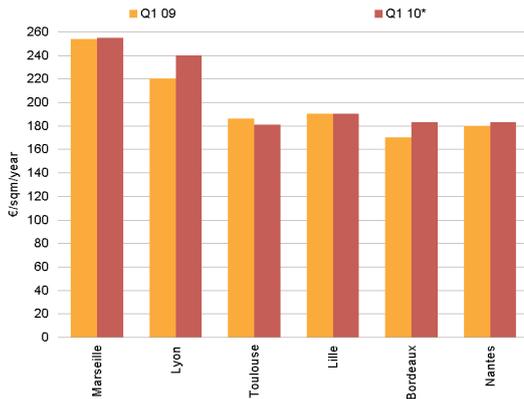


France regional office markets

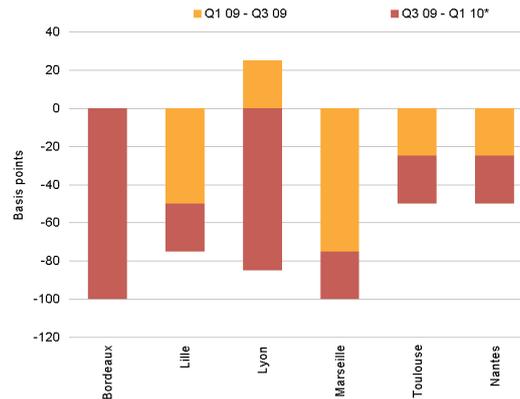
Spring 2010

Rental values remain relatively stable



Source: Savills Research / * First estimations

Prime yields are hardening



Source: Savills Research / * First estimations

“The letting activity held relatively firm in French regional markets, particularly in Bordeaux, Toulouse, Nantes and Marseille. Nevertheless, it is not enough to absorb the office deliveries and vacated spaces. The level of supply quickly progresses and should continue to increase in the coming 6 months.”



Lydia Brissy - European Research

- Letting activity in the French regions decreased by 11.7% on average during the full year of 2009. The first semester was marked by the freeze of all end-users' moving plans resulting in a fall of 23.5% of take-up. The improved economic situation and the delivery of new office schemes at competitive prices have then contributed to the recovery of the markets during the second part of the year (+24.6% H1-H2 2009).
- The vacant stock increased by 22.4% since January, mainly fuelled by vacated spaces. New completions were still numerous but only marginally contributed to the growth of supply. In some markets characterised by a lack of high standard new buildings, new office deliveries are generally quickly absorbed. Toulouse is however the exception, recording a strong increase in new supply.
- Overall rental growth for prime office premises remained relatively positive except in Toulouse where the oversupply of new schemes put a downward pressure on prime rents. However, upholding headline rents came along with a considerable increase of incentives.
- The office investment market in the French regions started to slowly pick-up after the lacklustre first quarter of 2009.
- Due to the risk aversion of investors, total invested amounts however remained below their long-term level - €610 million was invested representing an annual fall of 56.1%. Lyon remained relatively attractive, getting more than third of the total regional turnover. In the 1st quarter 2010, prime yields went down in all regions, by 50 bps on average over the last 6 months.

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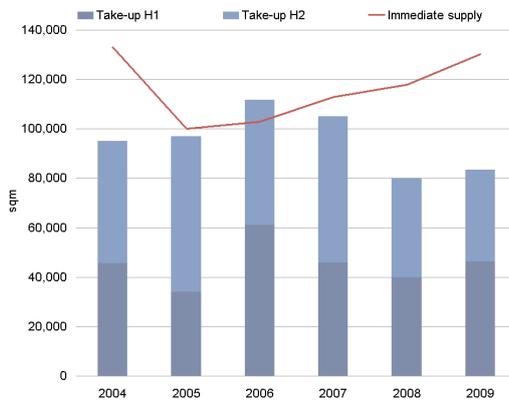
savills

Bordeaux, Lille, Lyon

Bordeaux

Led by small and medium size transactions on new premises, take-up rose by 4.1 % to 83,500 sqm during 2009. At the same time, numerous second hand products were vacated showing a 10.4% growth in the vacant stock to 130,000 sqm. Developments that started before the downturn of the market were eventually completed but none started and none pre-let schemes were cancelled, limiting the expansion of new supply. The vacancy rate was at 6.40% at the end of 2009 (+58 y-o-y). Prime rents rose during the first quarter of 2010 to €183/sqm/year (+7.1% y-o-y).

Invested amounts decreased by 20% in 2009 to €16 million. Prime yields are estimated at 7.25% during the first quarter of 2010 (-100 bps y-o-y and -25 bps q-o-q).



