

REVIEW & OUTLOOK

2021-2022

THE FRENCH REAL ESTATE MARKET

01

INVESTMENT
FRANCE



02

OFFICES
GREATER PARIS
REGION



03

RETAIL
FRANCE



01

INVESTMENT

2021 highlights

- **Limited decrease** in investment volumes compared to 2020 (-5%).
- **Foreign investors** are increasing their presence, while French investors have decreased significantly.
- The **27% increase in volumes in the regions** contrasts with the decrease in the Greater Paris Region (-18%).
- **Office investment dropped** 15 % year-on-year.
- **Record year for logistics**, boosted by the sale of large portfolios.
- **The suburbs accounted for the majority** of retail investment volumes for the first time since 2008.
- **Alternative assets** continued their breakthrough.
- **Increase in SCPI inflows**, but historically low levels for OPCIs.
- Continued **compression of prime yields**.

Close to the ten year average

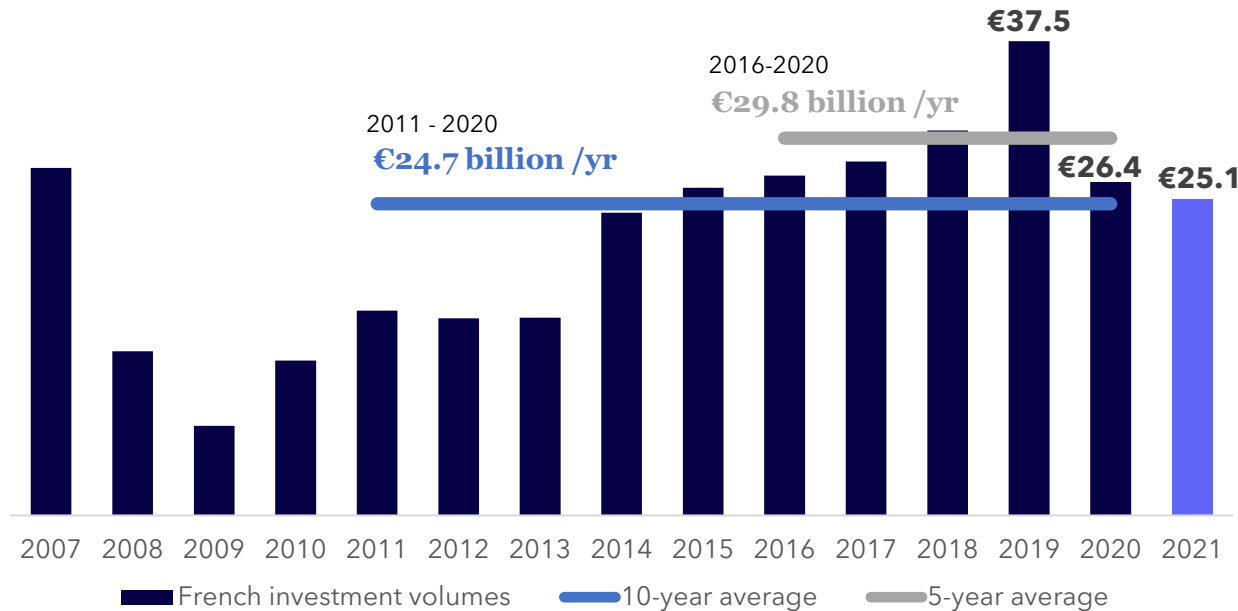
Limited decrease in 2021

Change in investment volumes in France

All asset types combined (offices, retail, industrial), in billions of euros

After a rather lacklustre first half of 2021, activity accelerated at the end of the year with just over 10 billion euros invested in the 4th quarter in France, an increase of 74% over a quarter and 11% compared to the same period in 2020. 2021 thus ended on a positive note, despite the outlook being overshadowed by the Omicron wave.

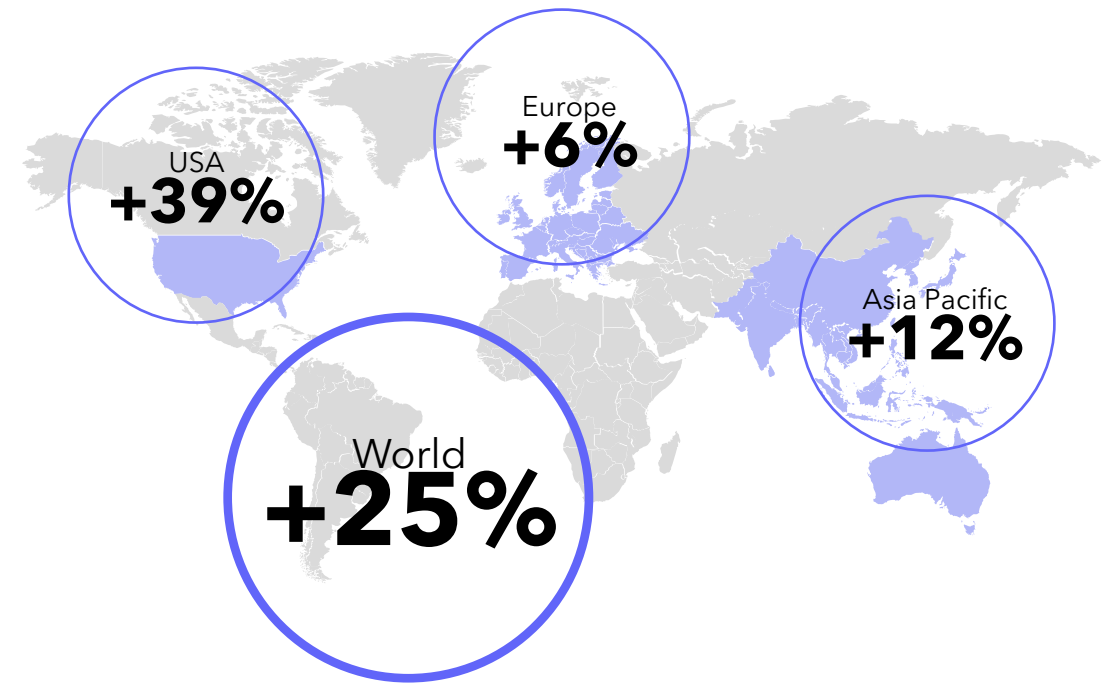
Over the whole of 2021, the total investment volumes in France amount to €25.1 billion, in line with the 10-year average and down by 5% year-on-year (compared to a 25% increase worldwide). This represents a 33% decrease compared to the exceptional performance recorded in 2019.



Source: Knight Frank



Change in investment volumes between 2020 and 2021 globally*



Sources: Real Capital Analytics , Knight Frank / *Excluding residential assets

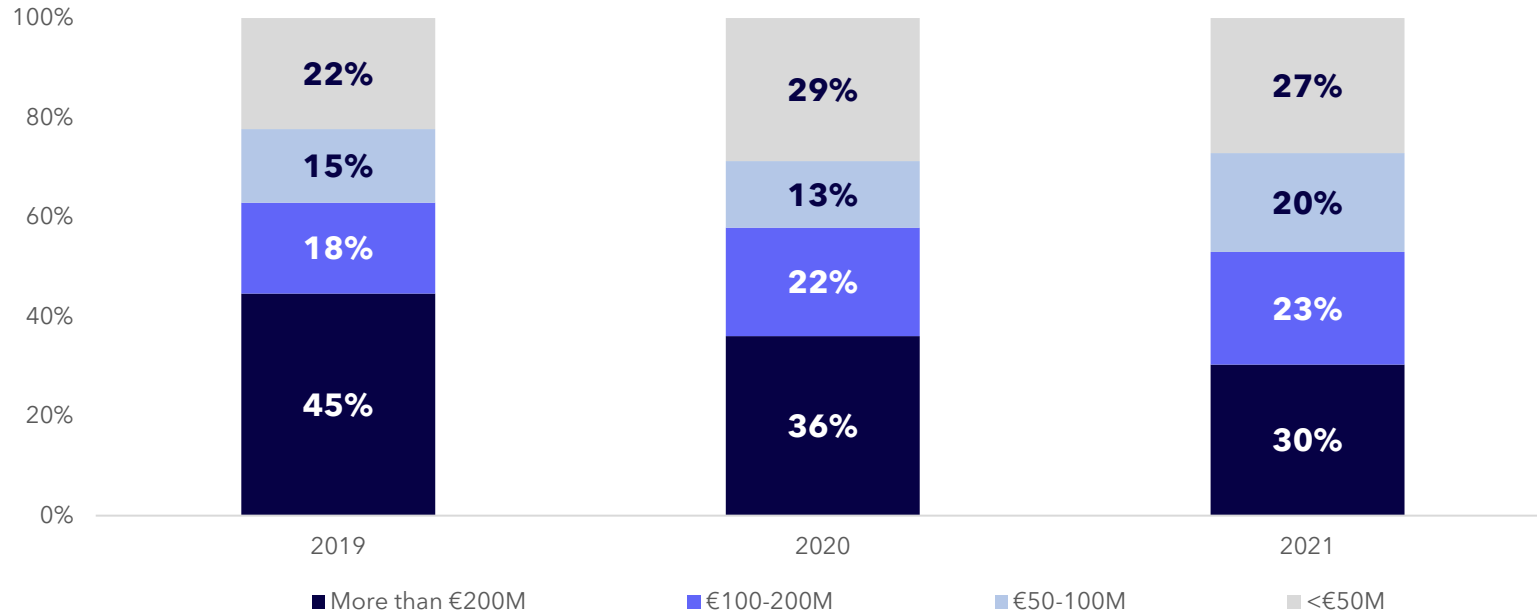
Fewer very large transactions

A more balanced market


Breakdown of investment volumes in France by amount, all asset types combined


61 transactions over €100 million were recorded in France in 2021, representing a total volume of €13.2 billion, down 14% year-on-year and 44% compared to 2019. The drop was particularly pronounced in the more than €200 million transaction category. In contrast, the intermediate transaction

category proved more resilient, with a 46% increase in volumes, accounting for 20% of the sums invested in 2021, compared with 13% the previous year.




Source: Knight Frank


750
transactions
(830 in 2020) 


23 > €200 M
(27 in 2020) 

=

€7.6 B
(9.4 in 2020) 

=

30%
of volume
(36% in 2020) 

26%
Proportion of volume
invested in portfolios
(20% in 2020) 

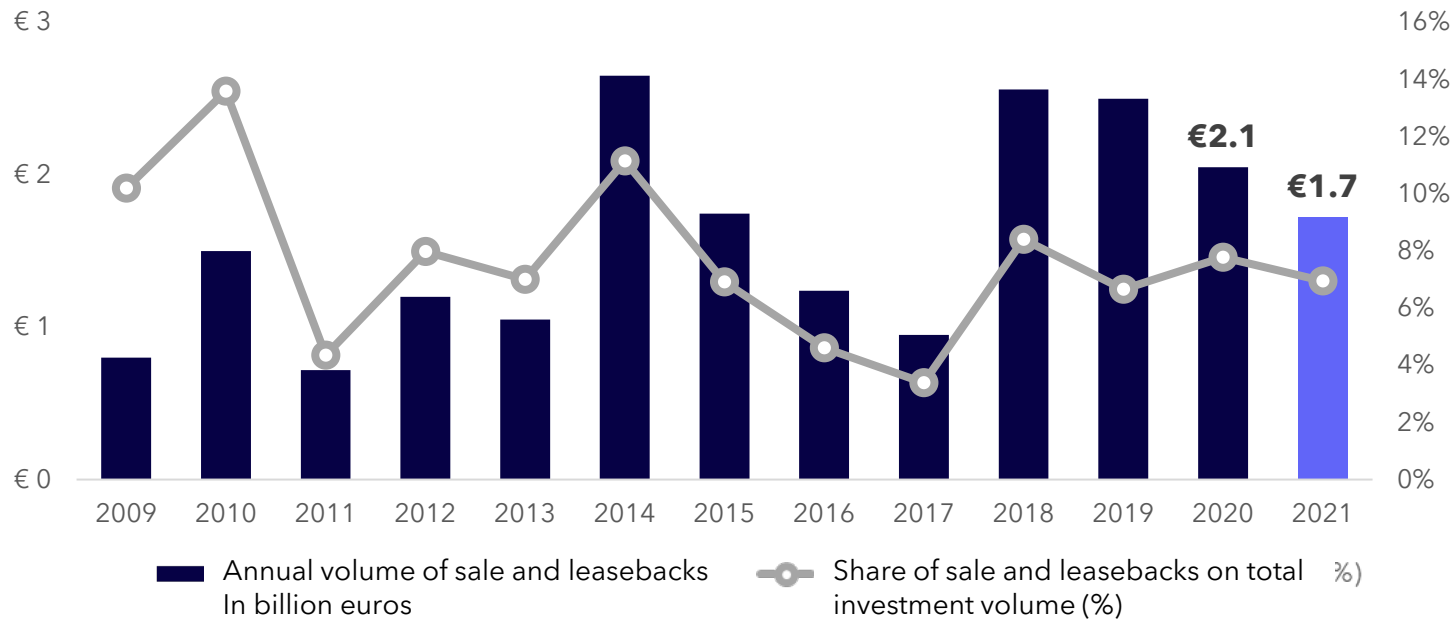
Dynamism of sale and leasebacks

Highly popular deals

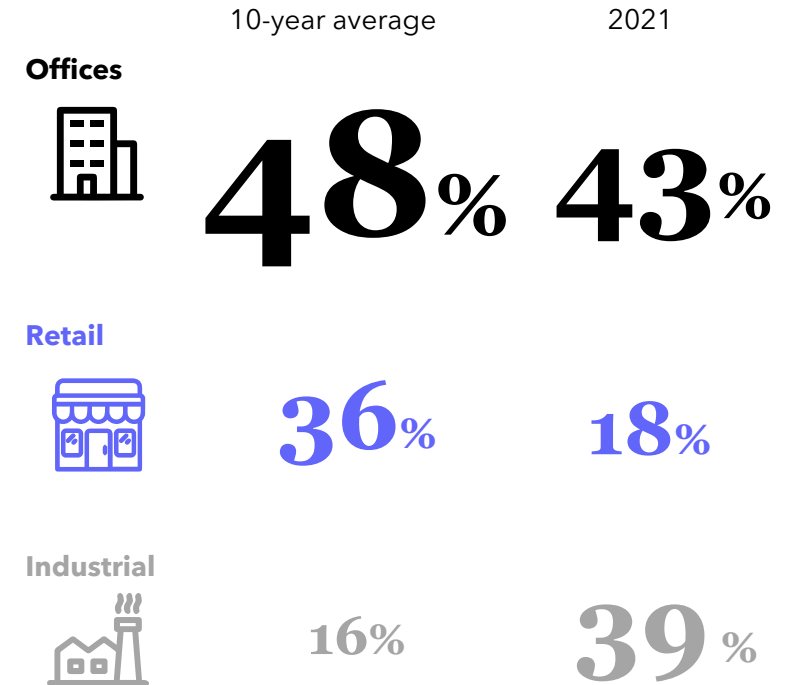
Change in investment volume in sale and leaseback transactions
All asset types (office, retail, industrial), in billion euros

Sale & leasebacks have reached record levels in recent years. These transactions were less significant in 2021, due in particular to the drop in retail, whose volumes had been inflated in 2020 by the sale of a portfolio of shops for more than 500 million euros by ADEO to BATIPART.

Nevertheless, sale and leasebacks remains very popular with investors, allowing them to acquire secure products and to rapidly increase their exposure to certain types of assets in the context of portfolio sales. This is the case in the logistics sector, which was driven in 2021 by the sale of eleven logistics platforms by AUCHAN to HINES.



Breakdown by asset type of sale and leaseback investment volumes in France



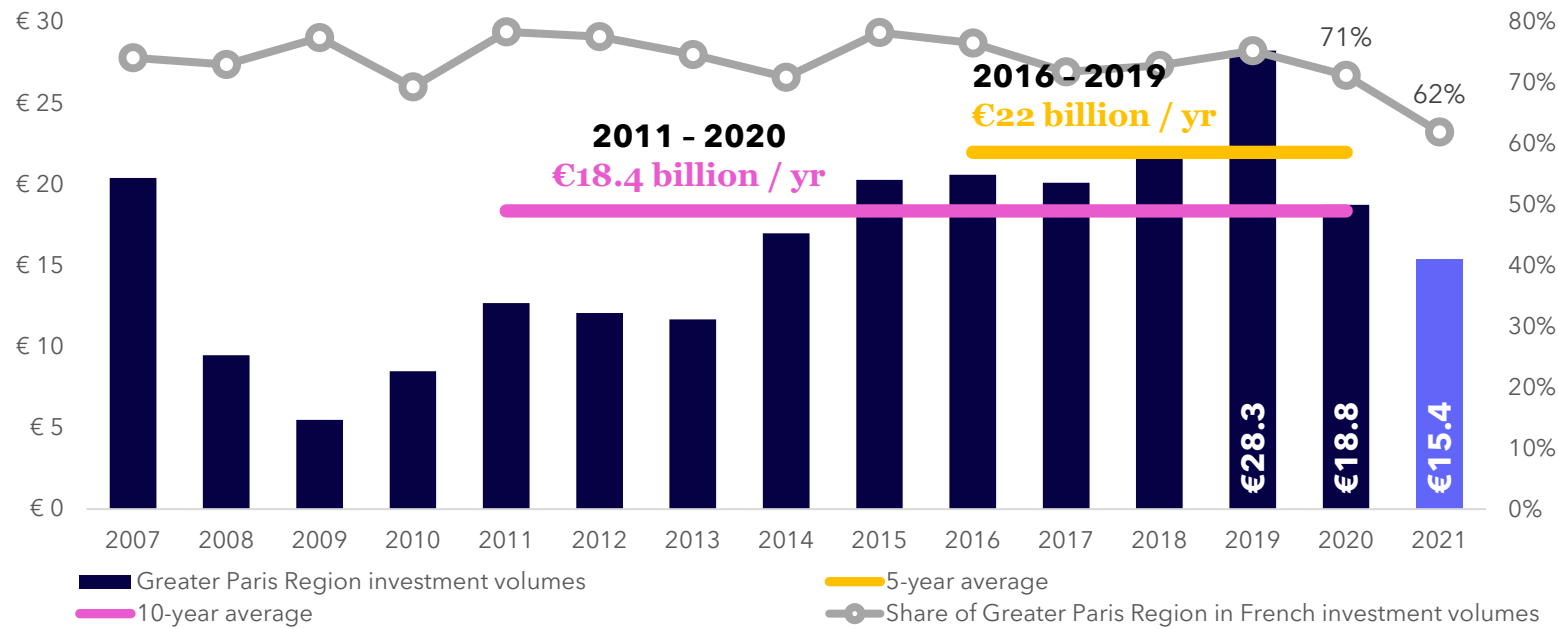
Greater Paris Region: less overwhelming domination

Share at its lowest level

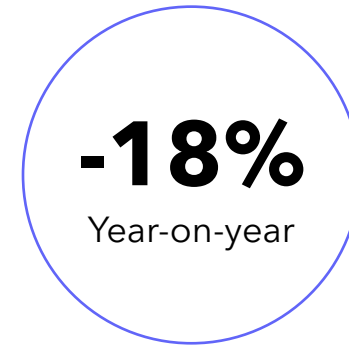
Change in Greater Paris Region investment volumes, all types of assets combined
In billions of euros

The decrease in large transactions has especially weighed on the performance of the Greater Paris Region market. With €15.4 billion invested in 2021, including just under €6 billion in the 4th quarter, the Greater Paris Region saw its volumes almost halved compared with 2019. In contrast, the regions have fared better than just riding out the storm.

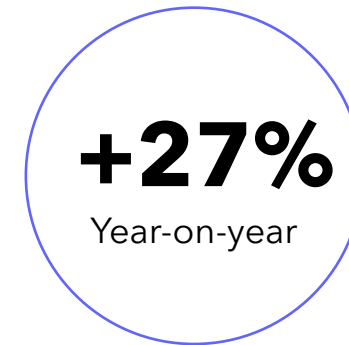
Benefiting from the excellent results of logistics, the strength of the office market in major cities and an economic tissue that has been less affected by the health crisis, the regions accounted for 39% of investment volumes in France in 2021, compared with an average of 25% in the five years preceding the Covid-19 pandemic.



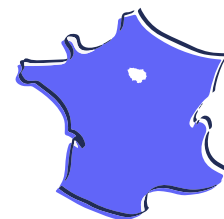
Change in investment volumes between 2020 and 2021
All asset types combined



Greater Paris Region



Provinces



Source: Knight Frank

Funds are driving the market...

... and are partially offsetting the decrease in SCPIs/OPCIs

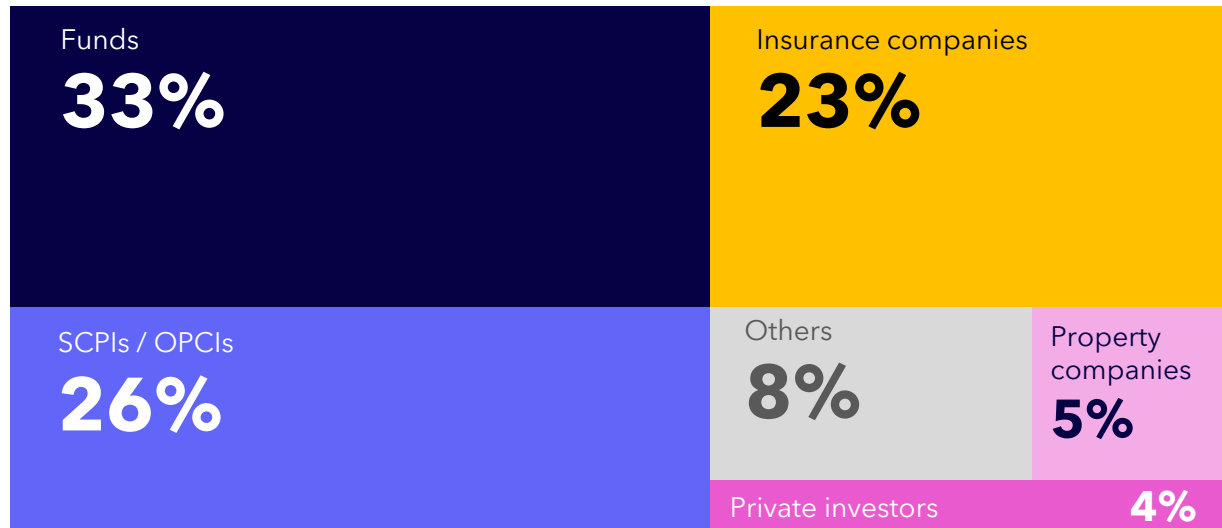
Share of each investor type in total volumes invested in France
All asset types combined, % share of total volume

The share of funds increased in 2021, reflecting the significant activity of foreign investors, particularly present in the logistics sector. Funds accordingly accounted for nearly 40% of the investments made in France, compared with 33% in 2020.

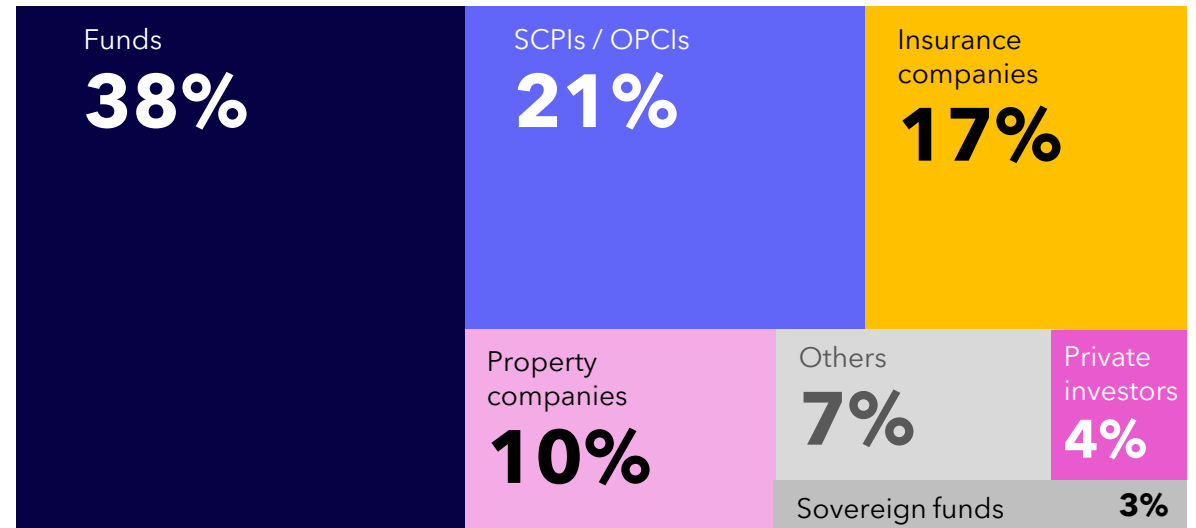
SCPIs/OPCIs, on the other hand, saw their share decrease significantly due to a smaller number of large transactions, amid a sharp drop in OPCI inflows. Some, such as PRIMONIAL and LA FRANÇAISE, nevertheless signed a few major transactions, while others, more accustomed to

medium-sized transactions, positioned themselves on large deals, including PERIAL, VOISIN and SOFIDY.

2020



2021



Source: Knight Frank

Foreign investors are increasing their presence ...

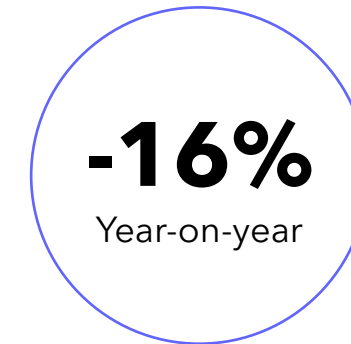
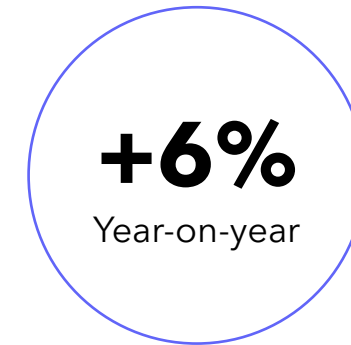
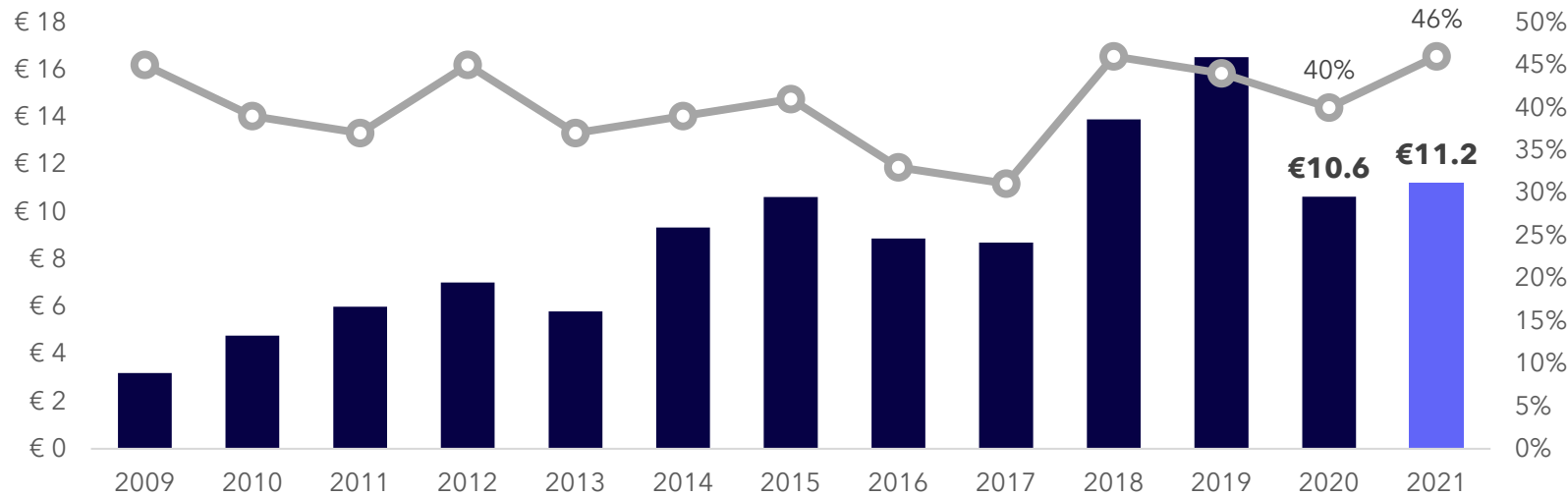
Dynamism of international capital flows

Change in investment volumes by foreign investors in France
All asset types combined, in billions of euros

In 2021, foreign investors invested more than 11 billion euros in France, an increase of 6% compared to 2020. At the same time, the amounts invested by French investors have decreased by 16%, the latter accounting for 54% of activity compared to 60% a year earlier. The increase in foreign investments is due in particular to the enthusiasm of North American funds for logistics. The latter have also driven the office market, targeting value-added assets in Paris and a few large complexes in the suburbs.

The Germans, who had a strong presence in France last year, also bought logistics assets but continued to focus on secure offices in Paris and a few major regional cities. Finally, one of the highlights of 2021 was the return of Asian investors who contributed to the exceptional results in logistics but also participated in large office transactions ("Influence" in Saint-Ouen, "New Station" in the 15th arrondissement).

Change in investment volumes between 2020 and 2021
All asset types combined



Source: Knight Frank

... and will remain very active in 2022

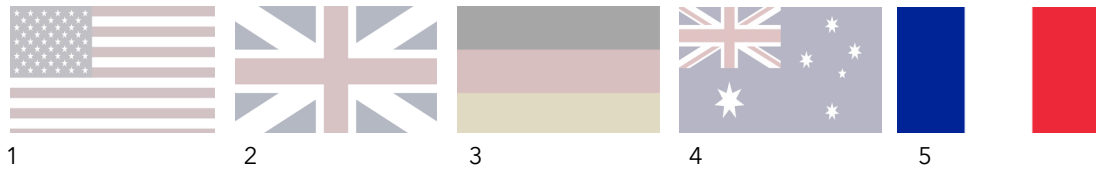
France in the Top 5

Top 5 most popular countries for foreign investors
Cross-border investment volumes, all asset types*

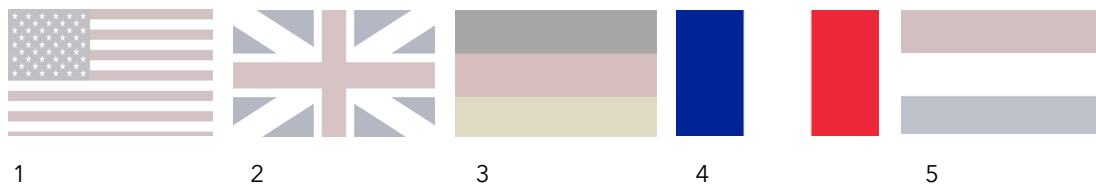
Last year, the increase in foreign investment enabled France to maintain its place in the Top 5 markets attracting the most cross-border investment in the world. In 2022, France could be ranked 4th, benefiting from the abundance of cash to be invested on behalf of North American, German and British funds, while

South Koreans will confirm their return to France. Offices will remain the most targeted asset, ahead of industrial property, whose popularity will not wane.

