

MARKETBEAT

FRANCE - INVESTMENT

H1 2024

MARKETBEAT

INVESTMENT H1 2024

Key figures

Investment



**including €0.38bn in industrial*

Widespread reduction in volumes for most asset classes

- Overall slowdown in activity, except for logistics warehouses,
- Marked geographical diversification of investments between Greater Paris and regional markets.

Offices

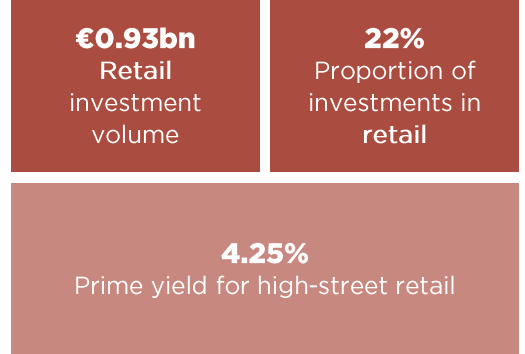


Stagnant market, with no signs of recovery yet

- Historically low transaction volumes,
- Overall decline in transactions for lot sizes >€100m,
- Half of all transactions were in the Greater Paris Region.



Retail



Overall slowdown in activity

- Investment down by -50% across the market as a whole,
- Few transactions for large lot sizes,
- Recovery in high-street retail.

Logistics



Active sector despite the challenging climate

- Growth in investment volumes over Q2 2024,
- 39 transactions by the end of H1 for 1.4 million sq m,
- Portfolio disposals combining assets in the Greater Paris Region and regional markets.



ECONOMIC OVERVIEW

Q2 2024

Fog or light mist?

Long-awaited end to the economic trough

Just as the economy seemed to be entering a phase of stability that may have heralded a gradual recovery, the dissolution of the National Assembly on 9 June plunged France into a new period of doubt and uncertainty.

In recent months, economic activity has been underpinned by foreign trade and household consumption (+0.5% in Q2 vs +0.1% in Q1), which has benefited from the impact of slowing inflation since the start of the year with levels reaching +2.1% year on year by the end of June. Meanwhile, core inflation has continued to fall, dropping below 2% since April. INSEE is forecasting a slight +0.3% rise in growth over Q2 and +0.5% in Q3 due to a boost in activity from the Olympic and Paralympic Games, before taking a negative turn (-0.1%) towards the end of the year.

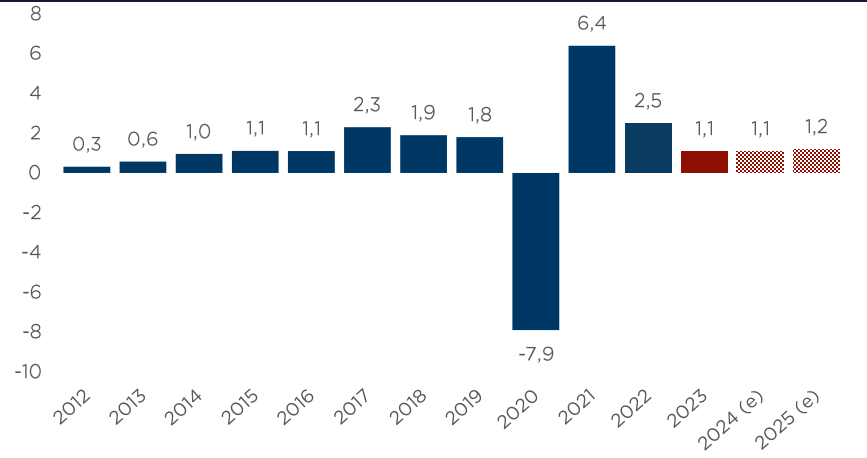
Forecasts from the end of 2024 predicted an "optimistic" annual growth of around +1%, broadly in line with 2023. However, uncertainty surrounding the results of the general election is unlikely to fade any time soon and could disrupt the balance of power over the coming months.

Should there be no absolute majority, doubt will be cast on the ability of a future government to establish a solid consensus on implementing policies that promote economic growth and control the budget deficit (still in excess of 5% of GDP), while the needs of energy transition alone represent 4% of GDP.

