AT A GLANCE

# INVESTMENT IN FRANCE

JANUARY 2012

## INVESTMENT HELD ITS OWN IN 2011

• With over € 17.2bn invested in commercial real estate in France, 2011 has ended on a high note despite the effects of the sovereign crisis on the economy. As such, notwithstanding the expected slowdown, the healthy market trend was confirmed in Q4 with over € 7bn invested, i.e. up 12% on the same period in 2010.

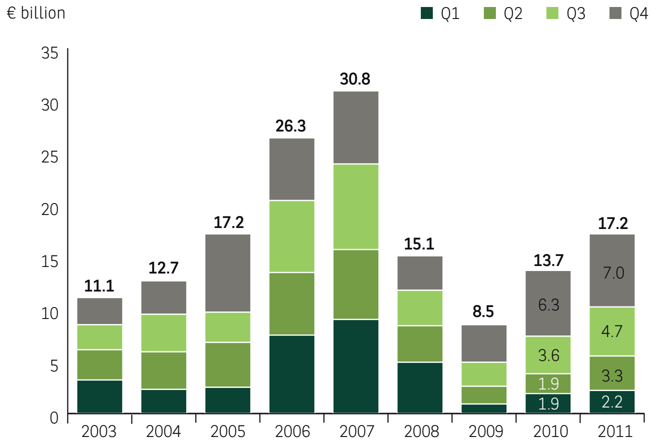
• Some may find these robust market figures surprising, yet there are a number of factors behind the trend. Firstly, many large deals that were initiated several months ago were closed towards the end of the year. Indeed, 23 deals for more than € 100 million were recorded over Q4. Secondly, against a backdrop of highly volatile financial markets and weak bond yields, property is considered a safe haven. There is also the impact of year-end deal closures and the soon-to-be discontinued capital gains allowance related to article 210E of the French Tax Code.

• Cash-rich investors are still the most active, such as insurers or SCPI, which accounted for around 37% of investment in 2011. In terms of nationality, French investors were predominant, representing 65% of investment. After accounting for 20% in 2010, German investors represented just 9% the total. The reform of German funds governed the strategy of these investors on the French market, who sold rather than acquired in 2011.

• Another striking trend in 2011 was the return of portfolio deals, up 96% compared to 2010. At the same time, the resumption of major deals for over € 100m provided a big boost to the market, rising by 42% in volume terms compared to 2010. Lastly, the rise in office investment in the regions also helped to make the market more fluid, with investment rising by 125%.

• With the liquidity crisis threatening to worsen, banks are likely to make their equity requirements more stringent and hike the cost of borrowing to price in a reasonable risk premium. Leveraged real estate financing, already dramatically curtailed since 2009, may once again prove difficult. A rise in average yields may emerge over the coming quarters as demand falls, particularly for secondary markets. Risk aversion is set to remain high amidst poor economic growth and weaker underlying markets. Demand may therefore become more selective about supply. A fall in investment in France therefore seems inevitable in 2012, with forecasts standing at around € 12bn.

Investment in commercial real estate in France




Source: BNP Paribas Real Estate - Research

## INVESTMENT IN COMMERCIAL REAL ESTATE IN FRANCE (€ MILLION)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Total amount invested in France** | **8,555** | **13,732** | **17,211** |
| *including amount invested in Ile-de-France** | *5,262* | *8,745* | *11,252* |
| Offices | 5,309 | 8,137 | 12,044 |
| Warehouses | 387 | 577 | 726 |
| Industrial premises | 213 | 205 | 247 |
| Retail | 1,654 | 2,768 | 2,452 |
| Services | 992 | 2,045 | 1,742 |

