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**AT A GLANCE
2023 H1**

LOGISTICS IN FRANCE

SLOWDOWN IN TAKE-UP IN 2023

ECONOMIC AND GEOPOLITICAL CONTEXT

Despite the tough economic backdrop, French GDP grew slightly in H1, and is expected to do so again in H2, with full-year growth estimated at 0.6%.

Meanwhile, inflation has started to fall again. After plateauing at around +6% between October and April, the CPI (the consumer price index which measures inflation) is expected to show an annual rise of +4.5% in June. The crest of the wave appears to have passed, and food prices are slowing, although they are still up by 14%. Disinflation is expected to continue gradually over the year.

Household consumption, which fell in Q2 (estimated at -0.3% in Q2 2023 compared with Q1 2023), is still being held back by rising prices and is limiting economic growth. Consumer confidence has failed to recover since mid-2022, hit by geopolitical, economic and social uncertainties, and has fallen by 2.0 points since Q2 2022 (83.7 vs. 94 on average over the past 5 years).

Unemployment remains historically low (6.9% in Q1 2023), but declining purchasing managers' indices (measuring economic trends in the manufacturing and services sectors) suggest a pessimistic short-term outlook.

In Q1 2023, FEVAD reported e-commerce sales growth of 20.6% compared with the same period in 2022 (+60% in 5 years). Sales of goods over the internet have stabilised (+1%) vs. the same period last year. The e-commerce trend is currently driven mainly by growth in services.

There have been two successive major crises in the last five years, so we think it best to compare the figures in this report with the five-year average.



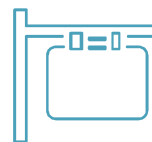
1,576,000 sqm
LOGISTICS TAKE-UP



88%
GRADE A TAKE-UP



736,000 sqm
UNDER CONSTRUCTION



2,5%
VACANCY RATE

LACKLUSTRE H1

Despite a resilient Q1 for logistics, with over 900,000 sqm transacted in a highly uncertain economic and geopolitical climate, take-up fell by around 20% in H1 2023 vs the five-year average. Three factors account for this decline:

- The volume of XXL deals (a third of take-up over the past five years) has fallen by 40% in volume terms compared to the five-year average;
- Turnkey and owner/occupier deals (45% of take-up over the past five years) have fallen by half;
- Low volumes on certain markets where there is a shortage of available supply (e.g. Rhône Alpes, 45,000 sqm transacted in Q2 2023) are holding back the French logistics market as a whole.

The other factor affecting logistics has been the -35% fall in the number of deals between 5,000 and 10,000 sqm. Over the last five years, these have accounted for 45% of the total number of transactions, falling from an average¹ of around 115 to around a hundred in H1. This stems from the reduced availability on this size segment (-16%), which in turn is a consequence of the very few releases, (rising rents and falling vacancy rates prompting occupiers to stay put). The 10,000 - 40,000 sqm segment is historically consistent (around 50% of take-up over the past 5 years), and has once again remained fairly stable in terms of both the number of transactions and volumes. This trend should again encourage investors to consider subdividing their warehouses to boost take-up.

As mentioned, the number of turnkey and owner/occupier deals (20 transactions totalling over 400,000 sqm) stands at half the five-year average. This is largely due to the lack of available land, for various reasons: the Climate Act - "ZAN 2050" green belt initiative / the rise in government appeals / the difficulty of identifying land / the scarcity of derelict land for redevelopment / the fall in yields / the tough borrowing market, and the sharp rise in construction costs. Meanwhile, rentals were up by 15% on average¹, once again showing the resilience of the rental market. Conversely, occupier sales of logistics platforms have fallen, due to :

- the reluctance of developers to sell their projects (preferring to rent them)
- and occupiers struggling to finance their acquisitions.

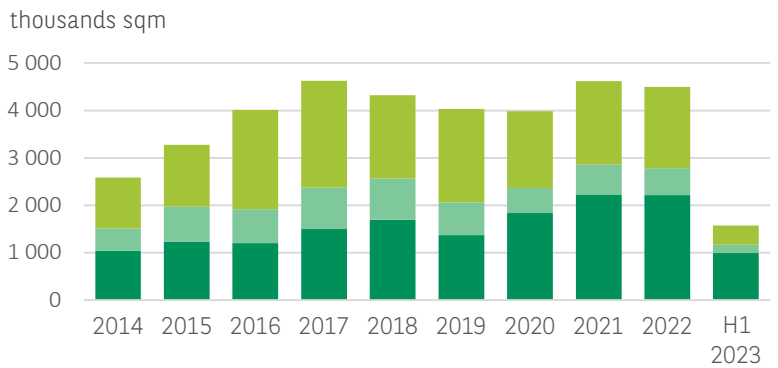
SUPPLY STABILISED IN H1

Thanks to the completion of several large-scale developments begun speculatively in 2022 (Allonne - Harbert / 110,000 sqm, Boisseaux - Clarion Partners / 90,000 sqm, Dunkerque - Société de développement Axe Nord / 45,000 sqm, etc.), availability in France has remained stable over the last 6 months.

