



Office building conversion in Île-de-France: an overview

**MARKET
SUMMARY**

JULY - 2023



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INTRODUCTION

Since the Covid health crisis of 2020, the sharp increase in the overall supply of office space in the Île-de-France region – coupled with consistently disappointing take-up levels – has drawn greater attention to the drag on the office market created by the abundance of second-hand buildings, many of which do not offer the types of modern features that would appeal to tenants. At the same time, despite a severe housing shortage in Île-de-France, exploitable land is in short supply. A major reason for this is national and regional restrictions meant to combat land artificialization as part of declared net-zero emission objectives. A casual observer may think a solution is obvious: repurpose these “obsolete” office buildings and turn them into housing: an approach that would also release far less carbon than demolition. Furthermore, the “loi Elan”, adopted in 2018, provides financial extra building rights up to 30% for converting or renovating former offices into housing.

But obviously, current market reality is more nuanced. The ability to convert and repurpose office buildings clearly represents a valuable tool for urban development, consistent with the declared sustainable development objectives shared by residents, public authorities and investors. However, the ongoing office market crisis should be put into perspective: while within-a-year supply in Île-de-France reached 6 million sqm at the start of 2023, there are not as many buildings to transform and, although take-up has slowed, businesses continue to seek out suitable office space. Moreover, in addition to the various technical, regulatory and political constraints commonly being faced, financial considerations are presently often the deciding factor limiting both the number and the nature of office space conversions. It is important to keep in mind that not all transformation projects are housing related, and that office-to-residential transformation projects are only a limited aspect of overall urban renewal policies.



The fight against land artificialization is taking shape.

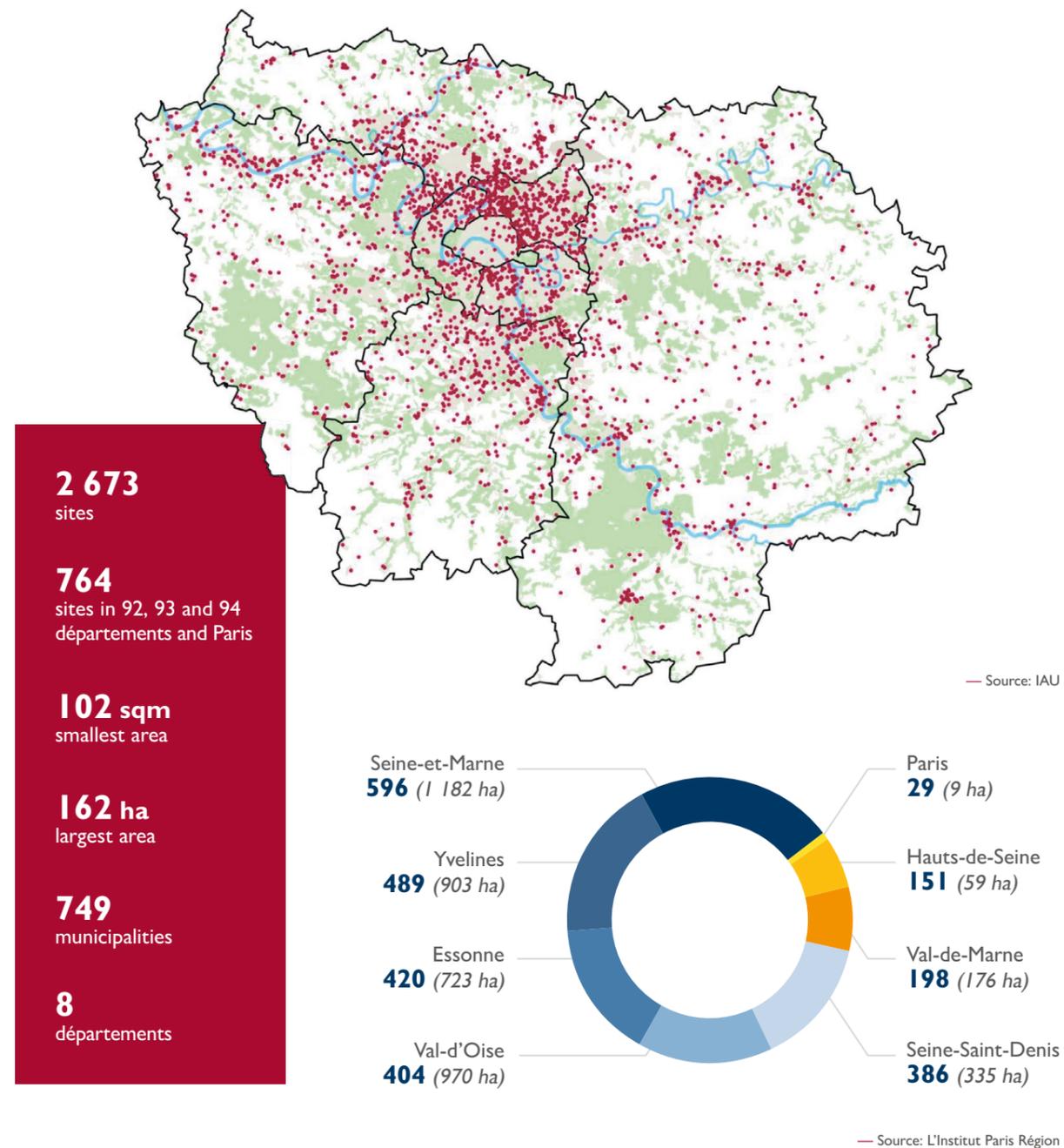
Ecological challenges in the context of urban development have become more prominent in recent years, with both regulatory and societal pressures now intensifying. At the national level, the Climate Resilience Law of August 2021 validated a mandatory reduction of the artificialization of natural agricultural and forest areas, with two major deadlines: 2030 for a half reduction and 2050 for achieving a net-zero artificialization. At the regional level, the Île-de-France 2040 master plan aims to reduce the rate of land artificialization by 20% per decade by developing suburban designated hubs, making these virtually the only areas where new construction would be authorized. This rate is slightly lower than the declared net-zero artificialization objectives, but Île-de-France must also address its severe housing shortage. The SDRIF 2040 project, which should be completed in July 2023, before a year of public consultations, aims to keep a 700,000 residential units per year construction goal, 30% of which will be social housing.

I. OBSOLETE OFFICE BUILDINGS AS A LAND WINDFALL? A MIXED PICTURE.

With shortages of exploitable land such a chronic problem, developing derelict, "brownfield" areas must be at the heart of future regional urban development projects. This has long been the case, with a major proportion of office development in and around Paris over the past forty years having taken place on disused industrial areas. However, this has become increasingly rare, especially in the more developed

areas of Île-de-France. The Observatoire des Friches Franciliennes identified 2,673 brownfield projects as of January 1, 2023, involving 4,350 hectares. However, the vast majority of these were located in the outer suburbs. In Paris and surrounding areas, they accounted for only 579 hectares, of which only 59 hectares were in the Hauts-de-Seine département and a mere nine hectares in Paris.

Brownfield sites in Île-de-France



2 673 sites

764 sites in 92, 93 and 94 départements and Paris

102 sqm smallest area

162 ha largest area

749 municipalities

8 départements

In this context, can the current regional office oversupply crisis be transformed into a windfall in terms of developable land? The series of global upheavals since the 2020 health crisis has had a very strong impact on the commercial real estate market in Île-de-France. As a consequence, take-up has fallen sharply and office supply has risen, including many new projects delivered and not commercialised. At the end of 2022, the level of immediately available supply in Île-de-France reached 1993 levels: the peak of the market crisis of the early 1990s and a psychological milestone. While this glut of empty office buildings may appear to be an opportunity for developers, the Île-de-France property market has changed dramatically since the 1990s and, moreover, the current take-up crisis is not being felt to the same extent across the region.



