Knight Frank

PARIS VISION

Commercial Real Estate in the Paris Region
Results & Outlook

2017

OFFICE

The perfect soufflé

EDITO

PHILIPPE PERELLO

CEO Paris Office
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Dear friends,

Corporate real estate once again recorded an impressive performance in the Greater Paris region in 2016.

The year ended with transaction volumes up sharply: the office rental market is again higher than the 10-year average and the investment market recorded its second highest level of activity in a decade.

The retail market attracted even greater interest and represents a growing share of investment volumes.

These performances are all the more remarkable given that the international political timetable created significant volatility, and that French economic growth, although certainly healthier, remained modest.

More electoral landmarks lie ahead in 2017, along with the Brexit negotiations which will kick off in earnest in the spring.

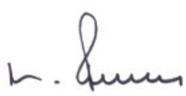
Investor and user confidence remains undaunted, however. All the signs are that 2017 will again be a very active year for real estate with players increasingly selective in their strategies.

I hope you will enjoy exploring Paris Vision 2017, with its new user-friendly format which will help you to locate information more easily. It offers clear insights into the experience of Knight Frank teams on the ground and includes plenty of prospective analysis to help make your projects a success in 2017.

Each of the three sections in this ninth edition – Investment, Leasing and Retail – will also share with you the insights of our main contributors who agreed to answer our questions: Louis-Simon Ferland (Blackstone), Eric Donnet (Groupama Immobilier), Anne-Sophie Sancerre (Unibail-Rodamco) and Raphaël Brault (AEW Europe)

As in each year, Daniel Cohen provides us with his analysis of the global economy in a political climate which has never been so uncertain.

I hope you enjoy it!



OPINION

DANIEL COHEN

Professor and Director of the Economics Department of Higher Normal School (École normale supérieure de Paris)
Founding member of the École d'Économie de Paris
Director of CEPREMAP (Centre pour la recherche Économique et des Applications).

FLEETING GROWTH

THE RECOVERY IN CONSUMER SPENDING IS SET TO CONTINUE, HOWEVER, AND REAL ESTATE IS LIKELY TO RETAIN THE MOMENTUM GAINED FROM LOWER RATES.

French growth reached 1.1% in 2016 and is expected to remain stable this year. This is good news, in that it confirms that the period of stagnation is over. It is also a disappointment, however, since conditions have never been more favourable, considering the combined falls in interest rates, the euro and commodities prices. This rare planetary alignment is unlikely to occur again in the next year. Interest rates will no doubt remain low, despite evidence of a slight upward trend, although the downward cycle in commodities appears to be over. The rise in commodities prices will mean an increase in inflation, which is both good and bad news. This is bad news in terms of household purchasing power and restoration of corporate margins, but good news for the overall functioning of advanced economies, which need a certain level of inflation to keep the economy ticking over and facilitate adjustments, etc. The National Institute of Statistics and Economic Studies (INSEE) is now counting on average inflation of 1.2% for the Eurozone. The recovery in consumer spending is set to continue, however, and real estate is likely to retain the momentum gained from lower rates. According to INSEE, households' real-estate investment could grow by 1.9% in the next year, following a 1.4% increase this year.

The much-anticipated decline in unemployment is also in evidence. In the past 12 months, the number of Category A registered unemployed (i.e. those with no employment who are available for work immediately) has fallen by 125,000 in France, to reach 3.7 million in November 2016. Commercial employment is rising again, at an average rate of 30,000 recruitments per quarter. Unemployment is therefore set to fall, although at a moderate pace considering that the labour force in France is growing at almost the same rate. Based on these criteria, unemployment will ultimately have increased by 500,000 under François Hollande's presidency. Across all categories as a whole (including those on reduced working hours or actively seeking employment) the increase is set to be over a million, only just below the figure recorded during the previous presidency.

These projections are subject to change, however. Never has political uncertainty been greater following a year of unexpected events in 2016. Brexit and the election of Trump shook Europe and the United States. Brexit particularly surprised observers since the United Kingdom is not part of any of the European institutions considered to be responsible for the crisis in France. It is not part of the Eurozone or the Schengen Area. The same resentment was evident in both cases, however, along with the same frustration expressed with the authorities' inability to improve the economic situation. One key statistic which could be seen to summarise all the others is: "Do you think that the next generation will have a better life than today?" Trump won the votes of the 63% who think not...

It is too soon to assess the economic impact of Brexit, but the OECD has already produced some simulations based on Trump's economic policy, which has two aspects: internal stimulus and increased external protectionism. Internally, Trump's programme is likely to stimulate American growth by 0.4% in 2017 and 0.8% in 2018. The corresponding increase in the US public deficit could represent 1.5% of GDP. This will push up the dollar and could be good news for the rest of the world.

The risk posed by protectionism is more difficult to quantify. Over the last 30 years, global trade has grown on average twice as much as national GDP. That is no longer the case, however — their growth is now the same. It is possible that the immense international reorganisation of labour, which began in the 1990s, is nearly complete. Judging from the president-elect's choice of advisors, who are all protectionist, the Trump administration is likely to contribute to the slowdown in international trade. The example set by Ford, which has abandoned plans to create a Mexican subsidiary and will instead expand its existing car plants in Detroit, could serve as a template for the future. Some see this as good news: it will mark the end of globalisation as we have known it for the past 20 years, with the gradual erosion of industrial jobs in developed countries. But the reality is that the economic dynamism generated by the growth in international trade will also disappear. Growth in China, which has now become the world's second largest economy, withstood the impact of the 2008 crisis, benefiting countries such as Germany. If the changes in globalisation become established over the long term, the consequences will be considerable.

The key question is therefore where will growth come from, if no longer from international trade? In November 2016, the OECD published a report expressing concerns over what it called the "low-growth trap". According to the calculations in the report, developed economies' potential growth is falling steadily. It has apparently halved from an average of 2% to just 1%. This is due largely to postponed investments since the start of the crisis… The IMF published a similar assessment not long before. The OECD therefore argues for a concerted revival in public investment, equivalent to 0.5% of GDP, which could boost growth by 0.6%, taking into account the positive effect of public investment on structural growth. Will these measures be enough to avoid the trap of low-growth economies, otherwise known as secular stagnation? If a shock is seen as necessary to finally dispel the crisis, then why not? But if long-term problems are rooted in the weak influence exercised by the digital economy over employment and purchasing power, then much greater inventiveness will be required.

LA VISION DE

RAPHAËL BRAULT

Managing Director | Head of France
AEW Europe

Knight Frank: AEW enjoys international coverage and has established itself as a major investor in Europe. Can you tell us about the French market, particularly in the Paris region, and its specific characteristics compared with other large markets in Europe and around the world?

Raphaël Brault: France and the Paris region in particular continue to represent a vital market for investors. Taking third place for investment volumes in tertiary real-estate, behind the UK and Germany, France even saw its share of investment grow in 2016 while the other two dominant markets recorded falls.

This healthiness can be explained, among other factors, by the numerous advantages of French real estate, including significant depth and strong liquidity, as well as relatively stable rents which, in some areas, offer the prospect of real, albeit moderate, moderate growth. Furthermore, the transparency and high-quality information enjoyed by our market are valuable tools to help investors' decision-making. By positioning themselves in France, investors have access to a wide range of business sectors, thereby reducing the potential impact of an economic downturn on rental values.

> **THIS MERGER BETWEEN AEW AND CILOGER IS ENABLING US TO POSITION OURSELVES, IN FRANCE, AS THE THIRD-LARGEST MANAGER OF CONSUMER REAL-ESTATE INVESTMENT VEHICLES.**

The Paris region is also the largest real-estate market in Europe, far ahead of London and the main German cities. Having benefited from a fairly restrained construction sector since the crisis, combined with a much slower recovery in rental values, the Paris region is finally showing signs of revival in tertiary activity, encouraging investors to look forward to a welcome rise in rents in a European climate in which there is little hope of further growth being generated by lower rates.

KF: Faced with a dearth of core assets and persistently weak prime yields, many investors have turned to alternative assets such as serviced residences, healthcare and hotels, rather than speculative off-plan developments. Do you think this is a sustainable long-term trend? What does it mean in terms of acceptance of risk by market players?

RB: In a low-rate environment, investors will certainly continue to look for yield. Alternative assets provide a partial response to this need, although it is important to bear in mind that the markets in question are of limited depth. It is also important to remember that as attractive as they may be, the property values of these asset classes is more exposed to underlying operational performances. In other words, if activity declines, operators may be less able to maintain rents at previous levels. However, demographic trends – particularly ageing of the population – can only lead to more growth in sectors such as healthcare and residential services for the elderly.

Concerning speculative off-plan developments, it is necessary to be nuanced. Some investors consider that there is not enough reward for the risk taken compared with leased buildings and so avoid these opportunities. We believe that a detailed analysis of the various sectors enables us to position ourselves on projects offering attractive risk-return ratios. For example, a risk premium of 75bp to 100bp on a development in inner-city Paris presenting a vacancy rate of less than 4% is not necessarily a bad bet. The same is true of projects close to transport hubs in areas where tertiary activity is increasing, as demonstrated by our recent experience in northern Paris, near the Parc du Millénaire.

KF: AEW is merging with Ciloger, marking an important step in your development towards consumer savings products. The record inflows achieved by these products are supporting the dynamism of the investment market but they will then need to be invested in assets offering long-term performance. What are the reasons behind this success and what will you do next?

RB: This merger between AEW and Ciloger is enabling us to position ourselves, in France, as the third-largest manager of consumer real-estate investment vehicles.

It is true that individual investors still have a strong appetite for bricks and mortar and these investments are characterised by yields which are generally higher than traditional savings products while providing a form of security and stability as a result of the quality and diversification of the underlying portfolios. In basic terms, real estate offers similar volatility to the bond market and overall long-term yield equivalent to the stock market. That explains why it is so attractive.

The question remains of the significant inflows and the problem of allocating the resulting capital. There again, the merger between AEW and Ciloger adheres to an industrial approach designed to allow the managers of our consumer products to access a range of asset classes via our pan-European geographical coverage, making it possible to remain disciplined while investing the sums collected in high-quality underlying assets, while complying with our diversification objective.

