



RESEARCH

**AT A GLANCE
Q2 2021**

RETAIL MARKET IN FRANCE

INVESTMENT SLUGGISH, WHILE CONSUMPTION PICKS UP
ECONOMIC BACKDROP

+6.0%

GDP GROWTH FORECAST 2021

93

CONFIDENCE INDEX
CONSUMERS IN Q1 2021

1809

Q4 2021 COST OF CONSTRUCTION
INDEX FORECAST

117.7

Q4 2021 FORECAST
COMMERCIAL RENT INDEX

ECONOMIC CONTEXT

- French GDP growth should come in at +6.0% in 2021, above the eurozone average expected at +4.8%.
- This growth should continue next year (+4.6%) and catch up with the pre-crisis level from H1.
- The strength of the rebound will depend on two variables, namely the release of "Covid savings", and the spread of Covid variants.
- One consequence of the health crisis has been the slump in household confidence and morale. Since February 2020, the two leading business and household surveys have shown a steep decline.

INDEX FORECAST

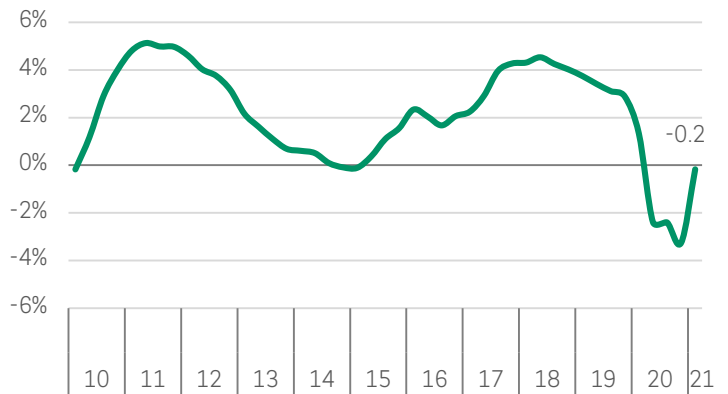
- The CCI has risen significantly in recent years, particularly as raw material prices have surged. Despite weak demand and inflation, growth remained positive for the index in 2020, but is likely to be limited in 2021 and 2022.
- There was a gradual return to growth of the commercial rent index (ILC) in 2017 that continued in 2018 and 2019. However, the recession in France (with a contraction in GDP and retail sales) caused the index to slide in 2020. A rebound is expected in 2021 before more moderate growth in 2022.

SALES UP OVER THE FIRST QUARTER

Retail sales rose by 9.5% in value terms compared to Q1 2020, and were down by 0.2% on a rolling 12-month average.

Since the epidemic began in February 2020, retailers and households have gradually adapted to the health "stop and go". All the more so with e-commerce picking up the slack left by non-essential shops closing.

Retail sales
Growth in value terms (rolling year)



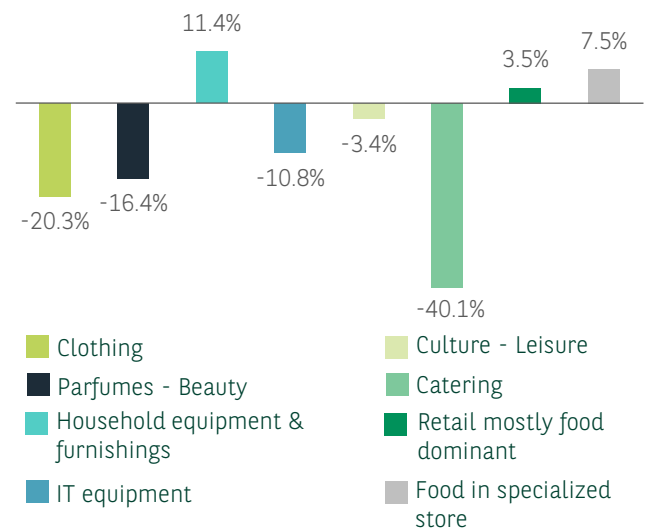
Source : Insee

VARIED SITUATIONS FROM SECTOR TO SECTOR

The sales growth is worth studying in more detail according to the type of retail. For example, households continued to furnish their homes in the first quarter. Home-furnishing retailers thereby saw the highest growth rate at 11.4%.

Clothing-fashion was already under pressure before the crisis and French households have reduced their budget in the sector. The growth rate for perfume-cosmetics has also dipped, except for body care.