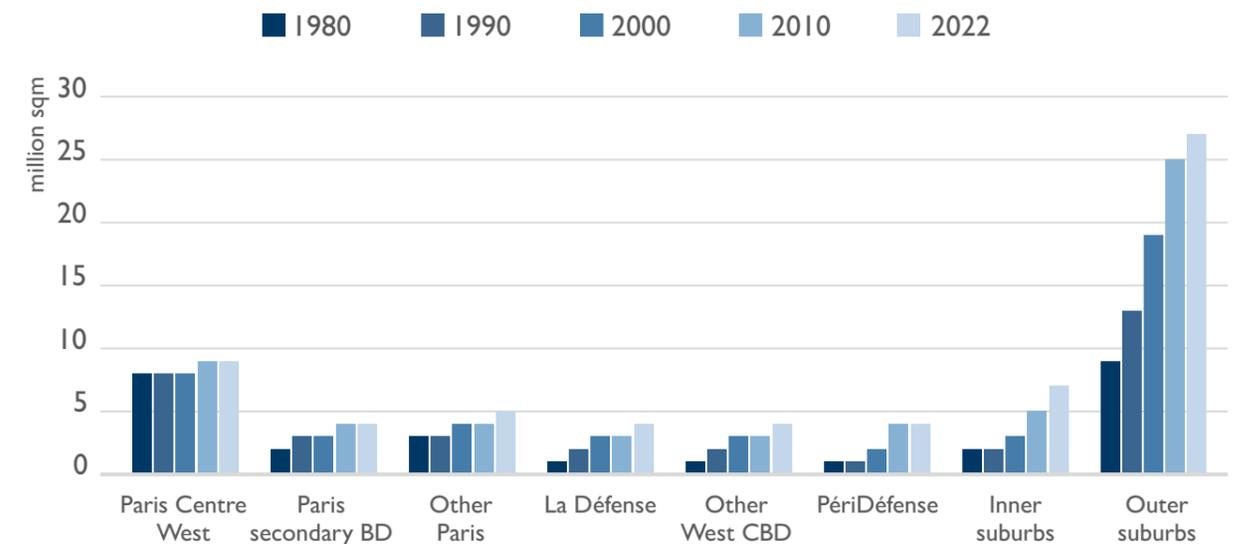
A 1,910 sqm office building converted into 37 housing units
Art & Mix - Paris 20 - NOVAXIA

Reaching nearly 59 million sqm at the end of 2022, Île-de-France's office stock is much larger than at the start of the 1990s; it has grown by 50% - nearly 20 million sqm - in thirty years. Meanwhile, stock in the Paris Central Business District has barely increased, due mainly to its geographical constraints. However, the overall Parisian market has expanded, in particular due to the development of the ZAC Paris Rive Gauche in the 13th arrondissement, the Bercy district in the 12th, the Front de Seine in the 15th and ZAC des Batignolles in the 17th arrondissement. Meanwhile, the West CBD has experienced a major boom, both in La Défense (more than one million additional sqm in 30 years), as well as in Boulogne-Billancourt and Issy-les-Moulineaux.

This has occurred in cities directly bordering Paris (ie., to the North in Clichy, Saint-Ouen, and Saint-Denis; to the East in Montreuil, and in Montrouge to the South). Stock has also expanded in PériDÉfense, especially in Rueil-Malmaison, Nanterre, and the western part of Boucle Nord), as well as in certain outer suburban cities, (eg., Velizy, Massy, etc.). The maturation of these business districts has been largely dependent on good public transport networks. However, the rise in the attractiveness of these locations and the needs to cut costs on the part of some large companies has sometimes led to the construction of large office complexes in areas lacking good transport links, far from services and amenities.

Finally, the major change has been the significant stock growth in many other suburban markets, sometimes influenced by public policies.

Increase in office stock in the main Île-de-France submarkets: 1980 – 2022



The Île-de-France non-residential real estate market is usually cyclical. During previous crises (ie., the economic crisis of the early 1990s, the “dotcom crash” of 2002, the financial crisis of 2009, etc.), excess office supply was usually absorbed gradually when the economy rebounded, with many businesses deciding to relocate to areas with rental values more in accordance with their financial means. This search for cost effectiveness has often led businesses to choose large – sometimes very large – office spaces in emerging business districts bordering Paris, or along public transportation main lines. These areas have often been created *ex-nihilo* on former industrial brownfield sites, where only the most remarkable historical buildings have sometimes been refurbished and preserved. However, the attractiveness of these emerging submarkets has not generally been to the detriment of better-established business districts (ie. the Paris CBD, the West CBD), where, often thanks to an adjustment in rental values, take-up has trended higher during the market recovery.

Over the last thirty years, the boom in the service sector in Île-de-France has enabled the creation of new secondary business districts, while also strengthening the more established areas. However, the environment since 2020 has been far more challenging. Apart from the impact of various current economic and geopolitical difficulties, take-up is currently being hampered by two unusual phenomena:

- Firstly, post-Covid take-up has been severely undermined by the growing trend in remote working. Many public sector and private companies now allow a significant portion of their staff to work from home one or two days per week, obviously leading

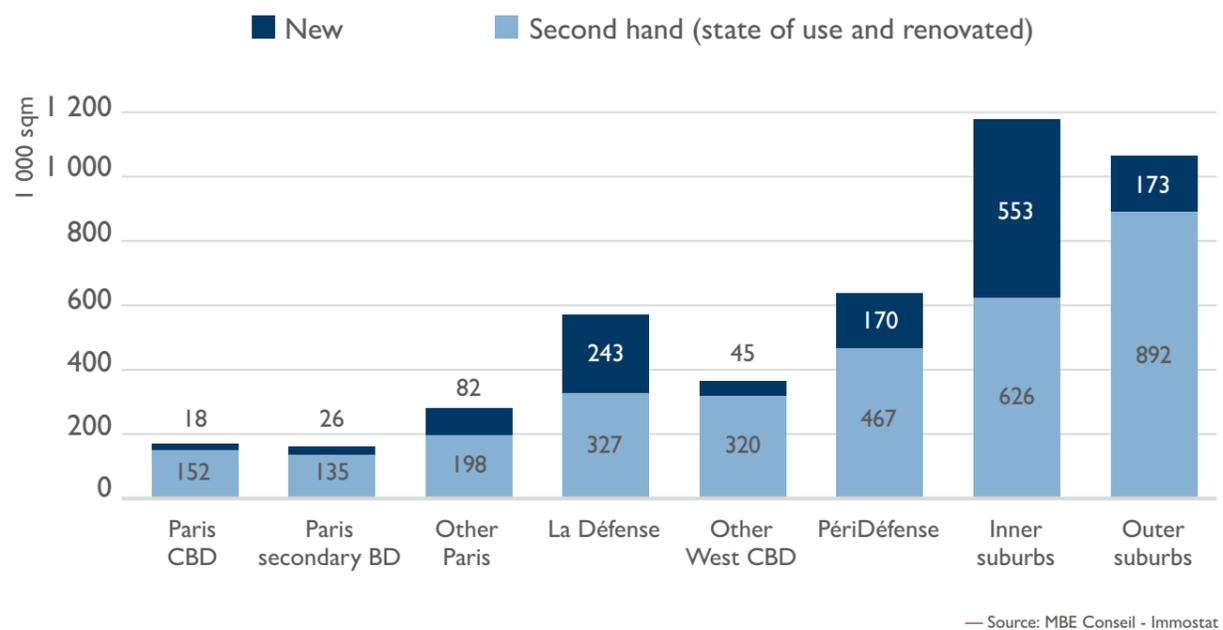
to lower office space requirements. In the case of businesses negotiating new leases, centrality is often being prioritised. This has largely benefitted Parisian markets, record-high headline rents notwithstanding.

- Secondly, lease renegotiations, both during the Covid crisis and in the two years following, have enabled some tenants to remain in their locations on very preferential terms. As a result, take-up, especially for large surfaces, has slowed.

As a result of these changing take-up trends, vacancy rates in the central Parisian arrondissements have been falling; the Paris CBD is especially undersupplied (2.9%). However, suburban vacancy rates have been growing steadily since 2020, exceeding 9% on average in Q1 2023. In some suburban areas, rates have reached or exceeded 15%: 16.2% in La Défense, 18.1% in the Emerging North, and 14.9% in PériDéfense.