Source: Savills Research / OIE

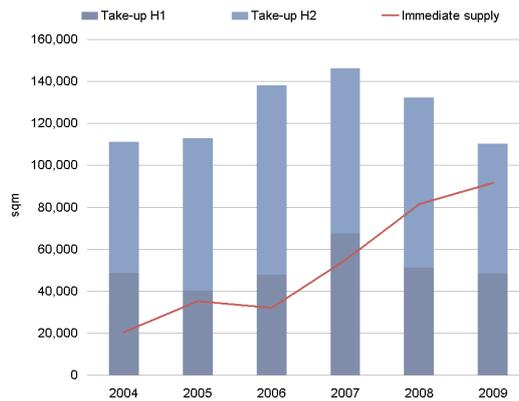
Outlook 2010

Take-up ↘
Supply →
Rents →

Lille

In 2009, take-up in Lille amounted to 110,110 sqm, 16.7% down compared to the previous year. Demand strengthened throughout the year and showed an increase of 27.8% between the first and the second half of the year, stimulated by an inflow of new office space at competitive prices. Supply recorded a 12.3% growth but the vacant stock totalling 91,000 sqm at the end of last year was still representing only 10 months of take-up in the current market. The vacancy rate stood at 2.3% at the end of 2009 (+25 bps y-o-y). Between January and March this year, prime rents went from €200/sqm/year to €190/sqm/year, back to the Q1 2009 level.

The decline of the investment volume exceeded 83% in 2009 with less than €18 million invested. The prime yield is estimated at 6.25% at the end of the 1st quarter of 2010 (-75 bps y-o-y -25 bps q-o-q).



Source: Savills Research / OBM

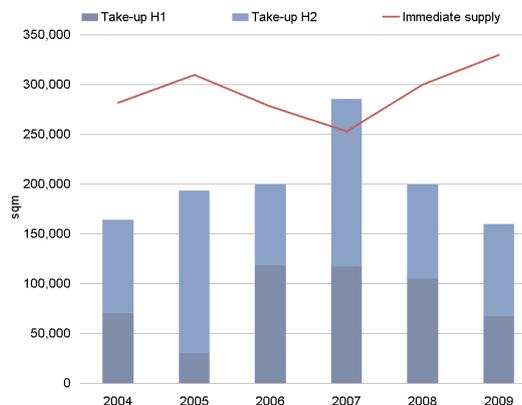
Outlook 2010

Take-up →
Supply ↘
Rents →

Lyon

Letting activity declined by 20.2% in 2009 and take-up totalled 159,000 sqm in spite of a relatively dynamic second semester (+38.6% s-o-s). Large office end-users represented only 14.01% of the demand. The annual rise in supply reached 26.9 % to 330,000 sqm, reflecting a 7.2% vacancy rate (154 bps y-o-y). However, the most sought-after submarkets were still restrained by the lack of prime opportunities. In the Part-Dieu, less than 5,000 sqm was available at the end of 2009. Prime rents are at €235/sqm/year in the 1st quarter of 2010 (-60 q-o-q, +2.6% y-o-y).

Only €227 million were invested during 2009, 52.2% down on 2008. However, investors are still seeing Lyon as the first regional city of interest. The prime yield was 6.15% in Q1 2010 (-60 bps y-o-y, -30 bps q-o-q).



Source: Savills Research / CECIM

Outlook 2010

Take-up ↘
Supply ↗
Rents →

Marseille, Nantes, Toulouse

Marseille

After a sharp slow down in 2008, take-up increased by 13.7% in 2009 totalling 66,000 sqm. However, demand weakened throughout the year, decreasing by 16.7% between the first and the second half of the year. Demand was motivated by the delivery of new office buildings which had been scarce over recent years. As a result, the share of large transactions and pre-lettings was significant. Supply dropped by 10.7% and amounted to 130,000 sqm at the end of 2009, reflecting a 6.1% vacancy rate (-73 bps y-o-y). Prime rents remained stable during the 1st quarter of 2010 at €255/sqm/year notably thanks to the lease of M square (8,000 sqm) by ARH PACA.

The investment volume declined by 86.4% in 2009, to €37 million. In Q1 2010 the prime yield is estimated at 6.25% (-100 y-o-y, -25 q-o-q).