However, the situation is mixed and varies greatly from one region to another, particularly in markets that are highly sought after by occupiers (Rhône-Alpes, Provence-Alpes-Côte d'Azur, Bordeaux, "Grand Ouest").

It is important to watch how this supply is refreshed and the market's ability to meet occupiers' needs. Indeed, construction work in progress has fallen by 35% since the end of last year.

Take-up



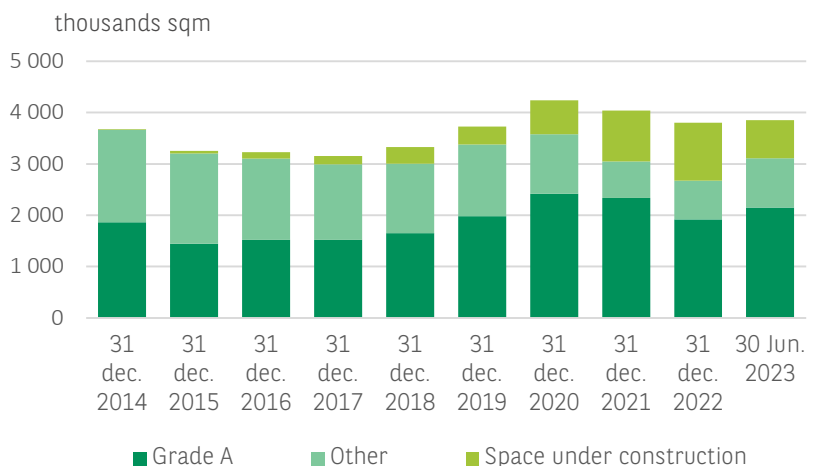
■ Lease turnkey and owner-occupier development ■ Other ■ Grade A

Companies' CSR² policies are increasingly ambitious and well-defined. Given the high carbon footprint of logistics and transport activities, the environment is now a key criterion when choosing new logistics assets. There are two key considerations:

- location, both in terms of optimising goods transport and ease of access for employees (public transport, soft mobility, etc.);
- environmental efficiency (energy efficiency, green energy generation, biodiversity, etc.).

We are therefore seeing a surge in demand for the latest generation logistics sites with high levels of environmental certification (BREEAM, HQE, etc.)³.

Availability within one year



■ Grade A ■ Other ■ Space under construction

(1) Five-year average based on H1 of the last five years.

(2) CSR: Corporate Social Responsibility

(3) BREEAM : Building Research Establishment Environmental Assessment Method / HQE : High Environmental Quality

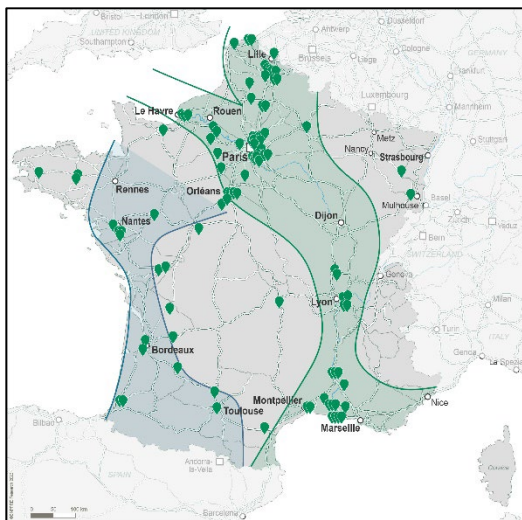
REGIONAL VARIATIONS IN TAKE-UP

As in 2021, the Lille area is the most popular, with take-up of 340,000 sqm (20% of the market). Despite a slight fall (-6% compared with the five-year average), take-up was driven by deals of between 10,000 and 20,000 sqm (9 deals). Île-de-France, with 240,000 sqm taken up, now accounts for just 15% of the market (compared with 30% on average¹). The main reason is the lack of owner/occupier and turnkey deals in the Paris region in H1. Take-up in the Orléans area has also dropped by 30% vs its 5-year average. Yet the steepest fall was undoubtedly around Lyon, where take-up fell by 80% (45,000 sqm in H1 2023) compared with the five-year average. Availability there has been falling constantly (-45% vs the five-year average) down from 320,000 sqm available at the end of 2019 to just 130,000 sqm in H1 2023, holding back a market that is keenly sought after by occupiers.

