LET’S TALK RETAIL
June 2015

AT A GLANCE
- In 2015, the economic recovery is expected to spread across European countries. French GDP is anticipated to grow by 1.2%.
- Retail represents almost 20% of commercial real estate investment, in France.
- Retail remains dynamic, with sales estimated at €446 billion in 2015.

SUMMARY
MACRO-ECONOMIC BACKDROP
GDP, Consumption, a strong rebound for 2015!
- Heading for widespread recovery in 2015
- France: Consumption is on the rise!

INVESTMENT FOCUS
Retail investment in France: a promising beginning!

OCCUPIERS MARKET
Retail sales: bright prospects in 2015
- France: more than 20% of European revenues
- French rents overview
- A dynamic and innovative market

CONTACTS
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MACRO-ECONOMIC CONTEXT

GDP, Consumption, a Strong Rebound for 2015!

Heading for Widespread Recovery in 2015!

Over the first five months of the year, Europe has shown the first signs of a return to growth with 2015 GDP estimated at +1.8%. Low interest rates, the fall in oil prices and a weaker euro are all encouraging for growth in the Eurozone.

Forecast:
GDP 2015/2016 (%)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORLD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUROZONE</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>-4.5</td>
<td>1.5</td>
</tr>
<tr>
<td>US</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>CHINA</td>
<td>6.8</td>
<td>6.5</td>
</tr>
<tr>
<td>JAPAN</td>
<td>0.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

FRANCE: Consumption is on the Rise!

For the third consecutive year, GDP growth came to +0.4% in 2014, further delaying the upturn. In 2015, French GDP growth is estimated at +1.2%. The consolidation of the recovery in France should be reflected by an acceleration of growth to +1.8% in 2016. Although economic activity has been squeezed by the high level of unemployment, the latter should stabilise and then fall from late 2015 and in 2016 to below the 10% threshold. At the same time, consumer spending, which made a big contribution to growth in France in 2014, should continue to grow in 2015 (+1.5%).

INVESTMENT

Retail Investment in France: a Promising Beginning!

Retail investment in France (5 months)

![Graph showing retail investment in France]

The first half of 2015 is expected to end with an amount of €1.3bn invested in retail. Therefore, it represents almost 20% of commercial real estate investment. Like last year, shopping centres represent the highest investment market share (64% of the total investment in retail during the first five months of 2015). Two deals stand out: the purchase of 50% of Qwartz (Altarea-Cogedim) and Nicetoile (Allianz 90%, Hammerson 10%). However, street-level store accounted for 47% of the number of deals, against 19% for shopping centres, and 34% for retail warehousing. High-streets are still an attractive asset for investors, particularly in big cities with dynamic city centre, as the purchase of Avenue Montaigne portfolio shows it. Investors appetite for retail lead to yield compression, notably for retail parks. Domestic investors are still the main stakeholders, even if foreign investors, especially Europeans, are more and more interested by French market. We also notice the arrival of new comers.

Key figures:
- Retail: 20% of commercial real estate investment
- Investment in retail: +55% (5 months 2014 / 5 months 2015)
- Shopping centres: 64% of retail investment

Source: BNP Paribas Real Estate

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**OCCUPIERS MARKET**

**LET’S TALK RETAIL**

**RETAIL SALES: BRIGHT PROSPECTS IN 2015**

France: 22% of retail sales in western Europe (2015)

- Germany
- Spain
- France
- Italy
- United Kingdom
- Belgium
- Netherlands

- Retail sales 2015: €446bn (forecast)
- Retail sales Q1 2015: +1.6% (on a rolling year basis)
- Retail sales 2014-2025: +1.4% (forecasts)

**FRENCH RENTS OVERVIEW**

Prime rents, street-level stores, ($/sqm/year excl. VAT and charges)

Differences between prime rents at the national level highlight the premium enjoyed by major cities (> €2,000/m²/year excl. VAT and charges). Nevertheless, Paris stands out with a prime rent of €20,000/m²/excl. VAT and charges on the Champs-Élysées. Conversely, for near-prime and secondary locations, particularly in average regional cities, the vacancy rate is increasing and rents are tending to stagnate and even to decrease.

