



FRENCH PROPERTY MARKETS

2022 **REVIEW** & 2023 **OUTLOOK**

INVESTMENT

OFFICES

RETAIL



01

INVESTMENT
FRANCE



02

OFFICES
GREATER PARIS
REGION



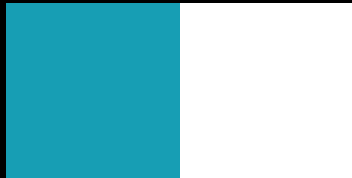
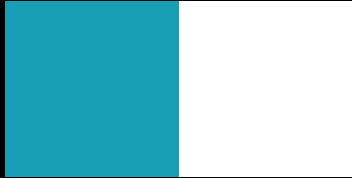
03

RETAIL
FRANCE



01

INVESTMENT



2022 HIGHLIGHTS

- **Volumes were down slightly by 4% year-on-year, but fell sharply in Q4** (-53% year-on-year).
- The new financial climate has caused the market to stall: **more than 6 billion euros of assets have been withdrawn** or put on hold.
- **The regions fared better than the Greater Paris Region** (-1% year-on-year compared to -5%).
- **Foreigners were less present** for acquisitions (23% drop year-on-year in investment volumes in France).
- **Offices are still the dominant asset class**, but their share continues to fall (54% in 2022 compared to 62% in 2021).
- **Industrial: 2nd best year** on record.
- **Retail: 3rd best year** ever.
- Increasing **diversification strategies**.
- **Increase in prime yields**, but **still significant differences of opinion** between sellers and buyers.

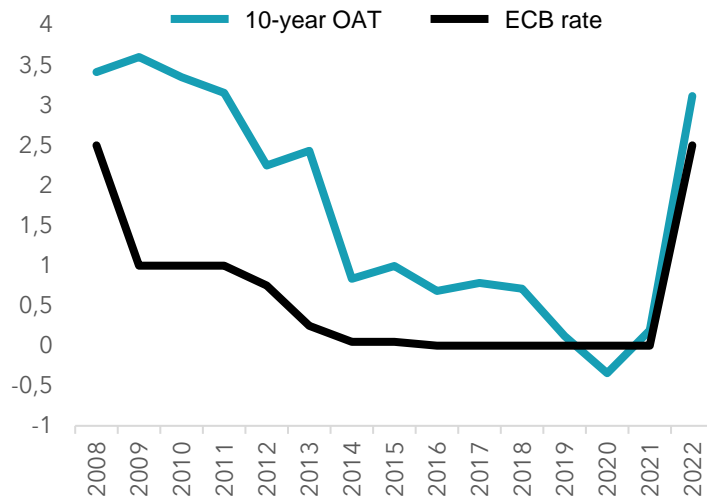
New financial climate

2022 was the year of monetary policy tightening, with the European Central Bank raising key interest rates by 250 basis points in the second half of the year to curb inflation. Inflation remains high, reaching 10.4% in December in the EU compared to 5.3% a year earlier. The 10-year OAT rate has also soared, gaining nearly 300 basis

points in one year. The fight against inflation will continue over the next few months and further rate hikes will be implemented, although they may be smaller than last year. The lack of visibility on prices and performance in the property sector will therefore continue into 2023.

The end of free money

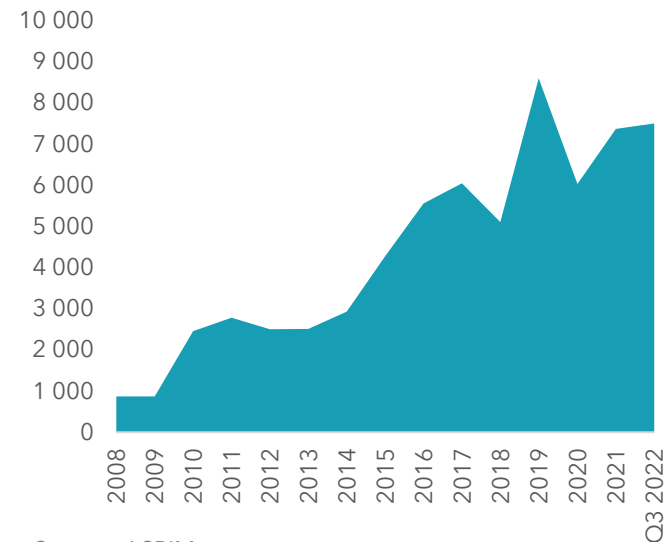
Change in the 10-year OAT rate and the ECB's key rate
As a %



Source: Banque de France / ECB

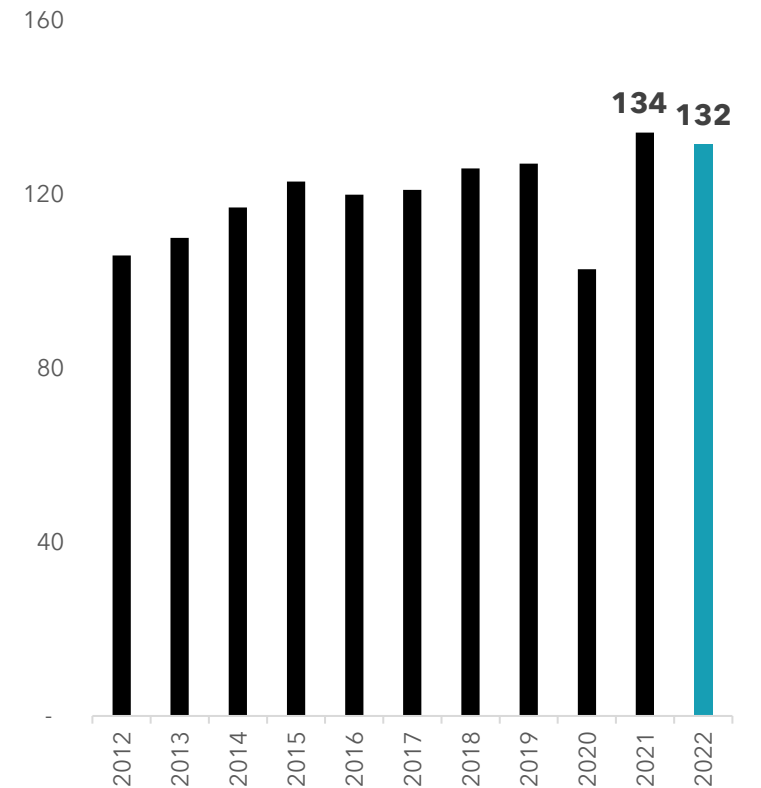
Abundant liquidity: how long will it last?

Change in SCPI inflows
In France, in millions of euros



Source: ASPIM

Change in life insurance contributions
In France, in billions of euros



Source: France Assureurs

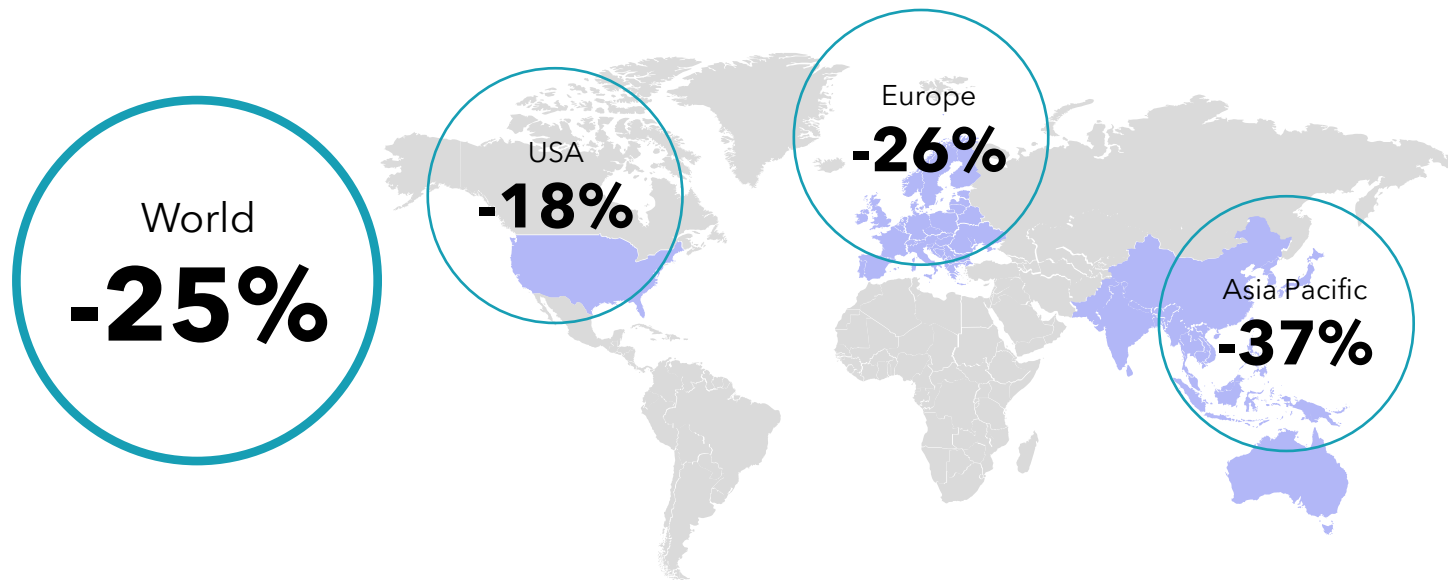
International context

After a buoyant 2021, the new financial situation explains the drop in real estate investment volumes in 2022 worldwide. Across all asset classes, the decrease was 25% on average compared to the previous year. In Europe, the

decrease was significant in some major markets, such as Germany, while France fared well with a generally stable volume from one year to the next.

Sharp decrease on all continents

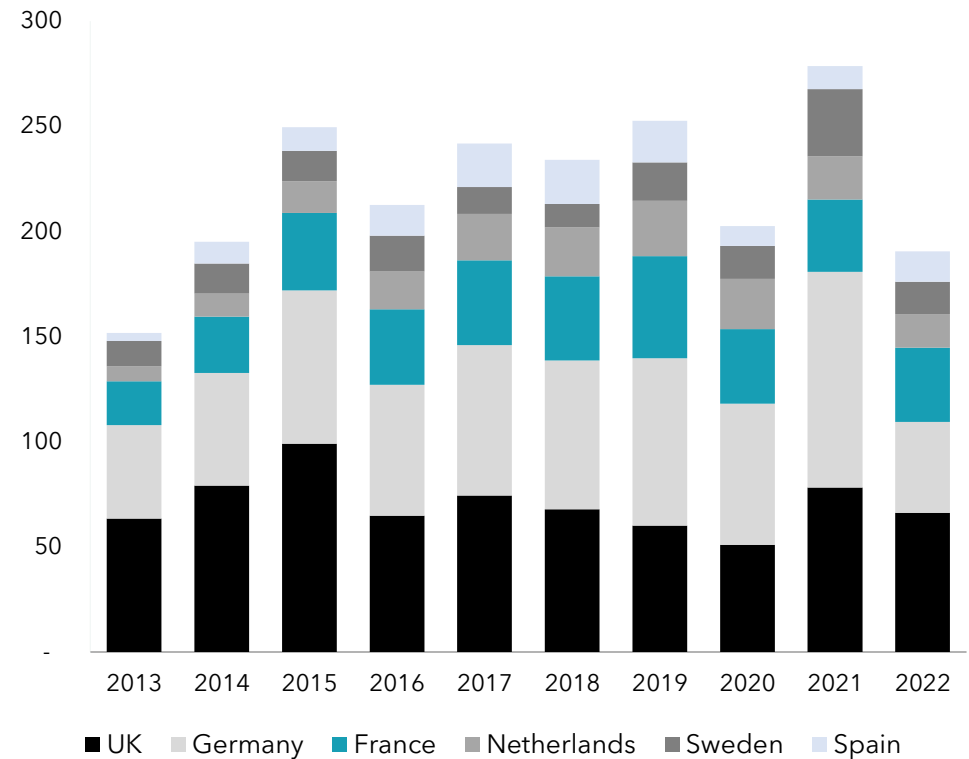
Change in investment volumes between 2021 and 2022 worldwide
All asset types combined, excluding residential (offices, retail, industrial)



Sources: RCA, Knight Frank

France held up well

Change in investment volumes in the main European markets
All asset types combined, including residential, in billion euros



Sources: RCA, Knight Frank

Close to the average

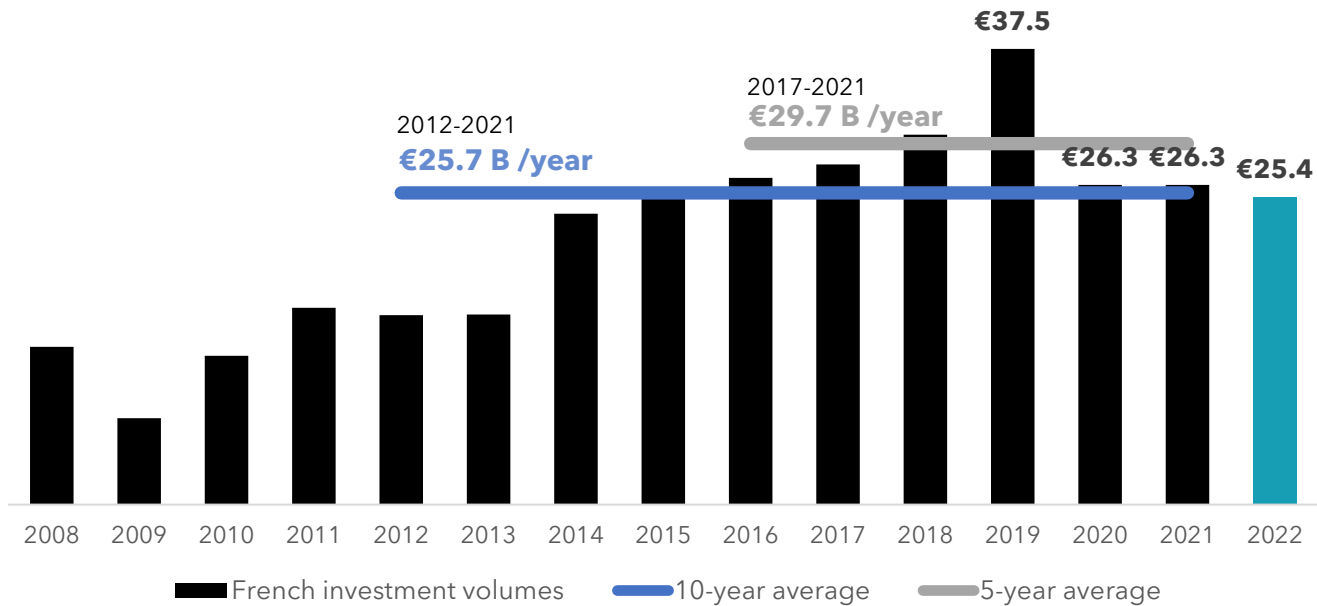
In the corporate real estate market (offices, retail and industrial premises), the sums invested in France totalled 25.4 billion euros in 2022, i.e. a volume 4% lower than in the two previous years. Although activity remains far from the peak of

2019, it is close to the ten-year average and remains significantly higher than the results recorded during the financial crisis and the euro zone crisis.

Slight 4% decrease year-on-year

Change in volumes invested in France

All asset types combined (offices, retail, industrial), in billions of euros



Source: Knight Frank



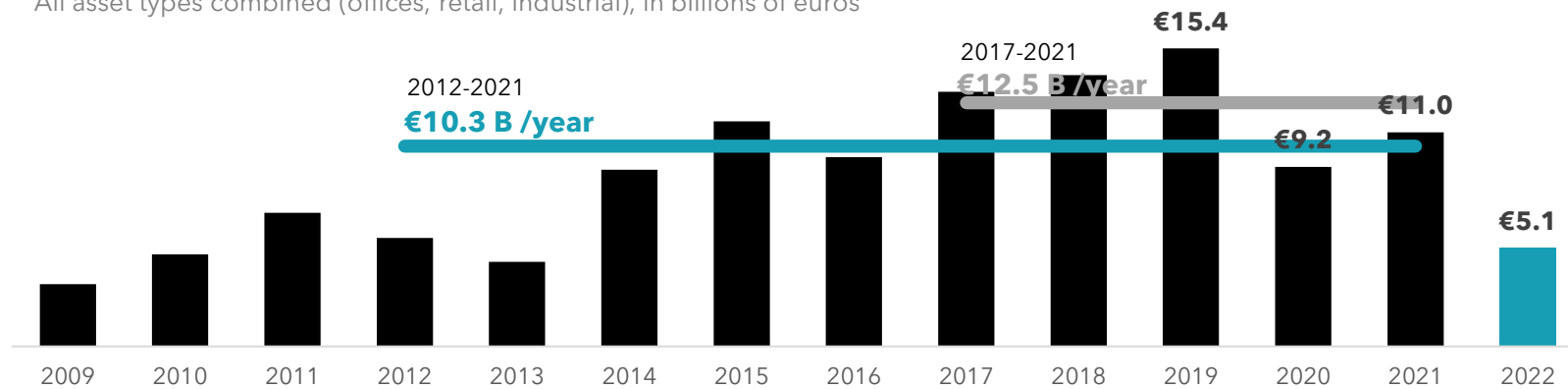
Sharp drop in the 4th quarter

Having increased in each of the first three quarters of 2022, volumes fell sharply at the end of the year, which is usually the most dynamic period. 5.1 billion euros was invested in France in the fourth quarter, a decrease of 54% compared to the same period in 2021 and the lowest level for a fourth quarter since 2013. Although activity had begun to lose steam in the summer, it was in the fourth quarter that the consequences of the rise in the cost of money and the increased wait-and-see attitude of investors were truly reflected in the figures.

Almost 6 billion euros is missing compared to Q4 2021, which is quite close to Knight Frank's estimate of the amount of assets withdrawn from the market and transactions put on hold. The majority of this amount relates to offices (84%), ahead of retail and industrial premises.

Lowest level since 2013

Change in volumes invested in France in the fourth quarter of each year
All asset types combined (offices, retail, industrial), in billions of euros



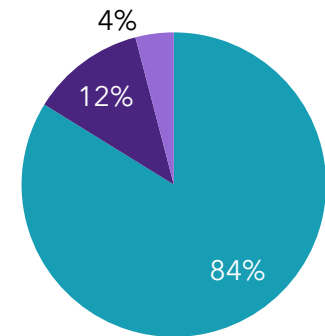
Source: Knight Frank

■ French investment volumes — 10-year average — 5-year average

Estimated volume of assets on hold or withdrawn from the market
In France in 2022



Breakdown by asset type
% of total amount



■ Office ■ Retail ■ Industrial

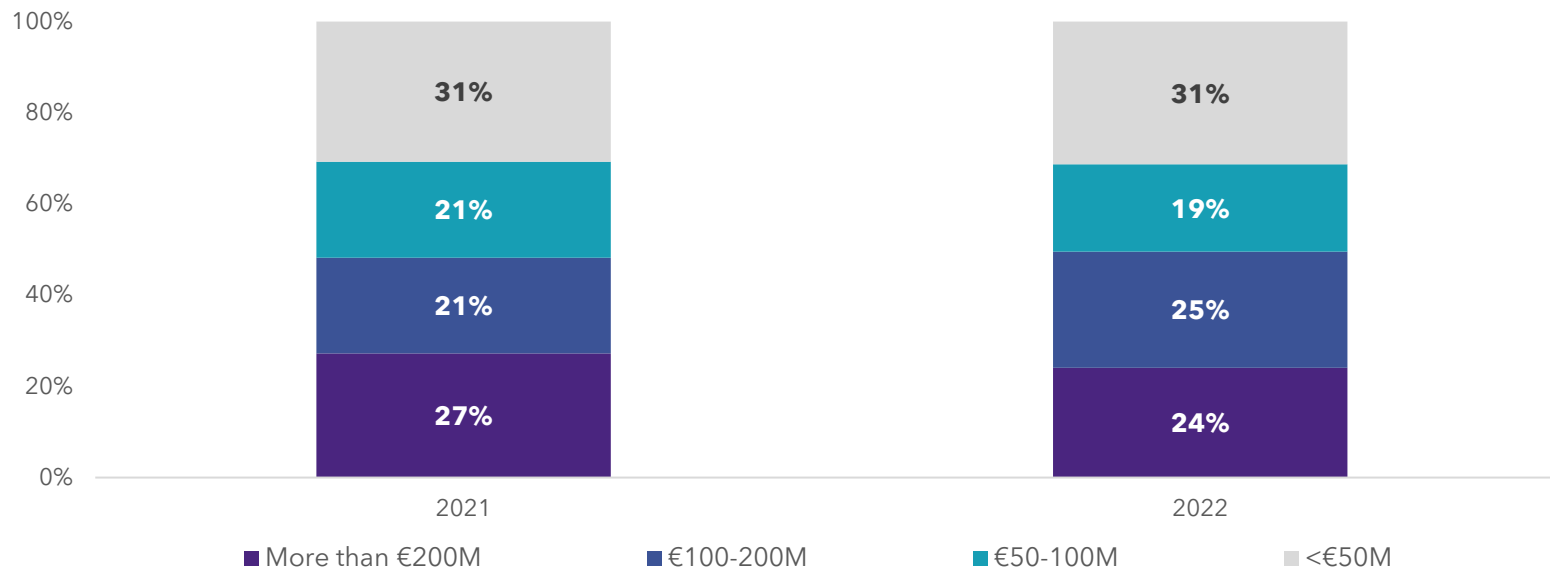
Even fewer very large deals

The slowdown in activity is particularly evident in the large transaction category. Of the 65 transactions > 100 million euros completed in France in 2022, only 13 were recorded in Q4 for a total volume of 2 billion euros. 24 were recorded in Q4 2021 for a volume almost three times as large. Furthermore, only three of the 18 transactions >200 million euros in 2022 were completed in Q4, including the

sale of the "Bloom" office building in the 12th arrondissement of Paris to PRIMONIAL. Conversely, portfolios played a more significant role in 2022, contributing to the very strong performance of the logistics and retail markets.

Proportions remain stable

Breakdown of investment volumes in France by amount
All types of assets combined (offices, retail, industrial)



899

transactions
(956 in 2021)



18 > €200 M

(22 in 2021)

=

€6.1 B

(7.1 in 2021)

=

24 %

of volume
(27 % in 2020)



23 %

**Share of volume invested
in portfolios**
(22 % in 2021)



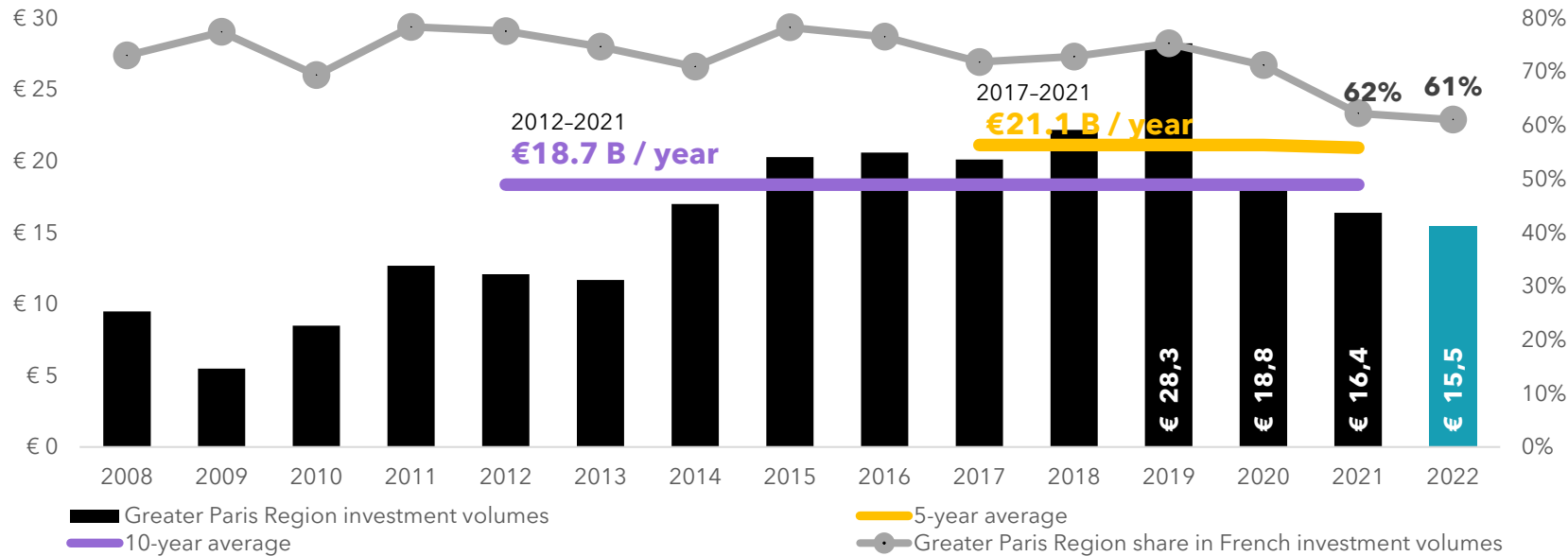
Greater Paris Region struggling more

The trend towards the weakening of the Greater Paris Region's dominance, which has been seen since the outbreak of the health crisis, is being confirmed. With 15.5 billion euros invested in 2022, down 5% year-on-year, Paris and its region accounted for 61% of the amounts invested in France across all asset classes, compared with an

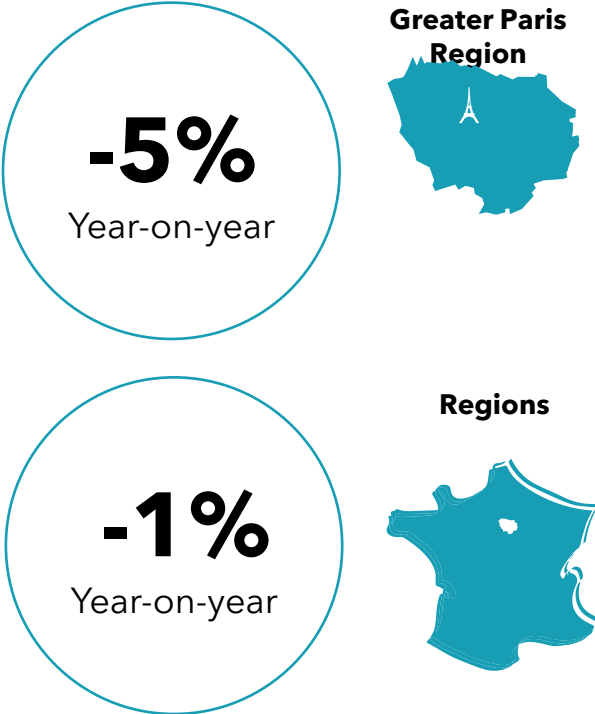
average of 75% in the ten years prior to the Covid-19 pandemic. Although activity also slowed in the fourth quarter, the regions fared better in 2022, with a volume of nearly 10 billion euros, virtually unchanged over one year.

More significant decrease than in the regions

Change in investment volumes in the Greater Paris Region, all asset types combined
In billions of euros



Change in investment volumes 2021-2022
All asset types included



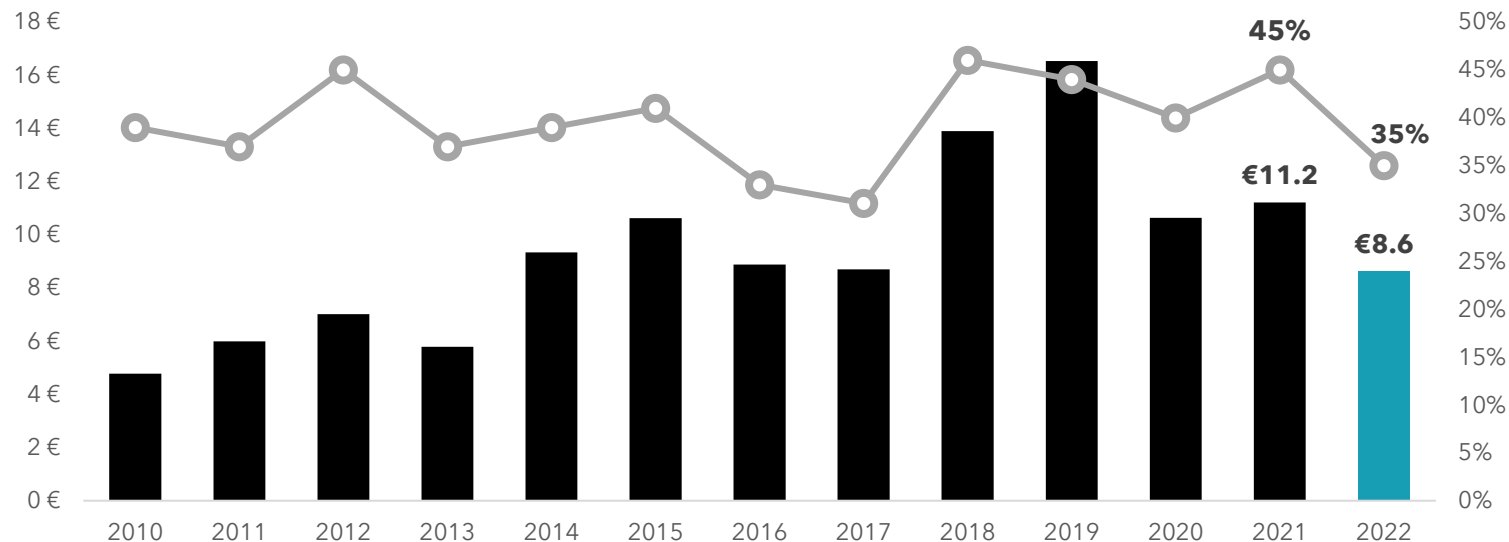
Foreigners less conspicuous

Foreigners invested 8.6 billion euros in France in 2022, a decrease of 23% year-on-year. Although they were very present in the first half of the year, their share gradually decreased to 35% of the sums invested in France. North Americans, present in all market sectors, were the most active with 11% of French investment volumes in 2022, ahead of the British (9%). French investors accounted for 65% of the volume invested in 2022, compared with 55% a year earlier.

SCPIs have been active. Benefiting from strong inflows, they were responsible for some very large transactions, particularly in the office sector, including acquisitions by PERIAL ("La Marseillaise" tower, "West Park 2" in Nanterre, "Seine Avenue" in Asnières, etc.) and La Française ("Campus Cyber" in La Défense, "Alphabet" in Bois-Colombes).

