

# The Occupier's Perspective: Paris Occupiers pick "prestige" over periphery

March 2017

## Summary

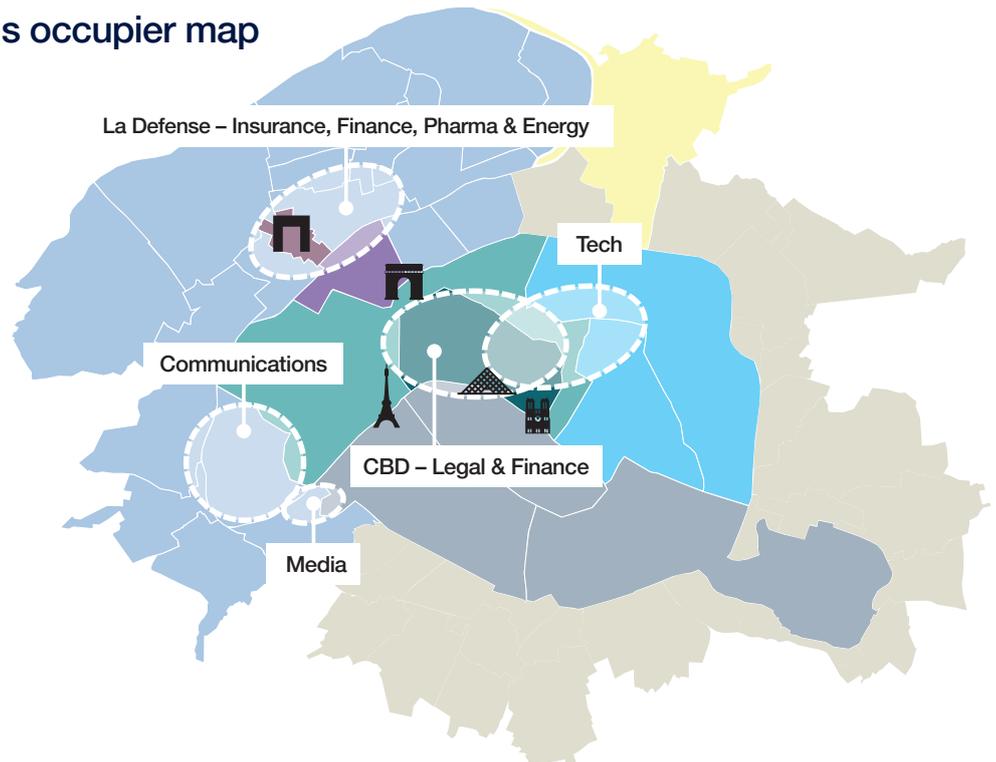
M&A activity  
double the 5-year  
average  
↓  
strong demand

Limited choice  
for Grade A buildings  
+  
high occupancy costs  
to squeeze occupiers  
out of the CBD

Only 0.5 years of  
CBD supply left  
↓  
45% more expensive  
than periphery

Prime rents to rise  
8% in 2017  
↓  
pushing more occupiers  
out of the CBD

FIGURE 1  
Paris occupier map



Q4 2016	Average rent (€/sq m pa)	Total occupancy cost* (€/sq m pa)	Vacancy rate (%)	Immediate supply (sq m)	5-year average take-up (sq m)
Paris CBD	541	648	3.4	233,000	388,000
Paris Centre West Excl. CBD	414	546	4.0	68,000	114,000
La Defense	398	441	7.7	321,000	184,000
Neuilly-Levallois	389	422	10.6	147,000	119,000
South Paris	380	502	2.9	150,000	259,000
East Paris	317	401	3.2	86,000	129,000
Western Crescent	290	362	11.9	960,000	542,000
Inner Suburb	232	278	8.3	547,000	281,000
Saint-Denis	189	241	6.3	80,000	34,000

Savills annual occupancy costs are calculated by summing up average rents, service charges, office tax, land tax and deducting landlord incentives.

FIGURE 2  
Occupancy costs and years of supply



\* Savills annual occupancy costs are calculated by summing up average rents, service charges, office tax, land tax and deducting landlord incentives. Please note that service charge and land tax used in the analysis are average values. The actual service charge depends on the amenities provided in the building while land tax varies by type of the property.

\*\* Years of Supply is calculated by dividing current availability over average annual take-up levels over the last five years

## Paris's future as a finance hub:

**Finance** was the most prolific sector in 2016, accounting for 26% of the total leasing activity (for units larger than 5,000 sq m).

Occupier activity in 2016 was driven by increased **M&A activity**. Indeed, corporate transactions in M&A in Ile-de-France amounted to around €24bn, nearly double the five-year average (2011-15).

Leasing activity was dominated by **domestic** financial services companies in 2016. However, driven by the **post-Brexit relocation**, a larger number of international occupiers will enter the market over the medium term. This will come on the back of the reduction in **corporate tax** from 33% to 28%, an introduction of **tax breaks** and changes to **labour market regulations**.

Occupiers from the expanding **FinTech** sector will become more active in the market in 2017 and 2018.



Station F to become Europe's largest Tech campus

## Paris & the "Digital Republic":

The **digital Tech** sector currently accounts for over 5% of France's GDP.

By accounting for 14% of the total take-up, the **Tech sector** was the second most active in 2016.

Demand from Tech occupiers is expected to rise over the coming years as the government promotes France as the **new Tech start-up** capital of Europe.

While Tech firms are mainly concentrated in the centre of Paris, occupiers will benefit from the creation of a number of **new Tech schemes**, particularly in areas where there is more land available for development (e.g. the 12th and 13th districts).

Start-up occupiers from the **digital sector** will be drawn to the world's largest digital incubator - **Station F campus**, due to open this year. With confirmed occupiers such as Facebook, Vente-Privee, Kima Ventures, the campus will offer 34,000 sq m of space on the edges of the 13th District in South Paris.



### Insurance & Pharma:

Occupiers continue to consolidate their operations. Groupama (46,000 sq m) and IMS Health (11,000 sq m), both advised by Savills, relocated to Nanterre and La Defense to optimise their costs.

## Agent Q&A (Serge Vayer)

What do you see as the main occupier trend in 2017-18?

*More occupiers are searching for flexible solutions to meet their growth strategies. I expect to see a significant rise in demand for co-working spaces and an increasing need for more flexibility in lease terms.*

Which sector is of the most interest to you?

*Following the government's initiative to boost the French Tech sector, demand from Tech occupiers has grown and will continue to expand. I believe we will find a number of opportunities here.*

What do you consider the main challenges facing occupiers over the medium-term?

*Lack of supply, mainly in the CBD, and a reduction in landlord incentives will put an upward pressure on rents. Political uncertainty arising from the upcoming French elections is also one of the key risks.*

## Please contact us for further information



**Serge Vayer**  
Tenant Representation  
France  
+33 (0) 1 44 51 50 28  
svayer@savills.fr



**Matthew Fitzgerald**  
International Tenant  
Representation  
+44 (0) 207 299 3082  
mfitzgerald@savills.com



**Nejc Jus**  
Occupier Services  
Research  
+44 (0) 207 409 8720  
nejc.jus@savills.com