

# MARKETBEAT OFFICE SNAPSHOT



## FRANCE

A Cushman & Wakefield Research Publication

Q1 2014



### OVERVIEW

With modest improvement in business investment and a 24% year-on-year increase in take-up in Q1, the office market should benefit from steady growth in H1 2014. The 'wait-and-see' approach

observed last year is dissolving as occupiers seek to benefit from incentives offered by landlords and the influx of redeveloped quality supply in Paris, particularly the CBD.

### OCCUPIER FOCUS

Large transactions over 4,000 sq.m have dominated the Ile-de-France office lettings market, with 245,400 sq.m let or sold to occupiers, comprising 52% of the total take-up in Q1. The market benefited from two very large deals in Q1, the first a pre-let of 45,000 sq.m in Aubervilliers and the second an acquisition of a 45,000 sq.m second-hand property in the outer suburbs. While some large occupiers are opting to cut costs by relocating to secondary space, most are focusing on new or redeveloped property to enhance their working environment and reduce operating costs in the medium to long term. On the other hand, small to medium transactions remain few, indicating that the office market is not benefiting from the upturn as a whole. Availability totalled 4.43 million sq.m at the end of Q1, an 8% y/y increase and a 1% q/q increase due to large-scale development projects and the release of second-hand space. Availability is set to rise over the coming months due to new completions, but high quality space will be let quickly in inner Paris due to high competition amongst occupiers in both CBD and non-CBD areas.

### INVESTMENT FOCUS

€2.8 billion was invested into the French office sector in Q1, accounting for 80% of all investments, compared to 64% for the duration of 2013. Lone Star's €1.3bn acquisition of Coeur Défense boosted Paris region office investment and other big deals are imminent. Offices accounted for the majority of sales over €100 million since January, with most transactions taking place in the established business districts in the Paris region. Despite a lack of investment opportunity coupled with the expense of prime space, Paris remains a first choice for investors with Inner Paris accounting for 24% of all office deals in Q1.

### OUTLOOK

A faster rate of absorption will be observed over the coming months in the most established submarkets of Ile-de-France, particularly in Inner Paris where a high number of large transactions are expected. Take-up volumes in regions such as La Défense should increase over the year due an increase in available property such as high quality towers and increasing incentives granted by landlords.

### MARKET OUTLOOK

Prime Rents:	Important incentives granted by landlords.	▲
Prime Yields:	Prime yields have compressed in some submarkets due to continued high demand for prime assets.	▶
Supply:	Supply set to rise as speculative developments complete but this should stabilize in the coming quarters.	▼
Demand:	Strong rise in large transactions in Inner Paris and Western Ile-de-France.	▲

### PRIME OFFICE RENTS – MARCH 2014

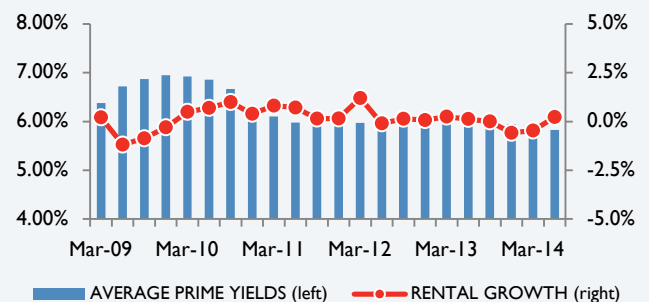
MARKET (SUBMARKET)	€		US\$		GROWTH %	
	SQ.M/YR	SQ.FT/YR	IYR	SYR CAGR	IYR	SYR CAGR
Paris (CBD)	775	99.2	-5.5	2.1		
Paris (Rive Gauche)	750	96.0	-6.3	5.6		
Paris (La Défense)	530	67.9	-3.6	-0.7		
Lyon	270	34.6	3.8	0.8		
Marseille	250	32.0	4.2	3.1		
Bordeaux	180	23.0	0.0	1.1		
Strasbourg	190	24.3	0.0	-0.5		
Lille	190	24.3	0.0	0.5		
Toulouse	190	24.3	2.7	-0.5		
Nice	195	25.0	0.0	-1.5		
Nantes	170	21.8	0.0	0.0		

### PRIME OFFICE YIELDS – MARCH 2014

MARKET (SUBMARKET) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	QUARTER	QUARTER	YEAR	HIGH	LOW
Paris (CBD)	4.25	4.25	4.25	5.90	3.80
Paris (Rive Gauche)	5.00	5.00	5.00	6.50	4.50
Paris (La Défense)	6.25	6.25	6.25	6.75	4.50
Lyon	5.75	6.00	6.00	7.50	5.75
Provinces other	6.25	6.25	6.25	8.00	6.25

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### RECENT PERFORMANCE



Source: Cushman & Wakefield