



Catella: Increasing competition in the French property markets shows demand from investors

The new publication “Property Market Trends, France Spring 2016” provides an in-depth assessment of the commercial real estate market in France and its future perspectives.

On the rental market in Île-de-France, the report identified several important trends. After a first half seeing take-up trending strongly downward, activity has been much more dynamic in the second half of 2015, thanks to a more favorable macroeconomic context. As a result, take-up has revived enough to see the year ending slightly better than 2014. In total, year-on-year take-up has grown by 1.2% to reach 2.21 million square meters. The small- and medium-surface markets have been the most dynamic: up 12% from 2014 with a transaction volume of almost 1.5 million square meters.

While this is still well short of the record performances of 2006 and 2007, these are the best results in these size categories since 2008. However, take-up for surfaces of over 20,000 sq.m has been down since early 2015, showing an overall decrease of 37% compared to 2014, despite a recovery toward the year’s end. Vacancy rates have started to decline, driven both by a recovery in large-surface transactions in existing new buildings and a slight drop in releases. Overall, the vacancy rate in Ile-de-France fell slightly, by 0.3 point, to 7%. Headline rents have remained broadly stable and there has been a further increase in incentives, which reached 21.5% in Ile-de-France.

As has been seen in the rental market, the investment market has experienced an exceptional second half of the year following its lacklustre first six months. €26.2 billion have been invested in the non-residential real estate market in France, up 2.5% over 2014. This result was only surpassed in 2006 and 2007. Despite this similarity, the two markets have followed very different trajectories in the past two years. The investment market continues to benefit greatly from the very high volume of liquidity available for properties, coupled with the relatively limited supply of same. This has generated, with increasing competition between players, higher values and severely reduced yields.

Unlike in 2014, it has been transactions in the €100-to-€300 million range which have proved the strongest market impetus in 2015. But deals in excess of €500 million have shown a sharp decline after the truly outstanding performance the previous year. While offices have remained the most sought-after product type, warehouses have been the strongest growing product in 2015. Investment funds have strengthened their dominance in the French market, while there has also been a comeback by SIIC-listed companies, insurance companies and SCPIs.

The report Property Market Trends is available for download at marketsummarybycatella.com/fr

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