

FRANCE

Cushman & Wakefield
Global Cities Retail Guide



France is one of Europe's largest retail markets, achieving an annual turnover of more than €500 billion. France is home to many renowned retail brands including some of the largest retail chains in the world such as Carrefour, Casino or the Mulliez group (e.g. Auchan, Décathlon, etc.).

Household consumption is one of the country's main growth drivers with the French still devoting a high proportion of their disposable income to the retail sector.

With a record nearly 90 million visitors in 2018 compared to 83 million in 2016, remains the most popular tourist destination in the world. France attracts consumers from all over the globe, spending a significant amount in the country's most sophisticated thoroughfares such as Paris' Golden Triangle, The Marais, or other key tourist locations such as Cannes, Saint-Tropez or Courchevel, where some of the most iconic brands are located (many owned by a few dominant French luxury groups including LVMH, Kering, Hermès, L'Oréal Luxe etc.).



FRANCE OVERVIEW

FRANCE

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

| ECONOMIC INDICATORS* | 2018 | 2019F | 2020F | 2021F | 2022F |
|-------------------------------|------|-------|-------|-------|-------|
| GDP growth | 1.6 | 1.4 | 1.5 | 1.6 | 1.6 |
| Consumer spending | 0.9 | 1.2 | 1.4 | 1.2 | 1.2 |
| Industrial production | 0.4 | 1.3 | 1.4 | 1.3 | 1.3 |
| Investment | 2.9 | 2.7 | 2.5 | 2.5 | 2.0 |
| Unemployment rate (%) | 8.7 | 8.4 | 8.2 | 8.0 | 7.6 |
| Inflation | 1.9 | 1.2 | 1.4 | 1.6 | 1.6 |
| EUR€/ US\$ (average) | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 |
| Interest rates Short term (%) | 1.2 | 1.1 | 1.2 | 1.2 | 1.3 |
| Interest rates 10-year (%) | 0.0 | 0.0 | 0.2 | 0.5 | 0.7 |

ECONOMIC BREAKDOWN

| | |
|-------------------------|--|
| Population | 67.4 million (2018F) |
| GDP (nominal) | US \$2.78 trillion (2018F) |
| Public Sector Balance | -2.5% of GDP (2018F) |
| Public Sector Debt | 133.1% of GDP (2018F) |
| Current Account Balance | -0.3% of GDP (2018F) |
| Parliament | Dominant coalition of the presidential majority (République en Marche) and centrist Party. |
| President | Emmanuel Macron |
| Prime Minister | Edouard Philippe |
| Election Date | May 2017 (Presidential) June 2017 (Legislative) |

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

| FRANCE | 2018F | 2019F | 2020F | 2021F | 2022F |
|----------------|-------|-------|-------|-------|-------|
| Retail Volume* | 2.9 | 2.4 | 2.2 | 2.1 | 2.0 |

Note: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

Source: Oxford Economics Ltd.

| CITY | POPULATION |
|----------------------------|------------|
| Paris | 12,568,755 |
| Lyon | 2,310,850 |
| Marseille/ Aix-en-Provence | 1,756,296 |
| Toulouse | 1,345,343 |
| Bordeaux | 1,232,550 |
| Lille | 1,187,824 |
| Nice | 1,006,402 |
| Nantes | 961,521 |
| Strasbourg | 785,839 |



FRANCE LARGEST CITIES

Source: INSEE

Cushman & Wakefield | France | 2019

FRANCE

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Carrefour, Auchan, Casino Group (Casino, Monoprix, Franprix, etc.), Cora, Système U, Leclerc, Intermarché.

MAJOR INTERNATIONAL FOOD RETAILERS

Aldi, Lidl, Costco

MAJOR DOMESTIC NON-FOOD RETAILERS

Fnac-Darty, Décathlon, But, Conforama, Vivarte Group (La Halle, Caroll), Beaumanoir Group (Morgan, Bonobo, etc.), Leroy Merlin, Castorama, Galeries Lafayette, Printemps, Boulanger, Cultura, Bricomarché, Sephora, SMCP Group (Sandro, Maje, Claudie Pierlot), The Kooples, Jules, Camaïeu.

