



**AT A GLANCE
Q1 2021**

RETAIL IN FRANCE
A CRITICAL FIRST HALF FOR RETAIL

The current health crisis continues to hold back retail in France. Despite the end-of-year festivities and stores reopening, consumer spending contracted by -4.6% in January 2021.

In Q1 2021, the country-wide lockdown from 16 January meant that buying habits had to be adapted, including for the food sector.

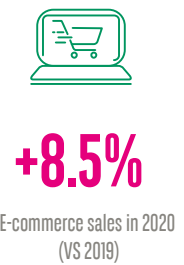
City centre stores have found a variety of ways to cope with these measures, such as opening earlier in the day or offering a "click and collect" service before 6pm.

Shopping centres have meanwhile proved relatively resilient, with an automatic increase in footfall at weekends.

At the same time, online retail continues to grow (+8.5% over one year) and is a lifeline for many retailers, enabling them to continue trading during the closure of their physical stores.

Although household confidence is still below its long-term average, the economic prospects for 2021 remain positive, with GDP forecast to rise +6.1%.

As restrictions are gradually lifted with the vaccination campaign picking up pace, household consumption could gather momentum in the coming months. Some goods and services, such as so-called non-essential stores or catering, for which demand has plummeted over the past several weeks, could see a more pronounced recovery.



Sources: BNP Paribas Real Estate, Insee, Covid

Occupier market

The health crisis has had a major impact on retail rents over the past year. Business sectors that were already made vulnerable in 2019 saw their sales contract dramatically, thereby exerting mounting pressure on rents that has been difficult to withstand despite government help.

Vacancy rates have climbed in several Paris districts (+9% between Rue du Louvres and BHV Marais) as well as in the regions. These increases are already prompting greater incentives and could lead to rents falling over the full year.

According to the trade publication Argus de l'Enseigne, the latest trends still show around -20% at the national level, with variations depending on the location. These estimates range from -10% to -15% for the Capital and -15% to -20% for prime districts in the regions.

Since lockdown measures were reintroduced by the government on April 12, 2021, government assistance to the worst-affected players has been maintained and strengthened.

In this context, the various measures have been extended to all stores in difficulty, regardless of size or workforce.

Nevertheless, there were several major deals in 2020 in both Paris and the regions. For example, Basic Fit opened in the 6th arrondissement of Paris, Xiaomi France in the 2nd arrondissement and IKEA is poised to open at 144 Rue de Rivoli in the 1st arrondissement (opening scheduled for 2021).

Although it is still hard to see how the market will develop in the coming years, the different adaptations made over the past year should enable the various sectors to introduce new strategies and secure a firmer footing.

Paris: Some transactions completed 2020 - 2021

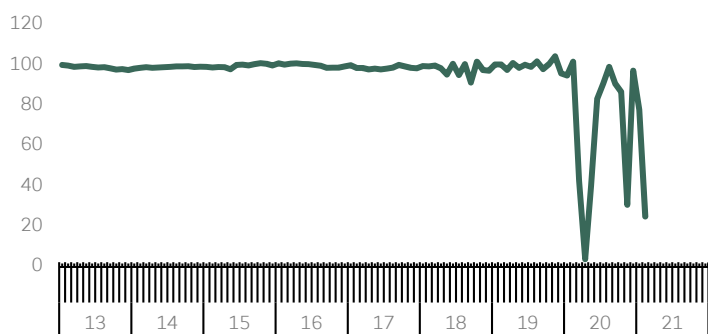
LOCATION	SHOP	RENT/m ²
PARIS 02	Teo Cabanel	323 €
PARIS 04	Lullabi	556 €
PARIS 06	Art Watch	829 €
PARIS 06	Basic Fit	685 €
PARIS 09	Bravo Pasta	476 €
PARIS 14	People and Baby	520 €
PARIS 16	Monceau Fleur	701 €
PARIS 17	Poke Me	570 €
PARIS 17	Pokawa	825 €
PARIS 19	Shepali	326 €