A part of this oversupply consists of released second-hand surfaces, renovated or in a state of use, but the Covid crisis occurred during a period of extensive building and refurbishment activity. At the end of the first quarter of 2023, new and refurbished surfaces accounted for 30% of immediate supply in Île-de-France – more than 1.3 million sqm. In some submarkets, such supply reached almost 50%. This was particularly the case in the southern inner suburbs (48%), the Emerging North (47%), and in La Défense (43%). However, new and refurbished supply is relatively limited in most Parisian arrondissements (with the exception of Paris Nord Est), and in the West CBD, excluding La Défense.

🏠 | Immediate supply in Île-de-France by building status: Q1 2023



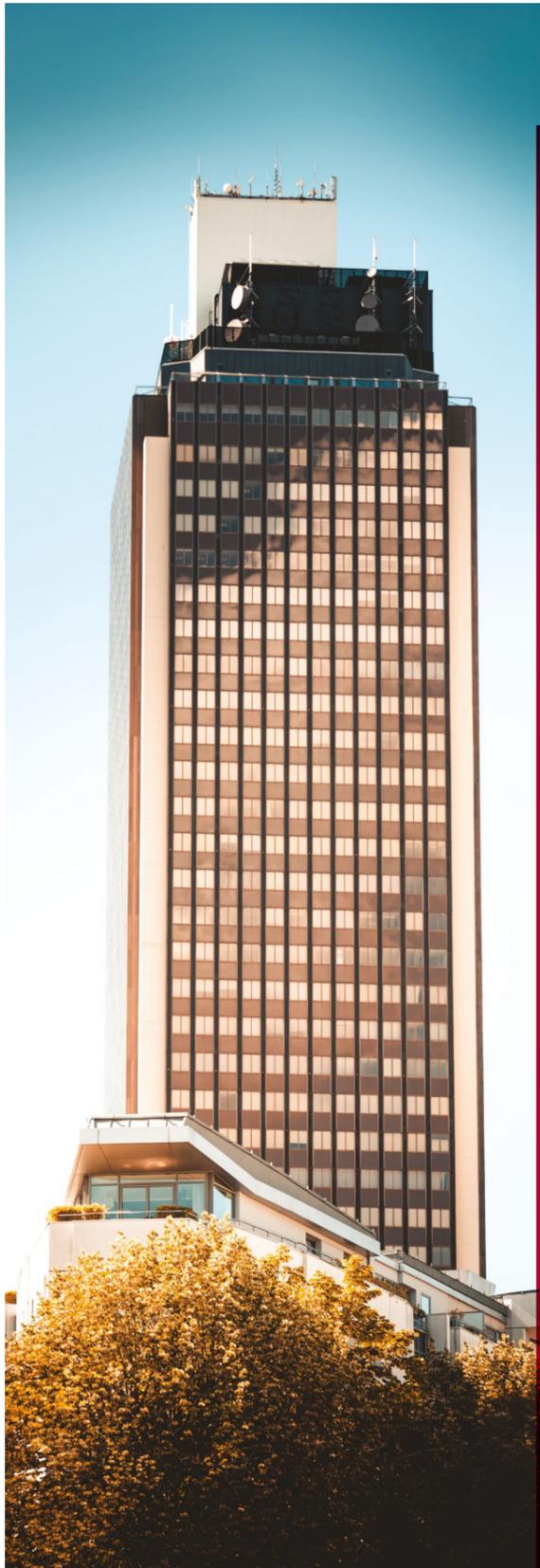
A former 3,731 sqm office building converted into a 5,407 sqm mixed-use building (coliving, nursery, offices, fitness)
HB 108 - Asnières - FREO GROUP

While new supply is currently abundant, the official net-zero artificialization targets set for 2050 will result in a severe shortage of future office projects. This is already being reflected in the growing proportion of refurbishment projects – amounting to 31% of floor space for projects with permits either granted or pending in Île-de-France at the end of Q1 2023 – to the detriment of new supply. As a result, these obstacles to new construction could paradoxically lead to office shortages in the medium term in certain areas, despite the anticipated reduction in future take-up volumes for the reasons mentioned above.

- In Paris, with the exception of the 18th, 19th and 20th arrondissements, there is already a severe shortage of new and second-hand office space, particularly in the CBD. With the high current level of demand, the majority of projects under construction, or with building permits granted or pending, could be transacted quickly. In addition, the newly announced “PLU Bioclimatique” aims to reduce office space in favour of housing and could thus have a very major impact on future office supply. Eventually, Paris could experience an increase in building conversions, but the generally high level of risk inherent to many of these operations may discourage a large proportion of private owners.
- Even if take-up remains negatively affected in the long term by lower office space needs, supply in Parisian markets should quickly become insufficient to meet demand. This could lead many businesses to shift their focus to certain more attractive suburban markets, in particular to the West CBD and certain inner suburban cities, as well as to PériDéfense, where new supply is abundant and public transport links continue to improve. In these areas, high-quality new supply, complying to

the latest environmental regulations, currently presents very strong competition to even the best located second-hand buildings. The question for owners as to how viable it might be to renovate or refurbish such second-hand supply is clearly challenging. On the other hand, potential changes of destination will depend on future recovery in take-up, and on the location of these second-hand buildings in established and appealing suburban markets. Some of these markets that have gradually lost their appeal recently could largely transform themselves into mixed-use districts by converting obsolete office buildings. But such urban renewal strategies would be subject to numerous challenges, both for the owners of the buildings and for the municipalities concerned.

- The major business district of La Défense represents a particular challenge, as its office stock is primarily made up of very large high-rise towers, some of which are now experiencing high vacancies or will be vacated in the coming years. Some owners are considering transformation, at least partial conversions (eg., Primonial with the Odissey project), while certain recent acquisitions could also lead to repurposing (Tour CB3 in particular). In the current investment market, however, the size of such buildings represents a significant challenge.
- In the outer suburbs, the supply of new office buildings is limited. Construction starts are rare and often concern turnkey projects. As a result, there is naturally an abundance of obsolete office buildings and, as in the suburban markets nearer Paris, their future appeal largely depends on their location. In municipalities where demand for offices is low, financial equilibrium might favour transformation into housing, as well as other types of buildings, like light-industrial or urban logistics premises.



Varied, but limited number of investment transactions.

Investing in the transformation of obsolete office space is still a niche market. The growing importance of ESG standards for investors and the creation of specialized funds could, however, accelerate this movement. Among the main buyers, developers, value-add funds and social housing authorities, including Foncière de Transformation Immobilière. It should be noted that some deals relate to occupied buildings with a short WALB and that, if a change of use in the long term is certain, conversion projects could more likely be in the form of demolition-reconstruction than actual transformation. The projects typically involve classic residential developments, as well as a significant number of managed residences, (ie. student residences and co-living premises), as well as hotel/ short-term accommodation projects.

Through our (non-exhaustive) research, we have identified around forty transactions since 2019 relating to office assets intended for conversion in Île-de-France. Among these, 12 were agreed in 2021 and a further 17 in 2022. Of these 29 transactions, seven are located within Paris, three in the inner suburbs, four in the West CBD and 15 in the outer suburbs. In total, acquisitions made in 2021 and 2022 represent nearly 333,000 sqm of space intended for conversion.

In Paris, some mixed-use conversion operations have and will create buildings where offices occupy a minority of space. Of the seven such conversion projects identified within Paris, three involve the transformation of old car garages, and one the conversion of the old Tati Building.

In the West CBD, three office buildings are set to be transformed into either managed or unmanaged housing. Another project will transform a hotel into residential space: the acquisition by Icade of the former Crowne Plaza hotel in Neuilly, which will be a refurbishment-extension project.

In the inner suburbs, three conversion operations involve offices (36,800 sqm in total), to be transformed into housing in the short or medium term.

In the outer suburbs, the 15 transactions we have identified amount to 224,000 sqm, mainly relating to obsolete office buildings. Again, some operations could, in the long term, correspond more to demolition-reconstruction projects than to conversions. This is particularly the case with the Equinove complex in Le Plessis-Robinson, to be released by Renault. Another noteworthy transaction was the acquisition by Tikehau Capital of the 30,900 sqm former headquarters of Up in Gennevilliers, with possible conversion into light industrial and urban logistics premises.