THE PERFECT SOUFFLÉ

THE OFFICE LETTING MARKET

It swells, expands and overflows from its mould. That is the secret of the perfect soufflé. It may also be the secret of the rental market, which had grown beyond all expectations in the Paris region by the end of 2016. A fantastic, sweet soufflé…

But it's far from straightforward. It all depends on the chef's skill and timing. Bake it too quickly or at the wrong temperature and it could easily collapse. You can then say goodbye to all that mouth-watering lightness and indulgence! Could that be a risk for 2017?

OVERVIEW OF 2016

- The Paris region achieved a very impressive performance on the rental market in 2016, with take-up of 2.45 million sq m and an annual increase of 13%.
- This success was largely due to the dynamic influence of large users (looking for properties larger than 20,000 sq m). In fact, activity grew by 62% in that segment.
- Companies' return to central Paris was confirmed in 2016, greatly benefiting the CBD, other inner-city Parisian markets and La Défense.
- The vacancy rate fell sharply, down to a regional average of 6.6% at the end of 2016. The supply shortage is now tangible in inner-city Paris.
- Grade A surface areas accounted for just 15% of properties in the Paris region available for companies at the end of 2016. That is much too little to meet demand, since that property category represented 72% of take-up for transactions over 5,000 sq m in 2016.
- Upward pressure on rents became apparent for high-end buildings in the CBD and the rest of inner-city Paris. Although modest, this is nevertheless the first increase since 2013.
- Corporate demand for office space is likely to remain strong in 2017, boding well for the rental market this year. Concerns relate more to the market's ability to respond to this demand.

TRENDS

Above expectations – that is how the Paris region rental market could be summed up in 2016. The year ended with record transactional activity, while the Paris market made the management of rental risk one of its hallmarks.

This impressive performance came at a price, however, and raises questions for the future.

#01 - DEMAND FOR OFFICES

Chocolate sprinkles and candied fruits

Chocolate sprinkles and candied fruits are treats that children and gastronomes eagerly anticipate with each bite of cake. Any cake with an abundance of the two is sure to be a success!

Therein lies the secret of the rental market in 2016. The Paris region can certainly claim a great success, owing much to the abundance of sprinkles and candied fruit.

The year's success is beyond dispute. By the end of 2016, almost 2.5 million sq m of offices had been taken up by user companies. This pushed the Paris region well above its 10-year average (2.27 million sq m of take-up) and represents an increase of 13% compared with the previous year. The Paris region has only done better five times since 1974[1].

1 Knight Frank began monitoring transactional activity in the Paris region in 1974, when it was founded in France.

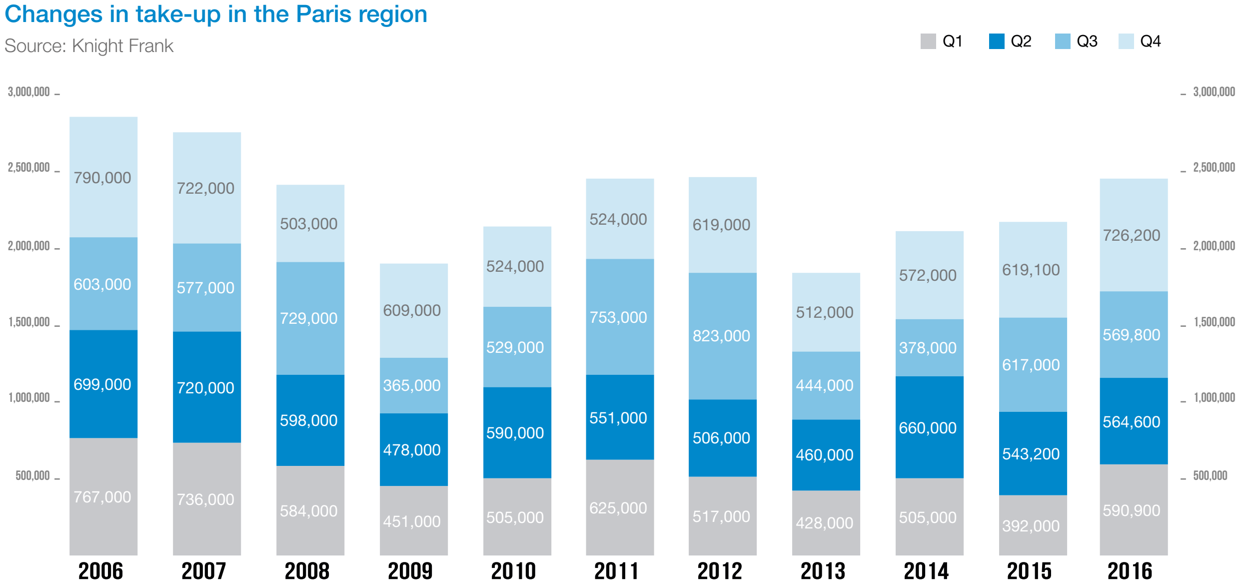
An increase was expected, but not on such a large scale. In the last edition of Paris Vision, we forecast take-up of just over 2.3 million sq m. What's more, its success in the Paris region can be attributed to a secret well known to cake-makers – plenty of chocolate sprinkles…

"At almost 2.5 million sq m, take-up increased by 13% in 2016, achieving one of the best results ever recorded in the Paris region."

What are the sprinkles in this case? Transactions carried out by large and very large companies, looking for office spaces of at least 5,000 sq m. This segment provided the cornerstone for the success recorded in 2016. It made it possible to place 985,000 sq m

Changes in take-up in the Paris region

Source: Knight Frank



of office space, an increase of 34% compared with the previous year. In all, 40% of regional transactional activity was carried out through 74 transactions for more than 5,000 sq m.

This concentration is particularly striking when examined in detail. Very large users, in search of at least 20,000 sq m, made a thundering return to the market in 2016. There were 13 transactions of this kind—almost double the number recorded in 2015. These alone represented more than 400,000 sq m of office space, accounting for 16% of annual activity in the Paris region. This is the segment of transactional activity which recorded by far the most spectacular increase, at +62%.

"The increase in transactional activity was based on the dynamic influence of large users. Almost everything turned on a handful of mega-deals."

It is natural to see significant volatility in such a small number of very large users. It is not every day a lease is signed for 20,000 sq m! In this respect, 2016 certainly benefited from a favourable base effect, since the previous year had been disappointing in this segment of very large deals. But that is not the only explanation. There was an undeniable need among companies, many of which are based in ageing offices (almost 70% of all office space in the Paris region is over 20 years old). This longevity of office space becomes a disadvantage to users since in recent years construction and renovation techniques have improved buildings' efficiency by 30%, with a corresponding reduction in charges and operating costs. Therefore a need exists. However, the right conditions are needed for it to be felt on the market via real-estate rationalisation decisions. That is what happened in 2016, as very large users became aware of a window of opportunity, combining a long period of moderate rents, a relatively stable economic environment and improved prospects for growth.

The same reasons were evident in the segment below, corresponding to transactions for between 5,000 sq m and 20,000 sq m. Growth in that segment is less marked and the 19% increase recorded in 2016 appears almost tame. Yet this performance is noteworthy because it had no favourable base effect, and the segment performed fairly well in 2015.

The real-estate rationalisation movement is therefore one of the key drivers of the rental market in the Paris region. But it still needs some fuel to run at full speed. In this case, the fuel is provided by recent office premises, satisfying all standards and responding to users' expectations. Yet there is clearly a lack in this respect in the Paris region (see the section on office supply). Whereas large and very large companies manage to overcome this shortage by using pre-letting or turnkey solutions, it is not so easy for companies looking for smaller surface areas.

Therein lies one of the explanations for the slight fall recorded in activity generated by medium-sized transactions (from 1,000 sq m to 5,000 sq m). Some companies put off decisions due to a lack of satisfactory real-estate solutions.

This situation reinforces the conviction that the erratic performance of take-up is largely a reflection of problems related to supply rather than demand. If tenants are able to meet their real-estate rationalisation, organisational adaptation and relocation needs, then they will consume office space. Conversely, if their objectives appear unachievable based on the real-estate solutions available, then they will postpone or spread out their decision-making.

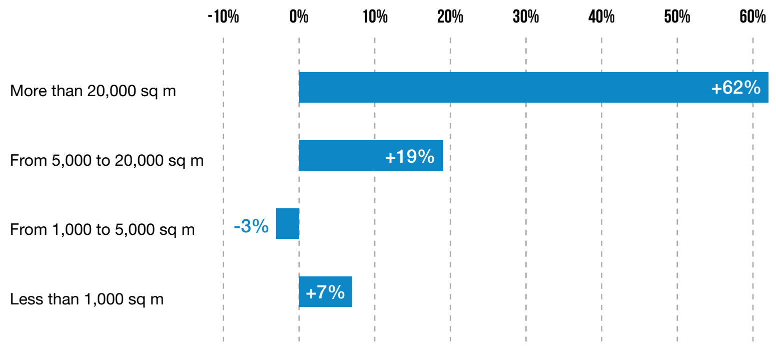
Transactions for more than 20,000 sq m in 2016

Source: Knight Frank

Surface area	Date	Tenant	Adress	Geographical area
56,800 sq m	dec-16	Conseil Régional d'Île-de-France	Influence 1.0 & 2.0, Saint-Ouen	Northern Inner Rim
44,000 sq m	sept-16	RTE	Window, Puteaux	La Défense
39,000 sq m	dec-16	EDF	Smart Side, Saint-Ouen	Northern Inner Rim
38,700 sq m	march-16	Crédit Agricole Consumer Finance	Smart Garden, Massy	southern Outer Rim
32,000 sq m	april-16	RATP	L'Elyps, Fontenay-sous-Bois	Eastern Inner rim
31,000 sq m	jan-16	Deloitte & Associés	Majunga, Puteaux	La Défense
25,600 sq m	march-16	SFR Presse	Qu4drans Est, Paris 19	Paris 14/15
24,000 sq m	march-16	BNP Paribas	Millénaire 4, Paris 19	Paris 18/19/20
23,800 sq m	july-16	INSEE	White, Montrouge	Southern iInner Rim
23,800 sq m	nov-16	La Française des Jeux	Le Delta, Boulogne-Billancourt	Southern Bend
23,000 sq m	dec-16	Le Monde Libre	Austerlitz Sud-A2, Paris 13	Paris 12/13
22,000 sq m	oct-16	BNP Paribas	Millénaire 1, Paris 19	Paris 18/19/20
20,100 sq m	oct-16	SFR Group	Qu4drans Sud, Paris 15	Paris 14/15

