French retail market

Snapshot Q3 2023

Cushman & Wakefield Research

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1. Economy
2. Consumption and turnovers
3. E-commerce
4. Rents and rental values
5. Stock
6. Investment

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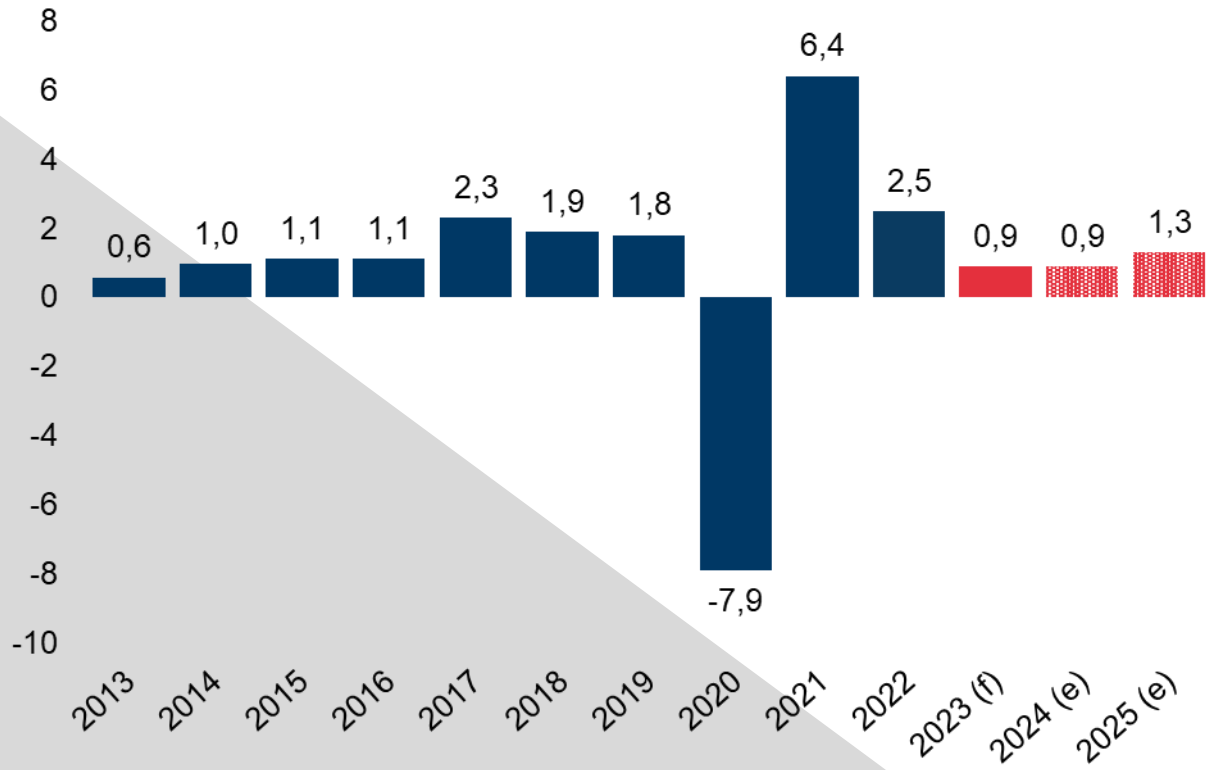
1. Economy: growth close to 2023 target, weaker forecasts for 2024

+0.1%
Q3 2023
GDP Growth

Change in GDP (%)



