

EDITORIAL

It is with great pride and responsibility that I write to you today as the new Chairman of ASPIM. Great pride, because this important role has been entrusted to me by my peers, to whom I extend my thanks for the trust they have placed in me. Great responsibility too, because in these challenging times, it will be more important than ever to make the voice of unlisted real estate funds heard in the interest of unitholders.

A lot has been accomplished and I would particularly like to thank Frédéric Bôl for his commitment over the last four years at the head of ASPIM. It is therefore appropriate for my term as Chairman to embody “change with continuity”.

By continuity, I mean consolidating the crucial work done by the Association to defend and represent the interests of its members and investors, to improve control over our data and to promote our economic and societal contributions, which all too often go unrecognised.

By change, I refer to areas that I believe will require special attention in the years to come, whether it be the regulatory side of product design and distribution, the European expansion of our funds’ activities, European sovereignty over data, particularly ESG data, or an ambitious and well-calibrated taxonomy. At the same time, the SRI label officially authorised in July will become a vital tool in the asset management activity.



Historically, our sector has always been at the forefront of ecological transition because we are keenly aware of the impact that real estate has on the environment. Very early on, we took environmental factors on board to spur positive action, driven in particular by Philippe Pelletier’s Grenelle Environment Forum and Sustainable Building Plan. The SRI label marks the beginning of a new formative stage, which is both ambitious and necessary.

In terms of method, I seek to blend consensus with efficiency during my term of office. Consensus, because we must draw on our rich diversity to unite as the standard bearers of real estate portfolio management. Efficiency, because that is what the Association owes its members and every investor in its funds. I will be the guarantor of this dual commitment. ASPIM’s team, led by CEO Véronique Donnadieu, will be the driving force behind these efforts.

JEAN-MARC COLY
Chairman of ASPIM

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Webinar calendar*

“The investment market in the 1st half of 2020”:
part 1 on 9 July with
BNP Paribas Real Estate
and part 2 in partnership
with CBRE on 16 July

“Le décret tertiaire” with
LexCity on 6 October

Coming soon...

“European sector news
and ASPIM’s activities”
with Fleishman Hillard
on 13 October

“The new real estate
SRI label guidelines”
with PwC on 16 October

* Reserved for members.

Jean-Marc Coly appointed Chairman of ASPIM



On 15 September 2020, ASPIM's Board of Directors appointed Jean-Marc Coly (Amundi) as Chairman to succeed Frédéric Bôl (Swiss Life AM), whose four-year term of office was coming to an end. A member of the Association for several years, Jean-Marc Coly joined Amundi Immobilier in September 2015 to manage real estate investments and assets, as well as the structuring and distribution of funds for retail and institutional investors.

ASPIM's Board of Directors also welcomed a new director: asset management firm Paref Gestion, represented by Ms Anne Schwartz.

See press release: www.aspim.fr/en

15 September 2020: ASPIM annual conference



ASPIM held its annual conference at the *Maison de l'Amérique latine* in Paris (7th arrondissement).

On 15 September, following its Annual General Meeting, ASPIM held its annual conference, on the theme: "The real estate sector, an actor for ecological transition: challenges and outlook".

To speak on this theme, the Association invited Marie-Claire Martel, a member of the Economic Social and Environmental Council Bureau and the Governance Committee of the

Citizens' Convention for Climate; William Aucant, an urban architect from Nantes and member of the Seloger group and the Citizens' Convention for Climate; and Charlotte Gardes, in charge of sustainable finance and climate risks at the General Directorate of the French Treasury.

The first two speakers were able to take stock of citizens' current expectations based on the proposals of the Citizens' Convention for Climate, in particular energy-efficient building renovation and soil artificialisation, while the Treasury representative provided detailed insight into the challenges associated with the European taxonomy for the real estate sector.

A replay of the conference and the presentation document are available on the ASPIM website: www.aspim.fr/en



ASPIM joins Finance for Tomorrow

ASPIM very recently joined Finance for Tomorrow (F4T), an initiative by Paris Europlace that brings together all players in the Paris financial centre who are committed to sustainable finance. F4T's goal is to massively redirect capital flows towards the energy transition by taking determined steps to strengthen synergies and public-private co-construction and by enabling the Paris financial centre to stand out for the quality of its products and its expertise in green and sustainable finance.

ASPIM becomes a member of the Bureau of the Sustainable Building Plan



Attached to the French Directorate General for Planning, Housing and Nature, the Ministry of Ecological Transition and Solidarity and the Ministry of Regional Cohesion and Relations with Local Authorities, the Sustainable Building Plan, chaired by Philippe Pelletier, was launched in 2009 to promote the achievement of energy-efficiency and environmental goals.

