



**AT A GLANCE
Q1 2022**

INVESTMENT IN FRANCE
OVER €5BN INVESTED IN Q1

ECONOMIC ENVIRONMENT

After the recession caused by the health crisis, French GDP improved dramatically to +7.0% in 2021 (compared to +5.0% on average for the Eurozone). However, growth will be weaker this year, notably due to the lingering virus and the economic fallout from the war in Ukraine. Business recovery, budget measures, supply chain disruptions due to the pandemic and the conflict in Eastern Europe are all pushing up prices. Inflation is set to be particularly high in 2022. It is estimated at between +4% and +5% in France, but should fall back again from 2023. The US and UK central banks raised interest rates in the first quarter to combat inflation. As inflation was lower in the Eurozone, the Central European Bank could keep its key interest rate at -0.50% until 2023 to stimulate growth if the situation does not worsen. Government bond yields have anticipated a climb, with the OAT at 0.98% in March (vs. 0.20% in December).



+3.2%

GDP growth
in France in 2022

(BNP Paribas Forecast - April 2022)



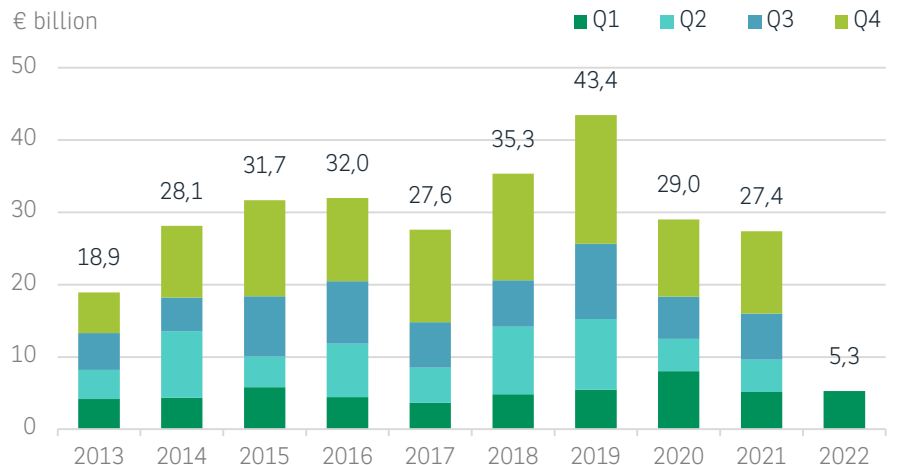
+0.98%

10-year OAT
End March 2022

INVESTMENT IN FRANCE

€ 5.3bn was invested in commercial real estate in France over the first three months of 2022. This was a healthy start to the year, up 2% vs. Q1 2021 and in line with the 10-year average. The market is buoyant and many deals are in the pipeline, suggesting a good year in 2022. Indeed, the confirmed upturn in rental markets and the abundance of capital available are both positive factors that are driving investment. Conversely, there are lingering doubts about financial markets and if these are not dispelled it could dampen the trend of the last few months.

Investment in commercial real estate in France



INVESTMENT MARKET BY ASSET CATEGORIES



€ 2.5 bn

invested in Offices



€ 1.3 bn

invested in Retail



€ 1 bn

invested in Logistics & Industrial



€ 404 M

invested in Services

The good general performance conceals major discrepancies between asset types.

Whereas other asset categories are showing positive results, Offices are disappointing: investment fell 32% in Q1 compared to Q1 2021. This was particularly the case for Greater Paris. Less than € 2bn was invested in offices in Île-de-France over Q1, vs. over € 3bn last year. No deal over € 200m was signed in the first quarter; the biggest deal was the sale by Deka of the Les Ateliers du Parc building located in Clichy and bought by Tristan Capital Partners for € 189m. The regions were more encouraging, with around € 600m invested in Q1 2022, i.e. equivalent to the last three years. The market was partly driven by the Urban Garden scheme in Lyon for just over € 150m.

Retail enjoyed a revival in Q1 2022. After struggling for two years following the health crisis, the asset category has recovered its lustre. Indeed, € 1.3bn was invested in retail in France over the first three months of the year, a new record. The market was boosted by several major transactions, such as the sale of a portion of the Carré Sénart shopping centre and the sale of the Fast portfolio of 37 Burger King and Quick restaurants. Investors were attracted to all types of retail assets, with most participants being French (insurers, SCPI and property companies) but also some Anglo-Saxon funds.

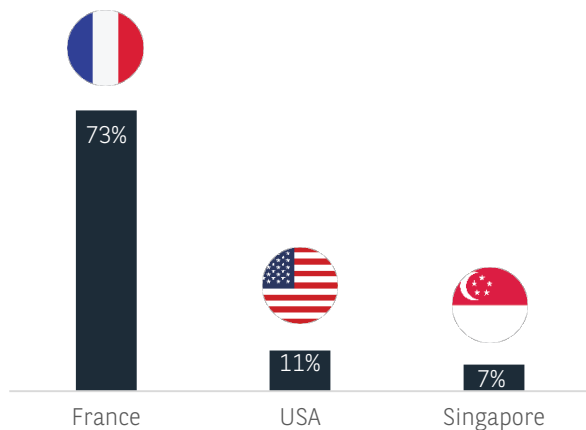
After a record year in 2021, there has been no slowdown for the Logistics or Industrial markets, with the momentum that began several years ago continuing. As such, in Q1 2022, around €1bn was invested in this segment, i.e. an increase vs. Q1 2021. The biggest deal was the disposal of the pan-European Trio portfolio, which includes 11 assets in France representing over 300,000 sqm, bought from Blackstone by GLP. Another highlight was the acquisition by Tristan Capital Partners of the Essentials portfolio, including three assets in the regions. Among the biggest single-asset deals, Aviva invested in a new development by PRD, totalling over 98,000 sqm on the outskirts of Lille.

