

Q1 2018

RETAIL

# RETAIL PROPERTY MARKET

FRANCE



### Economy

- Having reached a high point in June 2017, household confidence has since weakened although to the level of its long term average. Most other indicators remain sound. In spite of the increase in inflation, **the improvement in the employment market should contribute to a slight increase in consumption in 2018**, before a potential slow down in 2019 and 2020.
- Following an excellent 2017, **the outlook for the tourism sector is encouraging**. In the Greater Paris region, the number of hotel stays and international passenger traffic at Paris' airports have continued to increase since the start of 2018, whilst 71% of tourism professionals consider their March activity to be "good" and increasing compared to the previous year\*.

### Brands

- The retail industry had a **slow start to the year**. All the same, sales increased by 1.1%\*\* over the first three months of 2018, notably driven by food sales.
- In addition to the difficulties of historic players in the French market (La Grande Récré, recently put into receivership), the start of 2018 was characterised by the increase in alliances between traditional retailers and web-based players (Galeries Lafayette and La Redoute, Monoprix and Sarenza, etc.), which perfectly reflects changes in the distribution world. Retail real estate thus plays an important part in **the need to promote a "seamless" buying experience, whatever the means of delivery**.

### Rental

- The best retail pitches in Paris and large regional cities, the most visited regional shopping centres and the new generation retail parks remain **somewhat spared by brands' arbitrations**. Brands are favouring locations that enable them to combine profitability, footfall and visibility.
- **Concepts with a well-being angle** (food and restaurants, sport, healthcare and beauty products, etc.) continue to multiply, at the same time as the arrival of new leisure formats. Fashion shows a more contrasted picture. Whilst expansion projects do exist, **streamlining operations are becoming more widespread**, impacting the whole of the sector, irrespective of the target market level.

### Investment

- Almost **600 million euros** were invested in the retail market during the 1<sup>st</sup> quarter 2018, a slight increase of 5% in one year. The share of retail is identical to that of last year, but there was a very small number of large deals within this share.
- Investors' risk aversion continues to work in **favour of high streets** (almost 60% of retail investment), ahead of shopping centres and retail parks. **Yields are subject to upward pressure** in the shopping centre (4.00 %) and retail park (4.75 %) sectors. Yields for the best located shops in the capital remain at their lower limit (2.75 %).

## Economic context

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### Sustained growth

#### French economic indicators

Annual growth in %, unless otherwise indicated

Indicator	2016	2017	2018f	2019f
GDP	1.1	2.0	1.9	1.7
Inflation	0.3	1.2	1.6	1.4
Household consumption	2.1	1.3	1.5	1.8
Household income <sup>1</sup>	1.8	1.5	1.7	2.2
Unemployment (whole of France)	10.1	9.4	8.9	8.5

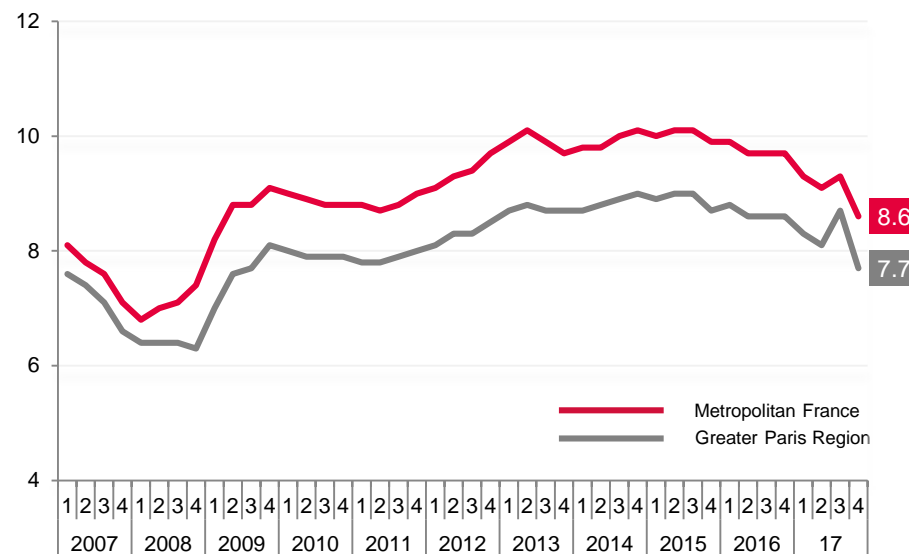
<sup>1</sup>Household real gross disposable income

Source: Banque de France

### Lowest level since 2009

#### Change in unemployment rate

% active population



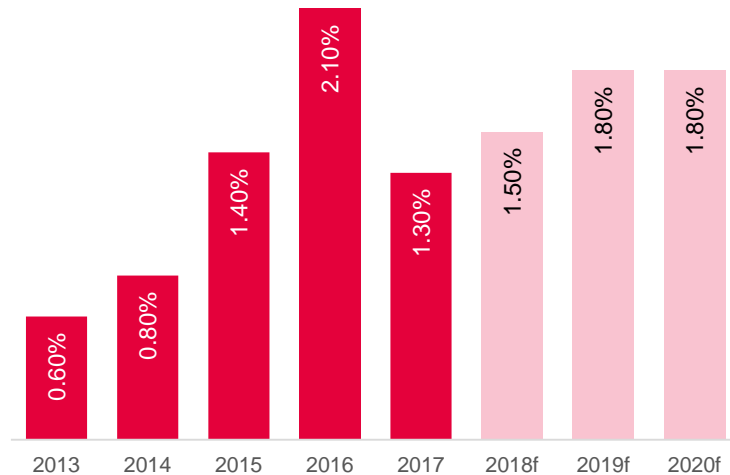
Source: INSEE

- Following strong growth in 2017, **the French economy will maintain a sustained rate of growth** and will show a more balanced profile than in previous years. Domestic demand and company investment will remain dynamic, while the contribution of foreign trade will be noticeably positive, benefitting from the rebound in global demand.
- Activity could slow down from 2019 due to a less favourable exterior context. That being said, forecasts could be revised upwards due to the **anticipated effect of recently undertaken reforms** and new directions in economic policy.

### Moderate growth in consumption

#### Household consumption

In France, % of annual variation by volume



Source: Banque de France, macroeconomic forecasts

### Confidence: average

#### Household opinion

Synthetic indicator – CVS-CJO date



Source: INSEE

- Whilst household confidence has decreased from its high point in June 2017, most indicators remain sound, suggesting a **slight increase in consumption in 2018**, before a stabilisation in 2019 and 2020.
- The improvement in the employment market (with an unemployment rate in France at its lowest level since 2009) and pay rises promise an **increase in buying power**, even if the scope of certain government measures still needs to be measured (housing tax, social contributions, etc). Whilst inflation will increase clearly in 2018, prices, excluding energy and food, will remain contained.

