Review 2019
Outlook 2020
French Property Markets
Investment
FRANCE
2019 REVIEW AND 2020 OUTLOOK
Investment

2019 HIGHLIGHTS
AN EXCEPTIONAL YEAR
LARGE TRANSACTIONS: INCREASINGLY DECISIVE
GREATER PARIS REGION: EVER HIGHER
THE SUCCESS OF THE REGIONS
OFFICES: CONSOLIDATED DOMINANCE
EXAMPLES OF OFFICE TRANSACTIONS > €400 M IN 2019
LA DÉFENSE: 2ND BEST YEAR IN HISTORY
FORWARD FUNDING SALES: THE INNER SUBURBS ARE THE FRONT-RUNNERS
A GRAND PARIS EFFECT
FUNDS AND SCPI/OPCIS ARE DRIVING THE MARKET
A FAIRLY BALANCED MARKET
THE YEAR OF THE SOUTH KOREANS
RETAIL: GOOD RESULTS
RETAIL: MORE BALANCED ACTIVITY
RETAIL: VERY TARGETED INVESTOR APPETITE
LOGISTICS: RECORD BROKEN!
YIELDS: FURTHER DECREASES
KEY TRENDS IN 2020
2019 highlights

- **Several records beaten**: France, Greater Paris Region, regions / Lyon, offices, logistics…

- A year of **mega-deals**

- Dynamism of **savings collectors** and **foreign funds**

- Renewed **vigour of retail**

- Continued **yield compression**
An exceptional year

The French corporate real estate investment market reached new highs in 2019, continuing the phase of strong growth that began in 2014. 35.4 billion euros was invested in France in 2019, a 16% increase year-on-year and an all-time record. The sums invested in France have increased by almost 50% in five years!

While France has many structural advantages, it also benefits from a particularly favourable economic climate. The low interest rate context has taken hold over the long term, prompting investors to step up the pace of asset diversification and place greater emphasis on real estate.

The 2018 record has been shattered!

Change in investment volumes in France,
All asset types (offices, retail, industrial), in billions of euros

Source: Knight Frank
84 transactions above 100 million euros were completed in 2019 compared to 77 in 2018. They account for 65% of all investment volumes in France, compared with 61% the previous year.

It was the mega deals that made the difference: transactions in excess of 200 million euros in 2019 totalled 16.3 billion euros, compared with 12.4 billion in 2018. Most of them were carried out in the Greater Paris Region, such as the sale in the 4th quarter to SOGECAP of "Sways", the future headquarters of Canal+ in Issy-les-Moulineaux, and the sale to GIC of "PB6" in La Défense.

A year of mega-deals
Breakdown of investment volumes in France by size bracket

<table>
<thead>
<tr>
<th>Size Bracket</th>
<th>2018 Share</th>
<th>2019 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than €200 M</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>€100-200 M</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>€50-100 M</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Less than €50 M</td>
<td>41%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Source: Knight Frank

770 transactions (679 in 2018)
35 > €200 M (33 in 2018) = €16.3B (12.4 in 2018) = 46% of volume (41% in 2018)
24% Share of volumes invested in portfolios (24% in 2018)
The Greater Paris Region accounted for the majority of large transactions and consolidated its leadership in 2019: last year, 26.6 billion euros were invested in all transactions combined, an unprecedented amount and 75% of investment activity in France. This volume was mainly invested in offices (83%), ahead of retail and industrial premises.

Source: Knight Frank
The success of the regions

The mega-deal effect also played a role in the regions, notably due to the numerous portfolio acquisitions. Two very large deals in particular boosted volumes in Q4 2019: Argan’s purchase of the "Cargo" portfolio and ADIA’s sale of 38 mixed-use assets located in Lyon. This transaction, the largest ever recorded in Lyon, ended an exceptional year in 2019. With €2.1 billion invested in 2019 in the Rhône-Alpes region, France’s second largest region shattered its record thanks to the proliferation of large transactions and the growing appetite of French and foreign investors, mainly from North America, Germany and the UK. This change of scale in the investment market mirrors that of the rental market, as 2019 was also a record year in terms of take-up of office space in Lyon.

Historic performance for the Lyon market
Breakdown of volumes invested in the regions, all asset types
In billions of euros

Source: Knight Frank

Breakdown of investment volume by asset type
Rhône-Alpes region, in 2019

- Offices: 24%
- Retail: 19%
- Industrial: 57%
Offices: consolidated dominance

In 2018, offices improved on their previous 2007 record by 13 per cent. The increase was also 13% in 2019, with 25 billion euros invested in offices in France, making the past year the best in history. However, their share of the total sums invested in France fell from one year to the next due to the sharp increase in the amounts invested in logistics, and the renewed vigour of the retail sector.

Paris is an exception in the office market: activity slowed there in 2019, with 15 transactions in excess of 100 million euros compared to 28 in 2018. This decline is partly due to the lack of supply and landlords’ desire to retain their Parisian assets. Indeed, despite the high level of market values, the strength of the rental market and the historically low vacancy rates make it possible to envisage further increases.

Source: Knight Frank
Examples of office transactions

> €400 M in 2019

- **Swiss Life** | Texas portfolio, Paris
- **Primorinal / Samsung** | Lumière, Paris 12th
- **Amundi / Mirae** | Majunga Tower, La Défense
- **La Française / Samsung** | Crystal Park, Neuilly
- **Sogecap** | Sways, Issy-les-Moulineaux
- **GIC** | PB6 Tower, La Défense
- **Apicil** | To-Lyon Tower, Lyon
- **Amundi / La Française REP / CAVP**
  West Bridge, Levallois-Perret
La Défense: 2nd best year in history

3.6 billion euros was invested in offices in La Défense in around a dozen transactions. The increase is 45% year-on-year and gave the business district its second best performance after 2007. La Défense owes this increase to Asian investors, who were behind five of the eight transactions of more than 100 million euros in 2019, two of which were for more than 500 million euros (sale of the Majunga Tower to the South Koreans MIRAE ASSET DAEWOO, in association with AMUNDI, and the purchase of the PB6 Tower by GIC, a Singapore sovereign fund).

Other sectors in the West also did well, such as Neuilly-Levallois, whose activity benefited in the fourth quarter from the sale of iconic headquarter buildings (West Bridge and the Semaphore in Levallois), and the Péri-Défense market.

Very close to the 2007 record
Change in office investment volumes in La Défense
In billions of euros

Source: Knight Frank
Forward funding sales: the Inner Suburbs are the front-runners

The increase in forward funding sale investment volumes continued in 2019, notably to the benefit of the Inner Suburbs. The towns closest to Paris and with the best transport links remain very popular, partly because they are best placed to take advantage of the relocation decisions of Parisian occupiers.

The crucial importance of public transport is also reflected in the growing success of the future Grand Paris hubs. Saint-Denis and Saint-Ouen are particularly popular as several major deadlines approach, including the extension of line 14 North and the 2024 Olympic Games, and major urban projects such as the Docks de Saint-Ouen and the Pleyel project in Saint-Denis move forward.

As such, almost 900 million euros was invested in 2019 in these two towns of Seine-Saint-Denis, including approximately 400 million euros in the 4th quarter for the acquisition by CDC and ALLIANZ of the “V2” and “V3” projects in Saint-Ouen.

