The Greater Paris Region office market

Q1 2025	Occupiers & Investment market	knightfrank.fr/etudes/

Contents

A cautious start to the year

Continuing the trend seen in 2023 and 2024, the slowdown in office transaction activity in the Greater Paris Region was confirmed in the first three months of the year, with 419,150 sq m of office space leased or sold to owner-occupiers, reflecting a 6% decrease year-on-year and a 20% decrease compared to the ten-year average for this period. Comporates continue to raise the bar for what they want, with a clear preference for central locations (40% of space let in Paris and 58% of deals) and streamlining their space to meet their economic goals.

Vacant stock rose again, totalling 5.8 million sq m across the region, with an average rate of 10.5%. The various micro-markets present very diverse situations, ranging from undersupply in Paris' Central Business District (CBD) to oversupply in Suburbs of La Défense and the Inner Northern Suburbs, continuing to impact the trend in transaction rental values.

In the Greater Paris Region, office investment reached €1.1 billion in the first quarter of 2025, up 30% compared to the same period last year. This upturn is particularly evident in the completion of three transactions over €100 million each. The highlight of the first quarter was undoubtedly the first major deal in La Défense since the end of 2022.

Despite property fundamentals that are generally favourable to a compression in prime yields in the Paris CBD, their evolution remains dependent on the trajectory of bond yields and the stabilisation of the macro-financial environment. Given this still uncertain context, we are forecasting that the prime yield will stabilise at the end of the first quarter of 2025, within a range of 4% to 4.25%.

01. Economic context

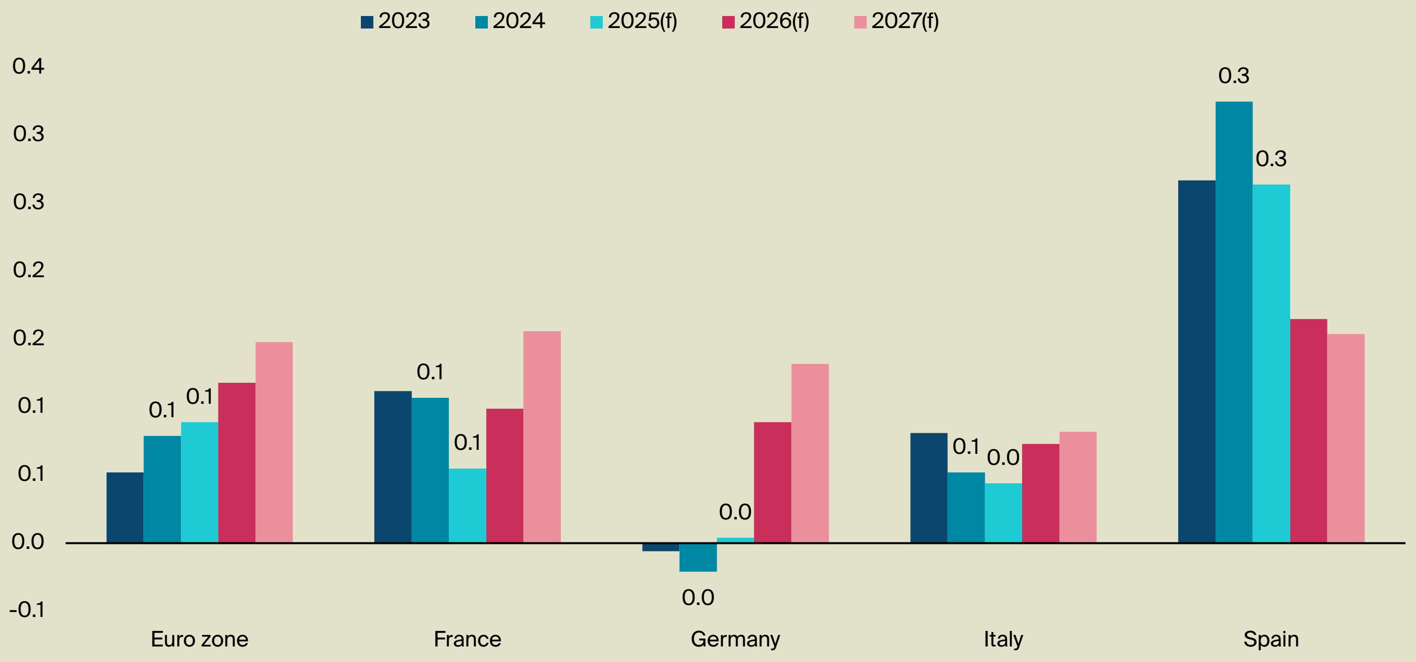
Downward revision of economic outlook for the eurozone and France

The geopolitical storm that has been sweeping across Europe in recent weeks has impacted GDP growth forecasts for the eurozone's key economies.

2025 was already shaping up to be a year of transition, with a more robust recovery expected in the following years. That was before President Trump's bombshell announcements and almost daily reversals on import tariffs. These U-turns are creating even greater uncertainty, which is not conducive to a recovery in either household or business activity.

In this context, and subject to the 90-day negotiations on export tariffs to the United States, the eurozone could see GDP growth of around 0.9% in 2025.
The three largest European economies, Germany, France and Italy, will have to contend with a sluggish economy: +0.04% in Germany, +0.4% in Italy and +0.6% in France. This contrasts sharply with Spain (+2.6% expected, following +3.3% in 2024).

Euro zone GDP
As a %, year-on-year



Source : Oxford Economics / (p) projections

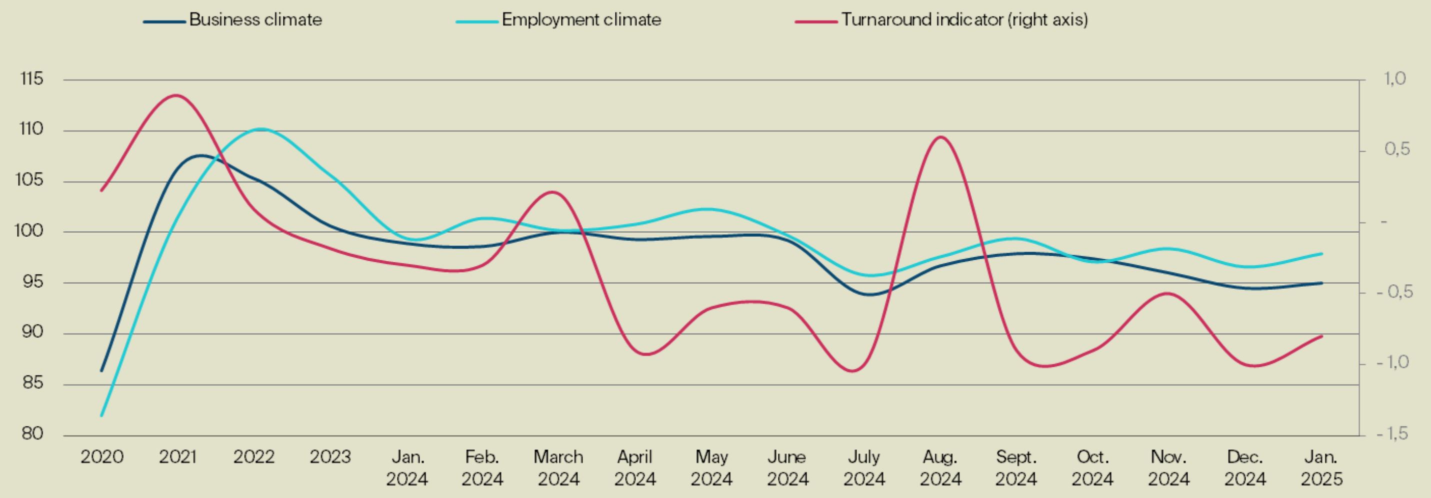
Waiting for Trump...