### Slow start to the year

#### Change in retail industry sales

Performance of some activity sectors in France

##### Furniture

Quarterly change  
At end of March



▲ 0.4 %

##### Textile/Clothing

Quarterly change  
At end of March



▼ 3.9 %

##### DIY

Quarterly change  
At end of March



► 0.0 %

##### Food

Quarterly change  
At end of March

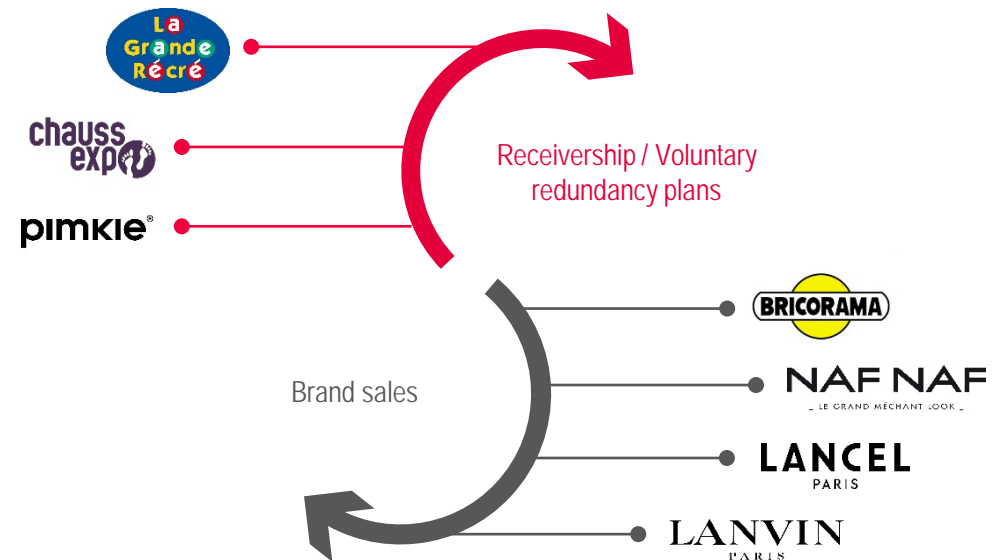


▲ 1.1 %

Sources: Banque de France, IFM

### Pursuit of large operations

#### Examples of recent and future events



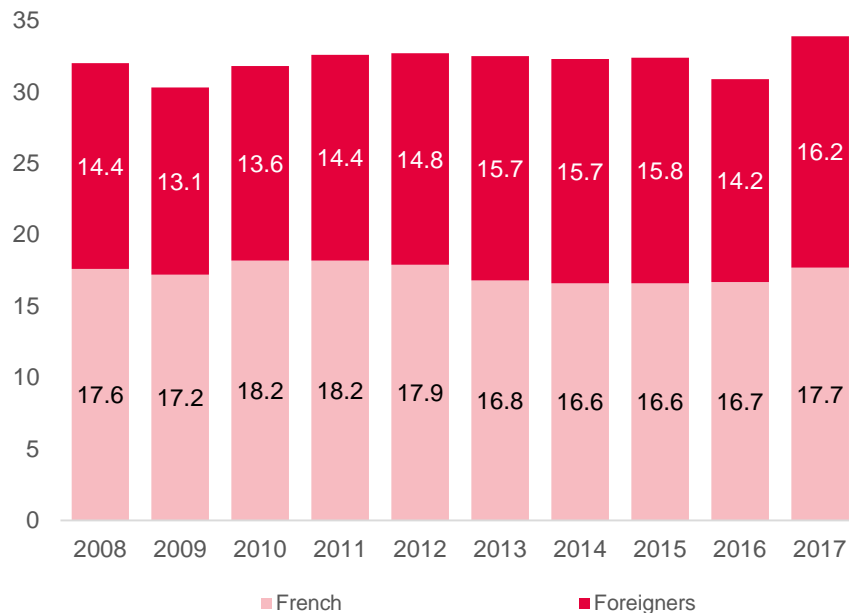
Sources: Knight Frank, press

- The retail industry had a **slow start to the year**. Sales increased by 1.1% over the first three months of 2018 (by volume - cvs-cjo), notably driven by food.
- Following large deals in 2017 (merger of GIFI/Tati, buying of Buffalo Grill, etc.), **the landscape of brands continues to change**. The first months of 2018 were notably characterised by **La Grande Récré being put into receivership**, and the announcement of the **sale of other historic players in the French market**, such as Bricorama, Naf Naf and Lancel.

### At its highest level for 10 years

#### Change in the number of hotel stays

In the Greater Paris Region, in millions

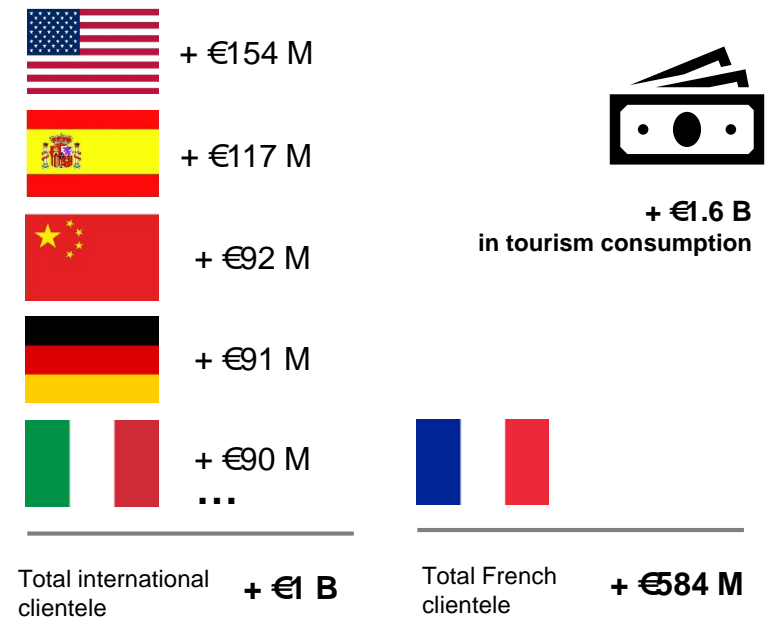


Source: CRT Ile-de-France

### €1.6 B in additional spending

#### 2017 tourist consumption estimate

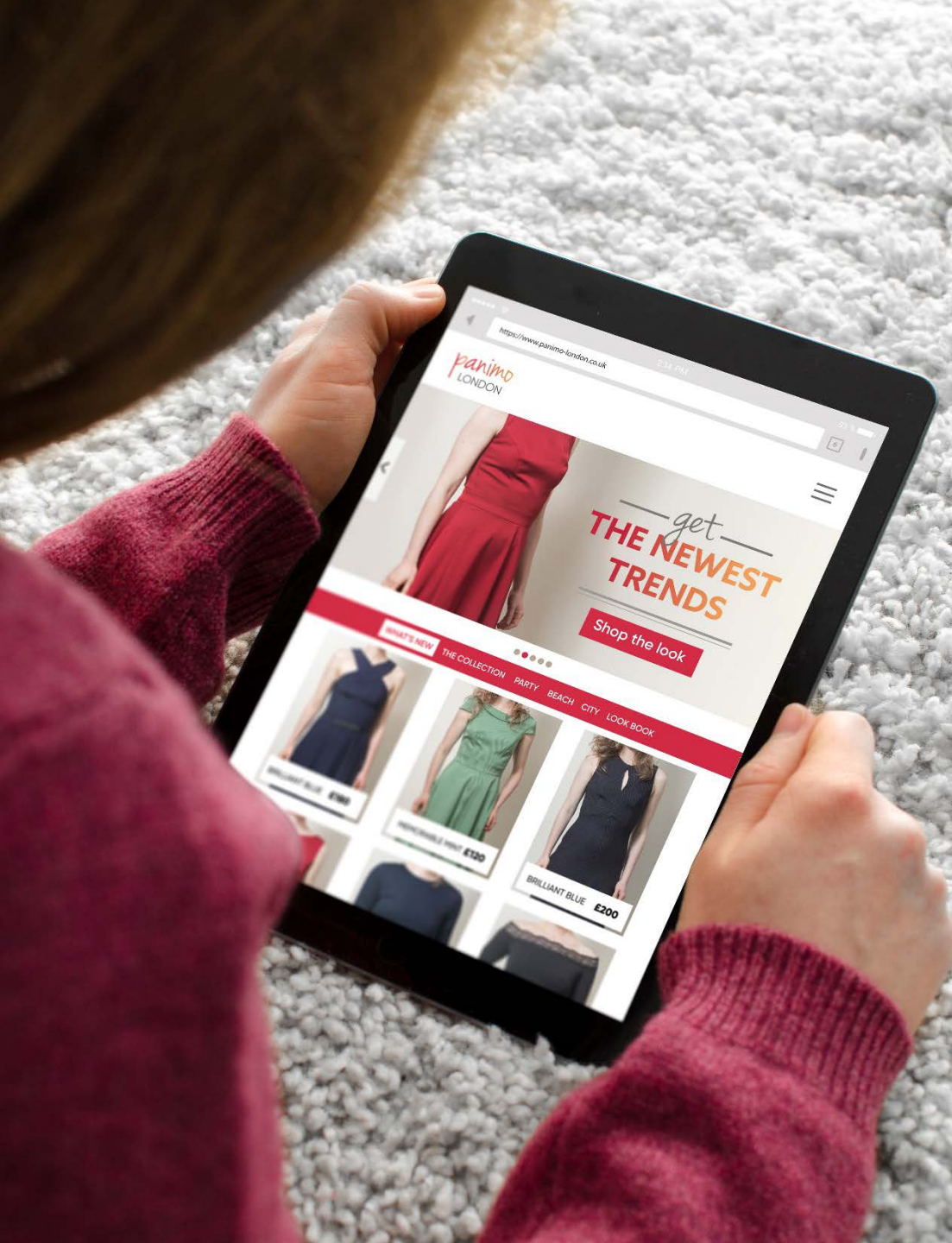
In the Greater Paris Region, by nationality



Source: CRT Ile-de-France

- Tourist numbers increased from the end of 2016, and in **2017 set a new 10-year record in terms of hotel stays** in the Greater Paris Region. The return of the foreign clientele was particularly significant (+14% in one year), contributing to a **net increase in tourist consumption**.
- Forecasts for 2018 are encouraging:** in January, hotel stays in the Greater Paris Region recorded their 15<sup>th</sup> consecutive monthly increase, and passenger traffic in the Paris airports increased by 1% in one year (+ 4 % for worldwide traffic outside of Europe).





## Brand strategies & retail formats

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# RETAIL PROPERTY IN FRANCE

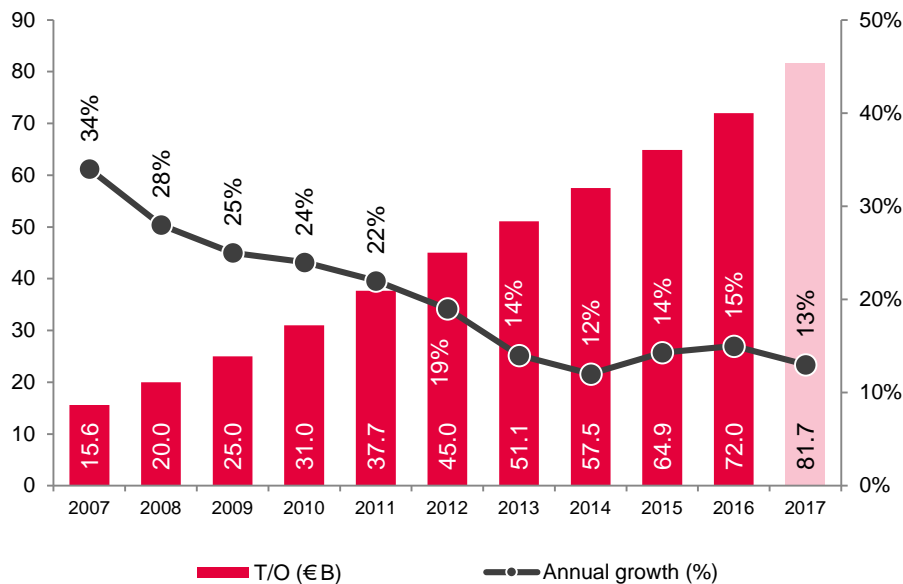
## BRAND STRATEGIES & RETAIL FORMATS



### Towards €100 B

#### Turnover figures for online sales

In France, volumes at the previous year's chain-weighted prices



Source : Fevad

### Growth in alliances

Galeries Lafayette

La Redoute

MONOPRIX  
SARENZA  
SERIOUS ABOUT SHOES

spartoo.com

andr 

Carrefour  
showroomprive

CHANEL  
FARFETCH

RICHEMONT

YOOX  
NET-A-PORTER  
GROUP

- Online retail maintained strong growth in 2017, with **almost 82 billion euros of sales**, driven by the **rise of the mobile channel** and the **breakthrough in “marketplaces”**. The 100 billion mark could be exceeded by 2020.
- Alliances between traditional retailers and retail websites grew in recent months, showing the **growing influence of the digital world on offline purchases** and the need to promote a **seamless buying experience**, whatever the means of delivery.

