Real estate investment, a force in territorial development

First socio economic study of unlisted real estate investment funds in France

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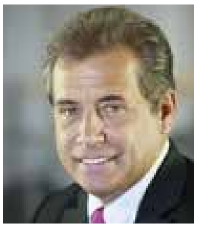
ASPIM
ASSOCIATION FRANÇAISE DES SOCIÉTÉS DE PLACEMENT IMMOBILIER

Village 2, Paris La Défense –
Perial Asset Management, © Perial AM

Contents

We are grateful to the 40 experts and business leaders in the sector who gave us their time, and to all the management companies who opened their doors to us and provided us with precious, complex data. We would also like to thank the distinguished experts who contributed to this study by agreeing to share with us their valuable insights as outside observers of the real estate investment funds sector.

Foreword



Frédéric Bôl
President
of ASPIM

Dear readers,

I am very pleased to present the first socio economic impact study of unlisted real estate investment funds in France. This work is the result of the ASPIM members' desire to have a reference study describing the economic dynamics of our sector and its issues and challenges ahead, in a context where the economy, practices and the French regions are undergoing profound transformations.

A real flagship of the French economy, the real estate sector plays an essential role in economic development. It represents more than 10% of our country's wealth creation and 2.1 million jobs. Curiously, however, we need to be regularly reminded or even convinced of this contribution.

Although often little known, the activity of unlisted real estate investment funds nevertheless plays a leading role within this sector, becoming a long-term partner of companies and regions, promoting growth, employment and economic attractiveness. This is thus the first study to measure and illustrate the contribution of the sector's vehicles to the economy.

In addition to the economic aspects, our activity is also at the heart of major structural challenges for the future: the ecological transition, accessibility, pension funding, dependency risk, changes in lifestyles, ways of working and consumer habits, etc. This reality commits us, and every day we see evidence of an increasingly strong desire on the part of the sector to collectively confront these issues with enthusiasm and determination.

I hope you enjoy reading this study.

Created in 1975, the Association française des Sociétés de Placement Immobilier (ASPIM) is a non-profit association that brings together the players in unlisted real estate fund management. Its 97 members are Investment Management companies (PMCs), SCPIs, OPCIs, OPPCIs and other real estate funds managed by the French Financial Markets Authority (AMF), as well as other professionals in the real estate ecosystem (lawyers, consultants, auditors and experts).

Executive summary

1 Unlisted real estate investment funds contribute to the creation of national wealth

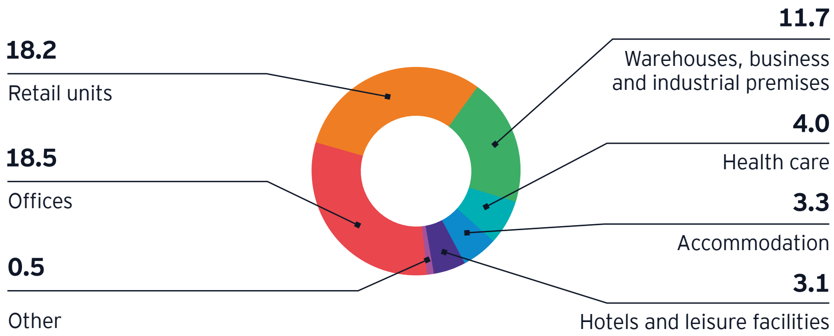
1.5 million employees

work in assets owned by real estate investment funds in France

59 million sqm

divided among various types of assets, are owned by real estate funds, meeting the diverse needs of companies from VSEs to large groups

Breakdown in million sqm of the real estate portfolio at 31 December 2018



43,000 jobs

were created or maintained within the real estate and urban sector in France through capital expenditure and operational expenditure incurred in 2018 by unlisted investment funds

€3.3b

In 2018, unlisted funds directed €3.3b of capital and operational expenditures into real estate and urban development in France

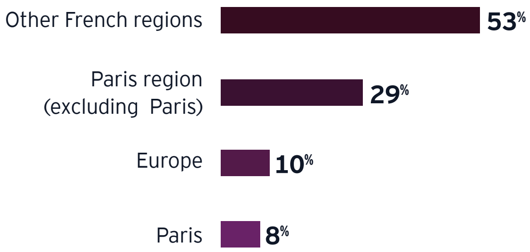
Real estate investment funds contribute to the vitality of the real estate and urban sector (10.8% of GDP and 2.1 million jobs in France)

2 The sector and the French regions: long-term partners

53%

of real estate properties are located in the French regions, excluding Paris region

Geographical location of the real estate assets of unlisted funds (in sqm)



€1.8b

were paid in local tax contributions by unlisted real estate investment funds in France in 2018

3 Investment management companies in the sector are at the heart of six societal and environmental challenges

1 Socially responsible investment

In a context where 63% of French people attach great importance to environmental and societal impacts when making their investment decisions, an SRI label, supported by professionals, should be in place by the end of 2019

Source: "Les Français et la finance responsable" (IFOP for Vigeo Eiris and the Forum pour l'investissement responsable, 2018).

2 Pension funding

At a time when 65% of French people are convinced that they must finance their retirement themselves, the sector must promote its assets and its savings products targeting all needs

Source: "Baromètre de l'épargne immobilière" (IFOP-PERIAL, 2018).

3 Health care, student residences and managed residences

The diversification of investments is accelerating to meet the needs of the population. For example, health care real estate has increased fivefold between 2013 and 2018

4 Climate and energy transition

27% of the assets are HQE, BREEAM or LEED certified

5 Housing

Leaders believe that the sector has a role to play in housing, especially in areas with housing shortages

6 New practices

Management companies are innovating and offering increasingly extensive service packages

4 French unlisted real estate investment funds are among the leaders in Europe

2nd place

With €180b in GAV (gross asset value), French real estate investment funds were ranked second in the European market in 2018, after Germany

2nd strongest growth

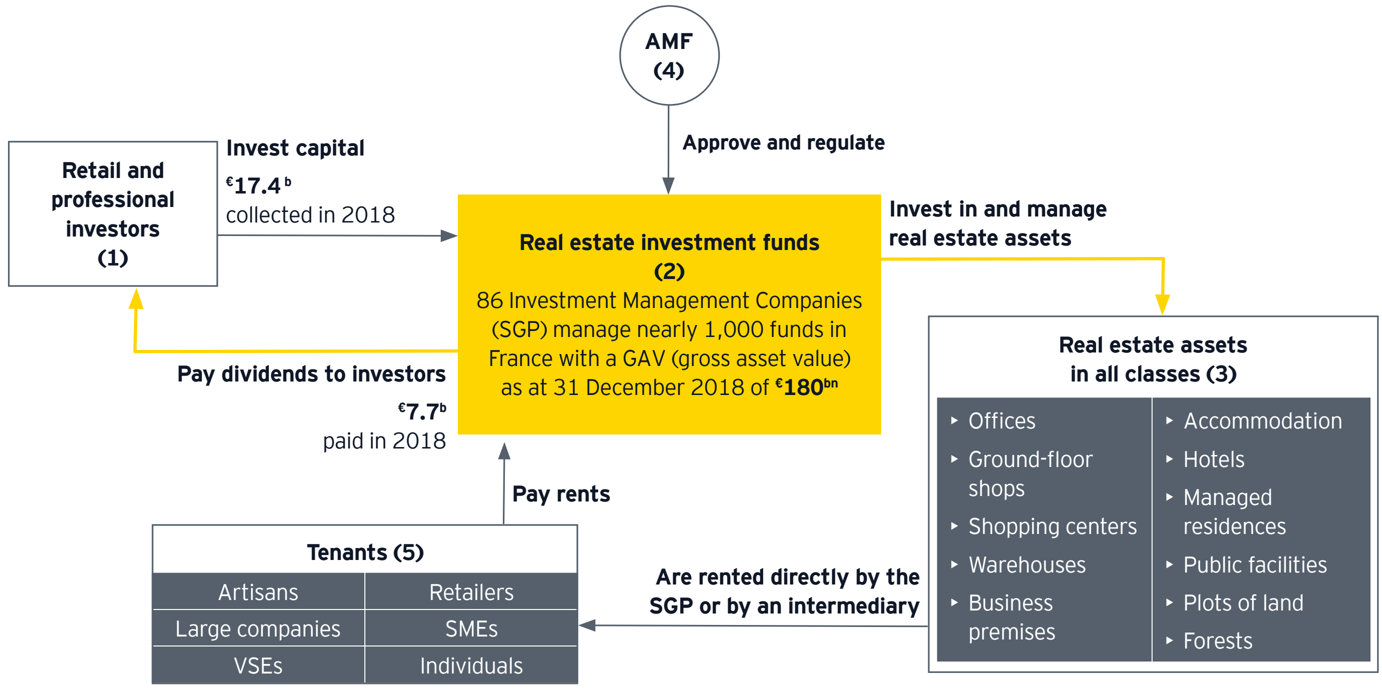
Over the last three years, French funds have recorded the second-highest growth in asset value among the 10 market leaders, behind Luxembourg

10%

of SCPIs and OPCIs' real estate assets were located in Europe (excluding France) in 2018, compared with to 2% five years earlier

Scope of the study

What are unlisted real estate investment funds?



Sources: EY and ASPIM analyses, "Les OPCI au défi de la maturité : bilan 2018 et perspectives 2019" (IEIF, 2019).

Real estate investment funds (officially unlisted alternative investment funds (AIF) in real estate) **are savings and investment vehicles not listed on** the stock exchange and governed by the AIFM Directive.[1]

Real estate investment funds raise capital from investors (institutional or private) **(1)**. The **funds (2) invest the collected capital in real estate assets (3)** (by direct or indirect acquisition, including via sale before completion) and manage the real estate assets up for rent.

Depending on the strategies, **they specialize or diversify in different classes of real estate assets** (offices, retail units, shops, hotels, business premises, warehouses, housing) in targeted geographical areas or spread throughout France or even Europe.

Real estate assets are managed by an Investment Management Company (SGP) authorized by the Autorité des Marchés Financiers (AMF) **(4)**. On behalf of investment funds, the SGP makes investments, manages leases (rental to tenants **(5)**, rent collection, insurance, etc.), carries out routine maintenance, improvements and major maintenance, and handles administrative and tax formalities.

There are two main types of real estate investment funds: retail investors' funds (for private individuals) **and professional investors funds**. There are two types of general public funds: Sociétés Civiles de Placement Immobilier (SCPIs) and Organismes de placement collectif en immobilier (OPCIs). Professional investors funds are called Organismes de Placement Professionnel Collectif Immobilier (OPPCI). SCPIs, retail investors' OPCIs and OPPCIs are expressly listed in the French Monetary and Financial Code. **There are also other types of real estate investment funds** that meet the definition of an AIF within the meaning of the AIFM Directive.

