

# Paris - Île-de-France Office Market



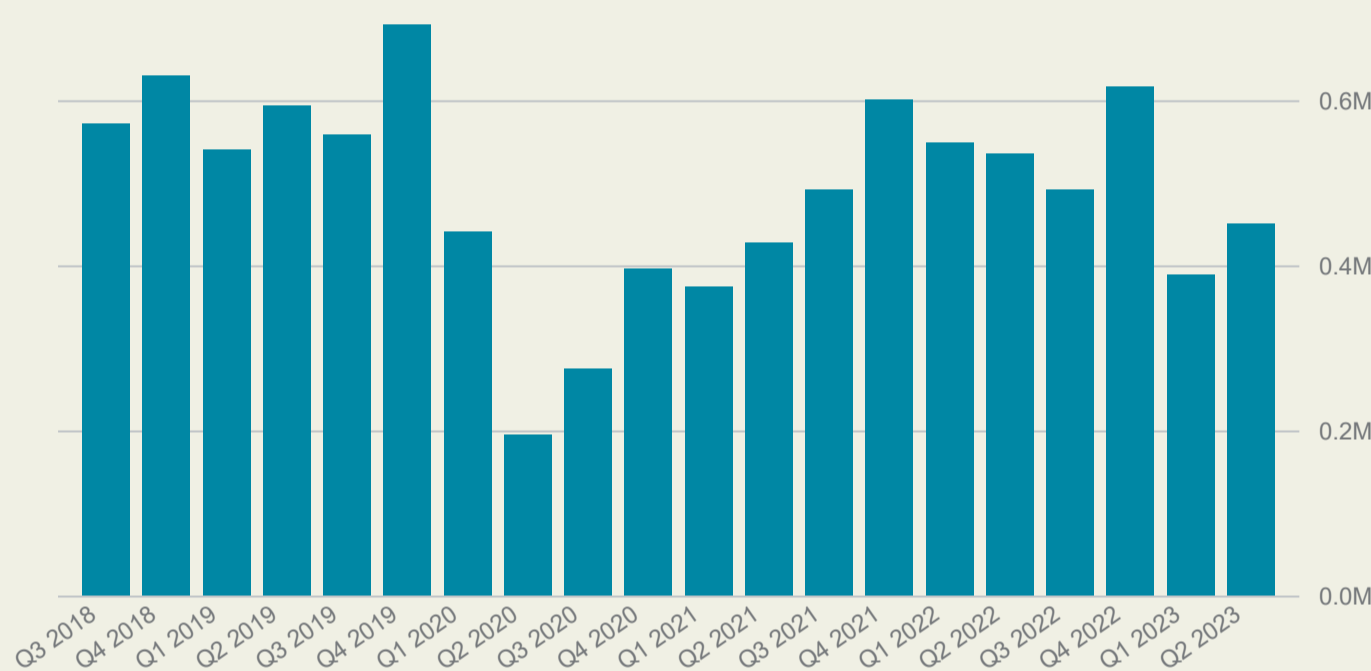
Q2 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

[knightfrank.com/research](https://knightfrank.com/research)