Source: Knight Frank
A Grand Paris effect

Office transactions > €20M 2017-2019 in the Greater Paris Region (excluding Inner Paris)

Grand Paris Express rollout schedule

2020-2021
2024-2025
2027
2030

Source: Knight Frank

By volume category

- €20 – 50 M
- €50 – 100 M
- €100 – 200 M
- €200 – 400 M
- > 400 M€

Source: Knight Frank
A fairly **balanced market**

The dynamism of the major French savings collectors is a good indication of the appeal of the real estate market. SCPI/OPCI funds enjoyed record levels of inflows and accounted for 24% of total investment volumes in France in 2019, after 19% in 2018. They are second only to investment funds - whose dominance is due in particular to very large transactions undertaken by foreign investors - and ahead of insurers, down slightly from 2018.

Source: Knight Frank
A fairly **balanced market**

As a result of the dynamism of SCPI/OPCIs, and the major transactions carried out by other types of domestic players (property companies, insurers, etc.), the share of French investors increased slightly in 2019. They accounted for 55% of investment volumes in France last year, after 54% in 2018. The exceptional performance of the French market also owes much to the increase in the amounts committed by foreign investors. They have been continually increasing in volume since 2017 and reached 15.8 billion euros in 2019, a 14% increase year-on-year. North Americans are in first place, accounting for 28% of the volume invested by foreigners last year. They are fond of offices, industrial and retail premises, and are equally keen on secure assets and higher-risk transactions.

**Change in the share of French and foreign investors**

Out of all investment volumes in France, all asset types

<table>
<thead>
<tr>
<th>Year</th>
<th>French Investors</th>
<th>Foreign Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>2019</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

**Breakdown of investment volume by nationality**

Out of total investment volume in France, all asset types

- **North Americans**: 18% in 2018, 13% in 2019
- **French**: 54% in 2018, 55% in 2019
- **European (€)**: 7% in 2018, 8% in 2019
- **Outside of € zone**: 18% in 2018, 13% in 2019
- **Koreans**: 5% in both years
- **Others**: 7% in 2018, 5% in 2019

Source: Knight Frank
Having led the London market in 2018, South Koreans were behind some of the biggest transactions in the Greater Paris Region last year: they accounted for 29% of foreign investment volumes in 2019 in the Greater Paris Region, compared with barely 3% in 2018, and were ahead of the Germans and the British.

Unlike the Americans, the South Koreans’ appetite is almost exclusively for Core and large office complexes in Paris and the main office sectors of the western Greater Paris Region.

Source: Knight Frank
Retail: good results

Retail did not set a new record in 2019, however, with 5.3 billion euros invested in France, the increase is 12% over one year and 18% compared to the ten-year average. This result actually makes 2019 the third best year in history and confirms that retail is still a must, even if investors remain cautious.

Source: Knight Frank
Retail: more balanced activity

As with office and industrial space, 2019 was a year of large transactions. Transactions over 100 million euros accounted for 55% of retail investment in France last year, compared with an average of 46% over the past ten years. Several market segments benefited, such as shopping centres (sale to AXA of 50% and 75% of the shares in “Passage du Havre” and “Italie 2” respectively) and large retail distribution (Casino portfolios). Nevertheless, it was retail streets that were the main beneficiaries of the surge in large transactions, with volumes that amounted to 2.8 billion euros in 2019, all transaction sizes included.

Shopping centres: a recovery that needs to be confirmed
Retail investment volumes in France
Breakdown by asset type

<table>
<thead>
<tr>
<th>10-year average</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>High street</td>
<td>37%</td>
<td>60%</td>
</tr>
<tr>
<td>Shopping centres</td>
<td>18%</td>
<td>24%</td>
</tr>
<tr>
<td>Retail parks</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Others*</td>
<td>16%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Knight Frank

*Factory outlet centres, hypermarkets and supermarkets, non-divisible portfolios
Retail: very targeted investor appetite

Several very large high street retail transactions were recorded in the 4th quarter, including the sale to NORGES BANK of 79 Champs-Élysées, the future NIKE flagship store, and the purchase by AMUNDI / CREDIT AGRICOLE of a portfolio of mixed assets in Lyon, mainly comprised of retail properties. This transaction slightly rebalanced the geographical distribution of investment amounts, even though they remain clearly concentrated in Paris (70% of the sums invested in high street assets in 2019).

The ranking of the capital's districts did not change either. The sale of the future NIKE flagship store reinforced the leading position of avenue des Champs-Élysées, whilst new acquisitions of luxury boutiques and the purchase by BNP PARIBAS REIM of 51-53 Haussmann consolidated the position of the other streets in the Parisian top 5: the Rue Saint-Honoré / Place Vendôme sector, Avenue Montaigne, the Opéra/Haussmann district and Rue du Faubourg Saint-Honoré.

Source: Knight Frank
XXL portfolios are driving the market
Change in industrial real estate investment volumes
In France, in billions of euros

Investment volumes in industrial property reached an unprecedented €5.1 billion euros in 2019, exceeding the amounts invested in 2018 by 44%, as well as the previous record set in 2017 by 12%. With this result, industrial premises accounted for 14% of the total sums invested in France, still far behind offices (71%) but very close to retail (15%). This strong performance is mainly due to the logistics market’s surge, and the sale of warehouse portfolios. These increased over the months, with eight transactions of more than 100 million euros recorded in 2019, including seven in the second half of the year.

Source: Knight Frank
Institutional investors’ enthusiasm for logistics as a diversification tool contributed to a further compression of prime yields in this market sector. They have decreased by more than 300 basis points since 2013 and are now close to 4% for the best assets on the main North-South axis. With regard to high street properties, rates remain below 3% for the best assets, while offices have seen a slight compression with rates also below 3% in Paris.

Source: Knight Frank
Key trends in 2020: real estate’s advantage continues

Monetary policies remain accommodating for the time being, particularly in Europe where the ECB has not changed its strategy since Christine Lagarde took over as head of the institution. In 2020, as in recent years, the real estate sector will therefore benefit from the low interest rate context, as it has in recent years. Coupled with investors’ caution, this should continue to work in favour of assets that have good fundamentals and provide stable and secure income. The shortage of prime supply and the compression of yields will also favour diversification assets. Finally, some investors may take on more risk, although they will remain highly selective, targeting the types of assets and geographic sectors least exposed to a change in economic conditions.

Source: Knight Frank/Banque de France
Key trends in 2020

Activity drivers

- Growing interest in the Grand Paris project sectors and regional cities
- Interest rates: persistently low
- Dynamism of international capital flows
- Fund-raising: record after record?
- Investors’ search for diversification

Questions

- Continued decrease in prime yields?
- Shortage of office supply: what impact on investment volumes and investors’ acquisition criteria?
- Will investors take more risk?
- Confirmation of renewed interest in retail?

Risks are always present

- Economic slowdown
- Social and geopolitical tensions
2019 HIGHLIGHTS

A GOOD YEAR
LARGE TRANSACTIONS: DOWN ON PREVIOUS YEAR
PARIS: DOWN, BUT RESISTANT
NEW SPACE, ALWAYS POPULAR
IMMEDIATE SUPPLY: STABILISING
RENTS: RECORD(S) BROKEN
REBALANCE IN SIGHT?
AND IN THE FUTURE?
WHAT IMPACT ON THE MOBILITY OF LARGE COMPANIES?
10 YEARS OF LARGE COMPANY MOVEMENTS: TOP '10
10 YEARS OF LARGE COMPANY MOVEMENTS: INNER PARIS
10 YEARS OF LARGE COMPANY MOVEMENTS: SUBURBAN OFFICE MARKETS
WHAT CHANGED IN 10 YEARS: AN OVERVIEW
COWORKING: MORE MODERATE DEVELOPMENT
COWORKING: PARIS, STILL WAY AHEAD
THE YEAR OF NEXT40 COMPANIES: EXAMPLES OF LETTINGS TRANSACTIONS
THE YEAR OF NEXT40 COMPANIES: HIGHLIGHTS
BREXIT: CONCLUSION IN 2020?
KEY TRENDS IN 2020
2019 highlights

• **Respectable results**: + 5% above the ten-year average

• Letting volumes **limited by the lack of supply**

• Paris, **always in demand**

• Two growing trends: **coworking and new tech**

• Suburbs: **increasing success of the future Grand Paris hubs**
A good year

After an excellent performance in 2018, and six years of consecutive increase in take-up, activity in the Greater Paris Region office market contracted in 2019. Just over 690,000 sq m were let or sold to occupiers in Q4 2019. This volume brings the total take-up of office space over the past year to 2,372,000 sq m, down 9% compared to 2018. This result is still respectable and is 5% above the average of the last ten years.