Real estate investment funds are regulated financial products. The AMF monitors the proper application of the legal and tax framework defined by French and European laws and regulations (French Monetary and Financial Code, AMF General Regulations, AIFM Directive, MiFID 2, PRIIPs Regulation, Anti-Money Laundering Directive).

1. Directive 2011/61/EU on Alternative Investment Fund Managers.

How did EY teams design this first socio economic study?

Marc Lhermitte
Partner
Ernst & Young Advisory

Christophe Lasnier
Senior Manager
Ernst & Young Advisory

The EY teams are delighted to have produced, at the request of ASPIM, the first socio economic study of unlisted real estate investment funds in France.

This work is in line with the "economic stories" produced by EY teams on the different sectors contributing to the dynamism and attractiveness of the French economy.

In recent months, EY teams have conducted in-depth analyses to examine this unknown sector of activity, which is sometimes misunderstood by the general public, the media and elected officials. The sector nevertheless plays an important role in the development of companies and French regions, and is at the heart of many contemporary economic, societal and environmental changes.

We would like to thank the 30 ASPIM members and management companies who opened their doors to us and provided us with precious, precise data that was sometimes sensitive and very often complex to collect and establish. This data, combined with many national and European sources, made it possible for us to conduct a rigorous quantitative study, providing an objective, reliable picture of real estate funds. We also thank the 40 professionals who gave us their time and shared their analyses of the sector in all its diversity and complexity.

The result is this study presenting the socio economic weight of unlisted real estate investment funds in France, their dynamics and growth prospects, and their role in the development of companies and French regions.

We hope you enjoy reading the study and learning about this exciting sector.

1

Unlisted real estate investment funds contribute to the creation of national wealth

20 avenue Hoche, Paris – BNP Paribas REIM France, © Luc Boegly

Nearly 1.5 million people work in the assets owned by real estate investment funds in France

1,460,000 people work in the offices, shops, business premises and other assets owned by real estate investment funds in France (5% of total employment). Taking Europe as a whole, this number rises to more than 1,600,000 people.

1,460,000
employees housed in France or **5%** of total employment

790,000
in Paris region or **14%** of total employment

670,000
in the other regions or **3%** of total employment

Sources: EY analysis, INSEE.

In Paris region, 14% of people engaged in professional activity work in a building owned by a real estate investment fund.

Business leaders interviewed by EY professionals consider that the sector is at the heart of issues related to well-being at work and employee productivity. Management companies help their tenants define solutions that meet their needs and integrate the shift to new practices at work.

This tailor-made support is provided regardless of the type of asset, including by SCPIs, whose assets are on average smaller than others (1,700 sqm compared with to 6,700 sqm for OPCIs).

17,000

assets owned in France and Europe

Average asset area:

3,500 sqm/asset

Sources: EY analysis, Meilleure SCPI.

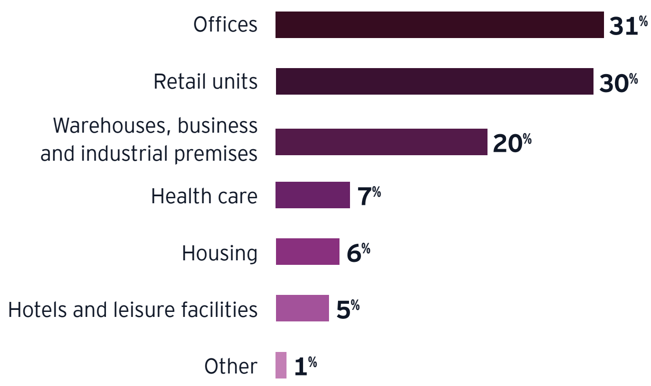
Urban Valley, Conflans-Sainte-Honorine – La Française REM, © Michel Blossier

From large groups to very small businesses: the 59 million sqm owned meet the diversity of companies' development needs

The assets held by unlisted real estate investment funds include all categories, from offices to housing, including managed residences and health care establishments.

Moreover 81% of the assets of real estate investment funds are oriented towards commercial real estate. These assets comprise premises for small and medium-sized enterprises, industrial companies, large groups and the regions' economic activities.

Breakdown of assets held by unlisted real estate investment funds at 31 December 2018 (in sqm)

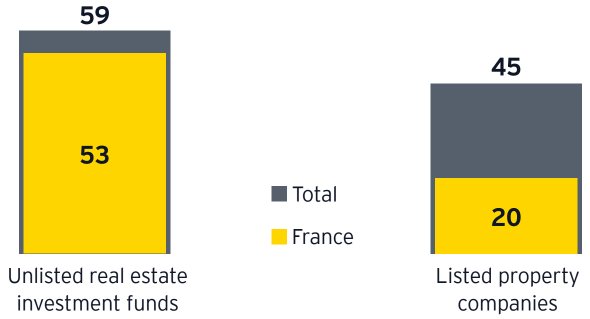


Source: EY analysis.

AMPERE E+, Paris La Défense – La Française REM, © Laurent KARIV et Charly Broyez

At the end of 2018, management companies oversaw a real estate portfolio of 59 million sqm. While the total volume is comparable to the 45 million sqm managed by listed property companies, it appears that unlisted real estate investment funds are more established in France – with more than 53 million sqm compared with to 20 million sqm for listed property companies according to the FSIF.

Comparison of real estate assets held by unlisted real estate investment funds and listed real estate companies (million sqm)

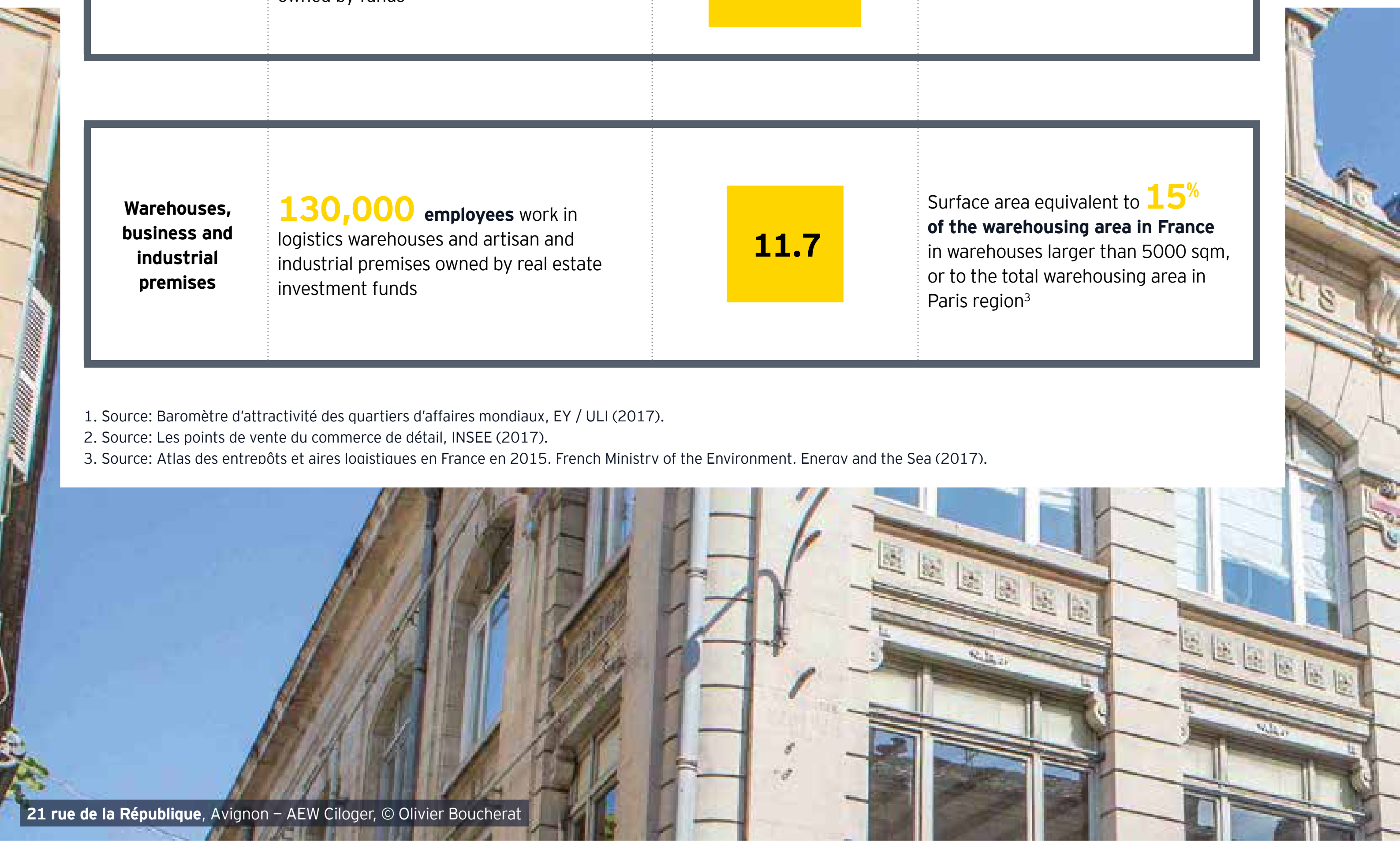


Sources: EY analysis, "SIIC, construire la ville de demain", FSIF (2019) and "Les sociétés immobilières cotées, partenaires des villes", FSIF (2019).

Jobs housed in real estate investment fund properties, by type of asset

	Number of employees	Surface area (million sqm)	Illustration
Offices	**1,020,000 employees** work in offices owned by real estate investment funds, particularly in business districts in metropolitan areas and medium-sized cities	**18.5**	Surface area equivalent to **5 times Paris La Défense**[1]
Retail units	**310,000 employees** work in ground-floor shops in city centers, supermarkets and shopping centers owned by funds	**18.2**	Surface area equivalent to **72,000 shops in France** (250 sqm on average)[2]
Warehouses, business and industrial premises	**130,000 employees** work in logistics warehouses and artisan and industrial premises owned by real estate investment funds	**11.7**	Surface area equivalent to **15% of the warehousing area in France** in warehouses larger than 5000 sqm, or to the total warehousing area in Paris region[3]

1. Source: Baromètre d'attractivité des quartiers d'affaires mondiaux, EY / ULI (2017).
2. Source: Les points de vente du commerce de détail, INSEE (2017).
3. Source: Atlas des entrepôts et aires logistiques en France en 2015, French Ministry of the Environment, Energy and the Sea (2017).