The economic climate, electrified by the US President's dramatic and changing announcements on import tariffs to the United States, is unsurprisingly creating considerable uncertainty for business leaders. This is reflected in a business climate index of 95 points, stable from one month to the next but still in negative territory. Looking at the different sectors, wholesale traders, who are highly dependent on international trade, have seen their index plummet (91 in January 2025, down 3 points in three months), as have manufacturers (95 points). Conversely, the business climate index has stabilised for service companies (96 points) and construction (98 points).

In January 2025, the synthetic employment climate indicator rebounded slightly. At 98, it gained one point and moved closer to its long-term average (100). This slight improvement was mainly due to the improvement in the balance of planned employment in services (excluding temporary work). This data is corroborated by the employment of executives, whose outlook for 2025 shows continued tension, but to a lesser extent than in the past. According to APEC forecasts, more than 296,000 executive jobs should be created in 2025, including 137,500 in the Greater Paris Region.

The economic turnaround indicator, which had deteriorated sharply since August 2024, showed a slight improvement in early 2025 but remained clearly negative (-0.8): manufacturers are the least pessimistic, whilst the opinion of service sector business leaders deteriorated sharply (-0.4 points in one month).

Business and employment climate & Turnaround indicator



Source : Banque de France / (p) projections

French economic indicators

As a % of annual change	2023	2024	2025 (Forecasts)	2026 (Forecasts)	2027 (Forecasts)
French GDP	1.1 %	1.1 %	0.7 %	1.2 %	1.3 %
Unemployment rate	7.3 %	7.4 %	7.8 %	7.8 %	7.4 %
Net job creation (in thousands)	321	175	- 19	52	194
Business climate (end of period)	98.4	94.5	96 (February)	-	-
Business investment	2.5 %	- 1.2 %	- 0.5 %	1.9 %	2.9 %
Company insolvencies (in thousands)	56.7	66.4	10.9 (February)	-	-
Exports	2.5 %	1.1 %	1.7 %	3.5 %	3.5 %
Imports	0.7 %	- 1.4 %	0.9 %	3.3 %	3.5 %

Source : Insee, Banque de France forecasts

02. Occupiers market

Q1 2025 Greater Paris Region key figures

419,150 sq m

Office take-up

€1,170 /sq m/year

Prime rent in Paris CBD

5.8 M sq m

Immediate supply - offices

10.5%

Vacancy rate - offices

Source : Knight Frank

A slow start to the year

With just over 419,150 sq m of office space leased or sold to owner-occupiers in the Greater Paris Region during the first quarter of 2025, letting activity decreased by 6% compared to the same period in 2024 and by 20% compared to the 10-year average for this period.

Whilst many area categories saw a drop in sq m let this quarter, the medium-sized category (from 1,000 to 5,000 sq. m) held up well, recording a 27% increase in volumes. Areas of less than 1,000 sq m also remained resilient, despite a 5% decrease in volumes let.

Finally, the large office spaces (ones over 5,000 sq m) recorded the sharpest drop (down by 24% y-o-y). The momentum in signings was more subdued: 13 transactions were recorded in this category in Q1 2025, compared with 17 in the same period last year, but this was also due to the ongoing streamlining of space, which is continuing to chip away at volumes let.

As of Q1 2025

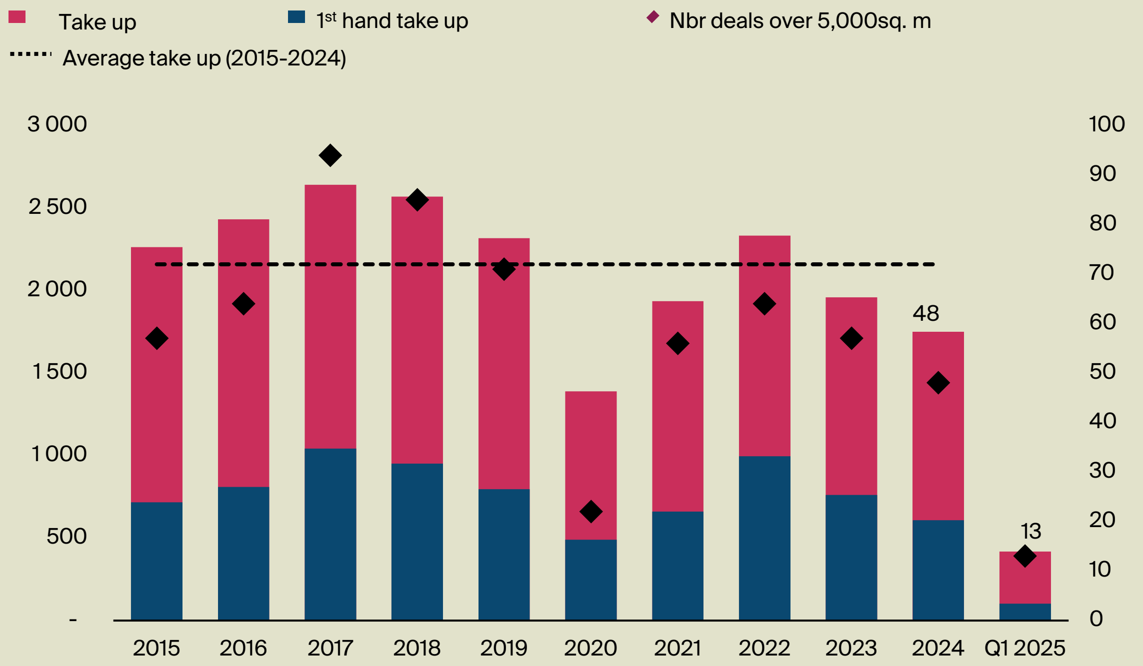
-6% VERSUS Q1 2024

-20% VERSUS 2019-2024 AVERAGE

The average transaction size for areas over 5,000 sq m was 11,300 sq m in 2024, down 3% from 2021-2023. It stood at 10,700 sq m in the first three months of 2025.