INTERNATIONAL RETAILERS IN FRANCE

Ikea, H&M (H&M, H&M Home, Cos, & Other Stories, etc.), Inditex Group (Zara, Bershka, Pull & Bear, Massimo Dutti, etc.), Gap, Benetton, Mango, Primark, Desigual, Kiko, Uniqlo, Hollister, Sostrene Grene.

FOOD AND BEVERAGE OPERATORS

McDonald's, Quick, Starbucks Coffee, Subway, Picard, Nicolas, Le Duff group (Del Arte, Brioche Dorée, Mimis, etc.), Flo Group (Hippopotamus, Flo), Bertrand Restauration (Au Bureau, Café Leffe, Bert's), Burger King, M&S Food, Mezzo di Pasta, Paul, Pomme de Pain, Five Guys, Big Fernand.

TYPICAL HOURS

MONDAY - SATURDAY

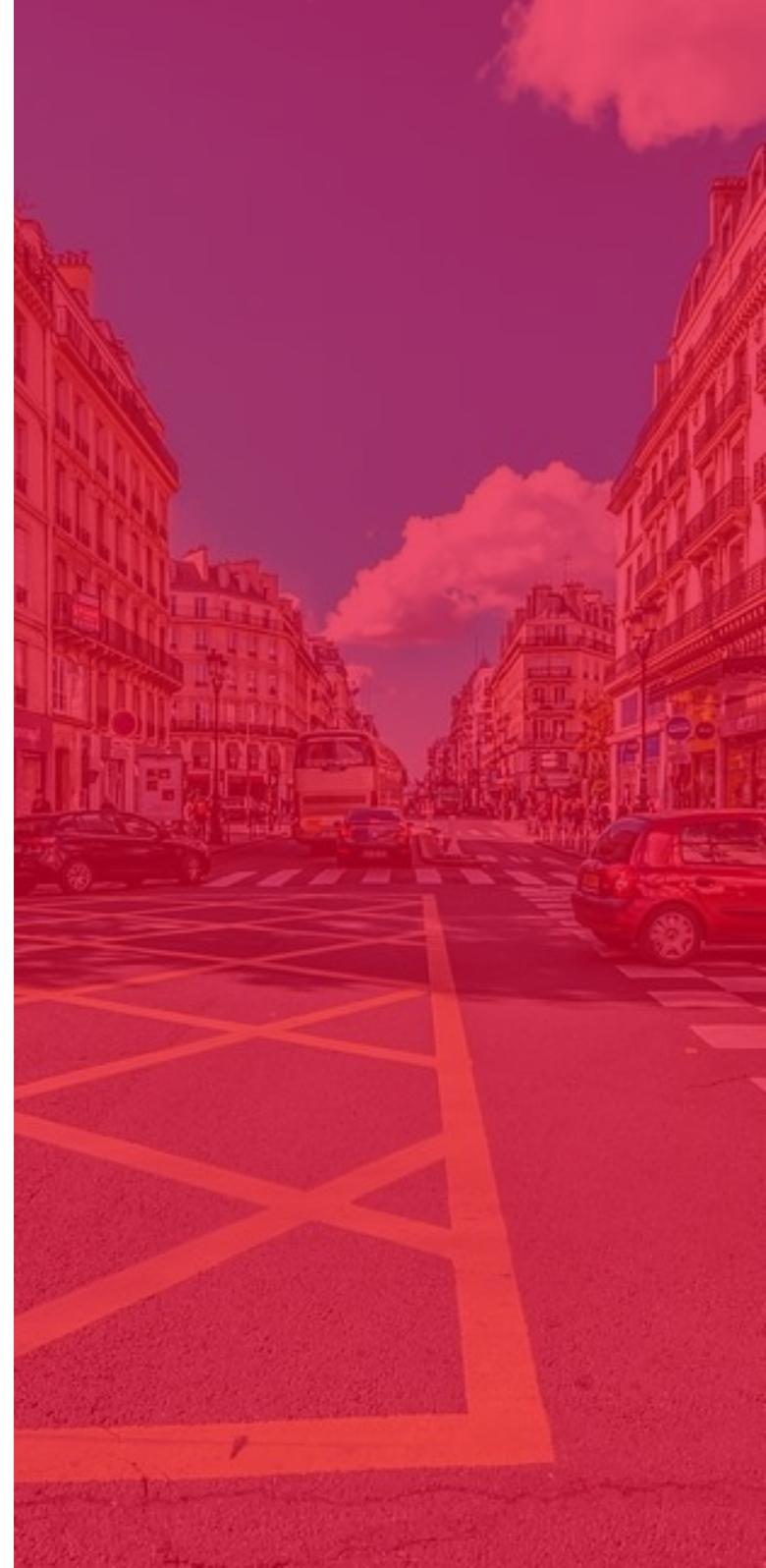
9.00/ 10.00 – 19.00/ 20.00 (later for supermarkets)

