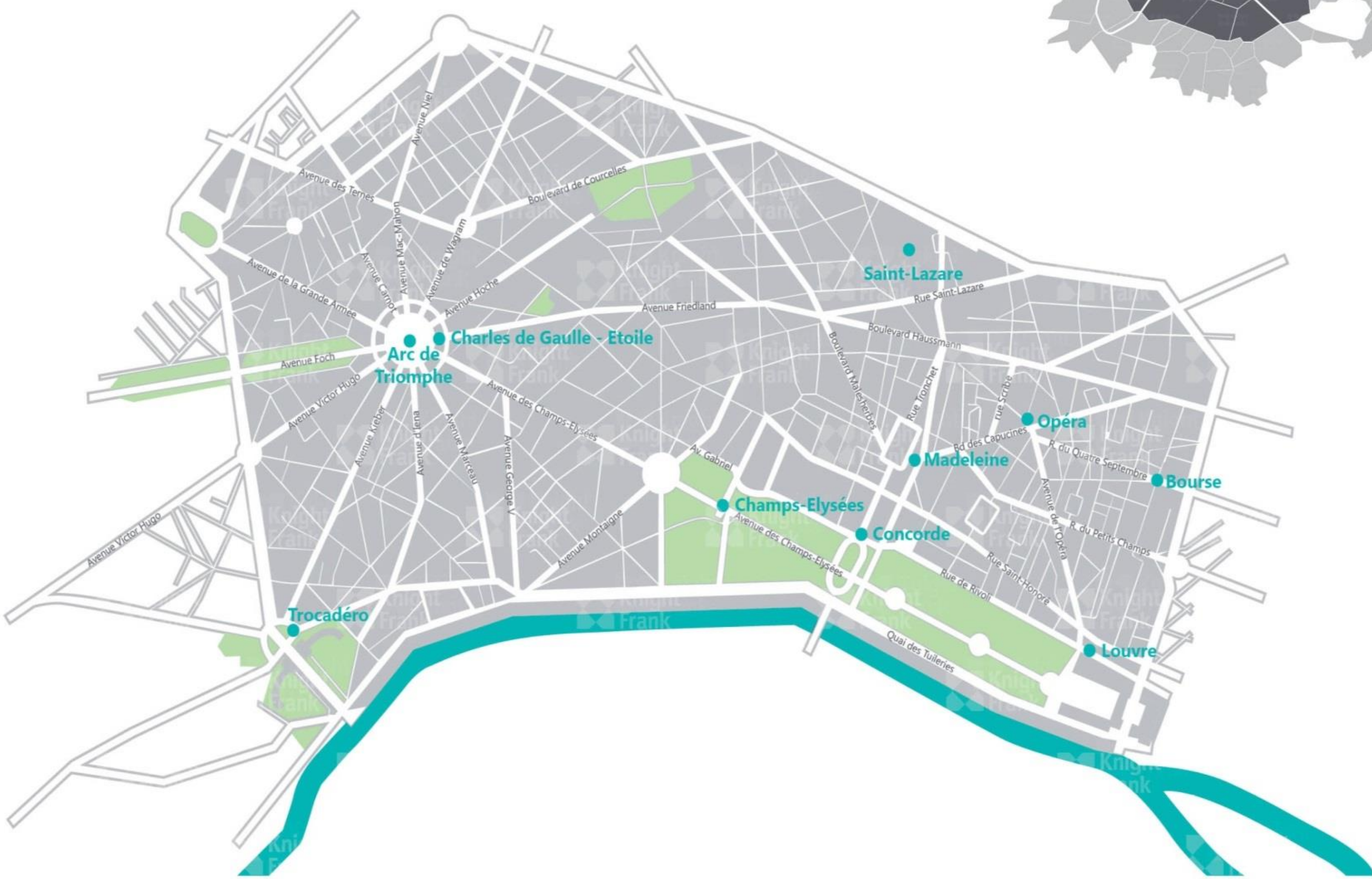
THE LETTING MARKET

PARIS CBD (Central Business District)

