

Paris - Île-de-France Office Market



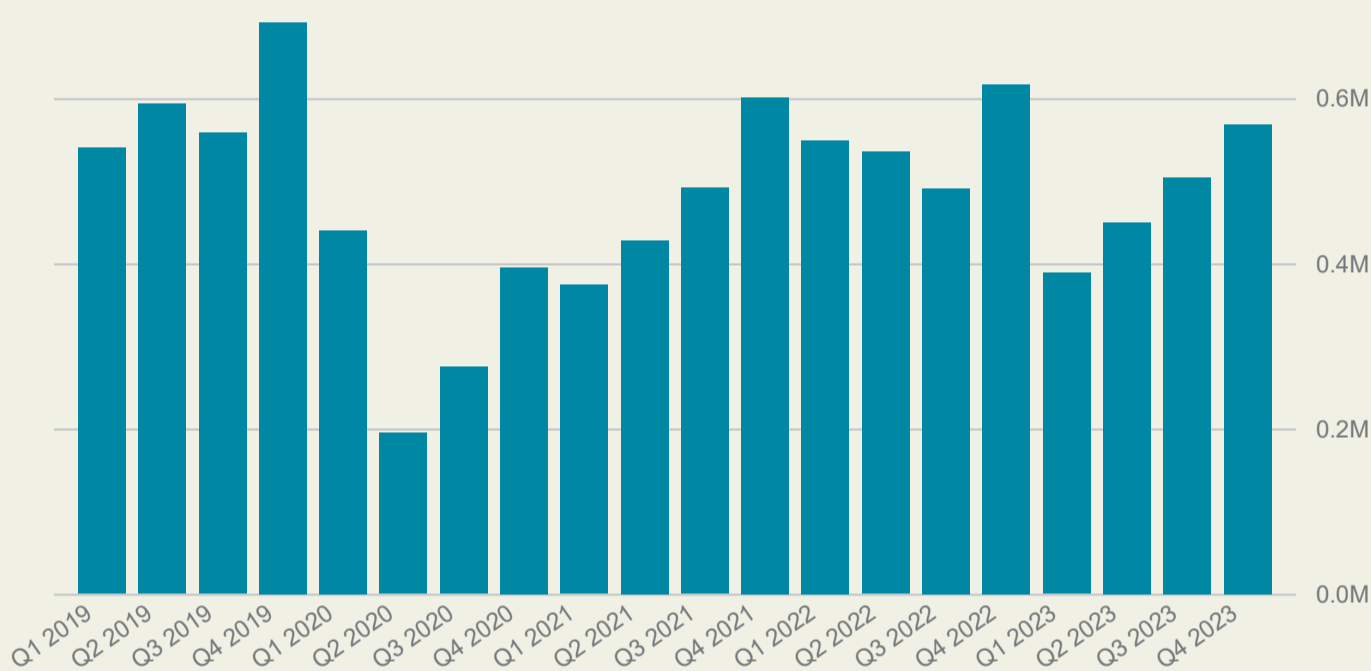
Q4 2023

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

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

568,022 SQM

Take up

€ 485 PSQM

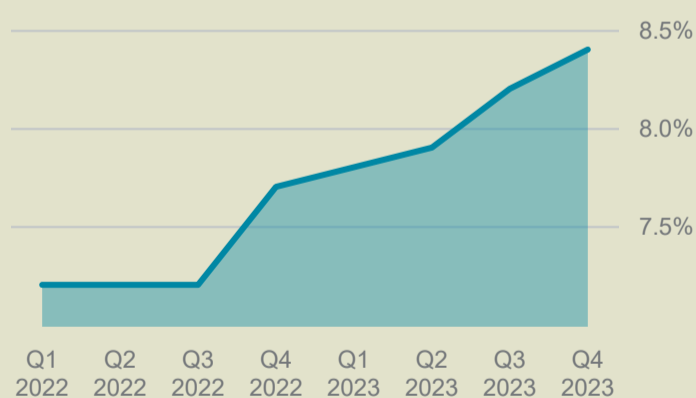
Average Rent

8.4%

Vacancy Rate

Vacancy Rate

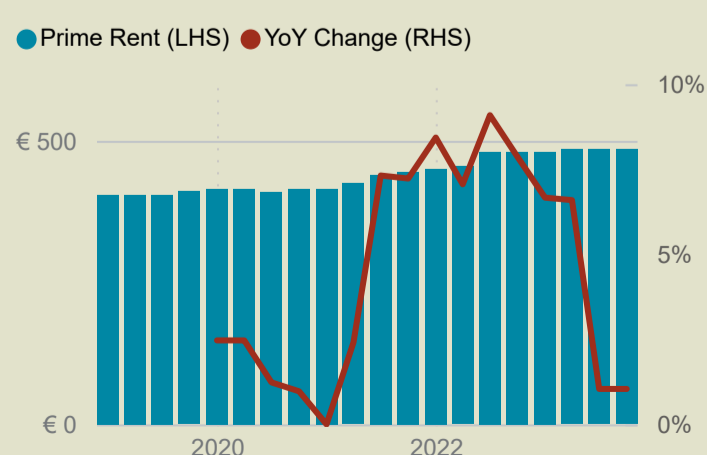
Measured in percentage terms



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 fourth quarter of 2023, the Île-de-France office market saw the strongest quarterly take up of the year, recorded at 568,022 sqm. This brings total take up for the year to 1.95 million sqm, representing a drop of 11% compared to 2022. The slower momentum of take up was most significant for the size segment of deals greater than 5,000 sqm, seeing a drop of 18% in 2023 relative to 2022. Among the largest transactions, none were found to be larger than 40,000 sqm in size, although this deal size used to account for 20% of take up volumes in the ten years prior to the pandemic.

An evolution in take up levels by sector is also apparent. The higher education sector saw an increase in leased space of 30% in 2023 compared to 2022. Other sectors currently seeing overall expansion in take up include luxury and consulting, while take up from coworking operators fell by 34%.