Its main objectives are to:

- reduce greenhouse gases by 40%;
- increase the share of renewable energies to one third of energy production;
- halve energy consumption by 2050;
- build new buildings with high energy and environmental performances;

- promote large-scale energy-efficient renovation;
- better control consumption related to specific behaviours and uses of electricity.

New members

ASPIM is pleased to welcome the company Mindston as a new member, as well as two new corresponding experts, the law firms Jeantet and Goodwin Procter.



Report on the “Liquidity of French real estate funds”

ASPIM commissioned an independent report from Pierre Schoeffler on the liquidity of real estate funds open to the public in France. The aim is to obtain a long-term historical perspective on the “behaviour” of real estate funds open to the public in terms of liquidity. Given the historical evidence available, the focus is mainly on SCPIs, but a current review of OPCIs is also included. The overall assessment is positive and has now been clearly established by this report.

Moreover, it was important to offer a comparative perspective at the European level, given the various real estate fund models in use across Europe and the latest developments in this area at the level of the European regulators and supervisors.

Read the report: www.aspim.fr/en

Involvement in discussions on “Long-Term Investment” as part of a Paris Europlace working group

The Paris Europlace “Long-Term Investment” working group, to which ASPIM contributes, aims to propose three specific measures to benefit the financing of French companies: promoting tax-exempt intergenerational donations in return for equity investments in SMEs/mid-caps, encouraging this type of investment through an exceptional tax deduction, and encouraging the development of employee savings and employee share ownership schemes to channel additional savings into SMEs/mid-caps.

GREEN FINANCE

Publication of the real estate SRI label

After more than three years’ work by sector professionals, in consultation with the authorities, to propose a “real estate” version of the Ministry of Economy and Finance label (not applicable as it stood to real estate portfolios), the decree authorising real estate funds to obtain the French government SRI label was published in the *Official Journal* on 23 July 2020.

We know the figures: buildings account for 46% of final energy consumption in France, far ahead of transport and industry, and more than a quarter of greenhouse gas emissions. Real estate fund managers therefore have a major role to play in improving the stock of existing buildings. The label will enable professionals to formalise a stringent SRI approach, incorporating not only key environmental issues but also important social issues such as soft mobility, health, occupant comfort, and contribution to local development.

The label will also meet the expectations of savers who want to channel their savings into high-performance products with a positive impact. Lastly, it will give economic actors the means to respond to orders issued by public authorities. For example, the PACTE Act introduced an obligation for insurers to offer at least one SRI-labelled unit of account in all life insurance contracts from 1st January 2020. At the European level, the Commission has said that it wants to create labels to steer investors towards assets that promote ecological transition.

ASPIM, which led work on this benchmark for sector professionals, has joined the Committee to promote the SRI label alongside AFG (French asset management association) and FIR (responsible investment forum).

To find out more: www.aspim.fr/en

Report by MP Alexandre Holroyd

On 5 June, MP Alexandre Holroyd presented the former Prime Minister with his report, “*Choisir une finance verte au service de l’Accord de Paris*” (“Choose green finance to serve the Paris Agreement”). ASPIM, which had been interviewed, was mentioned in the report for its efforts to make real estate funds eligible for the SRI label.

The report presents 24 recommendations to put finance at the heart of the Paris Agreement.

Some of the recommendations are of particular interest to the sector, such as those in favour of a regulatory framework for extra-financial ratings at the European level and of making all energy performance diagnostics in France available in the form of Open Data.

The taxonomy applicable to the real estate sector – ASPIM's contribution

Published on 9 March 2020 in the *Official Journal of the European Union (OJEU)*, the taxonomy is intended to serve as a common language for sustainable finance, making it possible to redirect capital flows towards sustainable investments.

It involves a unified classification system at EU level that is common to all players in the financial sector, enabling them to determine what is “green” and what is not. It also provides a list of economic activities considered to be environmentally sustainable.

The taxonomy is the fundamental building block in the Commission’s action plan, on which other legislation can be based, in particular the “disclosure regulation” and the future European ecolabel for financial products, as well as communication between investors and asset managers who market “green” investment products (units in green funds).

Real estate is one of the eight key priority sectors to be singled out and analysed on the basis of their contribution to GHG emissions in the EU.