**A DYNAMIC AND INNOVATIVE MARKET**

The French market is still very appealing to foreign retailers as demonstrated by the forthcoming arrivals of Rituals (Dutch cosmetics) on Rue Vieille du Temple and Forum des Halles in the autumn. Similarly, Spanish sweet shop Papabubble opened its first outlet in February on Rue des Petits Champs in Paris. Specialist foods (éclairs, pastries, tiramisu, burgers, donuts, bagels, etc.) are faring well: Profiteroles Chérie has opened on Rue Debelleyme in the 3rd arrondissement of Paris. Supermarket food, meanwhile, is having to contend with changing consumer habits. Consumers are increasingly keen on more direct circuits and traceable food: Frais d’Ici has moved into 550 m² in Portet-sur-Garonne (Toulouse) opposite Carrefour, Les Halles de l’Aveyron (1,000 m²) has targeted Herblay and the Nouvelle Douane (250 m²) has seen the refurbishment of the former customs house in Strasbourg. In parallel with the growth of direct sales, major groups are reconsidering their formats. As such, Casino is overhauling its convenience segment. 300 to 500 outlets are planned with, depending on the site (urban, rural, city centre, out-of-town, station and metro) the following names: Leader Price Express, Vival, Casino shop, Petit Casino, Panier Frais, etc. Adapting the offer is a must and this also applies to non-food sectors: Kiabi is developing its Kiabi Kids concept in Qwartz as well as in Espace Anjou, Mango is segmenting its offer with Violeta and H.E. Mango.

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**Retail sales by sector (2015, Q1 on a rolling year basis, France)**

<table>
<thead>
<tr>
<th>% in volume: at constant prices the previous year</th>
<th>% in value: current prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT EQUIPMENT</td>
<td>+10.8%</td>
</tr>
<tr>
<td>PERFUME BEAUTY</td>
<td>+4.4%</td>
</tr>
<tr>
<td>CULTURE LEBREU</td>
<td>+4%</td>
</tr>
<tr>
<td>SPECIEN FOOD</td>
<td>+1.8%</td>
</tr>
<tr>
<td>HOUSEOLD FURNISHING AND EQUIPMENT</td>
<td>+1%</td>
</tr>
<tr>
<td>PERSONAL EQUIPMENT</td>
<td>0%</td>
</tr>
<tr>
<td>NON-SPECIALIST PREDOMINANTLY FOOD STORES</td>
<td>-0.9%</td>
</tr>
<tr>
<td>CATERING</td>
<td>-2.4%</td>
</tr>
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**FRANCE: MORE THAN 20% OF EUROPEAN REVENUES**

In 2015, retail sales (excl. automotive) are on the rise in volume terms*. However, they are sliding in value terms** due to the fall in prices. In Q1 2015, we note an increase of +1.6% in volume (rolling-year basis), after +13% at the end of 2014, vs. -0.8% in value.

In 2014, retail sales in France came to €439bn. The outlook for 2015 is bright with growth estimated at +1.4% to €446bn. France is still one of the top three European countries, behind Germany (5504bn expected in 2015) but ahead of the UK (424bn forecast in 2015).

**Retail warehousings rents ($/sqm/year excl. VAT and charges)**

<table>
<thead>
<tr>
<th>Size</th>
<th>Prime Location</th>
<th>Secondary Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 600 m²</td>
<td>€280 - 300</td>
<td>€140 - 160</td>
</tr>
<tr>
<td>600 - 1,500 m²</td>
<td>€150 - 200</td>
<td>€110 - 120</td>
</tr>
<tr>
<td>1,500 - 3,000 m²</td>
<td>€120</td>
<td>€90</td>
</tr>
<tr>
<td>&gt; 3,000 m²</td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<td>1,500 - 3,000 m²</td>
<td>€100</td>
<td>€80</td>
</tr>
<tr>
<td>&gt; 3,000 m²</td>
<td>€80</td>
<td>€60</td>
</tr>
</tbody>
</table>

Source: Oxford Economics forecasts: Oxford Economics/BNP Paribas
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**THEY TRUST US**

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**OUR RETAIL ASSETS**

- **GALERIE VNH**
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  Paris, Rue Vieille du Temple

- **INÉS DE LA FRESSANSE**
  (150 m²)
  Paris, Rue de Grenelle

- **ANDRÉ**
  (210 m²)
  Nice, Av. Jean Médecin

- **KIKO**
  (130 m²)
  Toulouse, Rue Lafayette

- **LES CLAIRIIONS**
  Auxerre

- **CANNES**
  Gare de Cannes

- **OCEANIS**
  Saint-Nazaire - Pornichet - La Baule

- **PALAIS DES PYRÉNÉES**
  Pau

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