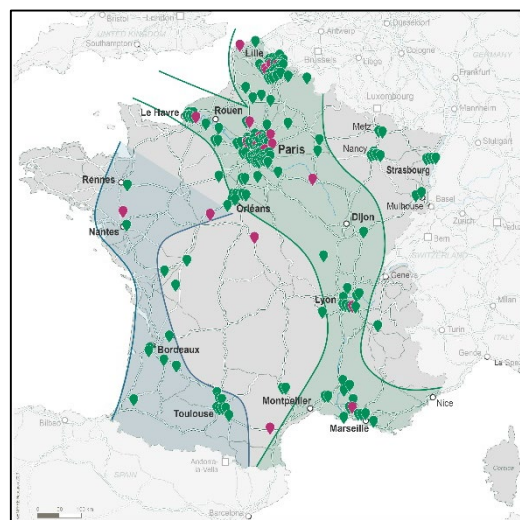
Conversely, take-up on some markets has risen. Apart from the Lille region, this is particularly the case in Provence-Alpes-Côte d'Azur, with an 80% rise in take-up (220,000 sqm), accounting for 15% of total take-up in 2023 in France (vs an average of 6% over the last 5 years). To a lesser extent, the Atlantic seaboard (Rennes, Nantes, Bordeaux, Toulouse) outperformed its five-year average by almost 40%, even though the French market was trending downwards.

Availability varies greatly from one region to the next. On the North-South axis, supply rose most in Hauts-de-France in H1. With 1,100,000 sqm available, it was up by 15% vs the five-year average. There is a similar level of supply in Île-de-France (1,180,000 sqm), whereas it has contracted by around 20% in PACA, due to the net absorption of existing supply. However, as mentioned earlier, the biggest fall has been in the Lyon region (-45%).

Transactions H1 2023



Availability within one year- 06/30/2023



Existing
Space under construction

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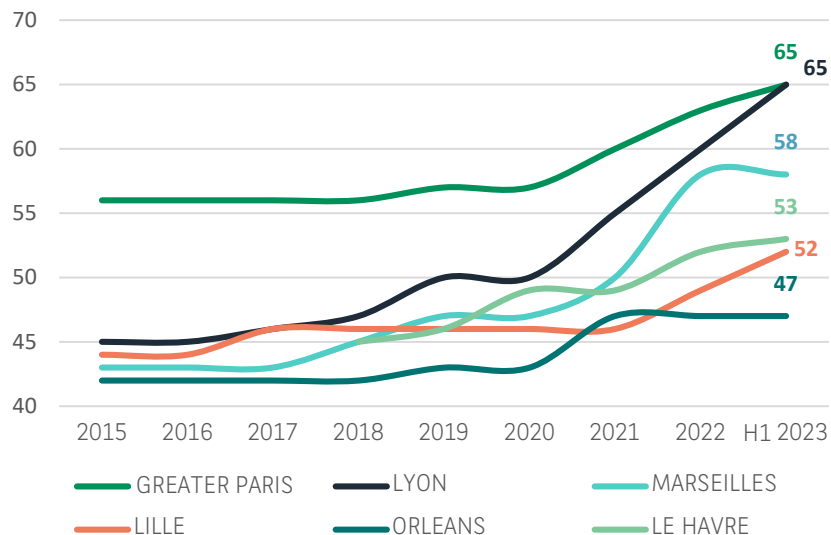
RENTS STILL RISING

Rents continue to rise across France, as they have done for the past three years. In some places they rose between Q1 and Q2. Prime rents around Lille rose by €2/sqm to €52/sqm in Q2. The same was true of the Paris region, where prime rents currently stand at €65/sqm (up €2 /sqm).

Rents are still high, and "tight" markets are drawing close to the levels of the north/south axis. This is the case in Toulouse (€65/sqm), Bordeaux (€60/sqm) and Nantes (€59/sqm).

These rental increases stem from continued resilient demand and the scarcity of supply. Meanwhile, rising construction costs and interest rates are affecting rents for ongoing developments.

€/sqm/year



BNP Paribas Real Estate - Research - July 2023

(1) Five-year average based on H1 of the last five years.

CAPITAL MARKET : TRANSACTIONS SLOWED IN H1

The economic climate is clearly depressing all asset categories, with investment down by more than 40% compared to H1 2022. Investment in logistics in France has been hit harder, down by 75% in H1, as Anglo-Saxon players were quicker to accept the new pricing paradigm.

The major difficulty for the logistics market is agreeing to the necessary price adjustments (20% to 25% discount) following the sharp rise in interest rates. However, it appears that repricing is almost complete, with investors returning in force to the latest offers announced at the end of Q2.

The prime yield remained stable from one quarter to the next for the first time in a year. It stood at 4.25% in H1 2023. This figure is based on completed transactions, and therefore reflects yields negotiated in Q4 2022, with a time lag of around 6 months.

Considering deals currently in negotiation and the last two hikes in ECB key interest rates, the prime yield is likely to widen slightly in Q3 2023.



