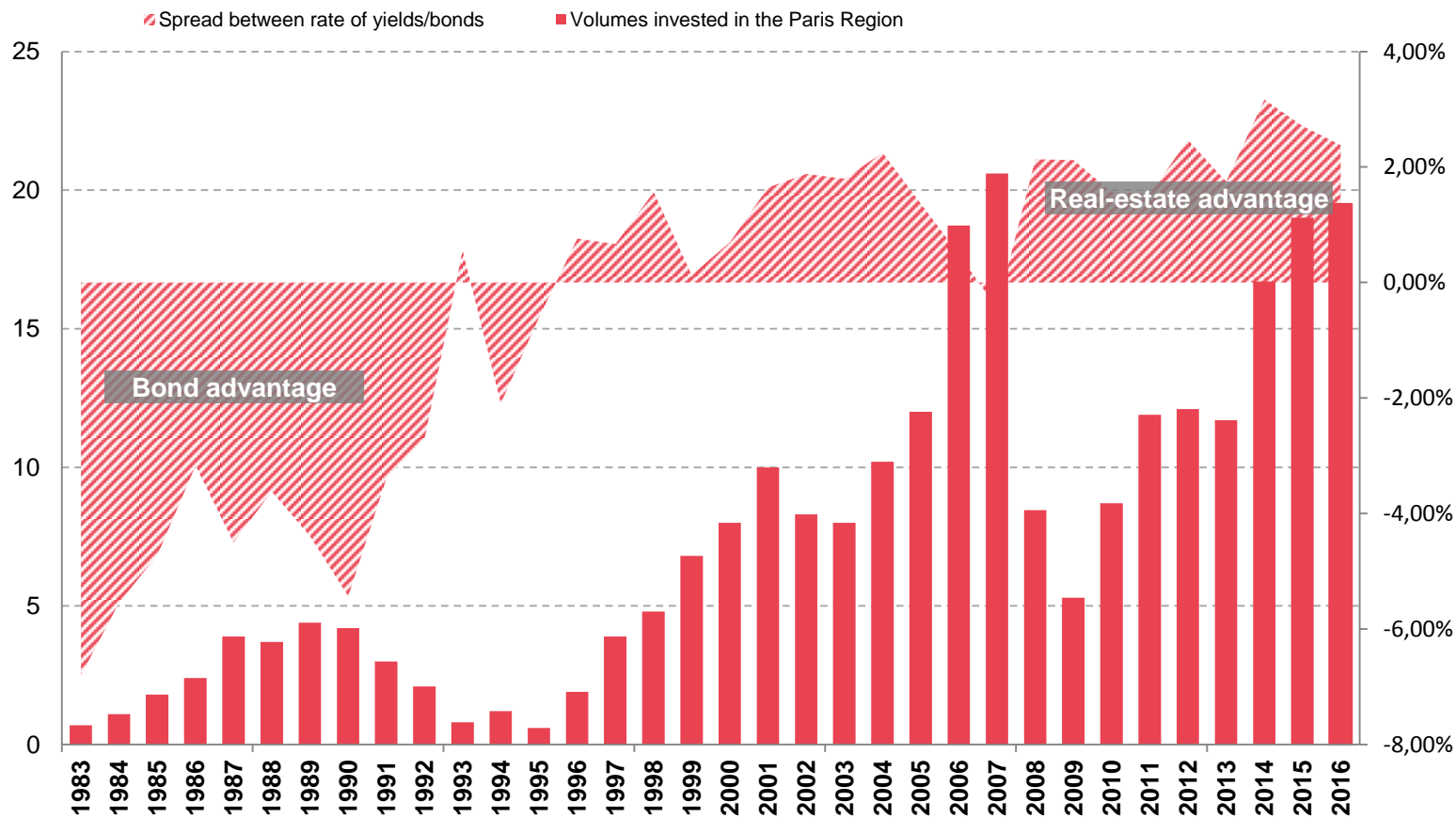
## Stability of differentials

Source : Knight Frank



### Investment volumes and spread between bond and yields

