



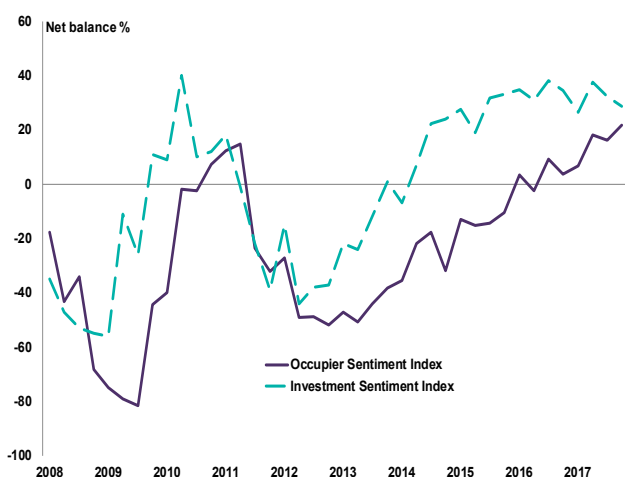
Q4 2017: France Commercial Property Monitor

Occupier demand rising at fastest pace since 2007

Occupier Market

- The Occupier Sentiment Index improved to +22 in Q4, following +18 in the previous quarter. This marks the strongest return since this series was introduced in 2008 and is consistent with a solid quarterly improvement in overall occupier market conditions.
- During Q4, tenant demand picked-up at the strongest pace (in net balance terms) since prior to the onset of the 2008 global financial crisis. The sector breakdown does however show retail demand still declining marginally, while demand for office and industrial space increased sharply.
- Availability decreased in the office sector, held more or less steady in the industrial segment, and continued to rise across the retail portion of the market. Meanwhile, the retail sector was the only area in which landlords increased the value of incentive packages.
- Twelve month rental growth projections are now positive across all prime sub-markets, with respondents upgrading their expectations in each instance, relative to Q3. That said, secondary industrial and retail rents are still anticipated to come under downward pressure.
- In Paris, the prime office sector exhibits the strongest twelve month rental outlook by a clear margin, followed by prime retail. The outlook appears a little flatter across most other sub-sectors although, again, secondary retail displays negative expectations.

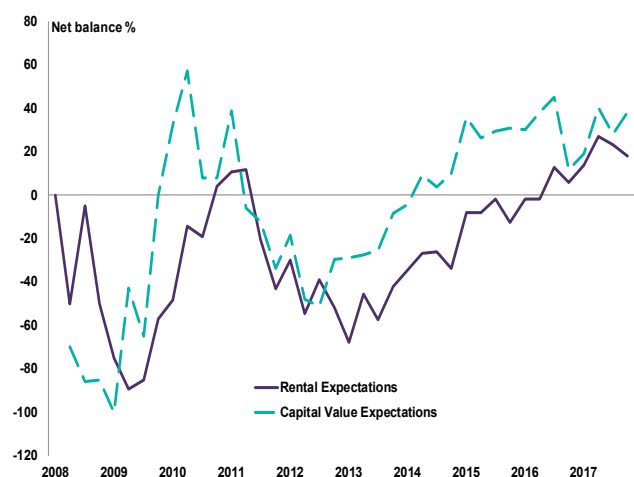
Occupier and Investment Sentiment Index



Investment Market

- The Investment Sentiment Index continues to signal tightening investment market conditions, coming in at +29 in Q4. Even so, momentum has now moderated a touch in each of the last two quarters, following the record high +38 posted in Q2 2017.
- Investment enquiries, both domestic and international, rose smartly in the office and industrials sectors, while demand for retail assets was broadly unchanged over the quarter.
- The supply of investable properties declined in the office sector but saw little change in both the industrial and retail segments.
- Capital value expectations for the year ahead were upgraded in each prime sub-market compared with Q3. Respondents envisage prime office and industrial capital values posting the strongest gains, although expectations are also comfortably positive for prime retail. By way of contrast, secondary retail values are anticipated to decline (albeit projections are not quite as negative as previously),
- Contributors appear divided on what stage of the property cycle the market has reached. Indeed, one-third feel conditions may have peaked while an equal share feel the market is in the middle stages of an upturn.