Retail sales
Growth in value terms (rolling year)

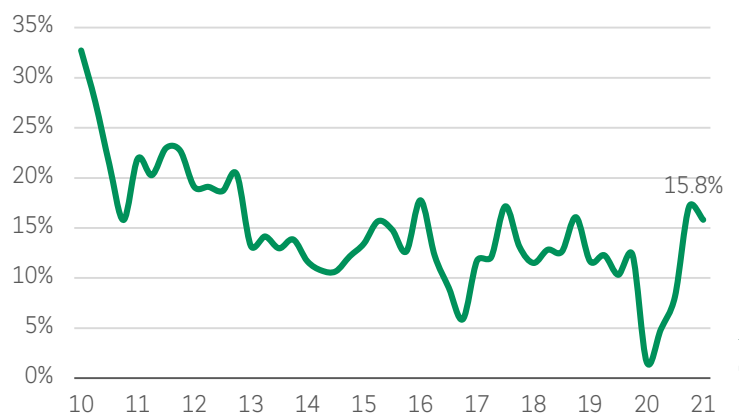


Source : Insee

E-COMMERCE STIMULATED BY THE EPIDEMIC

The slowdown in e-commerce sales growth in 2019 might have suggested that distance selling was maturing. With the crisis and the widespread use of online purchasing, retailers are investing in e-shopping. Remote sales have grown throughout 2020 among many retailers and food superstores, even though they have not historically been very much inclined towards e-commerce. In Q1 2021, Fevad reported growth of 15.8% compared to the same period in 2020.

Retail sales
Growth in value terms (by quarter)

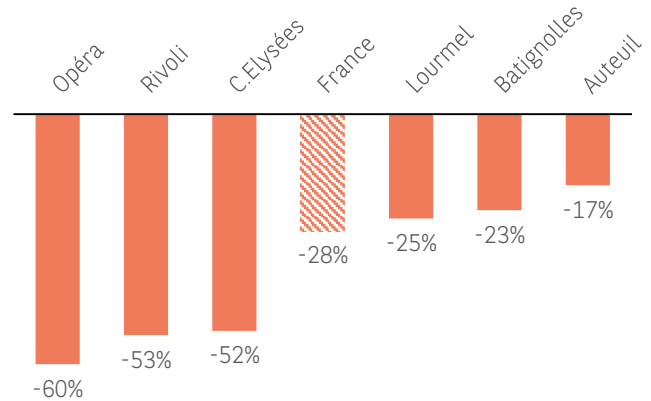


Source : Fevad

REOPENING OF SAMARITAINE IN PARIS

After closing for several years, Samaritaine opened its doors again on June 23, on Rue de la Monnaie. The owner LVMH invested € 750m to install 20,000 m² of retail space with the emphasis on luxury. The current lack of international customers could affect performance. The Mytraffic barometer points to a 53% drop in visits to the central section of Rue Rivoli in H1 2020, while Stackr indicates a 62% drop in visits to the Rivoli-Sebastopol section when it reopened, compared to the same date in 2019.

Footfall in Paris
Growth in value term in H1 2021 versus H1 2020



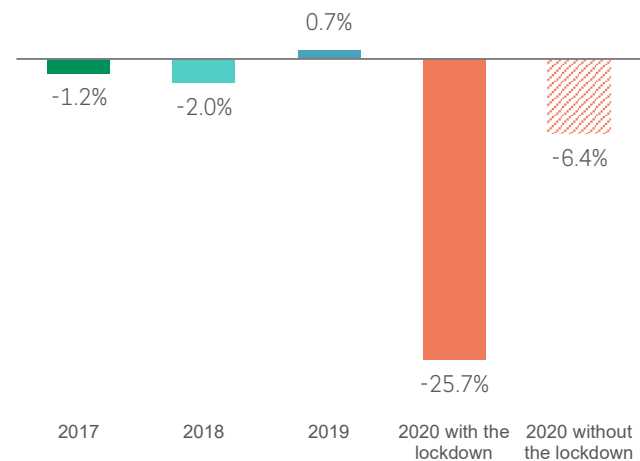
Source : Mytraffic

SHOPPING CENTRES UNDER PRESSURE

By enhancing retail offerings with leisure and restaurant spaces, the best performances in shopping centres in the 2010s were recorded in 2019. This momentum did not continue in 2020, even during the periods when lockdown was lifted, with a footfall index down by 6.4%.

Depending on the region, shopping centres in France have had to close for between four and eight months, as well as having to cope with curfews and maximum visitor constraints.

Performance of shopping center industry
All shopping centres of CNCC's panel



Source : CNCC

...SAME STORY FOR OUT-OF-TOWN RETAIL

Out-of-town stores have been attracting criticism for several decades: they were first accused of disfiguring cities, then of encouraging mass consumption and land degradation. Several shopping centre schemes have been scrapped, such as EuropaCity in Gonesse or recently Open Sky near Rennes.

As well as the draft legislation proposed by the *Convention Citoyenne pour le Climat* (Citizens' Climate Convention), the Prime Minister Jean Castex has sent a memo on the role of prefects in relation to retail development and preventing land degradation.

The precise details of the moratorium are still unclear. Discussions in the French *Assemblée Nationale* and then in the Senate until the summer should help to shed light on the main grey areas. However, initial indications suggest that new retail development may only be authorised by refurbishing existing retail space. This moratorium comes on top of existing measures that are being stepped up, such as the "tertiary decree" and the inclusion of a dismantling plan (restoring sites to their original state at the end of operations, at the landlord's expense) in all building permit applications.