In 2021 and 2022, acquisitions in the inner suburbs were made at an average price of between €3,300 and €3,500 /sqm, and in the outer suburbs at between €1,000 and €3,900 /sqm. High construction costs and the difficulties encountered in the housing sector following the rise in rates make a future adjustment in market values crucial to allow the number of transactions aimed at the transformation of obsolete assets to keep growing.

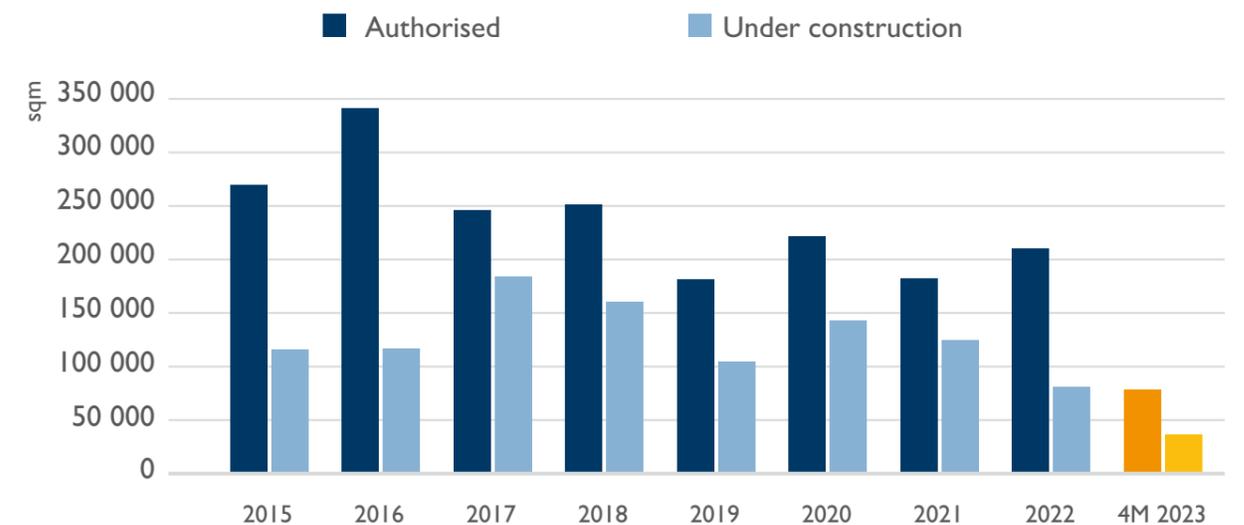
At the start of 2023, we can only identify one operation definitively of this type in Île-de-France: the acquisition by Foncière de Transformation Immobilière of the Pacifique building in Issy-les-Moulineaux.

2. CONVERSION PROJECTS ARE STILL RARE.

In Île-de-France, authorization for office conversions (ie., into other business premises or housing) has involved 237,000 sqm per year on average since 2015, with an average of 129,000 sqm worth of construction starts. Although the subject of conversions

is attracting more attention, this is not yet reflected statistically since, from 2020 to 2022, municipal authorizations have fallen by 20% on average compared to 2015-2019, while conversion construction starts fell by 15%.

 Authorised office conversions and project starts in Île-de-France: 2015 – Q1 2023



— Source: MBE Conseil - Sitadel

Demolition-reconstruction: another form of transformation

It should be noted that the figures quoted above concern only converted office space, not demolished offices which have been replaced by housing or other functions. These conversions concern 95,000 sqm authorized on average since 2015 and 63,000 sqm of construction starts each year. Such demolition-reconstruction operations are traditionally considered easier to implement from a technical point of view, being more standardized and generally less expensive than conversions. Operational costs are generally between €1,900 and €2,200 /sqm for demolition-reconstruction projects, and are at least 20% higher for conversions, even exceeding €3,000 /sqm for certain operations. Another advantage is that demolition-reconstruction projects permit full optimization of surfaces.

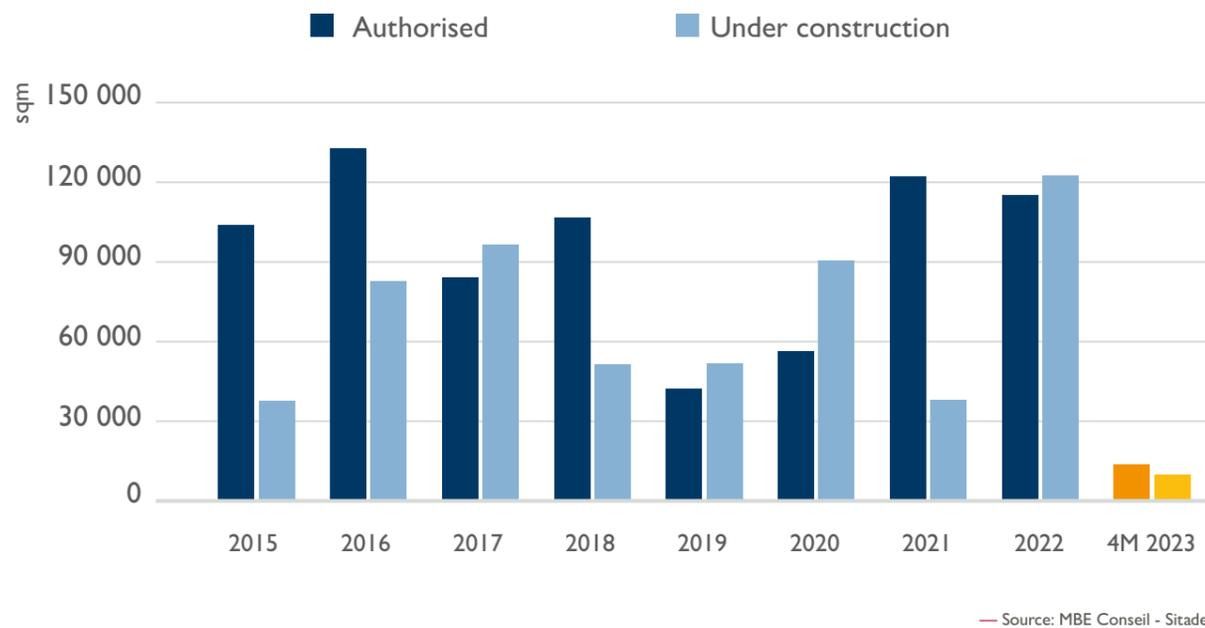
However, these types of projects are increasingly falling out of favour with local governments, real estate markets players and the public in general. Less environmentally friendly, they are mainly favoured when technical constraints make transformations too challenging, or when they would not be economically viable.

The environmental impact of demolition-reconstruction projects is, however, tending to decrease, both due to the growing attention paid to the reuse of materials on site, and because they can be an opportunity to recreate open ground surfaces, developing height-wise while maintaining a smaller carbon footprint. In addition, demolition-reconstruction operations make it easier to create housing, with 61% of large-scale operations (ie., more than 1,000 sqm of demolished offices) being predominantly for residential repurposing. Another advantage afforded by such projects is that some are designed to be "reversible", allowing a possible change of use in the future. A notable example is the demolition-reconstruction operation carried out by Franco-Suisse (Promogim) in Châtenay-Malabry which made it possible to replace nine obsolete office buildings with seven residential buildings and one reversible office building.



