BNP PARIBAS REAL ESTATE

Real Estate
for a changing
world

RESEARCH & INSIGHTS

AT A GLANCE
Q3 2024

OFFICES IN THE REGIONS (7 cities)
Slowing further

652,000 sqm
Take-up
(-24% vs 9M 2023)

2.0M sqm
Availability within a year
(+15% vs Q3 2023)

€350/sqm/year
Prime rent
(Lyon)

A lacklustre quarter

Political instability has been unhelpful to business and continued to dampen French real estate markets in Q3.

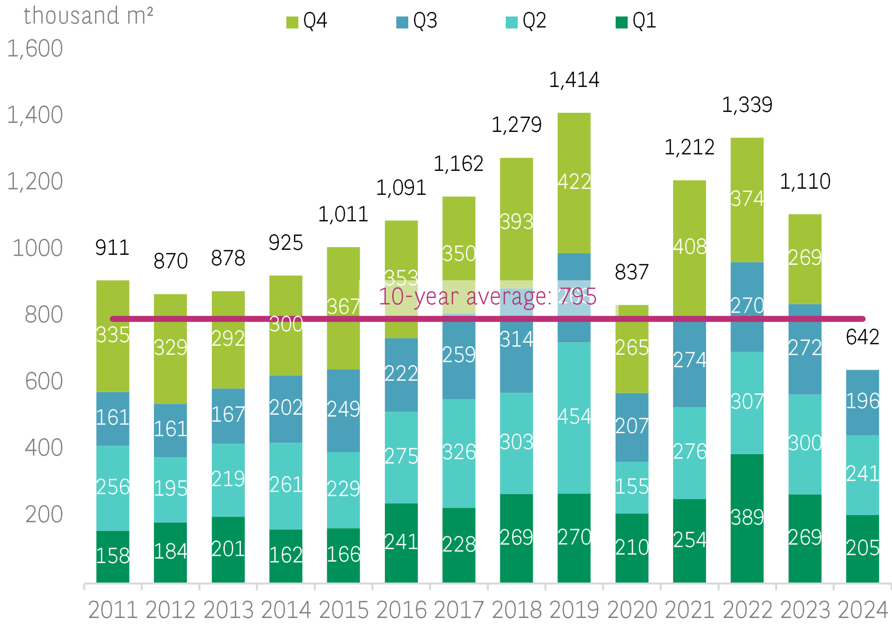
The regional office occupier market* continued its downward trend. Over the first 9 months of the year, take-up in the regions* totalled 642,000 sqm, down 24% year-on-year and 19% below the 10-year average.

The downward trend is even more pronounced when comparing each quarter separately with those of the previous year. In Q3 the decline was close to 30%, while Q1 and Q2 were down 24% and 20% respectively.

The last quarter is unlikely to change the situation. We expect take-up* to come in at around 910,000 sqm for the full year.