Q1 2017

Map

Source : Knight Frank

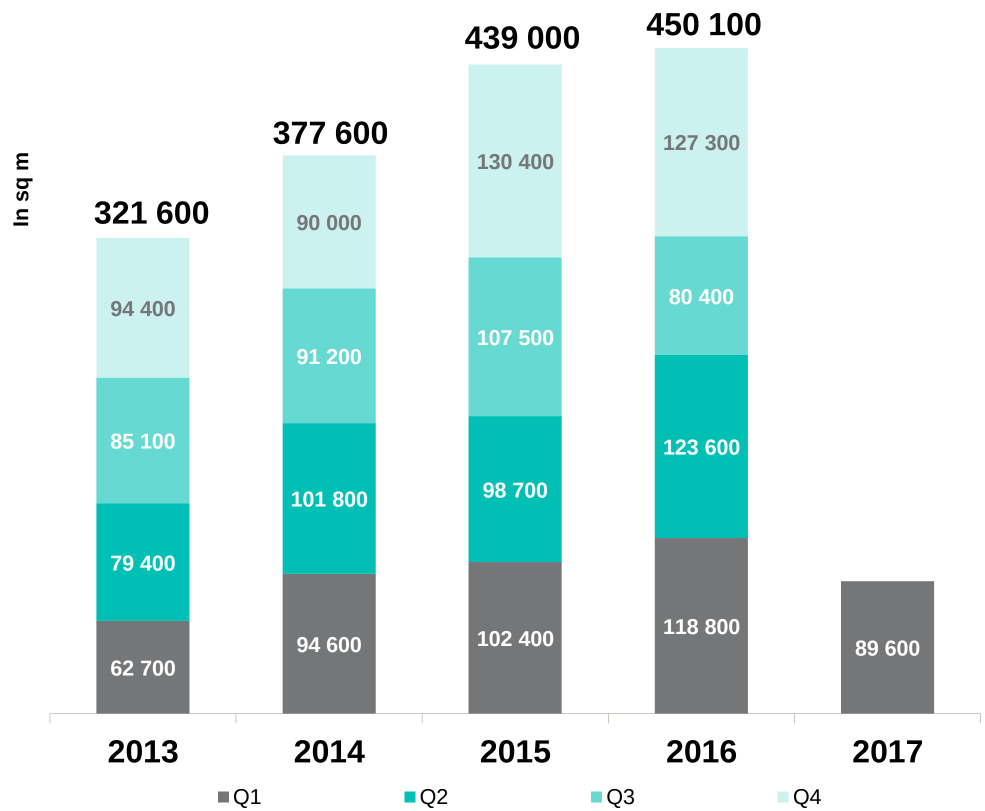


THE LETTING MARKET – Q1 2017
PARIS CBD

Take up
89 600 sq m

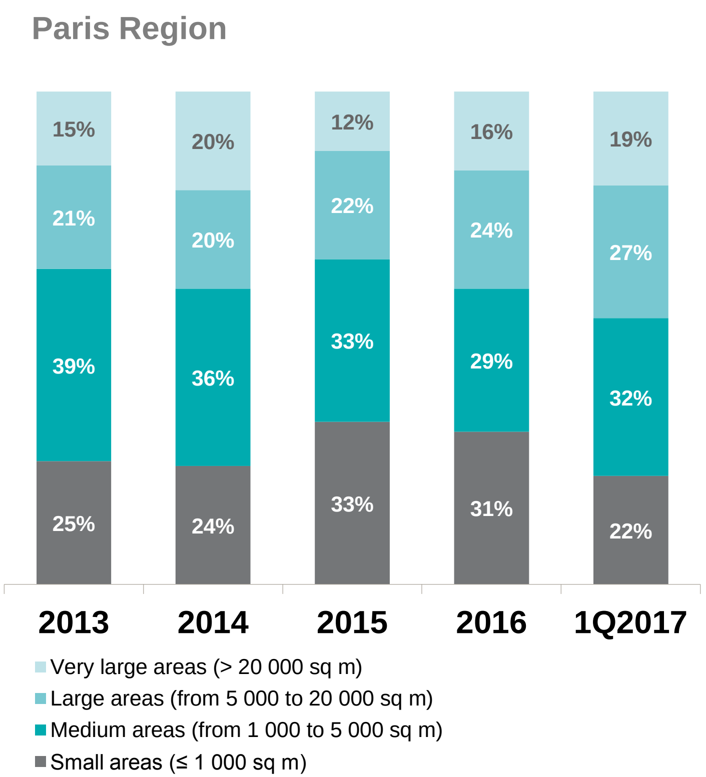
Source : Knight Frank

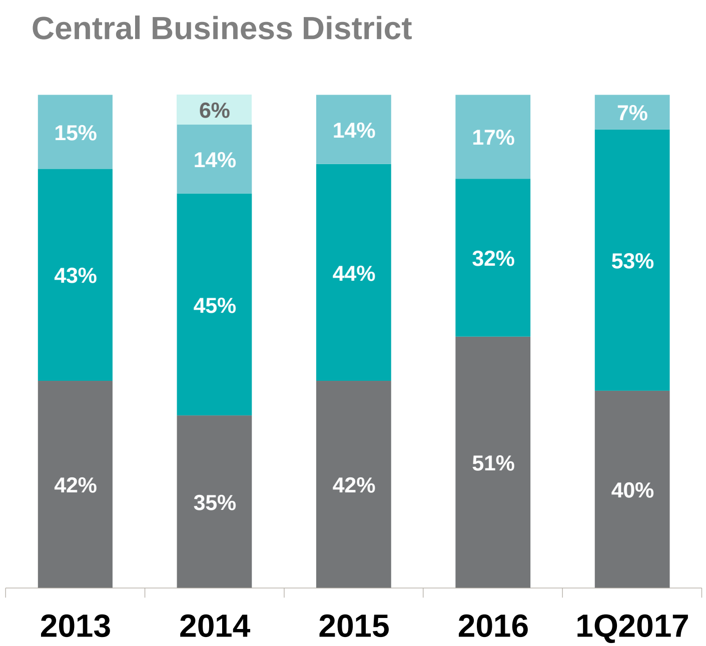
- -25%: transactional activity declined in the CBD in the 1st quarter of 2017 compared with the 1st quarter of 2016, in contrast with vitality at regional level (+8%)
- The CBD is paying the price for an increasing scarcity of available supply which has made it difficult for users to position themselves and has led some of them to contemplate alternative geographical locations
- This withdrawal by no means signifies that companies have lost their affection for the CBD nor does it signify a fall in economic activity
- The CBD has seen important activity in medium surfaces (from 1000 sq. m to 5000 sq. m), which, with 53%, account for more than half of take up, shared between workspace assets and independent buildings
- The core of the traditional CBD target comprising small surface users (under 1000 sq. m) remains extremely active with 40% of transactional activity in the sector



THE LETTING MARKET – Q1 2017
PARIS CBD

Size of transactions
Source : Knight Frank





THE LETTING MARKET – Q1 2017
PARIS CBD

Examples of transactions < 1,000 sq m
Source: Knight Frank

Tenant	Adress	Date	Area	Rent	Condition of premises
Financière Arbevel	20 rue de la Baume, 8ème	March 2017	752 sq m	€730	Renovated
