



AT A GLANCE Q1 2024

OFFICES IN THE REGIONS (7 cities)

Recovery is taking its time



211,000 sqm

Take-up

(-21% vs Q1 2023)



2.0M sqm

Availability within a year

(+10% vs Q1 2023)



€340/sqm/year

Prime rent

(Lyon)

Another sluggish quarter

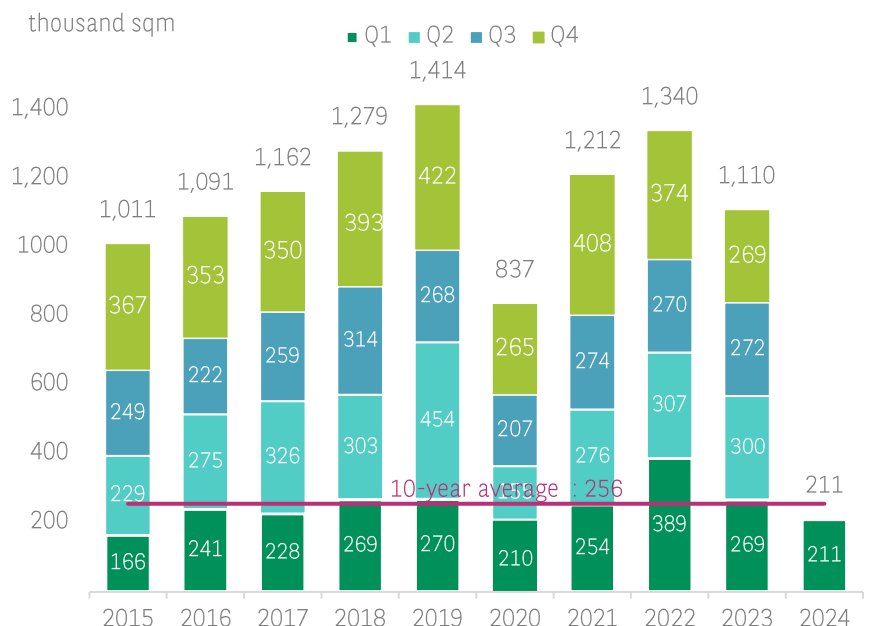
As the quarters roll by, the downward trend that began last year continues. Offices in the regions are still suffering from the difficult economic conditions that have prevailed for over a year now. The wait-and-see approach of economic stakeholders continues to dampen the regional office market.

Take-up in Q1 was down by more than 20% year-on-year. It came in at 211,000 sqm for in the 7 regional cities* covered. The start to the year was similar to 2020, when the COVID-19 health crisis struck.

A new development is that this first quarter is below the ten-year average, with an 18% shortfall, showing that the regional office market has stalled.

*7 cities: Aix-Marseille, Bordeaux, Lille, Lyon, Montpellier, Nantes and Toulouse

Take-up trend by quarter



Source: BNP Paribas Real Estate Research - May 2024

Healthy momentum for owner/occupier and turnkey rentals

The regions are still dominated by second-hand assets, which accounted for more than 50% of take-up over the quarter, while new offices accounted for a third. Their trends are similar, with a slide of 22% for second-hand and 31% for new units.

A highlight was the 15% year-on-year increase in owner/occupier and turnkey rentals, which went hand in hand with a revival of major transactions.

With respect to size segments, average (1,000 – 5,000 sqm) and small (< 1,000 sqm) units confirmed their poor performances of the past year or more, with respective declines of 44% and 16%. Conversely, the large unit segment (> 5,000 sqm) enjoyed robust growth of 24%. However, the regional market is still driven by small units (50% of overall volume).

Markets stuck below their long-term average

Lyon is still at the top of the rankings*, with a positive trend in Q1 2024 vs the year-earlier period (+15%), thanks to the 12,000 sqm XEFI deal in Rillieux-la-Pape, which brought the city close to its ten-year average. It was followed by Lille, which held on to second place. Toulouse was hot on the heels of Lille to take third place.

Aix-Marseille took 4th place with a reasonable quarter, up 16% year-on-year.

Apart from Toulouse, all markets saw a slowdown and have fallen to levels below their long-term averages.

*7 cities (full list at the bottom of page 1)

Increase in supply

Availability within one year stood at 2.0 million sqm, up 10% year-on-year.