Regions: Some transactions completed 2020 - 2021

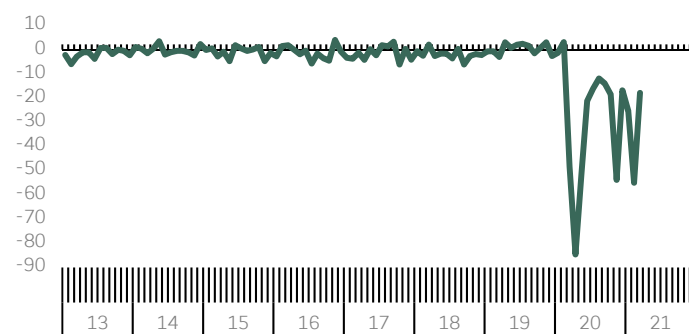
LOCATION	SHOP	RENT/m ²
LYON	Comme à la maison	217 €
LYON	Bagel Corner	133 €
BORDEAUX	Koumal	488 €
BORDEAUX	Le Fournil de Belcier	284 €
TOULOUSE	MPM Boulangerie	151 €
NANTES	Primark	-
GRENOBLE	Primark	-
LILLE	Decathlon	-
CANNES	Comartex	1 067 €
CANNES	Forte Forte	1 000 €

Source: BNP Paribas Real Estate

Shopping centres : Sales performance index



Footfall index



Source: CNBC

Retail Parks | Retail warehousing

Main opening projects identified for 2020-2021

LOCATION	NAME	AREA
Herblay-sur-Seine (95)	First	8 869 m ²
La Rochelle (17)	Pop'A Saintes	3 300 m ²
Le Mans (72)	Maine Street	27 000 m ²
Metz (13)	Mon Grand Epagny	12 700 m ²
Rouen (76)	Le Parvis des Senteurs3	8 600 m ²

Brand villages | Outlets

Main opening projects identified for 2020-2021

LOCATION	NAME	AREA
Bourg-en-Bresse (01)	Alpes The Style Outlets	19 000 m ²
Milau (12)	Viaduc Village	16 500 m ²
Maubeuge (59)	L'Escale-Hautmont	20 000 m ²
Hautmont (59)	L'Escale Outlet Shopping Village	10 500 m ²
Vernon (27)	Outlet Normandie	20 000 m ²

Source: Prospa

E-commerce

E-commerce remained relatively stable in Q4 2020, albeit with a mechanical increase in sales related to the end-of-year festive season. Over the last quarter, Fevad recorded spending of € 34bn across 556 million transactions, the highest figure of 2020.

Following a slight overestimation of the figure in Q3 (€ 115bn), total e-commerce spending in 2020 came in at € 112bn. In terms of the market trend, the atypical year proved fairly resilient, with sales growth of +8.5% (vs. +11.5% in 2019).

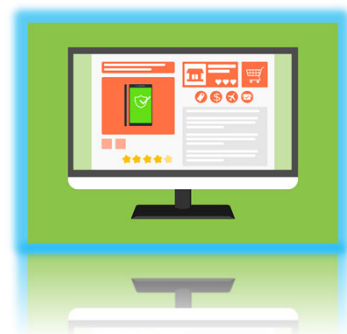
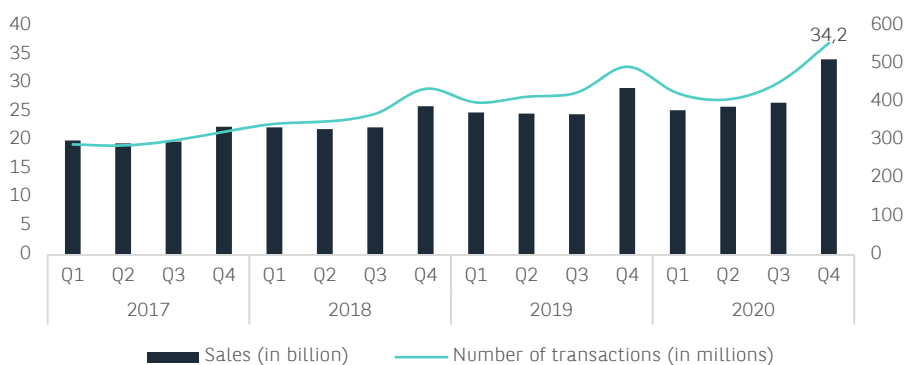
This moderate figure was due to the continued decline of services supplied online (-10%), but this was compensated by the increased sale of goods (+32% over the full year).