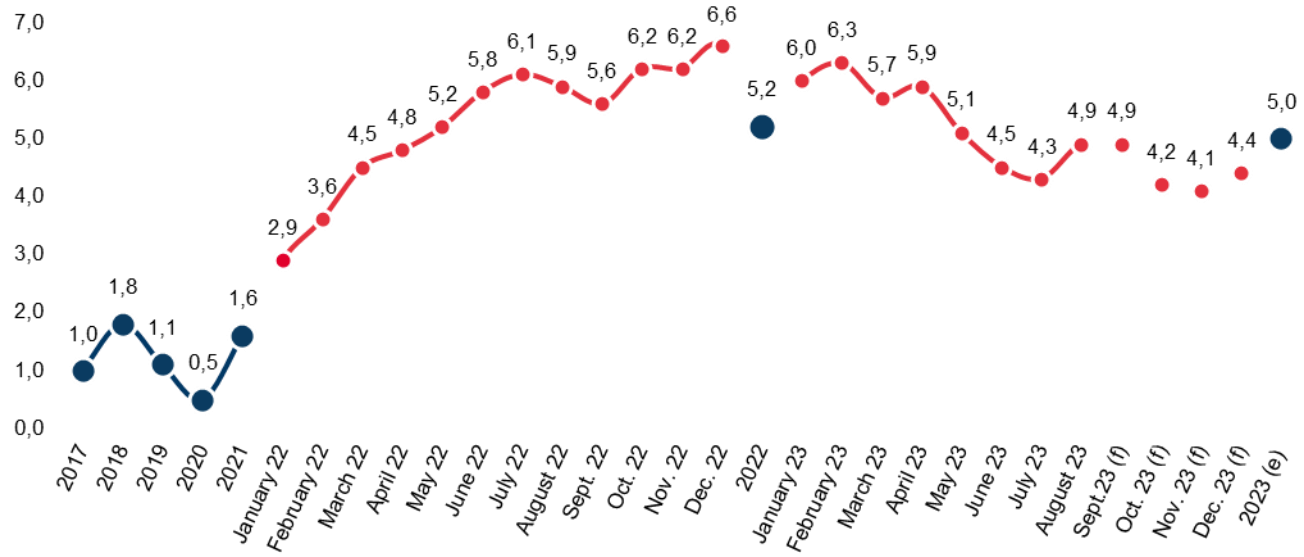
- Slowdown over Q3, with timid **growth** of +0.1% to +0.2%; this was strongly linked to reduced demand in manufacturing and construction.
- There are signs of easing in the **labour market** with job creations slowing (+0.1% in Q3) against a backdrop of rising insolvencies and job losses, particularly in the construction sector.
- The Banque de France has revised its forecasts accordingly, with the **unemployment rate** at 7.2% of the working population for 2023 (7.3% according to INSEE)

Source: INSEE, Banque de France

1. Economy: inflation easing but not enough

+4.9%
September 2023
Inflation rate

Inflation rate (%)



- After reaching in July its lowest level since the start of the crisis (+4.3%), **inflation** picked up again in August and September, driven by a surge in food and energy prices (electricity and fuel).
- Inflation should ease between now and the end of the year, but at a measured pace, **averaging around 5% over 2023** (5.2% in 2022).

