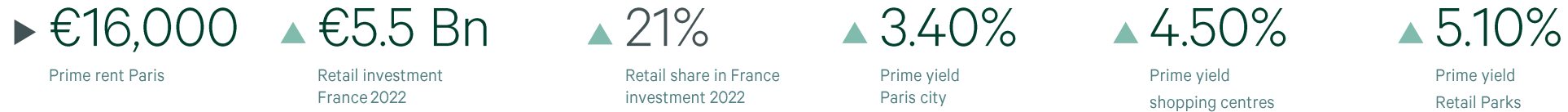


Retail's return to grace



Note: Arrows indicate change from previous quarter.

SUMMARY

- Footfall has returned-but remains below pre-pandemic levels
- Good year for the leasing market in Paris and regional locations
- Rampant inflation impacted household spending
- Market constrained by large unit scarcity in city centres
- Rent consolidation
- Investment market rebounded totalling €5.5 billion making 2022 an historic year
- Good level of Investment activity across all retail formats
- 2023 expected to be impacted by economic and financial turmoil

Economic indicators



Note: Changes and arrows represent the evolution over one year.

Sources: Apur, BDCCom 2000 à 2020, BDRues 2022, Fédération des Acteurs du Commerce dans les Territoires, Euromonitor, INSEE, Banque de France, CBRE Research

Caught in the crossfire, the leasing market continues to restructure

In the first nine months of 2022, GDP growth remained at 2.6%. According to INSEE's initial estimates, inflation fell slightly in December to 5.9% y-o-y. Yet consumer prices soared and consequently has impacted household budgets. Purchasing power eroded, meaning consumption fell y-o-y.

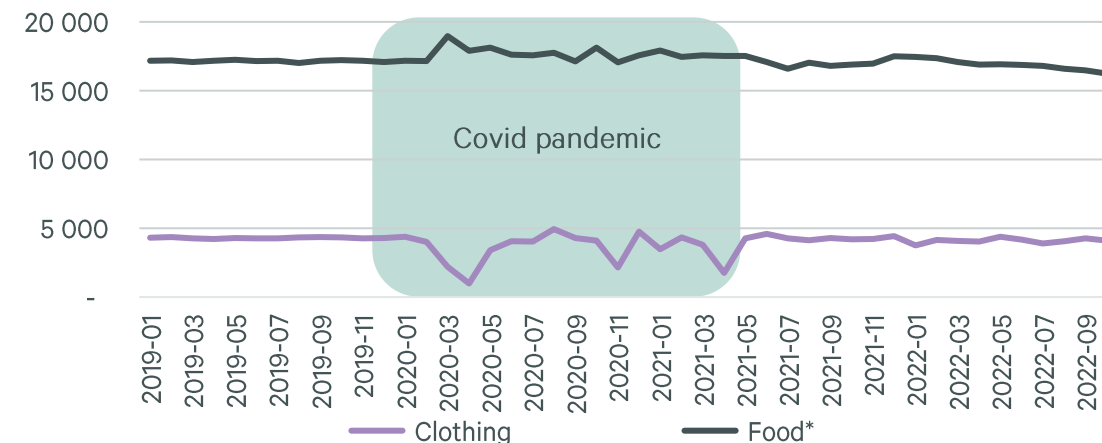
In this context, retail sales dropped in all sectors. This poor performance also affected e-commerce. In contrast to previous years, brand sales were not interrupted. In 2022, growth returned to certain shopping streets and activity sectors, even if footfall remained below pre-pandemic levels. As a result, high street and shopping centre shop performance remains lower than in November 2021 (the year the post-pandemic recovery began). Rebound was slower for businesses dependent on business districts - which have already suffered from the widespread use of remote working. Yet most regional cities have seen footfall recover faster than Paris.

Another concern is the profitability of pedestrian click and collect points. Similar to dark stores, pedestrian click and collects have been affected by the restrictive legislative framework applicable to dark stores. Groups such as Carrefour and Auchan have already frozen their development strategy for this retail format.

High street retail has been restructured. City centres have watched multiple retailers relocate due to high rents, to be replaced by new entrants. Ready-to-wear fashion brands have given way to homewares and sporting goods brands. After years of research, Maisons du Monde opened in the centre of Toulouse and on the outskirts of Rennes in a unit > 1,400 sq m. The homewares market also witnessed the arrival of the Monoprix group. It opened its first exclusive homewares shop in the So Ouest shopping centre (Levallois-Perret). Leroy Merlin also opened a home decor concept store in Nice.

