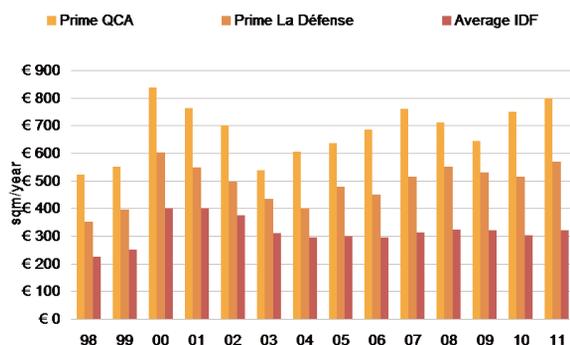


Ile-de-France office market

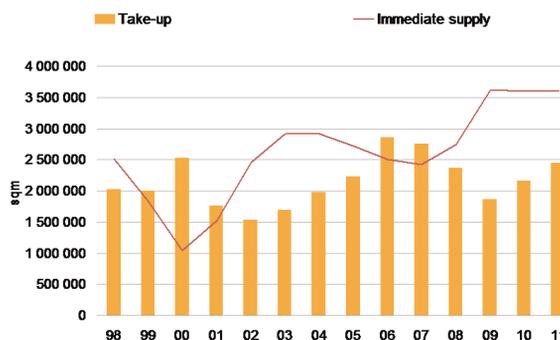
Q4 2011

Rental values



Source: Savills Research

Take-up / Immediate supply



Source: Savills Research

“Although the economic climate appears bleak, business activity in 2012 will be driven by more opportunistic strategies. The supply and demand situation is expected to become even more balanced this year with higher take-up of second hand properties. With the economy set to improve in 2013, new developments may become very sought after.”

Hervé Blanchet - Managing Director



- Despite the fact that the European real estate market declined towards the end of the year, take-up for 2011 was well above the ten-year average (2,200,000 sqm). A total of 2,441,798 sqm was taken-up in Ile-de-France, representing a y-o-y growth of 14%.
- A slowdown in letting activity was noted at the end of the year, with only 495,955 sqm of space taken, which is a 35% decline on the third quarter.
- There was a clear return of large office occupiers in 2011, with sixteen deals over 20,000 sqm signed, compared to eight in 2010. There were also a significant number of deals over 5,000 sqm in Paris and the Inner Suburbs, several of which were turnkey.
- Despite a growing letting market, supply remains relatively stable. By the end of 2011, it had reached 3,609,000 sqm. The market remains fluid with a stable vacancy rate of 7%. For the past two years, the appeal of new and turnkey office space has increased the speed at which vacant space is being seen as outdated.
- Prime rent in the CBD increased by €60 at the end of the year reaching €800/sqm/year, which is a 6% rise compared to the end of 2010. Higher rents have been accepted in deals signed in Paris, outside the CBD, in Rue de l'Université. Average rents also increased by 3% to €320/sqm/year at the end of 2011.

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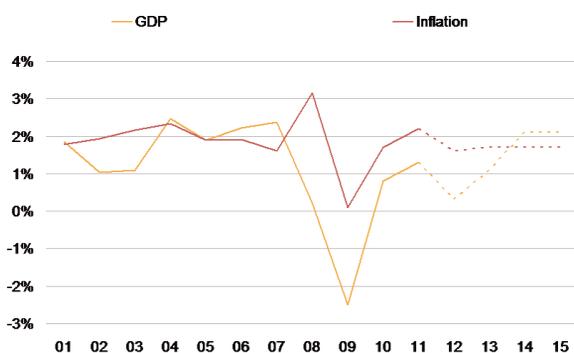
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Economy, letting market and outlook

Economy

The debt crisis plunged Europe back into uncertainty in the fourth quarter of 2011, putting a strain on European relations and compromising growth forecasts. Given the slowdown in the second half of the year, both in terms of sales increases and job creation, France's employment rate is not expected to improve. The forecasts for business investment in early 2012 have therefore been revised downwards. The unemployment rate has picked up pace this year after it declined in 2011 (9.5% by year-end). GDP growth for France was forecasted at -0.1% in the fourth quarter of 2011. Should growth remain at 0% in the coming months, it would mean that a recession in 2012 is possible. Despite the growing concern, the Ile-de-France may be able to hold its head above water. Business leaders are banking on confidence and activity remaining steady.