In 2021



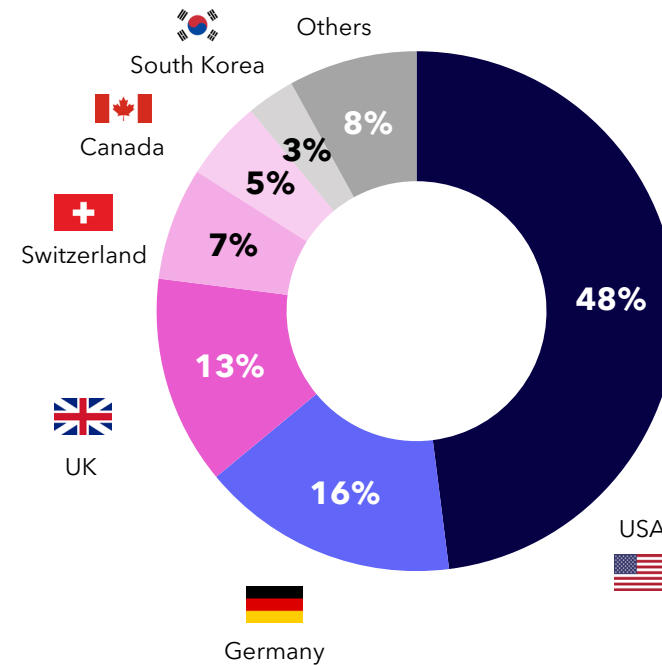
In 2022 (forecast)



US funds still very present

Breakdown of expected cross-border investment volumes in France in 2022*

Breakdown by nationality



Breakdown by asset type



Source: Knight Frank / *including alternative and residential assets.

Further decrease in offices

A challenging market

Change in office investment volumes
In France, in billions of euros

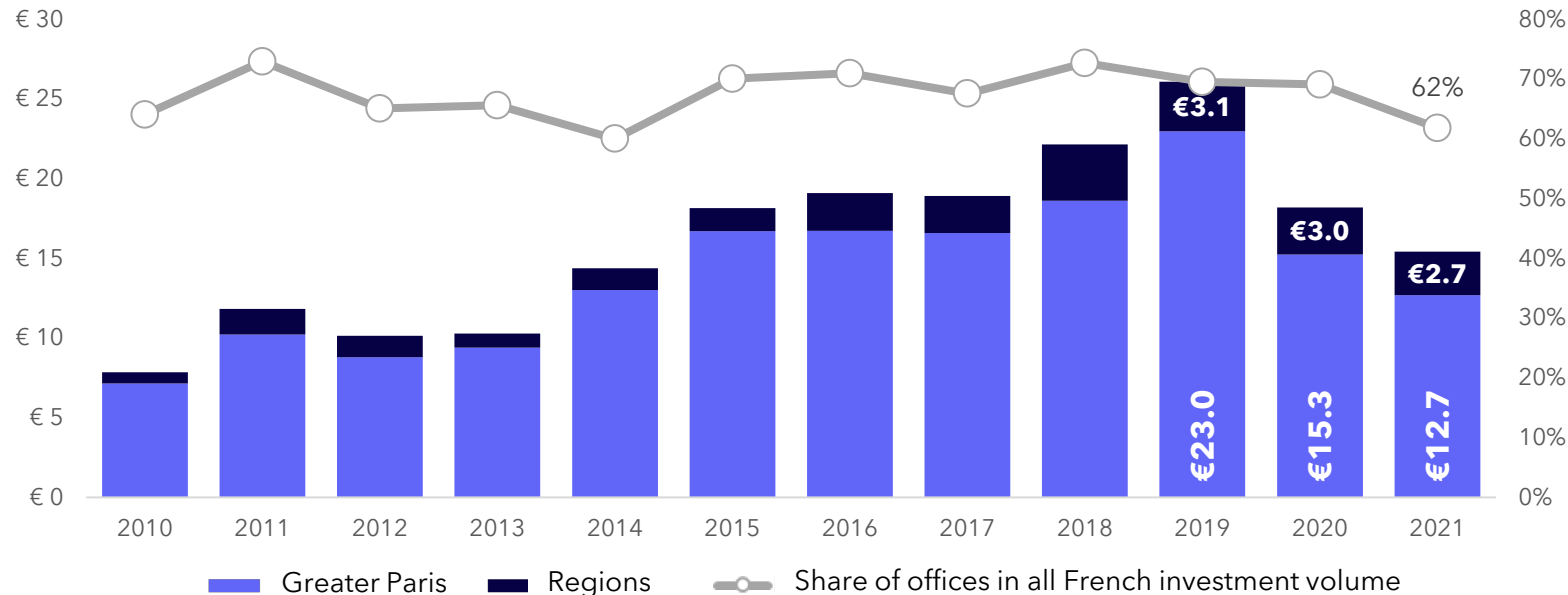
The decrease in the share of offices is one of the signs of the changes due to the health crisis. This asset class, which concentrated 70% of the sums invested in France in 2019, accounted for only 62% in 2021, i.e. 15.4 billion euros (-15% year-on-year).

billion in the 4th quarter due to the signing of large transactions ("Maison Bayard", "Window", "Influence", etc.). Despite this rebound, the 2021 result is down by 19% compared to 2020 and 45% compared to 2019.

they are paying closer attention to the increase in vacancies. Furthermore, the acceleration of obsolescence raises the question of the value of assets that are less adapted to the new requirements of occupiers, and questions the relevance of the extensive works needed to bring them up to sustainable development standards.

Questions about the future of the office sector are fuelling investors' caution, and

In the Greater Paris Region, volumes totalled €12.5 billion in 2021, including nearly €5



Fewer large transactions

Office transactions > €100 M in France

Change in number

2019-2021 change

66

In 2019

51

In 2020

35

In 2021

-41%
by number

-53%
by volume

Source: Knight Frank

Examples of office transactions in 2021



PRIMONIAL, LA FRANÇAISE, EDF INVEST | SHIFT, ISSY-LES-MOULINEAUX



PRIMONIAL, SOGECAP | WINDOW, LA DÉFENSE



GENERALI, EDF INVEST | METRONOME, PARIS 13TH



PRIMONIAL, EDF INVEST, SAMSUNG | INFLUENCE, SAINT-OUEN



GENERALI, ASIAN INVESTOR | NEWSTATION, PARIS 15TH



UBP | HAMO, SAINT-DENIS



CDC INVESTISSEMENT | 7 PLACE DU CHANCELIER ADENAUER, PARIS 16TH



LA FRANÇAISE REM | MAISON BAYARD, PARIS 8TH



ICADE | EQUINOVE, LE PLESSIS-ROBINSON



UNOFI | SILKY WAY, VILLEURBANNE

Source: Knight Frank

Good results for the Inner Suburbs

Most sectors below the ten-year average

Office investment volumes by geographical sector in the Greater Paris Region, in billion euros

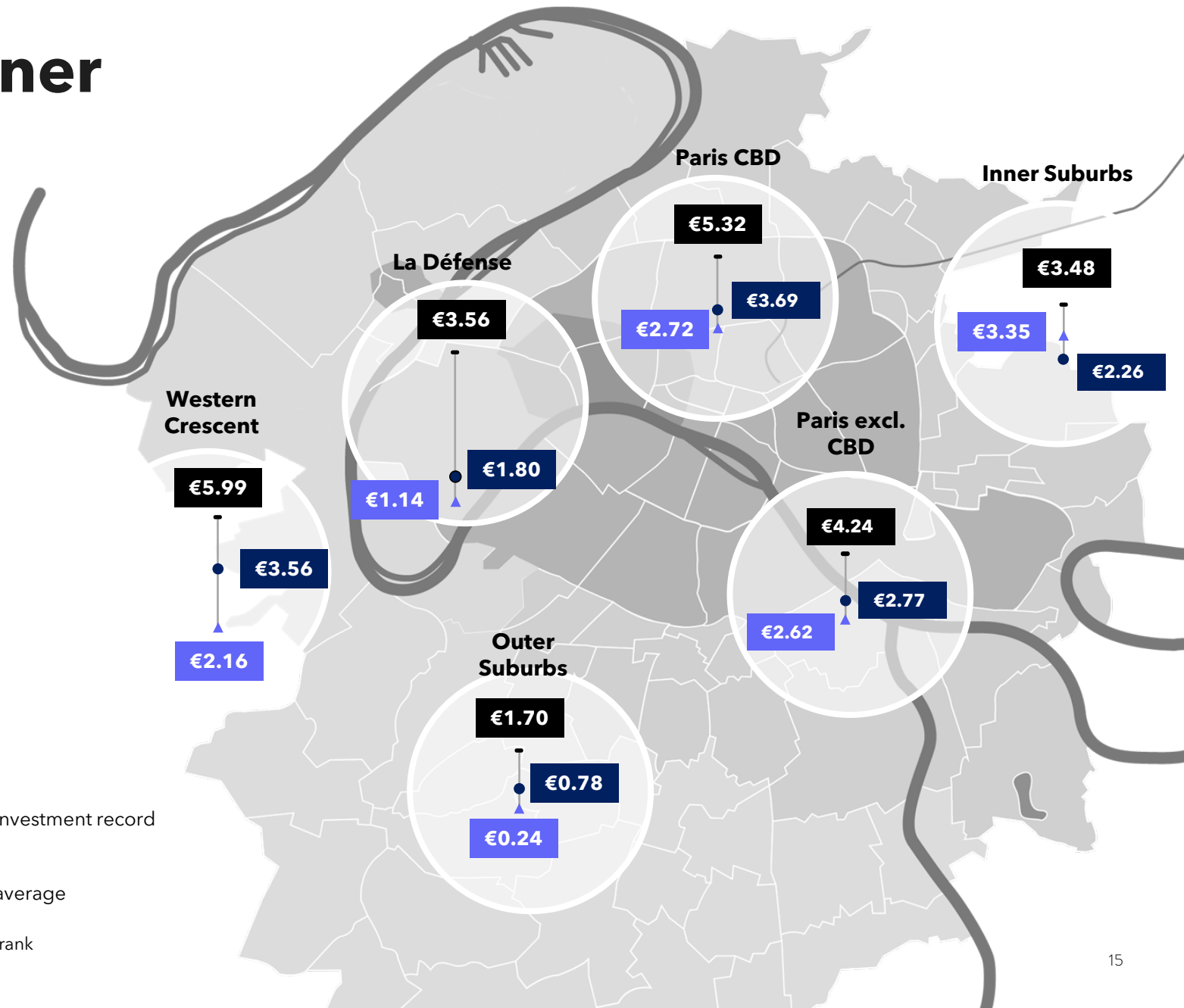
While the wait-and-see attitude of investors has weighed on the performance of certain office sectors, others have been penalised by the lack of supply. This is the case of the Paris CBD, which is still very popular for its core properties or those needing upgrading: 2.7 billion euros were invested in offices there in 2021, compared with an average of just over 4 billion euros in the five years prior to the health crisis.

The rest of the capital ended the year on a more positive note due to a few large transactions ("Métronomie" in the 13th and "New Station" in the 15th).

Outside of Paris, results are quite contrasted. Although La Défense rebounded significantly after a sluggish year in 2020, its result is 44% below the ten-year average. The decrease was also significant in the Western Crescent, while activity held up much better in the Inner Suburbs, where office investment volumes exceeded the ten-year average.

- 10-year investment record
- ▲ 2021
- 10-year average

Source: Knight Frank



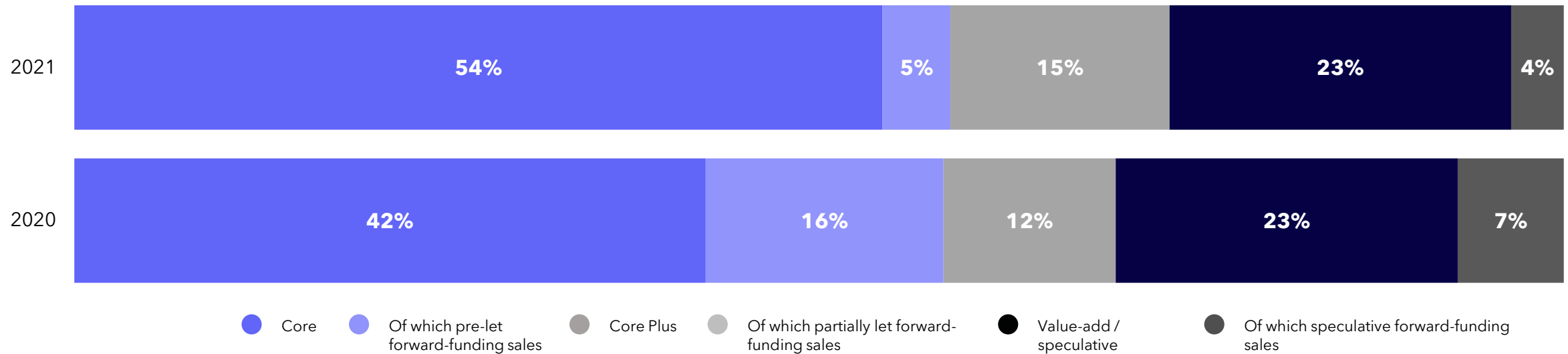
Core is still preferred

Speculative forward-funding sales have all but disappeared

Breakdown of office investment volumes by risk profile, in the Greater Paris Region
Individual transactions ≥ €20 M

As in 2020, almost 60% of the volume invested in offices in the Greater Paris Region in 2021 was in secured assets, illustrating the continuing caution of investors in the face of rising vacancy rates, and the impact of the health crisis and remote working on the take-up of office space.

Reflecting this caution, speculative forward-funding sales accounted for only 4% of all the sums invested in the Greater Paris Region office market last year, whereas these transactions had multiplied before the outbreak of the health crisis, particularly in the Inner Northern Suburbs.



Source: Knight Frank

Strength of regional markets

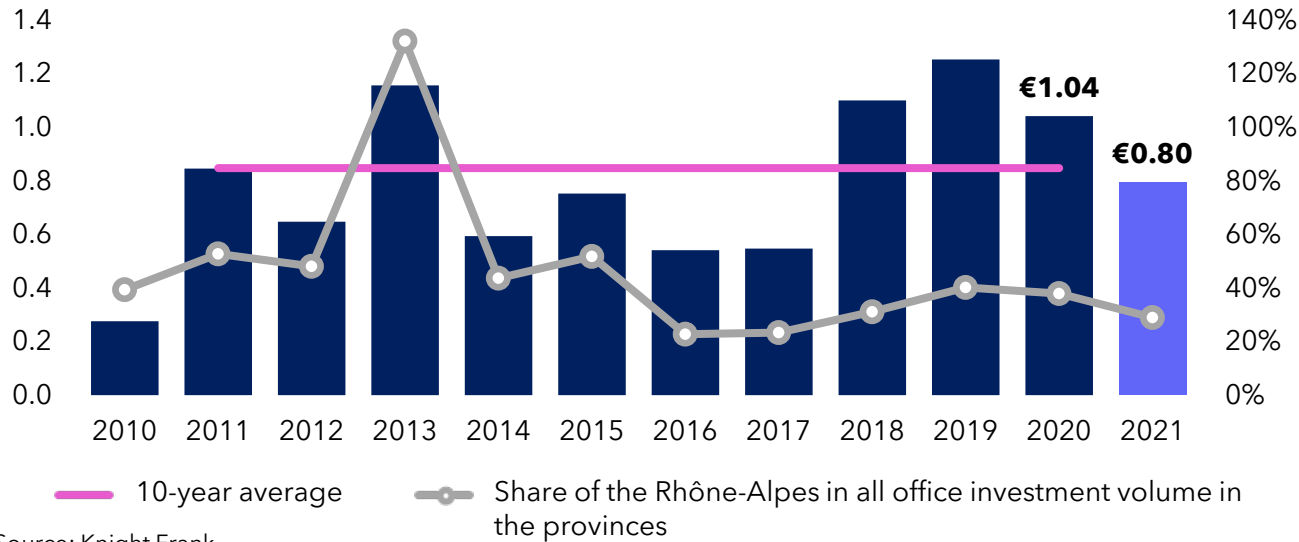
Lyon remains n°1

Change in office investment volumes in the Rhône-Alpes region
In billions of euros

Offices in the regions held up better than expected with a 4% increase year-on-year. At the end of 2021, several major transactions have been recorded in the Lyon area (acquisition by UNOFI of "Silky Way" in Villeurbanne, sale to ALLIANZ of FRAMATOME's offices in Gerland).

the leading regional market, ahead of Bordeaux and Lille, and has even recorded one of its best ever results despite a 38% drop compared to its 2019 peak. The strength of the Lyon market is based in particular on the dynamism of its office lettings market: 292 000 sq m were let in 2021, an increase of 33% year-on-year and 4% compared to the ten-year average.

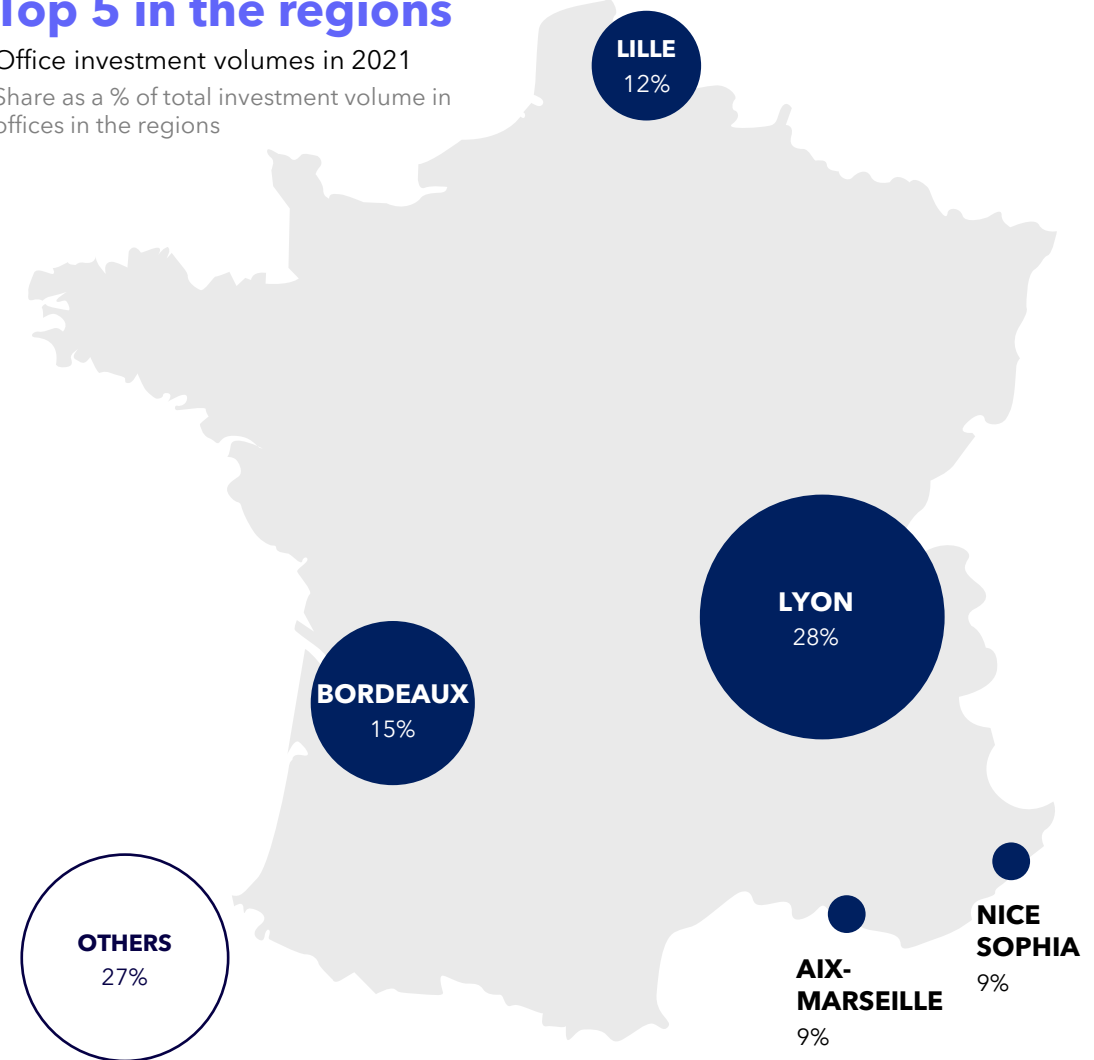
With almost 800 million euros invested in offices in 2021 in the Lyon market, the latter retains its status as



Source: Knight Frank

Top 5 in the regions

Office investment volumes in 2021
Share as a % of total investment volume in offices in the regions



Retail: further decrease

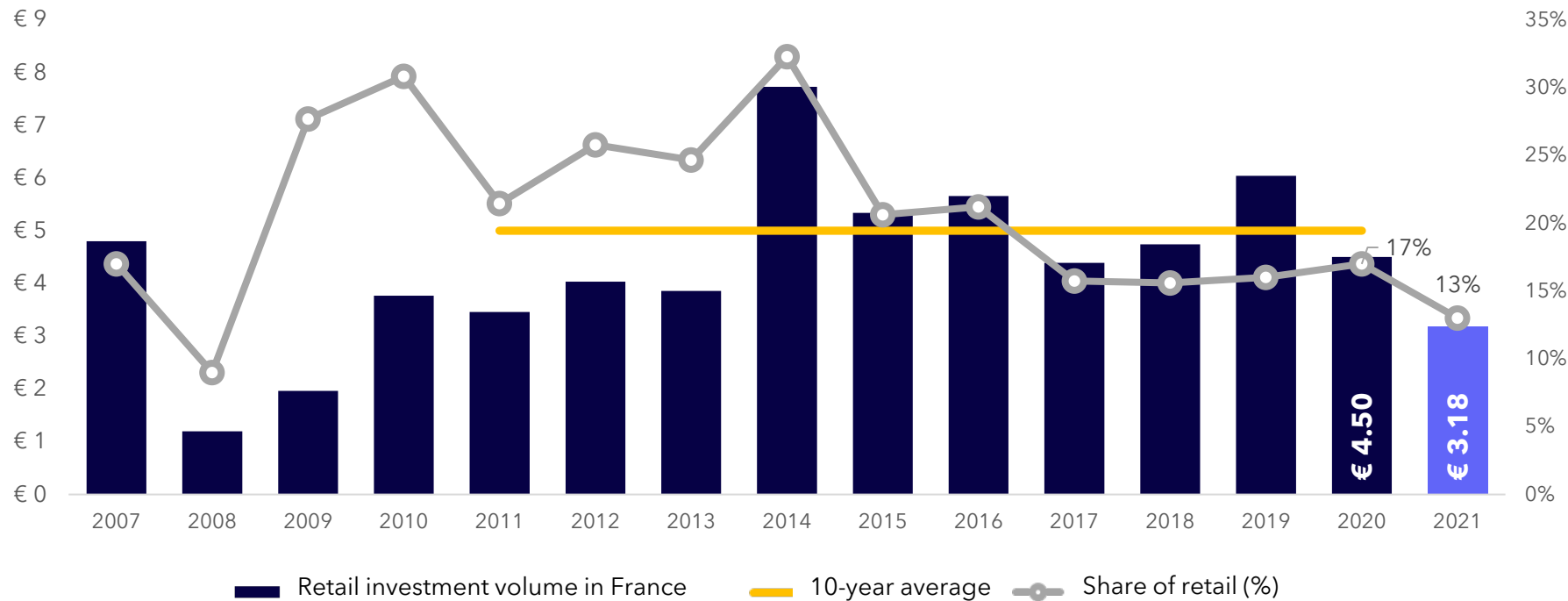
At its lowest level since 2009

Change in retail investment volumes in France
In billions of euros, all retail formats included

Almost 3.2 billion euros was invested in the French retail market in 2021, a sharp decrease of almost 30% year-on-year and the lowest level since 2009. This significant drop confirms the impact of the health crisis on the retail sector, which has been penalised by investors'

caution and the limited number of large transactions. The market has also been affected by the administrative closures of shops, which delayed some sales processes throughout 2020 and the first months of 2021. Nevertheless, activity picked up significantly in the second half

of the year, with €2.2 billion invested over the period, compared with approximately €970 million in the first half.



-36%
10-year average

Source: Knight Frank

Examples of retail transactions in 2021



CRÉDIT AGRICOLE ASSURANCES | ALTAREA PORTFOLIO, FRANCE



LIGHTHOUSE CAPITAL | WERELDHAVE PORTFOLIO, FRANCE



M&G REAL ESTATE | TWO CASINO HYPERMARKETS



IREIT GLOBAL GROUP | DÉCATHLON PORTFOLIO, FRANCE



WP CAREY | THREE CASINO HYPERMARKETS



FREY | CARRÉ SUD, NÎMES



BNP PARIBAS REIM | ALPHA PARK II, LES CLAYES-SOUS-BOIS



BROOKFIELD ASSET MANAGEMENT | 275 RUE SAINT-HONORÉ, PARIS 8TH

Source: Knight Frank

The suburbs in the spotlight

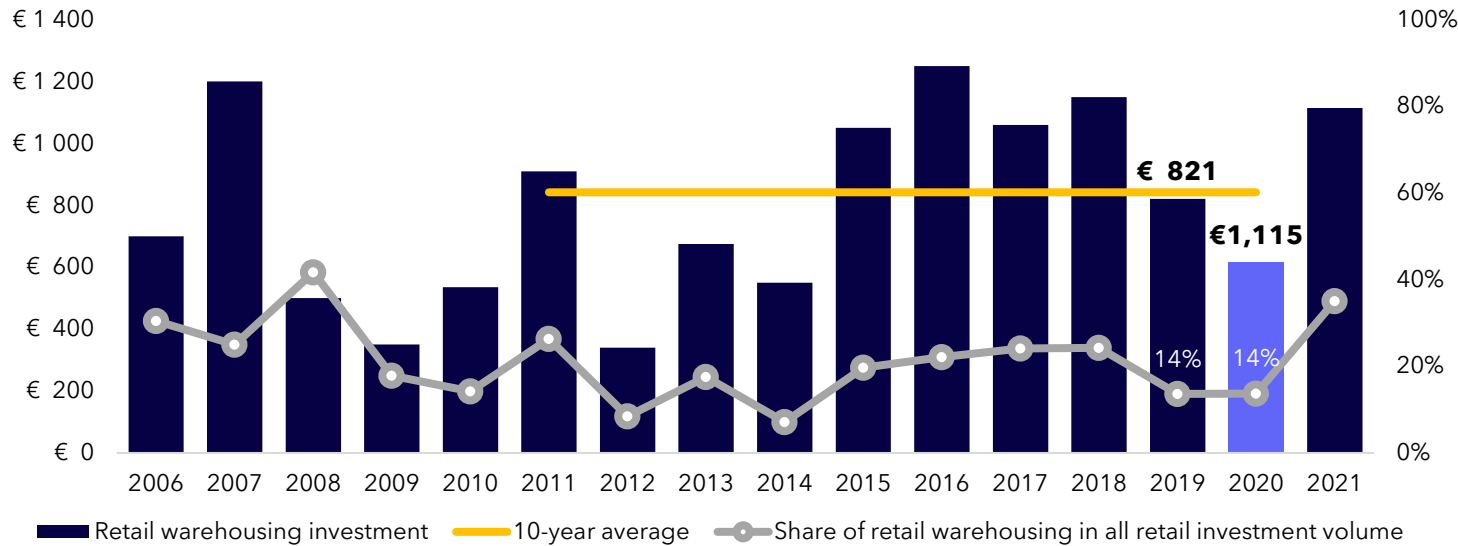
Share at its highest since 2008

Investment volumes in the French retail park market
In millions of euros

At the end of 2021, the recovery in volumes invested in retail benefitted mainly the suburbs as a result of the completion of the partnership formed by ALTAREA and CREDIT AGRICOLE ASSURANCES and several individual asset sales (sale to SOFIDY of the "Rives d'Arcins" retail park in Bègles, to BNP

PARIBAS REIM of "Alpha Park II" in Les Clayes-sous-Bois, etc.). With 1.1 billion euros invested in 2021, i.e. 35% of all retail investment, retail parks even accounted for the largest share of volumes for the first time since 2008, just ahead of high streets. This reversal of the hierarchy was to be expected given the dynamism of the

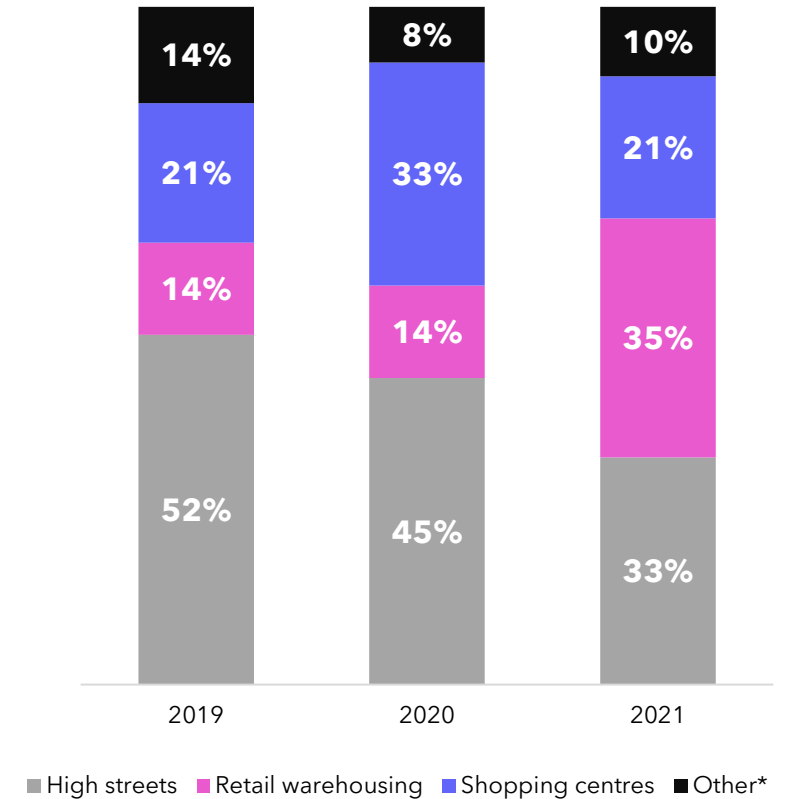
suburbs since the onset of the health crisis and the opportunities arising from the bringing to the market of retail parks or large portfolios of brands.



Source: Knight Frank



Retail investment volumes in France
by asset type



* Factory outlet centres, hypermarkets and supermarkets, non-divisible portfolios

Grocery stores are still popular

Volumes limited by a lack of products

Volumes invested in grocery stores in France, in millions of euros

All retail formats and brands combined

In 2022, investors will continue to have a strong appetite for grocery retail formats. These accounted for a significant volume in 2021. However, the amounts have decreased significantly compared to the previous three years due to a lack of supply

and the decrease in sales by the Casino group, which had largely driven volumes between 2018 and 2020. In 2022, retail will also benefit from the resilience of household consumption, the success of the suburbs and the expected recovery of shopping

centres due to the bringing to market of several large assets.