# RETAIL PROPERTY IN FRANCE

## BRAND STRATEGIES & RETAIL FORMATS

### Numerous expansion projects

#### Examples of growing brands

In France, by activity

Sources: Knight Frank, press and brands

- Out-of-town
- Shopping centre
- High streets



#### FASHION / SPORTSWEAR

Balibaris	○ ● ●
Chaussea	● ● ○
H&M	● ● ●
JD Sport	● ● ●
Kujten	○ ● ●
Primark	○ ● ●
Sessun	○ ○ ●
Superdry	○ ● ●
Takko	● ○ ○
Tape à l'Œil	● ● ●
Vib's	● ○ ○



#### RESTAURANTS

Au Bureau	● ● ●
Beef House	● ● ○
Bistro Régent	● ● ●
Burger King	● ● ●
Courtepaille	● ○ ●
Five Guys	○ ● ●
O'Tacos	● ● ●
Pitaya	○ ● ●
Popeyes LK	● ○ ●
Steak n' Shake	● ● ●
Yogurt Factory	○ ● ●



#### FOOD

Ange	● ○ ○
Bio C Bon	● ○ ●
Biocoop	● ○ ●
Day by Day	○ ○ ●
Grand Frais	● ○ ○
Kusmi Tea	○ ● ●
La Vie Claire	● ○ ●
Marie Blachère	● ○ ○
Naturalia	● ● ●
NaturéO	● ○ ○
Nespresso	○ ● ●



#### DISCOUNT / BAZAAR

Action	● ● ○
Centrakor	● ○ ○
Easy Cash	● ○ ○
Gifi	● ● ●
Hema	○ ● ●
La Foir'Fouille	● ● ○
Maxi Bazar	● ○ ●
Noz	● ○ ○
Stokomani	● ○ ○
Tiger	● ● ●
Zeeman	● ● ●



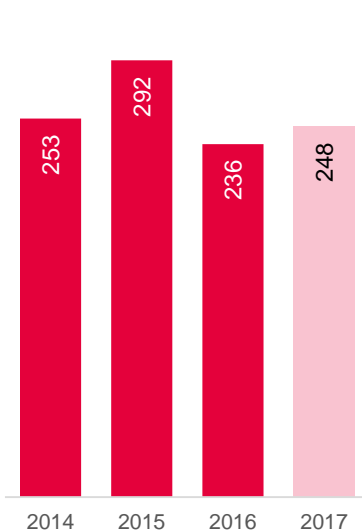
#### OTHERS

Amazing Jewelry	○ ● ●
Basic Fit	● ● ●
Cultura	● ● ○
Darty	● ● ●
Fnac	● ● ●
Intersport	● ● ●
Ixina	● ○ ●
Orchestra	● ● ●
Parfois	● ● ●
Rituals	○ ● ●
Sostrene Grene	○ ● ●

### An ongoing revolution

#### Number of new concepts per year

All sectors, in France



Source: La Correspondance de l'Enseigne

#### Highly sought-after formats



#### Pop-up stores are the “in” thing


Examples of pop-up stores seen in 2017-2018

Brand	Town	Address
CARTIER	Paris 7	76 rue des Saints-Pères
ERES	Paris 1	23 rue Cambon
ETAM / UNDIZ	Paris 8	118 av. des Champs-Élysées
HEMA	Paris 4	29 rue du Roi de Sicile
KENZO	Paris 3	120 rue Vieille du Temple
LEBONCOIN	Paris 9	17 bis boulevard Haussmann
LOLÈ	Labège	CC Labège 2
NTM	Paris 4	16 rue Saint-Merri
NUXE	Paris 1	32 rue Montorgueil
OMEGA	Paris 3	11 rue Debelleye
ROCHAS	Paris 1	392 rue Saint-Honoré
ROSSIGNOL	Paris 2	24 rue de la Paix

Sources: Knight Frank, press

- Following a decrease in 2016, the production of new concepts once more increased in 2018 and should remain sustained for 2018. **The food, restaurant and fashion sectors account for two-thirds, ahead of beauty.**
- The increase in pop-up shops is symbolic of ongoing revolutions in the retail market. As such, pop-up shops, showrooms and single-brand stores are new formats that are more and more highly sought-after, demonstrating the **new relationships that brands are looking to develop with consumers.**



A blurred, low-angle photograph of a busy city street at sunset or sunrise. Pedestrians are walking across the frame, their figures softened by motion blur. Long, golden shadows are cast across the pavement. In the background, tall city buildings are visible under a bright, hazy sky. The overall mood is one of a vibrant, high-paced urban environment.

# **The rental market**

## High streets

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## Projects are flourishing

### Trends in the Parisian high streets retail market

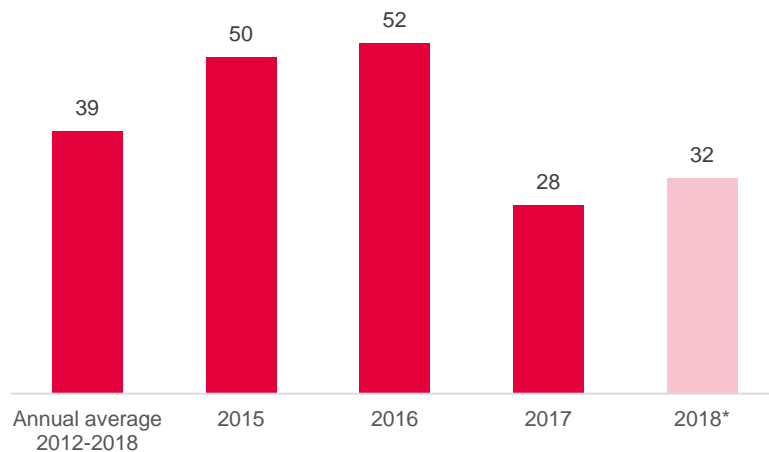
- Following an increase of 14% in one year in 2017, **the number of foreign tourists should remain dynamic in 2018**. Figures from the start of the year are positive, with a new increase in hotel stays and passenger traffic in the Parisian airports. Within this context, **the International Tourist Zones confirm their rise in importance** and, whilst two of them (Olympiades, Maillot-Ternes) have been cancelled by the administrative tribunal, the extension of opening days and hours is now subject to a more widespread consensus.
- **Concepts with a well-being angle** in the broadest sense (food and restaurants, sport, healthcare and beauty products, etc) continue to increase. The fashion sector shows a more contrasted picture. **Streamlining operations are now becoming more widespread**, impacting all of the market, irrespective of the target market level or the reputation of the brand. However, expansion projects still exist, stemming from players who are familiar with the Parisian market or new foreign players.
- **Rue Saint-Honoré remains one of the liveliest Parisian districts**. Recent and ongoing transactions there herald an increase in openings and transfers (Isabel Marant, Saint Laurent, Moschino, Chanel, etc.). **The Marais and Saint-Germain-des-Près remain highly sought-after by brands wanting to open shops of their own** (Tumi, Salomon, etc.). The transformation of the Les Halles area and the progress of works on La Samaritaine contribute to the **growing attractiveness of the Rivoli-Montmartre-Etienne Marcel-Louvre sector**, where several openings and projects have also been noted (Urban Outfitters, AMPM, etc.). Finally, the Champs-Élysées continues to evolve, even if **the latest transactions have been more focused on small areas** (Tumi, Al-Jazeera Perfumes), which are quite rare on this avenue which is becoming more and more devoted to large flagship stores.
- However, **it is La Madeleine that is taking centre stage** at the start of 2018. Tesla has just opened its 1<sup>st</sup> Parisian flagship store, there is the pending arrival of Leroy-Merlin in the former Palacio car park and, above all, the 1<sup>st</sup> urban format of Ikea in 2019 in the former C&A. This project is exceptional. Firstly, because it is very rare to see new projects of such a size in the heart of Paris, secondly because it is one of the best known brands at a global level and, finally, because **IKEA has thus put the French capital at the cutting edge of its conquest of city centres**.
- **Large retail refurbishment projects continue to boost activity in the most central areas**, which also benefit from the development of mixed-use projects or those which have no direct connection to retail function, for example hotel projects (Hôtel Bulgari, on avenue George V, Hôtel Fauchon on place de la Madeleine, etc.) and, above all, the **increase in the number of cultural projects**. Following the opening in March of “Lafayette Anticipations” in the Marais, large foundation projects are appearing, including the “Fondation Pinault” in the former commodities exchange (“Bourse de Commerce”).
- **Outside of the city centre**, the news have been dominated by the marketing of **“My Cardinet” in the 17<sup>th</sup> district**, which complements the office and residential offer of the ZAC Clichy-Batignolles, and illustrates the continued expansion in Paris of brands which are well established in out-of-town locations (Décathlon, Leroy-Merlin). **Outside of Paris**, it is the launch of the **“Oxygen” and “Table Square” projects** that has caught people’s attention. Eventually these will be two new gastronomical destinations which are meant to help make the La Défense business district a proper living and leisure area.

