

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Economy and Logistics on the Mend

France

Q3 2024

Market Outlook

France's economy saw modest growth by 0.2% q-o-q in Q1, primarily fueled by robust household and public consumption alongside a rise in net exports. Despite stagnant investment levels, the labor market maintained its resilience, keeping unemployment steady at 7.5%. Boosted by strong wage growth, disposable income climbed by 1.7% y-o-y, setting the stage for domestic demand recovery. Inflation in France is on a steady retreat, reaching 2.2% in April 2024. GDP growth is expected to gradually pick up, finishing at 0.7%-1.0% in 2024, spurred by robust consumption and enhancements in the service sector. In 2025, the pace is set to increase to 1.3%, driven by sustained consumption, revitalized investments, and a global economic rebound.

Despite economic fluctuations, France's logistics sector showcased its robustness in Q1 2024, achieving a take-up of 635,500 sqm. The market maintained a tight supply-demand dynamic, with the vacancy rate only inching up to 5.1%, still around the shortage threshold. Traditional markets still struggle with a persistent shortage of land and limited space. Investment in logistics surged to €679 million, a 45% y-o-y increase, representing 37% of the total commercial real estate investment volume in France, highlighting investors' confidence and the continued appeal of logistics assets. Prime rents remained stable in most regions, with slight increases in a few emerging markets. Looking forward, the logistics market is poised for sustained growth, supported by robust fundamentals, expected interest rate cuts, and ongoing economic recovery...

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