In the current climate, the food industry continues to refine its development by prioritising small units in the interest of proximity.

FIGURE 1: Monthly change in household spending (€bn)



*Excluding Tobacco
Source: INSEE, January 2023

FIGURE 2: Turnover by type of retail (€bn)

Category	2021	2022	2023	2024	2025
Hypermarkets	90,236	90,321	90,281	90,010	89,918
Supermarkets	66,937	67,596	68,781	70,345	71,826
Health and Beauty	49,425	51,242	52,402	53,312	54,022
Clothing and shoes	18,501	20,607	21,624	22,013	22,100
Furniture and home decor	17,996	18,695	19,337	19,888	20,504
Jewellery and watches	4,510	5,027	5,275	5,370	5,424
Pet shops	984	1,094	1,160	1,219	1,265
E-commerce (goods)	55,577	61,848	66,554	71,320	76,193

Source: Euromonitor, January 2023 - Forecasts (2022-2025)

Along with this discount store proliferation is accelerating. This is particularly true in the food sector, where discounters are experiencing a rebound in activity in the wake of inflation. Retailers are taking advantage of Lidl and Aldi's upmarket transition to position themselves in this segment. New brands are reconfiguring the discount store landscape in France, boosted by declining purchasing power. New players arrived on the French market, such as Supeco (Carrefour), Primaprix (Spanish) and Atacadao (Brazilian - Carrefour Group). The Casino Group revised its commercial strategy and set out to reconquer the hard discount food market under the LP brand (formerly Leader Price). The group is targeting shops acquired after Aldi's sale of a substantial share of its stock. Casino, which acquired outlets in Normandy and Hauts-de-France, is also planning to open nearly 500 franchise shops. Supeco has already opened 20 shops in France.

In the non-food sector, the French chain Stockomani and international chains Action, B&M and Normal are also expanding.

The personal goods sector is structurally in decline, and accounts for an increasingly smaller share of household budgets. High inflation is again impacting the sector, which is suffering from consumers' focus on essential goods and products: food and energy. Clothing and shoes are generally considered non-essential. The second-hand goods sector is increasingly competing with the personal goods sector. Both online and in shops, the market is taking full advantage of the current economic situation.

Second-hand platforms are emerging as retailers recognise a potential opportunity, and are increasingly integrating these platforms into their physical strategy. This is particularly true of children's clothing brands such as Petit Bateau, which inaugurated a rental service and second-hand sales at a pop-up store on rue Pierre Lescot (Paris 1). Kiabi also launched a second-hand store under the Kidkanaï brand in the outskirts of Roubaix. Monogram, a specialist in luxury second-hand goods, opened its first shop on Avenue Victor Hugo Avenue (Paris 16). The Eram group has set up a loyalty programme based on online second-hand sales before developing this range at their concessions. Note that Bocage is the group's first brand to offer a shoe rental service.

Last but not least, electric vehicle manufacturer VinFast has chosen Paris and Cologne as part of its European development strategy. After a stint on the rue de Turenne, the brand opened its first two Parisian showrooms on Boulevard de la Madeleine (Paris 8/9) and Boulevard Raspail (Paris 6).

FLAGSHIP TRANSACTIONS

Brand: LULULEMON

Location: 38 avenue des Champs-Élysées, Paris 8th

Total surface area: 1,695 sq m



Brand: MONOP'