SUNDAY

10.00 - 13.00 (supermarkets)
10.00 - 19.00 (in tourist areas)

NEW ENTRANTS TO MARKET

| | | | | |
|-------------------|--------|-----------------|--------|------------------|
| Victoria's Secret | Hugo | Snipes | Eataly | Urban Outfitters |
| Xiaomi | Silbon | Amazing Jewelry | Lovisa | Huawei |



FRANCE

RETAIL SCENE

France is one of Europe's largest retail markets, with a population of some 67 million (ranking second behind Germany and before the UK) with sustained demographic growth.

The French retail property market benefits from a massive influx of tourists and that several giants in the retail distribution sector (food and luxury in particular) are French. Retail property stock comprises over 200,000 units, equalling 75 million sqm. High streets account for the highest numbers of stores, while retail parks accommodate nearly half of the total surface area of organised retail space in France.

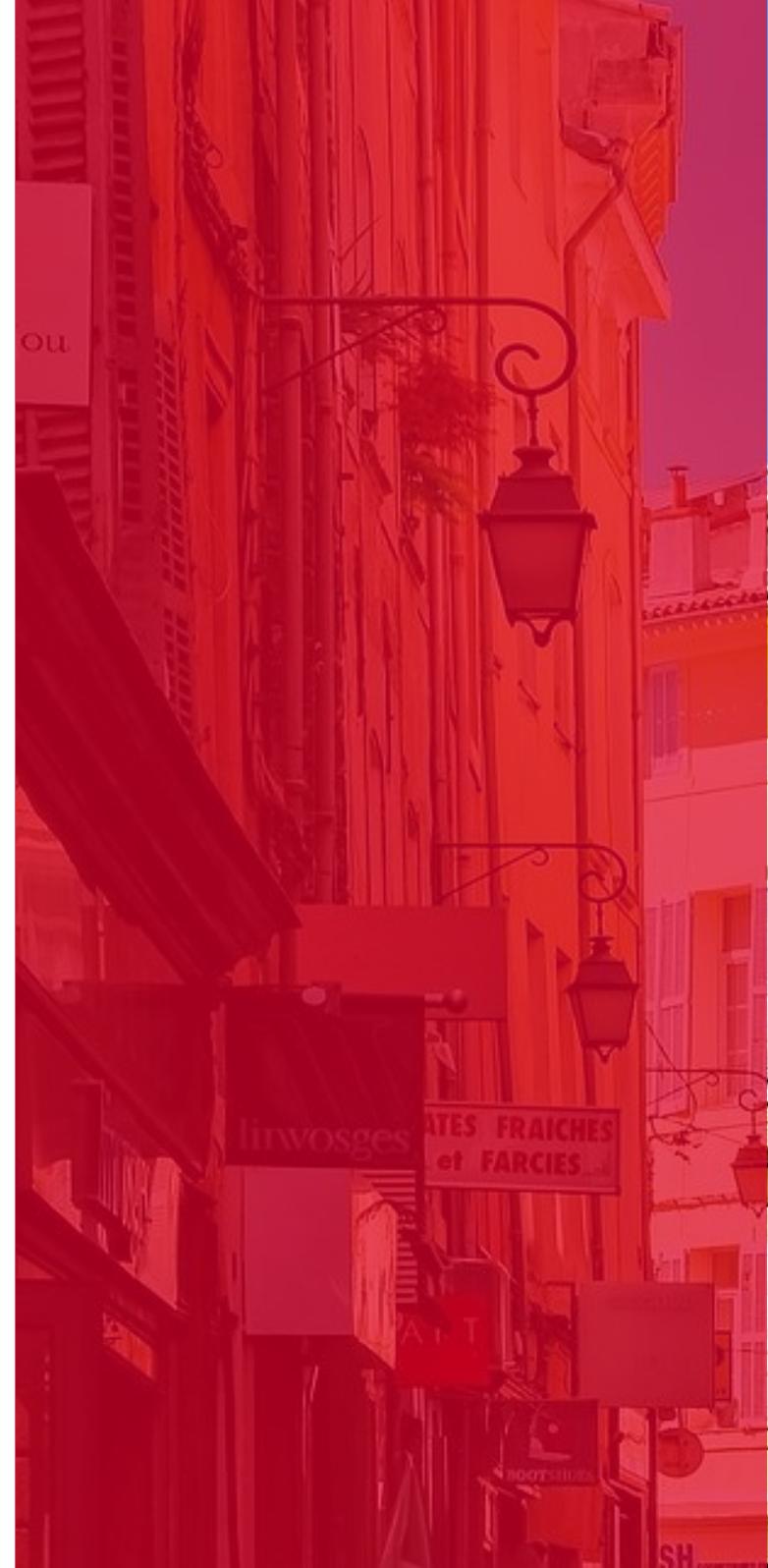
Limited by the shortage of real estate and the technical/administrative difficulties posed by town-planning laws, opportunities remain scarce on the prime areas of high streets. This has been boosted by both retailer demand in the luxury sector and several new entrants to the market, both in Paris and the provinces.