Source: Knight Frank
Large transactions: down on previous year

Partly due to the lack of available supply in certain office sectors, the slowdown in 2019 affected all area categories. Small areas under 1,000 sq m recorded a decrease of 8% year-on-year, while medium-sized areas (1,000 to 5,000 sq m) held up slightly better (-6%). The decrease is more pronounced for large areas, both in number and in volume. Accordingly, there were 69 transactions over 5,000 sq m (compared with 83 in 2018) and take-up of 865,000 sq m in 2019, compared with almost one million sq m in 2018. This area category now represents only 36% of total take-up in 2019 after 38% in 2018, even though several large transactions were recorded in the last quarter (CANAL + in “Sways” in Issy-les-Moulineaux, etc.).

Resistance of intermediate sized areas
Take-up by area category in the Greater Paris Region
Out of total volume in sq m

<table>
<thead>
<tr>
<th>Area Category</th>
<th>10-year average</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1,000 sq m</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>1,000 to 5,000 sq m</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>5,000 to 20,000 sq m</td>
<td>34%</td>
<td>34%</td>
<td>36%</td>
</tr>
<tr>
<td>&gt; 20,000 sq m</td>
<td>29%</td>
<td>29%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Knight Frank

69 transactions
> 5,000 sq m
(83 in 2018)

= 865,490 SQ M
(975,871 sq m in 2018)

= 36% of volume
(38% in 2018)
Paris: **down, but resistant**

The very severe shortage of available areas has weighed on the Paris market results: take-up volume there reached just under 840,000 sq m in 2019, down 20% compared to 2018 and down 4% compared to the ten-year average. The Central Business District (CBD) accounted for nearly half of this total: driven by coworking operators, who were the source of five of the twelve transactions above 5,000 sq m in 2019, the CBD remains the driving force of the Paris market, despite a 14% drop compared to 2018.

Two sectors show an increase. In the Inner Suburbs, activity is up 9% owing to the dynamism of large transactions (14 transactions over 5,000 sq m, including six over 20,000 sq m). **La Défense shows an increase of 16%**.

Source: Knight Frank

### Change in take-up, by volume

<table>
<thead>
<tr>
<th>Geographical Sector</th>
<th>2019 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris CBD</td>
<td>-14%</td>
</tr>
<tr>
<td>Paris outside CBD</td>
<td>-25%</td>
</tr>
<tr>
<td>La Défense</td>
<td>+16%</td>
</tr>
<tr>
<td>Western Crescent</td>
<td>-1%</td>
</tr>
<tr>
<td>Inner Suburbs</td>
<td>+9%</td>
</tr>
<tr>
<td>Outer Suburbs</td>
<td>-18%</td>
</tr>
</tbody>
</table>

### A dynamic year in the Inner Suburbs

Share of each geographical sector in total take-up

In the Greater Paris Region, out of total volume in sq m

<table>
<thead>
<tr>
<th>Geographical Sector</th>
<th>2018 Share</th>
<th>2019 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris CBD</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>Paris outside CBD</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>La Défense</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td>Western Crescent</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Inner Suburbs</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Outer Suburbs</td>
<td>7%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Knight Frank
New space, always popular

In 2019, demand from large occupiers was overwhelmingly for new, redeveloped office space. These accounted for 70% of total take-up over 5,000 sq m, reflecting the priority given by companies to the efficiency and quality of their workspaces. This taste for new/redeveloped offices is also reflected in a high level of pre-lettings: almost 80% of Grade A office space over 5,000 sq m let in 2019 in the Greater Paris Region was let prior to delivery. This phenomenon is particularly pronounced in certain established office sectors, notably in Paris (89%).

Pre-lettings: almost 80%

Change in pre-lettings in the Greater Paris Region
% of number of transactions > 5,000 sq m undertaken on new or redeveloped supply

- Share of transactions let at delivery or after
- Share of pre-let transactions

2019 REVIEW AND 2020 OUTLOOK
Immediate supply: stabilising

The volume of immediate supply of office space totalled 2,737,000 sq m in the Greater Paris Region at the end of 2019, down 5% year-on-year. Office stock is therefore stabilising after several years of sharp decline (-28% between the end of 2014 and the end of 2018). The vacancy rate is now 5% and is at its lowest level since 2008, although the situation remains highly contrasted between the various office sectors in the Paris region. The limited number of deliveries of available projects, and very high occupier demand, continued to deplete the Inner Paris market, with a vacancy rate of just 2.1% at the end of 2019.

Source: Knight Frank
The capital's supply shortage situation has been observed for several months and explains the surge in Market Rents. As such, prime rents are breaking records, reaching €865/sq m/year in the CBD (+3% year-on-year). This trend is accompanied by a sharp increase in transactions of more than 500 sq m signed at values in excess of €800/sq m/year in Paris, with 21 in 2019 compared to 14 in 2018, and only three in 2017. Some Parisian areas in the East and on the Left Bank are also recording strong increases, partly linked to the boom in demand from coworking operators and new technology companies, as is the case in the CBD.

Source: Knight Frank
More than 130 projects over 5,000 sq m are currently under construction in the Greater Paris Region, representing a total of nearly 2.6 million sq m, 58% of which is still available. Two sectors are particularly well supplied: La Défense, where more than 400,000 sq m of office space is under construction or redevelopment, and the Inner Suburbs especially, where this volume amounts to almost 800,000 sq m, of which only 28% has been pre-let. Short and medium-term availability is much lower in Inner Paris, with a pre-letting rate of 57% in the CBD and 60% in the other areas of the capital.

Source: Knight Frank

### Growth in deliveries
Deliveries of new or redeveloped areas > 5,000 sq m in the Greater Paris Region

- **Available deliveries**
- **Pre-let deliveries**
- **Delivered areas**
- **Average new/redeveloped office take-up > 5,000 sq m (2014/2019)**

### Increased opportunities in La Défense and the Inner Suburbs
Share of pre-lettings by geographical sector
Office supply to be delivered by the end of 2022
(Building permit submitted/ Building permit granted/ Under construction)
And in the future?

Three major development trends can be identified with regard to the future production of offices in the Greater Paris Region. The first is the renewal of the most established office hubs, which explains the high number of projects identified in the CBD and in the main sectors in the West. The second shows the potential of areas located at the capital’s inner ring road junctions. Finally, the future Grand Paris hubs are attracting growing interest from investors and occupiers, resulting in an acceleration of future projects in towns in the East (Fontenay-sous-Bois, etc.), the South (Montrouge, Bagneux, Villejuif, etc.) and particularly in the North (Saint-Ouen, Saint-Denis) of the Greater Paris Region.

MAIN TRENDS

- **Established hubs**
  Renewal of the Paris and Western Crescent office stock (CBD, La Défense, etc.)

- **Paris / Inner Suburbs**
  Dynamism of the ring road junctions (accessibility, quality of supply, available land, etc.)

