

THE LETTING MARKET - H1 2015

LA DÉFENSE

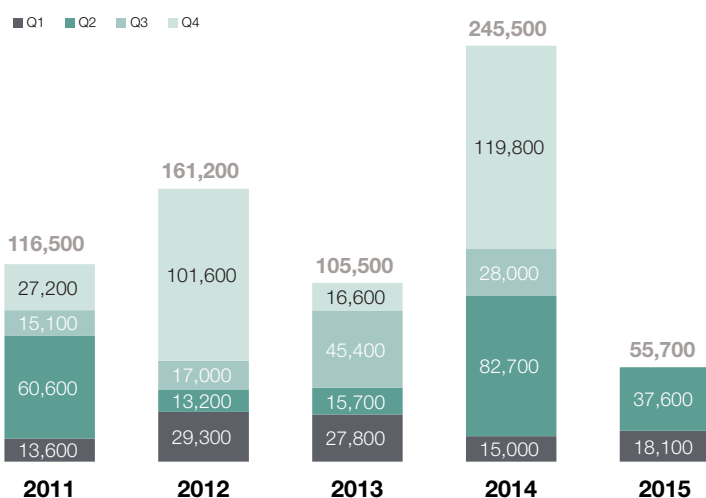


Take up

55,700 sq m

(Source: Knight Frank)

Take up in sq m

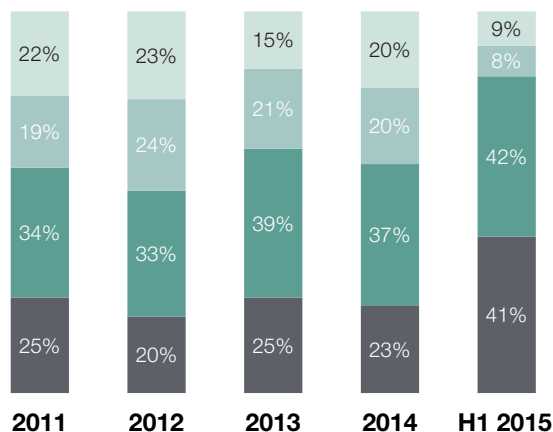


- 43%: The performance of the La Défense market was weak during H1 2015 with a decline in activity witnessed
- However, this fall must be put into context: the decline is recorded on the basis of H1 2014 which was particularly strong
- La Défense experienced a complete turnaround in 2014, nearing its record high on the rental market: it will not be easy for it to remain at such levels
- La Défense is still a structurally volatile market, based on a few large and very large transactions
- The recovery observed in 2014 largely originated from efforts in relation to advertised rents: price positioning is still a discriminatory criterion on a market driven by the pursuit of rationalisation

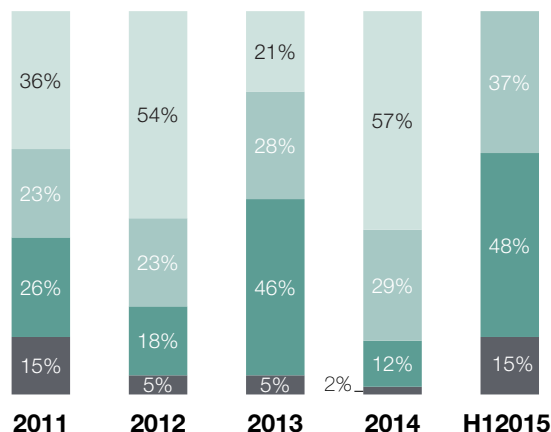
Size of transactions

(Source: Knight Frank)

Ile-de-France



La Défense



Small areas (≤ 1,000 sq m)
 Medium areas (from 1,000 to 5,000 sq m)
 Large areas (from 5,000 to 20,000 sq m)
 Very large areas (≥ 20,000 sq m)

Examples of transactions

Transactions ≥ 5,000 sq m (Source: Knight Frank)