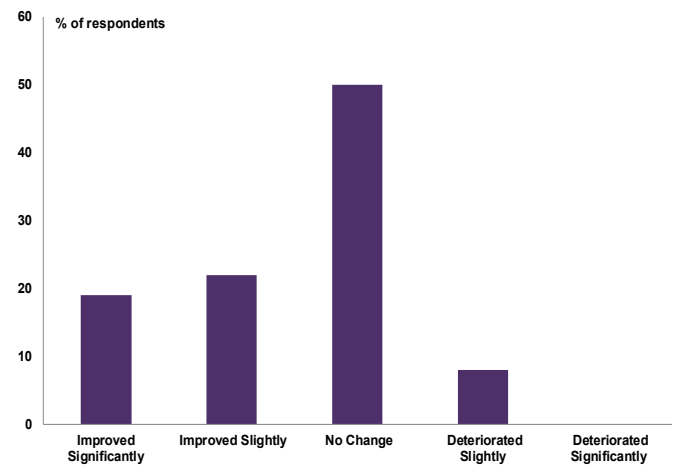
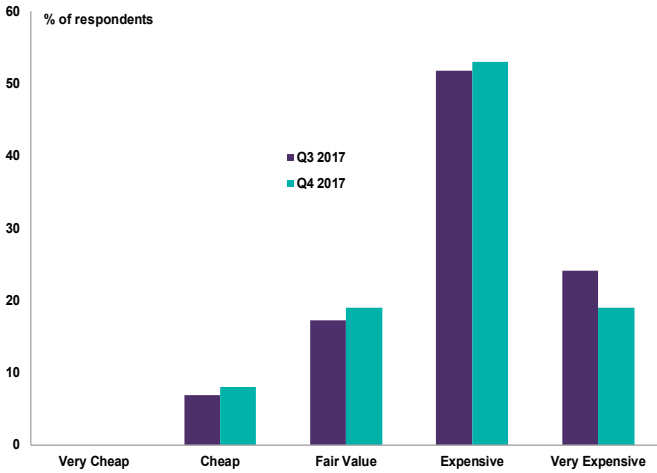
Rental and Capital Value Expectations



Commercial Property Market

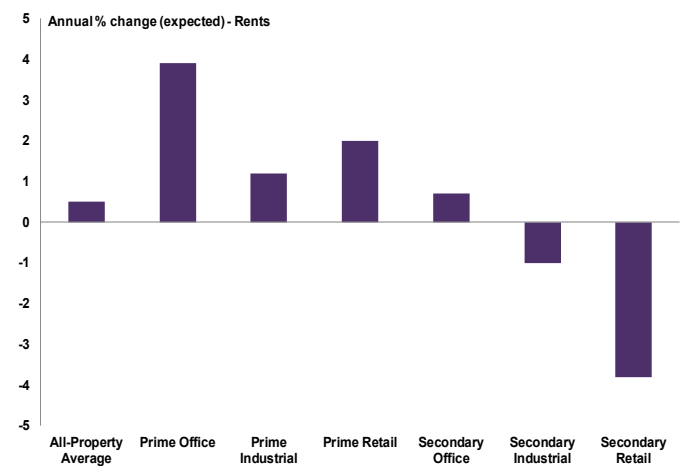
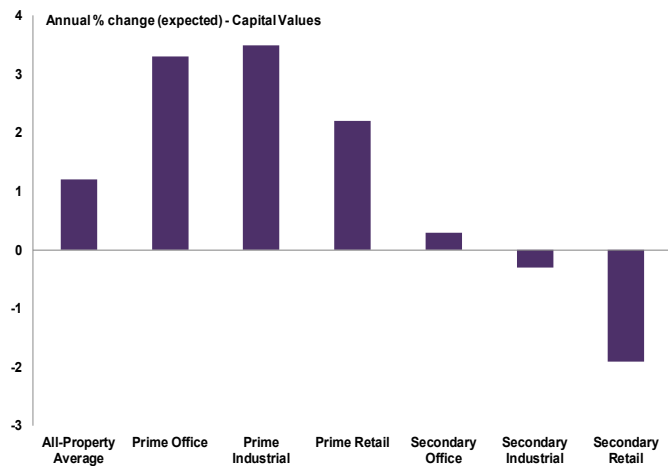
Market Valuations - 84% of respondents feel current values are somewhat stretched across the commercial market, although this proportion has held virtually steady over the last three quarters.