As regards the chapter on the “Acquisition and ownership of buildings”, while reiterating that these activities could well contribute to the “adaptation” objective, ASPIM went on to make a number of observations and recommendations:

- a best-in-progress approach, because it is important for the EU taxonomy to allow investments to be made in less efficient assets, while committing to improving their energy performance;
- renovation should be encouraged among real estate portfolio managers;
- transparency is required on the “Top 15% of the local market” criterion. In this respect, the taxonomy should include a transparency requirement for the reference methodology, in particular the geographical scope and asset classes included in the benchmark index;
- building acquisition and ownership activities can contribute to the “adaptation” objective.

The next step will be to contribute to the process for developing level 2 measures.

European Commission’s renewed strategy on sustainable finance – ASPIM highlights the main issues

Following the publication of the European “Green Deal” in December 2019, aimed at establishing the European Union’s strategy for green growth, particularly by setting the target of carbon neutrality by 2050, the European Commission, noting that the transition lacked sufficient impetus, decided to renew its sustainable finance strategy and opened a consultation last spring for that purpose.

In its response, ASPIM highlighted several issues to be addressed as a priority at the European level in order to create the necessary conditions for this transition among real estate asset managers:

- adapting regulations, standards and other labels to specific asset classes such as real estate by taking their specific characteristics into account, so that the asset managers concerned are better able to adopt them, thus broadening the impact sought by these standard-setting and/or incentive instruments;
- harmonising regulations, standards and other labels at the European level to make them easier to interpret for all stakeholders and to facilitate the development of pan-European ESG approaches;
- capitalising on existing ESG and SRI labels in different countries to define a minimum common foundation at the European level, so as to limit the risk of greenwashing while still allowing asset management companies to innovate and explore new ESG approaches;
- facilitating access to the ESG data needed to analyse the performance of real estate assets and develop ESG approaches in real estate;
- protecting the interests of European players and guaranteeing EU sovereignty over the ownership and use of ESG data;
- developing an EU-wide minimum standard for ESG assessments of real estate assets so as to guarantee the quality and appropriateness of ESG ratings communicated to investors.

Consultation on the “disclosure regulation” – ASPIM’s response

The European supervisory authorities (ESAs) ran a consultation ending on 1st September on the technical standards relating to the regulation on the transparency of sustainable investments (the “disclosure regulation”), which brings in new reporting obligations for investors and establishes harmonised EU-wide rules on transparency and non-financial communication.

ASPIM pointed out that, in addition to the cumbersome administrative procedures and problems with implementation deadlines that ESAs’ proposals generally generate, regardless of the type of asset manager concerned, these proposals raise very specific concerns for real estate management companies.

The indicators proposed are too numerous, poorly suited to real estate, and not relevant, since some of them do not exist in the sector. In view of this, ASPIM notes that they do not contribute to improving ESG performance and that other indicators would be more appropriate for the sector, such as indicators relating to biodiversity, social and ethical aspects.

Furthermore, it is important to ensure consistency with other sector regulations and, in particular, the taxonomy. ASPIM is also currently working on a proposal for a limited set of core indicators that are appropriate, clear and accessible to investors and consistent with the taxonomy.

Another proposal put forward by ASPIM involves implementing a transition period during which players could specify, with respect to certain indicators that they are in the process of implementing, that they agree to publish this information within three years.

Capital Markets Union – ELTIF

The new action plan involving the Capital Markets Union (CMU) was published on 24 September. It sets out the positions defended by ASPIM before the European institutions.



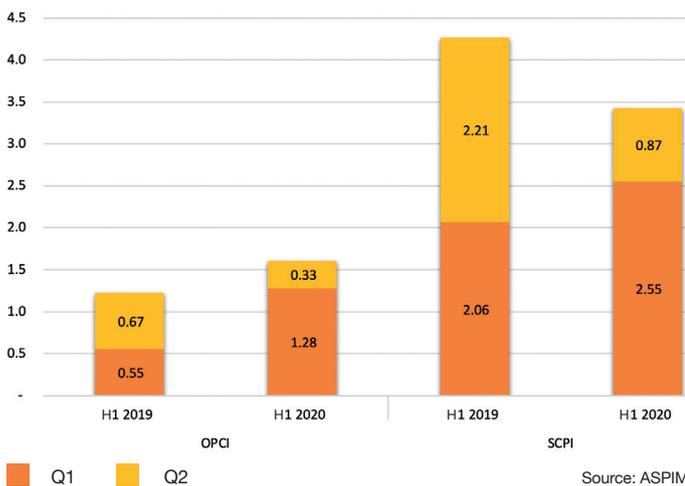
The action plan:

- calls for a review of the ELTIF regulation to enable retail investors to participate more actively in long-term financing and responsible investments. This request for a review backs up the request previously submitted by ASPIM to the European authorities at the beginning of the year to make it easier for real estate funds to obtain the ELTIF label and be marketed to retail investors on a cross-border basis within the European Union;
- calls for clarification and better harmonisation of the various levels of the PRIIP regulation, particularly as regards past performance. ASPIM supported the proposal to include this information in the PRIIP KID;
- proposes to look at creating a category of semi-professional investors or changing the criteria for the professional investor category, and stresses that retail investors should be able to be treated as professional investors if they so request. In this respect, ASPIM has spoken out against creating an additional category and in favour of making professional status more accessible.