- **Rest of the Inner Suburbs**
  Development of the Grand Paris hubs (Saint-Denis, Fontenay-sous-Bois, Villejuif, etc.)
What impact on the mobility of large companies?

An analysis of the movements of major occupiers over the 2017-2019 period makes it possible to identify the most captive office markets, and those subject to greater company mobility.

The Outer Suburbs remain mainly driven by endogenous movements, while the La Défense sector has seen a majority of companies favour neighbouring sectors (Western Crescent). With its future large deliveries, the business district could recover its appeal. Nevertheless, several other sectors in the suburbs will also be more attractive, multiplying the alternatives available to companies.

In Paris, sectors outside the CBD are showing a negative balance. Unlike La Défense, however, future supply will remain limited, which should encourage further occupier relocations, particularly to neighbouring Inner Suburb hubs with good transport links. Source: Knight Frank

### Occupier mobility

% of number of transactions ≥ 5,000 sq m in the Greater Paris Region, between 2017 and 2019

<table>
<thead>
<tr>
<th>Company coming from…</th>
<th>Left the sector to go to…</th>
<th>Stayed in the sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris CBD</td>
<td></td>
<td>Paris CBD 68%</td>
</tr>
<tr>
<td>Paris outside CBD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Défense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Crescent</td>
<td></td>
<td>Western Crescent 73%</td>
</tr>
<tr>
<td>Inner Suburbs</td>
<td></td>
<td>Inner Suburbs 78%</td>
</tr>
<tr>
<td>Outer Suburbs</td>
<td></td>
<td>Outer Suburbs 88%</td>
</tr>
</tbody>
</table>

- Negative balance

Source: Knight Frank
10 years of large company movements

The beginning of a new decade is an opportunity to take stock of the past decade. During this period, the large areas market was driven by the recurrent movements of several large French companies. Orange is the leading company in the Greater Paris Region in terms of the consumption of office space over 5,000 square metres between 2010 and 2019. France’s largest banking groups also continued to streamline their operations, fuelling demand. In 2019, several of them further stood out through the signing of large new leases (Crédit Agricole in Montrouge, Société Générale in Fontenay-sous-Bois, etc.). But one of the most striking trends in recent years has undoubtedly been WeWork’s breakthrough: the American operator has taken 8th place in the ranking of the decade’s biggest occupiers, even though the company didn’t open its first site there until 2017 (rue Lafayette, in the 9th district).

Source: Knight Frank

Orange in the lead
Top 10 companies that use the most sq m of office space
In the Greater Paris Region, between 2010 and 2019, transactions > 5,000 sq m

<table>
<thead>
<tr>
<th>Company</th>
<th>Total volume in sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORANGE</td>
<td>277,000</td>
</tr>
<tr>
<td>BNP PARIBAS</td>
<td>227,000</td>
</tr>
<tr>
<td>GROUPE ALTICE / SFR</td>
<td>210,000</td>
</tr>
<tr>
<td>GROUPE BPCE</td>
<td>208,000</td>
</tr>
<tr>
<td>EDF / ERDF</td>
<td>207,000</td>
</tr>
<tr>
<td>CRÉDIT AGRICOLE / LCL</td>
<td>204,000</td>
</tr>
<tr>
<td>SOCIÉTÉ GÉNÉRALE</td>
<td>172,000</td>
</tr>
<tr>
<td>WEWORK</td>
<td>151,000</td>
</tr>
<tr>
<td>THALÈS</td>
<td>149,000</td>
</tr>
<tr>
<td>SNCF</td>
<td>133,000</td>
</tr>
</tbody>
</table>

Coworking: in the big league
Share of each business sector in total take-up > 5,000 sq m
In the Greater Paris Region, out of total volume in sq m

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>2010-2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>Administration</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Banking / Insurance</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>New Tech / Media</td>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>Manufacturing- Distribution</td>
<td>24%</td>
<td>16%</td>
</tr>
<tr>
<td>Others</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Coworking / Flex</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Others</td>
<td>6%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Knight Frank
In Paris, the analysis of take-up volumes over 5,000 sq m during the 2010-2019 period shows a fairly clear geographical concentration of the activity of large occupiers. Two sectors account for the largest share. The heart of the capital remains a must, driven by the market in the 8th district and an increasingly marked extension of the CBD towards the east (Paris 9th and 2nd). This area is a prime target for large “captive” companies (finance, consulting, etc.), and also benefits from the growing demand from more recent activity sectors such as coworking and digital technology.

The outer districts (13th, 15th, 17th, etc.) have also captured a significant share of demand from large occupiers, in sectors such as banking/insurance and administration. Advantages of these areas include: excellent access, a Parisian address, the good value for money of their real estate supply and opportunities for large areas that have been boosted by the completion of urban projects (Semapa, Balard, Batignolles, etc.).

### Breakdown in Paris

**Share of each district in total take-up > 5,000 sq m**

**In Inner Paris, between 2010 and 2019**

- **15-20%**
- **10-15%**
- **5-10%**
- **2-5%**
- **Less than 2%**

**Source:** Knight Frank

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**Paris 15, 13, 17, 19**

Very dynamic outer districts

- Available land / Development projects (Clichy-Batignolles, Balard, etc.)
- Consolidation of large business sectors (banking, administration, etc.)

---

**Paris 8, 9, 2**

The driving force in the Parisian market

- Renewal of stock
- Captive occupiers (luxury, consulting, finance)
- Rise of coworking and Tech
- “Location, location, location”

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**2019 REVIEW AND 2020 OUTLOOK**

**OFFICE LETTINGS**
Outside Paris, the results of the past decade show a fairly classic polarisation of the activity of large occupiers in the main office hubs of the West, such as La Défense, Levallois-Perret, Boulogne-Billancourt and Issy-les-Moulineaux. The latter town is very popular, confirmed in 2019 by several major moves such as CANAL+ who took a lease on "Sways" and CNP’s acquisition of the "Issy Cœur de Ville" offices. Outside of the more established sectors, three towns accounted for a significant share of demand for areas over 5,000 sq m, starting with Montrouge, which is sought-after by large French companies such as EDF and Crédit Agricole. In the North, Saint-Ouen and Saint-Denis have in just a few years become major office hubs.

Source: Knight Frank

Top 10 towns in the Greater Paris Region
On total take-up > 5,000 sq m
Outside Paris between 2010 and 2019

The winning trio
On total take-up > 5,000 sq m
Outside Paris between 2010 and 2019

1. Courbevoie
   - 664,800 sq m let between 2010 and 2019
   - ▼ 15% compared to 2000-2009
   - 50 large transactions

2. Issy-les-Moulineaux
   - 524,400 sq m let between 2010 and 2019
   - ▲ 57% compared to 2000-2009
   - 27 large transactions

3. Saint-Denis
   - 432,800 sq m let between 2010 and 2019
   - ▲ 22% compared to 2000-2009
   - 23 large transactions

*Take-up of areas over 5,000 sq m
What changed in 10 years: an overview

While the last ten years have not really changed the hierarchy of the various office hubs in the Greater Paris Region, a few major structural changes have profoundly transformed the demand and expectations of companies in terms of office space design. Among these factors, the digital revolution has played a major role in encouraging the emergence of new ways of communicating and working. New types of operators such as digital companies, have also emerged, leasing ever larger office areas and focusing on the most central areas of the conurbation in order to be able to attract the best people. Finally, the transformation of working methods has also met the demand for an increased need for flexibility, and the huge increase in the number of coworking spaces is undoubtedly one of the most obvious examples.
Coworking: more moderate development

Taking all areas together, coworking operator leases totalled **almost 200,000 sq m** in 2019, a **38% increase over 2018**. Activity was particularly strong in the > 5,000 sq m area category, with 11% of the Greater Paris Region take-up volume in 2019 falling in this market category (compared with 9% in 2018 and 5% in 2017). In Inner Paris, their share even reached **35%**! Wework are still the leader in terms of the number of square metres let, despite a marked deceleration in the second half of the year. Other operators were behind large transactions, such as KWERK in the 8th district and WOJO in the 13th and 14th districts. On smaller areas, DESKEO continued its rapid expansion with more than thirty sites leased, most of them located in the capital and in a few towns in the Hauts-de-Seine department.