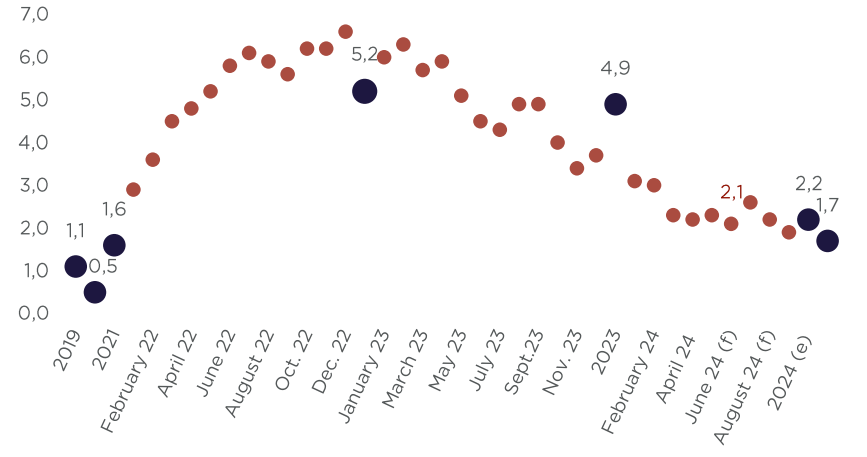
In response to the EU opening excessive deficit procedures, France needs to clean up its public finances and may also face downgrades by rating agencies. The country's acute political crisis is likely to reawaken fears that growth will be difficult to sustain and give rise to concern among investors. There are also international concerns around the US presidential elections in November 2024, the war in Ukraine and the Israeli-Palestinian conflict, all of which are likely to dissuade foreign players from re-entering the French market.

Meanwhile, bankruptcies continued rise in Q2 (16,000 in Q2 2024), prompting a slight increase in unemployment which should stand at around 7.6% by the end of the year.

GDP GROWTH FRANCE (%)



INFLATION RATE FRANCE (%)



ECONOMIC OVERVIEW

Q2 2024

Tentative confidence

Speed or haste?

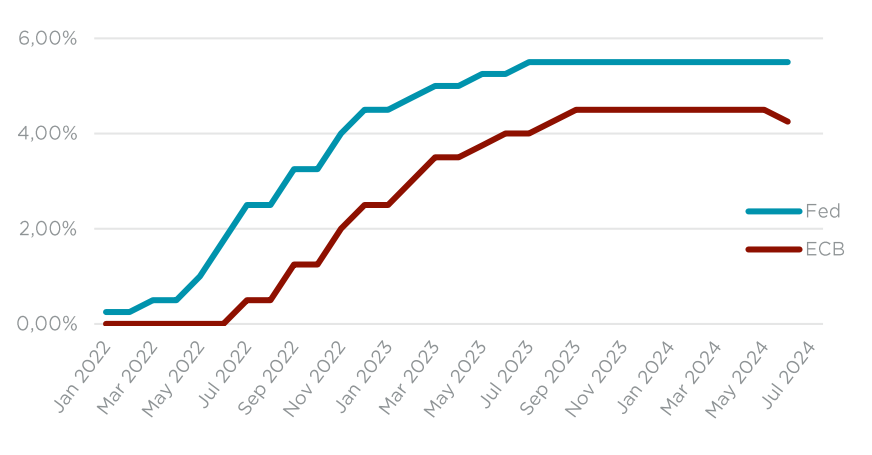
The fall in inflation in the Eurozone to 2.4% in March and April prompted the ECB to consider cutting interest rates, despite a slight uptick in May to 2.6%. The ECB Governing Council reached a consensus between hardliners and moderates to begin cutting key rates by 25bps to 4.25% in June.

Price trends from the summer onwards will determine whether further cuts are possible by the end of the year, but the governors remain cautious and pragmatic, not wishing to commit too soon to an unsustainable inflationary path, while inflation is still subject to potential wage rises and persistent geopolitical and climatic tension.