Second-hand supply rose sharply, by 11% in Q1 vs. the year-earlier period. Similarly, new supply climbed 8%.

New supply accounts for 33% of the total while 67% is second-hand.

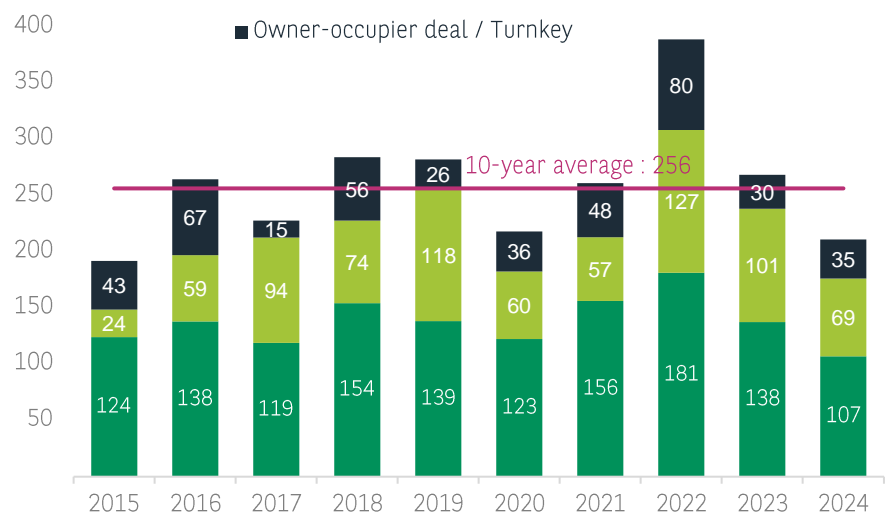


453,000 sqm

Space under construction

Take-up

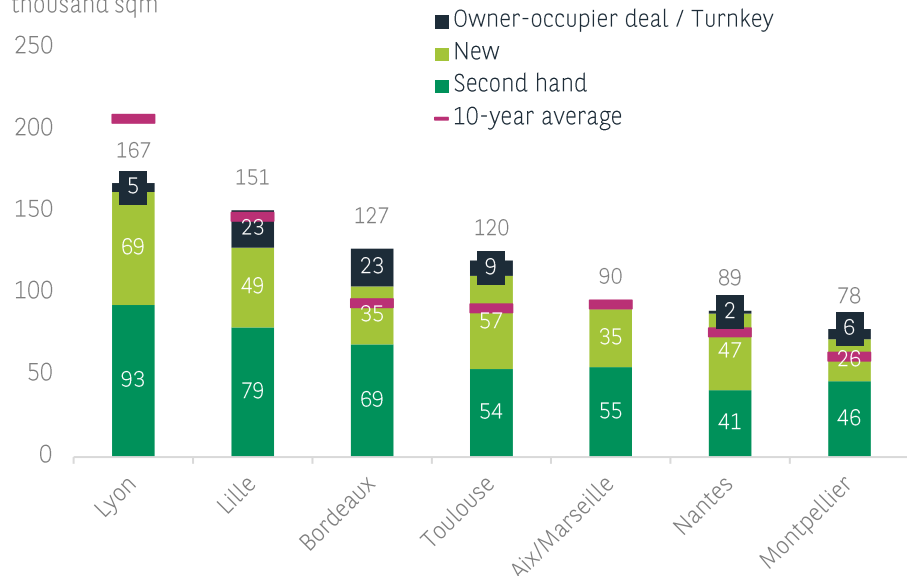
thousand sqm



Source: BNP Paribas Real Estate - Research - May 2024

Take-up by city

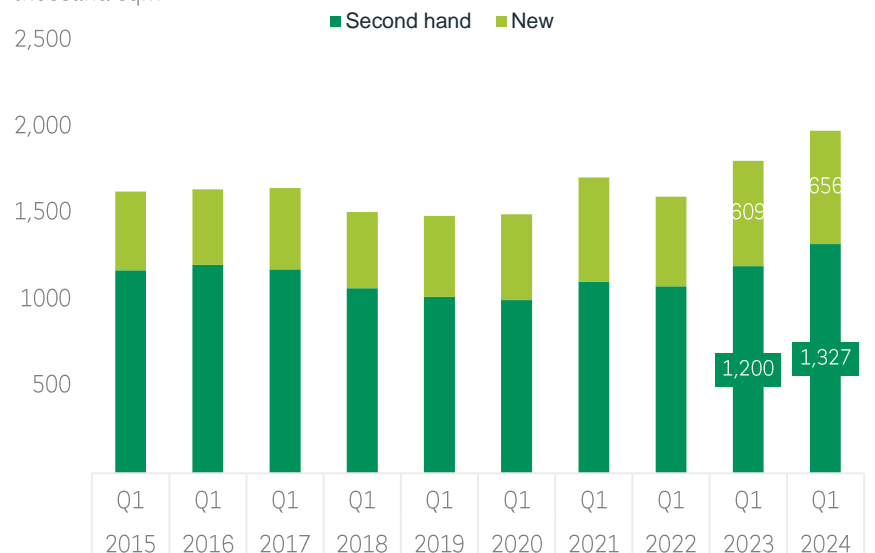
thousand sqm



Source: BNP Paribas Real Estate - Research - May 2024

Availability within a year

thousand sqm



Source: BNP Paribas Real Estate - Research - May 2024

Investment in the regions continues to slide

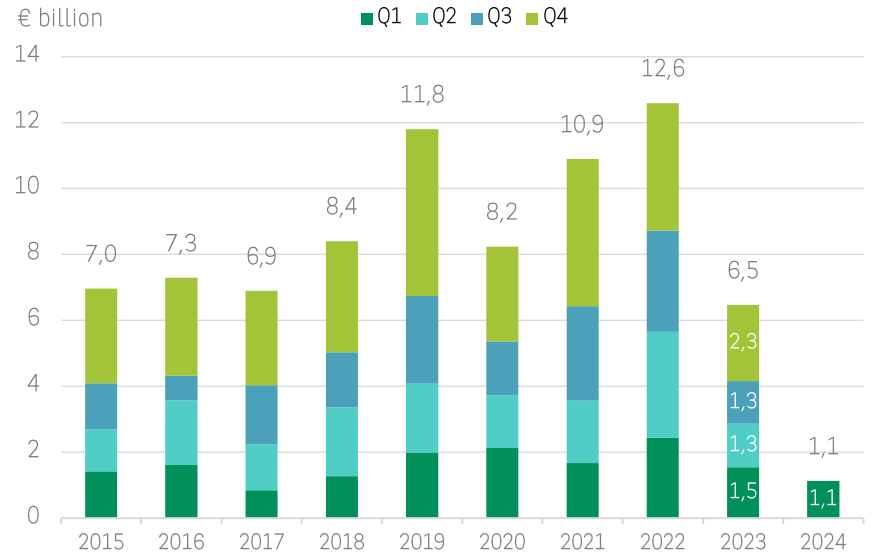
Investment in commercial real estate is almost at a standstill. With € 1.1bn invested, the regions are no exception. The amount has fallen by almost a third (-29%) compared with the same period last year. Just € 285m was invested in offices in the regions, down by more than half over one year (-56%).

Foreign investors, absent last year, are returning. They accounted for 12% of investment in Q1.

The proportion of off-plan investment has risen compared to 2023 (28% in Q1 2024 vs. 17% at the end of last year).

Another striking feature was that funds were the leading players in terms of investment in regional offices, accounting for 39% of the total. SCPI were next with 29%.

Quarterly investment figures



Source: BNP Paribas Real Estate - Research - Immostat - May 2024

Lyon still in first place

Q1 2023 benefited from a slight carryover effect due to the late signing of deals begun in 2022, which was a historically strong year for the market. Such was not the case at the beginning of this year.

Just as in the rental market, Lyon is the leader in the regions in terms of investment. Lille took second place, with a positive year-on-year trend (+5%). Like Lille, Aix-Marseille and Grenoble ended the quarter with triple-digit, year-on-year basis point growth.

Highlights included the acquisition of the Connexion building by A Plus Finance in Lyon (€38m) and the Le Village building in Lezennes, acquired in Q1 by Kanam Grund for €25m.



