



**AT A GLANCE  
2022 Q3**

**INVESTMENT IN EN FRANCE**

A deceptive third quarter

**Economic context**

Despite a buoyant job market and a historically low unemployment rate (7.2% in Q2), high inflation, estimated at +5.8% for the year, continues to undermine household confidence. Price inflation has come down slightly, after reaching +6.1% year-on-year in July, but remains high at +5.6% in September. French purchasing power declined over the first two quarters and consumption fell by -1.5% in Q2. The international context is weighing on the French economy, which could stall in the second half of the year. GDP is nevertheless expected to grow by 2.3% in 2022, but growth is expected to weaken thereafter to just 0.5% in 2023.

To fight inflation, the European Central Bank raised its key interest rates by 125 basis points in Q3, bringing the deposit rate to 0.75%. It is expected to continue on this path in Q4 and early 2023 by adding another 225 basis points. The OAT rate has already anticipated this reaction and has risen by over 250 basis points since the beginning of the year to 2.71% in September.



**+0,5%**

GPD growth in France  
forecast for 2023  
(BNP Paribas Forecast -Sept 2022)



**+2,71%**

OAT 10 years Septembre 2022  
(Source Banque de France - Sept. 2022)

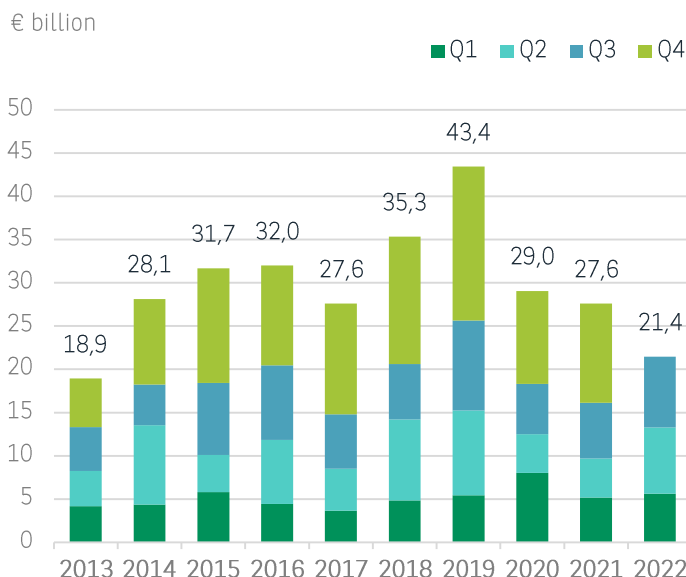
**INVESTMENT EN FRANCE**

€ 21.4 billion has been invested in commercial real estate in France since the beginning of the year, an increase of 33% compared to the year-earlier period. The good momentum seen in H1 continued in the third quarter, with €8.2 billion invested. At this stage of the year, investment in 2022 stands 14% above its ten-year average.

Nevertheless, this healthy momentum conceals a complex market situation. Indeed, the robust third quarter performance fails to show an underlying market inertia, and is rather fuelled by the culmination of deals started in H1 2022. In addition, large, atypical transactions, such as LVMH's acquisition of a Paris portfolio for €900 million, contributed to the investment market's resilience.

The deterioration of the macroeconomic and geopolitical environment, as well as the volatility of the financial markets, is causing investors to adopt a wait-and-see attitude, and suggests that investment over the last quarter of 2022 will be lower than the ten-year average for Q4 of €12 billion. Investment players, faced with increasing financing constraints, are anticipating a readjustment in the value of real estate assets between now and the end of the year.

**Investment in commercial real estate in France**



BNP Paribas Real Estate - Research - September 2022

## INVESTMENT MARKET BY ASSET CATEGORIES

The good performance of the commercial real estate investment market varies by asset class. While the retail and industrial markets are doing well, with record transaction levels, the situation is more complex for the office and hotel markets, which have not yet returned to their pre-health crisis levels.

### Offices

Office investment has continued the slight rise that began in the previous quarter (+4.5%). With € 4.2 billion invested in Q3 and € 10.7 billion invested since the beginning of 2022, the market is recovering slightly after underperforming significantly in 2021 (+12% cumulative improvement compared to Q3 2021). Nevertheless, at this stage of the year, investment remains 4.9% below the ten-year average.