Tenant	Address	Date	Area	Rent	Quality
Demos	La Grande Arche	June 2015	5,020 sq m	€320	State of repair
B2V Gestion Association	Immeuble Between	April 2015	9,700 sq m	NA	Renovated
Natixis	Tour Kupka B	March 2015	5,700 sq m	€360	State of repair

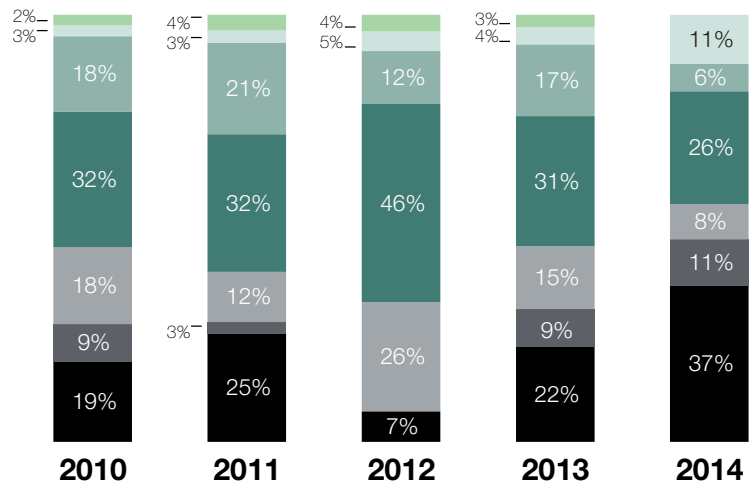
Large occupiers

(> 5,000 sq m)

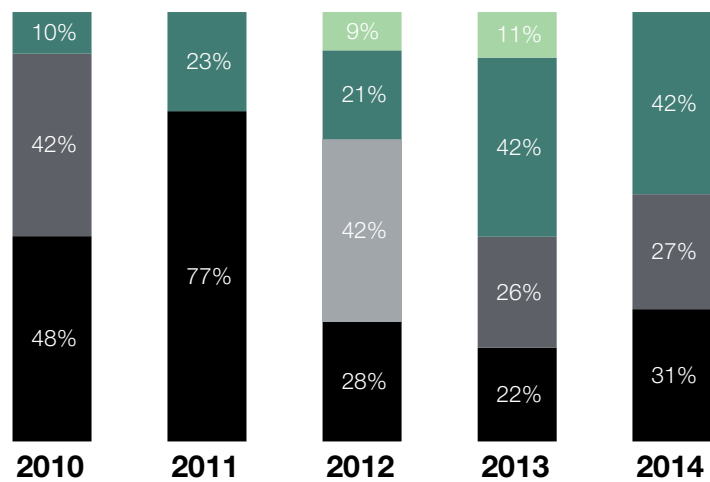
(Source: Knight Frank)

- Banks/Finance & Insurance
- Legal activities, Audits & Advices
- Public/Para-public/ Professional and international organisations
- Industry
- TMT
- Luxury & Fashion
- Others