A former 11,000 sqm office building converted into a 20,732 sqm residence for students and young professionals
Lilo - Puteaux - FREO GROUP

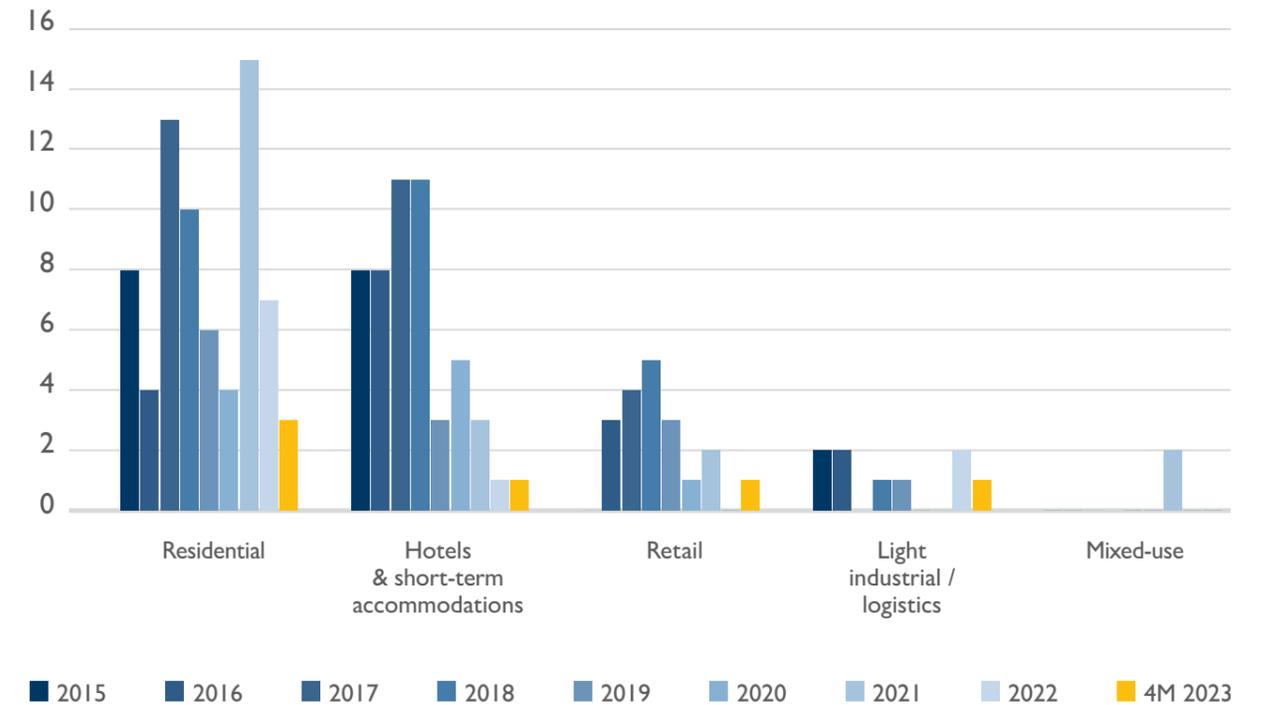
Office area demolished for reconstruction with a change of purpose – Île-de-France



Office conversions beyond a certain size (i.e., more than 1,000 sqm) remain rare. Excluding transformations into administrative or public buildings, only 151 projects have started since 2015. Almost half of these operations have involved transformation into housing

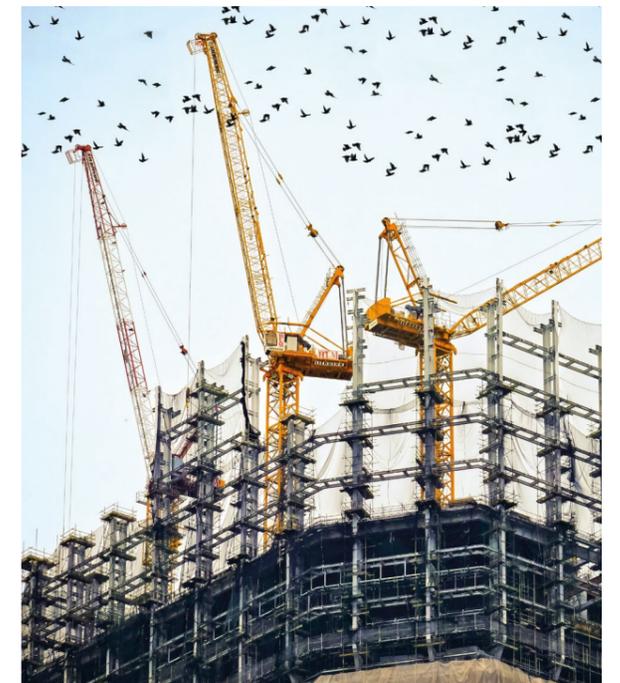
(46%), ahead of other forms of lodging (34% mainly to hotels and aparthotels), retail (13%) and light industrial / warehouses / artisanal sites (6%).

Office conversion by new usage category and number of construction starts in Île-de-France (majority-office buildings pre-transformation with at least 1,000 sqm converted)

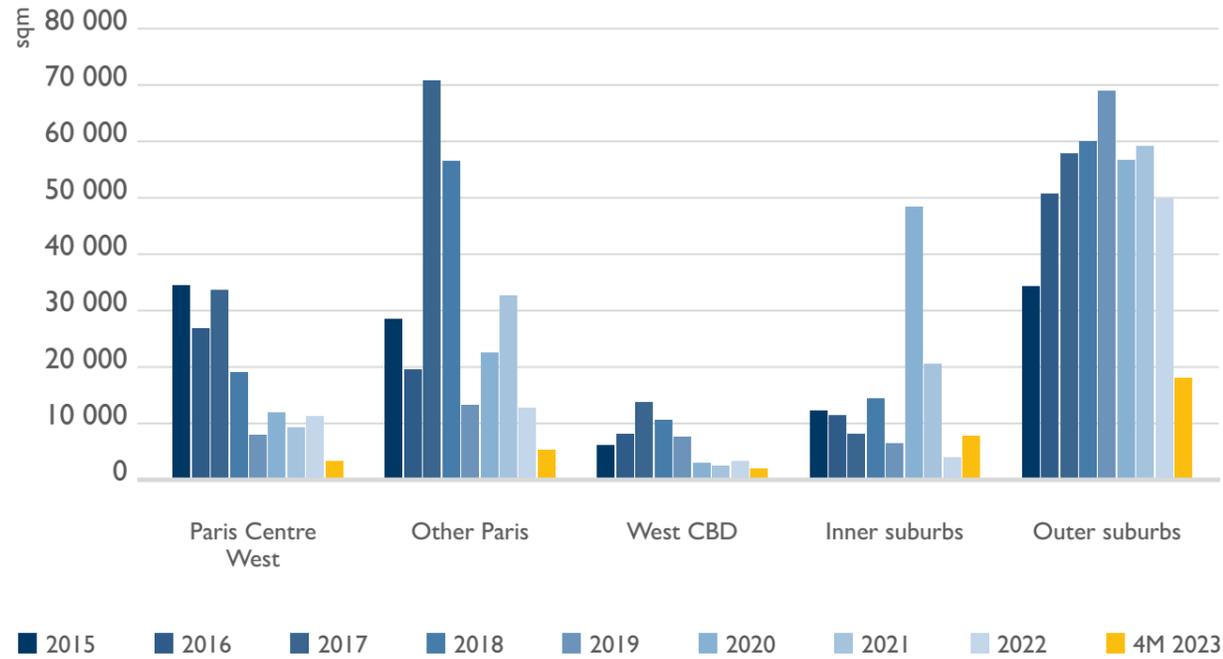


Since 2015, these conversion projects have been concentrated in two areas: the outer suburbs (43% of total surfaces) and Paris (40% including 15% in Paris Centre West). However, such operations were rare in the West CBD (5%) and in the inner suburbs (13%).

The types of conversions vary widely according to location, with a clear preponderance of housing being created in the outer suburbs (65% of the surfaces transformed). Residential conversions have accounted for a significant share of projects in the other markets (32% to 62%) with the exception of Paris Centre West, where conversion to housing has only accounted for 11% of surfaces related to such activity. However, such development in the Paris CBD has been dominated by transformations into hotels and other forms of short-term lodging (76% of conversion projects). This has also been the case in other Paris markets, as well as in the inner suburbs, notably in the latter instance with the transformation of the Tour Pleyel in Saint-Denis into a hotel. Meanwhile, office-to-retail space conversions have been heavily concentrated in Paris (47%) while conversions into industrial and warehouse sites have naturally mainly occurred in the outer suburbs.

