



**AT A GLANCE
Q4 2020**

INVESTMENT IN FRANCE
MARKET RESILIENT TO THE CRISIS

ECONOMIC ENVIRONMENT

2020 was a difficult year to say the least, and full of uncertainties. Geopolitical tensions at the beginning of the year, the global pandemic, US elections as well as negotiations on the future trading relationship between the United Kingdom and the European Union held back corporate investment, consumption and world growth.

Yet there is some hope for the economy in 2021. The vaccination campaign against Covid-19 should reduce the risk of disruption from new waves of infection. Moreover, large-scale budget and stimulus measures have been introduced and should help to shore up the economy. However, caution is still called for. The scenario of a W-shaped recovery has come to pass, with GDP expected to have fallen again in Q4 due to another lockdown of the population from 30 October. Nevertheless, the second "V" should be less pronounced than the first.



-9.5%

GDP growth
in France in 2020

(Forecast BNP Paribas - 23/11/2020)



-0.36%

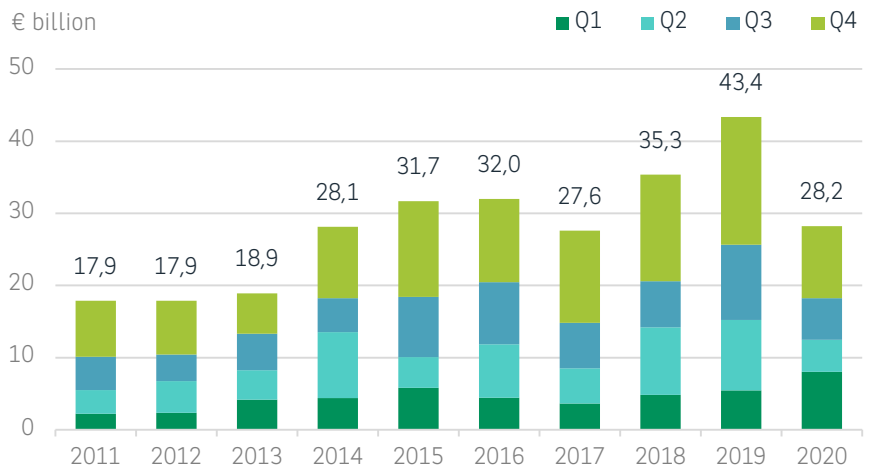
OAT 10 years
(End of 2020)

INVESTMENT IN FRANCE

In Q4 2020, investment in commercial real estate in France came in at € 10bn, taking the full-year total to € 28.2bn, i.e. a fall of 35% compared to 2019. After several consecutive record years, the figure for 2020 reverted closer to the long-term average.

Amid what is still a very uncertain health and economic context, it is hard to forecast what the coming years have in store. However, it is unlikely that the market will recover its very robust trend in 2021. Current activity levels suggest that 2021 should be stable or slightly up on the unusual year we have just had.

Investment in commercial real estate in France



INVESTMENT MARKET BY ASSET CLASSES



€ 18.6 bn

invested in Office



€ 4.4 bn

invested in Retail



€ 4.2 bn

invested in Logistic & Industrial



€ 1 bn

invested in Services

Following the health crisis, which has affected all business sectors, the figures for all asset categories fell compared to 2019.

Investment in offices in France came in at € 18.6bn in 2020, i.e. a fall of 29% compared to the previous year. There were four deals for over € 400m in Île-de-France totalling around € 2.4bn, including the sale of the future head office of ENGIE in La Garenne-Colombes for about € 1bn and the acquisition by Allianz of the Citylights scheme in Boulogne-Billancourt. However, these very large deals were thin on the ground compared to 2019, when there were nine of them totalling over € 7bn. Some € 2.5bn was invested in offices in the Regions, of which 42% in Lyon. The two regional transactions for over € 100m were both in the city: the Ludgunum and the New Age, bought respectively by Aviva and Unofi.

At € 4.4bn, investment in Retail fell by 37% vs. 2019. Even though the figure was boosted by the sale of the Crossroads portfolio for over € 1bn, the steep fall in the number of deals saw investment plummet: 152 were signed in 2020 compared to over 220 in 2019. In Q4 2020, there were two major deals in the 8th arrondissement of Paris: the sale of the Prada and Loro Piana stores, bought by Invesco for € 288m, as well as the acquisition by BMO of 71/73 Avenue des Champs Élysées.

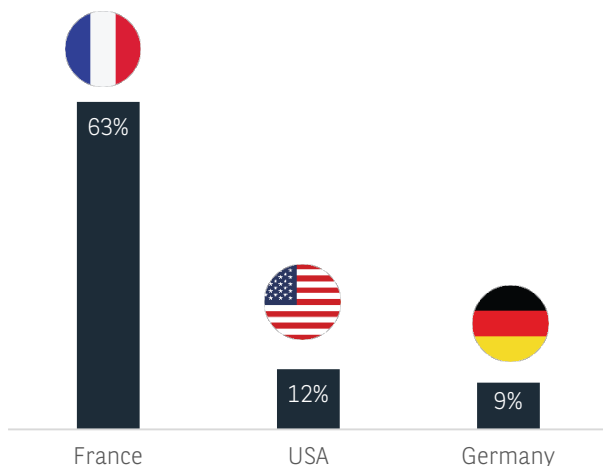
Investment in Logistics and Industrial Premises in France fell by 34% to € 4.2bn in 2020. The year started with a buoyant first quarter followed by a slide over Q2 and Q3 before finishing very strongly. The sector proved highly resilient to the health crisis and even though it failed to repeat the record figure of 2019, it managed its second highest amount in 2020. Among deals signed in the last quarter, we note the acquisition by Carlyle of the Kinetic portfolio and the Proximity portfolio bought by Blackstone.

