

MARKET INDICATORS

Market Outlook

Prime Rents:	Downward adjustments specially for medium and large units. Rents in selected high streets, core shopping centres and new generation retail parks remain steady.	▶▶
Prime Yields:	Stability for prime assets and upward trend for secondary shopping centres as hypermarket galleries which are suffering from decreasing footfalls.	▶▶
Supply:	Openings dropped in 2018 mainly for retail parks. Still good pipeline, although future supply is expected to be less significant than before, due to restrictive planning laws and strong existing competition.	▼
Demand:	Stable in core locations, but demand is weakening in second tier cities and secondary markets.	▼

Prime Retail Rents – December 2018

HIGH STREET SHOPS (100 SQ M UNIT)	ZONE A	€	US\$	GROWTH %	
		SQ.M	SQ.FT	1YR	5YR CAGR
	YR	YR	YR		
Paris (Av Champs Elysees)	19,000	13,992	1482	5.6	1.1
Lyon	2,500	1,841	195	0.0	2.6
Marseille	1,400	1,031	109	0.0	-6.9
Bordeaux	2,400	1,767	187	0.0	1.8
Lille	1,700	1,252	133	0.0	-5.0
Toulouse	2,200	1,620	172	0.0	0.0
Nice	2,200	1,620	172	0.0	0.0
OUT OF TOWN RETAIL (RETAIL PARKS) >1,500 SQ M UNIT)		€	US\$	GROWTH %	
		SQ.M	SQ.FT	1YR	5YR CAGR
		YR	YR		
Paris Region		180	19.1	0.0	0.0
SHOPPING CENTRES (100 SQ M UNIT)		€	US\$	GROWTH %	
		SQ.M	SQ.FT	1YR	5YR CAGR
		YR	YR		
Regional shopping centre		2,000	212	0.0	0.0

Prime Retail Yields – December 2018

HIGH STREET SHOPS (100 SQ M UNIT) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
				Q	Q
Paris (Av Champs Elysees)	2.50	2.50	2.50	5.00	2.50
Lyon	3.85	3.85	3.85	6.25	3.85
Marseille	5.00	5.00	5.00	6.25	4.75
Bordeaux	3.85	3.85	3.85	6.25	3.85
Lille	4.50	4.25	4.25	6.25	4.25
Toulouse	4.00	4.00	4.00	6.50	4.00
Nice	3.85	3.80	3.80	6.25	3.80
OUT OF TOWN RETAIL (RETAIL PARKS >1,500 SQ M UNIT) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Paris Region	4.50	4.25	4.25	7.25	4.25
SHOPPING CENTRES (100 SQ M UNIT) (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Regional shopping centre	3.50	3.50	3.50	5.50	3.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Overview

In Q3 2018, thanks to an increase of French household consumption (+0.4% after -0.2% in Q2), high investments and a positive commercial balance (+0.7%), French GDP grew up by +0.4%. However, this economic improvement was quickly stopped by the “yellow vest” protests in the middle of year-end period with a -0.1% effect expected on Q4 GDP Growth (+0.2% forecast for Q4 2018). Both household confidence and business climate in retail decreased sharply over the last 12 months (respectively -12 and -15 pts). First indicator reveals the social contest climate whereas the second one highlights an expected global commercial decrease in a context of political and economic uncertainties. Although revised, unemployment rate forecasts remain positive at 9.0% expected at 2018 year-end (down from 9.4% in 2017).

Occupier focus

As expected after several months of drop in household confidence, consumer spending fell from the 2nd half of the year at a slightly negative pace to end the year at just +0.1% (y-o-y). Considering the whole context, retail sales volumes showed some resilience until the very end year with a -0.9% growth in comparison with last year. Retailers are encouraged to review their concepts and formats, trying to adjust the growing share of e-commerce within their distribution network. Rental values are stable for the best locations in prime regional out of town schemes and for prime Parisian and luxury streets for small units. Rents are expected to decline in the other retail formats. The total pipeline has been revised downward with about 630,000 sq. m of retail space opened during 2018 (-27% compared to 2017).

Investment focus

4th quarter retail investment market contributed to 45% of the total amount invested during 2018, reaching €4.6bn, a volume 10% higher than in 2017. This good performance was due to the resurgence of 11 major deals (the ones over €100 million). Market activity was mainly concentrated in high street shops and also revealed an unprecedented breakthrough of non-specialized stores via portfolios operations.

Outlook

An upward trend is expected for the next few months for the lowest yields i.e. in high street shops and shopping centre categories. The very prime market (Champs-Élysées, luxury streets and super regional shopping centres) should make an exception staying stable due to their very exceptional position and strong demand.