Total existing stock of shopping centre space in France totals over 21 million sqm (Jan 2019). The French landscape is dominated by several regional historic schemes in the Paris region (Les Quatre Temps, Belle Epine, Créteil Soleil, the new Forum des Halles or Vélizy 2) and the provinces (La Part-Dieu in Lyon, Atlantis in Nantes, Cap 3000 near Nice or Euralille in Lille). Despite a decline in the number of new regional shopping centres, some significant projects recently opened in France: B'Est in Farébersviller (55,000 sqm) and Prado in Marseille (23,000 sqm).

Activity is now mainly focused on redevelopments and extensions with the opening of some emblematic extensions in the Greater Paris area: Val d'Europe, Carré Sénart, and Velizy 2. The largest property investment companies are focusing on these types of assets, which also appeal to many retailers aiming for maximum visibility to customers. This is particularly true of retailers implementing concepts in megastores (e.g. Primark, Mango, Uniqlo, H&M, Zara).

The French retail warehouse market is regarded as one of the most mature and highly developed in Europe.

The fragmented and generally mediocre quality of much of the French out-of-town market still leaves a considerable gap for the development of higher quality and more integrated schemes. This process has now been underway for the last 10 years with the development of new generation schemes, more family friendly and with a broader and more balanced tenant mix. One of the most visible examples of this approach is "Atoll" in Angers and "Waves" Actisud near Metz. More recently, examples include "Les Promenades de Brétigny" and "Aren Park" in the Greater Paris Region, which places several relatively high-end brands that were largely absent from peripheral zones in a sophisticated architectural concept.