The weakening of the office market can be seen in its slide compared to the other asset classes, representing 51% of total investment in Q3 2022 (compared to 54.4% in Q3 2021 and 72.1% in Q3 2020). Despite this, significant transactions were made over the quarter, including the acquisition of a portfolio of three Parisian buildings for € 900m by LVMH HOLDING, and the purchase of the "Campus Cyber" in Puteaux (92800) by LA FRANCAISE AM for €323.72 million. Nevertheless, deals over € 100m remain below their ten-year average (-2.9% for transactions between € 100m and € 200m and -27.5% for those over € 200m).

In the Paris region, we continue to observe the relative growth in the share of Paris Inner City (57% compared to 44.7% in Q3 2021 and 49.1% in Q3 2020 in cumulative value), reflecting the geographical shift of investments to the central Paris markets.

At the same time, the share of investments made in the Regions has been gradually declining since the beginning of the year, to 14% of total cumulative investments after 9 months, compared with 22% the previous year. One major transaction for over €100m should nevertheless be noted: PRIMOPIERRE's acquisition of the "SENSORIUM" building in LA MADELEINE (59110), in the Euralille district, for € 104.94m.



**10,7 Mds€**

Invested in Offices



**4,3 Mds€**

Invested in Retail



**5,0 Mds€**

Invested in Logistics & Industrial



**1,5 Md€**

Invested in Services

### Retail

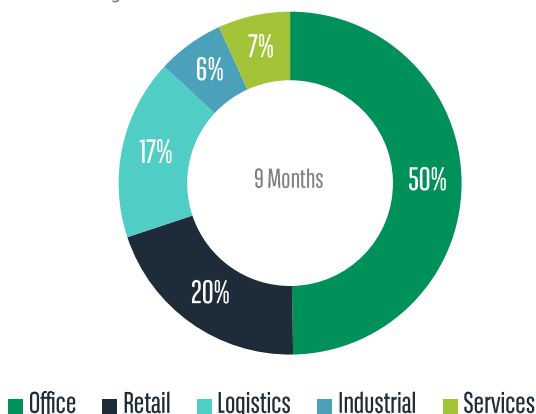
Retail investment is continuing its record-breaking run, with €1.6 billion invested in Q3 2022. This is the highest value reached since 2013, both in Q3 and in cumulative terms since the beginning of the year (€3.2 billion). While the annual increase is weaker than that observed in Q1 (+371%) and Q2 2022 (+188%), the +38% change compared to 2021 shows that the Retail market is still very buoyant.

Consequently, the role of retail investment is growing in France, accounting for 20.2% of commercial real estate transactions in Q3 2022, 8 basis points higher than the ten-year average.

While the majority of transactions remained below €5m (47.3% in Q3 2022), a number of major deals were completed this quarter, including the acquisition of the "150 Champs Élysées" building for €650m by BROOKFIELD ASSET MANAGEMENT, a record amount for the French retail market.

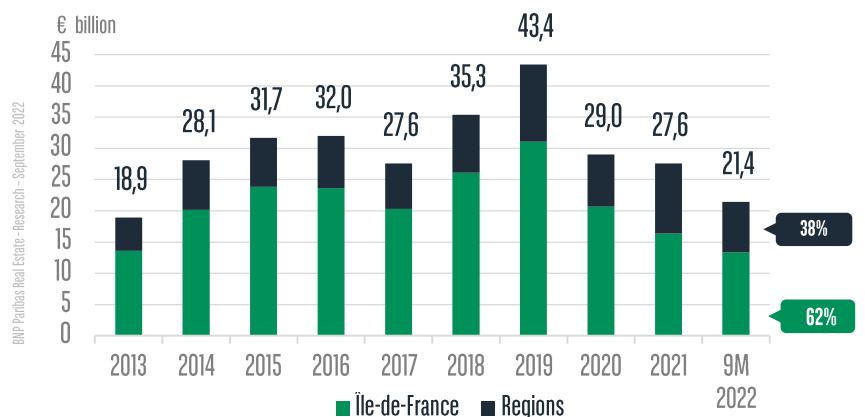
### Breakdown of investment by asset class

All asset categories



### Geographical breakdown

All asset categories



## INVESTMENT MARKET BY ASSET CATEGORIES

### Logistics/industrial premises

After a record first half of the year, and in parallel with the retail market, the amounts invested in industrial real estate have reached levels rarely attained, with € 1.89 billion invested in Q3 alone and € 5 billion invested since the beginning of the year. The industrial premises and logistics markets continue their strong growth, which began in 2018, with an average annual increase of +32% in Q3. A closer look shows that most of this significant growth is attributable to the logistics market : € 1.93 billion in Q3 and € 3.6 billion since the beginning of the year, representing 73.2% of the total industrial real estate market.

