



**AT A GLANCE
Q1 2023**

**LOGISTICS IN FRANCE
SOLID FUNDAMENTALS**

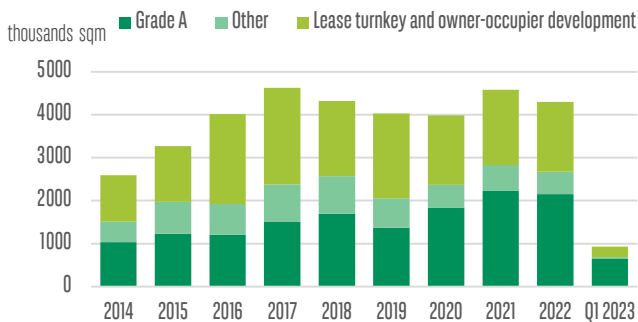
ECONOMIC AND GEOPOLITICAL CONTEXT

Although 2022 was affected by the invasion of Ukraine and rising prices, the French economy proved resilient, with growth weakening but remaining positive. After GDP growth of +2.6% in 2022, it is expected to come in at +0.5% in 2023.

Inflation meanwhile hit its highest level since the beginning of the crisis in February, at +6.3% y/y. Rising food prices are now the main culprit, having risen +15.8% year-on-year by March. Gradual disinflation is expected over 2023, but higher prices have curbed the purchasing power and consumption of the French, both of which fell in 2022. Household confidence has been depressed since Q2 2022 due to geopolitical and economic doubts, as well as high social tensions with continued strikes against the pension reform since January. However, unemployment remains historically low (7.0% in Q4 2022), such that purchasing managers' indices have remained at neutral levels despite the uncertainties.

Q1 IN LINE WITH THE FIVE-YEAR AVERAGE

Transactions



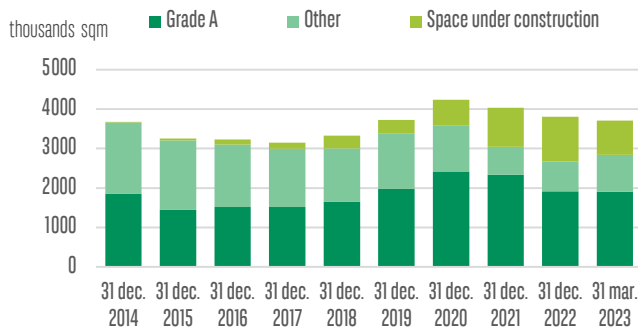
After a slight contraction in the real estate market in 2022, and despite a highly unstable economic and geopolitical situation, Q1 2023 was yet another resilient quarter. Although it showed a 25% decline vs Q1 2022, which was the best first quarter ever on record, Q1 2023 was in line with the five-year average (960,000 sqm).

There were 46 transactions over the period, below the five-year average of 55 transactions. Given the similar volume, it was therefore the size of the deals that increased in Q1 2022. As such, the volume of transactions over 20,000 sqm increased by almost 25% compared to the five-year average, while the volume of transactions between 5,000 sqm and 10,000 sqm, which have accounted for 40% of deals by number over the last five years, halved in Q1 2023. This is due to the 30% fall in supply < 10,000 sqm, which in turn is due to the few releases (rising rents and low vacancy rates not encouraging tenants to leave). Meanwhile, the volume of XXL transactions remains stable and accounts for 1/3 of the market (equivalent to the five-year average). The size of these deals has diminished slightly (five-year average of 60,000 sqm vs. 50,000 sqm in Q1 2023).

The number of turnkey and owner occupier schemes (10 deals totalling 240,000 sqm) has also halved compared to the five-year average. This is mainly due to: 1/ the lack of available land (climate law - ZAN 2050 target / rise in legal challenges / difficulty of identifying land / scarcity of brownfield sites for redevelopment); and 2/ a marked increase in construction costs.

The market was driven by around 450,000 sqm of new grade A premises (+145% vs five-year average).

Availability within one year



SUPPLY STABILISED IN Q1

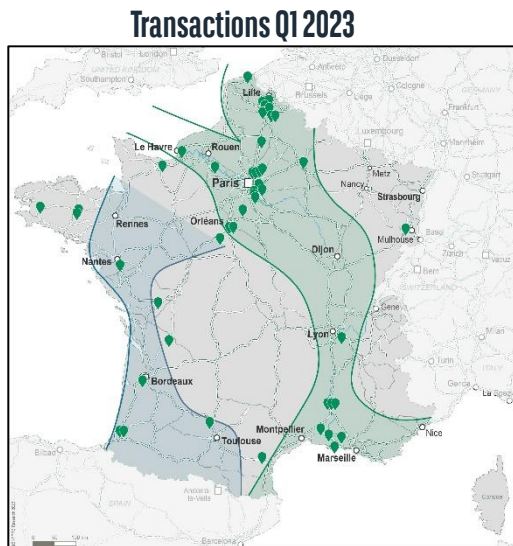
Availability still stood at 3.7 million sqm at the end of Q1 2023. This was largely due to the slowdown in the number of speculative developments (higher construction costs, expanding yields and economic uncertainty).