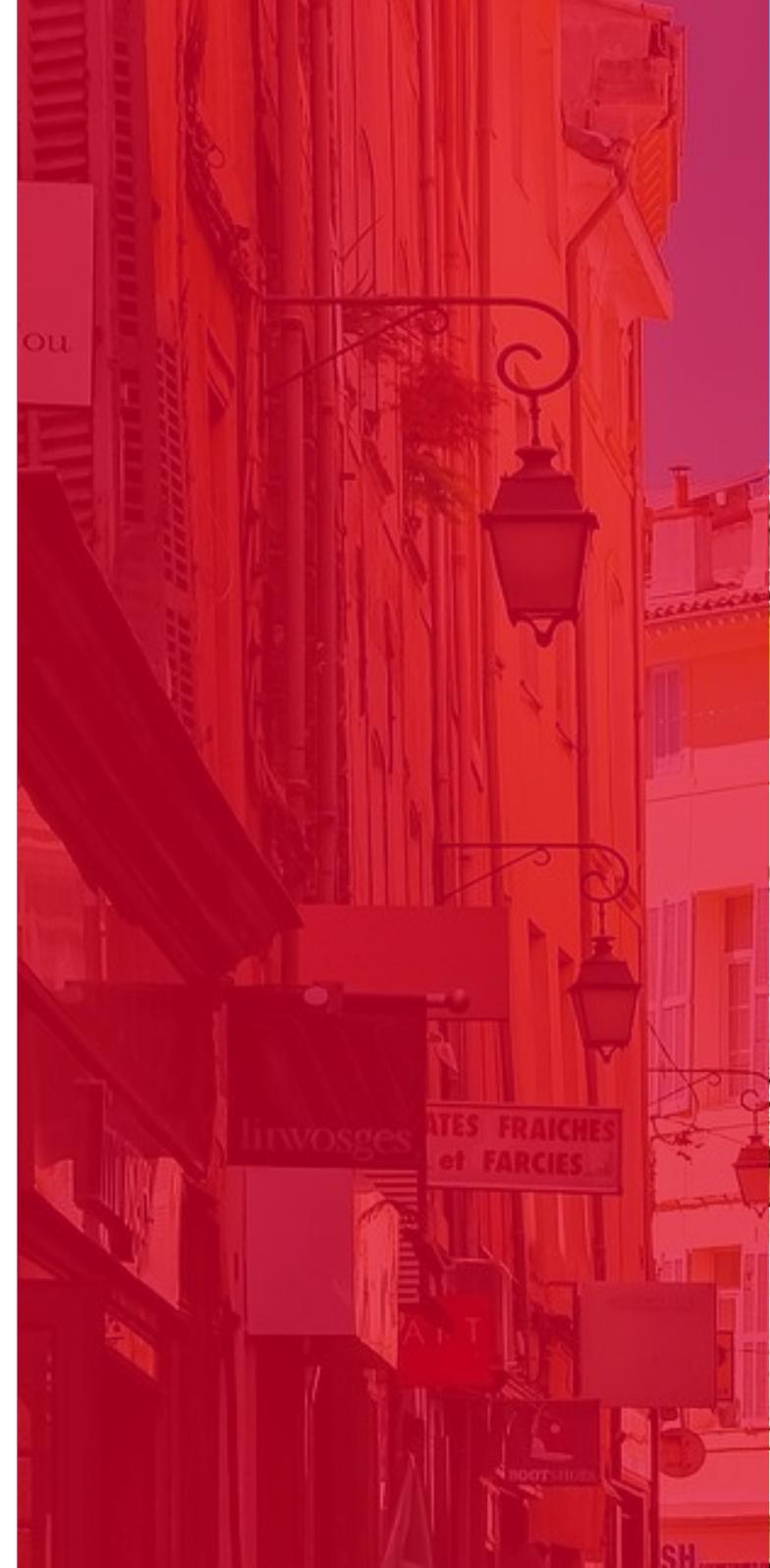
FRANCE

RETAIL SCENE CONTINUED

France is one of Europe's chief markets for factory-outlet centres, with a total near 500,000 sqm of space. Many are located in the north of the country and were developed from the mid-1980s to the late 1990s. Trends toward an improvement in supply and in the architecture of factory outlets are obvious, as shown with the ongoing conversion of "traditional" shopping centres to the factory-outlet format and a flurry of new projects in the provinces, like the recent opening in 2018 of the "The Village" in Villefontaine close to Lyon. Tourism is identified as an unavoidable driver for potential turnover in these factory outlets.

With €93 billion spent in 2018, Internet sales increased by 13% year on year. As consumers have become more comfortable with internet shopping and aware of the progress that has been made in services (delivery options, product return, secure payment, etc.), e-commerce is flourishing. However, the penetration rate of new technologies in the retail sector is measured not only by growth of online sales. While the sale of innovative products is largely carried out online, consumer demand has also created new retailers offering omnichannel networks. New technologies are now used by nearly all retailers and have become part of the typical consumer shopping or user experience. Every new shopping centre and retail park includes new digital concepts.

The French retail property market is generally considered as one of the most transparent and mature in Europe. Sunday opening in specific zones defined as International Tourist Zones is now established by the Macron law, taking advantage of the tourist's high purchasing power, mainly in Paris (12 zones) and Southern France. The role played by public authorities and legal recourse on retail schemes remain important. This may occasionally impact the length of time it takes to open stores and retail schemes. A major plan is being launched by the government to revitalize some town centres in the regional market. There are no restrictions on foreign companies either buying or renting property in France.