21 rue de la République, Avignon – AEW Ciloger, © Olivier Boucherat

	Number of employees	Surface area (million sqm)	Illustration
Health care	**140,000** **employees** work in senior residences, care homes and clinics owned by real estate investment funds	**4.0**	Surface area equivalent to **200,000** **beds** in residential facilities for the elderly[1]
Housing	**101,000** **people** live in housing owned by the funds, mainly collective housing and student residences	**3.3**	Surface area equivalent to **44,000** **housing units** in Paris region (74.6 sqm on average)[2]
Hotels and leisure facilities	**45,000** **employees** work in hotels, tourist residences and campsites owned by real estate investment funds	**3.1**	Surface area equivalent to **150,000** **rooms, or 11%** of the rooms available in France in hotels, tourist residences and holiday villages[3]

1. Source: French Ministry of Health (2019).
2. Source: Les conditions de logement en Île-de-France en 2013, INSEE (2015).
3. Source: Mémento du Tourisme - Edition 2018. Direction générale des entreprises (DGE, 2018).

The rental offer of real estate investment funds allows companies to focus on their core business

With real estate costs representing the second-largest expense for companies, their rationalization is a priority in real estate strategies.

Renting gives companies more flexibility by allowing them to adapt more quickly to changes in staff numbers, reorganizations and changes in work practices, such as the development of teleworking or flex office space.

Renting also allows companies to refocus on their activity by delegating real estate management to professionals. The objectives are twofold:

- Firstly, to allow tenant companies to direct their capital towards other projects.
- Secondly, to promote the professionalization of real estate management by improving the quality of the services offered to users, the use of new technologies and the consideration of well-being at work.

The need to rationalize real estate costs

Real estate costs are generally the company's second-largest expense item, after payroll costs

The need for adaptability and flexibility

44%

of companies have employees teleworking at least one day a week

60%

of companies want to be assisted by new technologies in building management and facility management

Sources: "Les entreprises et l'immobilier", CBRE, 2017.

"

By participating in the development of tertiary rental, unlisted real estate funds have enabled users to concentrate their human and financial resources on their core business.

ASPIM member

AMPERE E+, Paris La Défense – La Française REM, © Laurent KARIV et Charly Broyez

Point of view

Gilles Allard

President of the Association des Directeurs Immobiliers (ADI, Association of Real Estate Managers)

For users, what are the benefits of being a tenant?

Companies that choose to rent their tertiary facilities rather than own them base their choice primarily on the desire to focus their capital expenditures (capex) on their core business. This position also reduces exposure to real estate market risks and the risk of obsolescence of premises. But being a tenant also gives the user greater flexibility. Of course, the reasoning is different for production assets and factories, which are strategic assets and are generally owned by manufacturers.

As a user, what do you expect from real estate investors?

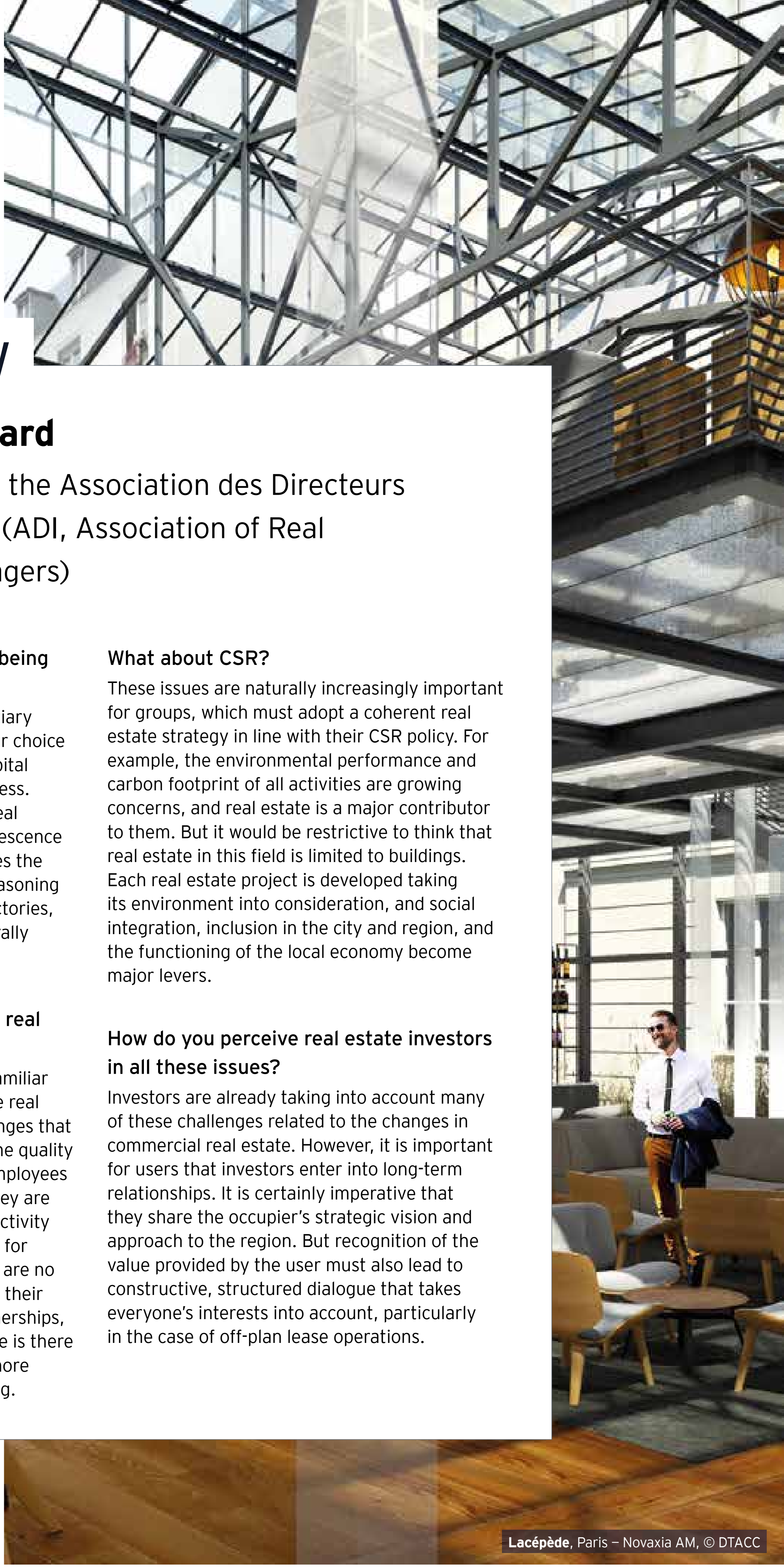
The first thing that users need is to be familiar with investors, and vice versa. Corporate real estate is at the heart of the societal changes that influence the very strategy of groups. The quality of life and working conditions of their employees are major concerns for companies, as they are in themselves issues of efficiency, productivity and attractiveness for the talent needed for organizational performance. Companies are no longer isolated but interact actively with their ecosystem. To innovate, they form partnerships, host start-ups, and so on. And real estate is there to enable them to develop these new , more flexible and responsive ways of producing.

What about CSR?

These issues are naturally increasingly important for groups, which must adopt a coherent real estate strategy in line with their CSR policy. For example, the environmental performance and carbon footprint of all activities are growing concerns, and real estate is a major contributor to them. But it would be restrictive to think that real estate in this field is limited to buildings. Each real estate project is developed taking its environment into consideration, and social integration, inclusion in the city and region, and the functioning of the local economy become major levers.

How do you perceive real estate investors in all these issues?

Investors are already taking into account many of these challenges related to the changes in commercial real estate. However, it is important for users that investors enter into long-term relationships. It is certainly imperative that they share the occupier's strategic vision and approach to the region. But recognition of the value provided by the user must also lead to constructive, structured dialogue that takes everyone's interests into account, particularly in the case of off-plan lease operations.

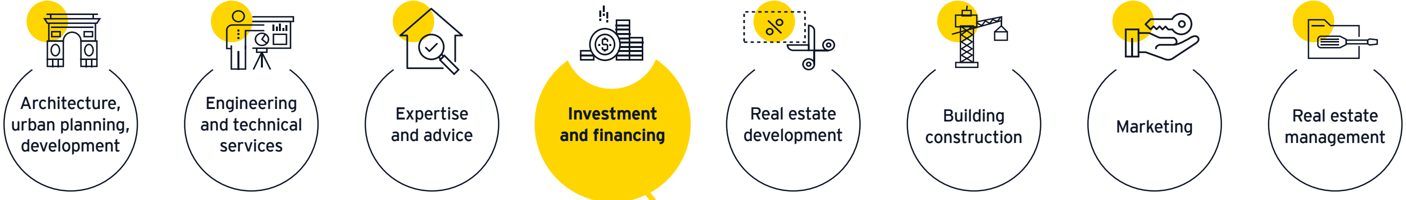


Lacépède, Paris – Novaxia AM, © DTACC

The leading player in investment property in France, the sector is an active contributor to the dynamism of real estate and urban development

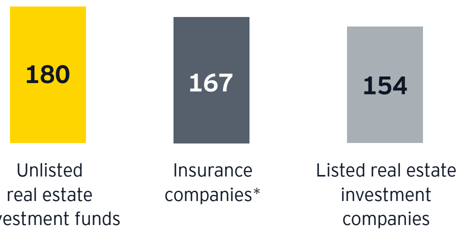
The real estate and urban development sector represented 10.8% of GDP and 2.1 million jobs in France in 2017

The sector includes 100 professions spread over eight interconnected sectors:



Source : Real Estate & Urban Employment Monitor, 2019, EY / Fondation Palladio / Business Immo.

GAV (gross asset value) portfolio of the three largest investment property players in France at 31 December 2018 (€bn)



* Total direct and indirect investments, including holdings in AIFs and SIICs.

Sources: ASPIM / AMF, FFA and IEIF.

€17.4b

Real estate acquisitions by unlisted funds in France in 2018, out of a total of €32b invested in commercial real estate in France

Sources: EY, BNP Paribas Real Estate, EY analysis.

The Cloud City, Villeneuve-d'Ascq
Unofi Gestion d'actifs, © UNOFI-GESTION D'ACTIFS

Within this sector, which created 55,000 jobs in 2017 (one in five jobs created in France), **unlisted real estate investment funds are the leading player in investment property**.

With a GAV (gross asset value) amounting to €180bn as at 31 December 2018, the funds represent 40% of the GAV (gross asset value) owned by the three largest components of investment property in France.

Capital and operational expenditures incurred in 2018 will make it possible to create or maintain 43,000 jobs in the real estate and urban sector in France

Every year, real estate funds invest €578m to maintain their portfolio, but also to completely restructure certain assets.

This particularly applies to new acquisitions, a significant proportion of which are made off-plan (€2.6bn), contributing directly to the financing of the construction of new buildings.