Ultimately, although supply was stable in Q1, a further contraction is likely in the medium term as new supply and ongoing construction schemes are absorbed, resulting in a further rise in rents for both new and second-hand warehouses.

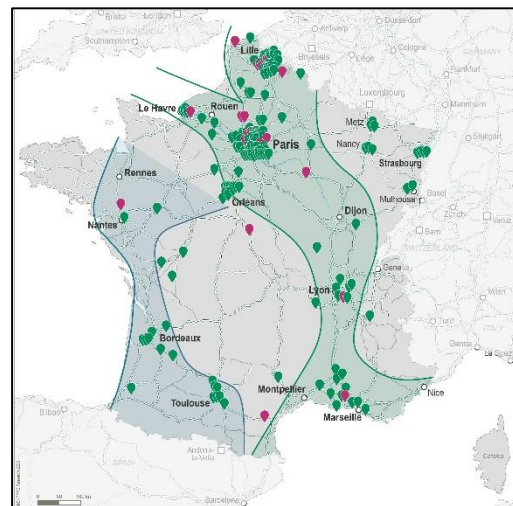
DECLINE IN TAKE-UP IN THE PARIS REGION

Take-up in the country's largest market, Ile-de-France, was 30% short of its five-year average in Q1 2023, with 150,000 sqm changing hands in 9 transactions, including 1 XXL deal. Hauts-de-France performed particularly well in Q1 (225,000 sqm across 9 transactions including 1 XXL), 25% above its five-year average. Take-up in the PACA region almost doubled (140,000 sqm across 6 transactions including 1 XXL). The Caen area also flourished, largely thanks to an XXL deal of 80,000 sqm in Mondeville. Lastly, there was just one transaction in the Lyon area, but a number of large deals are currently being negotiated in the region.

Supply has fallen slightly, due to development difficulties and the reluctance of tenants to terminate their leases. Supply in the Lyon area has halved compared to its five-year average, while supply in Ile-de-France (1,000,000 sqm) and the PACA region (150,000 sqm) has fallen by 15%. Conversely, it has increased in the Hauts-de-France region (1,100,000 sqm), boosted by four developments of around 100,000 sqm in 2022. However, we are confident that the market can absorb this new supply as take-up remains strong (224,000 sqm in Q1 2023, i.e. 25% above the 5-year average, 760,000 sqm in 2022 and 1,050,000 sqm in 2021).



Availability within one year - 03/31/2023



Existing
Space under construction



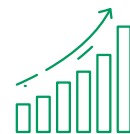
927 000 sqm

LOGISTICS TAKE-UP



95%

GRADE A TAKE-UP



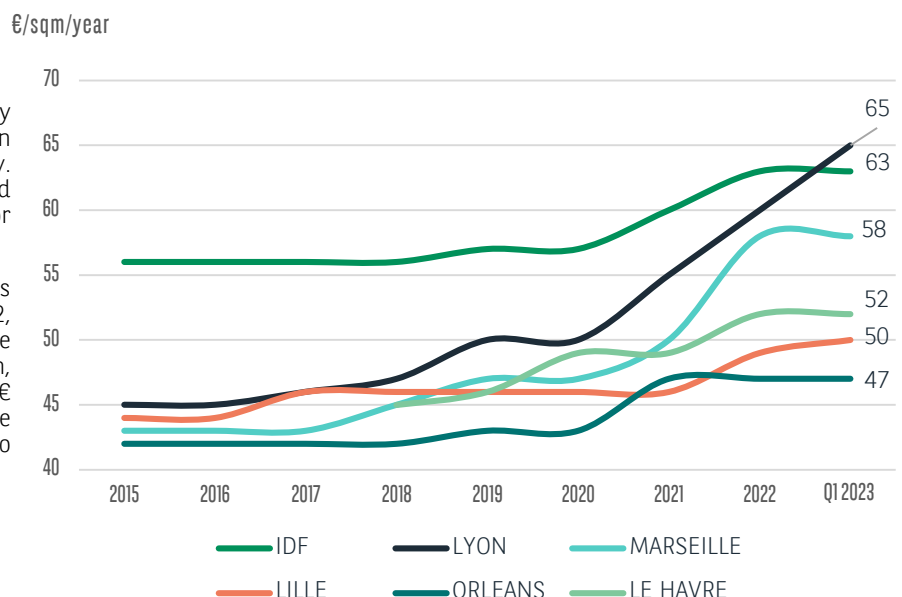
873 000 sqm

UNDER CONSTRUCTION

RENTS STILL ON THE RISE

Rents continue to rise across the country, as they have for the past three years. The growth is driven by both resilient demand and scarce supply. Meanwhile, rising construction costs combined with expanding yields are pushing up rents for schemes under development.

This is particularly the case in the Rhône-Alpes region where the prime rent was € 60/sqm in 2022, and stood at € 65/sqm in Q1 2023 (+8% in one quarter). The same is true for the Nantes region, where the prime rent has risen from € 45 /sqm to € 59 /sqm. The prime rent also surged by 25% in the Nouvelle-Aquitaine region in Q1 2023, up to € 60/sqm (vs € 48/sqm in Q4 2022).