FRANCE

SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

| NAME | CITY | SIZE (GLA SQM) | YEAR OPENED |
|------------------|------------------------------------|----------------|-------------|
| Belle Epine | Thiais (Paris region) | 141,000 | 1971 |
| Les Quatre Temps | La Défense (Paris region) | 139,600 | 1981 |
| La Part Dieu | Lyon | 127,300 | 1975 |
| Vélizy 2 | Vélizy Villacoublay (Paris region) | 124,200 | 1972 |
| Créteil Soleil | Créteil (Paris region) | 123,500 | 1974 |
| Grand Littoral | Marseille | 120,000 | 1996 |
| Carré Sénart | Lieusaint (Paris region) | 118,000 | 2002 |
| Val d'Europe | Serris (Paris region) | 115,400 | 2000 |
| Parly 2 | Le Chesnay (Paris region) | 113,500 | 1969 |
| Rosny 2 | Rosny sous Bois (Paris region) | 111,600 | 1973 |

FRANCE

KEY FEATURES OF LEASE STRUCTURE

| KEY FEATURES OF LEASE | |
|--|---|
| ITEM | COMMENT |
| Lease Terms | 10 or 12 years for retail (shopping centre or new schemes in high streets or retail parks), 9 years for existing retail units. The tenant has the right to break every 3 or 6 years, except when a fixed term has been agreed, in compliance with the Pinel law (see below). The tenant has a statutory right to renew the lease for another 9 years. However the landlord can refuse to renew, but will have to pay high eviction indemnities. The landlord can also regain possession if the tenant breaches the covenant or for redevelopment, although the latter also involves high eviction indemnities. Possibility to set up derogation with short term leases (max 3 years). |
| Rental Payment | Euro per square metre per year, and Zone A Euro per sqm per year for high street retail properties. Rents are typically payable quarterly in advance. Turnover rents are common in shopping centres. Exists also for retail parks and high streets (new schemes). Premium or key money payments are also common in France so as to gain leasehold interest, based on the tenants' security of tenure and the limitation on rental increases. |
| Key Money | Key money is a lump sum payable to the outgoing tenant (the leasehold price). It is a non amortisable asset the value of which varies according to market conditions and usually equivalent to 10X the passing rent (difference between the actual rent and the Estimated Rental Value). It is subject to registration fees payable to Tax authorities (5% with a €23,000 amount exemption. Ex.: Key-Money €123,000 the 5% is applied to €100,000) and non recoverable. |
| Rent Review | Annual. Rents are mostly indexed to the ILC index/ "Index des Loyers Commerciaux" (a weighted average index comprising changes in consumer prices, construction costs and retail sales), published by the INSEE (National Institute for Economic Statistics) quarterly but applied annually. Only old contracts have rents indexed to the construction cost index (ICC). |
| Service Charges, Repairs and Insurance | Service charge usually provided by the landlord is paid by the tenant according to the lease terms/in compliance with the Pinel Law. It includes cleaning, security, maintenance, repair, etc. Insurance for common parts is also paid by the landlord and charged back. The tenant has to keep the premises in good repair. The tenant pays for internal insurance directly. While tenant associations in shopping centres are usually responsible for promotions and marketing, they can also be provided by the landlord who charged promotions and marketing back. |

FRANCE

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE

| ITEM | COMMENT |
|--------------------------------|--|
| Property Taxes and other costs | Local property tax is generally paid for by the landlord, but this liability can be transferred to the tenant. |
| Disposal of a Lease | Assignment is not generally permitted without the landlord's consent. The landlord will negotiate a higher rent if a change of use is required. The assignor must guarantee the rent until the end of the lease. |
| Valuation Methods | Shops are valued on a "zoning" basis (following the 2015 MGP: Méthode Générale de Pondération) . The retail zoning principle recognises that the area at the front of the shop, adjacent to its primary window frontage (normally referred to as "Zone A") is the most valuable in rental terms. |
| Legislation | Decree no. 53-960, dated 30 September 1953, relating to commercial, industrial and small business premises, codified under Articles L145-1 et seq and Articles R145-1 et seq of the French Commercial Code. These provisions specify the particular conditions which are applicable to commercial leases and supplement the generally applicable provisions of the French Civil Code. Pinel Law on retail and small businesses, has been adopted the 5 June 2014 including changes related to retail lease contracts; rent increases capped at 10%, priority granted to the leaseholder in case the premises is put on sale, extension of short term leases duration, etc. |

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
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