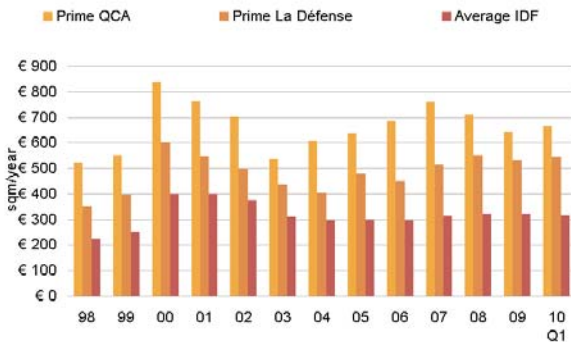


Ile-de-France office market

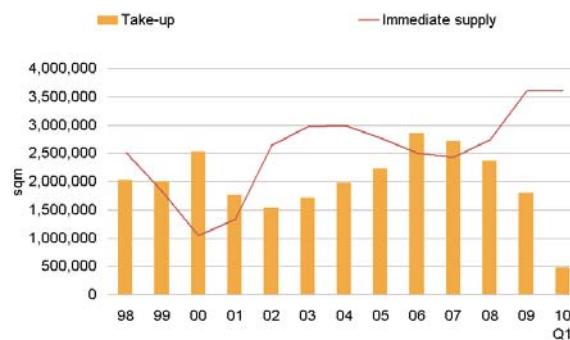
Q1 2010

Rental values



Source: Savills Research

Take-up / Immediate supply



Source: Savills Research

“The letting activity in Ile-de-France remains moderate but the signs of recovery are strong in Paris where demand has doubled in the space of twelve months. In the CBD, some deals have again crossed the threshold of €800/sqm/year”



Hervé Blanchet - Director

- The letting performances recorded in IDF during the 1st quarter of 2010 do not show any widespread recovery. The market has shrunk by 22.5% (+6.8% y-o-y) with the office take-up totalling 472,200 sqm.
- Sustained by demand from large end-users, the Paris office market confirms its recovery. It attracts 47.5% of the IDF take-up, which is 223,000 sqm (+9.1% q-o-q, +98.5% y-o-y).
- The decrease in newly completed properties allows for the stabilisation of the immediate supply at 3.63 million sqm after 5 successive quarters of increase (+22.5% y-o-y).
- Rents continue their downward adjustment in most of the markets, with an average rent of €315/sqm/year (-1.9% q-o-q, +0.6% y-o-y).
- In the markets characterised by a shortage of new supply – CBD, Paris 5/6/7, La Défense – prime values are picking up. The deal signed for the *Origami* building in the CBD has been negotiated based on a rent of €830/sqm/year.
- The recovery in the IDF's investment market remains very gradual. The total amount invested has practically doubled compared with the Q1 2009, to €845 million but has registered as a net loss compared with the last quarter (-67.8%).
- The prime yield remains under downward pressure. Offices, which benefit from the best securities of tenure, are negotiated on the basis of 5.15% (-15 bps q-o-q, -85 bps y-o-y) in Paris' Central Business District.

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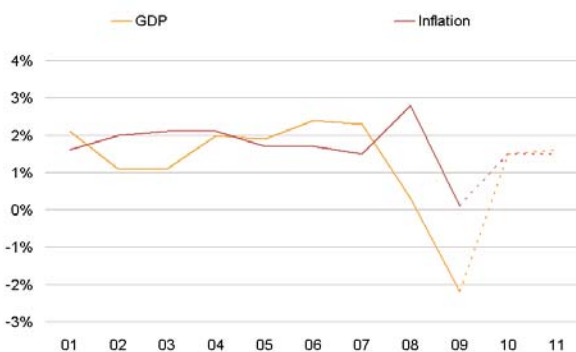
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Economy, letting market and outlook

Economy

After six months of moderate growth, the French economic recovery has tailed off (+0.1% q-o-q). Weakened by the persistent fragility of purchasing power, the continuous worsening of the employment market and the withdrawal of certain measures of the stimulus plan, the consumers confidence has fallen again to one of its lowest levels and domestic consumption has stagnated (+0.0% q-o-q). The business climate is struggling to recover despite the rise of foreign order books (+3.9% q-o-q). Means of production has remained somewhat sought after, notably in the manufacturing industry (+0.4% q-o-q after +1.5%) and the services sector (+0.0% q-o-q after +0.4%). For the 8th successive quarter, business investment has fallen (-0.8% q-o-q).