Real estate investment funds are therefore major direct and indirect funders of the other players in the real estate and urban sector: architects, engineers, real estate experts, developers, builders, marketers, property and facility managers. These are all local jobs, which cannot be relocated and which are mobilized all year round by the sector.

> Our logic is one of long-term asset ownership. When we acquire an asset, we mobilize our partners to restructure it in depth and upgrade it. Our objective is to ensure that the building always meets the highest standards.
>
> ASPIM member

43,000

Jobs created and maintained in the real estate and urban sector in France through capital and operational expenditures incurred by unlisted real estate funds in 2018

Sources: EY analysis.

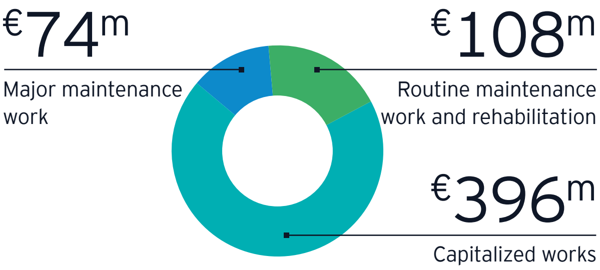
€2.6b

Sales before completion acquisitions in France in 2018

Sources: EY analysis.

€578m

of works undertaken each year on buildings located in France



Sources: EY analysis.

2

Long term partners of the French regions

Féron Vrau, Lille – Swiss Life Asset Managers France, © Swiss Life Asset Managers France

Centre commercial, Aulnoy-lez-Valenciennes – BNP Paribas REIM France, © Meero

53% of the portfolio is located in the French regions

The assets held by real estate investment funds are to be found in a variety of locations, in France and Europe. It is noteworthy that more than half of them are located in the various French regions outside Paris Region.

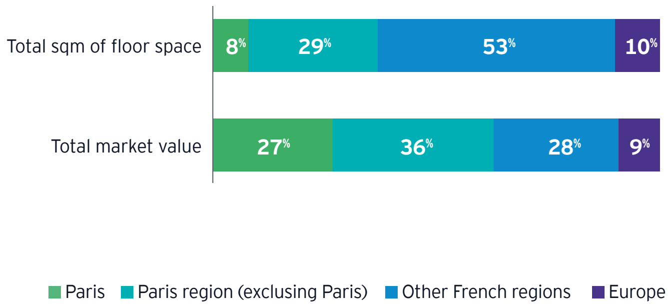
Commercial premises are mainly located in the regions (74%) as are warehouses, business and industrial premises (64%). This is also the case for tourist facilities (53%).

Conversely, two-thirds of the offices owned are concentrated in Paris Region.

The majority of housing assets are located in the Paris Region: while 18% of the French population lives in the region, 53% of the housing owned is located there. This is explained by the choice of the sector's leaders to focus their housing strategy on the most needy regions, of which the Paris region is a recurring example.

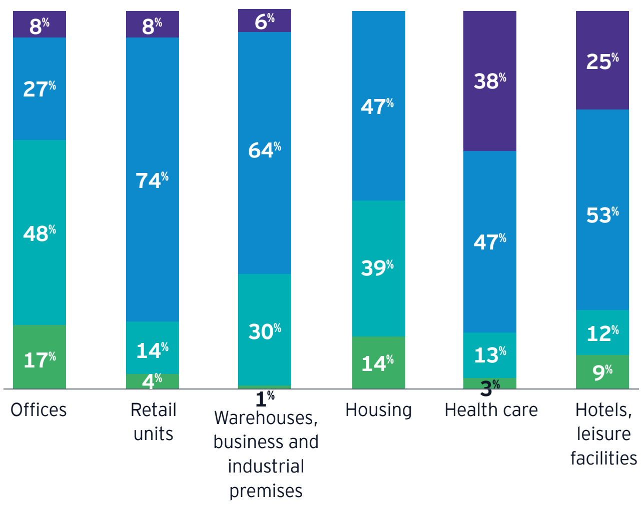
Health care establishments and hotels are the two most asset value outside France. For the experts interviewed, this market is indeed more mature abroad for historical reasons.

Geographical location of the real estate assets held by French real estate investment funds at 31 December 2018



Sources: EY analysis.

Geographic location by asset class (in sqm)



The activities of the funds are based in diverse locations

SCPIs are not limited to large metropolitan areas

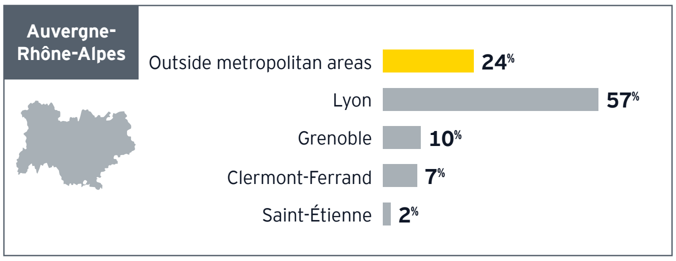
In the real estate investment market's top three regions excluding Paris region, between 24% and 40% of assets are located outside metropolitan areas.

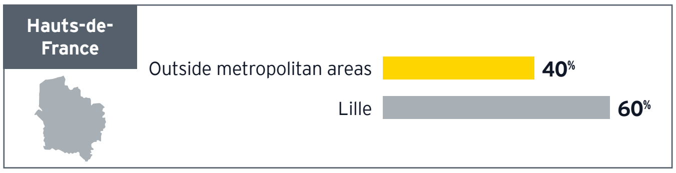
In Auvergne-Rhône-Alpes, three-quarters of the assets held by SCPIs are located in one of the region's four metropolitan areas.

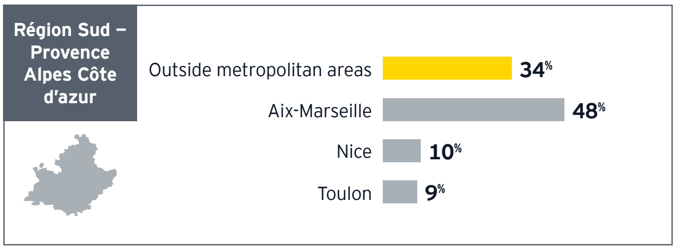
This concentration is less marked in Hauts-de-France and in Région Sud (PACA). 40% of the assets held by SCPIs in the Hauts-de-France region are located outside Lille metropolitan area. In Région Sud, 34% of the assets held are located outside the metropolitan areas of Aix-Marseille, Nice and Toulon.

Promenade des Pyrénées, Pau – BNP Paribas REIM France,
© BNP Paribas REIM France

Location of assets held by SCPIs in the metropolitan areas of three French regions





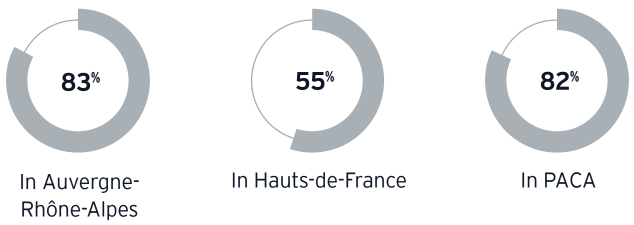


Sources: Meilleure SCPI / ASPIM and EY analysis.

The SCPIs have a fine network covering France

SCPIs hold assets in 83% of cities with more than 20,000 inhabitants in Auvergne-Rhône-Alpes. The figure is similar in the Provence-Alpes-Côte d'Azur region, and lower (55%) in Hauts-de-France.

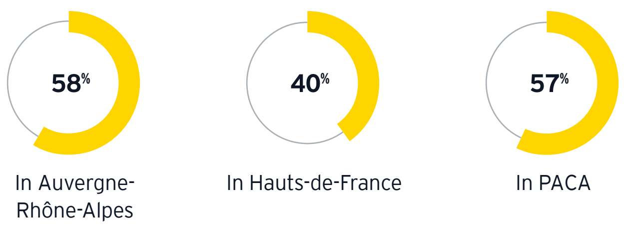
% of cities with more than 10,000 inhabitants where SCPIs hold real estate assets



Sources: Meilleure SCPI / ASPIM and EY analysis.

The figures decrease when cities with more than 10,000 inhabitants are taken into account, but show that investment funds have a strong local presence in the regions: SCPIs are present in more than one out of two cities with more than 10,000 inhabitants in the Auvergne-Rhône-Alpes and Provence-Alpes-Côte d'Azur regions, and 40% in Hauts-de-France.

% of cities with more than 20,000 inhabitants where SCPIs hold real estate assets



Sources: Meilleure SCPI / ASPIM and EY analysis.

Résidence Bento Serra, Saint-Jean de Vedas – Ampère Gestion, © Ampère Gestion

Leaders wish to diversify their investments in the French regions to contribute to the mixed-use business districts of tomorrow

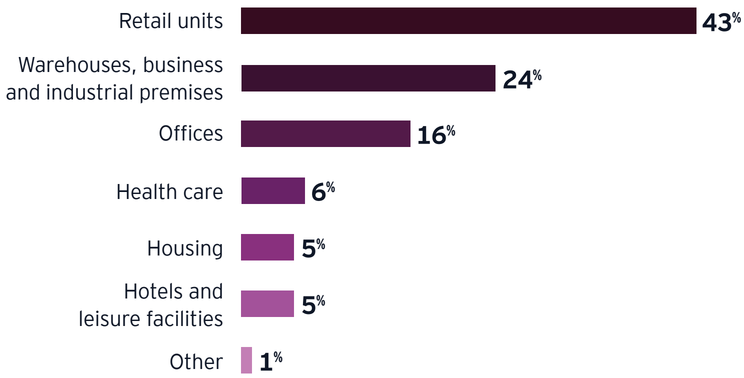
There are historical reasons for the strong presence of real estate investment funds in the French regions, particularly in commercial premises, business premises and warehouses.

SCPIs are proud to confirm that they supported the development of regional cities at the end of the 20th century (sometimes through regional SCPIs), when listed property companies and insurance groups would have oriented their investment strategy more towards the Paris region.

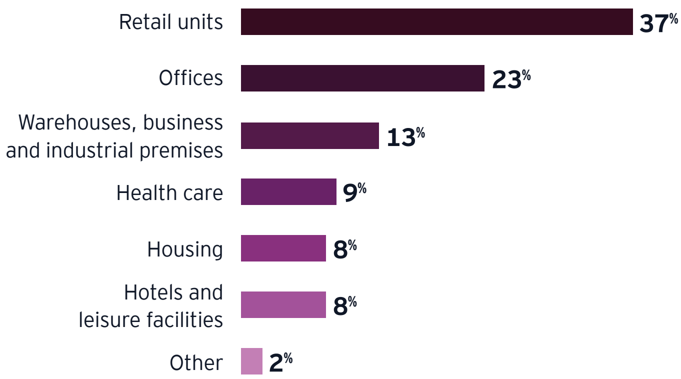
The SCPI business model, characterized by risk control, has justified investing in more diversified assets in the regions. In the event of a crisis, such assets are less exposed to the risk of deterioration in property value than in the Ile-de-France region.