## Take up

Over the last 5 years, square metres



Source: Knight Frank Research

## OCCUPIER MARKET KEY FIGURES

**449,635 sqm**

Take up

**€ 485 psqm**

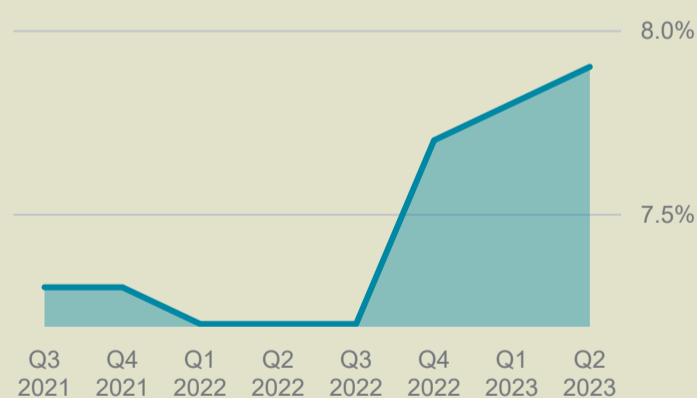
Average Rent

**7.9%**

Vacancy Rate

## Vacancy Rate

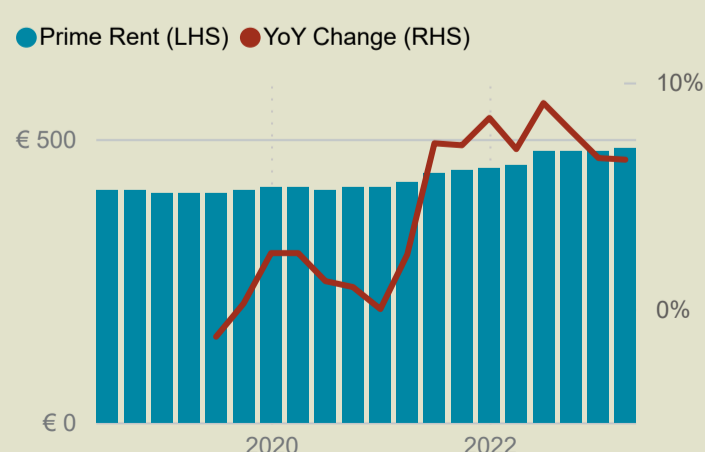
Measured in percentage terms



Source: Knight Frank Research

## Average Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

## OCCUPIER HEADLINES

In the second quarter of 2023, the Île-de-France office market saw 449,635 sqm of take up, 9% more than the volume seen in Q1 2023. This brings the total for the first half of the year to 863,591 sqm, representing a drop of 20% compared to H1 2022 and 16% relative to the H1 10-year average. This suggests that the strong leasing performance in 2022 was only a temporary surge resulting from pent-up demand after the pandemic.

Faced with a challenging economic environment, companies are taking more time to finalise their office space decisions. They must balance motivations to improve their space with pressures to mitigate costs, and thus an increasing number have been found to renegotiate their existing leases rather than relocate.

In H1, the low levels of leasing activity affected all size ranges. Large transactions were especially slow - only 21 deals above 5,000 sqm were recorded, 30% less than in the same period last year and the lowest H1 number since 2000.

Average rents for the region increased slightly this quarter to € 485 psqm per annum, up 7% from Q2 2022.

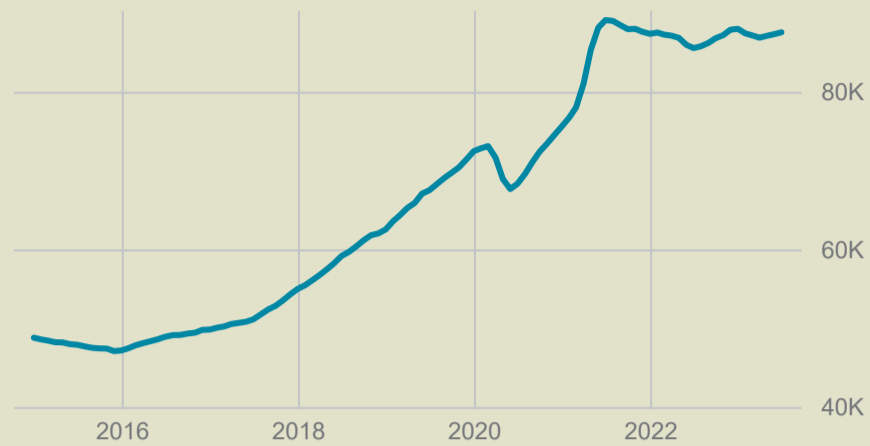
The vacancy rate also ticked upwards again in Q2 2023 to 7.9%. This represents an increase of 10 bps compared to last quarter and of 70 bps since Q2 2022. The disparity in vacancy by submarket is apparent, oscillating between 10-15% in the periphery, and close to 20% in the Peri-Défense and Northern Inner Suburbs.

The new supply pipeline was active in both 2021 and 2022, with 1.2 million sqm and 960,000 sqm delivered respectively. This momentum has slowed in 2023, with only 610,000 sqm expected for the full year, half of which are still currently available for lease. However the slowdown will be short-lived, as 1.32 million sqm are anticipated in 2024 and a further 1.2 million sqm in 2025. With this in mind, along with sluggish demand for second-hand space, examples of repurposed obsolete stock are likely to grow in number.

