BNP PARIBAS REAL ESTATE

Real Estate for a changing world

RESEARCH

AT A GLANCE Q1 2023

PARIS OFFICE MARKET

A GLOOMY FIRST QUARTER FOR THE OFFICE MARKET

317,400 m²
Take-up in 2023 3M
(-39% vs 2022 3M)

6.0 M m²
Availability within a year
(+ 10% vs Q1 2022)

7.9%
Vacancy rate

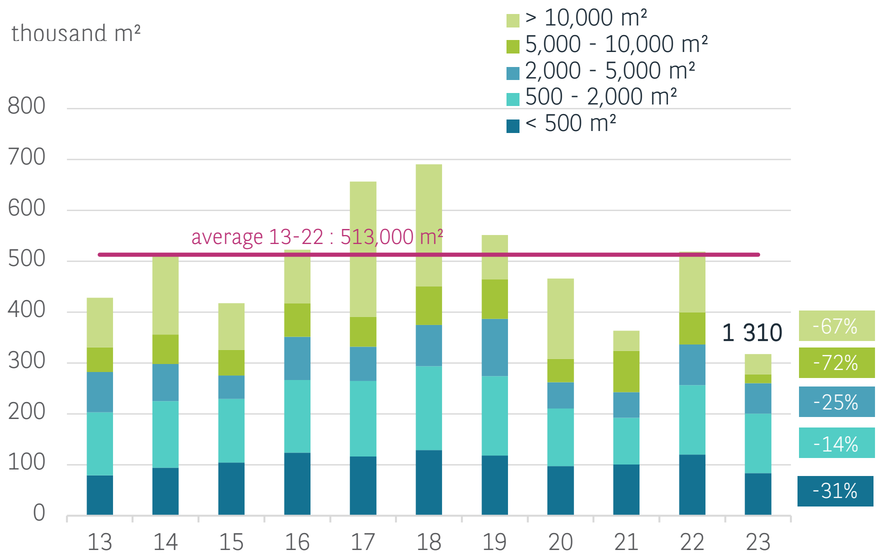
STEEP FALL IN TAKE-UP...

With 317,400 sqm taken up over the first three months of the year, the Greater Paris rental market saw a steep fall of 39% year-on-year.

The biggest dip was for large units, with only 57,200 m² taken up across six transactions (compared with a Q1 average of 15). Half of these deals were in the 10,000 - 20,000 sqm segment, such as INFOPRO's move into the Aqueduc building in Gentilly with 12,368 sqm. Conversely, there was only one deal for over 20,000 sqm during the period.

Small and medium-sized units were also in decline with respective falls of -24% and -21% year-on-year.

Transactions over 12 months by size



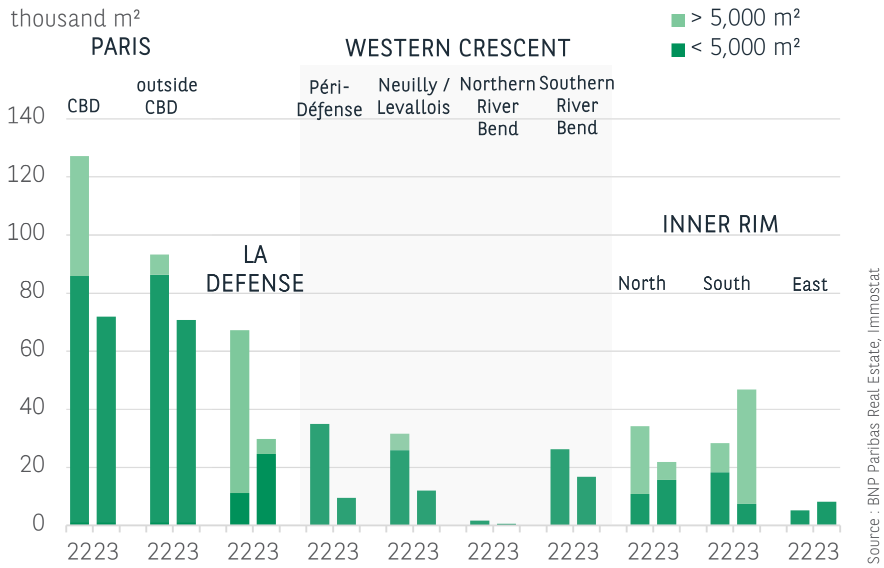
Source : BNP Paribas Real Estate, Immostat

... ACROSS ALMOST ALL DISTRICTS

The steep fall in take-up applied to almost all districts. Only the Southern Inner Rim performed well, exceeding its ten-year average thanks to three major transactions (>5,000 sqm).

All other districts were below their 10-year averages. Despite this fall, occupiers are still keen on Paris, as it accounted for 45% of all floor space transacted (vs an average of 41%).