Greater Paris Region office take-up

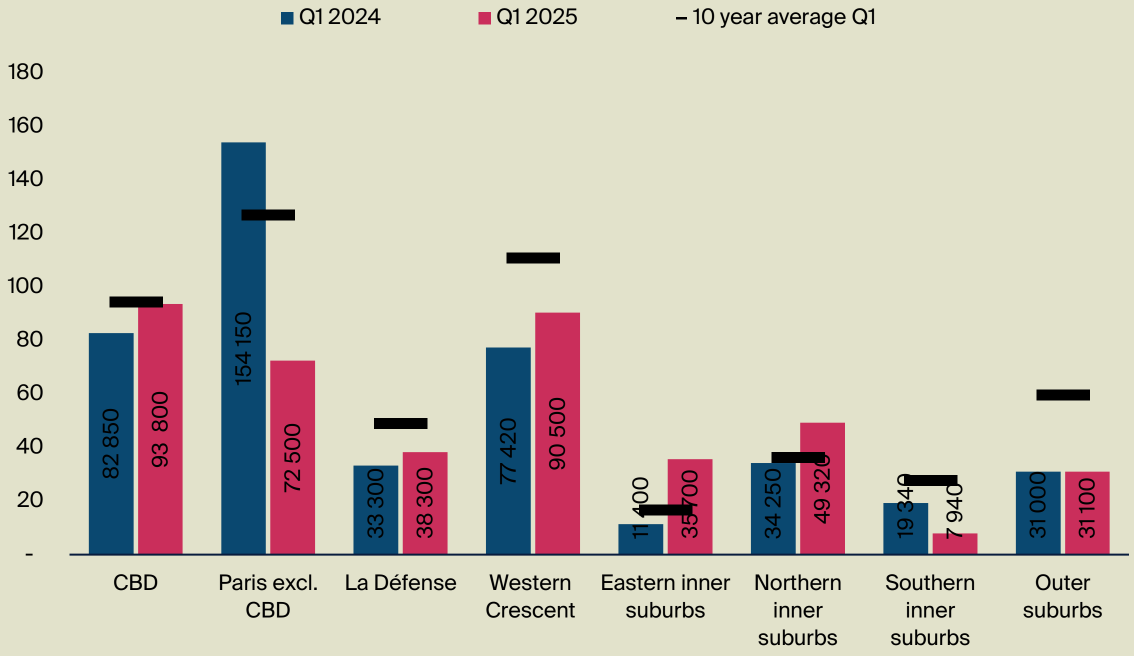
In thousands of sq m



Source : Knight Frank, Immostat

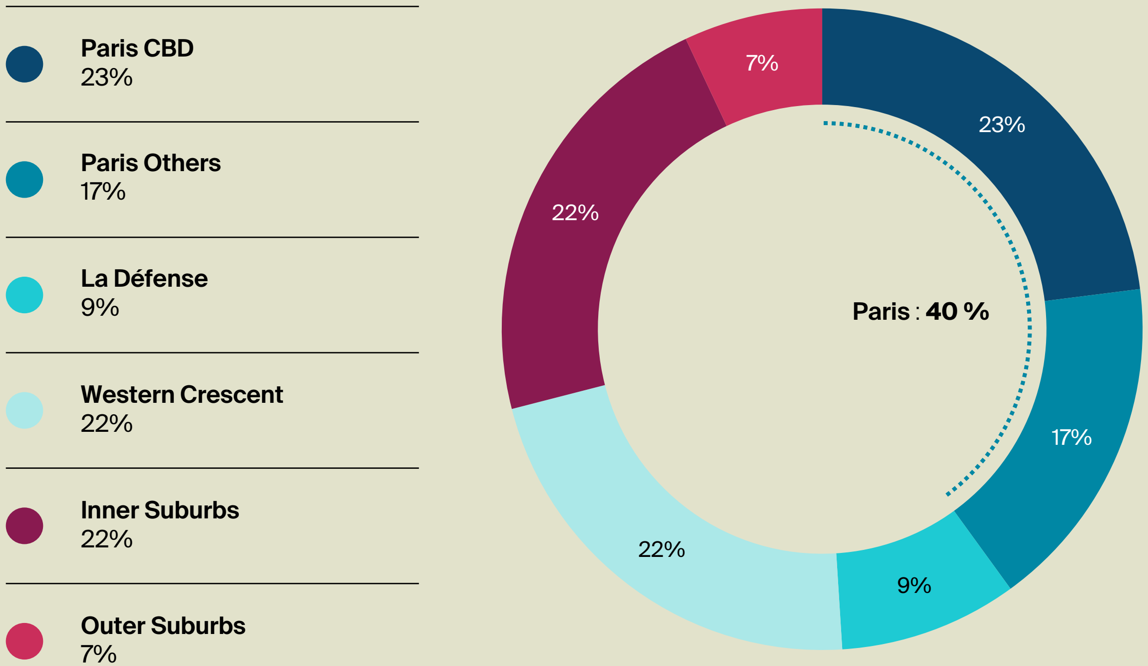
Paris still accounts for the majority of take-up, but is less dominant (40%)

Geographic breakdown of office take-up in the Greater Paris Region
In thousands of sq m



Source : Knight Frank, Immostat

As at Q1 2025
As a % of total volume



Source : Knight Frank, Immostat

The CBD accounts for 56% of take-up in Paris

Inner Paris accounts for 40% of the take-up in the Greater Paris Region (compared with 47% in 2024 and 46% in 2023) and 58% of the number of transactions recorded since January 2025. The capital accounted for more than 166,300 sq m of office space leased or sold to owner-occupiers, down 30% compared with the same period last year.

South Paris and North-East Paris recorded a significant slowdown in the first quarter of 2025, with take-up down 65% and 31% respectively year-on-year. The sharp decrease in South Paris can be explained by the exceptional transaction by CDC on 'The Good One' in the 13th arrondissement (40,800 sq m), which was recorded in early 2024. Activity was also less buoyant, with an 18% drop in the number of transactions. North-East Paris, meanwhile, remains buoyant with almost the same number of transactions as in the same period last year.

Paris CBD continues to prove its appeal with 93,800 sq m let in the first three months of 2025, up 13% on the same period last year and in line with its 10-year average. However, the number of transactions is down 32%, reflecting the difficulty of finding new premises in this highly sought-after area.

The CBD accounts for 56% of the capital's take-up.
Looking at the details, small (<1,000 sq m) and large (>5,000 sq m) office spaces recorded decreases in take-up of 9% and 66%, respectively. Conversely, take-up of medium-sized areas increased by 24% in one year.

As of Q1 2025
As a % of take-up volume in Paris

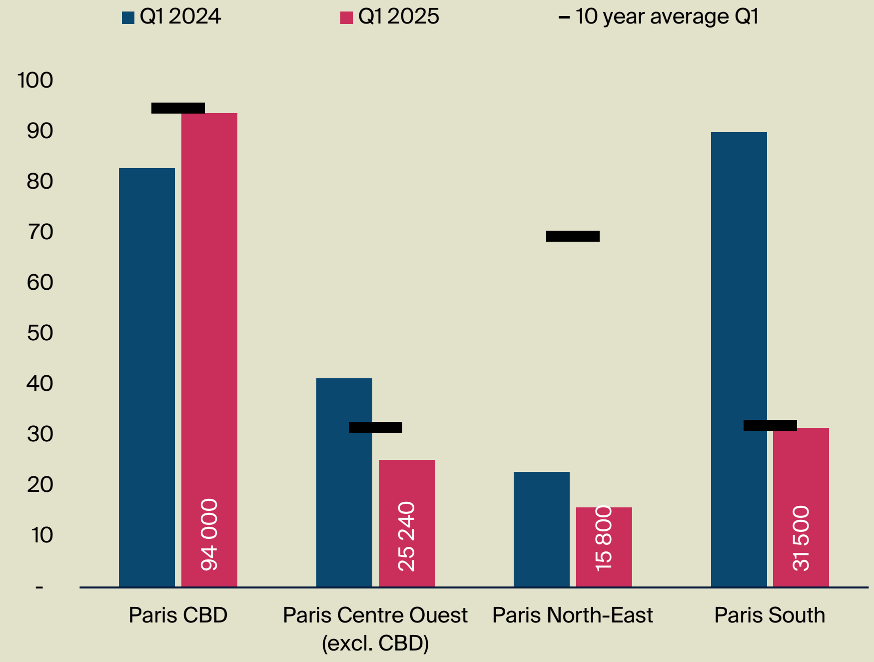
56%
PARIS CBD

15%
PARIS CENTRE WEST (EXCL. CBD)

10%
PARIS NORTH-EAST

19%
PARIS SOUTH

Geographic breakdown of take-up in Paris
In thousands of sq m



Source : Knight Frank, Immostat

Prime rents continue to increase

The prime rent in the Greater Paris Region has now reached €1,170 /sq m/year in Q1 2025, up 14% in one year, having remained above €1,000 /sq m/year for the fifth consecutive quarter. While eight transactions (over 500 sq m) were completed at a value greater than or equal to €1,000/sq m in 2023, 17 were recorded for the whole of 2024 and eight have already been recorded since the start of the year.