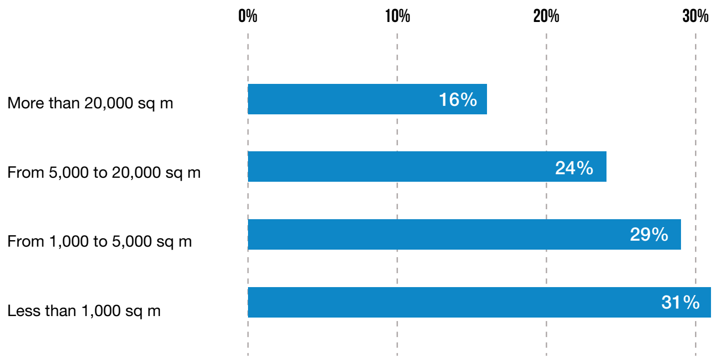
Changes in transactional activity by segments of surface area in 2016

Source: Knight Frank



Breakdown of transactional activity by segments of surface area in 2016

Source: Knight Frank



Smaller users are the only exception to this rule. They now frequently feel excluded from the market in new and restructured offices offered by large development projects which only rarely offer the divisibility which could meet their needs. These users of surface areas of less than 1,000 sq m, particularly susceptible to fluctuations in the economic climate, are in urgent need of solutions – whether new or not. This is true particularly since they are increasingly viewing decisions made today as non-permanent and subject to review in the short or medium term.

This led to steady growth in the segment of transactions for less than 1,000 sq m during 2016, maintaining the momentum which began almost three years ago and reflecting an improving economic environment.

> "The CBD remains pivotal to the rental market, while companies' return to central Paris has been confirmed."

This structuring of transactional activity also explains its geographical breakdown. The areas most attractive to large and very large users saw the greatest growth in 2016, with some suddenly returning to favour while others experienced downward corrections. These adjustments reflect current trends, although the two rules which have dominated the market structure in recent years continue to apply, i.e. the strong position of Paris's Central Business District (CBD) and companies' gradual return to central Paris.

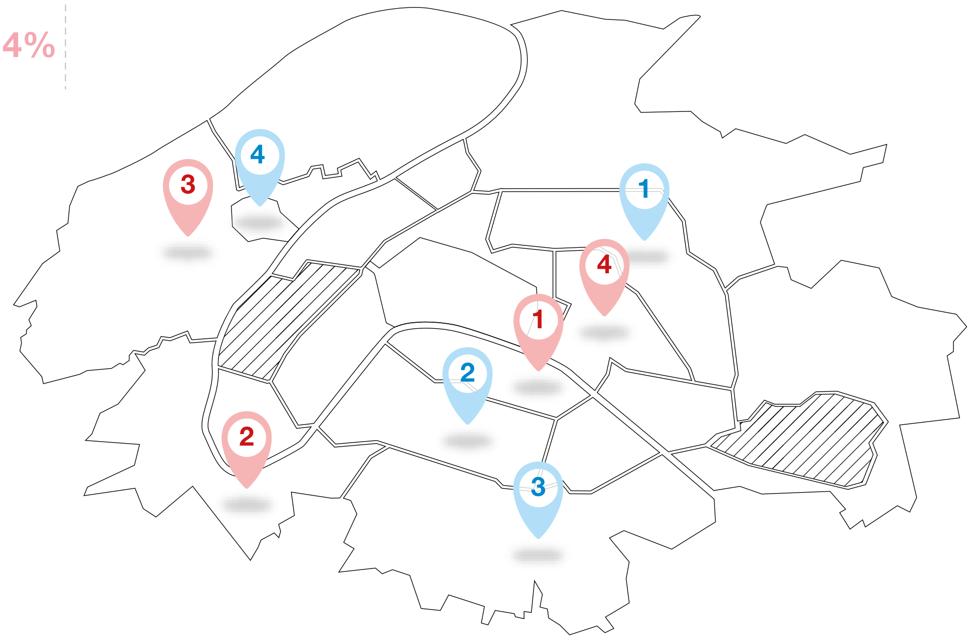
The CBD is and remains the core of the Paris region rental market. It is companies' favourite destination whenever they are able to seize a real-estate opportunity there. The CBD attracted 18% of transactional activity recorded during 2016. That share is comparable to the level seen since 2013, although it marks a definite return to favour among companies. In the early 2000s, the CBD's share fell well below the 15% mark.

The CBD owes its renewed appeal to its central location, its rich economic fabric and its diverse range of urban life. These are all advantages for companies, which no longer view their location purely as a cost, but also as a tool for commercial efficiency, employee well-being and attracting new recruits.

TOPS & FLOPS

- +144% — 1 - Paris 18/19/20
- +132% — 2 - Paris 14/15
- +117% — 3 - Southern Inner Rim
- +76% — 4 - La Défense

- 1 - Paris 5/6/7 — -56%
- 2 - Southern Bend — -21%
- 3 - Péri-Défense — -20%
- 4 - Paris 3/4/10/11 — -14%



Source: Knight Frank

Of course, not all companies have the option of relocating to the CBD. Supply there is scarce, rents much higher than elsewhere and the building environment, which is dense and difficult to convert, mainly comprises buildings of between 1,000 sq m and 5,000 sq m. That clearly presents a barrier for large users. But not all, evidently, as eight moved into surface areas of more than 5,000 sq m in the CBD in 2016. However, despite representing 18% of total transactional activity, the CBD's share falls to 8% for the large surface areas segment.

Large and very large users fall back on their traditional strongholds. This is one of the main reasons for the success of La Défense (+76%) and the Inner Rim (+61%) in 2016.

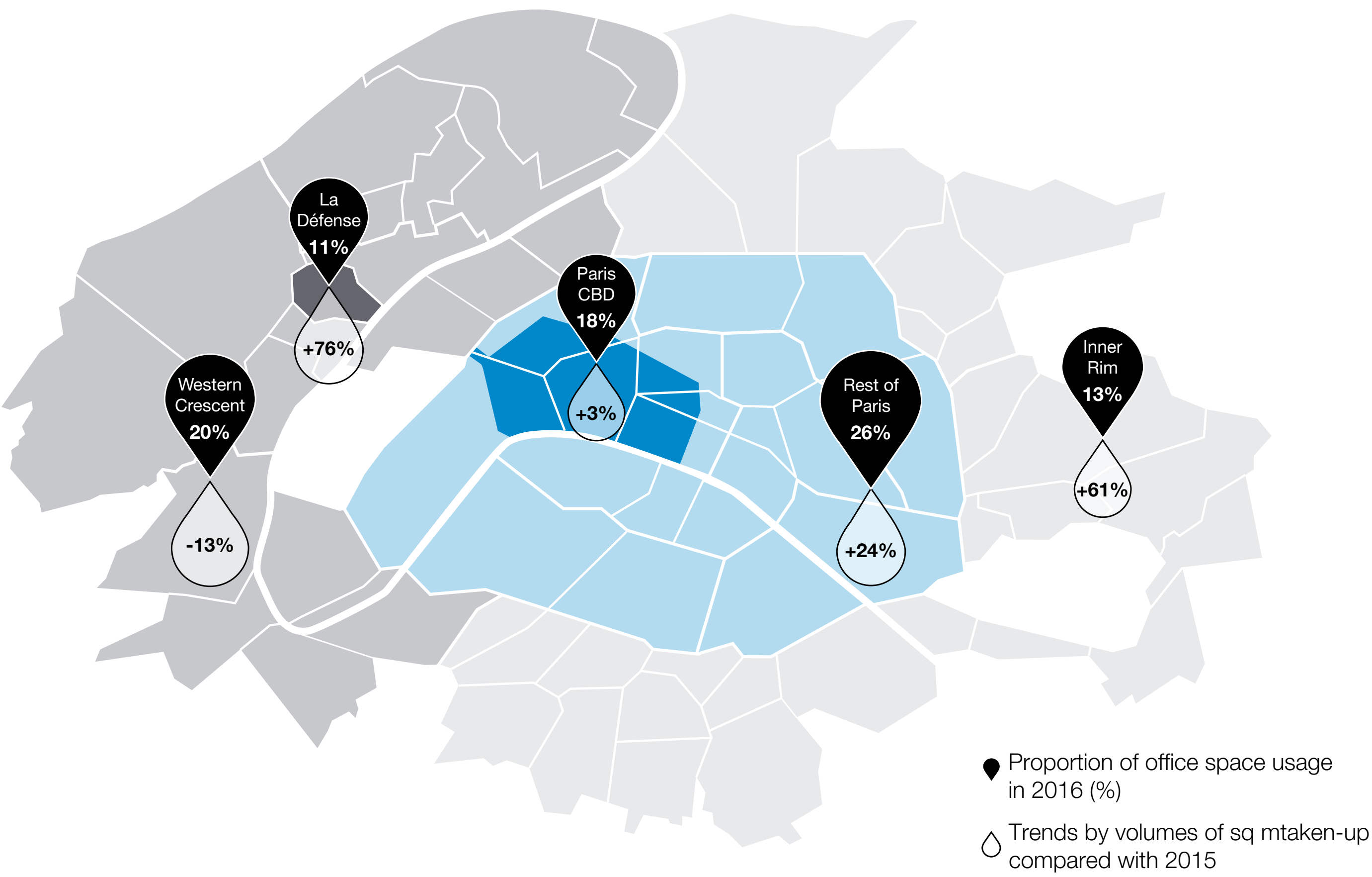
This could make the slight falls seen in some areas known to attract that type of company, such as the Southern Bend (-21%) and Péri-Défense (-20%), appear especially surprising. Could this reflect a loss of interest? No, their negative performance is only relative. Both areas were affected by the negative impact of base effects, 2015 having been so positive that it would have been hard to expect the same levels of activity to be achieved.