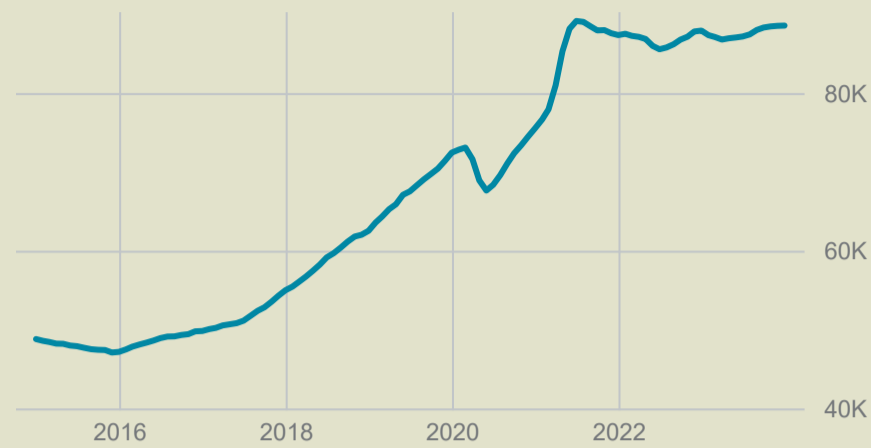
The overall vacancy rate in the region ticked upwards from 8.2% in Q3 to a new high of 8.4% in Q4, representing a 70 bps increase year-on-year. Despite this, average rents have held firm at €485 psqm. It should, however, be noted that the disparity between rental levels achieved in the city and outside the city continues to diverge. Average rents outside the city fell 6% year-on-year in 2023, and grew 3% within Paris.

Construction completions totalled 225,705 sqm in Q4 2023, bringing the volume of deliveries for the year to just above 500,000 sqm, a significant drop of 50% compared to 2022, and 43% below the 5-year average for completions per year. Of the space delivered in 2023, more than 40% is still available. Looking to 2024, there are 1.5 million sqm of development pipeline expected to be complete this year, of which 58% are still available. As a result, the vacancy rate for the region is expected to increase this year, and moderate in 2025.

ECONOMIC INDICATORS

New Businesses in France

12-month Rolling Average

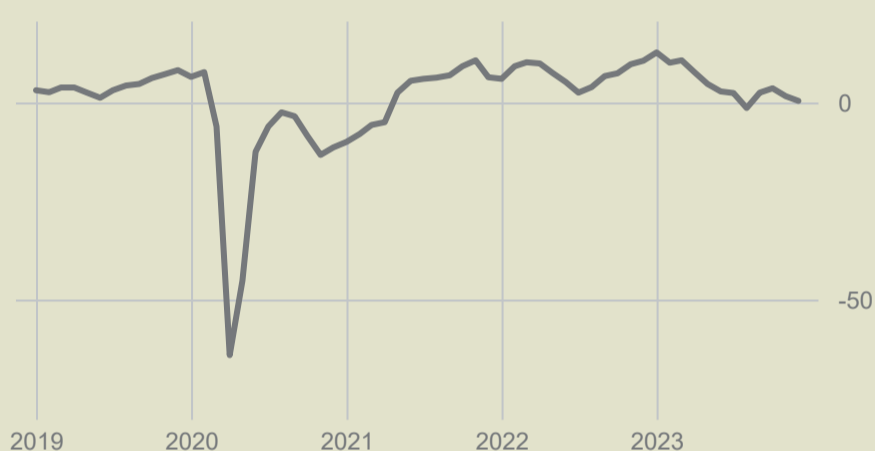


Source: French National Institute of Statistics & Economic Studies (INSEE)