Following strong pressure in 2024, Paris rents stabilised in the first quarter of 2025, with a 2% decrease and a 3% increase in new and second-hand rents over one year in Paris' CBD. Paris Centre West also saw its rental values stabilise.

The correction in values continued in La Défense and the Western Crescent, where values fell by 13% for new assets and 9% for second-hand properties in La Défense and by 2% on average across all asset classes in the Western Crescent.

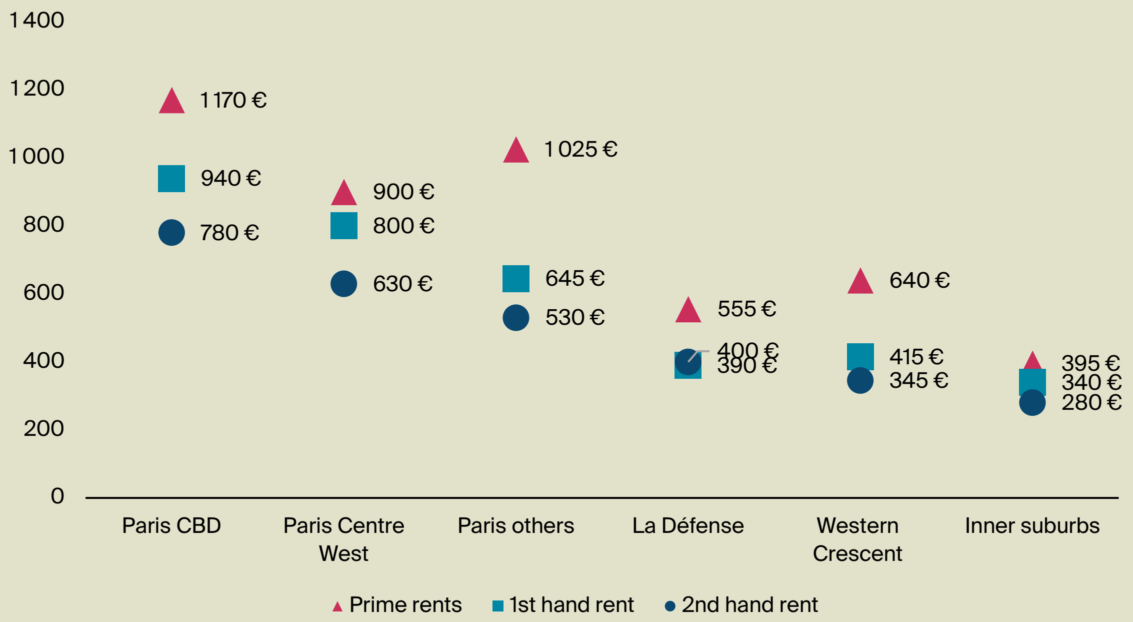
Whilst rental incentives remain limited in Inner Paris, they are much more generous in the suburbs (between 30% and 40% depending on the area of the Greater Paris Region).

Rental incentives
Q1 2025

12-15%
PARIS CBD

10-40%
GREATER PARIS REGION

Office transaction rents in the Greater Paris Region in the 1st quarter of 2025
In €/sq m/year excluding taxes and charges



Source : Knight Frank

The vacancy rate has reached 10.5% in the Greater Paris Region

Immediate supply continues its inexorable rise, with 5.8 million sq m of office space available in the Greater Paris Region at the end of the 1st quarter of 2025. Against this backdrop, the vacancy rate in the Greater Paris Region reached 10.5% at the end of March 2025, compared with 8.8% a year earlier and 5.0% in 2019.

Historically high, the stock is now up 18% year-on-year. Breaking this down, new and refurbished office spaces account for a third of the total stock (1.8 million sq m, up 23% in one year, mainly due to numerous deliveries in 2024).

This immediately available supply remains unevenly distributed across the Greater Paris Region. Inner Paris has 1.1 million sq m of office space available (+51% in one year), representing 19% of the regional supply. The vacancy rate is now 6.3% on average in the capital (+2 points in one year): 4.3% in the CBD, around 6% in the Centre West (excluding the CBD) and in the South, and 11.6% in the North-East.

Outside Paris, availability is higher in La Défense, where the vacancy rate reached 14.6% at the end of the first quarter. In the Inner Suburbs and the Western Crescent, the vacancy rate stood at 19.4% (1.6 million sq m) and 19.7% (1.5 million sq m) respectively.