GDP and inflation



Source: Consensus Forecasts

Letting market

The Ile-de-France office market has displayed some contrasting performances at the beginning of 2010. Demand from end-users has been modest. Still tightly constrained by costs, rationalisation strategies have continued, resulting in the increase of consolidations and lease renewals. Expansion plans have remained marginal - EDF Energies Nouvelles leased 4,300 sqm in the *Cœur Défense* building. At the same time, business creations have decreased, notably in the services sector (-10.4% q-o-q), limiting new demand and net absorption.

The result of this relatively tense business climate is that take-up fell by 22.5% at the end of the 1st quarter of 2010, settling at 472,200 sqm (+6.8% y-o-y). Even though the level of take-up has not declined in the small and medium-sized segment (300,000 sqm or 63.5% of the total), large deals have shrunk both in number and in volume. With fifteen leases recorded since January, transactions exceeding 5,000 sqm have only totalled 172,000 sqm, compared with 235,000 sqm in the 4th quarter of 2009. A single deal, exceeding

20,000 sqm, was carried out eventually, which is the letting from BNP Paribas of an office building of 41,000 sqm in the Claude Bernard urban development zone.

In Paris intra-muros, the letting dynamism recorded last quarter is pursuing. The significant correction of rental values during the last 15 months has allowed the sector to gain in appeal, notably with major corporate clients. Take-up increased by 9.1% in the 1st quarter 2010 to 223,000 sqm (+98.5% y-o-y). Conversely, the markets of La Défense and the Inner Suburbs have experienced a difficult start, with demand down by 29.4% and 72.2% respectively since January.

For the first time since 2008, the increase in supply has paused at 3.62 million sqm (+22.5% y-o-y). It has noticeably fallen in Paris where the respectable letting activity has allowed for the occupation of newly completed and vacated premises during the quarter. On the other hand, the accumulation of second hand large floor areas has caused a new rise in available properties in La Défense (+10.9% q-o-q) and in the Outer Suburbs (+5.5% q-o-q). The overall vacancy rate in Ile-de-France has remained unchanged at 7.2%. With many new construction projects still being postponed, the future supply has continued to decline. Less than 70 properties will be built in 2010-2011 equating to approximately 1 million sqm. However, development starts have increased by 35.6% y-o-y to 217,300 sqm between January and March 2010.

The downward correction of rental values has continued in most of Ile-de-France's submarkets. The average rent was at €315/sqm/year at the end of March (-1.9% q-n-q, +0.6% y-o-y). For the 2nd successive quarter, the CBD has displayed positive annual rental growth (+9.0%). All in all, the amount of incentives has remained stable, representing 1.2 months per fix year lease.

Outlook

Financial disruptions in southern European countries heighten the economic uncertainty within the Euro zone. In France, within a context of budgetary constraints, domestic consumption will remain at half-mast, limiting growth to around 1.5% in 2010. Business activity will remain insufficient to reverse the trend in the employment market.

In this context, take-up in Ile-de-France will be borne mainly through cost optimisation strategies. We expect the transacted volume at year-end to range from 1.8 and 2.0 million sqm. Absorption of the supply will rise thanks to the decline in newly completed office premises. However, the availability of second hand properties will continue to build up in the market, heightening the disparities between submarkets. A further downward rental adjustment is expected in suburban areas, whereas rents will remain upwardly stable in core markets with under-supplied situation.

Paris CBD, Southern Paris, Eastern and Northern Paris

Paris CBD

With 82,300 sqm office space taken up since January (-5.1% q-o-q, +95.2% y-o-y), the letting performances in the CBD are growing stronger. The share of large transactions has gained vigour (+25.9% q-o-q) with the leases to Iliad Fermic of over 12,000 sqm in rue de la Ville l'Evêque and 9,000 sqm in *Vicinia 1* to Cofinoga. The immediately available supply has started to fall (-4.0% q-o-q) after 5 quarters of increase (+25.4% y-o-y) and the vacancy rate has returned to under the 6.0% threshold. Several prime deals signed at values exceeding €700/msqm/year have brought the prime rent to €660/sqm/year (+2.5% q-o-q, +5.2% y-o-y).

The invested amount in the CBD has been divided by half in 3 months to €569 million (+276.8% y-o-y), mainly due to the short supply of prime opportunities in the market. The prime yield has continued to decline and settled at 5.15% (-15 bps q-o-q, -110 bps y-o-y).