## Increase in openings expected in 2018

### Focus on the Parisian luxury market

#### Breakdown of openings by street

Share as a % of all openings in Paris between 2012-2018

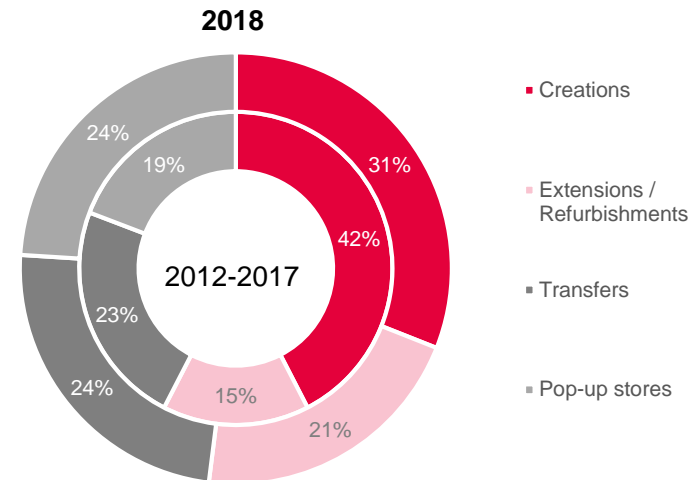


\*Survey undertaken at the end of March 2018.

Source: Knight Frank

#### Breakdown of openings by type

Share as a % of all openings in Paris



Source: Knight Frank

- Following a relatively calm 2017, transactions undertaken in recent months and ongoing deals should lead to an **increase in openings in 2018**, which is logical given the favourable context for the luxury industry and Parisian market (increase in tourist numbers etc).
- The most significant openings** are concentrated **on Rue Saint-Honoré**. On **other major streets on the right bank**, available opportunities and the ambition of certain groups to extend their presence will also contribute to drive the Parisian luxury market.



### Status quo...or almost

Prime Rental Value, in Paris, in €/sq m/year Zone A\*

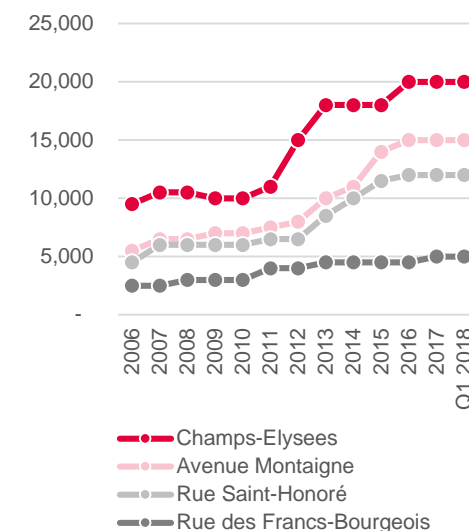
Source: Knight Frank

Street or retail area	District	Rent as at Q1 2017	Rent as at Q1 2018	Trend
Avenue des Champs-Élysées	Paris 8	20,000	20,000	→
Avenue Montaigne	Paris 8	15,000	15,000	↑
Rue du Faubourg Saint-Honoré	Paris 8	15,000	15,000	→
Rue Saint-Honoré	Paris 1	12,000	12,000	↑
Boulevard Haussmann	Paris 8 / 9	6,000	6,000	→
Sèvres / Saint-Germain	Paris 6 / 7	6,000	6,000	→
Marais	Paris 3 / 4	5,000	5,000	→
Capucines / Madeleine	Paris 1 / 2 / 8 / 9	4,000	4,000	→
Rue de Rivoli	Paris 1 / 4	3,500	4,000	→
Rue de Passy	Paris 16	2,500	3,000	→

\*Rental value: decapitalised rent + assignment (leasehold/business)

### Changes in prime rental values

Between 2006 and 2018, on some Parisian streets, in €/sq m/year Zone A\*



Source: Knight Frank

- Prime rental values have **changed little since the end of 2017**. However, ongoing transactions indicate that they could significantly increase on some streets, notably in the luxury sector. Less good locations on prime streets are still occasionally subject to downward pressure, which is even more noticeable on less frequented and secondary streets.

# RETAIL PROPERTY IN FRANCE

## HIGH STREETS | PARIS

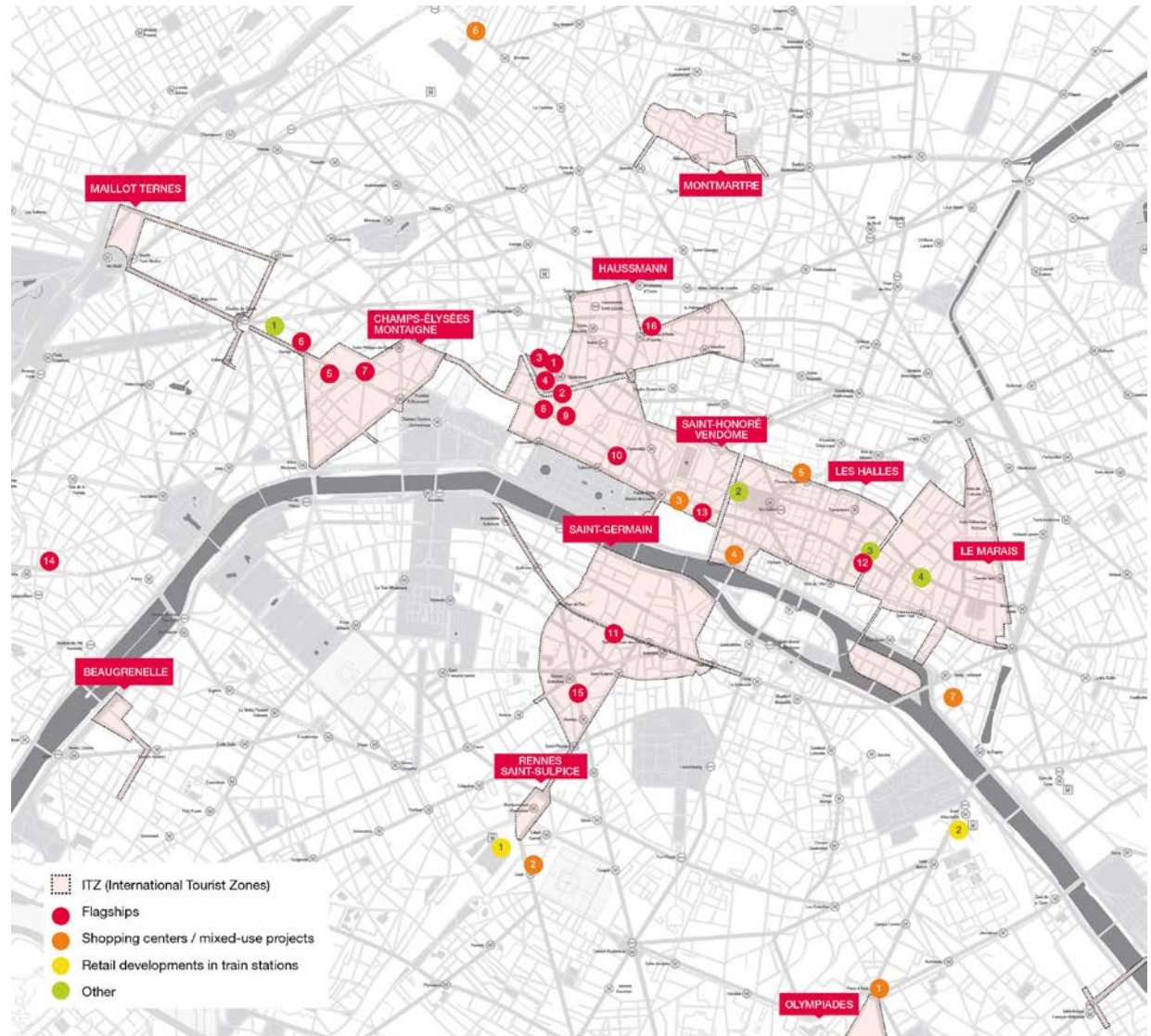
### Change is in the air

#### Examples of recent and upcoming projects

In Paris, between 2017 and 2021

Source: Knight Frank

- |   |  |
|---|--|
| 1 Leroy-Merlin<br>Place de la Madeleine           | 9 Chanel<br>Rue Saint-Honoré                     |
| 2 Ikéa<br>Boulevard de la Madeleine               | 10 Saint Laurent<br>Rue Saint-Honoré             |
| 3 Hédiard<br>Place de la Madeleine                | 11 Former Infinitif<br>Boulevard Saint-Germain   |
| 4 Tesla<br>Boulevard Malesherbes                  | 12 Eataly<br>Rue Sainte-Croix de la Bretonnerie  |
| 5 Nike<br>Avenue des Champs-Élysées               | 13 Urban Outfitters<br>Rue de Rivoli             |
| 6 Apple<br>Avenue des Champs-Élysées              | 14 Grande Épicerie de Paris<br>80 Rue de Passy   |
| 7 Galeries Lafayette<br>Avenue des Champs-Élysées | 15 Former Banque de France<br>Boulevard Raspail  |
| 8 Dior<br>Rue Saint-Honoré                        | 16 H&M<br>Rue Lafayette                          |
| 1 Italik<br>Place d'Italie                        | 1 Gare Montparnasse                              |
| 2 Gaité-Montparnasse<br>Avenue du Maine           | 2 Gare d'Austerlitz                              |
| 3 Louvre des Antiquaires<br>Place du Palais-Royal | 1 Cinéma MK2<br>Avenue des Champs-Élysées        |
| 4 Samaritaine/DFS<br>Quai du Louvre               | 2 Fondation Pinault<br>Rue de Viarmes            |
| 5 Poste du Louvre<br>Rue du Louvre                | 3 Lafayette Anticipations<br>Rue du Plâtre       |
| 6 MyCardinet<br>ZAC Clichy Batignolles            | 4 Hôtel de Coulanges<br>Rue des Francs Bourgeois |
| 7 Morland Mixité Capitale<br>Boulevard Morland    |  |