At the end of Q1 2025
Year-on-year change

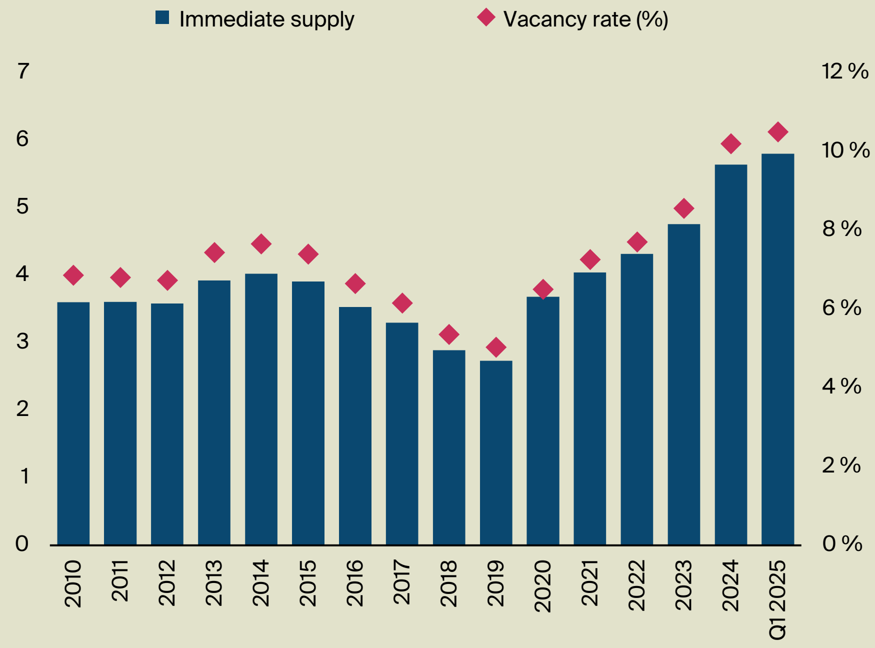
+1.7 pt

VACANCY RATE

+18 %

IMMEDIATE SUPPLY

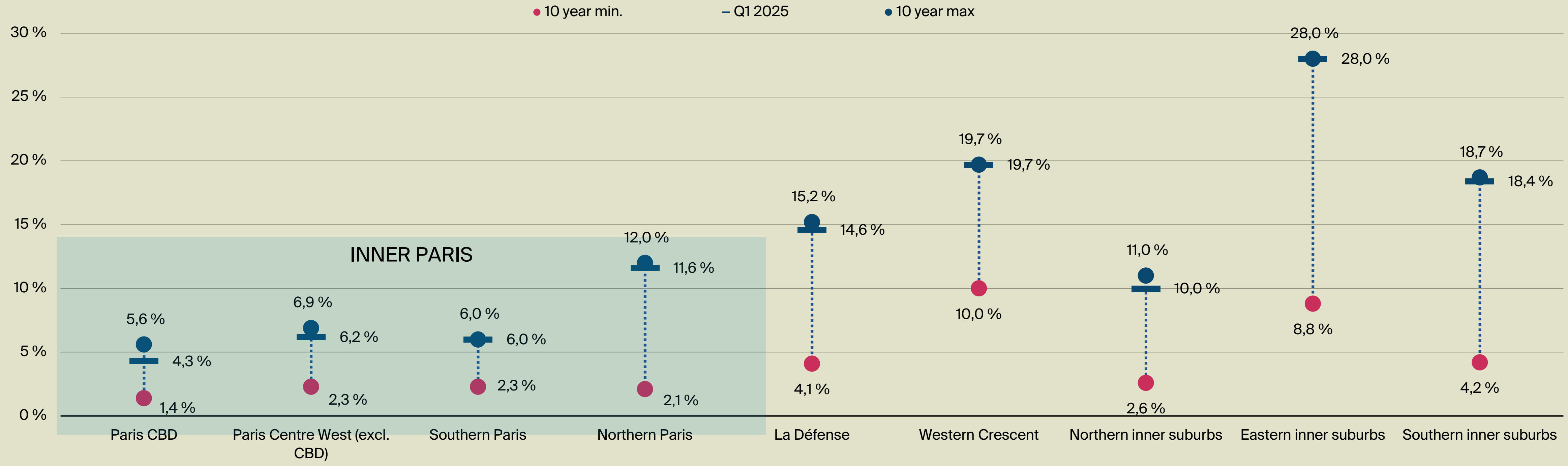
Available supply and vacancy rate in the Greater Paris Region
In million of sq m



Source : Knight Frank, Immostat

Vacancy rates vary across different markets

Office vacancy rates by geographic area
As a %, in the Greater Paris Region



Source : Knight Frank, Immostat, ORIE

Numerous office completions expected in 2025

After several years of decreases (2022 and especially 2023), the volume of new and refurbished supply (≥ 5,000 sq m) resumed its upward trend in 2024, reaching 800,000 sq m delivered through some 40 projects.

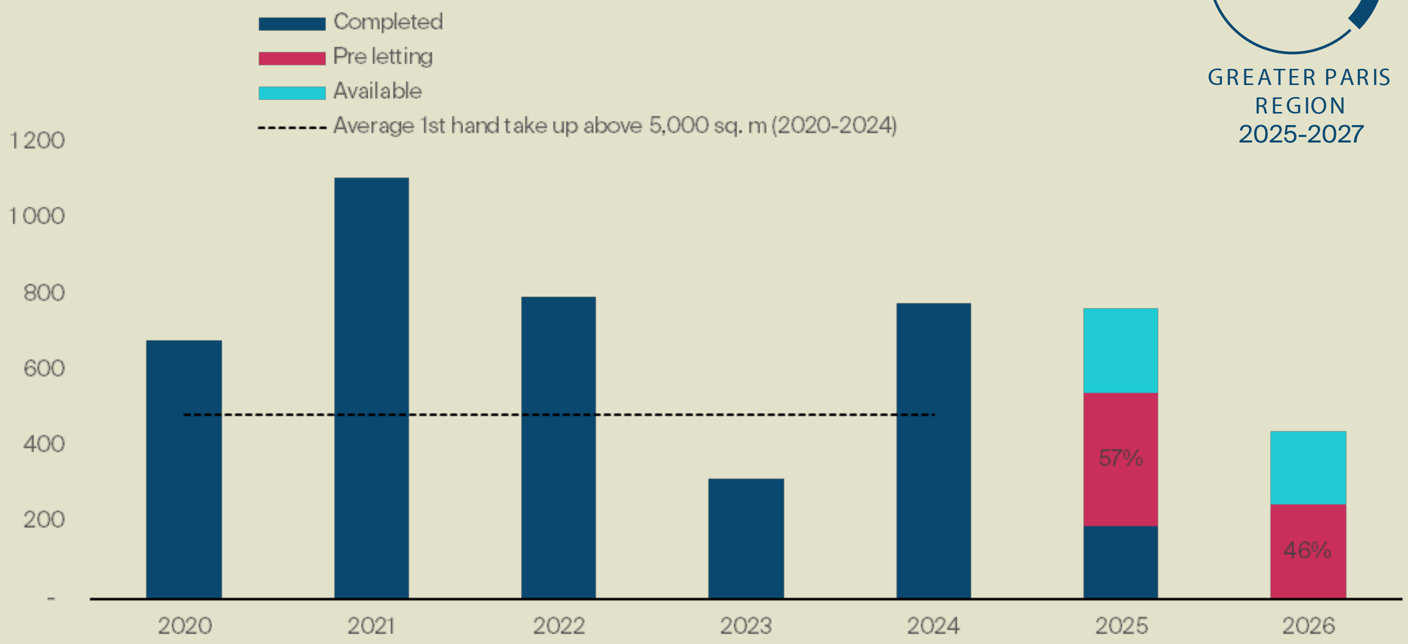
The volume of supply delivered will remain strong in 2025, with around 750,000 sq m expected, of which 200,000 sq m was completed in the 1st quarter of 2025.
Depending on the sector, the pre-letting rate (56% on average for total production for the year) varies substantially: 66% in Paris' CBD and 38% in the other arrondissements of the capital, 42% in the Western Crescent and 38% in the Inner Suburbs. This leaves just over 220,000 sq m available to let in projects currently under construction.

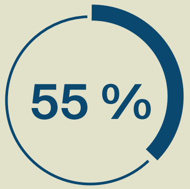
The pace of new and refurbished office deliveries is expected to slow in 2026, with nearly 440,000 sq m committed and pre-let for more than half (57%) of the total: the largest volumes are expected in Paris South (200,000 sq m) with the start of construction on numerous projects such as 'Scope' and 'Triangle', which account for more than 60,000 sq m.

Finally, office spaces to be delivered in 2027 currently totals just under 160,000 sq m, 46% of which has already been let. The start of new construction projects will therefore depend mainly on how well the projects due for delivery in 2025 and 2026 find tenants (preservation of presentation rental values, divisibility, speed of pre-letting), at a time when companies are carefully assessing their real estate needs and raising their quality standards.