But whereas large users continue to prefer their traditional heartlands, they are no longer restricted to them. They are now looking closely at solutions available in alternative areas of inner-city Paris. Areas which have emerged more recently on the rental market and which, as a result of major urban redevelopment projects, have the advantage of offering large, modern and streamlined buildings. And the icing on the cake is that rents there are competitive. The 13th and 15th arrondissements, for instance, performed very well in 2016. The newer 19th arrondissement also made its presence felt on the rental landscape.

Some other young, urban addresses without the same business connotation, such as Bastille, Sentier and the Marais, are also occasionally considered by large users as new or restructured buildings are delivered. Such deliveries remain rare but they have all proved to be commercially successful.

Location of transactional activity and comparison of changes in different markets

Source: Knight Frank



#02 - OFFICE SUPPLY

Fat free

Office demand may well be covered in sprinkles, but the same cannot be said of supply. Scarcity is more the order of the day here, ramping up competition between companies to win the keys to their dream offices. And the large number of new developments springing up has little impact. When it comes to supply, there is no fat to be trimmed... These are fat-free times.

One figure alone gives an insight into the supply situation: the vacancy rate in the Paris region fell to 6.6% at the end of 2016. Just a year before, it was 7.3%. That represents more than 300,000 sq m snapped up in the space of 12 months. It also means less choice for companies looking for a real-estate solution.

"300,000 sq m of available supply was snapped up in 2016, reducing the choice available to companies. Meanwhile, the vacancy rate fell to 6.6%."

With the exception of London, which has even less supply available (with a vacancy rate of just over 5%), most large European cities have much higher levels of supply. Frankfurt and Brussels have between 8.5% and 9.5%, while in Madrid, Milan, Prague and Warsaw the figure is above 10%. Not to mention Moscow, where the vacancy rate is still close to 20%.

For the owners of buildings, the level of security on the Paris market therefore remains unique in Europe. This is one of the trademarks which explain its success and appeal to investors. For user companies, the situation tastes much less sweet. It means heightened competition, a reduced range of options and limited room for negotiation.

Obviously, the Paris region is not all cut from the same cloth. Behind its overall situation in terms of supply and vacancy lies considerable internal diversity. The various markets in the Paris region have a wide range of profiles.

A supply shortage is not far off in the CBD (3.9% vacancy). And it is already very real in markets such as Paris 5/6/7 (2.3%), Paris 12/13 (2.5%) and Paris 14/15 (3.0%), thereby restricting prospects in terms of transactional activity.

"Victims of their own success! A supply shortage is not far off in the CBD and is now very real in the rest of inner-city Paris."

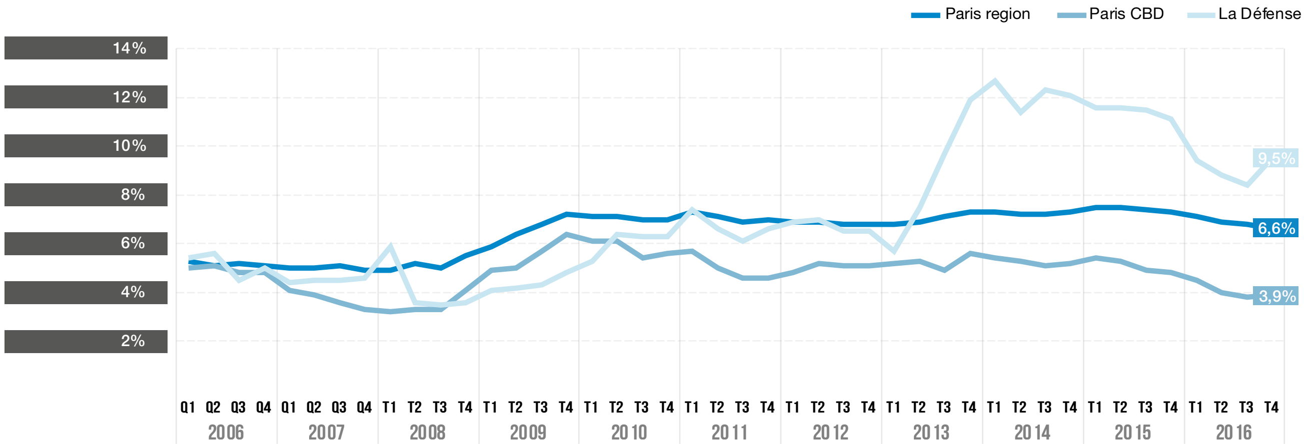
But although the inner-city has less than 4% available supply, the vacancy rate rises on the other side of the Paris ring-road. La Défense ended 2016 with vacancy of 9.5%, following an increase in Q4 following tenant departures. The Western Crescent, meanwhile, continues to record much higher levels, with vacancy of 11.5%.

The breakdown of roles within the Paris region between areas of under-supply and areas with supply has barely changed in a year, although the gaps are widening. Some cakes are dry. Others a little more succulent…

But quantity is not everything. While it is essential to have a supply of properties

Changes in vacancy rates in the Paris region

Sources : Knight Frank, ORIE



Infographic: Total supply and Grade A supply

Source: Knight Frank

Each window corresponds to 100,000 sq m of offices space

- Occupied offices
- Available supply
- Of which grade A

	PARIS CBD	REST OF PARIS	LA DÉFENSE	WESTERN CRESCENT	INNER RIM
Total office space	6.7 million sq m	10.1 million sq m	3.6 million sq m	8.3 million sq m	6.6 million sq m
Grade A available supply	37,000 sq m	30,000 sq m	42,000 sq m	150,000 sq m	73,000 sq m
Vacancy rate	3,9%	3,2%	9,5%	11,5%	8,5%

available to users to enable them to position themselves in the market, it is also necessary for those properties to respond to companies' aspirations.

Yet that is far from being the case. Grade A premises, made up of new and restructured surface areas delivered in the last five years, continues to be in short supply. In fact, the share of Grade A properties fell below 15% of available supply at the end of 2016 in the Paris region. A year previously it represented 18%.

A level of 15% is very low – too low to prevent friction on the rental market. This figure needs to be compared with the structure of companies' take-up of office space. The shortfall then becomes blatantly obvious: in 2016, Grade A surface areas accounted for 33% of transactional activity. And the shortfall is even greater for large transactions, with 72% of take-up in this surface area segment corresponding to Grade A criteria.

"The share of Grade A properties is falling fast. At 15% of available supply, it is clearly inadequate to respond to companies' demand."

The Paris region is therefore a starved market and this general, widespread starvation can take alarming proportions in some markets. These include inner-city Paris where, the proportion of Grade A has fallen to 9% of available supply (5% in the CBD). Even La Défense, which was for a long time a plentiful source of available high-quality properties, has become more volatile. Grade A now only represents 12% of supply there. A year before, the figure was 34%...

At such levels, there is no fat to be trimmed…

#03 - OFFICE RENTS

Sweet and salty

Sugar is sometimes used to mask salt – two apparently opposite, irreconcilable substances but which are actually much more complementary than they appear. Don't forget that even in the most impressive feats of cake-making, there is always a little salt.

And this rule can be applied more generally. Although 2016 may have been very sweet for the Paris region rental market, it was not lacking in salt. Beginning with certain prices…

"Not everywhere and not for everyone, but upward pressure on rents became apparent for the first time since 2013."

Is the period of moderation in rents coming to an end? It's likely. In any case, it appears that 2016 marked a turning point in this respect.

Not everywhere and not for all types of properties, but at least for premium buildings, in other words buildings offering high-end technology and specifications, architectural value, contemporary design and a high-quality location. Buildings which are marketed for the highest values and which, although not representative of the market, serve as a yardstick for it.

In the CBD, what we consider to be a representative high-end rent stood at €770 at the end of 2016, increasing €20 in a year. That corresponds to an apparently modest 3% rise, but nevertheless the first since 2013. Not to mention the fact that certain higher values, achieving or exceeding €800, have been recorded in several transactions, although these have not become common enough to consider them indicative of marketing values.

The CBD is cultivating its difference. Due to its appeal to companies and scarcity of supply, it remains the most expensive market, even extending its lead over most other geographical areas in the Paris region. The gap compared with La Défense stood at €240 at the end of 2016, while it was just €210 a year earlier.

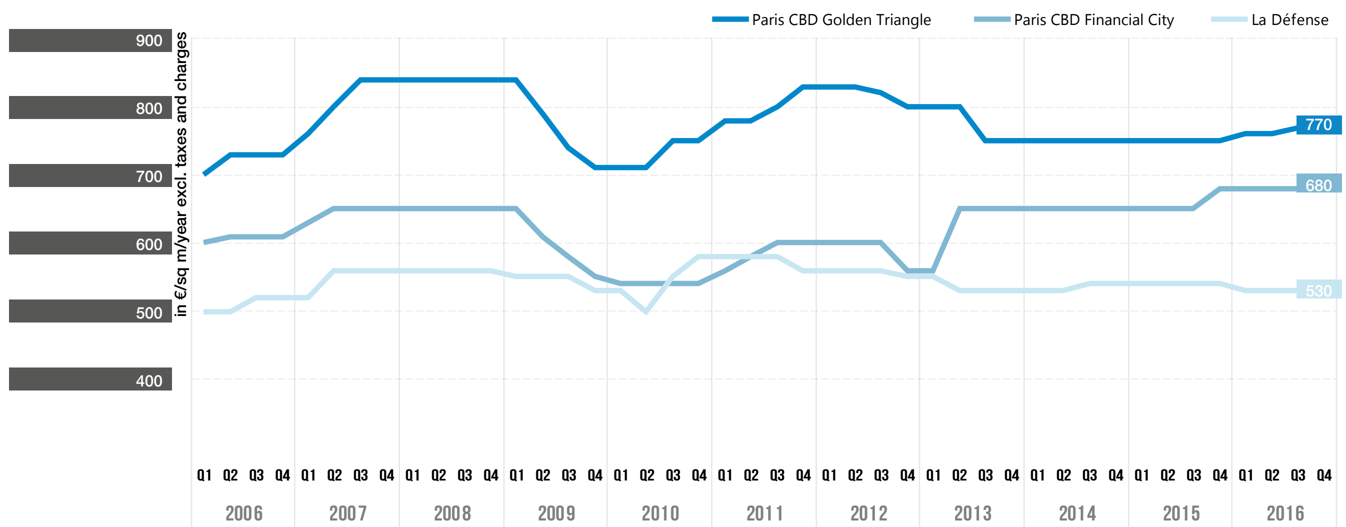
The CBD is not alone in recording the first upward pressure in rents for the best buildings. Some other areas in the Paris region joined it in 2016. They remain rare and are mainly limited to inner-city Paris, such as Paris 12/13, Paris 14/15 and Paris 3/4/10/11. The last of these can even lay claim to an increase of 8% in high-end rent, much higher than that seen in the CBD. Its small role in the regional market means its performance should not be exaggerated, however. It has more to do with the upgrading of Paris 3/4/10/11 via the emergence of a type of building new to the area following the delivery of some major restructuring projects.