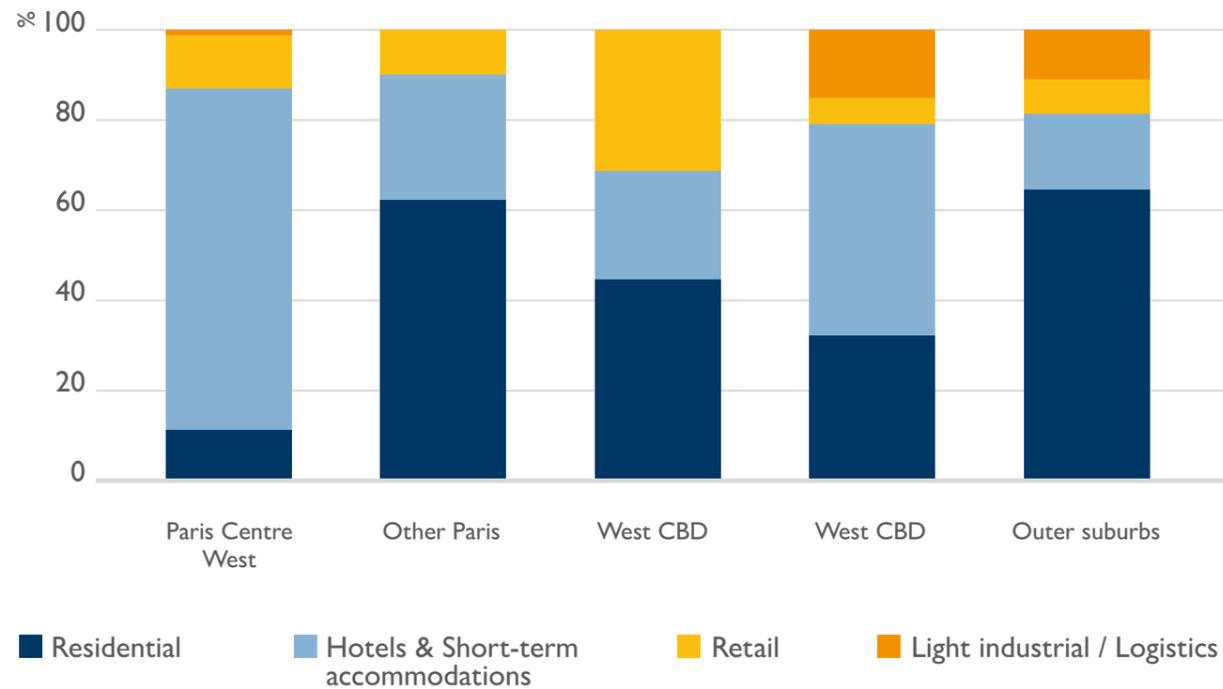


Converted office surface area by submarket – Construction starts



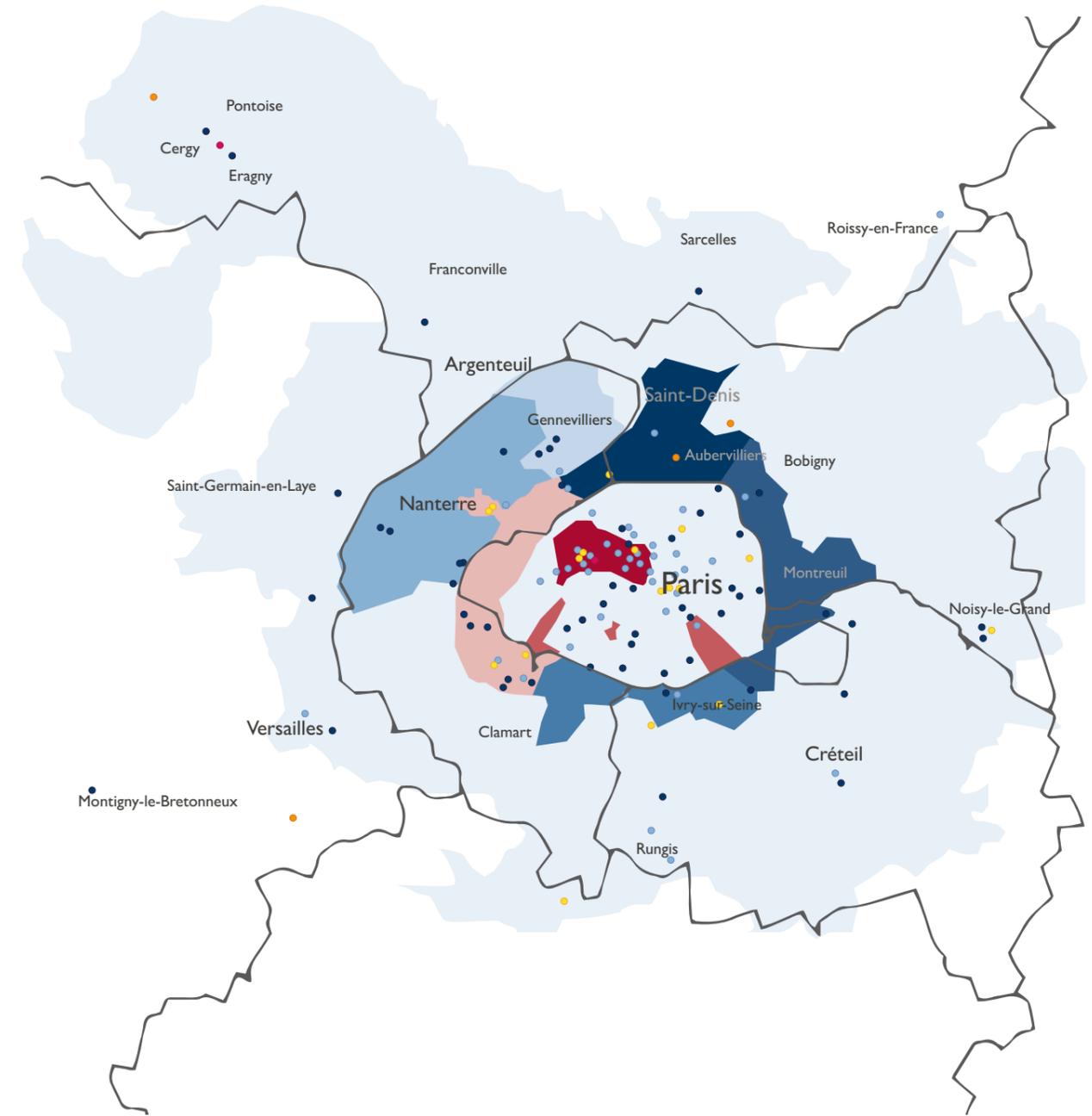
Source: MBE Conseil - Sitadel

Converted office surfaces by submarket – Construction starts since 2015
(majority-office buildings pre-transformation with at least 1,000 sqm converted)



Source: MBE Conseil - Sitadel

Converted office surface area – Construction starts since 2015
(majority-office buildings pre-transformation with at least 1,000 sqm converted)



Source: MBE Conseil - Sitadel

- Residential (70)
- Hotels & Short-term accommodations (48)
- Retail (19)
- Light industrial / Logistics (9)
- Mixed-use (2)
- Paris CBD
- Paris secondary BD
- West CBD
- North inner suburbs
- West inner suburbs
- South inner suburbs
- PériDéfense
- Asnières-Gennevilliers

3. OBSTACLES TO TRANSFORMATION ARE OFTEN MORE ECONOMIC AND POLITICAL THAN TECHNICAL.

The relatively modest number of office transformations that have taken place in recent years can be explained by several factors.

Technical feasibility is usually the first consideration that comes to mind regarding the conversion of vacant offices. However, there are rare cases where transformation is not possible. Certain types of building floor layouts are inherently difficult to convert, in particular the recent generations of buildings characterized by large floorplans (18 meters). However, solutions have been found in the vast majority of cases (eg., the creation of common rooms in co-living buildings that do not require windows to the outside). In the case of high-rise buildings, conversion to housing can also benefit from a higher IGH classification threshold (ie., 50 meters instead of 28 meters for offices). A clipping of the upper floors is sometimes carried out during the conversion to reduce the charges induced by the IGH classification (eg., the Linkcity project in the Tour Engie in Cergy). In most cases, it has been associated costs that have hindered or prevented projects being developed (especially when a vertical circulation core has to be moved).