GDP and inflation



Source: Consensus Forecasts

Letting market

The worsening economic climate has not overwhelmed the rental market in 2011, with take-up reaching 2,441,798 sqm. This represents an annual increase of 14%, which is 11% higher than the ten-year average. Nevertheless, activity has been erratic, hit by economic conditions and financial developments throughout the year. Despite this increase, immediate supply was relatively stable at 3,609,000 sqm at year-end. The market as a whole is fluid with a vacancy rate of 7% and new development starts are negligible. Locally, however, some markets are suffering from a lack of new supply.

The main focus of the activity identified in 2010, continued through 2011, focusing principally on the capital's core business and those areas offering new stock within the Inner Suburbs, especially in the west. One key feature of the market in 2011 was the return of very large deals, allowing some markets to remain resilient. In a situation where occupiers are primarily

looking to reduce costs, once again, the main driver of demand was rationalisation and consolidation. As a result, the public and para-governmental sectors were particularly important in the large deals market. The high value-added services sector (namely lawyers, financial services, and business services) has been the driving force in the market. Their requirements, which primarily include high-end office space, have helped to increase prime rents in Paris, which in the fourth quarter, stood at €800 in the CBD. Despite the overall downward trend, especially in periphery markets, the average rent for Ile-de-France also increased to €320/sqm/year by the end of the year. Negotiations were strained in 2011 and have favoured tenants, who have been increasingly demanding, especially with regard to larger deals. Landlords are offering incentives equivalent to between six weeks and two months rent-free per fixed year lease. Finally, property strategies are underway amongst end-users who have their own funds and who wish to save on rental costs. The current lack of supply is holding back this type of transaction.

Outlook

Conditions are set to be difficult for the coming quarters. In 2012, the rental market in Ile-de-France should slow and be primarily driven by opportunistic initiatives. Take-up is expected to drop by 10% to 15% in 2012.

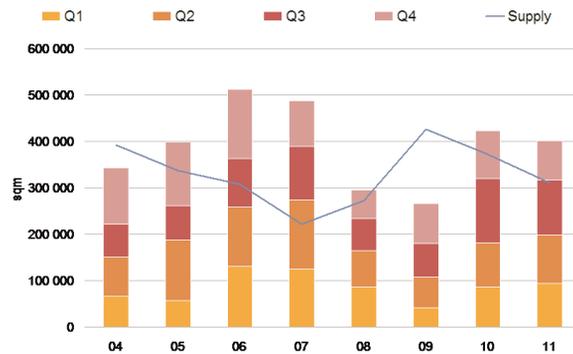
Rationalisation of costs will continue to be the main driver of demand. However, the inability to see where national and international markets are going, will limit the number of large deals that go ahead, but this will work in favour of both small and second hand properties. Thus, 2012 should see an increase in the number of extensions and a drop in consolidations/mergers. Activity in Ile-de-France will be more spread out and will also be more influenced by SMEs. Marketing of small and medium size offices should allow for better take-up of supply, while there should be no increase in new developments or office development completions.

Given the importance of the supply of second hand premises in all Paris markets, negotiations should be strained in 2012 and lend themselves more to end-users. The frequency and size of incentives will therefore remain unchanged. A certain pressure on rental values is anticipated and could cause between a 2% and 3% decrease, particularly for prime office space.

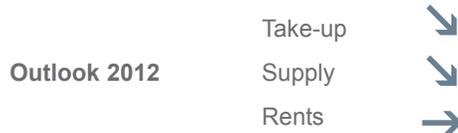
Paris CBD, Southern Paris, Eastern and Northern Paris

Paris CBD

The end of 2011 brought with it a downturn in the fourth quarter in which 84,108 sqm were let (a drop of -29% in one quarter). Despite this, the CBD market was vibrant once again with 400,997 sqm let in 2011, making it the fourth most successful year of the decade. Although activity was driven by small and medium sized offices, it was large deals that were particularly present towards the end of the year, amounting to 44% of take-up. A total of six deals exceeding 5,000 sqm have been signed since the beginning of the year, most of which were located in the 8th arrondissement. Even though available supply rose by 1.5% in one quarter, the y-o-y trend is down (-16.5%). With a vacancy rate of 4.5% at the end of the year, the market lacked fluidity due to a lack of supply. The prime rental market rose to €800/sqm/year compared to €740/sqm/year in the third quarter.