### Mixed view

#### Regional high-street market trends

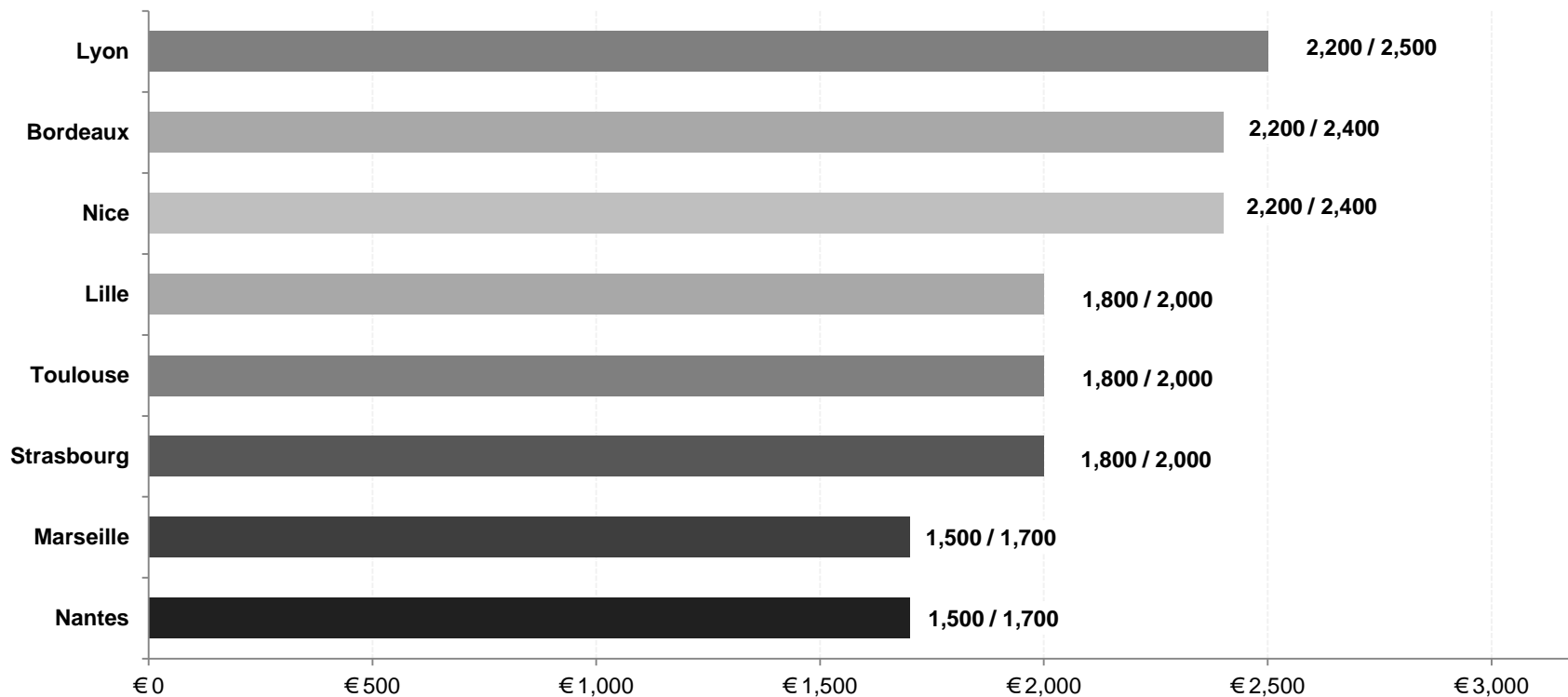
- The largest cities are showing **strong economies and demographics**. Over the last few years they have also benefitted from **an increase in tourist numbers**, a trend which intensified in 2017 and should be confirmed in 2018 (Bordeaux, Lyon, Nice, Lille, etc.).
- The best locations in the largest cities concentrate most demand from international brands through, notably, an **increase in flagship store projects**. In the **fashion and sport sectors**, major openings are expected, including Uniqlo in Nantes and Toulouse, Primark in Strasbourg and Toulouse, and JD Sport in one of the two H&M shops on avenue Jean Médecin in Nice. Furthermore, **Zara is standing out due to large projects in the centre of Lille**, with the announcement of the opening of a Zara Home next to the Chamber of Commerce and Industry and an extension project of almost 4,000 sq m on rue de la Bourse.
- Brand movements reflect certain changes also seen in Paris, with the beauty, sport, restaurant and food sectors being dynamic, the **increase in more specialised new concepts** and the expansion of up-market fashion brands (Kujten, Sœur, Ba&sh, Balibaris, etc.).
- The large regional capitals will also see the opening of **large refurbishment projects in city centres** in the coming months, including Le Passage de la Châtelaine in Nantes and, above all, the **Grand Hôtel Dieu** in Lyon. The capital of the Rhône-Alpes region has furthermore been driven by new lettings in the Grolée-Carnot area, such as L'Oréal, Subdued and Sostrene Grene.
- The **stabilisation of prime rental values** seen in 2017 was confirmed in the 1<sup>st</sup> quarter 2018. Lyon and Bordeaux show the highest rental values (€2,500 /sq m/year, if not more, for the best locations). Nice, whose market has gradually improved since the terrorist attack on 14<sup>th</sup> July 2016, completes the podium of regional leading cities. Other regional capitals, such as Strasbourg and Toulouse, follow with rental values comprised for several years between €2,000 and €2,200 /sq m/year. In other cities, the decrease in rental values conveys **the loss of influence of historical mass-market streets, often to the benefit of other central points in the city centre**, like in Lille or Marseille.
- Some international brands are continuing their expansion in **smaller conurbations**, for example Pandora, Calzedonia, Superdry and H&M, who will soon open a flagship store of almost 2,000 sq m in the centre of Vannes. The vacancy rate is nevertheless increasing in the smaller cities and stood at 10.8 % at the end of 2017 in towns with less than 40,000 inhabitants, compared to a rate of 7.3 % in those with more than 40,000 inhabitants (source: Codata).
- Within this context, public authorities recently announced the **implementation of the “Action Cœur de Ville” project** which should enable more than five billion euros to be mobilised over the next five years for the revitalisation of medium sized town centres (222 towns selected).



### Stabilisation of rental values

In the regions, end of Q1 2018, in €/sq m/year Zone A\*

Source: Knight Frank



\*Rental value: decapitalised rent + assignment (leasehold/business)



# The rental market

## Retail complexes

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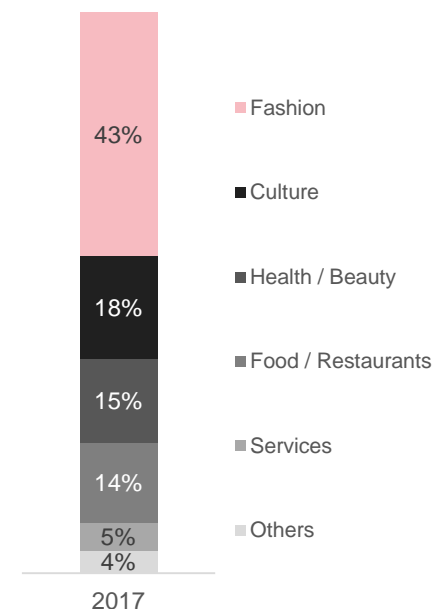
## Continued market consolidation

### French shopping centre market trends

- **More than 200,000 sq m of shopping centres should be opened in 2018.** Large openings will be interspersed throughout the year, such as “**Le Prado**” in **Marseille**, which opened in March, and “**B’Est**” in **Lorraine en Lorraine**, which opened at the start of April. However, the decrease in the share of projects started from scratch is unremitting in the long term, illustrating the **priority that is given to improving current property** by way of extension and renovation projects.
- For large retailer property companies, this strategy continues to express itself via the **decrease in areas allocated to hypermarkets and the installation of shops** and medium sized units which enable them to increase the attractiveness of their retail galleries.
- The slowdown in developments also shows the difficulties of marketing to brands who are **more concerned about profitability** and are determined to renegotiate. Some of them have **increased shop closings** in recent years, thereby reducing their network of shops, or have opted instead for setting up less expensive out-of-town shops. The market is also penalised by the **difficulties of sectors which are still very present** in shopping centres, such as clothing, even if several fashion brands still have expansion projects (Superdry, OVS, Tezenis, etc.).
- The largest and most recent tenant movements confirm the surge in the sport (extension of Adidas in “4 Temps”, Foot Locker in “Polygone Riviera”), beauty (Melvita in “Vélizy 2”, Omei in “So Ouest”) and food-restaurant (Five Guys in “La Toison d’Or”, Marlette in “Parly 2”) sectors. These different movements show the diversification in the offer found in shopping centres, **a “lifestyle” offer that is more specialised and complements the traditional anchor tenants.** Landlords also favour local concepts **to better anchor the centres in their local area.**
- At the same time, emphasis is placed on the **quality of the buying experience**, via digital investments and more ambitious events. Leisure activities are also more present, as demonstrated by the development of new concepts (free fall simulators, trampolines etc).
- The concentration of large market players continues. As such, the buying of **Westfield by Unibail-Rodamco** continues to dominate the news, whilst Hammerson has twice rejected Klépierre’s offer to buy them.

