



**RESEARCH FRANCE**

**AT A GLANCE  
2023 H1**

**INVESTMENT IN FRANCE**

Slowdown confirmed in the first half of 2023

**HIGHLIGHTS**

In the first half of 2023, investment in French commercial real estate came in at €7.8 billion, down 58% on the same period last year (€13.4 billion) and 32% below the ten-year average (€11.45 billion).

Trends are mixed across the different real estate asset classes. Challenged by rising interest rates, the real estate market is showing varying degrees of resilience, while continuing to offer opportunities to investors.

All in all, despite undeniable difficulties, the real estate market in France is proving resilient, particularly in the business, retail and hotel sectors. The outlook remains uncertain, but signs of recovery and opportunities are emerging, paving the way for a possible revitalisation of the real estate market in H2 2023.

**Economic context**

Despite record employment, with unemployment at 6.9% in Q1, rising prices continue to weigh on French household confidence and consumption. GDP growth was still hesitant, but positive over the first two quarters, and could reach +0.6% for the year as a whole. Meanwhile, inflation has begun to fall after peaking at +6.3% y/y in February: the CPI stood at +4.5% in June.

To ensure that disinflation occurs, the European Central Bank has continued to raise its key rates, by 400 basis points between July 2022 and June 2023, taking the deposit rate to 3.5%. A further 25 to 50 basis points could be added in the third quarter, depending on inflation trends in the Eurozone, which have nonetheless been falling sharply since November.

After a record year when it increased by 290 basis points in 2022, the OAT yield has stabilised this year, edging down from 3.10% in January to 2.93% in June.



**+0.6%**

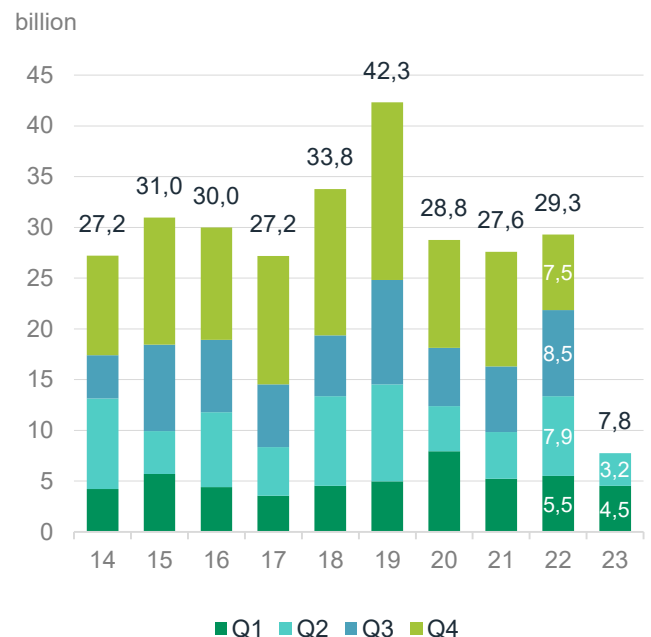
France DP growth forecast for 2023  
(BNP Paribas Forecast - July 2023)



**+2.93%**

10-year OAT to end June 2023  
(Banque de France)

**Investment in commercial real estate in France**  
Global - H1 2023



BNP Paribas Real Estate - ImmoStat - H1 2023



INVESTMENT MARKET BY ASSET CATEGORIES

Offices

In H1 2023, rising interest rates continued to hold back real estate investment in France, particularly in office assets, which are the most vulnerable.

As such, €3.9 billion was invested in H1 2023, down 43% on the ten-year average for office investment in H1 (€6.8 billion).

Repricing is still underway, and sellers are frequently taking assets off the market, with proposed prices failing to find takers under current market conditions.

Paris Region

Office investment in Île-de-France was mixed in H1 2023, totalling €2.8 billion, 51% below the ten-year average for H1 (€5.8 billion), with 35 transactions. This represented a slide of 43% compared with H1 2022 (€4.7 billion).