Nantes

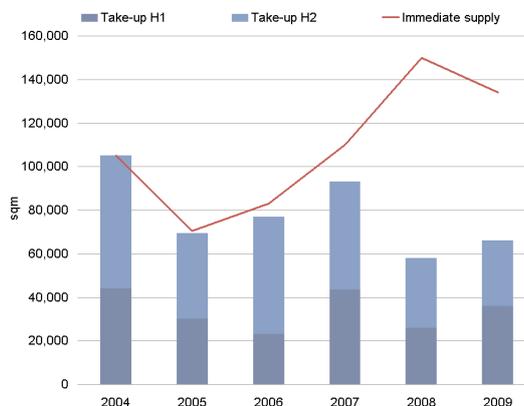
Demand from office end-users during the second part of the year contained the decline of take-up under the 10.0% threshold for the full year 2009. Some 91,000 sqm were transacted of which, 54,600 sqm was between July and December. Fuelled by the delivery of few office schemes, the share of new premises taken-up reached 60%. Supply increased by 90.3% in twelve months to reach 99,000 sqm in December mainly pushed up by vacated space. The vacancy rate however remained low 3.8% (+180 y-o-y). During the first quarter of 2010 prime buildings were let at €184/sqm/year, which is a quarterly rise of 8.2% and a 2.2% annual growth.

Total amount invested in Nantes in 2009 was €14.2 million against €4.4 million in 2008. The prime yield went from 7.00% in Q1 2009 to 6.50% in Q1 2010.

Toulouse

The office market in Toulouse was dynamic in 2009. Take-up totalled 134,900 sqm (+9.3% y-o-y). Large office end-users were particularly dynamics; EDF consolidated its units in a 10,600 sqm office premise and Airbus bought 19,000 sqm office scheme to be developed for its own usage. Supply was at 192,000 sqm (+40.8% y-o-y) at the end of last year, which represents two years of take-up. The vacancy rate was at 5.5% (-137% y-o-y). The abundance of vacant new office supply on the market is putting a downward pressure on prime rents, which are at €181/sqm/year in Q1 2010.

Only €58 million was invested in 2009, down from €278 million in 2008. Prime offices were negotiated on a 7.25% yield base during Q1 2010 (0bp y-o-y, -25bps q-o-q).



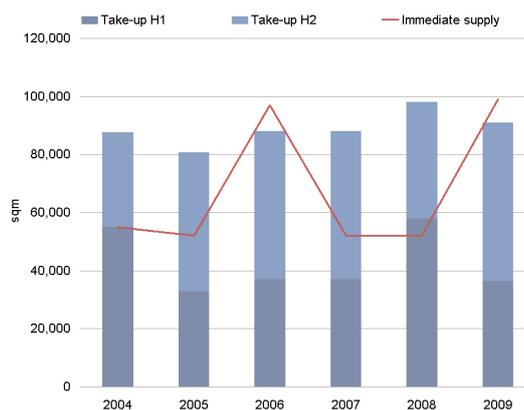
Source: Savills Research / OIMP

Take-up

Supply

Rents

Outlook 2010



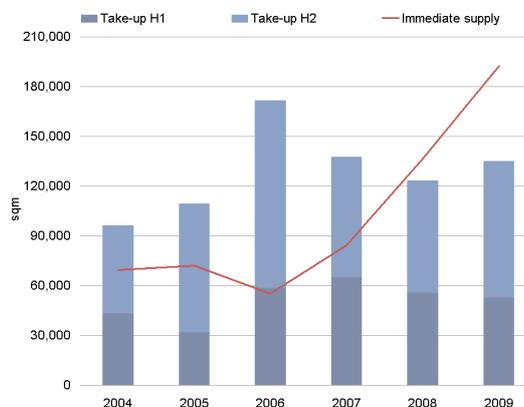
Source: Savills Research / CIN

Take-up

Supply

Rents

Outlook 2010



Source: Savills Research / OTIE

Take-up

Supply

Rents

Outlook 2010

France regional office markets

Rents and yields data

	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Bordeaux	Rental values €/sqm/year				Yields			
Prime	175	170	170	183	8.25%	8.25%	7.50%	7.25%
Second-hand	151	140	137	127	9.25%	9.25%	8.75%	8.75%
Lille	Rental values €/sqm/year				Yields			
Prime	190	200	200	190	6.75%	6.75%	6.50%	6.25%
Second-hand	185	185	185	185	9.25%	9.00%	8.75%	8.50%
Lyon	Rental values €/sqm/year				Yields			
Prime	260	233	234	240	6.90%	7.00%	6.50%	6.15%
Second-hand	145	174	197	115	8.75%	8.50%	8.00%	7.50%
Marseille	Rental values €/sqm/year				Yields			
Prime	264	254	255	255	6.75%	6.50%	6.50%	6.25%
Second-hand	160	156	138	130	9.25%	9.00%	8.75%	8.50%
Nantes	Rental values €/sqm/year				Yields			
Prime	193	170	170	184	7.00%	6.75%	6.50%	6.50%
Second-hand	123	114	138	138	9.00%	8.75%	8.50%	8.50%
Toulouse	Rental values €/sqm/year				Yields			
Prime	190	180	185	181	7.50%	7.50%	7.50%	7.25%
Second-hand	133	126	125	125	10.00%	9.75%	9.50%	9.50%

Source: Savills Research

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