GOLD PERFORMANCES DUE TO SEVERAL MAJOR DEALS

- Over the first five months of 2014, retail investment has been driven by about 52 transactions, totalling € 3.1bn, almost evenly split between Paris and the regions. Investors are keenly interested in this type of asset; indeed the overall amount invested in retail over the first five months of 2014 is up some 200% compared to the same period in 2013. Nevertheless, this must be seen in the light of the exceptional sale of the Carrefour portfolio by Klépierre for € 1.9bn. Most of the market is made up of deals for less than € 5bn.

- Investment in street-level stores has been relatively buoyant. These accounted for 50% of transactions by number, but just 6% of investment (€ 194m). One of the biggest deals over the first 5 months of 2014 was the purchase of a portfolio of 8 assets, including 5 retail, by Sofidy for € 29m. Investors are still particularly interested in street-level stores, especially prime assets.

- Investment in shopping centres accounted for 15% of transactions by number and 86% of investment (€ 2.7bn). Several major deals were made: the Saint Sébastien centre in Nancy was bought by Hammerson for € 132m. Gecina finalised the sale of the Beaugrenelle shopping centre in April (€ 700m). Shopping centres were also opened in 2013: Beaugrenelle (Paris 15th), Aéorville (Unibail-Rodamco), One Nation Paris (Catinvest), while La Toison d’Or in Dijon (Unibail-Rodamco) was extended. This trend is set to continue in 2014 with the inauguration of Terrasses du Port (Hammerson), and the reopening after extension of Mérignac Soleil (Bordeaux) and Grand Cap (Le Havre). Soon, the centres of Vill’Up (Apsys) at La Villette, and Les Voûtes de la Major (Caisse d’Epargne) in Marseille are to open their doors. Alongside these openings, property companies are making asset switches accompanied by conversions.

- Suburban assets only accounted for 7% (€ 229m) of total investment in retail premises and 35% of the number of transactions. Several major transactions are of note including the acquisition by Frey of a portfolio of retail premises in the regions for € 28m. Like the warehouse market, some investors may take an interest in struggling assets with a view to refurbishing or converting them.

- Prime yields for shopping centres and retail parks have fallen slightly compared to previous quarters: they stand at 4.8% and 5.3% respectively in Q1 2014. The low level of assets up for sale has squeezed the prime yield for shopping centres. Retail parks remain more appealing than other retail asset categories. The lower prime yield for street-level stores has meanwhile stabilised at around 4%. Several major deals should boost the retail investment market in the coming quarters.
INVESTMENT IN RETAIL

Retail investment in France

Total return of real estate assets in France

Vacancy rate in France portfolio
Definitions from A to Z...

Business goodwill:

Business goodwill includes leasing rights, sales volume, customer base, fitting, brands and affiliation contracts, which determine the value. It does not include buildings or debt. Business resources can be operated by the owner or on a management lease contract. It can be sold or invested.

CCI:

Cost of Construction index (INSEE): 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. Rents are updated annually or every three years according to the change in the ICC.

City-centre store:

This includes street-level stores, mixed premises with a high proportion of retail and specialist department stores in the city centre.

Flagship store:

Showcase store also used for advertising and brand image at national and international level.

GLA:

Gross letting area: total area leased to merchants, including all sales and additional space. This is a term used for shopping centres.

Generalist store:

This includes department stores, hypermarkets and supermarkets:
- hypermarket: self-service retail establishment generating over a third of its sales from food and measuring over 2,500 m²;
- supermarket: service retail establishment generating over two thirds of its sales from food and measuring 400–2,500 m²;
- department store: self-service retail establishment generating less than a third of its sales from food and measuring over 2,500 m².

Selling area:

The gross selling area is divided into three subcategories: sales area, stock rooms and staff and sanitary areas. Deduction is then made of pillars, outside walls and vertical circulation.

Leasing rights:

The tenant owns the renewal rights to the lease, expressed as a commercial ownership. It may sell its rights to another merchant. The payment for this sale is made to the selling tenant.

Prime location:

Relative appreciation of a commercial site according to footfall, quality of retail brands and rental value.

Prime rental value:

Highest meaningful rental value for a top trading site.

Rental value:

Annual rent plus 10% of leasing rights, divided by the number of weighted m²

Rental value = \((\text{leasing right payment} / 10) + \text{annual rent excluding tax and charges}) / \text{weighted area in m²}.

Right of entry:

The right of entry or premium for goodwill is the sum paid by the tenant to the owner on signing the lease for a vacant unit. It is considered as a supplement to rent for the owner.

Out-of-town retail:

This includes retail zone, retail parks and large out-of-town specialist stores:
- Retail zone: unconnected grouping of stores each with its own parking.
- «Retail park»: a set of retail premises with a unified architecture built and managed as a unit, with a single parking facility.
- Out-of-town specialist department store: store located in a business park on the edge of a city ZAC (integrated development area) that is not part of a retail zone or «retail park».

Shopping centre:

Collection of at least 20 stores and services totalling minimum GLA (gross letting area) of 5,000 m², designed, built and managed as a single entity.
- Regional shopping centre: GLA > 40,000 m², over 80 stores and services;
- Large shopping centre: GLA > 20,000 m², over 40 stores and services;
- Small shopping centre: GLA > 5,000 m², over 20 stores and services;
- Themed centre: shopping centre specialising in a business sector, such as household equipment;
- Factory outlet: examples include Marque Avenue, Usine Center, Quai des Marques.

Useful weighted area:

This notion is used by street-level stores measuring less than 1,000 m². This is calculated from the gross usable area by dividing it into sections scored according to their commercial usefulness.

Weighting chart:

A method for weighting the surface area of a retail site devised by the main companies in the marketplace.

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