Southern Paris

The threshold of 70,000 sqm transacted volume has been crossed for the 2nd successive quarter (-1.7% q-o-q, +134.8% y-o-y). Rental activity has been particularly sustained in Paris 14/15 where 3 deals higher than 5,000 sqm have been recorded - Rectorat de Paris (18,900 sqm), DCNS (12,200 sqm) and UMP (6,000 sqm). The amount of availabilities has fallen by 5.0% since January but the level remains historically high at 286,000 sqm (+70.9% y-o-y). The vacancy rate has settled at 5.8% (+242% y-o-y). A deal signed in 7 rue de Suffren, has brought the prime rent in Paris 5/6/7 to €695/sqm/year (+39.0% q-o-q, +32.4% y-o-y). The prime rental values have reached €440/sqm/year (+1.1% y-o-y) in Paris 12/13 and €530/sqm/year (+9.4% y-o-y) in Paris 14/15.

With €29 million invested, the investment market has recorded its worst result since the 4th quarter of 2007 (-93.9% q-o-q, -217.2% y-o-y). The prime yield is estimated at 5.50% (-50 bps q-o-q, -125 bps y-o-y).

Northern Paris

The leasing of 41,000 sqm by BNP Paribas in the Claude Bernard urban development zone has brought take-up in the Northern Paris districts to a historically high level in the 1st quarter of 2010. Some 64,800 sqm (+106.0% q-o-q, +98.4% y-o-y) has been leased compared with 26,464 sqm on a quarterly average over the last 5 years. The immediately available supply has fallen by 10.3% since January, to 113,000 sqm. Thus, Northern Paris has been among Ile-de-France's rare sectors to record negative annual growth in supply (-2.6%). The vacancy rate has fallen by 11 bps in twelve months to 4.12%. Prime rents have remained relatively stable at €350/sqm/year (-8.6% y-o-y in Paris 3/4/10/11 and +7.11% y-o-y in Paris 18/19/20).

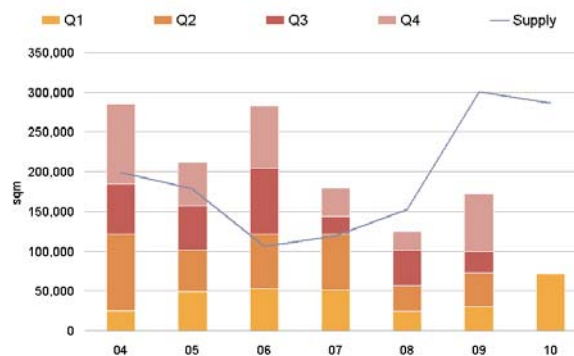
After an unproductive last quarter in 2009, €6 million has been invested in Northern Paris. The prime yield is estimated at 6.25% (-25 bps q-o-q, -75 bps y-o-y).



Source: Savills Research

Outlook 2010

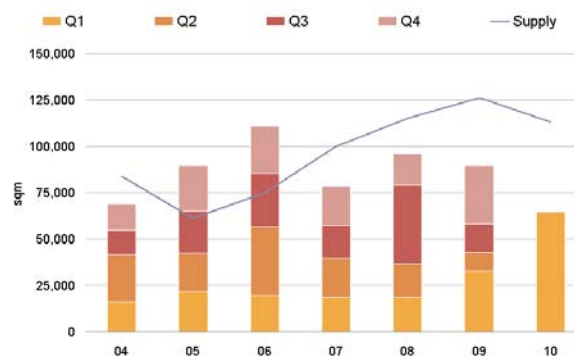
Take-up →
Supply ↓
Rents →



Source: Savills Research

Outlook 2010

Take-up →
Supply ↓
Rents →



Source: Savills Research

Outlook 2010

Take-up →
Supply →
Rents →

La Défense, Western Crescent, North Inner Suburb

La Défense

Take-up in La Défense has fallen under 8,500 sqm this quarter (-29.4% q-o-q, -90.4% y-o-y). The rental dynamics of the sector have rested entirely on the medium-sized office unit segment – EDF has expanded over 4,300 sqm in the *Cœur Défense* building – and small deals (4,200 sqm). With the majority being made up of second hand large floor areas, the immediate supply has increased to 162,000 sqm (+10.9% q-o-q, +28.6% y-o-y). There is still a shortage of new properties, with only 10,000 sqm is available in *Praetorium*. The vacancy rate has settled at 4.6% (+103 bps y-o-y). Thanks to the EDF deal in the *Cœur Défense*, the prime rental value has risen by 2.8% in 3 months to €545/sqm/year (-2.9% y-o-y).