*Immostat/IPD is an economic interest group that recorded all unit transactions over 4 million euros concerning general commercial real estate (offices,industrial premises,warehouses,retail)

| Geographic breakdown | 2009 | 2010 | 2011 |
|---|---|---|---|
| Greater Paris | 5,897 | 10,321 | 12,663 |
| Regions | 2,658 | 3,411 | 4,548 |
| **Total** | **8,555** | **13,732** | **17,211** |

| Investment amount | 2009 | 2010 | 2011 |
|---|---|---|---|
| < € 5 million | 395 | 417 | 450 |
| € 5 - 10 million | 574 | 651 | 591 |
| € 10 - 20 million | 764 | 802 | 1 369 |
| € 20 - 40 million | 1,439 | 1,927 | 2 478 |
| € 40 - 100 million | 2,523 | 4,313 | 4 311 |
| > € 100 million | 2,860 | 5,622 | 8 012 |
| **Total** | **8,555** | **13,732** | **17,211** |

| Type of investors | 2009 | 2010 | 2011 |
|---|---|---|---|
| Insurance | 13% | 24% | 22% |
| SIIC (Reits) | 16% | 12% | 12% |
| Listed companies | 10% | 12% | 14% |
| Funds | 33% | 24% | 28% |
| OPCI | 10% | 10% | 4% |
| SCPI | 7% | 11% | 14% |
| Private Investors | 10% | 5% | 5% |
| Other | 1% | 2% | 1% |
| **Total** | **100 %** | **100 %** | **100 %** |

# INITIAL PRIME YIELDS

| Offices in Île-de-France | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Paris CBD | 5.25 - 5.75%* | 4.50 - 5.00% | 4.50 - 5.00% | → |
| Paris outside CBD | 6.50% | 5.70 - 6.20% | 4.75 - 5.25%* | ↘ |
| La Défense | 6.50 - 7.00%* | 5.60 - 6.20%* | 5.60 - 6.20%* | → |
| Western Crescent | 6.90% | 5.80 - 6.30% | 5.80 - 6.30% | → |
| Inner Rim | 6.50% | 5.90 - 6.40% | 5.85 - 6.25% | ↘ |
| Outer Rim | > 7.50%* | 6.50 - 7.00% | > 6.50% | → |

| The Regional Office Market | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Aix/Marseille | 7.00 - 7.30%* | 6.20 - 6.50%* | 6 - 6.30% | ↘ |
| Lyon | 6.50% | 6.10 - 6.40% | 6 - 6.30% | ↘ |
| Lille | 7.10 - 7.6%* | 6.30 - 6.70% | 6 - 6.30%* | ↘ |
| Bordeaux | 7.60 - 8.00%* | 6.60 - 6.90%* | 6.60 - 6.90% | → |
| Toulouse | 7.50 - 7.75%* | 6.20 - 6.50%* | 6.20 - 6.50%* | → |
| Nantes | 7.55 - 7.85%* | 6.50 - 7.00%* | 6.50 - 7.00%* | ↘ |
| Strasbourg | 7.50% | 6.80 - 7.30%* | 6.80 - 7.30%* | → |

| Grade A warehouses | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Greater Paris | 8.00 - 8.25%* | 7.00 - 7.25% | 7.15%* | ↘ |
| Regions | 8.20 - 8.75%* | 7.00 - 7.25% | 7.15%* | ↘ |

| Industrial Premises | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Greater Paris | 8.25 - 8.50% * | 8 - 8.25% * | 7.6%* | ↘ |

| Retail | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Street-level stores in Paris | 5 - 5.25% | 4.25 - 4.50% | 4.25 - 4.50% | → |
| Shopping centers in France | 5.75 - 6.25%* | 5.50 - 6.00%* | 4.75 - 5.00% | ↘ |
| Retail parks in France | > 8.00% | 7.50 - 8.00%* | 6.00 - 6.50% | ↘ |

| Hotels | Q4 2009 | Q4 2010 | Q4 2011 | Trend Q4 2011 / Q4 2010 |
|---|---|---|---|---|
| Paris inner city | 6.00 - 7.00% | 5.50 - 6.00% | 5 - 5.50% | ↘ |

* Estimated

# GLOSSARY

The numerical data used by BNP Paribas Real Estate for its statistics features all the information it has at its disposal when compiling them. These statistics may change according to new information brought to our knowledge that is often confidential to begin with.

## Definitions from A to Z...

**Arbitrage:** sale of a real-estate asset belonging to one investor to another investor.

**CCI (Cost of Construction Index):** index that makes quarterly measurements in construction prices for new house building. It is the price after VAT paid by the owner to construction companies. It excludes land-related prices and costs (site development, special foundations, etc.), fees and financial costs.

