



**AT A GLANCE
Q1 2021**

INVESTMENT IN FRANCE

A RESPECTABLE FIRST QUARTER

ECONOMIC ENVIRONMENT

Ongoing health restrictions due to a resurgence of cases and the emergence of new variants have dampened hopes of a strong growth recovery in H1 2021. However, vaccination programmes offer grounds for cautious optimism in H2. Accordingly, despite doubts in the first half of the year and rising unemployment, France is expected to lead the European Union with GDP growth of +6.1% in 2021, thanks to a robust recovery in the second half of the year. This revival should extend into 2022 with growth of +4.4%, although such an improvement depends on completion of the vaccination campaign, which would allow health constraints to be lifted and consumption to resume. The recovery should cause inflation to return (+1.7% forecast in the Eurozone in 2021) and push up interest rates. Nevertheless, central banks are keeping a firm grip on the situation, and the rise should be a controlled one.



+6,1%

GDP growth
in France in 2021

(Forecast BNP Paribas)



-0.03%

OAT 10 years

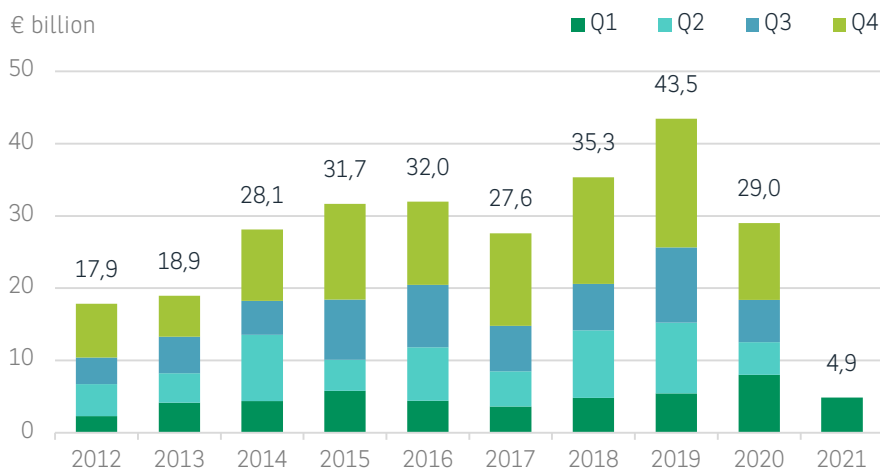
(End March 2021)

INVESTMENT IN FRANCE

After the unusual year in 2020, investment in commercial real estate in France came in at € 4.9bn in Q1 2021, i.e. a fall of 39% over one year. However, this figure should be seen in perspective given the exceptional sum recorded over the same period last year (€ 8bn) and Q1 2021 remains in keeping with the average of the last 10 years.

With doubts still lingering over the health and economic backdrop, it is hard to see how the year ahead will play out. Notwithstanding, the first quarter was respectable and a number of deals in the pipeline suggest that 2021 should be a good year, with total investment of € 30bn.

Investment in commercial real estate in France



INVESTMENT MARKET BY ASSET CLASSES



€ 3.7 bn

invested in Office



€ 177 M

invested in Retail



€ 881 M

invested in Logistic & Industrial



€ 160 M

invested in Services

The figures vary significantly by asset category: Logistics retains its appeal and Offices seem to have revived following a glum year in 2020. Conversely, the Retail and Services sectors are still suffering greatly from the health crisis and investment is expected to have been very low as the year began.

Investment in offices came in at € 3.7bn over the first three months of 2021. This was the second highest figure of the last 10 years, after that of last year, which was particularly robust. As such, the office sector got off to a strong start in 2021. In Île-de-France, the Western Crescent was the top district, with some € 900m invested. It was boosted by the biggest deal of the quarter, which was the sale by Unibail Rodamco Westfield of the SHIFT scheme in Issy-les-Moulineaux. It was also home to another transaction of over € 200m: the acquisition by the Gulf Islamic Investments fund of the ALTAIS tower in Montreuil. The regions also flourished in Q1, with outstanding investment, close to the 2020 figure. Surprisingly, Lyon relinquished its pole position to Aix-Marseille, which saw the biggest regional deal for the ASTROLABE scheme in the Euroméditerranée district.

Still struggling under health restrictions, the Retail sector remains greatly affected by the crisis. The investment figures illustrate this, with less than € 200m invested in Retail in France over the first three months of 2021. The biggest transaction was the disposal by Hammerson of 25% of its stake in the ESPACE SAINT QUENTIN and NICETOILE shopping centres for just under € 60m.

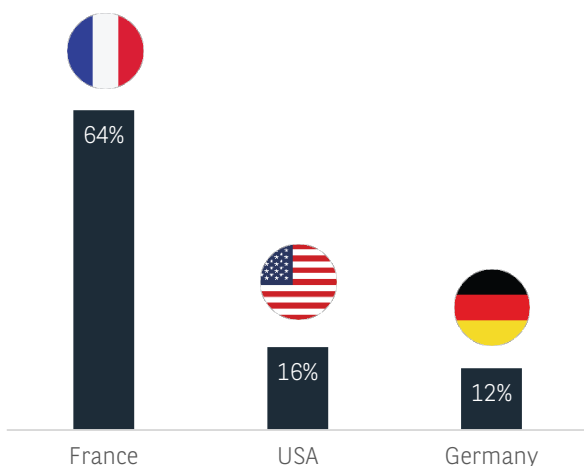
The health crisis has left the Logistics and Industrial premises market largely unscathed, and it enjoyed an excellent first quarter. Two large portfolios were bought by German funds in Q1: the OMEGA portfolio sold by Goodman for € 245m and the NORTH portfolio for about € 120m. The many negotiations underway suggest that 2021 should be an excellent year for Logistics and Industrial premises.