Source: INSEE, Banque de France

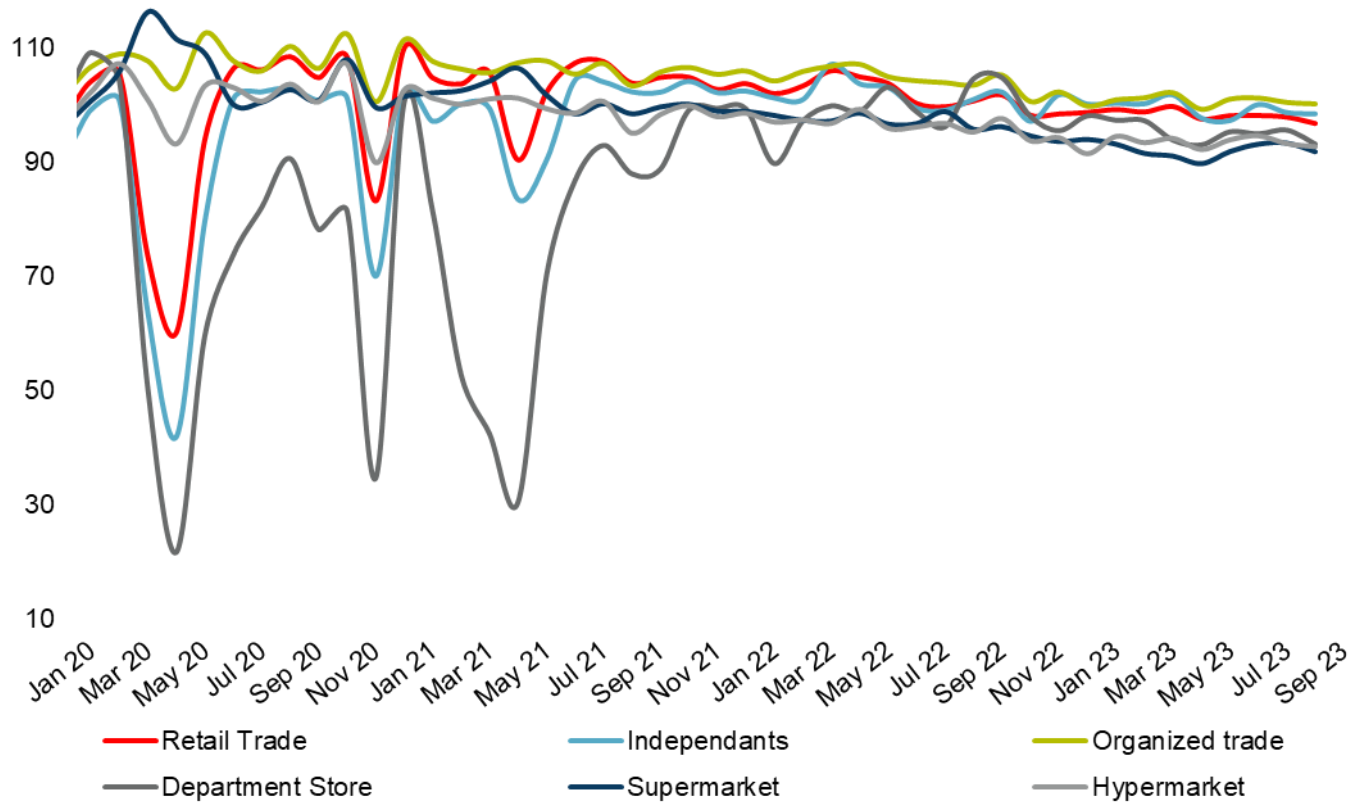
2. Consumption and turnovers: impact of the end of "at any cost", inflation and loss of purchasing power

+3.3% by value
January-September vs 2022

+0.3% by volume
Specialised retail activity (stores+online)

-3.9%
August 2023 vs 2022
Sales index for the retail trade

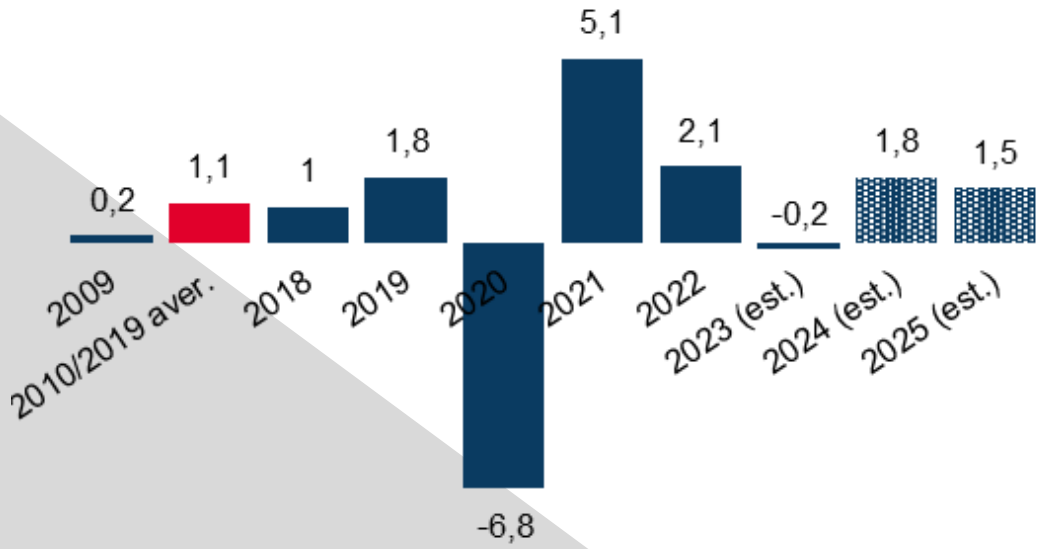
Sales index for the retail trade (base 100 in 2010)



