



# Office market

RENTAL  
& INVESTMENT

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**Q3 2024**

# SU MM ARY

|     |                              |      |
|-----|------------------------------|------|
| 01. | <u>Economic Context</u>      | p.04 |
| 02. | <u>The Rental Market</u>     | p.08 |
| 03. | <u>The Investment Market</u> | p.19 |
| 04. | <u>Contacts</u>              | p.24 |

## Introduction

# Office Activity in the Greater Paris Region stalls

In line with 2023, the fall in rental activity in the Paris Region continues in 2024. Since January, 1.29 million m<sup>2</sup> of offices were leased or sold to users in the Greater Paris Region market, marking a decrease of 6 % over a year and of 17 % compared with the ten-year average for this period. In total, 37 transactions greater than 5,000m<sup>2</sup> have been recorded in the Paris Region since January, following 41 in the same period in 2023.

With a trend towards rationalisation, companies remain keen to rethink their real estate assets and seize opportunities. In particular, major movements are expected in Paris and the western Paris region in the 4<sup>th</sup> quarter. We therefore anticipate a similar landing than in 2023, in the order of 1.8 to 1.9 million m<sup>2</sup> of office space let.

Investment momentum in The Greater Paris Region office property remains very moderate. In the first nine months of 2024, the amounts committed came close to two billion euros, making this one of the least dynamic periods since 2009.

In the Paris CBD, sales in the third quarter of 2024 and ongoing marketing processes show that prime rates have stabilized since the beginning of the year. However, adjustments are continuing in several outlying areas.



01.

# ECONOMIC CONTEXT

## Economic context

# Moderate Growth

In 2024 in the eurozone

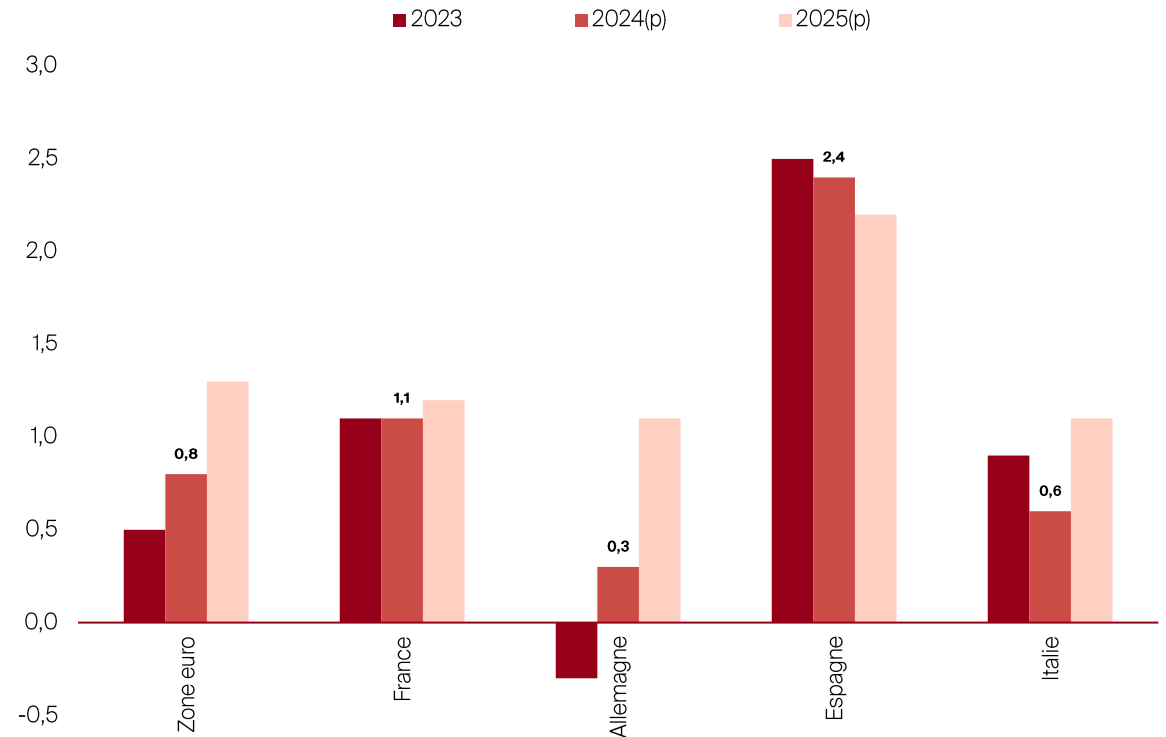
Growth projections, revised last september by the European Central Bank (ECB), **anticipate annual growth of 0.8% in the eurozone in 2024**, after + 0.6% in 2023.

The uncertain geopolitical context and restrictive monetary policies are having an impact on market confidence and the global economic outlook. **Business activity in the eurozone is set to recover more strongly in 2025 and 2026**, with + 1.3 % and + 1.5 % expected respectively.

Despite fluctuations in recent months, **inflation will continue to fall in 2024** (+2.5% on average after+ 5.4% in 2023). Price rises will continue to ease in 2025 and 2026, with the ECB forecasting +2.2% and +1.9% respectively. Against this backdrop, **the eurozone labor market is expected to remain robust**. The **unemployment rate will remain stable** compared to 2023, with 6.5% expected between 2024 and 2026.

### GDP growth in the euro zone

In %, year-on-year



Source : Commission européenne, Banque de France, Bundesbank, Banco de España, Banca d'Italia / (p) projections

## Economic context

# Continued Deflation in France

After having reached + 5.7% in 2023, inflation stood at + 2.5% in 2024, according to the projections of Banque de France. It had already begun to decline at the end of 2023, from +4.2% in the 4<sup>th</sup> quarter of 2023 to + 2.5% in the 2<sup>nd</sup> quarter of 2024. This downturn, partly due to the fall in energy prices, especially electricity, will continue over the coming months if the geopolitical context stabilises. In september 2024, consumer prices are set to rise by 1.2%\* (after +1.8% last August), the slowest pace in three years. Inflation will continue to fall in 2025, averaging 1.5%.