**Developer sale:** sale of an operation built by a developer to an investor.

**Immostat:** an Economic Interest Group founded in 2001, through an association between BNP Paribas Real Estate, CB Richard Ellis, DTZ Jean-Thouard and Jones Lang LaSalle. In the interests of consistency, the brokers adopted numerous joint definitions: market districts in Ile-de-France, conditions of buildings and premises, definitions of surface areas to be taken into account, rents, etc. The structure of the EIG guarantees the independence of data processing and respect for the confidentiality commitments of each of its members. It concerns the investment markets for corporate real estate and occupiers of warehouses greater than 5,000 m² as well as offices in the Paris area.

**Investment fund:** collective ownership of financial or real estate assets managed by a regulated and certified structure (fund manager). These include:

- **Open-ended fund:** a fund is open-ended when there is no limit to the shares issued.
- **Closed fund:** shares in a closed fund are only managed by the fund manager during the subscription period. A closed fund has a limited lifecycle.
- **Pension fund:** financial body that manages the funds from the accumulative pension system. This fund is the resources that employees from the public and private sectors have set aside over their professional lives to improve their retirement pension.
- **Opportunistic funds:** targets yields of over 17%, with gearing exceeding 60% of the gross asset value.

**IRR (Internal Rate of Return):** discount rate such that the sum of discounted future revenues equals the initial cost of investment.

**Leverage effect:** increasing the profitability of an investment by borrowing.

**New or major-refurbished offices:** real estate asset delivered less than five years ago.

**NPV (Net Present Value):** difference between the sum of discounted future revenues and the initial cost of investment.

**OAT (French treasury bond):** bond issued by the French government. It acts as a benchmark for the risk-free, long-term yield.

**OPCI (French real estate investment fund):** real estate funds. They come in two forms:

- Fonds de Placement Immobilier (FPI), real-estate investment funds for which the payout is taxed as classic property revenues,

- Sociétés de Placement à Prépondérance Immobilière à Capital Variable (SPPICV) Variable capital, property-dominated investment funds for which the payout is taxed as dividends and share capital gains.

**Portolio:** group of several assets located in different places.

**Pre-letting:** transaction signed by an occupier more than 6 months before the delivery of the building.

**Property company:** a company whose purpose is to acquire or construct buildings with a view to renting them, or owning stakes in companies with the same purpose.

**Rent**
- **Headline rent:** annual rent per square metre, featured on the lease, and expressed excluding taxes and charges. Does not include attached premises such as parking areas, archives, staff canteens, etc. If the rental is progressive, the value applied is the average for the first three years or the fixed term of the lease.
- **Average headline rent:** Weighted average of rented area. The average featured is a moving average over three quarters, to smooth out the changes.
- **Underlying rent:** Annual rent per square metre expressed excluding taxes and charges and adjusted for advantages that may subsequently be agreed by the owner (rent incentives, building works, etc.).
- **Prime rent:** represents the top headline rent (excluding non significant transactions) for an office unit:
  - of standard size
  - of the highest quality and specification
  - in the best location in each market.
- **Top rent:** represents the top headline rent for an office unit. It is not necessarily a prime rent.

**Risk premium:** measure of the difference between an asset or portfolio's profitability and a risk-free asset (government bond).

**SCPI (Société Civile de Placement Immobilier):** collective investment company formed to acquire and operate real estate by issuing shares to the public.

**Second hand:** real estate assets delivered over five years ago.

**SIIC (listed real estate investment company):** the SIIC regime allows tax exemption on earnings as long as 85% of revenues are paid out to shareholders.

**Speculative / Non-speculative operation:**
- **Speculative:** construction launched without prior rental or sale to the occupier.
- **Non-speculative:** construction launched after partial or complete sale or rental to an occupier.

**Transfer:** property asset belonging to an occupier sold to an investor.

**Yield:**
- **Net:** ratio between net income (excl. operating costs) and the acquisition price including all acquisition costs.
- **Initial:** ratio between the net rent before taxes and charges on the date of sale and the selling price (all costs included).
- **Prime:** net lowest yield obtained for the acquisition of a unit:
  - of standard size,
  - of the highest quality and specification,
  - in the best location in each market.

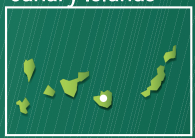
# INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS

USA

India

Japan

Canary Islands



Cyprus

- Our locations
- Our alliances

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