Source: INSEE, Banque de France, PROCOS

2. Consumption and turnovers: prices influence buying behaviour

Household expenditure (CVS-CJO data, base 2014)



Consumer confidence fell slightly (-2pts in September), with no real outlook for an improvement in purchasing power as wage rises only partially offset the rise in prices.

Household consumption has been falling since August (-0.5%) and is expected to remain sluggish in 2023 before picking up again in 2024.

+0.4% Q1 2023

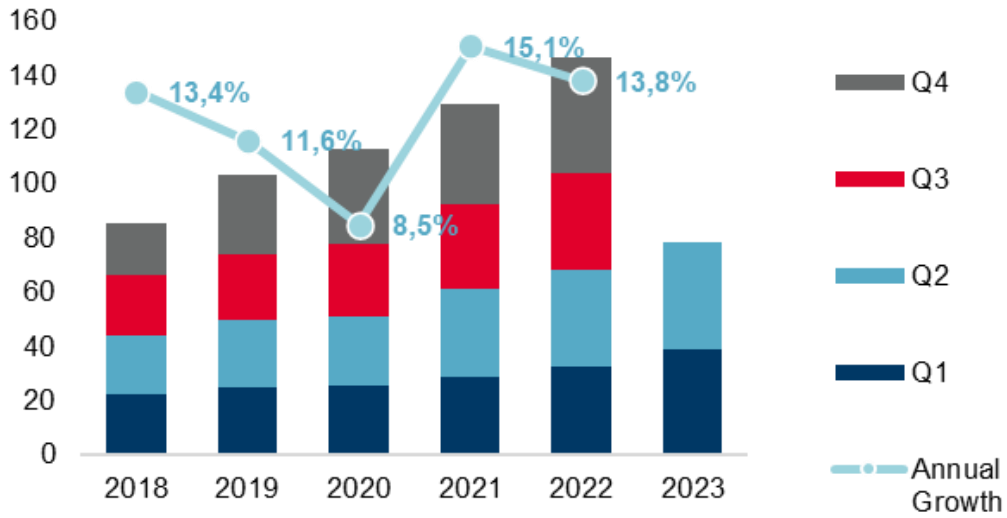
Household expenditure

Source: INSEE, Banque de France

3. E-commerce: a change of tempo

- FEVAD figures for Q2 2023 show a **+8.3%** growth in online sales compared with 2022; this represents a decrease compared with recent quarters (+13.8% in 2022 and +20.2% in Q1 2023).
- By the end of H1 2023, levels reached **€78.5 billion** or **+15%** higher than in H1 2022.
- Growth is slowing, driven mainly by **services** (+14%) and by transport/tourism and leisure in particular, while sales of products remain virtually stable (-1%).
- The product sales market is evenly split between pure players and omnichannel retailers

Quarterly e-commerce sales figures (€ billion)