Take-up over 12 months by district

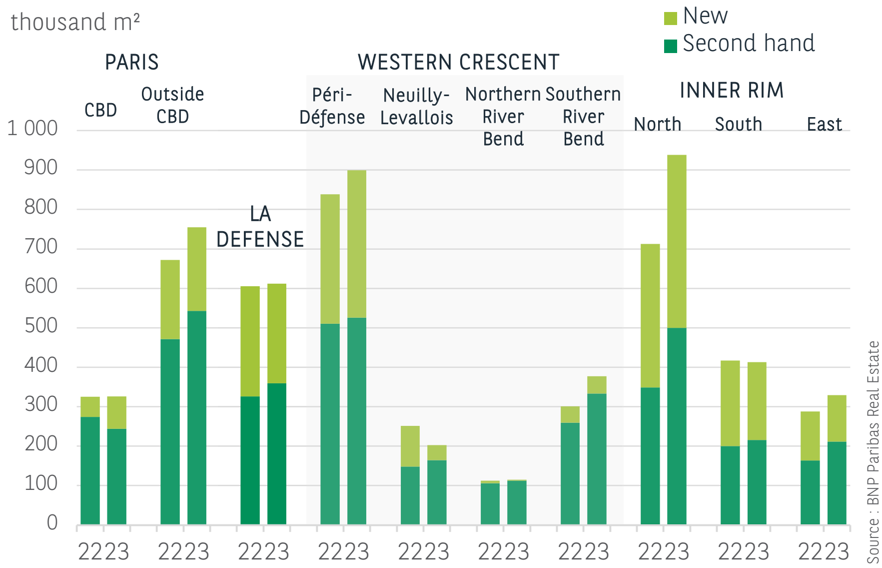


SUPPLY STILL ON THE RISE

The vacancy rate in Greater Paris increased year-on-year to stand at 7.9% on April 1, 2023. The situation remains very mixed in geographic terms, with a vacancy rate of 3.5% for Paris Inner City, 20.5% for Péri-Défense and 19.3% in the Northern Inner Rim.

Availability within a year has also risen +10% year-on-year to 6.0 million sqm, of which 2.0 million new. Supply is still being refreshed with 1.5 million sqm under construction, even though this figure has fallen by 5% year-on-year and is better distributed: 33% of construction is in Paris Inner City, ahead of the Western Crescent (29%) and the Inner Rim (28%).

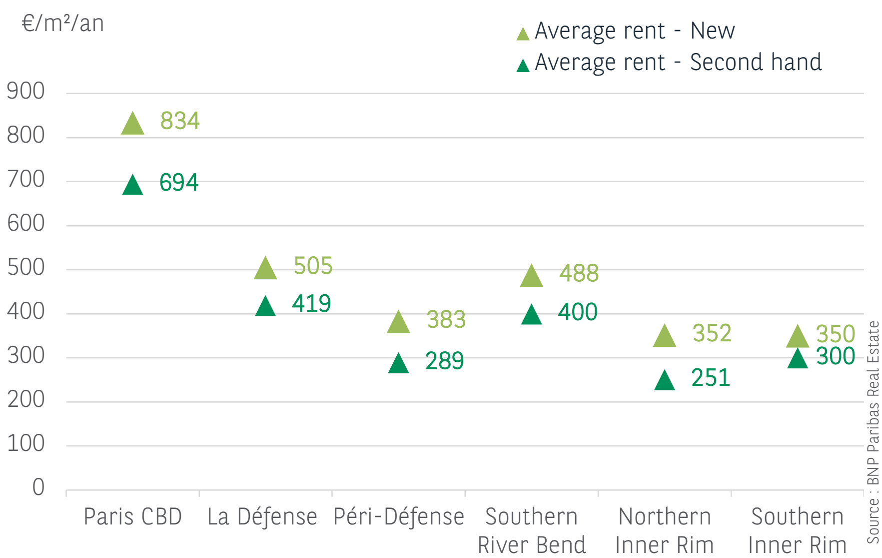
Availability within a year (to April 1st)



RENTS ARE STILL HIGH

Despite the more difficult environment in Q1, rents are still high and rising. In a new development, incentives in Greater Paris have edged down from 23% in 2022 to 22% in Q1 2023. As with the supply, the situation varies greatly between districts, with incentives of around 16% for Paris CBD, compared to 34% in La Défense.

Average headline rents - 2023 3M (over 12 months)



STEEP DECLINE IN INVESTMENT

Investment in office space in Ile-de-France was just 1.2 billion euros in Q1 2023, down 33 % year-on-year. Major deals were in particular were lacking: there was no transaction for over 200 million euros in Q1 and only three deals for between 100 million and 200 million euros (vs seven on average at this time of year). Conversely, small deals (< €30m) fared better, almost stable year-on-year (-3 %).

As such, investment was well below its five-year average in almost all districts. The trend also applied to Paris Inner City, despite two deals for over 100 million euros (CRPN in the Galilée Vernet building in the 8th arrondissement, and Ingka Centres, in the Apollo building in the 13th arrondissement).

In terms of prime yields, the expansion continues and was more or less pronounced depending on the liquidity of the assets. As such, the prime yield in Paris CBD on April 1 stood at 3.15% for assets under 50 million euros and ranged from 3.25% to 3.50% for those between 75 million and 200 million euros.