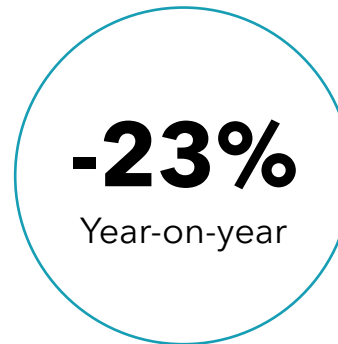
Sharp drop in international investment

Change in investment volumes by foreigners in France
All asset types combined, in billions of euros

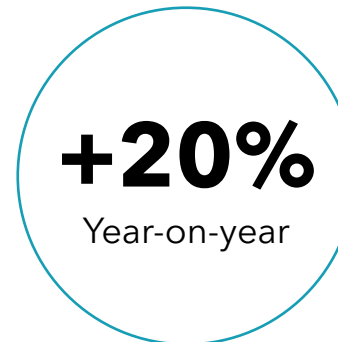


Change in investment volumes between 2021 and 2022

All asset types included



Foreigners



French



Funds continue to dominate

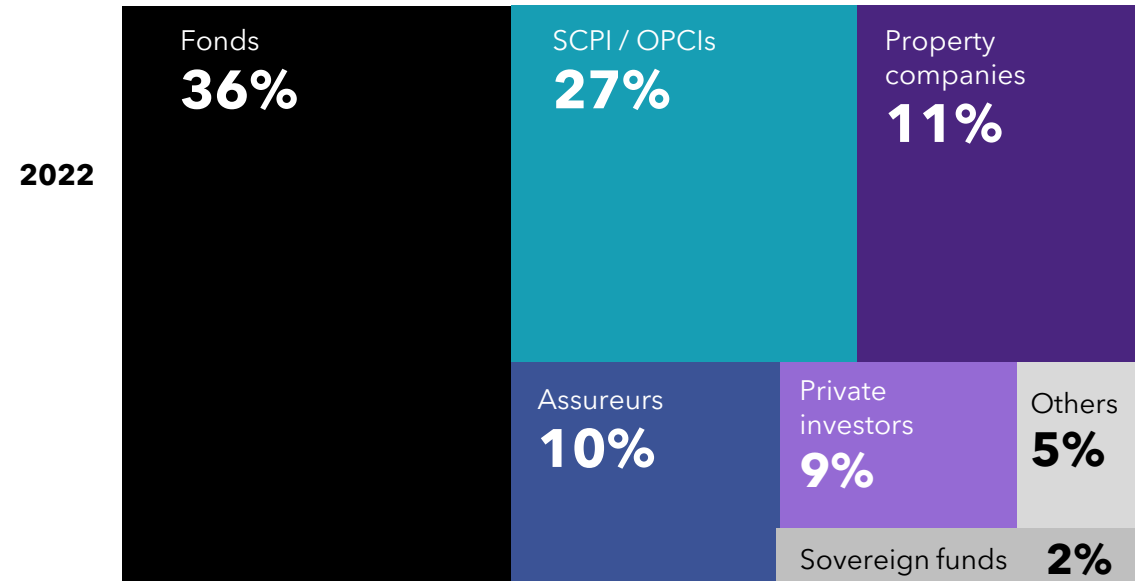
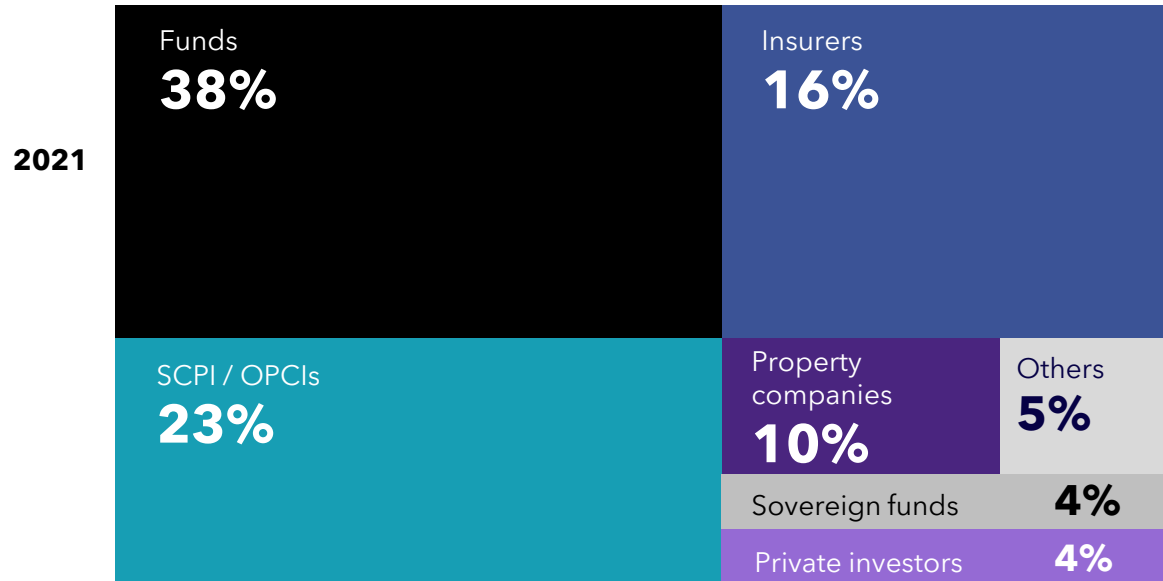
The decrease in the amounts committed in France by foreign investors explains the drop in the share of funds. The latter continue to dominate, but the gap has narrowed with SCPI/OPCIs, which are responsible for a significant number of transactions and are more present in the large transaction category.

The share of private investors also increased. Gaining 5 points in one year, it was boosted by one of the largest transactions of 2022: the purchase by Bernard Arnault, chairman and CEO of the LVMH group, of a portfolio of three buildings located in the CBD (60% of 22 avenue Montaigne, 7 rue de la Paix and 12

place des États-Unis). Finally, the share of insurers and sovereign wealth funds also fell compared to 2021.

...but the gap has narrowed with SCPI/OPCIs

Share of each investor type in total investment volume in France
All asset types combined, share as a % of total volume



Source: Knight Frank

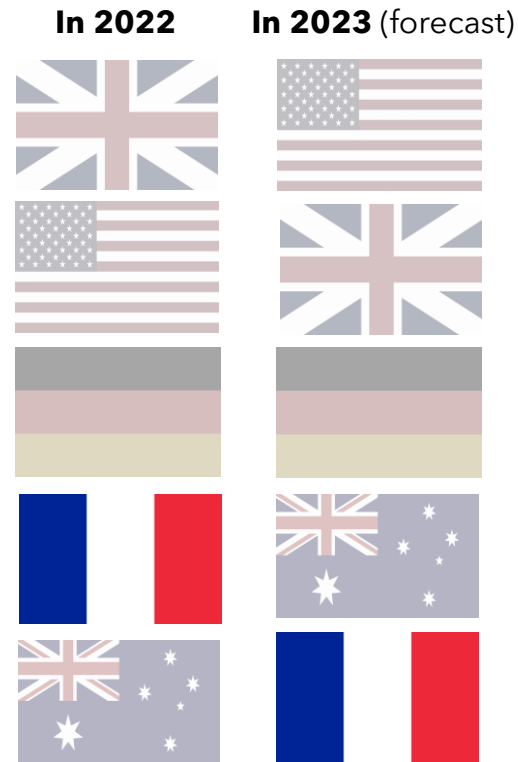
France remains a prime target

Despite the decrease in foreign investment, France will retain its place in the Top 5 most popular markets in 2023, behind the United States, the United Kingdom, Germany and Australia.

In France, North Americans should remain the most active foreign investors in 2023, ahead of the British and Germans. Furthermore, offices should continue to account for the largest share of investment volumes in France by foreign investors, even if their share could further decrease in favour of retail, industrial and alternative assets.

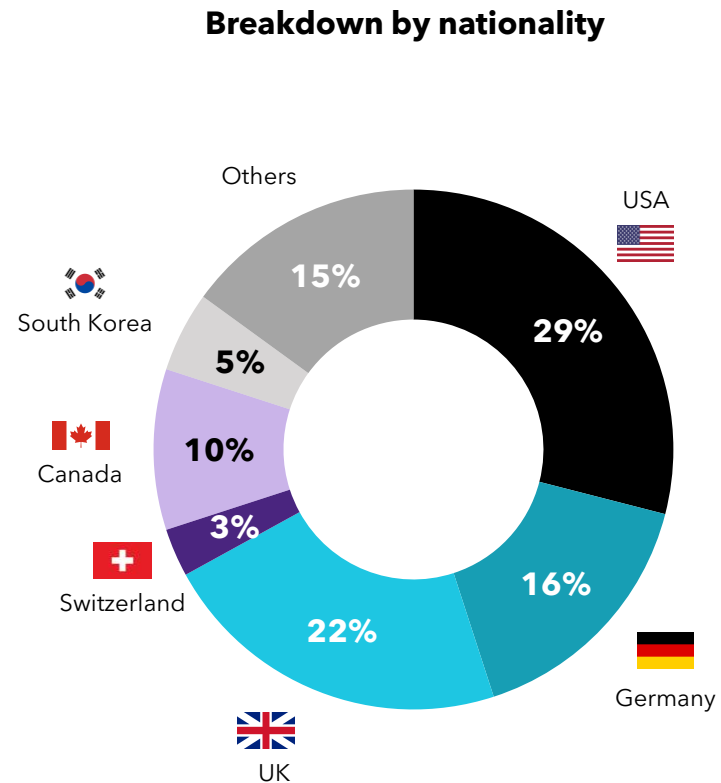
In the Top 5

Top 5 most popular countries for foreign investors
Cross-border investment volumes, all asset types combined*

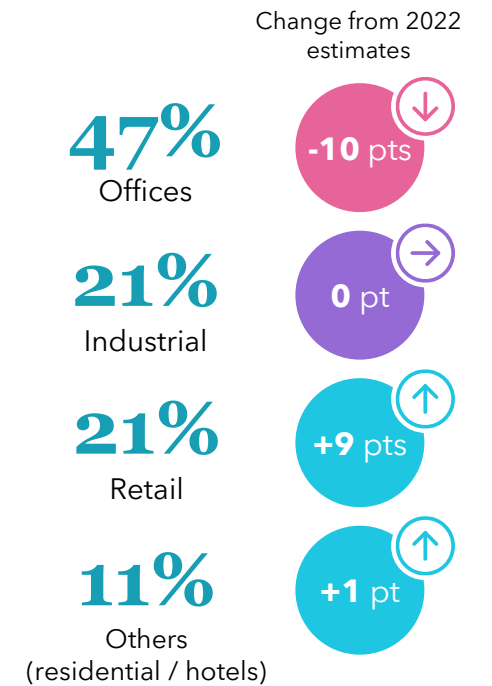


The Americans and British are still very present

Forecast breakdown of cross-border investment volumes in France in 2023*



Breakdown by asset type



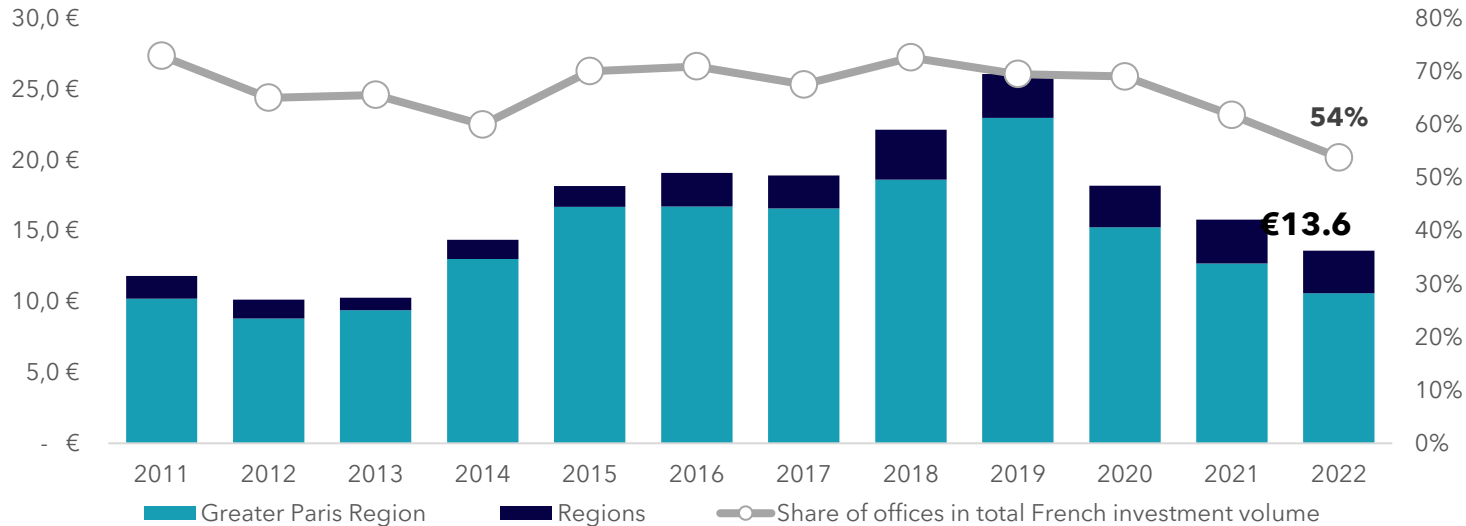
Offices: the most affected asset class

Offices accounted for 13.6 billion euros in 2022 compared to 16.2 billion euros in 2021. This is their worst performance since 2013. Whereas they have accounted for an average of 67% of the volume invested in the French market over the past ten years, their share fell to 54% in 2022. At a time when many investors with a high exposure to offices want to diversify their assets, and when the price correction is taking longer to materialise in this sector than in the industrial and retail sectors, the office market is consequently the most penalised by the new financial situation.

In the Greater Paris Region, the wait-and-see attitude of investors is all the more important as remote working could have a lasting impact on the consumption of office space and vacancy rates have risen sharply in certain office hubs. Of the 33 office transactions > €100 million (following 38 in 2021 and 50 in 2020), the overwhelming majority are nevertheless in the Greater Paris Region (29). In the regions, there were four such sales, the largest being the purchase by PERIAL of the "La Marseillaise" tower.

Just over half of investment volumes

Change in office investment volumes
In France, in billions of euros



Office transactions ≥ €100 M in France

Change in number

2020-2022 change

50

In 2020

38

In 2021

33

In 2022

-34%
in number

-37%
in volume

Source: Knight Frank

Examples of 2022 office transactions



SFL | 91-93 BD PASTEUR, PARIS 15TH



LA FRANÇAISE | CAMPUS CYBER, PUTEAUX



AG2R LA MONDIALE | 61-63 RUE DES BELLES FEUILLES, PARIS 16TH



M&G REAL ESTATE | RIO, PARIS 8TH



PERIAL | LA MARSEILLAISE, MARSEILLE



BLACKROCK | M LYON, LYON



PRIMONIAL REIM | BLOOM, PARIS 12TH



LA FRANÇAISE, CDC | ALPHABET, BOIS COLOMBES



HSBC REIM | AXE 13, NANTERRE



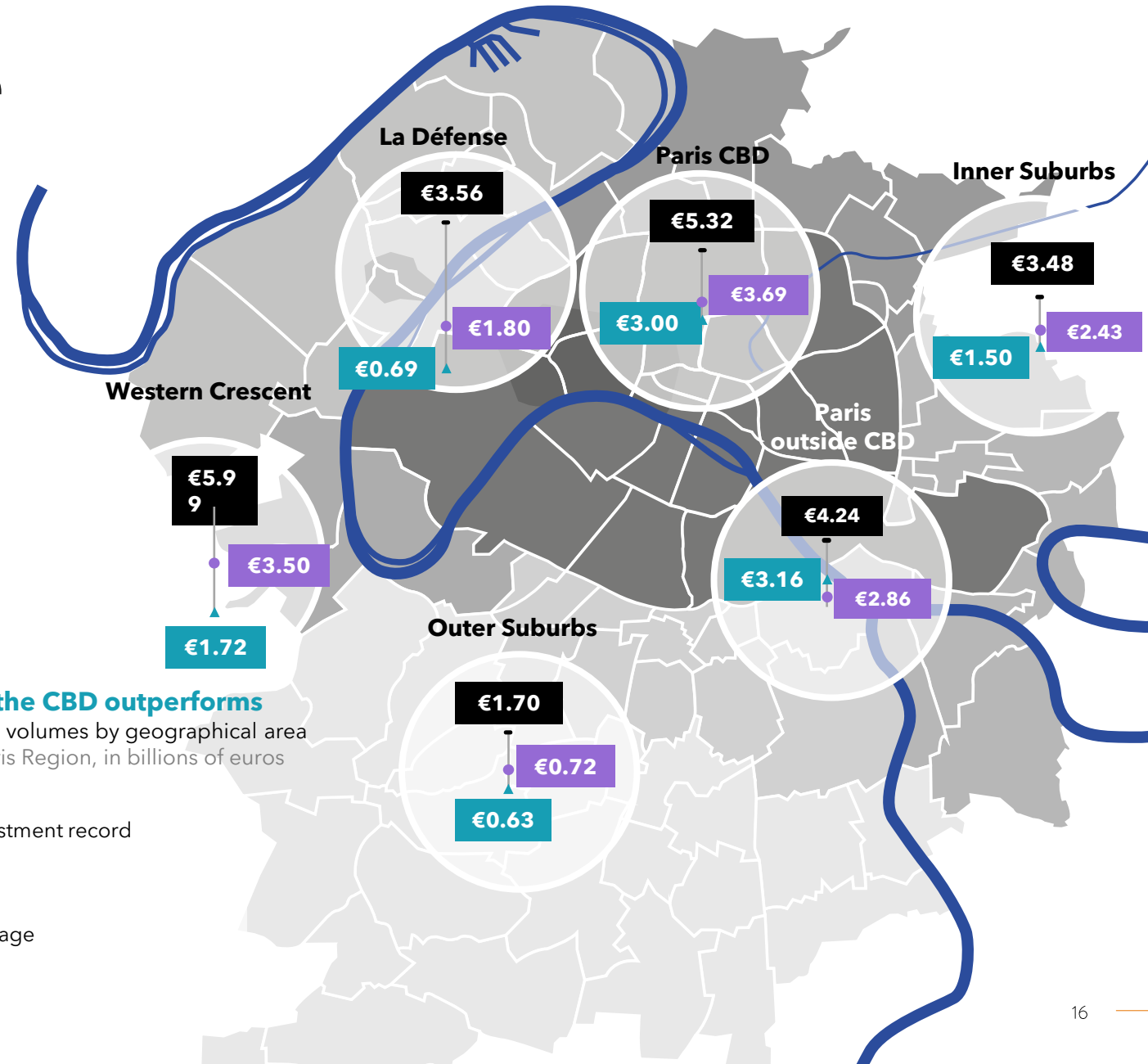
ICAMAP | CB3, PUTEAUX

Source: Knight Frank

Almost universal decrease

Of the 10.6 billion euros invested in the Greater Paris Region office market in 2022 (-17% year-on-year), it is in the suburbs that the drop has been the greatest. In the Inner Suburbs, the amounts invested last year totalled just under 1.5 billion euros, a volume 39% below the ten-year average. In the North, where seven transactions > 100 million euros drove the market in 2021, four were finalised in 2022, including the sale by LA FRANÇAISE of "Kappa" in Saint-Ouen. Despite the recent completion of a number of large transactions, such as the sale to ICAMAP of "CB3" in La Défense, activity has also slowed in the West. Looking at all transaction sizes, the cumulative value of transactions signed in 2022 in the Western Crescent and La Défense will barely reach 2.4 billion euros, compared to an average of more than 5 billion euros over the last ten years.

The strength of the Parisian market contrasts with the downturn seen in the suburbs. Investment volumes in the Central Business District were 8% higher than in 2021, driven by near-record letting activity. Outside the CBD, performance in 2022 was 11% above the ten-year average as a result of several large and very large transactions such as the sale of 91-93 boulevard Pasteur in the 15th arrondissement to SFL and the sale of Bloom in the 12th arrondissement to PRIMONIAL. That said, the Paris market did not escape the slowdown in activity in the second half of the year due to differences of opinion between sellers and buyers, as was the case in other sectors.



Paris outside the CBD outperforms

Office investment volumes by geographical area in the Greater Paris Region, in billions of euros

■ 10-year investment record

▲ 2022

● 10-year average

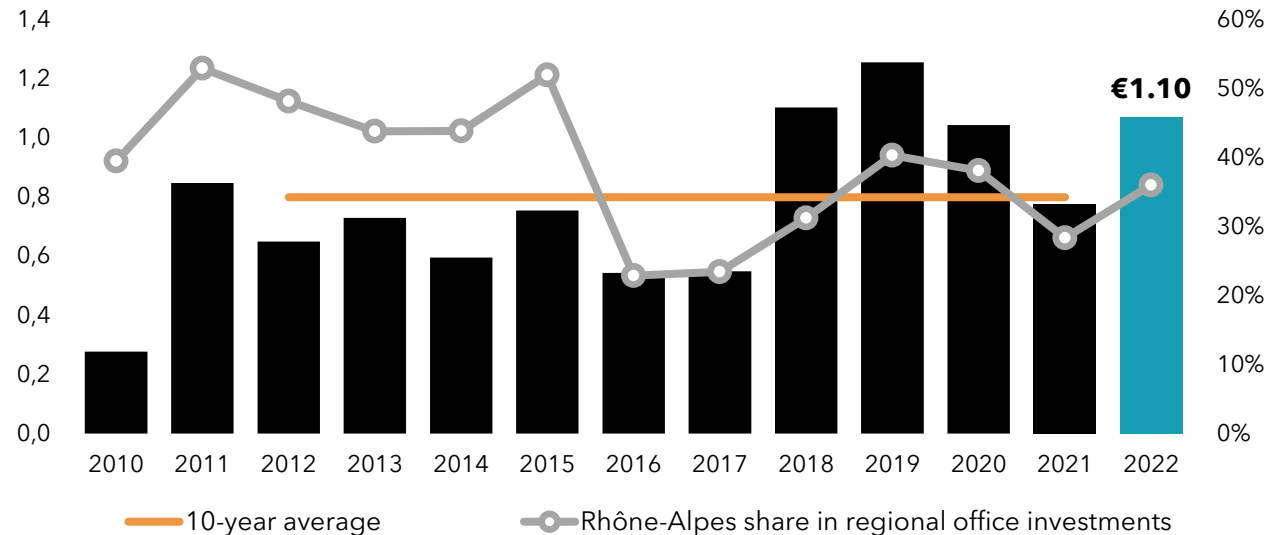
Strength of the regions

After a sluggish third quarter, 2022 ended on a positive note for the regional office market. Volumes rose again in the fourth quarter as a result of the completion of several significant transactions. Over the whole of 2022, they amounted to just over three billion euros (- 5% year-on-year). While a number of medium-sized cities have become more attractive, volumes have been boosted by the signing of large-scale transactions in the largest cities, such as PERIAL's purchase of the "La Marseillaise" tower in the first half of the year. In the fourth quarter, the acquisition by BLACKROCK of the "M Lyon" project and the sale by ICADE and SOGEPROM of 13,200 sq m of office space in La Part-Dieu confirmed the dominance of the Lyon market, which was

particularly dynamic with 1.1 billion euros invested in offices in 2022. Although the large transaction trend could fade in 2023, the outlook remains positive for the regional office markets: more stable, less exposed to remote working and to the ups and downs of global activity, their supply generally remains limited and they also benefit from the geographical diversification strategies of French and foreign players.

Lyon records one of its three best years

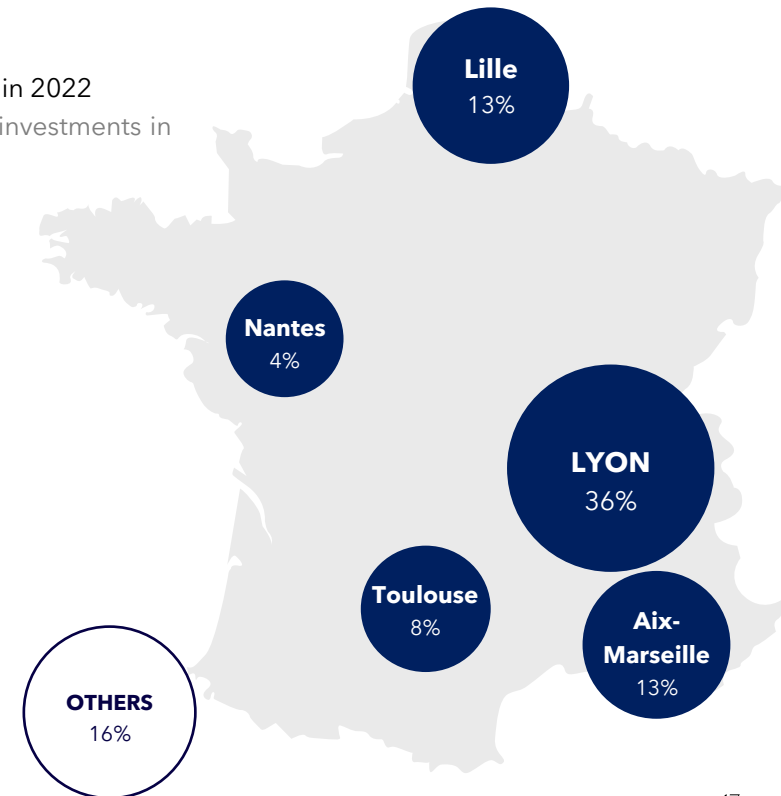
Change in investment volumes in offices in the Rhône-Alpes region
In billions of euros



TOP 5 in the regions

Office investment volumes in 2022

Share as a % of total office investments in the regions



Core assets still dominate

As in 2021, the majority of investment volumes in the Greater Paris Region office market have been for core assets, illustrating the appeal of secure properties in the face of the deteriorating economic situation and soaring vacancy rates outside Paris. In 2023, investors will continue to favour properties that are best suited to occupier demand and that are the most environmentally efficient.

However, while the correction in values remains fairly modest in the core sector, the market for core + and value-add properties could be more dynamic due to a more pronounced adjustment to meet buyers' expectations.

... but the price correction makes Core + and Value-add more appealing

Breakdown of office investment volumes by risk type in the Greater Paris Region

Unit transactions ≥ €20M



- Core
- Of which pre-let forward-funding sales
- Core Plus
- Of which partially let forward-funding sales
- Value-add / speculative
- Of which speculative forward-funding sales

Retail: 3rd best year

5.7 billion euros was invested in the French retail market in 2022, an increase of 16% compared to the ten-year average and the third best performance in its history after 2014 and 2019. This result is due to a high number of large transactions: 16 > 100 million euros were recorded in France in 2022 compared with only 4 in 2021. Despite a slowdown at the end of the year, the fourth quarter was nonetheless buoyed by the signing of three new major transactions, all of which were portfolio sales: the sale of GRAND FRAIS shops, CORA supermarkets and a portfolio of shopping centres and retail

parks. Over the year as a whole, portfolios accounted for 41% of the volume invested in the French retail market and therefore contributed directly to its exceptional result. Finally, although the lack of visibility is likely to weigh on volumes and the number of transactions in 2023, several major transactions are still expected, particularly in the outskirts and on some of Paris' most prestigious streets.