€583M

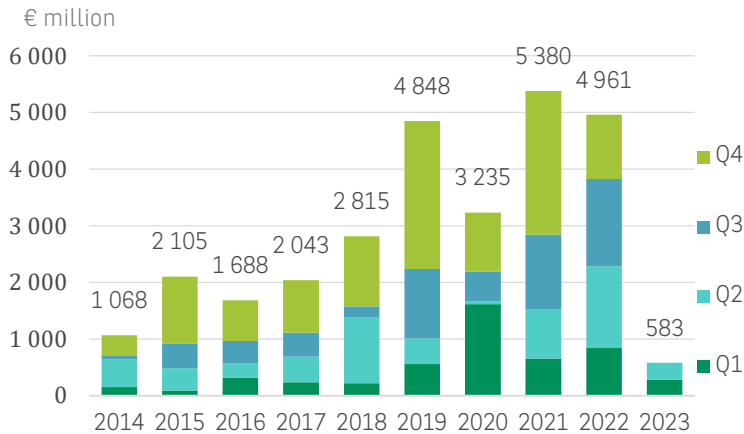
Logistics investments in H1 2023



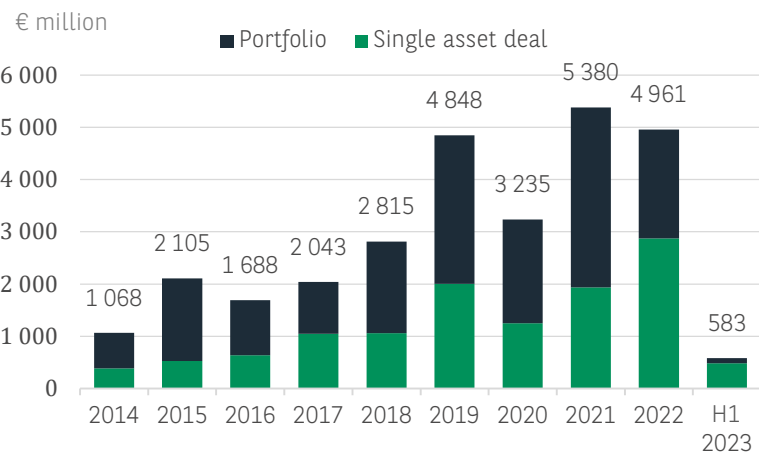
4.25%

Logistics prime yield (completed transactions)

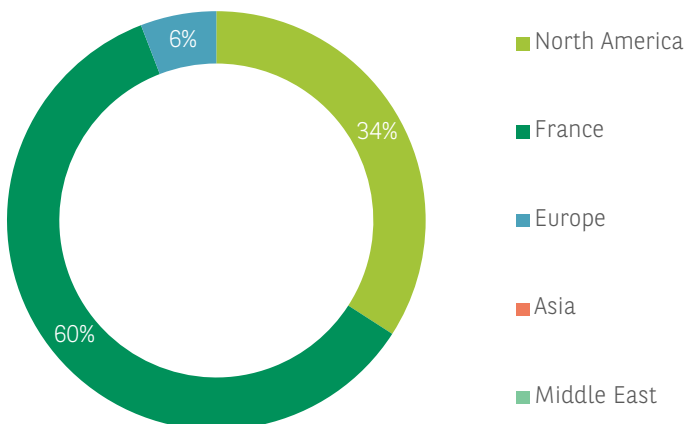
Logistics investment in France



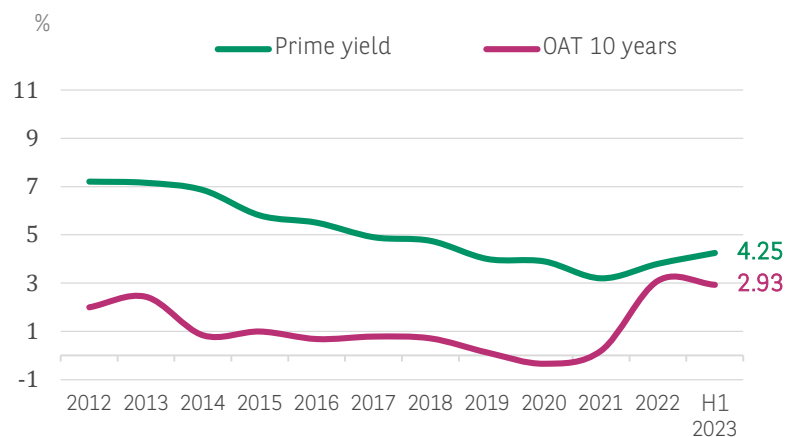
Logistics investment in France



Investors' nationality - H1 2023



Prime yield and french bonds



(1) Five-year average based on H1 of the last five years.

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