Sources : BNP Paribas Real Estate

QUIET START TO 2021 FOR INVESTORS

Investment in retail in Q2 2021 came in at € 246m, a slump of 83.2% compared to the same period last year. Several large-scale deals took place, such as the acquisition by the Epopée Gestion group and Bleu Mercure of a portfolio of 17 car dealerships, the Canto Perdrix shopping mall in Martigues made up of 43 stores via a JV between a fund and two private individuals, and the Île Roche retail park in Sallanches, which was opened in 2020 and is now owned by VP Immobilier.

INVESTMENT IN OUT-OF-TOWN RETAIL STABILISING

Out-of-town retail stood out in H1 2021, with € 245.1m invested, up 9.4% on H1 2020. In particular, we note the acquisition by US fund WP Carey & CO of a portfolio of three Casino hypermarkets in the centre and south of France.

The persistent epidemic is weakening town centres, where investment reached a low of € 200.1m in H1 2021.

A few entire shopping centres changed hands in the regions, while in Paris acquisitions related to specific units.

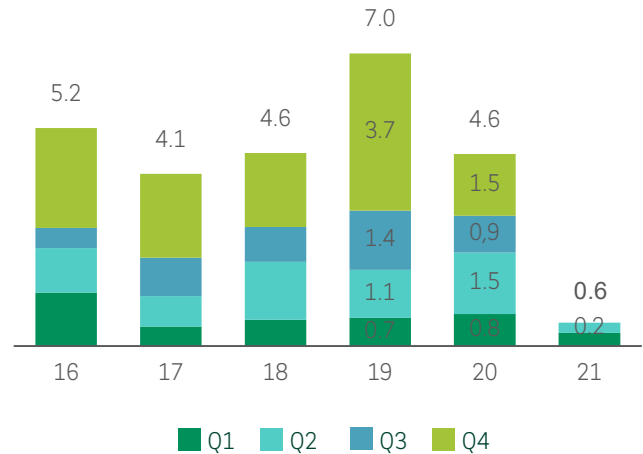
FUNDS STILL TOP THE INVESTOR LIST

Of the €558m invested in the French retail sector in the first half of 2021, 47% came from funds.

Next came private investors, notably with the acquisition of the Canto Perdrix shopping centre in Martigues.

Several SCPIs were also active in H1, including Norma Capital, Primonial and Intergestion.

Retail investment in France by quarter
In € billion



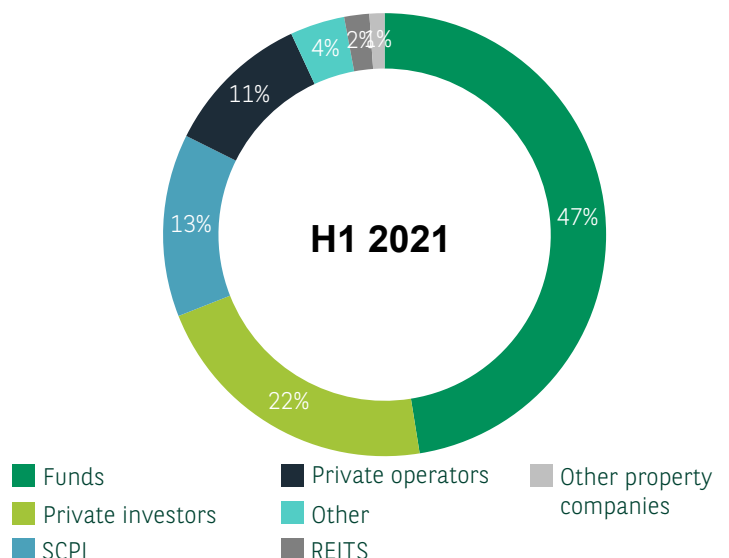
Source : BNP Paribas Real Estate

Retail investment in France by asset class
In € billion



Source : BNP Paribas Real Estate

Retail investment in France by investors type
In € billion



Sources : 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 85 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 Guillibert
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
33000 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 Euralille
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

Valentin Courtois
Retail Analyst
valentin.courtois@bnpparibas.com

BUSINESS LINES

Cyril ZAPRILLA
Capital Markets & Leasing Director - Retail France
Transaction
Tél. : +33 (0)1 47 59 23 91
Cyril.zaprilla@bnpparibas.com

Vincent VERDENNE
Business Development Director
Valuation
Tél. : +33 (0)1 47 59 20 11
Vincent.verdenne@bnpparibas.com

Grégoire TRIPON
Business Director
Property Management France
Tél. : +33 (0)1 47 59 23 61
Gregoire.tripon@bnpparibas.com

Hubert BOUCAN
Asset Management Director
Investment Management
Tél. : +33 (0)1 47 59 17 34
Hubert.boucan@bnpparibas.com

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