Hotels clearly stalled in 2020. Despite strict lockdown measures being lifted in France, the sector was hit hard by international restrictions, which held back tourism, as well as the huge growth in teleworking, which reduced business travel. As such, only € 871m was invested in this asset category in 2020, i.e. a fall of 67% vs. 2019 and 59% compared to the 10-year average.

As the leasing market has been heavily impacted by the crisis and with doubts lingering, investors have been cautious, sometimes withdrawing from schemes deemed too risky. Conversely, core assets offering a guaranteed yield have been highly popular. In the current context, the differences between risk profiles are likely to get wider, creating a new hierarchy of values according to the intrinsic quality of the assets and the risk assessment of their rental situation.

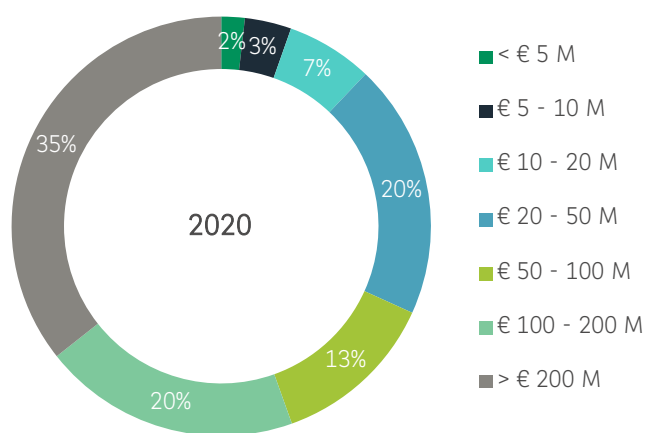
Investors' nationality

All asset classes



Breakdown of investment by volume size

All asset classes



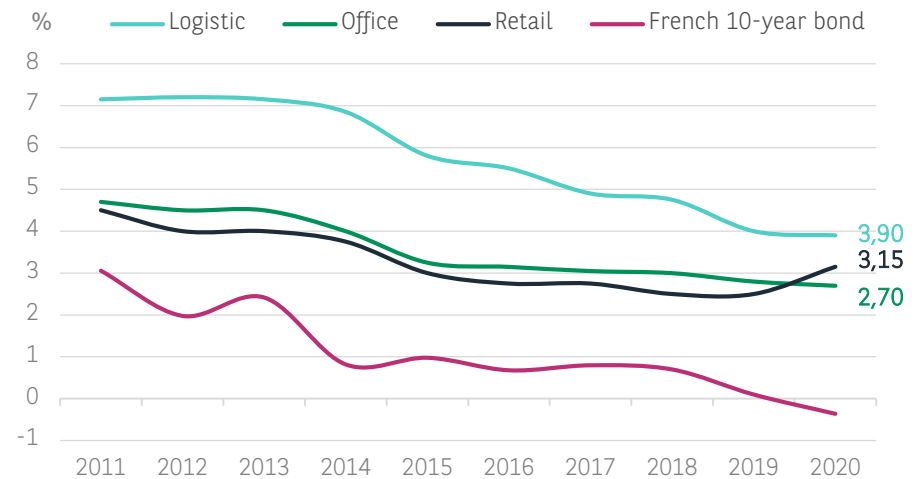
BNP Paribas Real Estate - Research - January 2021

YIELDS

Deals signed this year indicate a prime yield of 3.15% for street-level stores in Paris, widening by 65bp in the space of a year. On the other hand, the prime yields for office and logistics assets have continued to contract, narrowing by 10bp over one year. The prime yield for offices in Paris CBD now stands at 2.70%. For logistics it has slipped below the 4.00% threshold, thanks to a deal signed in the regions.

With a negative OAT that is likely to remain around zero in the coming months, the risk premium for the real estate sector is still attractive; prime yields should therefore remain stable or even contract further.

Prime yields and French 10-year bond



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Prime yields in France

Offices in Île-de-France	Q4 2018	Q4 2019	Q4 2020	Trend 2020 / 2019
Paris CBD	3,00	2,80	2,70	↘
Paris outside CBD	3,25	3,10	2,90	↘
La Défense	4,00	4,00	4,00	→
Western Crescent	3,25	3,25	3,20	↘
Inner Rim	3,80	3,80	3,60	↘
Outer Rim	5,20	4,85	4,85	→

Offices in Regions	Q4 2018	Q4 2019	Q4 2020	Trend 2020 / 2019
Lyon	3,85	3,50	3,50	→
Aix / Marseille	4,70	4,50	4,30	↘
Lille	4,15	4,15	4,15	→
Nice / Sophia Antipolis	4,75	4,75	4,75	→
Toulouse	5,00	4,50	4,50	→
Strasbourg	5,80	5,45	5,45	→
Nantes	4,75	4,75	4,50	↘
Bordeaux	4,95	4,65	4,65	→

Logistic & Industrial	Q4 2018	Q4 2019	Q4 2020	Trend 2020 / 2019
Logistic	4,75	4,00	3,90	↘
Industrial	5,60	5,00	4,50	↘

Retail	Q4 2018	Q4 2019	Q4 2020	Trend 2020 / 2019
Street-level store in Paris	2,50	2,50	3,15	↗
Shopping centres in France	4,20	4,00	4,25	↗
Retail parks in France	4,50	4,50	5,25	↗

6 BUSINESS LINES in Europe

A 360° vision

Locations

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REGIONS

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