**But take-up at its highest level …**

Change in take-up by coworking operators

In the Greater Paris region, between 2015 and 2019

**… and WeWork is still in the lead**

Breakdown of coworking take-up volumes, by operator

In the Greater Paris region, between 2015 and 2019, all areas included

Source: Knight Frank
Coworking: Paris, still way ahead

...but more projects in the Western sectors

Geographic breakdown of take-up by coworking operators
In the Greater Paris region, between 2015 and 2019

Paris accounts for nearly three-quarters of all volumes leased by coworking operators since 2015, including a very substantial share in the CBD. However, 2019 confirmed the trend towards the geographic expansion of coworking, with several large areas leased in Paris outside the CBD (Wojo in the 13th and 14th districts), while WeWork set foot outside Paris by signing their first space in La Défense (Les Collines de l’Arche). Outside Paris and La Défense, coworking operators have targeted the largest office hubs in the West, such as Neuilly or Boulogne.
The year of Next40 companies

Like coworking, another relatively recent sector is becoming increasingly important: digital companies, many of whom are opting for coworking spaces to support their growth and increase their flexibility. They are also leasing their own offices, and this for increasingly larger areas, as shown by the lettings in 2018 and 2019 to several companies of the Next40, the index unveiled last year by the government and intended to encourage the development of world-class technological leaders. Next40 companies accounted for 5% of take-up > 5,000 sq m in 2019 in the Greater Paris Region, even though the majority of these companies were created less than ten years ago. This is the case for DOCTOLIB and PAYFIT, the latter of which leased just under 8,000 sq m on rue de Saint-Pétersbourg in the 8th district and multiplied the size of its offices by more than 120 since 2014!

Source: Knight Frank

Examples of lettings in 2018-2019
In the Greater Paris Region

<table>
<thead>
<tr>
<th>Year</th>
<th>Tenant</th>
<th>Address</th>
<th>Area (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>DOCTOLIB</td>
<td>LE SEMAPHORE, LEVALLOIS-PERRET</td>
<td>11,230</td>
</tr>
<tr>
<td>2019</td>
<td>BELIEVE DIGITAL</td>
<td>KONECT, SAINT-OUEN</td>
<td>9,880</td>
</tr>
<tr>
<td>2019</td>
<td>PAYFIT</td>
<td>QUAI 8, PARIS 8</td>
<td>8,000</td>
</tr>
<tr>
<td>2019</td>
<td>IVALUA</td>
<td>100 AVENUE DE PARIS, MASSY</td>
<td>5,180</td>
</tr>
<tr>
<td>2019</td>
<td>DEEZER</td>
<td>29 RUE DE CALAIS, PARIS 9</td>
<td>5,100</td>
</tr>
<tr>
<td>2018</td>
<td>YOUNITED CREDIT</td>
<td>21 RUE DE CHATEAUDUN, PARIS 9</td>
<td>4,530</td>
</tr>
<tr>
<td>2019</td>
<td>BLABLACAR</td>
<td>6-8 RUE SEDAINE, PARIS 11</td>
<td>4,300</td>
</tr>
<tr>
<td>2018</td>
<td>MEERO</td>
<td>LE CENTORIAL, PARIS 2</td>
<td>3,600</td>
</tr>
<tr>
<td>2018</td>
<td>LEDGER</td>
<td>#CLOUD, PARIS 2</td>
<td>2,400</td>
</tr>
<tr>
<td>2018</td>
<td>WYND</td>
<td>TOUR MIRABEAU, PARIS 15</td>
<td>2,200</td>
</tr>
<tr>
<td>2018</td>
<td>ALAN</td>
<td>117 QUAI DE VALMY, PARIS 10</td>
<td>2,200</td>
</tr>
<tr>
<td>2018</td>
<td>DEVIALET</td>
<td>35 RUE LA BOETIE, PARIS 8</td>
<td>1,980</td>
</tr>
<tr>
<td>2018</td>
<td>SHIFT TECHNOLOGY</td>
<td>BERCY CRYSTAL, PARIS 12</td>
<td>1,660</td>
</tr>
<tr>
<td>2018</td>
<td>VESTAIRE COLLECTIVE</td>
<td>LE BARJAC, PARIS 15</td>
<td>1,300</td>
</tr>
</tbody>
</table>

Source: Knight Frank
The year of Next40 companies

The growth of digital companies is hardly surprising: whether or not they belong to the Next40, their commercial successes and the successive fundraising they receive imply major recruitment needs and the need to have premises large enough to house these new employees. Real estate therefore plays an eminently strategic role in enabling them to continue their growth. The offices, the quality of their address, their facilities and their services are essential factors in the war that these digital companies are waging to attract or retain the best talent.

A recent existence
95% of Next40 companies did not exist before 2000

A share that remains modest but is already...
5% of the volume of movements > 5,000 sq m in 2019 in the Greater Paris Region

An example of rapid growth

Paris first and foremost!
70% of Next40 companies have their head offices in Paris

Source: La French Tech/Knight Frank
Source: Knight Frank
Source: Knight Frank

Objects

Areas

PayFit x 123 in 5 years

8,000 sq m
1,470 sq m
240 sq m
65 sq m

2019
2017
2016
2014

10%
20%
15%
4.5%
10%

Paris CBD/Centre West
Paris South
Paris North East
Others Greater Paris Region
Regions
Brexit: conclusion in 2020?

In 2020, the possible conclusion of Brexit could trigger a revival of company relocations, which were relatively few in number in 2019. Paris remains well placed to benefit from this: with 68 definite or potential projects out of the 472 identified in Europe since the 2016 referendum, it is still far behind Dublin (107) but has closed the gap with Luxembourg (73). Furthermore, it is now well ahead of Amsterdam (57) and Frankfurt (50).

Down on last year
Chronological change in Brexit-related movements in Europe
Announced, actual or potential movements

Source: Knight Frank

Paris, solid third
Geographical breakdown of Brexit related movements in Europe
Announced, actual or potential movements, by city

Dublin 107
Luxembourg 73
Paris/Greater Paris Region 68
Amsterdam 57
Frankfurt 50
Brussels 19
Madrid 16
Brexit: conclusion in 2020?

The activity sectors of companies that have so far chosen Paris are less diverse than those of other major European cities. For example, Amsterdam has succeeded in attracting companies with fairly diverse profiles (pharmaceutical companies, large audio-visual companies, Japanese industrial flagships such as Sony and Panasonic, etc.). In Paris, three-quarters of Brexit-related relocation projects that are certain or potential concern companies in the financial sector. This share even exceeds 80% if Fintech’s movements are included, illustrating the strengthening of Paris as a leading financial centre. Driven by international finance, traditionally captive to an address in the CBD, the demand for Brexit-related offices therefore almost exclusively targets this market. This is where the most significant movements have been identified, whether in terms of projects that have already been completed (Bank of America, Wells Fargo, MUFG, etc.) or real estate searches that are ongoing.