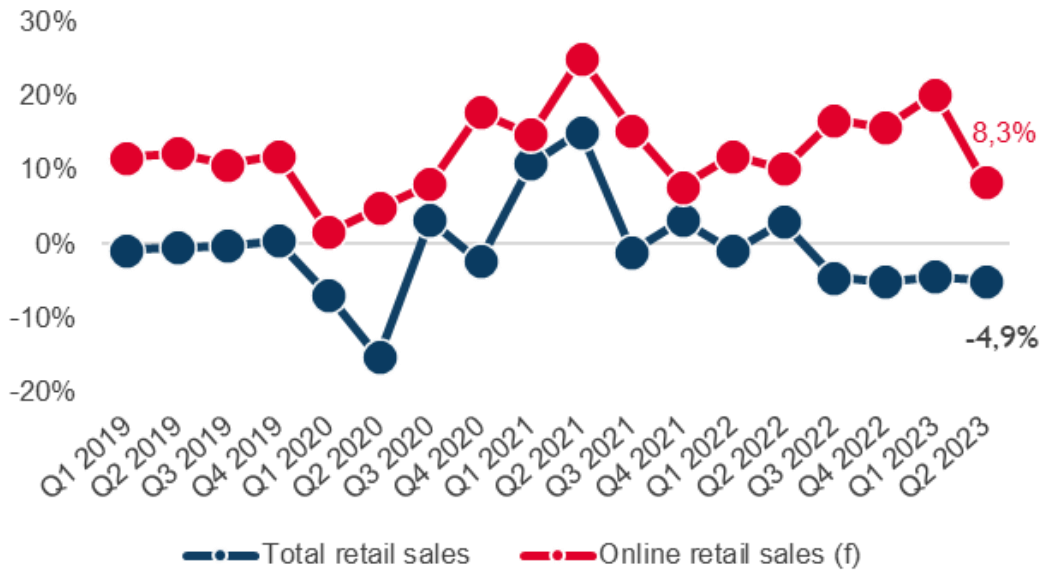
Source: FEVAD

3. E-commerce: a fully-fledged player in omnichannel

- The average basket size rose over the last year to **€69** and returned to 2016 levels (+€2 vs 2022).
- Slight slowdown in online sales over Q2 2023, against an overall backdrop of steadily declining sales in the retail sector as a whole (-5%/quarter for the past year).
- Moving towards performance convergence across all distribution channels, reflecting the impact of inflation and reduced consumption.

€69
Q2 2023
Average basket e-commerce

Quarterly sales growth: online vs retail trade



Source: Banque de France, FEVAD

92% of French people visit shopping centres, 69% of them regularly (average length of visit 1 hour 47 mins)