Inflows into OPCIs / SCPIs: a temporary slowdown?

Despite a very promising first quarter (+47% year-on-year), inflows into OPCIs and SCPIs levelled off in the first half of the year. Both vehicles registered a relative decline of 8% compared with the first half of 2019. The effects of the health crisis, particularly the lockdown in April and May, were clearly reflected in the second quarter results: net inflows were down 60% for SCPIs with a 50% decline for OPCIs (compared with the same quarter of 2019). Despite this slowdown linked to the unprecedented health situation, inflows in the first half of 2020 remained in line with the average for the last five years, with net inflows totalling €5 billion.

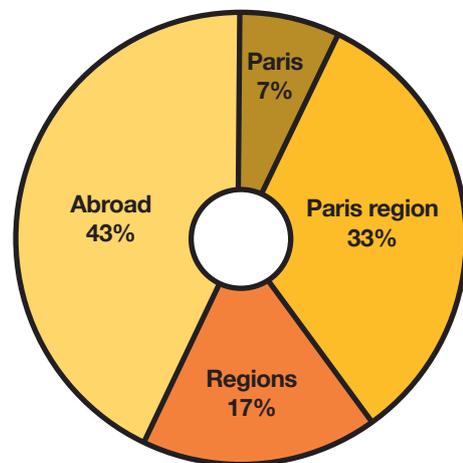
Net inflows in billions of euros



Investments: SCPIs very active abroad

Despite the uncertain health situation, SCPIs continued to implement their investment policy, with volumes comparable to those of the first half of 2019: €3.5 billion. International markets saw the lion's share of investments (43%), ahead of the Ile-de-France (40%) and the regions (17%); the share of international business therefore increased by 9 percentage points in the space of a year.

Geographical breakdown of SCPI investments in the 1st half of the year

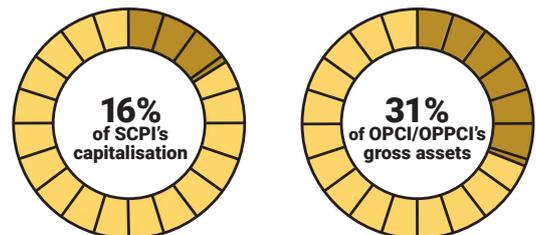


FOCUS

ASPIM study: ownership of real estate AIFs by insurance companies – July 2020

According to a study by ASPIM, insurance companies hold 26% of the liabilities of all French real estate AIFs. Since 2010, insurers have increased their exposure to real estate, in particular by holding units in unlisted funds. Moreover, between 2010 and 2018, the weight of real estate in unit-linked policies increased fourfold. At the end of 2018, 65% of unit-linked products predominantly invested in real estate were in the form of SCPIs or OPCIs.

At the end of 2018, insurance companies held the equivalent of 26% of the gross assets of SCPIs, OPCIs and OPPCIs.



How might performances look in 2020?

While the annual performance of OPCIs in 2020 will depend above all on a stock market rebound, that of SCPIs mainly relies on an improvement in rent recovery rates in the second half of the year. In 2020, the dividend yield (DVM) could range from 4% to 4.2%, compared with 4.4% in 2019.

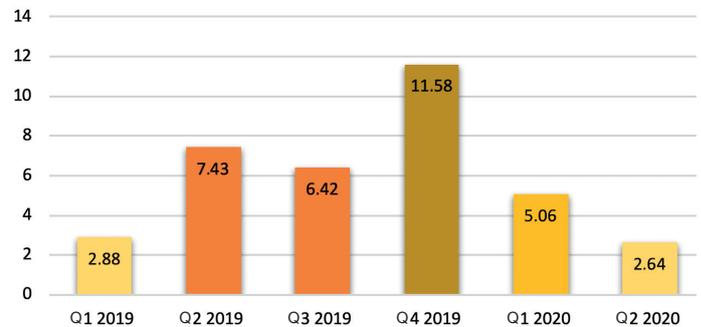
The French commercial real estate market under pressure in the first half

According to ImmoStat data, investment in commercial real estate in the Ile-de-France region fell by nearly half from the first quarter to the second, from €5.06 million to €2.64 million.