With continuing restrictions in France and around the world limiting tourism and business travel, the hotel sector is also struggling to recover. Indeed, just € 160m was invested in this sector over the first three months of 2021, a slump of 41% vs 2020. Before it can recover properly, the sector will have to wait for large-scale vaccinations to take place so that travel resumes.

After a tough year in 2020, investment in France has revived somewhat as 2021 gets underway. However, investors remain cautious and are mainly opting for Core assets that carry little risk.

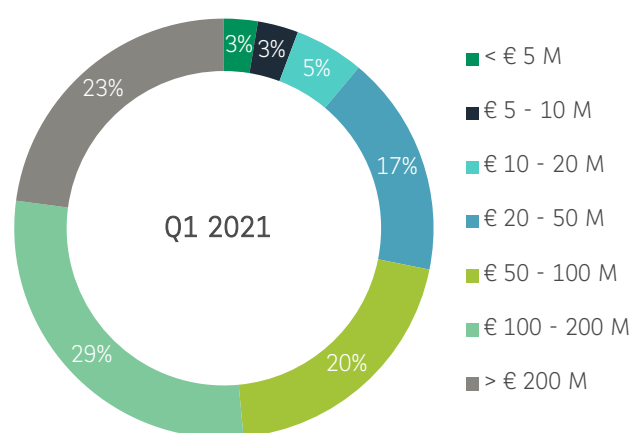
Investors' nationality

All asset classes



Breakdown of investment by volume size

All asset classes



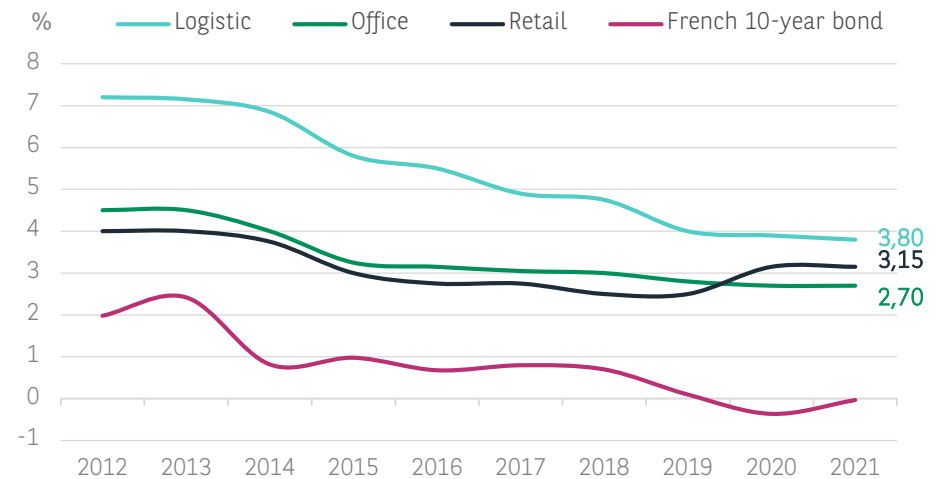
BNP Paribas Real Estate - Research - April 2021

YIELDS

Prime yields changed little over the first three months of the year, at respectively 3.80% for Logistics, 3.15% for Retail and 2.70% for Offices.

Particularly low bond yields and the dramatic catch-up by equity markets in recent weeks should help to strengthen the risk-return ratio associated with real estate. In this context, investment should confirm its health in the coming quarters, particularly if the recovery in rental markets holds up. We therefore expect further narrowing of prime yields for Office and Logistics assets by the end of the year.

Prime yields and French 10-year bond



Prime yields in France

Offices in Île-de-France	Q1 2019	Q1 2020	Q1 2021	Trend 2021 / 2020
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	Q1 2019	Q1 2020	Q1 2021	Trend 2021 / 2020
Lyon	3,85	3,50	3,50	→
Aix / Marseille	4,70	4,50	4,20	↘
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	4,50	↘

Logistic & Industrial	Q1 2019	Q1 2020	Q1 2021	Trend 2021 / 2020
Logistic	4,50	4,00	3,80	↘
Industrial	5,60	5,00	4,50	↘

Retail	Q1 2019	Q1 2020	Q1 2021	Trend 2021 / 2020
Street-level store in Paris	2,50	2,50	3,15	↗
Shopping centres in France	4,50	4,00	4,25	↗
Retail parks in France	4,60	4,50	5,25	↗

LOCATIONS

(JANUARY 2021)

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93300 Aubervilliers
Tél. : +33 (0)1 49 93 70 73

ERAGNY

Immeuble Tennessee
8 allée Rosa Luxembourg
BP 30272 Eragny
95615 Cergy Pontoise Cedex
Tél. : +33 (0)1 34 30 86 46

REGIONS

AIX-EN-PROVENCE

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Gauthier de la Lauzière
Les Milles
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BIARRITZ

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BORDEAUX

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ORLÉANS

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RENNES

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STRASBOURG

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