Standing at €2.2bn over Q1 2012, investment in commercial real estate is stable vs. Q1 2011. However, the amount invested in traditional commercial real estate (excluding services) fell by 12% over the period. Indeed, hotels have helped to shore up the investment market so far this year, with volumes increasing by 72%.

Although buyers are still showing a preference for prime assets (high-quality buildings in top locations rented to well-known tenants for long periods), this type of asset is in short supply. This imbalance between supply and demand is the reason for the growth in the capital values of prime buildings over the past two years, as well as the low prime yield of 4.70% for the best assets located in Paris Central Business District (Paris CBD).

“Secondary” assets are meanwhile more plentiful, although investors are more cautious about this segment, negotiating risk premiums upwards. Indeed, although the recession scenario is receding, buyers are still averse to risk. The lack of visibility on the economic climate has encouraged a wait-and-see attitude and narrowed investors’ selection criteria, now mainly focused on the most liquid assets in established business districts. Offices are still in pole position, accounting for 61% of investment in Q1 2012.

One of the biggest deals was the sale by the German fund DEKA of the Axe France building (22,330 m²) in the 13th arrondissement of Paris for €165m.

Retail only accounted for 10% of investment despite the high appetite for this type of asset, mainly due to the scarcity of supply. Logistics and industrial premises, considered riskier by nature, only represented 7% of investment.

Cash-rich investors remained the main market players. Funds were the biggest buyers, representing 29% of investment. Insurers were in second place with 17%. SCPI remained active market players accounting for 16% of investment, a figure that is likely to increase over the coming quarters. Indeed, traditional diversified SCPI enjoyed record inflows in 2011 of about €1.62bn, i.e. 72% more than in 2010.

Commercial real estate investment in France stood at over €18bn in 2011, but is likely to slow in 2012. The sovereign debt crisis, the approach of presidential elections, the expected slowdown in the occupier market and tough financing conditions are all set to hinder the market's development. As such, over the full year 2012, investment may stand at between €14bn and €15bn.
# INVESTMENT IN COMMERCIAL REAL ESTATE IN FRANCE (€ MILLION)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total amount invested in France</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including amount invested in Ile-de-France*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices</td>
<td>875</td>
<td>1,286</td>
<td>1,327</td>
</tr>
<tr>
<td>Warehouses</td>
<td>78</td>
<td>153</td>
<td>119</td>
</tr>
<tr>
<td>Industrial premises</td>
<td>31</td>
<td>65</td>
<td>45</td>
</tr>
<tr>
<td>Retail</td>
<td>722</td>
<td>439</td>
<td>214</td>
</tr>
<tr>
<td>Services</td>
<td>191</td>
<td>277</td>
<td>475</td>
</tr>
</tbody>
</table>

*Immopost/IPD is an economic interest group that recorded all unit transactions over 4 million euros concerning general commercial real estate (offices, industrial premises, warehouses, retail)

<table>
<thead>
<tr>
<th>Geographic breakdown</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Paris</td>
<td>1,096</td>
<td>1,531</td>
<td>1,684</td>
</tr>
<tr>
<td>Regions</td>
<td>801</td>
<td>688</td>
<td>497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,897</td>
<td>2,220</td>
<td>2,181</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment amount</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; € 5 million</td>
<td>72</td>
<td>67</td>
<td>79</td>
</tr>
<tr>
<td>€ 5 - 10 million</td>
<td>180</td>
<td>116</td>
<td>107</td>
</tr>
<tr>
<td>€ 10 - 20 million</td>
<td>108</td>
<td>281</td>
<td>255</td>
</tr>
<tr>
<td>€ 20 - 40 million</td>
<td>320</td>
<td>529</td>
<td>358</td>
</tr>
<tr>
<td>€ 40 - 100 million</td>
<td>766</td>
<td>484</td>
<td>372</td>
</tr>
<tr>
<td>&gt; € 100 million</td>
<td>450</td>
<td>742</td>
<td>1,011</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,897</td>
<td>2,220</td>
<td>2,181</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of investors</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>1%</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td>SIIC (Reit)</td>
<td>14%</td>
<td>1%</td>
<td>17%</td>
</tr>
<tr>
<td>Listed companies</td>
<td>7%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Funds</td>
<td>29%</td>
<td>18%</td>
<td>29%</td>
</tr>
<tr>
<td>OPCI</td>
<td>32%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>SCPI</td>
<td>8%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Private Investors</td>
<td>7%</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
### INITIAL PRIME YIELDS