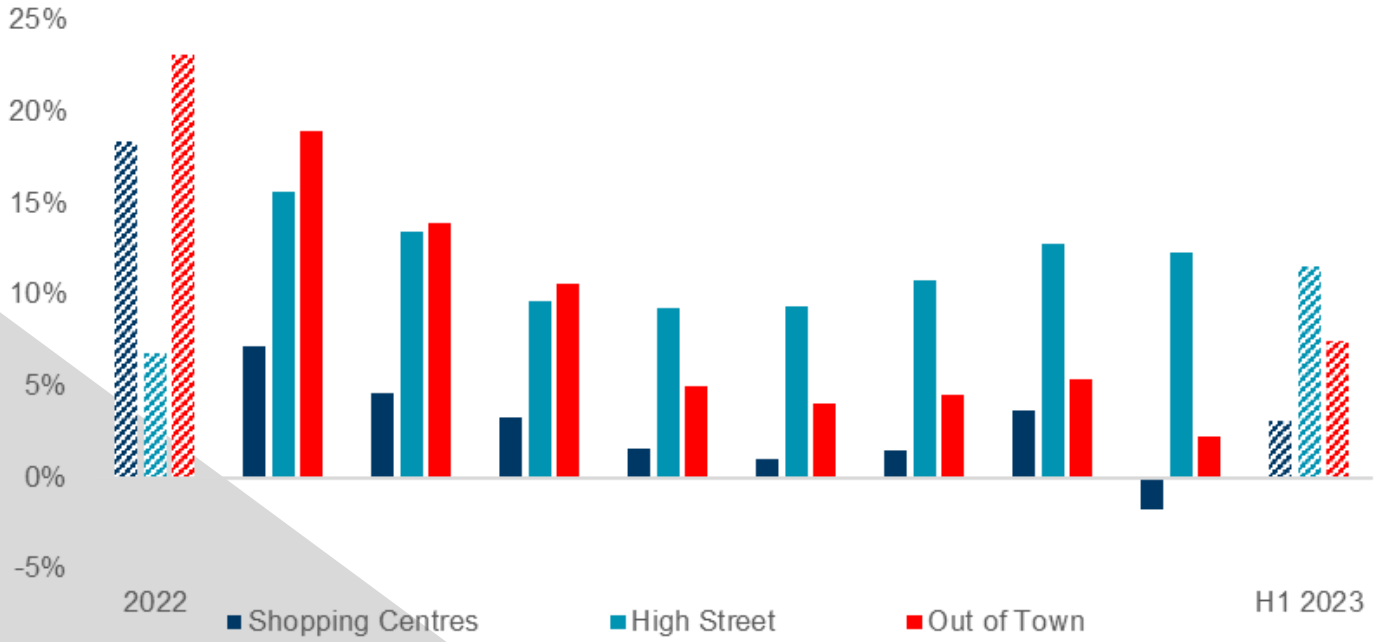
(Opinionway for Lonsdale)
July 2023

75% of French people visit retail parks, 49% of them regularly (average length of visit 1 hour 46 minutes)

(Opinionway for Lonsdale)
July 2023

4. Retail footfall: levels falling since the beginning of the year

Change in footfall indices by retail type



Source: FACT/Quantaflow/MyTraffic indices

Slowdown in footfall over the summer, mainly in out-of-town locations, but very good levels of footfall on high streets with recovery in tourism and the partial return of employees to offices.

4. Rents and rental values: sustained demand for high streets

High streets

- The rental market remains relatively active with demand focussed on high streets with high levels of footfall or a specific positioning.
- The shortage of supply in the most sought-after sectors should benefit secondary high streets, particularly in the large-space segment.
- The Olympic Games will prompt an acceleration in the rythm of transactions and opening schedules for prime Parisian high streets, driven by the constraints associated with the approaching Games, particularly in terms of the completion of works.

Prime rents

Market	CITY/REGION	OVERALL AVG PRIME RENT (€m² ZA)*	Recent Trend
HIGH STREET		**15,500**	
Avenue des Champs Elysees	Paris	15,500	▶
Rue de Rivoli	Paris	3,300	▶
Boulevard St Germain	Paris	4,700	▲
Rue St. Honoré	Paris	13,500	▶
Rue des Francs-Bourgeois	Paris	6,200	▲
Rue de la Republique Lyon	Lyon	2,500	▶
Rue St Ferreol Marseille	Marseille	1,300	▶
Rue St Catherine Bordeaux	Bordeaux	2,500	▶

*Rents per sq m in Zone A (using the general space weighting formula). These values, which exclude taxes and service charges, including lease transfers (droit au bail), decapitalised and written back.

Source: Cushman & Wakefield

4. Rents and rental values: rise prompted by inflation

Shopping centre footfall has been slowing since spring, with the first negative monthly change since the end of the crisis seen in August (-1.8%).

- The rise in prices seen for more than a year has led to an increase in retailer turnovers (cumulative +4.5% by the end of August 2023 for shopping centres, according to FACT) and has prompted renewals and new leases to follow the same trend aligning, to some extent, with index-linked rents (ILC at +6.6 in Q2).
- Incentives remain a key point in negotiations between landlords and retailers

Prime rents

Market	CITY/REGION	OVERALL AVG PRIME RENT (€/m²)	Recent Trend
SHOPPING CENTRES*		**2,200**	
Centres super régionaux	Paris/Regions	2,200	▲
Centres régionaux	Paris/Regions	1,150	▲
Grands centres	Paris/Regions	825	▲
Petits centres	Paris/Regions	525	▲
RETAIL PARKS		**470**	
Big Boxes	Paris/Regions	260	▲
New Generation Retail Parks	Paris/Regions	470	▲

*based on units from 150 to 200 sq m for personal goods
**excluding themed restaurants