SALE OF ASSETS BY THE CASINO GROUP SINCE 2015 IN FRANCE

Total volume **€3.3B**
but less than 200 millions in 2021

10%
of the total amount invested in retail since 2015

Source: Knight Frank

Logistics: new record

Portfolios boost activity

Change in industrial property investment volumes
In France, in billions of euros

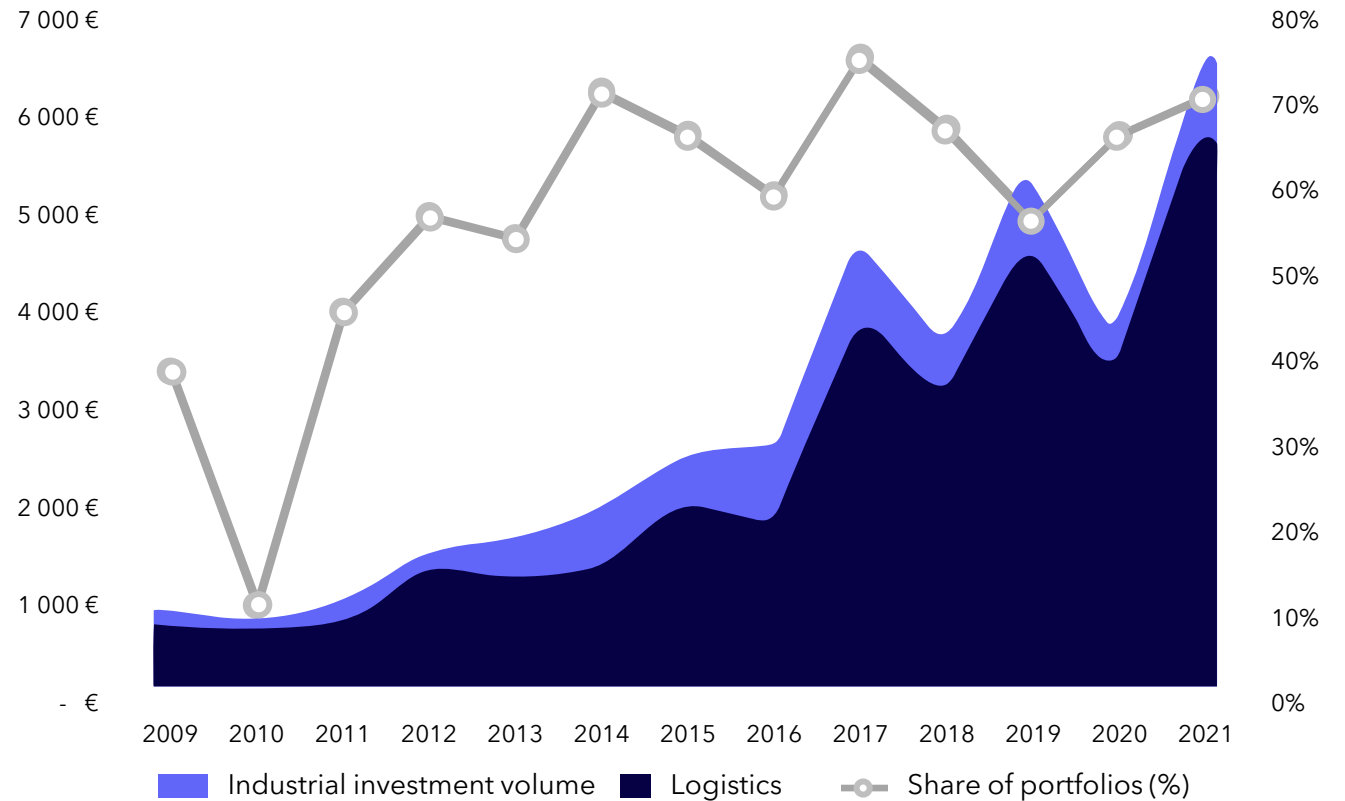
With almost 6.5 billion euros invested in 2021 (+75% year-on-year), industrial assets account for 26% of the sums invested in France. This is an all-time record, exceeding the previous 2019 record by 21%. Volumes were mainly boosted by the sale of large national or pan-European portfolios, which accounted for just over 70% of the amounts invested in 2021 in the industrial market.

While XXL warehouses remain the driving force behind activity, 2021 was also characterised by the breakthrough of last-mile logistics, with the completion of several sales of mixed portfolios and cross-docking properties. Investment activity also benefited from the dynamism of individual, secured or speculative asset sales.



26%

Share of industrial assets in total volume invested in corporate real estate in France



Source: Knight Frank

The new market drivers

The success of logistics is one of the most obvious manifestations of the craze for assets that meet the needs created by changes in lifestyles and consumption patterns, and increased by the health crisis. These changes are playing an increasing role in the French real estate market, both for investment and letting purposes.

Several more or less recent asset classes ("build to rent", life sciences, cross-docking services, data centres, managed residential, etc.) should thus continue to grow. Furthermore, change of use and reversibility of assets will be two of the main themes of 2022, demonstrating the growing importance of sustainable investment criteria.



E-COMMERCE

Last mile logistics
XXL warehouses

CLOUD COMPUTING

Data centres

HEALTH

Life sciences
Healthcare real estate

PRIVATE EDUCATION

Schools
Campuses
Student residences

HOUSING CRISIS

BTR ("*build to rent*")
Intermediate housing
Conversion of offices into residential

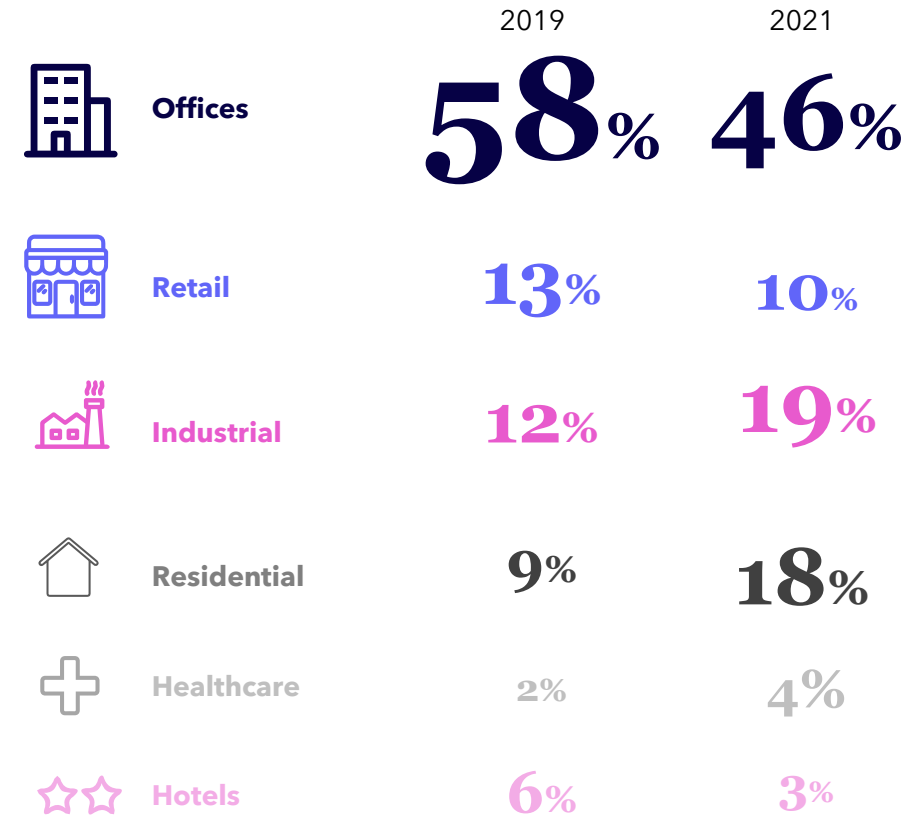
ESG CRITERIA

Changes of use
Reversible buildings

Acceleration of diversification strategies

In France

Breakdown of volumes invested in France by asset class
Share of total volume as a % of total volume

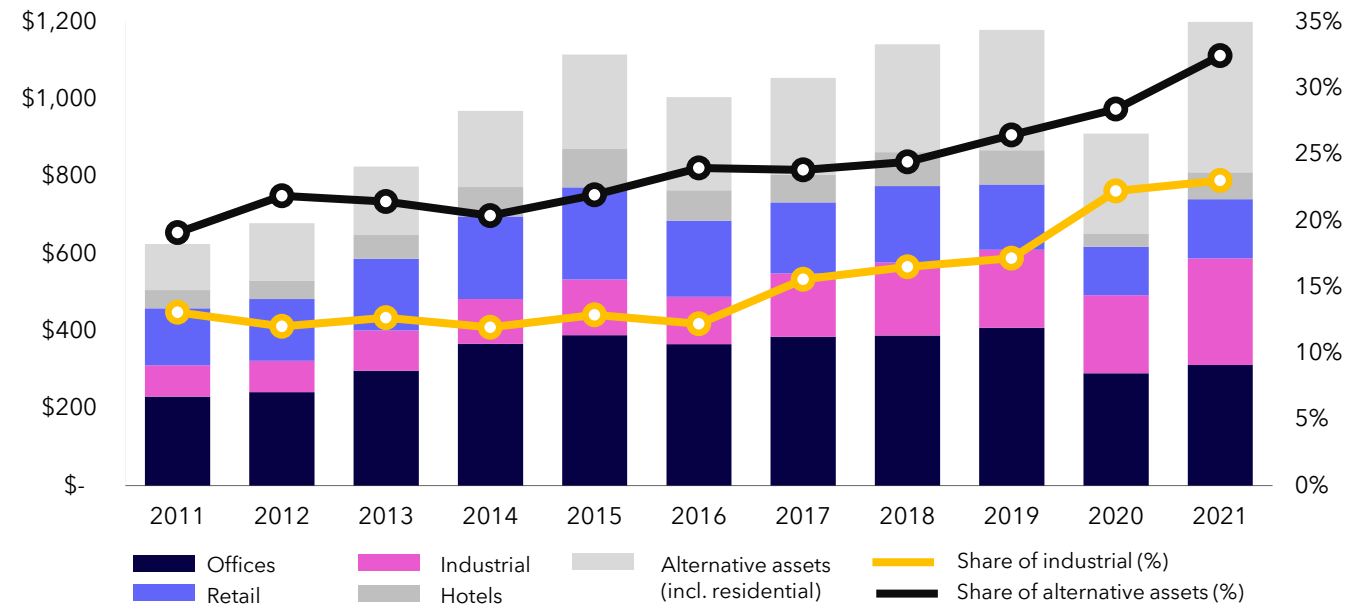


One of the main effects of the health crisis has been to change investors' allocation strategies. Although this trend already existed before the outbreak of the pandemic, it has accentuated their desire to diversify their assets in favour of healthcare property, residential and industrial assets. Between 2019 and 2021, the share of the latter and of residential property has thus risen

from 21% to 37% of total investment volumes in France. The same trend can be observed globally, where alternative assets (including residential) accounted for nearly a third of the amounts invested, compared with 26% in 2019 and less than 20% in the early 2010s.

...and globally

Breakdown of global investment volumes by asset type in USD billion



Source: Knight Frank

Sources: Real Capital Analytics / Knight Frank

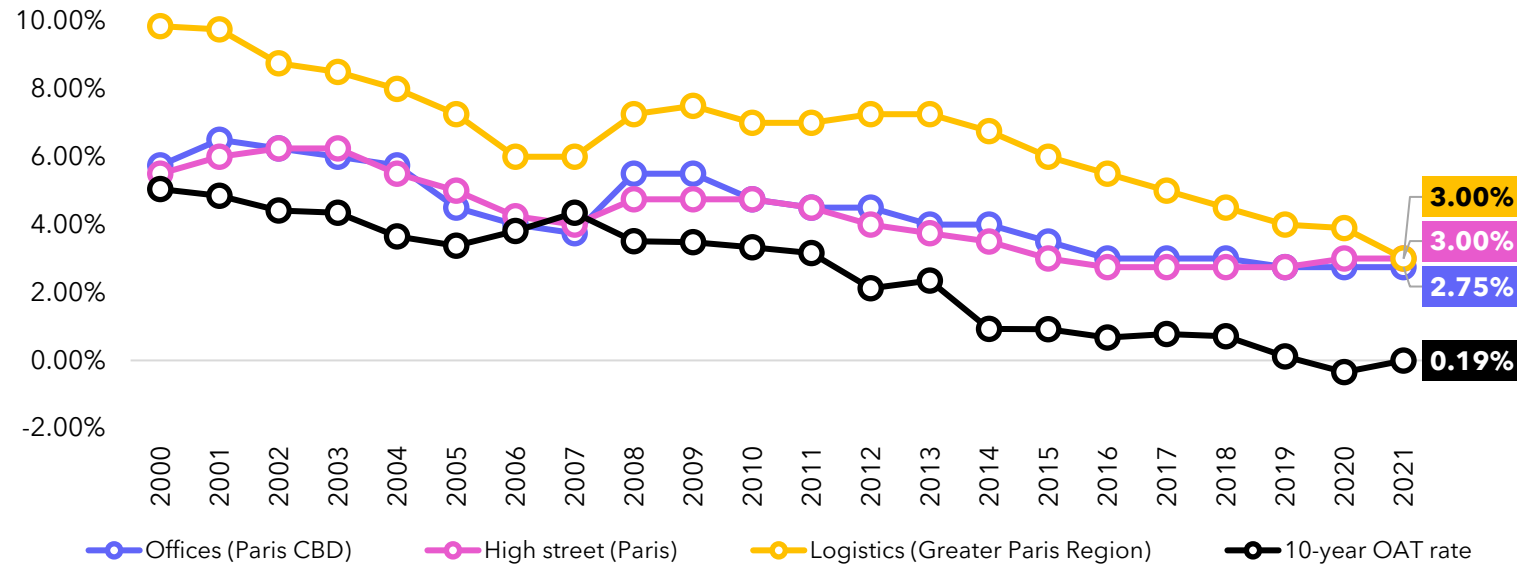
Convergence of yields

Further compression of logistics yields

Change in prime yields in France

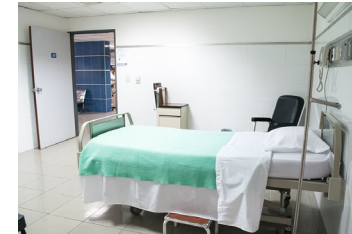
The growing investor appetite for the industrial property market has continued to put pressure on prime yields. Prime yields now stand between 3.00% and 3.25%, a drop of 65-90 basis points in one year and over 200 basis points in five years. This brings them to the level of prime yields for office and retail space, which remained stable in 2021. Strong demand for the best assets could

put downward pressure on prime yields in 2022. However, the yield spread should remain favourable to the real estate sector due to ongoing favourable monetary policies.



Sources: Knight Frank / Banque de France

Change in prime yields for alternative assets and residential property in France



HEALTHCARE

4.50 %



MANAGED RESIDENTIAL

3.50 -
4.00 %



RESIDENTIAL

2.00 %

Source : Knight Frank

2022 outlook

- Uncertain but more favourable context (strength of the economy, **improvement in letting activity**, etc.)
- The abundance of liquidity and the strong **appetite of international funds** will contribute to the increase in investment volumes
- **Gradual rebalancing of values** and **acceleration of value-added strategies**
- Investor competition for the best assets will keep **yields at their lowest level**
- **The yield spread will remain favourable** to real estate due to ongoing favourable monetary policies
- **Change of use and reversibility will be two of the main themes** in 2022, illustrating **the growing importance of sustainable investment criteria**
- Investors will increase their exposure to residential, healthcare and managed residential to **further diversify their assets**

02

OFFICES

2021 highlights

- **Strong economic recovery** and robust employment market.
- **Lettings are up a strong 32%** year-over-year, but still far from the 2019 level (-22%).
- **Over-performance of the Paris CBD**, which is back to its pre-crisis level.
- The number of large leases has more than doubled, **but areas have been reduced by more than 20% on average.**
- **Innovation** players, the **new drivers** of the office market.
- Record number of transactions signed at **values > €900 /sq m/year.**
- Stable average rents, masking a **general increase in rental incentives.**
- **Slowdown in the increase in available supply**, but very abundant availability in certain sectors of the suburbs.
- **Delivery volume at its highest level** since 2015, but inflated by the delays from 2020.

A more favourable context

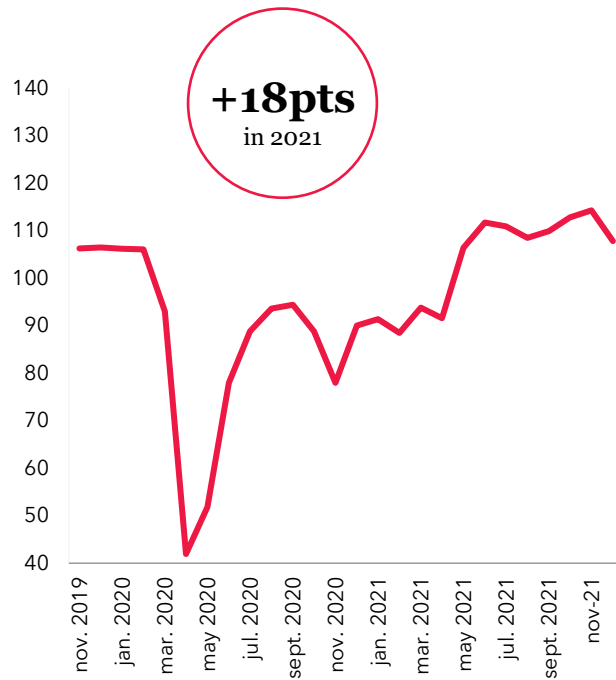
Despite the rapid spread of the Omicron variant and the deceleration of growth in the 4th quarter of 2021, the economic outlook remains positive for 2022. After a 6.7% increase in GDP in

2021, the Banque de France forecasts an increase of 3.6% in 2022. Furthermore, after having reached a historically low level in 2021, business bankruptcies could rise again, but should remain contained

due to the extension of certain State aids. Finally, the labour market should also hold up. Despite an expected slowdown in job creation in 2022, the unemployment rate in France will remain below 8%.

Business climate in France

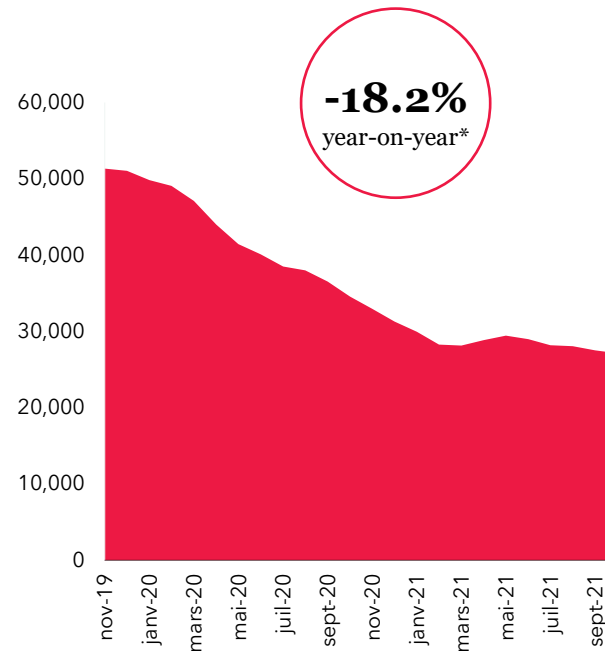
In the service sector



Source: INSEE

Business bankruptcies in the Greater Paris Region

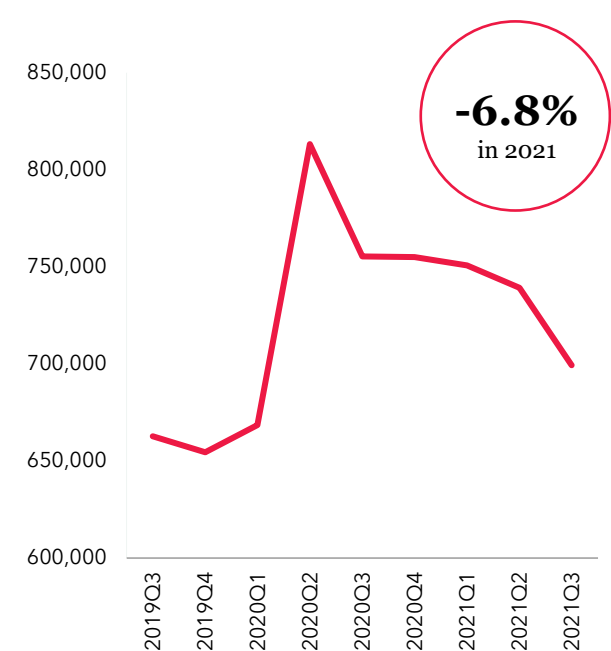
In number of legal units, as a %



Source: Banque de France / *At the end of November.

Job seekers in the Greater Paris Region

Quarterly average by number



Source: DARES

HR: an increasingly important factor

Changes in the economic context are not the only factor influencing occupiers' real estate decisions, which are also increasingly taking into account HR and CSR criteria. At a time when companies, particularly in the services sector, are reporting increasing recruitment difficulties,

offices, their location and the quality of the space therefore have an important role to play in attracting and retaining employees, as well as in the organisation of work.

A French-style "Big Quit"?

Increase in long breaks (> 1 month) in 2021

Share of companies concerned in France

65%

+ 5 pts year-on-year

Absenteeism in the services sector in 2021

38%

+ 3 pts year-on-year

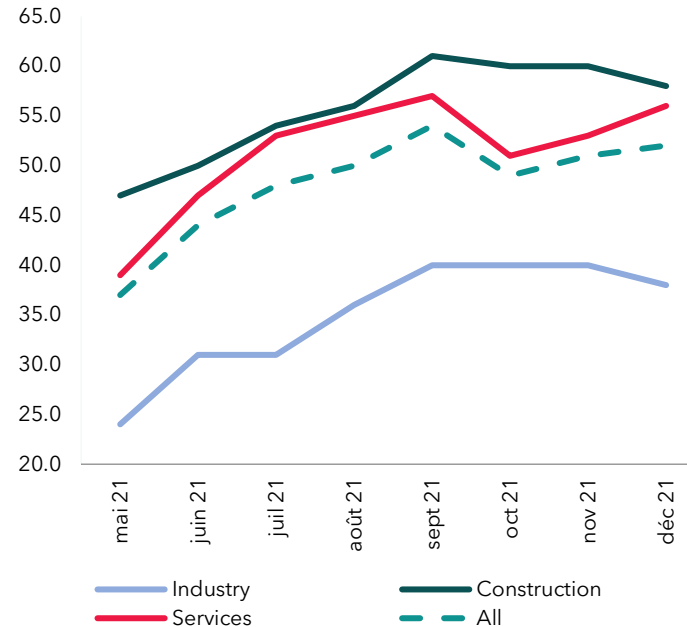
Number of resignations in France at the end of Q3 2021

+14%

year-on-year

Companies reporting recruitment difficulties

Share as a %, in France



Source : Banque de France

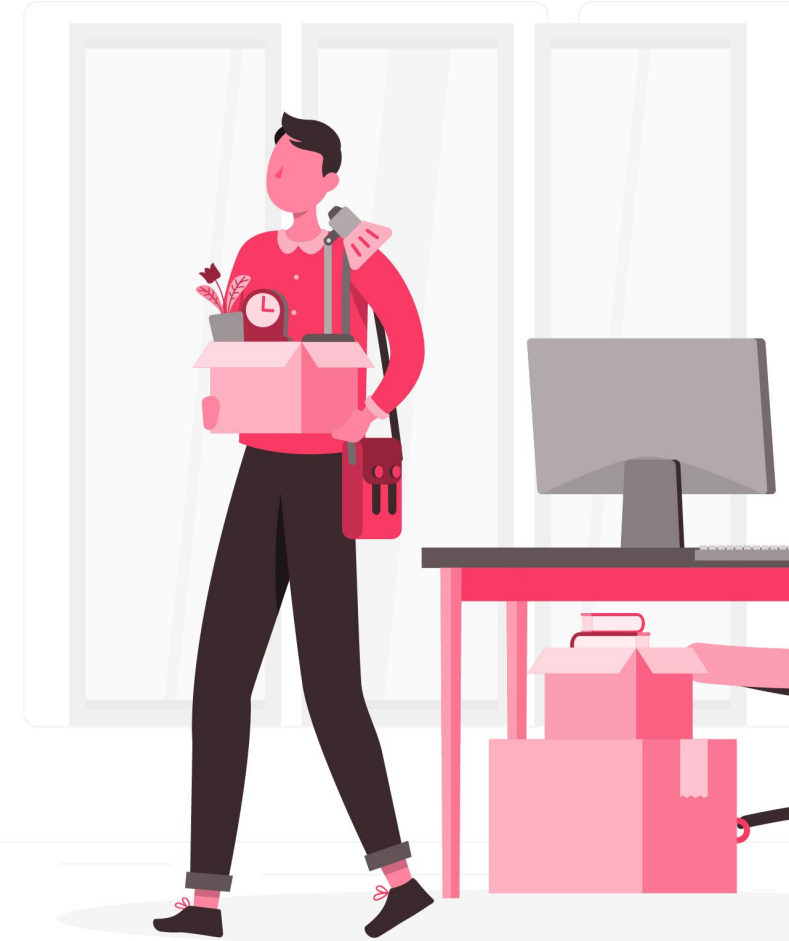


Image: ©Freepik

Sources: Malakoff Humanis / Pôle Emploi-Dares, STMT

A market still in recovery

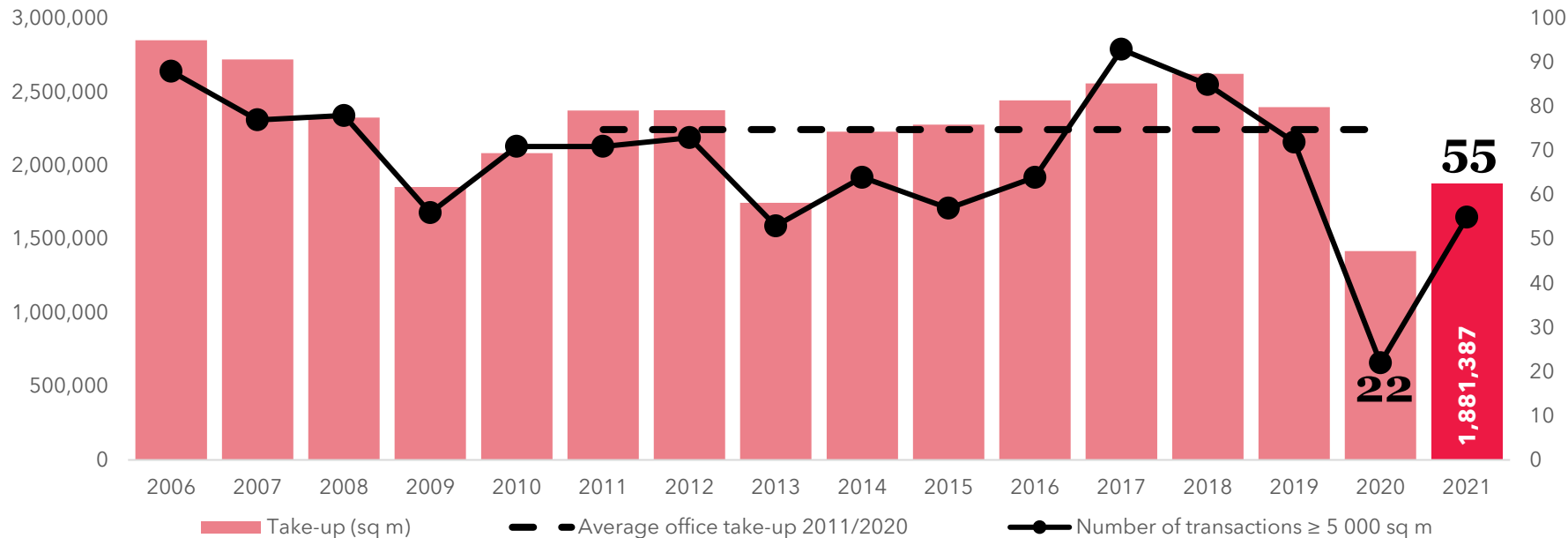
A larger than expected rebound in 2021

Change in take-up in the Greater Paris Region

Total volume in sq m

After an encouraging start to the year, the Greater Paris Region office market gradually recovered in 2021. Activity peaked in the 4th quarter with 600,700 sq m of office space leased, compared with 430,000 sq m in the same period in 2020. The year thus ended on a positive note, with take-up totalling 1.88 million sq m for the whole of 2021, a 32% rebound compared with 2020. Although still below the pre-crisis level (-24% compared to the

2015-2019 period), the 2021 performance is significantly better than the levels achieved during previous crises, whether it be the bursting of the internet bubble (+27% compared to 2002), the great financial crisis (+2% compared to 2009) or the European debt crisis (+8% compared to 2013).



↑
+ 32 %
Year-on-year

↓
- 24 %
2015-2019 average

Source: Knight Frank

Return of large transactions

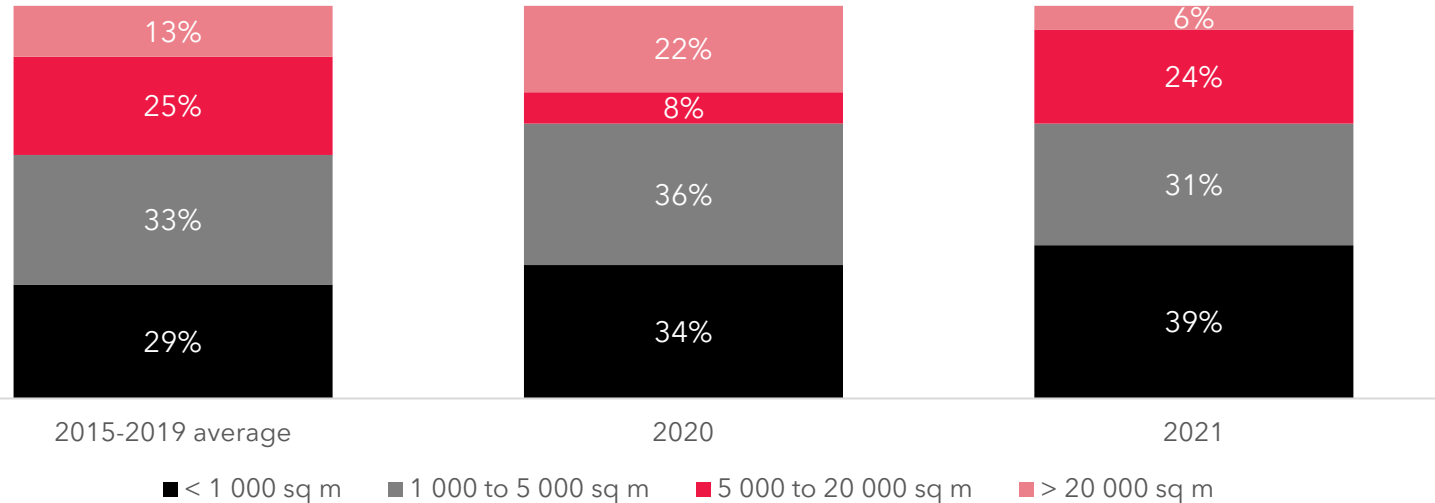
Driving force of small areas

Take-up by area category, in the Greater Paris Region
% of volume of sq m

In 2021, the upturn in demand concerned all area categories, whether it be offices of less than 1,000 sq m, for which take-up increased by 49% over the year, intermediate-sized offices (+19%), or areas over 5,000 sq m.

