

SEPTEMBER 2023

RETAIL

THE RETAIL PROPERTY MARKET

FRANCE

04.

Consumption: between tough choices and new purchasing patterns



11.

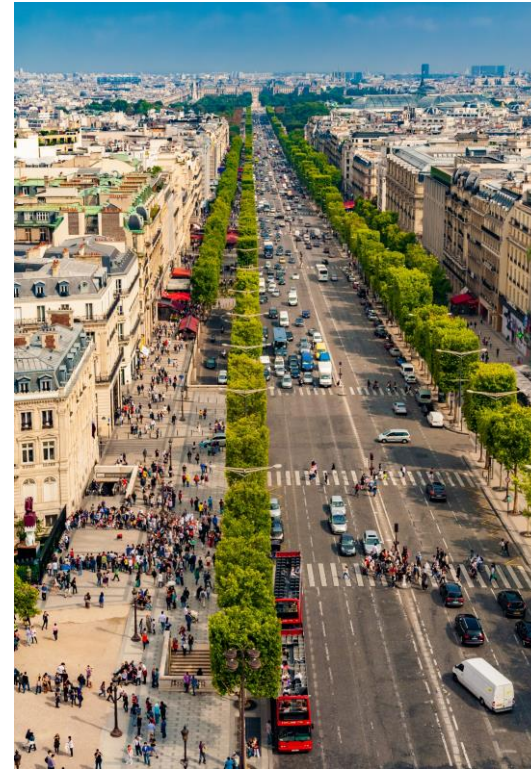
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Forecast: food for thought for 2024 and beyond

Hot topics

- High inflation and a resurgence in business insolvencies.
- Rising operating costs (energy, wages, ILC indexation, property tax, etc.).
- The future of Casino and major changes in the distribution sector.
- The continued expansion of the discount, leisure, sportswear and fast food sectors.
- The downturn in organic produce, food and mid-range fashion.
- The transformation of retail parks and shopping centres.
- The Rugby World Cup and the forthcoming 2024 Olympic Games in Paris.
- International tourism, back to pre-Covid levels in Paris.
- The resilience of the retail investment market, despite volumes being adversely affected by the increase in interest rates.

Old news (almost)

- "Retail bashing" and fears that physical retail will disappear.
- The "quick commerce" phenomenon, plagued by an unprofitable business model and administrative constraints.
- Covid-19 and health protection measures, despite the resurgence of the epidemic.
- The new post-Covid residential migration trends and the supposed decline of major cities.
- The metaverse and the virtual future of commerce.

A silver metal shopping cart with red handles and a red lock, positioned on a light blue background. The cart is empty and viewed from a slightly elevated angle.

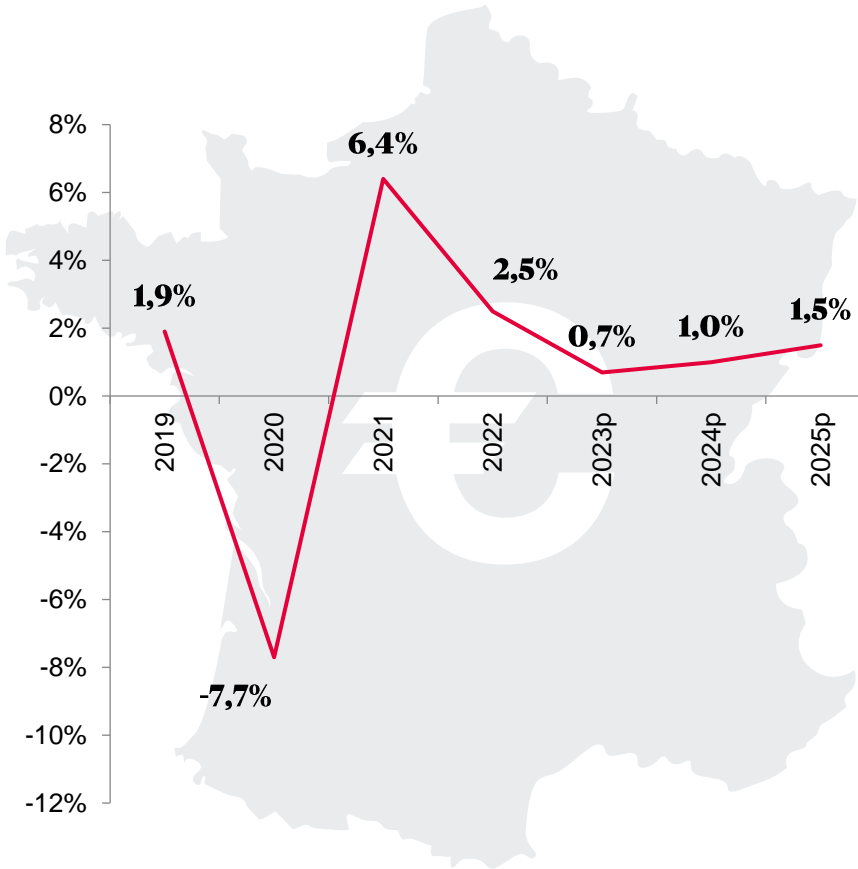
**CONSUMPTION : BETWEEN
TOUGH CHOICES AND NEW
PURCHASING PATTERNS**

A STRONG ECONOMY, BUT A LESS FAVOURABLE OUTLOOK

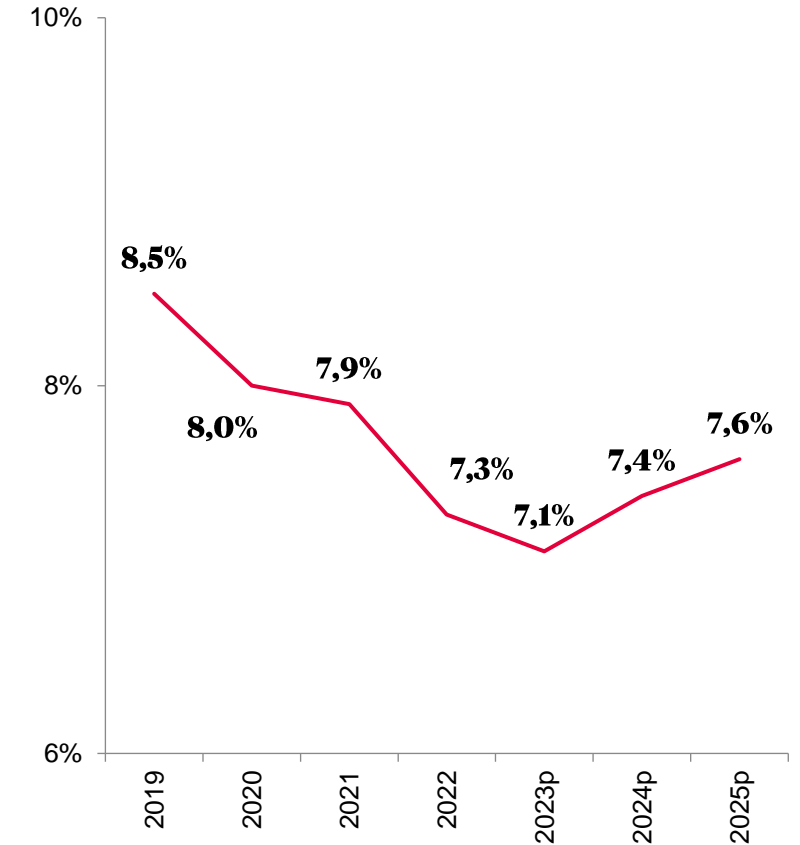
In the 1st half of 2023, **the French economy showed its resilience**. After a very slight 0.1% rise in GDP in Q1 2023, it grew by 0.5% in Q2 thanks to an increase in exports, industrial production and business investment.

However, **a slowdown is expected in the 2nd half of 2023** (+0.1% in 3Q and then +0.2% in Q4). Business conditions have consequently fallen below their long-term average, while the government's objective of reducing the State deficit means that public spending will no longer support the economy to the same extent. A rebound in consumption therefore seems **unlikely, despite inflation rates slowly declining**. Finally, the labour market is set to deteriorate, although the **unemployment rate will rise only moderately** in 2024 and 2025 to around 7.5% (8.5% in 2019).

GDP GROWTH
IN FRANCE, ANNUAL IN %



EVOLUTION OF UNEMPLOYMENT RATE
IN MAINLAND FRANCE, IN %



Source: Banque de France, *Projections macroéconomiques*.

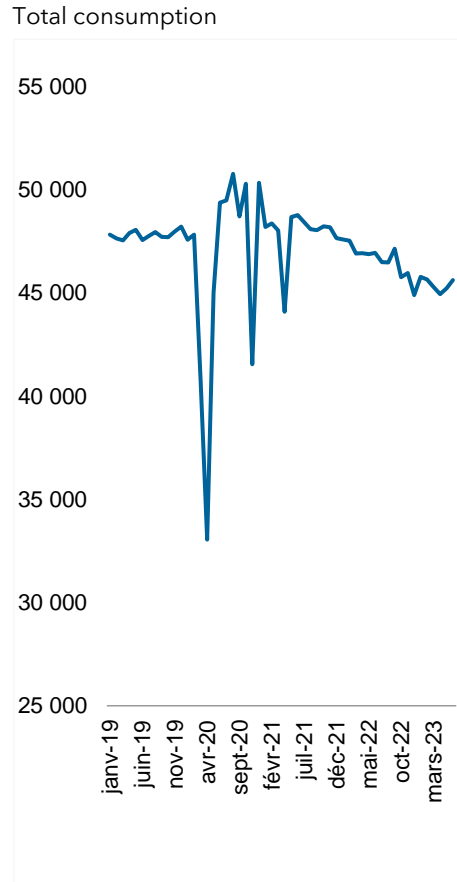
SPENDING DRIES UP, FOOD SECTOR PLUNGES

Having gained 2.1% in 2022, household consumption is expected to **fall slightly by 0.1% in 2023**.

While total consumption of goods has fallen only moderately compared with the summer of 2022 (by around 3%) and has remained virtually stable since January, some items have seen a very sharp drop. This is particularly true of the food sector, where **spending has plummeted to a level not seen since the early 2000s** due to the marked rise in prices.

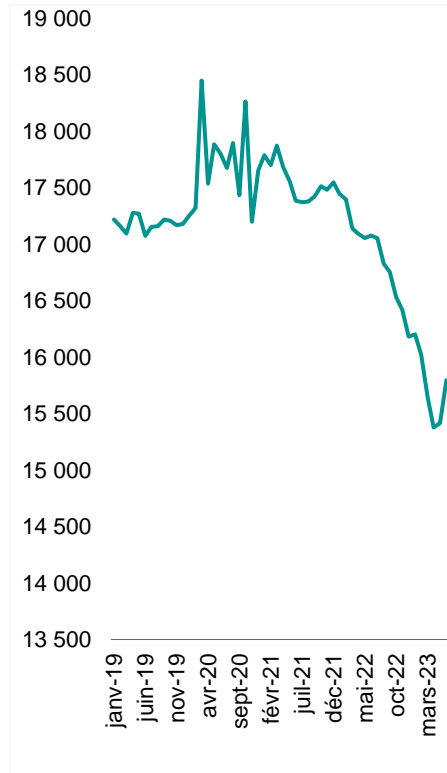
In the supermarket sector, food prices (including drinks) are continuing to rise, even though **the increase has slowed in recent months** (+13.1% year-on-year in July 2023, compared with +15.8% in April 2023).

CONSUMPTION OF GOODS IN FRANCE
PER MONTH IN MILLIONS OF EURO



Source: INSEE

Food consumption



EVOLUTION OF HOUSEHOLD CONSUMPTION
IN 2023
FORECAST

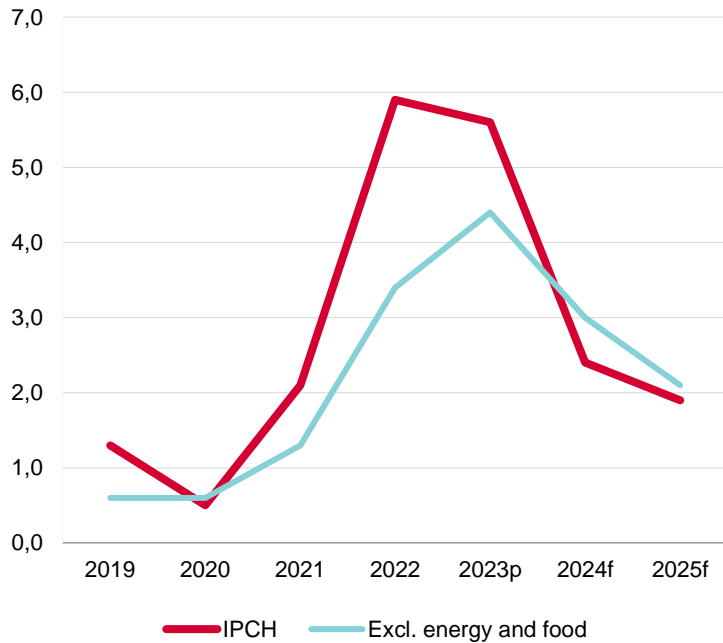
-0.1%

+1.5% in 2024

Source: Banque de France, *Projections macroéconomiques*.

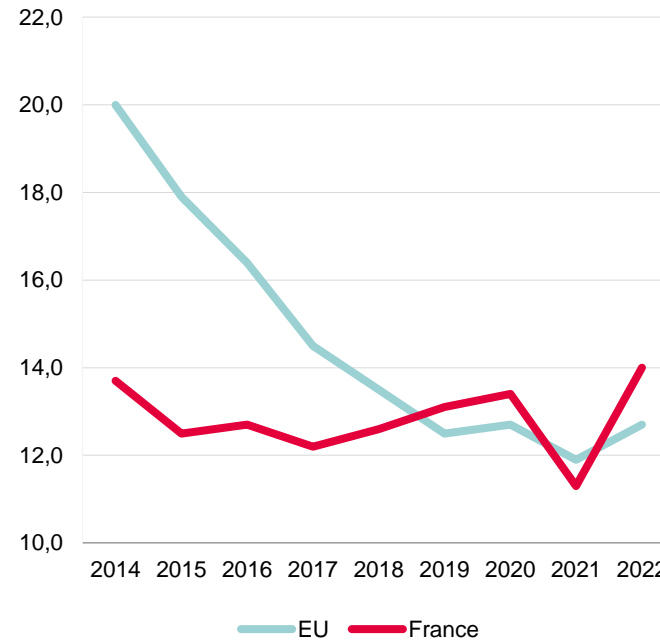
Inflation continues to erode household purchasing power and to weigh on consumption, particularly for less affluent in France, who are **having to make more and more difficult choices day to day**. After soaring at the start of 2022 and then stabilising at high levels from the 2nd half of last year, price rises have certainly been more moderate in recent months (+4.3% year-on-year in July compared with +6% in Q1 2023). Over 2023 as a whole, however, consumer prices could rise by more than 5% year-on-year (+11.9% in the food sector).

CONSUMER PRICE INDEX
ANNUAL INCREASE
IN FRANCE IN %



Source: Banque de France, *Projections macroéconomiques*.

SOCIAL AND MATERIAL DEPRIVATION RATE
IN FRANCE & THE EU IN %



Sources: INSEE, Eurostat

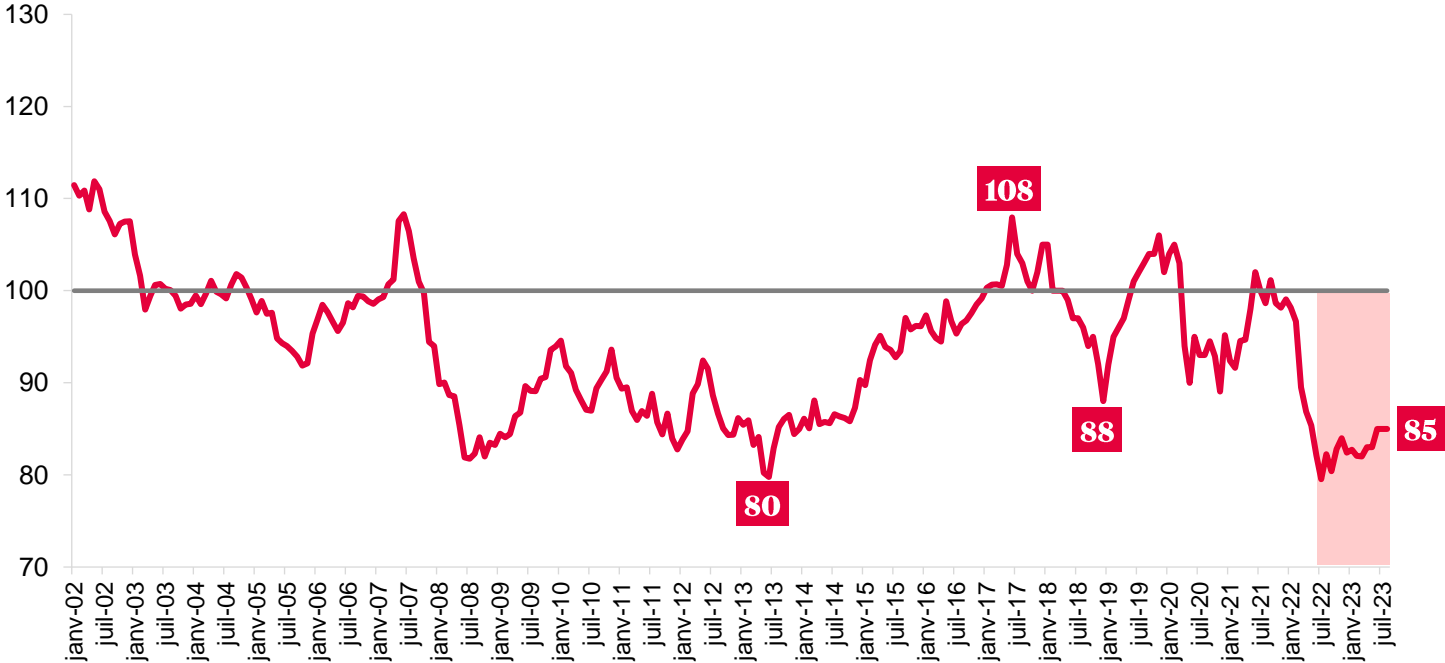
EFFECTS OF INFLATION ON BUYING HABITS AND THE RETAIL MARKET

- Decline in spending and the amount of average shopping baskets.
- Increasing pressure to make tough choices (between products, brands, etc.).
- The hunt for the best prices and bargains, which is benefiting discount chains and own-brand distributors.
- Changes in eating habits (smaller quantities consumed, less fresh produce, decline in organic produce, fewer meals eaten outside of the home, etc.).
- Fall in spending on beauty products.
- Reduced use of the car for shopping, in favour of local retailers.
- An increase in shoplifting (+14% by 2022 in France), which is cutting into retailers' incomes and increasing the cost of security.

MORALE STILL VERY LOW

Last summer, consumer confidence hit a ten-year low as a result of the outbreak of the Russian-Ukrainian war and soaring inflation. A year on, morale in France has only barely improved despite the slight fall in inflation and the resilience of the job market. It is still well below the long-term average, which partly explains why the savings rate has remained high (16.8% in Q1 2023 compared with 14.7% at the end of 2019).

CONSUMER CONFIDENCE
IN FRANCE, COMPOSITE DATA



POSSIBILITY TO MAKE SIGNIFICANT PURCHASES
IN FRANCE, SINCE THE OUTBREAK OF COVID-19



Source: INSEE

While the impact of inflation remains the primary cause of the current drop in consumption, other more structural factors are influencing changes in purchasing behaviours.

While anti-consumerism is still far from a mainstream trend, the desire to **consume “less but better”** is gaining in popularity. Awareness of the climate crisis and certain societal trends ("work less to live better", "industrial relocation", etc.) are influencing **consumer choices motivated by ethical consumption rather than imposed by rising prices**. This is not necessarily reflected in overall spending patterns, but it undoubtedly favours certain types of products and distribution channels (short circuits, second-hand goods,

bulk, Made in France, etc.). Other structural changes are shaping new behaviours or reinforcing certain purchasing patterns. Major demographic trends (**the rise in single-parent households, an ageing population**, etc.), for example, support local retailers or require a rethink of customer services, while the **individualisation of society**, for example, supports the development of the health, leisure and well-being sectors.

FOCUS ON...

CLIMATE CRISIS: WHAT IMPACT ON CONSUMPTION AND THE RETAIL MARKET?