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

Take-up trend by quarter



Source : BNP Paribas Real Estate - Research -October 2024

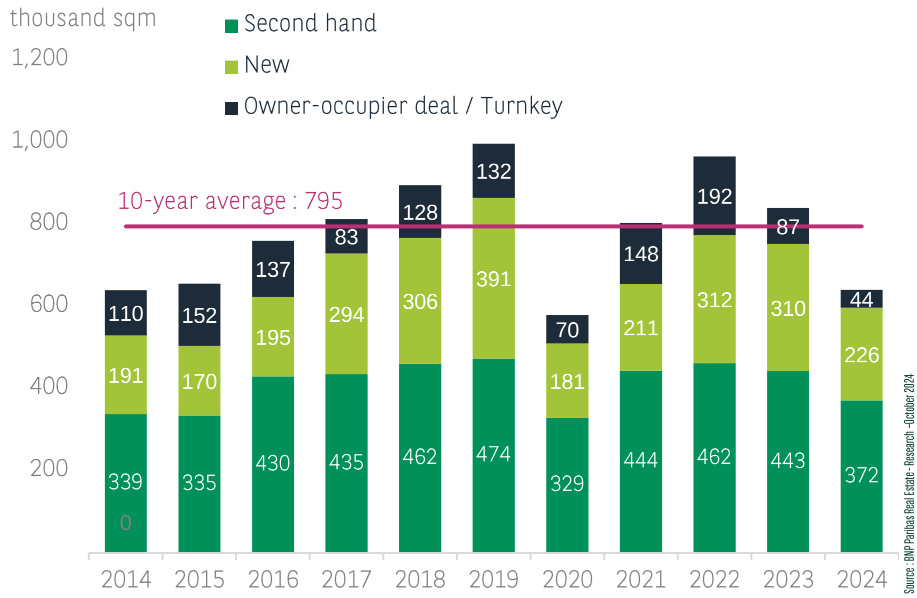
Take-up barely higher than 2020

All size segments have been affected by the fall in take-up, to different extents. The small unit segment has seen a moderate fall of 10%. The medium-size (1,000 – 5,000 sqm) and large unit (>5,000 sqm) segments have plummeted by 38% and 26% vs. their 9-month figures for 2023.

With new supply becoming scarcer on the market, the proportion of second-hand take-up has risen to 58% and has proved resilient, falling by just 16% vs. the year-earlier period.

New and owner/occupier deals account for 35% and 7% of take-up respectively. The year-on-year fall for owner/occupier transactions is almost 50%. This poor performance is to some degree due to the lack of activity from the public and semi-public sectors, which are traditionally the drivers of deals for large units in the regions.

Take-up



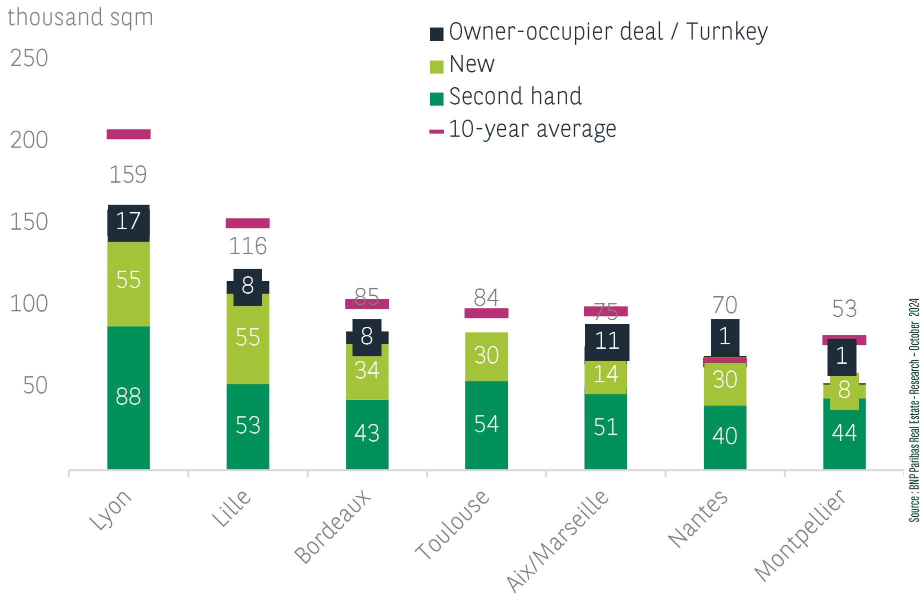
Markets down vs. last year

Unsurprisingly, all regional markets* came in below their ten-year averages, except for Montpellier.

Lyon topped the regional city rankings* with 159,000 sqm taken up, representing a contained year-on-year decline of 7%. It was followed by Lille, which remained in second place and even widened the gap with third-place Bordeaux (116,000 sqm vs. 85,000 sqm). Aix/Marseille enjoyed a respectable Q3, up sharply on last year (+18%), and is close behind Bordeaux in 4th place. Toulouse, Montpellier and Nantes round off the rankings.

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

Take-up by city

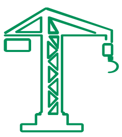


Sharp increase in supply

With take-up in decline, availability within a year has continued to rise and now stands at 2 million sqm, up 15% year-on-year.

Second-hand supply has surged and is up 21% vs. Q3 last year. The increase in new supply has been more moderate, up 5% vs. the year-earlier period.