Sales related to retailers' websites confirmed their strong performance, with growth of +53% over the year.

In terms of sales by sector, Food and Health & Personal Care flourished, with growth of +52% and +42% respectively. The High Tech and Furnishing sectors also performed robustly (+34% and +24%).

Lastly, there was a noteworthy acceleration in the growth of online delivery and collection services, which saw a +50% jump in sales.

E-commerce : sales and transactions



Source: Fevad

Retail sales by sector

The year 2020 ended with the last quarter in decline for several retail sectors. Unlike the previous quarter, the figure for Q4 2020 was lower than Q4 2019 (-1%). However, household equipment held up relatively well, with a +10% rise compared to the previous year and down only -0.2% on a rolling-year basis.

The food sector confirmed its positive growth, up +3.4%. Shopping centre and food store sales remained stable and have predominated during the health crisis.

Catering meanwhile has suffered the direct consequences of premises being closed since October 2020. In this context, there was a record contraction of -32.4% in Q4 2020 (vs -19.8% in Q3 2020). The latest measures to stop the spread of the Covid-19 epidemic have also hit takeaway sales. Several regions have taken steps to ban such sales after 10pm.

Following the government's reintroduction of lockdown on March 29, 2021, all stores deemed to be "non-essential" have again closed their doors. As during the second lockdown, shopping centres have also had to adapt by ceasing the sale of "non-essential" goods to comply with the principle of fair competition.

Conversely, unlike the previous lockdowns, sectors related to cultural activities such as book and record stores have been allowed to stay open, along with food shops, pharmacies, florists, DIY stores and tobacconists. Hairdressers have also been allowed to continue trading during the third lockdown.



Source: Ifese

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Investment

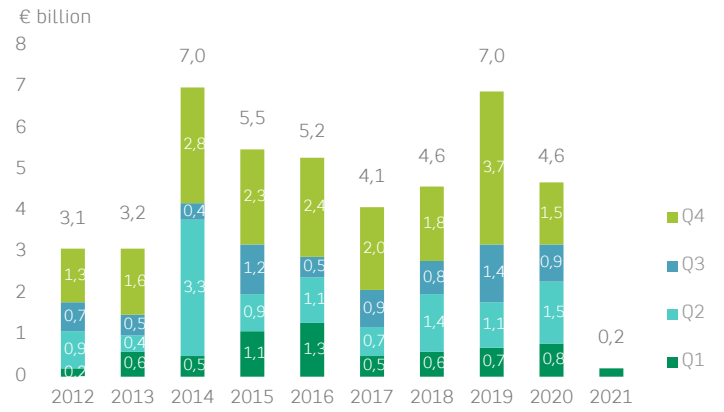
The retail market has been severely affected by health restrictions and appears to be still suffering from the crisis.

This can be clearly seen from the investment figures: less than € 200m was invested in retail in France over the first three months of 2021. This is the lowest figure for a first quarter in ten years.

In 2020, the prime yield for street level stores widened by 65 basis points, rising from 2.50% at the end of 2019 to 3.15% at the end of 2020.

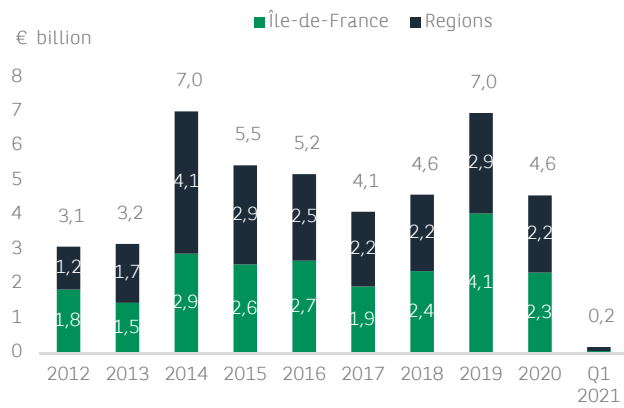
The very low number of deals since the beginning of 2021 and the lack of prime assets changing hands prevents any further adjustment to the figure for now.