Location: 4 Cours de l'Intendance, Bordeaux

Total surface area: 828 sq m



Brand: VINFAST

Location: 6 Boulevard Raspail, Paris 6th

Total surface area: 1,550 sq m



Source: CBRE Research, Q4 2022

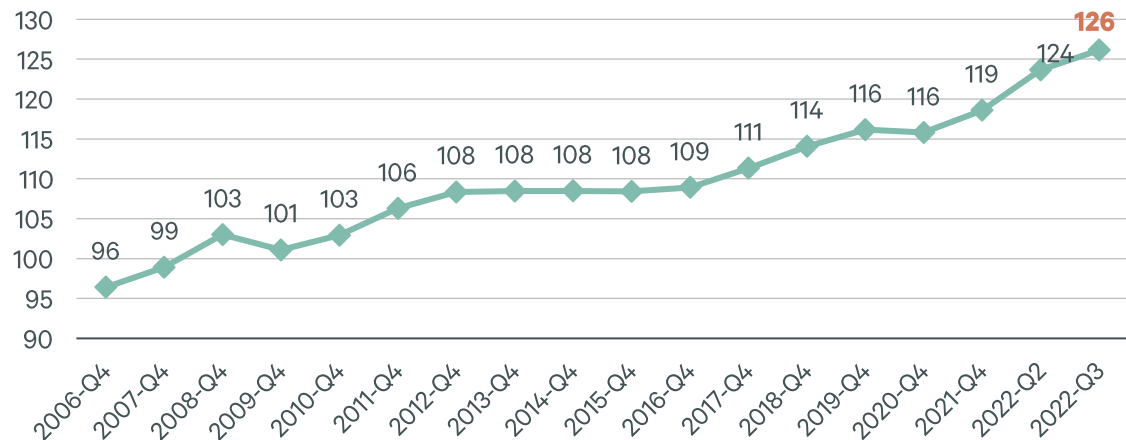
Rent - Paris

At the end of 2022, rents on prime streets in the capital increased. However, rents are still lower than in 2019. The retail vacancy rate is falling nationally, particularly on prime streets in major French city centres, thanks to an increase in footfall.

The retail rent index (ILC) is rising again, due to inflation. In Q3 quarter, the ILC was 126 points, i.e. a +5.4% y-o-y increase (vs. 4.4% in Q2).

Although capping the ILC at 3.5% for VSEs and SMEs has been ratified (August 2022 Purchasing Power Act), retail federations are nevertheless campaigning for the government to cap the index for all companies to limit the impact of the current economic situation on businesses.

FIGURE 3: Retail rent index evolution* (ILC)