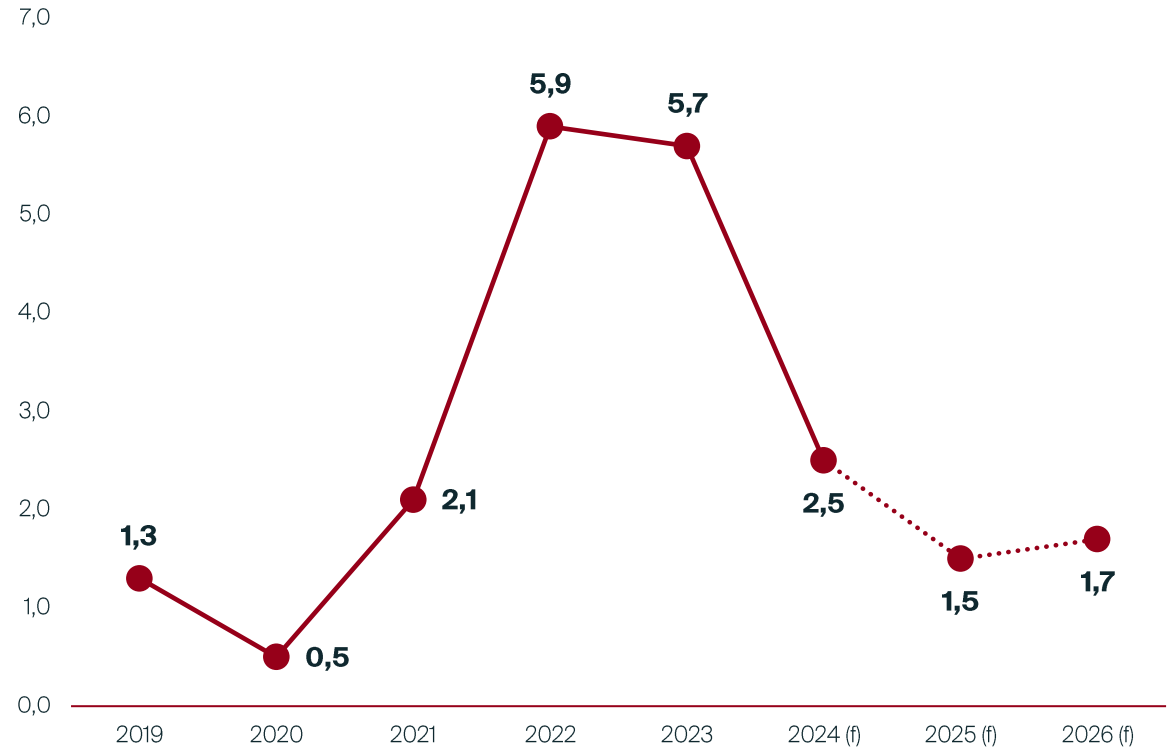
Deflation, coupled with a gradual rise in salaries (+ 2.7% in Q2 2024), will support French purchasing power. Household confidence has continued to recover since mid-2022, reaching 95 in September 2024 (+11 points in one year), although it remains well below the ten-year average.

**The rebound in consumption, essential in supporting growth in 2024, will be more pronounced in 2025.** While the Olympic Games will have a positive effect on economic activity in the 3<sup>rd</sup> quarter of 2024, although this is difficult to quantify at present, the projections of the Banque de France and INSEE remain cautious. **The GDP is forecasted at + 1.1% in 2024, a level similar to that of 2023.** At the end of Q2 2024, the growth assumption was +0.9%. Activity will then gain strength, with growth of 1.2% and 1.5% respectively in 2025 and 2026. **As for the unemployment rate, it will remain at 7.4% in 2024, a level still well below the figure pre-covid** (8.5 % in 2019), before rising slightly in 2025 (7.6%). It will decline in 2026 as economic activity recovers.

\*according to provisional data

### Change of inflation in France

In %, year-on-year



Source : Banque de France / (f) forecasts

## Economic context

# Economic Indicators In France

| In % of annual changes    | 2019   | 2020    | 2021   | 2022   | 2023   | 2024<br>(Forecasts) | 2025<br>(Forecasts) | 2026<br>(Forecasts) |
|---------------------------|--------|---------|--------|--------|--------|---------------------|---------------------|---------------------|
| GDP France                | 1,9%   | - 7.7%  | 6.4%   | 2.6%   | 1.1%   | 1.1%                | 1.2 %               | 1.5 %               |
| PGDP Euro zone            | 1,3%   | - 6.5%  | 5.3%   | 3.6%   | 0.6%   | 0.9%                | 1.4 %               | 1.6 %               |
| Household Consumption     | 1,8%   | - 6.8%  | 5.2%   | 3.0%   | 0.9%   | 0.6%                | 1.3%                | 1.4 %               |
| Unemployment rate         | 8,5%   | 8.0%    | 7.9%   | 7.3%   | 7.3%   | 7.4%                | 7.6%                | 7.5 %               |
| Net job creation ('000)   | 338    | - 199   | 802    | 708    | 321    | 113                 | - 13                | 107                 |
| Inflation                 | 1.3%   | 0.5%    | 2.1%   | 5.9%   | 5.7%   | 2.5%                | 1.5%                | 1.7%                |
| Business Climate          | 105.7  | 92.1    | 109.0  | 103.5  | 100.1  | 98<br>(September)   | -                   | -                   |
| Business Investment       | 3.5%   | - 8.0%  | 11.8%  | 1.6%   | 2.5%   | - 0.7%              | 1.2%                | 2.3%                |
| Business Failures ('000)  | 51.5   | 31.1    | 27.6   | 41,3   | 56,6   | 40,9<br>(Août)      | -                   | -                   |
| Public Defecit (% du GDP) | - 3.1% | - 9.0%  | - 6.5% | - 4.8% | - 5.5% | - 6.1%              | - 5.0%              | -                   |
| Exportations              | 1.6%   | - 17.0% | 8.6%   | 8.4%   | 2.5%   | 1.9%                | 2.7%                | 3.4%                |
| Importations              | 2.3%   | - 13.0% | 7.8%   | 9.1%   | 0.7%   | - 1.7%              | 2.6%                | 3.3%                |

02.

# The Rental Market



# A Closer Look

Key Figures for the Greater Paris region  
Q3 2024



**1.29M m<sup>2</sup>**

Take-up



**1 100 €/m<sup>2</sup>/year**

Prime rent



**5.1M m<sup>2</sup>**

Immediate supply



**9.2%**

Vacancy rate

# The Rental Market

## Fall in take-up

With just over 428,000 m<sup>2</sup> of office space leased or sold to users in the Paris region during the 3<sup>rd</sup> quarter of 2024, rental activity is down by 16 % in comparison to the same period in 2023. In total, nearly **1.29 million m<sup>2</sup> have been leased in the Paris Region since the start of the year**, a decrease in volume of 6% in a year and of 17% in comparison to the ten-year average at 9 months.

While all segments saw a decline in m<sup>2</sup> leased at the end of Q3 2024, with transactions of less than 5,000 m<sup>2</sup> down by 5%, the fall was more marked in the large surface area segment (≥ 5,000 m<sup>2</sup>). The latter is down 8% year-on-year, with a total of 393,400 m<sup>2</sup> and 37 new contracts signed since January (compared with 41 a year earlier). Amongst the more significant transactions of Q3 2024, examples include WAVESTONE's lease of over 17,000m<sup>2</sup> at

Momentum in the CBD, and LAZARD FRERES' lease of 10,800m<sup>2</sup> at 148 rue de l'Université in the 7<sup>th</sup> arrondissement. While the average size of transactions over 5,000m<sup>2</sup> remained stable at 10,630 m<sup>2</sup> (+2% in comparison to 2023), the trend towards rationalism will continue in Q4 2024 given the number and size of the signatures expected. A number of major movements, nevertheless, are expected to drive the market in the months to come, in particular in Paris and Western Paris.