Elsewhere, rental stability continued to prevail. In those areas, upward pressure will first be reflected in a contraction in incentives granted to tenants on signing the lease. There is certainly room, as such incentives can be upwards of 20% outside inner-city Paris.

Therefore, not all markets are created equal. Neither are all buildings… These high-end rents only relate to a small proportion of transactional activity. They act as a regional yardstick and are used

Changes in high-end rents in the Paris region

Source: Knight Frank



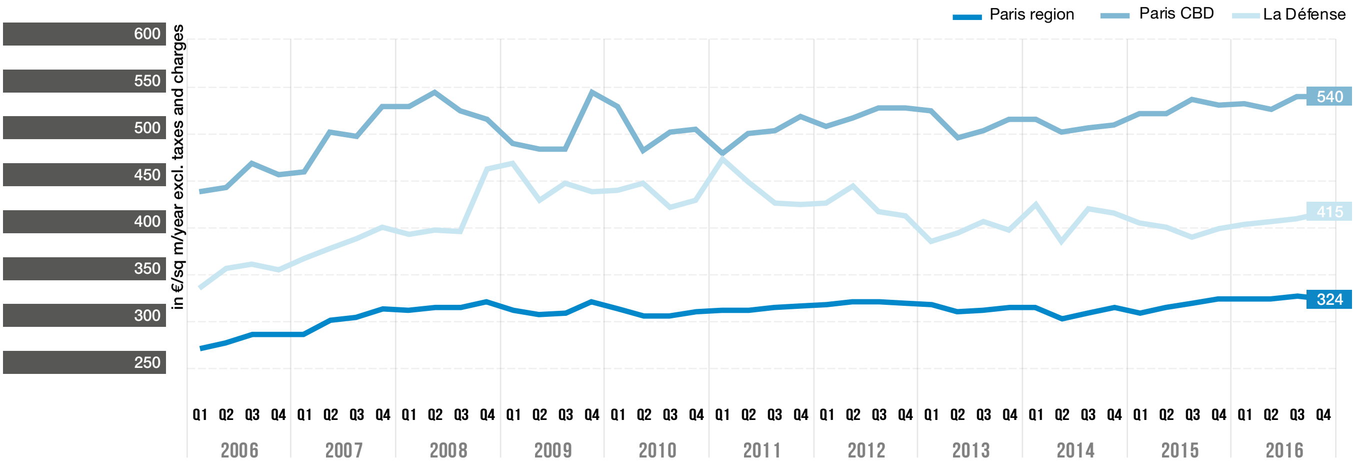
for international comparisons, but are far from representative of the market. Most transactions are carried out for much lower values. The difference between average and high-end rents provides a striking illustration of this. In Q4 2016, the difference in La Défense was €115, rising to almost €230 in the CBD.

At a regional level, average rent has gone up by a few euros, to reach €325 for 2016 as a whole, compared with €320 in 2015. It therefore continued the modest ascent begun the previous year, reflecting a refocusing of transactional activity on inner-city Paris and the most well-established areas. Although the majority of transactional activity relates to the most expensive destinations, it does not correspond to the buildings with the highest rents. Firstly, because there are not enough of those buildings, which often account for almost all of Grade A supply. Secondly, because many companies adjust their choices in terms of address and quality based on market conditions and changing rents. This explains the relative consistency of rents in the Paris region, as we emphasise each year. In the past decade, it has varied by a very small margin of less than 10%, around a median of €315.

So was there some salt in 2016? Yes, although in small quantities, there was enough on the rental market for the benefits to be felt. Salt, symbolising alliances and hospitality, is necessary for life. Finding the right balance is still tricky and difficult to maintain. That will be one of the challenges of the coming year.

Changes in average rents in the Paris region

Source: Knight Frank



What is the most important factor on the rental market in 2017? Undoubtedly the supply of office space. How it evolves in terms of both quantity and quality will dictate changes in rental values as well as the satisfaction, or dissatisfaction, of user companies.

A cake of promises

You always remember at least two images from a wedding ceremony – the bride's dress and the cake. Topped with a figurine of the married couple, this is often as impressive as the love it celebrates. It is a cake of promises.

Beautiful promises. Mutual promises. Promises shared with all the guests. And also sometimes, unfortunately, broken promises and dashed hopes…

What marriage have we here? The marriage between office supply and demand. A promising marriage as we enter 2017, but one which needs consolidating.

OFFICE DEMAND

The performance of demand for office premises remains partially uncertain. But it is not the main area of uncertainty in 2017. Indeed there are many reasons for looking ahead to the coming months with optimism.

> "Demand, which is particularly among large users, is likely to remain strong. We are entering 2017 in a strong position, with an unprecedented safety cushion."

Demand has every chance of remaining strong among large and very large users. Barring any unforeseen calamities, activity will be boosted by the completion of large deals initiated in 2016. This will provide a much larger safety cushion than the Paris region rental market is used to. Examples include the 56,000 sq m of buildings making up the future Groupama headquarters in Nanterre; also in Nanterre, 74,000 sq m to be built to house the Vinci headquarters, above the future Les Groues rail station. Several ministerial decisions are also expected, each involving surface areas of over 15,000 sq m. Even more impressively, negotiations with a financial company could be concluded for the Duo towers in Paris's 13th arrondissement.

Those are just a few of the users actively examining their real-estate requirements. Many of them, which currently have employees working in ageing offices whose operating costs are becoming less and less competitive, and others bogged down in outdated real-estate arrangements, have immense rationalisation needs.

> "A phenomenon which has long been forgotten in the Paris region: in 2017, growth in surface area could combine with rationalisation measures to drive up companies' demand."

There are also those companies which need to find space for their expanding teams. That is not rationalisation—it's genuine growth. In the past, this need has often been confined to startups and ICT (information and Communication Technologies) companies but it could become more widespread in the future. The market services sector, the main consumer of office space, stopped cutting jobs in the Paris region two years ago. Improved growth prospects should encourage movement and lead to an increase in staff.

Between rationalisation and growth, large users have and will continue to have needs. Their incentives for rapidly meeting those needs are clear. The window of opportunity which opened for them in 2016, encouraging their return to the rental market, remains. But that will not necessarily always be the case. Although rental values stopped falling in 2016, they remain at low levels. On the outskirts of Paris, even for high-quality properties, signature rents are close to the levels they were at a decade ago. A new building can currently be let for the same price

it would have been 12 years ago, in other words: the duration of a long-term lease. This provides a strong incentive to move, considering that efficiency gains and cost savings offer access to the most efficient premises.

This combination of needs and opportunity is likely to ensure continued strong demand for large and very large surface areas in 2017.

The situation is not radically different for users of surface areas less than 5,000 sq m. Again, demand is likely to be driven by the business climate and economic prospects. These are hardly thrilling, but cautious assumptions forming the basis of a consensus indicate a continuation of the favourable environment which has demonstrated its shock-absorbing capacity. And we know how much companies need a predictable and consistent outlook in order to reach real-estate decisions. This has been confirmed over the last two years, during which time the small and medium-sized surface areas segment has often demonstrated spectacular growth.

This outlook obviously does not take into account the political uncertainty which would be caused by a radical change in economic models. In France, Germany, the Netherlands, and potentially Italy, 2017 will be an important electoral year.

"An assumption of take-up of around 2.4 million sq m by the end of 2017 appears realistic."

Although this uncertainty exists, it is too vague to be quantifiable. That is the question mark which hangs over 2017. However, it does not detract from the reasons for looking forward to dynamic transactional activity. How dynamic? It would seem reasonable to expect take-up to be close to the level seen in 2016, or around 2.4 million sq m, by the end of 2017. Everything will depend on the Parisian market's capacity to transform demand into transactions. And for that, supply is required.

OFFICE SUPPLY

This is therefore the major question for the future of the rental market: how will office supply and its structure change and evolve over the coming months? The end of 2016 saw a supply shortage in inner-city Paris and a general lack of Grade A premises across the Paris region. To summarise, it is hardly an exaggeration to say that the most popular surface areas for companies are rare and there are no longer even any relocation options available to them in their favourite areas. This is a very uneasy position for users, likely to generate bottlenecks in terms of transactional activity as well as functional problems on the rental market.

Is this situation alarming? No, it's worrisome at worst. We begin 2017 on a hopeful note, with some breathing space due in terms of available supply. Alongside the cake of promises, Mr Supply has sworn to Miss Demand to be more generous. And as a gesture of good faith, he has promised a volume of new and restructured surface areas which is set to almost double in 2017 compared with the previous year. Almost 1.2 million sq m are due to be delivered in the Paris region, compared with less than 700,000 last year. Construction activity will also hit its highest levels for the past decade.

This momentum is set to last until at least the end of 2018. After that, the horizon is too far away to predict: almost 600,000 sq m appears to be assured for 2019, with a large number of projects likely to be unleashed provided the favourable environment continues. Promises are rarely one-way and in principle require something in return.

"We begin 2017 on a hopeful note in a market suffering from a lack of supply.
But the anticipated breathing space may nevertheless prove insufficient."