There were only five large-scale transactions (>€100m) in H1 2023, including one over €200m (sale of the Tour Sequana by ACCOR to the Bahraini fund VALESCO GROUP for €494m). The average deal size was €44m in Q2 2023.

Sequana Tower, Issy-les-Moulineaux,

Acquisition in H1 2023 by INVESCO GROUP for €494m



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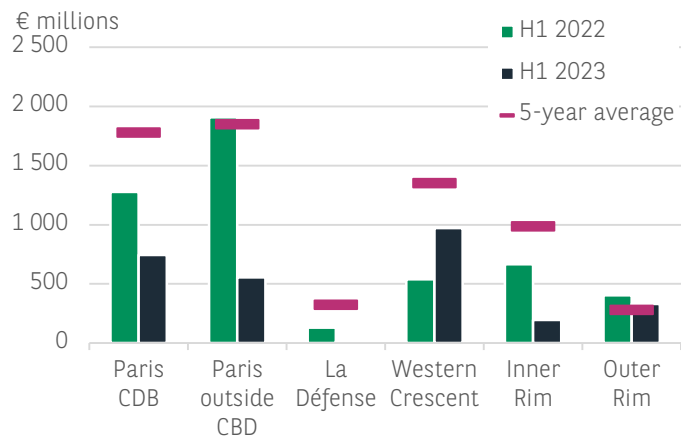


€3,9bn

Invested in Offices  
H1 2023

Investment by geographical breakdown - Paris Region

Offices- H1 2023



BNP Paribas Real Estate. Immostat - H1 2023

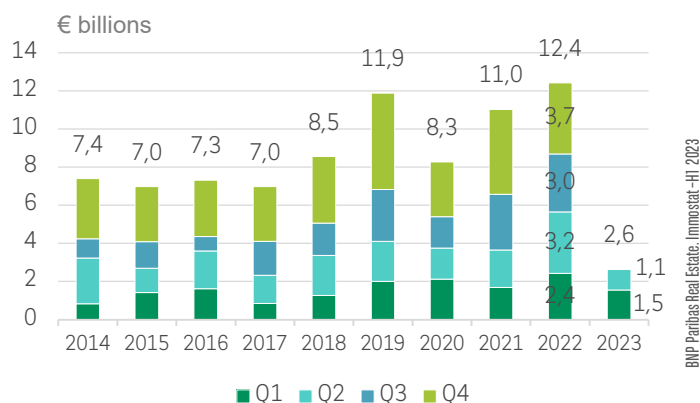
Régions

The regional office market also declined in H1 2023, with a total of €1bn invested, back to 2018 levels (€996m). This represents a 31% drop compared with H1 2022, but remains +6% above the ten-year average for H1 (€973m). The average amount per transaction over the period fell to €12.3m, compared with €14.7m in H2 2022.

Lyon led the regional office market with €228m invested in H1 2023, followed by Toulouse with €154m and Lille with €100m. Nantes is now in fourth place with €83m. The €20-50m segment dominated the market, accounting for 49% of overall investment.

Investment by quarter - Regions

Offices- H1 2023



BNP Paribas Real Estate. Immostat - H1 2023

Notable office transactions in H1 2023:

Details Q1

1. Sale of the "Sequana Tower in Issy-les-Moulineaux for €494 million to VALESCO GROUP by ACCOR
2. Purchase of the STELLANTIS headquarters for €165 million by the PROGAMA / CA IMMOBILIER / GA PROMOTION consortium
3. the acquisition of the CANOPEA-WELINK building in Lyon 07 for €102 million for AEW CILOGER

Details Q2

1. Purchase of 49 avenue Pompidou in Levallois-Perret for €90 million by WEINBERG RE PARTNERS from BASF
2. Purchase of the building V in Versailles for €95 million by UNIBAIL-RODAMCO-WESTFIELD from ATLAND VOISIN



INVESTMENT MARKET BY ASSET CATEGORIES

Retail

With €1.7 billion invested in H1 2023, the commercial real estate market in France has shown resilience to the current economic context. This is mainly due to relatively high yields. Indeed, unlike other asset classes, the decline in retail asset prices began to manifest itself as early as 2017, with the growth of e-commerce and the health crisis, better preparing the retail investment market for the current situation. Nevertheless, H1 2023 is down 41% on H1 2022 (€2.8bn).