Investment volume per quarter



Source: BNP Paribas Real Estate

Paris | Regions breakdown

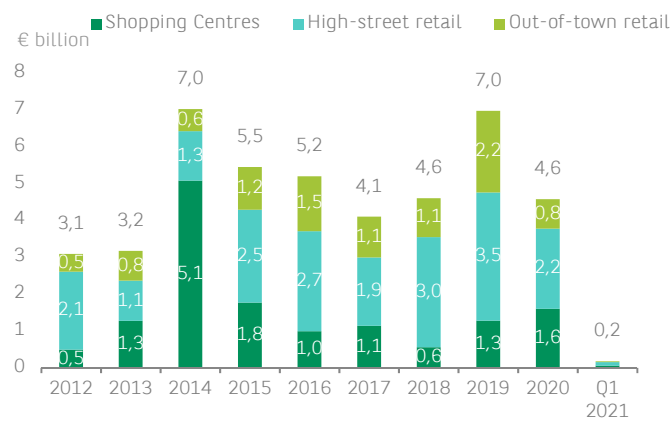


Investors origin

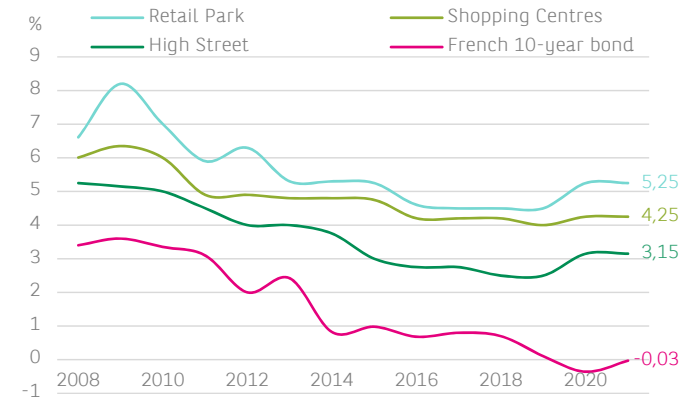


Source: BNP Paribas Real Estate

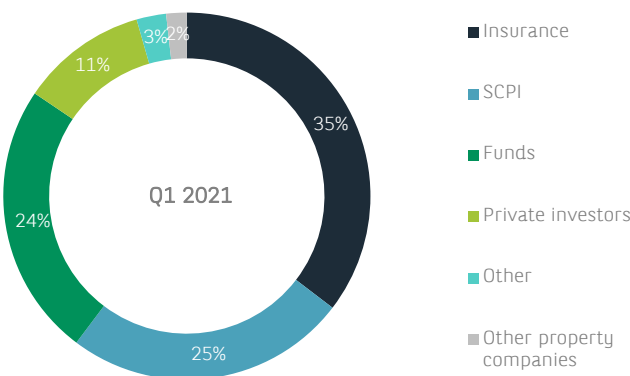
Breakdown by asset type



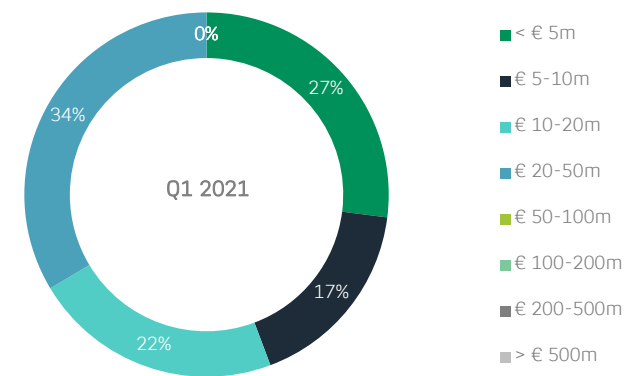
Initial prime yield and 10-year bond



Type of investors 2021



Retail investment by volume size



Source: BNP Paribas Real Estate

LOCATIONS

(JANUARY 2021)

HEADQUARTER

167, quai de la Bataille de
Stalingrad
92867 Issy Les Moulineaux Cedex
Tél. : +33 (0)1 55 65 20 04

ÎLE-DE-FRANCE AUBERVILLIERS

Parc des Portes de Paris
40 rue Victor Hugo
Bât 264 / 4ème étage
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