Major changes are therefore afoot. The cherry on the cake is that the acceleration in deliveries will be greatest where supply is most dire. Almost 110,000 sq m have been announced for the CBD in 2017, compared with less than 25,000 sq m effectively delivered in 2016, following delays with some projects. The rest of inner-city Paris will also be active, with 530,000 sq m delivered there compared with 120,000 sq m in 2016. The only drawback is the lack of deliveries in La Défense in 2016.

However this good news will not be enough to allay all concerns. The breath of fresh air is real but may not be sufficient.

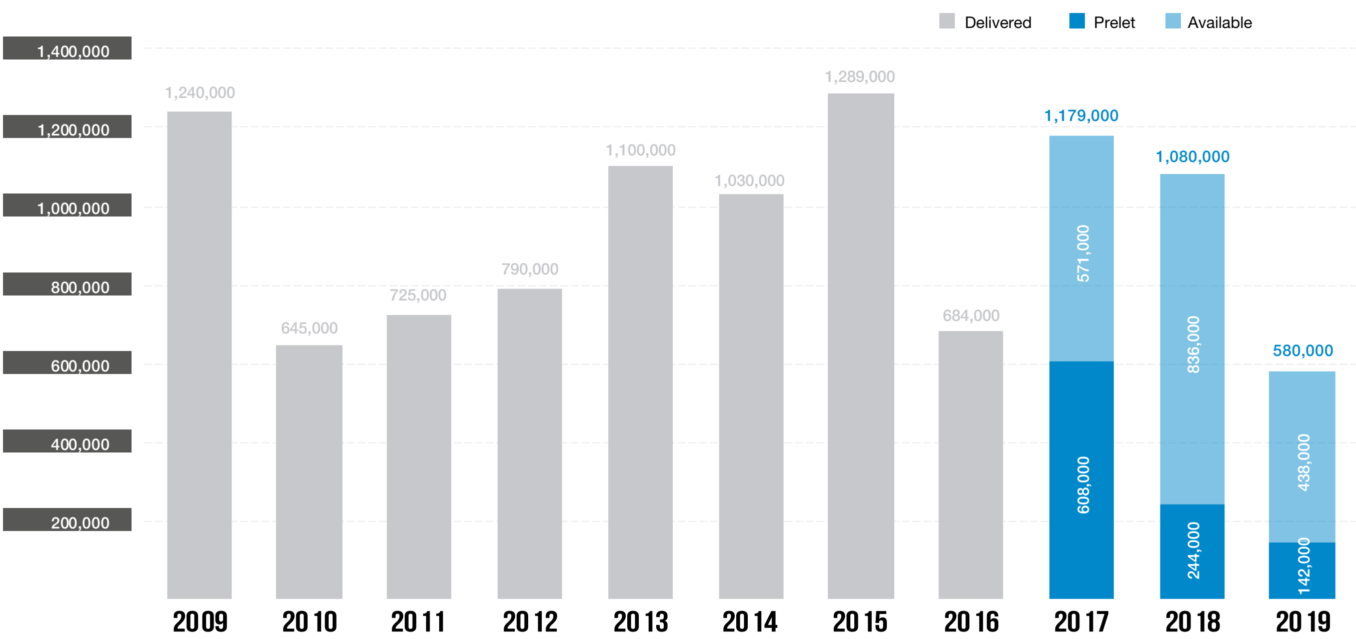
These projected volumes will not all be available for companies looking for offices. Some surface areas have already found tenants. In all, 52% of deliveries in 2017 have been pre-let. Out of the 1.2 million sq m expected, only a little under 570,000 sq m therefore remains available for the entire Paris region.

This situation is not unusual in areas where investors are unwilling to incur rental risk, preferring to wait for users to commit themselves before launching new developments. This phenomenon is now becoming more common, however, spreading to areas where pre-letting is unusual. This is the case in the CBD, where 36% of surface areas deliverable in 2017 have been let. Only 15% were in this position a year ago, at the start of 2016. Not to mention the rest of inner-city Paris, where the pre-letting rate stands at 60% of projected volumes in 2017. Many companies interested in these areas will therefore again be forced to fall back on buildings under development. Pre-letting looks to have a bright future ahead of it…

The segment of Grade A supply should therefore become a little more fluid. Just

Deliveries of new or redeveloped surface areas in the Greater Paris region

Source: Knight Frank



a little. This will encourage rotation in the market. However it is unclear whether the resulting departures will lead to significant new supply on the market. Owners of many of the vacated buildings may be tempted to take advantage of the positive outlook on the rental market to refurbish their properties. It is therefore likely that the vacancy rate will not see any significant upturn in 2017, but will remain low and may even decline slightly.

"Despite a revival in construction, the vacancy rate will remain low and may even decline in 2017."

Even if kept, some promises sometimes seem a little disappointing to their recipients…

OFFICE RENTS

At least in the most sought-after geographical areas, there is unlikely to be any reversal in the balance of power between owners and users. The heady days when users were able to obtain significant reductions in headline rents and massive incentives are now gone, with no immediate prospect of their return.

High-end rents, corresponding to the marketing values for the best buildings, are therefore likely to continue to rise in the CBD and some parts of inner-city Paris.

There will be no huge rises, but competition between Grade A premises will be slightly stronger than before. Boosted by successful marketing, however, high-end rent is set to continue towards the €800 mark in the CBD, occasionally rising higher for buildings combining excellent specifications and services and famous architects.

A less spectacular shake-up, but one indicative of the wider range of geographical options being considered by users, could occur in the rest of the capital. Several areas of inner-city Paris could repeat the step taken by the Financial City in 2015. This innovative approach – completely new in the immediate area and rare for Paris – could turn standard practice on its head by marketing at "above ground" prices. The most important aspect for the user in that case, rather than rents traditionally recorded in the 13th, 15th or 3rd arrondissements of Paris, are the prices offered by alternative solutions available in the CBD, La Défense or elsewhere.

"In terms of rents, no major revolution is expected in 2017 – previous trends will continue, heading towards a value of €800 in the CBD."

In La Défense, the increase in marketing values will first be reflected by a contraction in incentives, encouraged by the dramatic fall in the available supply of Grade A premises and the lack of deliveries in 2017. Headline rents will probably remain about the same.

A similar though slower movement can be expected at the best addresses on the outskirts of Paris and in La Défense, such as the Southern Bend, Neuilly-Levallois and Péri-Défense.

Everywhere else, stability is likely to prevail. Most of these markets are in recovery and their strength lies above all in the appeal of their price compared with geographically central areas. That has been weakened in recent years. They will need to reinforce it before they, too, can benefit from an increase in rents.

QUESTIONS FOR

ÉRIC DONNET

Chief Executive Officier
Groupama Immobilier

WE MUST SUCCEED IN INVOLVING ALL PLAYERS WHO, THROUGH OUR PROJECTS, ARE BUILDING THE FUTURE OF OUR SUSTAINABLE CITIES.

Knight Frank: In Paris and the surrounding region, Groupama is carrying out an ambitious programme to increase the value and redevelop its investment properties, particularly offices. You have therefore decided to accept rental risk rather than sell off properties. Why did you make this decision and how has it been received, particularly by your shareholders and clients?

Éric Donnet: The Groupama Group's real estate policy has evolved steadily but very significantly in the past three years. It is based on a fundamental decision in favour of dynamic and ambitious asset management of the insurance companies' real estate assets in order to optimise the risk/value-creation ratio, as well as the more traditional management of the risk/yield ratio.

The real estate strategy adopted therefore looks at each portfolio item and comes up with the most ambitious possible business plan for it, given the levels of risk accepted by the insurers, since real estate, as an asset class, is only appealing if it generates higher long-term yields than other asset classes, particularly bonds.

This ambition is naturally reflected in financial aspects – maximisation of IRR and long-term current yields – but also and more fundamentally in the architectural standards, the level of specifications, environmental performances, the current and future flexibility of buildings, factoring in the latest ways of working and the buildings' image and impact on the urban fabric.

For most assets, this ambition has led us to implement wide-ranging restructuring programmes, reflecting the exceptional quality of their locations and their level of technological obsolescence. We have therefore carried out evictions when necessary and adapted the functionality of the assets in order to reposition them as prime properties, matching market demand, with a focus on the projects' legal and tax engineering.

Groupama has already committed over €600m to develop major commercial investment projects, including Window, the first project initiated in the framework of the new real estate policy, involving the complete restructuring, following its liberation, of 44,000 sq m on the Esplanade de La Défense. The building is due to be delivered in 2018 and has already been leased to the RTE group, which will occupy the entire property. Very large projects have also been launched in respect of assets held on the Champs-Elysées. Equivalent strategies have also been developed for smaller assets, from 1,000 sq m to 5,000 sq m, with a pre-letting rate prior to delivery of almost 100%. Clients have been won over by the quality of the projects carried out, whose design ticks all the boxes vital to users, including location and accessibility, as well as impeccable specifications, flexibility of spaces, densified areas and discussion areas.

For other portfolio items, meanwhile, the review of assets led to adoption of immediate arbitrage strategies and shorter-term development measures. In the past two years, we have carried out arbitrage in respect of around 20 assets for a total amount of almost €210m in commercial assets, particularly 15 rue Falguière, 73 rue de Vaugirard and 10 rue Auber, along with isolated residential assets. Most of these sales occurred after securing rental flows, allowing core assets which could not be restructured to be sold under very favourable financial conditions.

Thanks to a strategy that associates investment and arbitrage. Groupama's portfolio no longer resembles the "sleeping beauty" we may have seen it as in the past!

The success of this new ambition is based on the trust we were able to build up with our main clients, thanks to our initial successes and the professionalism of the new commercial teams in place since 2013. The operational management team which, besides myself, includes Astrid Weill, Jean Carrière and Laetitia George – who has set up and coordinates the Group's commercial asset management teams – responded very quickly to develop and implement all of our real estate projects.

KF: In your discussions with user companies, what needs and expectations do they express and does supply easily match demand?