Breakdown of activity sectors in regional shopping centres

By number in 2017\*



Source: CNCC / \*Shops and large specialised shops, excluding food anchors and department stores



### A busy 1<sup>st</sup> quarter 2018...

#### Examples of significant shopping centre openings and projects

Source: Knight Frank

#### 2018

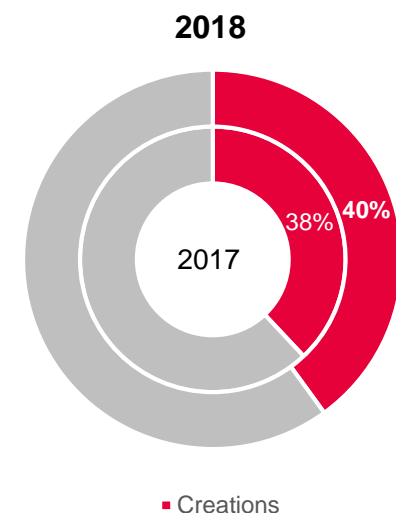
Centre	Town	Type	Area (sq m)
B'Est	Farebersviller (57)	Creation	55,000
Le Prado	Marseille (13)	Creation	23,000
Grand Hôtel Dieu	Lyon (69)	Creation	17,000
La Lézarde	Montivilliers (76)	Extension	15,000
Hall in One	Saint-Chamond (42)	Creation	9,600
Leclerc shopping centre	Saint-Doulchard (18)	Creation	8,500

#### 2019

Centre	Town	Type	Area (sq m)
Lillenum	Lille (59)	Creation	56,000
Open Sky	Plaisir (78)	Redevelopment	37,000
Cap 3000	Saint-Laurent-du-Var (06)	Extension	32,500
Vélizy 2	Vélizy-Villacoublay (78)	Extension	19,000
Auchan shopping centre	Noyelles-Godault (62)	Extension	13,400
Saint-Sever	Rouen (76)	Refurbishment	7,500

#### Share of shopping centre creations in France

As a % of the total volume of openings



Sources: Knight Frank, CNCC

## Projects and brands are multiplying

### French retail park market trends

- Following numerous projects that were completed in 2017, **several large new retail parks are still expected in 2018 and 2019** in the regions ("Steel" near to Saint-Etienne, "Open Sky" in Pacé, etc.) as well as in the Greater Paris Region ("Saint-Mard", which opened recently). Other types of operation stand out, such as the **increase in more modest formats** which complete the offer in smaller zones, and the tendency to **refurbish existing zones and sites** (such as "Wood Shop" in Cesson, Strasbourg, etc.), which will become increasingly important every year.
- Alongside the sector specialists, **large distribution retailers** remain important players in the market, with significant projects carried out in 2018 by Immochan ("Les Promenades de Brétigny", "Auchan Sémecourt", etc.) and Carmila ("Cap Saran", "Chalezeule", etc.).
- The retail park market remains sought after by a large number of brands. Several **traditional out-of-town brands** are still active there (Action, Intersport, Orchestra, etc.), and some of them are also developing their presence in town centres (Gifi, etc.). The sector also benefits from the continued rise of the franchise and the **arrival of new players** (Takko, Popeyes Louisiana Kitchen, etc.).
- Other sectors are dynamic, showing the **increasing diversification of brand types** that are present in out-of-town locations into large shops or **more reduced formats**. This is the case with food and restaurants and sport and fitness, whilst some fashion and sportswear brands have confirmed their **expansion in the most qualitative projects** (H&M in the "Shopping Promenade" in Arles, Mango in "Cap Saran", JD Sport and New Look in the "Promenade de Flandre" and "Shopping Promenade Cœur Picardie", etc.).
- Whilst the out-of-town market has not been spared by closures, it resists well the changes in consumption patterns. Its **traditional advantages** (size and flexibility of units, ease of access and parking) respond to consumers' **demands for both practicality and proximity**, and to brands' **streamlining issues**. The increase in more up-market projects that offer the clientele a better buying experience nevertheless raise the question of **cost control and setting-up costs**.

Changes in TO of specialised shops, in one year  
As at 1<sup>st</sup> quarter 2018



Source: Procos

## Large scale projects

### Examples of significant retail park openings and projects

Source: Knight Frank

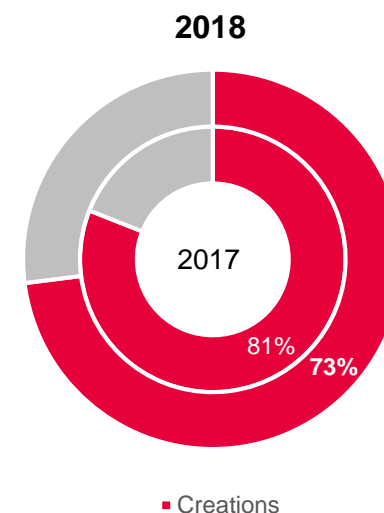
#### 2018

Centre	Town	Type	Area (sq m)
Les Promenades de Brétigny	Brétigny-sur-Orge (91)	Creation	49,000
Wood Shop	Cesson (77)	Refurbishment	42,000
Open Sky	Pacé (35)	Creation	40,000
La Sucrierie	Abbeville (80)	Creation	30,000
Cap Saran	Saran (45)	Creation	29,200
Aren'Park	Cergy-Pontoise (95)	Creation	20,000

#### 2019

Centre	Town	Type	Area (sq m)
Steel	Saint-Étienne (42)	Creation	70,000
Shopping Promenade	Vendenheim (67)	Refurbishment	68,000
Puisoz	Vénissieux (69)	Creation	50,000
Shopping Promenade	Claye-Souilly (77)	Creation	42,000
Eden 2	Servon (77)	Creation	35,000
Shopping Promenade	Arles (13)	Creation	18,000

**Share of retail park creations in France**  
As a % of the total volume of openings



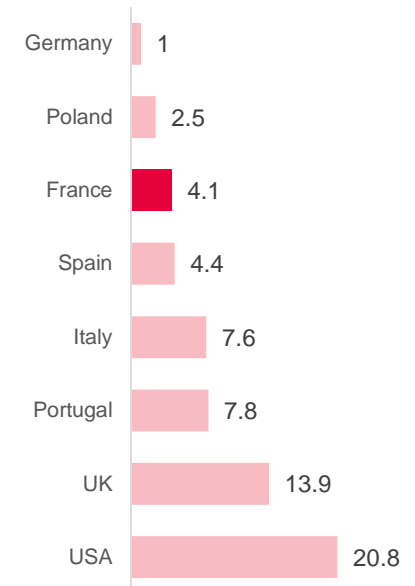
Sources: Knight Frank, CNCC

## More and more sought after

### French designer outlet trends

- With a total stock of less than 500,000 sq m, mainly located in the north of France, designer outlets only account for **a small part** of the French retail property market. In recent years, however, projects have continued to increase. As such, **almost 150,000 sq m have opened since the start of 2010, including approximately 35,000 sq m in 2017**, with the extension of Romans-sur-Isère and the opening of two new centres: the “Honfleur Normandy Outlet” and “McArthurGlen Provence” in Miramas, near Marseilles.
- The pace of developments of new designer outlets should not lessen. In this way, **eleven projects totalling almost 160,000 sq m could see the light of day by 2020**. Some will complete the stock in regions where there are already outlets (the Greater Paris Region with “City Outlets Paris” in Romainville and the Rhône-Alpes with “Le Village des Alpes” in Villefontaine). Others will be **the 1<sup>st</sup> opening** of a designer outlet, like “Viaduc Village” in La Cavalerie, in the Aveyron department.
- In spite of the specific features of this distribution format, France still has **development potential** in certain regions where there is little in the way of outlets, and also due to the success of this format with consumers.
- Furthermore, **a growing number of brands are extending their presence** within designer outlet centres, following the example of the department stores (Galeries Lafayette), and several brands of accessible luxury (The Kooples, SMCP group, Zadig & Voltaire, etc.). Others are opening their first shops there, like Rituals in “Villefontaine”.
- Indeed, **designer outlets have evolved and now better meet consumer and brand expectations**. In this way they provide a more conscientious buying environment and architecture, and more diversified and upmarket concepts, very different to the first factory outlet centres of the 1980s.