The shortfall vs the ten-year average for the first half (€2 billion) was a moderate 14%, while the number of transactions remained similar. As such, buyers of retail premises lowered their average purchase price in H1 2023.

In short, despite pressure on the market and falling prices, the retail real estate sector in France is showing considerable resilience. It is likely that the end of 2023 will see value-added players taking up positions, while small-scale transactions will continue to drive the market.

Hotel

The hotel sector, with €1.1 billion invested in H1 2023, has best withstood current market conditions. In fact, H1 2023 was only 2% below the ten-year trend, and was the best half-year in terms of the amount invested since H1 2017.

This market is up 19% on H1 2022 (€911m). The average amount invested per hotel transaction was €18.4m, for an average floor area of 18,500 sqm. These figures are in line with their five-year averages.

Continued growth in hotel performance reflects the renewed attractiveness of hotel investment in France. With an occupancy rate of 67% in April 2023, the French market increased its performance by 4 points year-on-year (82% in Île-de-France). RevPar<sup>1</sup> indicators in France have been rising steadily since Q3 2022.

Major events in the Paris region contributed to the hotel appeal observed in H1 2023 (Roland Garros, Paris Air Show).

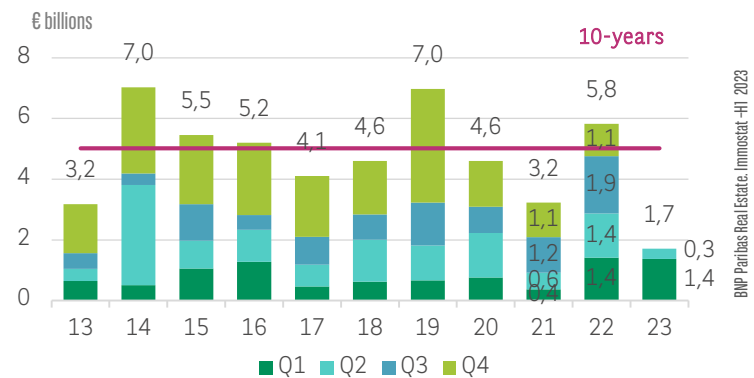
<sup>1</sup> Revenue Per Available Room

Notable retail transactions in H1 2023

1. Acquisition of 75% of the Italie 2 shopping centre, Paris 13, by property company INGKA CENTRES from AXA IM for €356m. This figure rises to €520m when including the share acquired from Hammerson (25% of Italie 2 and Italik).
2. The acquisition of 35 avenue Montagne, Paris 08, by KERING (partly leased to Valentino) for €227m.
3. The MARQUE AVENUE ILE-DE-FRANCE portfolio, acquired by MATA CAPITAL from CNP ASSURANCES for €152m.

