



# AT A GLANCE 2022 Q4

## INVESTMENT IN FRANCE

Tentative end to the year

### ECONOMIC CONTEXT

Despite a buoyant job market and a historically low unemployment rate (7.1% in Q3), high inflation of +5.2% in 2022 severely damaged household confidence. Price inflation is expected to ease slowly in the coming months, after reaching 6.2% y/y in November, but will remain elevated in 2023.

After falling for the first two quarters, French purchasing power rebounded in Q3. Despite coming in at +2.6% in 2022, the French economy has advanced little and the uncertain international context may limit 2023 GDP growth to +0.0%.

To fight inflation, the European Central Bank raised its key rates by 250 basis points in the second half of the year, bringing the deposit rate to 2.0%. It may add another 100 basis points in the first half of 2023, keeping a close eye on inflation and economic developments in the European Union. The 10-year OAT was hiked by a record 290 basis points in 2022 to stand at 3.1% at the end of the year.

### INVESTMENT IN FRANCE

€ 28.1bn was invested in commercial real estate in 2022 in France. This was in line with 2021 (+1.4%), and slightly down on the ten-year average (-4%).

The pace of investment has nevertheless been atypical. Indeed, after significant investment in Q2 (€ 7.8bn) and Q3 (€ 8.3bn), only € 6.3bn was invested in Q4, down 43% vs the ten-year average for the last quarter (€ 11bn).

The rise in interest rates tightened financing conditions, playing a major role in slowing investment in Q4 2022. While office space remains the dominant asset class, the erosion of its share of total investment continues, with 49.5% (€ 13.9bn) in 2022 versus 65% (€ 18.9bn) in 2020.

This reduction in office investment reflects the relative progress of investment in logistics (16.8% of the total at € 4.7bn) and retail (19.9%, € 5.5bn), which performed well in 2022.



**+2.6%**

France GDP growth in 2022  
(BNP Paribas Forecast - January 2023)



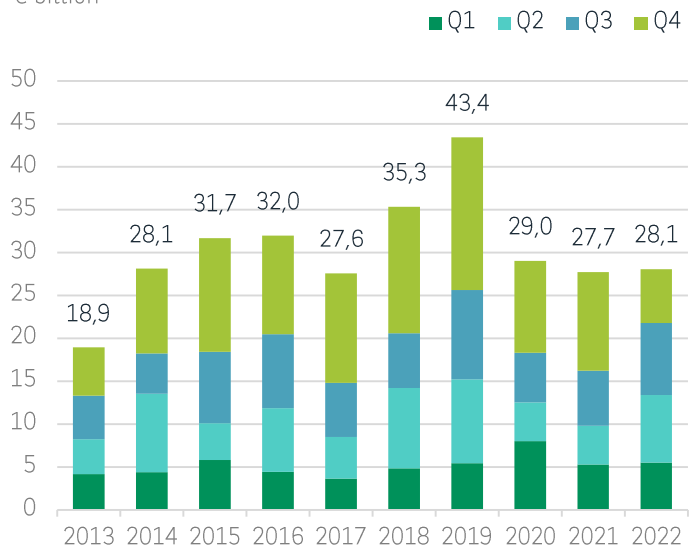
**+3.10%**

OAT 10 10 years 2022 Q4  
(Banque de France - December 2022)

### Investment in commercial real estate in France

Global - 2022

€ billion



BNP Paribas Real Estate - 2022

## INVESTMENT MARKET BY ASSET CATEGORIES

While overall investment in commercial real estate seems to have held up well in a complex 2022, the details by major asset class show divergent market situations.

### Offices

Doubts were sown about the resilience of the tertiary investment market in Q3 2022, with volumes slightly below their ten-year average – these were exacerbated by a dramatic underperformance in Q4. With only €3.5 billion invested in offices in Q4, the largest quarterly underperformance since 2014, cumulative investment ended 2022 at €13.9bn. As such, 2022 was 20% below the ten-year average of €17.4bn.

The office sector's share of overall real estate investment is also falling, reaching its lowest proportion of the decade at 49.6%. This proportion has been steadily declining since peaking in 2017, at 71.2% of the total.