Source: Knight Frank

Paris: less diversity
Breakdown of movements by activity sector

The CBD first and foremost
Geographical breakdown of movements recorded in the Greater Paris Region (movements completed or actively sought)
By number of movements

<table>
<thead>
<tr>
<th>Activity Sector</th>
<th>Paris</th>
<th>European average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>53%</td>
<td>23%</td>
</tr>
<tr>
<td>Fintech</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Insurance</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Others</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Key trends in 2020

The main drivers of demand

- New ways of working
- Increased search for flexibility and services
- Attracting and retaining talent (access, well-being, etc.)
- Continued expansion of digital companies
- Continued streamlining of more “traditional” occupiers

Main areas of development

- Renewal of the office stock of established office hubs (Paris, Western Crescent)
- Dynamism of the capital’s inner ring road junctions (Parisian address, accessibility, quality of supply)
- Development of the Grand Paris hubs (Saint-Denis, Saint-Ouen, Fontenay-sous-Bois, Villejuif, etc.).

Context: still uncertain

- Slowdown in global growth
- Resilience of the French economy?
- Risks are still numerous (Brexit, elections in the USA, social tensions in France, etc.)
2019 REVIEW AND 2020 OUTLOOK

Retail

FRANCE
2019 HIGHLIGHTS
MACRO-ECONOMIC CONTEXT
TOURISM CONTINUES TO PLAY A KEY ROLE
FASHION: SOME DIFFICULTIES, BUT...
NEW FOREIGN BRANDS: A VERY APPEALING MARKET
MULTIPLICATION OF FORMATS
DNVBS: A PHENOMENON THAT NEEDS TO BE PUT INTO PERSPECTIVE
LUXURY: A DYNAMIC MARKET
LUXURY MARKET DRIVEN BY: ...
LUXURY: WHAT ARE THE GEOGRAPHICAL CHANGES?
CONTRASTING TRENDS
PARIS: THE TRANSFORMATION CONTINUES
RUE DE RIVOLI: THE REVIVAL?
SHOPPING CENTRES: PRIORITY GIVEN TO THE RENOVATION OF EXISTING CENTRES
SHOPPING CENTRES: EXAMPLES OF 2019-2020 OPENINGS
RETAIL PARKS: SUSTAINED GROWTH
RETAIL PARKS: EXAMPLES OF 2019-2020 OPENINGS
KEY TRENDS IN 2020
2019 highlights

• **A dynamic market**, in spite of the yellow vests movement and social protests

• Significant **increase in the arrival of new foreign brands**

• DNVBs: openings that underline **the importance of physical retail**

• Luxury: continued **expansion of major brands** through the opening of new flagships

• Shopping centres: priority given to the **renovation and extension of existing properties**
After a difficult start to the year, signs of a more favourable economic climate for businesses grew in 2019, from the increase in purchasing power to dynamic job creation. While forecasters agree that consumption will pick up, social movements nevertheless ended 2019 on a negative note and undermined household confidence, after retailers had already suffered from the effects of the yellow vests movement in 2018.

**Macro-economic context**

### Confidence: year-end stall

**Household opinion**

| Source: INSEE |

### Recovery in consumption

**Household consumption and gross disposable income**

| Source: Banque de France |

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1.60% 1.60% 0.90% 1.20% 1.50% 1.40%
Tourism continues to play a key role

After a record year in 2018, tourist numbers remained at high levels in Paris, despite a slight decrease in foreign tourist arrivals. Nevertheless, the number of foreign tourists has increased by more than 20% over the last ten years, boosted in particular by an increase in the number of American (+54%) and Chinese (+219%) tourists.

International tourism slowed down in 2019...
Number of hotel arrivals
In millions in Paris, 2018/2019 change from January to October

![](chart)

Source: Office de Tourisme et des Congrès de Paris

...but has significantly increased in the last ten years
Change in the number of hotel arrivals in Paris
Between 2010 and 2019, January-October period each year

Source: Office de Tourisme et des Congrès de Paris
Fashion: some difficulties, but......

The clothing sector continues to be penalised by consumer decisions, as illustrated by the difficulties of several historic brands. However, the decrease in sales is expected to be more moderate in 2020. Fashion remains an essential component of the French retail landscape, accounting for example for a significant proportion of new foreign retailers or DNVB projects in France.

A more moderate slowdown
Textile-clothing sales in France, annual change

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>-15%</td>
<td>-1%</td>
<td>-2.9%</td>
<td>-1%</td>
<td>-0.8%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IFM

An ongoing important role in the French retail market

- **New foreign retailers** in France in 2019: 36%
- **DNVB* stores** in France in 2019: 44%
- **Opening of luxury boutiques** in Paris: 42%

*DNVB = Digitally Native Vertical Brands
New foreign brands: a very appealing market

In 2019, 57 foreign brands opened their first store in France, while “only” 43 such openings were recorded in 2018. This increase is remarkable and reflects the strong appeal of the French market, which has seen its supply regenerated by these new store openings and brands. Because of its international influence, Paris remains by far the first choice of foreign brands for their first opening (65% of the 2019 arrivals in France, compared to 61% on average over the previous five years).

An excellent vintage
Annual change in the number of new foreign brands in France

Paris and high streets: always a priority
Preferred locations and types of locations in 2019
First point of sale for new brands arriving in France
New foreign brands: a very appealing market

Arriving in France in 2012 and with more than 500 stores, Action is the foreign brand with the fastest expansion in the last ten years. Basic-Fit comes second with the opening of more than 330 fitness clubs in France since 2014. No clothing retailer has experienced such a development. Nevertheless, fashion continues to account for the largest share of foreign retailers’ arrivals, accounting for 36% of all new entrants in 2019 (Icicle, Falconeri, Suitsupply, etc.), compared with an average of 43% in the previous five years.

The most significant arrivals of the decade

In total number of stores in France at the end of 2019

> 300
Action
Basic Fit

> 100
Calzedonia
Kiko
Pandora
Superdry

> 50
Desigual
Flying Tiger
Hema
JD Sports
Parfois
Rituals

260
new foreign brand arrivals in France since 2014

10
brands account for

58%
of all openings by these new entrants since their arrival in France.

Source: Knight Frank
Multiplication of formats

French and foreign brands are more and more numerous in developing their own brand. Among them, several belong to the world of skincare and beauty, such as Pierre Fabre, Bourjois and Lancôme, which recently inaugurated its Parisian flagship store on avenue des Champs-Élysées. But many other sectors are also covered, as illustrated by the openings of Oris, Vorwerk, Salomon, Lego, Nespresso, Veja and Colmar. This brand development is reflected in a growing range of retail formats, among which pop-up stores, shop-in-shops, travel retail and concept stores are particularly popular.

**Single-brand stores**
Lego, Bourjois, Vorwerk, Nespresso, Salomon, Lancôme, Fusalp, Colmar, Simmons, Veja, etc.

**Pop-up stores**
Harry Potter, JBL, NTM, Hyundai, Play-Doh, Ghibli, Instagram, Mitsubishi, Fenty, etc.

**Concept-stores**
Kith, Nous, En Selle Marcel, Grand Playground, Thunderstone, etc.

**Shop-in-shops**
King Jouet / Prénatal, King Jouet / Claire’s, Géant Casino / Maty, FNAC / Darty, Printemps / Aroma-Zone, Carrefour / Tediber, etc.
DNVBs: a phenomenon that needs to be put into perspective?

In the age of digital technology and consumer mistrust, DNVB’s business model and communication are an inspiration for all players in the retail industry. Some 50 French DNVBs have opened at least one own-brand store, totalling some 220 points of sale in France. However, six fashion (Balibaris, Le Slip Français, Faguo), optical (Jimmy Fairly, Lunettes pour Tous) and beauty (Oh My Cream) brands alone account for 61% of these locations.