The amount of investments has reached €20 million this quarter, after the acquisition of 2 floors in the *Tour Franklin* by HSBC. The prime yield has gone from 6.25% to 5.90% (-60 bps y-o-y) since January.

Western Crescent

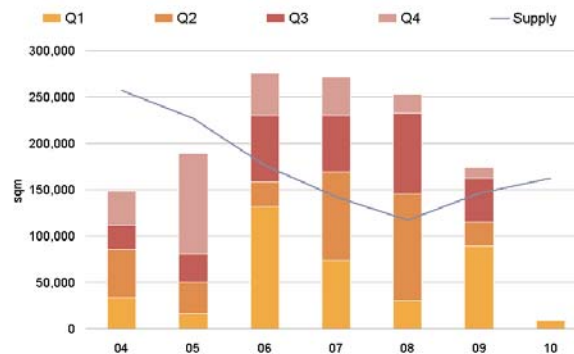
The number of large transactions has slowed down in the Western Crescent. Only 2 deals over 5,000 sqm were signed including the lease by Médiamétrie of 5,300 sqm in *Rivay* located in Levallois-Perret and Dim let 6,600 sqm in *H2O* in Rueil-Malmaison. Consequently a new fall in demand was recorded with only 81,700 sqm taken up on the market this quarter (-12.3% q-o-q, -23.0% y-o-y). After 2009, which was marked by the delivery of many newly completed properties, the immediate supply has stabilised in the region of 831,000 sqm (+33.3% y-o-y). The vacancy rate has reached 8.1% (+203 bps y-o-y). Prime rents have been spread between €330/sqm/year (+4.8% q-o-q, +0.0% y-o-y) in the Outer Defense sector and €500/sqm/year (+0.0% q-o-q, -25.0% y-o-y) in Neuilly-Levallois.

Nearly €100 million has been invested in the Western Crescent this quarter, an amount down by 74.5% in 3 months (-6.7% y-o-y). The prime yield has reduced by 50 bps since January to 5.75% (-100 bps y-o-y).

North Inner Suburb

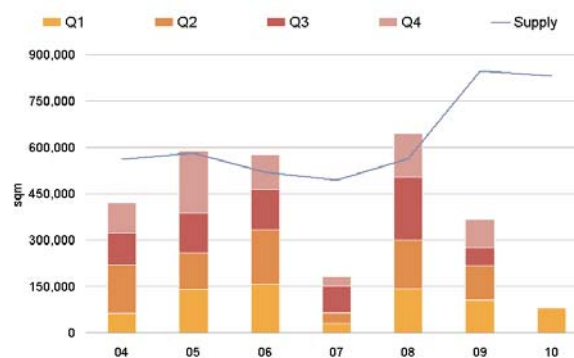
Fuelled by the leasing of 10,500 sqm of new office space by GFI Informatique in St-Ouen, the letting performance in the North Inner Suburb has tripled compared with the 1st quarter of 2009. However with 18,500 sqm taken up since January, the letting activity is 56.4% down compared to Q4 2009. This quarter, the market's good performance combined with the shortage of newly completed properties has resulted in a 7.1% drop in vacant stock. It has regained its former level from March 2009 at 206,000 sqm. The vacancy rate has weakened by 9 bps annually to 9.7%. Prime leases have been negotiated on the basis of €340/sqm/year (+8.8% q-o-q, +10.4% y-o-y).

The acquisition of the *Borromées 1* has brought the amount of investments to €40 million in the 1st quarter, a volume comparable to that of the whole of 2009. The prime yield is estimated at 6.00% (-75 bps y-o-y).