The hotel market also continued to revive in Q1. Around € 400m was invested in hotels compared to less than € 200m last year. Specialist operators were the main protagonists, but some more generalist players also took an interest in the segment; for example, Perial bought the Club Med Samoëns Morillon, in the Haute-Savoie region on behalf of the SCPI PFO2 for € 128m. There are several deals in the making, pointing to a strong year for investment in the hotel sector in France in 2022.

All told, 2022 began promisingly, suggesting that investment over the full year could be high. If the Greater Paris Office segment catches up from a slow start, commercial real estate investment in France could once again top € 30bn.

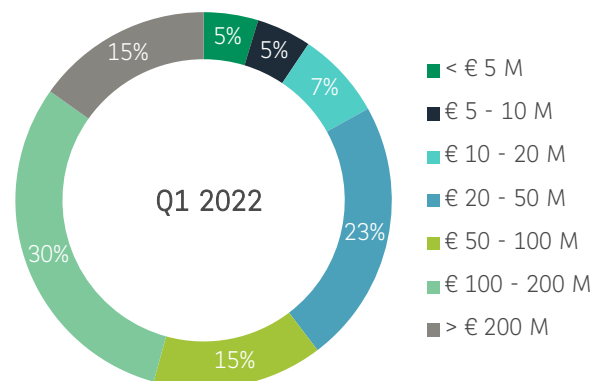
Investors' nationality

All asset categories



Breakdown of investment by volume size

All asset categories



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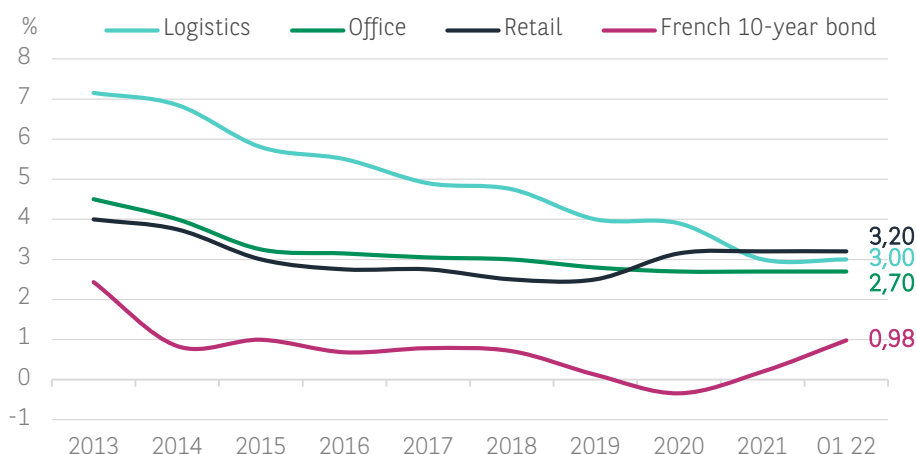
YIELDS

In 2021 and over Q1 2022, the prime office yield in France remained stable, at 2.70%. A significant transaction at a lower yield should be signed off in the coming weeks, which would see prime yields narrow further in Paris CBD.

With regard to retail assets, the fresh momentum at the beginning of the year indicates that investor interest in this category is intact; a return to pre-covid yields is already conceivable.

Meanwhile, the Logistics sector has seen its prime yield fall each year since 2013, to 3,00% at the end of 2021.

Prime yields and French 10-year bond (OAT)



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Prime yields in France

Offices in Île-de-France	Q1 2020	Q1 2021	Q1 2022	Trend 2022 / 2021
Paris CBD	2,80	2,70	2,70	→
Paris outside CBD	3,10	2,90	2,80	↘
La Défense	4,00	4,00	3,95	↘
Western Crescent	3,25	3,20	3,20	→
Inner Rim	3,80	3,60	3,60	→
Outer Rim	4,85	4,85	4,85	→

Offices in Regions	Q1 2020	Q1 2021	Q1 2022	Trend 2022 / 2021
Lyon	3,50	3,50	3,40	↘
Aix / Marseille	4,50	4,15	3,75	↘
Lille	4,15	4,15	4,15	→
Nice / Sophia Antipolis	4,50	4,50	4,50	→
Toulouse	4,75	4,50	4,35	↘
Strasbourg	4,65	4,50	3,70	↘
Nantes	4,75	4,75	4,30	↘
Bordeaux	5,45	5,45	4,60	↘

Logistics & Industrial	Q1 2020	Q1 2021	Q1 2022	Trend 2022 / 2021
Logistics	4,00	3,90	3,00	↘
Industrial	5,00	4,50	4,00	↘

Retail	Q1 2020	Q1 2021	Q1 2022	Trend 2022 / 2021
Street-level stores in Paris	2,50	3,15	3,20	↗
Shopping centres in France	4,00	4,25	4,20	↘
Retail parks in France	4,50	5,25	5,00	↘

LOCATIONS

HEADQUARTER

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