LET’S TALK RETAIL

P3

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ECONOMIC CONTEXT

CONFIRMED ECONOMIC RECOVERY IN THE EUROZONE

Economic activity has risen again in the Eurozone so far this year, despite the slowdown in emerging economies and increasing doubts.

Although the solidity of business in Germany has been confirmed, Southern economies continue to recover after years of difficulty. France meanwhile continues on its trajectory.

In 2016, Eurozone growth should benefit from the combined effects of lower oil prices and ECB action. Nevertheless, the Greek crisis and the slowdown in China are risk factors.

DECENT GROWTH PROSPECTS FOR FRANCE IN 2016

Growth so far this year has beaten forecasts, likely ensuring that French GDP rises by more than last year. The main driver this year has been household consumption.

Unemployment has meanwhile stabilised below 10%. This trend should be confirmed in the coming months before starting to dwindle in 2017.

SALES

STRONG SALES GROWTH TO END 2016

Retail sales should increase in 2016. With €463bn forecast in 2016, France is still one of the European top 3, together with Germany (€508bn) and the UK (€442bn).

€463bn
2016 RETAIL SALES (FORECAST)

+2.2%
2015/2016 GROWTH (FORECAST)

24%
OF EUROZONE SALES

DETAIL OF SALE BY SECTOR, FRANCE
(Q1 2016 on a rolling-year basis)

IT +1.5%
PERFUMES +5%
COSMETICS +2.5%
SPECIALIST FOOD STORES +7.2%

HOUSEHOLD FURNISHING +3%
CLOTHING -0.3%
PREMIUM ANIMAL FOOD STORES +2.1%
CAFE +5%
RENTAL OVERVIEW

Rents for the top spots have risen thanks to the growing demand and the lack of supply.

Conversely, rents for secondary locations have tended to stagnate or even decline in regional mid-sized cities.

2016: INNOVATION AND EMOTION

The issue is no longer whether bricks and mortar retail is set to disappear due to e-commerce, but rather how it will reinvent itself. The solution appears to lie in innovation and emotion.

The French leader in selective perfume has understood this and recently opened its first v.3.0 store, called Sephora Flash, on Rue de Rivoli in Paris. After opening in Seattle, Amazon, which is considering further store openings, has shown the need for physical spaces to offer a homogenous client experience. Certain online fashion and beauty e-shops have opened neighbourhood boutiques to better complement their businesses. Examples include Oh My Cream in Aix-en-Provence and Smallable in the Saint-Germain-des-Prés district of Paris.

The economic reality of the Internet is therefore leading brands to develop a global digital strategy, combining social networks, physical points of sale and online points of sale.

INVESTMENT

RETAIL: LIQUIDITY AND RESILIENCE

Investment over the first 5 months of 2016 stands at € 1.43bn, i.e. 20% of the total. Shopping centres and high street stores represent respectively 23% and 38% of this figure.

Similarly, out-of-town stores remain appealing (39% of the amount). Retail is undeniably attractive due to the diversification strategies of investors seeking available assets. 2016 is shaping up to be another vintage year.

FURTHER COMPRESSION OF PRIME YIELDS

Due to the massive flow of liquidity and still low cost of credit, retail yields are under pressure. High-street yields stores should fall below 3% by the end of the year.

Demand is strong for the top spots, driven by the luxury sector. The same downward trend can be seen at retail parks, whereas yields are stable in shopping centres due to the lack of genuinely prime supply on the market.
L’immobilier d’un monde qui change

PROPERTY DEVELOPMENT | TRANSACTION | CONSULTING | VALUATION | PROPERTY MANAGEMENT | INVESTMENT MANAGEMENT

6 BUSINESS LINES in Europe
A 360° vision

Main locations

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33074 Bordeaux Cedex
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63100 Clermont Ferrand
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Immeuble le Richelieu
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21000 Dijon
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