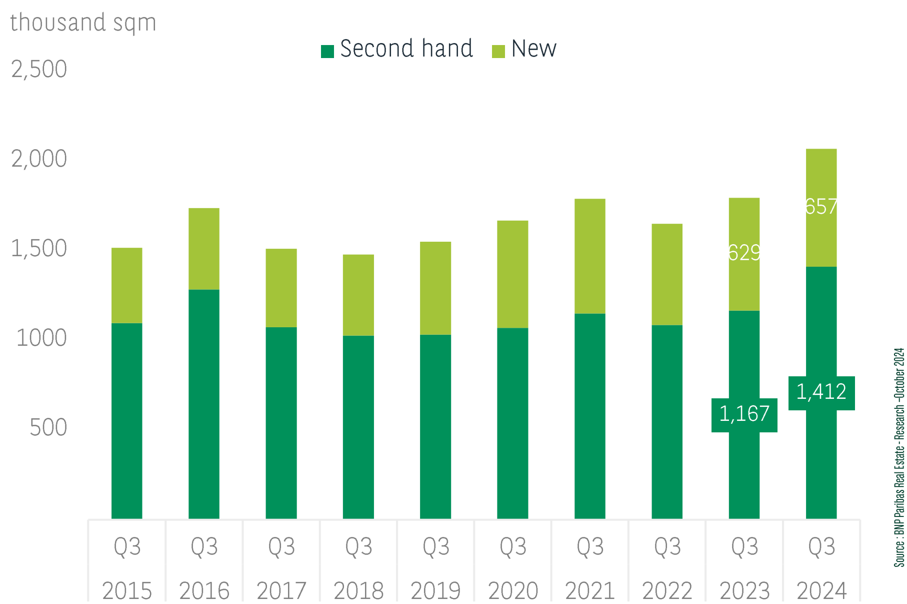
New supply represents 32% of the total compared with 68% for second-hand offices.



432,000 sqm

Space under construction

Availability within a year



Investment on the rise

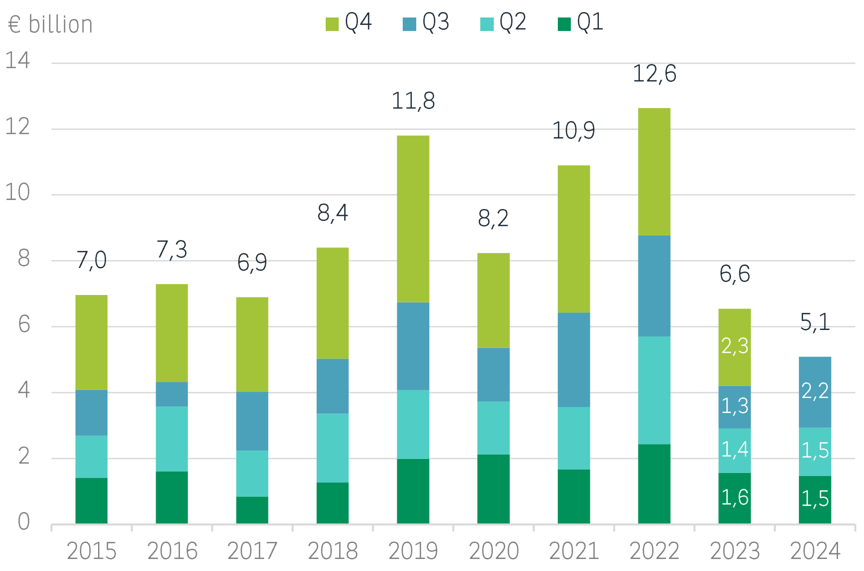
Investment in commercial real estate in the regions has risen 21% year-on-year. Yet, as was the case in the previous quarter, this strong performance is deceptive. Investors allocated € 1bn more to logistics assets alone than during the year-earlier period, out of total investment in the regions for all assets combined of € 5.1bn.

Offices in the regions attracted € 1.1bn investment over the first nine months of 2024, i.e. a 26% fall year-on-year.

The share of off-plan sales in the total figure continues to fall. It came in at 11% vs. 21% for 9M 2023.

Funds are driving the market, accounting for 40% of investment. SCPIs, which have lost momentum since the beginning of the year, now account for 27% of investment in offices, followed by private investors with 18%.