*In points
Source: INSEE (Q3 2022 values), Q4 2022

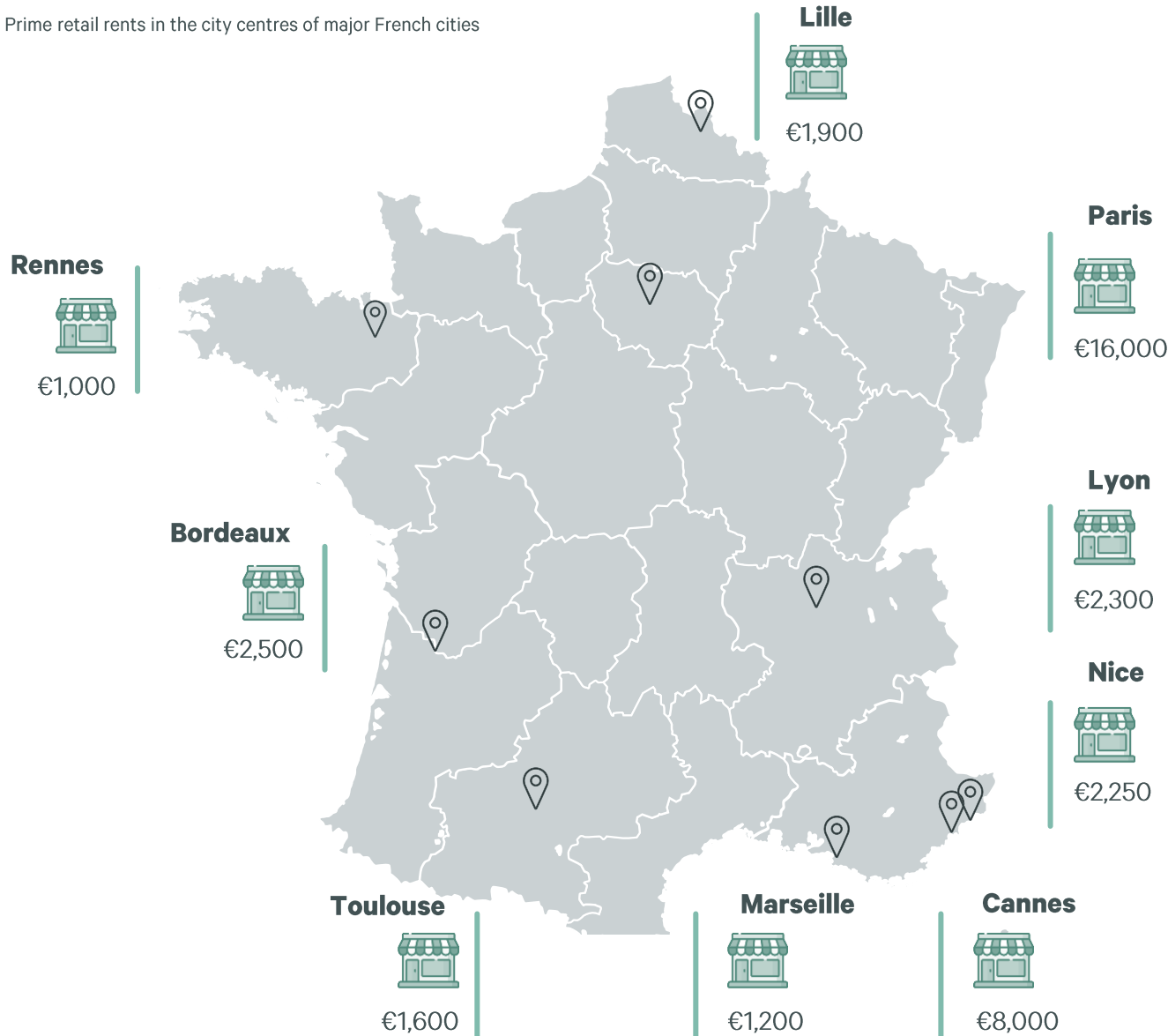
FIGURE 4: Prime street rents in Paris

Street	Values*
Ave. des Champs-Élysées	10,000-16,000
Ave. Montaigne	6,000-14,000
Rue François 1 ^{er}	1,500-6,000
Rue Saint-Honoré	9,000-15,000
Rue du Fbg. Saint-Honoré	1,000-12,000
Rue de la Paix	2,500-8,000
Rue Royale	2,000-5,000
Blvd. Haussmann	4,000-6,000
Rue des Archives	1,200-3,000
Rue des Francs Bourgeois	3,000-5,000
Blvd. Saint-Germain	1,000-4,000
Rue de Rennes	2,000-3,000
Rue de Sèvres	2,800-4,300
Rue de Rivoli	2,000-3,000
Blvd. Saint-Michel	1,800-2,500
Place de la République	800-1,700
Rue de Rennes (Montparnasse side)	1,600-2,700
Rue du Faubourg St. Antoine	1,200-1,800

*ITZA, in € pa/sq m excl. taxes and charges
Source: CBRE Research, Q4 2022

Rent - France

FIGURE 5: Prime retail rents in the city centres of major French cities



Property Type	Paris Area	Regions
High-street	€2,300	€1,800
Factory Outlet	€500	€500
Retail Park <600 sq m	€270	€240
Former Retail Park <1,000 sq m	€270	€200



In € ITZA sq m pa excl. taxes and charges in high-street
Source: CBRE Research, Q4 2022

The year of the big comeback

With a total of €5.5 billion invested, 2022 was an exceptionally good year for the retail investment market. This is a +74% increase from 2021 (+13% on 2019), and indicative of investors' renewed interest in retail in 2022. 2022 results are higher than the ten-year average of €4.6 billion. Retail represents 21% of commercial real estate investment, a clear confirmation of retail's comeback.

Retail investment recovered in 2022 thanks to reduced health risks, yield decompression over the last three years, and strong leasing demand from retail brands. The health crisis contributed to falling rents, but investor demand is strong for mature supply, particularly among institutional investors (37%), savings collectors (29% vs. 13% in 2019) and property companies (16%). North American investors (19%) were the main foreign buyers of retail assets in 2022. The Canadian Brookfield and Columbia has contributed with two major Paris transactions (>€700m): 144-150 avenue des Champs-Élysées and 400 rue Saint-Honoré.