GRDF – ENEDIS	Paris Trocadéro, 16ème	March 2017	682 sq m	€565	Used
Payintech	38 rue du Colisée, 8ème	March 2017	571 sq m	€438	Used
Alpha Concept Invest	43 avenue Hoche, 8ème	February 2017	460 sq m	€520	Used
Magellan Consulting	31-35 boulevard des Capucines, 2ème	February 2017	441 sq m	€560	Used
Le Bureau Contemporain	Paris Bourse, 2ème	January 2017	385 sq m	€350	Used
Cabinet Benech	15 rue d'Astorg, 8ème	March 2017	360 sq m	€560	Used
Sarah Lavoine SAS	16-18 rue Gaillon, 2ème	February 2017	334 sq m	€460	Used
Mutual Funds Exchange – MFEX	Heron Building, 2ème	January 2017	333 sq m	€600	Used
HCPV Groupe Point Vision	5 rue de Rome, 8ème	February 2017	332 sq m	€510	Renovated

Examples of transactions from 1,000 sq m to 5,000 sq m

Source: Knight Frank

Tenant	Adress	Date	Area	Rent	Condition of premises
Kwerk	31 rue de Courcelles, 8ème	January 2017	4 300 sq m	€635	Restructured
Londsale Paris	8 rue Lavoisier, 8ème	March 207	2 800 sq m	€610	Renovated
Chloé	28 rue de la Baume, 8ème	February 2017	2 600 sq m	€665	Restructured
Reed Smith	Paris Trocadéro, 16ème	Janvier 2017	2 300 sq m	€679	Used
MC2I	49-51 rue François 1er, 8ème	Janvier 2017	2 000 sq m	€700	Renovated
Protectim Security Services	12-14 avenue de la Grande Armée, 17ème	Mars 2017	1 800 sq m	€600	Renovated
LEK Consulting	Cézanne Saint-Honoré, 8ème	Mars 2017	1 580 sq m	€770	Renovated
Watson Farley & Williams LLP	28-32 avenue Victor Hugo, 16ème	Mars 2017	1 400 sq m	€750	Renovated