Breakdown, by product category
Breakdown as a %, in France

Fashion: 44%
Optical: 34%
Beauty/Cosmetics: 17%
Others: 11%

The main players: six DNVBs

12% of the number of DNVBs*

61% of all DNVB shops in France

*DNVB = Digitally Native Vertical Brands

Source: Knight Frank / *Excluding distributors, pop-ups and department stores
DNVBs: a phenomenon that needs to be put into perspective

Paris and a few large towns in the Greater Paris Region (Boulogne, etc.) alone account for 62% of all DNVB’s shops, with the remainder spread overwhelmingly in large regional cities such as Lyon, Toulouse and Nantes. This polarisation is quite logical: DNVB shops serve to complement their web presence, to get closer to their customers and to increase their brand awareness, which explains the priority given to the most promising cities and districts, such as the Marais or a few good streets on Paris’ Left Bank.

Source: Knight Frank / * Excluding distributors, pop-ups and department stores /** Retail parks, factory outlets, etc.

Breakdown, by asset type
Breakdown as a %, in France

1. High streets: 90%
2. Shopping centres: 9%
3. Others: 1%

Geographical breakdown
Breakdown as a %, in France

1. Paris / Greater Paris Region: 61%
2. Largest regional cities: 28%
3. Other towns: 11%

Top 5 Parisian districts

1. Marais
2. Rive Gauche (Left Bank)
3. Les Halles / Etienne Marcel
4. Beaumarchais / Bastille
5. Montmartre / Abbesses

*DNVB = Digitally Native Vertical Brands

Source: Knight Frank / * Excluding distributors, pop-ups and department stores /** Retail parks, factory outlets, etc.
Luxury: a dynamic market

2018 was exceptional in terms of the opening of luxury boutiques in Paris. In 2019, 36 were opened in the capital. The decrease is 22% over one year but must be put into perspective by the high number of future projects. Nearly thirty have already been identified, including several iconic operations, notably those undertaken by LVMH, such as the Dior and Loewe extension projects on avenue Montaigne, and the upcoming creation of a Dior flagship store at 261 rue Saint-Honoré.

A slow-down in openings, but…
Annual change in the number of luxury store openings in Paris

<table>
<thead>
<tr>
<th>Year</th>
<th>Openings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2018</td>
<td>40</td>
</tr>
<tr>
<td>2018</td>
<td>46</td>
</tr>
<tr>
<td>2019</td>
<td>36</td>
</tr>
<tr>
<td>2020 +</td>
<td>29</td>
</tr>
</tbody>
</table>

Renovations / Extensions
- Dolce & Gabbana, Avenue Montaigne
- Dior, Avenue Montaigne
- Loewe, Avenue Montaigne
- Cartier, Rue de la Paix
- Bulgari, Place Vendôme
- Chaumet, Place Vendôme
- Van Cleef & Arpels, Place Vendôme
- Hermès, Rue de Sèvres

Creations
- Dior, Rue Saint-Honoré
- Versace, Rue Saint-Honoré
- Moncler, Avenue des Champs-Elysées

Relocations
- Burberry, Rue Saint-Honoré

... numerous major future projects

29 projects already identified, including:

Source: Knight Frank
Luxury: a market driven by…

The expansion of large brands
Breakdown by brand of luxury boutique openings in Paris: 2019 and future openings

- LVMH: 58%
- Richemont: 21%
- Chanel: 10%
- Kering: 6%
- Others: 5%

LVMH is the main driving force in the Paris market: the brands of the world's leading luxury goods company account for just over 20% of openings in 2019 and future projects, ahead of the Richemont group (10%) and Chanel (6%). The dynamism of the luxury sector is also due to the growth of jewellery and watch brands, several of which are developing flagship formats, whether by expanding and renovating existing stores or creating new stores that enhance the customer experience (Cartier, Bulgari, Chaumet, Graff, etc.).

The rise of jewellery
Breakdown by product of luxury boutique openings in Paris

- Jewellery - Watches: 31% vs. 42%
- Fashion: 45% vs. 42%
- Others: 24% vs. 16%

The rise of jewellery and watches is also due to the growth of jewellery and watch brands, several of which are developing flagship formats, whether by expanding and renovating existing stores or creating new stores that enhance the customer experience (Cartier, Bulgari, Chaumet, Graff, etc.).

Flagship formats
Breakdown by type of luxury boutiques in Paris

- Creation: 26% vs. 16%
- Relocation: 19% vs. 18%
- Temporary shop: 47% vs. 47%
- Extension/Rénovation: 16% vs. 16%

Average for 2014-2018 vs. 2019 and future
Dior | 127 avenue des Champs-Élysées
Luxury: what are the geographical changes?

The increased presence of the big names in luxury goods is primarily benefiting a few right bank streets, such as avenue Montaigne and avenue des Champs-Élysées, which is continuing to move upmarket.

However, the most dynamic retail pitch is undoubtedly rue Saint-Honoré, with nearly 70 openings recorded in Paris since 2011, including a dozen in 2019. Although opportunities are fairly rare, the street will remain in the spotlight in 2020 due to much-anticipated openings (Dior, Burberry), and continued strong interest from retailers.

Hot spot: Rue Saint-Honoré

18 openings in 2019 and future openings

56% of store creations

Emphasis on luxury’s footprint

29% of the 2019 openings and identified projects in Paris concern premises that were not, or are not, occupied by luxury brands.

Source: Knight Frank
In rue Saint-Honoré, the very strong demand from retailers is supporting the increase in prime rental values, which rose by a further 13% last year to reach €15,000/sq m/year. This increase is indeed 50% over five years, compared to +7% for avenue Montaigne. Elsewhere, stability is the watchword, even if some major streets, particularly those on the Left Bank, may be heading for a decrease.
Paris: the transformation continues

Taking all market sectors together, the transformation of the Paris market will continue over the coming months. In 2020, for example, several flagship openings will take place on the Right Bank.

The transformation is less profound on the Left Bank. That said, two major projects are currently being finalised in the 13th and 14th districts: the 7,000 sq m “Italik”, an extension of the “Italie 2” shopping centre, and “Les Ateliers Gaité”.

Flagships
- Dior
- Bulgari
- Burberry
- Moncler

Retail complexes
- Ateliers Gaité
- Italik
- Samaritaine

Retail in train stations
- Gare Montparnasse
- Gare d’Austerlitz
- Gare du Nord

Foundations/Culture
- Collection Pinault
- Fondation Cartier
- MK2 Champs-Élysées
Rue de Rivoli will be the street to watch in 2020. It has been dormant for a few years and will benefit from the completion of the works on the Samaritaine and the opening of several flagships (JD Sports, Skechers, etc.). Current negotiations in progress give reason to hope for other major arrivals. The street would then fully regain its status as a structural component of the Right Bank, at the heart of a denser ensemble that will also be further enhanced in the months and years to come by major new cultural facilities (Pinault Collection in the former Bourse du Commerce, and the Fondation Cartier in the former Louvre des Antiquaires).
Shopping centres: priority given to the renovation of existing centres

As far as the shopping centre market is concerned, the upgrading of existing properties is more relevant than ever. Of the 195,000 new square metres of shopping centres to be opened in 2019 - a 17% decrease compared to 2018 - only 23% will be created from scratch.

The remainder of deliveries are split between transfers, redevelopments and extensions, several of which involved major regional centres such as “Cap 3000” near Nice, and “ Créteil Soleil” and “Vélizy 2” in the Paris region. This trend of consolidation of the “giants”, which are getting bigger and offering more and more leisure and dining space, will continue in 2020 and beyond, with the completion of other major projects.