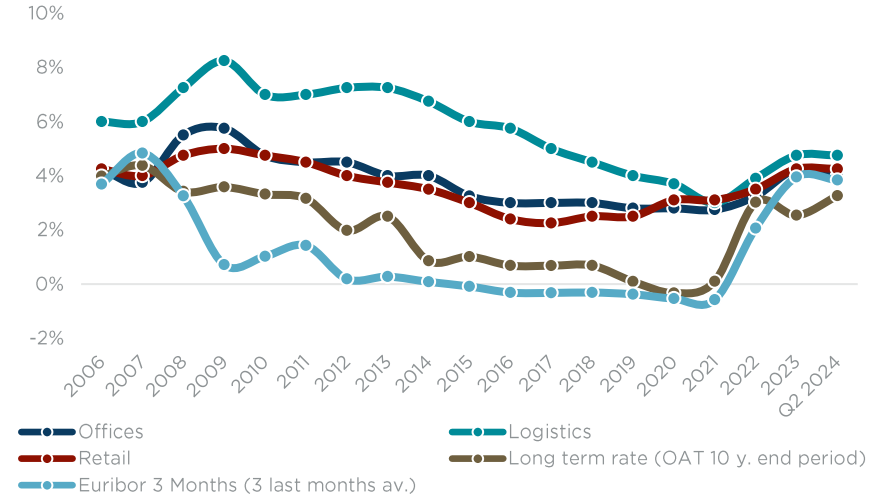
On the other side of the Atlantic, the US economy is in the midst of a divergent cycle, with the Fed maintaining rates at 5.50% for the past year, in anticipation of a robust fall in prices and easing in the labour market.

From the end of 2023, the bond markets made a clear response to the fall in inflation with the easing of long-term borrowing rates. With the market struggling to recover over the long term, the upturn was short-lived. OAT yield decompression resumed in earnest in the spring and has remained above 3% since May, peaking at over 3.30% following the dissolution of the French National Assembly, thereby widening the gap with German debt. Faced with this stop-start monetary situation, yields remained cautiously stable over Q2, apart from in the most sought-after office markets (-25 bps in Paris CBD), where transactional activity was fuelled by strong demand and buoyed by the downward trend in interest rates. However, investors remain very cautious and the market is unlikely to see any sustained activity before 2025.

MONTHLY CHANGE IN KEY RATES (REFINANCING)



FINANCIAL CLIMATE AND PRIME REAL ESTATE YIELDS, %



MARKETBEAT INVESTMENT H1 2024

Overview

General fall in volumes for most asset classes

Overall slowdown in activity, except for logistics warehouses

H1 2024 saw moderate economic growth in France, despite the challenges posed by persistent inflation.

Investment volumes and growth were very uneven across asset types. Over in H1 2024, a total of €1.75bn (41% of overall investment) was recorded for offices, down -54% year on year.

There was a degree of activity in the office market, most of which was in major cities, such as Paris and Lyon.

€4.26bn was invested over H1 2024, down -39% on H1 2023 and -56% lower than the 10-year average. Foreign investors accounted for 46% of the overall volume over the period, i.e. twice the level seen in 2023.

The only increase in transactional volumes was seen for logistics warehouses, with €1.23bn in investments over H1 2024 (29% of the total), up +75% year on year.

Other asset classes (retail and industrial) accounted for

€0.93bn and €0.35bn respectively, down on the previous year.

Marked geographical diversification in investments between Greater Paris and regional markets.

€1.98bn was invested in the Greater Paris Region, compared with €1.94bn in the rest of France. This equal split was due to an increase in the volume of logistics warehouses, particularly in regional markets.

Portfolios accounted for €0.34bn, or around 8% of the overall investment volume.

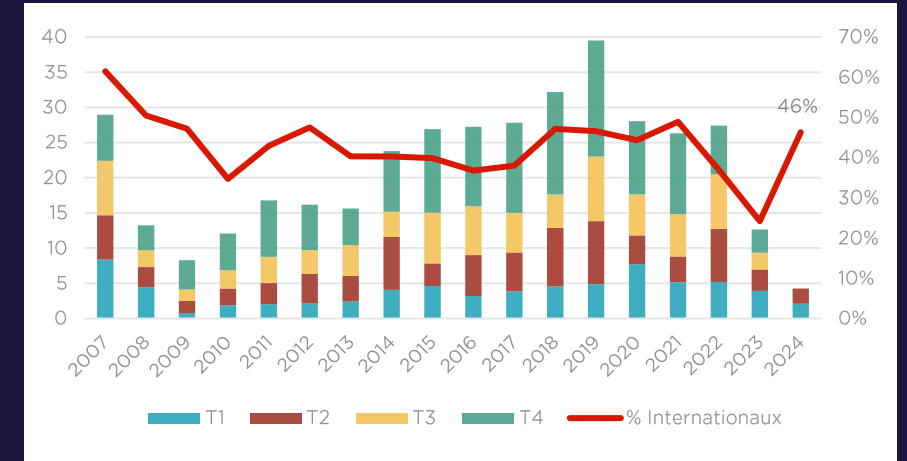
In terms of offices, the Greater Paris Region accounted for 57% of the overall investment volume (€1 billion). While the same was seen for industrial and retail, the opposite applied to logistics warehouses, for which activity in Greater Paris accounted for 21% of the overall volume (i.e. €0.26 billion).