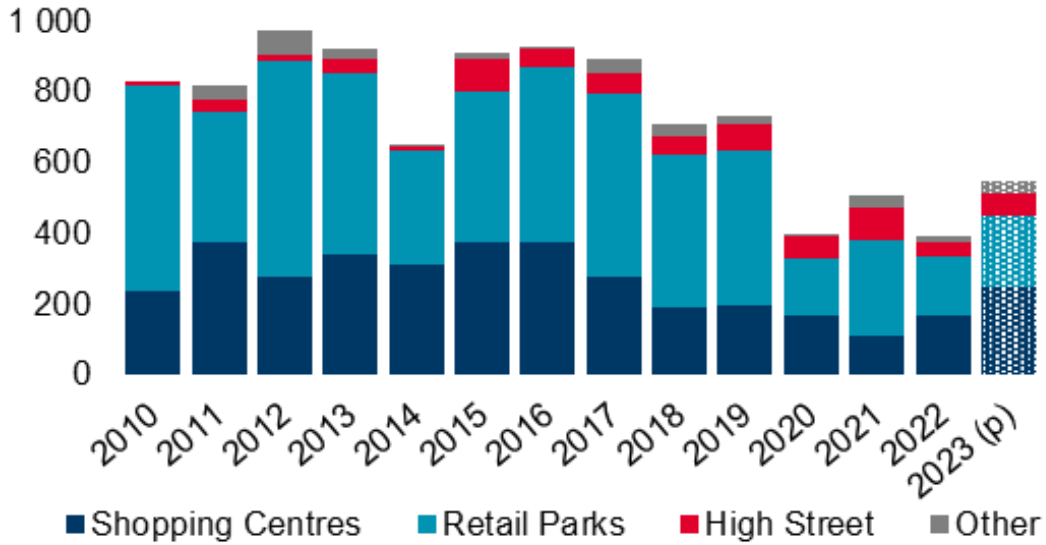
Source: Cushman & Wakefield

5. Stock: an ambitious pipeline indicative of a low opening rate for Q4

- Shopping centres are still in the majority, accounting for 46% of the space to be opened in 2023

550,000 sq m
Estimate of openings in 2023
(all format types)

Changes in completions by asset type (sq m)



- An uptick in project volumes for 2023 due to postponements and deferrals in projects that have already been authorised (supply and financing difficulties, multiple appeals, etc.).
- **Greater proportion of new space planned for 2023** in retail parks (+23% vs. 2022) and a sharp reduction for shopping centres (-58%).
- Shift to a wider range of uses with the emergence of hybrid projects incorporating offices, housing and leisure.