What is new in 2022 is that the number of transactions below € 5m has fallen sharply compared to last year (-23 points), while the numbers of transactions between € 5m and € 10m and between € 10 and € 20m have risen significantly, by respectively +7.1 points and +15.5 points. Four deals for over € 100m contributed to the strong momentum of the industrial real estate market in Q3 2022, such as PROLOGIS' acquisition of a portfolio of logistics assets in the Paris region for € 350m, and OXFORD PROPERTIES' life-science building "BIOCITECH" for € 110m in Romainville (93063). These large deals have boosted the Paris Region's market share of industrial real estate investment (up +7.5 basis points vs 9M 2021 to 38.2%).

### Services

Services real estate began to recover in Q3 2022, with € 540m invested over the quarter and € 1.47 billion invested since the beginning of the year, representing a cumulative annual increase of +43%. Nevertheless, the overall situation remains constrained. Indeed, in cumulative terms since the beginning of 2022, investment in the hotel market is 36% below its ten-year average (€ 2.29 billion).

The annual growth compared to 2021 of 43%, following the rise in 2021 vs 2020 of 26%, shows that the services market is gradually recovering from the shock of the health crisis.

These low investment figures are partly due to the lack of large transactions. For example, there have been no deals over € 200m in France since Q3 2019. The only investment above € 100m in Q3 2022 was the acquisition of a hotel portfolio by GROUPE DESAVOIE & ETINCELLES for € 140m in the Regions. The Paris region has been the most affected by this contraction in hotel deals, with € 457m invested since the beginning of 2022, down 63% compared to the ten-year average.

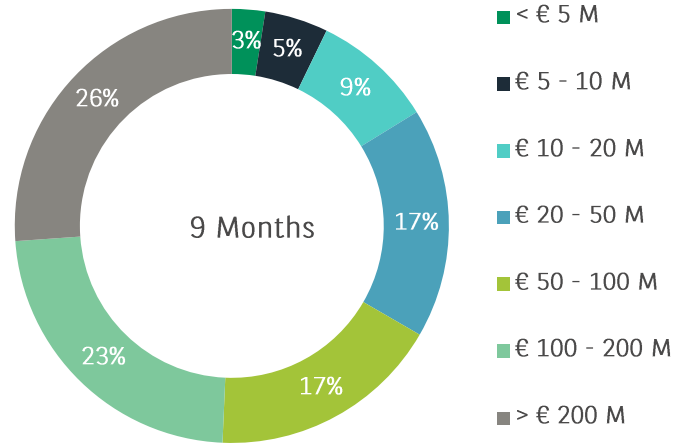
### Perspectives

Q3 2022 may be considered a pivotal quarter in terms of investment market behavior. The deterioration of macroeconomic conditions over Q3 affected investment decisions, with players anticipating a depreciation in the value of real estate assets. The increase in the cost of capital will lead to both greater selectivity in acquisitions and potential delays, pending better market conditions. However, these factors could be offset in some instances by the rise in rental values in the tightest markets.

This wait-and-see attitude, already observed in Q3 2022, will continue in Q4 2022 and early 2023, so long as investors are uncertain about the level of price corrections. As the liquidity available to players remains high, investment should pick up sharply once the consensus on new asset valuation levels is reached.