**Take-up is expected to land at around 1.9 million m<sup>2</sup>** of offices let in the Greater Paris region in the year.

**-6%**

In a year

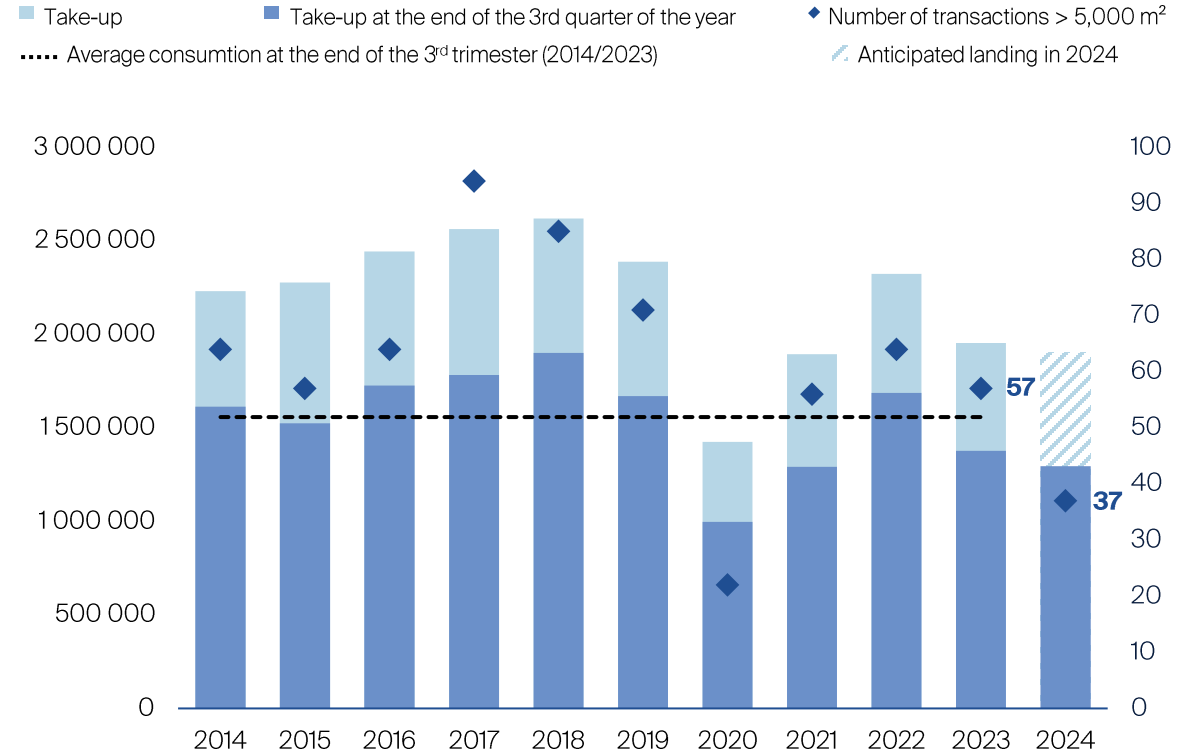
**-17%**

Compared with the 9M 2014-2023 average

At the end of Q3 2024

### Change in take-up in the Greater Paris Region

In m<sup>2</sup>



Source : Knight Frank

## The Rental Market

# Rationalisation

remains a fundamental trend,

as evidenced by the evolution of the average size of major transactions ( $\geq 5\,000\text{m}^2$ ):