The business leaders interviewed expressed their desire to support the current process of metropolization in France and Europe, particularly through the development of new mixed-use business districts in regional cities.

Breakdown according to sqm by asset class of the portfolio held by real estate investment funds in France excluding Paris region



Breakdown according to value (€) by asset class of the portfolio held by real estate investment funds in France excluding Paris region



Sources: EY analysis - data as at 31 December 2018.

Tour la Marseillaise, Marseille – Swiss Life Asset Managers France, © Jérôme Cabanel

Point of view

Cédric Roussel

Member of Parliament for the 3rd constituency of Alpes-Maritimes

How would you assess the impact of real estate investment funds on the French regions?

Above all, I note a significant influence on development and economic attractiveness. Real estate investment funds represent an essential lever for financing commercial real estate such as offices and shops. They also stimulate construction through their numerous off-plan acquisitions, which contributes to the creation or sustainability of regional jobs that cannot be relocated elsewhere. This regional anchoring is reinforced by the fact that management companies tend to keep their assets for a long time and thus become familiar contacts for local authorities with whom relationships of trust can be established. Buildings remain in good condition because these companies make sure that they take care of their assets, any work is done sufficiently in advance, particularly regarding energy performance issues. Finally, for several years now, I have been seeing an increasing momentum in the financing of assets with high social utility, such as senior or student residences.

You have made several proposals to the National Assembly to improve the impact of real estate investment funds on society. What do you think are the main prospects for the sector?

As a former independant financial advisor, I know the benefits of collective investment products. In particular, I am aware of the advantages of SPCIs and OPCIs with a view to preparing for retirement, an essential matter for consideration to compensate for the fall in the standard of living following the end of professional activity. In this respect, real estate investment funds play a societal role from the investor's point of view. As a Member of Parliament, I am particularly interested in the impact of these funds on cities and the resulting economic attractiveness, as can be seen in the Côte d'Azur region that I represent. I am convinced that these vehicles could effectively contribute to the financing of other types of assets useful to the community. I am notably thinking of the co-working facilities that contribute to reducing commutes and thus make life easier for our fellow citizens while reducing greenhouse gas emissions. Above all, I would like to see real estate investment funds contribute more to the financing of housing, especially in the middle market and in areas with housing shortages. The financing of certain types of infrastructure on an ancillary basis could also be useful and economically relevant.

As a Member of Parliament, what do you expect from real estate investment funds today?

The energy transition is a priority objective for our country and real estate investment funds are a key tool for its success. This is an environmental necessity and a high expectation on the part of citizens. It requires not only energy renovation, but also a proactive policy on the composition of the portfolio and vigilance regarding building standards. I also mentioned residential housing, which would benefit greatly from being part of a collective management approach, from the point of view of both the tenant and the fight against derelict housing and global warming.

Place Massena, Nice – Shutterstock, © Sergey Dzyuba

Investment dynamics persist in Paris region

Nearly 90% of the assets located in the Ile-de-France capital region are commercial real estate.

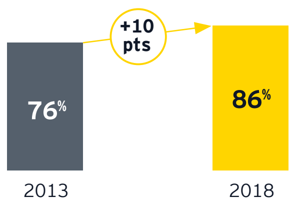
The majority (55%) are offices. This characteristic is even more pronounced in central Paris, where offices represent nearly two thirds of the commercial real estate owned.

The region continues to be oriented towards office and retail properties: 86% of SCPI assets in the Paris region consisted of office and retail assets in 2018, versus 76% in 2013.

The scarcity of available assets and price increases in central Paris are encouraging management companies to invest increasingly in the first and second rings of suburbs around the city.

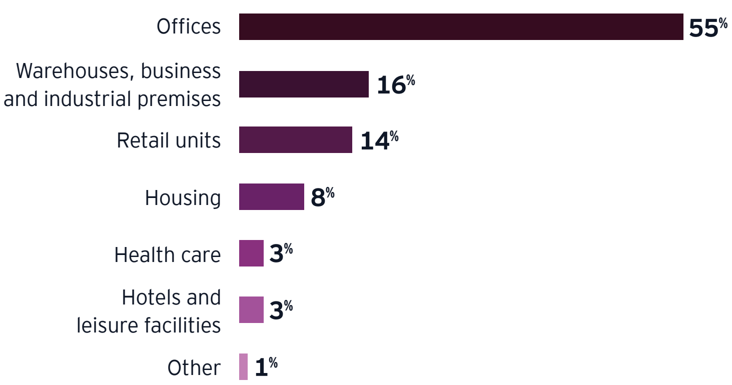
Some management companies are also launching funds specializing in Greater Paris projects. Others choose to convert funds historically focused on the center of the capital to Greater Paris instead.

Share of office and retail assets in the Ile-de-France portfolios of SCPIs (in sqm)



Source: EY analysis.

Breakdown by asset class of the real estate portfolios held by unlisted real estate investment funds in Paris region (in sqm) at 31 December 2018



Sources: EY analysis.

Cœur Défense, Paris La Défense – Amundi Immobilier, © MyPhotoAgency

Rue des Abbesses, Paris – Sofidy, © Sylvain Bardin, Philippe Cabaret

The sector is an active tax contributor to regional authorities

As local players, real estate investment funds paid more than €1.8bn in taxes to French local authorities in 2018.

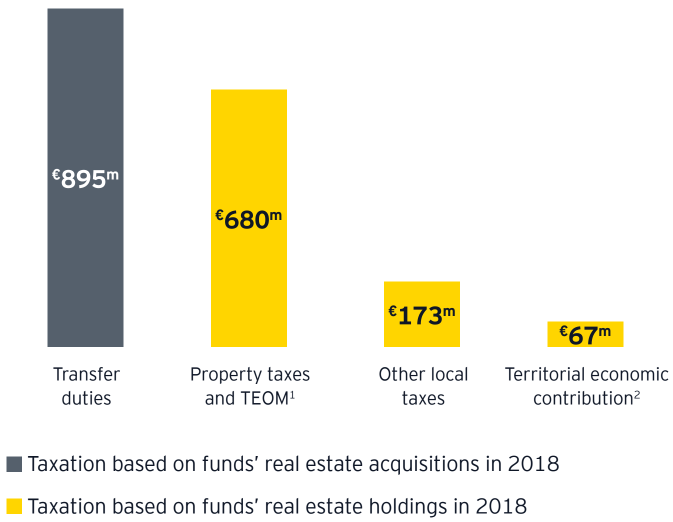
Half of this amount corresponds to regular contributions, since they are based on the ownership of real estate assets.

The other half is one-time contributions, since they are registration fees for real estate acquisitions in the year in progress.

€1.8[b]

Total local tax contributions paid by unlisted real estate investment funds in France in 2018

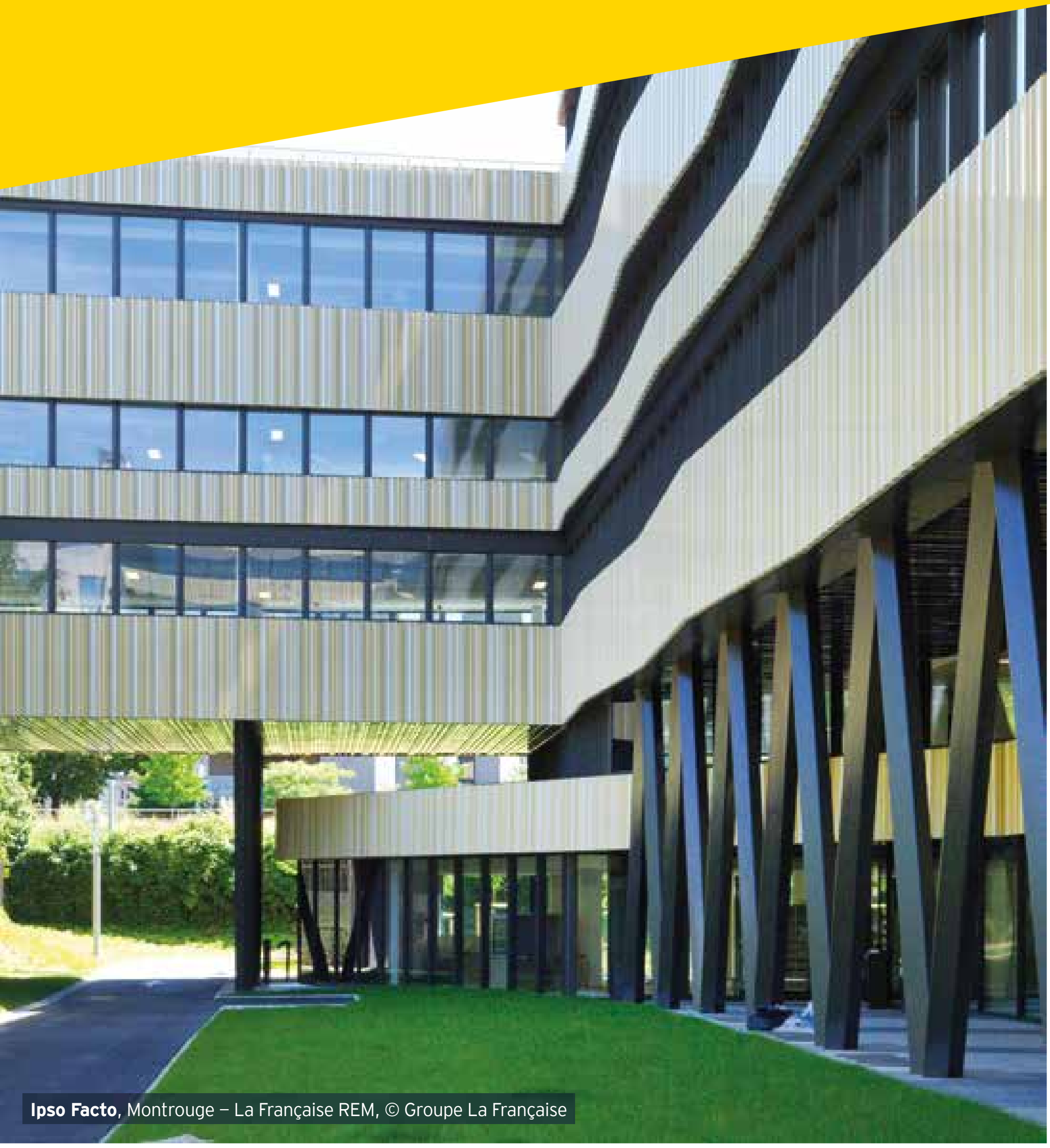
Breakdown of local taxes paid by unlisted real estate investment funds in 2018



Sources: EY analysis.
1 TEOM : household waste collection tax.
2 CET : CFE and CVAE.