Examples of current or long-term consequences

- Increased price volatility, higher cost of living for consumers (energy, food, environmental taxes) and higher overheads for retailers.
- Fall in consumption of certain categories of products (meat).
- New geographical trends: tourist regions and destinations less popular because they are too subject to extreme weather (heatwaves, drought), city centres less accessible by car (introduction of low-emission zones), suburban areas disadvantaged by rising energy costs (individual heating, petrol), etc.
- Worsening of household morale set to last ("eco-anxiety", tough financial decisions due to the cost of living), increased political tensions and social fracturing.
- Self-imposed frugality favouring non-purchasing (repair, donation, etc.) and benefiting certain product formats and categories (local and short circuits, second-hand, bulk, made in France, etc.).
- Retailers encouraged to adapt their range of services (recycling, repair and hire of products) and their communication (traceability of products, refusal to promote special offers).

UNEVEN PERFORMANCES

EVOLUTION OF MAJOR BUSINESS INDICATORS BY FORMAT AND PRODUCT CATEGORY IN FRANCE

Specialised retail sales

+3.0%

In value for H1 2023 over one year

-0.5%

In volume for H1 2023 over one year

Source: Procos

Clothing sector sales

+1.5%

January-August total over one year

-7%

January-August total compared with the same period in 2019

Source: Alliance du Commerce, Retail Int

Online business sales

+8.3%

Products and services
In Q2 2023 over one year

-1.0%

Products alone (excl.services)
In Q2 2023 over one year

Source: Fevad

Footfall in shopping centres

+3.7%

In H1 2023 over one year, **all centres combined**

-0.7%

In H1 2023 over one year for hypermarkets

Source: Quantaflow

Footfall in retail parks

+8.4%

January-July total over one year

-7.2%

January-July total over one year in the **Greater Paris Region**

Source: Fact, mytraffic

Footfall in city centres

+11.4%

January-July total over one year

+10.1%

January-July total over one year in the **Greater Paris Region**

Source: Fact, mytraffic



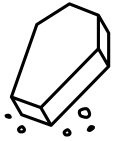
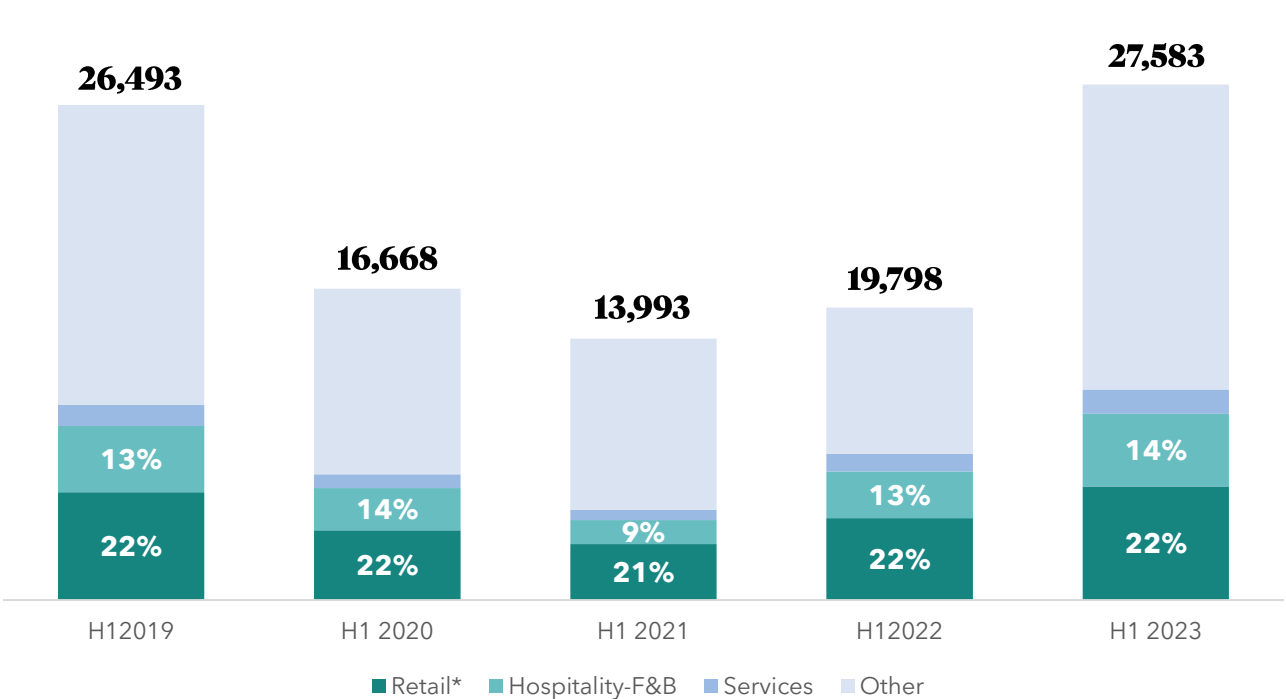
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RETAILERS IN TURMOIL: REVIEW OF RECEIVERSHIPS FROM 2020- 2023

INCREASE IN BUSINESS INSOLVENCIES

Hitting their lowest point in 2020, business insolvencies rose again in 2021, then accelerated sharply in 2022 and 2023, exceeding their pre-Covid level in the first half of the year. Reflecting greater financial difficulties and the end of government support measures ("PGE"), **court-ordered liquidations are more frequent**, and many SMEs and mid-cap companies are affected. While various sectors have been hit, such as construction and services, the retail sector has been particularly weakened by the fall in consumption and the **rise in operating costs** (raw materials, salaries, property tax, commercial rents due to the rise in the ILC indexation, etc.).

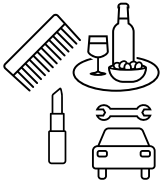
EVOLUTION OF INSOLVENCIES IN FRANCE
IN NUMBER AND BY TYPE OF PROCEDURE IN %



+32%
of insolvencies in all sectors compared to the H1 2019-2023 average



+39%
insolvencies in the **retail** sector compared to H1 2022



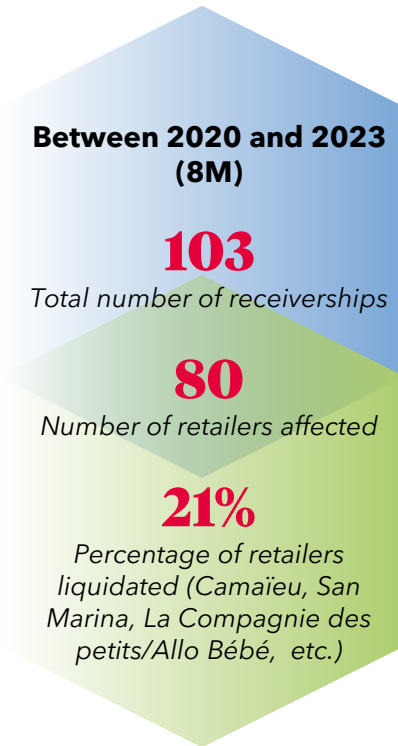
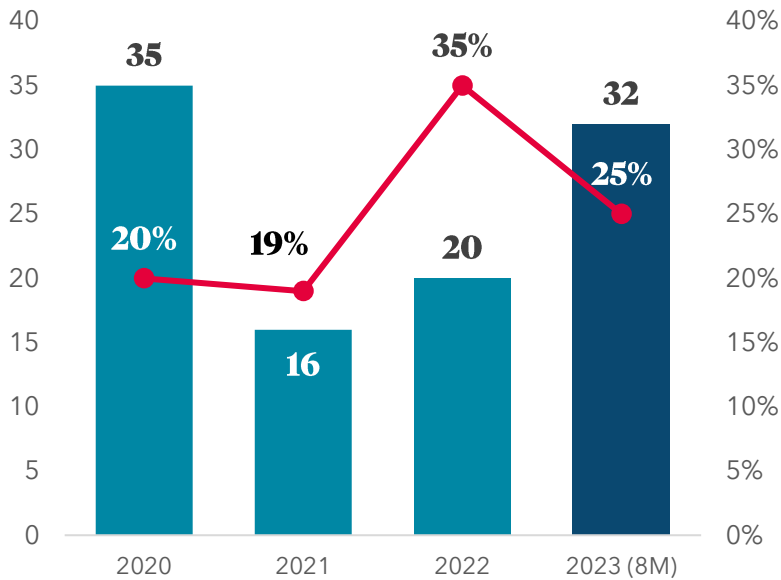
Examples of **sectors most affected**: F&B/catering, car sales and repairs, hairdressers, beauticians, etc.

Sources: Altares, Banque de France / *Also includes sales outside shops (distance selling, sales at marketplaces, etc.).

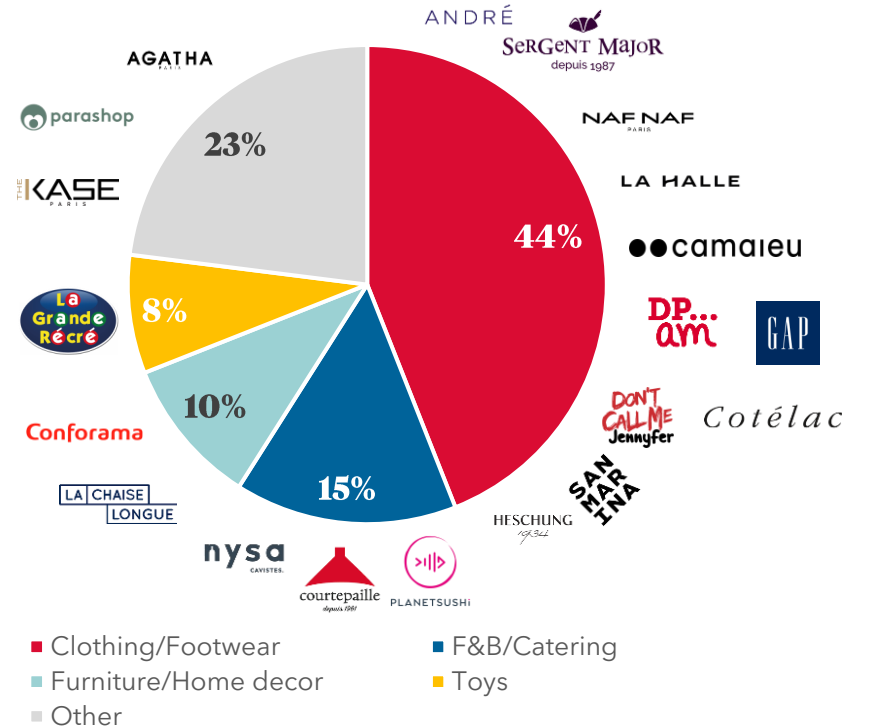
RECEIVERSHIPS ALMOST DOUBLING IN ONE YEAR

Knight Frank has identified **103 receivership proceedings in the retail and F&B sectors** in France between 2020 and 2023 (at the end of August). While this number fell sharply in 2021 and 2022, it has increased since the beginning of 2023 (32 at the end of August) and **could by the end of the year exceed 2020's total**, which was very high due to the impact of the pandemic. **A total of 80 retailers were involved in these 103 receivership processes**, including several heavyweights in French distribution across a variety of sectors such as fashion (Camaïeu, La Halle, etc.), furniture (Conforama), toys (La Grande Récré) and catering (Courtepaille).

EVOLUTION OF THE NUMBER OF RECEIVERSHIPS IN FRANCE
RETAIL AND F&B BRANDS



BREAKDOWN OF RECEIVERSHIPS BY PRODUCT CATEGORY
SHARE OF THE TOTAL NUMBER OF RETAILERS AFFECTED BY A RECEIVERSHIP SINCE 2020 IN FRANCE AND EXAMPLES



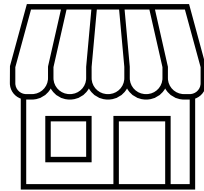
Source: Knight Frank

OVER 3,000 STORE CLOSURES

Only a minority of these receiverships have resulted in the liquidation of a retailer. However, their impact on the property market is far from negligible, given the reduction in the number of retail outlets to which they give rise. Of the 8,800 stores initially accounted for by the 80 retailers under receivership in France, **3,200 have closed, including a considerable number represented by certain brands** such as Camaïeu. While a number of the shops closed have been re-let, others are still vacant and available on the market, posing the **risk of a long-lasting increase in vacancies in the least sought-after retail zones and regions in France** (declining town centres and shopping centres, second-tier retail zones). Nevertheless, **5,600 of these 8,800 stores were still open on September 1st 2023, 89% of which had kept the same name** and 11% of which had changed their name or were due to change it as part of a takeover.

TOTAL NUMBER OF SHOPS IN FRANCE **BEFORE** RECEIVERSHIPS*

TOTAL NUMBER OF SHOPS IN FRANCE **AFTER** RECEIVERSHIPS



5,600

shops still open, including:

- 89% of shops still under the same name
- 11% of shops having changed or due to change name as part of a takeover

3,200

Number of shops closed

Still vacant or already re-let (*excluding takeover by another chain*)

EXAMPLES OF TAKEOVERS

NUMBER OF SHOPS TAKEN OVER OUT OF THE TOTAL NUMBER

| | | | |
|--|---|--|------------------|
| | > | | 127 (139) |
| | > | | 72 (125) |
| | > | | 42 (45) |
| | > | | 9 (12) |

Source: Knight Frank /*Of the 80 brands involved in a receivership since 2020.

While several sectors are experiencing difficulties, the clothing and footwear sector accounts for **the largest proportion of receiverships recorded since 2020**, representing 44% of the total number of retailers. Fashion also accounts for 55% of the total number of stores of brands affected by a receivership since 2020, i.e., 4,800 out of a total of 8,800 sales outlets, spread fairly evenly across retail formats and town sizes. **The majority of shops are still open or have been taken over.** The situation could deteriorate however, as **fashion (one of the sectors most exposed to changes in buying habits)** has seen a veritable tidal wave of receiverships and liquidations since the start of 2023 (Jennyfer, Naf Naf, Sergent Major, Burton, etc.).

FASHION REPRESENTS:

44%

of the total number of retailers involved in receiverships in France since 2020 (35 out of 80)

55%

of the total number of shops belonging to retailers affected by a receivership in France since 2020 (4,800 out of 8,800)

53%

of all liquidations* since 2020 (Camaïeu, San Marina, Pause Café, etc.)



Source: Knight Frank /*Figures as of September 1st 2023 calculated on the basis of the most recently published ruling for each retailer.

BREAKDOWN OF THE 4,800 SHOPS BELONGING TO FASHION RETAILERS AFFECTED BY A RECEIVERSHIP SINCE 2020 OF THE TOTAL NUMBER OF SHOPS

| BY FORMAT | | BY POPULATION SIZE | |
|------------------|------------|---------------------------|------------|
| HIGH STREETS | 31% | < 50,000 INHAB. | 24% |
| SHOPPING CENTRES | 30% | 50,000 TO 100,000 INHAB. | 16% |
| RETAIL PARKS | 37% | 100,000 TO 250,000 INHAB. | 16% |
| OTHER* | 2% | > 250,000 INHAB. | 44% |

Source: Knight Frank /*Fashion outlets, train stations and airports.



**DYNAMIC DEVELOPMENT
PROJECTS**

NEW ENTRANTS: 10 YEARS OF NEW ARRIVALS

NEW INTERNATIONAL RETAILERS ARRIVING IN FRANCE IN FRANCE BETWEEN 2014 AND 2023

436

new entrants recorded in France since 2014



Italy provided the largest contingent of new retailers (19%), ahead of the United States (16%) and the United Kingdom (8%).

63%

opened their 1st shop in Paris

74%

have opened on high streets

33%

are part of the fashion sector

30%

no longer have any shops in France*

4%

have a network of over 20 stores* in France

4

account for 46% of shops still open in France (Basic Fit, B&M, Rituals and Normal)*.



New brand with the fastest-growing network in France over the last 10 years (750 clubs opened between 2014 and 2023*)

Source : Knight Frank / *As of September 1st 2023.

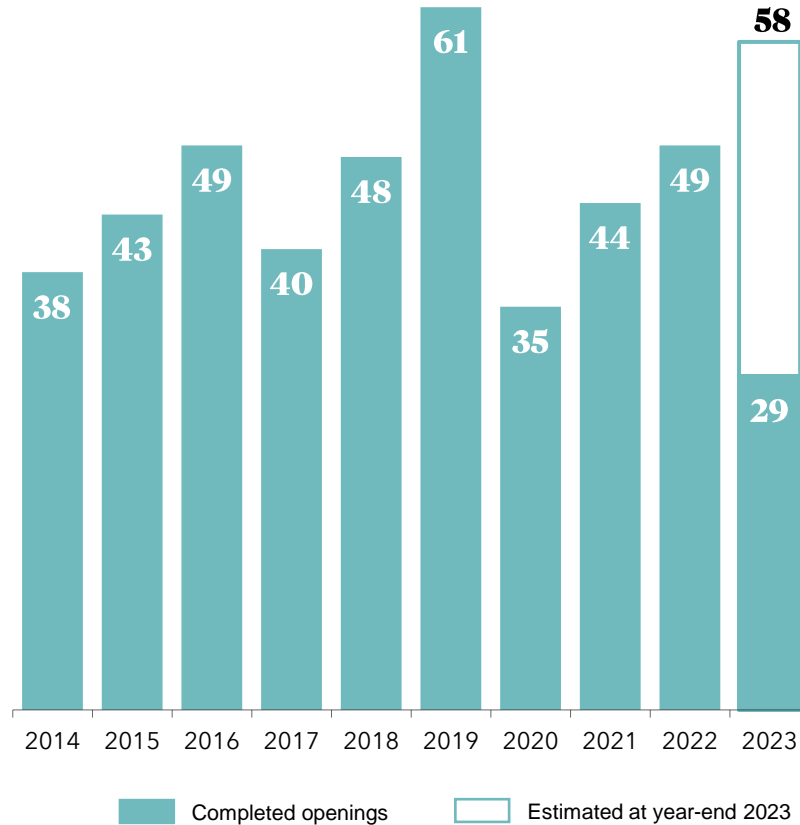
NEW ENTRANTS: AN ALMOST RECORD YEAR IN 2023

In 2022, the number of arrivals of new foreign retailers rose for the second year running, after falling sharply in 2020 due to the pandemic.

The upward trend continues in 2023. **29 new entrants have been recorded since January**, compared with 23 for the same period last year, including several luxury and top-of-the-range retailers (Jovadi, Dita, Palm Angels, etc.) as well as a discount heavyweight (German brand Tedi).

A further 29 new entrants are expected between now and the end of December. A testament to the attractiveness of the French market, **2023 could reach the record set in 2019** (61 new arrivals).

TREND IN THE NUMBER OF NEW FOREIGN ENTRANTS IN FRANCE, SINCE 2014*



Source: Knight Frank / *excluding department store corners

Openings as of September 1st

Examples in France



Arrivals expected in the coming months

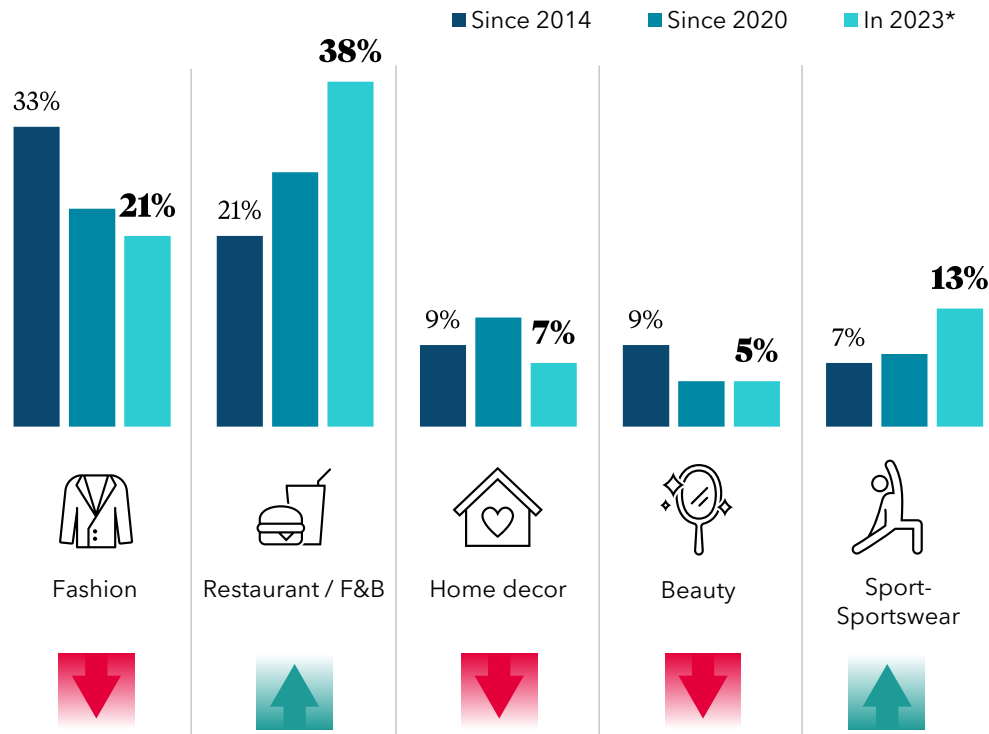
Examples in France



Analysis by product category confirms the two main trends observed since the outbreak of the pandemic: **the boom in the F&B sector**, making up almost 40% of all new entrants planned for 2023, and the continuing decline in the fashion sector, although this should be **put into perspective by the dynamism of the sportswear sub-sector**, illustrated by the first directly-operated shops for On Running, Alo Yoga and Arc'Teryx. These retailers are all planning to open in prime neighbourhoods or districts of the capital, with Paris accounting for a growing proportion of the first openings of new entrants in 2023 (83%, compared with an average of 64% over the last 10 years).