Credit Conditions - On balance, credit conditions reportedly eased in the fourth quarter of 2017.



12m Capital Value Expectations - Capital values projections were revised higher in all prime markets for the year ahead. The outlook is fairly flat in secondary locations, albeit secondary retail assets still display negative expectations.

12m Rental Expectations - Prime office rental growth is expected to outpace all other areas of the market over the coming twelve months. Secondary retail also remains the laggard in terms of rental expectations, albeit respondents views were slightly less downbeat than in Q3.



Information

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 13 December 2017 with responses received until 12 January 2017. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1570 company responses were received, with 434 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot

accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Economics Team

Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

jguilfoyle@rics.org

Simon Rubinsohn

Chief Economist

+44(0)20 7334 3774

srubinsohn@rics.org

Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

jmatsu@rics.org

Sean Ellison

Senior Economist

+65 68128179

sellison@rics.org

Tarrant Parsons

Economist

+44(0)20 7695 1585

tparsons@rics.org

Kisa Zehra

Economist

+44(0) 7695 1675

kzehra@rics.org



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

United Kingdom RICS HQ

Parliament Square, London
SW1P 3AD United Kingdom

t +44 (0)24 7686 8555

f +44 (0)20 7334 3811

contactrics@rics.org

Media enquiries

pressoffice@rics.org

Ireland

38 Merrion Square, Dublin 2,
Ireland

t +353 1 644 5500

f +353 1 661 1797

ricsireland@rics.org

Europe

[excluding UK and Ireland]

Rue Ducale 67,
1000 Brussels,
Belgium

t +32 2 733 10 19

f +32 2 742 97 48

ricseurope@rics.org

Middle East

Office G14, Block 3,
Knowledge Village,
Dubai, United Arab Emirates

t +971 4 446 2808

f +971 4 427 2498

ricsmenea@rics.org

Africa

PO Box 3400,
Witkoppen 2068,
South Africa

t +27 11 467 2857

f +27 86 514 0655

ricsafrica@rics.org

Americas

One Grand Central Place,
60 East 42nd Street, Suite 2810,
New York 10165 – 2811, USA

t +1 212 847 7400

f +1 212 847 7401

ricsamericas@rics.org

South America

Rua Maranhão, 584 – cj 104,
São Paulo – SP, Brasil

t +55 11 2925 0068

ricsbrasil@rics.org

Oceania

Suite 1, Level 9,
1 Castlereagh Street,
Sydney NSW 2000. Australia

t +61 2 9216 2333

f +61 2 9232 5591

info@rics.org

North Asia

3707 Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong

t +852 2537 7117

f +852 2537 2756

ricsasia@rics.org

ASEAN

10 Anson Road,
#06-22 International Plaza,
Singapore 079903

t +65 6635 4242

f +65 6635 4244

ricssingapore@rics.org

Japan

Level 14 Hibiya Central Building,
1-2-9 Nishi Shimbashi Minato-Ku,
Tokyo 105-0003, Japan

t +81 3 5532 8813

f +81 3 5532 8814

ricsjapan@rics.org

South Asia

48 & 49 Centrum Plaza,
Sector Road, Sector 53,
Gurgaon – 122002, India

t +91 124 459 5400

f +91 124 459 5402

ricsindia@rics.org