

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



GDP Shrinks, I&L Tightens with Low Vacancy and Higher Rents

France

Q1 2024

Market Outlook

France's economy experienced a slight contraction of 0.1% quarter-over-quarter (q-o-q) in Q3. The Consumer Price Index (CPI) continued its downward trend, further easing to 3.5% in November, aided by declining energy prices. Despite slower investments and a decrease in exports, household consumption showed resilience, growing by 0.6% q-o-q in Q3. This growth is expected to persist, driven by increases in real wages, enhanced purchasing power, and easing prices. In 2024, despite stringent financial conditions and tepid investment, GDP is expected to grow moderately, between 1.0% and 1.2%, supported by a rebound in consumer spending, increased purchasing power, subsiding inflation, and global economic growth.

The logistics market remains resilient with a low 4.1% vacancy rate, despite a slowdown in leasing activities. In Q3 2023, leasing activity fell 23% y-o-y to 875,800 sqm but showed recovery from the previous quarter. Total demand in the first nine months was 2.54 million sqm, down 24% y-o-y, yet aligned with the decade's average. The logistics inventory reached 63 million sqm. Despite the tight market, significant regional differences are evident, with low vacancies in major hubs like Paris, Lyon, and Marseille, contrasting with Lille's 7%. Limited availability and new supply scarcity continues to propel rents upward. Despite a downturn in investment activities in Q3, the European Central Bank's halt on interest rate hikes and a robust market foundation suggests a potential logistics sector revival from Q4 onwards...

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