ÉD: User companies' needs and expectations, which our teams are already familiar with from daily management of the existing portfolio, are taken into account from the design of redevelopment programmes and, insofar as possible, anticipating their future development by examining recent trends in real estate research (digital, innovation and working methods), the competition and practices on the most dynamic international markets, as well as through ongoing discussions with professionals from sales networks and consultancies.

At Groupama Immobilier we believe that every client has their own characteristics in terms of objectives and expression of needs and particularly in the way they go about selecting future premises, in which we are often faced with very different situations depending on the size of the premises and whether an advisor is appointed. During the design of programmes, we adapt the project to target tenants compatible with our financial objectives, and whose key needs are likely to be met by the redeveloped building. In summary, the marketing programme, the competition and market research into prospects all come before the design of the project itself. Our projects are not "one size fits all" but are closely tailored to the needs of the applicants likely to be interested in them.

The inverted process facilitates alignment between companies' search criteria and the supply of buildings. The systematic use of digital tools and augmented reality also facilitates the process, since those responsible for the company's search are able to sort through their options much more quickly.

In this complex process, a wide range of needs are expressed.

The requirements common to most of the searches we handle are similar to those identified in market studies:

- Firstly, the geographical area: except in the case of very large searches (for more than 30,000 sq m) which may look at several confirmed sites in the Paris region, most mainly look within an area equivalent to an Immostat sector, sometimes restricted to just one or two arrondissements in inner-city Paris;

- Premises must be renovated or new and comply with the latest environmental standards, whether single or multi-tenant cases, since company managers need to focus on their core business, rather than maintaining obsolete equipment, and avoiding regulatory risk, which is almost inevitable for premises that have been left untouched for many years;

- The premises' size and capacity should correspond to the initial specifications (+/- 20%), otherwise it will be impossible to agree on the financial terms and conditions, even with the flexibility provided by a range of potential fit-out works for tenants.

These initial criteria will help an asset to be short-listed but will not necessarily make the difference in the final decision. Once they have understood the company's business approach, asset managers must be able to explain to the company why a particular building will contribute more effectively to their business's success than one available from the competition, to adapt to the tenant's decision-making timetable and clarify the legal aspects of the various types of leases and the technical stages involved in a successful relocation. This close relationship with the client makes it possible to overcome any differences compared with the initial target surface area or, more frequently, level of rent.

KF: Practices and uses change, particularly in the world of work. How is real estate viewed differently today and have we achieved a model capable of surviving the test of time? Apart from construction and architectural techniques and when thinking of relations between landlords and users, for example, what options do you think should be explored?

ÉD: Our expertise lies in client relations and the change has begun, particularly in the ecosystem of start-ups, and is set to accelerate in the world of work, driven by the digital revolution and new ways of using premises (teleworking, nomadic working, flexi-offices, desk-sharing, specialisation and adaptation of areas according to their purpose, etc.).

Landlords and service providers need to adapt by adjusting spaces – and how they are presented – to these new needs.

Groupama Immobilier made this change in its range of core assets – mostly city-centre and single-tenant – in relation to the design and strategic marketing of its redevelopments. The existing legal framework for this type of product is currently satisfactory, despite its imperfections.

To further adapt to user demand by creating subscription or "pay per use" packages, there is a lack of: technical tools – although these are developing rapidly (apps, etc.) – as well as legal and fiscal frameworks and a network of suitably organised service providers.

In terms of the architectural approach, including changes in buildings' future uses, their footprint throughout their life cycle and their integration into the city, beyond the fashionable promises, we are slowly but surely seeing a growing awareness among stakeholders in relation to research and design. Implementation is rarer, but the course has been set. This question is of key concern to us at Groupama Immobilier, as a responsible investor and manager of a team that is closely involved in building the city. And we have created an innovation and sustainable development department to expand consideration of these issues in projects currently being handled by all teams. We must succeed in involving all players who, through our projects, are building the future of our sustainable cities in order to anticipate changes to our urban surroundings and our approach to business, with far-sightedness and pragmatism.

We commit ourselves on the ground, as well as at conferences and events in support of start-ups, so as to understand and anticipate all the changes which will be transforming our business in all the social, economic, technological and, of course, environmental and demographical fields affecting the construction of cities.

KF: An exemple ?

ÉD: We work with the start-up incubator immoWell Lab. We have provided this incubator, which specialises in real estate, with offices in one of our buildings on the Champs-Elysées, in order to be able to discuss and participate in the incubator's life for a year. We will be able to carry out "Test and Learn" and "Proof of Concept" projects in relation to the comfort and health of buildings, for example, as well as in the fields of consolidation and exploitation of data for the benefit of occupants and a better knowledge of buildings. We offer these practices to our clients, moving at their pace in a dynamic of sharing and value-creation, with the ultimate objective of improving workplace quality of life. This is exactly what is offered by the Well label, which aims to develop buildings by placing individual users' health and wellness at the centre of each design: a holistic approach to health in a built environment focusing on user behaviour, design, the fit-out of buildings, as well as their operation and associated services.

KF: How do you see the future of the rental market in Paris and the surrounding region over the coming months?

ÉD: In our main markets – CBD-Etoile, CBD-Opéra and the La Défense business district – changes to demand by volume have been very favourable over the last two years, both in the offices and retail sectors.

Looking back, the CBD-Opéra and central arrondissements of Paris were the first areas in our portfolio to experience strong rental activity, with tenants facing supply shortages, from 2013, of suitable surface areas available within a reasonable time-frame. Almost all of our projects were able to be let before delivery in these areas. Headline rents there steadily increased, with pressure decreasing in terms of fit-out works and incentives granted to tenants. Projects are of an increasingly high quality and positioned at the top end of the Parisian prime market.

We see this trend as continuing. We now have no more products available in these central arrondissements and have recently launched a 5,500 sq m prime development on rue Saint-Lazare, called SOCO. This project, developed according to the WELCOME/CONNECT/SHARE/MEET concept, incorporates the latest trends in terms of architecture, technology, comfort and efficiency and will be able to respond to new ways of working and knowledge-sharing.

The CBD-Etoile and Western Paris are undergoing a similar change, a year later, and that area houses most of our new projects.

We have completed the renovation of the Hôtel de Günzburg at 7 rue de Tilsitt, Place de l'Étoile, and have several major projects in the pipeline in that area, both on the Champs-Élysées – at 79, where works have been launched, and at 150 which will form a major multi-use Cinema/Retail/Hotel block – as well as for 4,000 sq m to 6,000 sq m office properties due to be entirely restructured. Demand is increasing, although rents remain rather flat for now. The range of high quality and modern buildings should eventually allow rental values to continue to rise. Redevelopment and marketing of projects are very profitable for this type of product in the current low interest rate environment.

Finally, in the La Défense business district, which was experiencing a high vacancy rate, with delivered towers awaiting tenants, the trend has completely reversed and all those properties have now found tenants.

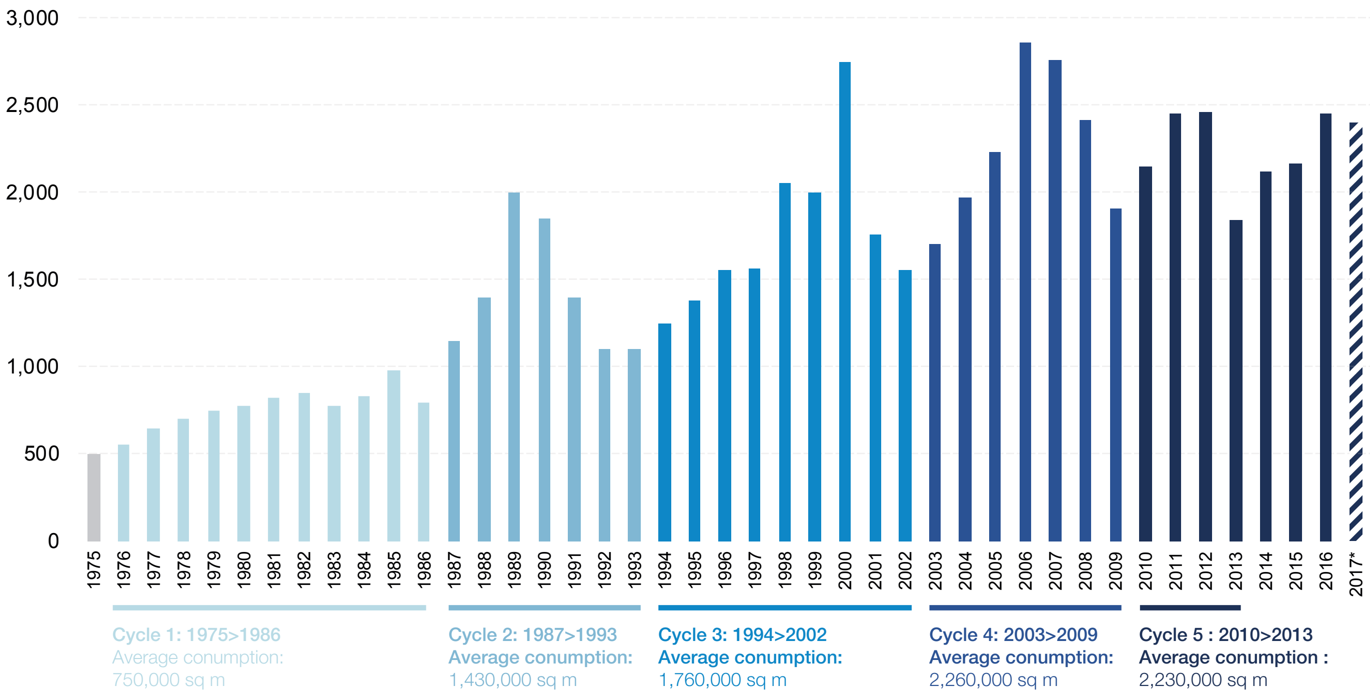
The area has returned to its usual liquidity levels, both on the rental and investment markets, with volatility steadily decreasing. Expansion towards the Nanterre hub is currently taking place under reasonable production conditions. We are confident in that area and Groupama's insurance teams are indeed planning a new base in Nanterre. As well as Window, the Groupama Group has two other large sites which are currently the subject of redevelopment studies.