### Breakdown of investment by volume size

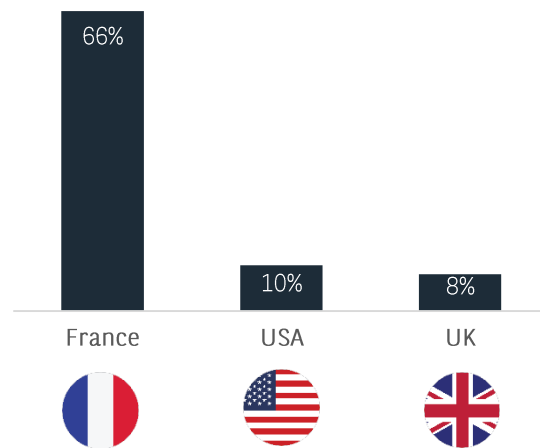
All asset categories



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### Investors' nationality

All asset categories



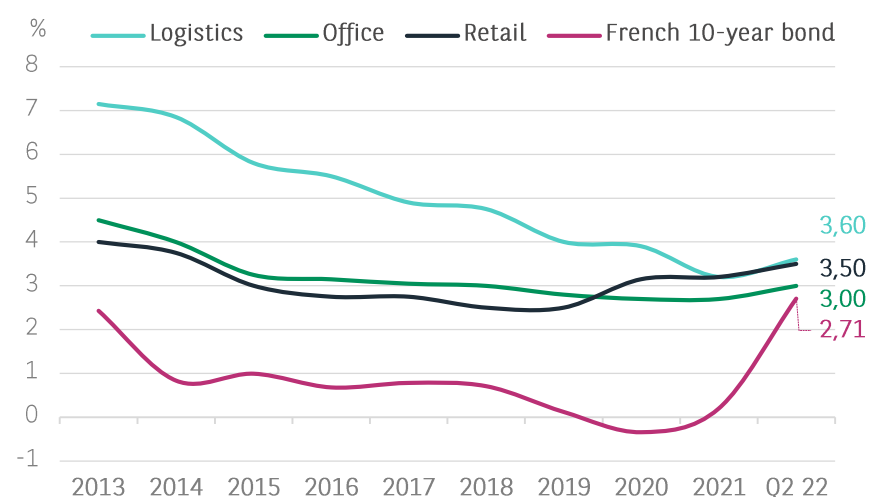
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## Yields

Following the trends already observed in previous quarters, the surge in the French 10-year OAT to 2.71% in Q3 2022 is now squeezing the risk premium for real estate assets. As a result, prime yields are rising for all asset classes.

In the Office sector, yields have risen by 30 basis points to 3.0%. Similarly, the prime yield for Retail assets has decompressed by 30 basis points to 3.5%. The strongest increase has been in Logistics, with growth of 40 basis points to 3.6%. The anticipated increase in the 10-year OAT in Q4 suggests that prime yields should continue to rise until the end of the year.

### Prime yields and French 10-year bond (OAT)



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## INITIAL PRIME YIELDS

Offices in Île-de-France	Q2 2020	Q2 2021	Q2 2022	Trend 2022 / 2021
Paris CBD	2,80	2,70	3,00	↗
Paris outside CBD	2,90	2,90	3,20	↗
La Défense	4,00	4,00	4,10	↗
Western Crescent	3,25	3,20	3,25	↗
Inner Rim	3,60	3,60	3,80	↗
Outer Rim	4,85	4,85	5,25	↗

Offices in Regions	Q2 2020	Q2 2021	Q2 2022	Trend 2022 / 2021
Lyon	3,50	3,50	3,50	→
Aix / Marseille	4,50	4,15	3,85	↘
Lille	4,15	4,15	4,00	↘
Nice / Sophia Antipolis	4,50	4,50	4,80	↗
Toulouse	4,50	4,50	4,10	↘
Strasbourg	4,65	4,30	4,10	↘
Nantes	4,75	4,75	4,40	↘
Bordeaux	5,45	5,45	4,70	↘

Logistics & Industrial	Q2 2020	Q2 2021	Q2 2022	Trend 2022 / 2021
Logistic	4,00	3,50	3,60	↗
Industrial	5,00	4,00	4,50	↗

Retail	Q2 2020	Q2 2021	Q2 2022	Trend 2022 / 2021
Street-level store in Paris	3,00	3,15	3,50	↗
Shopping centres in France	4,25	4,25	4,75	↗
Retail parks in France	5,00	5,25	5,00	↘

# LOCATIONS

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92650 Boulogne-Billancourt  
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## ÎLE-DE-FRANCE AUBERVILLIERS

Parc des Portes de Paris  
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93300 Aubervilliers  
Tél. : +33 (0)1 49 93 70 73

## ERAGNY

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BP 30272 Eragny  
95615 Cergy Pontoise Cedex  
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## REGIONS

### AIX-EN-PROVENCE

Parc du Golf - Bât 33  
350, rue Jean René Guillibert  
Gauthier de la Lauzière  
Les Milles  
13290 Aix-en-Provence  
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### ANNECY

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74940 Annecy-Le-Vieux  
Tél. : +33 (0)4 50 64 12 12

### BIARRITZ

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64200 Biarritz  
Tél. : +33 (0)5 59 22 62

### BORDEAUX

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61-64, quai de Paludate  
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Immeuble Le Richelieu  
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## GRENOBLE

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## LILLE

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## LYON

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## NANCY

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## ORLÉANS

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45000 Orléans  
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## RENNES

Centre d'affaires Athéas  
11, rue Louis Kerautret-Botmel  
35000 Rennes  
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## ROUEN

Immeuble Europa  
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76100 Rouen  
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## STRASBOURG

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## TOULOUSE

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31432 Toulouse Cedex  
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