In detail, this decline is mainly explained by the scarcity of transactions above €200m. Indeed, of the € 13.9bn invested in 2022, only € 2.5bn came from deals above this threshold, or 18.3% of the total, compared to a ten-year average of 30% of the total. Nine transactions above € 200m were signed in 2022, compared to an average of 18 per year since 2017. Only transactions between € 5m and € 20m stood out in 2022 compared to 2021, with a marked annual increase (+23.7%/€ 1.3bn for the € 10m-20m bracket and +11.7%/€ 0.65bn for the € 5m-10m bracket).

Geographically, office investment remains unsurprisingly centralised in the Paris region (€ 10.3bn in 2022 and 74.4% of the French total). Nevertheless, we note the ongoing rise in the Regions' importance (13.8% of office investment in 2020 vs 25.6% in 2022, almost doubling their share). In the Regions, office investment is primarily located in the Lyon market area, with € 1.12bn, followed by the Aix-Marseille market area, with € 0.47bn, and Lille market area in third place (€ 0.45bn).

In Île-de-France, the trend is downward for all market areas. Compared to the ten-year average investment figures, the most significant slowdowns were in La Défense (-68% to € 0.45bn), the Western Crescent (-47% to € 1.85bn) and the Inner Rim (-43% to € 1.33bn). Only Paris non-CBD is holding its own, remaining closely in line with its ten-year average (-1% at € 3.38bn). Paris CBD conceded 19%, with € 2.48bn invested in 2022.

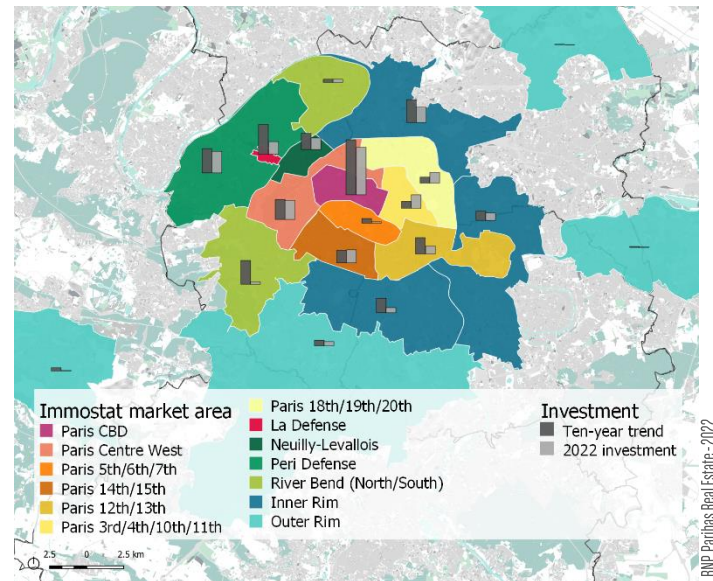


€13.9 bn

Invested in Offices

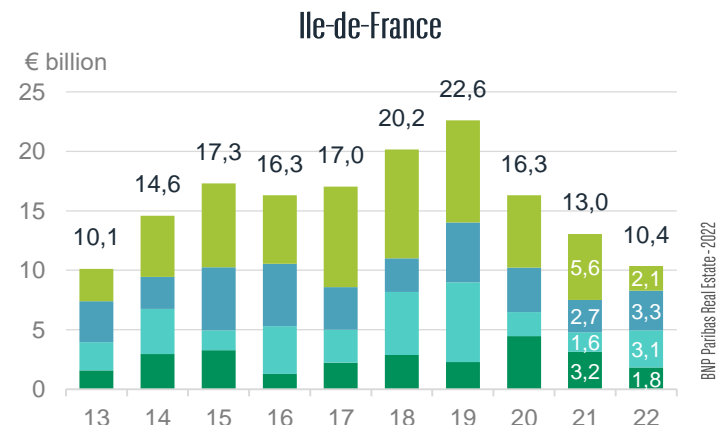
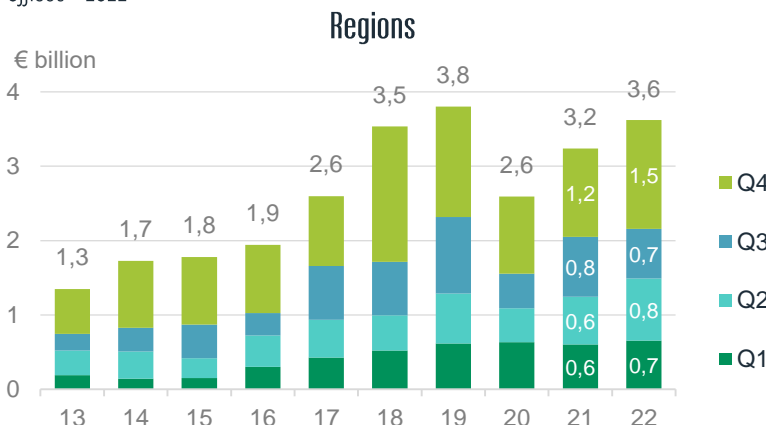
### Difference between the ten-year trend and 2022 by market area in Ile-de-France