Ile-de-France



La Défense



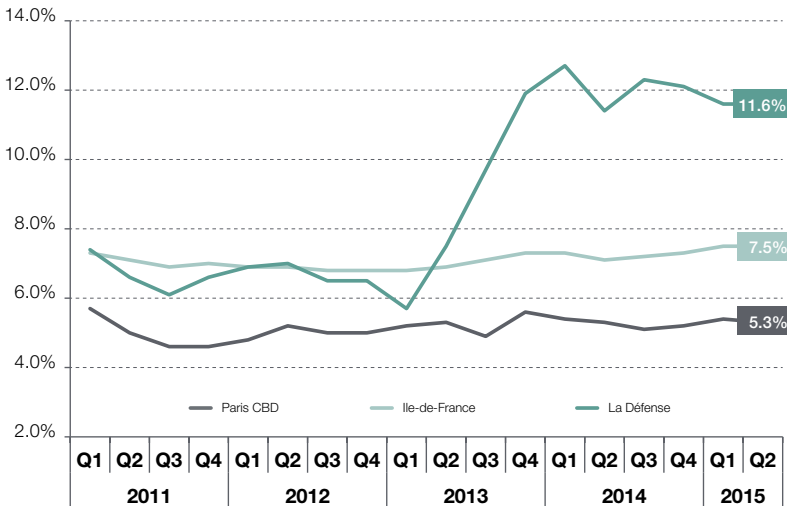
Available supply

11.6%

Vacancy rate

(Sources: Knight Frank, ORIE)

Vacancy rate in %



- ◆ La Défense has fallen below the symbolic threshold of a 12% vacancy rate
- ◆ With a rate of 11.6%, La Défense is still, however, one of the markets with the highest supply in the Paris region
- ◆ The dramatic rise in vacancy that marked 2013 and the start of 2014 seems to have come to a halt: La Défense has entered a phase of stabilisation and gradual absorption.
- ◆ Following such stabilisation, 2015 should mark a trend reversal and move towards a bear market, with an anticipated fall in construction activity and the winding-down of speculative programmes
- ◆ A high level of supply is not an anomaly in a market dedicated to large users: in the past, La Défense has often experienced double-digit vacancy rates
- ◆ The rise in the vacancy rate has led owners to make substantial efforts in relation to prices: if a recovery of transactional activity is confirmed, they may be a lot less accommodating

Grade A supply

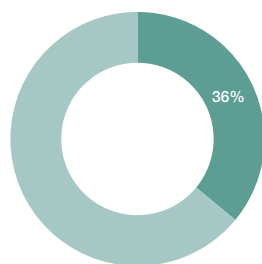
36%

(Source: Knight Frank)

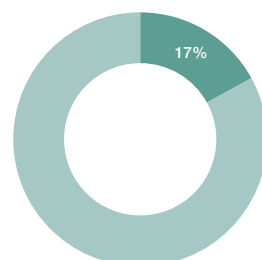
- Second hand
- New or redeveloped

Share of new or redeveloped areas in the available supply

La Défense



Ile-de-France



- ◆ The supply of Grade A (new or redeveloped areas) has decreased sharply since the beginning of 2014 but is much more abundant in La Défense than in the rest of the Paris region: it now represents 36% of the supply compared to 45% one year ago
- ◆ In a context of a regional lack of quality supply, the atypical profile of La Défense becomes an opportunity: Grade A office areas, which enable real gains in terms of efficiency and charges, are preferred by users (81% of office areas taken up in large transactions in 2014 in the Paris region corresponded to Grade A)
- ◆ The prolonged lethargy of the La Défense market shows that the issue of price positioning of Grade A supply is just as crucial for users: if the bulk of transactional activity has long been confined to renovated or second-hand office areas, it is because Grade A supply seemed too expensive for very large users when they had a large back office

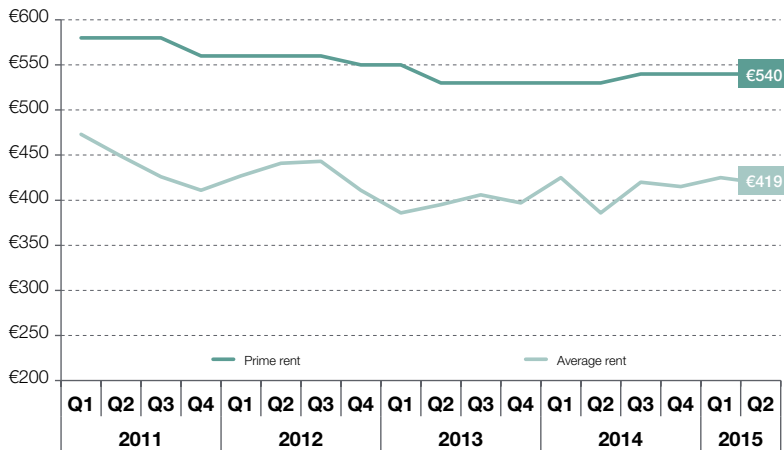
Rents

€540 /sq m/year excl. taxes and charges

Prime rent

(Source: Knight Frank)