5.75%

Prime yield (Lyon)

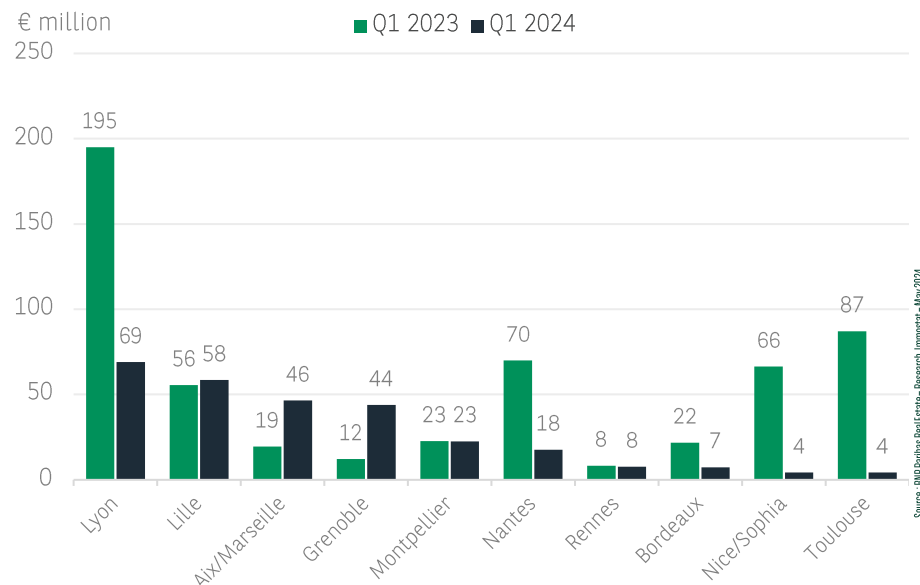
Prime yields stabilising

After a year of yield expansion, which saw regional markets gain an average of 170 basis points over the period, most markets stabilised in Q1 2024.

There were a few markets where yields widened more moderately than of late, including Lyon with a prime yield of 5.75%, i.e. +15 basis points vs. Q4 2023, Lille with a yield of 5.80% (+20 basis points) and Aix/Marseille at 5.90% vs. 5.80% at the end of last year.

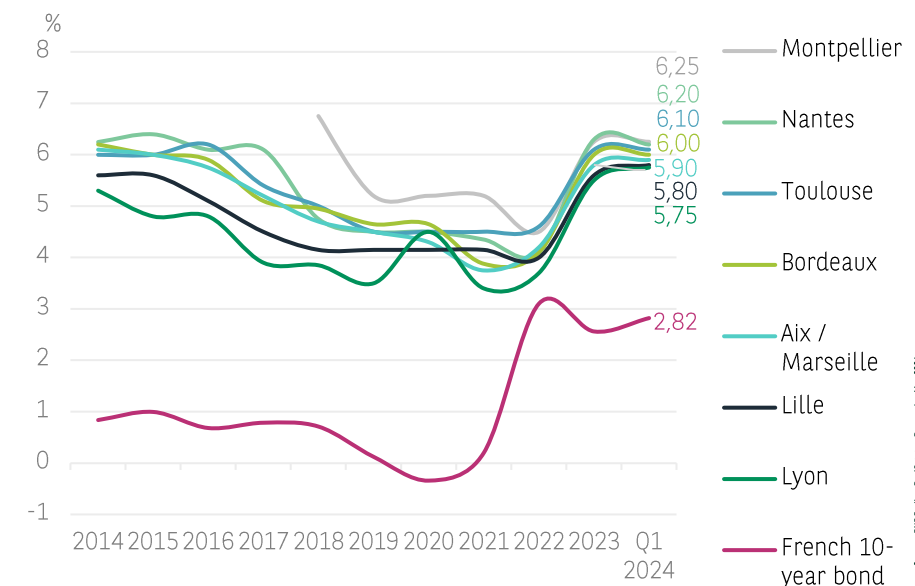
Prime yields should continue to stabilise this year. They could start to contract again in 2025 if the economic backdrop permits.

Investment in the main regional markets



Source: BNP Paribas Real Estate - Research - Immostat - May 2024

Prime yields



Source: BNP Paribas Real Estate - Research - Immostat - May 2024



BNP PARIBAS REAL ESTATE

Real Estate for a changing world

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(APRIL 2024)

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