Offices - 2022



### Investment by quarter

Offices - 2022



## INVESTMENT MARKET BY ASSET CATEGORIES

### Retail

Despite a steep fall in Q4, with € 0.9bn invested in retail (-54% compared to an average Q4), 2022 was still a strong year for investment in this asset category. Indeed, with a total of € 5.56bn invested in 2022, 15% higher than the ten-year average (€ 4.8bn), post-Covid worries about the future of retail investment seem to be gradually lifting.

This performance can be attributed to a large number of deals over € 100m, totalling € 2.79bn (50.1% of total investment). In detail, the increase was particularly notable in the € 100m-200m bracket (+41% compared to the ten-year average). The flagship transactions of 2022 include the € 650m acquisition of 150 Avenue Champs Elysées (75008) by BROOKFIELD ASSET MANAGEMENT and a 45% stake in the Westfield Carré Sénart shopping centre to the SOCIETE GENERAL ASSURANCE / BNP PARIBAS CARDIF consortium for € 450m.

Among the various types of retail, 2022 was characterised by the importance of transactions in out-of-town retail (€ 2.1bn and 37.8% of the total), well above the ten-year average (+58%). While investment in shopping centres remains on trend (€ 1.5bn), there has been a slight drop in investment in city centre retail (€ 1.92bn), with a decline of 18% compared to the 2012-2022 period.

In terms of regional retail investment locations, trends remain stable in 2022, with a 59%/41% split between Paris and the other regions. The Paris Region is divided into two main geographies, with 43% of investments located in Paris non-CBD (€0.97 billion), followed by 38.8% (€0.87 billion) in Outer Rim.

The market is mainly driven by French players (78%) who have invested €4.3bn in retail premises in 2022, up slightly from 2021 (64% and +14 points).

### Logistics/industrial premises

The logistics / industrial premises investment market continued to thrive in 2022, at € 6.37bn, slightly below 2021 (-7%). Investment over the year was atypical, with the main deals concentrated in Q2 and Q3, ending with a respectable Q4 (€ 1.24bn), but below the average for the last quarter since 2017 (€ 1.95bn).

The split between investment in activity (€ 1.67bn, 26%) and warehousing (€ 4.7bn, 74%) was back in line with the ten-year trend, after a swing in favour of warehouses in 2021.

Apart from transactions below € 5m, all investment tranches exceeded the 2012-2022 trend, particularly the € 100-200m (+60%, € 0.54bn) and € 10-20m (+47%, € 0.51bn) brackets.

Portfolio transactions accounted for the largest sums invested, with notably the sales of the TRIO portfolio (€ 350m, acquired by GLP from BLACKSTONE) and CROSSBAY (€ 185m, acquired by PROLOGIS from CROSSBAY). Some important individual transactions also stood out, such as the acquisition by GOODMAN of a 59,000 m<sup>2</sup> warehouse for € 203m from SIGNIFY in Villeneuve-Saint-Georges (94190).

In contrast to other asset classes, the weight of US investment in logistics is noteworthy, accounting for 24% of the total in 2022 (€ 1.6bn), behind French investors (32%, € 2bn).