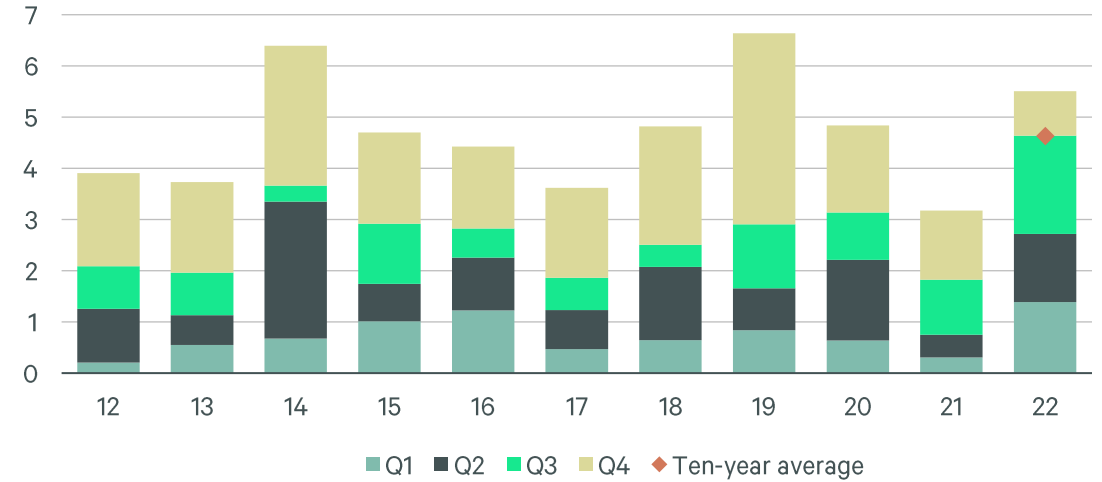
A slightly disappointing Q4

Strong market dynamics were primarily concentrated in the first nine months of the year, with a total investment of €4.6 billion. The trend was reversed from Q3 onwards, which despite everything recorded a very good investment volume (€1.9 billion) which compensated for Q4's below average investment. The ten-year average for Q4 is generally around €1.9bn. Q4 2022 recorded a slight slowdown compared with the market's usual Q4 performance. The high levels of investment over the first nine months of the year are the fruit of negotiations initiated at the beginning of the year at yields that have since become obsolete. However, the decline is much less pronounced than for offices, and investment was overall homogenous for 2022. Abenex's Fire portfolio of Grand Frais shops was also sold in Q4 for nearly €200m.

Market share increase for regional locations

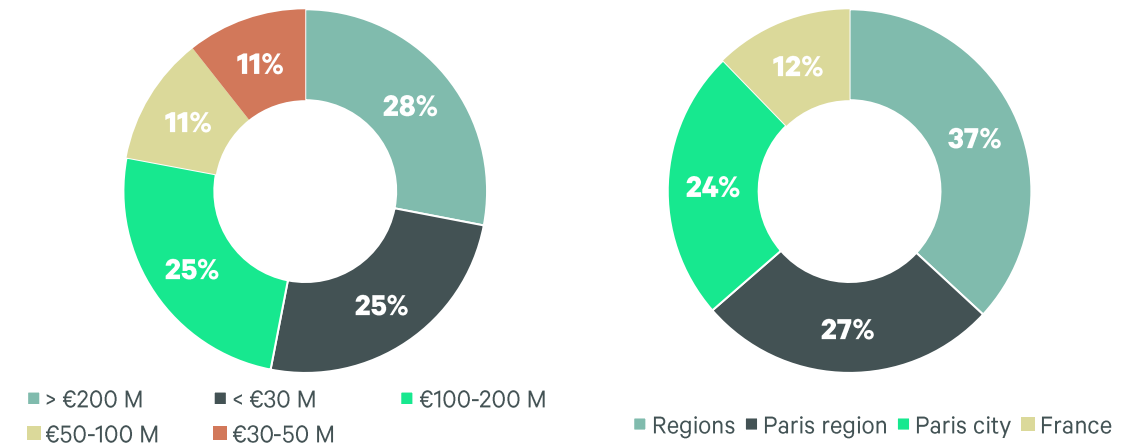
When it comes to the geographical distribution of investments, regional locations asserted themselves, taking a 37% market share for 2022. Although the relative scope of Parisian transactions seems to be declining, accounting for less than a third of investment in 2022, the Parisian market recorded a major investment for more than €100 million with the Montparnasse station shops (Paris 15), and high street shops with prestigious addresses. This distribution is similar to what was observed in 2019 and 2020.

FIGURE 6: Retail investment in France per quarter (€bn)



Source: CBRE Research, Immostat, Q4 2022

FIGURE 7: Retail investment by amount and location*



% of investment volume / *France contains portfolios with unspecified locations

Source: CBRE Research and Immostat, Q4 2022

The large transaction effect

Investment volumes demonstrate the importance of large deals >€100m. They account for 53% of investment volume. This is followed by small transactions (<€30m) with 25% of investment volume, down -13% y-o-y. The €100-200 million segment was also very dynamic, with a 200% y-o-y increase, i.e. €1.4 billion compared with €4 million in 2021. Also, the share of portfolio transactions has increased, which represent almost one third of investment volume (i.e. €1.6 billion). In 2022, the market proved itself dynamic and capable of absorbing large volumes, which encouraged investors to sell portfolios of assets. This trend is expected to change in 2023, given the new financing conditions.