Share of volumes invested in portfolios
In France, all retail formats, as a %

In 2022

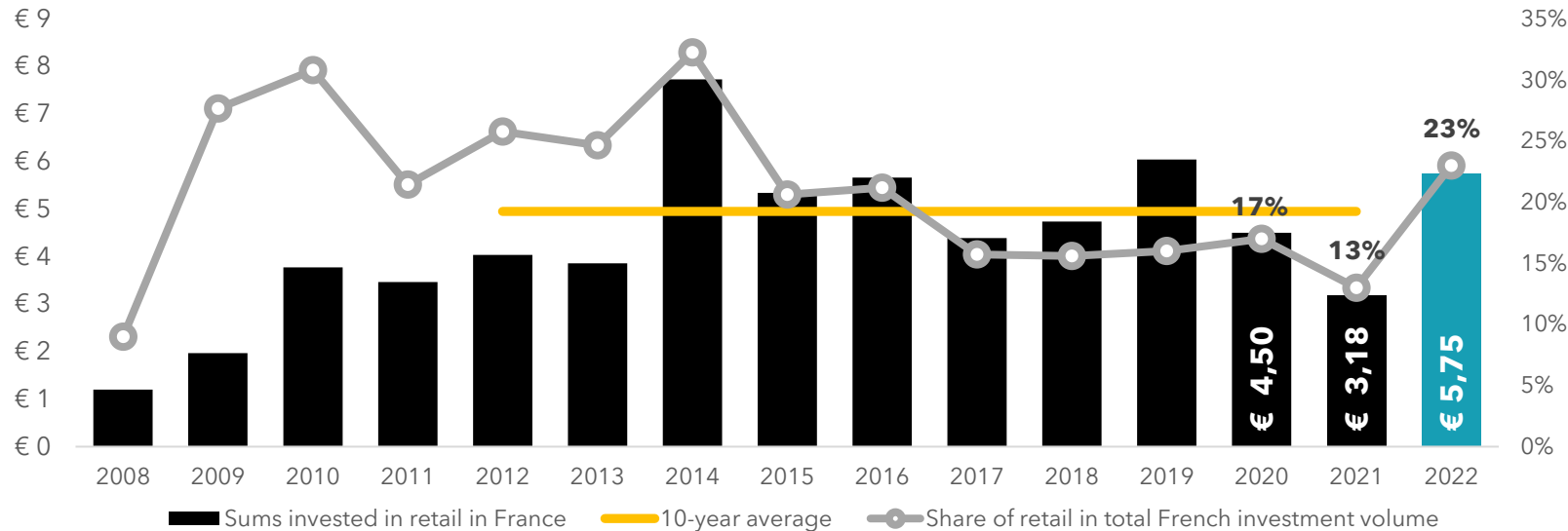
41%

In 2021

30%

Retail is restored to its former glory

Change in retail investment volumes in France
In billions of euros, all retail formats included



Examples of 2022 retail transactions



CHEVAL PARIS | 150 AVENUE DES CHAMPS-ÉLYSÉES
PARIS 8TH



SOCIETE GENERALE ASSUR. / BNP PARIBAS CARDIF
CARRÉ SÉNART, LIEUSANT



CEETRUS | V2 SHOPPING CENTRE
VILLENEUVE D'ASQ



LA FRANÇAISE | FIRE PORTFOLIO, FRANCE



ARES MANAGEMENT | FAST PORTFOLIO, FRANCE



AMUNDI | SHOPPING PARC CARRÉ SÉNART, LIEUSANT



BARINGS | GALAXY PORTFOLIO, FRANCE



BNP PARIBAS REIM | MON BEAU BUCHELAY, BUCHELAY

Source: Knight Frank

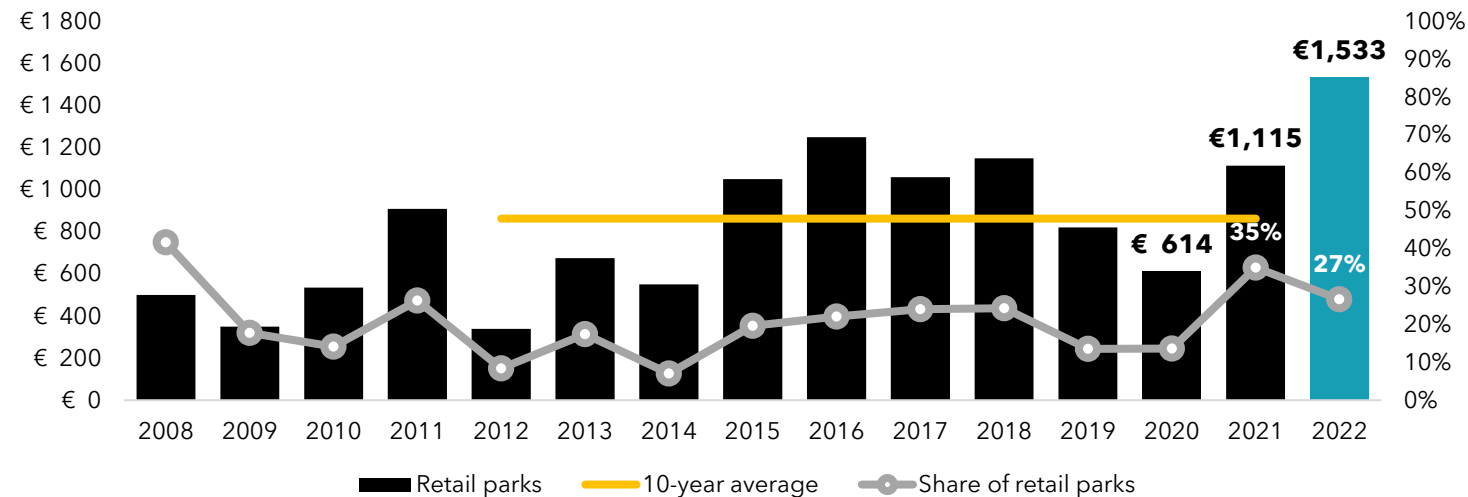
A record year for retail parks

2022 was a historic year for retail parks, with 1.5 billion euros invested, an increase of 78% compared to the ten-year average. As in other market categories, the sale of retail portfolios (BURGER KING, DECATHLON, etc.) was a key factor, but activity was also supported by numerous sales of individual assets, both small and large-scale, such as the Carré Sénart "Shopping Parc", sold to AMUNDI by URW. This exceptional performance is the sign of a mature market. Investors are now very familiar with this format, which has proven itself in recent years and has withstood the Covid-19 pandemic well.

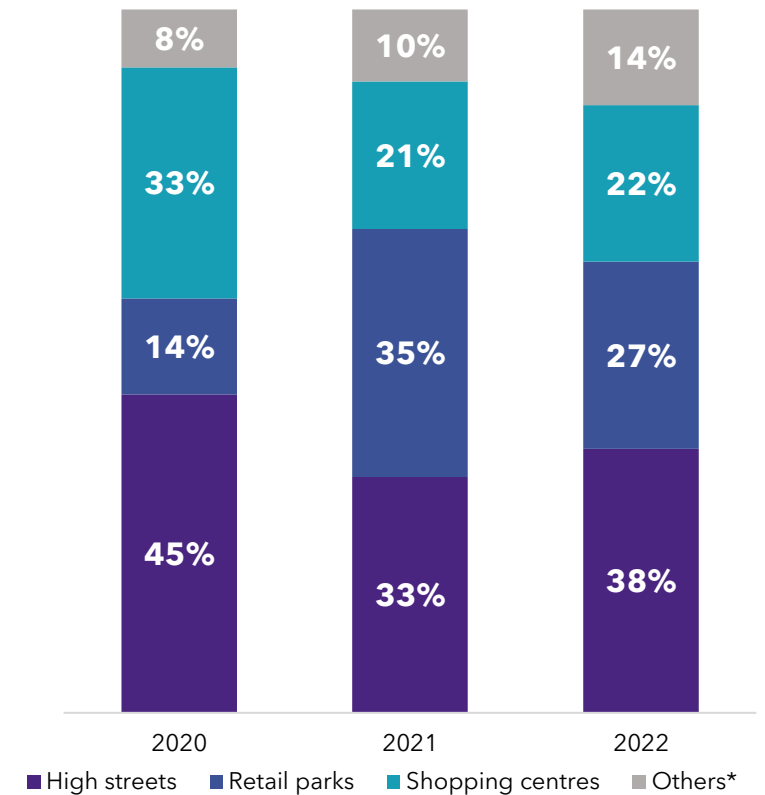
In 2023, retail parks will continue to benefit from their "triple A" positioning: 1. attractive yields for investors impacted by the new financial climate, 2. attractive occupancy costs for retailers accelerating the streamlining of their real estate in order to retain profitability, and finally 3. attractive prices for consumers whose purchasing power has been eroded by inflation.

An outstanding performance

Investment volumes in the French retail park market
In millions of euros



Retail investment volumes by asset type
In France, as a % of total



*Factory outlet centres, hypermarkets and supermarkets, non-divisible portfolios

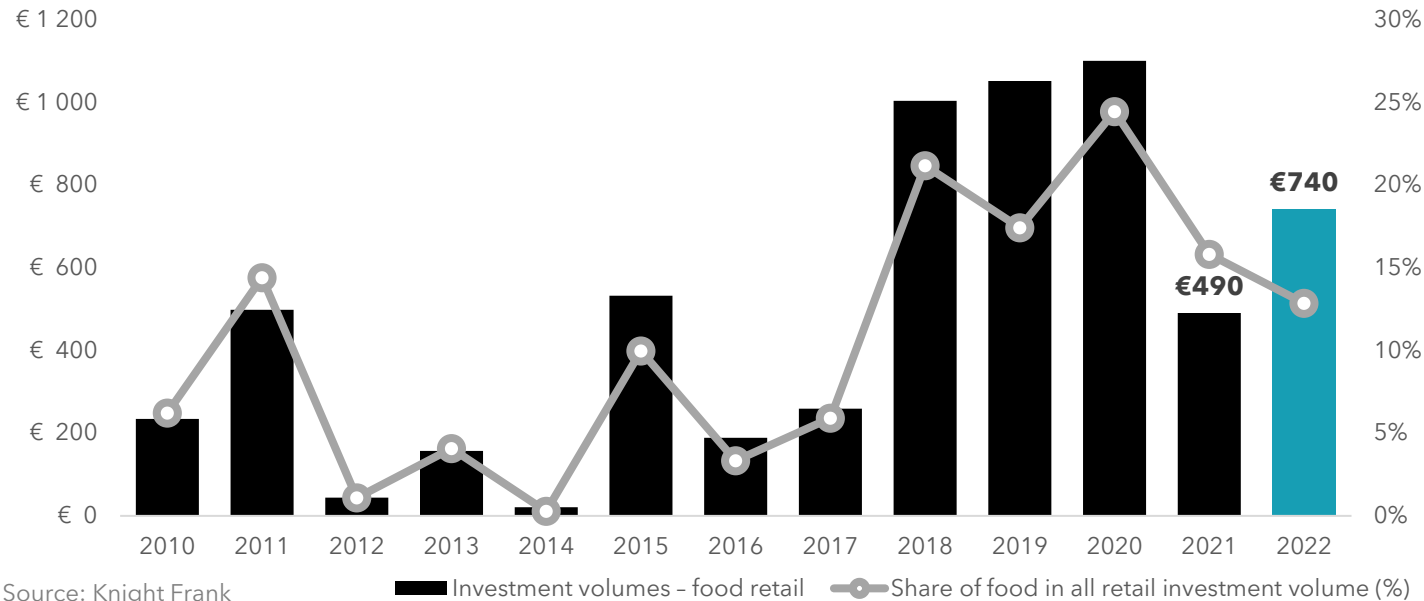
Food, still very much in demand

Food and convenience stores have been the most successful format since the outbreak of the health crisis and continue to attract investors. In 2022, this asset class attracted 740 million euros in France, a volume that rose sharply by 51% year-on-year due to the completion of several portfolio sales, including the CORA and GRAND FRAIS portfolios in the fourth quarter. As has been the

case since 2018, the market was mainly driven by sales by the CASINO Group, and by sales of this group's retail properties by other owners (hypermarkets and supermarkets sold by SWISS LIFE AM, etc.). Other significant transactions will further increase the volume of retail investments in 2023.

Significant increase in investments

Volumes invested in food retail in France, in millions of euros
All retail formats and brands combined



Source: Knight Frank

■ Investment volumes - food retail ● Share of food in all retail investment volume (%)



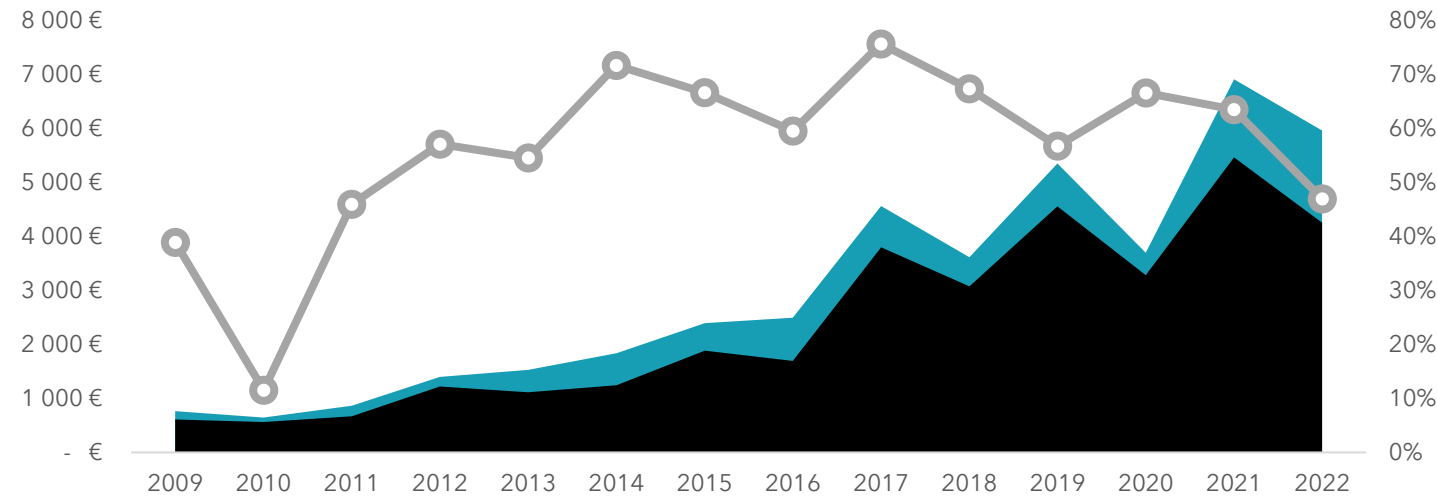
Industrial: 2nd best year

With more than 6 billion euros invested in 2022, the sums committed to the industrial market decreased by 14% compared to 2021. However, this decrease needs to be put into perspective, as the 2022 result is the second best ever and 79% above the ten-year average. Logistics played a key role, illustrated in Q4 by the sale by RENAULT to ARGAN of its 153,000 sq m platform in Fouchères in the Yonne region, which is also indicative of the

interest in sale & leaseback transactions. Despite a slowdown in online sales since the end of the lockdowns, the importance of online retail continues to support investor interest in assets dedicated to last-mile delivery, as evidenced by the sale of the "Matrix" portfolio to REALTERM. This transaction brings the total share of portfolios invested in the industrial market in 2022 to 47% and the proportion of sales to foreign investors to 75%.

Increased interest in light industrial premises

Change in investment volumes in industrial real estate
In France, in billions of euros



Source: Knight Frank

Industrial investment amounts Logistics Share of portfolios (%)



24%

Share of industrial assets in total volume invested in corporate real estate in France

New needs and changes in use

The growing number of sales of premises dedicated to last-mile delivery and data centre developments confirms the popularity of properties that meet the needs created by changing lifestyles and consumption patterns. Other popular asset classes include life sciences and educational premises, as well as managed residential properties (coliving, student accommodation and senior housing). The latter is also an opportunity for office space to be converted. In 2023, changes of use and the reversibility of assets will play a more important role, illustrating the gradual adaptation of the French real estate stock and the growing importance of sustainable investment criteria.

ONLINE RETAIL



LAST MILE LOGISTICS
XXL WAREHOUSES

CLOUD COMPUTING



DATA CENTERS

HEALTHCARE



LIFE SCIENCES BOOM
HEALTHCARE REAL ESTATE

PRIVATE EDUCATION



EDUCATIONAL PREMISES
STUDENT ACCOMMODATION

HOUSING CRISIS



"BUILD TO RENT"
COLIVING
CONVERSION OF OFFICES INTO HOUSING

ESG CRITERIA



MIXED USES
REVERSIBLE BUILDINGS

Increased interest in conversions

Even though the trend is a recent one, the transformation of the property stock and its adaptation to new uses still play a significant role in the investment market. In 2022, sales of assets to be transformed or which could eventually be subject to a change of use totalled almost 1.7 billion euros in France.

All asset classes are concerned. While the sometimes high vacancy rates dissuade some investors from targeting offices, other players (funds, developers, social landlords, etc.) seize the opportunity to acquire properties sold at adjusted values with a view to transforming them into housing. Several transactions of this type have been identified in the Inner Suburbs and western Paris, such as Charenton, Rueil-Malmaison, Courbevoie, Asnières, Clichy and Fontenay-sous-Bois.

A source of transactions for the French market

Example of acquisitions of buildings and sites with a view to a definite or potential change of use
In France, in 2022



NEXITY | River Plaza, Asnières-sur-Seine



MARNE-AU-BOIS SPL | Périastre - Fontenay /s Bois



PRIVÉ | 7 villa du Clos de Malevert, Paris 11th



CHEVAL PARIS | 150 Champs-Élysées, Paris 8th



GOODMAN | Villeneuve-Saint-Georges



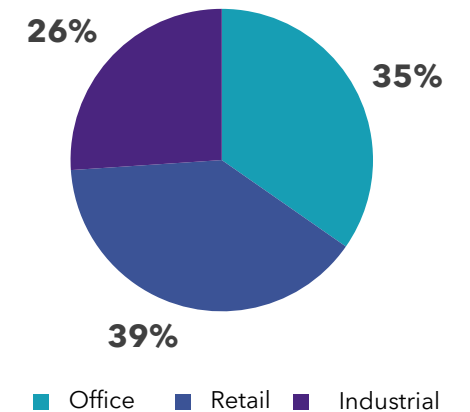
TIKEHAU | Atrium, Gennevilliers



Estimated volume of property acquired with a view to definite or potential transformation
In 2022 in France, all types



Breakdown by asset type
% of total amount



Source: Knight Frank

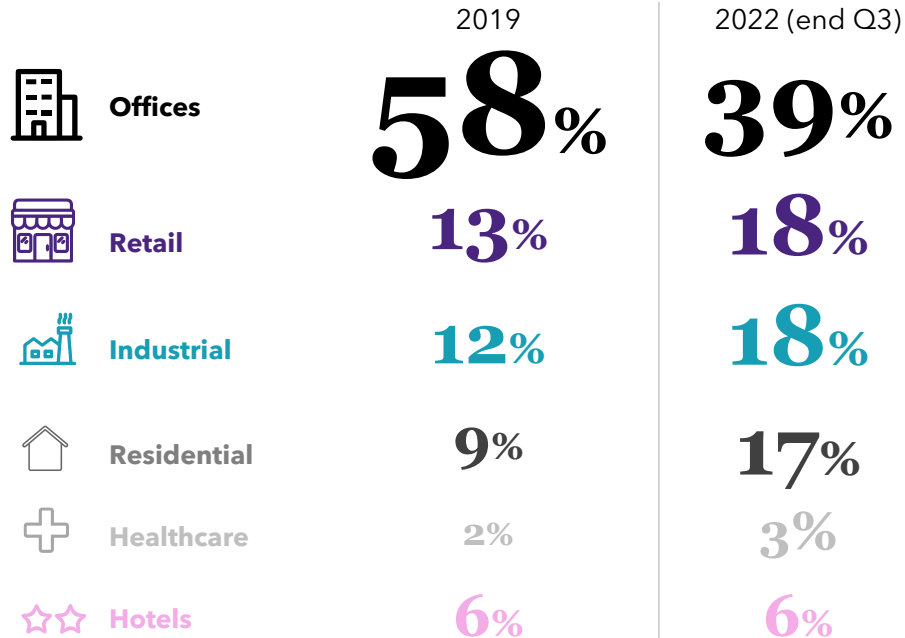
Diversification continues to be a priority

Investor asset diversification has been a priority for several years and the trend has become even more pronounced since the start of the health crisis. This rebalancing is mainly at the expense of offices. Traditionally dominant, offices now represent "only" 54% of the volume invested in France, whereas their share regularly reached 70% during the 2010s. Conversely, the share of industrial

property has stabilised at around 20%, close to that of housing and managed residential property. The trend is even more marked globally, where residential and industrial concentrated nearly 60% of investment volumes, in 2022 (all asset classes combined).

In France...

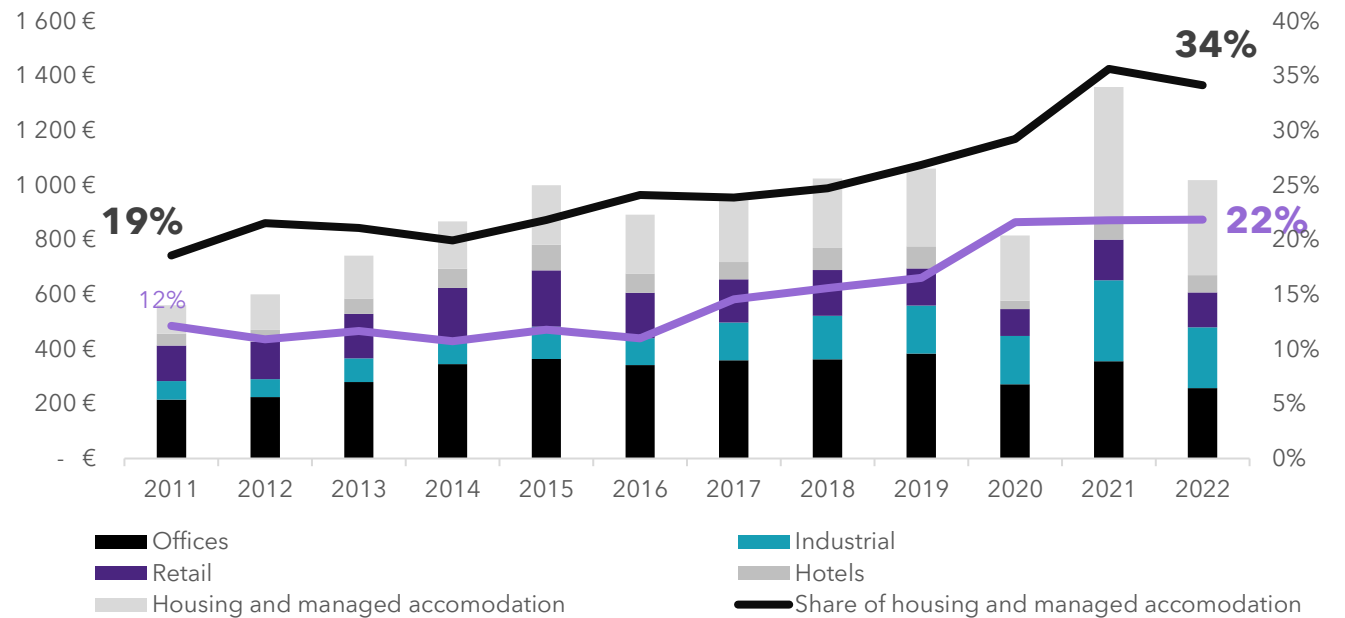
Breakdown of volumes invested in France, by asset type
Share of total volume as a %



Source: Knight Frank

...and globally

Breakdown of global investment volumes by asset type in USD billion



Sources: Real Capital Analytics / Knight Frank

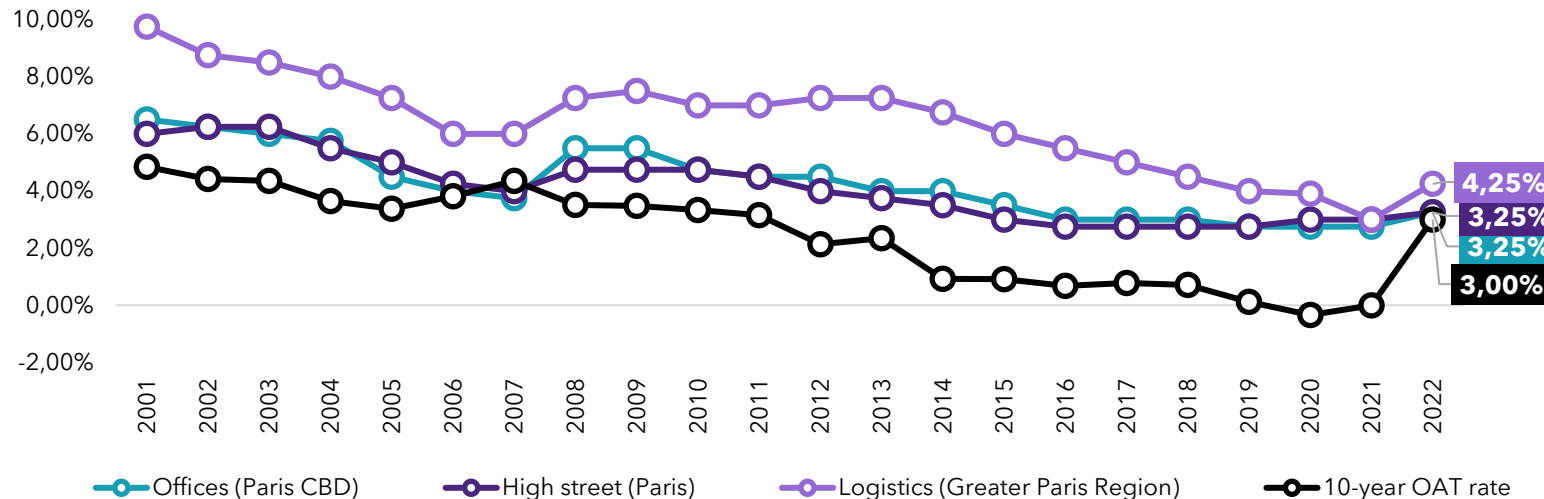
Generalised increase in yields

Since the end of the second quarter, a correction in prime yields has been seen, with an increase of 25 to 50 basis points for the best located Parisian offices and retail properties, and 100 basis points for warehouses. With monetary tightening still underway and the economic and geopolitical context remaining highly uncertain, the lack of visibility on price trends and persistent differences of opinion between buyers and sellers will continue to weigh on the performance of the French investment market in 2023.

Activity will only really return to fluidity if values adjust even more sharply and the property risk premium is re-established. It is therefore difficult to predict when this recovery might occur. But if market conditions become more favourable in the second half of the year, this would probably not be reflected in total volumes invested before 2024, given the increased selectivity of investors and the lengthening of negotiation periods.

The readjustment will continue

Change in prime yields in France



Change in prime yields



Offices

Change over 1 year



Change over 10 years



Retail



Logistics



2023 OUTLOOK

- Continued uncertainty and **monetary tightening**.
- **Increased investor selectivity**, particularly in the Greater Paris Region office market.
- **Differing views between buyers and sellers** will continue to weigh on the performance of the French market.
- Activity will only become fluid again **if there is a more marked adjustment in values**.
- Acceleration of **value-add strategies** and increased focus on **acquisitions of assets to be transformed**.
- **Continued diversification strategies** in favour of alternative assets (residential, managed residential, healthcare, etc.) and regional markets.
- Increasing impact of **environmental issues**: buyer selection criteria, financing of asset upgrades, etc.

02

OFFICES



2022 HIGHLIGHTS

- **Economic slowdown** but a resilient employment market.
- Take-up is up 16% year-on-year and **very close to the ten-year average**, however inflated by the completion of long-standing transactions.
- High number of large transactions (62) and **less marked decrease in the average size of leased space** (-13% on average compared to 2011-2019).
- **Very good year for Paris CBD**, and some suburban sectors held up well (Neuilly-Levallois, La Défense).
- Streamlining strategies dominate, but **some sectors are expanding** (luxury, finance, coworking, education).
- Transactions signed at **values > €900 /sq m/year are no longer exceptional**. The €1,000/sq m/year threshold has on occasion been crossed.
- **A historic peak in supply in several sectors of the Inner Suburbs** contrasts with the **shortage seen in several Parisian districts**.
- **Deliveries were less numerous in 2022 but remained high**, and 50% of space > 5,000 sq m is still available.

Closing the gap

2022 ended on a positive note with 616,000 sq m of office space let or sold to occupiers in Q4, an increase of 26% on the previous quarter. This volume brings the total amount of office space let or sold to occupiers in 2022 to 2.19 million sq m, a result 16% higher than in 2021 and very close to the ten-year average.

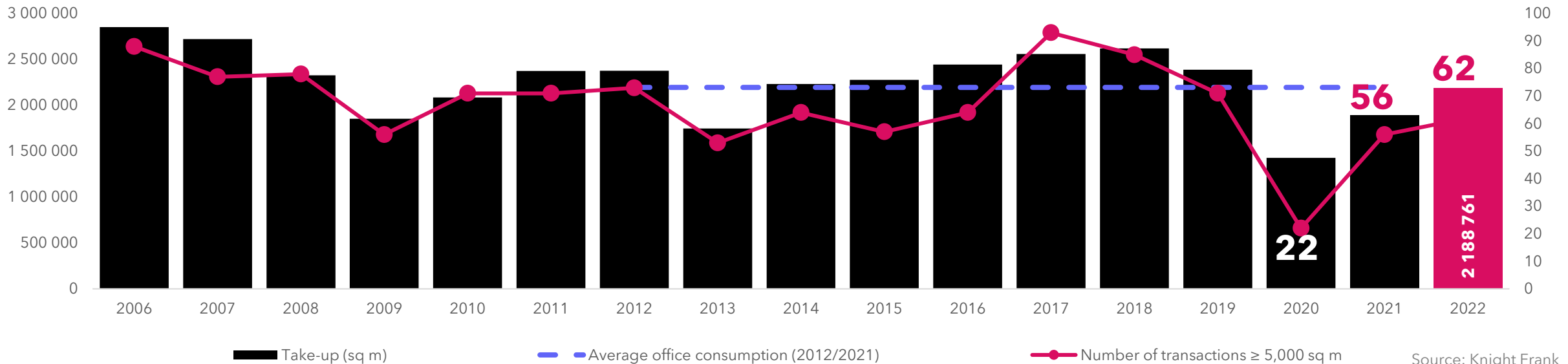
The upturn in activity has benefited all area categories, in particular intermediate-sized offices (1,000 to 5,000 sq m), where volumes let have risen by 25% in one year, as well as areas >5,000 sq m, which saw 62 transactions in 2022 compared with 56 in 2021 and 22 in 2020, directly contributing to the strong performance of the Greater Paris Region market.

+16%
Year-on-year

≈
10-year average

Back to average

Change in take-up in the Greater Paris Region
Total volume in sq m



Source: Knight Frank

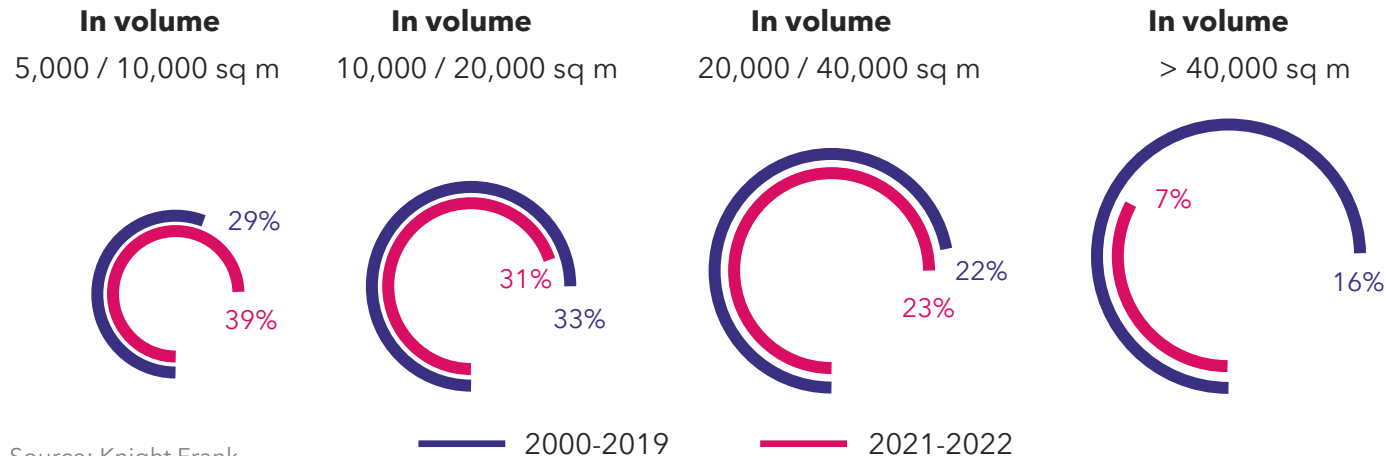
A streamlining market

Large transactions accounted for nearly 710,000 sq m, up 25% year-on-year, although they are playing a less decisive role than before the health crisis, confirming the impact of remote working and corporate real estate streamlining policies on the consumption of office space. This trend is confirmed by the sharp decrease in the number of very large leases (>40,000 sq m), which accounted for only 7% of the volume of large

space let in 2021 and 2022, compared with 16% in the 20 years prior to the health crisis. While very large premises are less sought after, companies' streamlining strategies are boosting the success of new assets, which accounted for 82% of take-up >5,000 sq m in 2022 in the Greater Paris Region, compared with an average of 71% in the 10 years prior to the health crisis.