€ 5.6 bn

Invested in Retail

### Investment by year and retail category

Retail - 2022



BNP Paribas Real Estate - 2022

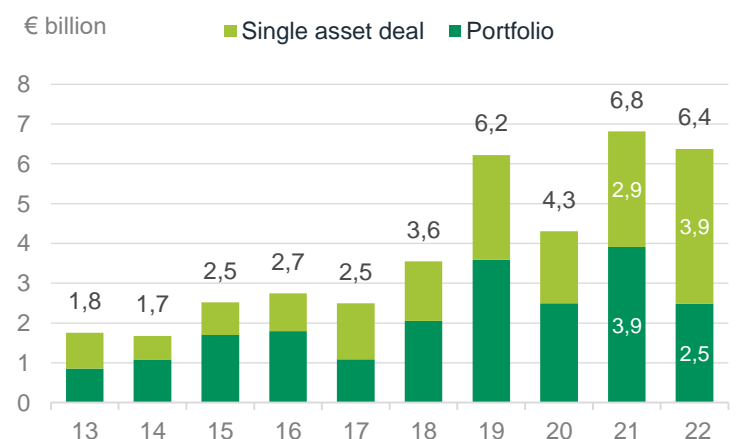


€ 6,4 bn

Invested in Logistics & Industrial

### Breakdown of investment between single asset deal and portfolio

Logistics / industrial premises - 2022



BNP Paribas Real Estate - 2022

## INVESTMENT MARKET BY ASSET CATEGORIES

### Services

Investment in services real estate confirmed its gradual recovery in 2022, with € 2.15bn invested, representing a 46% increase on 2021 (€ 1.48bn). With the full-year amount still 25% below its ten-year average (€ 2.8bn), this market has not yet fully recovered from the Covid shock, which had a major impact on investment decisions in services real estate.

These encouraging figures can be attributed to the return of large service transactions, in excess of €100m. These include the acquisition by GROUPE DESAVOIE & ETINCELLES of the GROUPE LODGE & SPA portfolio for € 140m, and the acquisition by SCHRODERS of the hotel complex at 30 rue du Sentier (75002) for € 172m.

In 2022, investment in service real estate continued to be dominated by hotels, with 88.5% of the total (€ 1.9bn), followed by investment in non-hotel tourist accommodation (8%, € 172m).

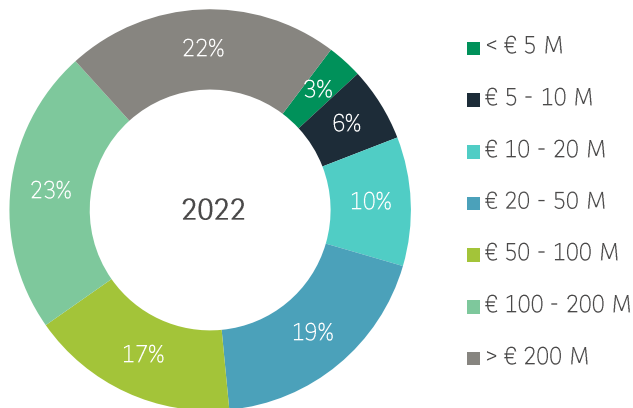


€ 2.2 bn

Invested in Services

### Distribution of investments by amount

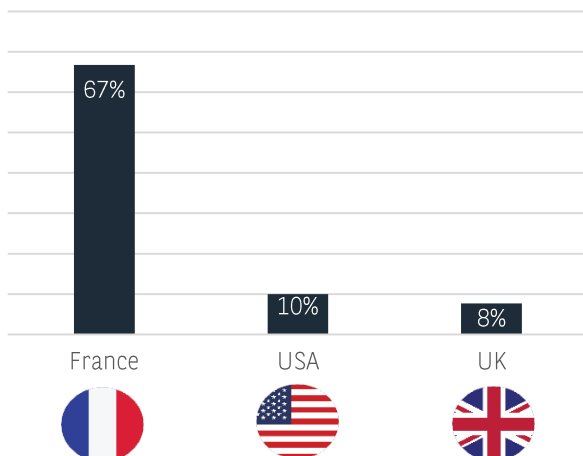
Global- 2022



BNP Paribas Real Estate - 2022

### Top 3 nationalities of investors

Global- 2022



BNP Paribas Real Estate - 2022

### Perspectives

As of end 2022, investment players are expecting a significant revaluation of real estate asset prices. This revaluation, which has been evident in negotiations since the beginning of H2 2022, has led investors to anticipate an average reduction in sale prices of over 10%. At the end of 2022, transaction yields stood 30 basis points higher than at the end of 2021.

This unprecedented situation, in which investment transactions are caught in a scissor effect between financing conditions, rising construction costs and falling interest rates, will nonetheless have varied effects depending on the type of investor. For example, investors such as SCPI with an asset management strategy, who rely mainly on equity and/or have little recourse to debt, should be able to benefit from the decline in real estate prices.