**+ 2%**  
Over one  
year

**- 16%**  
In comparison to 9M  
2014-2023

**Paris**  
**+ 1%**  
Over one year

**The Greater Paris Region  
(outside Paris)**  
**- 2%**  
Over one year

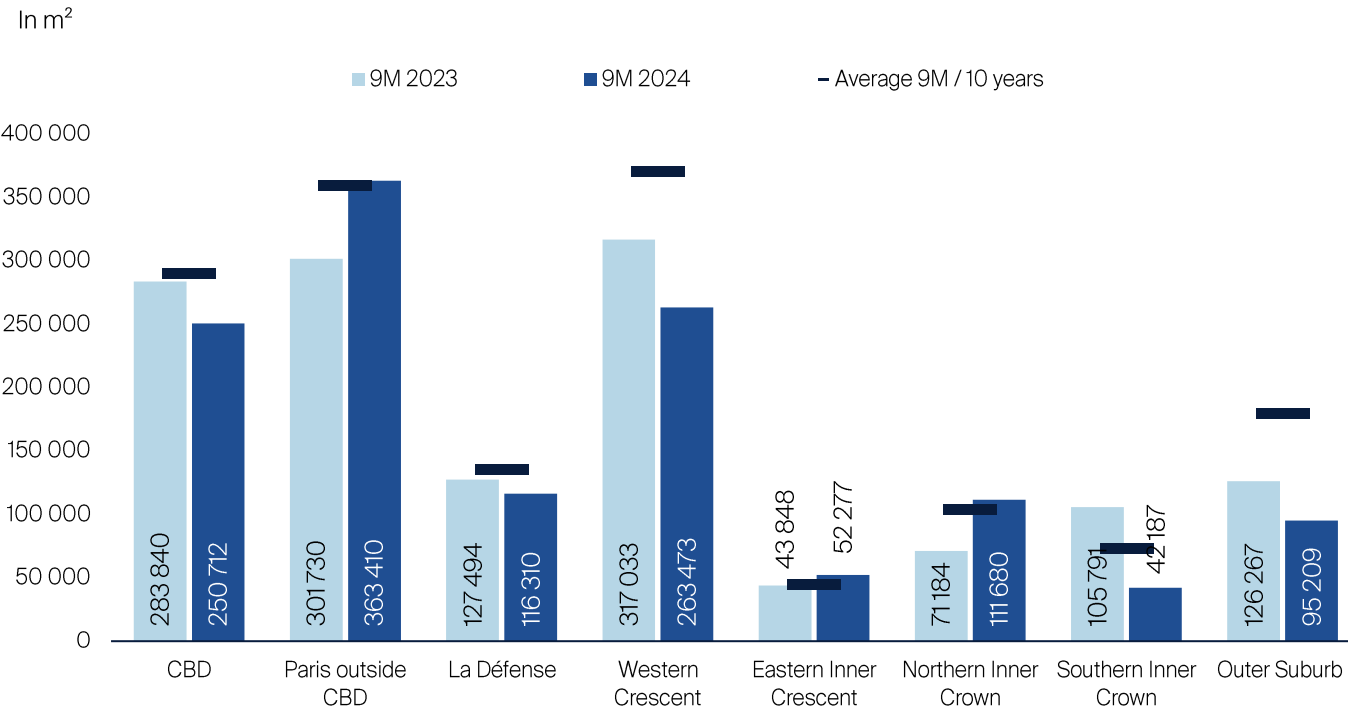
Source : Knight Frank



## The Rental Market

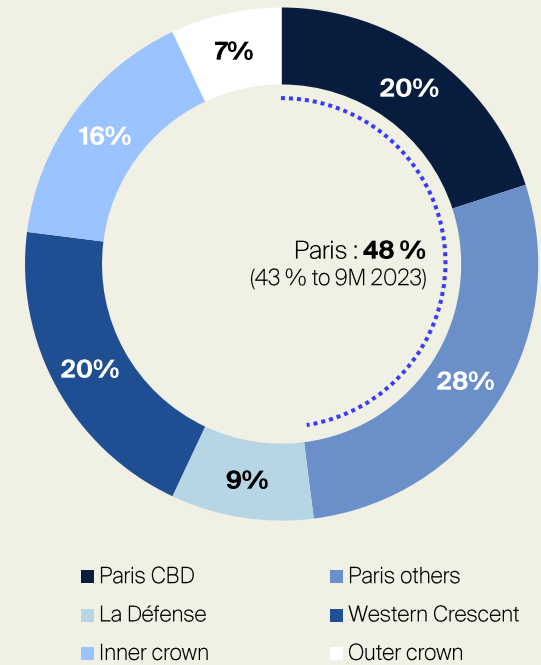
# Paris accounts for 48 % of take-up

### Geographical breakdown of take-up in the Greater Paris region



Source : Knight Frank

As at 9M 2024  
In % of total volume



Source : Knight Frank

## The Rental Market

# The CBD accounts for 41% of take-up in Paris

**Paris accounts for almost half of the take-up volume in the Greater Paris Region** (48% compared to 45% in the same period for 2023) and 58% in the number of transactions recorded since January 2024. At the end of September 2024, the capital attracted 614,000 m<sup>2</sup> of office space let or sold to users, up 5% in one year.

Paris South and Centre West sector outperformed at the end of Q3 2024, with take-up volumes up 36% and 17% respectively year-on-year. Rental activity within Paris Sud sector was boosted by 5 transactions over 5,000 m<sup>2</sup>. These included the CDC's lease of « The Good One » (40 800 m<sup>2</sup>) or ESSILORLUXOTTICA in « Valhubert » (22,000m<sup>2</sup>).

As for the CBD, a 12% fall in take up compared with last year and a 14% fall compared with the ten-year average over 9 months. Despite the attractiveness of these prestigious districts, the lack of available supply and high rents are restricting movement. **Even so, the CBD accounts for 41% of volumes leased in Paris.**

In detail, small areas (<1 000 m<sup>2</sup>) and medium sized spaces (1,000 to 5,000 m<sup>2</sup>) recorded falls in take-up volumes of 3% and 22% respectively. On the other hand, take-up of large areas has risen 65% in one year. **In total, 18 signatures ≥ 5 000 m<sup>2</sup> have been identified in Paris since January** (after 11 in the same period in 2023), in addition to the 19 in the outskirts of the capital.

## At the end of Q3 2024

In % of take-up in Paris

**41%**  
Paris CBD

**14%**  
Paris Centre West (outside CBD)

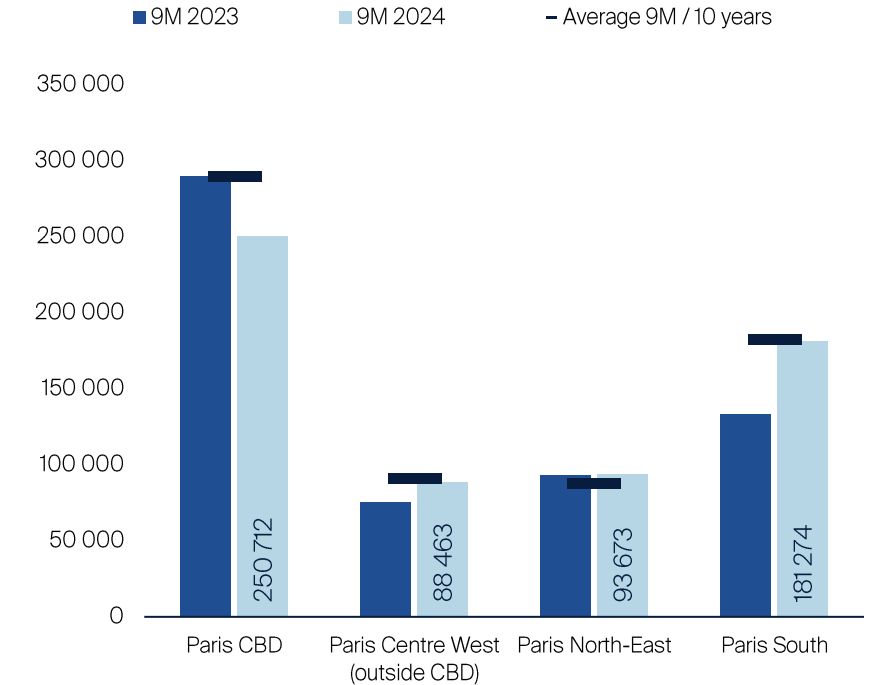
**15%**  
Paris North East

**30%**  
Paris South



### Geographical breakdown of take-up in Paris

In m<sup>2</sup>



Source : Knight Frank

## The Rental Market

# Increase in Prime Rent

Above €1,000 /m<sup>2</sup> for the 3rd quarter in a row, **prime rents in the Paris region now reach €1,100/m<sup>2</sup> at the end of September 2024, an increase of 10% in one year.** While we counted only 7 and 9 transactions respectively at a value of €1,000/m<sup>2</sup> or more in 2022 and 2023, 22 have already been recorded since the start of the year.

**The average rent in Paris has stabilised at the end Q3 2024**, at €688/m<sup>2</sup>. As for the average rent of the Greater Paris Region, it is now at €313/m<sup>2</sup> (- 11% in a year), illustrating the trend towards the adjustment of rental values in suburban areas.

While tenant incentives remain limited in inner Paris, they are much more generous on the outskirts (between 30% and 40% depending on the geographical sector).