3.26%

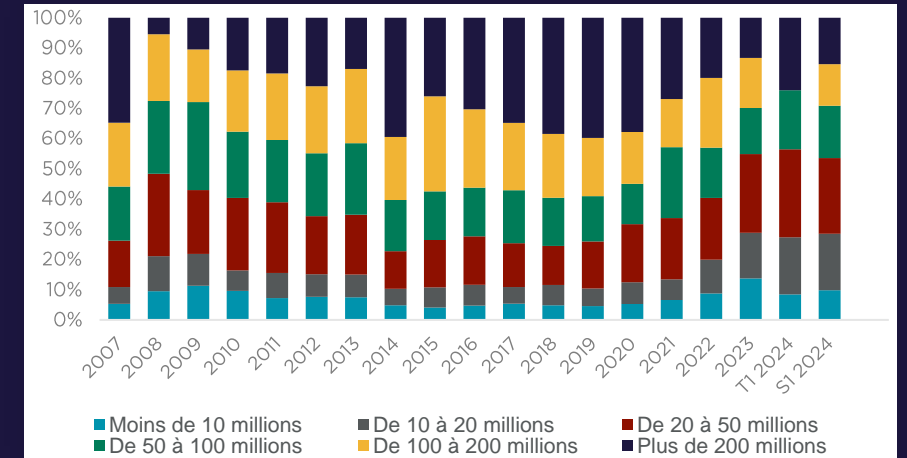
10-year OAT TEC
at 28 June 2024

3.84%
3-month Euribor

Investment volumes by quarter, € billions



Investment volume by lot size, in €





01

OFFICES

MARKETBEAT INVESTMENT H1 2024

Offices

Stagnant market, with no signs of recovery yet

Historically low transaction volumes

For several years, the French office market has seen significant adjustment as a result of new post-pandemic working models and the current economic uncertainty. 83 transactions were recorded over H1 2024, representing a total of €1.8bn over the period (down -54% on H1 2023).

Compared with H1 202, the reduction in transactional activity was more pronounced in the Greater Paris Region (-64%) and less so in regional markets (-37%).

The CBD accounted for 38% of the transaction volume with €657m. €107m was recorded in the rest of Paris and €91m in the Inner Suburbs, keeping the Greater Paris Region at the top of the French investment market.

PONTEGADEA's Q1 acquisition of the Grand Opéra building is still the largest transaction recorded over H1. With bankers currently struggling to finance office assets, liquidity has been limited to the €10-50m segment (58% of the Greater Paris Region investment volume).

Overall decline in transactions >€100m

Transactions for lot sizes from €0m to €50m accounted for over 90% of the number of deals. There were 3

transactions in the €100m to €200m segment and 1 transaction >€200m recorded over H1.

This decline in the number of transactions correlates with the overall fall in volumes.

Half of all transactions were carried out in the Greater Paris Region

Within the Greater Paris Region, volumes totalled €0.9bn in Paris and the Inner Suburbs, broken down as follows: 77% in the CBD, 13% for the rest of Paris and 10% in the Inner Suburbs.

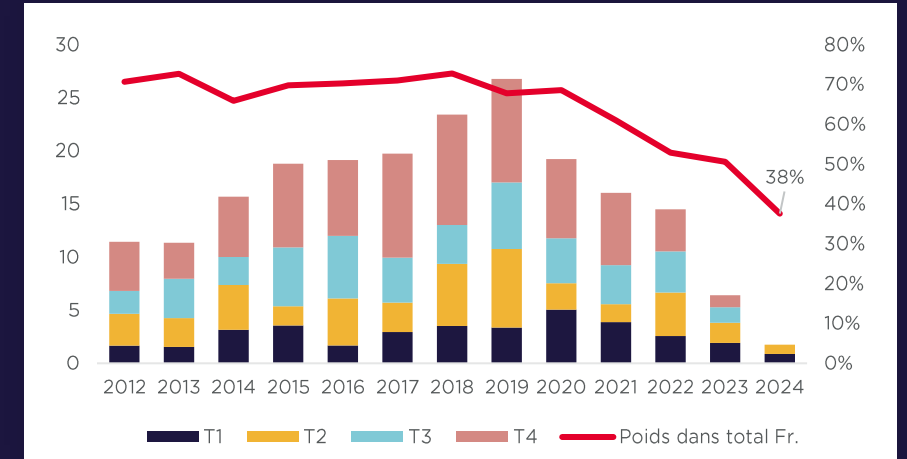
Activity in regional markets focused on assets <€10m, which accounted for almost 50% of transactions (compared with 67% in H1 2023). However, there were no deals for lot sizes >€50m, compared with 4 deals >€50m over the same period last year.