Parc du Golf - Bât 33
350, rue Jean René Guillaibert
Gauthier de la Lauzière
Les Milles
13290 Aix-en-Provence
Tél. : +33 (0)4 42 90 72 72

ANNECY

PAE Des Glaisins
19, avenue du Pré-de-Challes
74940 Annecy-le-Vieux
Tél. : +33 (0)4 50 64 12 12

BIARRITZ

26 Allée Marie Politzer
64200 Biarritz
Tél. : +33 (0)5 59 22 62

BORDEAUX

Immeuble Opus 33
61-64, quai de Paludate
33800 Bordeaux
Tél. : +33 (0)5 56 44 09 12

DIJON

Immeuble Le Richelieu
10, boulevard Carnot
21000 Dijon
Tél. : +33 (0)3 80 67 3

GRENOBLE

Immeuble Le Grenat
285 rue Lavoisier
38330 Montbonnot
Tél. : +33 (0)4 76 85 43 43

LILLE

100, Tour de Lille
Boulevard de Turin
59777 Eurallille
Tél. : +33 (0)2 20 06 99 00

LYON

Silex 1
15 rue des Cuirassiers
69003 Lyon
Tél. : +33 (0)4 78 63 62 61

MARSEILLE

44, boulevard de Dunkerque
CS11527-13235 Marseille
Cedex 2
Tél. : +33 (0)4 91 56 03 03

METZ

WTC-Technopôle de Metz
2, rue Augustin Fresnel
57082 Metz cedex 3
Tél. : +33 (0)3 87 37 20 10

MONTPELLIER

Immeuble Le Triangle
26, allée Jules Milhau
CS 89501
34265 Montpellier Cedex 02
Tél. : +33 (0)4 67 92 43 60

MULHOUSE

Beverly Plaza
15, rue de Copenhague
67300 Schiltigheim
Tél. : +33 (0)3 89 33 40 50

NANCY

Immeuble Quai Ouest
35 avenue du XX^{ème} Corps
54000 Nancy
Tél. : +33 (0)3 83 95 88 88

NANTES

14, mail Pablo Picasso
BP 61611
44016 Nantes Cedex 1
Tél. : +33 (0)2 40 20 20 20

NICE

Immeuble Phoenix - Arénas
455, promenade des Anglais
06285 Nice Cedex 3
Tél. : +33 (0)4 93 18 08 88

ORLÉANS

16, rue de la république
45000 Orléans
Tél. : +33 (0)2 38 62 09 91

RENNES

Centre d'affaires Athéas
11, rue Louis Kerautret-Botmel
35000 Rennes
Tél. : +33 (0)2 99 22 85 55

ROUEN

Immeuble Europa
101 Boulevard de l'Europe
76100 Rouen
Tél. : +33 (0)2 35 72 15 50

STRASBOURG

Beverly Plaza
15 rue de Copenhague
67300 Schiltigheim
Tél. : +33 (0)3 88 22 19 44

TOULOUSE

Immeuble Elipsys
8/10 rue des 36 Ponts
CS 84216
31432 Toulouse Cedex
Tél. : +33 (0)5 61 23 56 56

TOURS

29, rue de la Milletière
37100 Tours
Tél. : +33 (0)2 47 44 70 58

CONTACT

RESEARCH FRANCE

Guillaume JOLY
Head of Research France
Guillaume.joly@bnpparibas.com

Loïc LEOST
Retail Analyst
Loic.leost@bnpparibas.com

TRANSACTION

Thierry BONNIOL
Retail Department Director
Transaction - Occupiers
Tél. : +33 (0)1 47 59 24 19
Thierry.bonniol@bnpparibas.com

Cyril ZAPRILLA
Head of Capital Markets
Transaction - Investment
Tél. : +33 (0)1 47 59 23 91
Cyril.zaprilla@bnpparibas.com

Vincent VERDENNE
Business Development Director
Valuation
Tél. : +33 (0)4 47 59 22 97
Vincent.verdenne@bnpparibas.com

Grégoire TRIPON
Property Management France
Property Management
Tél. : +33 (0)1 55 65 27 33
Gregoire.tripon@bnpparibas.com

Hubert BOUCAN
Asset Management Director
Investment Management
Tél. : +33 (0)1 55 65 23 16
Hubert.boucan@bnpparibas.com

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