3

Companies at the heart of many societal and environmental challenges



Ipso Facto, Montrouge – La Française REM, © Groupe La Française

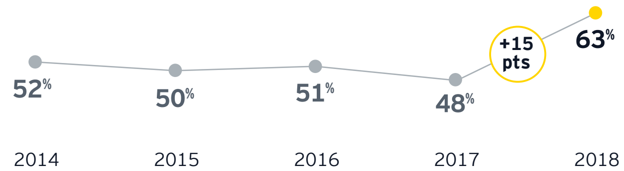
The sector is mobilizing for socially responsible investment

At the initiative of professionals, and under ASPIM leadership, the "SRI real estate" official certification should be introduced by the end of 2019. It is adapted to unlisted real estate funds and its objective will be to support these initiatives in a context where environmental and societal criteria are increasingly taken into account when determining the value of an asset.

Three main trends are at work and constitute a powerful driving force for the acceleration of SRI (socially responsible investment) or ESG (environment, social, governance) initiatives within real estate investment funds:

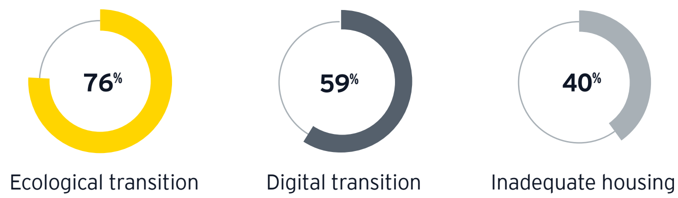
- Tenants are increasingly concerned about deploying a responsible real estate policy in line with their CSR strategy.
- Growing awareness among both individual and institutional investors on investing in environmentally and socially responsible products.
- The continual search to optimize tenant fees and the resulting desire to reduce energy consumption.

Percentage of French people who place "significant" importance on the environmental and societal impacts of their investment decisions



Source: "Les Français et la finance responsable" (IFOP for Vigeo Eiris and the Forum for Responsible Investment, 2018)

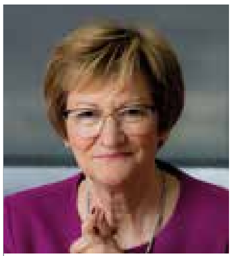
Top three global challenges that innovation in the real estate sector must help solve



Source: Real Estate & Urban Employment Monitor (EY, Fondation Palladio, Business Immo, 2018).

Ampère E+, Paris La Défense – La Française REM, © Laurent Kariv et Charly Broyez

Point of view



Nicole Notat

former Secretary General of the CFDT,
President of the Comité du Label SRI,
President of Vigeo Eiris

What are the main results of your study on the French and SRI?

The survey, which was conducted for the ninth consecutive year, confirmed a growing interest in responsible finance among French people. 63% of them place a high priority on environmental and social impacts in their investment decisions. Despite this interest, they say that the SRI product offer remains under-promoted by financial institutions and the concept of SRI is little known by the majority of French people. Although the figure is rising, only 5% of French people say they have already invested in an SRI fund.

Could you tell us about the benefits of SRI certification in real estate?

The real estate sector is obviously very much concerned by the formalization of SRI approaches and I understand that more and more players in the sector are getting involved. The stakes are high for buildings (renovation or construction). The World Economic Forum estimates that real estate in the broad sense accounts for about 40% of the world's primary energy production. This is a sector particularly concerned by the CO_2 issue. Obviously, this is not the only issue at work. In social terms, Eurostat also notes the issue of accessibility to housing, which is an issue of concern for stakeholders in the sector.

The professionals presented to the Comité du Label their objectives and the approach that supports real estate funds in obtaining certification. These proposals were very well received. The final decision now rests with the Minister.

It should be recalled that the creation of French SRI certification, under the impetus of the Government, is intended to support the wish of individual savers to give meaning to their savings. The SRI Real Estate certification will help to give them more confidence in their choices.

For the next few years, what advice would you give to those working in real estate investment?

When a company makes responsible or sustainable investments, it is always in the name of the investor's fiduciary responsibility. This is not a moral or philanthropic approach. This approach is developing because companies themselves are called upon to take on their own social and environmental responsibility. This is based on the conviction of business leaders that it is necessary to be aware of the impact of their activity.

These social and environmental initiatives are attractiveness factors for the brand, products and services, and all this ultimately creates renewed trust with all stakeholders. In the end, this approach is a source of innovation and competitiveness. It is not exercised on the margins of the company's activity and that is what investors are interested in: this approach being an integral part of the company's strategy.

Immeuble Canopée, Guyancourt – Sofidy, © Sofidy

Management companies are getting involved in responding to the climate challenge and energy transition

Climate change and energy transition are the leading challenges facing the real estate and urban sector. Buildings are the main source of final energy expenditure (45%) and account for more than a quarter (27%) of CO_2 emissions in France.

With nearly 30% of assets already certified or rated based on environmental criteria, real estate investment funds have taken up this challenge.

The monitoring of the environmental performance of assets is starting to become more systematic. Half of the funds have set up monitoring indicators for their assets' energy consumption. More than a third have done so for resource and waste monitoring as well.

The objective is now to go faster and further, and to make the most of the experience and know-how acquired by the sector in the transformation and upgrading of assets, particularly at a time when the rehabilitation of real estate will be one of the main challenges for the sector in the years to come.

27%

Percentage of rated or certified (HQE, BREEAM, LEED) assets held by unlisted real estate investment funds

Source: EY analysis.

49%

of unlisted funds have a monitoring indicator for the energy consumption of their assets

36%

of unlisted funds have a monitoring indicator for resources and waste

Source: Baromètre de l'immobilier responsable (OID, 2019).

"

For us, it is impossible to buy an asset certified HQE or BREEAM because the acquisition cost is much too high. So our strategy is different: we transform the buildings we buy. On average, we are able to reduce the energy consumption of our buildings by 40% eight years after their acquisition.

ASPIM member

Helis, Vélizy-Villacoublay – Perial Asset Management, © Perial AM

Health care facilities, student residences, senior residences: investment diversification is accelerating

In addition to SRI/ESG initiatives, the sector is adapting its strategy to meet the new needs of populations and to better support people throughout their lives.

As a result, real estate assets are diversifying into new asset classes, sometimes through the creation of thematic funds. This shift particularly concerns retail investors' funds. According to the professionals interviewed, retail investors' OPCIs (which are continuing their development phase) contribute significantly to this.

The health care sector is the fastest growing asset class. Nearly absent from portfolios five years ago, it now represents the equivalent of 200,000 beds throughout Europe.

In addition to student residences, senior residences and hotels, some funds would like to position themselves in other classes of public interest assets (schools, day care centers, even prisons) but they face intense regulatory constraints in many European countries.

Share of health care facilities in the value of the real estate holdings of unlisted real estate investment funds

x3

Growth in the stock of hotel and leisure facility real estate (by value) owned by unlisted real estate investment funds between 2013 and 2018

Sources: EY analysis, OPCI studies, AFG / ASPIM (2013 and 2016).

Business leaders believe that in the future the sector could play a more important role in the housing market

In recent years, the share of housing in fund portfolios has remained stable or even declined slightly depending on the type of funds.

Although the share of residential assets in the value of OPPCI's real estate stock has increased slightly (6% in 2018 compared with to 5% in 2013), it has decreased for retail investors' funds (4% in 2018 compared with to 12% in 2013).

This change is primarily due to the liquidation of tax SCPIs (Malraux, Robien) which have reached the end of their lifespan. This disappearance of tax-rebate SCPIs highlights the importance of developing new investment channels to finance middle-income housing and having a legal and tax framework to guide fund-raising on this type of asset.

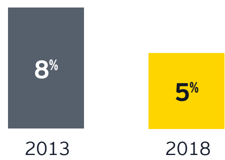
Business leaders believe that, provided an appropriate framework is in place, investment funds can make a significant contribution to the objective of building housing in areas with housing shortages and renovating existing housing stock.

The sector is now engaged in the creation of a new type of fund specialized in residential housing, in order to put forward a new long-term solution allowing the financing of rental housing through household savings.

€11.5b

Value of housing stock owned by unlisted real estate investment funds at 31 December 2018

Share of residential assets in the value of the real estate holdings of unlisted real estate investment funds



Sources: EY analysis, IEIF directories, OPCI studies, AFG / ASPIM (2013 and 2016).

Résidence ADOMA, Saint-Dizier – Ampère Gestion, © Tim Platt

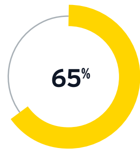
Business leaders call for making better use of management companies' advantages in light of the challenges of financing pensions in France

Unlisted real estate investment funds contribute indirectly to the social security coverage of French citizens through three main products:

- SCPIs: 750,000 individuals (or 3% of French households)[1] hold shares and receive regular additional income, making it possible to supplement pensions in particular.
- Retail investors' OPCIs, via life insurance contracts underwritten.
- OPPCIs: with 47% of the assets held by insurance companies, mutual insurance companies, banks and pension funds,[2] OPPCIs are indirectly at the service of subscribers to assurance, health insurance and bank loans.

Given the challenges of financing retirement in France and the benefits offered by the funds (promise of low volatility and more profitable income than other savings products, in an environment regulated by the authorities), the business leaders stress the importance of increasing awareness of the sector and its savings solutions, both among individuals and retail networks (particularly banks and insurance companies), which are all viable channels to the end customer.

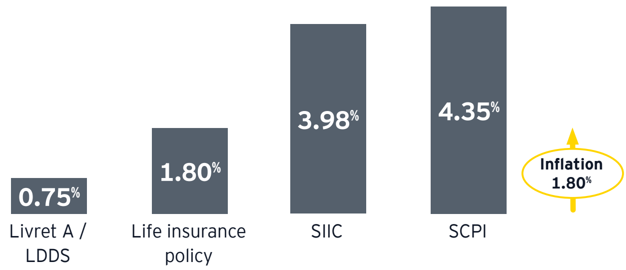
1. Source: INSEE.
2. Source: Directory of OPCIs (IEIF).



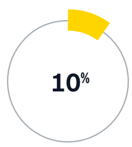
of French citizens are convinced that they must finance their retirement themselves, **i. e., +25 points in one year**

Source: Baromètre de l'épargne immobilière, IFOP-PERIAL (2018).