Change in future supply of new and refurbished space >5,000 sq m

In thousands of sq m, in the Greater Paris Region

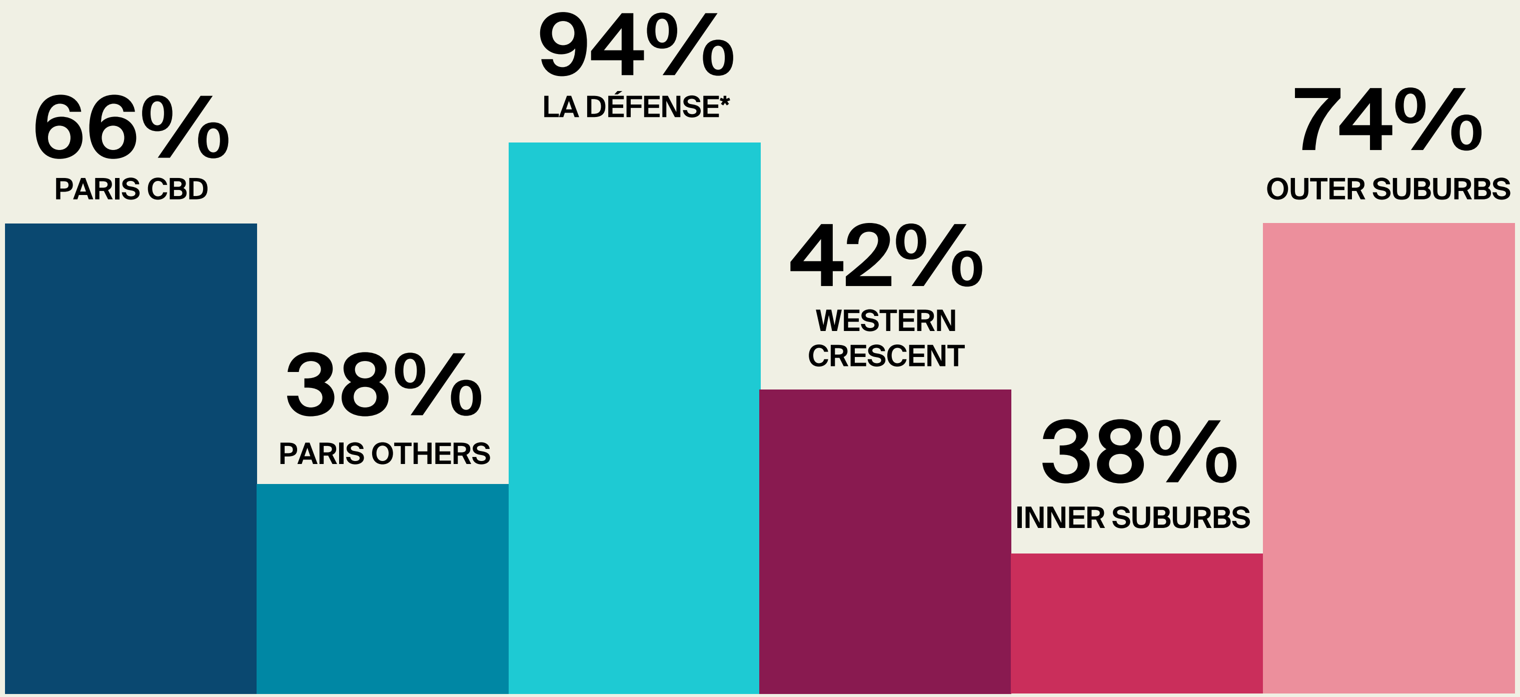


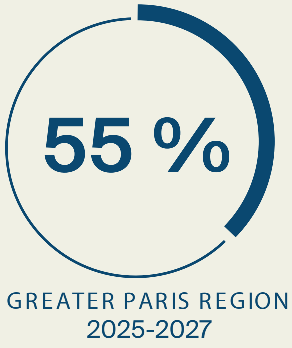


Source : Knight Frank

Pre-letting rate (2025-2027)

Pre-letting rate (2025-2027)
As a percentage of the volume of office space >5,000 sq m under construction





Source : Knight Frank /*including The Link

03. Investment

2024 key figures

€1.4 B

INVESTED IN OFFICES IN FRANCE

Out of a total investment of €3.4 billion (all types combined)

80 % of which

is in the Greater Paris Region

41 %

OF INVESTMENT VOLUME IN OFFICES IN FRANCE,

(all types of assets combined – excluding non-divisible portfolios)

4.00 % - 4.25 %

PRIME YIELD

Paris CBD

Source : Knight Frank

Offices: a promising first quarter, mainly in the Greater Paris Region

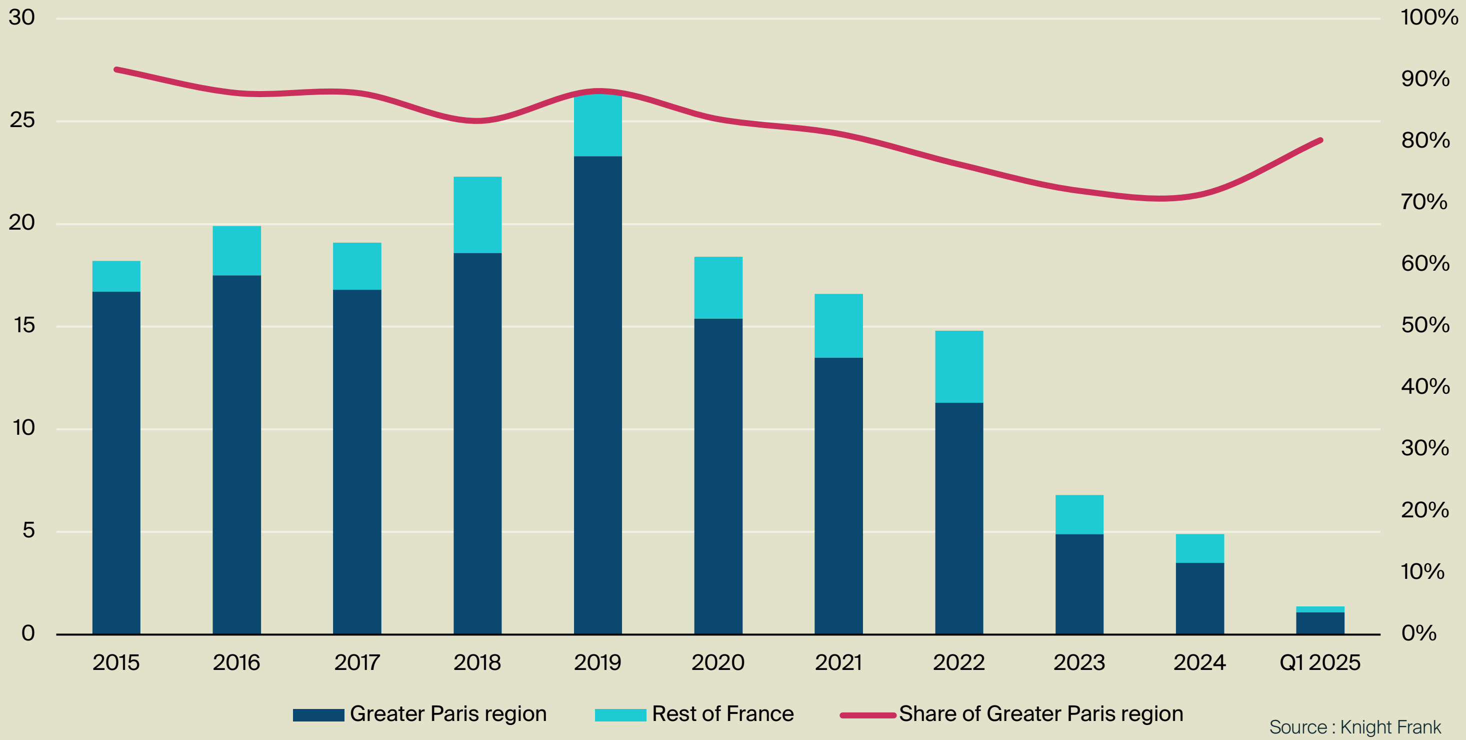
In 2025, for the first time since the health crisis, investment in office property recorded positive growth in the first quarter, with an increase of nearly 30% compared to last year. Although the volume remains modest at around €1.4 billion compared with a ten-year average of €2.9 billion, this recovery could mark a turning point, confirming the signs of improvement seen in recent months in the office sector.

