At a glance
PARIS OFFICE MARKET
Q3 2013

ILE-DE-FRANCE OFFICE MARKET CHECKED BY THE STEEP FALL IN LARGE DEALS

• There were 1,302,000 m² of offices taken up over the first nine months of 2013, i.e. a fall of 29% compared to the same period in 2012. The main segment affected was units over 5,000 m². Take-up in this category declined by around 50% compared to the same period in 2012, which admittedly saw very large transactions such as the Ministry of Defense at Balard (Paris 15th) for 135,000 m². Nevertheless, some significant deals have been recorded since the beginning of the year, including the lease by General Electric Capital of 38,000 m² in the City Lights towers in Boulogne. Meanwhile, units of less than 5,000 m² have held up well, slipping by just 7%, illustrating the robustness of this market segment.

• Not all districts have experienced the same trend since the beginning of 2013. In particular, Paris outside CBD and Péri-Défense experienced major declines in take-up, due to the lack of major deals. The market also slipped in the Northern and Southern Inner Rim. Conversely, Paris Central Business District proved resilient with relatively stable take-up. That said, the district has been driven this year by occupier sales and a few major deals, whereas lettings there are in decline. Take-up in La Défense jumped by 49% after a tough year in 2012, helped by the 22,000 m² letting by ERDF in Blanche tower. Neuilly – Levallois and the Northern River Bend were also buoyant.

• Meanwhile, availability within a year has continued to rise slowly each quarter. Over one year to October 1, 2013, it increased by 7% to 4.8 million m². However, it is stabilising and is unlikely to breach the symbolic threshold of 5 million m² in the coming quarters. Although granted planning permission represents 1.5 million m² of premises, few schemes are launched speculatively, particularly in outlying districts. This is slowing the renewal of supply. As such, new and refurbished offices only account for 24% of the total as of October 1, 2013, vs. 32% four years earlier. In this context, the vacancy rate is likely to only rise slightly from its current 7.2% by the end of the year.

• The improvement in the economic growth outlook halfway through the year is unlikely to have much of an impact on the office market. Indeed, with feeble GDP growth (+0.1% forecast in France for the full year 2013) and deterioration in the employment market in Île-de-France (15,000 job losses expected), the office market in Île-de-France is expected to see take-up of about 1.8 million m². This would represent a decline of 27% vs. an outstanding 2012. Nevertheless, the more decisive economic upturn forecast for 2014 (+0.8%) should alleviate some of the hesitancy and lead to a gradual resumption in major transactions.
OFFICE MARKET IN ILE-DE-FRANCE

Take-up (9 months)

Take-up (9 months)

Availability within a year (1st October)

Future supply

Source: BNP Paribas Real Estate
## OFFICE MARKET IN ILE-DE-FRANCE

### Immediate supply* | Vacancy rate* | Take-up | Immediate supply* | Vacancy rate* | Take-up | Immediate supply variation | Take-up variation
---|---|---|---|---|---|---|---
Paris CBD | 339,000 | 5.2 | 225,000 | 329,000 | 5.0 | 224,000 | -3% | 0%
Paris outside CBD | 383,000 | 4.2 | 421,000 | 402,000 | 4.4 | 275,000 | +5% | -35%
La Défense | 207,000 | 5.9 | 60,000 | 327,000 | 9.3 | 89,000 | +58% | +48%
Péri Défense | 297,000 | 15.0 | 154,000 | 356,000 | 18.4 | 88,000 | +20% | -43%
Neuilly/Levallois | 159,000 | 11.5 | 55,000 | 169,000 | 12.2 | 94,000 | +6% | +71%
Northern River Bend | 250,000 | 13.5 | 51,000 | 274,000 | 14.8 | 83,000 | +10% | +63%
Southern River Bend | 214,000 | 9.3 | 140,000 | 254,000 | 11.0 | 133,000 | +19% | -5%
Northern Inner Rim | 262,000 | 11.3 | 115,000 | 222,000 | 9.5 | 43,000 | -15% | -63%
Southern Inner Rim | 182,000 | 9.3 | 228,000 | 206,000 | 10.5 | 52,000 | +13% | -77%
Eastern Inner Rim | 119,000 | 7.3 | 32,000 | 106,000 | 6.5 | 36,000 | -11% | +13%
Outer Rim | 1,144,000 | 5.9 | 364,000 | 1,113,000 | 5.7 | 185,000 | -3% | -49%
**Total** | **3,556,000** | **6.8** | **1,845,000** | **3,758,000** | **7.2** | **1,302,000** | **+6%** | **-29**%