The prime rent in the CBD and the prime yield in the Greater Paris Region remained stable at €1,079/sq m/year and 4.25% respectively.

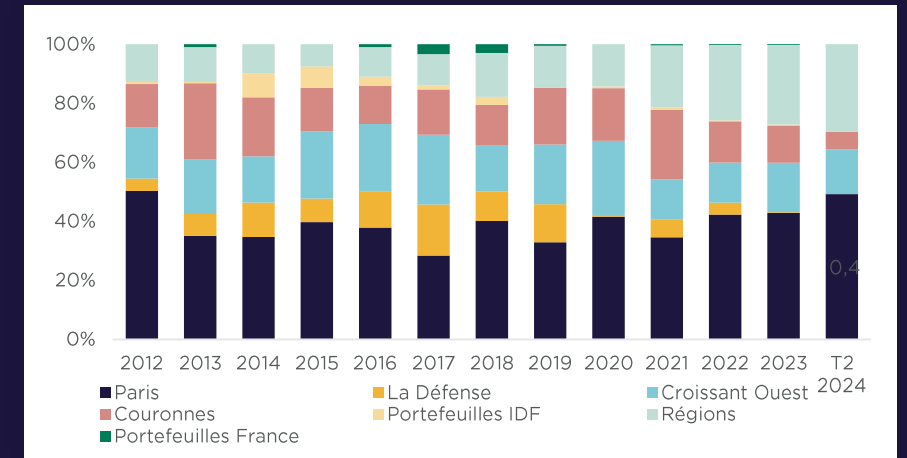
€1.8bn
Office investment
volume

41%
Proportion of
investments in
offices

Office investment volumes by quarter, € billions



Office investment volumes by location



MARKETBEAT INVESTMENT H1 2024

Examples of major office investments

H1 2024

Deal	Area	Vendor	Purchaser
GRAND OPERA	Greater Paris	ASSEMBLY	PONTEGADEA
ESPACE CARNOT	Hauts-de-France	CREDIT AGRICOLE	NORMA CAPITAL
40 GEORGE V	Greater Paris Region	PRIVE MOYEN ORIENT	FONCIERE RENAISSANCE
LDLC LIMONEST	Auvergne-Rhône-Alpes	IMMOVALOR GESTION	REMAKE ASSET MANAGEMENT
HALLE NOVA - PLOT C	Occitania	HINOVATIS (AMETIS - GAIA)	MIDI 2I
5 OPERA	Greater Paris Region	AMUNDI IMMOBILIER	FINANCIERE SAINT JAMES
LIBERTE 1	Greater Paris Region	COVIVIO	HINES
CONNEXION	Auvergne-Rhône-Alpes	CARRE D'OR IMMOBILIER	A PLUS FINANCE
LE BARON	Greater Paris Region	LAZARD GROUP	CDC INVESTISSEMENT IMMOBILIER

 TRANSACTION BY CUSHMAN & WAKEFIELD

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02

RETAIL

MARKETBEAT INVESTMENT H1 2024

Retail

Tales of an expected slowdown...

Investment down -50% across the market

Q2 retail transactional activity continued to follow the trend seen in recent months, with total of almost €0.5bn, representing a +2% increase on Q1 and a moderate -3% reduction compared with Q2 2023. With less than €1 billion invested in retail, the cumulative H1 total was down -50% year on year, when we saw a particularly buoyant Q1 (€1.4bn). Although this performance was expected, it confirms the slowdown seen in the commercial real estate investment market over the last 12 months and demonstrates the 'wait-and-see' stance investors are taking. The retail segment was no exception, maintaining its market share at almost a quarter of investment volumes by the end of June (22% vs. 19% average over the last 10 years).