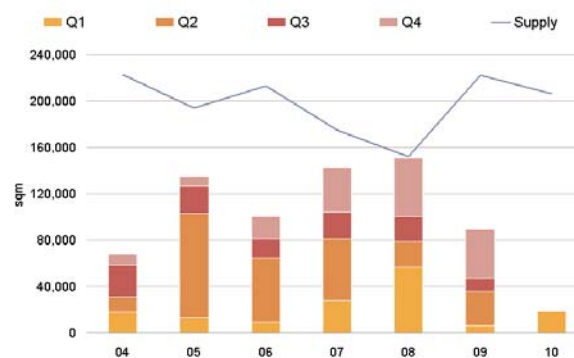
Source: Savills Research

Outlook 2010
 Take-up ↗
 Supply ↗
 Rents ↘



Source: Savills Research

Outlook 2010
 Take-up ↗
 Supply ↗
 Rents →



Source: Savills Research

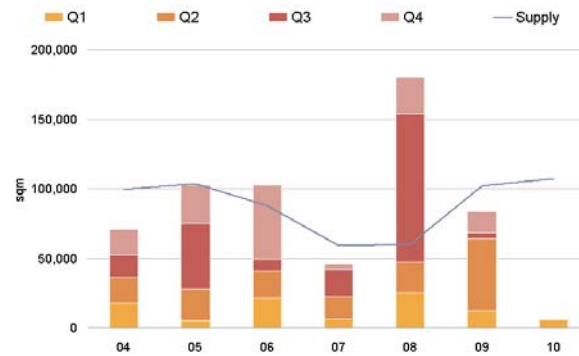
Outlook 2010
 Take-up →
 Supply →
 Rents →

East and South Inner Suburb, Outer Suburb

East Inner Suburb

The letting market in the East Inner Suburb has recorded a significant deterioration in the 1st quarter of 2010. Almost based solely on medium-sized office unit deals (83.9% of the total), take-up has gone from 15,500 sqm to 5,600 sqm in three months (-55.0% y-o-y). The level of available supply has increased at a less sustained pace. It has gone from 102,000 sqm in December 2009 to 107,000 sqm at the end of March 2010 (+44.6% y-o-y), reflecting a vacancy rate of 9.1% (+280 bps y-o-y). The prime rent has risen by 3.7% this quarter (+3.85% y-o-y), to €270/sqm/year.

No investment transaction has been recorded in the 1st quarter of 2010. The prime yield is estimated at 6.50% (-100 bps y-o-y), reflecting a decline of 25 bps since January.



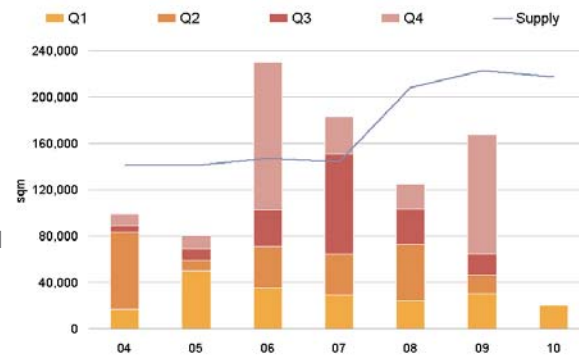
Source: Savills Research

Outlook 2010
 Take-up ↗
 Supply →
 Rents →

South Inner Suburb

After an exceptional take-up level recorded in the 4th quarter of 2009 (102,000 sqm), the transacted volumes in the South Inner Suburb have fallen again to 20,400 sqm (-31.8% y-o-y). The setting up of Editions Mondadori in over 14,000 sqm in *Le Trait d'Union* has constituted the main deal of the quarter. The level of available properties remains high at 217,000 sqm (-2.7% q-o-q, +11.9% y-o-y), notably due to the completion of three new buildings which have remained vacant – *le Petra* (13,200 sqm), *Aristide* (18,200 sqm) and *Okabe* (10,600 sqm). The vacancy rate has settled at 10.7% (+113 bps y-o-y). Prime rental values have remained stable this quarter at €300/sqm/year (-6.7% y-o-y).

For the second successive quarter, no investment activity has been recorded in the South Inner Suburb. The prime yield rate is estimated at 6.25% (-25 bps q-o-q, -75 bps y-o-y).



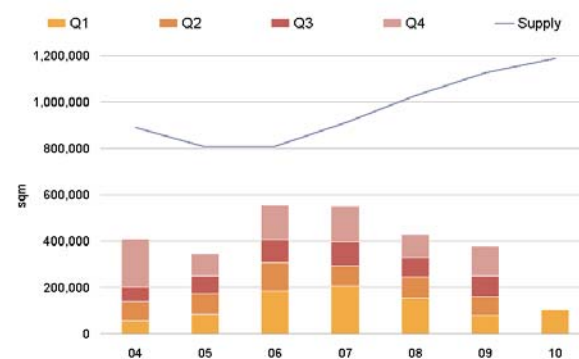
Source: Savills Research

Outlook 2010
 Take-up ↗
 Supply →
 Rents →

Outer Suburb

Take-up in the Outer Suburb has fallen by 19.3% this quarter to 104,600 sqm (+29.9% y-o-y). Demand has remained stable in the major office hubs but has strongly declined in the rest of the area (47.4% q-o-q). The amount of available supply has increased by 5.6% to 1.19 million sqm (+13.7% y-o-y), mainly due to properties being vacated. The vacancy rate of 6.4% (+77 bps q-o-q) at the end of the 1st quarter of 2010 masks major geographic disparities – from 5.8% in Marne-la-Vallée to 11.9% in St-Quentin en Yvelines. Overall rents slightly moved upward and range from €118/sqm/year in Pole de Roissy to €155/sqm/year in the south of the Outer Suburb.