Very large areas are becoming increasingly rare

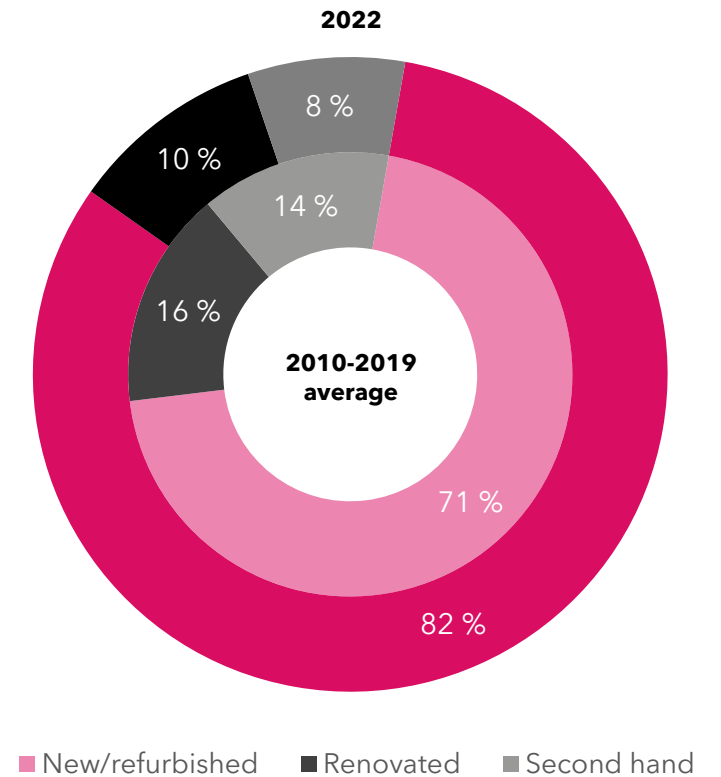
Take-up by area category in the Greater Paris Region
Share of total volume ≥ 5,000 sq m as a %



Source: Knight Frank

New premises continue to be in demand

Take-up by building quality, Greater Paris Region
% of volume of transactions ≥ 5,000 sq m



■ New/refurbished ■ Renovated ■ Second hand

Source: Knight Frank

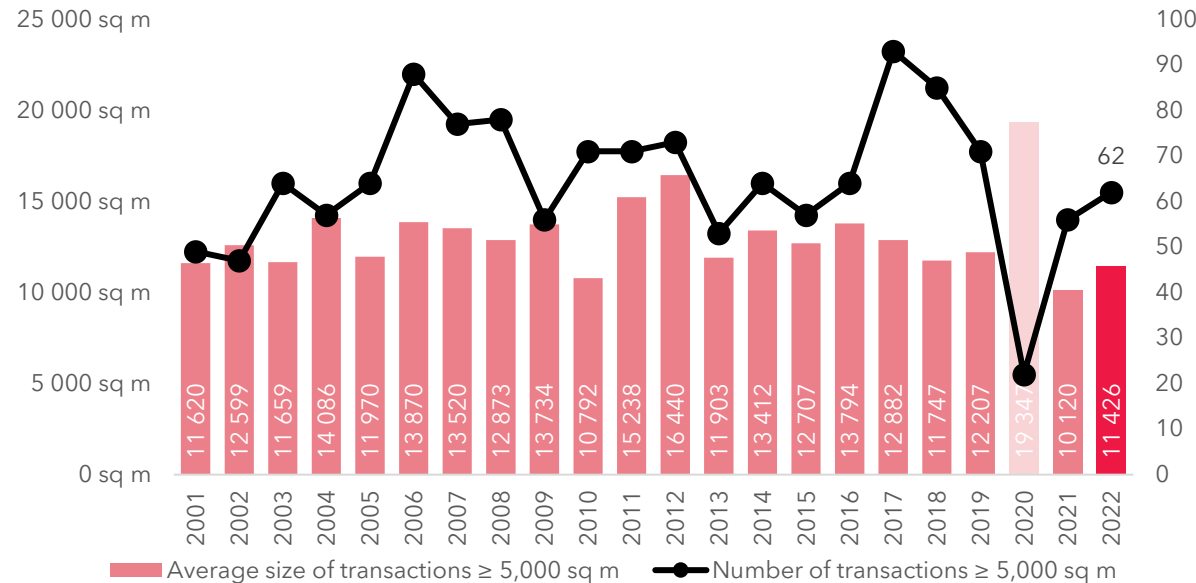
A streamlining market

In 2022, the average area of leases > 5,000 sq m was 13% lower than that of transactions signed in the 10 years preceding the Covid-19 pandemic. While the decrease is less marked than in 2021 due to the completion of very large transactions initiated a long time ago (for example, AFD's purchase of its new offices near the Austerlitz

station, the French Home Office's purchase of the "Maxwell" Campus in Saint-Denis), several large companies have leased offices that are 20% to 40% smaller than those they previously occupied, and sometimes even smaller.

Higher average consumption than in 2021...

Change in the number and average size of transactions ≥ 5,000 sq m
In the Greater Paris Region



...but sometimes substantial reductions

Examples of area reductions in 2022, as a % of the volume of sq m



Gaps are widening

The Inner Suburbs and certain sectors in the West are the most penalised by the streamlining of sectors of activity that traditionally consume large or very large areas, such as manufacturing/distribution and banking/insurance. This trend was confirmed in 2022, particularly in the South and East where take-up was 17% and 39% below the ten-year average. Although the North had a positive result (170,000 sq m let, i.e.

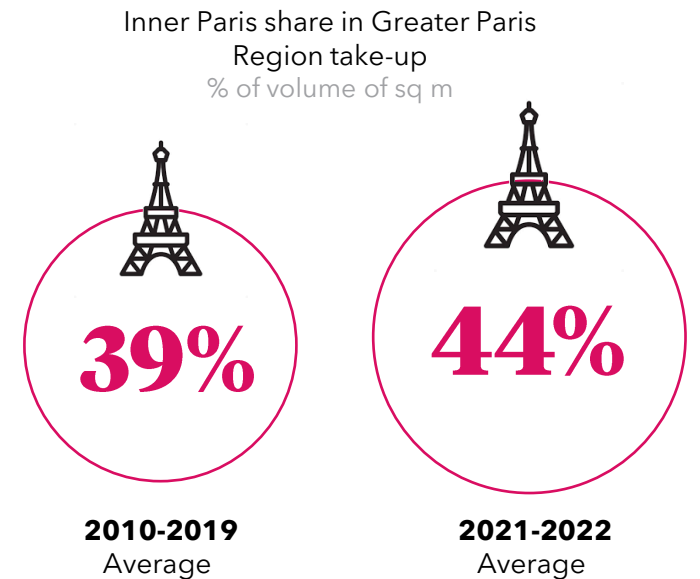
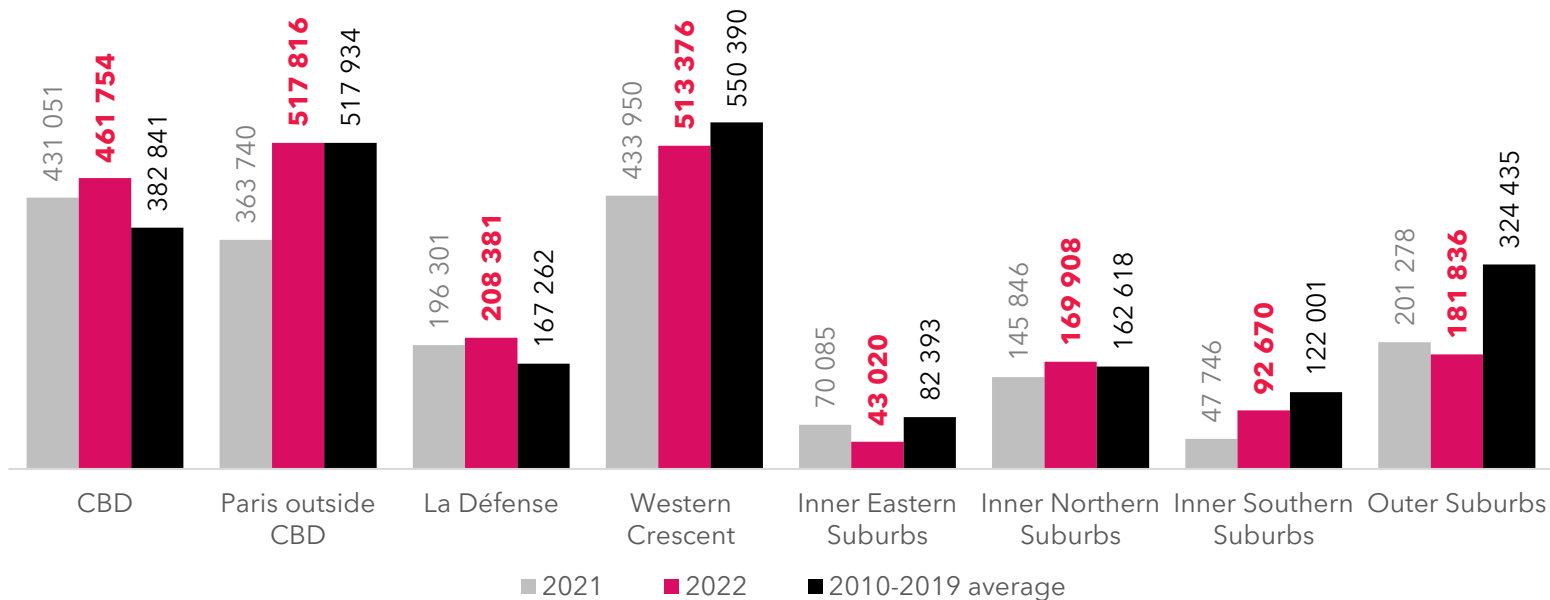
+12% compared to the ten-year average), letting activity was still below the expectations generated by projects linked to the Grand Paris Express and the 2024 Olympic Games. In the West, it is worth noting the strong performance of Neuilly-Levallois and the solidity of La Défense, which improved their ten-year averages by 39% and 14% respectively. The CBD market is even more appealing. The business district

had an exceptional year in 2022, the third best in its history after 2006 and 2007, with 462,000 sq m of lettings. The Inner Paris market as a whole accounted for 44% of take-up in the Greater Paris Region over the last two years, compared to an average of 39% in the ten years prior to the health crisis.

A near-record year for the CBD

Changes in take-up by geographical sector

In volume of sq m in the Greater Paris Region, all areas included



2022 large transactions

21 transactions exceeding 5,000 sq m were recorded in Paris in 2022, compared with 15 in 2021 and 9 in 2020. These transactions totalled 220,000 sq m, 74% of which were for new/redeveloped space. 11 of these were signed in the CBD, where luxury and coworking occupiers were particularly dynamic and accounted for 5 large leases.

Outside the CBD, these were few in number, even if the 13th and 15th arrondissements saw a resumption of large leases (AFD in the 13th, THE MINISTRY OF HEALTH and BANQUE POSTALE in the 15th).

Examples of transactions > 5,000 sq m in Paris



AFD | EVOLUTION
PARIS 13th (45,000 sq m)



MINISTÈRE DE LA SANTÉ | TODS
PARIS 15th (27,000 sq m)



BANQUE POSTALE - SFIL | BIOME
PARIS 15th (21,000 sq m)



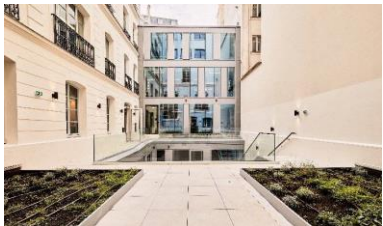
LE FIGARO | SOCIETY LORETTE
PARIS 9th (10,600 sq m)



HERMES | 11-15 RUE D'ANJOU
PARIS 8th (9,300 sq m)



LVMH | 19-21 RUE JEAN GOUJON
PARIS 8th (8,600 sq m)



MORNING | 30-34 RUE LAFFITTE
PARIS 9th (8,600 sq m)



PATCHWORK | 26 RUE DE MONTHOLON
PARIS 9th (7,860 sq m)



EIGHT ADVISORY | 37 RUE LA BOÉTIE
PARIS 8th (7,800 sq m)



JACQUEMUS | 62-64 RUE DE LISBONNE
PARIS 9th (7,400 sq m)



WELKIN & MERAKI
31 RUE DU COLISÉE
PARIS 9th (7,200 sq m)



CISCO SYSTEMS | ULTEAM
PARIS 8th (5,970 sq m)

Large transactions in 2022

41 transactions >5,000 sq m were recorded in the Greater Paris Region in 2022 (compared with 41 in 2021 and 13 in 2020) for a total volume of 488,000 sq m, 85% of which was new/redeveloped space. A total of 25 were signed in the Western Crescent and in the La Défense district, which confirmed its resilience with 9 transactions, after the 11 recorded in 2021. The situation in the Inner Suburbs is

more mixed, with 10 large transactions in 2022, including 7 in the North, 3 in the South and none in the East. In the North, 2 of the 7 large transactions account for almost 70% of the sector's take-up: the lease by GRDF of 22,600 sq m at 15 rue des Bretons and the purchase by the French Home Office of the 46,000 sq m "Maxwell" Campus.

Examples of transactions > 5,000 sq m in the Greater Paris Region



THE FRENCH HOME OFFICE | MAXWELL CAMPUS, SAINT-DENIS (46,000 sq m)



ENEDIS | ALTIPLANO PUTEAUX (25,650 sq m)



ARKEMA | LIGHTWELL PUTEAUX (25,000 sq m)



GRDF | 15 RUE DES BRETONS SAINT-DENIS (22,660 sq m)



INETUM | STORIES SAINT-OUEN (16,820 sq m)



SCHNEIDER ELECTRIC | EDENN NANTERRE (16,000 sq m)



EDENRED | PORTE SUD MONTROUGE (12,600 sq m)



MANPOWER | LANDSCAPE PUTEAUX (12,050 sq m)



LVMH FRAGRANCE | CRÉATIVE LEVALLOIS-PERRET (12,000 sq m)



BUREAU VERITAS | TOUR ALTO COURBEVOIE (10,100 sq m)



GRUPE IGS | VISION SEINE COURBEVOIE (10,000 sq m)



MORNING | 179 AV CHARLES DE GAULLE NEUILLY-SUR-SEINE (7,165 sq m)

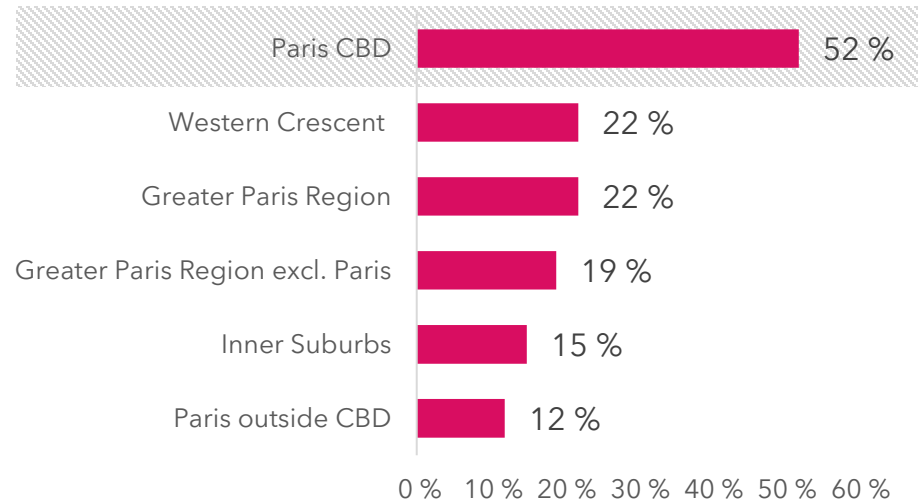
Reasons for Paris' success

The good results of the Paris market are due in particular to the wide variety of companies located in the capital. In the CBD, the consulting, tech, finance and coworking sectors remained very active in 2022. The luxury sector was also very active, with the LVMH, KERING and HERMES groups signing leases and JACQUEMUS leasing 7,400 sq m at 62-64 rue de Lisbonne. The CBD is also notable for the dynamism of its occupiers: more

than half of take-up volumes in the business district in 2022 on large areas were due to expansion, growth or the creation of new sites, whereas the other service sectors in the Paris region are still very much driven by real estate streamlining.

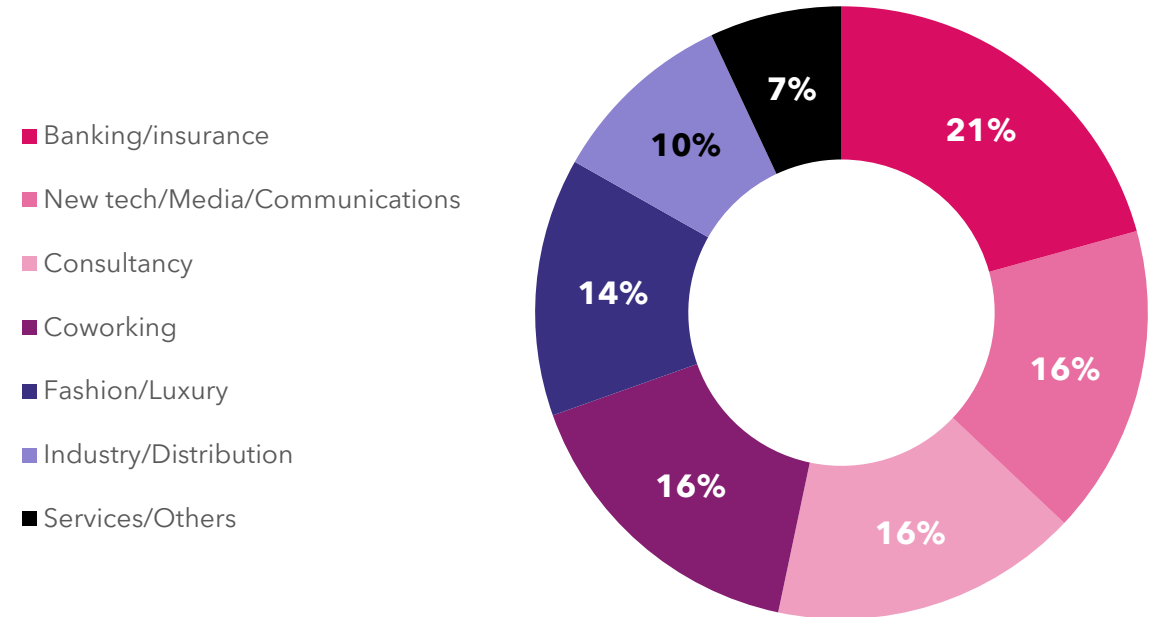
Dynamic users

Share of extensions, growths and creations in take-up ≥ 5,000 sq m
% of take-up volume in 2021 and 2022



A wide range of demand

Breakdown of take-up ≥ 1,000 sq m in Inner Paris by activity sector
% of take-up volume in 2021 and 2022



Relocations: to Paris and the West

In addition to a high and rising retention rate, the CBD benefits from demand from companies located in the suburbs. By moving to Paris, they compensate for higher property costs by reducing the amount of space leased, sometimes drastically. This trend has benefited sectors other than the CBD, such as LA BANQUE POSTALE's

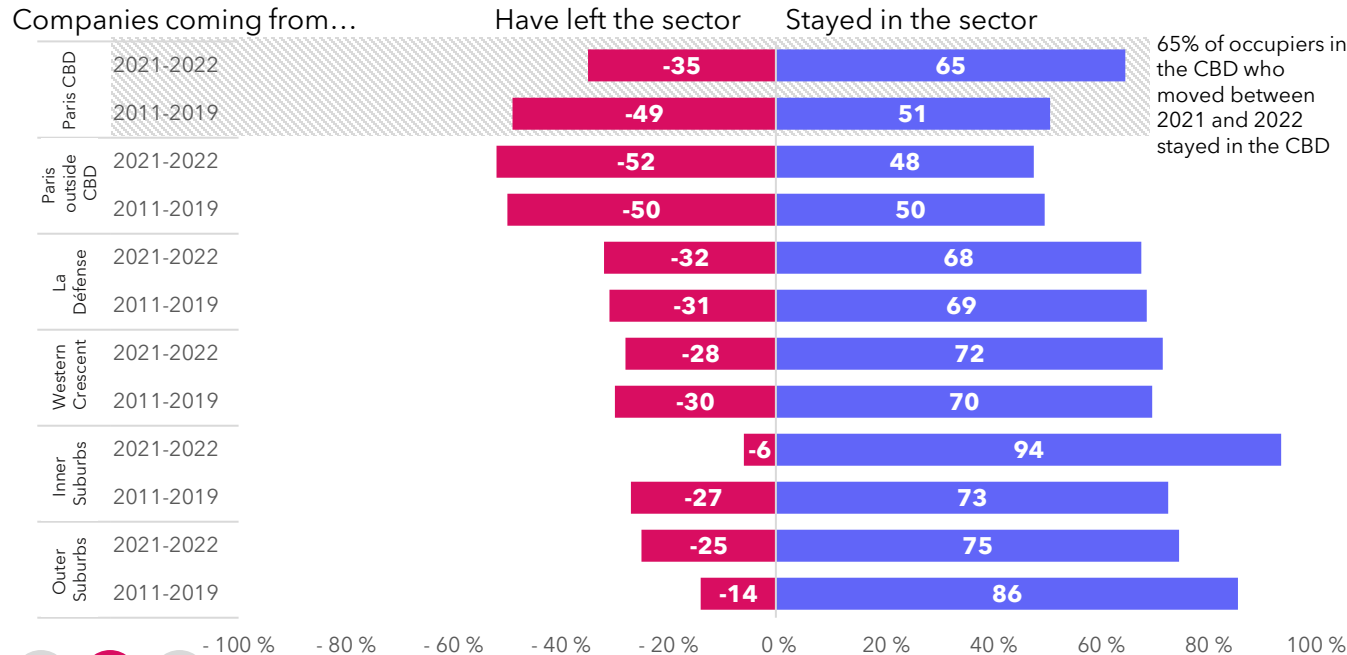
leasing of "Biome" in the 15th arrondissement. Several relocations have also benefited sectors in the West, such as Neuilly-Levallois and La Défense, where a significant proportion of the 208,000 sq m of office space let in 2022 came from companies originating from other office hubs (e.g. ARKEMA, previously located in

Colombes). In the rest of the region, the relocation of companies has been fairly rare and take-up has been largely made up of movements by endogenous occupiers.

The CBD is retaining more companies

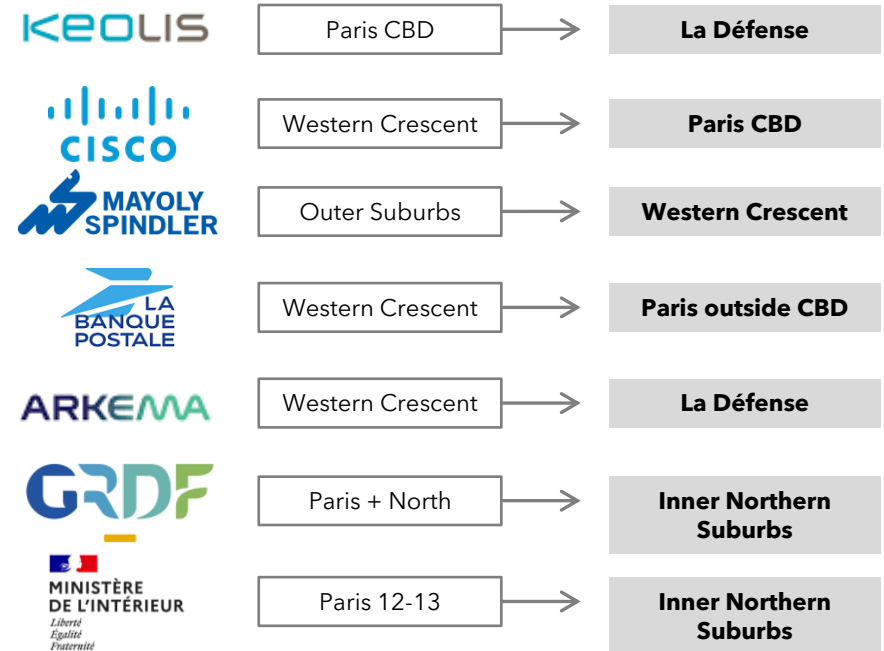
Retention rate by geographical area

As % of number of movements > 5,000 sq m



More relocations to Paris and the West

Examples of movements in 2022



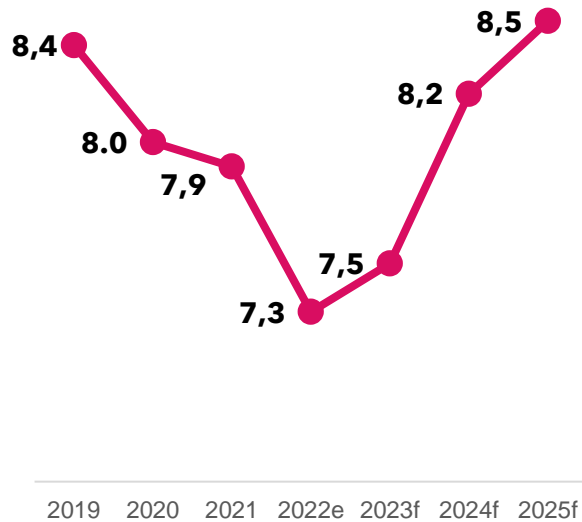
A streamlining market

Could 2023 see more relocations to the Inner Suburbs? In times of economic crisis, real estate is a cost-cutting tool that companies do not hesitate to use by choosing offices that offer the best value for money. With the economic turmoil expected to be severe in 2023, the Inner Suburbs could benefit from renewed interest due to the numerous opportunities for new offices which are well connected to the new Grand Paris metro

lines and offer competitive rents. However, the scenario of a surge in demand for Inner Suburb offices is not guaranteed. Unlike in previous crises, remote working is now firmly established in practice and could be the preferred adjustment variable in the face of the economic slowdown and pressured margins, rather than relocation to less expensive office sectors.

Economic uncertainty

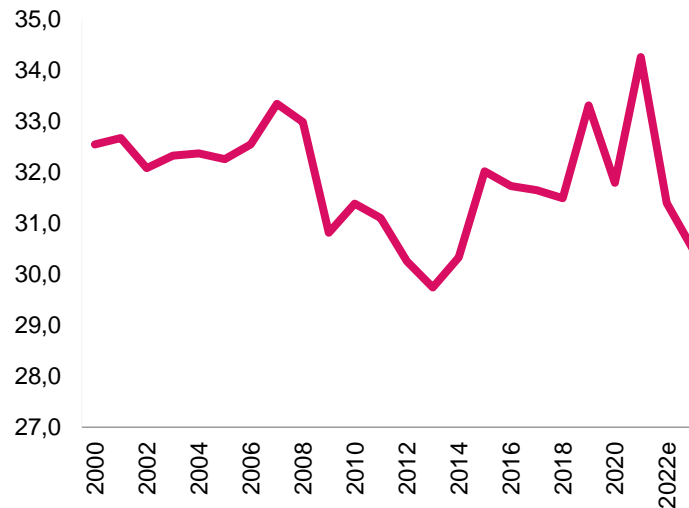
France unemployment rate
% of the working population, France



Sources: Banque de France, INSEE

Margins under pressure

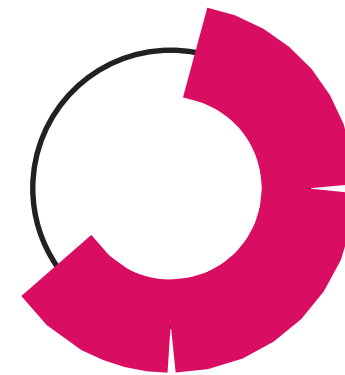
Margin rates for non-financial corporations
As a %



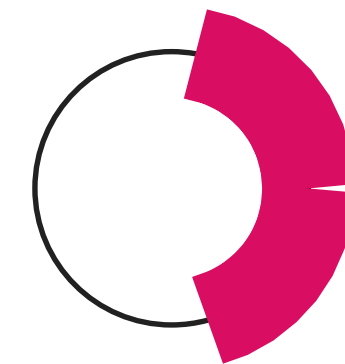
Sources: Banque de France, INSEE

New expectations

Remote working, well established in practice



43 %
of working people in the Greater Paris Region regularly worked remotely in 2022 *



63 %
of young people with a degree of 3 years or more want to work at home some of the time **

Sources: *Paris Region Institute, **Jean Jaurès Foundation

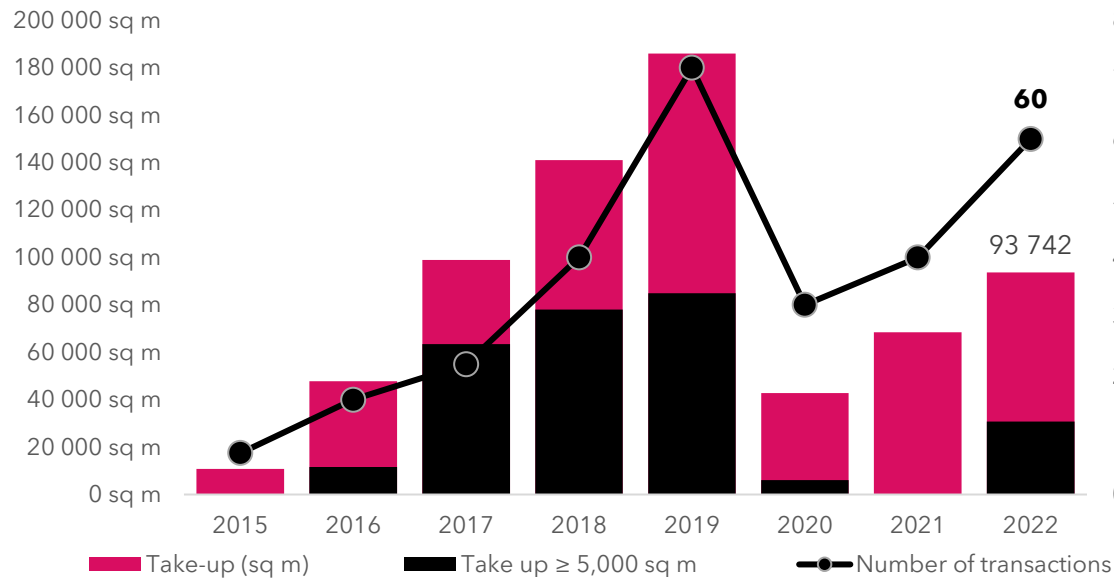
New impetus for coworking

Office space leased by coworking operators totalled 94,000 sq m in the Greater Paris Region in 2022, compared with 69,000 sq m in 2021 and 43,000 sq m in 2020. Although the volume remains significantly lower than in 2019 (-50%), the number of leases taken was nevertheless very high, due in particular to the sustained demand from certain

players for small and medium-sized spaces (MYFLEXOFFICE, DESKEO, MORNING, GUSTAVE COLLECTION, etc.). 2022 was also characterised by the expansion of coworking outside Paris, particularly in Neuilly and Levallois, where MORNING and INDUSTRIOUS, a new American entrant, made their mark.