#### Offices in Île-de-France

<table>
<thead>
<tr>
<th></th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris CBD</td>
<td>5.00 - 5.50%</td>
<td>4.50 - 5.00%*</td>
<td>4.70%*</td>
<td>→</td>
</tr>
<tr>
<td>Paris outside CBD</td>
<td>6.00 - 6.50%*</td>
<td>5.25 - 5.75%*</td>
<td>4.75%*</td>
<td>↓</td>
</tr>
<tr>
<td>La Défense</td>
<td>6.00 - 6.50%*</td>
<td>5.60 - 6.20%*</td>
<td>5.90%*</td>
<td>→</td>
</tr>
<tr>
<td>Western Crescent</td>
<td>6.25 - 6.75%*</td>
<td>5.80 - 6.30%</td>
<td>5.80%</td>
<td>→</td>
</tr>
<tr>
<td>Inner Rim</td>
<td>6.50%*</td>
<td>5.85 - 6.25%</td>
<td>6.10%</td>
<td>→</td>
</tr>
<tr>
<td>Outer Rim</td>
<td>&gt; 7.25%*</td>
<td>6.50 - 7.00%</td>
<td>6.50%</td>
<td>→</td>
</tr>
</tbody>
</table>

#### The Regional Office Market

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aix/Marseille</td>
<td>6.50 - 7.00%*</td>
<td>6.0 - 6.30%*</td>
<td>6.10%*</td>
<td>→</td>
</tr>
<tr>
<td>Lyon</td>
<td>6.50%*</td>
<td>6.0 - 6.30%</td>
<td>6.10%*</td>
<td>→</td>
</tr>
<tr>
<td>Lille</td>
<td>6.70 - 7.00%*</td>
<td>6.30 - 6.70%</td>
<td>6.50%*</td>
<td>→</td>
</tr>
<tr>
<td>Bordeaux</td>
<td>7.50 - 7.75%*</td>
<td>6.60 - 6.90%</td>
<td>6.70%*</td>
<td>→</td>
</tr>
<tr>
<td>Toulouse</td>
<td>7.25 - 7.50%*</td>
<td>6.20 - 6.50%*</td>
<td>6.20%*</td>
<td>→</td>
</tr>
<tr>
<td>Nantes</td>
<td>7.10 - 7.50%*</td>
<td>6.50 - 7.00%*</td>
<td>6.70%*</td>
<td>→</td>
</tr>
<tr>
<td>Strasbourg</td>
<td>7.50%*</td>
<td>6.90 - 7.50%*</td>
<td>6.90%*</td>
<td>→</td>
</tr>
</tbody>
</table>

#### Grade A warehouses

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Paris</td>
<td>8.00 - 8.25%*</td>
<td>7.20%</td>
<td>7.15%*</td>
<td>↓</td>
</tr>
<tr>
<td>Regions</td>
<td>8.00 - 8.50%</td>
<td>7.30%</td>
<td>7.30%*</td>
<td>→</td>
</tr>
</tbody>
</table>

#### Industrial Premises

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Paris</td>
<td>8.25 - 8.50%*</td>
<td>7.75%</td>
<td>7.75%*</td>
<td>→</td>
</tr>
</tbody>
</table>

#### Retail

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street-level store in Paris</td>
<td>5.00%</td>
<td>4.25 - 4.50%</td>
<td>4.50%*</td>
<td>→</td>
</tr>
<tr>
<td>Shopping centers in France</td>
<td>5.75 - 6.25%*</td>
<td>5.50 - 6.00%*</td>
<td>4.90%*</td>
<td>↓</td>
</tr>
<tr>
<td>Retail parks in France</td>
<td>7.50 - 8.00%*</td>
<td>7 - 7.50%*</td>
<td>6.00%*</td>
<td>↓</td>
</tr>
</tbody>
</table>

#### Hotels

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2010</th>
<th>Q1 2011</th>
<th>Q1 2012</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris inner-city</td>
<td>6.00 - 6.50%*</td>
<td>5.90 - 6.50%</td>
<td>5.90%*</td>
<td>→</td>
</tr>
</tbody>
</table>

* Estimated
GLOSSARY

The numerical data used by BNP Paribas Real Estate for its statistics features all the information it has at its disposal when compiling them. These statistics may change according to new information brought to our knowledge that is often confidential to begin with.