Transactions > 5,000 sq m

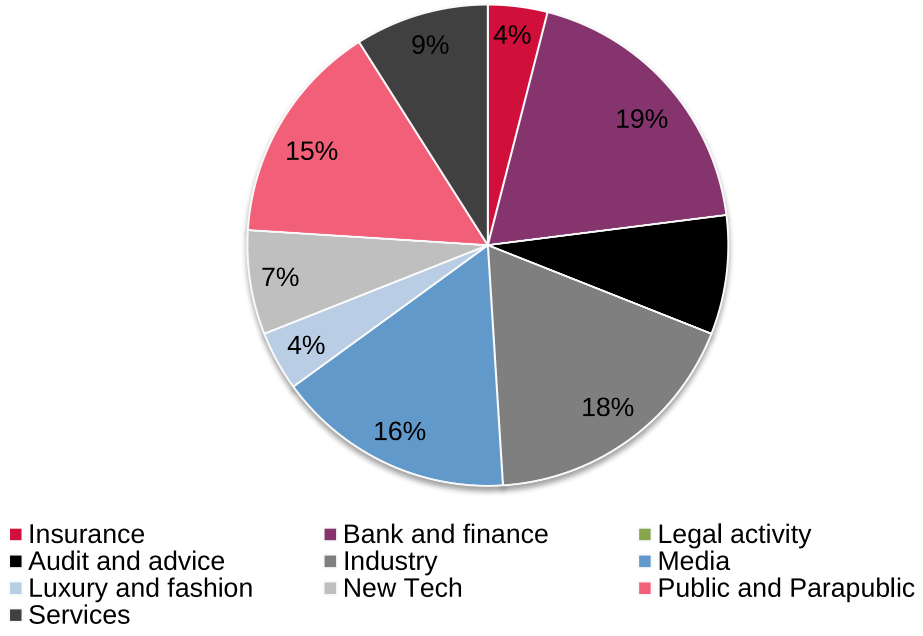
Source: Knight Frank

Tenant	Adress	Date	Area	Rent	Condition of premises
AEW	Capital 8, 8ème	March 2017	5 900 sq m	€700	Renovated