Looking beyond, we remain positive – although also very selective – regarding the future Grand Paris sites, favouring commercial sites with sufficient office and retail space in order to gradually increase the product diversification of the Group's portfolio.

FLASHBACK

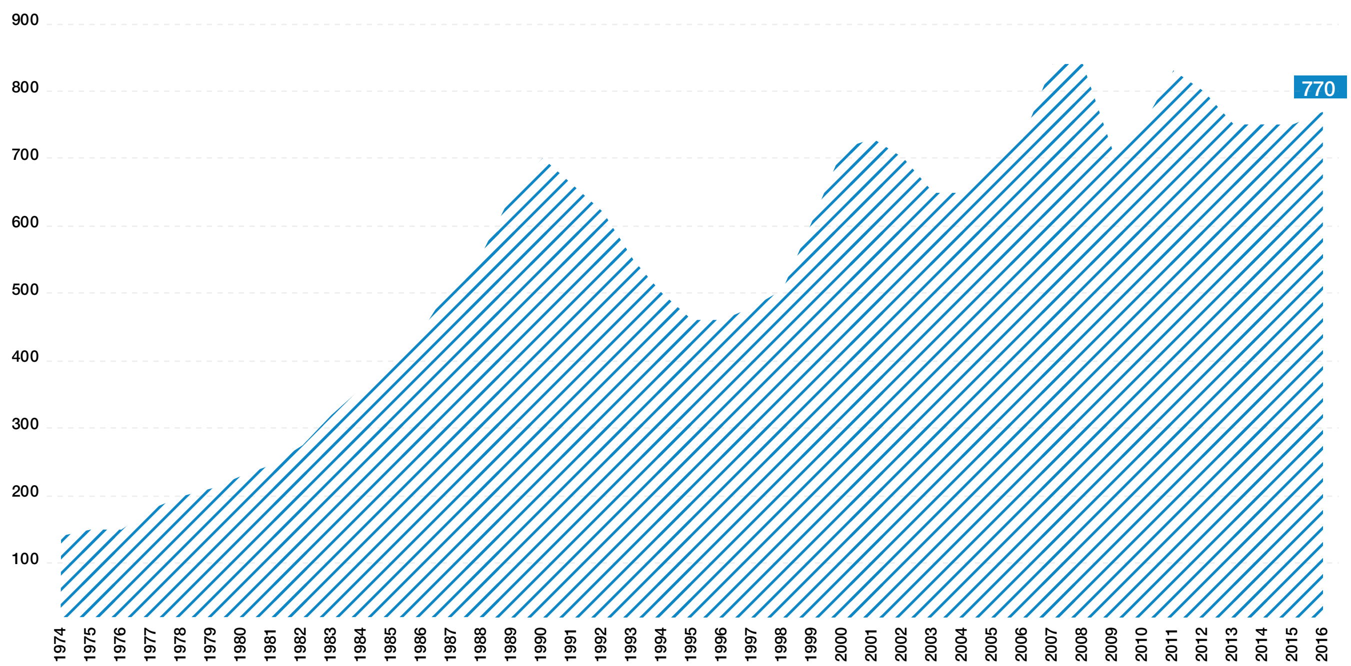
Trends in take-up in the Paris region since 1974 (in '000 sq m)

Source: Knight Frank

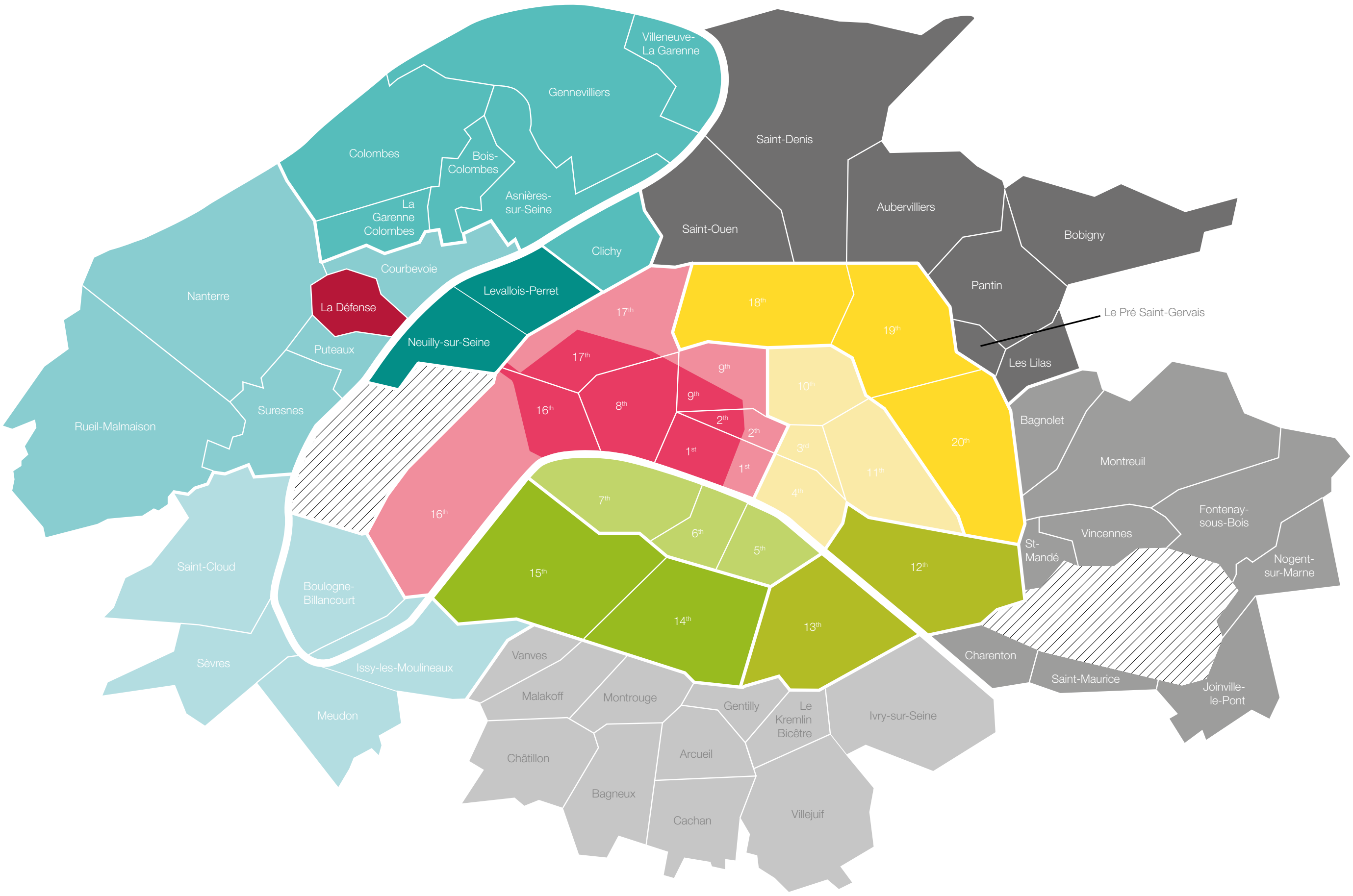


Trends in prime rents since 1974 (in €/sq m/year excl. taxes and charges)

Source: Knight Frank



2016 KEY FIGURES



Paris CBD	Paris 3/4/10/11
Paris Centre West (excl. CBD)	Paris 18/19/20
Paris 5/6/7	La Défense
Paris 12/13	Northern Bend
Paris 14/15	Neuilly/Levallois
Péri-Défense	Southern Bend
Northern Inner Rim	Eastern Inner Rim
Southern Inner Rim	

Area	Prime rents Q4	Take-up		Estimated stock at the end of the year	Vacancy Q4	
	(€/sq m/year)	Volume (sq m)	Evolution 2016/2015 (*)	(sq m)	Rate	Évolution 2016/2015
Paris CBD	770	450,100	↗	6,670,000	3.9%	↘
Paris Center West (excl. CBD)	650	110,100	↘	1,926,000	4.0%	↘
Southern Paris						
Southern Paris / Paris 5/6/7	750	42,100	↘	1,224,000	2.3%	↘
Southern Paris / Paris 12/13	550	165,700	↗	1,996,000	2.5%	↘
Southern Paris / Paris 14/15	530	153,400	↗	2,285,000	3.0%	↘
Total Southern Paris	--	**361,200**	↗	**5,505,000**	**2.7%**	↘
North Eastern Paris						
North Eastern Paris / Paris 3/4/10/11	520	61,500	↘	1,473,000	2.9%	↘
North Eastern Paris / Paris 18/19/20	370	105,800	↗	1,331,000	4.5%	↘
Total North Eastern Paris	--	**167,300**	↗	**2,804,000**	**3.6%**	↘
Total Paris intra-muros	--	1,088,700	↗	16,905,000	3.5%	↘
La Défense	530	268,700	↗	3,551,000	9.5%	↘
Western Crescent						
Western Crescent / Northern Bend	350	64,900	→	1,887,000	13.3%	↘
Western Crescent / Neuilly/Levallois	520	97,900	↗	1 ,495,000	9.8%	↘
Western Crescent / Péri-Défense	410	143,200	↘	2,345,000	14.2%	↗
Western Crescent / southern Bend	480	179,200	↘	2,613,000	8.6%	↗
Total Western Crescent	--	**485,200**	↘	**8,340,000**	**11.5%**	↘
Inner Rim						
Inner Rim / Northern Inner Rim	335	136,800	↗	2,627,000	8.7%	→
Inner Rim / Eastern Inner Rim	320	71,800	↗	1,682,000	6.5%	↘
Inner Rim / Southern Inner Rim	335	101,400	↗	2,267,000	9.6%	↘
Total Inner Rim	--	**310,000**	↗	**6,576,000**	**8.5%**	↘
Outer Rim	--	**298,200**	↘	**19,096,000**	**6.2%**	↘
Total Paris Region	--	2,450,800	↗	54,468,000	6.6%	↘

Sources : Knight Frank, ORIE

(*) : The take up is considered to be stable whilst its annual evolution ranges between -2% and 2%

KNIGHT FRANK

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Sources used in this report: ORIE, INSEE.