Geographically, investment has become even more concentrated in the Greater Paris Region, which accounts for the overwhelming majority of investment volumes (80%). Outside the capital region, transactions remain rare. This momentum is expected to continue in the coming quarters, with the main sales processes underway relating almost exclusively to assets in the Greater Paris Region.

Obsolete assets remain on the sidelines of the current recovery. Less than €80 million was invested in them during the first quarter of 2025, illustrating investors' caution towards these assets that need to be reclassified. However, the political will to simplify the procedures involved in conversion operations could, in the medium term, open up prospects for redevelopment and offer a way out for these distressed assets.

Office investment volumes in France

In billions of € (left axis), as a % (right axis)



Source : Knight Frank

Inner Paris remains highly attractive, La Défense is stirring

Office investment in the Greater Paris Region reached €1.1 billion in the first quarter of 2025, up 30% compared to the same period last year. This recovery is particularly evident in the completion of three transactions exceeding €100 million each.

The highlight of the first quarter was undoubtedly the first large-scale transaction in La Défense since the end of 2022. The Norwegian sovereign wealth fund, NBIM, invested nearly €350 million in the acquisition of 80% of the Trinity Tower, signalling renewed interest in Europe's leading business district.

Inner Paris also performed well, attracting around €700 million of investment in office property over the quarter. The amounts invested were evenly split between the Central Business District (CBD) and the rest of the capital.

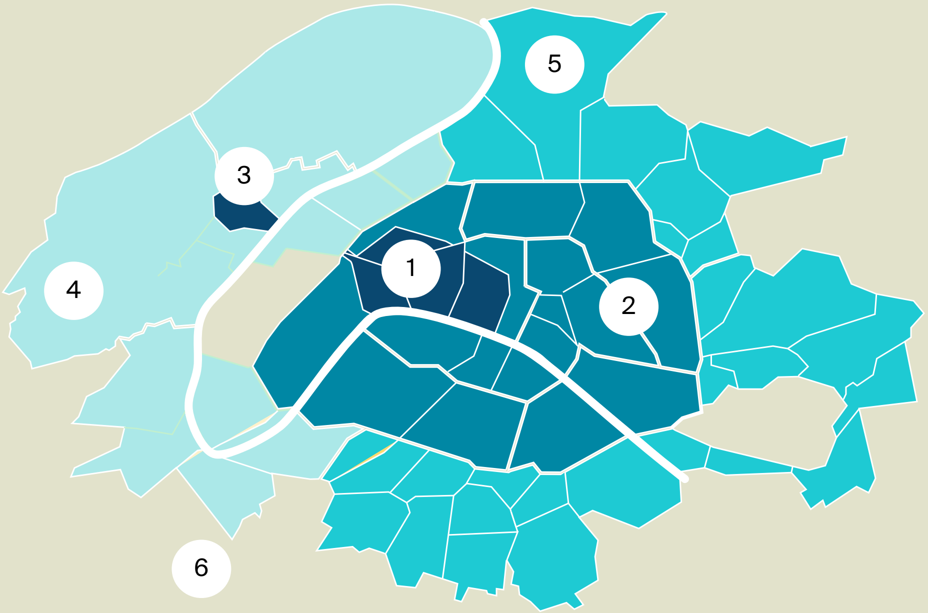
It is worth noting that the three largest transactions recorded in Paris were all located outside the CBD. These include the acquisition of the Square d'Orléans building in the 9th arrondissement (an area often considered a natural extension of the CBD) by the BEAUMONT / PICTURE duo. On the Left Bank, MINDSTONE CAPITAL acquired an iconic asset on Boulevard Saint-Germain, sold by AEW on behalf of CNP Assurances.

Outside Paris and La Défense, activity remains limited, with very few significant transactions recorded in the rest of the Greater Paris Region so far this year.

Geographic breakdown of office investment volumes in the 1st quarter of 2025

In the Greater Paris Region, offices

1	Paris CBD	€0.3 B
2	Paris other	€0.4 B
3	La Défense	€0.3 B
4	Western Crescent	< €0.1 B
5	Inner Suburbs	< €0.1 B
6	Outer Suburbs	< €0.1 B



Source : Knight Frank

Prime yields: stability in Paris and La Défense

After the sharp increase in prime yields in 2022 and 2023, a direct consequence of price adjustments in response to the rapid rise in ECB key interest rates, an initial reversal was recorded at the end of 2024 with a 10-basis point decrease in prime yields for offices. This slight decrease came amid a more favourable monetary context, marked by the start of a cycle of easing by major central banks, beginning with the ECB.

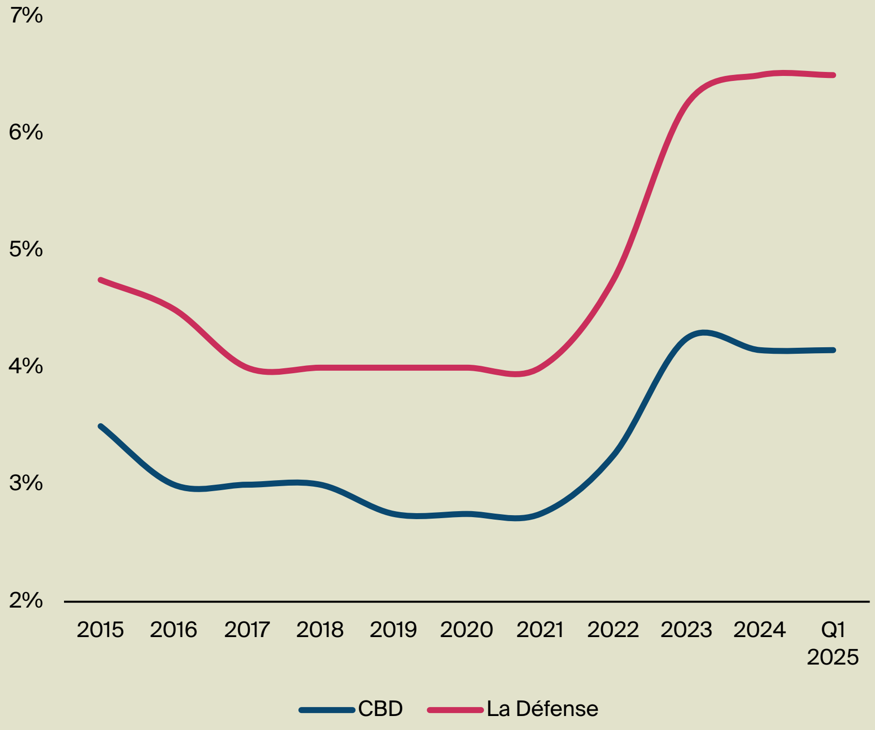
However, several factors continue to hold back a genuine easing, preventing a sustained decrease in long-term rates, particularly the 10-year OAT rate in France, which is essential for a significant contraction in prime yields.