### Tenant Incentives

At the end of september 2024

**12-15%**

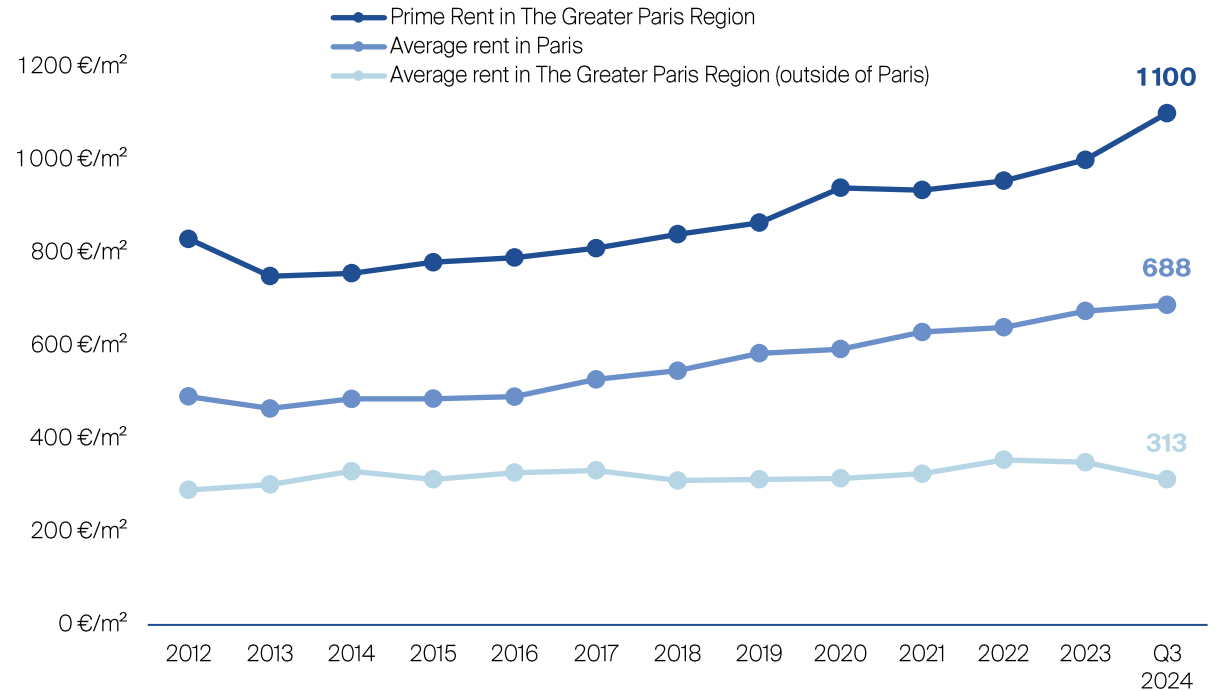
PARIS CBD

**30-40%**

THE GREATER PARIS REGION

### Annual change in rent

In the Greater Paris Region, in €/excluding taxes and charges/m<sup>2</sup>/year



Source : Knight Frank

## The Rental Market

The **vacancy rate** reaches **9.2%** in the Greater Paris Region

### Immediate supply continues to rise, with approximately 5.11 million m<sup>2</sup> of available office stock in the Greater Paris Region at the end of Q3 2024.

Historically high, stocks are now up 3% on the previous quarter and 11% year-on-year. In detail, new and restructured surfaces represent 30% of total stock (in comparison to 24% in the 3<sup>rd</sup> quarter of 2023 and 15% at the end of 2019).

As for the geographical breakdown, supply remains unevenly distributed across the Paris Region. Paris had 861,500 m<sup>2</sup> of office space available (+33 % in a year), representing 17% of total m<sup>2</sup> for rent in the Paris region at the end of September. The average vacancy rate in the capital is 4.9% (up 1.2 point in one year): 2.9% in the CBD, 4.9% in Paris Centre West (outside the CBD), 5.5% in Paris South and 8.1 % in the North-East of Paris. Outside of Paris, availability is greater. However, stock levels have fallen at La Défense (- 8%) where the vacancy rate now stands at 13.6% at the end of September 2024 (after 14.8% last year). As for the Inner Suburbs and The Western Crescent, the latter at 18.6% and 16.0% respectively.

In this context, **the vacancy rate of the Greater Paris region reached 9.2% at the end of September 2024**, in comparison to 8.3% one year earlier and 5.0% in 2019, before the outbreak of the pandemic.