A craze for all types of retail assets

The distribution of transactions by type of retail is more homogeneous in 2022 than over the last 3 years. Indeed, the renewed interest in retail has extended to all retail formats. Shopping centres rebounded, accounting for 25% of total investment. This strong performance should be considered in light of URW's sale of major assets, V2 and Carré Sénart, as well as the sale of Part-Dieu (69), Flâneries (85) and the Altaréa portfolio (78 & 83).

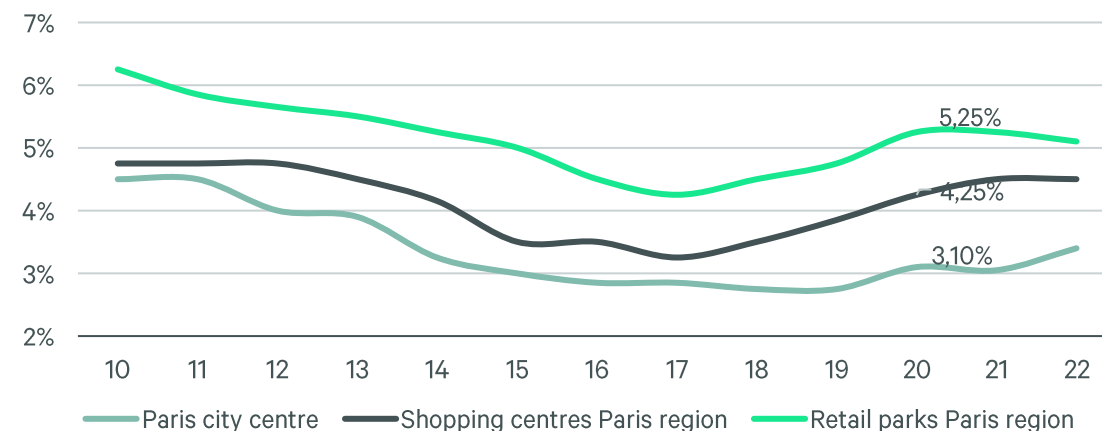
Other types of retail contributed to overall results. Retail in general benefited from the continued strong interest in food (17%) with Swiss Life's Urban Essentiel portfolio of assets, most of which are located in the greater Paris region; high-street shop performance (16%) was boosted by the acquisitions of 400 rue Saint-Honoré, 12 rue de la Paix and Sofidy's Unity portfolio; business parks (16%) were galvanised by the sales of Enox (92), Mon Beau Buchelay (29) and Shopping Parc Carré Sénart (77); and four-wall retail investment (15%) witnessed major sales from the Klépierre and AEW portfolios. Finally, shopping mall performance has returned to an acceptable level, accounting for 6% of retail investment. This is mainly thanks to the sale of the regional Horus and Saphir portfolios to Sofidy.

As long as they remain legible and demonstrate resilience, retail assets, even large volume assets, attract investor interest. Targeted primarily by specialist retail investors, the retail asset class has regained its footing in acquisition strategies.

Prime yield decompression

In Q4 2022, prime yield for Paris retail reached 3.40%. Regional yields vary from city to city. Regional prime yield ranges from 3.85% (Lyon, Nice and Bordeaux) to 4.40% (Nantes and Strasbourg). For other types of retail, prime yield is 4.10% for food premises, 4.50% for Paris area shopping centres and 5.10% for Paris area retail parks. This wave of decompression is expected to continue, and could benefit SCPIs, family offices and retailers who should maintain their position as retail buyers in 2023.

FIGURE 8: Prime yield by type of asset



Source: CBRE Research, Q4 2022

FIGURE 9: Transaction references 2022

ADDRESS/PORTFOLIO	LOCATION	SELLER	BUYER	TYPE	PRICE (€ M)
144-150 avenue des Champs Elysées	75	Groupama immobilier	Brookfield	City centre shop	>600
Westfield Carré Sénart	77	URW	Société Générale Assurances and BNP Paribas Cardif	Shopping centre	>400
Fire Portfolio	Paris Area	Abenex capital	La Francaise	Food	>200
V2	59	URW	Auchan	Shopping centre	>200
Gare Montparnasse	75	Altarea cogedim	Credit Agricole Assurance	Shopping mall	>150
Mon Beau Buchelay	78	La Compagnie de Phalsbourg	Bnp Paribas Reim	Retail parks	>100
Shopping Parc Carré Sénart	77	URW	Amundi	Retail parks	>100
Urban essentiel Portfolio	Paris Area/69/13	Swiss Life	Credit Agricole Alpes Provence	Food	>50
Géant Casino	34	Swiss Life	DTZ	Food	>30

Source: CBRE Research and Immostat, Q4 2022



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