**Gross lettable area internationally**  
Per 1,000 inhabitants, in sq m



Source : Neinver/ICSC



## More than 150,000 sq m scheduled by 2020

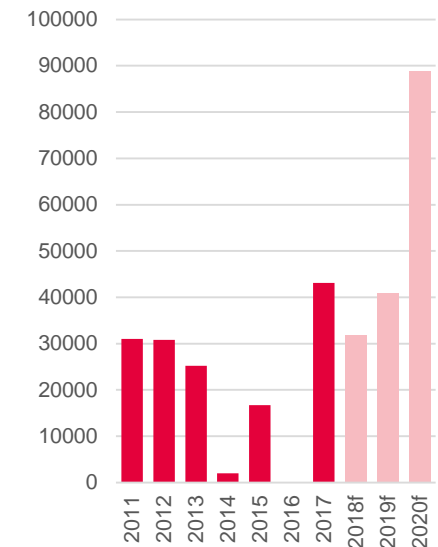
### Examples of significant designer outlet openings and projects

Source: Knight Frank

Opening	Centre	Town	Type	Area (sq m)
2011	Nailloux Outlet Village	Nailloux (31)	Creation	24,800
2012	The Style Outlets	Roppenheim (67)	Creation	27,300
2013	One Nation Paris	Les-Clayes-sous-Bois (78)	Creation	24,000
2015	Marques Avenue A13	Aubergenville (78)	Refurbishment	13,700
2017	Honfleur Normandy Outlet	Honfleur	Creation	12,700
2017	McArthurGlen Provence	Miramas	Creation	25,000

Opening	Centre	Town	Type	Area (sq m)
2018	The Village	Villefontaine (38)	Creation	25,000
2018	Viaduc Village (Phase 1)	La Cavalerie (12)	Creation	7,500
2019	L'Escale	Hautmont (59)	Creation	19,900
2019	City Outlets Paris	Romainville (93)	Creation	20,000
2020	Village des Alpes	Châtillon-en-Michaille (01)	Creation	16,000
2020	Village de marques	Coutras (33)	Creation	13,000

**Change in French openings**  
In sq m, total volume per year



Source: Knight Frank



## The investment market

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# RETAIL PROPERTY IN FRANCE

## THE INVESTMENT MARKET



	Q1 2018	Q1 2017	Annual trend
Retail investment volume in France	<b>€594 million</b>	€567 million	↑
Share of retail*	<b>16%</b>	16%	→
Number of transactions > €100 million	<b>2</b>	1	↑
Share of Ile-de-France**	<b>40%</b>	60%	↓
Share of foreign investors**	<b>29%</b>	37%	↓
Prime yield   High streets	<b>2.75%</b>	2.75%	→
Prime yield   Shopping centres	<b>4.00%</b>	3.75%	↑
Prime yield   Retail parks	<b>4.75%</b>	4.75%	→

Source: Knight Frank

\* On total investment in France, all asset types – excluding non divisible portfolios.

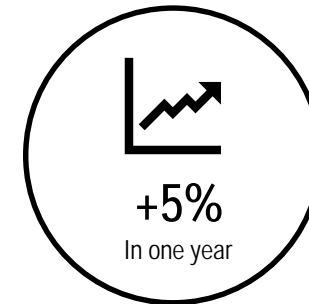
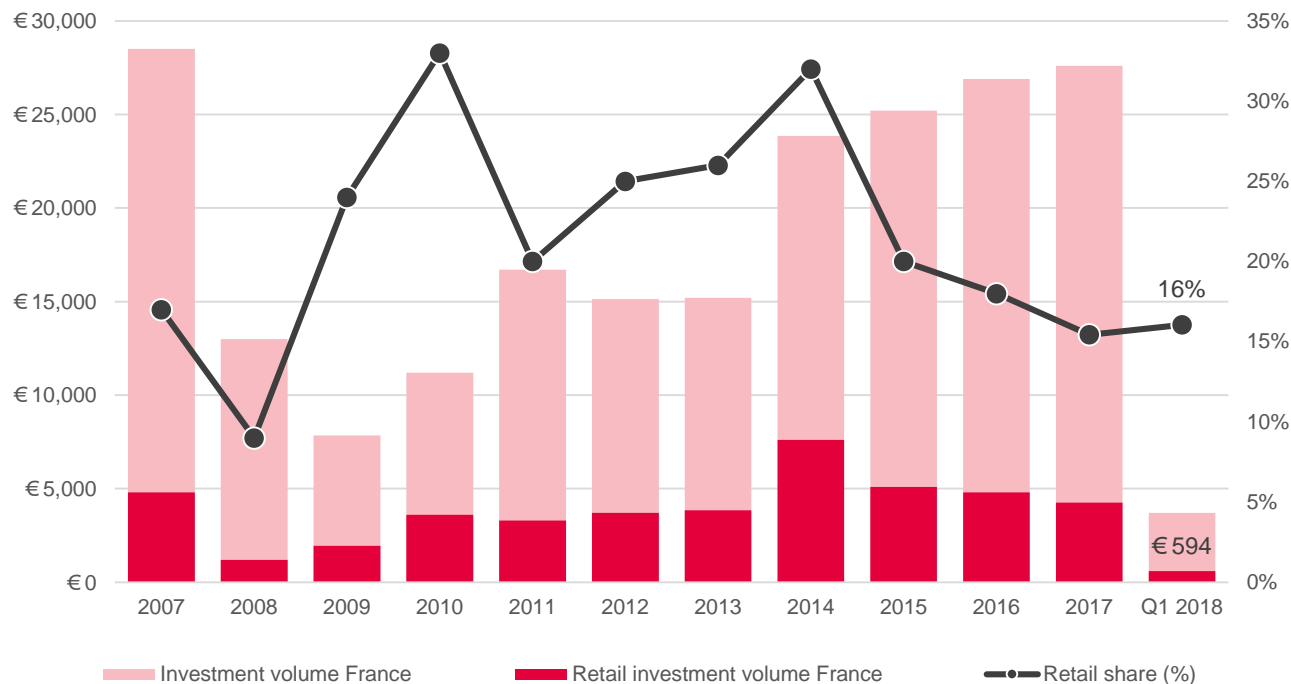
\*\* On total retail investment in France.

### Slight increase in investment volumes

#### Change in retail investment volume

In France, in million €

Source : Knight Frank



- **564 million euros were invested in retail property in France since the beginning of 2018.** The retail market accounts 16% of corporate real estate volumes during 1<sup>st</sup> quarter 2018, the same level as that seen for the whole of 2017.
- Penalised by a **lack of prime availability**, the retail market also continues to suffer due to the **notable caution of investors** with regard to an asset type that has been profoundly shook up by changes in consumption patterns and profitability requirements of brands

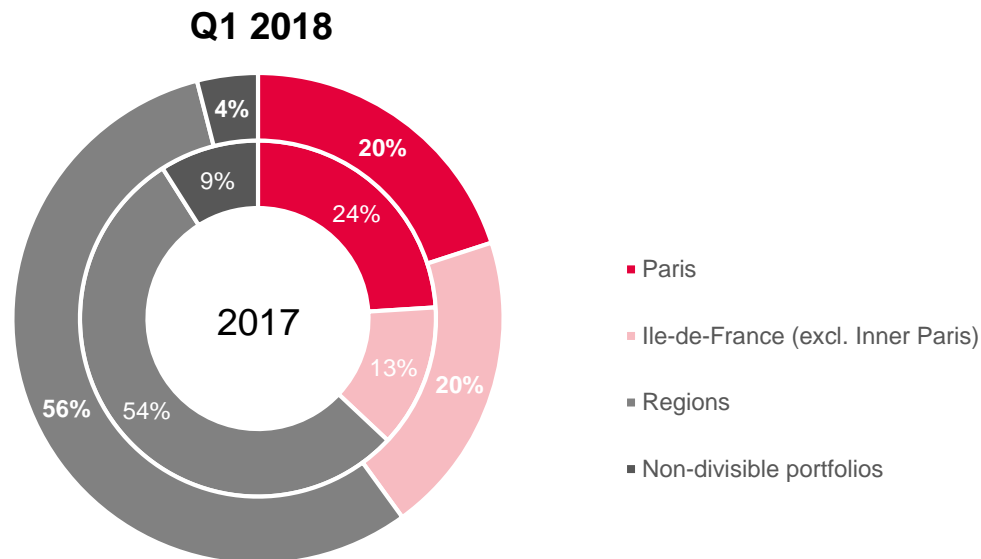


### Increase in regional share

#### Geographic breakdown of retail investment volume

In France

Source: Knight Frank



TOP 3   Deals in Q1 2018		
	Regions	Paris / IDF
Grand Vitrolles		Port. Monoprix 
45-55 rue Saint Jean		277 St-Honoré 
Port. Jardiland		50 Fbg St-Honoré 

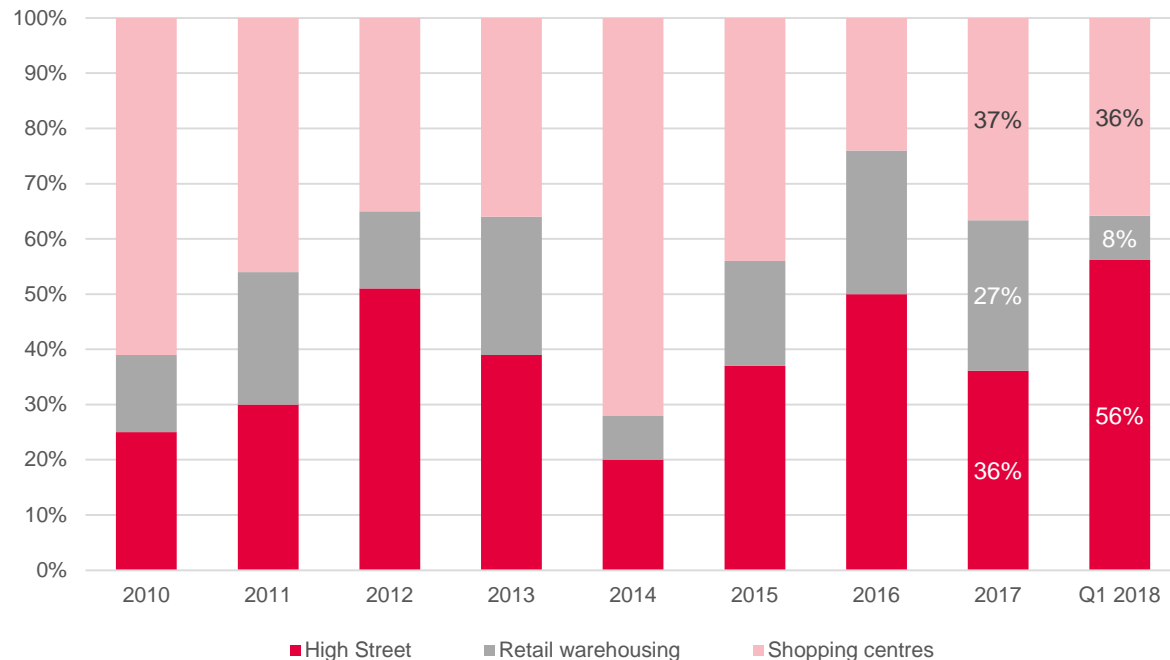
- The analysis of the 1<sup>st</sup> quarter 2018 investment volume shows a **slight increase in the share of the regions**, partly due to the sale of « **Grand Vitrolles** » **shopping centre in Marseille**, which accounts for more than a quarter of invested volumes in retail investment market.
- Few big deals have contributed to the activity in Ile-de-France, including the sale of 4 « Monoprix » portfolio to Novaxia for more than 100 million euros. In addition to flagships, Investors also favour the neighbourhood shop sector which is generally considered to be more resilient.