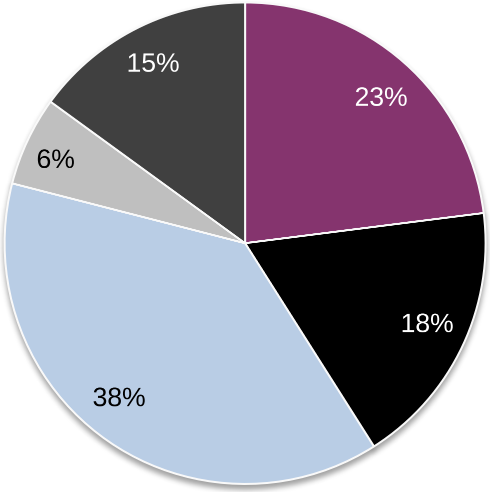
Large occupiers (> 5,000 sq m) in 2016

Source: Knight Frank

Paris Region



Central Business District



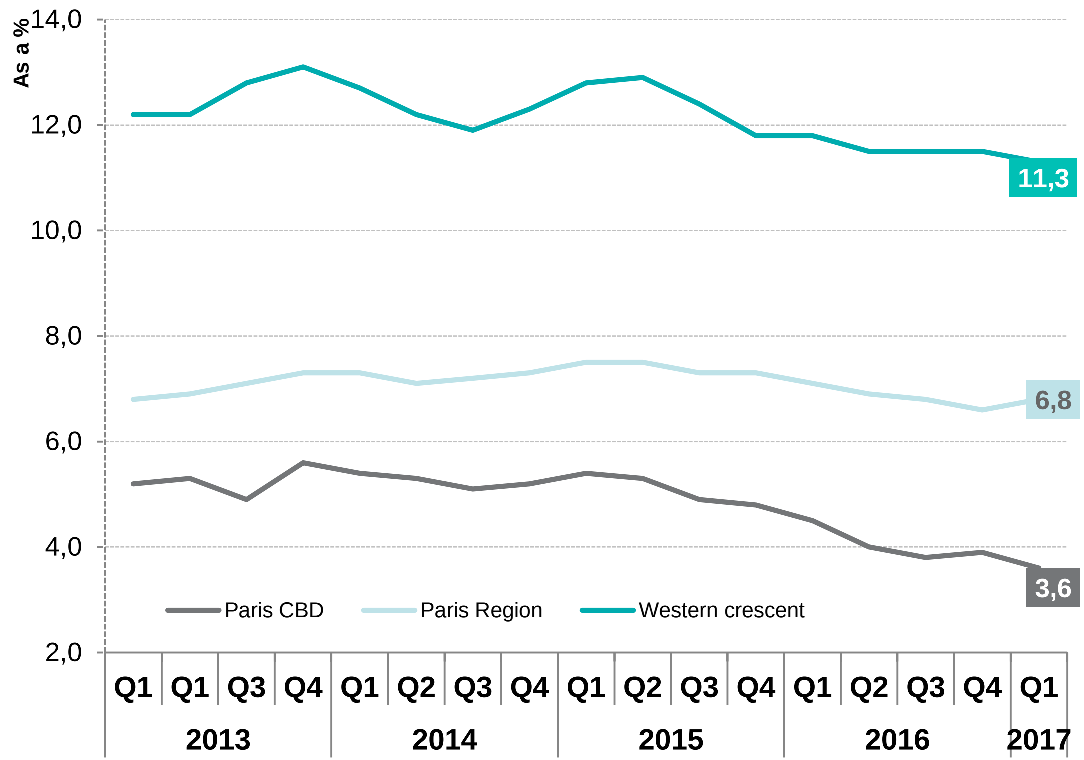
THE LETTING MARKET – Q1 2017
PARIS CBD

Available supply

3,6%

Sources : Knight Frank, ORIE

- Little change in supply: with a vacancy rate substantially lower than the regional average (6.8%), the CBD is in a position of undersupply
- This shows the continued attraction of the CBD four companies: economic crises or setbacks have never quenched interest in this market and it is the preferred destination of a number of users
- This can clearly be seen in results of transactional activity in the 1st quarter of 2017: this undersupply poses a risk to a stable market. This absence or scarcity of supply is effectively likely to push certain users away from the CBD towards other sectors and encourage them to renegotiate their leases.
- The increase in surface volumes expected for delivery in 2017 is likely to breathe new life into the CBD market. However, this will only be limited given the emergence of off-plan sales. Effectively, the lack of supply encourages users to position themselves upstream of property delivery