With 55 leases in 2021 compared to 22 in 2020, office space lettings of more than 5,000 sq m totalled 555,600 sq m, an increase of 31% compared to the previous year, contributing

to the recovery of the Greater Paris Region market and confirming that large companies are re-launching their property projects. However, the large transactions category has not yet returned to its pre-crisis levels. In the five years preceding the Covid-19 pandemic, 74 large transactions were recorded each year.



Source: Knight Frank



Transactions ≥ 5,000 sq m
In the Greater Paris Region in 2021, by number and volume

55
transactions
≥ 5,000 sq m
22 in 2020
72 in 2019
=
550,557 SQ M
+29% compared to 2020
-37% compared to 2019

Large transactions in 2021

Examples of transactions $\geq 5,000$ sq m in Paris

With a total volume of 116,000 sq m, 76% of which was new/refurbished space, 14 transactions over 5,000 sq m were recorded in 2021 in Paris, compared with 9 in 2020 and 27 in

2019. 8 of these were signed in the CBD, contributing to its very good results. Outside the CBD, however, there were few transactions, particularly in districts whose

performance traditionally depends on large transactions, such as the 13th and the 15th.



CIC | PARIS VICTOIRE BUSINESS CENTRE
PARIS 9th (16,000 sq m)



LVMH | 50 AVENUE MONTAIGNE
PARIS 8th (10,400 sq m)



SANOFI | GREAT, 46 GRANDE ARMÉE
PARIS 17th (9,100 sq m)



LEDGER | 106 RUE DU TEMPLE, PARIS 3rd
(7,500 sq m)



GROUPE BEAUMANOIR | BLOOM
PARIS 12th (7,600 sq m)



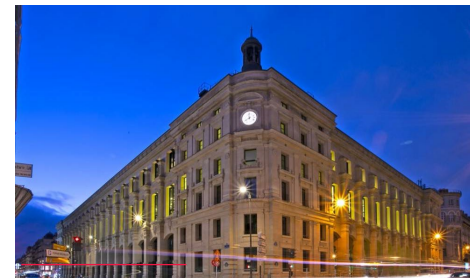
ALLEN & OVERY | RENAISSANCE,
26 FRANÇOIS 1^{ER}, PARIS 8th (6,700 sq m)



NEWEN | 123 BD DE GRENELLE
PARIS 15th (6,500 sq m)



FUTURE4CARE | PARIS BIOPARK
PARIS 13th (6,200 sq m)



VOODOO | LA POSTE DU LOUVRE
PARIS 1st (5,800 sq m)



MARGIELA | 12 PLACE DES ÉTATS-UNIS
PARIS 16th (5,360 sq m)

Large transactions in 2021

Examples of transactions $\geq 5,000$ sq m in the Greater Paris Region

Representing a total volume of 440,600 sq m, 75% of which was new/redeveloped space, 42 transactions of more than 5,000 sq m were recorded in 2021 outside Paris, compared with just 13 in 2020 and 45 in 2019. La Défense accounted for a large proportion of these movements, with 11 transactions compared with three in 2020 and

five in 2019, while 15 were signed in the Western Crescent. However, reflecting the reduction in the amount of space leased by companies, the vast majority of leases were for areas of less than 15,000 sq m. In the Inner Suburbs, activity remained almost at a standstill in the South, while the North was much more active. Large transactions are

gradually returning to their usual driving role (six movements in 2021 compared with four in 2020). This momentum is unlikely to weaken in 2022 due to the progress of projects related to the Grand Paris Express and the 2024 Olympic Game, as well as an abundant and competitive supply.



SNCF | HAMO
SAINT-DENIS (30,000 sq m)



CAMPUS CYBER | TOUR ERIA
PUTEAUX (24,000 sq m)



SAGEMCOM | ALPHABET
BOIS-COLOMBES (19,500 sq m)



GROUPE UP | GARDENS
GENNEVILLIERS (15,500 sq m)



AEMA | KEIKO
ISSY-LES-MOULINEAUX (14,500 sq m)



EM NORMANDIE | H2B
CLICHY (13,700 sq m)



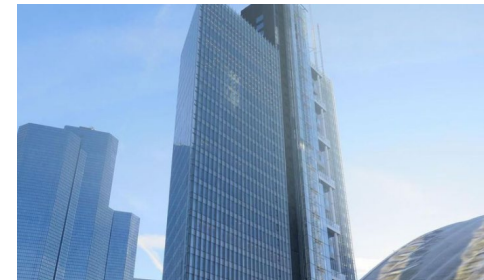
PARIS SANTÉ CAMPUS | FRESK
ISSY-LES-MOULINEAUX (13,700 sq m)



OMNES EDUCATION | CŒUR DÉFENSE
COURBEVOIE (13,500 sq m)



SAMSUNG | SO POP
SAINT-OUEN (10,000 sq m)



SOPRA STERIA | TRINITY
PUTEAUX (8,700 sq m)

Source: Knight Frank

Mixed performances

The CBD is back to its pre-crisis level

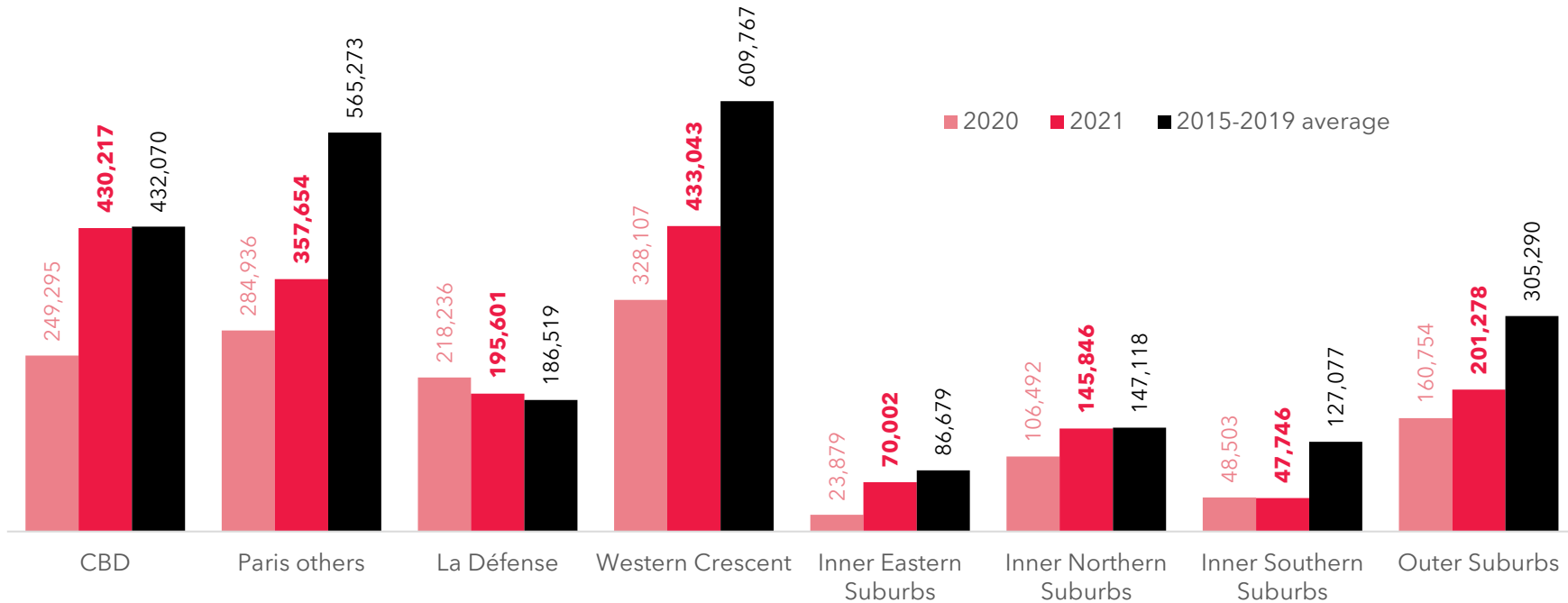
Change in take-up by geographical sector

In volume of sq m in the Greater Paris Region, all areas combined

The increase in take-up was significant in the Paris CBD (+73%), which is also the only sector along with La Défense to have improved on its 2019 result (+12%). Indeed, the CBD has weathered the health crisis very well, as the crisis has increased demand for prime offices that are easily accessible and located in lively

areas. The CBD also benefited from its diverse economic fabric and sustained demand from companies in sectors that were not affected by the pandemic (tech, finance, lawyers) or were only slightly affected.

In La Défense, take-up volumes fell by 10% year-on-year due to the signing of the TOTAL transaction in 2020 (125,000 sq m in "The Link"), but were slightly higher than the 2015-2019 average by 5%.



Paris CBD
Change in take-up in 2021

+73%
Compared to 2020

The "Flight to Quality" of large occupiers

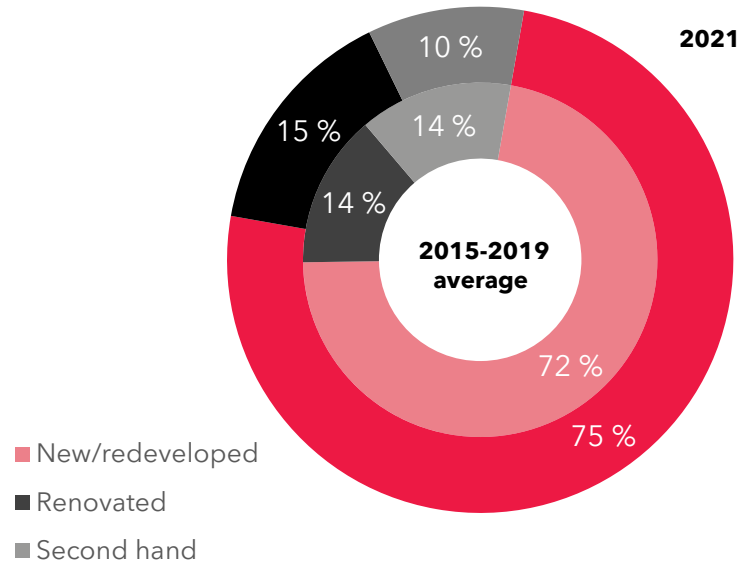
The health crisis has accelerated a trend that has been underway for several years: that of the priority given by large office occupiers to Grade A supply. In 2021, new/redeveloped assets thus accounted for 75% of the volume of total take-up of space over 5,000 sq m,

compared with an average of 72% between 2015 and 2019. At the same time, the share of second hand supply has decreased significantly.

Furthermore, an analysis of large transactions reveals a decreasing pre-letting rate; this decrease is particularly pronounced in La Défense (29%) where Grade A supply above 5,000 sq m leased in 2021 was mostly available.

Grade A: 75 % of take-up

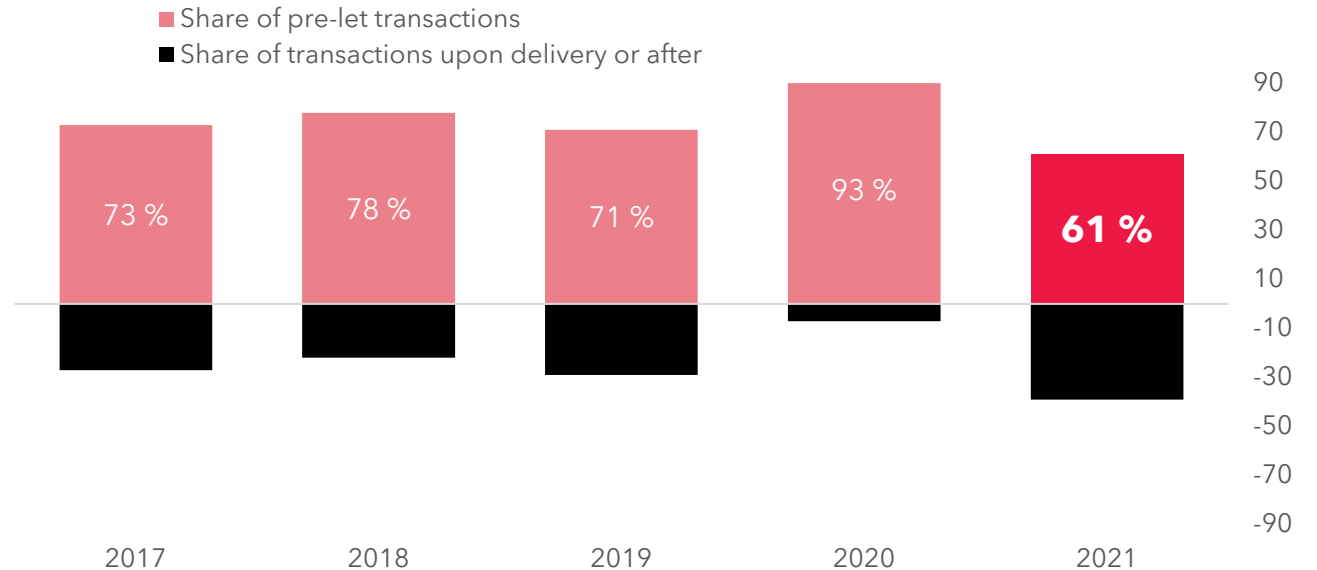
Take-up by building quality, in the Greater Paris Region
% of volume of transactions ≥ 5,000 sq m



Source: Knight Frank

Pre-lettings down

Change in pre-lettings in the Greater Paris Region
% of number of transactions ≥ 5,000 sq m undertake on new or refurbished supply



Source: Knight Frank

Area reductions: yes, but...

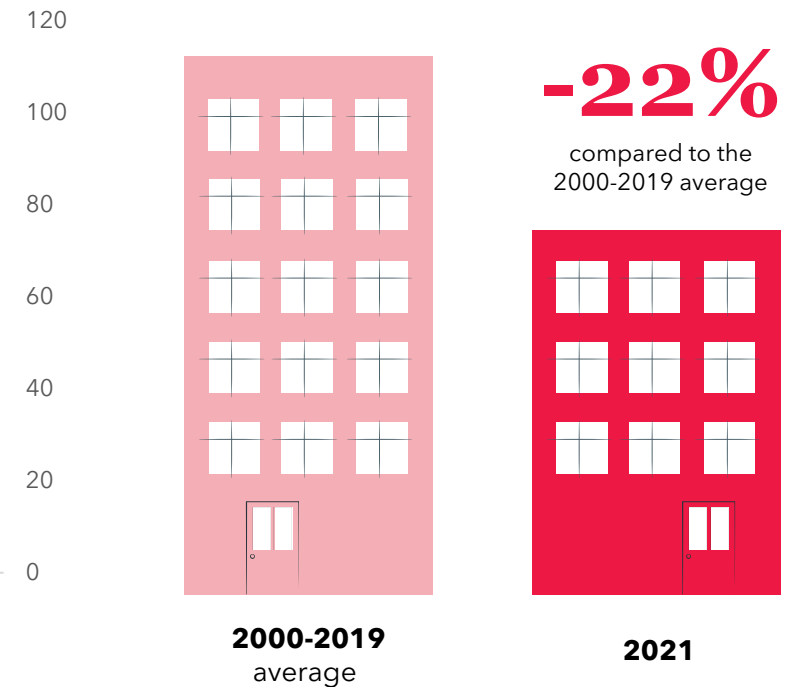
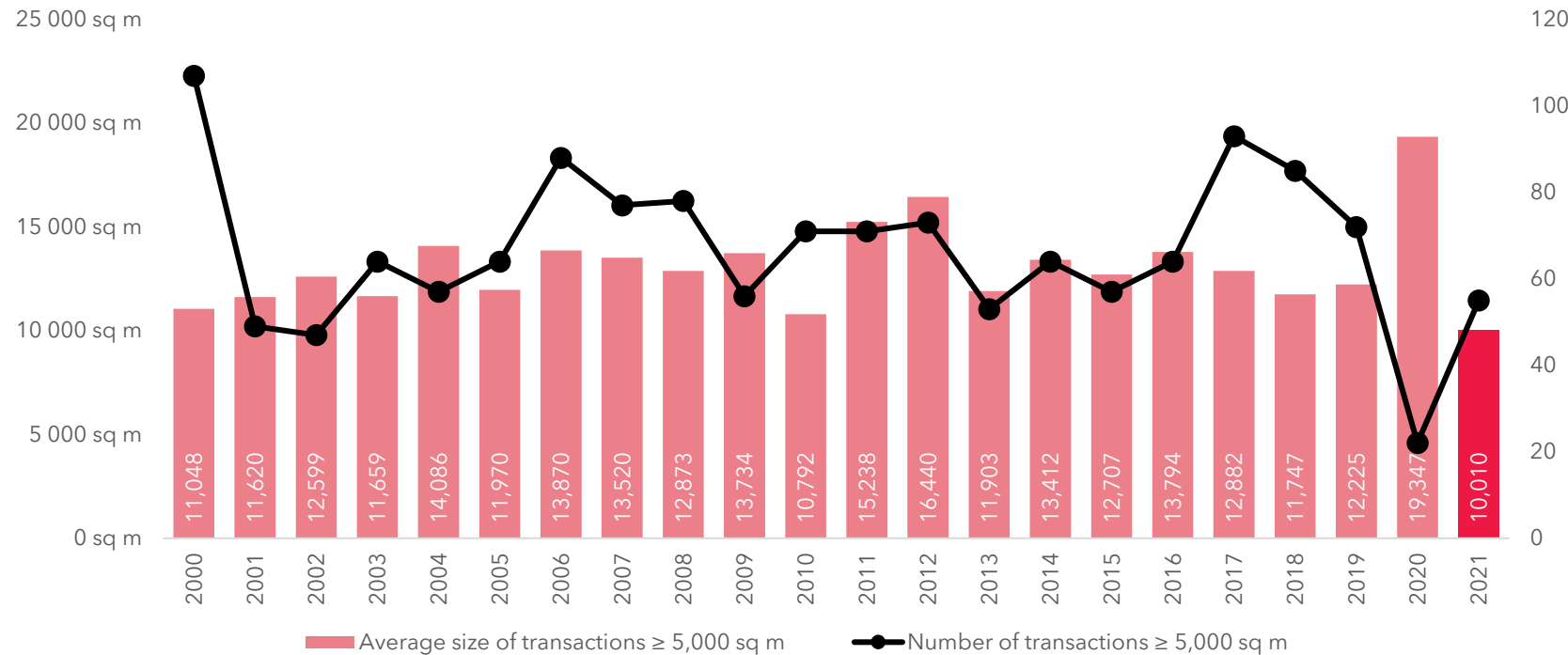
Average decrease of 22% in the size of large leases

Change in number and average size of transactions ≥ 5,000 sq m
In the Greater Paris Region

Remote working is now well established (more than half of the population of the Greater Paris Region do so two to three days a week) and this has obviously had an impact on the consumption of office space. In 2021, the average area of leases over 5,000 sq m was

22% lower than that of transactions signed between 2000 and 2019, and several large companies have even leased offices 40% or more smaller than those they previously occupied. However, this general downward trend has been partially offset by the dynamism of certain

types of occupiers who, particularly in the field of innovation, have taken more space than before.



Source: Knight Frank



Innovation, driving the office market

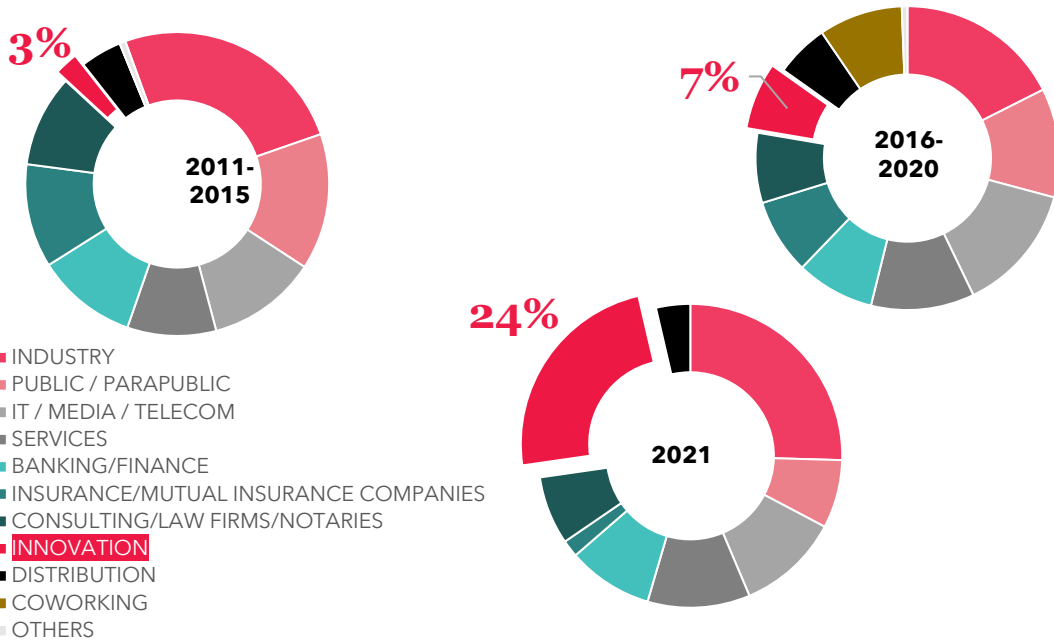
The Greater Paris Region market is benefiting from the transformation of the economy and renewed demand from its office occupiers. Indeed, a large amount of space was leased in 2021 by French Tech companies (LEDGER, VOODOO, etc.), incubators (CAMPUS CYBER,

PARISANTE CAMPUS, etc.) and higher education players. Driven by the constant increase in enrolment and the multiplication of large campuses, business schools and large private groups have been particularly present, with four transactions over 5,000 sq m recorded

in the suburbs (EM NORMANDIE in Clichy, EM GRENOBLE in Pantin, OMNES EDUCATION in Cœur Défense and IGS in Nanterre).

Leading role in the large areas market

Breakdown of transactions ≥ 5,000 sq m by business sector
In the Greater Paris Region, share as a % of the total number of movements



Source: Knight Frank /* "Innovation" = new tech + incubators + higher education.

Examples of lettings ≥ 5,000 sq m

In 2021 in the Greater Paris Region

Tech / New Tech



Incubators



Education



Less present players

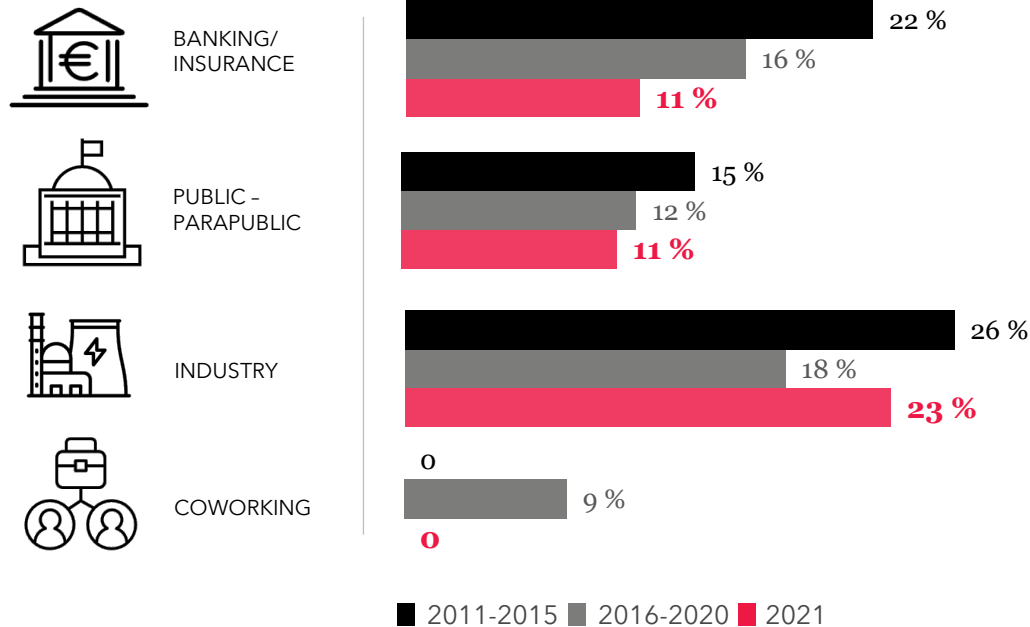
The reduction in areas due to the health crisis and remote working concerns most business sectors. Some, more affected than others, had already started streamlining their real estate before the outbreak of the Covid pandemic, such as the main French banks, insurance companies

and the public sector. On the other hand, leases taken by coworking operators have picked up, with a clear 46% increase in volume year-on-year in the Greater Paris Region. This trend will continue in 2022, particularly in Paris, with the possible signing of leases for large areas,

which were completely absent in 2021.

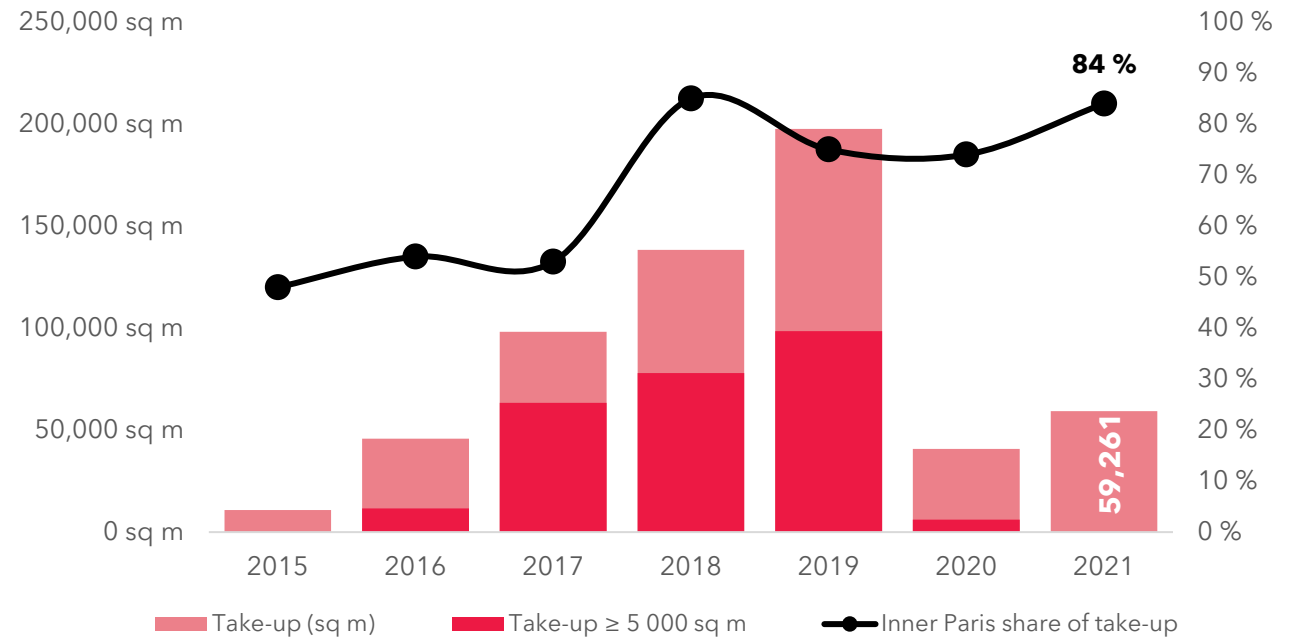
Less dynamic sectors

Share of total number of transactions
≥ 5?000 sq m in the Greater Paris Region, as a %



The return of coworking

Sq m of offices leased by coworking operators in the Greater Paris Region
% of volume



Source: Knight Frank

Source: Knight Frank

The public sector is driving the Inner Suburbs

Although the public sector was relatively inactive in 2021, it was nevertheless the source of a number of significant transactions (SNCF in "Hamo" in Saint-Denis, ANRU in "Kanal" in Pantin, RECTORAT DE CRÉTEIL). Others will be finalised in 2022, such as the State's purchase of 46 000 sq m in Saint-Denis for the Home Office,

demonstrating the acceleration of strategies to streamline the administration for the benefit of priority Inner Suburb areas, and the adaptation of offices to new ways of working.

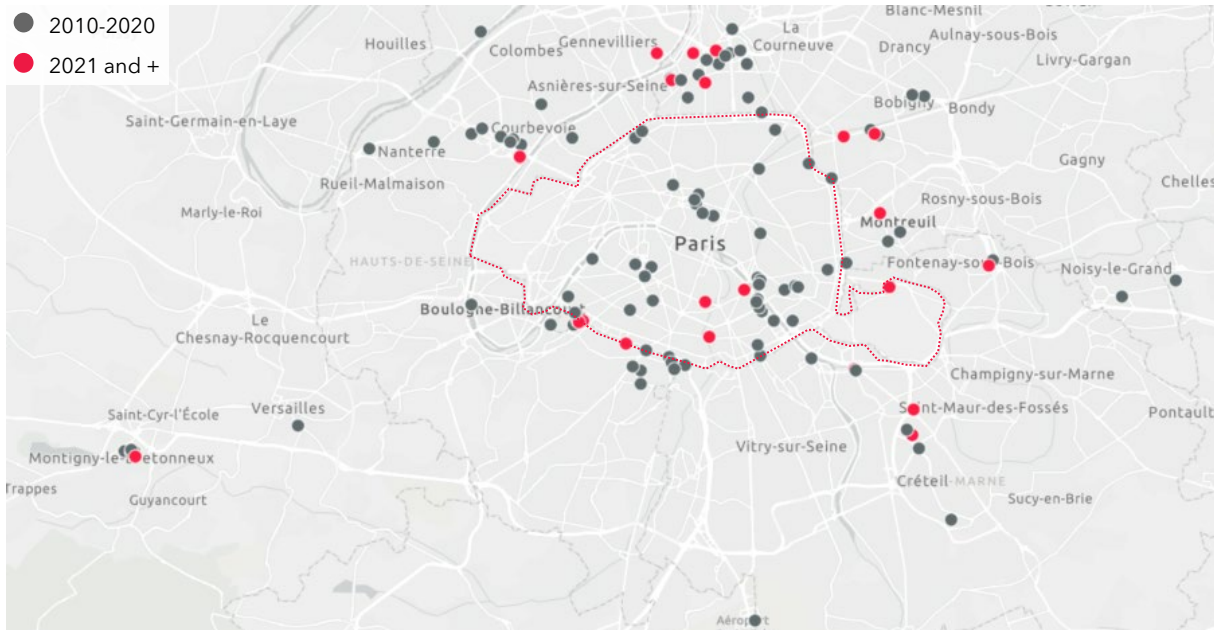
Three key trends

1 Streamlining of sites

2 Adaptation to new ways of working

3 Support for the development of priority areas

Geographic distribution of major public/parapublic sector movements since 2010
 ≥ 5,000 sq m in the Greater Paris Region



Examples of recent and upcoming movements

INNER SUBURBS

VAL de MARNE
 Le département
 Créteil | 20,900 sq m | 2023

académie Créteil
 Créteil | 19,080 sq m | 2024

ANRU
 Agence Nationale pour la Régénération Urbaine
 Pantin | 5,300 sq m | 2022

MINISTÈRE DES SOLIDARITÉS ET DE LA SANTÉ
 Malakoff | 40 000 sq m | 2026

MINISTÈRE DE L'INTÉRIEUR
 Saint-Denis | 46 000 sq m | 2026
 Saint-Ouen | 2028 (DGSI)
 Vincennes | 2028 (DGSE)

SNCF
 Saint-Denis | 30 000 sq m | 2024

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA RELANCE
 Romainville | 20,000 sq m | 2024

COUR NATIONALE DU DROIT D'ASILE
 Montreuil | 25,000 sq m | 2025

Office National des Forêts
 Maisons-Alfort | 7,000 sq m | 2022

OTHERS

AFD
 AGENCE FRANÇAISE DE DÉVELOPPEMENT
 Paris 13th | 50,000 sq m | 2025

CAMPUS CYBER
 La Défense | 24,000 sq m | 2021

Inria
 Paris 13th | 10,800 sq m | 2023

PARISANTÉ CAMPUS
 Issy-les-Moulineaux | 13,700 sq m | 2021
 Paris 5th | 70,000 sq m | 2028

Source : Knight Frank

Prime rent: towards €1 000 /sq m/year ?