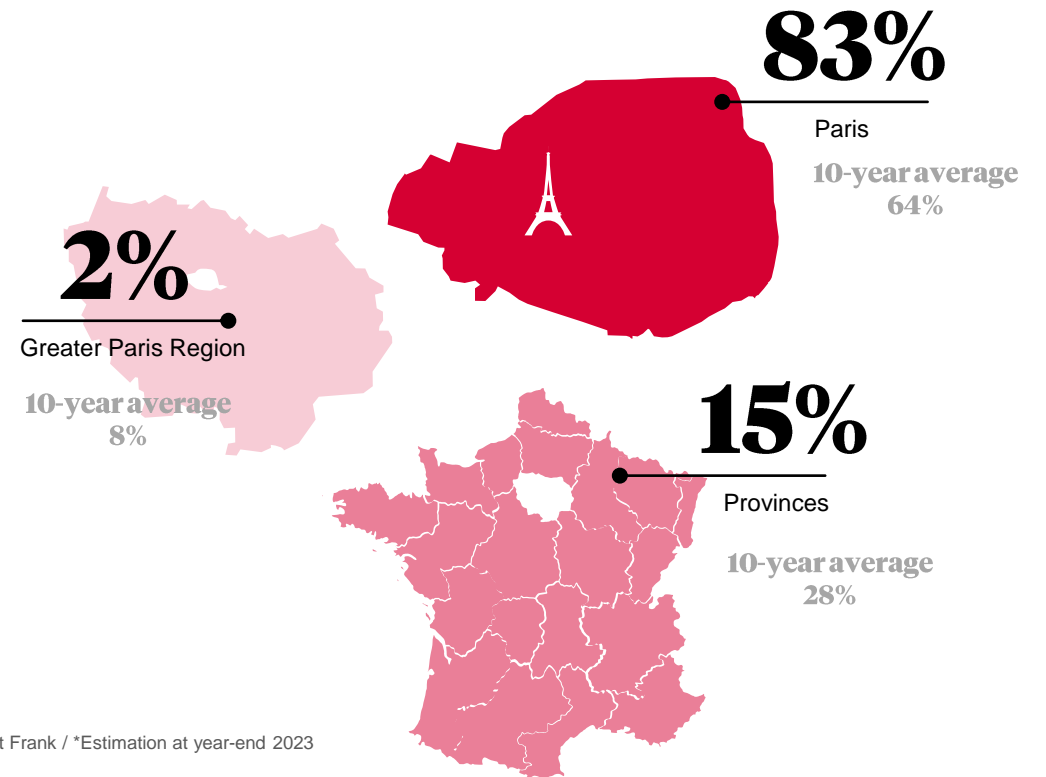
MOST SIGNIFICANT CHANGES BY PRODUCT CATEGORY

BREAKDOWN OF NEW RETAILERS BY SECTOR OF ACTIVITY IN FRANCE AS A % OF THE TOTAL NUMBER OF RETAILERS



GEOGRAPHICAL BREAKDOWN

OF FIRST OPENINGS BY NEW FOREIGN RETAILERS IN FRANCE IN 2023*



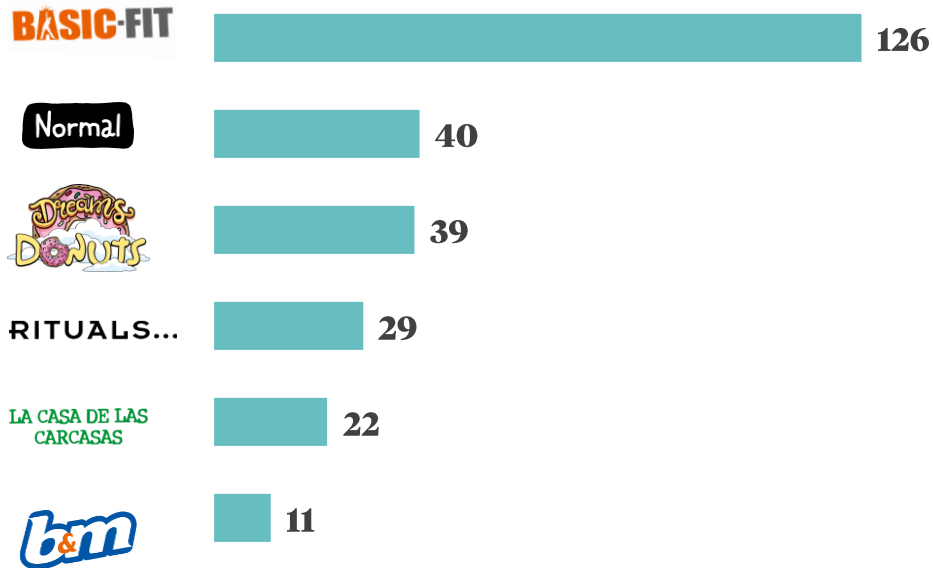
Source: Knight Frank / *Estimation at year-end 2023

NEW ENTRANTS : BASIC FIT...AND OTHERS

With **750 clubs opened since 2014 in France**, Basic Fit remains at the top of the list of new entrants* that have expanded the most in 10 years. The pace continues unabated, with the fitness chain opening 126 new sites over the last 12 months, representing **26% of all stores opened by new entrants over the period**. Basic Fit is ahead of **Normal, whose expansion also remains strong**, with the Danish discounter opening 40 shops in the space of a year, and now boasting around a hundred outlets in France. These two brands are among the few new entrants to have more than 20 sales points in France: in addition to Basic Fit and Normal, we should also mention Dreams Donuts, who have been expanding very rapidly in recent months, and Rituals, who arrived in France in 2015 and are continuing to expand their network.

MORE THAN 120 CLUBS OPENED IN ONE YEAR BY BASIC FIT

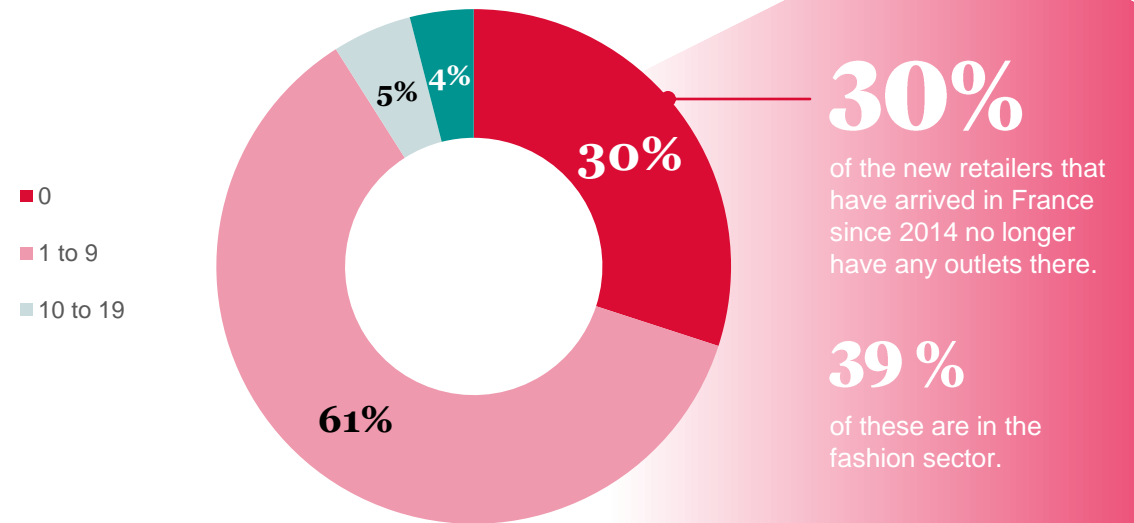
NEW ENTRANTS OPENING THE LARGEST NUMBER OF OUTLETS IN FRANCE BETWEEN SEPTEMBER 2022 AND SEPTEMBER 2023*



Sources: Knight Frank and retailers / *New retailers arriving in France since 2014

ONLY 4% OF NEW ENTRANTS HAVE MORE THAN 20 SHOPS

NUMBER OF SHOPS OPENED BY FOREIGN RETAILERS ARRIVING IN FRANCE SINCE 2014



Sources: Knight Frank and retailers

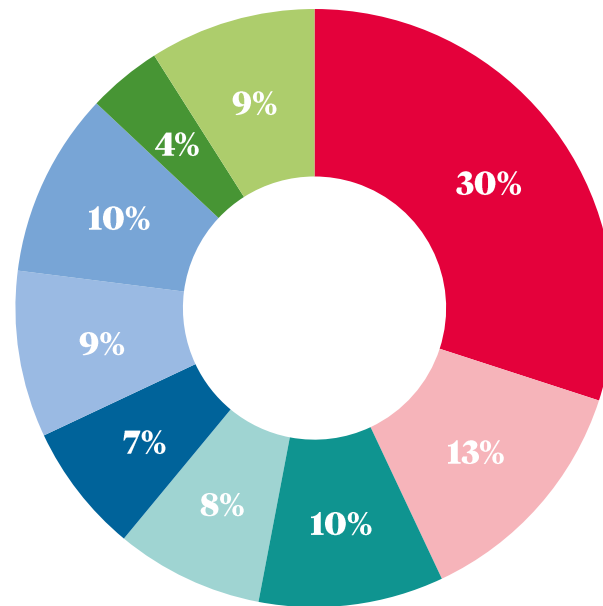
A WIDE RANGE OF DEVELOPMENT PROJECTS

While the influx of new foreign brands is accelerating, many players already established in France are also continuing to expand.

The number of projects remains particularly high in the F&B sector, which accounts for **30% of the expansion plans scheduled for 2023** recorded by Knight Frank. This high proportion can be explained in particular by the continuing development of franchising (turnover and number of outlets up by 11% and 7% year-on-year in 2022 in France, all sectors combined). The food sector is also buoyant, although **some activities are running out of steam**. This is the case with organic produce, where the leaders (Naturalia, Biocoop, etc.) are currently streamlining their networks as a result of falling sales (-9% in 2022 in their specialised networks, -13% between January and July 2023 in supermarkets).

Several other sectors are expanding: discount (Action, Easy Cash, Normal, Tedi, etc.), pet shops (Tom & Co, Animalis, Maxi Zoo, etc.) and sports, sportswear and leisure (JD Sports, L'Orange Bleue, Fitness Park, etc.).

BREAKDOWN OF EXPANSION PLANS BY BUSINESS SECTOR
OUT OF THE TOTAL NUMBER OF RETAILERS ANNOUNCING EXPANSION PLANS IN FRANCE SINCE 2020*



- F&B/restaurants
- Food/supermarkets
- Fashion
- Sport-Leisure
- Home
- Discount
- Beauty
- Accessories
- Other

Sources: Knight Frank, autres / *≥ 5 openings planned over one year.

SECTORS WHOSE DEVELOPMENT IS ONGOING OR ACCELERATING

| | | |
|-----------------|---------------|-----------|
| | | |
| F&B/Restaurants | Supermarkets | Discount |
| | | |
| Beauty | Sport-Leisure | Pet shops |

SECTORS WHERE DEVELOPMENT IS SLOWING DOWN

| | | |
|---------|----------------------|------------|
| | | |
| Organic | Real estate agencies | Home decor |

THE F&B SECTOR CONTINUES ITS EXPANSION

Despite an unfavourable environment (inflation limiting restaurant visits and squeezing margins, recruitment difficulties, etc.), **F&B groups and chains are continuing to expand their businesses** in France (sales up 26.3% year-on-year in 2022, number of restaurants up 4.2%).

Several sectors remain dynamic, such as burgers (McDonald's, Burger King, Les Burgers de Papa, etc.), bakery (Ange, Feuillette, etc.) and **fast food**, Asian or otherwise (Pitaya, Pokawa, etc.).

The expansion of the F&B sector is also illustrated by the **broadening of brand portfolios** (such as Napaqaro with Popeyes or Groupe Bertrand with Pitaya, Itsu and Volfoni), alongside the development of new concepts (Marie Blachère cafés), the **repositioning of certain brands** (Léon Fish Brasserie, Hippopotamus) and the relaunch of certain chains (Quick, Exki).

MOST DEVELOPED CHAINS IN FRANCE

TOTAL NUMBER OF RESTAURANTS BY THE END OF 2022*

| CHAIN | NUMBER |
|----------------|--------|
| MC DONALD'S | 1,525 |
| MARIE BLACHÈRE | 734 |
| DOMINO'S PIZZA | 480 |
| BURGER KING | 476 |
| SUBWAY | 390 |
| BUFFALO GRILL | 350 |
| SUSHI DAILY | 331 |
| KFC | 323 |
| BRIOCHE DORÉE | 284 |
| V AND B | 256 |
| O'TACOS | 254 |
| LA MIE CALINE | 242 |
| ANGE | 225 |
| LA PANETIÈRE | 220 |
| DEL ARTE | 209 |
| STARBUCKS | 204 |

Sources: Panorama B.R.A. 2022 / Knight Frank / *incl. in transit areas

EXAMPLES OF RESTAURANT CHAINS WITH EXPANSION PLANS IN FRANCE



OTHER GROWTH SECTORS

EXAMPLES OF BRANDS WITH EXPANSION PLANS
IN FRANCE, EXCLUDING RESTAURANTS



Discount

ACTION

C'est
deux
euros

cash
Express

La Foire
Fouille

Normal

tm

TEDI



Sport / Leisure

INTERSPORT

BASIC-FIT

l'Orange
bleue

FITNESS PARK
SE DÉPASSER - SE SURPASSER

Vertical'Art

SPEED
Park

QUIZ
ROOM



Clothing / Sportswear

JD

SKECHERS
THE COMFORT TECHNOLOGY COMPANY

NAUMY

TAPE À L'OEIL

KILO / SHOP

DEVRED 1902

valege
lingerie



Beauty / Health / Optical

ALAINAFFLELOU
Acousticien

ATOL
MON OPTICIEN

Weaudition
POUR VOUS ENTENDRE

Pharmacie
Lafayette

la santé pour tous

THE
BODY
SHOP

RITUALS...

Bleu Libellule



Other

MAXI ZOO

Animalis

SCREWFIX Tom & Co

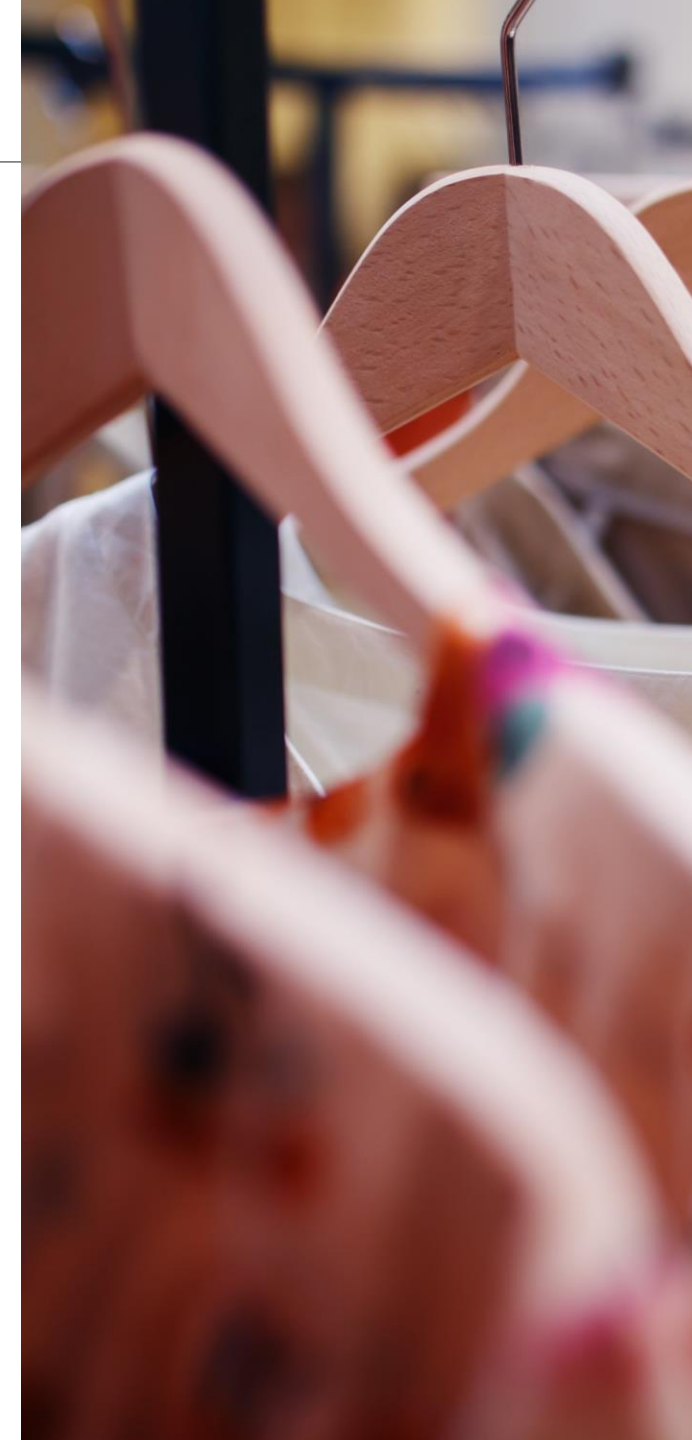
Weldom LA CASA DE LAS CARCASAS

SoCooC concoctez votre cuisine CUISINE PLUS

CIGUSTO CABAYÀ

franprix

PALAIS DES THÉS PARIS ALDI

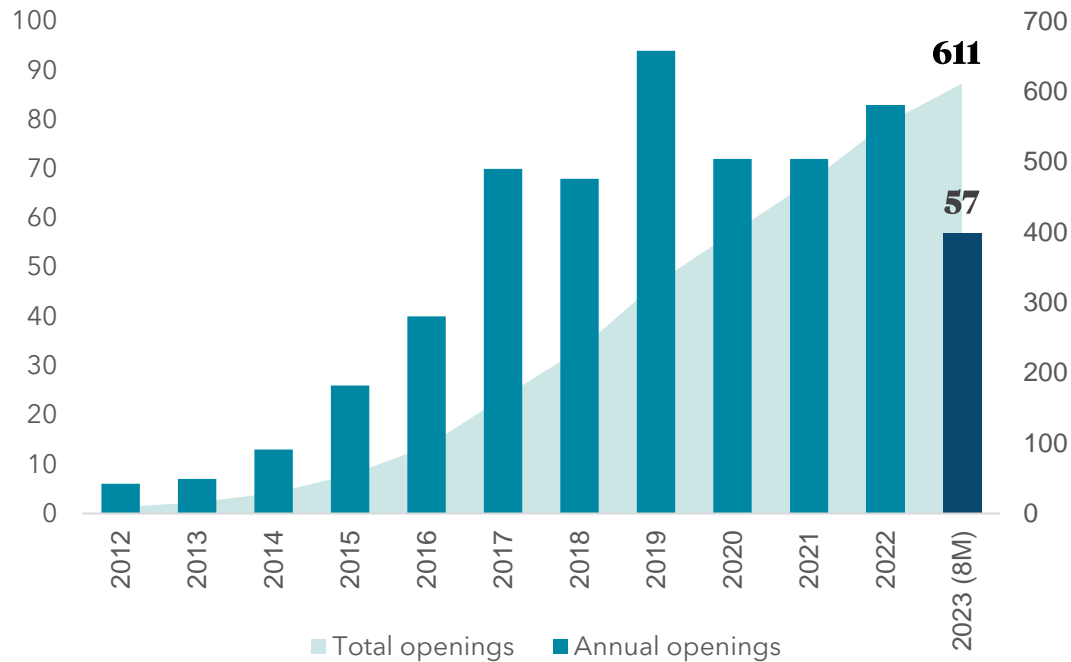




DNVB BAROMETER
[DIGITAL NATIVE VERTICAL BRANDS]

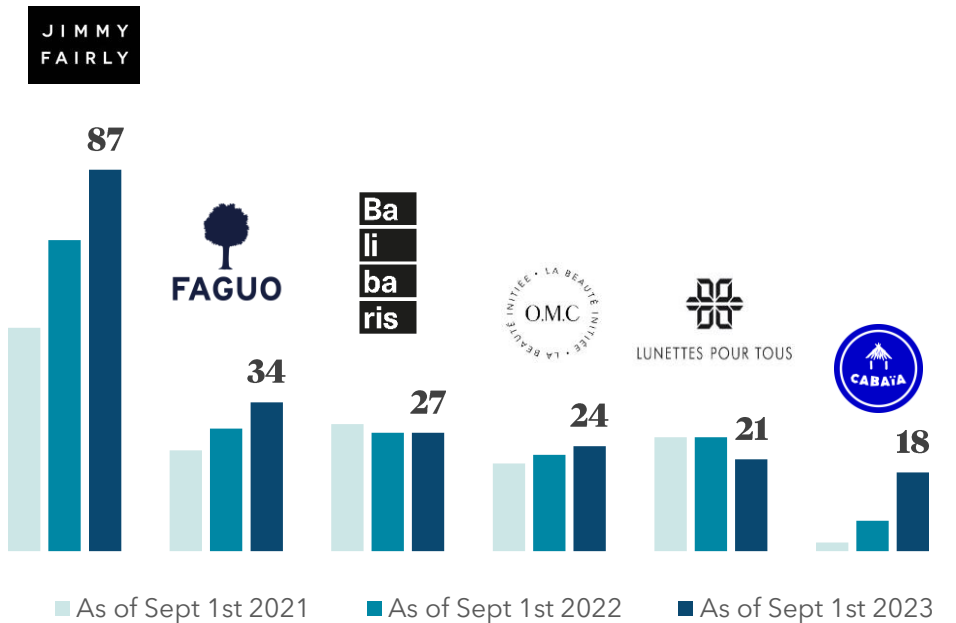
Dating back to the early 2010s, the growth of DNVBs remains a relatively modest phenomenon on the scale of the French retail market. In total, 140 DNVBs* have opened **611 directly-operated shops in 12 years, including almost 60 since the start of 2023**. The Jimmy Fairly eyewear brand remains by far the most developed, with 87 shops in France, some fifteen more than last year. Cabaña is also stepping up its expansion, with around ten new stores, while **other DNVBs are slowing down their openings or streamlining their networks**.