Investment by quarter

Retail - H1 2023

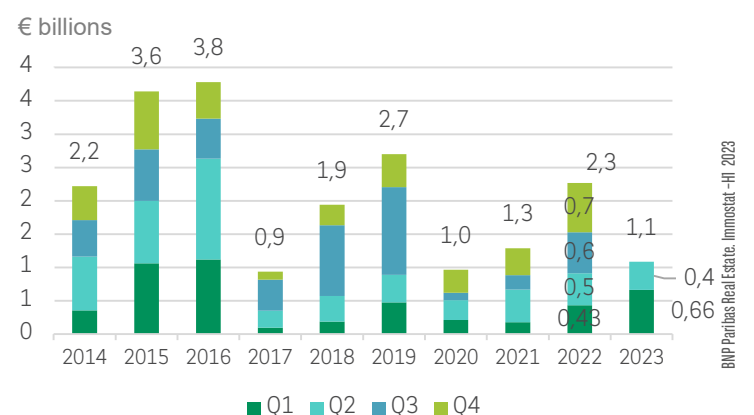


Notable hotel transactions in H1 2023

1. Acquisition of the Hotel California in Paris 08 by TIKEHAU CAPITAL.
2. The purchase of the Pestana CR7 hotel in Paris by PESTANA GROUP.
3. Acquisition of the Ruby hotel in Marseille 10 by SCIN LF MARSEILLE, sold by BNP PROMOTION.

Investment by quarter

Hotel - H1 2023





INVESTMENT MARKET BY ASSET CATEGORIES

Logistics / Industrial

Logistics

With €283m invested in Q1 and €300m invested in Q2, H1 2023 saw the lowest levels of investment since H1 2016 (€578m).

The logistics investment market suffered in H1 2023 from the absence of portfolio disposals, which change hands for larger amounts (only 17% of transactions in the half-year compared with 55% of amounts invested on average over the past 10 years). However, we expect portfolio sales in H2 2023 to exceed €1 billion, which should boost investment in the second half of the year.

Some new entrants joined the logistics investment market in H1 2023. These players often have core + profiles, taking advantage of the significant increase in rental values (between 5% and 20% annually).

Conversely, the decline in interest rates has sharply slowed acquisitions by core players, who will be virtually absent from the French market by H1 2023.

Transactions notables logistique S1 2023

1. The purchase of a warehouse in Châtres for a confidential amount by JP MORGAN, sold by AMUNDI IMMOBILIER.
2. The purchase of a property in Pont d'Ain for €56m by LA FRANCAISE REM, sold by HARBERT MANAGEMENT CORPORATION.
3. A warehouse bought in Donnery by BNP Paribas REIM for €43m.