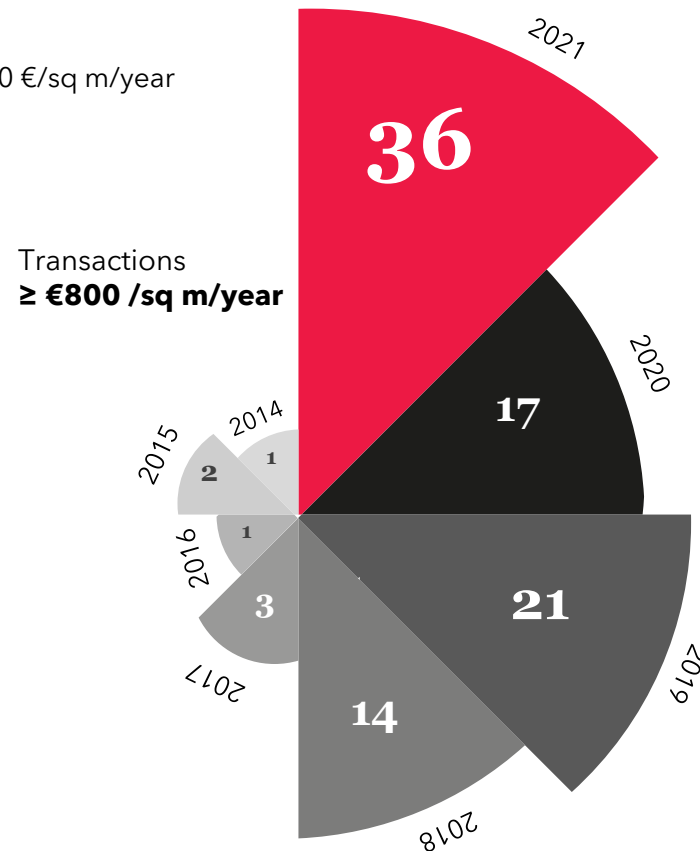
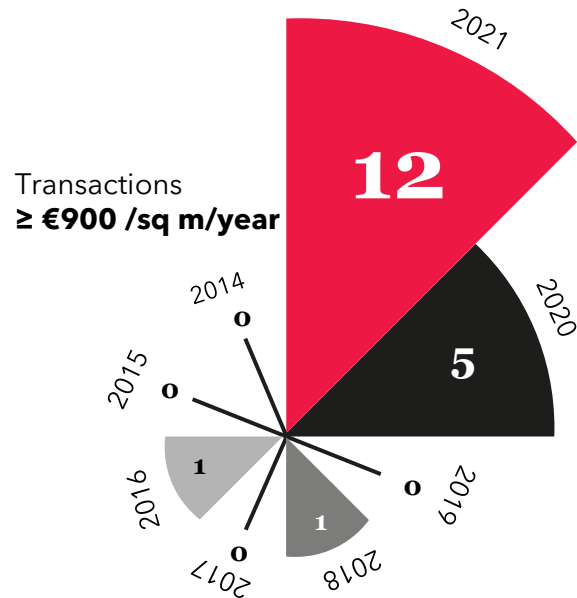
The prime rent remains at high levels. It now stands at €935/sq m/year compared with €865/sq m/year at the end of 2019. One of the highlights of 2021 was the sharp increase in the number of leases

signed at values equal to or greater than €900/sq m/year. Supported by strong demand from companies in the finance, luxury, legal and consultancy sectors, rents for the best assets in the CBD

could rise further in 2022 due to the limited supply of Grade A space, thus continuing to widen the gap between exceptional properties and the rest of the market.

New highs

Number of transactions ≥ €800 /sq m/year and ≥ €900 €/sq m/year
In Inner Paris, on areas ≥ 500 sq m



A very exclusive club

Breakdown by business sector of the number of transactions ≥ €900 /sq m/year in 2021 (areas ≥ 500 sq m)



Consulting – Law firms
37 %



Finance
36 %



Fashion - Luxury
18 %



Others
9 %

Source: Knight Frank



Rents revised downwards

In the best supplied markets, leases signed in 2021 show generous rental incentives, sometimes in excess of 30% for both new/redeveloped and second hand properties. Landlords have also

reduced asking rents, most often by between 5 and 10% of the initial rent but sometimes by more than 20%. The correction was more common in certain geographical sectors such as the Western Crescent

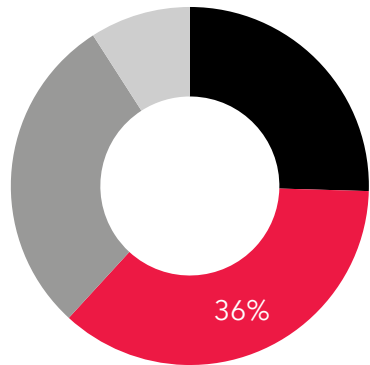
and La Défense, which thus account for more than 70% of supply where the rent was corrected downwards last year.

Average decrease of 10% in asking rents

Of all supply that has seen a decrease in value in 2021
In the Greater Paris Region, all sizes and qualities (% of number of offers)

A majority of decreases between 5 and 10%

Breakdown by change range
% of the number of offers



■ 0 - 5 % ■ 5 - 10 %
■ 10 - 20 % ■ ≥ 20 %

Grade A space has not escaped the decrease

Breakdown by quality
% of the number of offers



Second hand
35%



Renovated
34%



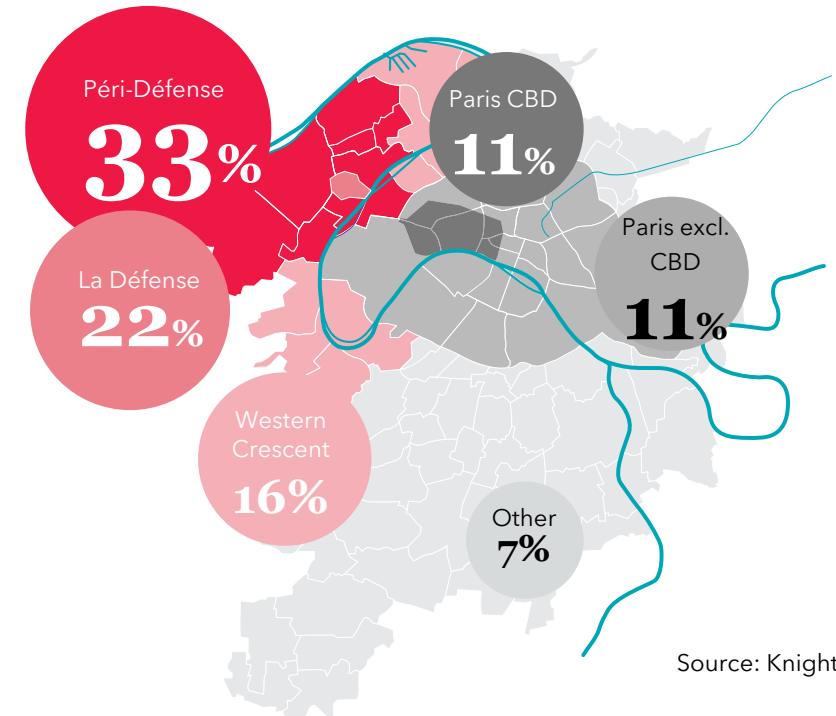
New-Redeveloped
31%

Source: Knight Frank



Western markets were the most depreciated

Breakdown by geographical sector
% of the number of offers



Source: Knight Frank

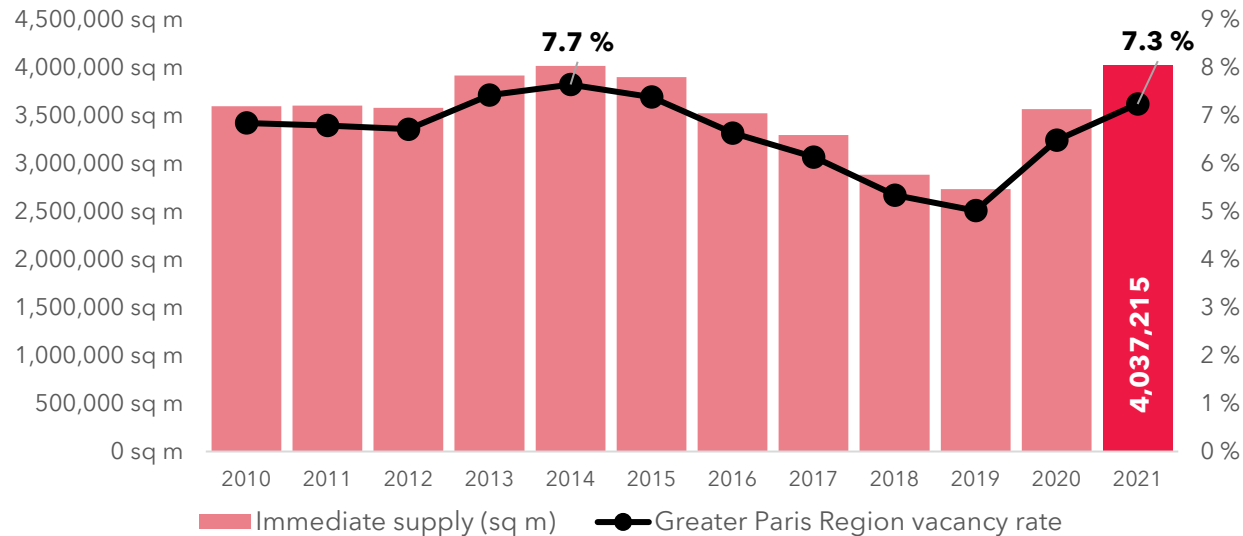
More moderate increase in supply

Towards a new peak in 2022?

Change in available supply and vacancy rate
In the Greater Paris Region, as a %

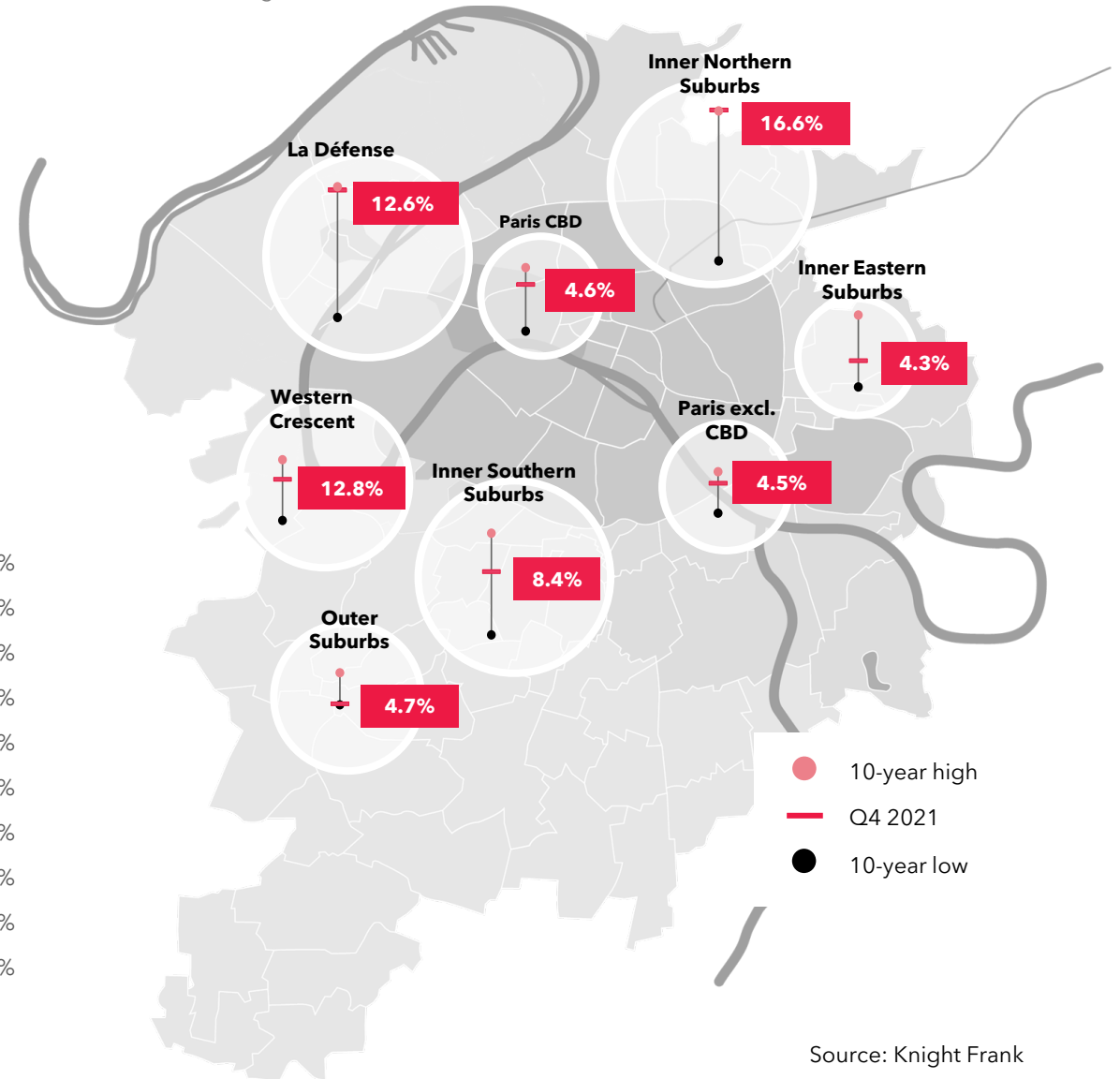
Immediate supply totals 4.04 million sq m, an increase of 13% year-on-year. However, the situation stabilised in the second half of the year as a result of a rebound in take-up. The vacancy rate is now 7.3% compared with 6.5% a year earlier and therefore remains below the 2014 high.

Almost all Parisian sectors and the Inner Eastern Suburbs have vacancy rates below 5%. On the other hand, availability is very abundant in the North and Péri-Défense, with historically high vacancy rates of between 17% and 20%. La Défense sits in the middle of these two situations, with a rate close to 13%.



Highly contrasting situations

Vacancy rate by geographical sector
In the Greater Paris Region, as a %



Source: Knight Frank

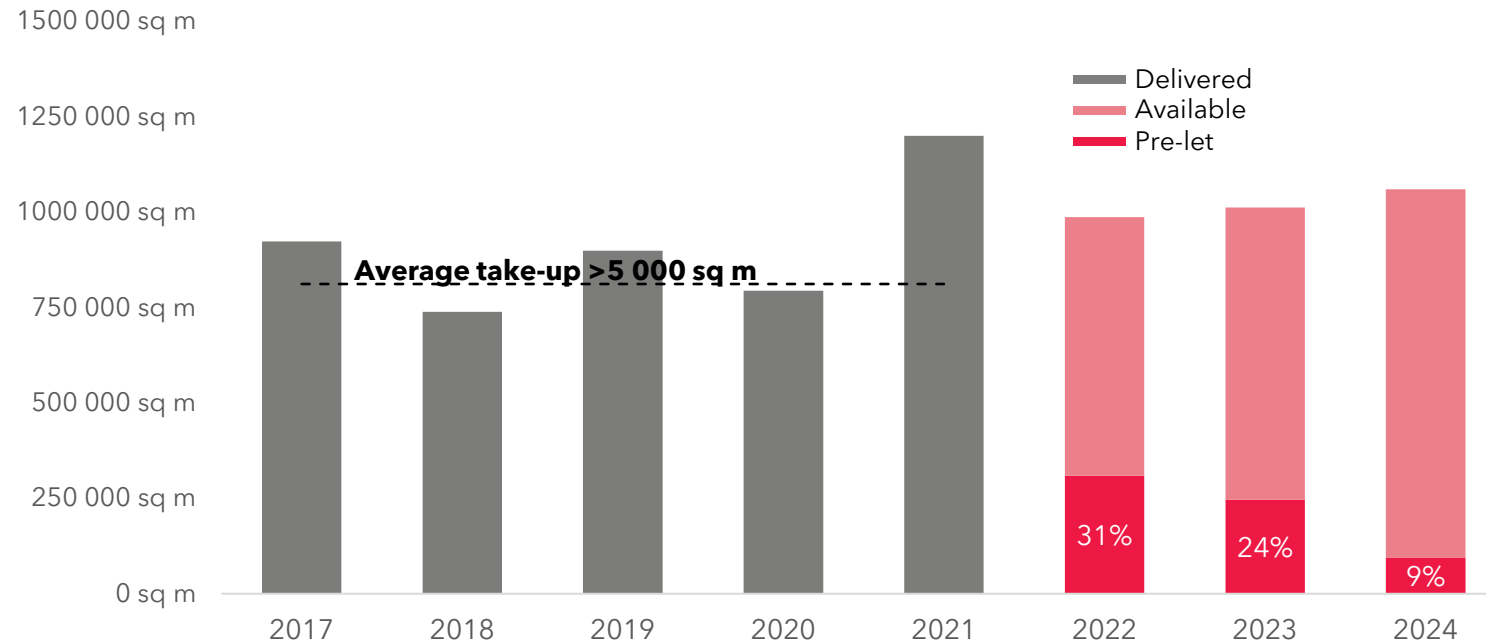
Future supply: no short-term decrease

A market with a high overall supply

Delivery of new or refurbished areas
 ≥ 5,000 sq m in the Greater Paris Region

1.2 million sq m of office space was delivered last year in the Greater Paris Region, a volume at its highest level since 2015, partly inflated by the deliveries initially planned for 2020 but postponed due to the first lockdown. In 2022, the pace will slow only moderately, with 987,000 sq m expected, 69% of which is

still available. This rate rises to almost 80% for all the projects of more than 5,000 sq m currently under construction and due to be delivered by the end of 2024. Despite the health crisis, future supply therefore remains substantial.



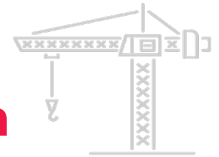
Source: Knight Frank



In the Greater Paris Region, for the 2022-2024 period:



108 projects
 under construction (≥ 5,000 sq m)



1.99 million sq m
 under construction (≥ 5,000 sq m)



- 15 % year-on-year

on areas ≥ 5 000 sq m under construction
 of which:
 - 37% in La Défense
 - 34% in Paris CBD

21 %
 of areas ≥ 5,000 sq m pre-let



Source: Knight Frank

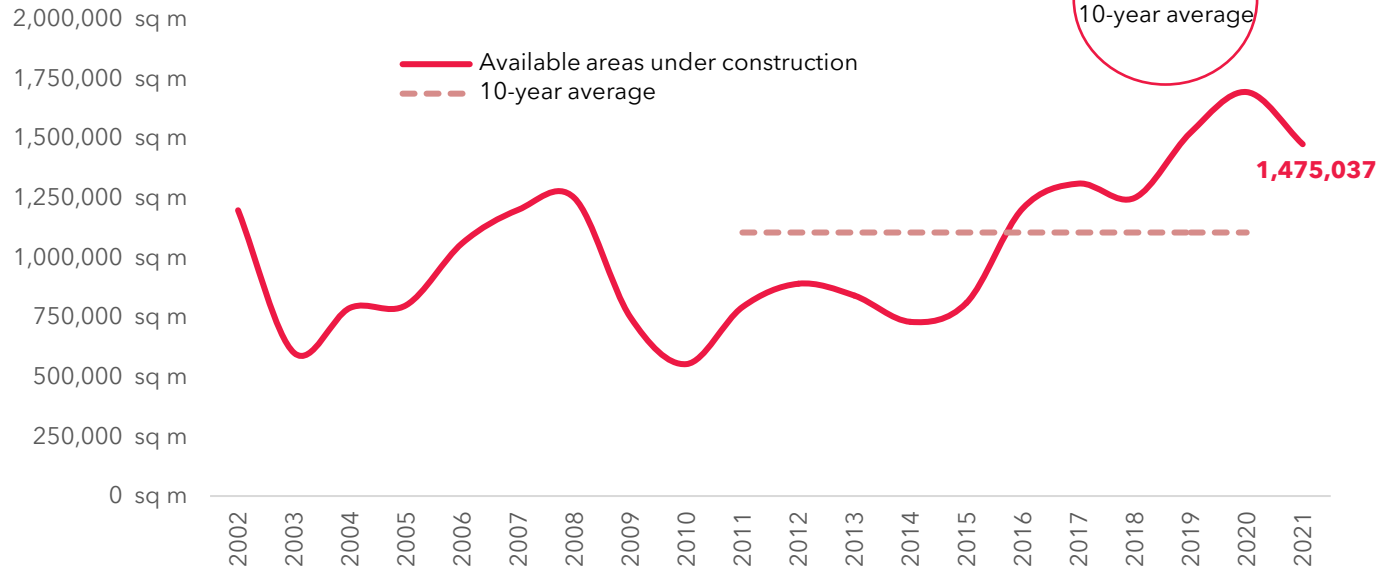
A readjustment after 2024 ?

In the longer term, developments should gradually slow down as some projects are scaled down and we see the beginning of a decrease in the launch of new office properties. The trend is also towards an increase in the proportion of redeveloped existing assets rather than the creation of new space from

scratch. This trend is likely to increase due to the need to limit the consumption of land and to upgrade the stock to meet the growing demands of companies in terms of employee comfort and reduced energy consumption.

Start of a decrease in new developments

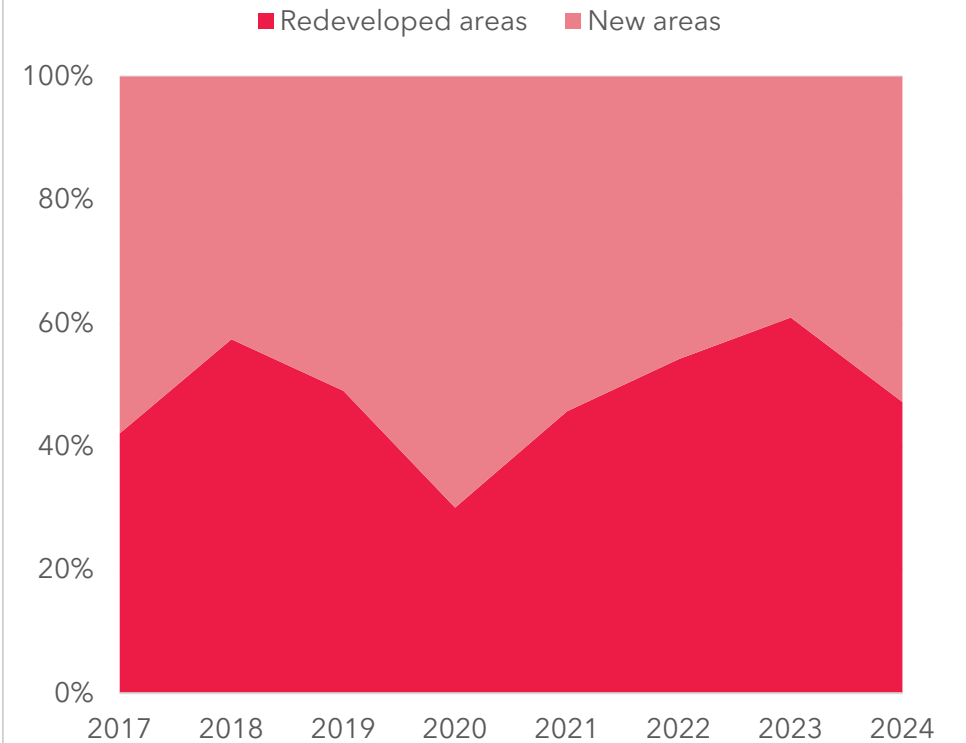
New/redeveloped areas under construction
≥ 5,000 sq m, in the Greater Paris Region



Source: Knight Frank

Increasing proportion of redevelopments

Delivered and upcoming new/redeveloped projects*
All areas combined, in the Greater Paris Region



Source: Knight Frank /* Building permit submitted and issued, and projects under construction.

Future supply: the CBD is the exception

Significant imbalance in La Défense and the Inner Suburbs

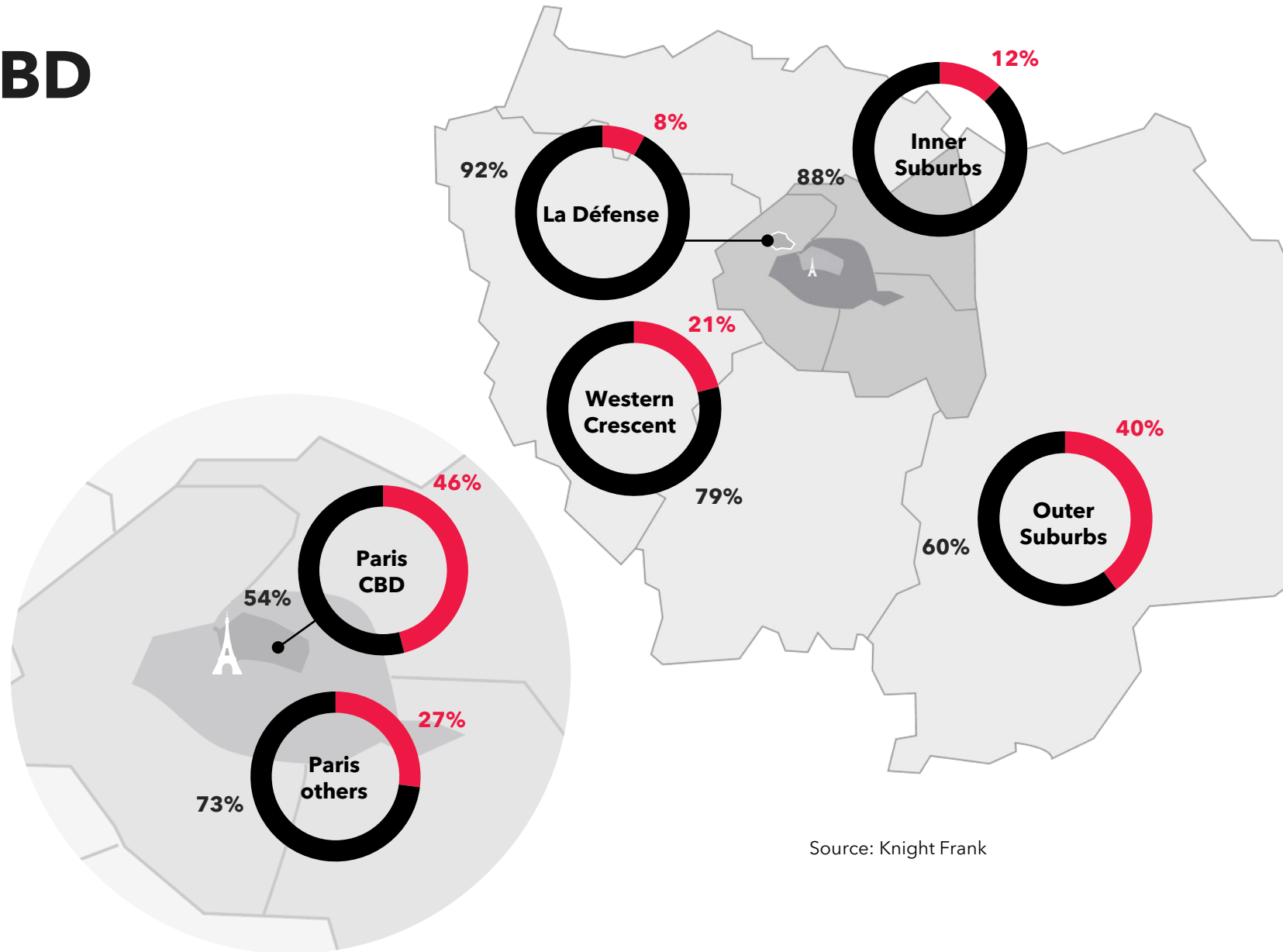
Pre-letting rate by geographical sector

New/redeveloped office supply (≥ 5,000 sq m) to be delivered by the end of 2024 in the Greater Paris Region (Building permit submitted / Building permit issued / Under construction)

The Inner Northern Suburbs and the Péri-Défense area account for a large proportion of the planned volumes in the Greater Paris Region. The imbalance is particularly marked in the North, where more than 650,000 sq m is expected by the end of 2024, 84% of which is still available. In La Défense, the pre-letting rate is also very low. However, delivery rates will fall after 2022 which, combined with the rebound in

letting activity, suggests a more balanced situation. Lastly, Inner Paris will remain fairly low on supply, particularly in the CBD where 46% of the available supply of over 5,000 sq m expected by the end of 2024 is already pre-let.

- Pre-let areas
- Available areas



Source: Knight Frank

Numerous projects in the North

Geographical breakdown of new/refurbished projects $\geq 5,000$ sq m in the Greater Paris Region, 2022-2026 period



Paris CBD

8 % of projects in the Greater Paris Region (29, of which 20 are under construction)

220,500 sq m available, i.e. **6 months** of lettings*



La Défense

12 % of projects in the Greater Paris Region (11, of which 6 are under construction)

395,400 sq m available, i.e. **2.2 years** of lettings*

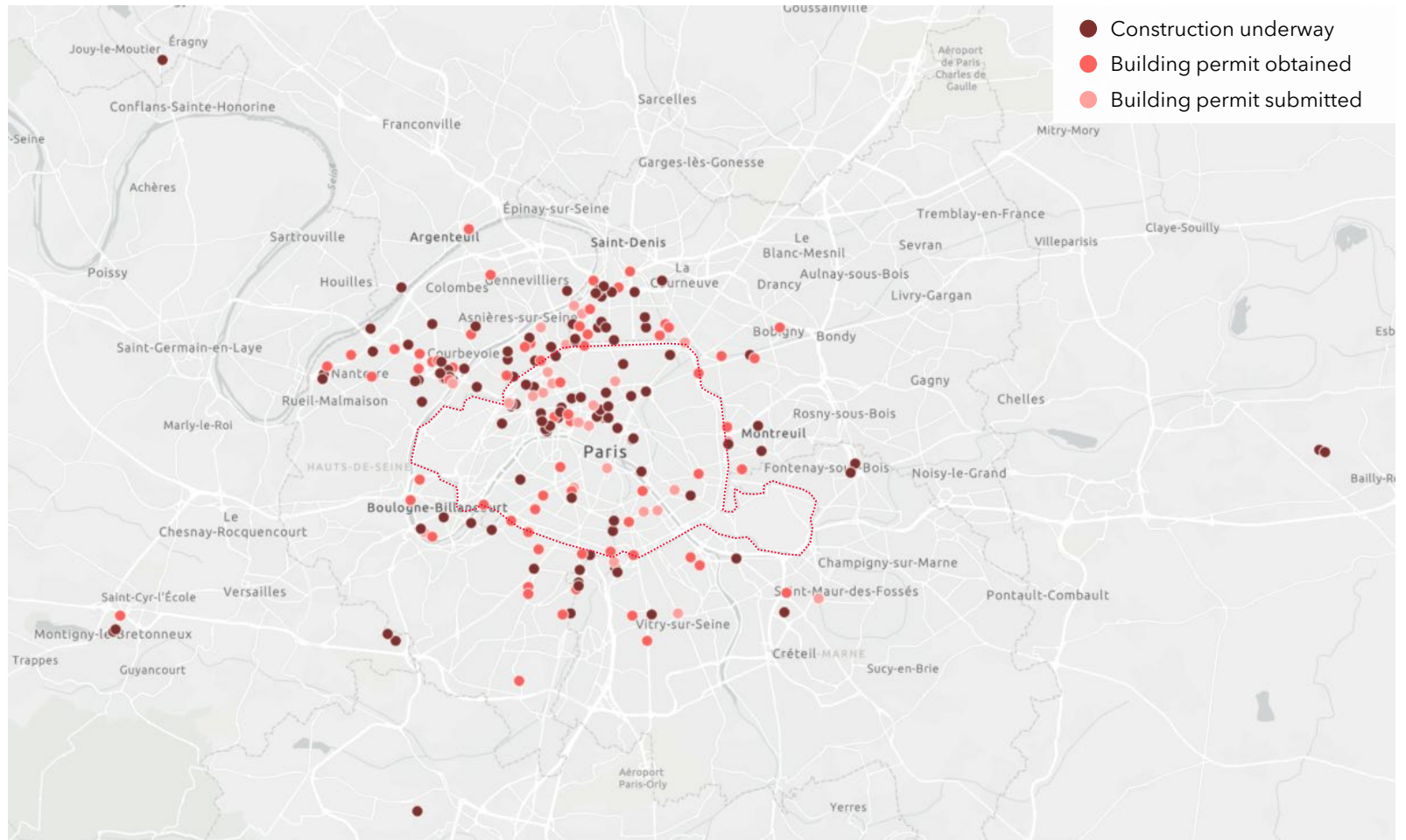


Inner Northern Suburbs

18 % of projects in the Greater Paris Region (38, of which 22 are under construction)

694,400 sq m available, i.e. **4.6 years** of lettings*

Source: Knight Frank /*2012-2021 annual average.