### High Streets dominating

#### Breakdown of retail investment volume by asset type

In France

Source : Knight Frank



# 56%

Share of high street retail in  
Q1 2018 investment volume

- Whilst investment in this market sector is not just for core products, **investors' risk aversion continues to work in favour of retail streets**, which account for 56% of all French retail investment in 1<sup>st</sup> quarter 2018.
- Shopping centres account for more than a third of retail investment volumes, including only one big deal (« Grand Vitrolles », sold to Carmila). The retail park sector has seen an abrupt slowdown. This slowdown is more due to the timing of deals and a **lack of prime supply** than a structural weakness of the model, **which continues to be sought after by investors**.

# RETAIL PROPERTY IN FRANCE

## THE INVESTMENT MARKET

### Examples of significant deals in Q1 2018 | France

Source : Knight Frank



Grand Vitrolles, Marseille  
Seller: Klépierre / CNP  
Purchaser: Carmila  
Area: 24,300 m<sup>2</sup>



Monoprix portfolio (4 assets in IDF)  
Seller: Monoprix  
Purchaser: Novaxia  
Area: 20,000 m<sup>2</sup>



277 rue Saint-Honoré, Paris 1  
Seller: CERN  
Purchaser: private  
Area: 2,500 m<sup>2</sup> (mixed-use)



50 Faubourg Saint-Honoré, Paris 8  
Seller: private  
Purchaser: BMO Rep  
Area: 1,000 m<sup>2</sup>



45-55 rue Saint-Jean, Nancy  
Seller: Vastned  
Purchaser: UBS  
Area: 4,800 m<sup>2</sup>



Hypermarché Géant, Pessac  
Seller: Casino group  
Purchaser: Tristan Capital Partners  
Area: 17,700 m<sup>2</sup>



Portefeuille Jardiland, 5 assets in France  
Seller: Foncière des Régions  
Purchaser: Inter Gestion  
Area: 14,100 m<sup>2</sup>



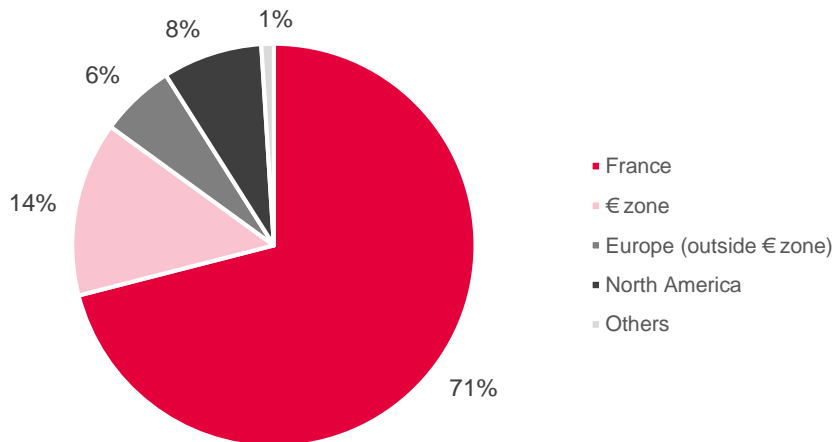
11 stores, Bagnolet  
Seller: Vinci Immobilier  
Purchaser: Heracles Investissement  
Area: 4,525 m<sup>2</sup>

### Domination by French investors

#### Retail investment volume by nationality

In France, Q1 2018

Source : Knight Frank

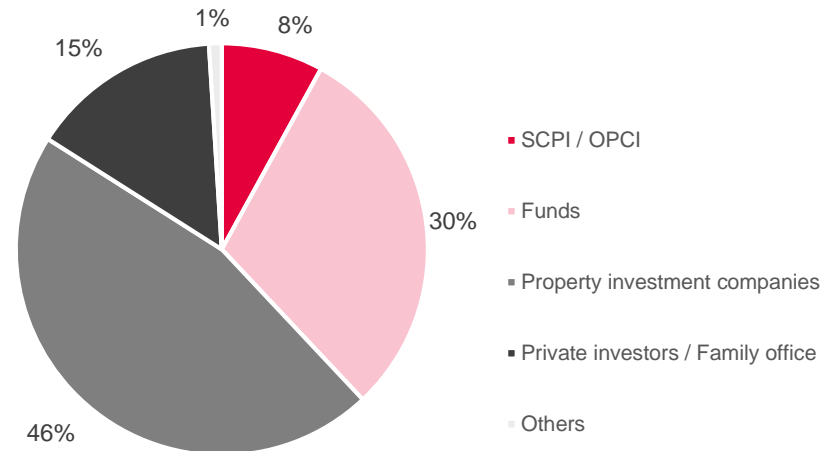


### Big deals inflating property companies share

#### Retail investment volume by investor type

In France, Q1 2018

Source : Knight Frank



- **French investors accounted for more than 70% of investment volume** in retail, a level similar as that seen for the whole of 2017 (74% after 59% in 2016). Foreigners are mainly represented by Europeans (e.g. the purchase of 45-55 rue Saint Jean in Nancy by UBS or 277 rue Saint-Honoré by a private investor).
- **Property investment companies** account for almost half of retail investment volume since the beginning of the year. Their share was inflated with the **completion of the only two big deals** over 100 million euros.

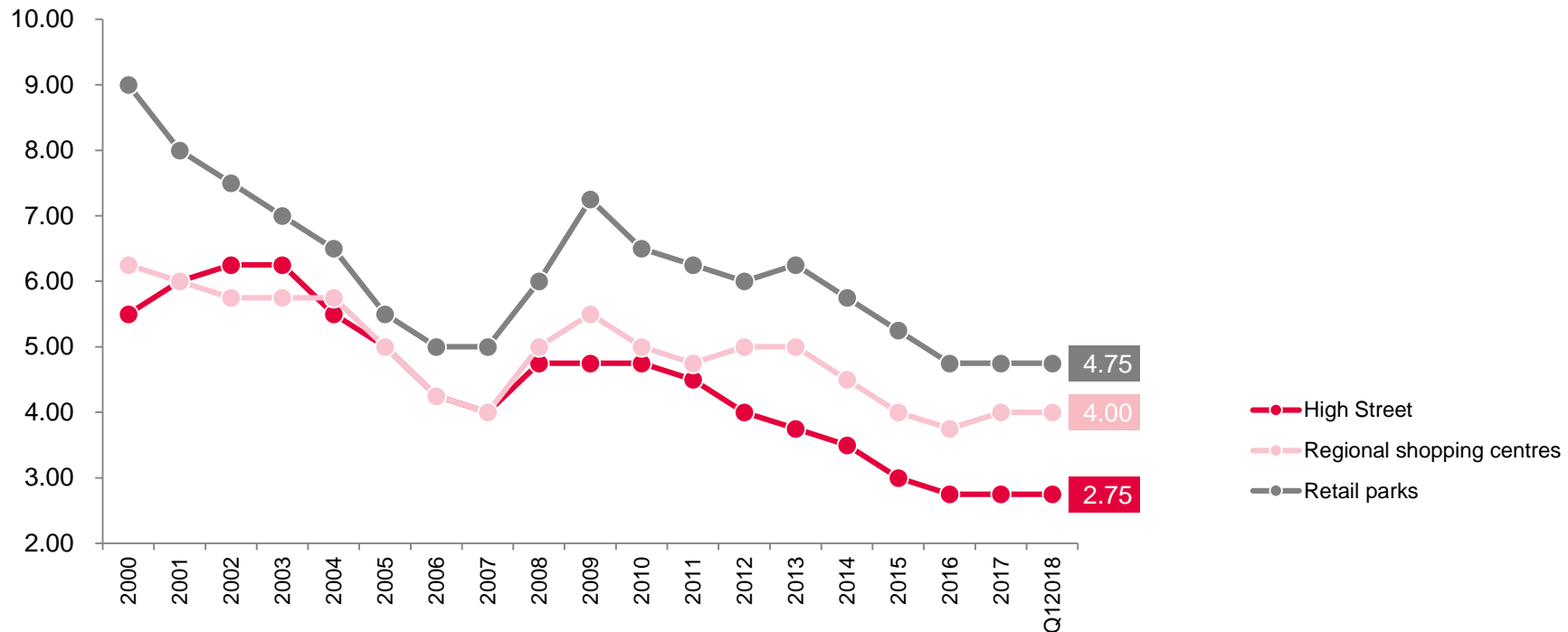


### Upward pressure

#### Prime retail yields

In France, shown as a %

Source : Knight Frank



- Reflecting a difficult market environment and a **notable caution of investors**, upward pressure should not be excluded in the shopping centre sector (4.00%) or retail park sector (4.75%) either, which continue to be characterised by a lack of prime deals
- Yields for the best located **shops** in the capital remain at their lower limit, and are comprised between 2.75 and 3.00%.

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