## At the end of Q3 2024

Change over one year

+0.9pt

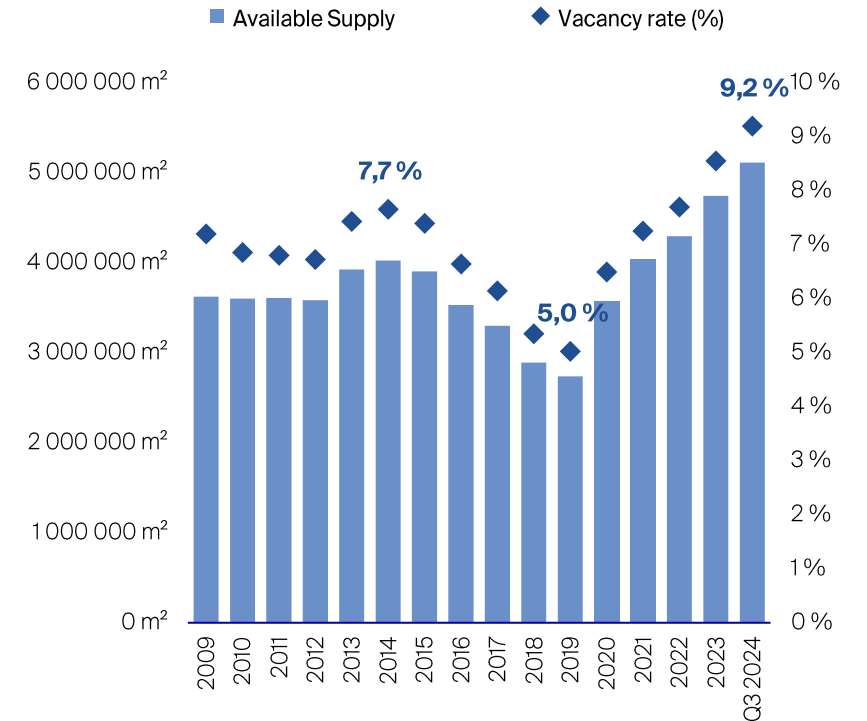
Vacancy rate

+11%

Immediate supply

### Change in available supply and vacancy rate

In m<sup>2</sup>, in the Greater Paris Region

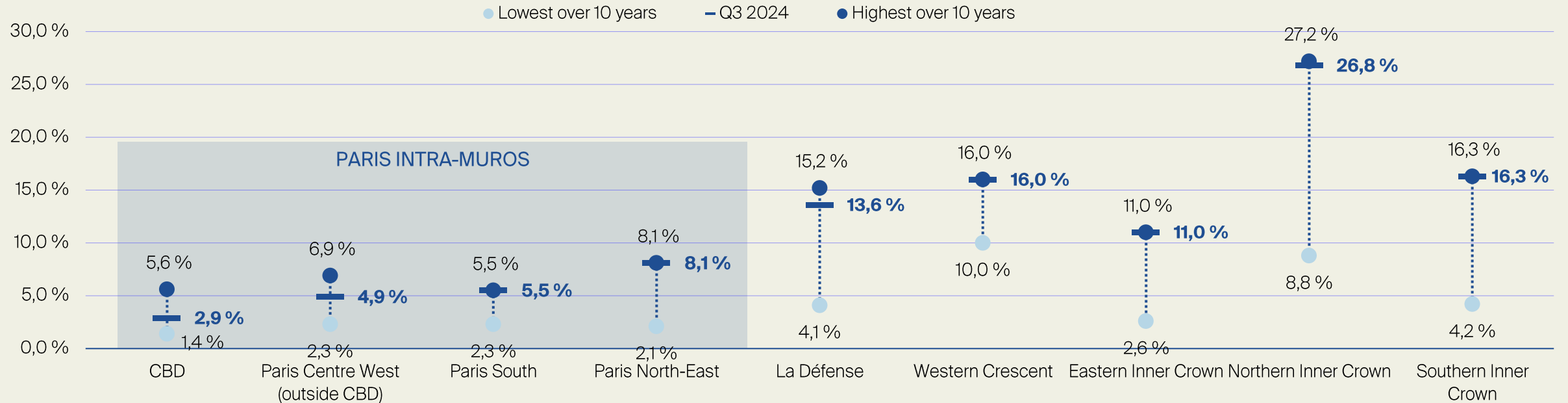


Source : Knight Frank, Immostat

# Major Disparities by Sectors

## Vacancy rate by geographical sector

In %, in the Greater Paris Region





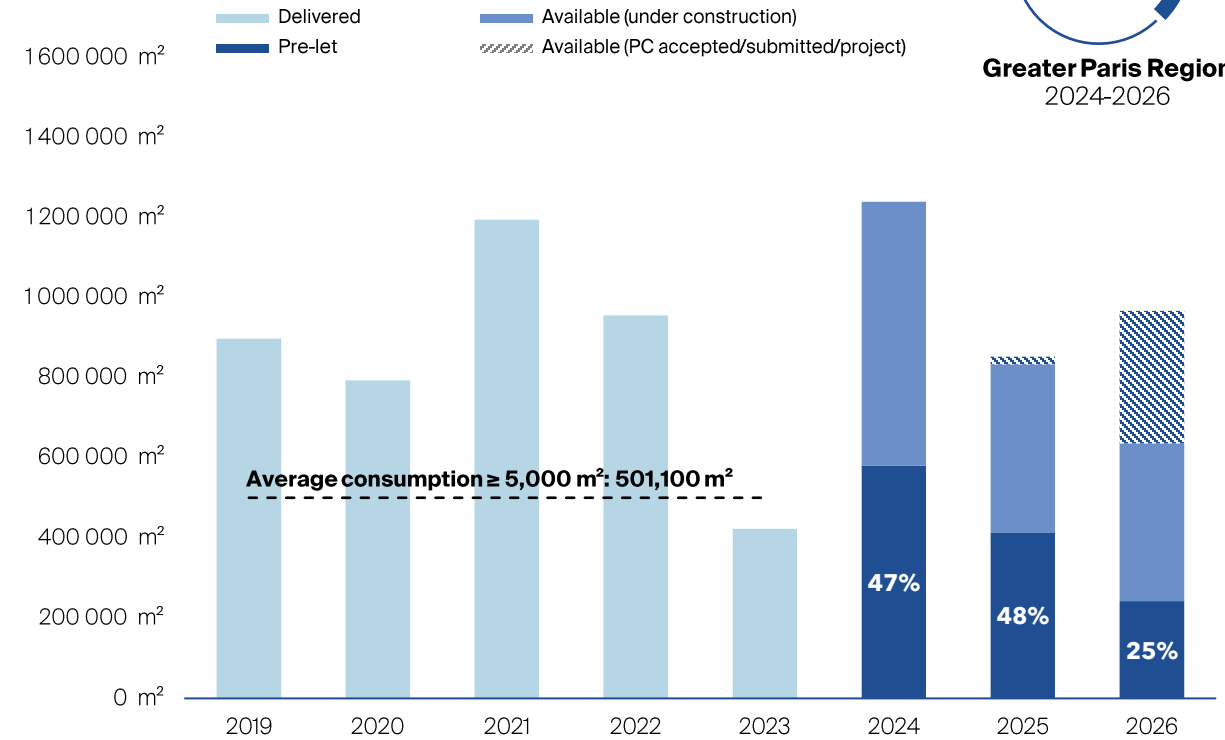
# Peak in deliveries in 2024, before a reflux

After several years of reflux, the volume of new and refurbished supply ( $\geq 5,000 \text{ m}^2$ ) is expected to rise sharply in 2024. **Over 40 operations have been delivered in the Greater Paris Region since the first nine months of the year**, totalling more than 865,700  $\text{m}^2$  of office space (46% of which is still available). 21 developments totalling almost 390,000  $\text{m}^2$  (29% of which is pre-let) are due to be delivered in Q4, adding to the immediate inventory. In total, **1.24 million  $\text{m}^2$  of offices will have been delivered overall by Q3 2024, a level similar to that of 2021 and 45 % higher than the average for deliveries ( $\geq 5,000 \text{ m}^2$ ) over the last five years.**

**The rhythm of deliveries will slowdown in 2025.** More than 853,000  $\text{m}^2$  are expected next year (48% of spaces have already been pre-let), while 29 operations have been launched out of 55 planned for 2026. Several may be delayed to 2027 or even have their programming revised to match user expectations and market conditions.

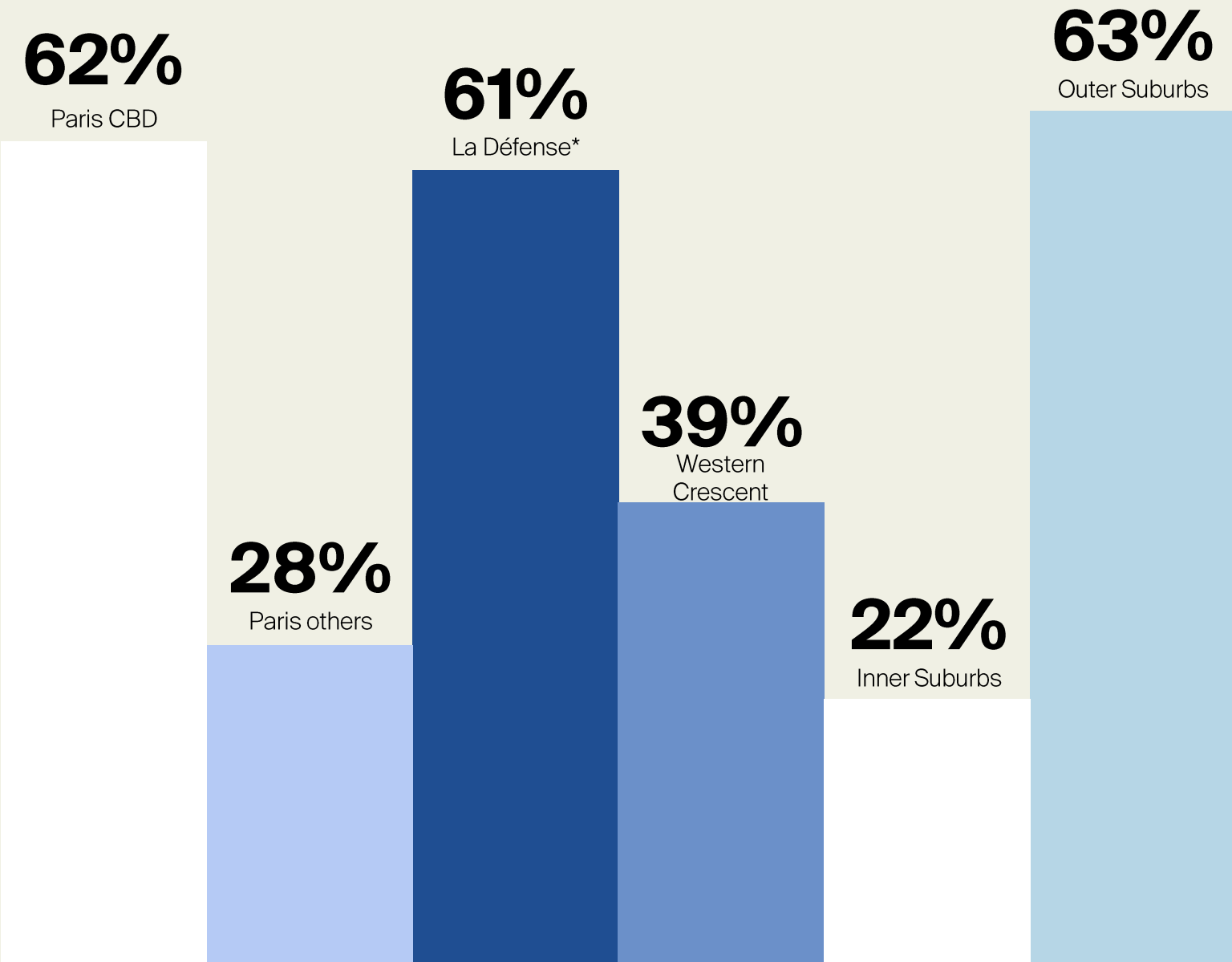
## Future new/ restructured supply $>5,000 \text{ m}^2$