* end of period

Source: Immostat, BNP Paribas Real Estate

### Availability within a year

<table>
<thead>
<tr>
<th>Q3 2012</th>
<th>Q3 2013</th>
<th>Variation Q3 2013 / Q3 2012</th>
<th>Q3 2012</th>
<th>Q3 2013</th>
<th>Variation Q3 2013 / Q3 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris CBD</td>
<td>500,000</td>
<td>603,000</td>
<td>+21%</td>
<td>46,000</td>
<td>113,000</td>
</tr>
<tr>
<td>Paris outside CBD</td>
<td>524,000</td>
<td>619,000</td>
<td>+18%</td>
<td>98,000</td>
<td>117,000</td>
</tr>
<tr>
<td>La Défense</td>
<td>362,000</td>
<td>475,000</td>
<td>+31%</td>
<td>233,000</td>
<td>116,000</td>
</tr>
<tr>
<td>Péri Défense</td>
<td>402,000</td>
<td>394,000</td>
<td>-2%</td>
<td>43,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Neuilly/Levallois</td>
<td>208,000</td>
<td>221,000</td>
<td>+6%</td>
<td>58,000</td>
<td>88,000</td>
</tr>
<tr>
<td>Northern River Bend</td>
<td>286,000</td>
<td>298,000</td>
<td>+4%</td>
<td>72,000</td>
<td>47,000</td>
</tr>
<tr>
<td>Southern River Bend</td>
<td>343,000</td>
<td>398,000</td>
<td>+16%</td>
<td>99,000</td>
<td>148,000</td>
</tr>
<tr>
<td>Northern Inner Rim</td>
<td>288,000</td>
<td>234,000</td>
<td>-19%</td>
<td>36,000</td>
<td>34,000</td>
</tr>
<tr>
<td>Southern Inner Rim</td>
<td>238,000</td>
<td>261,000</td>
<td>+10%</td>
<td>63,000</td>
<td>23,000</td>
</tr>
<tr>
<td>Eastern Inner Rim</td>
<td>134,000</td>
<td>111,000</td>
<td>-17%</td>
<td>17,000</td>
<td>0</td>
</tr>
<tr>
<td>Outer Rim</td>
<td>1,199,000</td>
<td>1,196,000</td>
<td>0%</td>
<td>66,000</td>
<td>118,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,483,537</strong></td>
<td><strong>4,810,265</strong></td>
<td><strong>+7%</strong></td>
<td><strong>829,202</strong></td>
<td><strong>824,178</strong></td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
Definitions from A to Z...

Building:
- New: Building built within the last 5 years.
- Major Refurbishment: Building which has undergone structural alteration less than five years ago, subject to planning permission.
- Recent: Building less than 10 years old.
- Renovated: Building which has undergone renovation work not requiring for planning permission less than five years ago.
- Modern: high-performance building over 10 years old.
- Old: low-performance building over 10 years old.

CCI (Cost of Construction Index): index that makes quarterly measurements of construction prices for new house building. It is the price after VAT paid by the owner to construction companies. It excludes land-related prices and costs (site development, special foundations, etc.); fees and financial costs.

Demand: a search for premises expressed to BNP Paribas Real Estate. The analysis pertains only to the flow of new demand expressed.

For the occupier: operation undertaken by an occupier for its own purposes

New supply: Any new building and/or heavily refurbished building that adds to the existing stock. These are analysed according to progress.
- Completed new supply: buildings on which construction work is finished.
- Under construction: buildings on which construction has effectively begun. Prior demolition work is not taken into account.
- Planning permission granted: authorisation to build obtained, generally booked after settlement of third party claims.
- Planning permission submitted: planning permission requested, being processed.

Projects: identified intention of a building operation for which no request has been filed.

HQE: voluntary initiative for high-quality environmental management of construction or refurbishment of buildings. This is an initiative by real estate and construction professionals and is subject to a certification procedure drawn up by AFNOR (Association Française de Normalisation).

Immediate supply: all vacant premises and buildings, available immediately for letting and occupation.

Immostat: an Economic Interest Group founded in 2001, through an initiative of BNP Paribas Real Estate, C. B. Richard Ellis, DTZ (a UGL company), and Jones Lang LaSalle. In the interests of consistency, the brokers adopted numerous joint definitions: market districts in Île-de-France, conditions of buildings and premises, definitions of surface areas to be taken into account, rents, etc.

The structure of the EIG guarantees the independence of data processing and respect for the confidentiality commitments of each of its members.

New or major-refurbished offices:
- New: premises in a new building that have never been occupied.
- Major Refurbishment: premises in a refurbished building that have never been occupied.

Office stock: includes all completed offices, vacant or occupied. The office stock includes offices of the public and private sectors. In Île-de-France, it is regularly updated by the Observatoire Régional de l’Immobilier d’Entreprise d’Île-de-France (ORIE) from the statistics on the annual taxation on offices, déclarations annuelles des données sociales (provided by businesses on their employees) as well as the data relative to demolition.

Owner-occupier development: construction of a building for an occupier who has signed a bill of sale on a property still to be built.

Pre-letting: Transaction signed by an occupier more than 6 months before the delivery of the building

Rent:
- Headline rent: annual rent per square metre, featured on the lease, and expressed excluding taxes and charges. Does not include attached premises such as parking areas, archives, staff canteens, etc. If the rental is progressive, the value applied is the average for the first three years or the fixed term of the lease.
- Average headline rent: Weighted average of rented area. The average featured is a moving average over three quarters, to smooth out the changes.
- Underlying rent: Annual rent per square metre expressed free of tax and charges and excluding advantages agreed by the owner (rent incentives, building works, etc.).
- Prime rent: represents the top headline rent (excluding non significant transactions) for an office unit:
  - of standard size
  - of the highest quality and specification
  - in the best location in each market.
- Top rent: represents the top headline rent for an office unit. It is not necessarily a prime rent.

Second hand premises: Premises that have been previously occupied by an occupier for vacant for more than five years.
- Renovated: premises that have been renovated for the new occupier.
- Very good condition: high-performance premises of high quality.
- Existing state of repair: low-performance premises that can be rented as they are.
- To be renovated: low-performance premises that need renovation.

Speculative / Non-speculative operation:
- Speculative: construction launched without prior rental or sale to the occupier.
- Non-speculative: construction launched after partial or complete sale or rental to an occupier

Supply available within one year: all premises and buildings available within one year, including the supply available immediately, new supply that has not been pre-let and second-hand supply that will be vacated definitively (notably terminated leases).

Take-up: rental or sale of a property asset, finalised by the signature of a lease or a bill of sale, including turnkey transactions and owner-occupier. The transaction is only taken into account once any existing conditional clauses have been lifted.

Turnkey rental: construction of a building for an occupier who has signed a lease on a property still to be built.

Vacancy rate: ratio measuring the relationship between the supply immediately available and the existing stock.

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