Rents in €/sq m/year excl. taxes and charges



- ◆ A few transactions, recorded at the end of 2014, have allowed high-end rent to settle at €540/550 (nominal), which marks a symbolic break after 3 years of stagnation or decline
- ◆ However, these values only concern a very limited number of buildings: most transactions were signed at values less than €500, including for Grade A office areas
- ◆ Users wanting to save costs is still an essential criterion, which seems to rule out a dramatic reversal in rental levels in 2015
- ◆ The «sale» season is nevertheless clearly over in La Défense: incentives, which are still high at the end of 2014 (often between 20 and 25% of the nominal amounts), may decline quite quickly in 2015

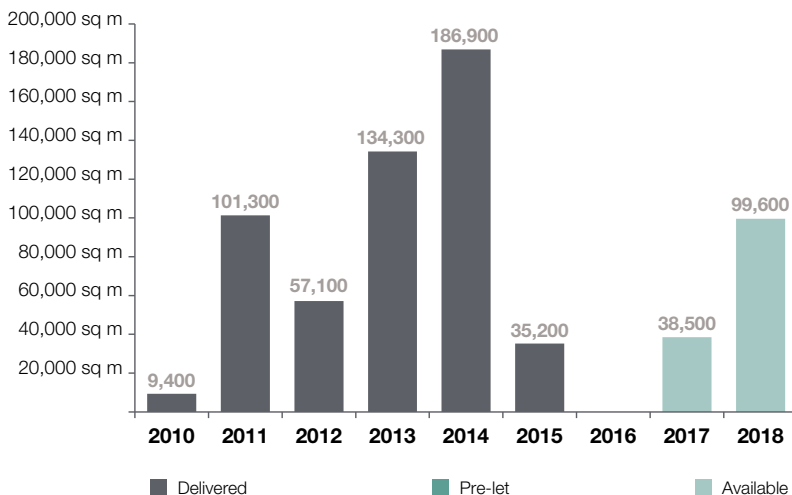
Future deliveries

0%

of new deliveries before Q4 2018 are pre-let

(Source: Knight Frank)