A source of residential conversions

Increase in obsolete stock

Analysis of supply available for more than four years

In the Greater Paris Region, all sizes and qualities (% of volume of sq m)

The abundance of recently delivered or upcoming supply complicates the absorption of properties that are less suited to the new expectations of occupiers. The question of the future of obsolete offices is becoming all the more central as they account for a significant proportion of the Greater Paris Region's office stock. Space that has been available for more than four years in the Greater

Paris Region represented 1.3 million sq m at the end of 2021, i.e. just over 30% of the total supply. This supply that has been available for more than four years, which is very rare in the capital, is particularly concentrated in three sectors: the Outer Suburbs, the Inner Northern Suburbs and the Péri-Défense area.

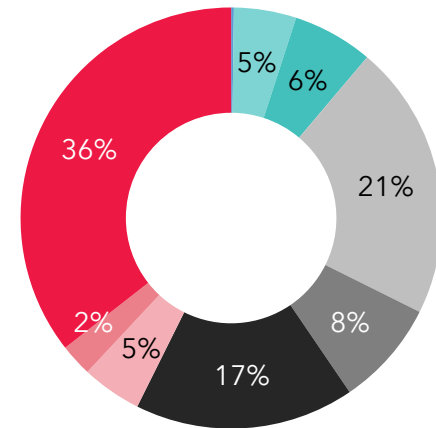
What the supply available for more than 4 years in the Greater Paris Region represents:

1.28 million sq m
total volume in the Greater Paris Region

432 offers
of which < 5 % are independent buildings

32 %
of the total volume of available supply in the Greater Paris Region

A very uneven geographical distribution of supply...



- Paris CDB
- Paris excl. CBD
- La Défense
- Péri-Défense
- Western Crescent others
- Inner Northern Suburbs
- Inner Southern Suburbs
- Inner Eastern Suburbs
- Outer Suburbs

...and which is mainly for second-hand premises



Second hand
55%



Renovated
36%



New-Refurbished
9%

Source: Knight Frank

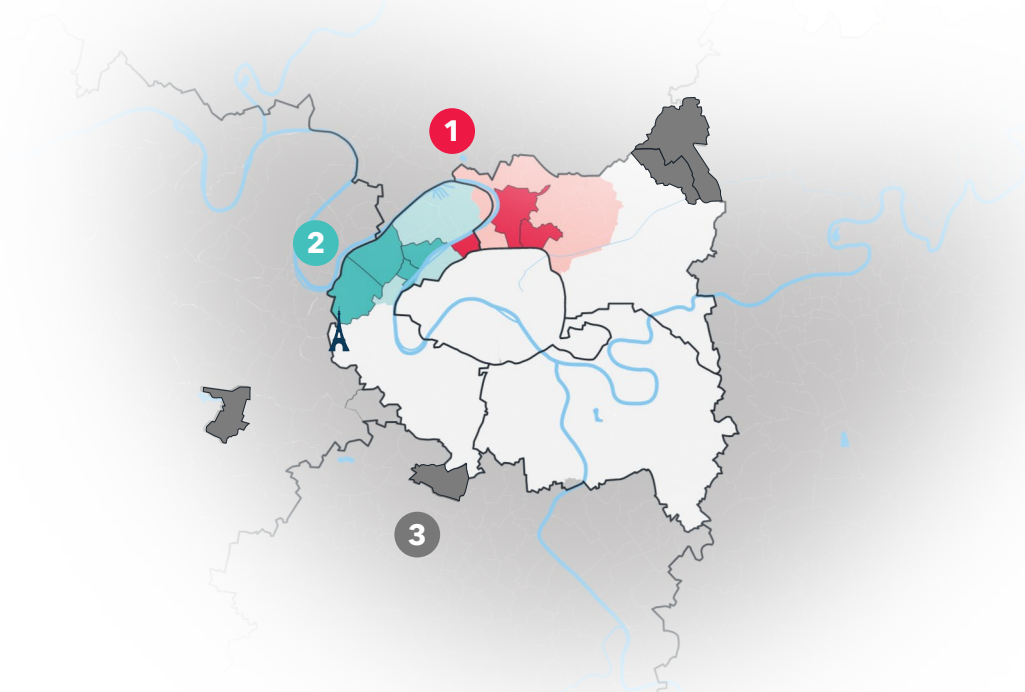


Very well supplied markets

Supply available for more than 4 years

The future of supply that has been available for more than four years in the North and Péri-Défense seems all the more uncertain as these are also the office hubs where future supply is the most abundant, and this will therefore necessarily

intensify competition between assets. Other sectors are also affected however, and could be increasingly so given the impact of remote working and the undoubtedly lasting decrease in the letting of offices in the most outlying markets.



INNER NORTHERN SUBURBS

216,000 sq m
available ≥ 4 years
37 %
of the sector's total supply
65 %
of areas are second hand

● Towns with the most supply



PÉRI-DÉFENSE

271,000 sq m
available ≥ 4 years
46 %
of the sector's total supply
39 %
of areas are second hand

● Towns with the most supply



OUTER SUBURBS

454,000 sq m
available ≥ 4 years
54 %
of the sector's total supply
58 %
of areas are second hand

● Towns with the most supply

Potential for conversion of offices into housing | Summary map

Towns with more than 150,000 sq m of office stock

Whilst the recycling of existing buildings is a key focus, the Greater Paris Region is characterised by a wide range of situations, not always favourable to residential conversions. In order to assess the current situation, Knight Frank has analysed the main office hubs using 15 residential and office indicators to objectively evaluate the potential of each of these markets for conversion.

Unsurprisingly, new towns and towns in the Outer Suburbs with a strong residential component or a mixed economic fabric (offices, businesses) are sectors where market conditions are favourable to conversions. This is also the case in certain towns close to Paris or established hubs in the West, where there is a large supply of office space and where the demographic dynamism justifies the increase in residential supply.

33 TOWNS* in a favourable / somewhat favourable situation



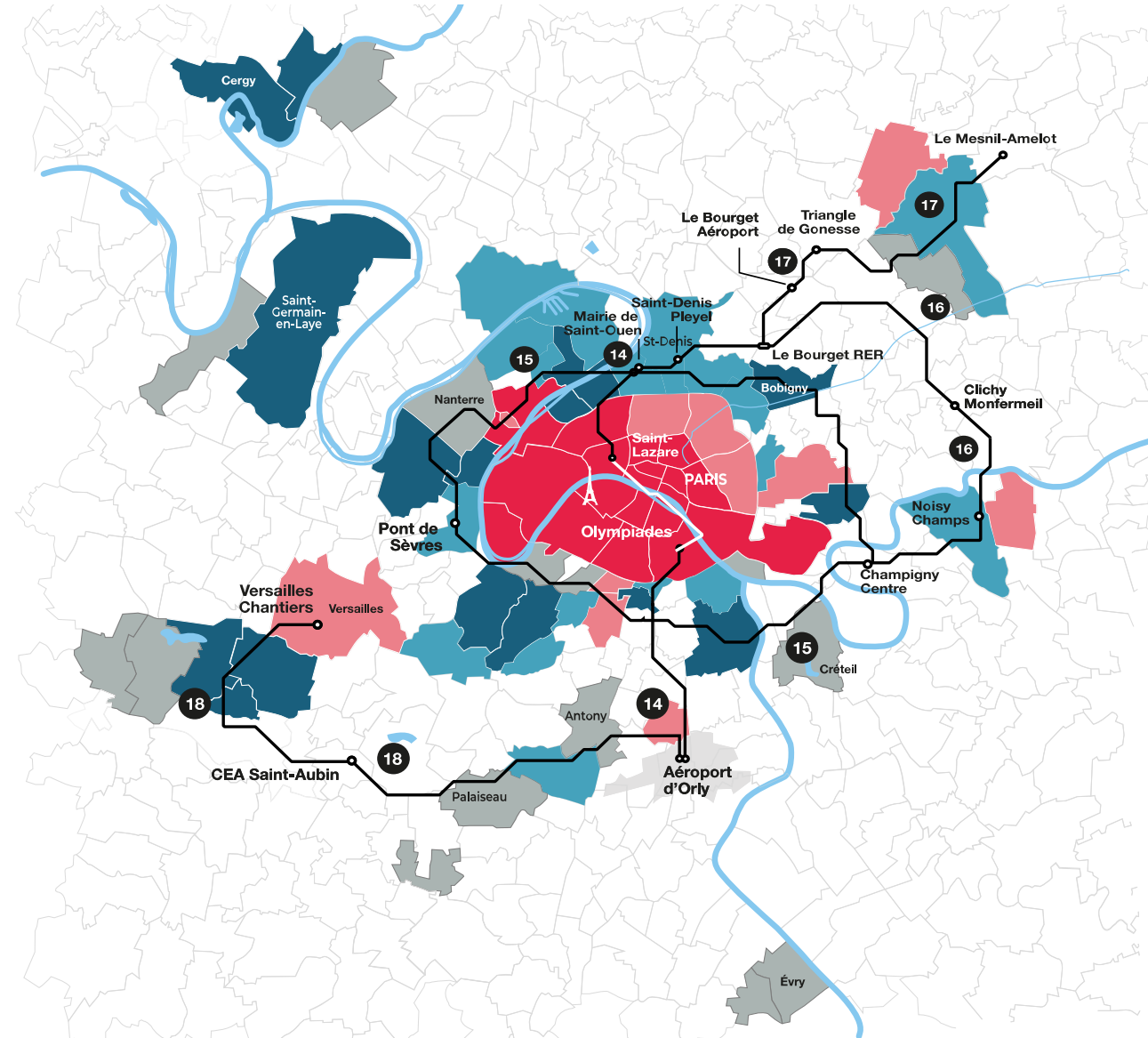
13.3 millions of sq m of offices
24 % of Greater Paris Region stock

13 TOWNS* in an unfavourable / somewhat unfavourable situation



28.2 millions of sq m of offices
51 % of Greater Paris Region stock

- Favourable
- Somewhat unfavourable
- Neutral
- Somewhat favourable
- Unfavourable
- Grand Paris Express network



* towns or groups of towns

Source: Knight Frank

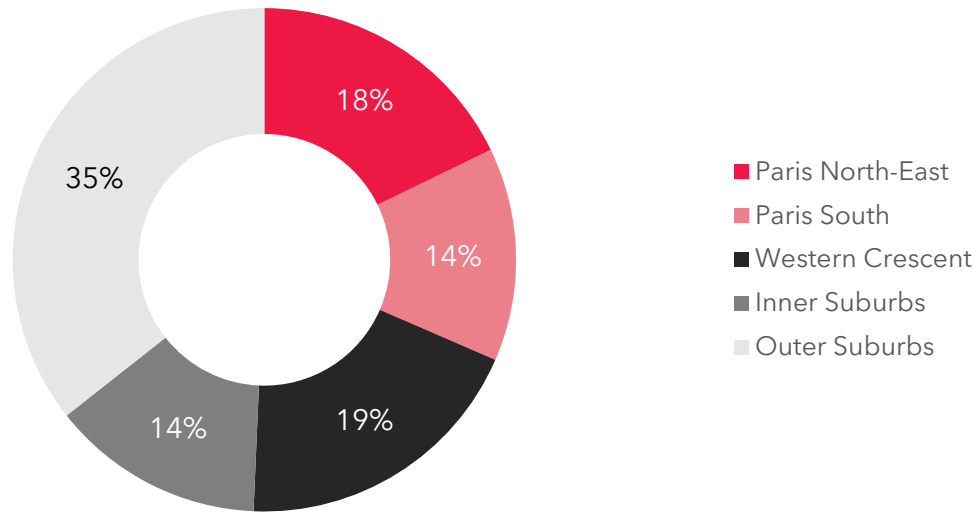
New impetus for transformations

The difficulties in letting the large supply of office space explains the interest of a growing number of operators in converting them into residential use, at a time when residential supply remains insufficient and the fight against urban sprawl, reiterated last

year by the Climate and Resilience Act, is becoming increasingly urgent. Although changes of use are not always easy, conversions are experiencing a new impetus that is expected to increase in 2022.

A growing trend

Projects to convert offices into residential use since 2019
In number of office areas $\geq 1,000$ sq m in the Greater Paris Region



Source: Knight Frank



Projects $\geq 1,000$ sq m identified in the Greater Paris Region since 2019

74 projects

6,896 sq m

Average area transformed

111 residential units

Average number of units created per project

Major transformation players

Novaxia

Immobilière 3F
Groupe ActionLogement

RiVP

COVIVIO

Foncière de Transformation Immobilière
Groupe ActionLogement

ICADE

2022 outlook

- Good economic indicators despite a **context that remains very uncertain**.
- Continued increase in take-up volumes, expected to reach **nearly 2 million sq m in 2022**.
- Confirmation of the dynamism of the Inner Paris market.
- Increasingly critical criteria: **CSR, well-being**, integration of **soft mobility**, centrality, **flexibility**, etc.
- **Acceleration of demand from coworking** and Tech players.
- Deliveries remain high, but new **construction starts slowing down**.
- Increase in the **over supply situation in the suburbs** (Inner Northern Suburbs, Péri-Défense, etc.).
- **Shortage on the horizon** in the Paris CBD.
- Acceleration of the **transformation of offices into residential use** and mixed-use projects.

03

RETAIL



1

2

3

2021 highlights

- A clear rebound in consumption and confirmation of the **French's fondness for physical retail formats**.
- **Increased concentration** of the retail sector.
- The **fashion sector** is suffering, but still plays a key role.
- **Continued strong demand** from certain sectors (fast food, home, discount, leisure, medical centres, etc.).
- New activities **are booming** (fast delivery, second hand, CBD, etc.).
- **Dynamism of the suburbs** and neighbourhood shops.
- The **main Parisian prime streets suffered** from the limited number of foreign tourists and remote working.
- **The increase in vacancy is still relatively modest** on the main Parisian streets.
- Continued **decrease in authorisations for new projects** and deliveries of new square metres of shopping centres.

Good fundamentals

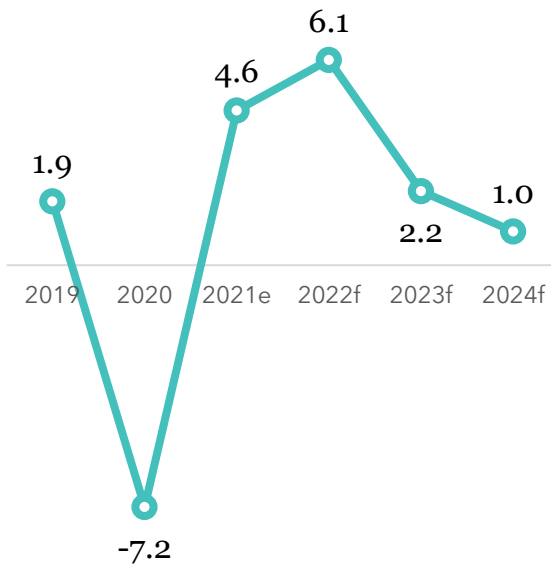
Having fallen by 7.2% year-on-year in 2020, household consumption rebounded by more than 4% in 2021, against a backdrop of accelerating economic activity and a clear increase in spending power. Despite the surge in the number of infections linked to the Omicron variant, the outlook for the coming months

remains, at this stage, positive. Consumption should continue to grow, but probably at a slower pace than last year due to the start of the year being penalised by the introduction of new restrictive measures. The rise in inflation is also likely to weigh on consumption, although the use of some of the savings

accumulated since the start of the health crisis could compensate for the expected slowdown in spending power in 2022.

Household consumption in France

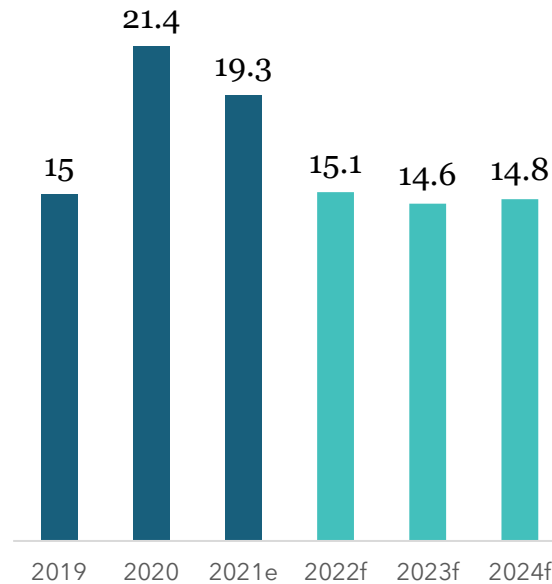
As a %, annual average



Sources: INSEE, Banque de France

Savings rate in France

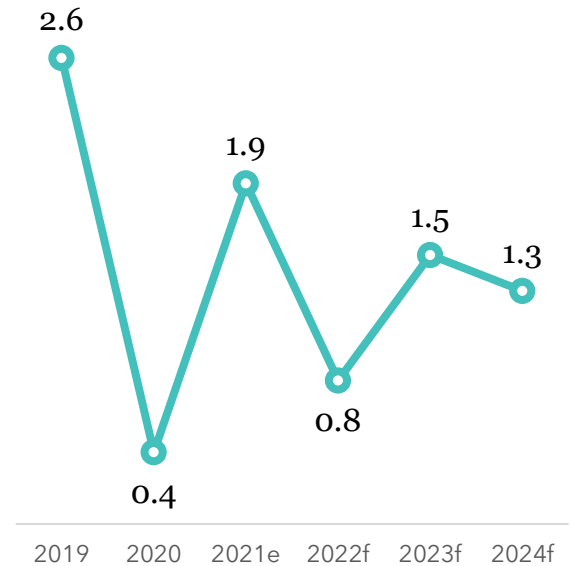
As a % of gross disposable income



Sources: INSEE, Banque de France

Purchasing power in France

As a %, annual average



Sources: INSEE, Banque de France

Tourism: still far from the pre-crisis level

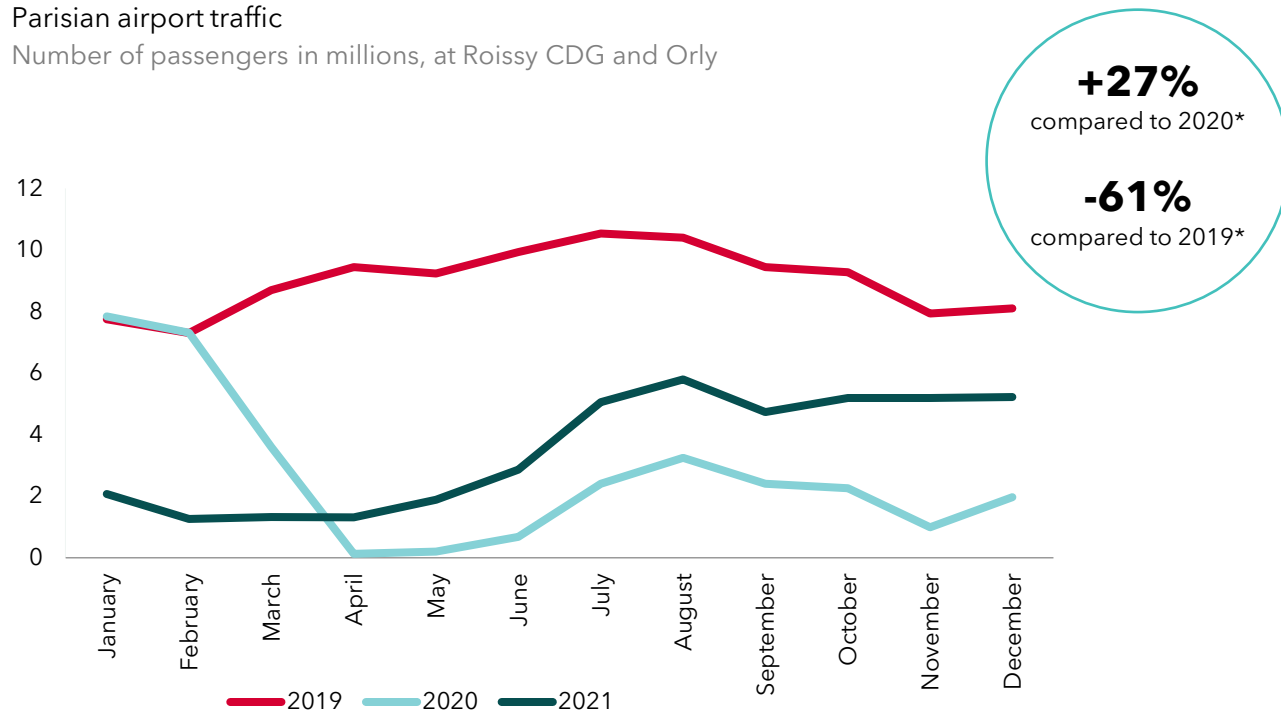
Foreign tourist arrivals in the Greater Paris Region increased again in 2021. As a result, traffic at Paris airports increased by 27% compared to 2020 but still remained 61% below the 2019 level.

In 2022, the Omicron wave and the persistent uncertainties regarding the health situation will not allow a return to pre-crisis levels. Foreign tourists will remain few and mostly European, weighing on the performance of the streets and shops most dependent on international tourism.

A rebound that needs to be put into perspective

Parisian airport traffic

Number of passengers in millions, at Roissy CDG and Orly

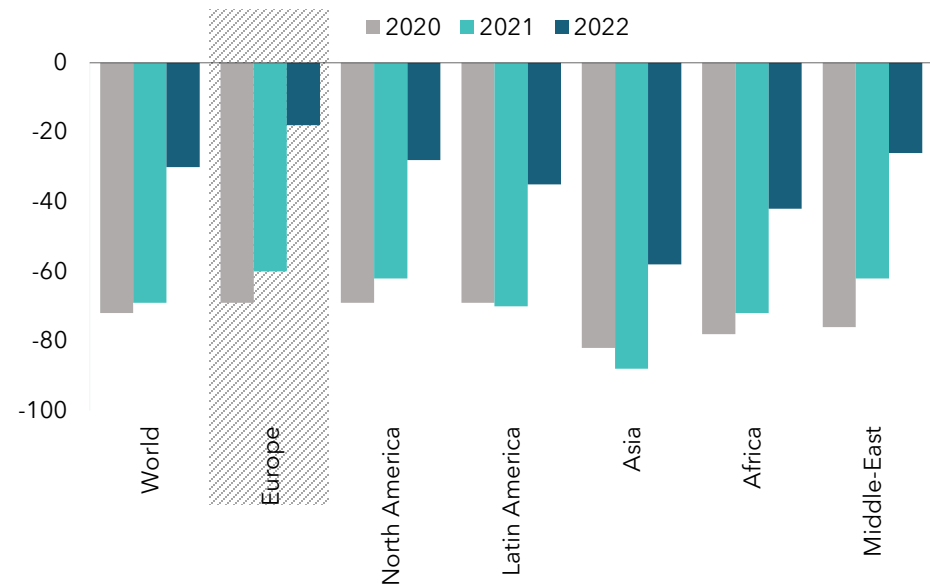


Source: ADP /*at the end of November

Clear improvement in 2022?

Change in international tourist arrivals

In different regions of the world, change as a % compared to 2019



Source: Oxford Economics

Paris, most affected by the health crisis

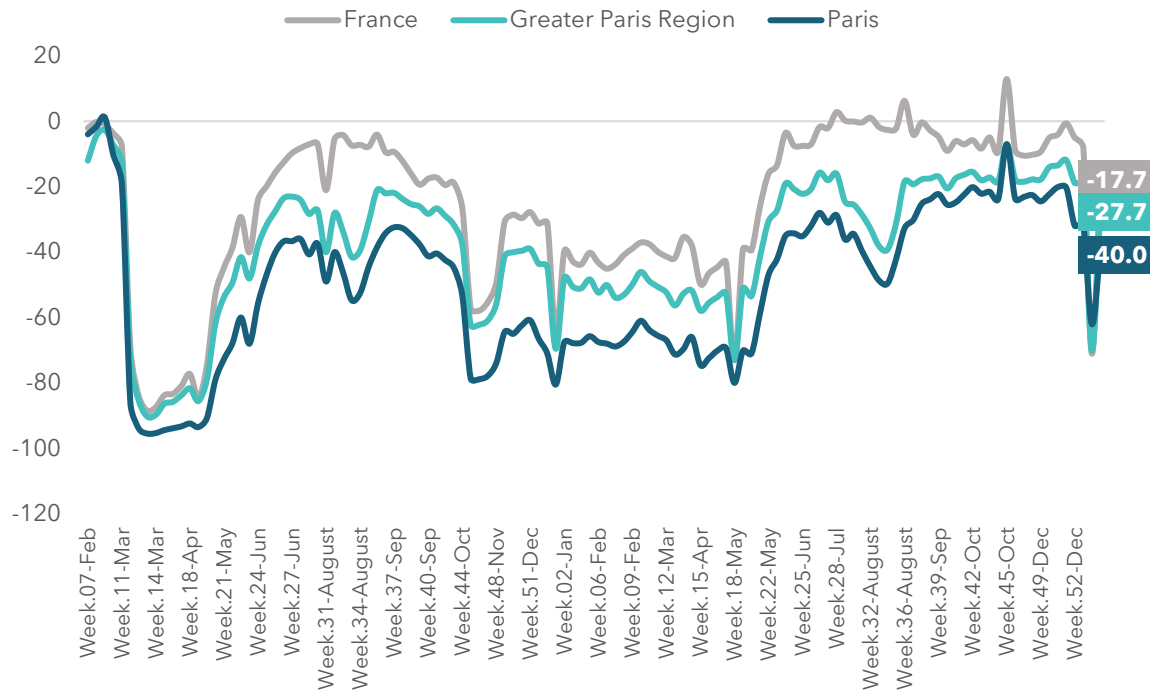
In contrast to international arrivals, domestic travel rebounded sharply from the end of the 3rd lockdown and even returned to normal for a time in 2021, before plummeting again at the end of the year due to the spread of the Omicron variant.

The contrast with the Greater Paris Region, and especially Paris, is striking: travel there remained far from its usual level throughout 2021 and the situation is unlikely to change in 2022 in the capital, penalised by the deterioration of the health situation and the intensification of remote working.

Relapse due to the Omicron variant

Changes in travel to cultural, leisure and shopping destinations

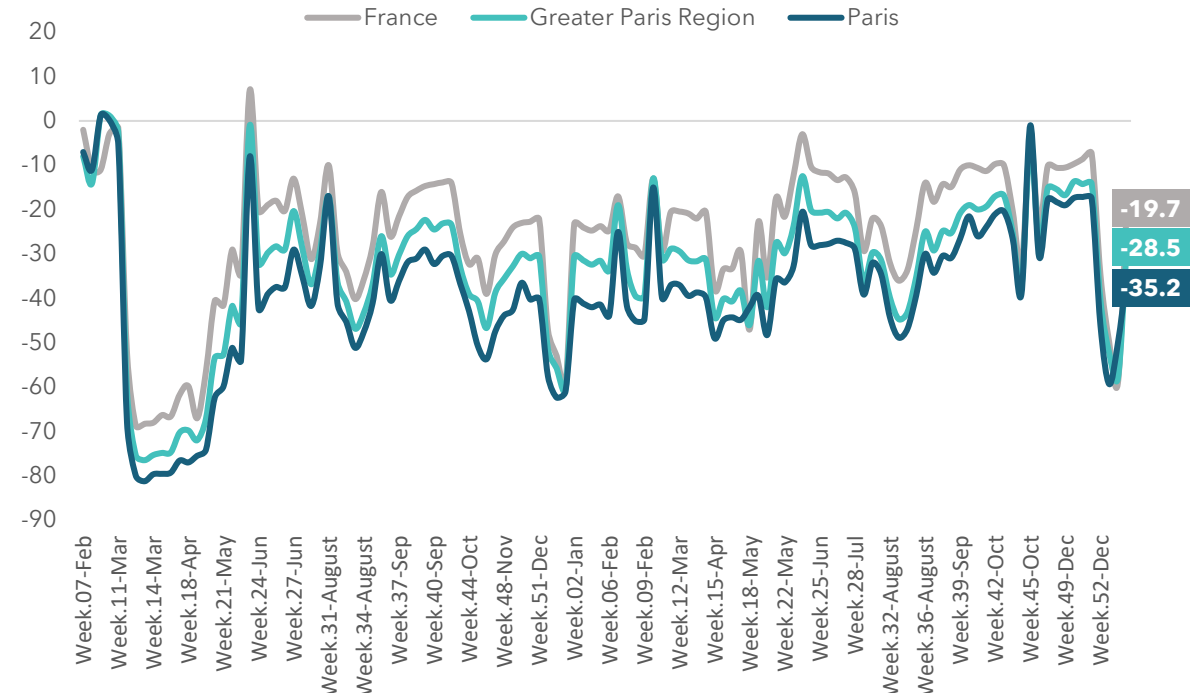
3rd January to 6th February 2020 = base 0



Lasting impact of remote working

Changes in travel to work

3rd January to 6th February 2020 = base 0



Source: Google Mobility



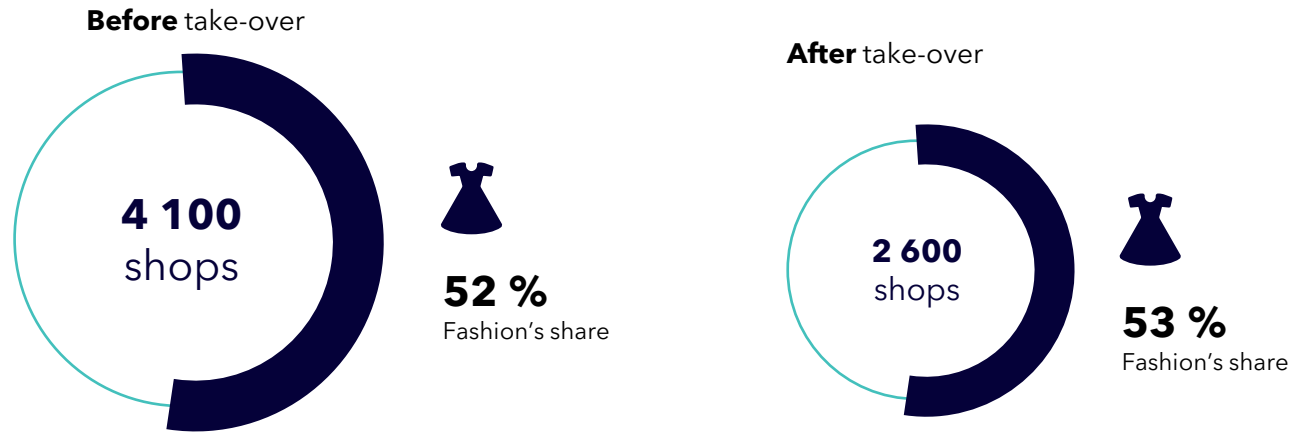
A changing landscape

In 2020, the first lockdown was accompanied by a significant wave of receivership procedures. Two years after the start of the health crisis, the picture is not as bleak as might have been feared. On the one hand, because there were fewer procedures in 2021 (15 companies placed in receivership compared to around thirty in 2020), and on the other hand because the number of bankruptcies was very limited, with the vast majority of companies affected by a procedure since 2020 having been taken over.