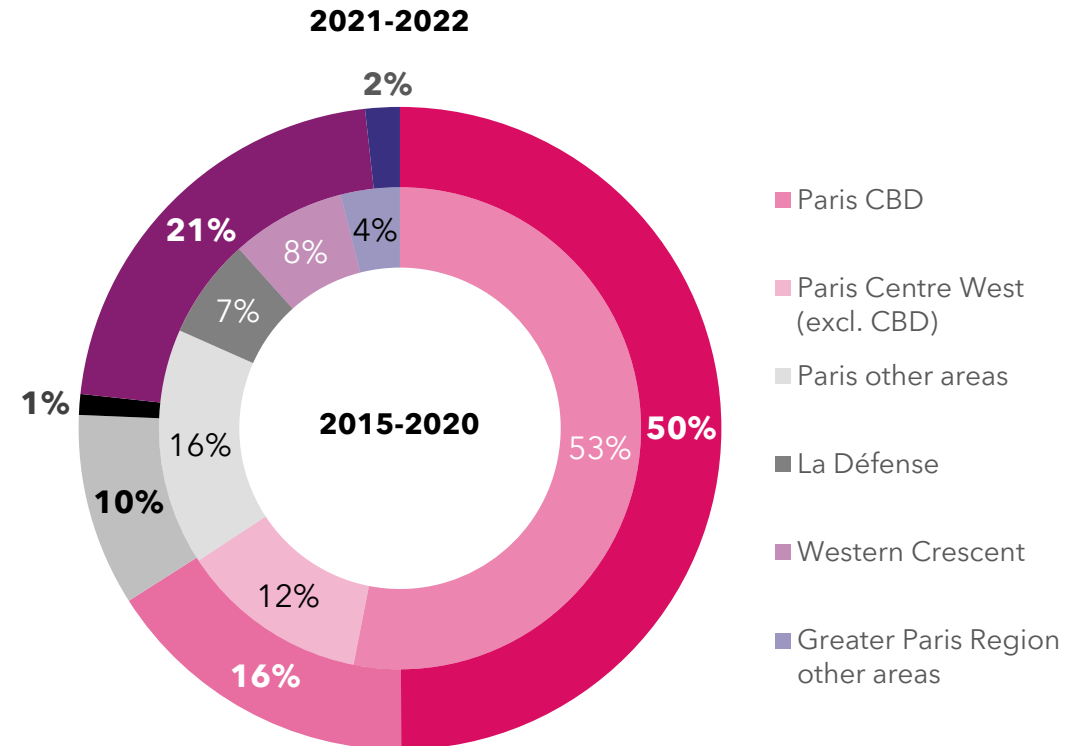
A high number of leases

Sq m of office space leased in the Greater Paris Region



Everyone to the West!

Geographical breakdown of office space leased by coworking operators in the Greater Paris Region % of volume



Education: demand continues to grow

2022 was also a good year for educational real estate with 75,000 sq m of take-up, i.e. an increase of 4% year-on-year and 31% compared to the average for the previous five years. Buoyed by the steady rise in enrolment, schools and large private groups continued to expand in the Greater Paris Region, particularly in the Hauts-de-Seine (60% of

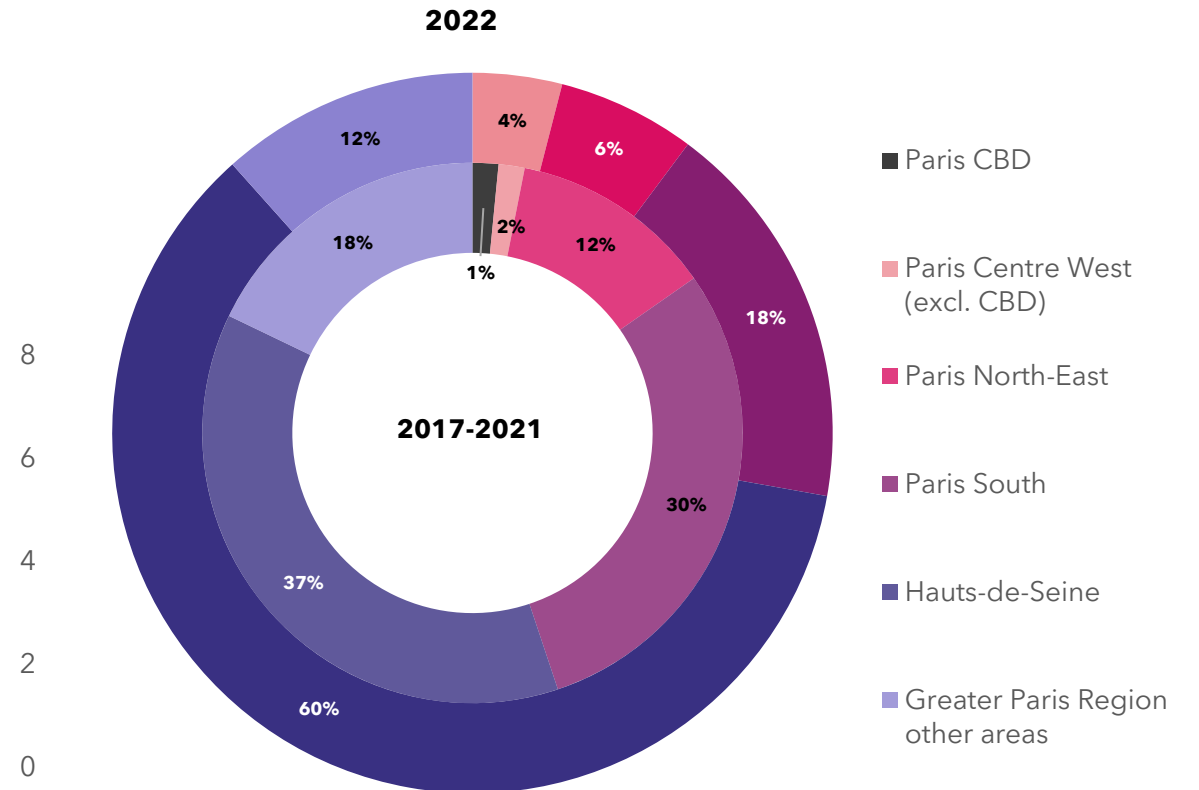
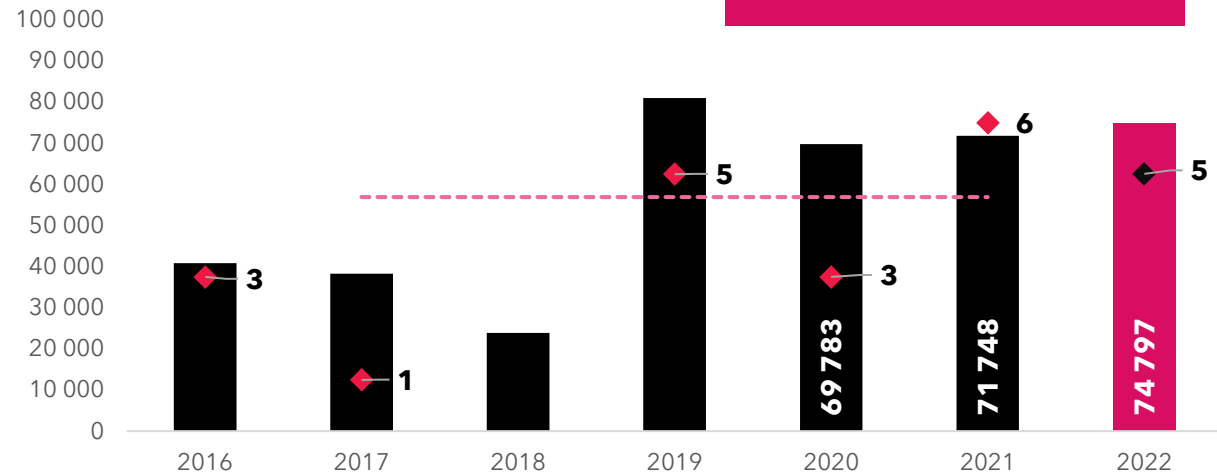
space leased last year). Of the 5 transactions \geq 5,000 sq m signed in the region, 4 were in the Western Crescent and La Défense which, due to its status as a major office hub and the concentration of numerous head offices, offers schools important synergies with the business world.

The breakthrough of the Hauts-de-Seine

Geographical breakdown of office space leased by private schools in the Greater Paris Region (\geq 1,000 sq m)

2nd best year after 2019

Sq m of office space leased by private schools in the Greater Paris Region (\geq 1,000 sq m)



But a clear slowdown in Tech

Unlike coworking and higher education, demand for office space from tech companies slowed significantly in the second half of the year, against a backdrop of a slowdown in fundraising and a decrease in valuations. While the sq m of office

space consumed by FT 120* companies in the Greater Paris Region in the first half of the year almost equalled the volumes recorded in 2021, they then put a stop to their expansion in the second half of the year.

A less favourable context

Examples of French Tech indicators



Only 1 new unicorn in the 2nd half of 2022 (after 7 in H1 2022)



Sharp slowdown in fundraising:
+ 11 % between 2021 and 2022
Following + 115 % between 2020 and 2021



Slower growth in the workforce
(Change as a % over the last six months)

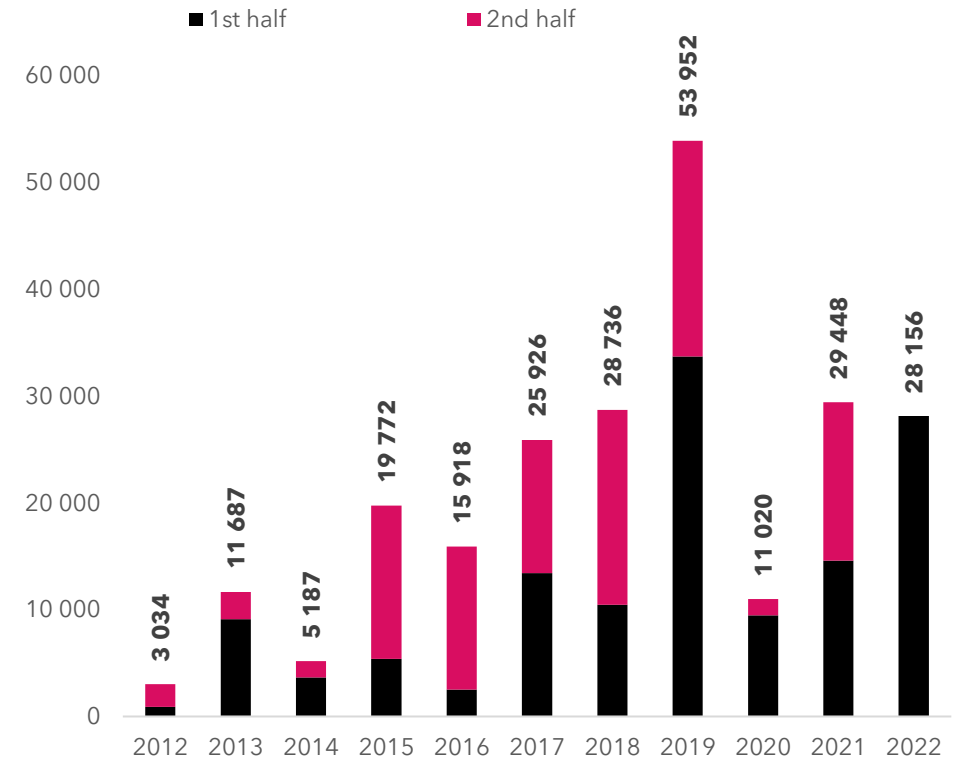
	Ankorstore	Pigment	AGICAP	MYM	sorare	alma
Dec. 2022	- 13 %	+ 30 %	- 12 %	+ 39 %	+ 37 %	+ 9 %
Mar. 2022	+ 66 %	+ 64 %	+ 55 %	+ 53 %	+ 52 %	+ 44 %

Source: Knight Frank, Dashboard French Tech (amounts raised by French Techs), LinkedIn (change in workforce)

*The FT120 comprises 120 young French companies, including the 40 of the Next40.

Demand freezes in the 2nd half of the year

FT120 take-up (2002, 2021 and 2022) in the Greater Paris Region (excluding coworking)



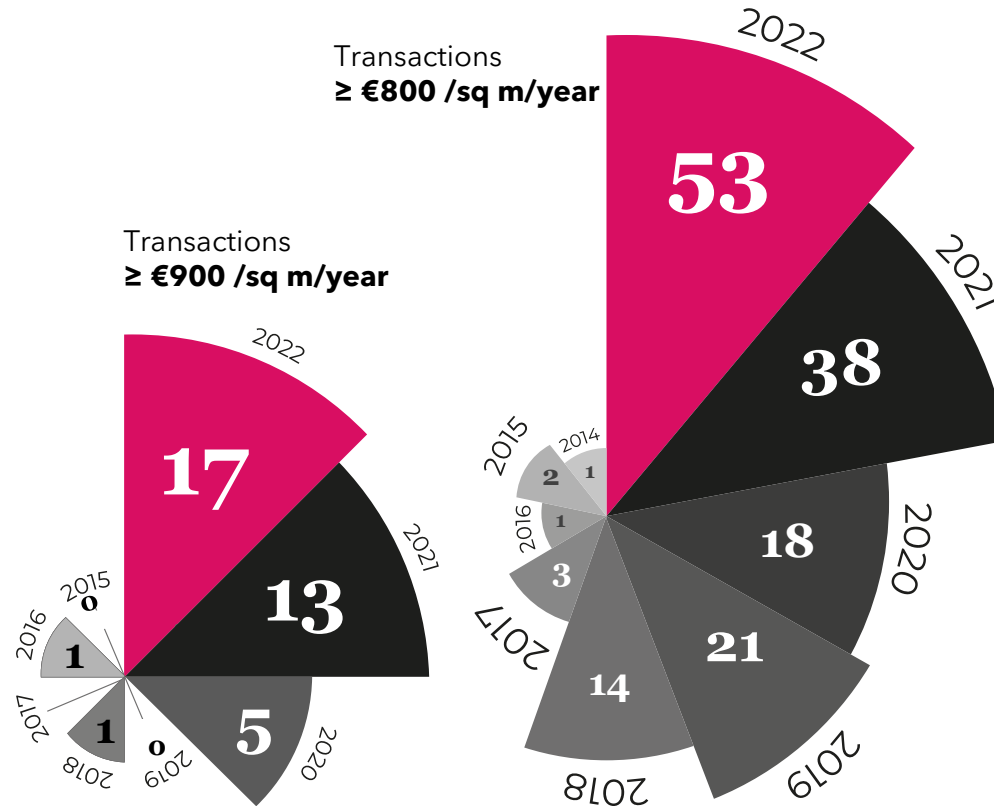
Prime rent: from one record to another

In most suburban sectors, negotiation conditions are more favourable to tenants than before the start of the health crisis, with generous rental incentives sometimes in excess of 30 or even 35% in certain office hubs.

As a result, the gap has widened with Inner Paris and its most expensive districts, the CBD in particular, where prime rents have continued to rise. They has now reached €955/sq m/year compared with €930/sq m/year a year ago and €865/sq m/year at the end of 2019 as a result of the increase in the number of leases signed at values ≥ €900/sq m/year. Virtually non-existent before the health crisis, 17 were recorded last year compared to 13 in 2021 and five in 2020. The symbolic threshold of €1,000 /sq m/year has even been exceeded on small and medium-sized areas in the capital.

From exceptional to the norm

Number of transactions ≥ €800 /sq m/year and ≥ €900 /sq m/year
In Paris, on areas ≥ 500 sq m



A wider circle

Breakdown by activity sector of the number of transactions ≥ €900 /sq m/year in 2022 (areas ≥ 500 sq m)



Banking - Finance ⬇️
30 % (36 % on 2021)



Consulting – Lawyers ⬇️
24 % (37 % in 2021)



Fashion - Luxury ➡️
18 % (18 % in 2021)



Others ⬆️
28 % (9 % in 2021)

Immediate supply: historical high

At the end of Q4 2022, the immediate supply of space in the Greater Paris Region totalled 4.3 million sq m, an increase of 6% year-on-year and a historically high volume. The dynamism of letting activity in certain office sectors has therefore not offset the scale of vacancies and deliveries. The vacancy rate is now 7.7% compared to 7.3% a year ago and 5% before the outbreak of the health crisis. The gap between Paris and the rest of the region has widened. With the exception of the North-East of the capital, all Parisian

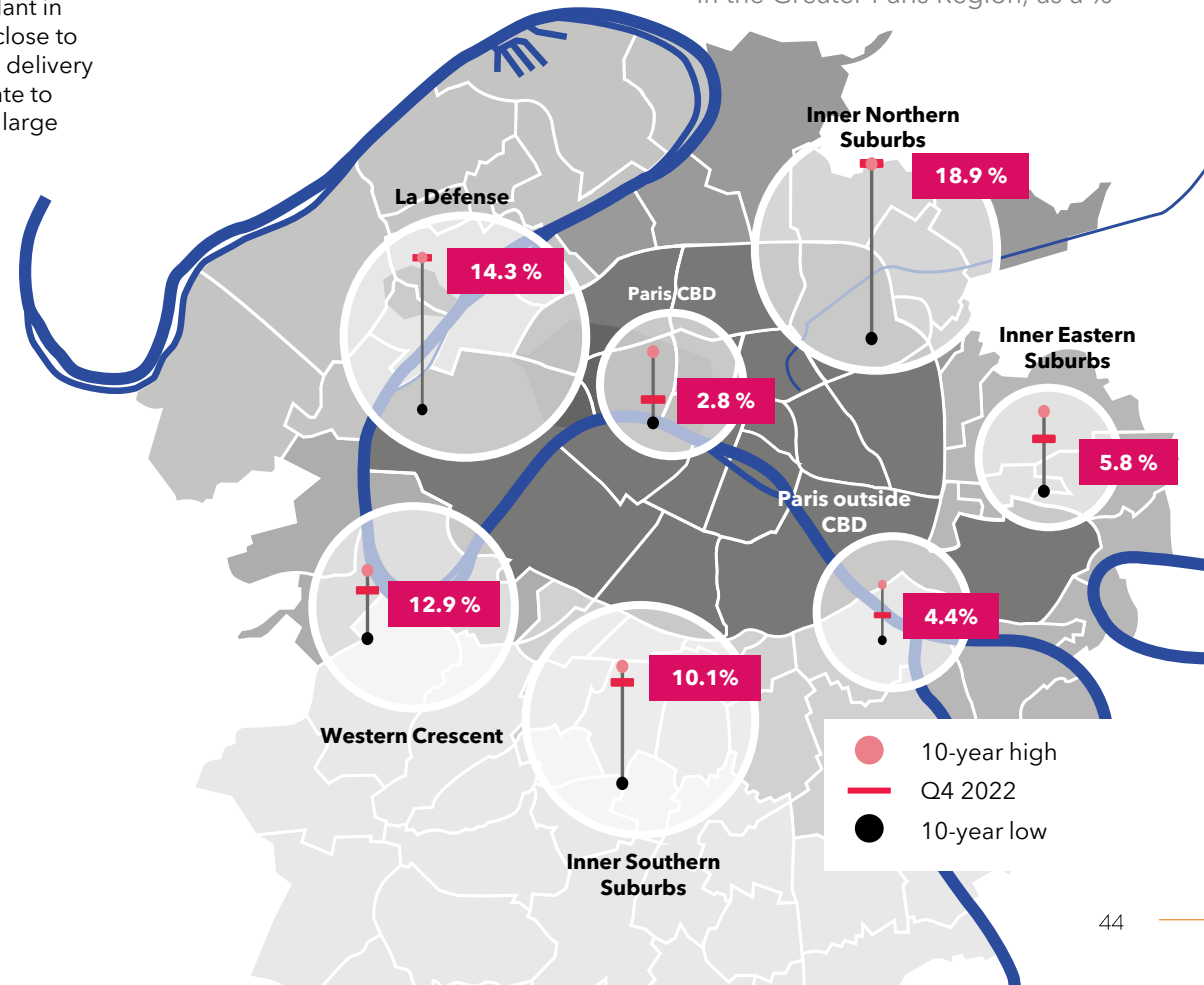
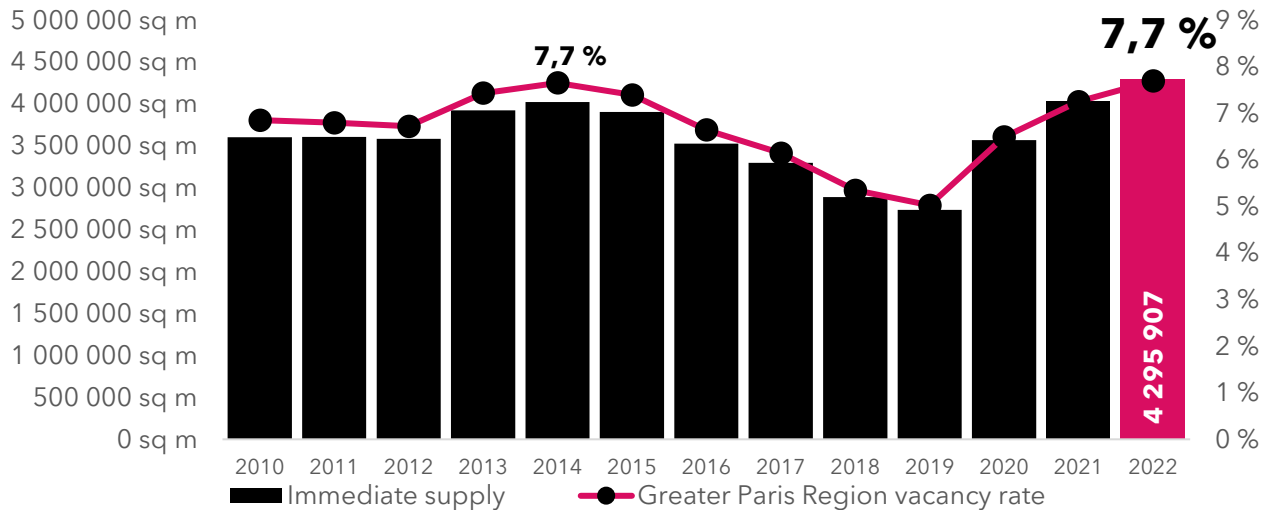
sectors have vacancy rates of between 1 and 5%. The shortage is more marked in the central arrondissements and the CBD, where the vacancy rate remains below 3%. On the other hand, availability remains very abundant in the North and in Péri-Défense, with vacancy rates close to 20%. This is also the case in La Défense, where the delivery of "Hekla" and "Aurore" has pushed the vacancy rate to almost 15% despite the take-up in 2022 of several large and medium-sized areas.

Paris going against the flow

Vacancy rate by geographical sector in the Greater Paris Region, as a %

Third year of increases

Change in available supply and vacancy rate in the Greater Paris Region, as a %



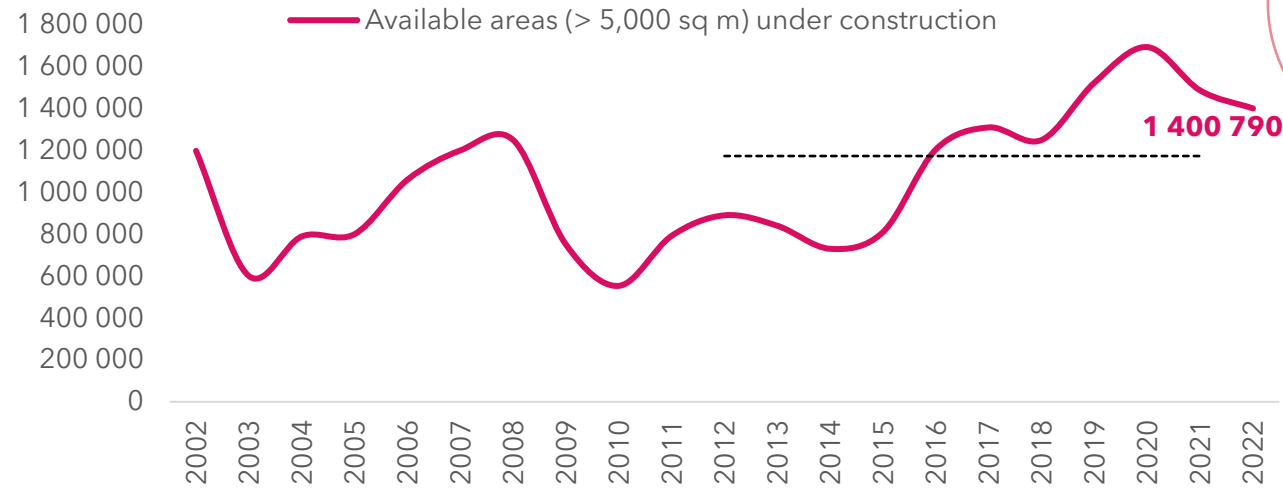
The end of a cycle?

In 2022, the amount of space >5,000 sq m under construction in the Greater Paris Region fell sharply after several years of increase. The peak was reached in 2020 with 1.69 million sq m of space under construction. This figure has fallen back to 1.4 million sq m, i.e. a drop of 6% year-on-year and 17% compared to the peak in 2020. However, the volume of office space that is available and

under construction remains well above the ten-year average (+19%). The situation varies greatly depending on the sector in the Greater Paris Region. There has been a marked change in La Défense, where available space >5,000 sq m under construction has fallen by 42% over the year. The decrease is more limited in Paris CBD (-15%).

Definite availability: down but still high

New/refurbished space under construction ≥ 5,000 sq m, in the Greater Paris Region

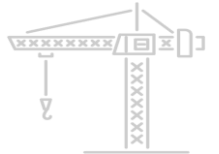


- 6 %
Year-on-year
+ 19 %
Compared to the 10-year average



112 projects

under construction (≥ 5,000 sq m)



2.23 million sq m

under construction (≥ 5,000 sq m)



-6% year-on-year

of available areas ≥ 5,000 sq m under construction, including:
- 42 % in La Défense

63%

of areas ≥ 5,000 sq m are still available



Source: Knight Frank

Future supply: decrease in deliveries in 2023

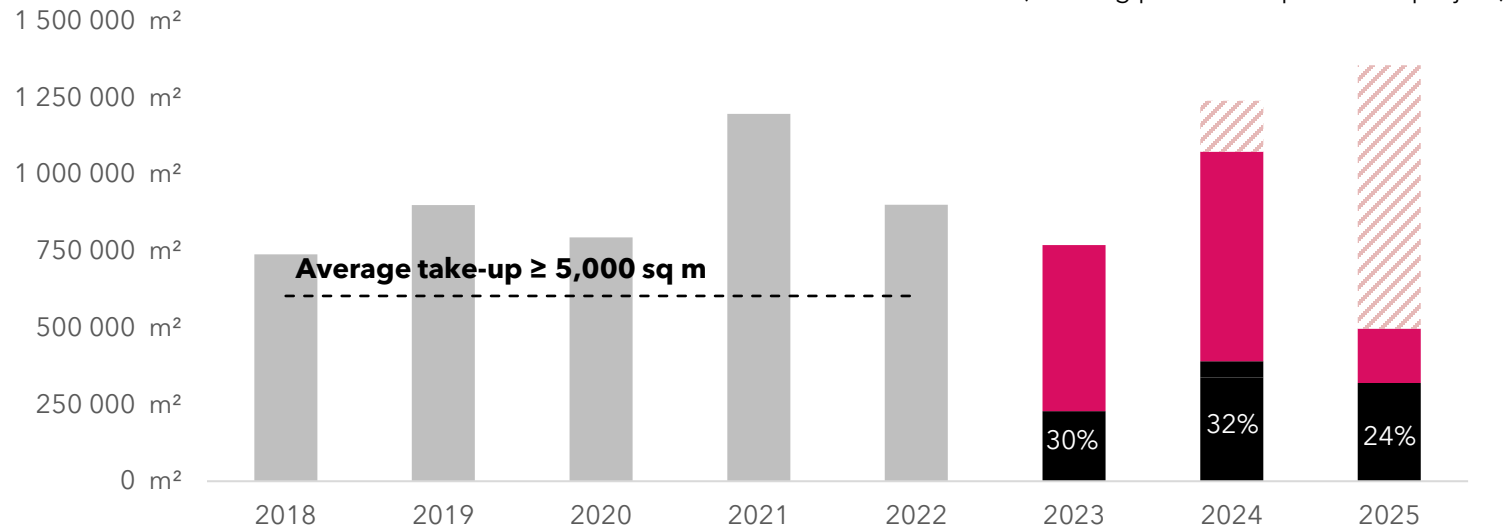
1.2 million sq m of office space was delivered in the Greater Paris Region in 2021, a volume inflated by the postponement of operations due to the health crisis. The decrease began in 2022 with around 900,000 sq m delivered. 2023 promises to be even less buoyant with 770,000 sq m of new/redeveloped offices to be delivered, 70% of which are still available.

The downturn in deliveries could be short-lived, with the cumulative volume of transactions expected in 2024 and 2025

totalling 2.6 million sq m. However, half of this volume is made up of projects that have not yet been launched, several of which could be postponed, scaled down or even cancelled in sectors suffering from an already high vacancy rate. This is the case in the Inner Northern Suburbs and Inner Southern Suburbs which total nearly one million sq m to be delivered by the end of 2025, 83% of which is still available (including projects under construction and those to be launched).