Quarterly investment figures



Source : BNP Paribas Real Estate – Research, Immostat – October 2024

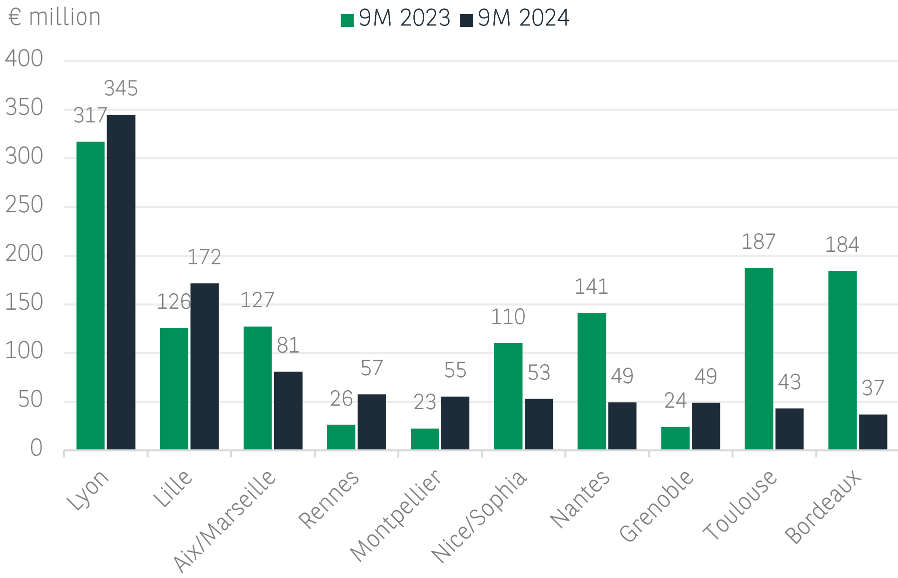
Lyon is the top regional investment market

Lyon has a comfortable lead over the other regional cities in terms of office investment, attracting over € 345m. Lille is still in second place with € 172m. Both markets show positive year-on-year trends.

Like Lyon and Lille, Rennes, Montpellier and Grenoble also enjoyed higher investment compared with the same period last year.

Major deals include the acquisition of 7 Boulevard Henri Ziegler by Territoires Avenir in Blagnac (€ 27m) and the Espace Carnot building in Lille bought by Norma Capital for € 32m.

Investment in the main regional markets



Source : BNP Paribas Real Estate – Research, Immostat – October 2024

5.65%

Prime yield (Lyon)

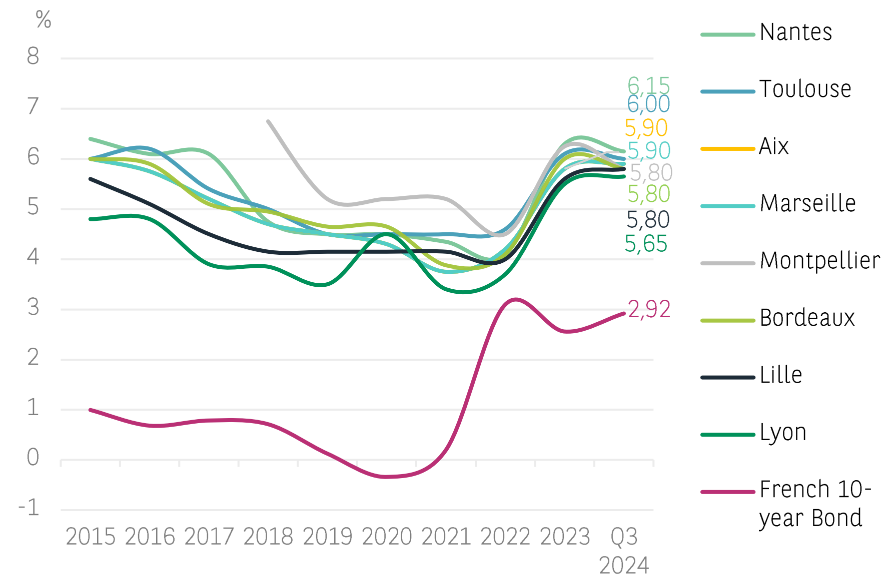
Flat prime yields

Prime yields for most regional markets remained stable vs. the previous quarter.

Prime yields only contracted in Bordeaux, Montpellier and Orléans, each by 10 basis points. Bordeaux and Montpellier are each at 5.80% and Orléans is now at 7.00 %.

This trend should continue until the end of the year.

Prime yields



Source : BNP Paribas Real Estate – Research – October 2024

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

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(OCTOBER 2024)

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