The impact on real estate is nonetheless significant: these operations have led to the closure of hundreds of shops, with the takeover plans retaining just under two-thirds of the 4,100 or so points of sale that these brands had before the crisis. However, by offloading the least profitable outlets and concentrating their investments on a smaller number of shops which they are adapting to new market trends, these chains seem to be better equipped to deal with the uncertainties of the health crisis.

Numerous closures

Analysis of the retail stock of brands taken over since the beginning of the health crisis



Sources: Knight Frank, others



Increased concentration

Examples of groups and brand takeovers



Brands already acquired | New acquisitions

More newcomers

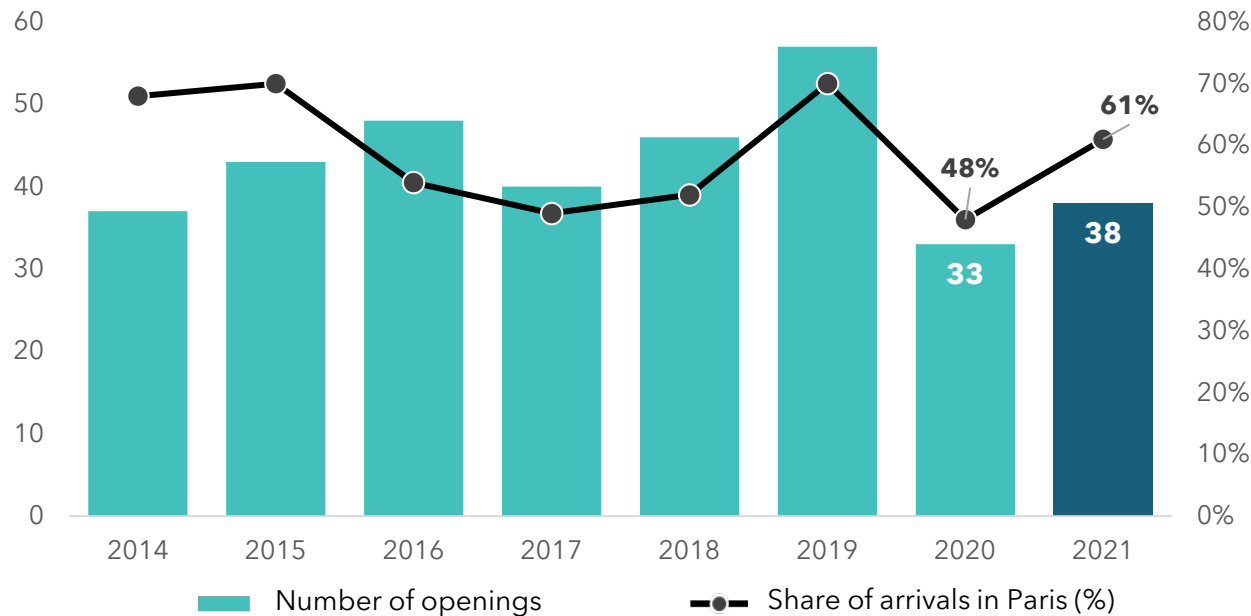
The number of foreign brands opening their first shop in France increased again in 2021 which is a good indicator of the appeal of the French market. As such, 38 new arrivals were counted last year, i.e. five more than in 2020. However, this figure remains far from the

peak of 2019 (57) and below the average of the five years preceding the health crisis (46). In 2022, this increase could accelerate, with around twenty first openings already identified.

Increase in new brand arrivals

Change of the number of newcomers

Number of first shops opened in France by new foreign brands



Newcomers in 2021

Examples



And in 2022 ?

Examples of expected arrivals in France in 2022



Source: Knight Frank

More newcomers

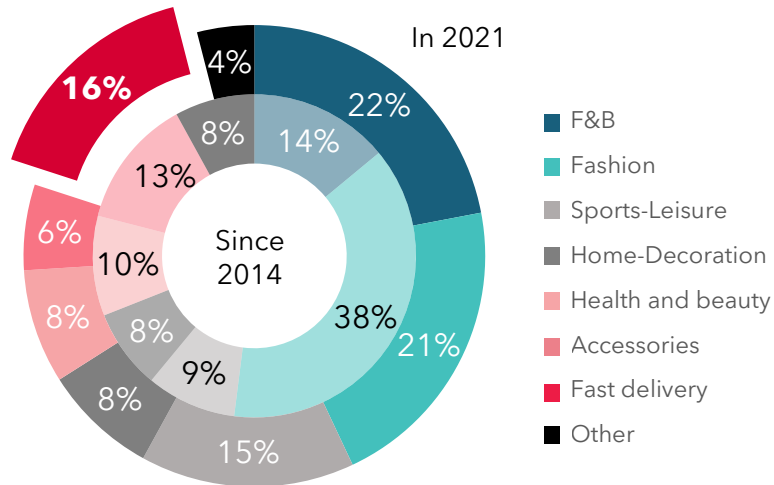
The list of newcomers in 2021 gives an idea of the extent of the changes in retail. While fashion is still well represented, accounting for 21% of newcomers in 2021 (KITH, AXEL ARIGATO, KOKER, etc.), its share has fallen by 17 points compared to the 2015-2019 period. In contrast, the restaurant sector continues to make

inroads, gaining almost 10 points with a share of 22% in 2021. Other new foreign players belong to more recent but fast-growing sectors such as CBD and, above all, express delivery.

2021: the year of fast retail

Breakdown by activity sector

Share in the total number of arrivals of new foreign brands

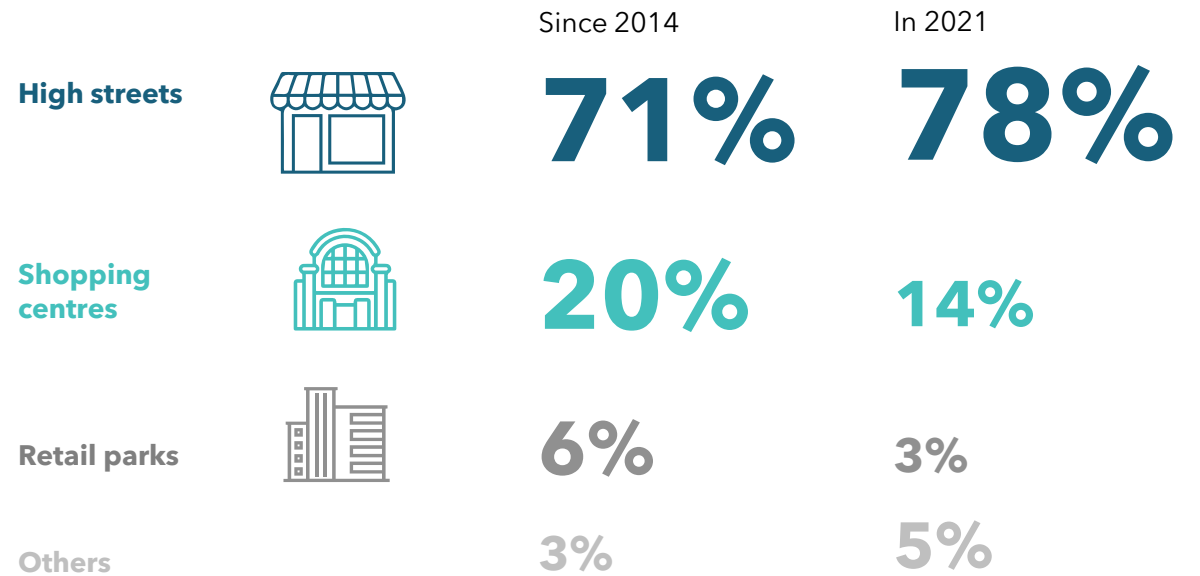


Source: Knight Frank

High streets largely favoured

Breakdown by format type

Share in the total number of arrivals of new foreign brands



Source: Knight Frank

A wide range of demand

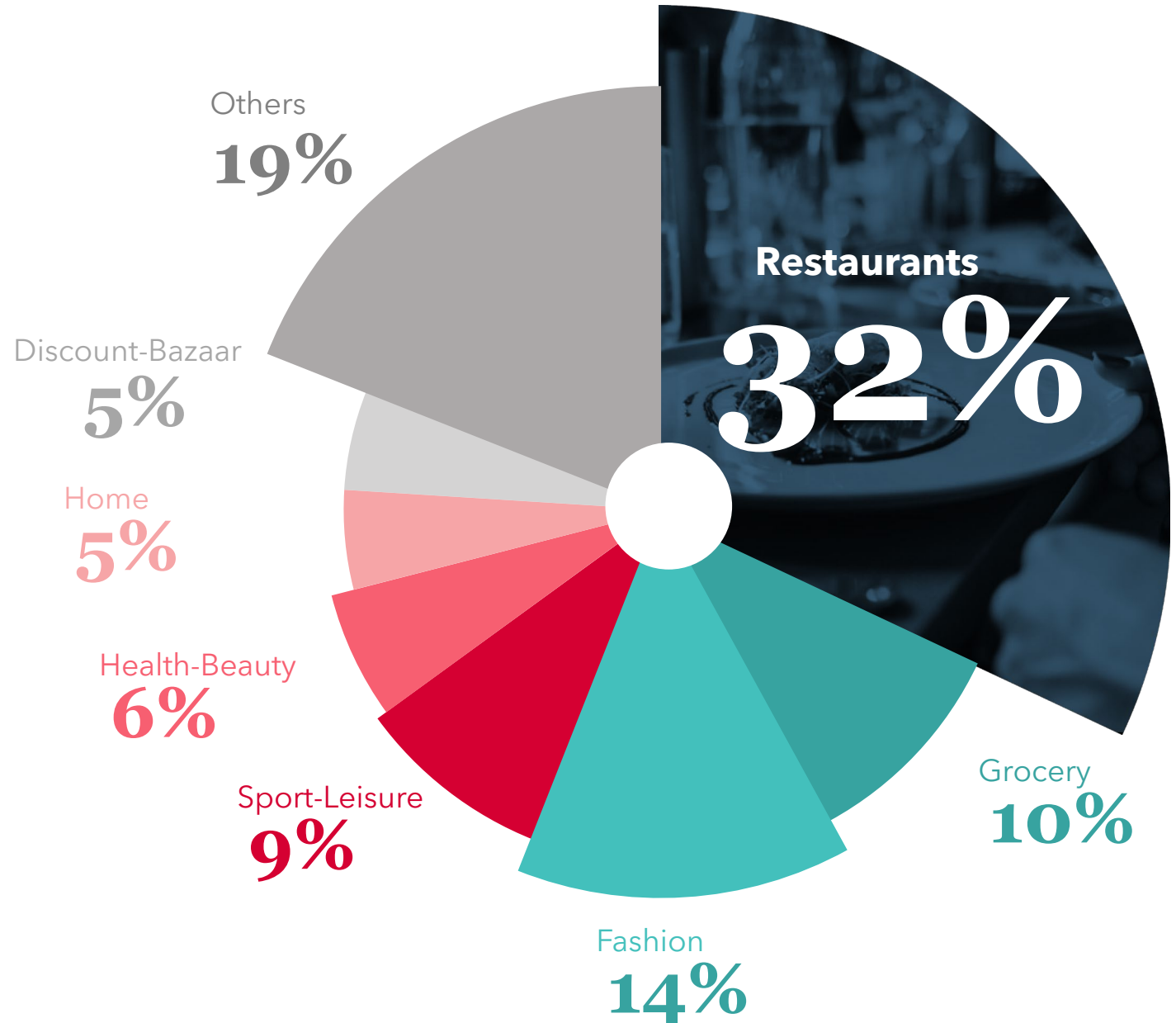
Dynamism of the restaurant sector

Breakdown of expansion plans by activity sector

Of the total number of retailers that have communicated on their expansion plans in France since the beginning of the health crisis, all formats combined

The restaurant sector has the largest number of newcomer projects and also represents the majority of the number of French and foreign brands that have announced development projects since the beginning of the health crisis, ahead of groceries and fashion.

The increasingly important role of the restaurant sector is also illustrated by the composition of the tenant mix of retail developments. As such, 34% of the brands that opened within shopping centres in 2021 belong to the restaurant sector, compared with less than 25% two years earlier.



Sources: Knight Frank, others

A wide range of demand

Examples of developing sectors

The expansion of fast delivery and fast-food restaurants demonstrates the current changes in retailing and consumption patterns in Paris and the rest of France. The retail property market is also benefiting from demand from other booming sectors (CBD, second-hand, soft mobility, etc.) and from the development of less recent but equally

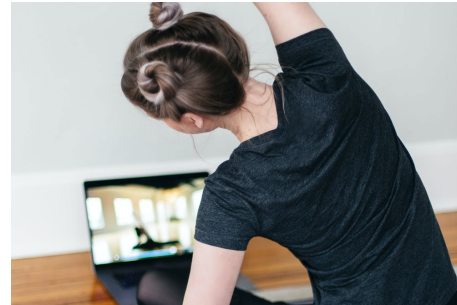
dynamic activities (decoration, medical practices, etc.). In 2022, several discount chains will also maintain high opening rates, such as Action which, having opened just over 90 shops in 2021, plans to open around the same number this year.



Discount



Fast food



Active wear



Second hand



CBD



Organic



Sport - Leisure



Home / Decoration



Fast retail



Mobility

Numerous expansion plans

Examples of developing brands

All sectors and formats



Source: Knight Frank

Spotlight on fast delivery

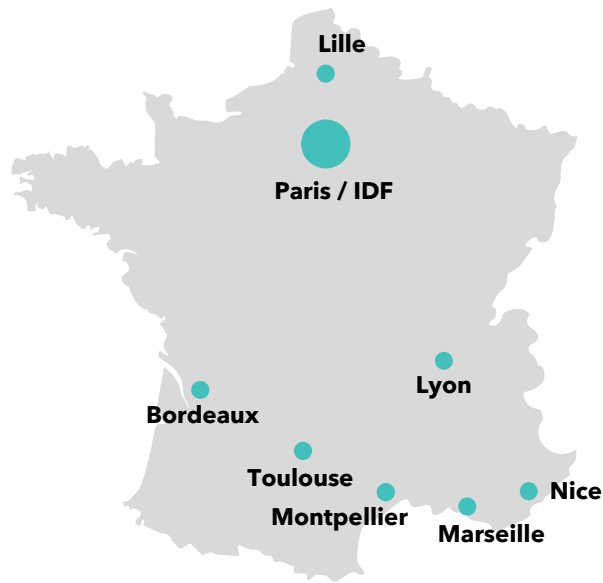
2021 was characterised by the arrival in France of several fast delivery players such as GORILLAS, FLINK, GETIR, YANGO DELI and ZAPP. Targeting areas of between 200 and 800 sq m, these companies quickly expanded their network, starting their development in Paris before opening in several towns in the Inner

Suburbs and some regional cities. Of all the dark stores identified at the end of 2021, 42% are located in Paris, 27% in other Greater Paris Region towns and 31% in the regions. In 2022, some of these players, backed by major fund-raising, intend to accelerate their development. They will benefit from favourable conditions in the

real estate market, given the still large supply of available premises, even if the desire of towns and cities to better regulate the phenomenon could ultimately restrict their expansion.

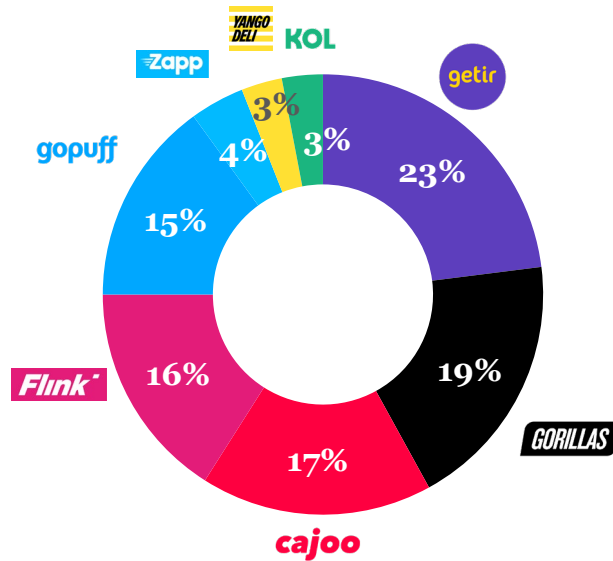
8 urban areas covered

63 towns, of which 48 are in the Greater Paris Region*

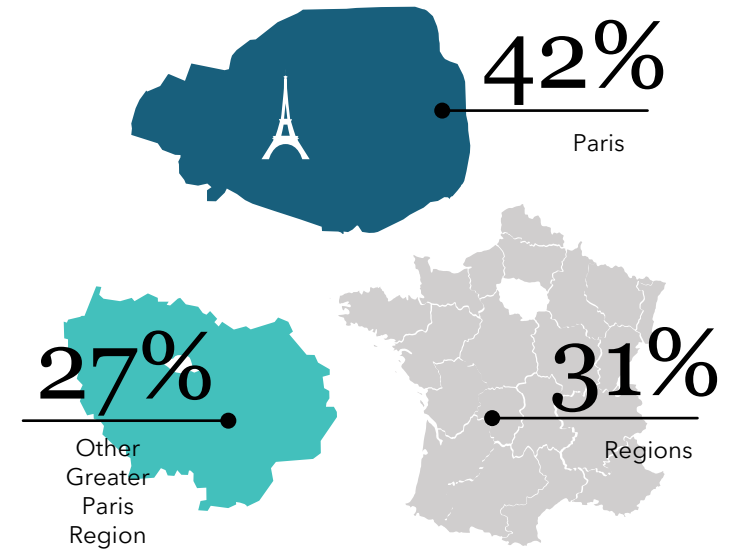


Almost 150 sites identified in France

Breakdown by player
Out of the total number*



Geographical breakdown
Out of the total number *



Source: Knight Frank / *At the end of 2021

Paris is also changing

Accelerated turnover








Breakdown of movements by activity sector on the prime Parisian streets*

Ratio of departures to arrivals for all movements between the end of the 1st half of the year and the end of the 2nd half of 2021`

The renewal of the retail offer and changes in consumption patterns are driving the Parisian market, whether this be in residential areas or on the main streets. As such, the grocery and restaurant sectors account for only 9% of the number of retailers leaving the capital's prime streets between the end of the 1st half of the year and the end of the 2nd half of 2021, but

for 15% of the arrivals. The ratio is also positive for the home, culture and leisure sectors (1% of departures and 8% of arrivals for the first and 15% for the second). On the other hand, it is negative for beauty and services, the latter being particularly exposed to the digitalisation of lifestyles (banking and travel agencies) and to the decrease in

tourism (bureaux de change). This is also the case for the fashion sector, which accounts for the largest share of retail departures recorded on prime Parisian streets (37%), but which still accounts for a very large number of arrivals (33%).

	Departures	Arrivals
 Fashion	37%	33%
 Accessories - Leather goods	22%	15%
 Services	18%	4%
 Health - Beauty	10%	6%
 Groceries - Restaurants	9%	15%
 Home - Decoration	1%	8%
 Culture - Leisure	1%	15%

Source: Knight Frank / * Sample of 12 prime Parisian streets.



Paris: examples of transactions and openings in 2021

RETAILER	ADDRESS	TOWN / ARRONDISSEMENT	AREA (SQ M)
BOULANGER	135 RUE DE RENNES	PARIS 6	2,750
TRUFFAUT	17 PLACE FRANÇOISE DORIN (ZAC CLICHY-BATIGNOLLES)	PARIS 17	2,500
FOOT LOCKER	36 AVENUE DES CHAMPS-ÉLYSÉES	PARIS 8	2,130
LOUIS VUITTON	100 AVENUE DES CHAMPS-ÉLYSÉES	PARIS 8	1,700
IKEA	135 AVENUE DAUMESNIL	PARIS 12	1,580
H&M HOME	14 BOULEVARD DES CAPUCINES	PARIS 9	940
PSG	92 AVENUE DES CHAMPS-ÉLYSÉES	PARIS 8	790
ALINEA	45 RUE DE RENNES	PARIS 6	760
FLORIM	32 AVENUE DE L'OPÉRA	PARIS 2	540
FOOT LOCKER	133 RUE DE RENNES	PARIS 6	470
ACNE STUDIOS	219 RUE SAINT-HONORÉ	PARIS 1	420
INTIMISSIMI	6 RUE HALÉVY	PARIS 9	300
ALTERMUNDI	72 RUE DE RENNES	PARIS 6	240
LAVINIA	22 AVENUE VICTOR HUGO	PARIS 16	200
DE FURSAC	41 RUE DES FRANCS BOURGEOIS	PARIS 4	200
AXEL ARIGATO	86 RUE VIEILLE DU TEMPLE	PARIS 4	160

Source: Knight Frank

Consolidation of the luxury market

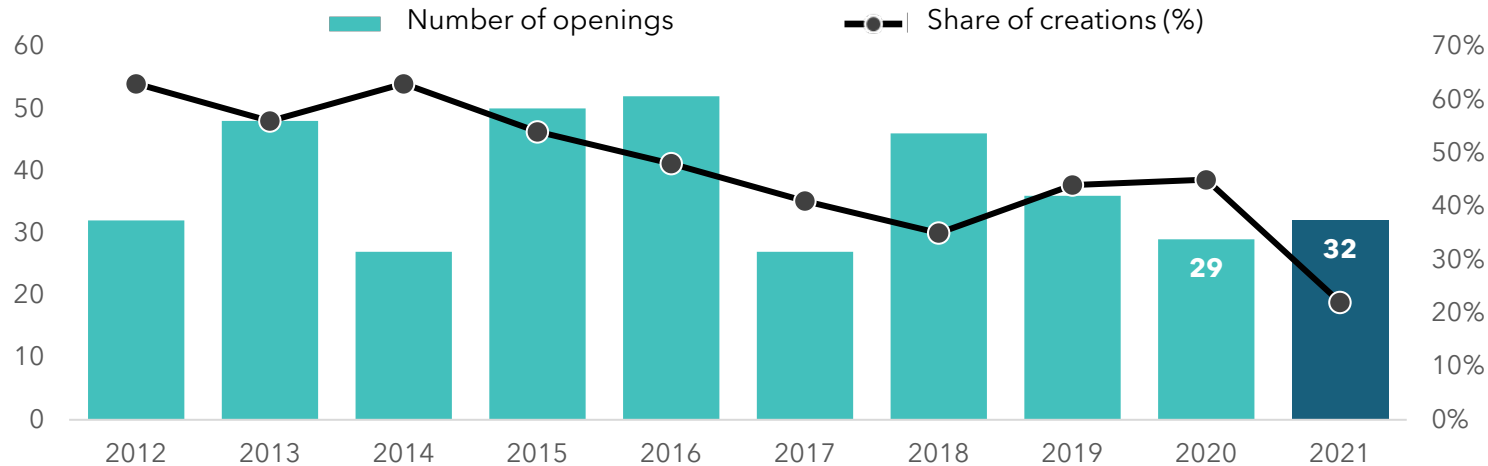
32 luxury boutiques opened in 2021 in Paris after 29 in 2020, compared to an average of 45 in the five years preceding the health crisis. A rebound in openings seems unlikely in 2022 given the number of projects currently being finalised and the downward trend in new shop openings. In 2021, these represented only 22% of the openings recorded in Paris, compared with an

average of 37% over the last five years. The coming months will also be marked by a number of iconic openings or re-openings, including several expansion projects such as DIOR at 30-32 avenue Montaigne, CARTIER at 11-13 rue de la Paix and CHANEL at 21-23 rue du Faubourg Saint-Honoré. Other major new, extension or renovation projects are also planned after 2022, such as GUCCI in

rue Saint-Honoré area and SAINT LAURENT and DIOR on the Champs-Élysées, underlining the critical importance of Paris for the sector's leading groups.

Creations at a low point

Change in the number of luxury shop openings*
Openings recorded in Paris

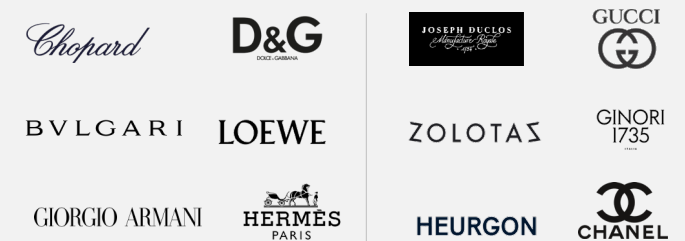


Source: Knight Frank / * Creations, renovations-extensions, transfers and temporary shops.



Significant openings in 2021

Renovations - extensions | Others



A few projects 2022-2024

Renovations - extensions | Others



Consolidation of the luxury market

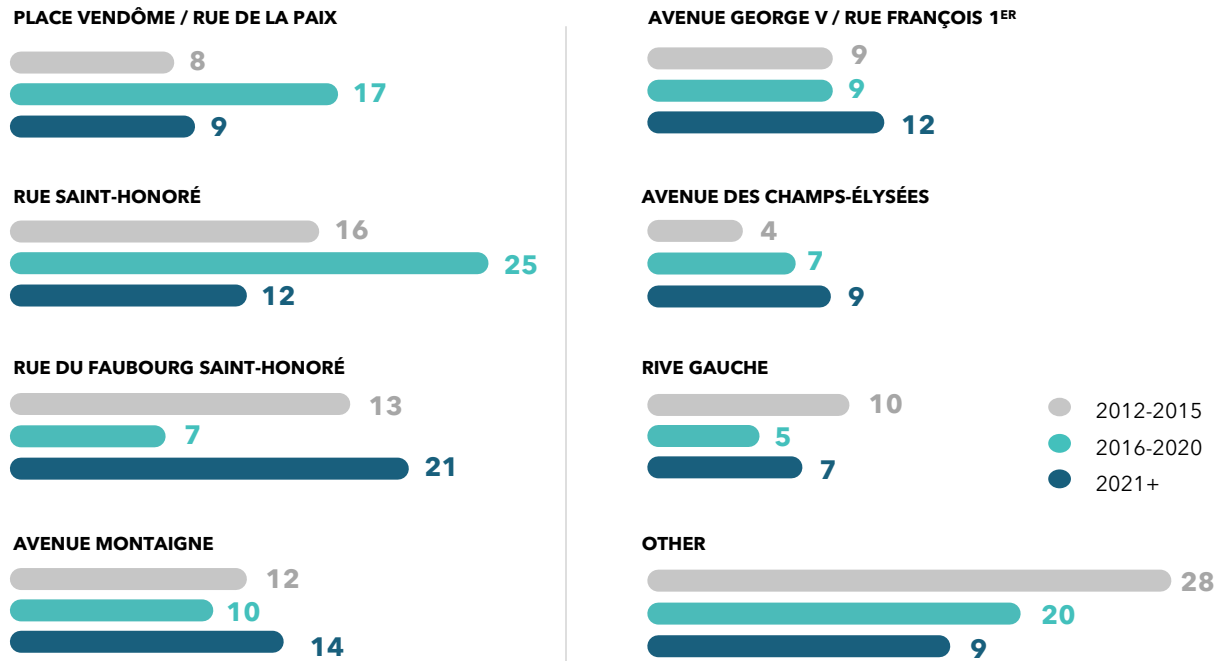
Far from the expansion phase of the early 2010s, which saw certain brands explore "new" areas such as the Left Bank and the Marais, the Parisian luxury market is now in a consolidation phase. Accelerated by the health crisis, this trend is characterised by a tightening of the geography of luxury to the benefit of the most prestigious locations

on the Right Bank. Several brand extensions or relocations are expected, notably on rue du Faubourg Saint-Honoré, avenue Montaigne and on other streets in the Golden Triangle. Some iconic openings are also planned on rue Saint-Honoré (BURBERRY, KERING). Finally, the shift upmarket on the Champs-Élysées will

continue: in addition to the forthcoming openings of SAINT LAURENT (no. 123) and DIOR (no. 103), LOUIS VUITTON has leased an additional 1,700 sq m of space at no. 100, as part of the extension of its flagship at no. 101, for which it renewed the lease in 2021.

Breakdown of openings by street

Share of each street, % of total number in each period*



Source: Knight Frank / *2021+: 2021 openings and identified projects with an opening after 2021.

Recent and upcoming key trends

1

STRENGTHENING OF THE GOLDEN TRIANGLE

2

ICONIC OPENINGS RUE SAINT-HONORÉ

3

RENEWED ACTIVITY RUE DU FAUBOURG SAINT-HONORÉ

4

LIMITED NUMBER OF OPENINGS OUTSIDE THE MAIN STREETS

Vacancy: a very mixed situation

Contained increase on the main Parisian streets

Change in vacancy rate in Paris*

On some No. 1 streets and prime sections of No. 1 streets

The recovery in consumption, the dynamism of certain activities and the sometimes significant decrease in rents have contributed to a reduction in the vacancy rate on certain main streets in the 2nd half of 2021. The reduction concerns streets where the difficulties date back several years. This is the case for rue de Rennes, where the vacancy rate was 10% at the end of 2020 and is

now below 8%. There has also been a marked decrease on rue de Rivoli, where the vacancy rate has fallen from almost 13% at the end of 2020 to below 9%.