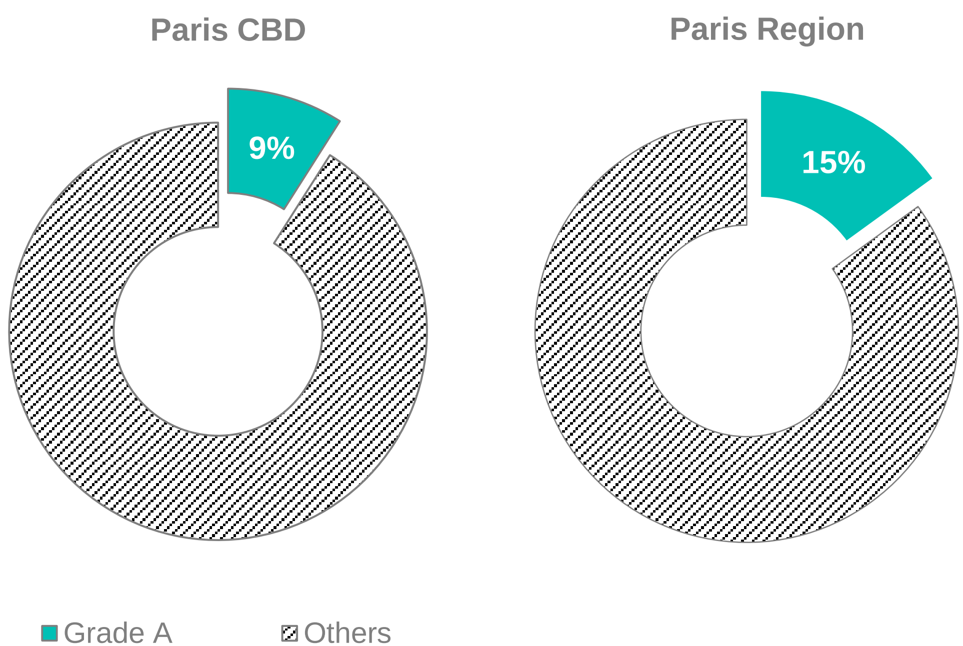


Grade A Supply

9%

Source : Knight Frank

- In the 1st quarter of 2017, the scarcity of (new or redeveloped) Grade A supply was one of the defining features of the CBD: in spite of an upturn in early 2017, structurally the amount of available Grade A is declining (it stood at 12% one year ago)
- The CBD, even more than the rest of the Paris region, is very clearly deficient in Grade A supply: it should be remembered that in 2016, 72% of surfaces taken out in the Paris region through major transactions were of Grade A quality (as was 33% of all take up)
- This appetite on the part of users for this type of surface is due to their determination to make progress in achieving performance and rationalising property and work organisation costs: Grade A surfaces offer them the best opportunity to achieve this
- It should be noted that, depending on the size of properties, investors are trying to get high headline values and therefore certain restructuring projects take longer to define



THE LETTING MARKET – Q1 2017
PARIS CBD

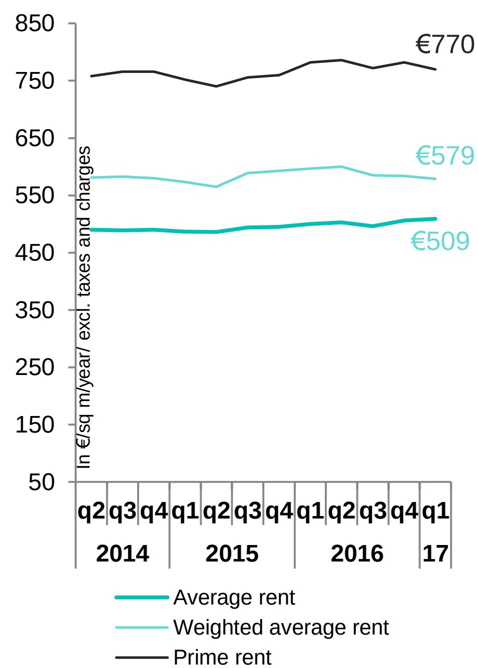
Rents

€509 ⟷ €770

sq m/year excl. taxes and charges
High-end rent
Source : Knight Frank

- Prime transaction rents settled at €770 in the 1st quarter of 2017, showing a degree of stability compared with the values recorded in late 2016
- This increase was limited in scope and restricted to the best properties, those which combined technical expertise, quality and standing: sensible prices continued to be the norm and are one of the keys to the very fine performance of the CBD in the rental market since 2014
- This upward trend should continue over the next few months, with values of close to €800, already been recorded in recent months, again applying to the best properties

Rental transactions
(year-on-year)



Average rental transactions :

La Defense	CBD
€432	€509
(year-on-year)	*(year-on-year)*

Average values of supply presentation:

La Defense	CBD
€375	€500
(last quarter)	*(last quarter)*

Prime values of supply presentation:

La Defense	CBD
€530	€800
(last quarter)	*(last quarter)*

Incentives:

La Defense	CBD
25 / 30 %	8 / 17 %
(last quarter)	*(last quarter)*

Future completions

15%

Pre-let rate at end-2019

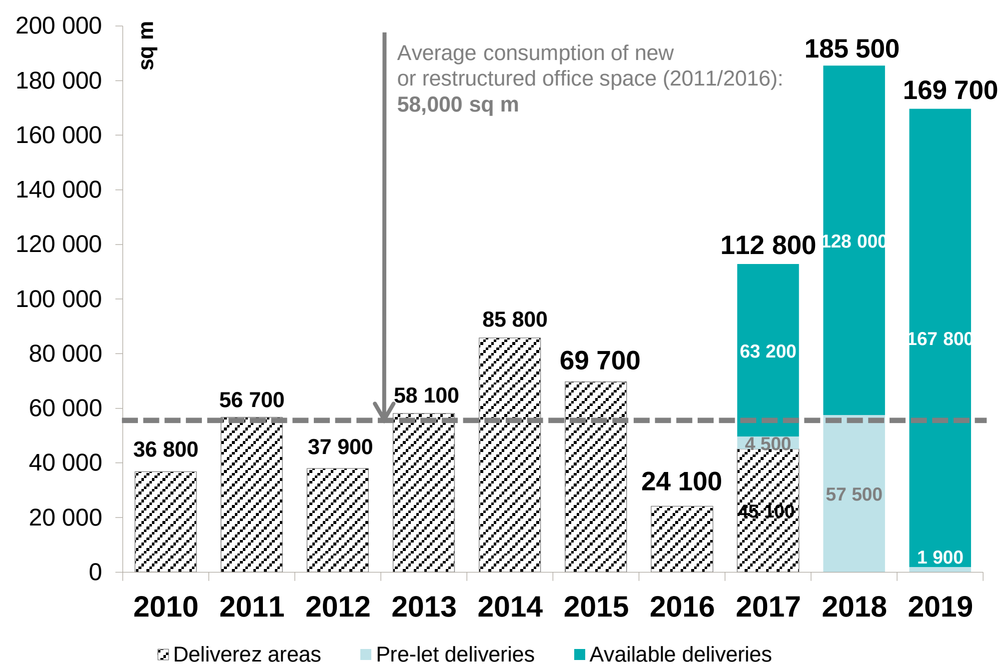
Source : Knight Frank

- The under-production of new or redeveloped supply which has been in evidence since 2010 has led to a decline in the average annual consumption of Grade A surfaces in the CBD: it is now at

  58,000 sq. m, compared with 75,000 sq. m

  4 years ago
- The prevailing model in the CBD continues to involve marketing after property delivery: virtually all surfaces delivered during 2016 have by now found a taker
- 2017 may mark a watershed in the continuing scarcity of Grade A supply, thanks to the spectacular increase in volumes of surfaces expected for delivery: current scarcity in the CBD could partly be addressed by this
- Off-plan sales remain limited as they only account for 15% of surfaces expected by the end of 2019. However, their share is on the increase, as a market with undersupply will always tend to create demand.

New and restructured surface areas in the CBD:

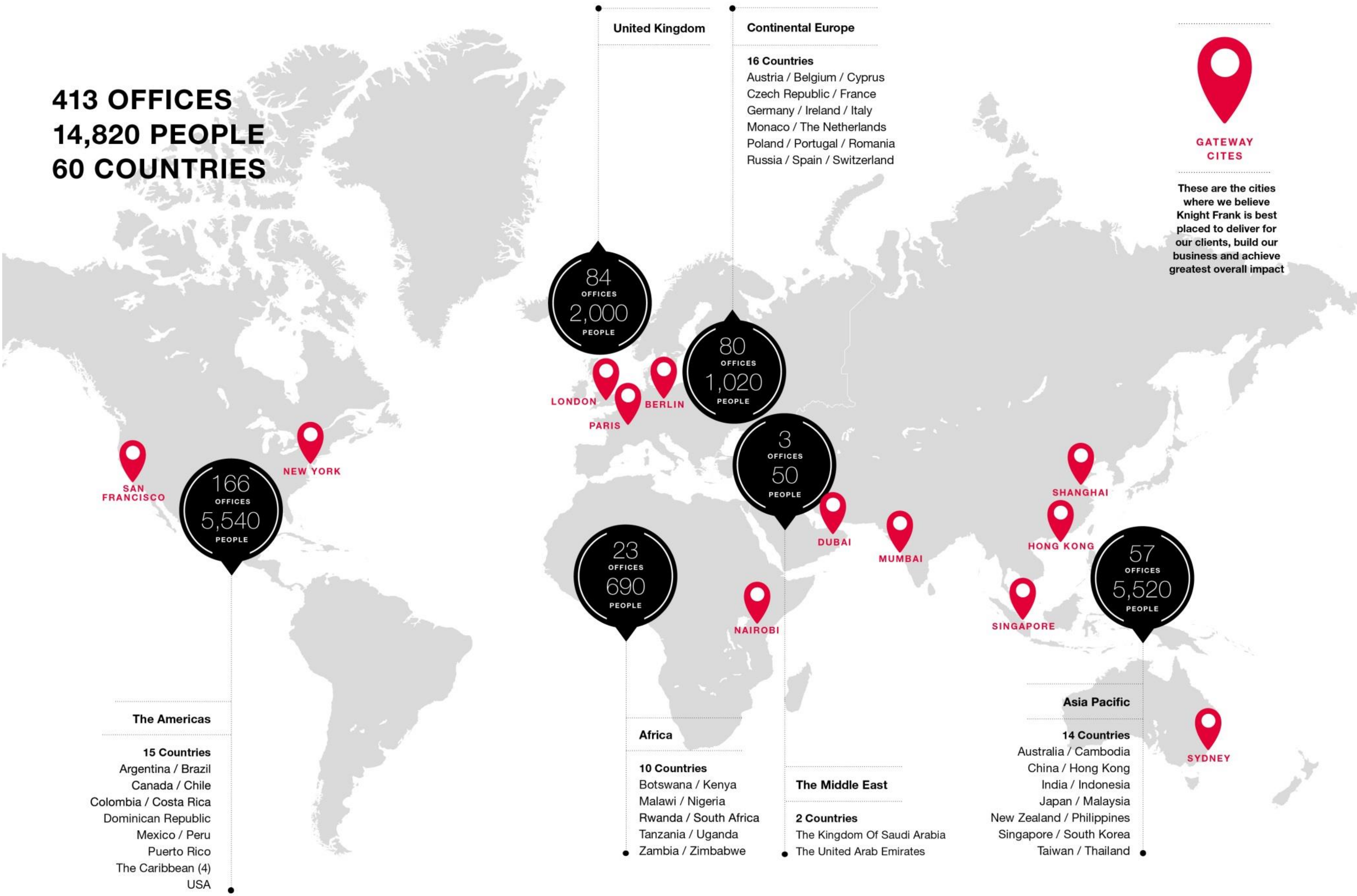


THE LETTING MARKET – Q1 2017
PARIS CBD

Synthèse
Sources : Knight Frank, ORIE

	1st quarter 2017	1st quarter 2016	Annual change	Paris region 1st quarter 2017	CBD share in the Paris Region
Take-up	**89 600 sq m**	118 800 sq m	-25%	638 800 sq m	14%
Immediate supply	**234 000 sq m**	301 000 sq m	-22%	3 622 000 sq m	6%
Vacancy rate	**3,6%**	4,5%	-90Pdb	6,8%	-
Average rent	**509 €/sq m/an**	500 €/sq m/year	+2%	392 €/sq m/year	-
Prime rent	**770 €/sq m/an**	782 €/sq m/year	-2%	770 €/sq m/year	-

KEY FIGURES


413 OFFICES
14,820 PEOPLE
60 COUNTRIES
United Kingdom
84 OFFICES 2,000 PEOPLE
Continental Europe
16 Countries
Austria / Belgium / Cyprus
Czech Republic / France
Germany / Ireland / Italy
Monaco / The Netherlands
Poland / Portugal / Romania
Russia / Spain / Switzerland
80 OFFICES 1,020 PEOPLE
GATEWAY CITIES
These are the cities where we believe Knight Frank is best placed to deliver for our clients, build our business and achieve greatest overall impact
LONDON
PARIS
BERLIN
SAN FRANCISCO
NEW YORK
166 OFFICES 5,540 PEOPLE
3 OFFICES 50 PEOPLE
DUBAI
MUMBAI
SHANGHAI
HONG KONG
SINGAPORE
NAIROBI
SYDNEY
23 OFFICES 690 PEOPLE
57 OFFICES 5,520 PEOPLE
The Americas
15 Countries
Argentina / Brazil
Canada / Chile
Colombia / Costa Rica
Dominican Republic
Mexico / Peru
Puerto Rico
The Caribbean (4)
USA
Africa
10 Countries
Botswana / Kenya
Malawi / Nigeria
Rwanda / South Africa
Tanzania / Uganda
Zambia / Zimbabwe
The Middle East
2 Countries
The Kingdom Of Saudi Arabia
The United Arab Emirates
Asia Pacific
14 Countries
Australia / Cambodia
China / Hong Kong
India / Indonesia
Japan / Malaysia
New Zealand / Philippines
Singapore / South Korea
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A global platform and an independent partnership, specialising in tertiary and residential real estate and employing professionals dedicated to their clients, Knight Frank enjoys a unique position in the world of real estate consultancy.

Drawing on the constant support of its clients and its recognised integrity, Knight Frank is increasingly establishing itself as the consultant of choice.

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