DNVB DIRECTLY-OPERATED SHOPS OPENED
TOTAL NUMBER PER YEAR IN FRANCE



Sources: Knight Frank, DNVB websites /*Out of a panel of 600 DNVBs monitored by Knight Frank.

DNVBs WITH THE MOST EXTENSIVE NETWORKS
IN FRANCE, IN TERMS OF THE NUMBER OF DIRECTLY-OPERATED SHOPS

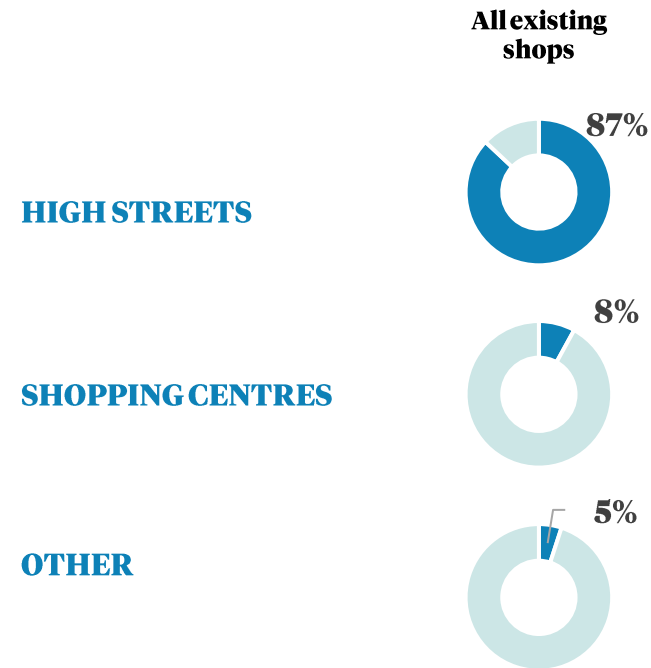
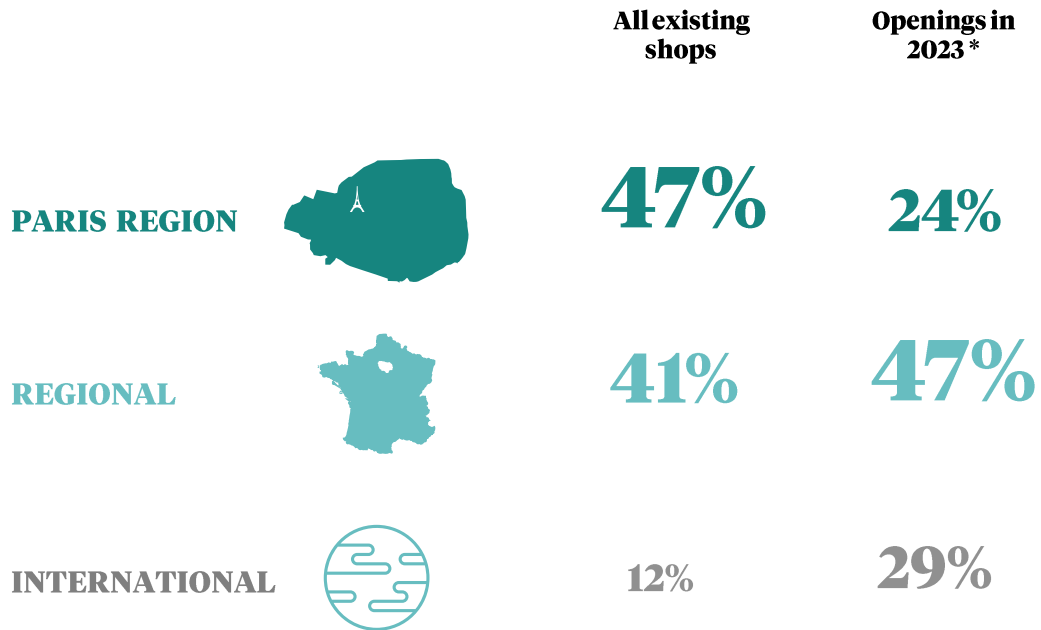


Sources: Knight Frank, DNVB websites

Paris and its greater surrounding area still accounts for the majority of DNVB's directly-operated shops. **After several years spent expanding their network there, DNVBs are now turning more towards regional centres and major foreign cities** to develop and conquer new markets. For the first time since Knight Frank began recording DNVB store openings, the Paris area has fallen behind the regional and international markets (24% of all openings recorded in 2023, compared with 47% regionally and 29% abroad).

LOCATIONS

OF THE TOTAL NUMBER OF DNVB SHOPS



Source: Knight Frank / *Figures as of September 1st 2023

Over the last few months, several factors have been limiting the development ambitions of DNVBs. With rising raw material prices pushing up production costs, tighter financing conditions, increased competition and a fall in purchasing power which, as in the organic sector, is turning some French consumers away from ethical consumption, the **difficulties are mounting and forcing some DNVBs to rationalise their network. Nevertheless, the trend remains positive:** there have been just 14 closures since the start of 2023 in France, compared with 57 openings over the same period.

EXAMPLES OF OPENINGS AND PROJECTS

RECORDED IN FRANCE SINCE THE BEGINNING OF 2023

| DNVB | ADDRESS | CITY |
|--------------|----------------------------|-----------|
| BALIBARIS | 39A FLORAL STREET | LONDON |
| BOBBIES | 2 RUE DES ARCHERS | LYON |
| ANJA | 31 RUE DU FOUR | PARIS 6 |
| CABAIA | 19 RUE SAINT-JEAN | CAEN |
| POLETTE | 73 RUE DE L'ANGE | NAMUR |
| FAGUO | 27 RUE DU MIDI | VINCENNES |
| HORACE | 20 RUE PARADIS | MARSEILLE |
| IZIPIZI | 53 KING'S ROAD | LONDON |
| HORACE | CENTRE COMMERCIAL ITALIE 2 | PARIS 13 |
| TIKAMOON | 7 PLACE DES VICTOIRES | PARIS 2 |
| JIMMY FAIRLY | FORUM DES HALLES | PARIS 1 |
| YSE | 21 RUE CREBILLON | NANTES |
| OHMYCREAM | 52 AVENUE LOUISE | IXELLES |
| VEJA | CALLE DEL BARQUILLO, 44 | MADRID |

Source: Knight Frank

Openings in Paris

DNVBs NOT IMMUNE TO CLOSURES

CLOSURES RECORDED IN FRANCE

SINCE 2017



NUMBER OF CLOSURES RECORDED

IN 2023 (8M)



SECTORS HARDEST HIT IN 2023*



Fashion
57% of closures



Optical
29% of closures

EXAMPLES OF RETAILERS CLOSING SHOPS IN 2023



L/UNIFORM
MAISON STANDARDS

DNVBs HAVING CLOSED THEIR ONLY SHOP IN 2023



henrietteh

A blurred background image of a busy Parisian street. On the left, there are green trees and a black street lamp. On the right, there is a multi-story building with large windows and a classic architectural style. People are walking on the sidewalk, and a French flag is visible on the left. The overall scene is bright and lively.

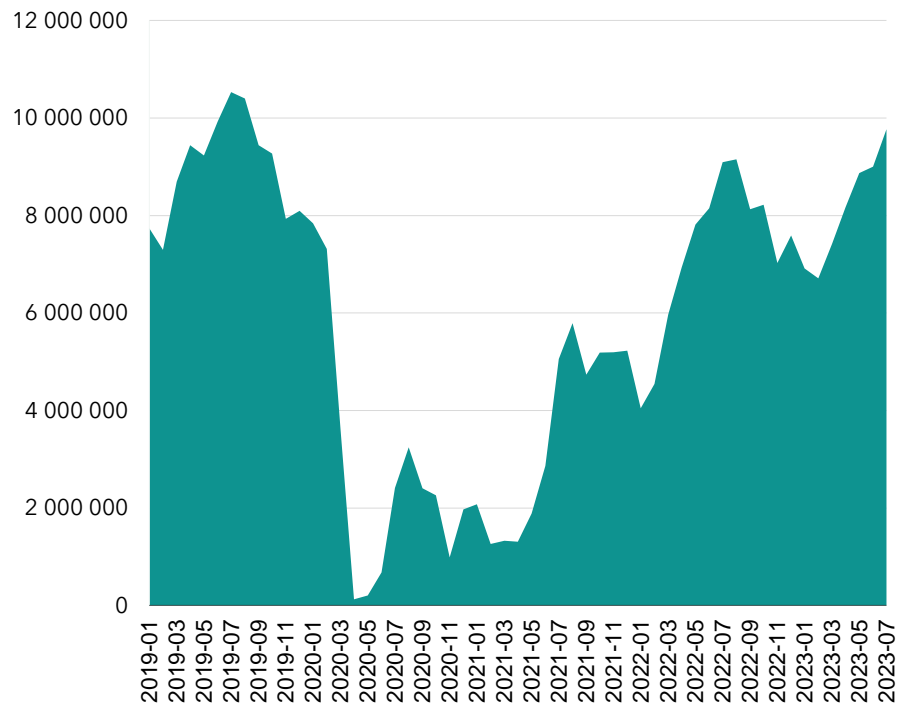
PARIS & ITS HIGH STREETS: LOOKING GOOD

FOREIGN TOURISTS: AS MANY AS BEFORE THE HEALTH CRISIS

The rebound in tourist numbers in Paris continues. Between January and July, 56.9 million passengers travelled through Paris airports, representing a year-on-year jump of 22% and **90.5% of the traffic for the same period in 2019**. International tourists were particularly present this summer (6.6 million, up 8% on summer 2022 and also up 8% on 2019), **thanks in particular to the return of certain nationalities such as the Chinese, Brazilians and Koreans**, who should be even more numerous in 2024.

TRAFFIC AT PARIS AIRPORTS

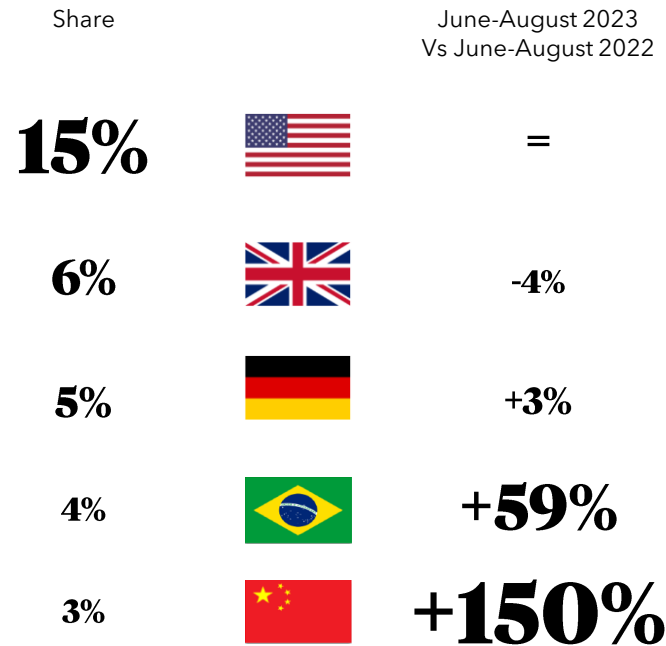
NUMBER OF PASSENGERS AT ORLY AND ROISSY-CDG, IN MILLIONS PER MONTH



Source : ADP

MAIN NATIONALITIES

SUMMER VISITOR NUMBERS IN THE PARIS REGION IN 2023*



Source: Flux Vision, Orange Business Services / *Daytime traffic

ESTIMATED TOURISM CONSUMPTION IN THE

PARIS REGION

AS OF H1 2023

9.5 billion €

+ 27 %

Compared to H1 2022

- 6 %

Compared to H1 2019

Source: Choose Paris Region

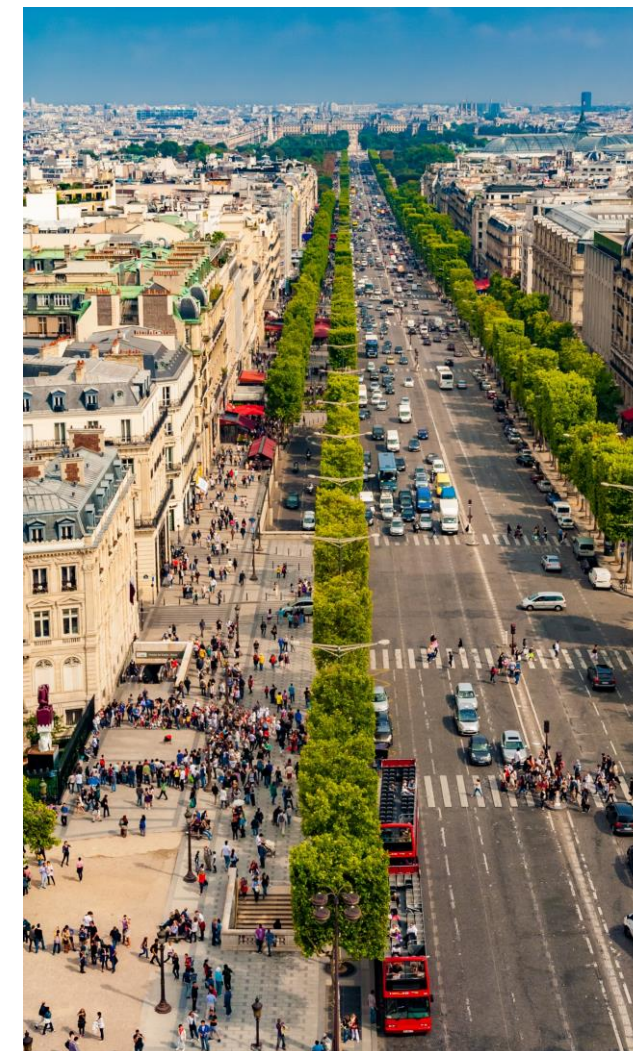
Sportswear continues to be a cornerstone of the Paris retail market. The most recent deals include Swiss brand On Running's lease of the former Nespresso premises in the Marché Saint-Germain, New Balance and Arc'Teryx in the Marais, and Adidas and JD Sports on the Champs-Élysées. **A major target for sportswear brands and distributors,** the Champs-Élysées offers retailers excellent visibility, amplified by the increase in international tourism and the forthcoming 2024 Olympic Games.

The avenue is also a prime location for the opening of luxury flagship stores. Kering will soon unveil the Saint Laurent flagship at no. 123, Richemont is preparing the arrival of its Panerai and IWC watch brands at nos. 120 and 73, and LVMH is leading two emblematic projects for Dior and Louis Vuitton at nos. 101 and 103.

EXAMPLES OF RECENT TRANSACTIONS AND OPENINGS IN PARIS

| RETAILER | ADDRESS | SURFACE AREA M ² |
|------------------|---|-----------------------------|
| ADIDAS | 88 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 3,680 |
| JD SPORTS | 118 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 1,560 |
| POLENE | 2 ROND POINT DES CHAMPS ÉLYSÉES, PARIS 8 | 1,190 |
| LEVIS | 44 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 870 |
| CALVIN KLEIN | 44 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 850 |
| DIESEL | 223 RUE SAINT-HONORÉ, PARIS 1 | 780 |
| CIFONELLI | 35 RUE FRANÇOIS 1 ^{er} , PARIS 8 | 740 |
| URBAN OUTFITTERS | 102 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 680 |
| ISSEY MIYAKE | 28 RUE FRANÇOIS 1 ^{er} , PARIS 8 | 470 |
| DOPELGANGER | 41 RUE DE RIVOLI, PARIS 1 | 460 |
| CUPRA | 1 BOULEVARD DE LA MADELEINE, PARIS 1 | 430 |
| COURRÈGES | 27 RUE DES FRANCS BOURGEOIS, PARIS 4 | 410 |
| ON RUNNING | 13 RUE CLÉMENT (MARCHÉ ST-GERMAIN), PARIS 6 | 400 |
| IWC | 73 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 400 |
| ARC'TERYX | 42 RUE DES FRANCS BOURGEOIS, PARIS 4 | 360 |
| NEW BALANCE | 13 RUE DES ARCHIVES, PARIS 4 | 360 |
| PANERAI | 120 AVENUE DES CHAMPS-ÉLYSÉES, PARIS 8 | 320 |
| SEPHORA | 125 AVENUE VICTOR HUGO, PARIS 16 | 250 |
| FUSALP | 44 AVENUE GEORGE V, PARIS 8 | 200 |

KNIGHT FRANK
TRANSACTION



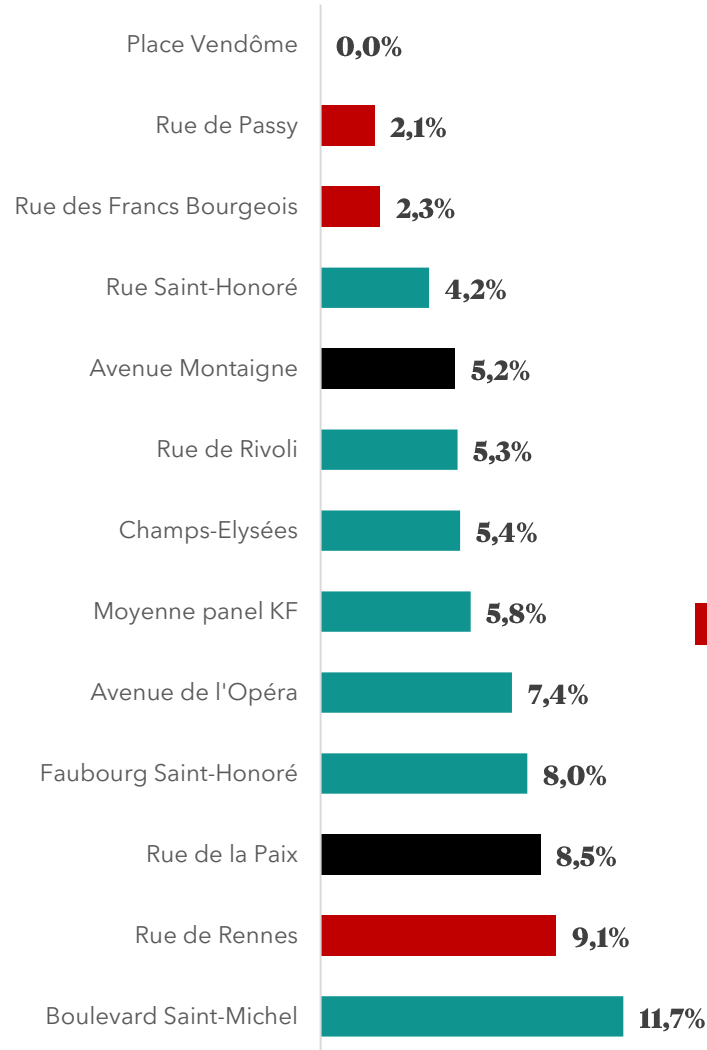
Source: Knight Frank

VACANCY RATE: THE DOWNWARD TREND CONTINUES

The strength of the Paris market is also confirmed by the smaller number of opportunities available on the 12 high streets monitored by Knight Frank.