Source: Cushman & Wakefield

94% of French people consider physical retail to be useful
vs
87% for e-commerce

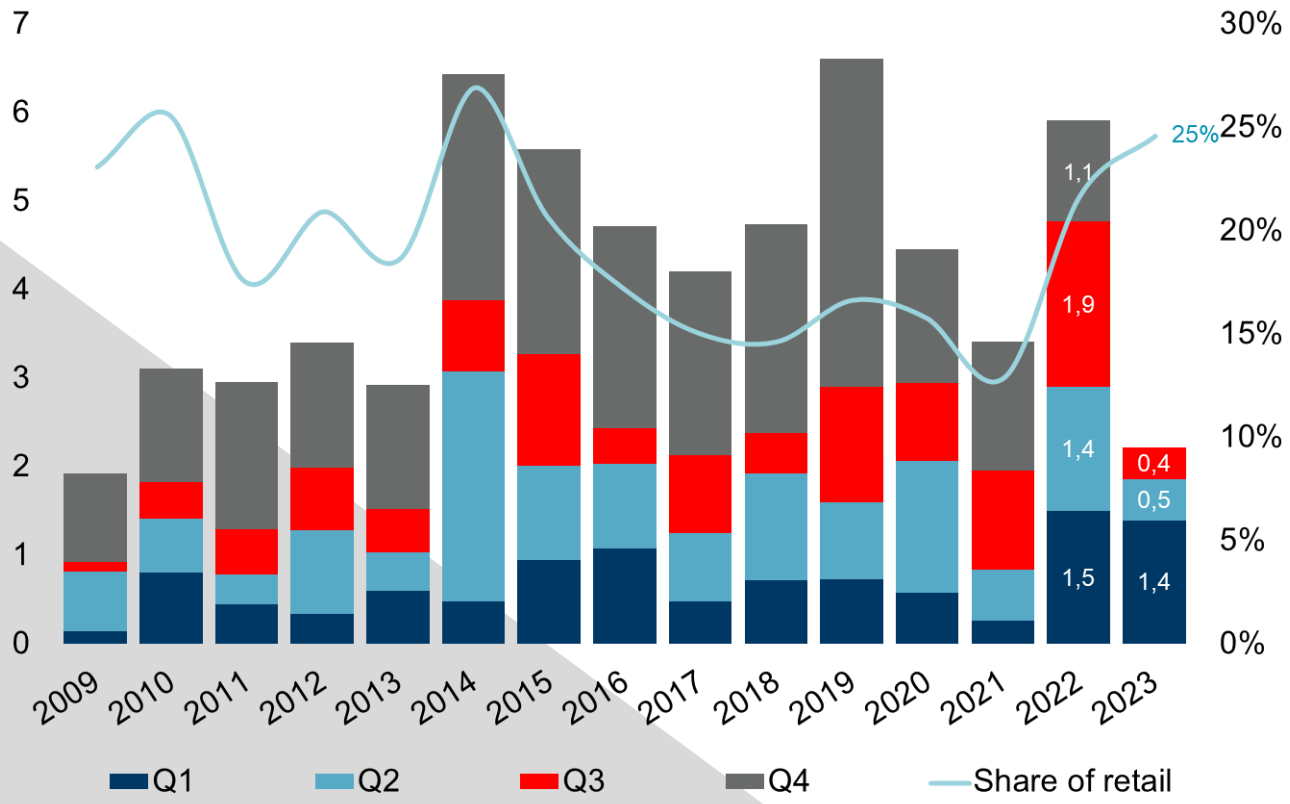
(Opinionway for Bonial)
August 2023

90% of respondents prefer physical stores
(88% in March 2022)

(Havas Commerce/CSA Research)
September 2023

6. Investment: expected slowdown

Retail investment volume in France, (€ billions)



25% Q1-Q3 2022

Share of retail in total investment volume
(10-year average 18%)

- **€2.2bn** invested by the end of September 2023, down sharply on 2022 (-54%). This volume is based on activity recorded over Q1 (63% of the volume for Q1-Q3).
- Nearly half of the investment volume was in the >€100m segment, but the overall number of transactions in this segment was lower (4 in Q1-Q3 vs. 17 in 2022).
- The retail category maintained its market share at **¼ of investments** in commercial real estate, against a backdrop of a general slowdown in activity

Source: Cushman & Wakefield

6. Investment: a market dominated by shopping centres and high streets accounting for 65% of volumes

Prime retail yields

Prime Yields France		Q3 2023	Trend +/- 12 months
Mall of hypermkt challenger in medium cities	Max	12,50%	▲
	Min	8,25%	
Mall of hypermkt dominant in big cities	Max	8,00%	▲
	Min	6,00%	
Regional Shopping Centre		5,50%	▲
Super regional Shopping Centre		5,00%	▲
Retail-parks new generation		5,25%	▲
High street Paris		4,00%	▲

- High proportion of investment volume in **shopping centres** (37%), largely due to INGKA's Q1 acquisition of Italy 2 + Italik.
- **High street** activity was bolstered by two major transactions: VALENTINO on Avenue Montaigne (€227.5 million) and TIFFANY on Avenue des Champs Elysées (€90 million).

▲ **72%** Q1-Q3 2022

Proportion of French investments in retail
(10-year average 41%)

The investment market benefited from pre-crisis negotiations over Q1, but has slowed significantly over the last 6 months in anticipation of repricing and renewed confidence in financial markets.

Source: Cushman & Wakefield

Retail market
10 trends for autumn 2023

1. Continued high inflation is weighing both on charges and household consumption

2. Renewed balance between physical and online retail

3. Marked slowdown in the investment market in Q2/Q3 after an exceptional Q1

4. Increase in bankruptcies (end of "at-any-cost" approach, state loan repayments)

5. Some sectors actively developing (sport, discount, food & beverage)

6. Retailers addressing all markets (high street/out of town) and are adapting to various formats

7. Rental values stable after readjustment, a key driver for rental activity

8. Out-of-town retail more attractive than ever

9. Olympic Games still driving activity in Paris and for pop-ups

10. Shift towards a wider range of uses for developments underway and future projects

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