Few transactions for large lot sizes

This contraction in investment was partly due to the decline in large-volume transactions (>€100m), with only 2 such transactions over H1. Following KLÉPIERRE and SOFIDY's acquisition of the "O'Parinor" shopping centre over Q1, there was a further transaction for a new mixed-use, predominantly retail development in the heart of Paris.

Recovery in high-street retail

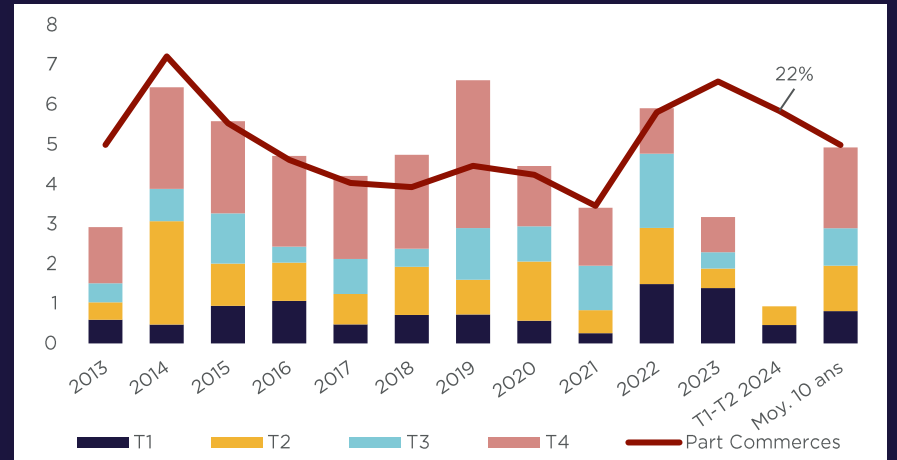
This transaction bolstered the high-street segment which accounted for 32% of the retail volume by the end of June, marking a return to the historical average. Retail parks were the "poor relation" over H1, accounting for 13% of the investment volume (compared with a 5-year average of 23%), while the market was buoyed by shopping centre activity (1/3 of the investment volume), predominantly supermarkets, including a CARREFOUR portfolio for >€50 million.

The optimism seen following the first cut in key rates at the end of the quarter (-25bps) was short-lived, as the outlook seems to be heading for a new plateau in anticipation of market improvement. Added to this is the current political and economic climate in France which could prompt investors to be even more cautious, especially foreign investors, who are still very much in the minority (15% of investments over H1 compared with a 10-year average of 36%). Against this stop-start monetary backdrop, yields remained cautiously stable over Q2.