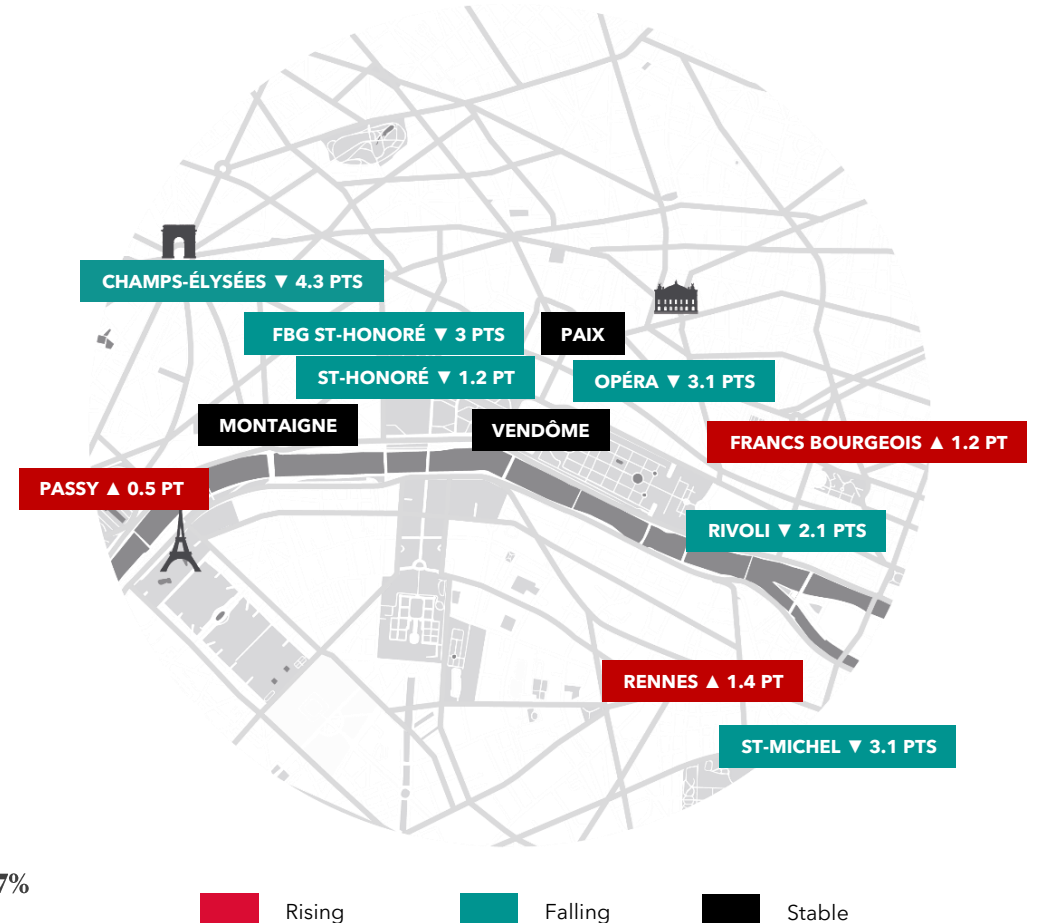
At the end of the 1st half of 2023, the average vacancy rate was **5.8%, compared with 6.8% a year ago and 9% two years previously**. After rising at the height of the pandemic, the vacancy rate dropped rapidly on these 12 streets. In recent months, **the trend has remained positive despite a more fragile economic climate**.

One of the sharpest falls has been seen on boulevard Saint-Michel, where the vacancy rate has fallen from 19.7% two years ago to just under 12%. This downward trend is also continuing on avenue de l'Opéra, rue de Rivoli, the Champs-Élysées and rue Saint-Honoré. Vacancy rates have stabilised on most other high streets, but **further drops are expected between now and the end of 2023**.



Source: Knight Frank

RETAIL VACANCY RATES ON SELECTED PARIS HIGH STREETS
AT END OF H1 2023 AND CHANGE COMPARED WITH END OF H1 2022



PRIME RENTAL VALUES STABLE

Falling or stable vacancies on most Parisian high streets and fairly sustained demand from retailers explain why prime rental values have remained at the levels seen at the same time last year. In some particularly sought-after sectors, these values may come under upward pressure and **even exceed their pre-Covid levels** due to the scarcity of space suited to retailer demand, such as in the Marais district. **Values are more volatile on other streets**, such as boulevard Saint-Michel or rue de Rennes.

PRIME RENTAL VALUES IN PARIS
IN €/M²/YEAR ZONE A

| STREET/AREA | ARRONDISSEMENT | PRIME RENTAL VALUE H1 2019 | PRIME RENTAL VALUE H1 2022 | PRIME RENTAL VALUE H1 2023 | LEVEL OF DEMAND 2023 | RISK OF CORRECTION 2023-2024 |
|---|--------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------|---------------------------------|
| AVENUE DES CHAMPS-ÉLYSÉES | Paris 8 | 16,000 - 20,000 | 13,000 - 15,000 | 13,000 - 15,000 | | |
| AVENUE MONTAIGNE | Paris 8 | 12,000 - 15,000 | 11,000 - 13,000 | 11,000 - 13,000 | | |
| RUE SAINT-HONORÉ | Paris 1 | 12,000 - 15,000 | 10,000 - 12,000 | 11,000 - 13,000 | | |
| FAUBOURG SAINT-HONORÉ | Paris 8 | 12,000 - 15,000 | 10,000 - 12,000 | 10,000 - 12,000 | | |
| BOULEVARD HAUSSMANN | Paris 8 / 9 | 5,000 - 6,000 | 4,000 - 5,000 | 4,000 - 5,000 | | |
| FRANCS BOURGEOIS / VIEILLE-DU-TEMPLE | Paris 3 / 4 | 4,000 - 5,000 | 4,000 - 5,000 | 4,000 - 5,000 | | |
| SÈVRES / SAINT-GERMAIN | Paris 6 / 7 | 3,000 - 4,000 | 2,500 - 3,500 | 2,500 - 3,500 | | |
| BD MADELEINE / CAPUCINES | Paris 1 / 2/ 8 / 9 | 3,000 - 4,000 | 2,500 - 3,500 | 2,500 - 3,500 | | |
| RUE DE RIVOLI | Paris 1 / 4 | 2,000 - 3,000 | 2,000 - 3,000 | 2,000 - 3,000 | | |
| RUE DE RENNES | Paris 6 | 2,000 - 3,000 | 2,000 - 3,000 | 2,000 - 3,000 | | |

Source: Knight Frank

Weak High

Weak High

NEW URBAN PLANNING: A MORE RESTRICTIVE REGULATORY FRAMEWORK

Adopted by the Paris City Council on June 5th 2023, the “PLU Bioclimatique*”, which must be definitively approved by the end of 2024-beginning of 2025, reinforces the City Council's desire to protect local shops through a number of measures including:

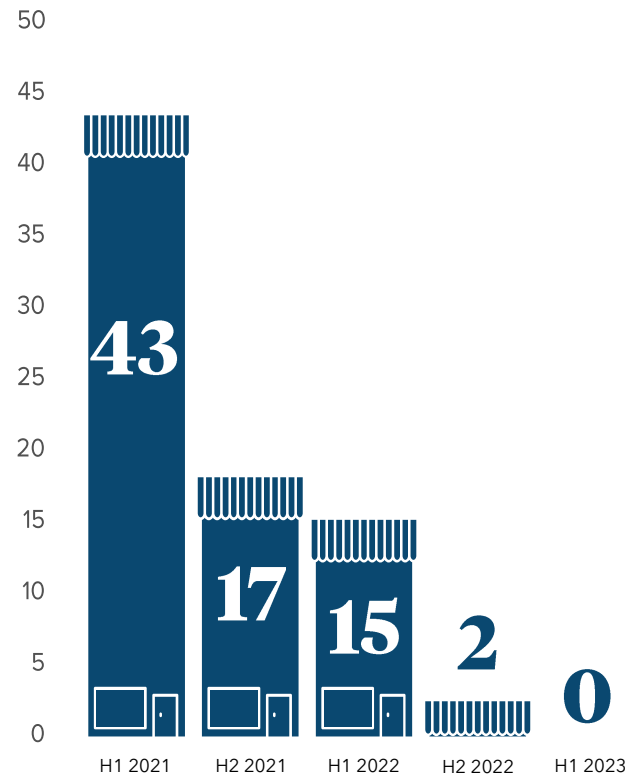
- **The addition of an extra 13 km to the 305 km of streets already protected** in the previous PLU (urban planning regulation), where shops at ground level may not change use or sub-use in the case of new buildings or major restructuring;
- **Enhanced protection for cultural businesses** (antique dealers and art galleries, bookshops, etc.);
- **The protection of certain streets or districts** (boulevard Saint-Michel, Sainte-Marthe district).

- **Implementation of the “Foncière commerces” scheme** to facilitate the establishment of businesses in the "new local economy" (cultural, food, urban logistics, social economy).

In addition to these measures, there is a strong desire **to restrict the development of new uses**, in particular by drastically regulating "quick commerce", even though dark stores are now a marginal phenomenon that is steadily losing momentum.

Now considered as "warehouses", **dark stores and dark kitchens will be banned on land where there is residential use**, and premises at ground level cannot be converted to this use.

EVOLUTION OF THE NUMBER OF DARK STORE OPENINGS IN PARIS



NUMBER OF QUICK COMMERCE OPERATORS IN PARIS



Source: Knight Frank / *The full Knight Frank study on the PLU is available here: <https://www.knightfrank.fr/research/paris-sera-toujours-paris-juin-2023-10275.aspx>

IMPACT OF THE NEW LIMITED TRAFFIC ZONE (ZTL) ?

Over the past few years, the Mayor of Paris has introduced **a number of measures to reduce the use of combustion-powered vehicles**, including the reconfiguration of rue de Rivoli and its ban on private cars, paid parking for motorised two-wheelers, and a new traffic plan for the Marais district etc.

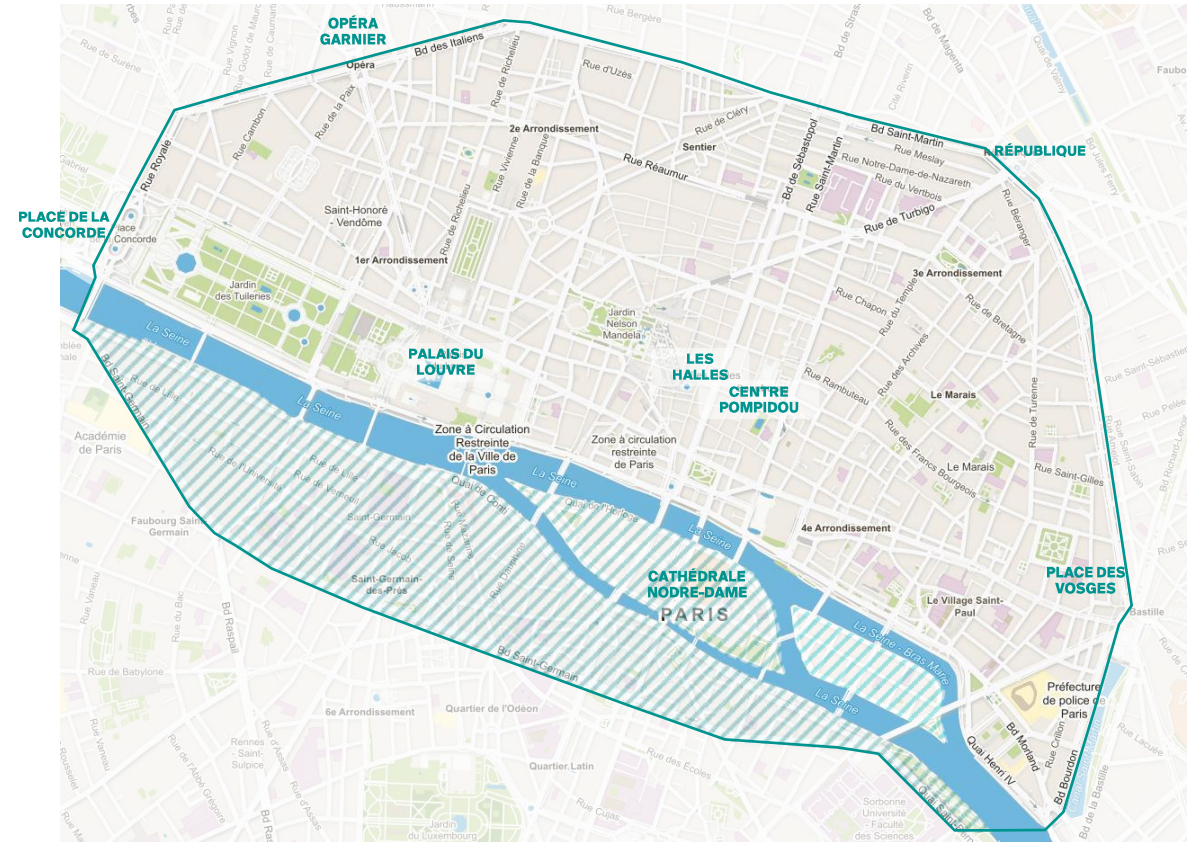
These measures will be supplemented in 2024 by a more restrictive but highly localised scheme, a **"limited traffic zone" (ZTL)** covering the centre of Paris, the scope and implementation date of which have yet to be specified. The **impact of this ZTL on commercial activity**, which retailers are apprehensive about, **is still difficult to determine**. However, only through-traffic will be prohibited, and it will be possible to drive into the zone to **work, make deliveries and visit shops**.

In addition, the **traffic restrictions and road improvements** previously put in place in certain

districts such as rue de Rivoli or the Marais, which are frequented by local customers and foreign tourists alike, **do not seem to have hindered their activity**.

On the other hand, traffic restriction measures could have **more serious consequences for town centres in regional areas** as their characteristics differ from those of the Paris market (greater importance of the suburbs, lesser role played by foreign tourists, etc.). For example, around forty towns and cities are affected by the introduction by the end of 2024 of a **"low emission zone" (ZFE-m)** restricting the circulation of the heaviest-polluting vehicles.

POTENTIAL PERIMETER FOR THE PARIS LIMITED TRAFFIC ZONE



- Initial perimeter
- ▨ Zones potentially removed from the perimeter

Source: Ville de Paris

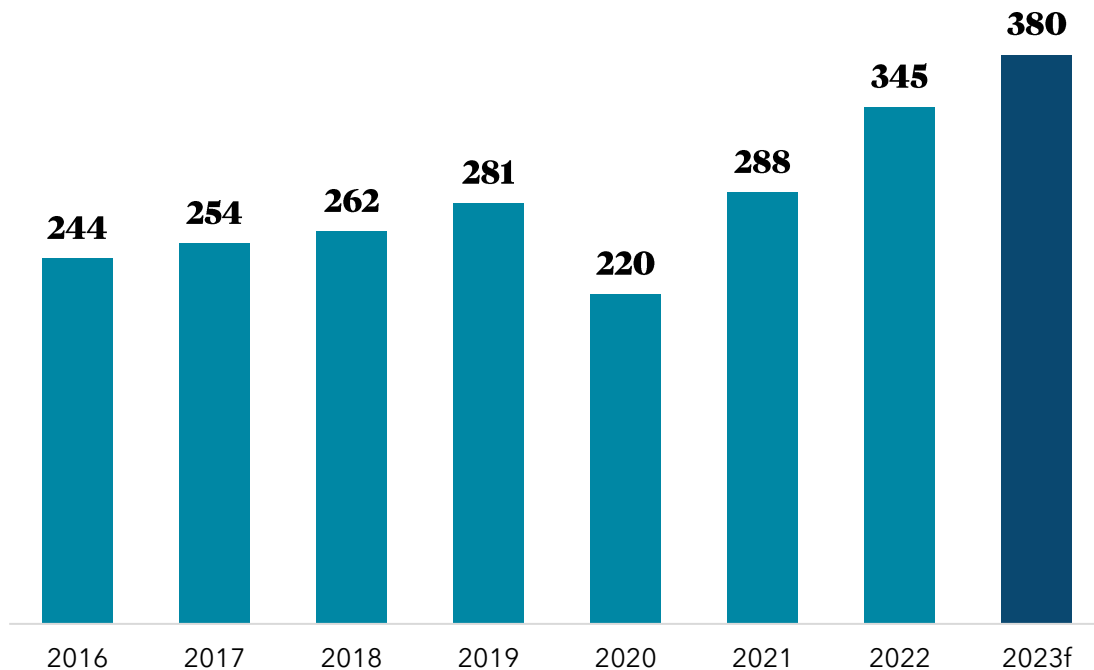


**FOCUS ON...
THE LUXURY MARKET**

LUXURY GOODS: FURTHER SALES GROWTH IN 2023








Despite a highly uncertain economic and geopolitical context, dominated by the boom in inflation and the outbreak of war in Ukraine, sales of luxury goods worldwide reached a **new record in 2022**. They are set to rise again in 2023, as indicated by the year-on-year **increase of around 10% recorded in the 1st quarter**. Despite fears of a slowdown in the United States, the luxury goods market is benefiting in particular from the **continuing revival in international tourist arrivals worldwide** (up 86% year-on-year in Q12023), the **end of the zero-Covid policy in China** and the success of **certain product categories (watches and jewellery)**.