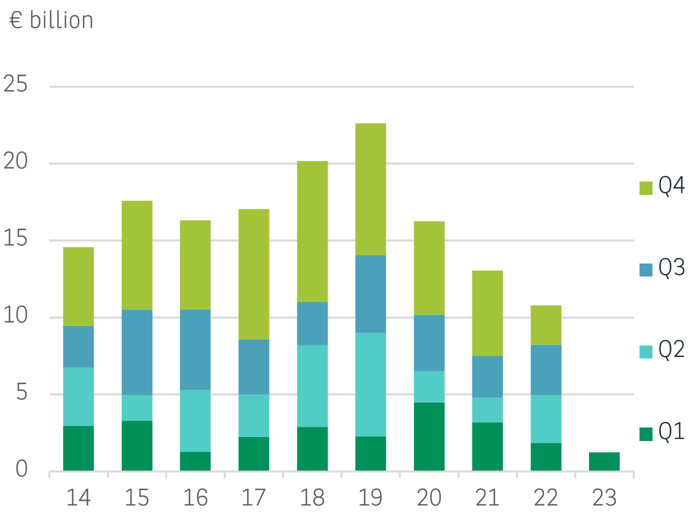
€1.2bn

Paris office investment in Q1 2023

3.15%

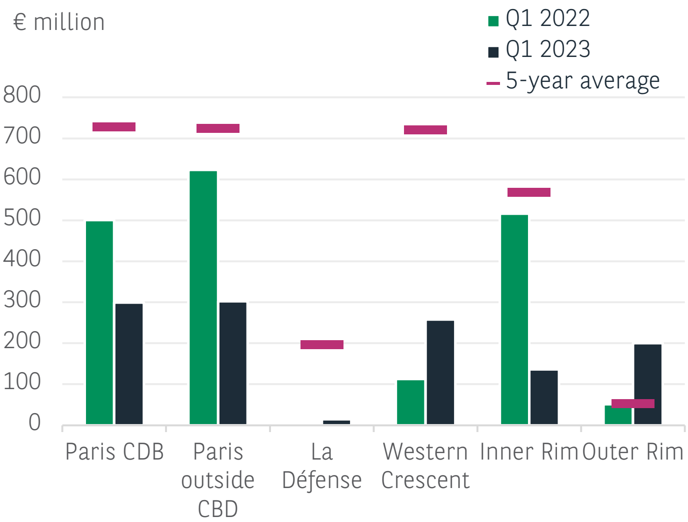
Office prime yield

Office investment in Greater Paris



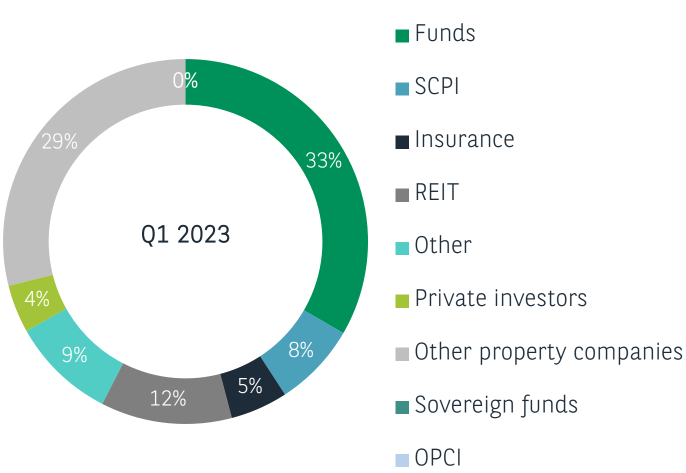
Source : BNP Paribas Real Estate, Immostat

Office investment – Geographical breakdown



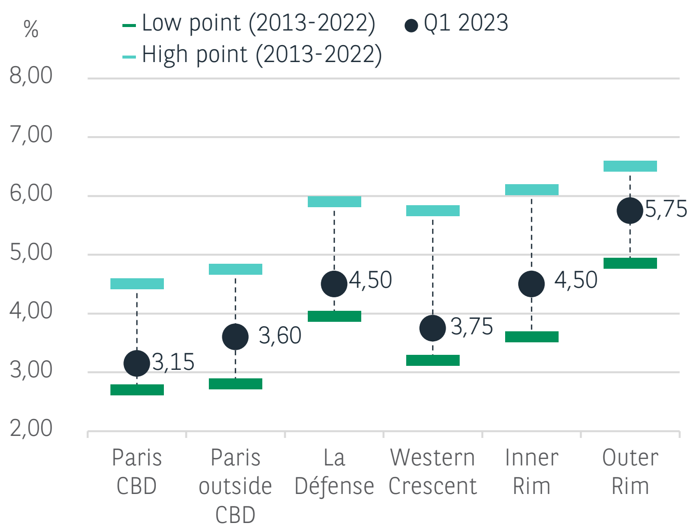
Source : BNP Paribas Real Estate, Immostat

Investment by buyers



Source : BNP Paribas Real Estate

Prime yields



Source : BNP Paribas Real Estate

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