Source: Savills Research

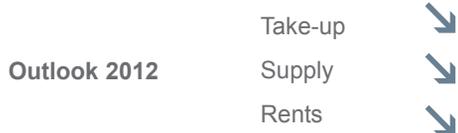


Southern Paris

Take-up has declined by 15% q-o-q, with 71,310 sqm let in the fourth quarter of 2011. The market in Southern Paris had a record year with 313,920 sqm let, benefiting firstly from the rental market's shift towards more traditional business districts and, secondly, from the return of large occupiers to the marketplace. This means that deals over 5,000 sqm represented more than a third of take-up in 2011. The stock of available supply was down to 210,000 sqm by year-end, representing a decrease of 9.5% over one quarter and 28% over the year. With a vacancy rate of almost 4%, there is currently a lack of supply in the market. As in 2001, Southern Paris' prime rent of €830/sqm/year was higher than that of the CBD (€800/sqm/year) due to a number of deals on Rue de l'Université in the 7th arrondissement.



Source: Savills Research

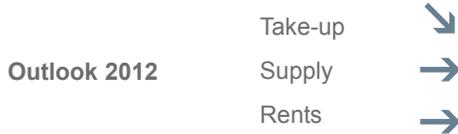


Northern Paris

Take-up has seen quarterly increases of 49%, and in the fourth quarter this amounted to 34,032 sqm out of a total of 134,402 sqm since the beginning of the year. The market continued to be driven by small and medium-sized deals. For the second consecutive year occupiers have overwhelmingly chosen this sector, which offers both traditional offices in central Paris and larger premises in periphery markets. Immediate supply was stable in the fourth quarter, but down 4% compared to the end of 2010. A vacancy rate of 3.5% demonstrates the lack of fluidity in this market. Rents were on the rise at the end of the year amounting to an average of €319/sqm/year and €417/sqm/year for prime rents.



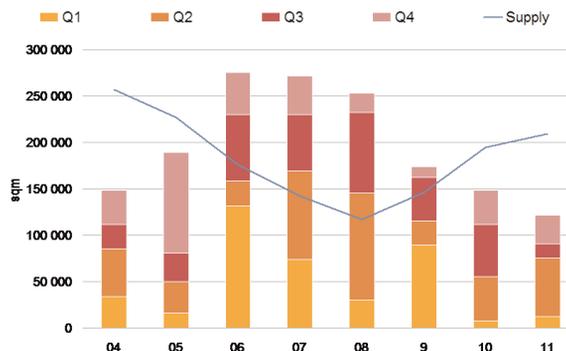
Source: Savills Research



La Defense, Western Crescent, North Inner Suburb

La Defense

Despite a slight recovery in the fourth quarter, in which 30,940 sqm was let, La Defense continued to be visibly shaken in 2011 with a total of 121,845 sqm of take-up, which was even worse than the 149,597 sqm in 2010. Economic uncertainties have made major occupiers wary, and as a result they prefer to opt for newer and cheaper options in the Inner Suburbs. Thus, the immediate supply in La Defense continued to grow in 2011 and showed a quarterly increase of 9.5% at year-end. 209,000 sqm were available of which over 150,000 sqm exceeded 5,000 sqm. Few development completions are in the pipeline for 2012, and this should limit the growth of available supply over the coming months. Prime rent increased and by the end of the year it had reached €569/sqm/year.



Source: Savills Research

Outlook 2012
 Take-up ↗
 Supply →
 Rents →

Western Crescent

Whilst the rental market in the fourth quarter was stable (111,479 sqm of take-up), if not a little down (-5.5%) on the third quarter, the Western Crescent recorded a successful year. In 2011, 585,808 sqm were let, which was 38% more than in 2010. Take-up was driven by deals exceeding 5,000 sqm. Meanwhile, immediate supply totalled 932,000 sqm, which was a rise of 7% in a single quarter and 19.5% compared to the end of 2010. There are a large number of properties over 5,000 sqm on the market in the Western Crescent (more than thirty), which are mainly located in the Northern and Southern Suburbs and in the Peri-Défense district. Whilst a vacancy rate of 6.5% in the Western Crescent was fairly low, there is only a lack of supply in the Peri-Défense district. Rental values fell slightly in the fourth quarter, while the prime rent increased by five euros to €455/sqm/year.