SALES OF LUXURY GOODS WORLDWIDE
IN BILLIONS OF EUROS



Source: Bain & Company / Altagamma

GROWTH IN LUXURY SALES BY GEOGRAPHICAL AREA
H1 2023 VS H1 2022 IN % OF SALES

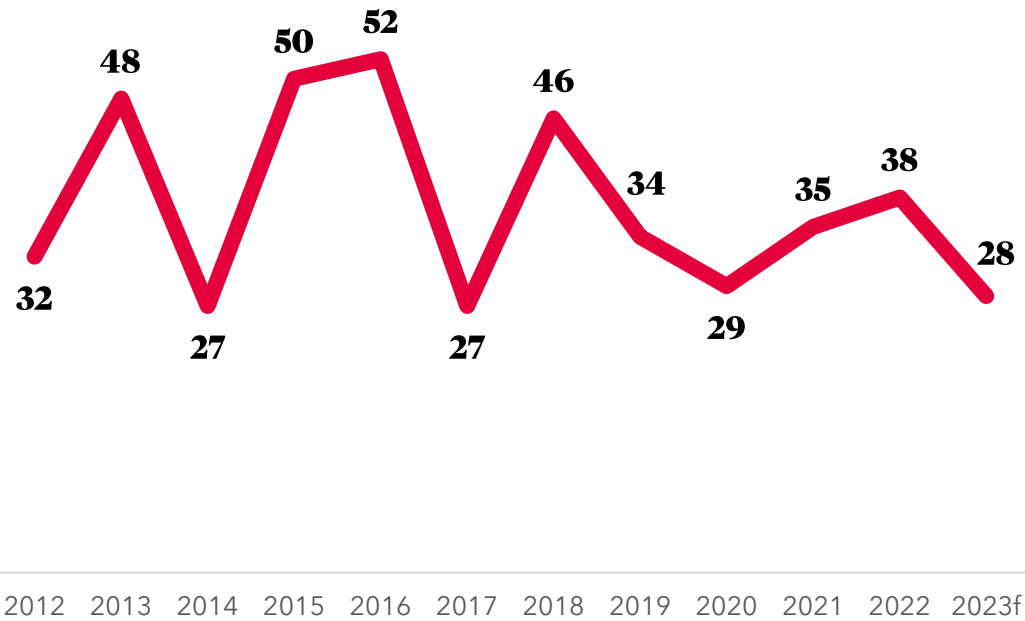
| | Globally | Europe* | Americas** | Asia*** |
|---|----------|---|---|---|
|  | |  |  |  |
|  | + 17% | + 22% | + 3% | + 23% |
|  | + 2% | + 4% | - 23% | + 22% |
|  | + 22% | + 21% | + 21% | + 24% |

Source: Group financial communication / *Western Europe for Kering / **USA for LVMH / ***Asia, excluding Japan

FEWER NEW OPENINGS IN PARIS

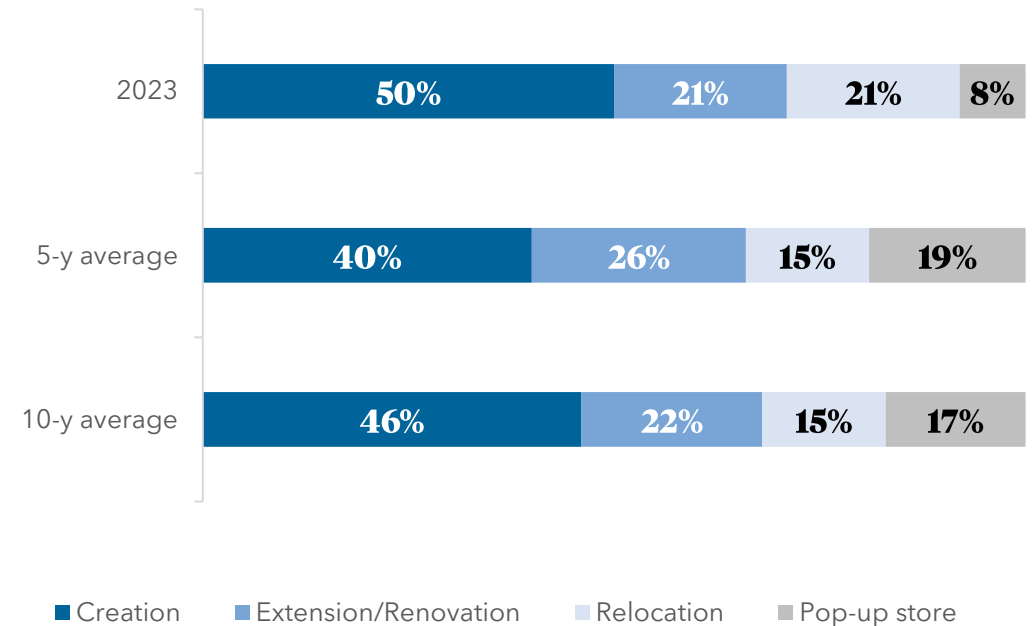
After two years of sustained growth, the **number of luxury shops opening in Paris will fall in 2023**. Nevertheless, luxury continues to extend its influence, thanks to **a number of emblematic flagships openings** and the development of projects in other sectors, such as **culture and heritage** (the future Cartier Foundation opposite the Louvre), **hotels** (the future Louis Vuitton hotel) and **fine dining and spirits** (the Moët Hennessy/Caravan bar at 165 bd Saint-Germain). This growing influence is also reflected in the **adoption of luxury codes** by traditionally less upmarket brands, such as in the sports and outdoor sector.

LUXURY SHOPS OPENED IN PARIS
IN NUMBER PER YEAR*



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

BREAKDOWN BY TYPE
OF ALL LUXURY SHOP OPENINGS IN PARIS



Source: Knight Frank

MORE AND MORE PROJECTS ON THE CHAMPS-ÉLYSÉES

Fewer openings does not mean less emblematic openings. The major groups (LVMH, Kering and Richemont in particular) are continuing to expand their shops or create new flagships to offer their brands a more beautiful setting. This trend is **particularly visible on the Champs-Élysées, where the upmarket trend is becoming more pronounced** on both pavements, with a high proportion of new creations. **The historic luxury locations, meanwhile, continue to be dominated by extensions or relocations,** such as Bottega Veneta, Loewe, Saint Laurent and Valentino on Avenue Montaigne.

EXAMPLES OF RECENT AND UPCOMING MAJOR STORE OPENINGS LUXURY SHOPS IN PARIS

| # | RETAILER | ADDRESS | ARROND. |
|----|-------------------|---|---------|
| 1 | ALAÏA | 15 rue du Faubourg Saint-Honoré | 75008 |
| 2 | ALEXANDER MCQUEEN | 372 rue Saint-Honoré | 75001 |
| 3 | BOTTEGA VENETA | 12 avenue Montaigne | 75008 |
| 4 | DIOR | 101 avenue des Champs-Élysées | 75008 |
| 5 | GOYARD | 66 rue François 1 ^{er} | 75008 |
| 6 | GUCCI | 235 rue Saint-Honoré / 12-14 rue de Castiglione | 75001 |
| 7 | IWC | 73 avenue des Champs-Élysées | 75008 |
| 8 | LANGE & SÖHNE | 1 rue de la Paix | 75002 |
| 9 | LOUIS VUITTON | 103 avenue des Champs-Élysées | 75008 |
| 10 | PANERAI | 120 avenue des Champs-Élysées | 75008 |
| 11 | SAINT LAURENT | 123 avenue des Champs-Élysées | 75008 |
| 12 | VALENTINO | 35 avenue Montaigne | 75008 |



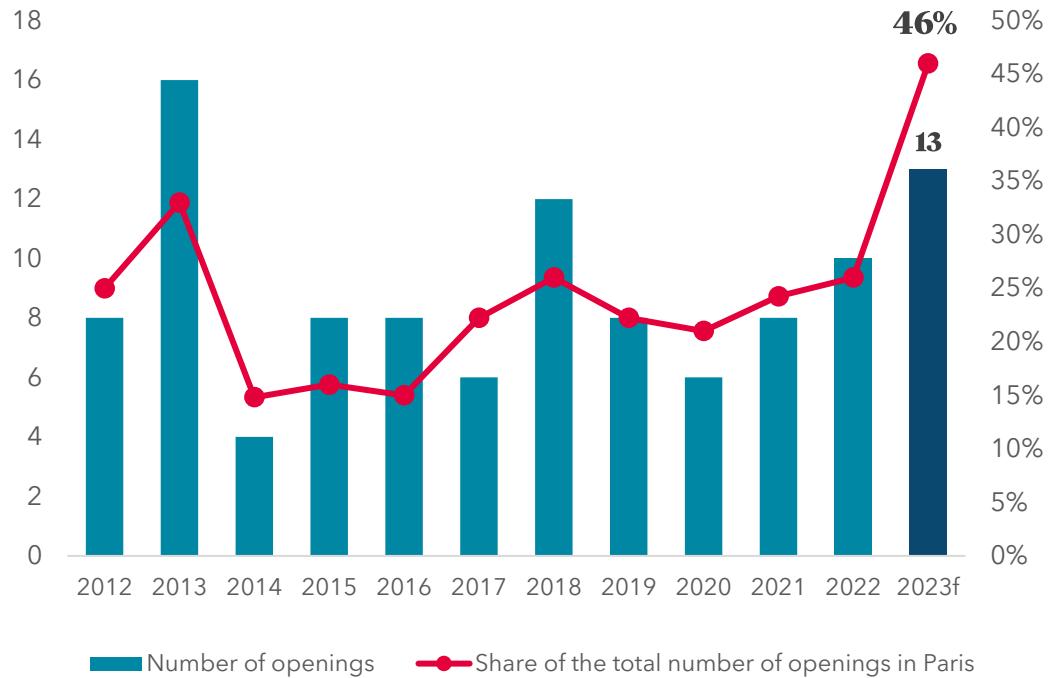
Source: Knight Frank

Open as of September 1st 2023

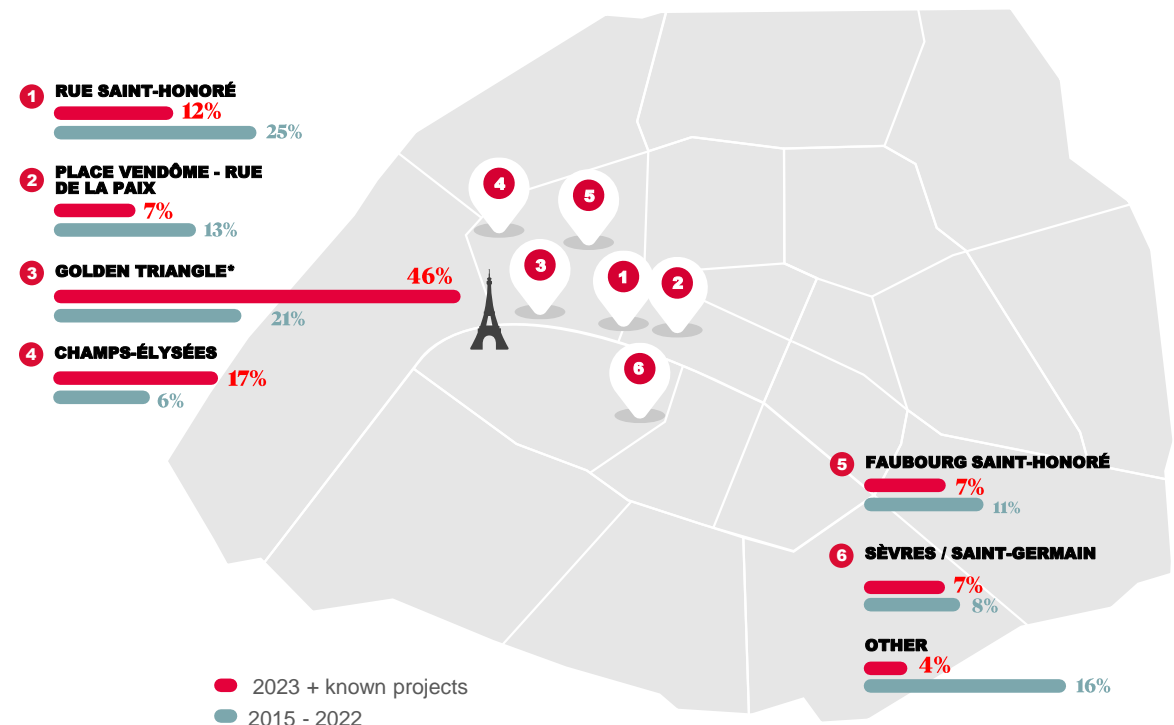
RENEWED ACTIVITY IN THE GOLDEN TRIANGLE

Rue Saint-Honoré and the Triangle d'Or* dominate the Paris luxury market, accounting for 43% of the total number of luxury shops opening in Paris between 2015 and 2022. Their share will increase significantly in 2023 (61%). While there will be fewer openings on rue Saint-Honoré, where the supply has shrunk significantly, **the revival of the Golden Triangle is set to gather further momentum: 13 new stores are expected to open there this year**, mainly concentrated on avenue Montaigne (Valentino, Loewe, etc.) and rue François 1er (Goyard, Lotus, etc.). On the other hand, there has been little activity outside the main luxury districts of the Right Bank, and this will continue to be the case next year.

NUMBER OF LUXURY SHOPS OPENED IN THE GOLDEN TRIANGLE*



BREAKDOWN BY STREET/NEIGHBOURHOOD OF TOTAL OPENINGS IN PARIS



Source: Knight Frank / *Excl. Champs-Élysées.

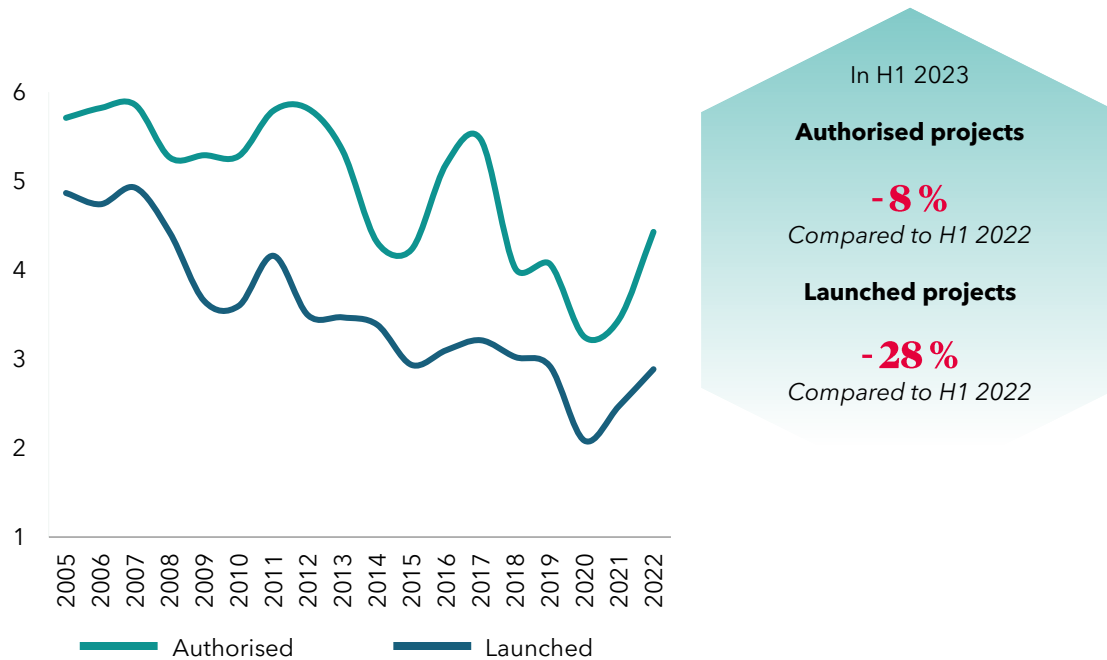


**RETAIL PARKS AND SHOPPING
CENTRES: TRANSFORMATION IS
THE PRIORITY**

STEADY DECLINE IN NEW CREATIONS, IN FAVOUR OF EXISTING BUSINESSES

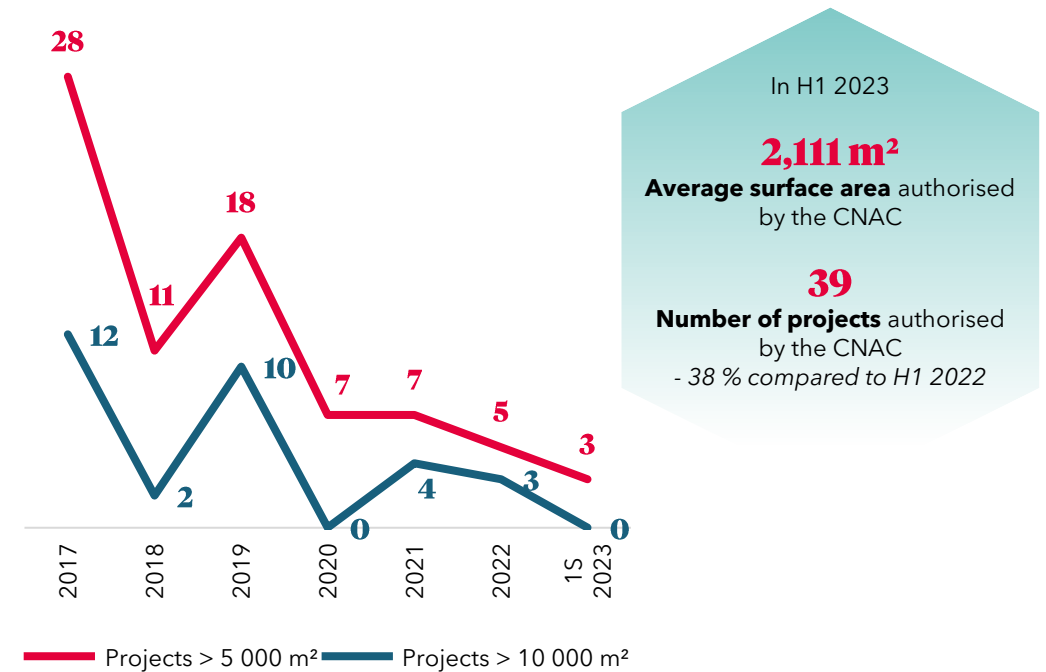
After plummeting in 2020 as a result of the outbreak of the pandemic, approvals and launches of new retail premises rose again in 2021 and 2022. This trend will not continue in 2023. The maturing of assets, **the mounting pressure of liquidation and the tightening of regulations are drastically limiting the creation of new premises from scratch**, particularly those involving large surface areas. The trend in the number of projects authorised by the CNAC is just one illustration of the decline in new developments: with a total of 39 authorisations in H1 2023, **they are down by 38% compared with the same period in 2022** and by 45% compared with the peak in 2017. The average surface area of projects authorised by the CNAC reached 2,111 m², an increase of 37% over one year but a decrease of 66% compared with 2017.

NEW RETAIL CREATIONS AUTHORISED AND ALREADY UNDER CONSTRUCTION
IN MAINLAND FRANCE, IN MILLIONS OF M²



Source: Sitadel

NUMBER OF PROJECTS > 5,000 M² AND > 10,000 M² AUTHORISED BY THE CNAC*
IN MAINLAND FRANCE

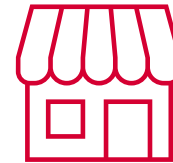
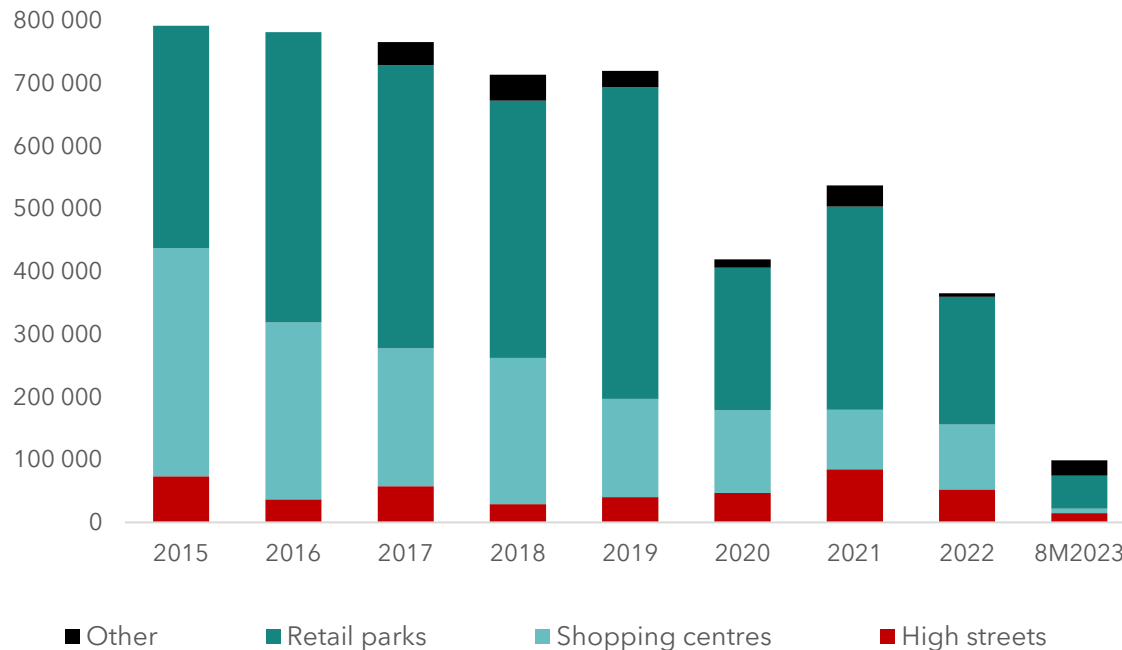


Source: CNAC /*National Commission for Commercial Development

OPENINGS AT AN ALL-TIME LOW

The downward trend in new m² openings that began in 2020 was confirmed in 2022, with 366,000 m² opened in France, compared with an average of 755,000 m² over the five years preceding the Covid-19 epidemic. The fall has accelerated since the start of 2023, with **100,000 sq. m opened in eight months**, including the 20,000 sq. m for the Giverny outlet village in Normandy. Over 2023 as a whole, the volume of openings could approach last year's level. In the longer term, there is still considerable potential for development, but difficulties with marketing and financing, as well as legal recourses, **have led to the postponement or cancellation of several projects, many of which were initiated long before the pandemic** (Zone de la Poterie in Ferney-Voltaire, Open in Saint-Genis-Pouilly, the La Cavalerie outlet village in Aveyron and Val Tolosa near Toulouse, which was launched almost 20 years ago).