New or redeveloped areas in La Défense



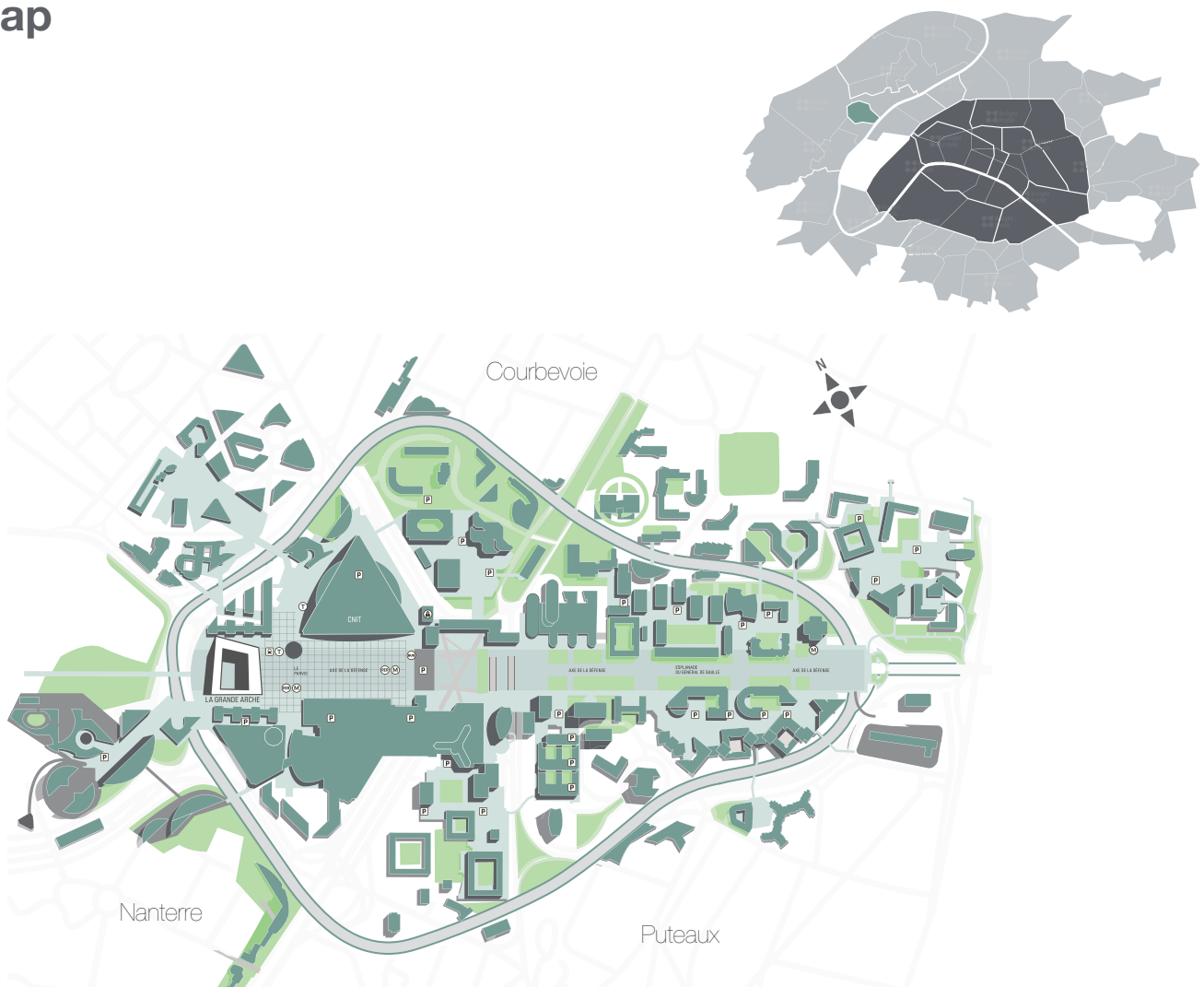
- ◆ Fears of an alarming, structural imbalance in the market were undoubtedly exaggerated: in addition to the upturn in transactional activity, most office areas expected under the La Défense renewal plan have already been delivered
- ◆ For 2015, only the restructuring operation of the former Athéna tower has been delivered, which will be occupied by its owner (Allianz)
- ◆ The next speculative programme is not expected until the very end of 2017 or the start of 2018 with the Trinity tower
- ◆ In the longer term, the managing body of La Défense has expressed a strong desire to regulate and stagger delivery volumes, to avoid the «peak» phenomena seen recently
- ◆ Pre-sales, which made an appearance at La Défense in 2014, will be encouraged

Summary

(Sources: Knight Frank, ORIE)

	La Défense H1 2015	La Défense H1 2014	La Défense Annual change	Ile-de-France H1 2015	La Défense share in Ile-de-France
Stock	3,536,818 sq m	3,452,918 sq m	+2.4%	53,227,320 sq m	6.6%
Take up	55,700 sq m	97,731 sq m	-43.0%	912,600 sq m	6.0%
Immediate supply	409,000 sq m	393,000 sq m	+4.0%	4,002,000 sq m	10.0%
Vacancy rate	11.6%	11.4%	+20 pb	7.5%	-
Average rent	€419/sq m/year	€386/sq m/year	+8.0%	€316/sq m/year	-
Prime rent	€540/sq m/year	€530/sq m/year	+1.9%	€750/sq m/year	-

Map



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