INVESTMENT: TRANSACTIONS SLOWED IN Q1

The economic backdrop has clearly affected all real estate asset categories, with investment down 25% vs Q1 2022. Investment in logistics was hit even harder, slumping 65% in the first quarter. The main difficulty for the logistics market lies in accepting the necessary price adjustment (15% to 25% discount), following the sharp rise in interest rates. However, it seems that the repricing has almost run its course, with investors returning in force to the latest tenders launched at the end of the quarter.

The prime yield continues to expand. Whereas it stood at about 3.60% at the end of 2022 (yield on completion), it had risen to 4.25% in Q1 2023. This yield is on completed transactions and therefore reflects yields negotiated in Q3 2022, with a time lag of about 6 months. In light of deals currently being negotiated, the yield should stabilise at 4.25% in Q2 2023.



€ 314 M

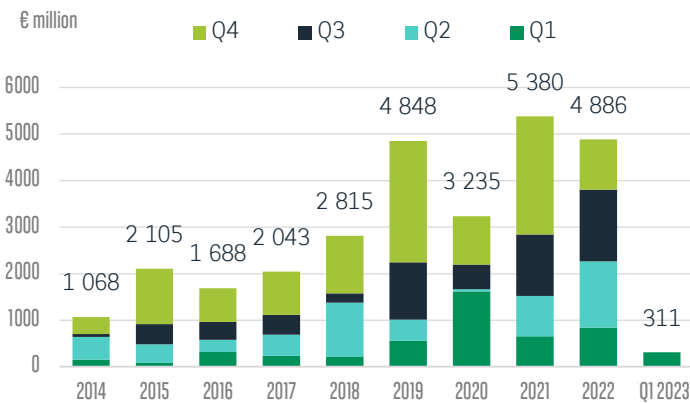
Logistics investment in Q1 2023



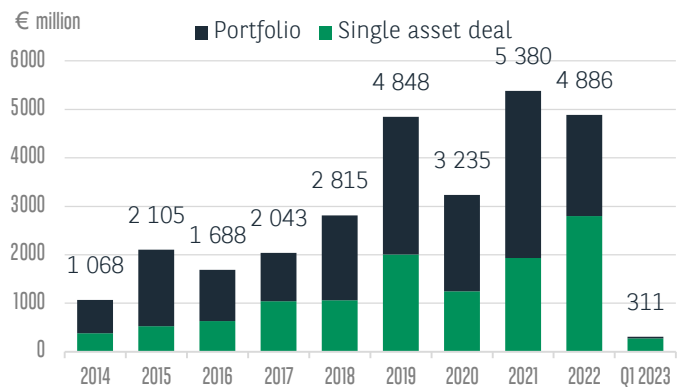
4.25%

Logistics prime yield (completed transactions)

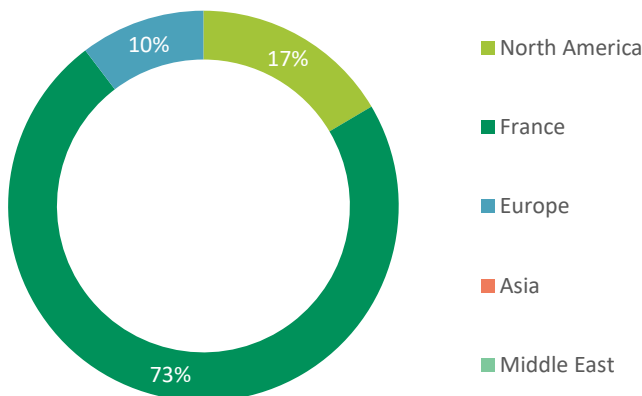
Logistics investment in France



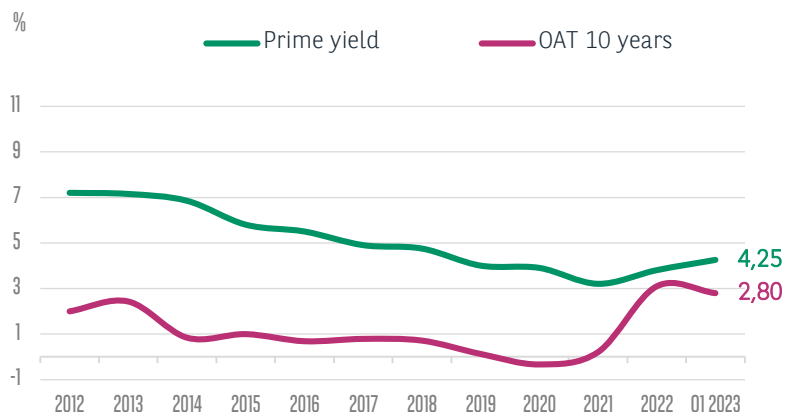
Logistics investment in France



Investors' nationality - Q1 2023



Prime yield and french bonds



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