EVOLUTION OF OPENINGS BY FORMAT
IN FRANCE, IN THOUSANDS OF M²



755,000 m²

Annual average 2015-2019



366,000 m²

In 2022



100,000 m²

In 2023 (as of September 1st)

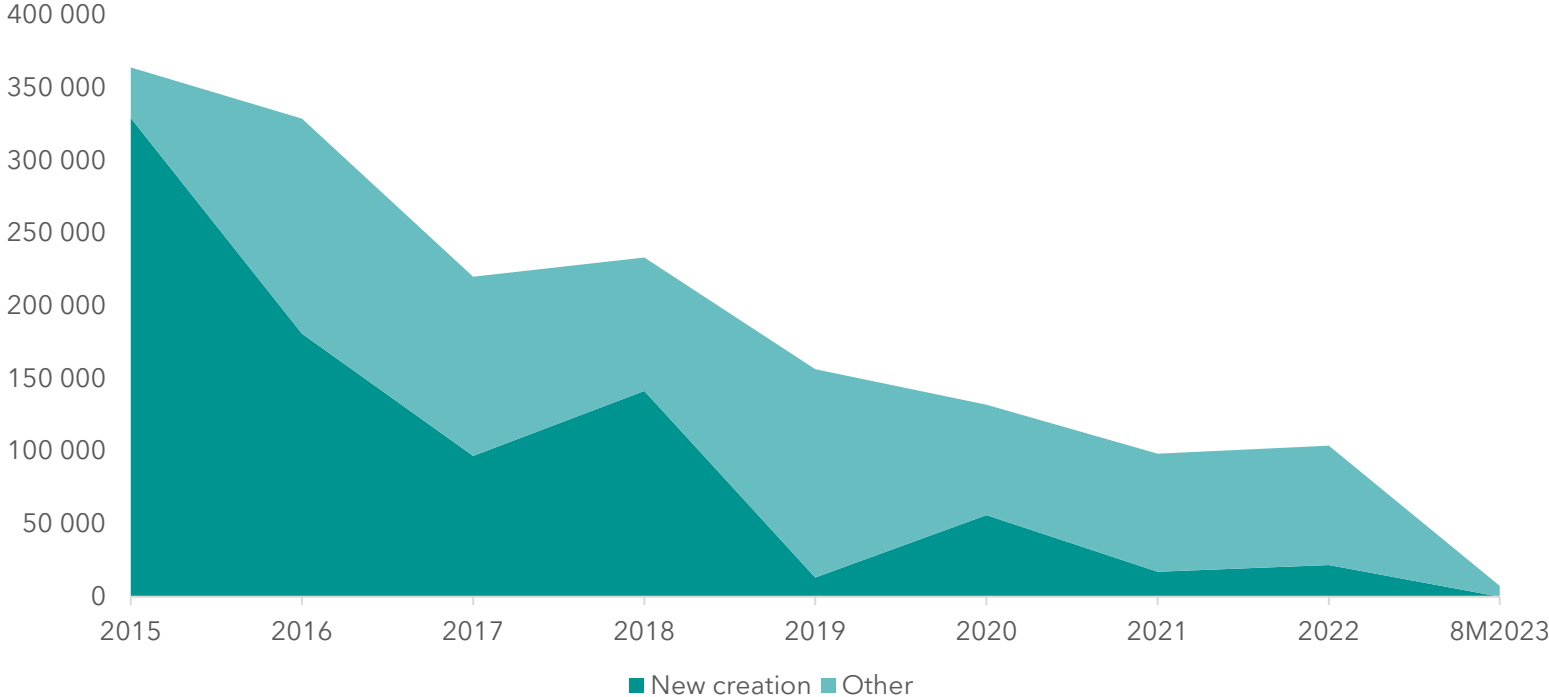
Source: Knight Frank



SHOPPING CENTRES : LOWEST LEVEL

In 2022, the drop in new shopping centre openings stabilised at around 100,000 m², with **around ten completed projects (only 21% of which were new creations)**. After a sluggish start to 2023 (fewer than 10,000 sq. m opened), the volume of openings will pick up and could approach 2022 levels. This will be essentially made up of more or less significant extensions, in particular to increase the restaurant offer, such as Grand Place in Grenoble or Evry 2 ("Le Spot").

SHOPPING CENTRES OPENED IN FRANCE
IN M², MAINLAND FRANCE



Source: Knight Frank



SHOPPING CENTRES: PRIORITY GIVEN TO RENOVATIONS AND EXTENSIONS

EXAMPLES OF SHOPPING CENTRE OPENINGS

IN FRANCE IN 2023-2024

| CENTRE | TOWN | TYPE | SURFACE AREA (M ²) |
|----------------------------|-----------------------------|-------------------------------------|--------------------------------|
| BOOM BOOM VILLETTE* | Paris (75019) | <i>Redevelopment-Transformation</i> | 24,000 |
| LE SPOT | Evry (91) | <i>Redevelopment-Extension</i> | 20,000 |
| GRAND PLACE | Grenoble (38) | <i>Redevelopment-Extension</i> | 16,400 |
| ODYSSEUM | Montpellier (34) | <i>Redevelopment-Extension</i> | 15,200 |
| LECLERC | Laon (02) | <i>Transfer-Extension</i> | 14,300 |
| CNIT | Puteaux (92) | <i>Extension</i> | 10,100 |
| SQY OUEST | Montigny-le-Bretonneux (78) | <i>Redevelopment</i> | 8,300 |
| BEAULIEU | Nantes (44) | <i>Extension</i> | 4,200 |

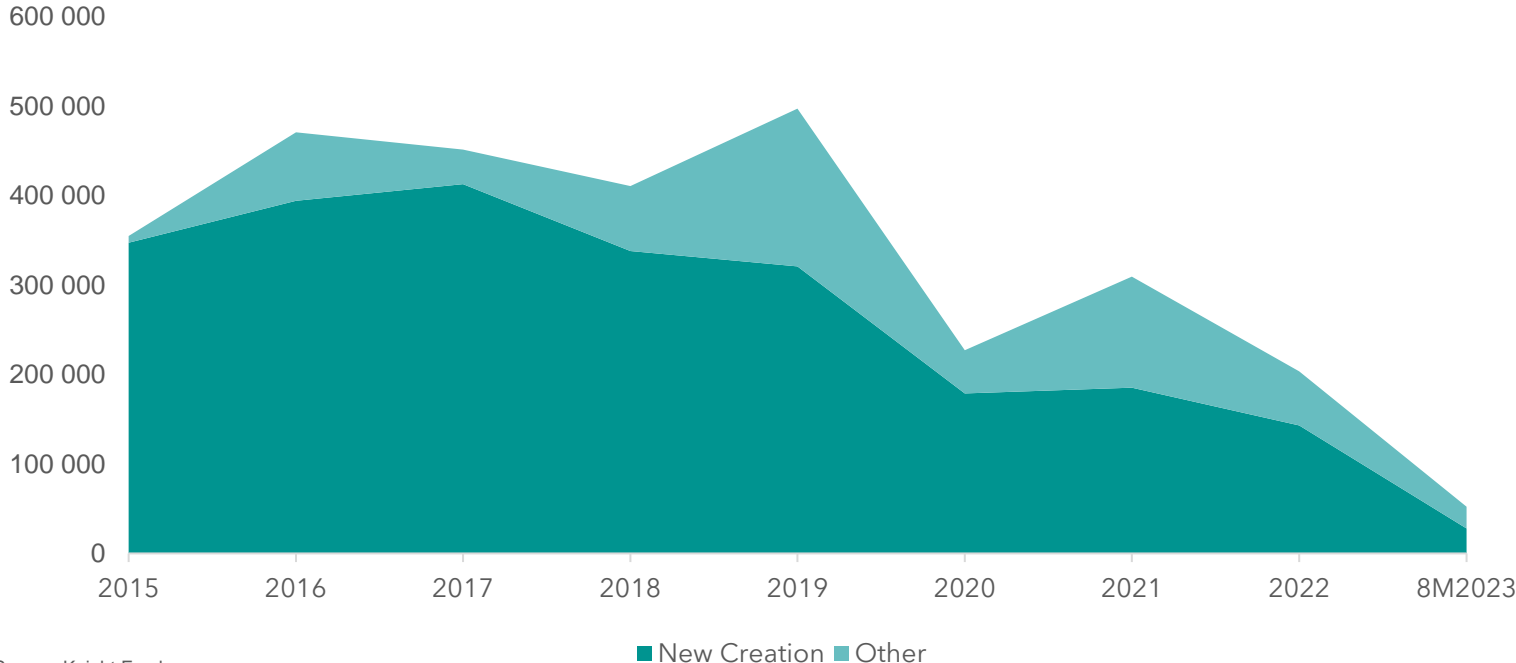
 Open or partially open by the end of August 2023

Source: Knight Frank / *Ex Vill'Up

RETAIL PARKS : RECORD LOWS

While they totaled on average nearly 450,000 m² in France during the five years preceding the pandemic, the openings of new retail parks saw their **volume almost halved** between 2020 and 2022. The decline continues in 2023, so much so that **deliveries could reach a historic low**. Barely 52,000 m² have opened since January and less than 120,000 m² are potentially expected by the end of the year, mainly in the form of projects between 5,000 and 10,000 m². Among the most significant are the finalization of the Otium project in Dreux (one of the rare projects created from scratch) and the extension of the Vigie area near Strasbourg.

RETAIL PARKS OPENED IN FRANCE
IN M², MAINLAND FRANCE



Source: Knight Frank



RETAIL PARKS: FEW LARGE-SCALE PROJECTS

EXAMPLES OF OPENINGS OF RETAIL PARKS IN FRANCE IN 2023-2024

| CENTRE | TOWN | TYPE | SURFACE AREA (M ²) |
|-------------------------------------|---------------------------|-------------------------|--------------------------------|
| NEYRPIC | Saint-Martin-d'Hères (38) | Creation | 34,300 |
| OTIUM | Dreux (28) | Creation | 21,500* |
| CAP KOAD | Bain-de-Bretagne (35) | Creation | 13,000 |
| LA NEF | Le Havre (76) | Creation | 13,000 |
| O'CENTRE | Vendenheim (67) | Redevelopment-Extension | 12,480 |
| LE MASCARET (RIVES D'ARCINS) | Bègles (33) | Extension | 12,000 |
| LES RIVES DU LOT | Cahors (46) | Creation | 11,500 |
| ZAC DE MONTVRAIN 2 | Menncy (91) | Redevelopment-Extension | 11,000 |
| LA VIGIE | Geispolsheim (67) | Extension | 10,000 |
| ZONE COMMERCIALE DES SOARNS | Orthez (64) | Extension | 9,200 |
| LE MONKY | Laval (53) | Creation | 7,000 |
| LES PRÉS BLANCS | Herbignac (44) | Creation | 6,000 |

 Open or partially open by the end of August 2023

Source: Knight Frank / *In addition to the opening of a restaurant complex in 2021

Now is clearly the time for transformation. This is not a new thing, particularly for shopping center owners who for several years have been:

- increasing the number of projects intended to adapt their assets by **opening them up to new uses** (coworking, medical, etc.);
- **reducing the space allocated to hypermarkets** to vary the offer and optimise rental income, like Mercialis;
- or even restructuring retail sites **to turn them into mixed-use urban development projects** like Altarea or Nhood.

However, it is true that **the timing has never been better** to rethink retail parks and shopping centres: the regulatory context (zero net artificialisation), combined with social (localised housing shortages) and climate change are **encouraging operators to make the most of their assets**.

This movement has recently been illustrated by some major initiatives from distributors, developers and holding companies (see opposite), as well as the launch by the government of a **national programme for the transformation of retail parks and shopping centres**.

MULTIPLE CHALLENGES

Meeting **new regulatory requirements** and the challenge of **climate change** (Zero Net Artificialisation, energy efficiency, etc.)

Promoting the urban integration of retail zones and **mitigating the risk of retail vacancy**

Responding to **new consumer expectations** and demographic changes (ageing, etc.)

Supporting the growth of the suburbs and meeting the needs of the population (housing, proximity, accessibility)

Ensuring the **financial viability** of the projects: cost of construction, acceptable rents for retailers, etc.

Understanding retail zones **in all their diversity** (size, performance, catchment, etc.)

RECENT INITIATIVES



Announcement in July 2023 of a partnership covering **76 town centre and gateway sites** representing a surface area of 800,000 sq.m to be upgraded as part of mixed-use urban development projects, including the creation of 12,000 housing units and 17,000 sq.m of hotel space. The holding vehicle will be set up by Q1 2024 at the latest and will be **80% owned by Carrefour and 20% by Nexity**.

Source: Carrefour, Nexity



Launch at the end of 2022 of an **investment vehicle with an initial capacity of €200m** to transform the peri-urban zones of cities into **new mixed-use neighbourhoods**. Implemented in early 2023, this vehicle is 40% owned by Banque des Territoires, 30% by CDC Habitat and 30% by Frey. In June, this partnership was solidified with the announcement of a first project in Montigny-lès-Cormeilles (95).

Source: Frey

THE PERFECT TIME FOR TRANSFORMATION

FOCUS ON...

THE NATIONAL PROGRAMME FOR THE TRANSFORMATION OF RETAIL ZONES

Nearly a year after the launch of a working group, on **September 11th 2023**, the government presented its plan to transform retail zones based on the following observation: rooted in French consumer habits, retail zones on the outskirts of towns and cities are faced with **numerous economic, social, environmental and urban challenges**.

The aim is to kick-start the transformation of retail zones through experiments conducted alongside local authorities, retailers and all stakeholders, while incorporating a strong environmental, architectural and scenic dimension.

Three measures

- A standards framework in the Green Industry Bill to speed up and secure transformation operations (authorisation of projects that deviate from urban planning rules, use of innovation permits, **transfer of commercial rights within a commercial zone**, etc.).
- Large-scale experimentation: a **€24 million tender process** to select around twenty "pilot projects", finance pre-configuration studies and provide technical support.
- Creation of a **government task force** to provide support for winning projects, draw attention to regulatory obstacles, pool experience, lead a national community, etc.

Timetable

November 2023 / Early 2024: two-phase selection of projects and start of support, publication of an operational guide and launch of the national network for transforming retail zones.

Source: Government, « *Un nouvel horizon pour les zones commerciales* », press release.

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INVESTMENT IN FRANCE : A MIXED BAG

KEY FIGURES



| | 8M 2023 | 8M 2022 | Annual evolution |
|--|-----------------|----------|------------------|
| Volumes invested in retail in France | 2.0 bn € | 3.5 bn € | |
| Share of retail outlets* (%) | 27% | 25% | |
| Number of transactions > €100m | 5 | 10 | |
| Share of investment volume in the Paris Region** (%) | 71% | 58% | |
| Share of foreign investors** (%) | 34% | 30% | |
| Prime yield high streets | 3.75% | 3.00% | |
| Prime yield shopping centres | 5.25% | 4.25% | |
| Retail parks prime yield | 5.75% | 5.00% | |

*As a percentage of total volume invested in France, all asset classes combined.

**As a percentage of total volume invested in France, in retail property.

Source: Knight Frank

SHARP DROP IN VOLUMES INVESTED

After an excellent start to the year, **activity has since slowed down significantly**. Following 1.3 billion in Q1 2023, then 600 million in Q2, just under 100 million were invested in the retail market in July and August. **This amount brings the sums invested since January to 2 billion euro** compared to 3.5 billion a year ago.

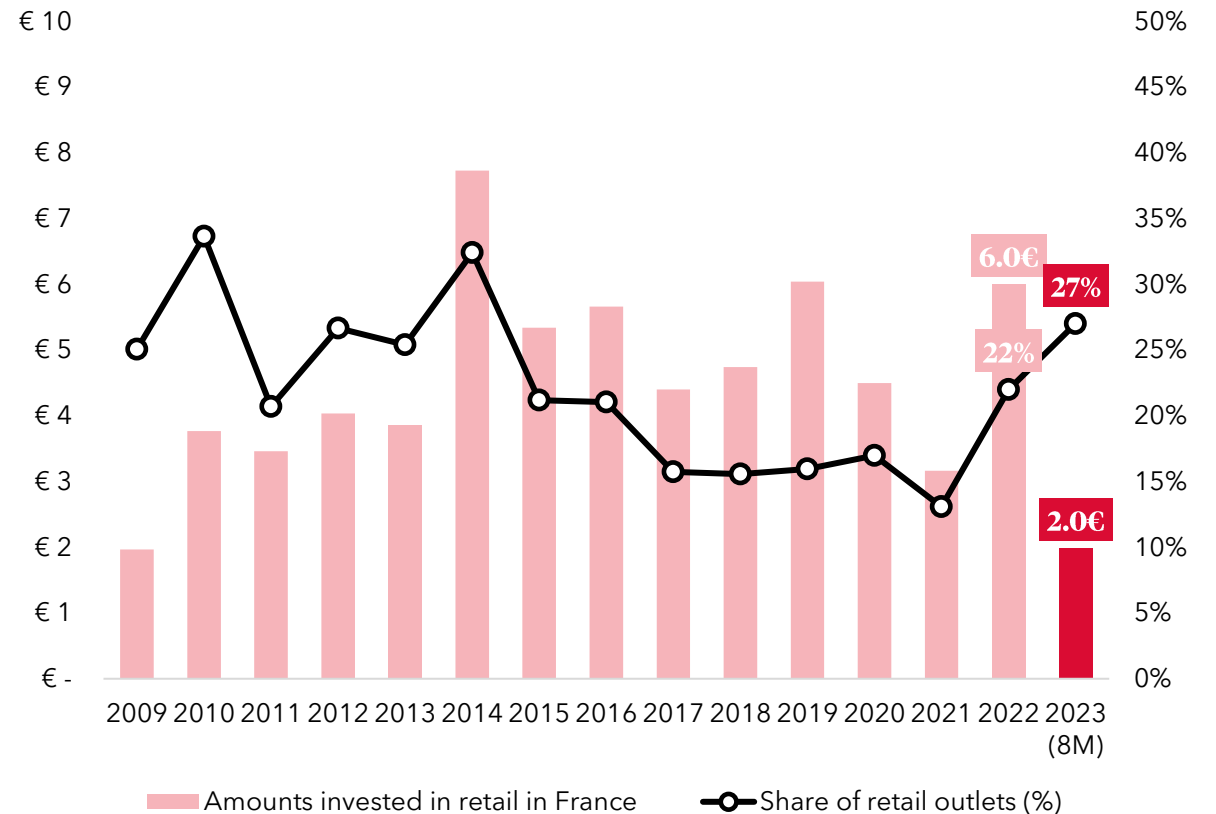
The 2022 performance was, however, exceptional, boosted by the completion of 10 transactions exceeding 100 million euro (compared to only 5 since the start of 2023). By the end of the year, a few large transactions should nevertheless be finalised. Furthermore, **the 2023 result would exceed last year's for the same period if all the acquisitions made on behalf of Kering and LVMH were taken into account** (101 Champs-Élysées, 19 rue François 1er, 12-14 rue de Castiglione / 235 rue Saint-Honoré and 35-37 avenue Montaigne), totaling just under two billion euro.