€583M

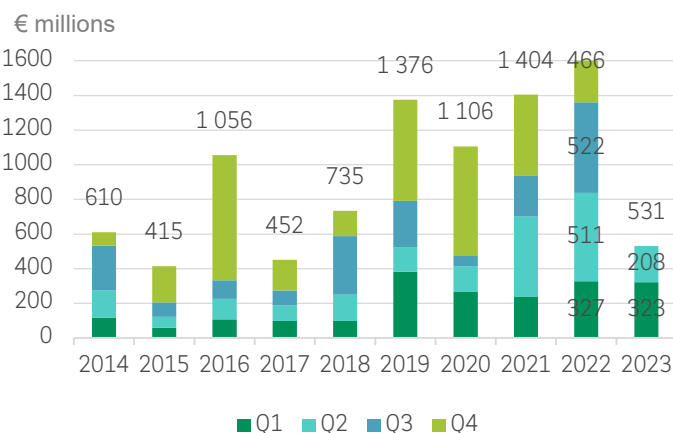
Invested in Logistics  
H1 2023

€531M

Invested in Industrial  
H1 2023

Investment by quarter

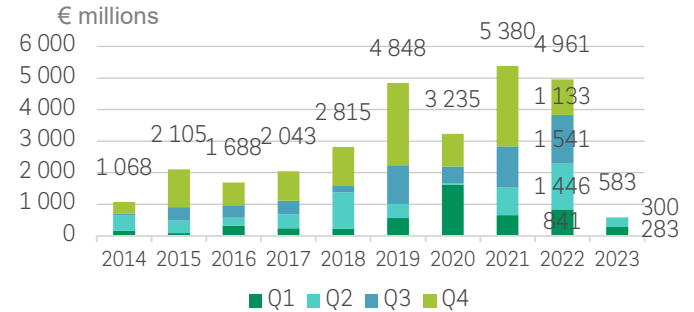
Industrial - H1 2023



BNP Paribas Real Estate - ImmoStat - H1 2023

Investment by quarter

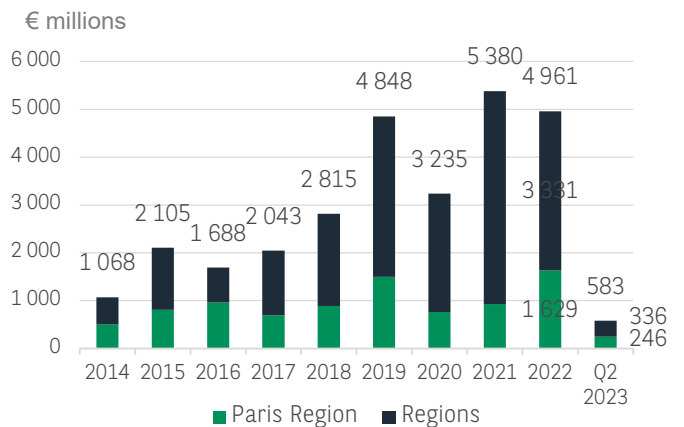
Logistics - H1 2023



BNP Paribas Real Estate - ImmoStat - H1 2023

Investment by geographical breakdown

Logistics - H1 2023



BNP Paribas Real Estate - ImmoStat - H1 2023

Industrial

With €323m invested in Q1 and €208m in Q2, the industrial premises investment market was the most resilient segment in France in H1, alongside the hotel sector, just 11% short of the five-year average.

This resilience is reflected in the stabilisation of its prime yield, at 5.0% at end-Q2 2023, identical to end-Q1 2023. This yield brings industrial premises back to their Q3 2020 level, after it narrowed to 4.0% between Q3 2021 and Q2 2022.

Transactions notables activité S1 2023

1. Purchase of the 1st part of the Elysium portfolio for €61.4m by ALDERAN (SCPI ACTIVIMMO), sold by ETCHE KKR.
2. Acquisition of Les Marchés de l'Oise, in Montataire, for €47m by ALDERAN (SCPI ACTIVIMMO), sold by CREIL MONTATAIRE DEVELOPPEMENT.
3. SWEN Parc, acquired for €22m in Saint-Quentin-Fallavier, by ARC EIFFEL INVESTISSEMENT from the AMUNDI IMMOBILIER / PANHARD consortium.

**YIELDS**

At the end of Q2 2023, the 10-year OAT TEC was slowly starting to rise again, to 2.93%, after a lull in Q1 2023 (reduction of 30 basis points between Q2 2022 and Q1 2023), representing a quarter-on-quarter increase of 13 basis points. Index volatility fell back in Q2 2023, notably compared with Q4 2022 and Q1 2022, but remains relatively high (with a maximum of 3.1 and a minimum of 2.7 in Q2 2023, representing 40 basis points of inter-quarter variation).

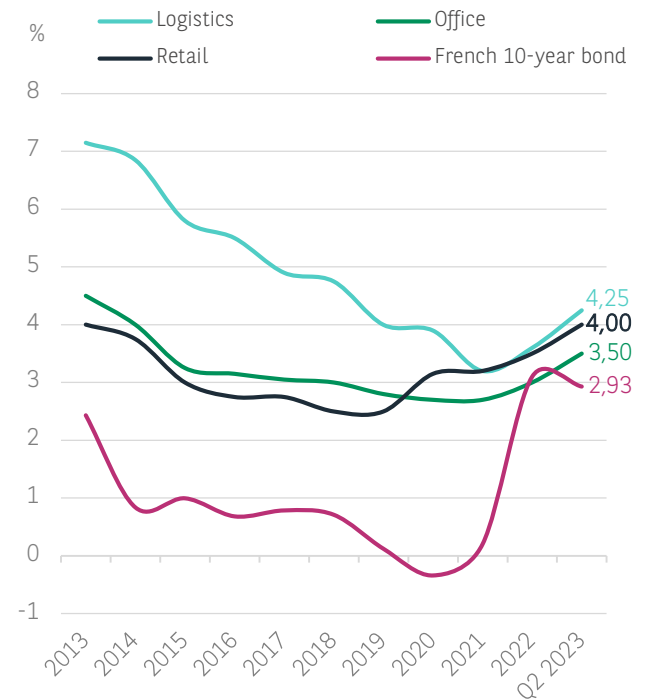
With prime yields on the various real estate asset classes rising faster than the 10-year OAT TEC in Q2 2022, risk premiums are being rebuilt at historically low levels.