Rate of return of different mechanisms in 2018



Sources: SCPI Directory, IEIF (2019), "Une assurance engagée dans un monde qui change", FFA (2019), INSEE.



of the French people have an accurate understanding of SCPIs

Source: « Les Français et les SCPI », ODOXA-LINXEA (2018).

750,000

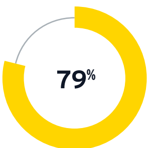
SCPI shareholders as at 31 December 2018

Source: Meilleure SCPI, "Les SCPI de rendement, chiffres 2018 et perspectives 2019".


Shutterstock.com, © wavebreakmedia

M², Le Bourget – Perial Asset Management, © Perial AM

Real estate investment funds are turning to new practices



of real estate managers in France have implemented an innovation over the past 12 months (innovative product or process, new service, new way of working, etc.)

Source: Real Estate & Urban Employment Monitor 2019, EY, Fondation Palladio, Business Immo.

Real estate investment funds are altering buildings and their management methods to integrate new practices and digital innovations.

Needs, technologies, practices: within the real estate and urban sector, transformations come increasingly quickly and in ever higher numbers. The sector must innovate regularly to successfully evolve in a context where Real Estate as a Service is taking shape and is reflected in business models and service offers.

The investment fund sector is not immune to these profound changes. Business leaders are aware of the discussions taking place in funds throughout the real estate sector in France:

- Changes in working methods (flex office, co-working, digital innovations, etc.) which raise the question of development models which have been in use for several decades, such as 3-6-9 year leases.
- Flexibility in the use of buildings is increasingly becoming a valuation criteria, while the diversity of uses is essential in new urban areas.

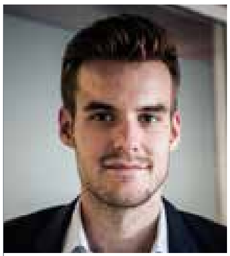
To speed up taking this new situation into account, the sector is adapting and questioning its business models, which will require going beyond the mere rental of premises to offering packages of services. Although the sector is currently subject to legal constraints that limit its ability to develop services, the experts interviewed agree on the need for management companies to continue evolving the development framework for these services.

10% to 20%

of investors' revenue could come from the provision of services by 2030

Source: " Les SIIC, construire la ville de demain", FSIF (2019).

Point of view



Robin Rivaton

CEO of Real Estech

Tell us about Real Estech's activities.

Real Estech is an association created in 2017 to promote innovation in real estate via conference cycles and meetings throughout France (50 events to date) and by creating content (annual surveys, expert reports, assignment for the Ministry). It now has 250 innovative companies as members.

How do you assess the maturity of unlisted management companies and investment funds in terms of digital transition and new practices?

Management companies and unlisted investment funds have not been pioneers in real estate innovation. I see three reasons for this: less exposure to users' needs; a structural imbalance between supply and demand that prioritizes location over other aspects of real estate; and smaller staff numbers than other players such as listed property companies or developers. They are not always able to support a team dedicated to innovation. Nevertheless, over the past two years, the change has been made by most of the major players with research into software that can help in investment decision-making, management and even new practices.

What do you recommend to help management companies and unlisted investment funds to move faster, stronger and further toward digital and new practices?

I think that the movement launched in recent years will continue to expand. First, it must be recognized that innovation is not necessarily expensive and can lead to substantial savings when it results in productivity gains and frees up team time. I am thinking in particular of software to manage assets more simply and legibly. Data migration can be a problem at first, but the return on investment is fast.

Tour Oxygène, Lyon – AEW Ciloger, © Jean FOTSO/Clan d'œil.fr

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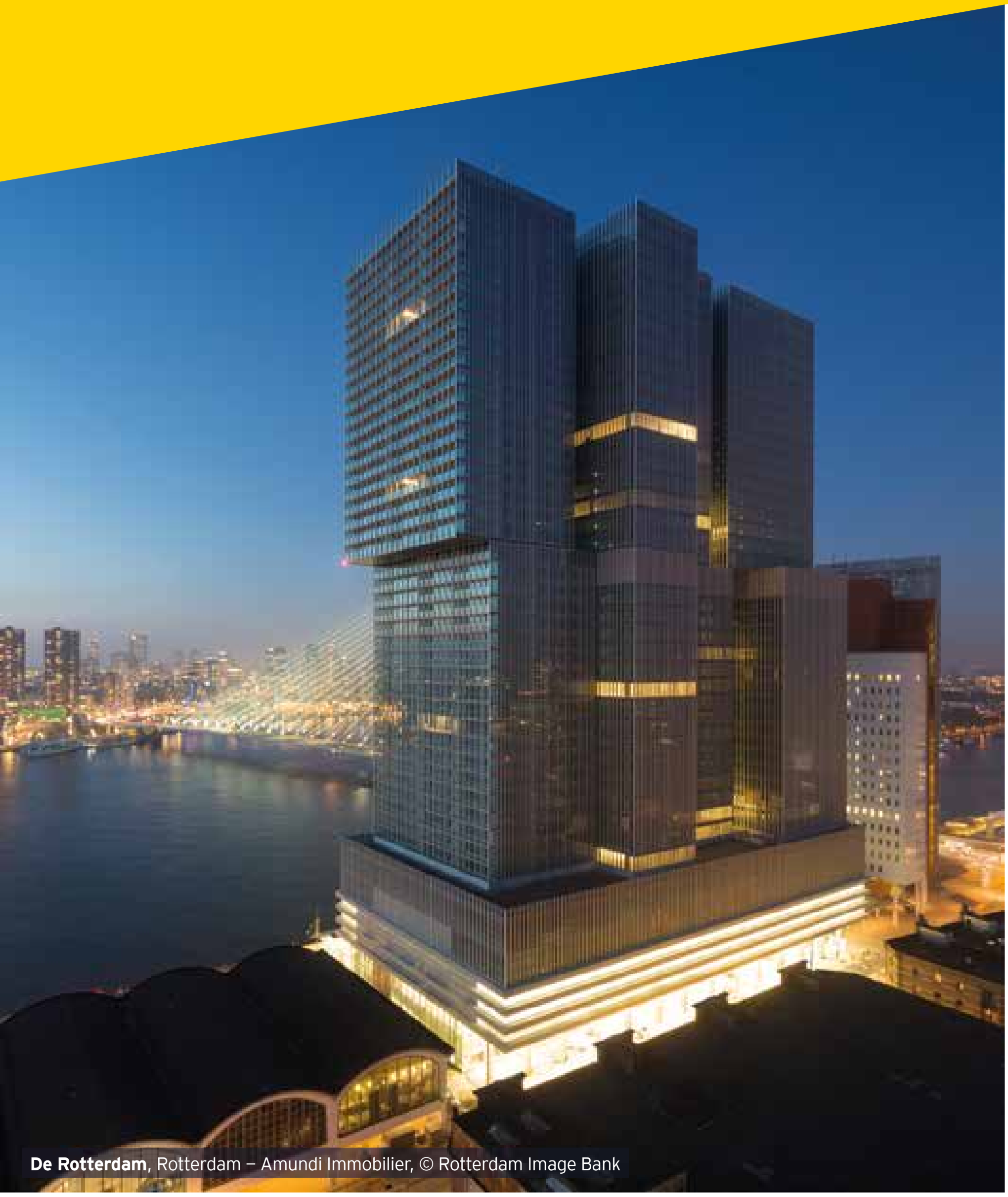
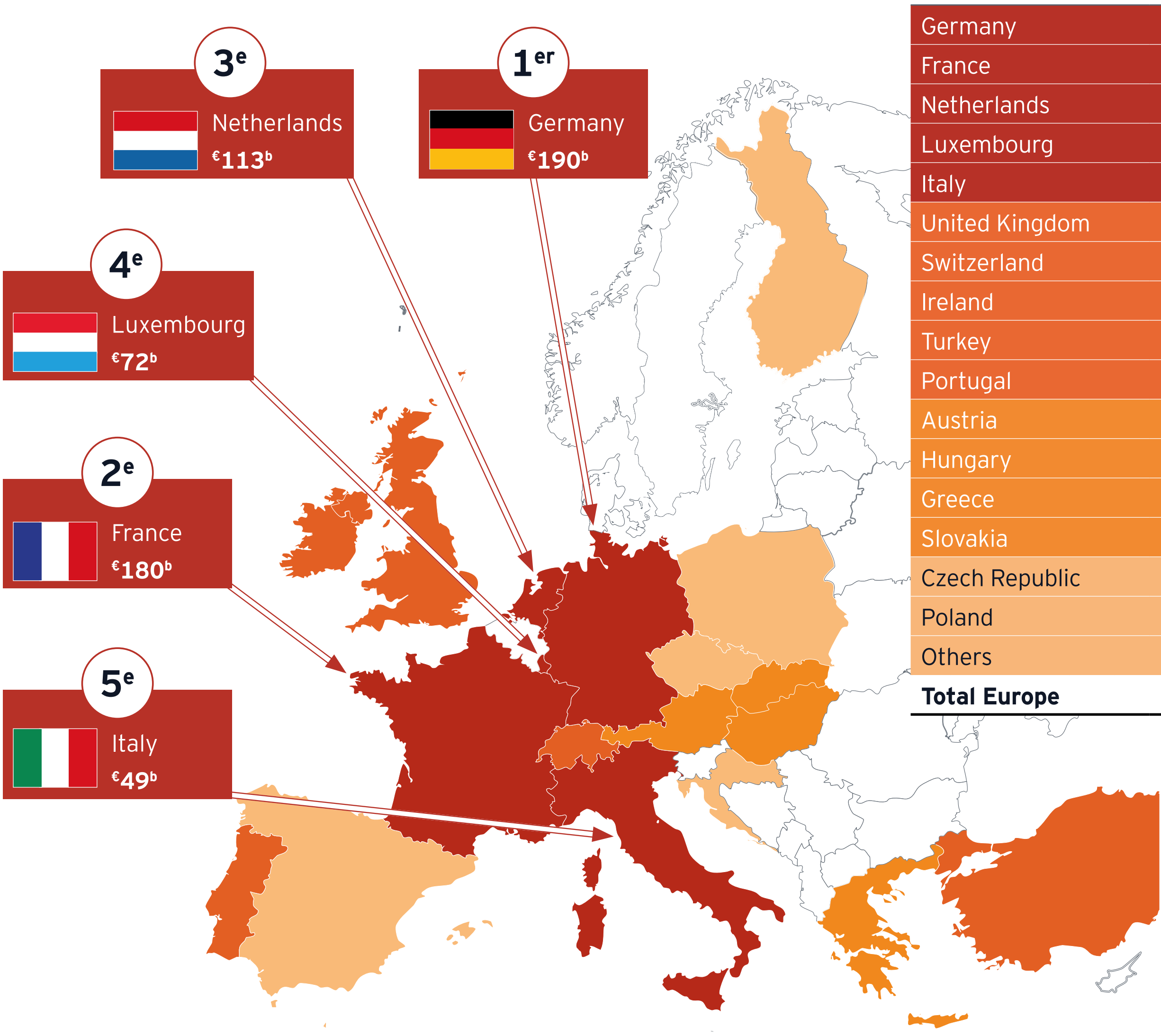
French unlisted real estate investment funds are among the leaders in Europe



De Rotterdam, Rotterdam – Amundi Immobilier, © Rotterdam Image Bank

France is the second-largest European market for unlisted funds, after Germany

Asset value of unlisted real estate investment funds in various European countries (2018)



Country	Asset value (€b, 2018)
Germany	189.8
France	180.0
Netherlands	113.0
Luxembourg	71.9
Italy	49.5
United Kingdom	28.8
Switzerland	23.1
Ireland	14.2
Turkey	12.8
Portugal	10.6
Austria	8.3
Hungary	5.1
Greece	3.4
Slovakia	1.3
Czech Republic	1.2
Poland	0.5
Others	1.6
Total Europe	**715.4**

Sources: EFAMA, ASPIM / IEIF, AMF.