Retail investment France in 2023 (8M)

-43%

compared with the same period in 2022

VOLUME OF RETAIL INVESTMENT
IN FRANCE, IN BILLIONS OF EUROS



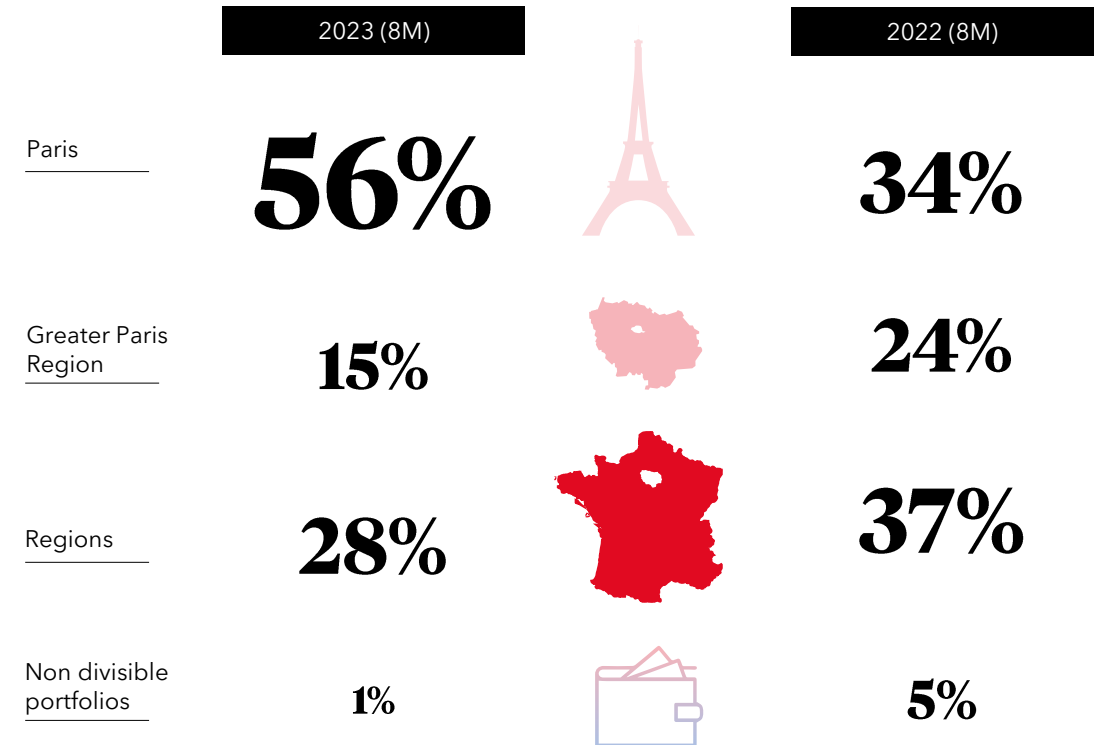
Source: Knight Frank

Already high in 2022 (nearly 3 billion euro invested over the whole year), the amounts invested in the Greater Paris Region’s retail market will remain significant in 2023 with 1.4 billion euro invested during the first eight months of the year. This amount accounts for **71% of the volumes invested in retail in France** due to a few major transactions including the **purchase in Q2 by AEW of “Passy Plaza”** in the 16th arrondissement of Paris.

This is not to say that the market is at a standstill in regional areas, despite volumes invested remaining relatively low (around 600 million euro). **Investors’ appetite for the outskirts is still apparent**, illustrated by the sale to IREIT Global of a portfolio of 17 B&M stores and several sales of hypermarkets, commercial outlets and retail parks, albeit for relatively modest prices.

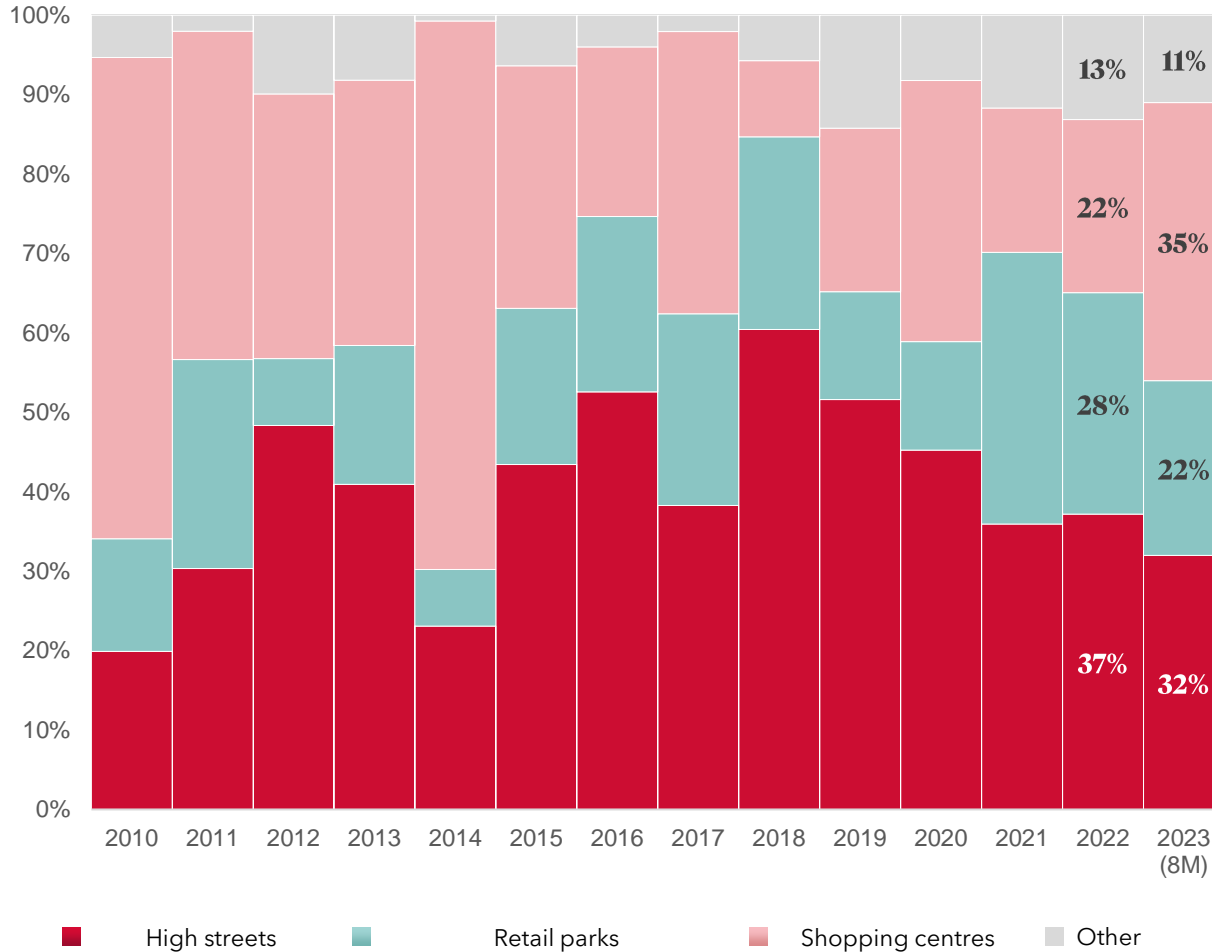


GEOGRAPHICAL BREAKDOWN OF RETAIL INVESTMENT VOLUMES IN FRANCE, AS A % OF TOTAL VOLUME



Source: Knight Frank

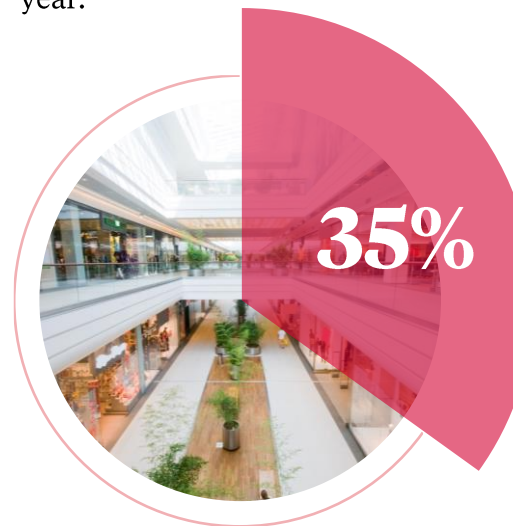
BREAKDOWN OF RETAIL INVESTMENT VOLUMES BY ASSET CLASS
IN FRANCE, AS A % OF TOTAL VOLUME



Shopping centres account for the largest share of retail investment volumes at the end of August 2023, **thanks to the disposals of "Italie Deux" and "Passy Plaza"**. Their share will remain high between now and the end of the year, as **a number of transactions are in the process of being sold or have recently been finalised**, involving centres of more or less significant sizes ("Place d'Armes" in Valenciennes, acquired by the Groupe Strauss).

The share of investments made up by high streets is declining. After **a few significant transactions in Q1 2023 in Paris** (35-37 avenue Montaigne*, "Italik" in the 13th arrondissement, Castorama shop in the 15th arrondissement, etc.), activity in the following months was limited to a few modest disposals in Paris and regional areas.

PACs (retail parks) account for 22% of the volume invested since the start of 2023. While investors still have a healthy appetite for the outskirts, the record performance of 2022 (€1.6 billion invested in France) will not be repeated this year.



Share of shopping centres on total retail investment in France in 2023 (at end August)

Compared with 22% in 2022

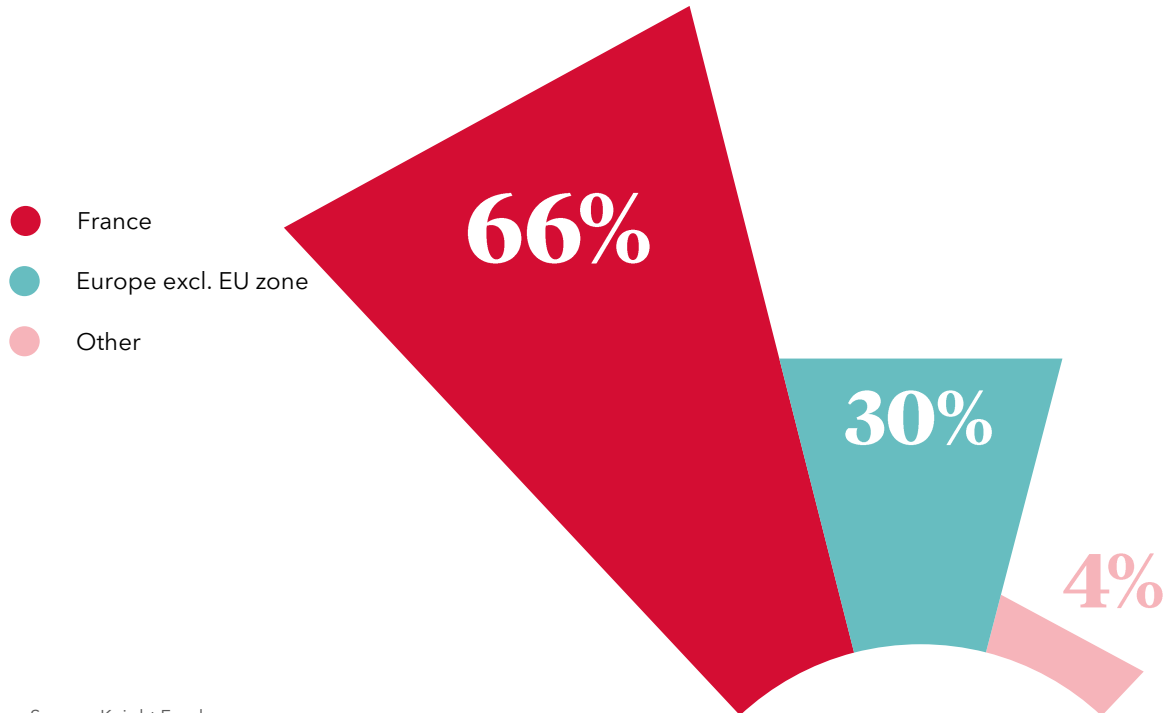
Source: Knight Frank
*Represented by the flagship leased to Valentino..

FRENCH INVESTORS CONSOLIDATE THEIR LEAD

While French investors accounted for just over half of retail investment volumes in Q1 2023, **their share increased to 66% at the end of August, thanks in particular to AEW's purchase of Passy Plaza.** Only a very small number of transactions were completed by foreign investors. **Europeans remain by far the most present,** thanks to the significant contribution of Ingka Centres' acquisition of "Italie Deux" in Q1.

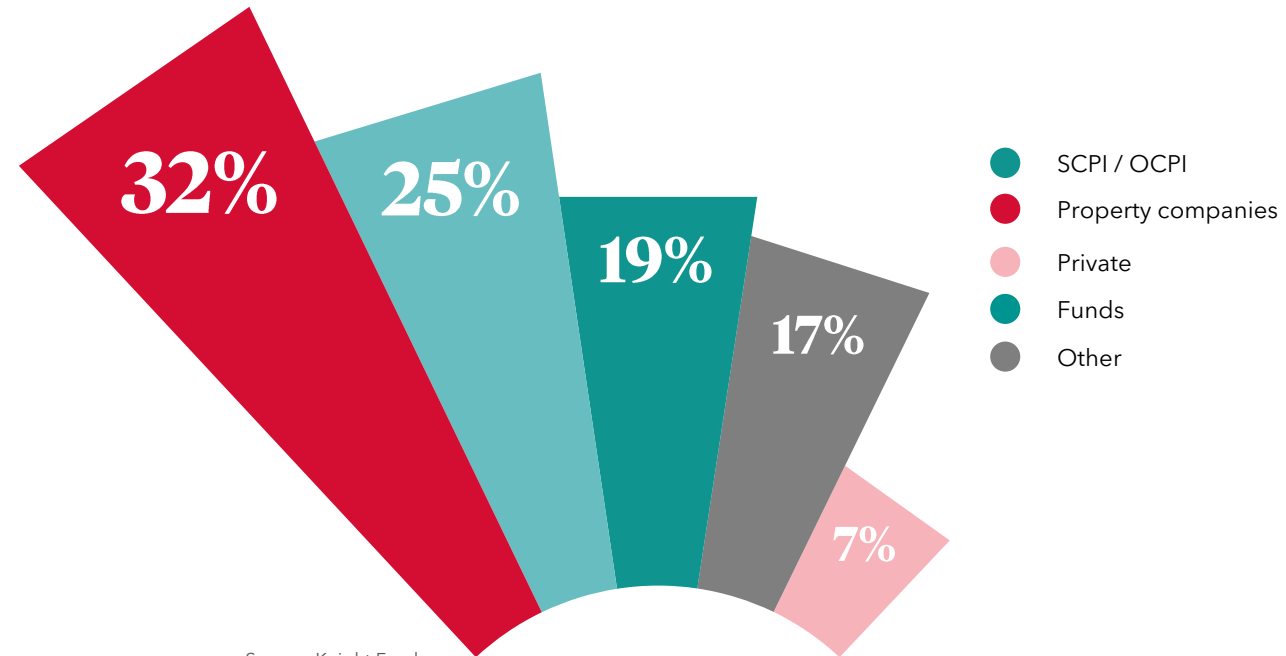
The sale of "Italie Deux" also boosted the share of property companies. **Without it, funds and SCPI/OPCIs would be well ahead. In terms of the number of transactions, SCPIs were the most active,** particularly in the outskirts for small amounts, mostly under €15 million. They have also been behind more significant transactions, such as AEW's purchase of Passy Plaza. **Private investors also stood out,** in all types of format (shopping streets, suburbs, shopping centres).

RETAIL INVESTMENT VOLUME BY NATIONALITY
IN FRANCE, IN 2023 (AT END OF AUGUST), AS A % OF TOTAL VOLUME



Source: Knight Frank

RETAIL INVESTMENT VOLUME BY TYPE OF INVESTOR
IN FRANCE, IN 2023 (AT END OF AUGUST), AS A % OF TOTAL VOLUME



Source: Knight Frank

EXAMPLES OF TRANSACTIONS

EXAMPLES OF RETAIL TRANSACTIONS IN FRANCE IN 2023

| Address / Asset | Type | Town | Vendor | Buyer | Price |
|--|---------|------------------------|---------------------------|--------------------------------|-----------|
| Italie Deux (75 %) | SC | Paris 13 th | AXA IM | INGKA CENTRES | > 200M€ |
| 35-37 avenue Montaigne (Valentino) | HS | Paris 8 th | FONCIÈRE DU TRIANGLE D'OR | KERING | > 200M€ |
| Portefeuille de centres de marques | OTH | France | AEW (CNP) | MATA CAPITAL | 100-200M€ |
| Italie Deux (25 %) + Italik | SC / HS | Paris 13 th | HAMMERSON | INGKA CENTRES | 100-200M€ |
| Passy Plaza | SC | Paris 16 th | GENERALI | AEW | 100-200M€ |
| Portefeuille B&M | RP | France | TIKEHAU | IREIT GLOBAL | 50-100M€ |
| Castorama, 9-15 bd de Grenelle | HS | Paris 15 th | PRIMONIAL REIM | BLACK SWAN REAL ESTATE CAPITAL | 50-100M€ |
| Place d'Armes | SC | Valenciennes (59) | - | GROUPE STRAUSS | < 50M€ |
| 62 avenue des Champs-Élysées* | HS | Paris 8 th | PRIVÉS | FINAMAS | < 50M€ |
| Hôtel de Coulanges, 35-37 rue des Francs Bourgeois | HS | Paris 4 th | PRIVÉS | GROUPAMA GAN REIM | < 50M€ |
| L'Île Roche | RP | Sallanches (74) | LES ARCHES MÉTROPOLE | BNP PARIBAS REIM | < 50M€ |
| Retail park, Zone de Cap'Nor | RP | Tollevast (50) | FERIDIS | ROCHE DUBAR | < 50M€ |
| Les Jacobins | SC | Le Mans (72) | AXA / AEW | OTHRYS AM | < 50M€ |
| Portefeuille Magnolia | HS | France | COFINIMMO | SOREMI | < 50M€ |
| Portefeuille de jardineries | RP | France | COLLIERS GI | ATLAND VOISIN / MYSHARECOMPANY | < 50M€ |
| Retail Park | RP | Saint-Malo (35) | SCBSM | ATLAND VOISIN | < 50M€ |
| Hypermarché Casino | HYP | Saint-Doulchard (18) | CASINO | GROUPE STRAUSS | < 50M€ |
| Carrefour Market, 26 ter bd C. Flammarion | HS | Marseille (13) | PRIVÉS | LA FRANÇAISE | < 50M€ |
| 170 boulevard Haussmann | HS | Paris 8 th | PRIMONIAL REIM | FIDUCIAL GERANCE | < 50M€ |
| Trois commerces, Zone de Mérignac Soleil | RP | Mérignac (33) | KLÉPIERRE | RIVAGE AM | < 50M€ |
| Ilo 23 | HS | Clermont-Ferrand (63) | QUARTUS | ALTIXIA REIM | < 50M€ |
| El Centre del Mon | SC | Perpignan (66) | SOFIDEC | URBAN PREMIUM | < 50M€ |

Source: Knight Frank /*Mixed asset - partial disposal in 2022

NB: HS high street, RP retail park, SC shopping centre, HYP hypermarket, OTH other

■ < 50M€
 ■ 50-100M€
 ■ 100-200M€
 ■ > 200M€



Italie Deux, Place d'Italie, Paris 13th



Passy Plaza, Rue de Passy, Paris 16th



Place d'Armes, Valenciennes (59)

The decompression of prime yield rates that began in the second half of 2022 has continued since the start of 2023. Over one year, **prime yields have risen by 75 basis points for Parisian high street and retail parks, and by 100 basis points for regional shopping centres.**

Although the rise in interest rates is still hampering activity, the **adjustment in values is now sufficiently pronounced** to convince investors to reinvest in the outskirts or the shopping centre segment, or to cautiously increase their exposure to these asset classes.

PRIME RETAIL YIELDS
IN FRANCE, IN %



Source : Knight Frank

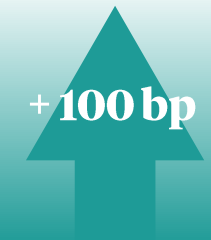
RETAIL PARKS



EVOLUTION OVER ONE YEAR



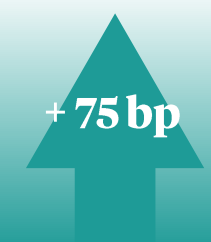
SHOPPING CENTRES



EVOLUTION OVER ONE YEAR



HIGH STREETS



OUTLOOK



Questions for 2024

- Will the French economy continue to **hold up against the downturn** in the international economy?
- Are some fast-growing sectors at risk of **saturation** (discount, sportswear, fast food, etc.)?
- After a year marked by protests and riots against pension reform, should we fear a **resurgence of social and political tensions**?
- What **impact will the introduction of "ZFE" and "ZTL"** projects have on commercial activity in Paris and the city centres of major urban areas?
- Will the 2024 Olympics **adversely affect commercial activity** in the centre of Paris during the event (as was the case in London during the 2012 Olympics)?
- Will the **residential property crisis** worsen? What impact will it have on the retail market (lower consumer confidence, real estate agency closures, lower sales in the home furnishings and decoration sector, etc.)?
- Will inflation fall more sharply and **interest rates stabilise**, helping to revive the investment market?

...and to be followed up in the longer term

- **Making assets more environmentally friendly**: a necessity in the face of the climate crisis but a difficult equation to solve (complexity of the tertiary sector legislation, landlord/retailer relationships, higher service charges, etc.).
- **AI: a revolution** on the way for the physical retail sector?
- Will the **acceleration of climate change** reshuffle the cards in the retail market (price volatility, lasting inflation, lower consumer confidence, less frequented destinations, etc.)?
- Will **anti-consumerism** become ingrained in French buying habits?
- Will **criticism of "over-tourism"** grow and eventually limit the consumer potential of certain destinations?
- Will the **dynamic growth of medium-sized towns** continue and help to sustain the pace of retailers' expansion plans?
- How could France's '**demographic trough**' (a long-term fall in the birth rate) affect its retail market?



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