

COMMUNIQUÉ DE PRESSE

BNP PARIBAS REAL ESTATE COMMENTS ON THE IMMOSTAT INDICATORS FOR Q1 17 ON THE OFFICE MARKET IN ILE-DE-FRANCE AND INVESTMENT IN FRANCE

Office take-up in Île-de-France has got off to a very good start in 2017, **standing at 664,000 m² for the first quarter, up 27% over the year**. This rally is essentially due to large units (over 5,000 m²), which came in at a total of 323,000 m² through 19 transactions from January to March, including the rental of 87,000 m² by Natixis in Tours Duo (Paris 13th). The segment of medium-sized units of between 1,000 and 5,000 m² is also buoyant (+3%). These robust figures are partly driven by a decent economic performance, with GDP expected to grow 1.3% in 2017 (vs. 1.1 % in 2016), and should continue in the coming quarters. *“The resurgent demand for small and medium-sized units reflects the strong job-creation trend in Ile-de-France (some 40,000 jobs are expected to be created in 2017). There is healthy take-up of large units and marked growth in requests for large premises. This suggests that transactions for the whole of 2017 should come in at around 2.5 million m²”* observes Laurent Boucher, chairman of BNP Paribas Real Estate Advisory France.

After having fallen continuously since 2015, **the office vacancy rate in Île-de-France showed signs of stabilisation in Q1 2017 (6.6%)**. The rate in the capital is particularly low (3.5 %), well below its 10-year average (4.6%). The vacancy rate is now balanced at La Défense (8.6%) with very low new supply (25,000 m²). Conversely, Péri-Défense is oversupplied (15.8 %) as is the Northern River Bend (12.7 %). As of April 1, 2017, **there has been a substantial recovery in offices under construction, up to 1.3 million m² (+50% over a year)** across the whole of the Paris region, boosting completions available for take-up in 2017 and 2018 in most districts. *“In this context, there are likely to be upward tensions on the office supply in Ile-de-France in 2017, particularly in Paris and the Western Crescent. However, there has already been a steep decline in planning permission and speculative building intentions, confirming controlled production in the medium term”* notes Richard Malle, Head of Research for BNP Paribas Real Estate.

Investment in commercial real estate in France was moderate at € 3.5bn in Q1 2017 (-22% over a year). The beginning of the year was characterised by **a notable presence of international investors**, accounting for 48% of investment, particularly the Germans (20%), Americans (12%) and British (11%). In Q1 2017, **prime office yields changed very little in the Paris region**, still at 3.15% in Paris CBD and 3.65% in the Western Crescent. There are few changes in the regions, apart from Lyon that now has a prime office yield of 4%, compared to 4.8% a year earlier. Tensions on the 10-year OAT yield, close to 1% at the beginning of April 2017, are still too moderate to prompt a significant inflexion in real estate yields. This is contributing to the strong market trend. *“Even though there are persistent geopolitical uncertainties in this first half of the year, the healthy rental trend, abundant liquidity and the quest for safe-haven investments are market drivers. Against this backdrop, investment in commercial real estate in France should consolidate at very good levels, around € 28bn—30bn in 2017”*, anticipates Laurent Boucher.



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Press Contacts:

Arnaud FRABOUL - Tel: +33 (0)1 55 65 21 15 Mobile : +33 (0)7 85 16 09 20 – arnaud.fraboul@bnpparibas.com

Amira TAHIROVIC-HALILOVIC - Tel: +33 (0)1 55 65 22 08 Mobile : +33 (0)6 37 78 12 17 – amira.tahirovic-halilovic@bnpparibas.com

Laurent PAVILLON – Tel. : +33(0)1 47 59 22 56 Mobile : +33(0)6 03374728 – laurent.pavillon@bnpparibas.com



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