At the end of Q2 2023, risk premiums stood at :

- + 107 bps for retail (67 bps improvement on Q1 2023)
- + 57 bps for offices (67 bps improvement on Q1 2023)
- + 132 bps for logistics (83 bps improvement on Q1 2023)

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

Global - H1 2023



**Details of prime yields in France**

Offices in Paris Region	Q2 2021	Q2 2022	Q2 2023	Trend 2023 / 2022
Paris CBD	2,70	2,70	3,50	↗
Paris outside CBD	2,90	2,80	3,90	↗
La Défense	4,00	3,95	4,90	↗
Western Crescent	3,20	3,20	4,10	↗
Inner Rim	3,60	3,60	4,90	↗
Outer Rim	4,85	4,85	6,10	↗

Offices in Regions	Q2 2021	Q2 2022	Q2 2023	Trend 2023 / 2022
Lyon	3,50	3,40	4,50	↗
Aix / Marseille	4,15	3,75	4,45	↗
Lille	4,15	4,00	4,80	↗
Nice / Sophia Antipolis	4,50	4,50	5,10	↗
Toulouse	4,50	4,35	4,60	↗
Strasbourg	4,30	3,70	4,40	↗
Nantes	4,75	4,30	5,10	↗
Bordeaux	5,45	4,60	5,70	↗

Logistics & Industrial	Q2 2021	Q2 2022	Q2 2023	Trend 2023 / 2022
Logistic	3,80	3,30	4,25	↗
Industrial	4,50	4,00	5,00	↗

Retail	Q2 2021	Q2 2022	Q2 2023	Trend 2023 / 2022
Street-level store in Paris	3,15	3,20	4,00	↗
Shopping centres in France	4,25	4,50	5,00	↗
Retail parks in France	5,25	5,00	5,50	↗

# LOCATIONS

# CONTACT

## HEADQUARTER

50 cours de l'Île Seguin  
CS 50280  
92650 Boulogne-Billancourt  
Tél. : +33 (0)1 55 65 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 Guillaibert  
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  
33800 Bordeaux  
Tél. : +33 (0)5 56 44 09 12

### DIJON

Immeuble Le Richelieu  
10, boulevard Carnot  
21000 Dijon  
Tél. : +33 (0)3 80 67 35 72

## GRENOBLE

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<sup>ème</sup> 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

## RESEARCH FRANCE

Guillaume JOLY  
Head of Research France  
guillaume.joly@bnpparibas.com

Kevin POISSON  
Investment Analyst  
kevin.poisson@realestate.bnpparibas

## TRANSACTION

Laurent BOUCHER  
Chairman Managing Director  
Advisory France  
Tél. : +33 (0)1 47 59 23 35  
Laurent.boucher@bnpparibas.com

Olivier AMBROSIALI  
Head of Capital Markets  
Tél. : +33 (0)1 47 59 17 49  
olivier.ambrosiali@bnpparibas.com

Cyril ZAPRILLA  
Head of Capital Markets  
Retail France  
Tél. : +33 (0)4 47 59 23 91  
cyril.zaprilla@bnpparibas.com

Jean-Laurent DE LA PRADE  
Head of Capital Markets Regions  
Tél. : +33 (0)1 47 59 17 18  
jean-laurent.delaprade@bnpparibas.com

Franck POIZAT  
Head of Logistics Investment  
& Letting teams - Partner  
Tél. : +33 (0)1 47 59 17 34  
franck.poizat@bnpparibas.com

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