Uncertainty for 2024-2025

Deliveries of new or refurbished premises $\geq 5,000$ sq m $\geq 5,000$ sq m in the Greater Paris Region



Source: Knight Frank

Ongoing imbalances

Significant change in La Défense

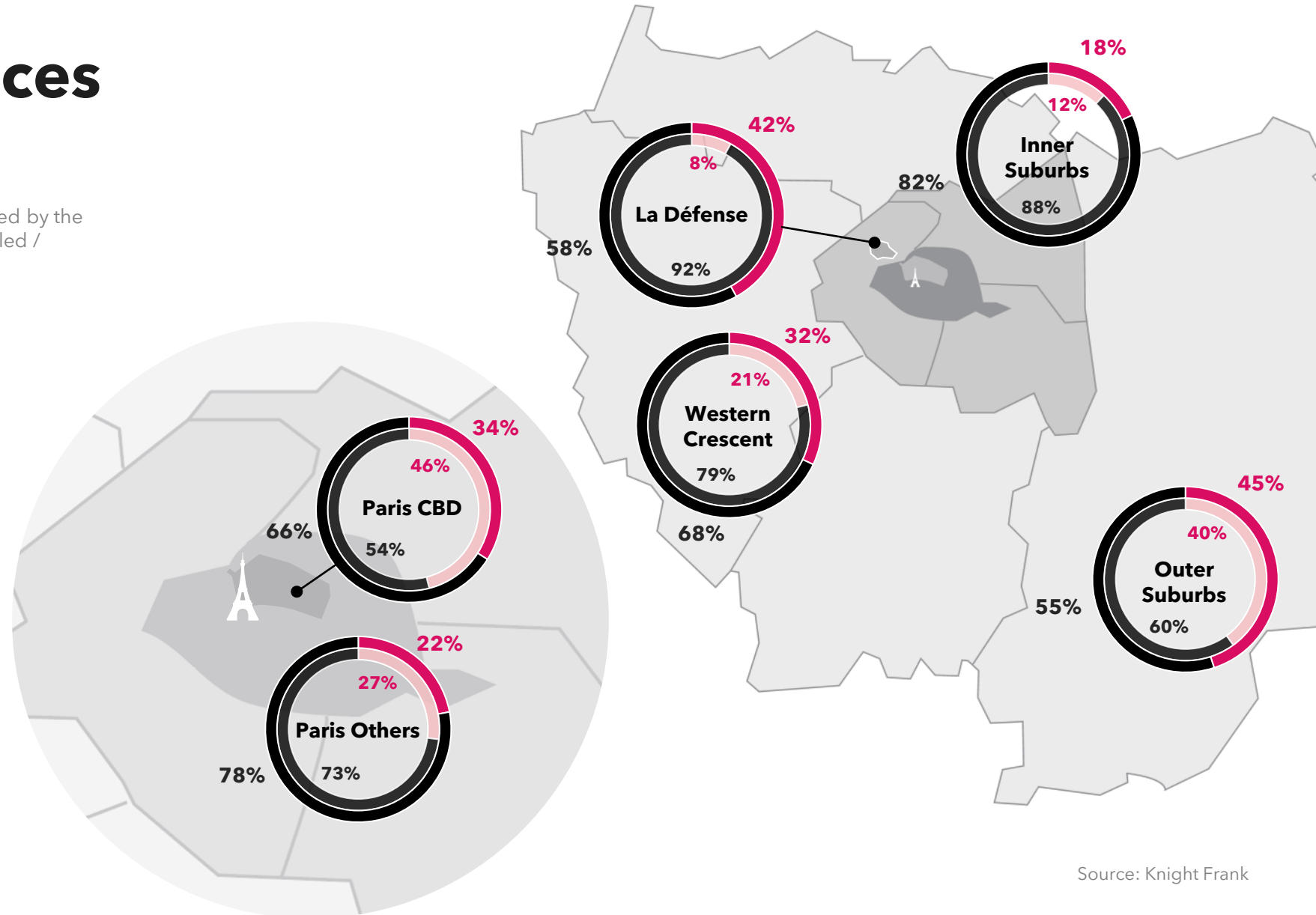
Pre-letting rate by geographical area

New/refurbished office space (≥ 5,000 sq m) to be delivered by the end of 2025 in the Greater Paris Region (building permit filed / building permit accepted / under construction)

The pre-letting rate of space to be delivered in the Greater Paris Region between 2023 and 2025 is 28%. The situation is more balanced in Paris CBD where the rate is 34%. In La Défense, 42% of the space expected between now and the end of 2025 has been pre-let, showing a rebalancing after years of high production. Although several offers have been partially or totally absorbed in 2022 (such as "Altiplano" and "Lightwell"), the increase in the pre-letting rate in La Défense is mainly due to the 125,000 sq m of "The Link", leased by TOTAL from 2020 for its new headquarters.

Other sectors still have an abundance of future supply that is struggling to be absorbed. This is the case of the Inner Suburbs where only 18% of areas expected by the end of 2025 have been pre-let.

- Pre-let areas
- Available areas



Source: Knight Frank

Ongoing imbalances

The vacancy rate in some towns has reached record levels and the pace of development remains high. This is the case in several towns in the Western Crescent, such as Nanterre and Courbevoie. In this sector, the risk of imbalance is all the greater since 93% of the upcoming space is under construction and its arrival on the market is therefore a certainty. The situation is different in the North. Indeed, although the vacancy rate is

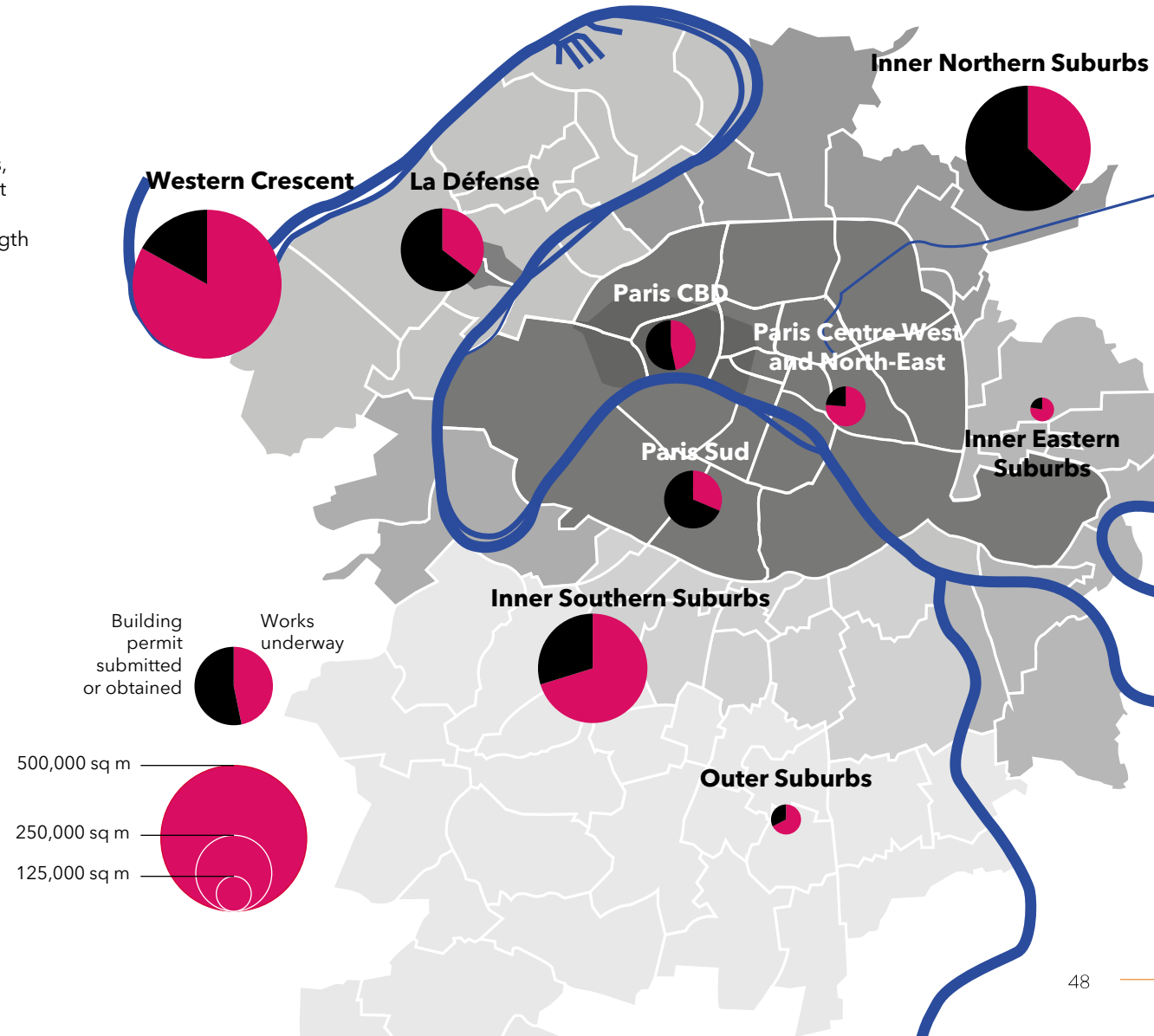
high in Saint-Denis (19.6%) and Saint-Ouen (32.6%), more than half of the planned space in these towns has not yet been launched. In Paris, the potential future supply is also significant but most of the projects that have not yet been launched should be completed given the strength of letting activity and the low vacancy rate.

New vacancy records on the horizon

Geographical distribution of new/refurbished projects*
 Areas ≥ 5,000 sq m available in the Greater Paris Region, 2023-2025

	Sq m delivered (2020-2022)	Available sq m to be delivered (2023-2025)	Change	Vacancy rate
INNER PARIS	698,120 sq m	577,200 sq m	↘↘↘	3.9 %
NANTERRE	195,560 sq m	257,750 sq m	↘↘	15.5 %
COURBEVOIE	265,410 sq m	231,760 sq m	↘	18.8 %
CLICHY	45,050 sq m	119,990 sq m	↘↘	17.6 %
GENTILLY	6,550 sq m	107,810 sq m	↘↘↘	4.9 %
BOULOGNE-BILL.	38,560 sq m	106,930 sq m	↘↘	9 %
SAINT-OUEN	228,130 sq m	90,720 sq m	↘↘↘	32.6 %
AUBERVILLIERS	8,270 sq m	81,620 sq m	↘↘	15.9 %
PANTIN	20,180 sq m	74,270 sq m	↘↘	3.2 %
PUTEAUX	189,010 sq m	72,570 sq m	↘↘↘	20.8 %
SAINT-DENIS	97,210 sq m	68,620 sq m	↘	19.6 %

Source: Knight Frank /* Building permit submitted and accepted, under construction



Conversion remains a key issue

The large number of new office opportunities complicates the absorption of second-hand space and assets that are less suited to occupier demand, thereby fuelling long-term vacancies. The amount of space that has been available for more than four years is particularly high, representing a total of 1 million sq m in the Greater Paris Region at the end of 2022. As with all available supply, this stock is very unevenly distributed across geographical areas. For

example, Paris accounted for only 2% of the volume of supply available for more than four years, compared with 16% for the Inner Suburbs, 25% for the Péri-Défense sector and 39% for the Outer Suburbs. The imbalances observed a year ago have not been corrected, which is hardly surprising given the weak demand in certain suburban sectors and the priority given by companies to the efficiency and environmental performance of their offices.

Second hand, but not only

Breakdown by condition of premises
Supply available for more than four years in the Greater Paris Region, all sizes and qualities (% of sq m volume)

Available supply for more than 4 years in the Greater Paris Region:

300 offers

Of which < 5 % independent buildings

1 million sq m

Total volume in the Greater Paris Region

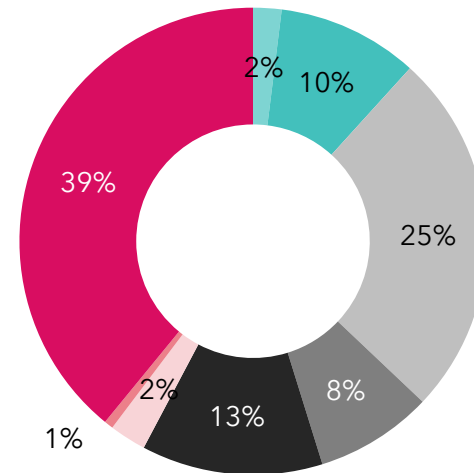
23 %

of the total volume of supply available in the Greater Paris Region

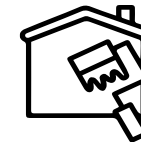
Paris is hardly affected

Geographical breakdown
Supply available for more than four years in the Greater Paris Region, all sizes and qualities combined (% of sq m volume)

- Paris CBD
- Paris outside CBD
- La Défense
- Péri-Défense
- Western Crescent others
- Inner Northern Suburbs
- Inner Southern Suburbs
- Inner Eastern Suburbs
- Outer Suburbs



Second hand
52%



Renovated
44%



New
4%

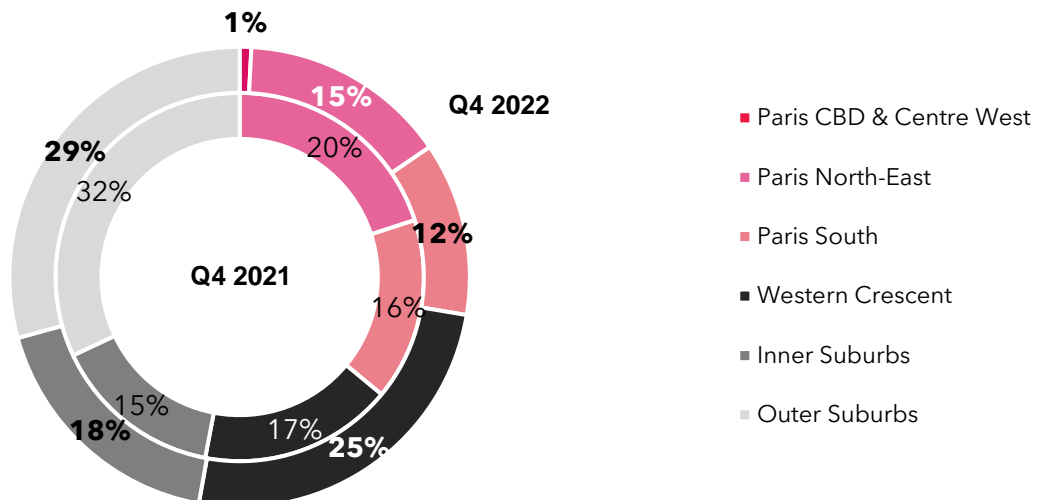
Acceleration of transformations

In this context, the past year has confirmed the boom in changes of use, with an admittedly limited but growing number of projects, particularly in certain towns in the Hauts-de-Seine. Of the 123 transformation projects identified by Knight Frank since 2019 in the Greater Paris Region, 25% are located in the Western Crescent, compared with 17% a year earlier. The other sectors with the most office conversion projects are the Inner and Outer Suburbs.

In the West, several projects have been identified, including one in Courbevoie where the "Véronèse" has been acquired by EMERIGE for conversion into a coliving residence, recently sold to KLEY. This transaction is a perfect illustration of the growing importance of the size of the converted areas. In one year, the average area of offices converted in the Greater Paris Region has increased by 35%, reaching almost 8,500 sq m.

Transformations: more operations in the West

Geographical breakdown of office-to-housing conversions* since 2019
In number of office premises ≥ 1,000 sq m in the Greater Paris Region



Source : Knight Frank /* Conventional and social housing, managed housing and hotels

**Office conversion projects
≥ 1,000 sq m in the Greater Paris Region since
2019**

123 operations

8,483 sq m

Average converted area (+35% year-on-year)

105 residential units

Average number of residential units created per operation

More and varied players

Novaxia

Immobilière 3F
Groupe ActionLogement

RIVP

COVIVIO

**Foncière de
Transformation Immobilière**
Groupe ActionLogement

ICADE

GALIA

**Edgar
Suites**
BE PART OF
THE CITY

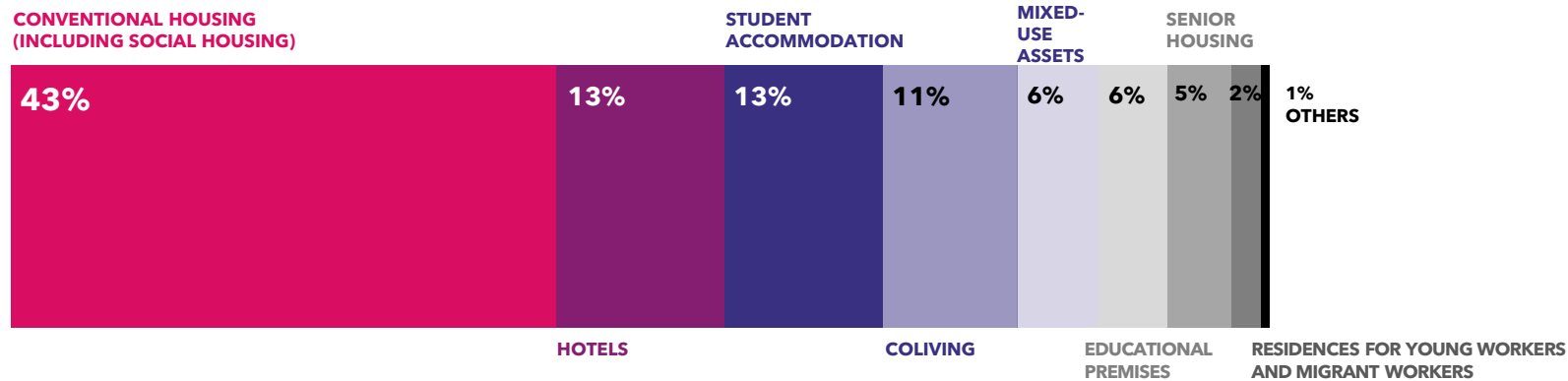
Diversification of operations

Although it is most often the case that offices are converted into traditional housing, the possibilities are much more varied. Almost 40% of the office conversions surveyed in the Greater Paris Region by Knight Frank resulted in the development of managed residences (student and senior housing, coliving) and educational premises, for which the need is high and investor interest is growing.

Furthermore, other types of property other than offices are being converted, such as retail premises, clinics, garages and car parks. Although this is a fairly recent trend, there are more and more examples of this, illustrating the adaptation of the property stock to new uses.

A variety of opportunities

Breakdown by use of office space converted into residential units since 2019
By volume (≥ 1,000 sq m) in the Greater Paris Region



Other assets are converted

Breakdown by use of converted areas since 2019
By volume (≥ 1,000 sq m), all types combined, in the Greater Paris Region



Retail, healthcare, residential or hotel, light industrial premises and others (garage, parking, etc.)



Top 3 **preferred uses**:

- 1 **Residential / Hotels**
- 2 **Urban logistics**
- 3 **Educational premises**

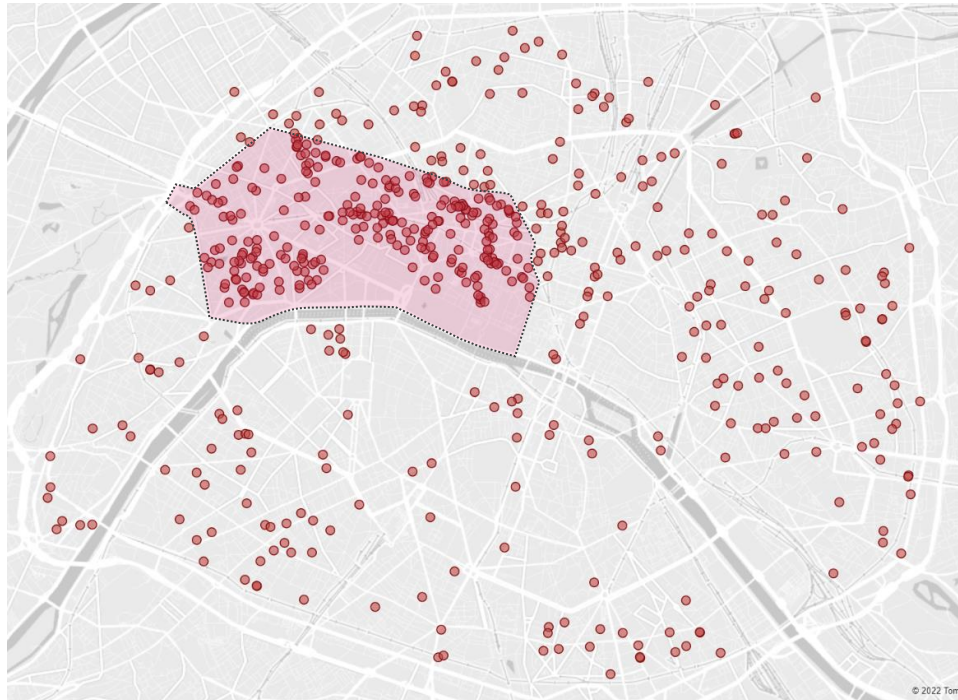
Spotlight on Paris

The new guidelines of the Paris Local Town Plan, which is currently being revised, place great emphasis on the transformation of existing buildings. The City wants to encourage changes of use in favour of housing, particularly in sectors with a lack of housing in the west of Paris.

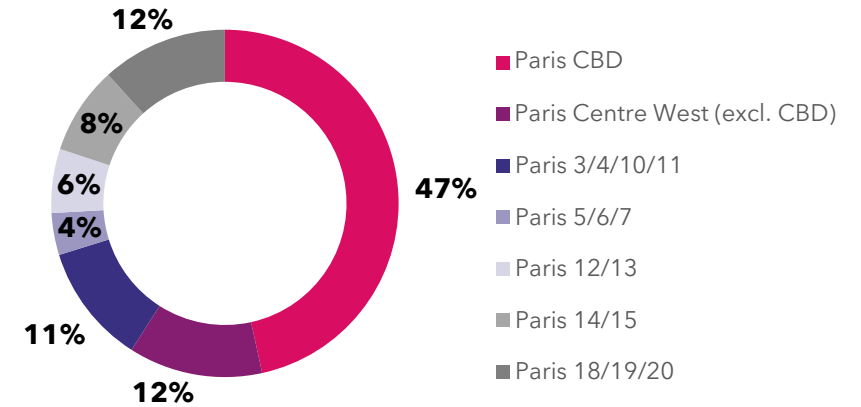
In the context of this revision, new housing quotas have been proposed, covering more than 500 office buildings, nearly half of which are located in the CBD. Beyond the legal uncertainty created by this "earmarking", several questions arise, notably relating to the value of the buildings identified by the City as well as the consequences of the new provisions of the Local Town Plan on the renewal of the supply of offices in Paris. Accordingly, operations that have not yet obtained their permits may not all materialise, as project developers may be subject to a stay of execution by the City and be forced to review their plans.

The "earmarking" is shaking up the Parisian market place

Geographical distribution of the earmarked office buildings in the context of the revision of the Paris Local Town Plan (new proposals for housing quotas)



 Paris CBD boundary



There are questions about:

- **The final list of earmarked buildings**
- **Market relevance**
- **The value of the buildings**
- **Future office supply**
- **The greening of the Parisian real estate stock**

Source: idée.paris.fr

2023 outlook

- More pronounced economic slowdown but **moderate deterioration of the labour market.**
- The post-Covid catch-up effect is easing and take-up volumes **may decrease.**
- The dynamism of the Paris CBD is confirmed.
- Criteria that are still essential (**CSR, well-being**, integration of **soft mobility**, centrality, **flexibility**, etc.), **but tempered by the economic slowdown** and the streamlining logic of companies?
- A key question: **will 2023 see a revival of the Inner Suburb markets?**
- A further decrease in deliveries and **uncertainty over a number of projects that have been announced but not yet launched.**
- Heightening of the **oversupply situation in the suburbs** (Inner Northern Suburbs, Péri-Défense, etc.).
- Acceleration of the **transformation of offices into housing** and mixed-use operations.

03

RETAIL



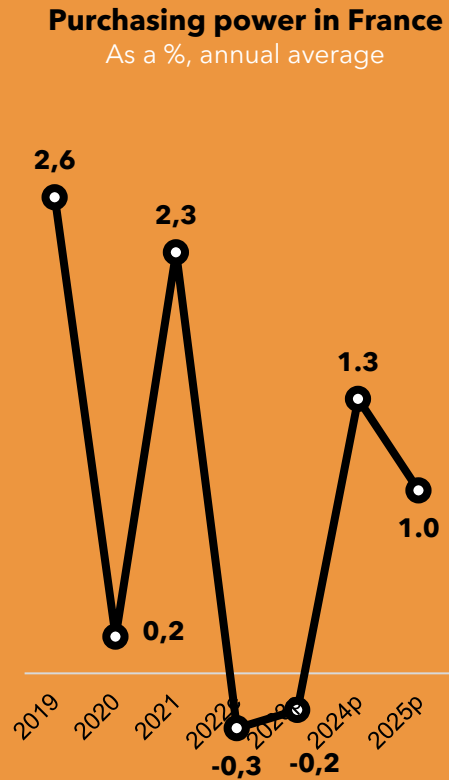
2022 HIGHLIGHTS

- **The surge in inflation** has weighed on household consumption and retailer profitability.
- Very varied situations **between expansion and streamlining strategies**.
- **Difficulties of historical players** (Camaïeu, Go Sport, etc.).
- **Continued strong demand** from certain sectors (fast food, discount, sport and leisure, health, mobility, etc.).
- Organic products are running out of steam and **quick commerce comes to a halt**.
- Continued development of **urban formats for out-of-town retailers** (Aldi, Animalis, etc.).
- **Stabilisation of vacancy** on the main Parisian streets.
- **Strength of the luxury market** against the backdrop of a sharp rise in international tourist numbers.
- Shopping centres: continued decrease in the number of openings and **almost no major new projects**.

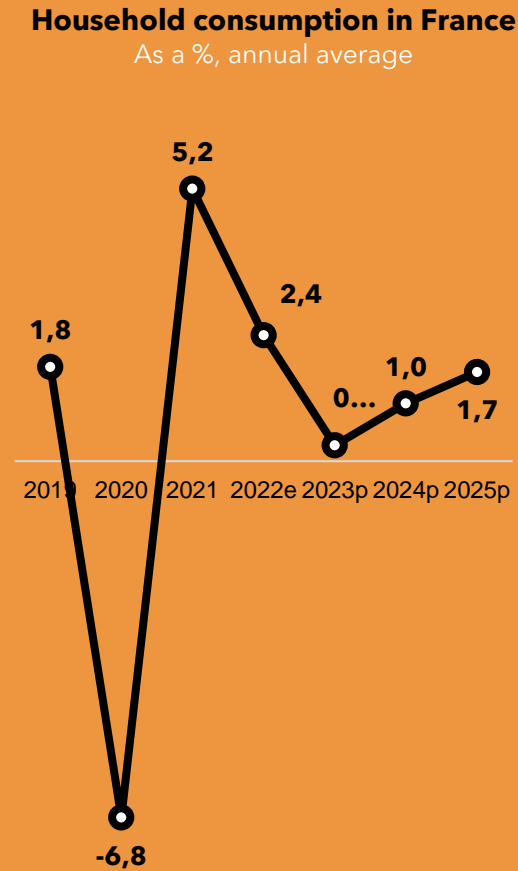
THREATS TO CONSUMPTION

Following a clear rebound in consumption in 2021, it continued to grow in 2022 but at a much slower pace due to the outbreak of the Russian-Ukrainian conflict, which caused inflation to soar and household confidence to fall to its lowest level since 2013.

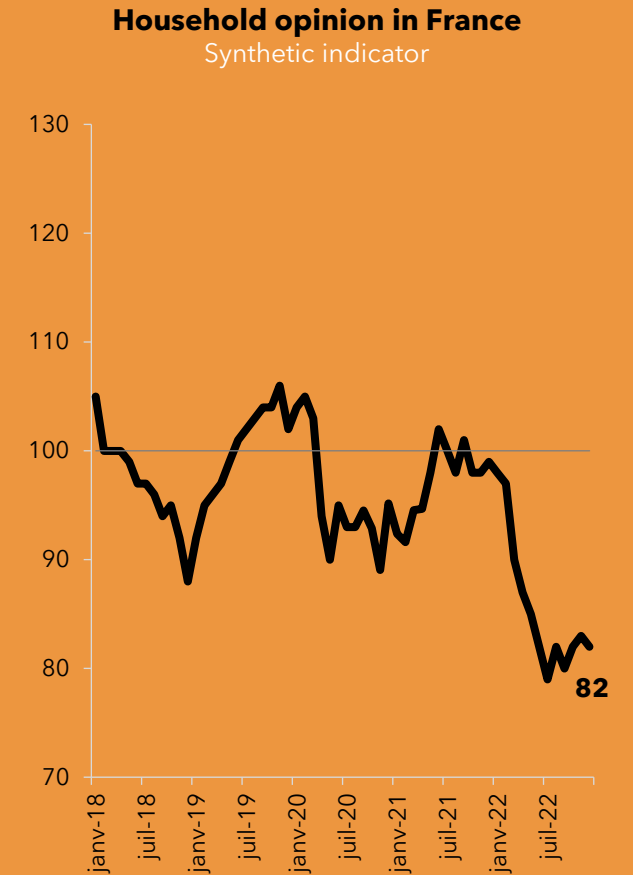
In 2023, household consumption is expected to stagnate as a result of continued high inflation and the deteriorating economic situation. The decrease in purchasing power, the deterioration of the labour market and the pension reform project are also expected to exacerbate social risks. Inflationary pressures could nevertheless ease as the months go by and economic activity could pick up in 2024 and 2025. Until then, the French will be inclined to focus their spending on essential goods such as energy and groceries.



Sources: INSEE, Banque de France



Sources: INSEE, Banque de France



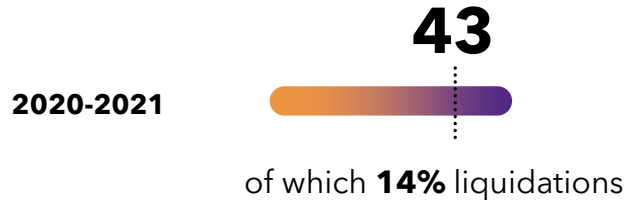
Sources: INSEE, Banque de France

A STILL LARGE NUMBER OF PROCEDURES

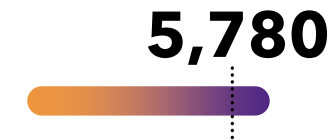
Across all sectors, 14 retailers were subject to legal procedures in 2022. This brings the total number to 57 since the start of the health crisis, 40% of which were in the clothing sector. The fashion sector also saw the largest liquidation since the beginning of the Covid-19 pandemic in 2022, with the demise of CAMAIEU. Other important names in the clothing industry, such as BURTON and SAN MARINA, were also affected by legal procedures.