Tighter financial conditions and economic uncertainty likely weigh on new business starts which have started to slow.

Employment Expectations in the Service Sector in France

Over the next 3 months, %

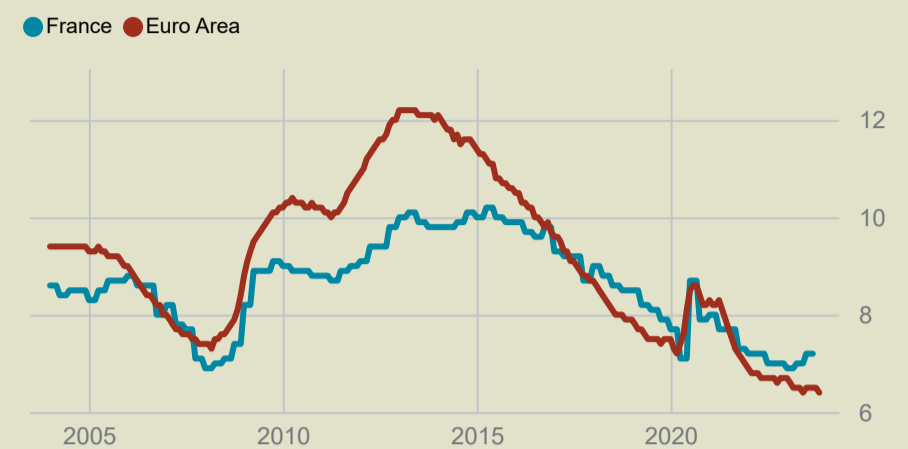


Source: European Commission (DG ECFIN)

Service sector employment expectations decreased marginally at the end of 2023 indicating a more subdued outlook for the labour market.

Unemployment Rate in France

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

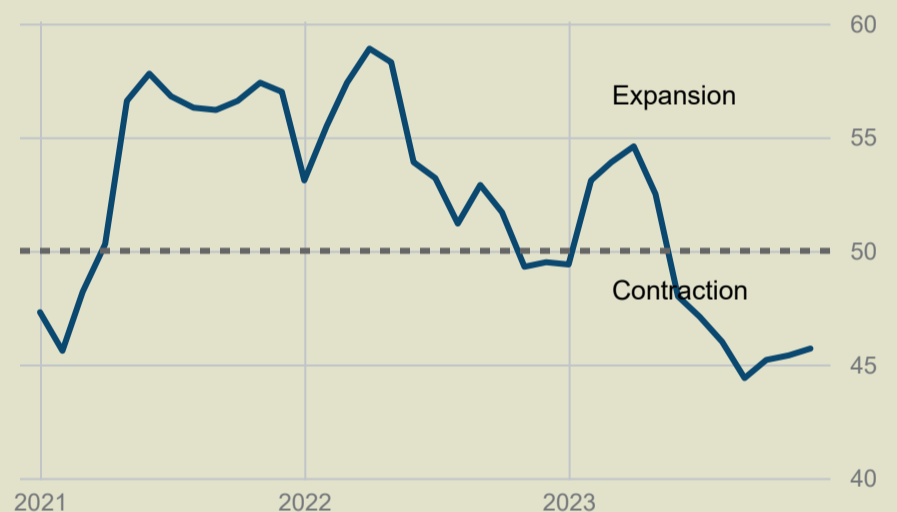


Source: Eurostat/ French National Institute of Statistics & Economic Studies (INSEE)

The French labour market is showing signs of cooling. According to INSEE forecasts, the unemployment rate is expected to increase moderately in 2024 and 2025 to reach approximately 7.6% and 7.8% respectively, still well below pre-pandemic levels of 8.5%.

Services PMI in France

Services PMI for the last 3 years, Index



Source: S&P Global

Despite a slight uptick in the France services PMI, the reading points to ongoing contraction in the service sector due to weak demand conditions.

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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