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2022, a dynamic year for the industrial property market

▶ 1,017,200 sq m
Take-up

▶ 1,929,500 sq m
Vacant space

▲ 290,400 sq m
Ready to launch supply

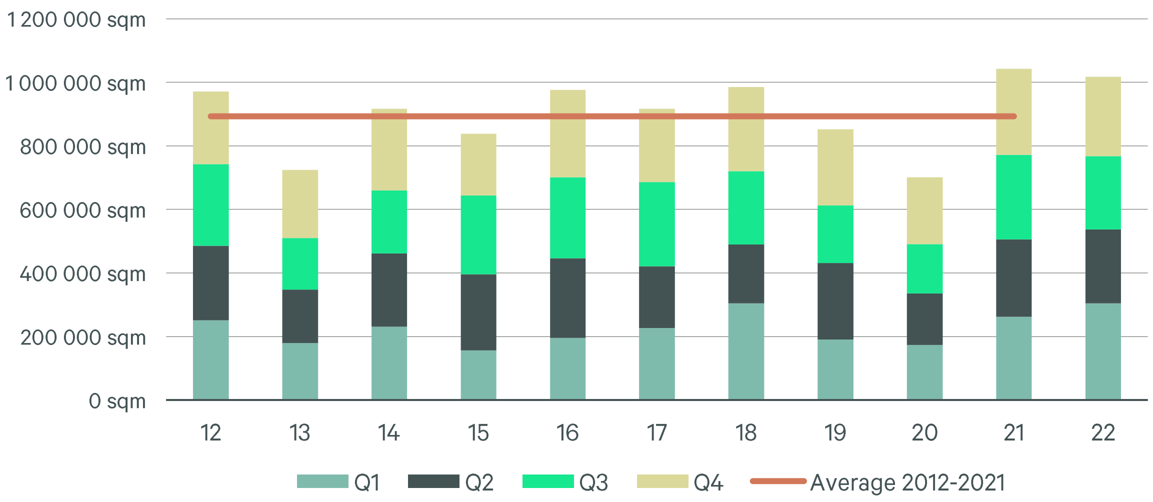
▲ €149
Average headline rent within the A86

Note: The arrows indicate annual variations

Strong annual performance, in line with 2021

Despite an uncertain macroeconomic context impacted by several external events, 2022 was a good year for the greater Paris region industrial property market, with a take-up >1 million sq m (-2% y-o-y and +14% compared to the ten-year average). This performance owes much to a thriving e-commerce market and its accelerating demand for last mile logistics, as well as upstream real estate transactions signed in anticipation of the industrial market's recovery. Nearly 810 transactions were signed in 2022, and intermediate (3,000-5,000 sq m) and large space (>5,000 sq m) transactions have risen considerably. Major deals include Île-de-France Mobilités' acquisition of a 5,560 sq m industrial building in Villepinte, and BAA Training's lease for 3,420 sq m of new space in Longjumeau. Although a growing number of occupiers are looking for space in the immediate vicinity of Paris, a lack of supply and high rents are forcing some to move to the Outer Rim and even the greater suburbs. The A86 - Francilienne area remains the core of the market, with more than 57% of total take-up. Leasing continues to dominate (66% of annual take-up), as properties for sale remain scarce and financing conditions have tightened in the face of rising inflation and the energy crisis.