Overwhelmingly, the first obstacle to office conversions is economic, with asset location being a prime factor. In Paris and in the most mature suburban markets (eg., Boulogne-Billancourt, Issy-les-Moulineaux, Neuilly-sur-Seine, Levallois-Perret, Montrouge, etc.), residential rental values are far below office values. Moreover, this differential is accentuated by legal obligations regarding the production of social housing in certain municipalities, in accordance with the SRU law and the PLU of the City of Paris (with the latter decreeing that 30% of new programmes must be dedicated to social housing). Add to this a loss of surface area (15 to 25% often observed) between the living area that can be rented in a dwelling and the rental area of offices which generally includes a share of the common areas.

This discrepancy between residential and office rental values has naturally directed market attention towards the municipalities further from Paris. However, it discourages transformation activity in the most mature suburban markets, which paradoxically also have the worst housing shortages (especially social housing).

In general, any office building transformation project is based on a delicate financial balance, including the cost of acquisition, labour costs, transfer duties, taxation, marketing costs and any financing costs – the latter having spiked in the past year. The cards have been reshuffled in recent months, with the market facing worsening economic conditions, especially higher inflation, interest rates, construction costs, and a drop in activity on the residential market. Each operation deserves an in-depth study to define the expected yields and exit prices, depending on the geographical location and the type of project planned.

Beyond the financial aspect, the transformation of office building is subject to many regulatory constraints, (PLU-related zoning restrictions in particular), as well as political issues. Most municipalities wish to preserve their office stock: a source of income whose importance has increased with the gradual abolition of housing taxes on owner's main residences. On the contrary, the creation of housing imposes new financial commitments on cities (nurseries, schools, various services, etc.). For elected officials, the arrival of new residents also constitutes the risk of changing the demographic makeup of their areas. Apart from traditional housing, municipalities can slow down the development of certain formats: higher education when the number of schools is considered too large in the territory, student residences when a municipality has already suffered the departure of an operator and the subsequent abandonment of a building. Even co-living, according to some elected officials, hampers the development of conventional housing. In Paris, moreover, the future bioclimatic PLU will prohibit new furnished their tourist accommodation being developed in districts where their number is presently deemed too high.



4. WHICH DESTINATIONS?



A 3,296 sqm office building converted into 56 apartments and 1 retail unit
Grand Angle - Asnières - AXE IMMOBILIER

In response to the various constraints facing office buildings being converted into housing mentioned above, conversion to managed residential facilities provides many advantages which have contributed to its increased popularity in recent years.

One of its strengths lies in its ability to optimize the surfaces of a converted building by providing common spaces that could not be created through conventional residential layouts. It also makes it possible to adapt to local needs by being flexible in terms of resident types – ie., coliving residents, students, senior citizens, etc. – or by providing shops and other services open to the general public. Helping to enliven the area, managed residential properties are often well received by most elected officials, especially as they largely attract students or young professionals for whom few additional services and amenities are necessary.

“Coliving” consists of two building categories: residential coliving and hotel/short-term accommodation coliving. The distinction between the two concepts is sometimes tenuous and, in some cases, the creation of hotel/ short-term accommodation is above all a way of circumventing a given PLU, prohibiting the creation of new residential buildings. It should be noted that, at least on paper, a hotel project seems to present more risks in the event of the operator leaving at the end of the lease, as the premises will not necessarily correspond to the requirements of other operators.

Of course, co-living is not the only option possible and a number of buildings of more than 1,000 sqm have been converted in recent years into “classi” housing (social, intermediate or classical). The professionals in social or intermediate housing have played a major role in the conduct of these operations, whether they are the subsidiaries of Action Logement (e.g. Seqens, Immobilière 3F, In’li, Foncière de Transformation Immobilière, etc.), but also RIVP, Vilogia, etc.

Student residences have naturally proliferated in areas with many higher education centres, such as in PériDÉfense and parts of the outer suburbs (eg., Cergy-Pontoise, Massy, Marne-la-Vallée, etc.).

The hotel/ short-term accommodation industry is, as previously mentioned, often favoured in Paris, particularly in Paris Centre West: home to many luxury hotels. Transformation projects involving short-term accommodation can also be seen in the suburbs, particularly near the sites hosting the upcoming Olympic Games (ie. Tour Pleyel) and near the airports.

The conversion of offices into warehouses or industrial premises remains rare but has sometimes occurred in suburban areas. An example is the recent launch of the St-Raphaël project in Ivry-sur-Seine for conversion into a Bluespace self-storage site.

Senior residences, on the other hand, have faced particular difficulties in recent years. They have both suffered from the repercussions of the Orpea affair, and do not benefit from a market depth equivalent to that of student housing or coliving. The length of accommodation filling time is also typically an economic detriment in the first years after a residency's opening.

We do not mention in this study the transformation of offices into teaching premises, as these surfaces are today most often assimilated to offices and thus counted in the office take-up. It should be noted, however, that the phenomenon has grown in recent years, with the sector benefiting from high registration fees and not hesitating to invest in localization to attract students, especially foreign ones. This search for good locations and amenities nevertheless leads educational institutions to favour territories corresponding to more developed areas, and not to more remote locations which are currently struggling to attract companies. In the same vein, the transformation of offices into medical centres is now sometimes assimilated statistically within the category of offices; an example being DocCity, which acquired the Franklin building (6,200 sqm second-hand) in Suresnes to develop a mixed healthcare / biotech centre.

 Conversion of buildings over 2 000 sqm – projects under construction since 2019 and permits granted since 2022

Building	City	Submarket	Original surface area	Surface area (sqm) after conversion	Primary post-conversion usage	Project status	Developer / investor
Tour Pleyel - 153 bd Anatole France	Saint Denis	Inner suburbs	43 727	41 140	Hotel	Under construction	Financière des 4 Rives / AFI ESCA (groupe Burrus)
Ilot Saint-Germain - 231 bd Saint Germain	Paris 07	Other Paris	27 641	27 637	Hotel	Approved	Constellation Paris
Ilot Saint-Germain - 10 rue Saint Dominique	Paris 07	Other Paris	21 648	16 640	Social housing	Under construction	RIVP
144 avenue des Champs Elysées	Paris 08	Paris Centre West	18 642	20 790	Hotel	Under construction	Brookfield
Good morning Campus - 1 avenue du Général de Gaulle	Créteil	Outer suburbs	15 135	19 522	Student residencies	Under construction	Cardinal Promotion
12 rue Pasteur - 3 rue Monge	Suresnes	Outer suburbs	14 058	18 182	Student residencies	Under construction	Bouygues Bâtiment / Vilogia
Avenue de la Raperie	Roissy en France	Outer suburbs	12 380	12 431	Hotel	Under construction	SNC YOMA
"PFG" - 19 avenue Jean Lolive	Bagnolet	Inner suburbs	12 086	18 067	Light industry	Approved	SCI Apys 26
Résidence Les Maraîchers - rue du Docteur Schweitzer	Morangis	Outer suburbs	11 556	15 083	résidence Hôtelière + Hotel	Approved	Afon Immo
East Side - 2-4 Bd Newton	Champs-sur-Marne	Outer suburbs	11 321	16 454	Coliving	Approved	Nexity / Harvestate AM / CZ Holding
St-Raphaël - 60 quai Auguste Deshaies	Ivry-sur-Seine	Inner suburbs	10 244	11 380	self-stockage	Under construction	Bluespace Self Stockage
7 Place des Cerclades	Cergy	Outer suburbs	10 037 (half-demolition / half transformation)	14 277	Lodging	Approved	Quadral Promotion
Domitys - 122 rue du Château des Rentiers	Paris 13	Other Paris	9 216	8 665	Senior residencies	Under construction	Amundi
2 avenue du 8 Mai 1945	Sarcelles	Outer suburbs	8 860	8 860	Student residencies	Under construction	Vilogia
Defrance - 64-68 Rue Defrance / 2-6 rue Clément	Vincennes	Inner suburbs	8 575	8 380	Résidence seniors / Lodgings sociaux	Under construction	Fayat
2 rue des Bourets	Suresnes	Outer suburbs	8 470	8 570	Intermediate Lodging	Under construction	In'li
Vendôme 2 - 3 rue de la Closerie	Noisy le Grand	Outer suburbs	7 468	6 658	Intermediate Lodging / Coliving	Under construction	In'li
98 quai de la Rapée	Paris 12	Other Paris	7 284	7 349	Social housing	Under construction	Elogie-Siemp
2 rue Pasteur	Versailles	Outer suburbs	6 659	11 520	Lodging (30% social)	Under construction	Emerige
CynErgy - 2 place de la Pergola	Cergy	Outer suburbs	6 512	6 916	Lodging	Under construction	Demathieu et Bard
Archimède - 20 rue Marat	Saint Cyr l'Ecole	Outer suburbs	6 075	8 027	Coliving	Under construction	LP Promotion
Tribe - 11-13 rue de l'Abreuvoir	Courbevoie	Outer suburbs	5 606	5 555	Hotel	Delivered	Venoc
106 avenue Jean Moulin	La Celle Saint Cloud	Outer suburbs	5 552	5 717	Social housing	Under construction	Immobilière 3F
41-49 rue de la Garenne	Sèvres	Outer suburbs	5 427	5 427	Hotel / short term accomodation	Approved	LP Promotion
Central IV - 1 avenue Montaigne	Noisy le Grand	Outer suburbs	5 100	4 934	Intermediate Lodging	Under construction	In'li
Maradas (Uxco) - 1 bd de l'Oise	Pontoise	Outer suburbs	4 942	4 942	Student residencies	Delivered	
12 avenue Raspail	Gentilly	Inner suburbs	4 648	4 760	Coliving	Under construction	Kley
2 passage Fernand Léger	Saint Thibault des Vignes	Outer suburbs	4 451	6 779	Warehouse	Under construction	
48 boulevard Raspail	Paris 06	Other Paris	4 265	4 097	Commerces	Approved	Banque de France
38 rue du Hameau	Paris 15	Other Paris	4 169	4 070	Short-term accomodation	Under construction	BC Partners
33-35 bd de la Paix	Saint Germain en Laye	Outer suburbs	4 160	4 160	Hotel / short term accomodation	Approved	Batigere en Île-de-France
31 avenue de Chantemerle	Corbeil Essonne	Outer suburbs	3 895	3 895	Student residencies	Under construction	Foncière de Transformation Immobilière / Seqens
HB 108 - 108 avenue Henri Barbusse	Asnières sur Seine	Outer suburbs	3 731	4 090	Coliving	Under construction	Freo
19-21 rue Emile Duclaux	Suresnes	Outer suburbs	3 589	4 816	Student residencies	Approved	Cardinal Promotion
7 rue des Frères Morane	Paris 15	Other Paris	3 201	3 201	Social housing et intermédiaire	Under construction	Foncière de Transformation Immobilière / Seqens
3 rue des Archives	Créteil	Outer suburbs	3 044	3 305	Hotel / short term accomodation	Under construction	Groupe Uxco
Lofts du Savoy - 38 avenue Franklin Roosevelt	Avon	Outer suburbs	2 425	2 425	Lodging	Approved	Projim
10 rue de l'Amiral Hamelin	Paris 16	Paris Centre West	2 190	2 227	Hotel	Under construction	Kerstone