So far, bankruptcies have been relatively limited. However, some of the companies that have been taken over remain vulnerable. Moreover, the list of procedures could increase in 2023 due to a less favourable economic context, the repayment of state-guaranteed loans and higher costs, whether in terms of supply, personnel or energy.

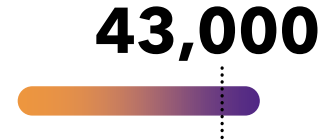
NUMBER OF PROCEDURES



NUMBER OF SHOPS

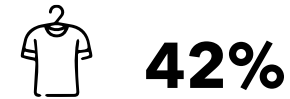


NUMBER OF EMPLOYEES



MOST AFFECTED SECTOR

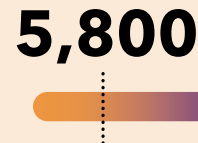
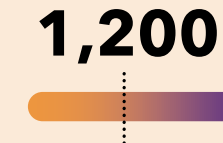
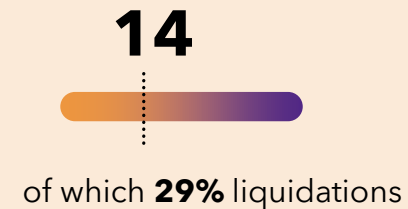
% of number of brands



EXAMPLES OF BRANDS



2022



Source: Knight Frank

COSTS ARE ERODING RETAILERS' PROFITABILITY

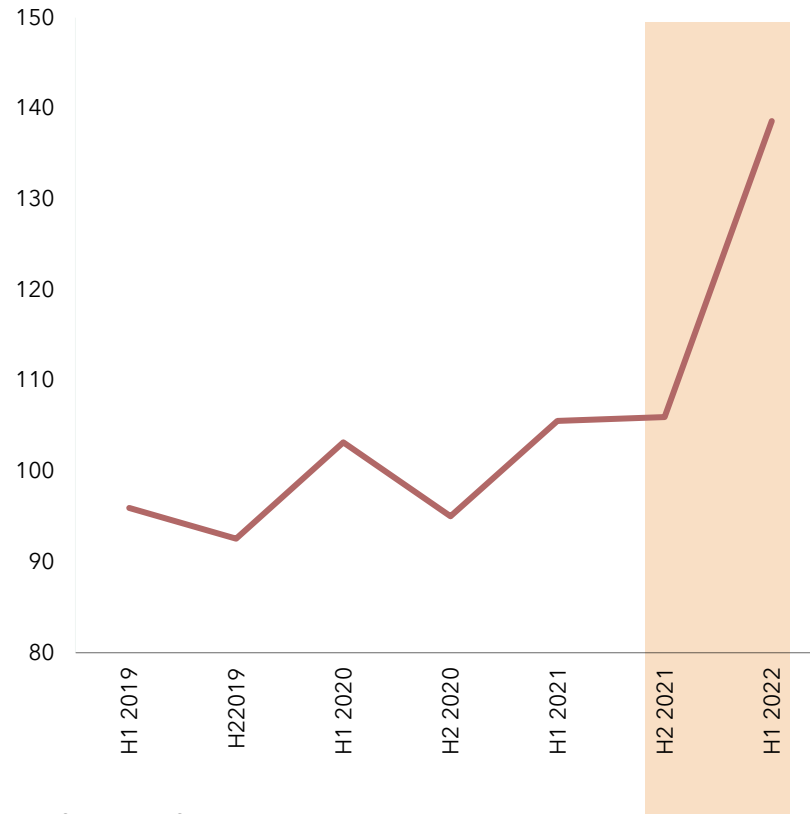
In addition to rising energy prices, which are particularly challenging for sectors such as restaurants, retailers are also facing rising occupancy costs. The commercial rent index ("ILC") was up 5.37% year-on-year at the end of Q3 2022.

In 2023, the impact of the increase in charges on retailers will remain significant. These will weaken certain players and push retailers, the vast majority of whom do not benefit from a cap on the ILC index, to renegotiate their property costs further. More generally, the next few months will see an increase in streamlining operations, which will result in an increase in the number of closures due to brands wanting to cut back by getting rid of their worst-performing shops.



Changes in electricity prices for businesses

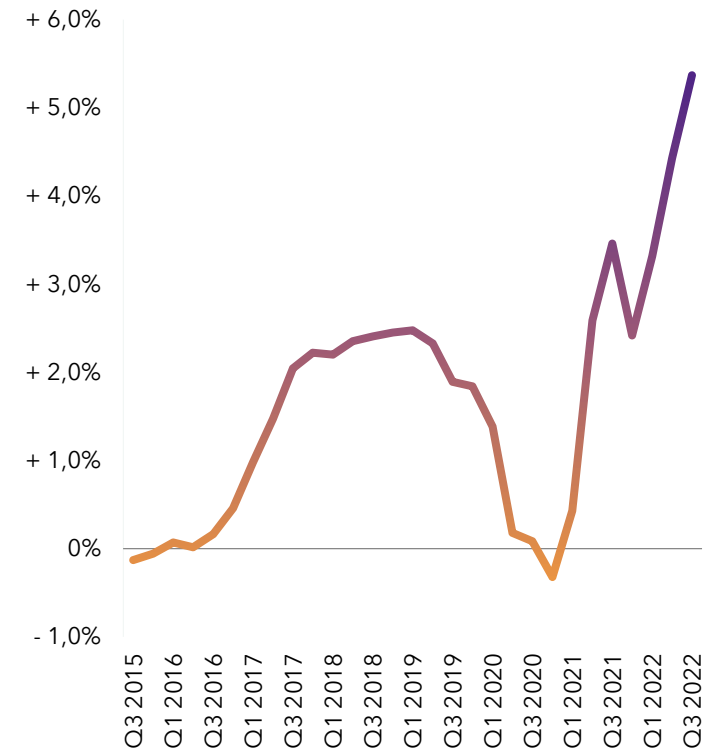
In €/MWh (in euros at current prices), weighted average of all prices



Source: INSEE

Change in the commercial rent index ("ILC")

Annual change as a %



Source: INSEE

FASHION: BETWEEN STREAMLINING AND EXPANSION

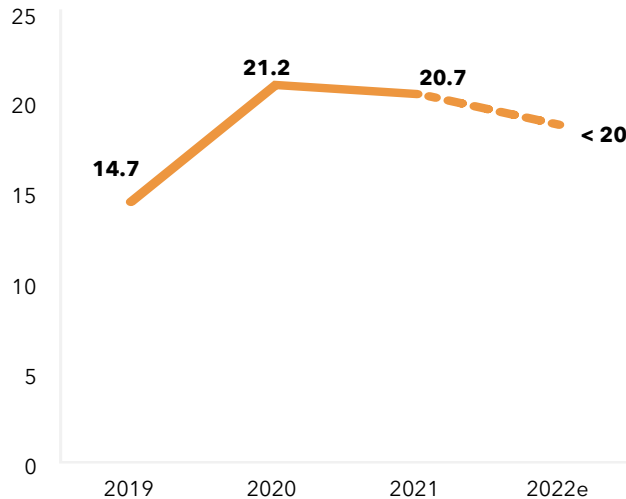
The clothing sector is primarily affected by property streamlining strategies. The trend, which is not unique to France, is accelerating and is not just limited to brands in difficulty. Since 2020, the INDITEX group has reduced its number of shops by 12% worldwide (compared to 8% for the H&M group).

Although the clothing sector remains highly exposed to retailer

and household choices, it nevertheless retains a central position in the French retail market. A few major chains, such as KIABI, PRIMARK and MANGO, have strong ambitions and are expanding by opening new stores in medium-sized towns. Fashion also accounts for a significant proportion of new foreign arrivals (33% of arrivals in France in 2022) and of openings on the main Parisian streets (37% in 2022).

Online sale: decreasing but still high

Share of online sales in clothing, as a % in France

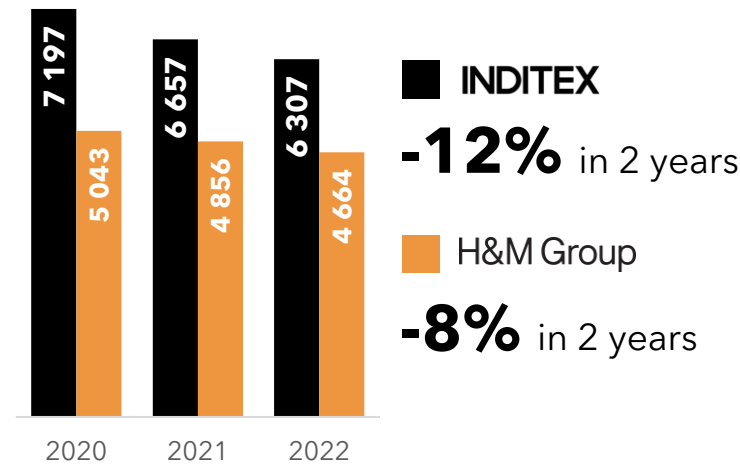


Source: Fevad

The giants are streamlining

Number of shops globally

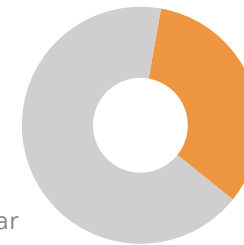
At the end of August (H&M) and end of October (Inditex) each year



Sources: Inditex et H&M

Others are expanding or resuming their expansion

Fashion accounts for:



33%

of new foreign arrivals to France in 2022



37%

of retailers opening a shop on a main Parisian street in 2022*.

Source: Knight Frank / *Sample of 12 streets analysed by Knight Frank

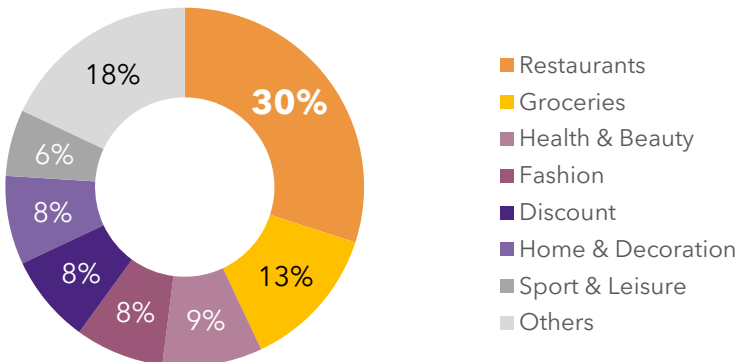
CONTINUATION OF DEVELOPMENT PLANS

Among the dynamic sectors, the food sector is very active, in the convenience category with the multiplication of FRANPRIX shops as well as in the discount category with the numerous openings of ALDI and the recent or future arrivals of the Spanish PRIMAPRIX and ATACADAO, the Brazilian brand of the CARREFOUR group. The reduction in purchasing power and the migration of consumers towards discount stores have already favoured the expansion of low-price brands for several years: between 2019 and 2022, the cumulative number of shops of six discount brands (ACTION, STOKOMANI, CENTRAKOR, GIFi, B&M AND NORMAL) has risen from 1,540 to just over 2,000 in France (+33% over the period).

Discount chains are not the only ones to expand. Expansion plans remain dynamic in other areas, such as restaurants: of the 170 or so significant development projects identified by Knight Frank in 2022, almost a third concern restaurants, driven by the success of fast food and the franchise model. The mobility sector, which will benefit in 2023 from the extension of national aid for the purchase of a bicycle, the medical sector and sports and leisure are also dynamic.

Dynamism of restaurants...

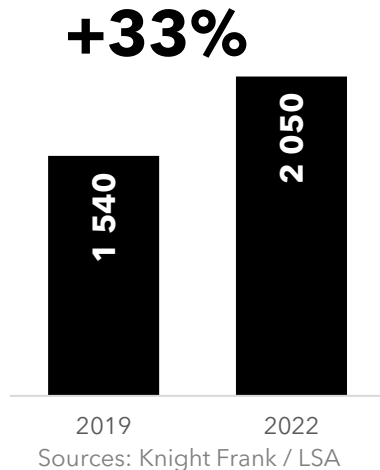
Breakdown of expansion plans by activity sector
Of the total number of brands that have communicated expansion plans in France in 2022, all formats combined



Source: Knight Frank

...discount stores...

Change in the number of shops of 6 discount brands in France



... and sport

Opening of sports stores in shopping centres inaugurated since 2019 in France

Number of shops opened in these centres*



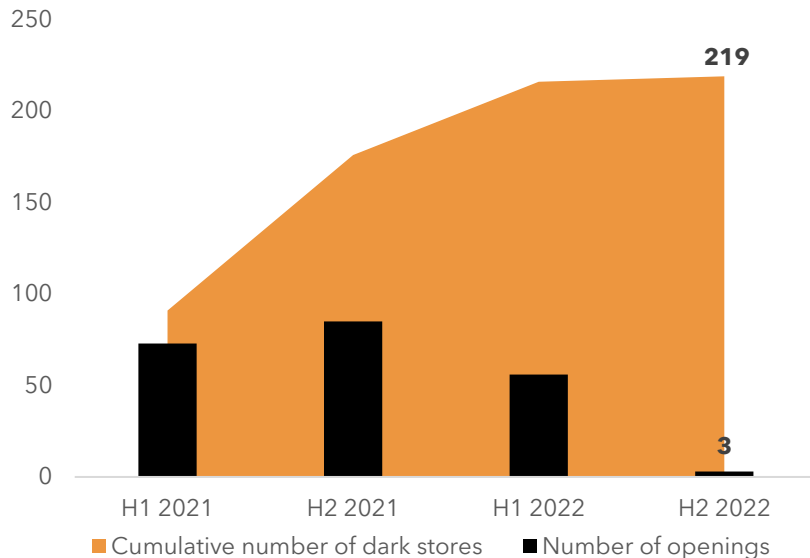
Source: Knight Frank

QUICK-COMMERCE COMES TO A HALT

A year ago, the quick commerce sector comprised about ten players, but now there are only three following several closures (KOL, ZAPP, YANGO DELI) and buyouts (GORILLAS bought by GETIR). The number of dark store openings has also fallen sharply: of the 220 or so premises in France at the end of 2022 (of which a little more than a third was in Paris), only forty or so opened last year, almost all of them in the first half of the year.

The end of expansion

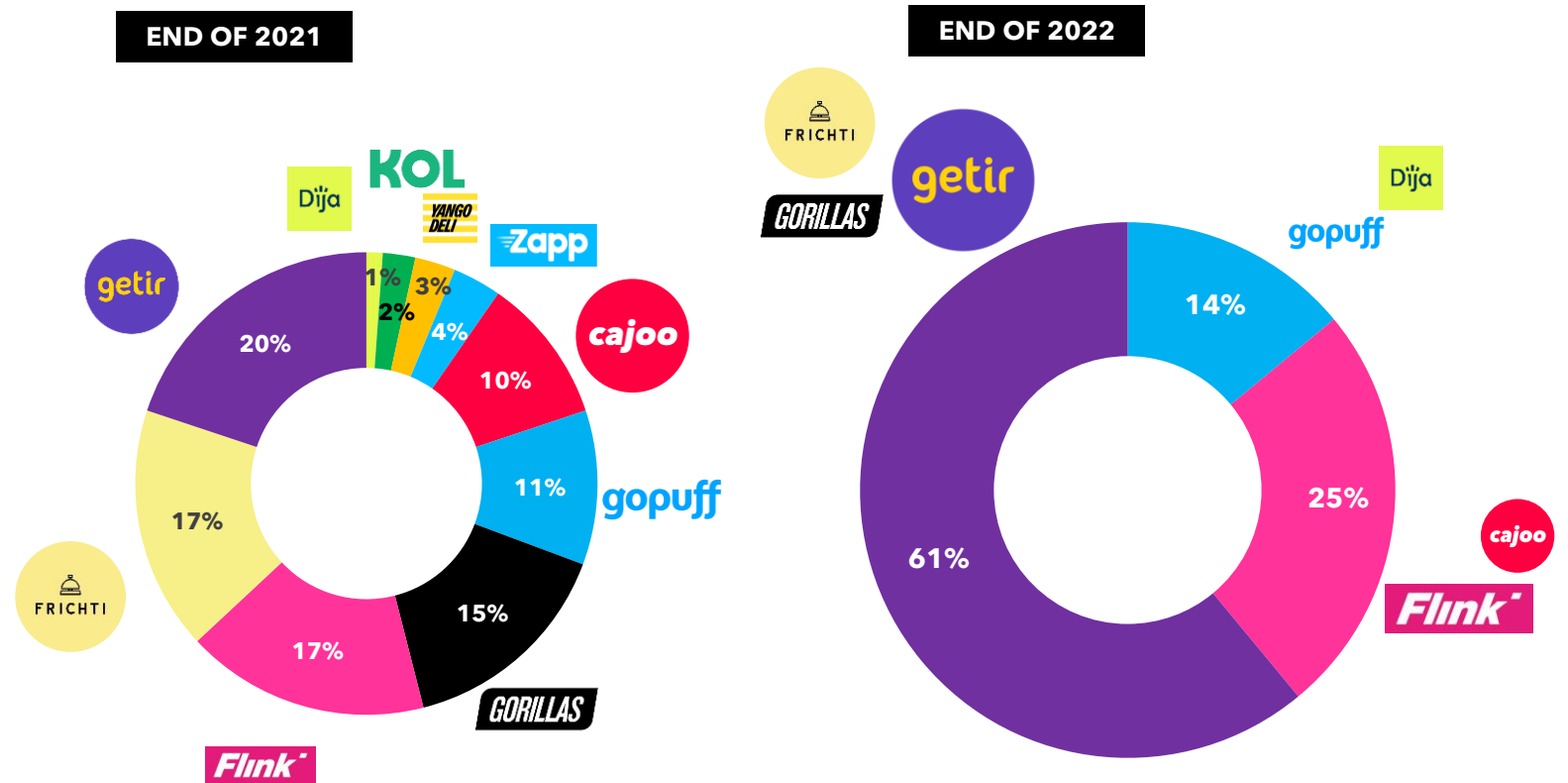
Change in the number of dark stores in France



Source : Knight Frank

A highly concentrated market

Breakdown of the number of dark stores in France by player
Out of the total number as a %



Source : Knight Frank

CONFIRMED APPEAL

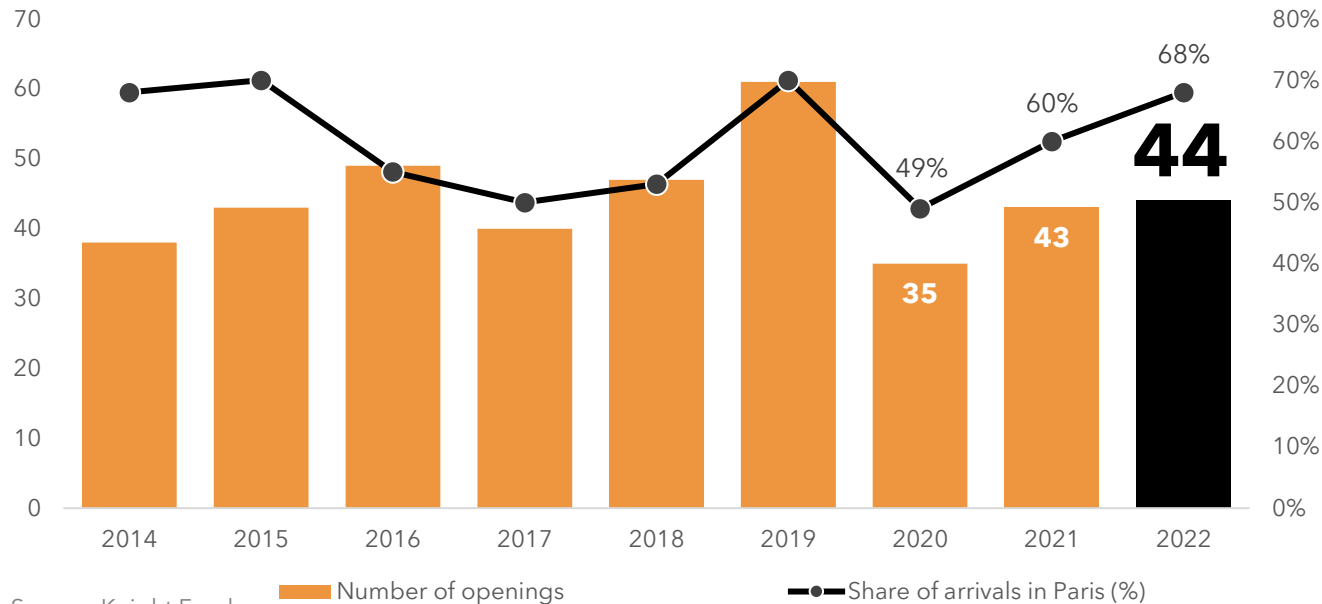
Across all sectors, 44 foreign brands opened their first shop in France in 2022, after 43 in 2021 and 35 in 2020. The pace is not expected to slow down in 2023 and around thirty projects have already been identified, including a significant number in Paris, such as SIGNORVINO on Place Saint-Michel, HAUSER & WIRTH on Rue François 1er and PALM ANGELS on Rue Saint-Honoré.

In 2022, out of the 44 identified in France, 30 new players have set up in the capital following 26 in 2021, in various sectors such as mobility, decoration, beauty, catering and, above all, clothing (BROWNIE, ARKET, STUSSY, MACKAGE, GANNI, etc.). Most of them have opened in the Marais and the Rue Saint-Honoré area, which is usually the best place for a first French shop.

A few more new players

Change in the number of new players

Number of first shops opened in France by new foreign brands



Source: Knight Frank

Number of openings

Share of arrivals in Paris (%)

2022 arrivals

Examples



And in 2023?

Examples of expected arrivals in France in 2023



Source : Knight Frank

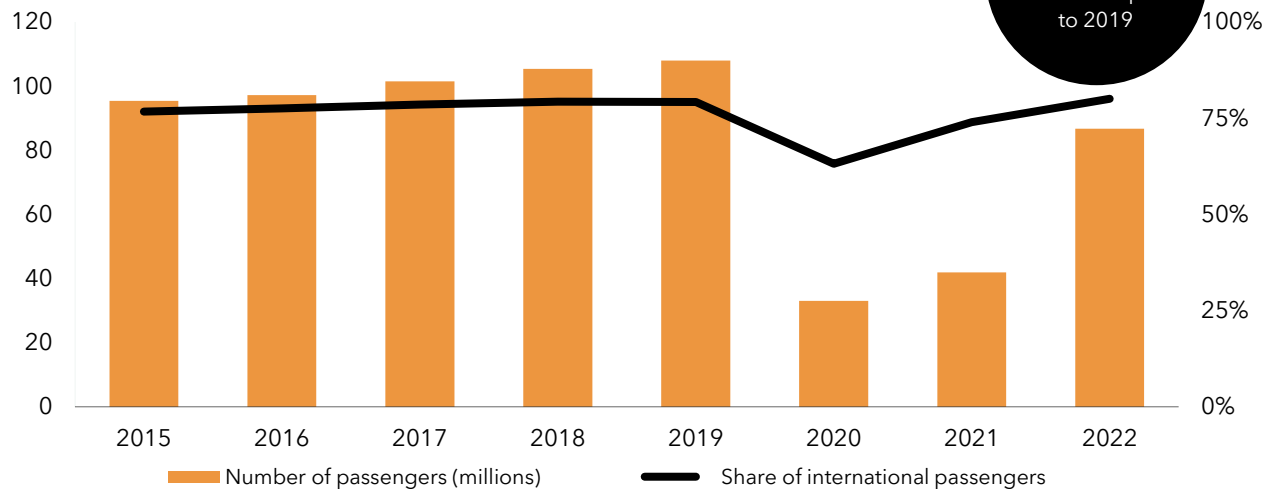
TOURISTS HAVE RETURNED TO PARIS

In 2022, the Paris retail market benefited from the continued recovery in international tourism. With 86.7 million arrivals at Paris airports, 80% of which were foreign passengers, traffic is up 107% compared to 2021 and is gradually approaching the 2019 level (-20%). Furthermore, the occupancy rate of hotels in the Greater Paris Region has returned to the 80%

threshold after having plunged below 20% at the height of the health crisis. The past year has confirmed the return of Americans, usually high-spending customers attracted by a favourable exchange rate. On the other hand, the number of Asian tourists is not expected to return to its pre-crisis level before 2024 or 2025.

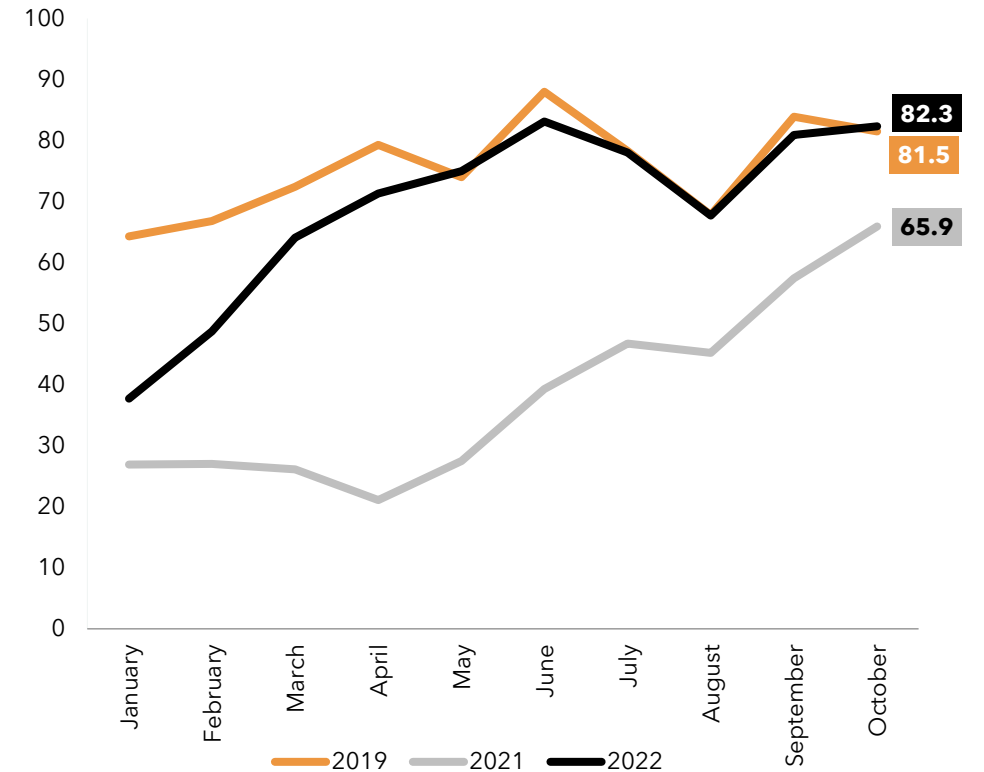
Sharp increase in air traffic

Traffic at Paris airports
Number of passengers in millions, at Roissy CDG and Orly



Hotels: back to pre-Covid levels

Occupancy rate of hotels in the Greater Paris Region
As a %, from January to October of each year



Sources: INSEE, DGE, CRT

EXAMPLES OF 2022 TRANSACTIONS AND OPENINGS

BRAND	ADDRESS	TOWN / ARRONDISSEMENT	AREA SQ M
ZARA	74 AVENUE DES CHAMPS-ÉLYSÉES	PARIS 8	3,500
KERING / GUCCI	235 RUE SAINT-HONORÉ, 12-14 RUE CASTIGLIONE	PARIS 1	2,320
FABRIQUE DE STYLES	18 BOULEVARD DES CAPUCINES	PARIS 9	1,650
SAINT LAURENT	35-37 AVENUE MONTAIGNE	PARIS 8	1,540
ZARA	88 RUE DE RIVOLI	PARIS 4	1,480
UBALDI	30 PLACE DE LA MADELEINE	PARIS 8	1,090
VALENTINO	35-37 AVENUE MONTAIGNE	PARIS 8	1,050
FRANK NAMANI	38 AVENUE GEORGE V	PARIS 8	1,010
HAUSER & WIRTH	26 BIS RUE FRANÇOIS 1 ^{ER}	PARIS 8	800
DIESEL	223 RUE SAINT-HONORÉ	PARIS 1	780
LULULEMON	38-40 AVENUE DES CHAMPS-ÉLYSÉES	PARIS 8	780
VAN MOOF	157 AVENUE DE FRANCE	PARIS 13	500
MORGAN	106-108 RUE DE RIVOLI	PARIS 1	460
JACQUEMUS	58 AVENUE MONTAIGNE	PARIS 8	450

Source: Knight Frank

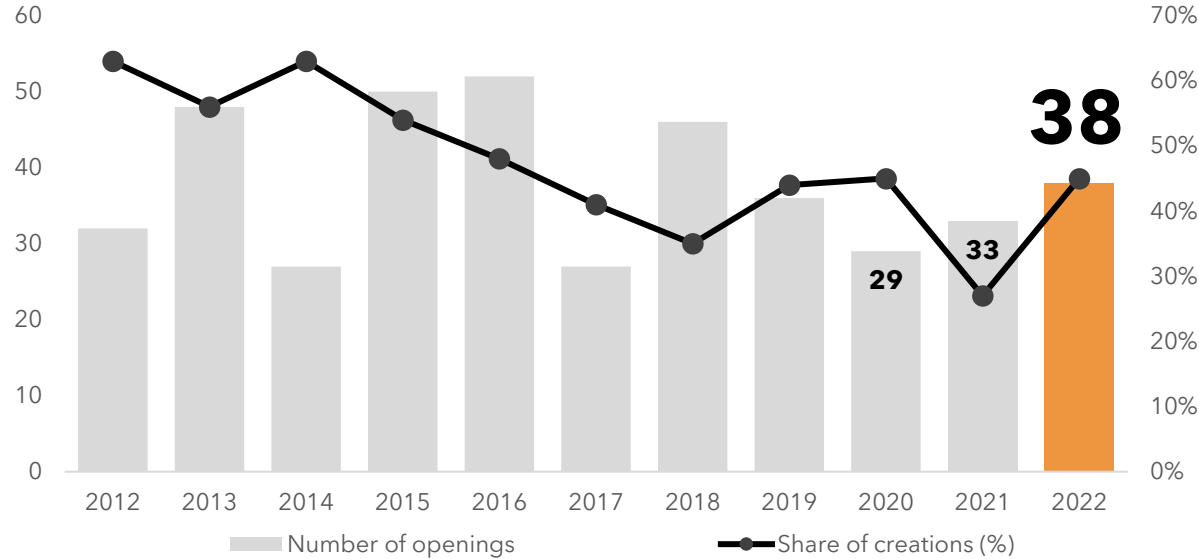
LUXURY: CONFIRMED RECOVERY

38 luxury shop openings were identified in Paris for 2022, five more than in 2021 and nine more than in 2020. Iconic projects have also been opened, such as CARTIER at 13 rue de la Paix, DIOR at 30-32 avenue Montaigne and CHANEL at 21 rue du Faubourg Saint-Honoré. This trend will

continue in 2023 and 2024, with the expected openings of SAINT LAURENT on avenue des Champs-Élysées and avenue Montaigne, and GUCCI and ALEXANDER MCQUEEN on rue Saint-Honoré.