FIGURE 1: Take-up - Paris Region



Source: CBRE Research, Q4 2022

Supply under pressure despite record speculative schemes

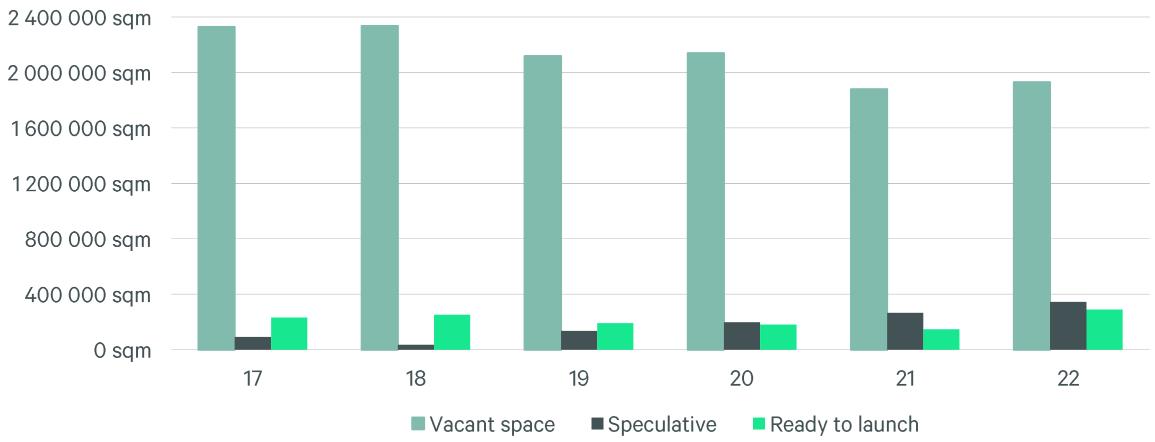
Pressure on supply persists in Q4 2022. Demand remains high for industrial space located near staffing and consumer catchment areas. Vacant space in the greater Paris region stabilised at 1.9 million sq m at the end of 2022, for an estimated vacancy rate of 4.9%. Most vacant space is concentrated in the South (44%), followed by the North (20%) and East (20%). Vacant space is unevenly distributed throughout the greater Paris region. Given the scale of demand, it is also quantitatively and qualitatively below par in the most established sectors. Following the completion of several projects, new and refurbished supply represents 21% of total vacant space. However, this new supply is proportionally inadequate given the number of occupiers looking for new generation industrial space that is equipped to meet current operational and environmental efficiency challenges.

A positive indicator is that the number of speculative schemes is increasing, totalling 345,500 sq m (+29% compared to the end of 2021). This record volume is part of a wider process, where industrial real estate is being modernised and the region's re-industrialisation potential is maximised. Additional ready to launch supply totalled more than 290,400 sq m at the end of 2022. The proportion of new developments is falling, whereas that of refurbishment/renovation projects has clearly increased. This shows that there is an awareness that existing industrial buildings need to be renovated to today's technical and environmental standards, rather than pursuing new developments that are increasingly facing financial and regulatory constraints. Brownfield site redevelopment and obsolete building rehabilitation are proving to be of major strategic importance in encouraging urban renewal and the economic attractiveness of the greater Paris region.

Rising rents

Pressure on land and existing space is driving rents up in the greater Paris region, with average rents now reaching €111/sq m pa. However, this upward trend varies according to the region's territorial dynamics. Within the A86, the persistent dichotomy between supply and demand is mechanically driving up rents for available space. Average rent within the A86 is rising fast, reaching €149/sq m in 2022, a 14% y-o-y increase. Prime rent in the greater Paris region remains high at €250/sq m. At the same time, occupiers moving from the inner to the outer rim has pushed rents upwards in areas located between the A86 and the Francilienne. Average rent in this sector has officially risen above the €100/sqm threshold to €104/sq m (+12% y-o-y). Beyond the Francilienne, rents are stabilising; some rents for buildings in poor condition and needing renovation have even fallen slightly.

FIGURE 2: Supply evolution in Paris Region



Source: CBRE Research, Q4 2022

FIGURE 3: Headline rents in Paris Region

Geographic areas		New/Refurbished	Second hand
North	Within the A86	€120/€170	€90/€160
	Outside the A86	€80/€140	€60/€100
West	Within the A86	€130/€170	€100/€150
	Outside the A86	€100/€140	€70/€120
South	Within the A86	€170/€250	€130/€185
	Outside the A86	€95/€145	€80/€100
East	Within the A86	€150/€180	€120/€160
	Outside the A86	€90/€140	€75/€110

*Traditional light industrial: proportion light industrial/offices = 70/30 €/sq m pa excluding taxes and charges
Source: CBRE Research, Q4 2022

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