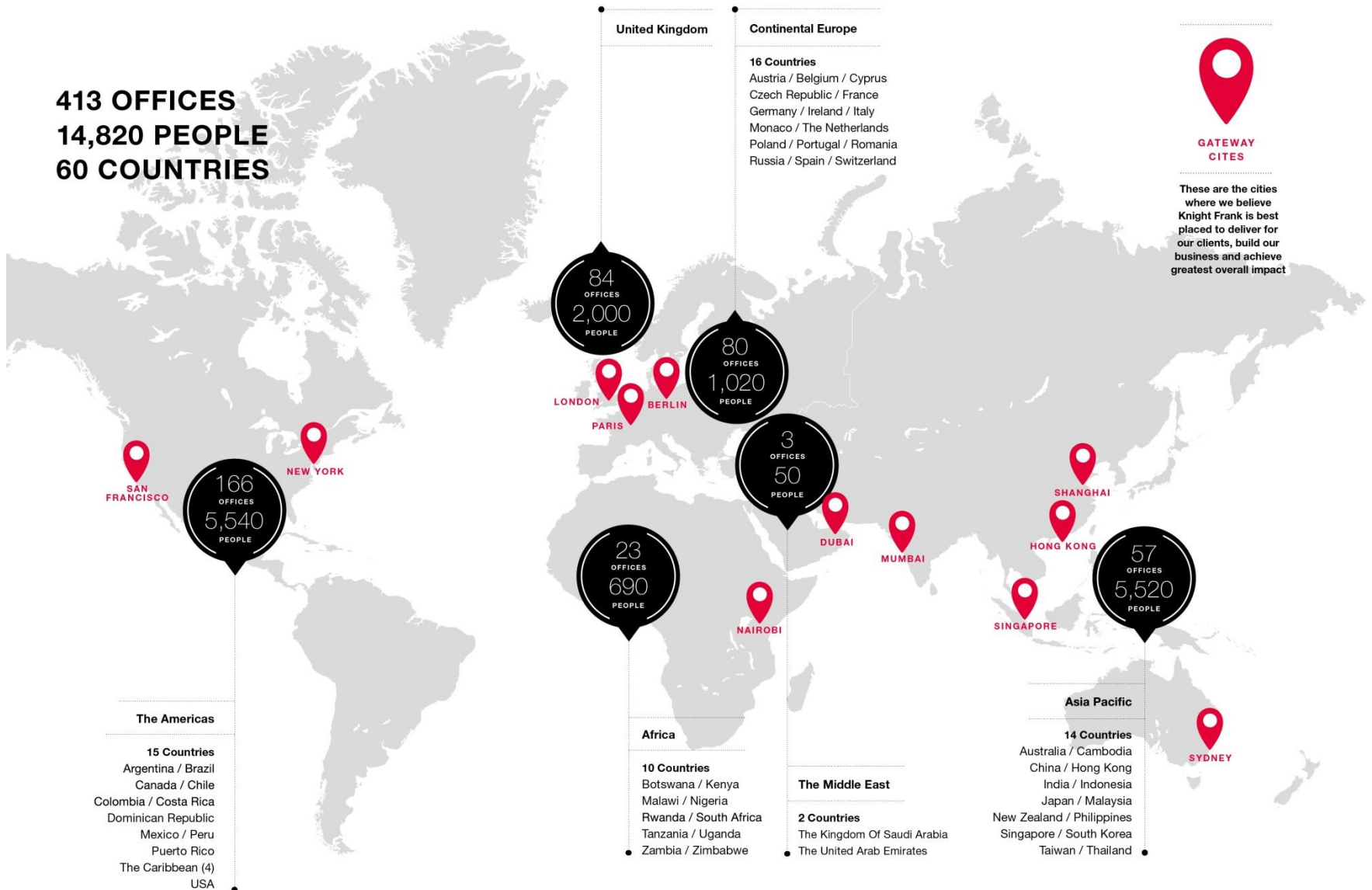
Source : Knight Frank



# 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:

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