Increase in openings

Change in the number of luxury shops opened* in Paris
Openings identified in Paris



Source: Knight Frank / * Creations, renovations/extensions, transfers and temporary shops.

Significant openings in 2022

Renovations - extensions - transfers



Others



Some 2023-2024 projects

Renovations - extensions - transfers



Others



LUXURY: CONFIRMED RECOVERY

Rue Saint-Honoré continues to concentrate the largest share of luxury boutique openings. The Golden Triangle has confirmed its return to the forefront. Avenue Montaigne will be in the spotlight in 2022 with several iconic openings (DIOR, JACQUEMUS, etc.), and will also be the focus of attention in the coming months with the transfer of SAINT LAURENT and VALENTINO. Several openings are also expected on Avenue George V and Rue François 1er.

One of the characteristics of several recent and future projects is their heritage dimension and the integration of a restaurant offer, such as the flagship reopened by DIOR at 30-32 avenue Montaigne and LOUIS VUITTON's projects near the Pont Neuf ("LV Dream" exhibition, patisserie), symbolic of the diversification of the luxury giants.

The hierarchy has barely changed

Top 3 hottest luxury streets

Share of each street in the total number of luxury shops opened in Paris*, as a %

TOP 3 IN 2022

RUE SAINT-HONORÉ



AVENUE MONTAIGNE



RUE DU FAUBOURG SAINT-HONORÉ



TOP 3 FOR THE LAST 10 YEARS

RUE SAINT-HONORÉ



PLACE VENDÔME / RUE DE LA PAIX



AVENUE MONTAIGNE



Formats are changing

HISTORIC FLAGSHIPS



EXCLUSIVITIES / COLLABORATIONS



LIFESTYLE



SECOND HAND



DECREASING VACANCY

The strength of the Parisian market is also illustrated by the change in retail vacancy. In one year, the average vacancy rate for the 12 main streets analysed by Knight Frank has fallen by almost 2 points, with the most significant falls on Rue du Faubourg Saint-Honoré and Rue Saint-Honoré, Rue des Francs Bourgeois, Boulevard Saint-Michel and Rue de Rivoli. This positive observation nevertheless needs to be qualified: over the last 6 months, the vacancy rate has in fact

stabilised (-0.5 points) and sometimes remains high, such as on Avenue de l'Opéra and Boulevard Saint-Michel. It is difficult to know whether retail vacancy has bottomed out or whether it will resume its downward trend in 2023. In any case, the take-up of supply will depend on the dynamism of consumption and the arrival of foreign tourists, on the incentives granted by landlords and on the continuation of the expansion plans of retailers.

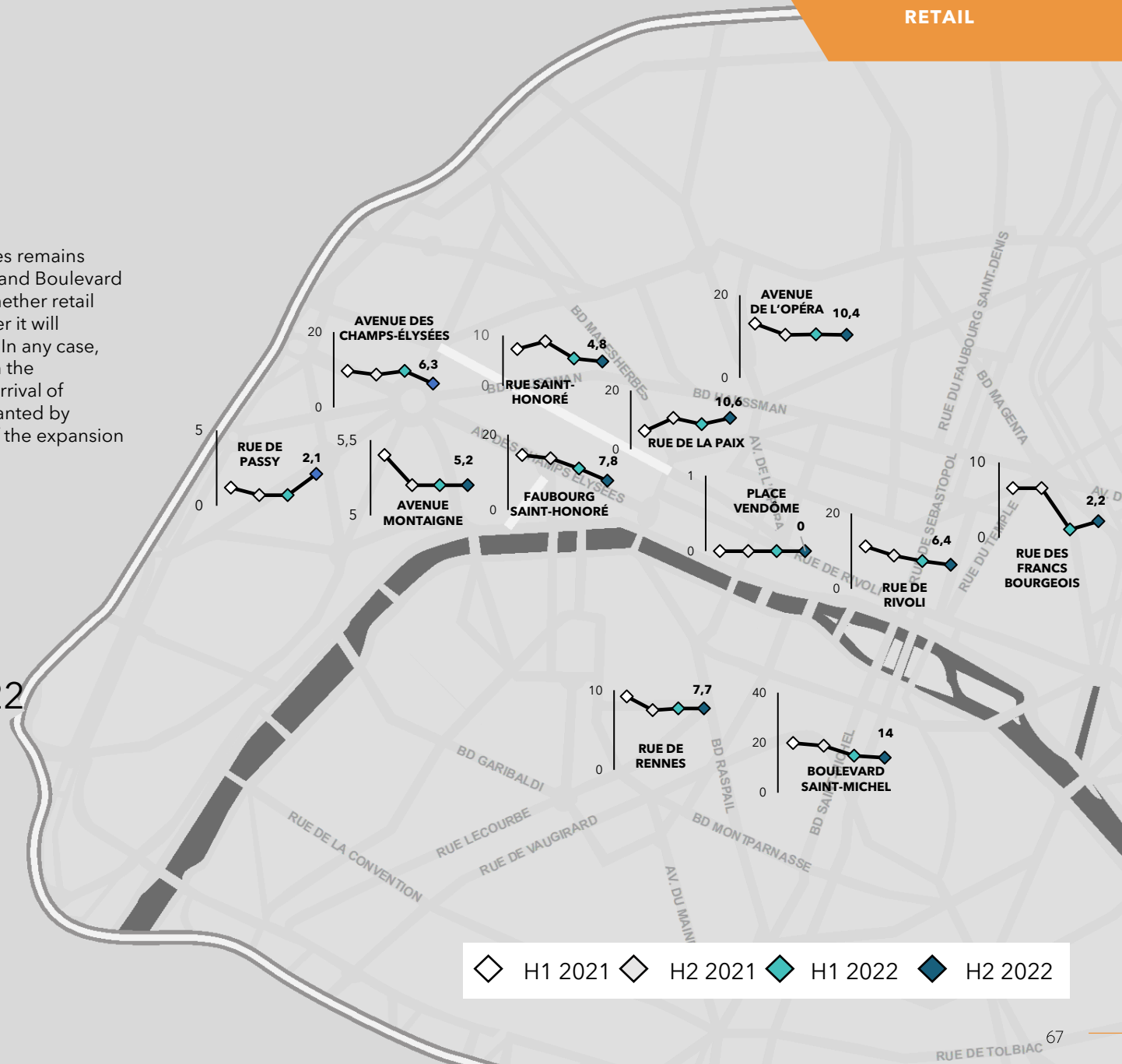
Has vacancy reached a low point?

Change in vacancy rate in Paris*
On some No. 1 streets and prime sections of No. 1 streets

Average vacancy rate **6.5%** at the end of 2022

-1.8 pt compared to the end of 2021

-0.5 pt compared to mid 2022



Source: Knight Frank /* excluding strategic vacancy and projects

THE HEART OF PARIS CONTINUES ITS TRANSFORMATION

The change in retail vacancy in Paris will also depend on the fate of a number of major refurbishment projects, recently or soon to be completed, on key Parisian streets such as the Champs-Élysées and Boulevard Haussmann. Other major operations are currently being launched, illustrating the continuing transformation of the hyper centre of Paris, as witnessed by the renaissance of the Rue de Rivoli. As the backbone of the right bank's retail scene, the vacancy rate has fallen sharply since the beginning of 2021. Benefiting

from the gradual renewal of the retail supply, and less focused than before on clothing, Rue de Rivoli will also benefit from the transformation of the former C&A building at No. 126, and from the fruition of cultural projects (Fondation Cartier, expected in 2025 opposite the Louvre) and hotels (Louis Vuitton hotel opposite the Samaritaine).

The renaissance of rue de Rivoli

Change in the vacancy rate on the street (%)*



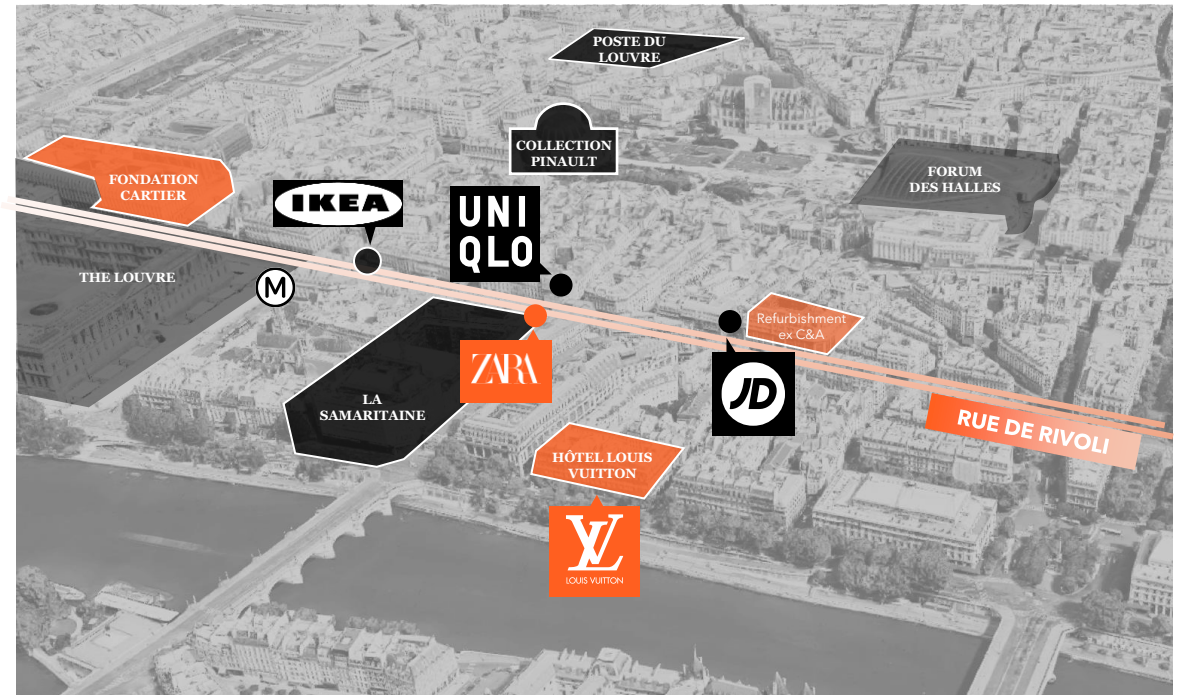
Identified movements between 2019 and 2022



Fashion accounts for:



● 2019-2022 openings Examples
● Upcoming projects Examples



Source: Knight Frank / * On the rue du Louvre - BHV section.

MARKET RENTS

Although market rents were corrected at the height of the health crisis, with sometimes significant drops of 10 to 20%, the situation has changed with the recovery in footfall and letting activity. Recent signings and transactions underway in streets and districts such as Rue Saint-Honoré, the Marais and the Champs-Élysées show levels that are equivalent to, or even higher than, those prevailing before the outbreak of the Covid-19 pandemic.



Contrasting changes

Ranges of prime market rents in Paris

STREET / DISTRICT	PRIME MARKET RENT END OF 2020	PRIME MARKET RENT END OF 2021	PRIME MARKET RENT END OF 2022	LEVEL OF DEMAND END OF 2022
Avenue des Champs-Élysées	16,000 - 20,000	13,000 - 15,000	13,000 - 15,000	● ●
Avenue Montaigne	12,000 - 15,000	11,000 - 13,000	11,000 - 13,000	● ●
Rue du Faubourg Saint-Honoré	12,000 - 15,000	12,000 - 14,000	10,000 - 12,000	● ●
Rue Saint-Honoré	12,000 - 15,000	10,000 - 12,000	11,000 - 13,000	● ● ●
Boulevard Haussmann	5,000 - 6,000	4,000 - 5,000	4,000 - 5,000	●
Marais	4,000 - 5,000	4,000 - 4,800	4,000 - 5,000	● ● ●
Rue de Sèvres / Bd Saint-Germain	3,000 - 4,000	2,500 - 3,500	2,500 - 3,500	● ●
Capucines / Madeleine	3,000 - 4,000	2,500 - 3,500	2,500 - 3,500	●
Rue de Rivoli	2,000 - 3,000	2,000 - 3,000	2,000 - 3,000	● ●
Rue de Rennes	2,000 - 3,000	2,000 - 3,000	2,000 - 3,000	● ●
Rue de Passy	2,000 - 3,000	2,000 - 3,000	2,000 - 3,000	● ● ●

Source: Knight Frank

Low  High

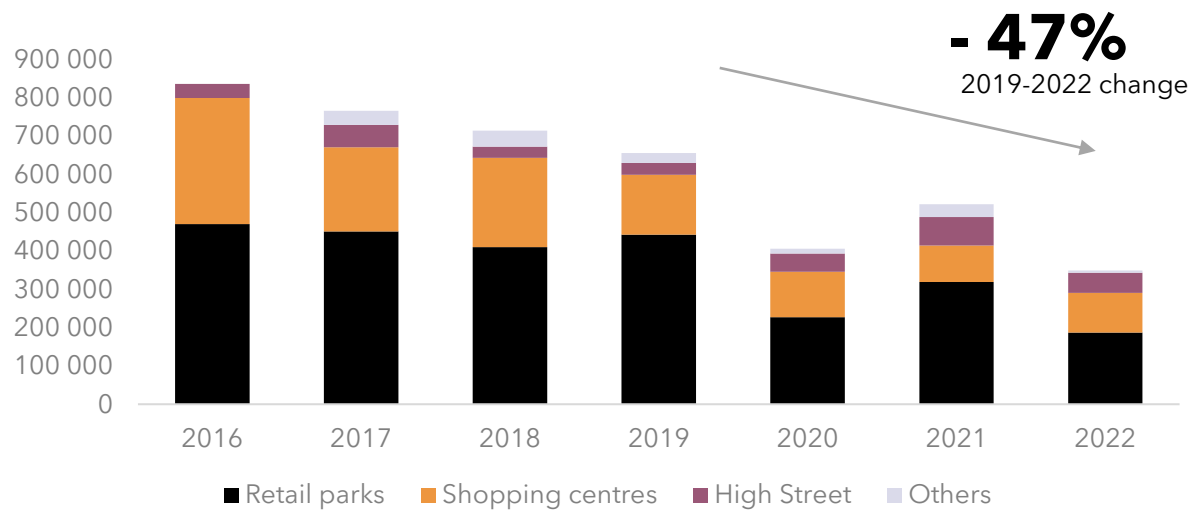
FURTHER DECREASE IN OPENINGS

Across all formats, just under 350,000 sq m of new retail space opened in 2022 in France, down 37% on 2021 and 42% on the average for the five years prior to the health crisis. With 60% of new developments created from scratch, the volume of

new sq m opened in 2022 is even 14% lower than the low point in 2020, when several projects were postponed due to the outbreak of the Covid-19 pandemic.

Half as many new properties

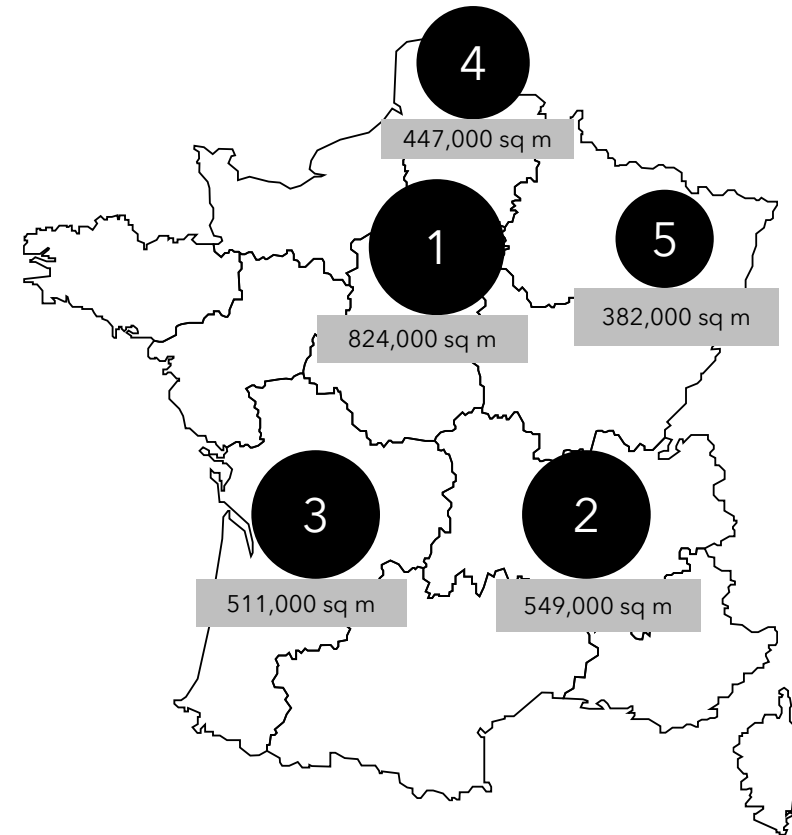
Change in the number of retail properties opened, all formats included
In France, in sq m



Source: Knight Frank

Top 5 regions

Regions with the highest volume of openings
All formats, in France between 2016 and 2022



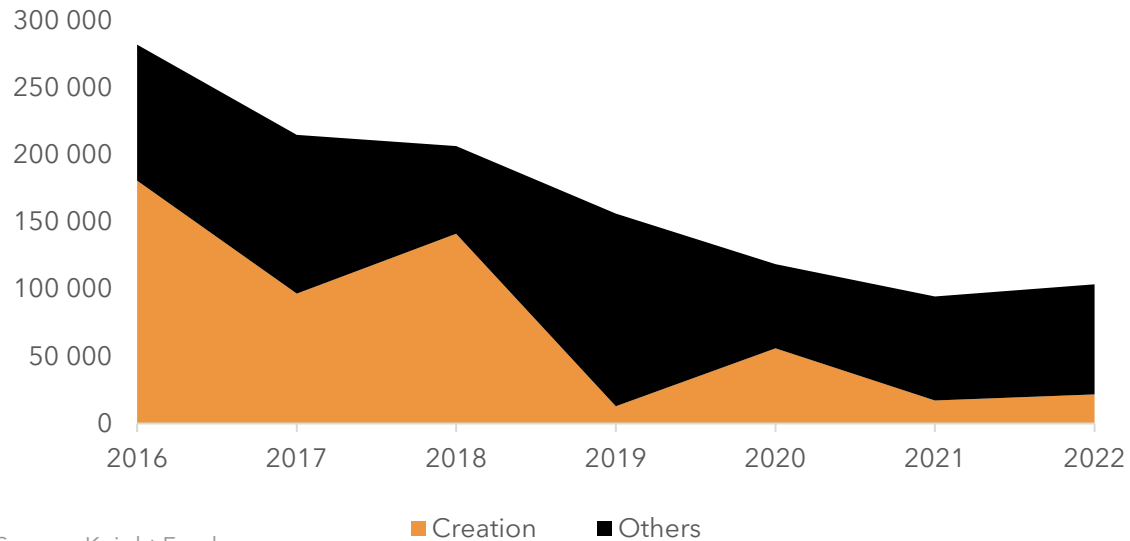
SHOPPING CENTRES: AT ROCK BOTTOM

After falling in 2021, the number of shopping centre openings picked up again in 2022 (+10%) owing to the inauguration of some major projects such as the "Ateliers Gaité" near the Montparnasse station in Paris. However, the trend is still towards a reduction in new developments,

with the sq m of shopping centres opened in 2022 being 52% lower than the average for the four years prior to Covid. Furthermore, new developments started from scratch have virtually disappeared (less than 40,000 sq m in the last two years).

Stabilisation at a very low level

Change in the number of shopping centre openings
In France, in volume of sq m



Source: Knight Frank

■ Creation ■ Others



+10%

year-on-year increase in new sq m of shopping centres in 2022

-52%

compared to the average of the 4 years prior to Covid

SHOPPING CENTRES: EXAMPLES OF PROJECTS

2022 AND 2023 OPENINGS IN FRANCE

YEAR	CENTRE	TOWN	TYPE	AREA (SQ M)
2022	LES ATELIERS GAITÉ	Paris (75014)	Extension / Redevelopment	30,700
2022	LES TROIS FONTAINES	Cergy (95)	Extension / Redevelopment	22,500*
2022	ROCADEST	Carcassonne (11)	Creation	14,800**
2022	GALERIES LAFAYETTE	Anncy (74)	Extension / Redevelopment	10,000
2023	LE SPOT	Evry (91)	Extension / Redevelopment	30,000
2023	GRAND PLACE	Grenoble (38)	Extension / Redevelopment	16,000
2023	ODYSSEUM	Montpellier (34)	Extension / Redevelopment	15,000
2023	CNIT	Puteaux (92)	Extension	10,000
2023	LA VIGIE	Geispolsheim (67)	Extension / Redevelopment	10,000

Source: Knight Frank / * In addition to the opening of a restaurant hub in 2020 and 7,000 sq m of leisure space in 2023 / **The project also includes a 13,000 sq m retail park / ***Extension related to the opening of Primark

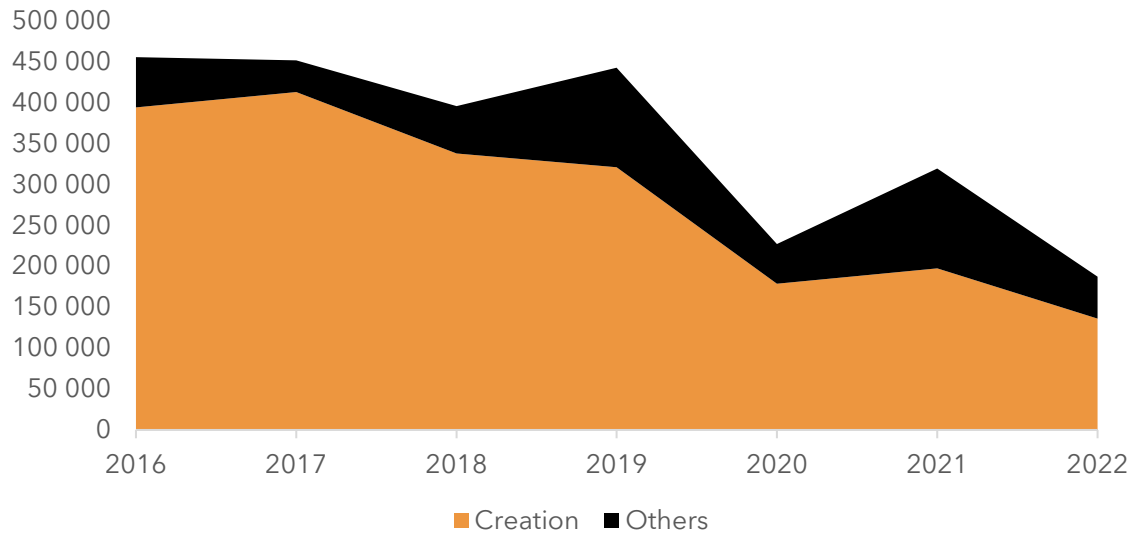
RETAIL PARKS: AT THEIR LOWEST LEVEL

While shopping centre openings increased slightly in 2022, the volume of new retail parks has fallen by 41% compared with 2021. With 187,000 sq m opened in France last year, retail park openings have even reached their lowest level since the emergence of this retail format in the early 2000s.

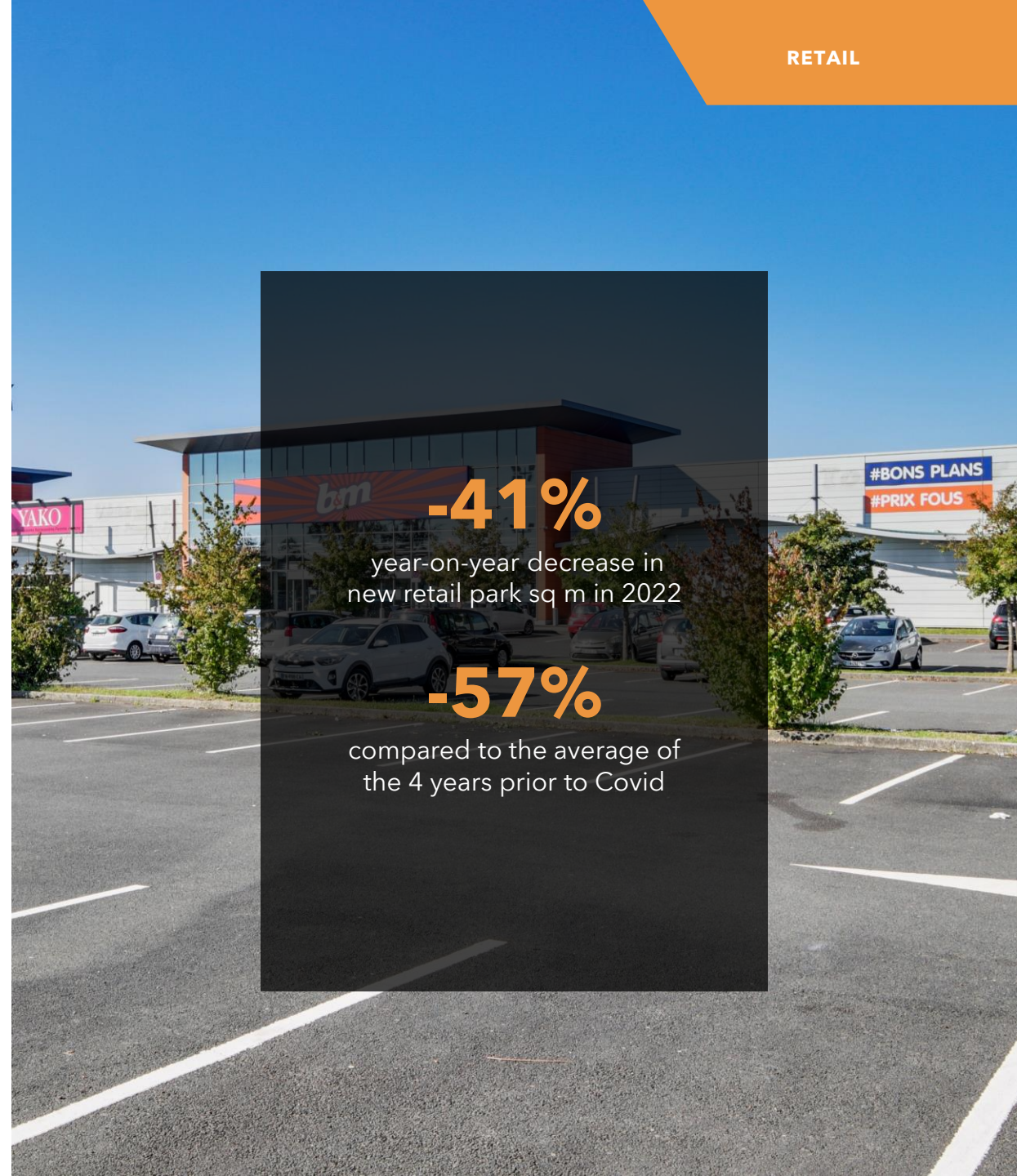
Although a few major developments are still expected, including Neyrpic near Grenoble, the time for all-out expansion seems to be over, against a backdrop of the maturing of the French retail stock and increasing administrative constraints limiting land artificialisation.

Return to a downward trend

Change in retail park openings
In France, in sq m



Source: Knight Frank



-41%
year-on-year decrease in
new retail park sq m in 2022

-57%
compared to the average of
the 4 years prior to Covid

RETAIL PARKS: EXAMPLES OF PROJECTS

2022 AND 2023 OPENINGS IN FRANCE

YEAR	CENTRE	TOWN	TYPE	AREA (SQ M)
2022	PARENTHESSES	Persan (95)	Creation	25,700
2022	MAJUSCULE	Marmourtier (67)	Creation	15,000
2022	ROCADEST	Carcassonne (11)	Creation	13,000*
2022	PROMENADE MOLEON	Langon (33)	Extension / Redevelopment	10,000
2022	ZAC DU CENTRE	Decazeville (12)	Creation	9,700
2023	NEYRPIC	Saint-Martin-d'Hères (38)	Creation	34,000
2023	OTIUM	Dreux (28)	Creation	27,000
2023	LE MASCARET	Bègles (33)	Extension	12,000
2023	ZONE DES PIERRES BLANCHES	Denain (59)	Creation	10,000
2023	FIRST	Herblay (95)	Extension	8,900

Source: Knight Frank / * The project also includes a hypermarket and its gallery covering almost 15,000 sq m

2023 OUTLOOK

- Decrease in consumption and **increased arbitration by consumers.**
- Retailers **negatively affected by higher charges** (rent index, energy) and likely **increase in bankruptcies.**
- Priority to network optimisation (closure of the least profitable shops, negotiations with landlords, search for **synergies between brands** from the same groups, etc.).
- "Less but better": **flagships will continue to play a central role.**
- Paris 2024 **Olympic Games:** what are the implications for the Paris market?
- Very large-scale retail **development projects will virtually disappear.**
- Increasing number of conversions of existing assets to mixed-use developments in city centres and suburbs.



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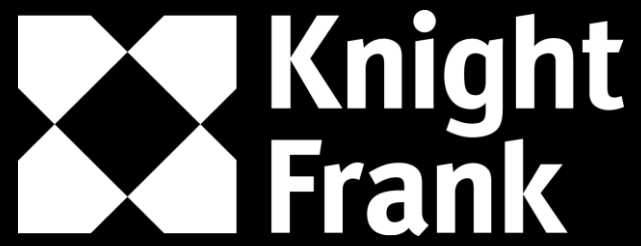
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