Source: Knight Frank

### Creations at their lowest level

Shopping centre openings in France

<table>
<thead>
<tr>
<th>Year</th>
<th>Creations</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>93,000</td>
<td>44,000</td>
</tr>
<tr>
<td>2016</td>
<td>141,000</td>
<td>50,000</td>
</tr>
<tr>
<td>2017</td>
<td>150,000</td>
<td>44,000</td>
</tr>
<tr>
<td>2018</td>
<td>141,000</td>
<td>50,000</td>
</tr>
<tr>
<td>2019</td>
<td>44,000</td>
<td>150,000</td>
</tr>
</tbody>
</table>

- 17% year-on-year of pure creations

**2019 openings In France**

Of the total volume, in sq m
Shopping centres: examples of 2019-2020 openings

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CENTRE</th>
<th>TOWN</th>
<th>TYPE</th>
<th>AREA (SQ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>CAP 3000</td>
<td>Saint-Laurent-du-Var (06)</td>
<td>Extension / Redevelopment</td>
<td>32,500</td>
</tr>
<tr>
<td>2019</td>
<td>VÉLIZY 2</td>
<td>Vélizy-Villacoublay (78)</td>
<td>Extension / Redevelopment</td>
<td>19,600</td>
</tr>
<tr>
<td>2019</td>
<td>AUSHOPPING NOYELLES</td>
<td>Noisy-les-Émilies (62)</td>
<td>Extension / Redevelopment</td>
<td>14,600</td>
</tr>
<tr>
<td>2019</td>
<td>CRÉTEIL SOLEIL</td>
<td>Créteil (94)</td>
<td>Extension / Redevelopment</td>
<td>11,800</td>
</tr>
<tr>
<td>2019</td>
<td>YLIUM</td>
<td>Les Sables-d’Olonne (85)</td>
<td>Extension / Redevelopment</td>
<td>8,500</td>
</tr>
<tr>
<td>2019</td>
<td>RENNES-CESSON</td>
<td>Cesson-Sévigné (35)</td>
<td>Extension / Redevelopment</td>
<td>6,000</td>
</tr>
<tr>
<td>2020</td>
<td>LILLENIUM</td>
<td>Lille (59)</td>
<td>Creation</td>
<td>56,300</td>
</tr>
<tr>
<td>2020</td>
<td>LA PART-DIEU</td>
<td>Lyon (69)</td>
<td>Extension / Redevelopment</td>
<td>32,000</td>
</tr>
<tr>
<td>2020</td>
<td>LES ATELIERS GAITÉ</td>
<td>Paris (75014)</td>
<td>Extension / Redevelopment</td>
<td>27,800</td>
</tr>
<tr>
<td>2020</td>
<td>CARREFOUR NICE LINGOSTIÈRE</td>
<td>Nice (06)</td>
<td>Extension / Redevelopment</td>
<td>12,000</td>
</tr>
<tr>
<td>2020</td>
<td>ITALIK (ITALIE 2)</td>
<td>Paris (75013)</td>
<td>Extension / Redevelopment</td>
<td>6,400</td>
</tr>
</tbody>
</table>
Retail parks: **sustained growth**

The slowdown in shopping centre openings contrasts with the dynamism of retail park developments. **With just over 500,000 sq m inaugurated in 2019, the increase is 29% compared with the previous year.** This volume is overwhelmingly comprised of new retail parks, including several major new-generation developments such as “Shopping Promenade” in Arles and “Mon Beau Buchelay” in the Paris region. Although new developments will soon be completed (the 70,000 sq m “Steel” near Saint-Etienne), **the trend towards the renovation of existing areas will accelerate in 2020 and 2021.** The number and share of pure creations could therefore be reduced, especially as the regulatory, political and social context seems more restrictive for developments from scratch.

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**More than 500,000 sq m inaugurated**

Retail park openings in France (in sq m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Creations</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>350,000</td>
<td>88,000</td>
</tr>
<tr>
<td>2016</td>
<td>422,000</td>
<td>54,000</td>
</tr>
<tr>
<td>2017</td>
<td>350,000</td>
<td>88,000</td>
</tr>
<tr>
<td>2018</td>
<td>54,000</td>
<td>88,000</td>
</tr>
<tr>
<td>2019</td>
<td>88,000</td>
<td>88,000</td>
</tr>
</tbody>
</table>

Source: Knight Frank
## Retail parks: examples of 2019-2020 openings

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CENTRE</th>
<th>TOWN</th>
<th>TYPE</th>
<th>AREA (SQ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>MON BEAU BUCHELAY</td>
<td>Buchelay (78)</td>
<td>Creation</td>
<td>40,000</td>
</tr>
<tr>
<td>2019</td>
<td>EDEN 2</td>
<td>Servon (77)</td>
<td>Creation</td>
<td>35,000</td>
</tr>
<tr>
<td>2019</td>
<td>WOODSHOP</td>
<td>Cesson (77)</td>
<td>Redevelopment</td>
<td>33,000</td>
</tr>
<tr>
<td>2019</td>
<td>FRUNSHOPPING POLLESTRES</td>
<td>Pollestres (66)</td>
<td>Creation</td>
<td>23,000</td>
</tr>
<tr>
<td>2019</td>
<td>LE GRAND CHÊNE</td>
<td>Auch (32)</td>
<td>Creation</td>
<td>22,000</td>
</tr>
<tr>
<td>2019</td>
<td>SHOPPING PROMENADE ARLES</td>
<td>Arles (13)</td>
<td>Creation</td>
<td>18,000</td>
</tr>
<tr>
<td>2019</td>
<td>LE FORUM</td>
<td>Givet (08)</td>
<td>Creation</td>
<td>16,000</td>
</tr>
<tr>
<td>2020</td>
<td>STEEL</td>
<td>Saint-Étienne (42)</td>
<td>Création</td>
<td>70,000</td>
</tr>
<tr>
<td>2020</td>
<td>SHOPPING PROMENADE COEUR D’ALSACE</td>
<td>Vendenheim (67)</td>
<td>Redevelopment</td>
<td>70,000</td>
</tr>
<tr>
<td>2020</td>
<td>SHOPPING PROMENADE CLAYE-SOUILLY</td>
<td>Claye-Souilly (77)</td>
<td>Creation</td>
<td>44,000</td>
</tr>
<tr>
<td>2020</td>
<td>THE SNOW</td>
<td>Sallanches (74)</td>
<td>Creation</td>
<td>12,500</td>
</tr>
<tr>
<td>2020</td>
<td>LE CHAUDRON</td>
<td>Pornic (44)</td>
<td>Creation</td>
<td>12,000</td>
</tr>
<tr>
<td>2020</td>
<td>POP’A AUTUN</td>
<td>Autun (71)</td>
<td>Creation</td>
<td>10,900</td>
</tr>
</tbody>
</table>
Key trends in 2020

A context that remains uncertain

- Economic slowdown
- Social tensions
- Increase in purchasing power: effects limited by household decisions?

Brands / Lettings market

- Winning sectors: restaurant industry, sport and leisure (rock climbing, virtual reality, etc.), discount retailers, second hand, urban formats, etc.
- Dynamism of luxury sector
- A street to watch: rue de Rivoli
- Continued arbitration of the least profitable sites
- Limited correction of Market Rents

Retail projects

- Mixed use
- Continued slowdown in the creation of new shopping centres
- Start of a slowdown in retail park deliveries?
- Municipal elections, moratoriums and retail bashing: what impact on developments?