French funds show the second-strongest growth in Europe among the main markets

Over the 2013-18 period, the GAV (gross asset Vvalue) of SCPIs and OPCIs more than doubled (+141%).

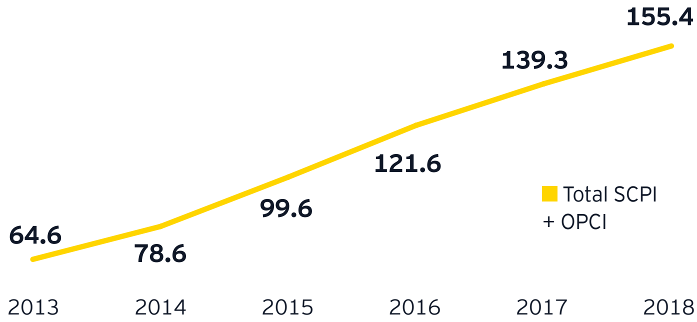
Among the top 10 in Europe, SCPIs and OPCIs recorded the second-best growth in asset value between 2015 and 2018 (+15% per year on average).

The sector managers interviewed by EY professionals explain the growth of French investment funds in Europe by both historical and economic factors:

- In some countries, such as the United Kingdom, real estate investment funds are more often listed than in France or Germany.
- In France, the success of SCPIs with individuals can be explained by the levels of return offered and the regulated, secure investment framework. The level of entry tickets for some SCPIs (a few hundred euros) also contributes to making it a relatively accessible product.
- In France, the creation of OPCIs (notably professional structures) in 2007 gave institutional investors new tools, thus creating a new market.
- More generally, the recovery of France's attractiveness in 2017, especially that of the Paris region[1] may have contributed to this dynamic, according to the experts interviewed.

1. EY France Attractiveness Survey, 2018.

Changes in gross assets of SCPIs and OPCIs (€b)



Sources: ASPIM - IEIF (EY restatement).

Average annual growth in real estate investment funds' asset value between 2015 and 2018

Top 10 countries	Average annual growth
Luxembourg	+19%
France*	+15%
Ireland	+12%
Germany	+11%
Netherlands	+7%
Italy	+7%
Switzerland	+5%
Portugal	-2%
United Kingdom	-6%
Turkey	-7%
Total Europe	**+10%**

Source: EFAMA.
* For France, AIFs by purpose are excluded from the calculation.

Université Européenne de Madrid, Madrid – Primonial REIM, © Victor M. Amez Rodriguez

Ink Hotel, Amsterdam – Amundi Immobilier, © Ink Hotel

Business leaders are ambitious to further Europeanize their investments in coming years

French real estate investment funds are currently in a period of geographical diversification of investments. For the professionals interviewed, it would be best for this movement to continue in order to:

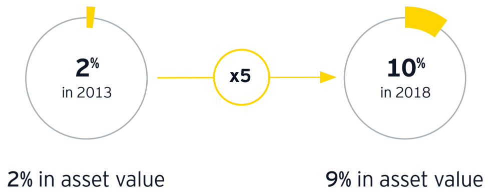
- **Exploit a larger asset pool** and respond to the saturation of the investment market in France, and potentially in Europe in the medium term.
- **React appropriately to the strong growth in the amounts placed in** real estate investment funds.
- **Reduce risk levels** by locating activities in countries exposed to different economic cycles and conditions.

As a result, some French funds are expanding to the European level, and this trend is on the rise. Countries where real estate funds have historically had a limited presence (Croatia, Czech Republic, etc.) are also involved. In 2018, 31% of the investments made by SCPIs took place at the European level,[1] as compared with to 15% in 2015.

In Europe, French real estate funds invest particularly in alternative asset classes that have not been tried in-depth in France. More than a quarter of the real estate held abroad is health care residences.

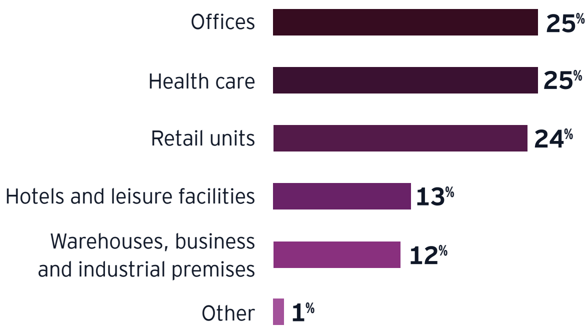
1. ASPIM / IEIF source, Meilleure SCPI.

Percentage of assets held by unlisted real estate investment funds in Europe excluding France (in sqm)



Sources: EY analysis, OPCI studies, AFG / ASPIM (2013 and 2016).

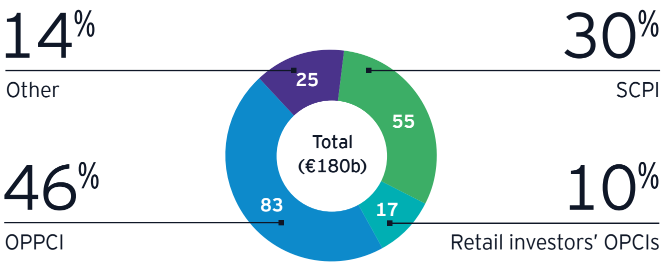
Breakdown by asset class of the real estate portfolio held by French unlisted real estate investment funds in Europe (in sqm) as at 31 December 2018



Sources: EY analysis.

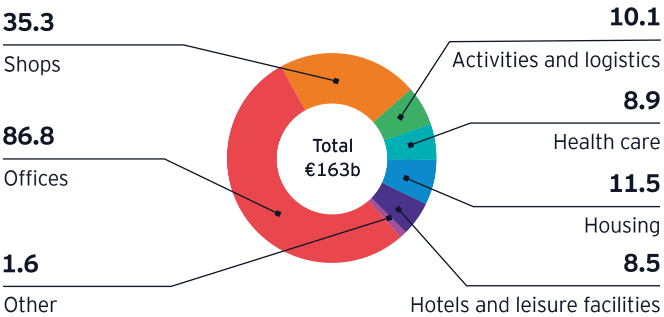
Study methodology

Breakdown of the asset value of unlisted real estate investment funds by product at 31 December 2018 (€b)



Sources: ASPIM / AMF, IEIF.

Breakdown by value of the real estate portfolio as at 31 December 2018 (in €b)



Detailed methodology

Determination of the total size of unlisted real estate investment funds

For SCPIs, retail investors' OPCIs and OPPCIs, the calculation of the total asset value was mainly based on the directories produced by the IEIF.

The size of other funds is determined on the basis of two sources: the collection of data by ASPIM from its members and the comparison of IEIF data with AMF data, which present the entire market for unlisted investment funds.

ASPIM coverage rate

ASPIM members represent 87.1% of the market for unlisted real estate investment funds. This rate varies according to the type of product.

This rate is determined for SCPIs and OPCIs on the basis of the directories produced by the IEIF, and by the data reported by ASPIM members for the other fund types.

Lacépède, Paris – Novaxia AM, © DTACC

Getting a picture of the real estate portfolio held by real estate investment funds

Funds' real estate portfolios are quantified by means of an exhaustive inventory of the stock, management company by management company. Data was collected on market value and surface area owned, by type of product, in four location categories: central Paris, the rest of Paris region, other French regions and the rest of the world.

The data collection made it possible to identify the stock corresponding to 71% of the total asset value amount of unlisted real estate investment funds.

Extrapolation is carried out on a product-by-product basis, with reference to known values for the entire market.

Estimation of indicators relating to the use of assets

The estimation of indicators relating to the certification of building stocks, fund investments (acquisitions, works) and contributions to local taxation is based on the collection of additional data from management companies. This collection of additional data made it possible to gather information corresponding to 57% of the market.

The estimate of the number of jobs created or maintained in the real estate sector was based on standard INSEE-type ratios.

The estimate of the other indicators (number of employees housed, number of housing units, hotel rooms and EHPAD beds in the portfolio, etc.) is based on the surface area owned, by asset class. Gross floor space (SHOB) is converted into net floor space (SHON) by means of standard ratios observed by EY professionals. The indicators are then calculated via space occupancy ratios from public data (INSEE, French Ministry of Ecological Transition, French Ministry of Health, Atout France, etc.).

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Tour Hekla, Paris La Défense – Amundi Immobilier, © L'Autre Image

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ASPIM

The Association française des Sociétés de Placement Immobilier (ASPIM) promotes, represents and defends the interests of its members, the managers of alternative investment funds (AIF) in real estate (SCPIs, OPCIs and other AIFs invested in real estate). Founded in 1975, ASPIM is a non-profit association that brings together all the players in the field of unlisted real estate fund management. In France as at 31 December 2018, the Alternative Investment Funds (AIFs) in real estate (SCPIs, OPCIs, OPPCIs and other AIFs) manage a total asset value amounting to €180bn.

ASPIM has a total membership of 97, including 84 members who are Portfolio Management Companies (PMCs) for SCPIs, OPPCIs, OPCIs and other AIFs in real estate approved by the AMF, whether subsidiaries of banking, insurance, foreign property management or entrepreneurial groups, and 13 corresponding experts who are professionals in the real estate ecosystem (lawyers, consultants, auditors and experts).

In its relations with the French and international authorities in charge of matters of interest to its members, ASPIM defends and promotes the interests of investors in these funds and strives to demonstrate the contributions of this professional sector to the national economy.

In particular, in 2006 ASPIM helped originate the OPCI, a new investment product for individuals and institutional investors, and supported the recent reform of the legal framework for SCPI, when the AIFM Directive was transposed into French law.