## ECONOMIC INDICATORS

### New Businesses in France

12-month Rolling Average

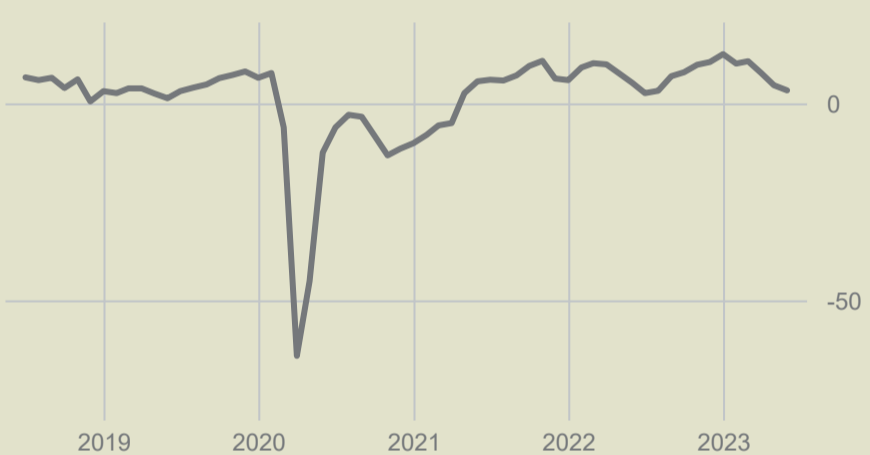


Source: French National Institute of Statistics & Economic Studies (INSEE)

New business starts in France have been on a growth trajectory over the last 7 years, with only a minor slump during the pandemic, followed by a strong recovery thereafter. The momentum slowed again in 2022 but has since shown clear signs of returning to a positive direction.

### Employment Expectations in the Service Sector in France

Over the next 3 months, %

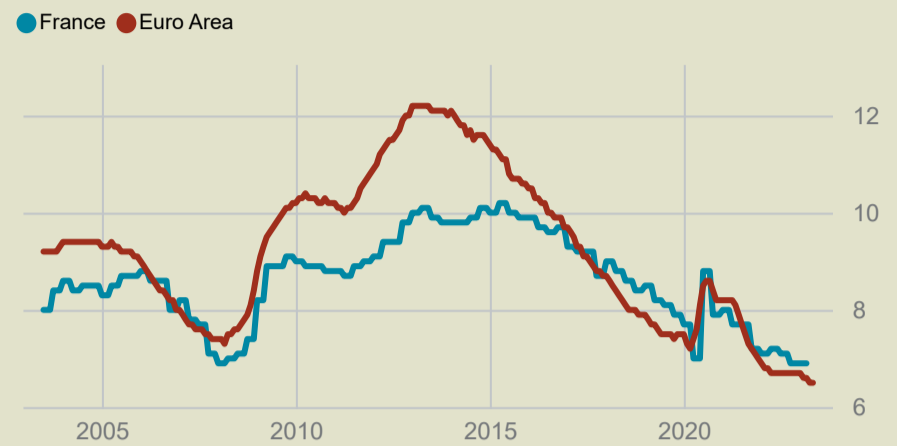


Source: European Commission (DG ECFIN)

Service sector employment expectations declined in Q2 2023 but remained in positive territory, indicating a cautiously optimistic outlook for the next quarter.

### Unemployment Rate in France

vs Euro Area, as a Percent of Civilian Labour Force, %

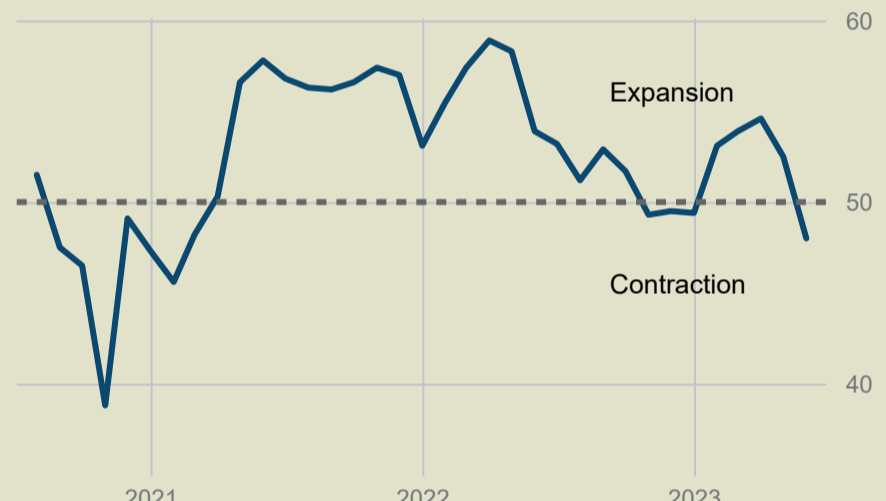


Source: Eurostat/ French National Institute of Statistics & Economic Studies (INSEE)

After strong labour market performance in 2022, the unemployment rate in France currently stands at 7.1%. According to INSEE forecasts, it is expected to increase moderately in 2024 and 2025 to reach approximately 7.5%, still well below pre-pandemic levels of 8.5%.

### Services PMI in France

Services PMI for the last 5 years, Index



Source: S&P Global

After promising performance in Q1 2023, the service sector PMI in France fell to contractionary territory in Q2 with a June 2023 reading of 48, dragged down by weaker demand expectations.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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