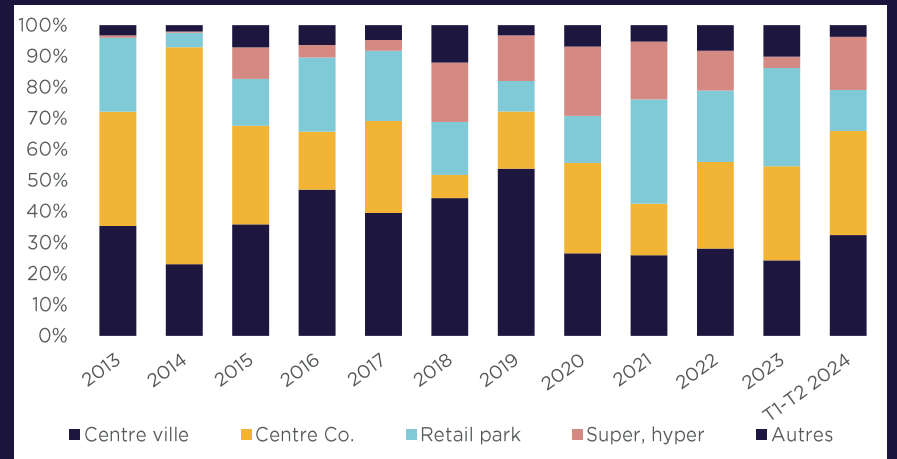
€0.9 billion
Retail investment volume

22%
Proportion of investments in retail

Retail investment volume by quarter, €bn



Retail investment volume by asset type, %



Source: Cushman & Wakefield

MARKETBEAT INVESTMENT H1 2024

Examples of major retail investments

H1 2024

Deal	Type	Vendor	Purchaser
VAL DE SAMBRE SHOPPING CENTRE	Shopping centres	CEETRUS	IROKO ZEN
RP BAY 3	Retail parks	FREY	GROUPE BOURRELIER
 MIXED-USE BUILDING PREDOMINANTLY RETAIL	High street	PRIVATE	CONFIDENTIAL
CARREFOUR PORTFOLIO	Supermarket	CARREFOUR	SUPERMARKET INCOME REIT
 RP DIEPPE	Retail parks	OTHRYS ASSET MANAGEMENT	ROCHE & DUBAR
 42 RUE DE SEVRES-PARIS <small>(buy side)</small>	High street	PIMPCO	BARINGS
RP HEROUVILLE	Retail parks	MITISKA REIM	SOGENIAL IMMOBILIER / SERRIS REIM
DOCKS DE SAINT OUEN	Shopping centres	FREY	BANQUE DES TERRITOIRES
RP ARCAL OZ (ANNECY SEYNOD)	Retail parks	BNP REIM	ALTAREA IM
 O'PARINOR	Shopping centres	HAMMERSON / PATRIZIA	SOFIDY (75%) / KLEPIERRE (25%)
 TRANSACTION BY CUSHMAN & WAKEFIELD			





03

LOGISTICS

MARKETBEAT LOGISTICS H1 2024

Logistics

An active sector despite the difficult climate

Growth in investment volumes over Q2 2024

With €0.7bn invested over Q2, the logistics market is showing signs of vitality that were lacking last year. Core+ and Value add properties were the most popular over the period. The Core segment was still not very active over H1, mainly because of a lack of supply.

Investors are ready to take on both the asset and property management with a view to re-leasing assets at the end of the lease term.

A total of €1.2 billion was acquired over H1 (+75% compared with H1 2023), taking the logistics market share to 29% of the overall commercial real estate investment volume.

39 transactions were recorded over H1

Nearly 1.4 million sq m of logistics warehouse space was acquired over H1 2024, more than double the amount over the same period in 2023.

Of the 39 assets sold, just over 80% was invested in properties in the <€50m segment, a clear indication that the bulk of activity was still for smaller lot sizes. However, Q2 did see the completion of a transaction (portfolio) for over €200m.

The investment volume was mainly bolstered by foreign investors, who were involved in 27 of the 39 transactions, representing 88% of H1 investment volume.

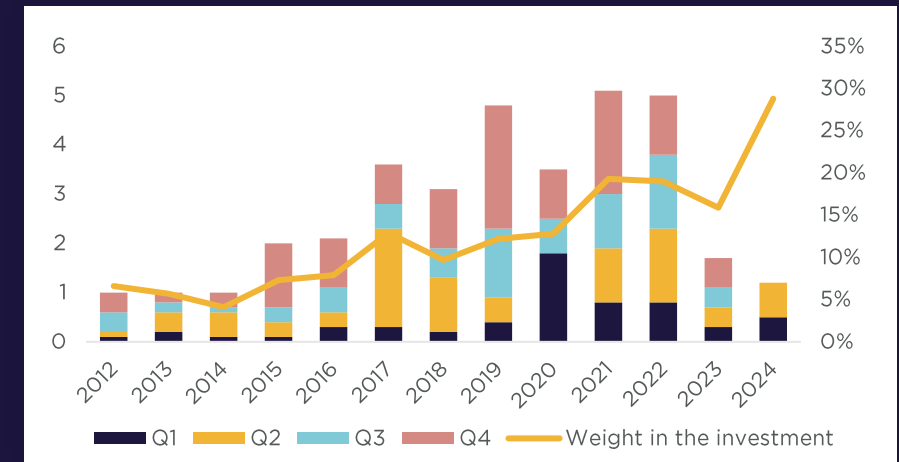
Deals were mainly for portfolios in both the Greater Paris Region and regional markets

In addition to a portfolio of 6 assets acquired by an English investor over Q1 for €100m, Blackstone disposed of a >€200m portfolio over Q2. 43% of transactions by volume were portfolio disposals.