The amounts invested in the Outer Suburb have decreased by 85.5% over the quarter and reached €58 million, a sum equivalent to that of the 1st quarter of 2009. The prime yield dropped by 50 bps since January to 7.00% (-75 bps y-o-y).

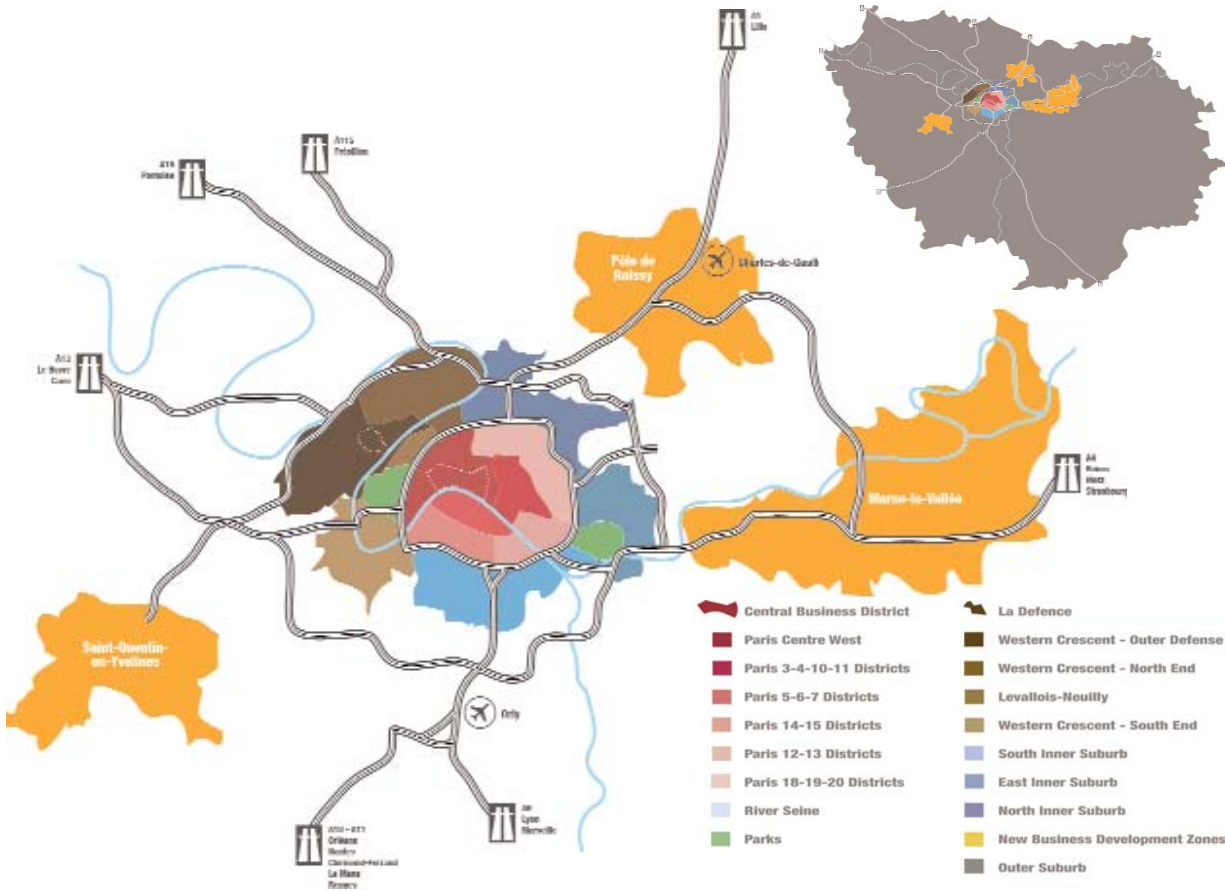


Source: Savills Research

Outlook 2010
 Take-up →
 Supply ↗
 Rents ↘

Ile-de-France office market

Submarkets



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