Source: Savills Research

Outlook 2012
 Take-up ↘
 Supply ↘
 Rents ↘

North Inner Suburb

After an outstanding third quarter, in which 136,532 sqm were let, the fourth quarter was negligible with only 14,720 sqm let. The Northern Inner Suburbs had a record year, with a total of 173,928 sqm in 2011 (+23% on 2010). In 2011, the market was propped up by three key deals, including one signed by SFR in the third quarter, totalling 124,000 sqm alone. Immediate supply has not been seriously affected by the low take-up, primarily due to turnkey deals. Available supply, which stood at 265,000 sqm at year-end, is comprised of fifteen properties that are on the market, all of which exceed 5,000 sqm, of which ten are located in Saint-Denis. With a vacancy rate of 13%, the market is clearly over supplied. Average rent fell slightly to €201/sqm/year, while prime rents remained stable at €285/sqm/year.



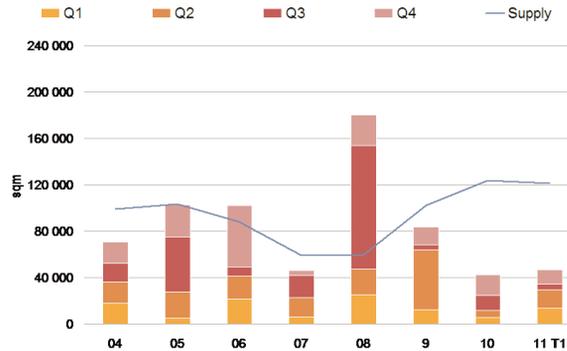
Source: Savills Research

Outlook 2012
 Take-up ↘
 Supply ↘
 Rents →

East and South Inner Suburb, Outer Suburb

East Inner Suburb

Take-up in the fourth quarter reached 12,190 sqm with lettings up 146% in one quarter and 15% y-o-y. There was limited letting activity in 2011 with a total of 45,970 sqm of space let. The market in the Eastern Inner Suburbs has seen very little business since 2010. One of the most significant deals of the year included the Apria deal, which was a 5,800 sqm letting in Terra Nova in Montreuil. Available supply did not undergo any significant changes and was at 121,000 sqm at the end of the year, and despite a stable fourth quarter, it shrunk by 2.5% compared to the end of 2010. Four properties over 5,000 sqm, totalling over 80,000 sqm are currently available (two of which are in Bagnolet). With a vacancy rate of 8.5% at year-end, the market is not oversupplied. The average rent fell slightly to €194/sqm/year, while prime rent remains relatively stable at €300/sqm/year.



Source: Savills Research

Outlook 2012

- Take-up ↗
- Supply →
- Rents →

South Inner Suburb

There was a 57% drop in take-up in three months in the fourth quarter, with 21,329 sqm let. Take-up reached 74,866 sqm in 2011, which was a 41% improvement compared to 2010. Whilst the market was generally propped up by small and medium-sized deals, there were nonetheless four key deals that accounted for nearly half of take-up in 2011, the two most important of which were in Montrouge totalling over 30,000 sqm (Parc Azur and Cap Sud). In terms of available supply, the fourth quarter echoed that of the third with a total of 158,000 sqm. This includes eight properties exceeding 5,000 sqm, three of which are located in Ivry-sur-Seine. The Southern Inner Suburbs market is generally fluid with a 9% vacancy rate. The prime rent is down from €352/sqm/year to €330/sqm/year in one quarter, while the average rental price has remained relatively stable.



