SLOWDOWN IN THE OCCUPIER MARKET... ROBUST INVESTMENT TREND

• The Logistics market in France has seen a slowdown after a record year in 2017, with just over 1.5 million m² taken up over H1 2018. Indeed, although there was a slight improvement in Q2 (731,000 m² transacted) compared to the previous quarter (791,000 m²), it was not enough of a recovery for the market to reach its five-year average (1.6 million m² taken up on average over the first half since 2013).

• Although logistics providers and shippers have evenly divided the market since the beginning of the year, an underlying trend appears to be emerging among industry players and retailers. Indeed, to control their real estate costs, an increasing number of companies are outsourcing their logistics.

• Occupiers’ enthusiasm for grade A units has been confirmed once again, with over 70% of take-up over the half year concerning this sort of asset (including owner-occupier and turnkey). Companies still prefer functional buildings that enable them to introduce new logistics processes in terms of both mechanisation and robotics, but also offering the opportunity to bundle their flows.

• Although all markets on the north-south axis experienced a downward trend, with the exception of the Lyon region, they were still at the market core, with some 870,000 m² taken up in H1 2018, thereby representing about 60% of the overall volume.

• Availability within a year has swelled since December 2017 (+12%), with some 3.4 million m² available at end June 2018. Existing grade A premises account for over half of this supply. The shortage of large prime assets combined with the record take-up in logistics in recent years has strengthened investors’ confidence in the fundamentals of the French market. The first six months of 2018 were thereby characterised by an increase in building starts. We would note that six schemes, totalling over 170,000 m², were launched speculatively.

With respect to prime grade A rents, the situation is mixed, with a broad range depending on the location of warehouses: the Paris region dominates at €56/m², vs. €43-47/m² for core regional markets. Average grade A rents have changed little since the end of 2017 and range from between €38 and €41/m² in Lille, to €45/m² in Lyon. Nevertheless, there should be an increase in rents in the coming months, starting with the areas under most tension.

• H1 2018 was very buoyant in terms of investment for all asset categories. Logistics has been a major contributor to this strong showing, with over €1.1bn invested over the first six months of the year, i.e. an increase of 67% vs. H1 2017.

• Portfolios drove the French market over the period, accounting for 69% of investment, such as the asset sold by Tristan Capital Partners to Gramercy for €175m or the sale by Argan to Deutsch Asset & Wealth Management of a portfolio of 6 logistical platforms, representing 110,000 m².

• Another highlight of H1 2018 was the predominance of foreign investors. They accounted for three quarters of investment since the beginning of 2018. It was mainly US funds that were active in the French market.

• The prime yield in Logistics meanwhile continues to narrow and now stands at 4.75%. Given the high demand for this asset category and a favourable financial context, this yield should continue to contract, to reach 4.50% over 2018.
### Key Figures

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<th>Markets</th>
<th>Existing supply</th>
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### Take-Up (m²)*

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<td><strong>1,139,000</strong></td>
<td><strong>963,000</strong></td>
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* Immostat, BNP Paribas Real Estate
Main locations

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