In  $\text{m}^2$ , in the Greater Paris Region



Source : Knight Frank

## The Rental Market



## Pre-let rate (2024-2026)

In % of volume of m<sup>2</sup> of offices >5,000 m<sup>2</sup> under construction, PCs accepted/ filed and delivered

Source : Knight Frank /\* including The Link, Pre-let rate of 39% in La Défense excluding the building

03.

# The Investment Market

# A Closer Look

## Key Figures for the Greater Paris Region Q3 2024



**2.6bn €**

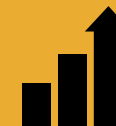
**Invested in offices in France,**  
Out of a total if €7.5bn invested  
(all asset type combined)

**Of which 73 %**  
of the volume invested in the Greater Paris Region



**35 %**

**Of volumes invested in offices in France** (all asset types combined – excluding non-divisible portfolios)



**4.25% - 4.50%**

**Prime Yield**  
Paris CBD

# Offices : A Two-speed Market

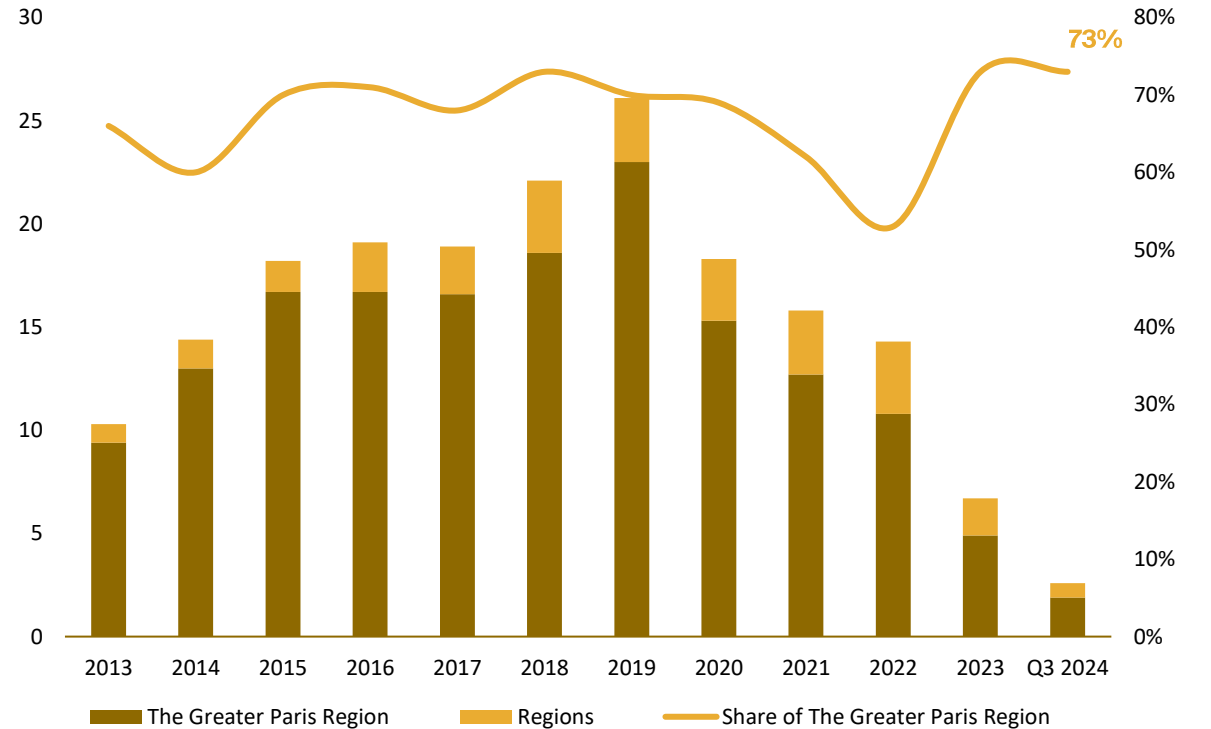
With 2.6 billion invested, the first nine months of 2024 confirmed the trend observed over the last four years: a simultaneous fall in the volumes invested in offices and in their share of total commercial property commitments (35% to date in 2024, compared with 70% five years ago).

The geographical breakdown between the Greater Paris region and the other regions has returned to historical levels for The Greater Paris region, with 73% of sales concentrated in the metropolitan Paris area.

In The Greater Paris Region, the 'flight-to-quality' phenomenon, marked by an increased search for centrality, has never been so pronounced, with a significant proportion of volumes invested in offices located in the heart of the Paris CBD.