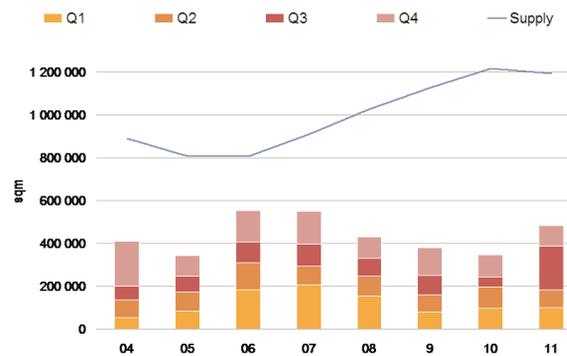
Source: Savills Research

Outlook 2012

- Take-up ↘
- Supply ↘
- Rents ↘

Outer Suburb

The end of the year was sluggish and the area recorded 97,169 sqm of take-up in the fourth quarter, bringing the total for the year up to 482,910 sqm. Despite this, the rental market in the Outer Suburbs was up by 40% and twenty deals of more than 5,000 sqm were signed over 2011, totalling more than 300,000 sqm. The most important deal was the relocation of Carrefour to its new 86,000 sqm headquarters in Massy. Consequently, available supply decreased (-3% in one quarter and -2% over the year) but only moderately due to turnkey deals, meaning that by the end of 2011 it stood at 1,194,000 sqm. The vacancy rate was 6.5%, due to the scarcity of supply in Roissy and the rest of the Outer Suburbs and rental values were declining at the end of the year. The average rent was €140/sqm/year, while prime rent remained at €285/sqm/year.



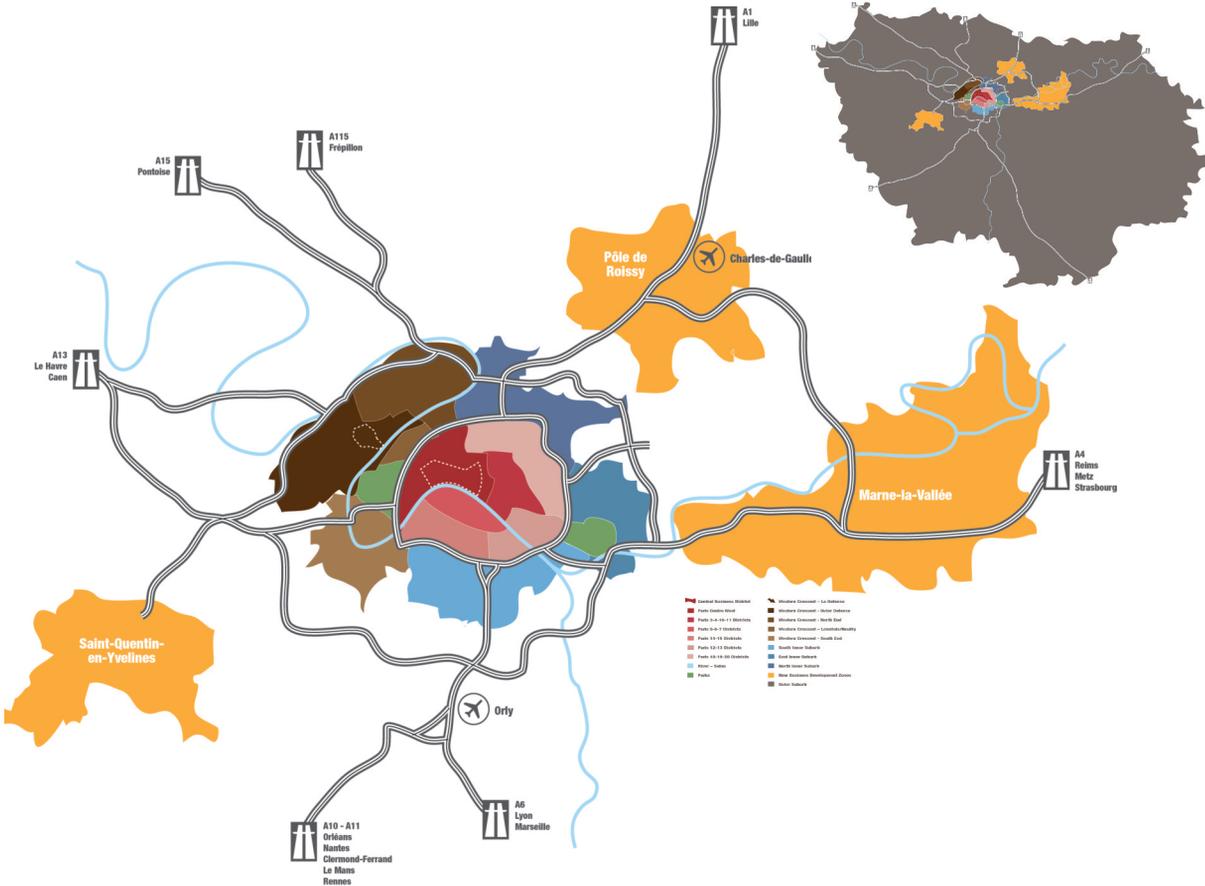
Source: Savills Research

Outlook 2012

- Take-up ↘
- Supply ↘
- Rents →

Ile-de-France office market

Submarkets



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