Some players have seen their investment capacity hampered by the deterioration of the equity and bond markets, notably insurance companies and listed real estate companies. Insurers, faced with the depreciation of their financial assets, have seen the share of their real estate assets increase artificially and will have to switch and/or stop their acquisitions in order to comply with banking regulations. Similarly, the weakening share prices of listed real estate companies will constrain their real estate development capacities in 2023.

From a real estate perspective, the specific characteristics of the asset classes position them differently in relation to this complex market situation. From now on, office investments will be characterized by greater geographical selectivity, with quality taking precedence over quantity. The future of office assets located in geographical sectors with high depreciation and/or requiring high refurbishment CAPEX will be an issue in 2023, with a potential change of use to be considered.

The trend towards diversification that was observed in 2022 will be reinforced in 2023, particularly in favour of logistics/activity (especially urban logistics) and residential, with an increase in investment in managed residences.

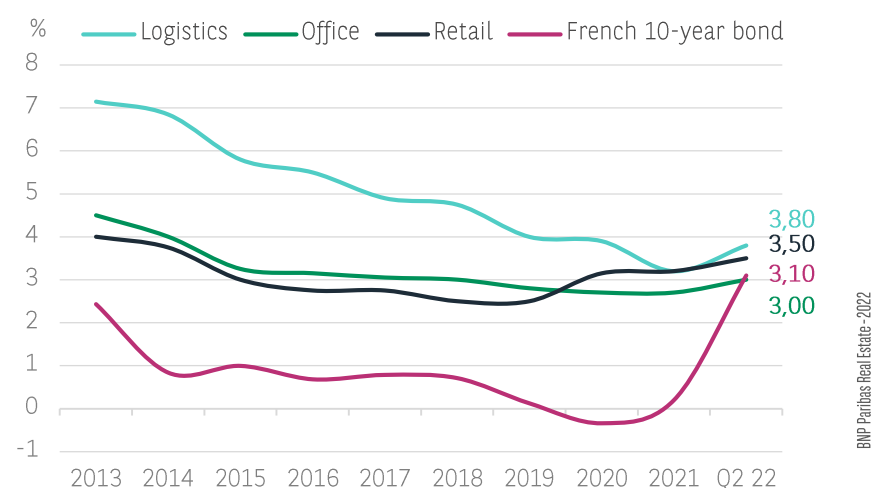
## Yields

Continuing the momentum observed in the Q3 22, the sharp rise in the 10-year French OAT, which peaked at 3.10% at the end of 2022, compressed the risk premium for real estate assets.

All prime yields were up at the end of 2022:

- In offices, there was an increase of 30 basis points to 3.0%. The risk premium thereby dipped into negative territory in Q4, with a spread of -10 basis points ;
- In retail, a similar 30 basis point increase was observed, from 3.20% up to 3.50% ;
- In logistics, there was a significant widening in the prime yield of 40 basis points to 3.80%.

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



BNP Paribas Real Estate - 2022

## Details of prime yields in France

Offices in Île-de-France	Q4 2020	Q4 2021	Q4 2022	Trend 2022 / 2021
Paris CBD	2,70	2,70	3,00	↗
Paris outside CBD	2,90	2,80	3,20	↗
La Défense	4,00	3,95	4,10	↗
Western Crescent	3,20	3,20	3,50	↗
Inner Rim	3,60	3,60	4,00	↗
Outer Rim	4,85	4,85	5,75	↗

Offices in Regions	Q4 2020	Q4 2021	Q4 2022	Trend 2022 / 2021
Lyon	3,50	3,40	3,70	↗
Aix / Marseille	4,30	3,75	4,20	↗
Lille	4,15	4,15	4,00	↘
Nice / Sophia Antipolis	4,50	4,50	4,60	↗
Toulouse	4,50	4,35	4,10	↘
Strasbourg	4,65	3,90	4,10	↗
Nantes	4,75	4,35	4,50	↗
Bordeaux	5,45	5,45	4,70	↘

Logistics & Industrial	Q4 2020	Q4 2021	Q4 2022	Trend 2022 / 2021
Logistic	3,90	3,20	3,80	↗
Industrial	4,50	4,00	4,50	↗

Retail	Q4 2020	Q4 2021	Q4 2022	Trend 2022 / 2021
Street-level store in Paris	3,15	3,20	3,50	↗
Shopping centres in France	4,25	4,50	4,75	↗
Retail parks in France	5,25	5,25	5,25	→

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