## Changes in volumes invested in offices

In France, in millions €



Source : Knight Frank

# The CBD carries the market

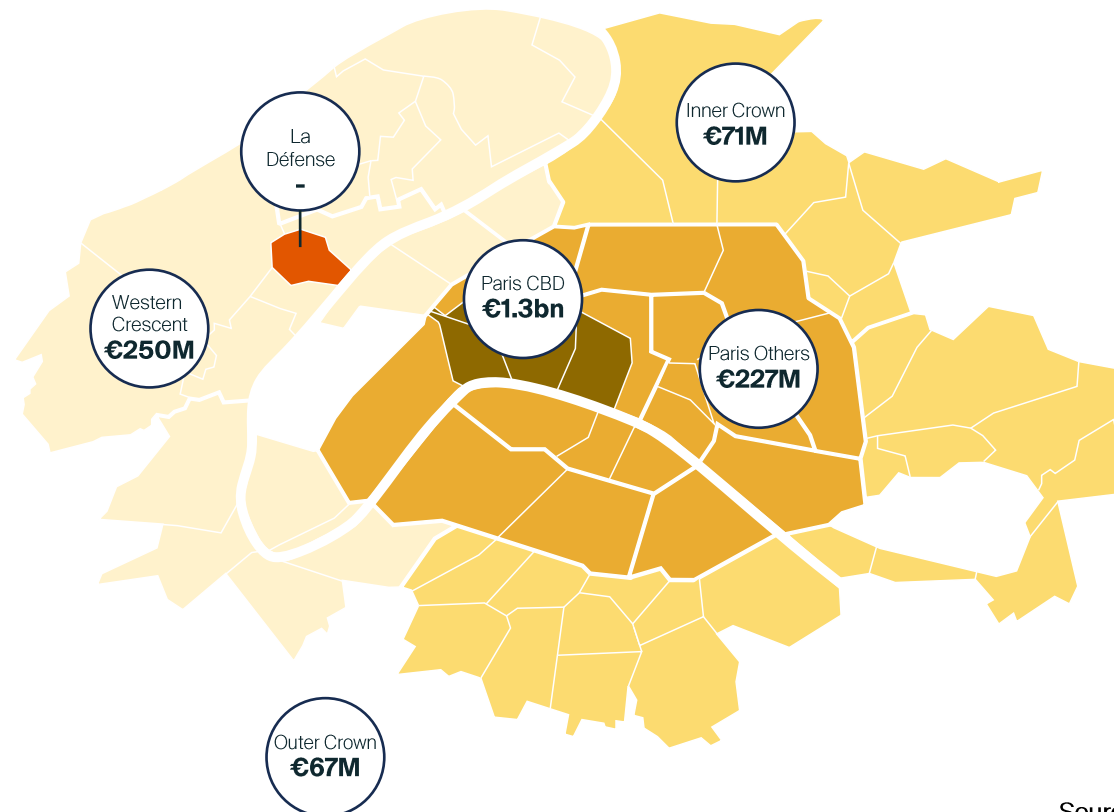
In The Greater Paris Region, the amount invested in offices in the first nine months of 2024 came close to €2 billion, making this one of the slowest years since 2009.

An analysis of the geographical breakdown of acquisitions in the Paris Region reveals that investors are extremely selective. More than ever, they are focusing on centrality, with the Paris CBD accounting for two-thirds of office investment in the Paris region, and almost 50% nationally. The “Baron” building on Boulevard Haussmann in the heart of Paris’s 8th arrondissement, sold by Lazard Frères to CDC Investissement for €180 million, is a good example of investors’ appetite for properties with prestigious addresses in a market where supply is limited. This transaction is the largest of the year by an institutional investor in the “Core” Paris office segment.

Overall, activity remains sluggish on the outskirts of Paris, with investors reluctant to take positions in commercial property developments located in secondary markets. So, with the exception of the Boucle Sud and Neuilly-Levallois, it seems difficult to envisage exchanges of large volumes, except in a logic of transformation of use.

### Geographical breakdown of volumes invested

In The Greater Paris Region, for offices



Source : Knight Frank

## The Investment Market

# Stability

since the start of the year

After a sharp fall in prime rates in 2022 and 2023, the readjustment of prices is beginning to revive activity. However, for certain service sectors in difficulty, investors are generally expecting a more marked revaluation, which is causing pauses in certain disposal processes and prompting some sellers to withdraw their assets from the market.

The sales concluded in the heart of the Paris CBD during the third quarter of 2024, as well as the marketing processes underway, show that prime rates have stabilised since the beginning of the year. On the other hand, the correction is continuing in certain peripheral geographic sectors.

### Change

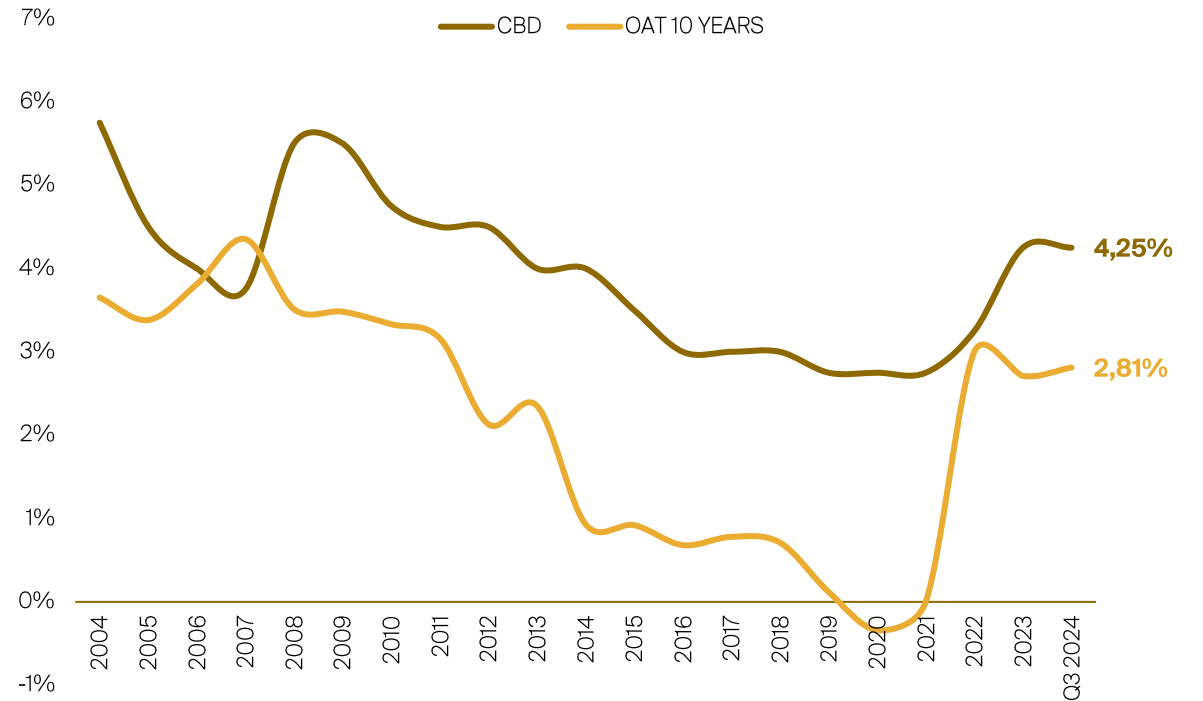
## PARIS CBD

Over a year + 25 bps

Over 10 years + 25 bps

### Prime office yield

In the Greater Paris Region, in %



Source : Knight Frank

# The **Research** **department** Knight Frank

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*The data used to produce this study comes from sources recognised for their reliability, as well as Knight Frank's property market monitoring tools.*



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2024



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