In the rental market, office take-up also fell sharply to 197,500 m² of office space, compared with 470,000 m² in the first quarter (-58% from one quarter to the next).

Immediate supply increased for the second consecutive quarter to 2.99 million m² available.

Corporate real estate investment in Ile-de-France in billions of euros



Source: Immostat

In the regions, the office market also slowed down, according to BNP Paribas Real Estate.

Due to the health crisis, take-up fell by 45% in the first half of 2020 versus the first half of 2019, when record levels were recorded.

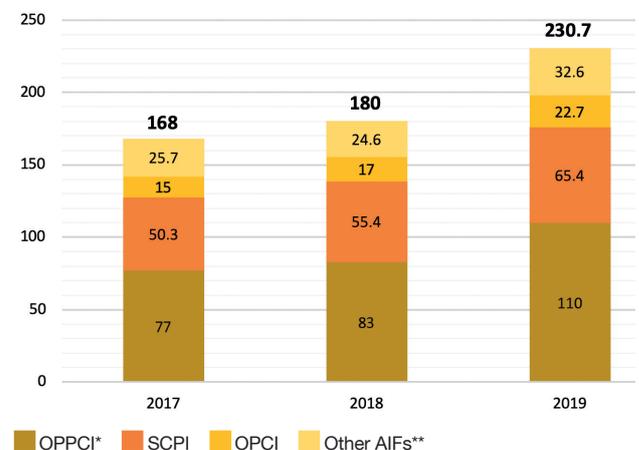
All the figures for the Ile-de-France office property market are available on IMMODATA. For more information, contact j.mauffrey@aspim.fr

FOCUS

Sharp increase in assets under management in French real estate AIFs

According to AMF data, the gross exposure of French real estate AIFs amounted to €230.7 billion at the end of 2019. This data, based on AIFM reporting, highlights a sharp increase in assets under management in 2019 (+28%, compared with +7% in 2018) and can be used to estimate the weight of “**other AIFs**” (or AIFs “by purpose”). Often vehicles in unit-linked life insurance policies, other AIFs are estimated to represent close to €33 billion at the end of 2019.

Gross exposure of real estate AIFs in billions of euros



* ASPIM estimate on BdF/EIF basis. ** ASPIM estimate on AMF/EIF basis.

ASPIM guide to the implementation of ESMA guidelines on stress tests

The new guidelines from the European Securities and Markets Authority (ESMA) concerning stress tests in investment funds (UCITS and AIFs) came into force on 30 September 2020.

In order to support its members with the implementation of these new guidelines, ASPIM has produced a guide presenting the methodological recommendations applicable to real estate investment funds, based specifically on how they work relative to other categories of UCI.

The guide defines the guidelines' scope of application, initial data, parameters to be stressed and output data by fund category, adjustment limits and methods, as well as governance rules.

AMF: updating of the non-financial doctrine

On 27 July 2020, the AMF updated position/recommendation DOC-2020-03 of 11 March 2020 on information to be provided by collective investment schemes incorporating non-financial approaches.

The update includes **the addition of communication on “well-founded but not significantly engaging approaches”**.

The AMF wanted to incorporate an intermediate approach (between the approach based on “significant engagement” and “approaches that do not meet the standards of central or reduced communications”) based on **the possibility of “reduced” communication** for funds that incorporate non-financial criteria into their management approach without making a significant commitment.

Communication for funds wishing to develop this approach is, however, restricted:

- name: no reference to non-financial aspects;
- KIID: concise and balanced mention in the “Other information” section;
- marketing material: concise mention;
- prospectus: proportionate communication.

Read the article: www.amf-france.org

AMF publishes a guide on asset freezing

On 16 July, the AMF published a guide on the freezing of assets to help professionals understand the various regimes, clarify the scope of these regimes and remind professionals of their obligations.

Although this guide does not provide any specific details for real estate management companies, discussions with the regulator revealed that, with regard to tenants:

- a management company that performs a leasing activity within the meaning of 8° of Article L. 561-2 of the French Monetary and Financial Code would not be included in the scope of the national regime, because it does not hold or receive funds on behalf of the investment fund it manages;
- however, a management company that carries out a leasing activity within the meaning of said article is subject to European regulations prescribing asset freezing measures, like all other parties subject to the legislation. In practice, if the management company identifies, finds and contacts tenants who are subject to a European or UN asset freezing measure, it must inform the General Directorate of the French Treasury.

The draft guide will be updated upon publication of the draft legislation intended to strengthen the national asset freezing regime.

Consult the guide: www.amf-france.org