Definitions from A to Z...

Arbitrage: sale of a real-estate asset belonging to one investor to another investor.

CCI (Cost of Construction Index): index that makes quarterly measurements in construction prices for new house building. It is the price after VAT paid by the owner to construction companies. It excludes land-related prices and costs (site development, special foundations, etc.), fees and financial costs.

Developer sale: sale of an operation built by a developer to an investor.

ImmoStar: an Economic Interest Group founded in 2001, through an association between BNP Paribas Real Estate, CB Richard Ellis, DTZ Jean-Thouard and Jones Lang LaSalle. In the interests of consistency, the brokers adopted numerous joint definitions: market districts in Ile-de-France, conditions of buildings and premises, definitions of surface areas to be taken into account, rents, etc. The structure of the EIG guarantees the independence of data processing and respect for the confidentiality commitments of each of its members. It concerns the investment markets for corporate real estate and occupiers of warehouses greater than 5,000 m² as well as offices in the Paris area.

Investment fund: collective ownership of financial or real estate assets managed by a regulated and certified structure (fund manager). These include:

- **Open-ended fund**: a fund is open-ended when there is no limit to the shares issued.
- **Closed fund**: shares in a closed fund are only managed by the fund manager during the subscription period. A closed fund has a limited lifecycle.
- **Pension fund**: financial body that manages the funds from the accumulative pension system. This fund is the resources that employees from the public and private sectors have set aside over their professional lives to improve their retirement pension.
- **Opportunistic funds**: targets yields of over 17%, with gearing exceeding 60% of the gross asset value.

IRR (Internal Rate of Return): discount rate such that the sum of discounted future revenues equals the initial cost of investment.

Leverage effect: increasing the profitability of an investment by borrowing.

New or major-refurbished offices: real estate asset delivered less than five years ago.

NPV (Net Present Value): difference between the sum of discounted future revenues and the initial cost of investment.

OAT (French treasury bond): bond issued by the French government. It acts as a benchmark for the risk-free, long-term yield.

OPCI (French real estate investment fund): real estate funds. They come in two forms:

- Fonds de Placement Immobilier (FPI), real-estate investment funds for which the payout is taxed as classic property revenues,
- Sociétés de Placement à Prépondérance Immobilière & Capital Variable (SPPICV) Variable capital, property-dominated investment funds for which the payout is taxed as dividends and share capital gains.

Portolio: group of several assets located in different places.

Pre-letting: transaction signed by an occupier more than 6 months before the delivery of the building.

Property company: a company whose purpose is to acquire or construct buildings with a view to renting them, or owning stakes in companies with the same purpose.

Rent

- **Headline rent**: annual rent per square metre, featured on the lease, and expressed excluding taxes and charges. Does not include attached premises such as parking areas, archives, staff canteens, etc. If the rental is progressive, the value applied is the average for the first three years or the fixed term of the lease.
- **Average headline rent**: Weighted average of rented area. The average featured is a moving average over three quarters, to smooth out the changes.
- **Underlying rent**: Annual rent per square metre expressed excluding taxes and charges and adjusted for advantages that may subsequently be agreed by the owner (rent incentives, building works, etc.).
- **Prime rent**: represents the top headline rent (excluding non significant transactions) for an office unit:
  - of standard size
  - of the highest quality and specification
  - in the best location in each market.
- **Top rent**: represents the top headline rent for an office unit. It is not necessarily a prime rent.

Risk premium: measure of the difference between an asset or portfolio’s profitability and a risk-free asset (government bond).

SCPI (Société Civile de Placement Immobilier): collective investment company formed to acquire and operate real estate by issuing shares to the public.

Second hand: real estate assets delivered over five years ago.

SIIC (listed real estate investment company): the SIIC regime allows tax exemption on earnings as long as 85% of revenues are paid out to shareholders.

Speculative / Non-speculative operation:

- **Speculative**: construction launched without prior rental or sale to the occupier.
- **Non-speculative**: construction launched after partial or complete sale or rental to an occupier.

Transfer: property asset belonging to an occupier sold to an investor.

Yield:

- **Net**: ratio between net income (excl. operating costs) and the acquisition price including all acquisition costs.
- **Initial**: ratio between the net rent before taxes and charges on the date of sale and the selling price (all costs included).
- **Prime**: net lowest yield obtained for the acquisition of a unit:
  - of standard size,
  - of the highest quality and specification,
  - in the best location in each market.

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