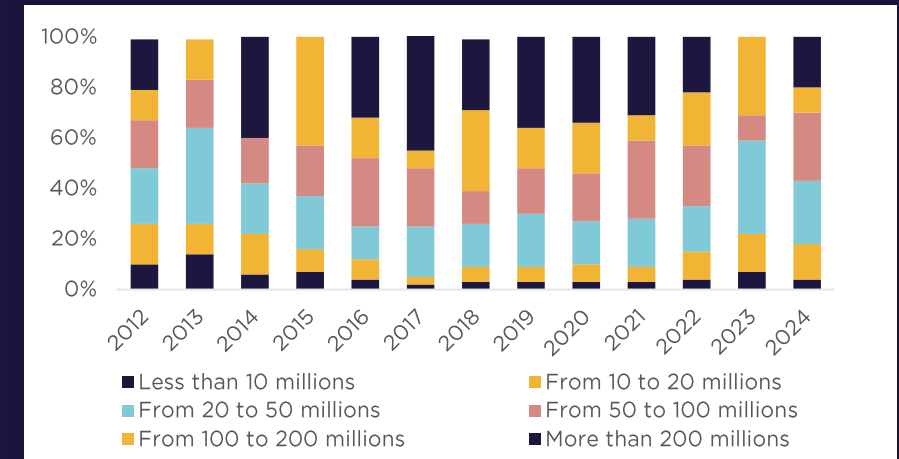
The prime yield for the Greater Paris Region remained stable at 4.75%.

29%
Proportion of investments in logistics

Breakdown of investments in logistics assets, in %






Breakdown of investments in logistics assets, in %



MARKETBEAT LOGISTICS H1 2024

Major logistics investment transactions

H1 2023

DEAL	TYPE	VENDOR	PURCHASER
 MAESTRO PORTFOLIO	Centre-Val de Loire	CBRE INVESTMENT MANAGEMENT	BROOKFIELD / BT IMMO
WAREHOUSE, FONTENOY SUR MOSELLE	Grand Est	P B I PASCAL BREUIL IMMOBILIER	ALDERAN
 CESTAS C LOGISTICS	Nouvelle-Aquitaine	AMUNDI IMMOBILIER	KKR / ETCHE
MONTCLAIR PORTFOLIO	Greater Paris Region	BLACKSTONE	ARES MANAGEMENT FRANCE
WAREHOUSE, BUCHELAY	Greater Paris Region	DIDEROT REAL ESTATE	WEINBERG CAPITAL PARTNERS
 LOGISTICS PLATFORM, CORBAS	Auvergne-Rhône-Alpes	BNP REIM	PROLOGIS
WAREHOUSE, SURY	Auvergne-Rhône-Alpes	GOODMAN France	CLARION GRAMERCY
WAREHOUSE, MER	Centre-Val de Loire	DWS	ARES MANAGEMENT FRANCE
PODIUM	Various	MILEWAY / BLACKSTONE	ARAX PROPERTIES / PICTET

 TRANSACTION BY CUSHMAN & WAKEFIELD



MARKETBEAT INVESTMENT H1 2024

Glossary

CORE: Asset benefiting from a prime geographic location and ensuring safe rental yields due to the quality of the tenants, the duration of the leases, the low vacancy rate and low rental rotation rate.

CORE +: Assets for which an investor can accept a less secured income compensated by a further increase in value. Well located and of good quality, these assets may require renovation or active asset management to upgrade their occupancy rate.

EONIA (Euro Over Night Index Average) rate: Overnight interbank reference rate for the Euro.

EURIBOR: Euro Interbank Offered Rate: This is the rate at which Euro interbank term deposits are offered by one prime bank to another prime bank within the EMU zone. It corresponds to the daily valuation provided by a sample of 57 European banking institutions.

LTV (Loan-to-Value): Debt ratio (amount of funding over the total value of the asset).

10-year Government Bond Yield: Treasury bonds backing long-term government debt, with maturities of 10 years.

OPPORTUNISTIC INVESTMENT: Investment strategy aiming to identify and capitalize on emerging investment opportunities and trends before they are fully recognized by the investor's community.

PRIME YIELD: Ratio of rents (less expenses) over the acquisition price (deed in hand) of the asset. The lowest profitability recorded during a given period, after outlying values have been eliminated (less than two occurrences).

VALUE-ADDED: Assets acquired for the purpose of creating or recreating value through dynamic management.

INVESTMENT VOLUME: Acquisition of commercial real estate assets – Office, Retail, Warehouses and light industrial – by "CRE" investors i.e., investors whose only purpose is to get rental income or capital gains when selling on.

MARKETBEAT INVESTMENT H1 2024

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- Investment & Asset Management
- Project & Development Services
- Tenant Representation
- Valuation & Advisory

KEY NUMBERS

Around the world

400	60
offices	countries
52 000	\$9,5 Mds
employees	USD turnover 2023

In France

17	+500
offices	employees



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