— Source: MBE Conseil - Sitadel

CONCLUSION

Although the number of repurposed office buildings has so far remained modest, several factors suggest the number of projects will trend higher and, more importantly, regulatory implementation will become easier.

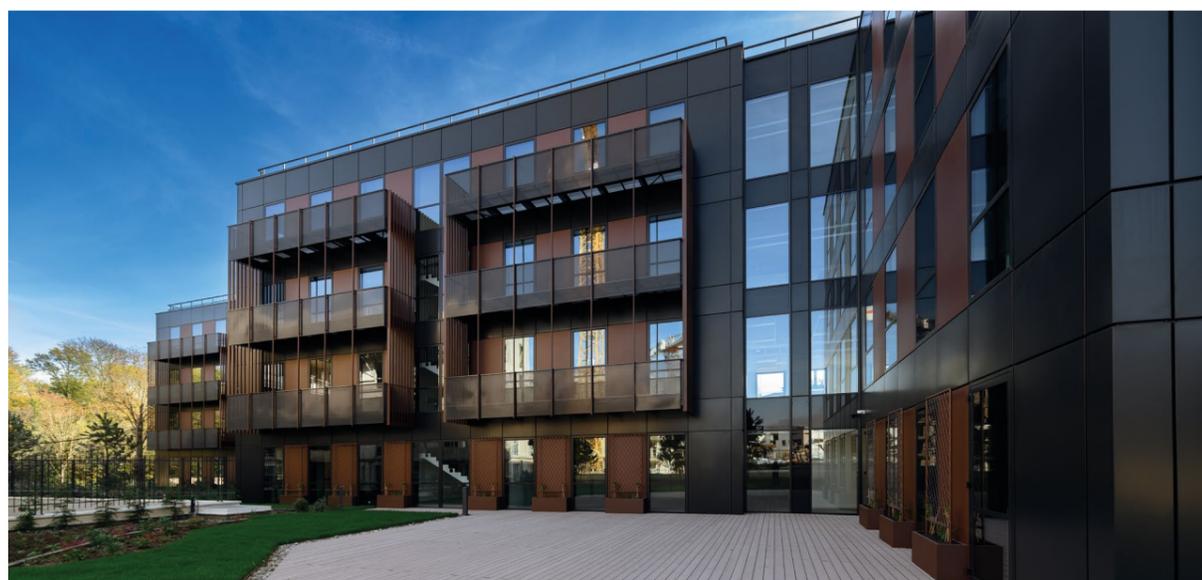
Firstly, there has been a widespread tightening of urban planning restrictions aimed at preventing urban sprawl. This is at the heart of the ZAN (net zero artificialization) approach enshrined in the Climate and Resilience law of August 22, 2021, but also of the future of the Grand Paris master plan (SCOT) which received the approval of the commission of inquiry in early 2023, and which will impose 30% of open ground. Restrictions intended to combat soil artificialization could naturally lead to more repurposing of existing buildings.

In Paris, the PLU Bioclimatique will strongly encourage the conversion of many office buildings via several provisions. Namely, for new or refurbished office programs of more than 5,000 sqm in western Paris, at least 10% of a project's surface must be devoted to the creation of housing. In areas of the city deemed undersupplied in terms of housing, 35% of residential space created must be devoted to social housing, with this proportion rising to 50% in areas with severe undersupply – in particular the CBD. In addition to these constraints on future supply, approximately 400 office buildings have been "patched" to incorporate housing. These measures may seem paradoxical in an area where the office market has strongly resisted the upheavals encountered since 2020 elsewhere. Nevertheless, they constitute a reality that real estate market players will have to face.

In addition to these regulatory aspects, which are sometimes very coercive, any growth in the number of office transformation operations will necessitate a change in administrative mentality,

particularly at the local level. On this point, upcoming changes in local taxation rates (ie., the abolition of the CVAE in 2024 and gradual lowering of the ceiling of the CET from 2% to 1.25%) could contribute to reducing the dependence of municipalities on business-generated tax revenues. Furthermore, the vast expansion of remote working has reduced the link that had long existed between the presence of offices and the location of shops and services, especially restaurants. Namely, there has been a partial transfer of commercial dynamism from the established business districts to more residential cities. Therefore, the conversion of an office building can now seem less threatening to local businesses in the eyes of elected officials. Finally, an occupied building is always preferable to an empty one, which will quickly deteriorate and tarnish the image of the district. Local decision-makers seem increasingly attentive to these issues, with a certain shift in attitude that is beginning to be observed in certain regional markets, particularly in PériDÉfense.

The ongoing crisis in business real estate should not, however, obscure the fact that, even if trending lower, demand for offices will absorb the currently abundant new supply in certain areas in the medium term. Moreover, the development of new business areas is also being strongly compromised by ZAN zero-artificialization targets. Consequently, only a certain portion of office stock could conceivably be converted and the decision by owners to choose between repurposing and refurbishing office buildings will clearly depend on the location of the buildings. It remains an obvious fact that, in a regional market with a stock of more than 58 million sqm, a proportion of existing office buildings can be repurposed. If and when obstacles to such transformational change are gradually lifted, a growing number of developers and investors are ready to take up the challenge.



A 6,235 sqm office building reversible to residential use
ANDRA headquarters - Châtenay-Malabry - FRANCO SUISSE





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