As a result, despite real estate fundamentals that are generally favourable to a compression of prime yields for offices in the Paris CBD, their trend remains dependent on the trajectory of bond yields and the stabilisation of the macro-financial environment.

In this still uncertainty-ridden context, we are forecasting that the prime yield will stabilise at the end of the first quarter of 2025, within a range of 4% to 4.25%. Stabilisation is also being seen in La Défense, at 6.50%.

	One-year change	10-year change
PARIS CBD	-10 pdb	+15 pdb
LA DÉFENSE	+25 pdb	+100 pdb

Prime office yields in France
As a %, at the end of the period



04. Definitions

- **TAKE-UP:**
  All transactions, whether for lease or sale, carried out by users, including pre-lettings, turnkey deals, and own-account transactions, subject to the lifting of conditions precedent.

- **IMMEDIATE SUPPLY:**
  All vacant space available for marketing at a given moment. This does not include searches for new tenants or lease terminations until the tenant moves out.

- **VACANCY RATE:**
  Ratio between immediately available supply and existing stock.

- **PRE-LETTING:**
  Lease agreement signed before the delivery of a building.

- **CONDITION OF PREMISES / NEW AND SECOND HAND:**
  A transaction is considered to be new if it takes place less than five years after the construction or renovation of a building and the condition of the premises is new or refurbished. A re-letting in a building completed less than five years ago is therefore considered second-hand.

- **AVERAGE RENT FOR NEW AND SECOND-HAND PROPERTIES:**
  Weighted average calculated from a simple average calculated by category and quality of space based on the take-up specific to each market sector. This calculation method prevents the rent indicator from varying due to temporary changes in the activity of different markets..

- **PRIME RENT:**
  Weighted average of the five transactions > 500 sq m with the highest rents over the last 12 months, all qualities combined (expressed in €/excluding taxes and charges/sq m/year).

- **TOP RENT:**
  Highest transaction rent (> 500 sq m) observed over the last 12 months (expressed in €/excluding taxes and charges/sq m/year).

- **RENTAL INCENTIVES:**
  All financial concessions granted during a transaction: rent-free period, works, stepped rents.

The Knight Frank Research department

offers market analysis and strategic property consultancy services for a wide range of French and international clients, including private investors, institutions and users.

The data used for this study comes from sources widely recognised for their accuracy, as well as from Knight Frank property market monitoring tools.

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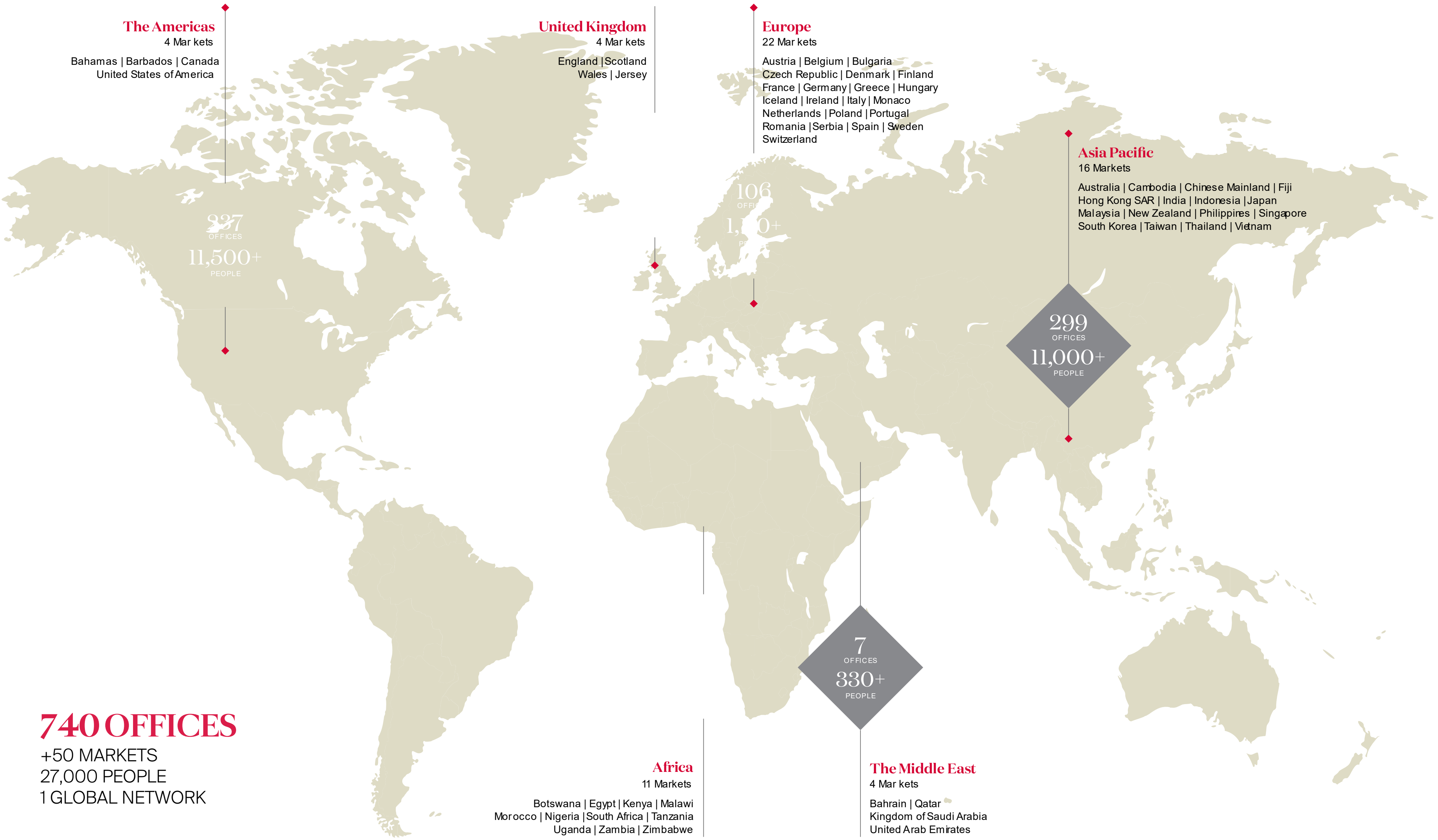
Knight Frank
at a glance

Founded over 125 years ago in Great Britain, the Knight Frank group today provides its expertise as an international property consultancy with over 27,000 people working from more than 740 offices in 50 countries. Its French branch, established over 50 years ago, operates in the corporate and residential real estate markets.

With more than 100 people working out of Paris, Knight Frank France is structured around five service lines: office marketing and occupier advice (Occupier & Landlord Strategy and Solutions), workplace design (Design & Delivery), investment (Capital Markets), retail leasing and valuation with its subsidiary Knight Frank Valuation & Advisory.



740 OFFICES
+50 MARKETS
27,000 PEOPLE
1 GLOBAL NETWORK

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