In 2022, vacancy could continue to decrease on certain streets and will remain limited on those that have so far resisted the health crisis well (the Marais district, rue de Passy, etc.). On the other hand,

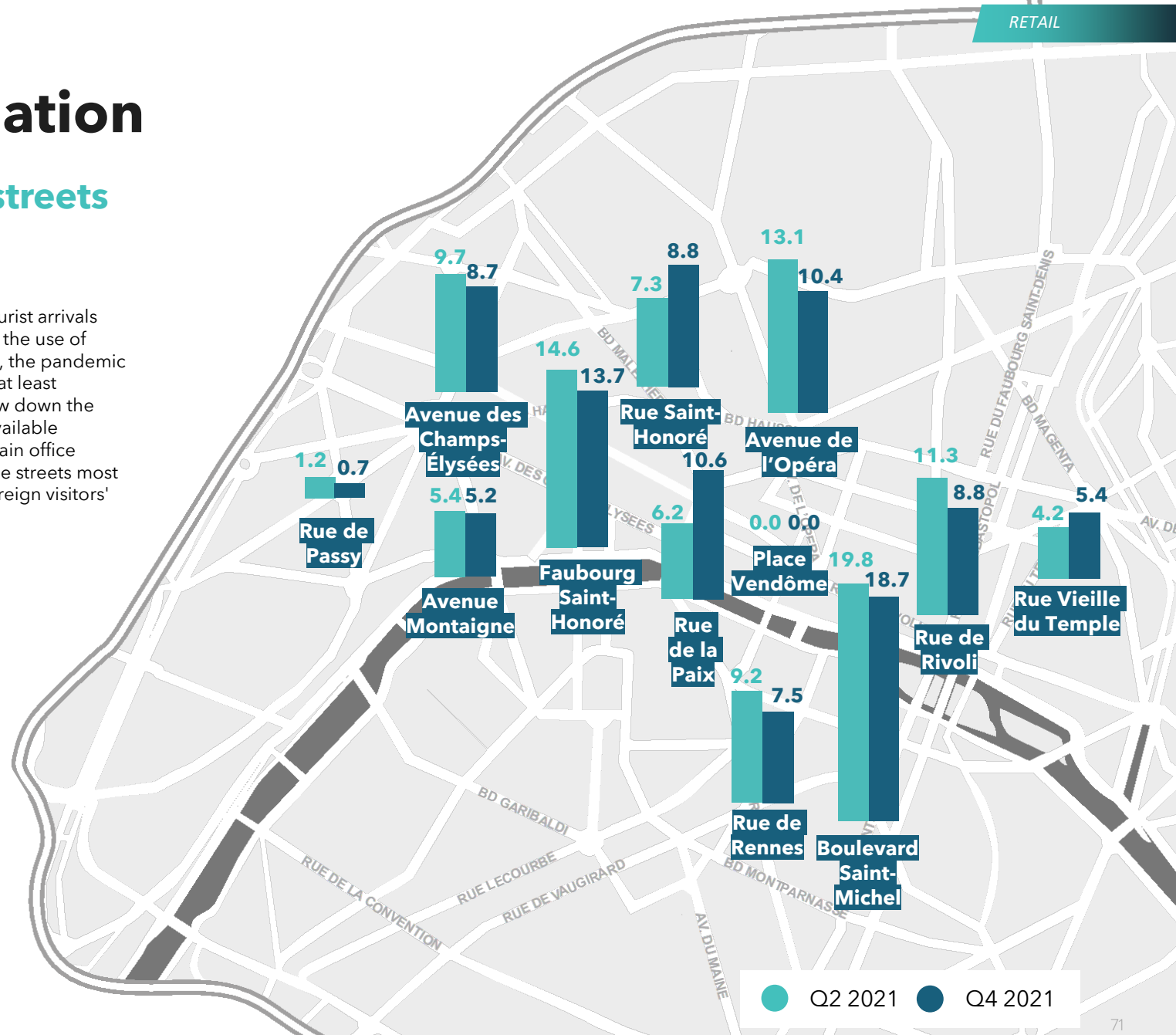
by restricting tourist arrivals and intensifying the use of remote working, the pandemic upsurge could, at least temporarily, slow down the absorption of available premises in certain office districts or on the streets most vulnerable to foreign visitors' spending.



17%

Share of locations subject to a refurbishment project (with no identified tenant) on avenue des Champs-Élysées.

Source: Knight Frank /*excluding strategic vacancy and projects



RETAIL

● Q2 2021 ● Q4 2021

Rental values

Contrasting changes

Prime rental value ranges in Paris

The difficulties associated with the health crisis and the increase in the availability of retail premises continue to influence negotiation conditions, with a more or less marked adjustment of rental incentives and rents depending on the district. This adjustment has helped to revive letting activity, particularly on streets that are more

dependent on local customers. For streets that are suffering from the increase in remote working and the limited number of foreign tourists, the impact on demand remains significant and could result in a further correction of rental values in 2022.

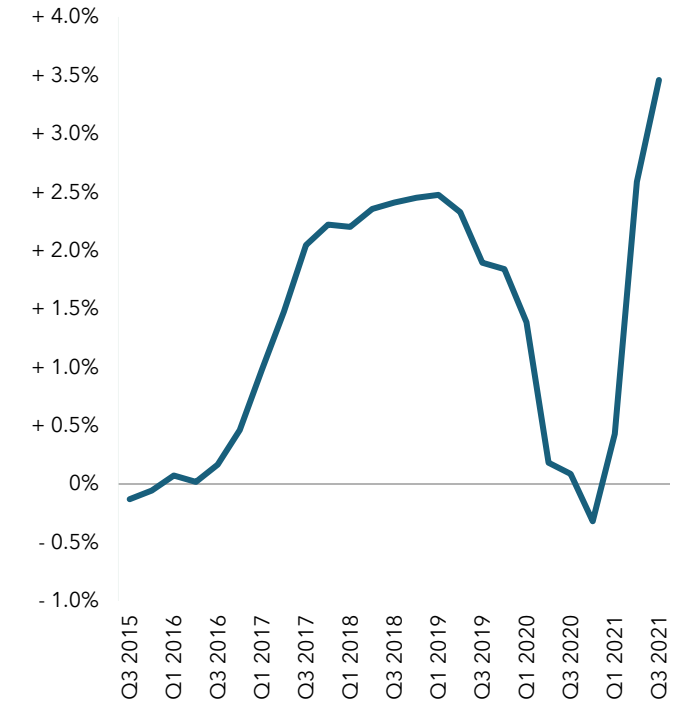
STREET / DISTRICT	PRIME RENTAL VALUE END OF 2020	PRIME RENTAL VALUE END OF 2021	LEVEL OF RETAILER DEMAND END OF 2021	RISK OF A VALUE CORRECTION IN 2022
Avenue des Champs-Élysées	16,000 - 20,000	13,000 - 15,000	● ●	● ●
Avenue Montaigne	12,000 - 15,000	11,000 - 13,000	● ●	● ●
Rue du Faubourg Saint-Honoré	12,000 - 15,000	12,000 - 14,000	●	● ●
Rue Saint-Honoré	12,000 - 15,000	10,000 - 12,000	● ●	●
Boulevard Haussmann	5,000 - 6,000	3,500 - 5,000	●	● ● ●
Marais	4,000 - 5,000	4,000 - 4,800	● ● ●	●
Rue de Sèvres / Bd Saint-Germain	3,000 - 4,000	2,500 - 3,500	● ●	● ●
Capucines / Madeleine / Opéra	3,000 - 4,000	2,500 - 3,500	●	● ●
Rue de Rivoli	2,000 - 3,000	2,000 - 3,000	● ●	●
Rue de Rennes	2,000 - 3,000	2,000 - 3,000	● ●	●
Rue de Passy	2,000 - 3,000	2,000 - 3,000	● ● ●	●

Source: Knight Frank

Low High Low High

A hot topic

Change in the ILC index (annual, as a %)



Source: INSEE

Confirmed decrease in projects

Less space authorised

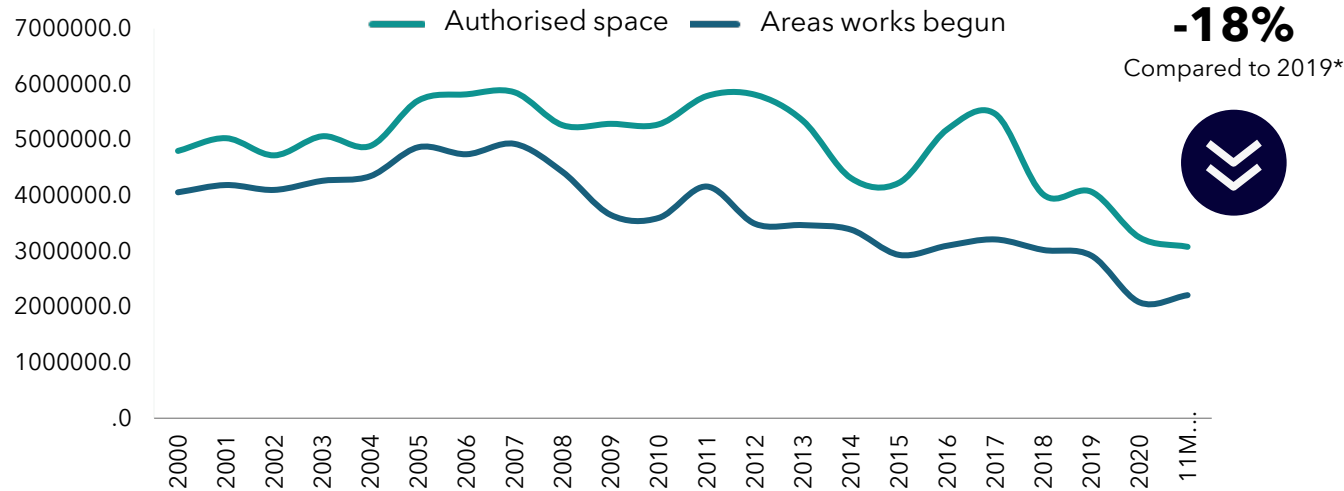
Change in authorised retail space and construction starts

In metropolitan France, in sq m

In recent years, the development of new retail space has decreased sharply due to the maturing of the French real estate stock, marketing difficulties for certain projects and the growing impact of legal recourses. The health crisis and the delays in

works related to lockdowns have amplified this decrease, which should be further intensified by the tightening of regulations governing new retail developments (promulgation in 2021 of the Climate and Resilience Act and the "Zero Net

Artificialisation" objective). This tightening is also illustrated by the drop in the authorisation rate for projects examined by the CNAC, which decreased from almost 60% in 2019 to just over 40% in 2021.



Source: Sitadel /*Over the first 11 months of each year



...and regarding the CNAC

Review of projects examined by the CNAC in 2021

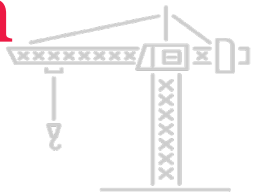


43%

Authorisation rate of projects examined by the CNAC:
- 10 points compared to the 2016 - 2019 period

2 561 sq m

Average area of projects examined by the CNAC
- 39% compared to the 2016 - 2019 period



8

Projects > 10,000 sq m
Examined by the CNAC
- 68% compared to the 2016 - 2019 period

Source: CNAC

CNAC 2021 review

Sharp drop in the authorisation rate ...

Change in the CNAC authorisation rate
In metropolitan France, % share of total number of cases

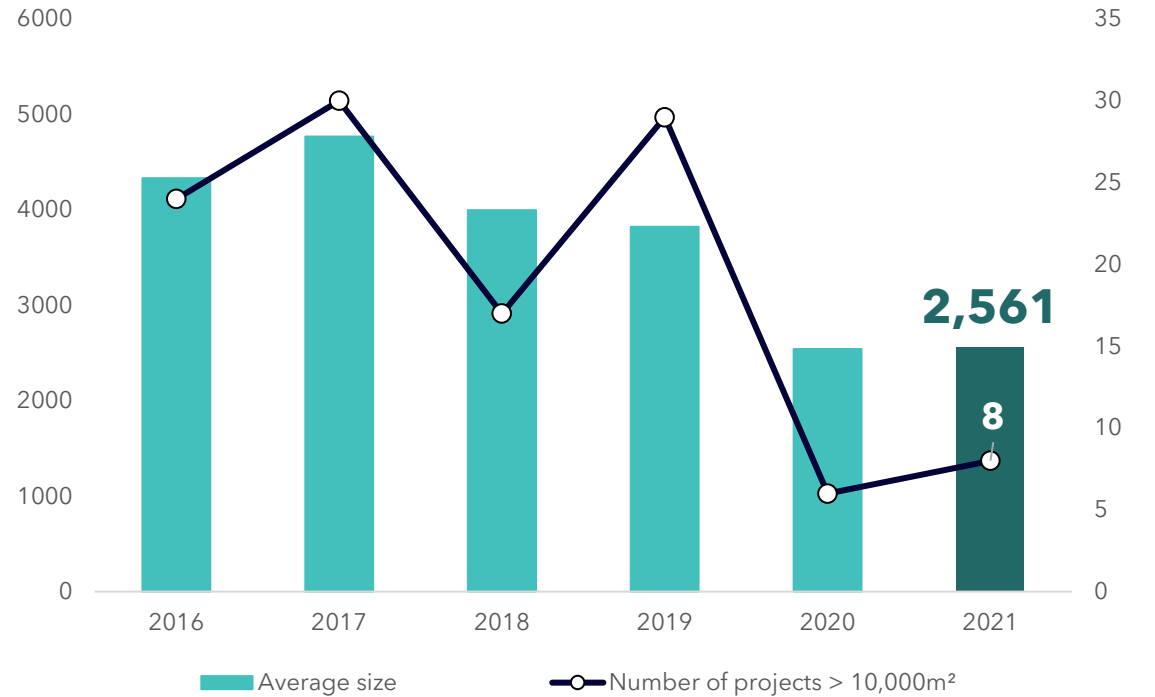


Source: CNAC



...and the average size of projects

Change in the average size of projects presented to the CNAC
In metropolitan France, in sq m



Source: CNAC

Opening of retail complexes

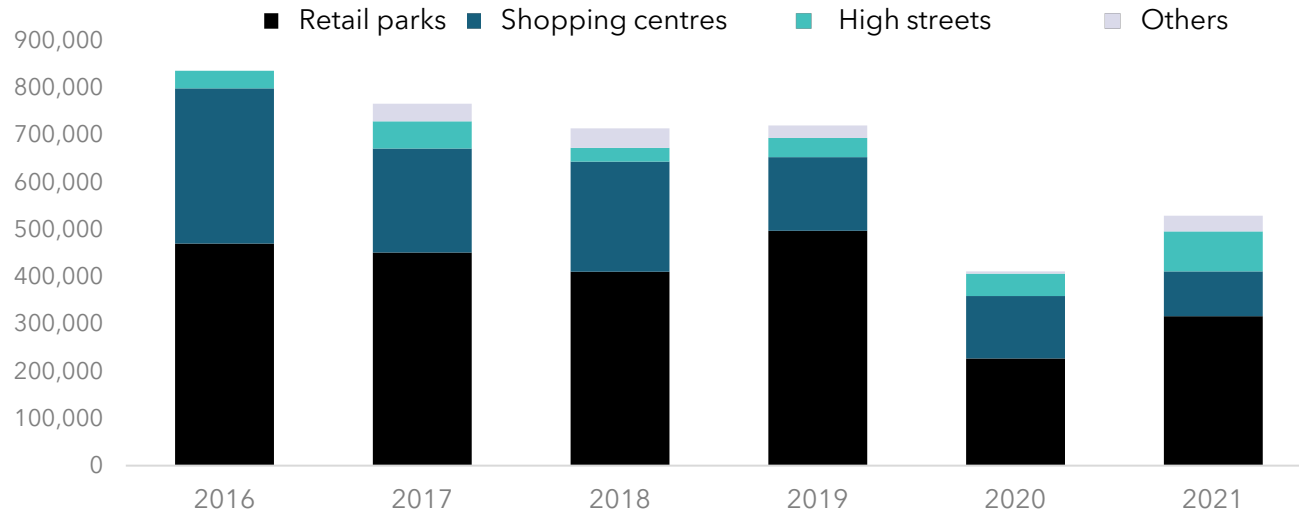
Volumes still far from pre-crisis levels

Change in openings of retail complexes, all formats combined
In France, in sq m

In 2020, the volume of new sq m of shopping centres opened was down 16% year-on-year and retail parks down 54%. The trend had already been down for a few years but has become more pronounced due to the Covid-19

pandemic and the delays in works due to lockdown periods. On the other hand, there have been more high street projects since the outbreak of the health crisis. From 4% of openings between 2015 and 2019 to 16% in

2021, their share has increased due to the greater number of projects developed as part of the development of new urban districts.



16%

Share of high street projects in 2021, compared to an average of 7% between 2016 and 2020.

Source: Knight Frank

Shopping centres: developments are slowing down

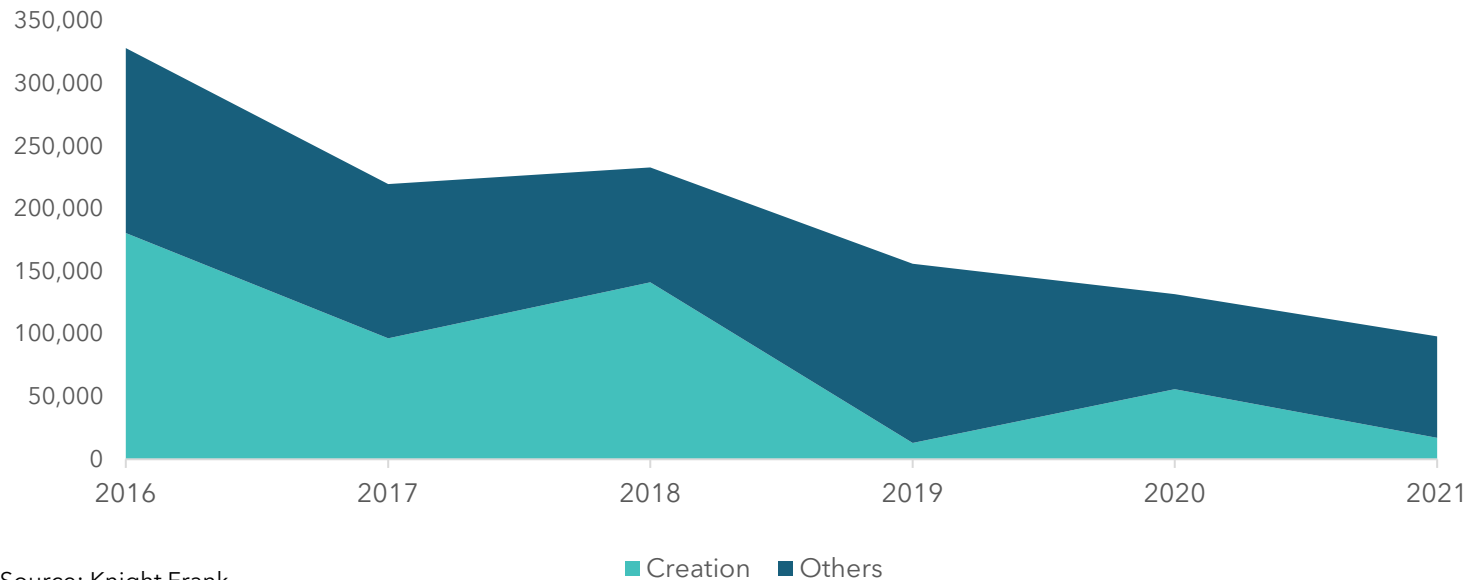
The decline continues

Change in shopping centre openings
In France, in sq m

The share of shopping centres in total openings was only 18% in 2021, compared with 39% in 2016. Less than 100,000 sq m of shopping centres were opened in France last year, compared with 130,000 sq m in 2020

and 330,000 sq m in 2016. Shopping centre openings are not expected to recover. The projects anticipated this year are few in number. As has been the case for several years, and more particularly in 2021, the vast

majority of projects to be delivered in 2022 involve extensions and the redevelopment of existing properties, such as the forthcoming opening of "Ateliers Gaité" in Paris.



Source: Knight Frank



-70%

Decrease in the volume of sq m of shopping centre openings compared to 2016.

Shopping centres: examples of projects

2021 AND 2022 OPENINGS IN FRANCE

YEAR	CENTRE	TOWN	TYPE	AREA (SQ M)
2021	LA PART-DIEU (FOOD COURT)	Lyon (69)	Extension / Redevelopment	13,000
2021	NICE LINGOSTIÈRE	Nice (06)	Extension / Redevelopment	12,800
2021	CAP 3000 (CORSO)	Saint-Laurent-du-Var (06)	Extension / Redevelopment	8,600
2021	ITALIE 2 (ITALIK)	Paris (75013)	Extension / Redevelopment	6,400
2021	CITÉ EUROPE	Coquelles (62)	Extension / Redevelopment	6,300*
2021	SHOP'IN PACÉ	Pacé (35)	Extension / Redevelopment	3,800
2022	LES ATELIERS GAITÉ	Paris (75014)	Extension / Redevelopment	30,700
2022	LES TROIS FONTAINES	Cergy (95)	Extension / Redevelopment	22,500**
2022	ROCADEST	Carcassonne (11)	Creation	14,800***

Source: Knight Frank / * Extension linked to the opening of Primark / **In addition to the opening of a restaurant area in 2020 and 7,000 sq m of leisure space in 2023 / ***The project also includes a 13,000 sq m retail park

Retail parks: still far from pre-crisis levels

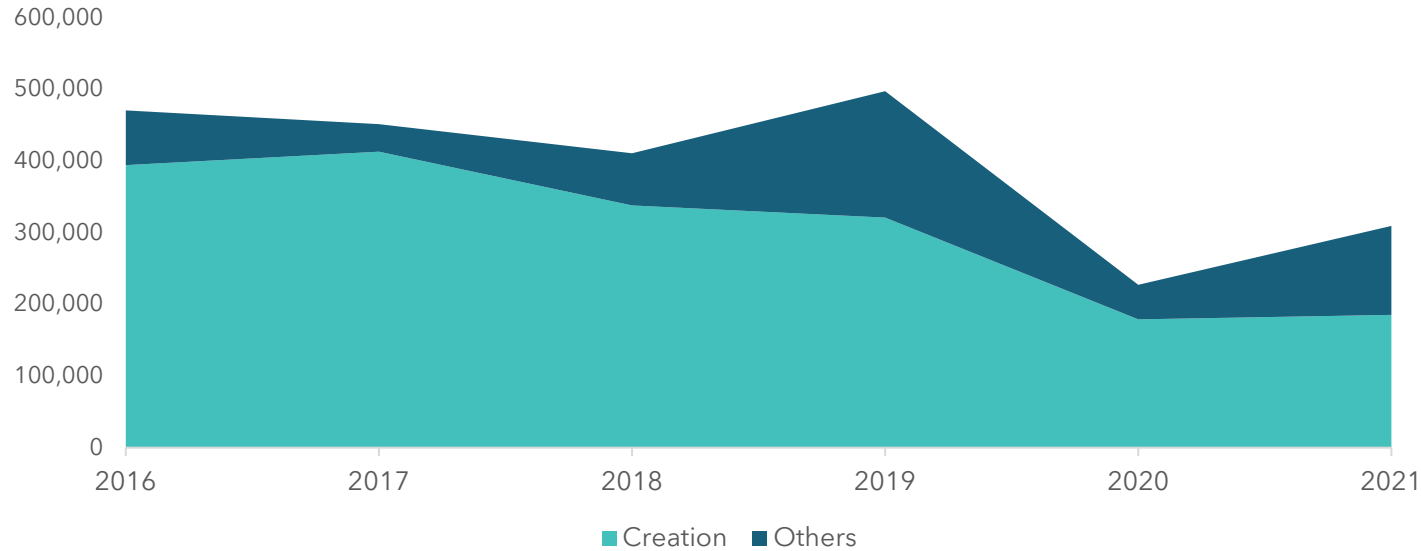
Temporary upturn?

Change in openings of retail parks
In France, in sq m

In contrast to the continued decrease in shopping centre deliveries, the volume of retail park openings picked up in 2021. Openings rebounded by almost 40% year-on-year due to

deliveries initially expected in 2020 but delayed due to lockdown periods ("Shopping Promenade Cœur d'Alsace", "Shopping Promenade Claye-Souilly", etc.). Despite this

rebound, openings in 2021 remained 28% below the average of the five years preceding the health crisis.



49%

of the volume of new sq m of retail parks opened in 2021 in France were originally scheduled to be delivered in 2020.

Source: Knight Frank

Retail parks: examples of projects

2021 AND 2022 OPENINGS IN FRANCE

YEAR	CENTRE	TOWN	TYPE	AREA (SQ M)
2021	SHOPPING PROMENADE COEUR D'ALSACE	Vendenheim (67)	Redevelopment	65,000
2021	SHOPPING PROMENADE CLAYE-SOUILLY	Claye-Souilly (77)	Creation	46,000
2021	MAINE STREET	Ruaudin (72)	Extension	27,000
2021	ZONE DE LA SABLIERE	Aurillac (15)	Creation	24,300
2021	OL VALLÉE	Décines-Charpieu (69)	Creation	23,200
2021	PROMENADE DE L'OISON	Caudebec-lès-Elbeuf (76)	Creation	15,500
2021	PARC EN SEINE	Tourville-la-Rivière (76)	Creation	14,700
2022	OTIUM	Dreux (28)	Creation	27,000
2022	PARENTHESSES	Persan (95)	Creation	25,700
2022	ROCADEST	Carcassonne (11)	Creation	13,000*
2022	PROMENADE MOLEON	Langon (33)	Extension-Redevelopment	9,700

Source: Knight Frank

Source : Knight Frank / * The project also includes a hypermarket and its gallery on almost 15,000 sq m.

2022 outlook

- Battered but **robust** consumption.
- Continued concentration in the retail sector: **increased synergies between brands** of the same groups.
- Questions about the further development of the **fast delivery industry**.
- Confirmation of the **dynamism of the suburbs** and local shops.
- Another **year of transition** for the Parisian luxury market.
- More **opportunities in Paris** due to the sometimes high levels of vacancy and the incentives granted made by landlords.
- Intensifying discussions between retailers and landlords on the **application of the ILC index**.
- Very **large retail complex creation** projects have almost **disappeared**.
- Increasing number of **conversions of existing assets**.

And beyond...

Metaverse: what are the implications for the retail property market?

The emergence of the metaverse has been one of the most striking phenomena of late 2021. Allowing brands to experiment with new ways of communicating and distributing their products, this parallel universe is heralded as the way to adapt to changing consumer profiles. It also offers them the opportunity to generate additional revenue, as recently illustrated by the initiatives of major names in luxury and sport.

The way retailers will enter the metaverse field should not be far removed from recent dynamics in the retail market, focusing on the importance of service quality, the need to revamp the customer experience and the crucial role of location (virtual

in the case of the metaverse) as a communication tool for the brand. Nevertheless, many questions remain unanswered, in particular the impact on the real estate market. Will we see an increase in the number of projects by brands opening virtual shops in the metaverse, as avatars of physical shops? Will their expansion in the metaverse lead brands to optimise their network of physical shops to focus only on the most profitable points of sale, in a logic of complementarity between physical and virtual? Finally, while the first fictitious locations have already been exchanged for several million dollars, will this new investment market develop on a larger scale?

The future of the metaverse is therefore still difficult to determine. However, the rise of this phenomenon does not appear to herald the death of physical retail. Rather, it is a sign of an acceleration of the phygitalisation of retail, a fundamental movement that has been underway for several years and that takes advantage of the best of both worlds, both real and virtual.



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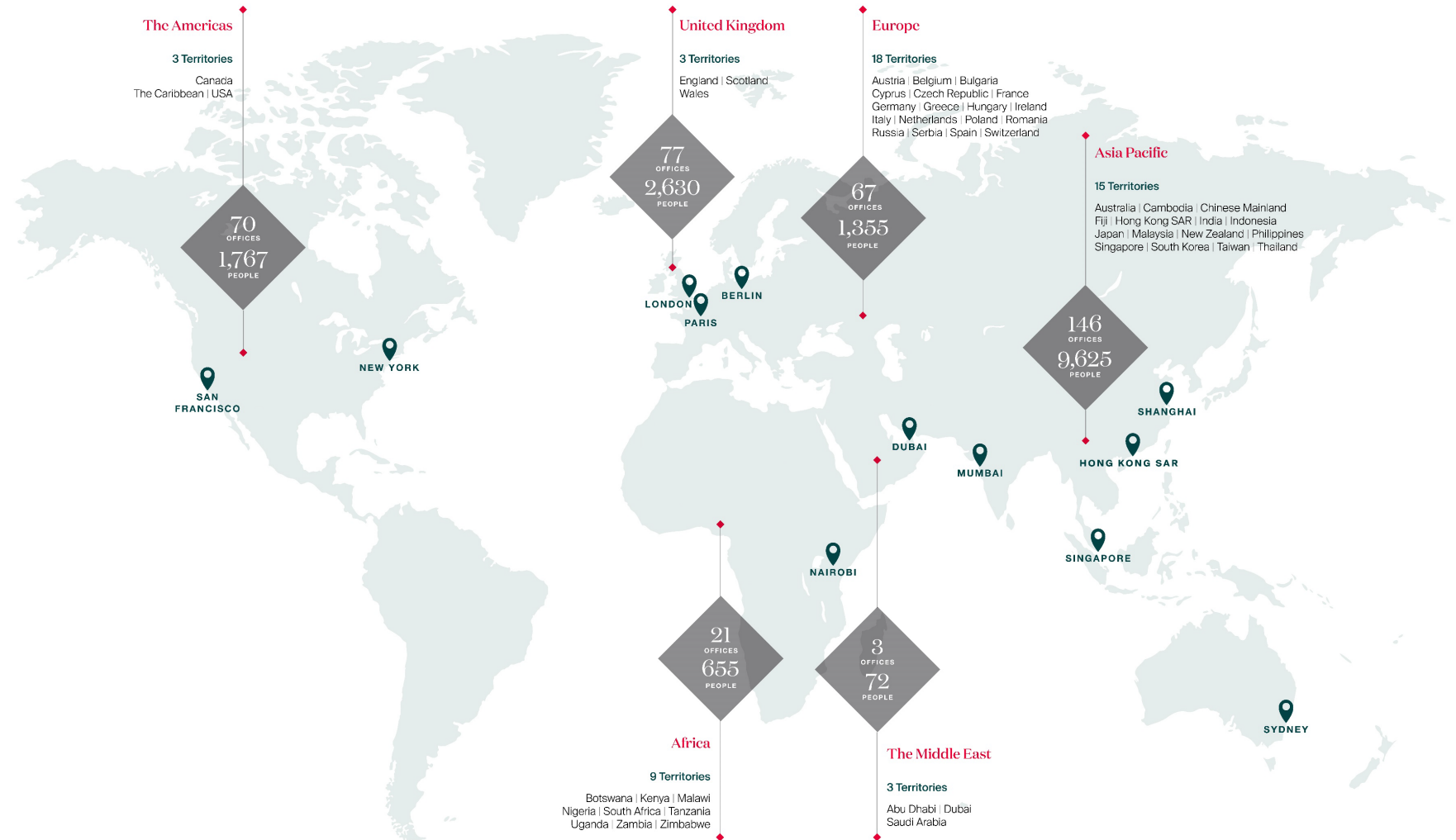
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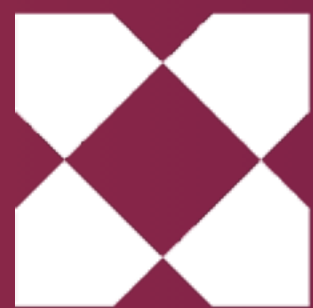
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