

EDITORIAL

This first edition of ASPIM's newsletter is published in a context where the real estate market is still enjoying the trends which have contributed to its success over some years now. The environment is one where rates are still low, just as rates of return on other kinds of assets are, while equity is still high for our SCPI and "retail" OPCI vehicles (over €7.2 bn in 2018). It must be noted that inflows have regained a stability which matches the reality of the market.

This edition is also published in a context where discourse has returned to normal and this is particularly thanks to ASPIM which has made a point of systematically challenging talk that disparages the usefulness of real estate investment.

In 2018, ASPIM increased its number of contacts with public authorities to explain to them how useful our funds are to businesses, cities, savers and energy transition and it plans to continue doing this even more over the coming months.

With the help of fellow organisations, our Association has approached local authorities and appropriate institutions with a proposition for a real estate SRI label which would embody the virtuous momentum which carries us along. We have every hope that this label will officially see the light of day by 2019.

Since social needs evolve, we hope that ASPIM will soon be in a position to offer savers a long-term investment fund in housing which aims at sup-



porting a quality offer there where it is most needed.

These last few years have anyway shown that it is vital that the sector be more present at European level. In 2019, one of the other priorities will be to continue in our efforts towards better visibility for the sector by multiplying contacts with colleagues and leaders at a European level.

2019 will also be a year for the regions. These areas want more than ever to be at the centre of things after having been ignored and disregarded for too long. So ASPIM has set up a series of trips out into the regions throughout the year in order to meet local actors and to share on the impact of real estate investment funds in serving the economic development of the regions.

Alongside other communication media such as the extranet, the website and the newsletters, the ASPIM news bulletin will now be a quarterly event for up to date news on what we are doing for our members and for the sector as a whole.

FRÉDÉRIC BÔL

Chairman, ASPIM

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Information meeting for chairs of SCPI supervisory boards:

Tuesday 14 May 2019
at 2:30 P.M.
Salle Athènes Services
8, rue d'Athènes
75009 Paris

ASPIM General Assembly and Conference:

Tuesday 28 May 2019
Maison de l'Amérique latine
217, bd Saint-Germain
75007 Paris

The economic impact of real estate investment in the regions

In 2019 ASPIM launched a series of meetings in the regions in order to raise awareness among political and local leaders concerning the economic contribution made by unlisted real estate funds in their regions.

So, a delegation from ASPIM met political leaders in Lyon in January and then met the city mayor Gérard Collomb in Cannes at the MIPIM event. The Greater Lyon metropolis is the first regional investment destination for the asset management companies who are ASPIM's members, handling over 1.6 million m², equivalent to the 1st arrondissement in Lyons, managing over €4.2 bn of real estate assets in the region and providing 43,000 secure jobs, which is 6% of employment in the Metropolitan area.

In March, ASPIM went to Lille to meet leaders in the Hauts de France region. The European Metropolis of Lille is the second regional investment destination for the 31 asset management companies (SGP) which are members of ASPIM handling over 900,000 m², equivalent to the land area of the Euralille district, managing over €2.1 bn of real estate assets in the region and providing 29,000 secure jobs, which is 6% of employment in the Metropolitan area.

The next stop will be Marseille in June.

ImmoData: a new tool specially for unlisted real estate investment funds

This year, ASPIM is taking an important step towards gaining better knowledge of the reality of real estate investment funds and their contribution to the economy. During the first half-year, ASPIM will open a platform for its members giving access to data concerning unlisted real estate investment funds.

Based on a data visualisation application, the platform, called ImmoData, will give members access to indicators based on data collected directly from management companies. A first wave of data collection was launched at the end of January around the two main funds aimed at private investors (SCPIs and "retail" OPCIs).

ImmoData is the realisation of a strategic initiative launched by the Association at the end of 2016, which aimed at devel-

oping a better knowledge of real estate FIAs and supporting the Association in representing the interests of professionals in the sector.

ASPIM supports the research network into commercial real estate piloted by the Louis Bachelier Institute

The Louis Bachelier Institute (ILB), with the participation of the General Directorate of the Treasury, has launched REFinE (Real Estate Finance and Economics), an academic research network of excellence dedicated to commercial real estate. ASPIM, along with other contributors, Iread and MSCI, has joined the network steering committee in its role as a founder member.

This research network was officially launched on 30 January this year and its aim is to promote and enhance scientific research in this sector at both French and European levels and so set up a dialogue between public authorities, the real estate industry and scientific research.

Research results are expected in summer 2020, and a paper produced halfway, probably at the end of 2019.

Planning a savings fund for housing

For a year now, the ASPIM has been thinking about a proposal for a new savings fund for housing. This in-depth consideration, which is now coming to fruition, aims at setting up a new, long-term investment fund, with no tax advantage at the outset, aimed at collecting savings in order to finance housing in France.

Publication of the First Barometer of Responsible Real Estate

The OID (Observatory for Sustainable Developments), in partnership with the IEIF and ASPIM, has published the first Barometer of Responsible Real Estate. The aim of this barometer is to accompany real estate managers by providing a periodical measure of the progress of actors in real estate investment funds on the integration of ESG factors in their strategies.

These plans are in answer to two demands:

- To offer a view of the market and of the actors in responsible real estate,
- To give the industry an overview of current best practices.

More information on: www.aspim.fr

Reflections on better liquidity for shares in real estate investment funds

This work aims at providing, on an organised secondary market, an exit for holders of securities should there be any tension in share liquidity, while modernising and adapting the process in order to increase the transparency of the market and optimise the distribution of real estate FIAs by facilitating the general public's access to the FIA market.

At the same time, the Working Group has met with FinTech companies and a negotiation platform which offer solutions for record keeping and secondary market management for those unlisted via blockchain technology.

ASPIM's involvement in others workstreams

ASPIM has also contributed to different collective works and consultations which impact asset management and real estate.

- **AFG working group on real estate wealth tax (IFI)*** the aim was to address a demand for clarity from the tax authorities about their policies as well as drawing up models for investors' letters of declaration concerning IFI proportion,
- **The AMPERE Club**, whose aim is to establish an industry standard for exchanging ESG information between asset managers and investors,
- **ANC Working Group** is in charge of reviewing regulations that relate to the accounting plan of collective investment undertaking with variable capital,
- Informal consultation with the **AMF** about OPC carbon footprint compensation.

* *Impôt sur la fortune immobilière.*

Mazars/ASPIM Study on financial communication and the strategy of "retail" real estate FIAs

In collaboration with ASPIM, Mazars has carried out a comparative study of the strategies and the key indicators used by "retail" real estate FIAs in their financial communications dated 31 December 2017 and 30 June 2018.

Beyond the comparison of statements of performance for "retail" real estate funds this study reveals three major orientations:

- An investment strategy favouring geographical diversification and by type of asset,
- ESG/ISR/RSE criteria are very present in financial communication,
- The debt ratio of funds still remains low.

On the basis of the panel studied, it appears that 70% of the OPCIs and 84% of the SCPIs resort to debt, but the debt ratio is often less than 20%. At the end of 2017, the debt ratio settled at around 7% for the SCPIs and at 14% for the OPCIs (based on total gross assets).

More information on: www.aspim.fr/en

ASPIM is launching new working groups

In order to respond to members' specific demands, ASPIM is launching new working groups:

- **"Modernisation of SCPI shares"**: the aim is to think about how to modernise the management of liabilities and shares in the SCPI (attribution of an ISIN code, registration as a trading account, decimalisation, delegation of record keeping...),
- **"Stress test"**: the aim is to draw up a specific good practice guide for real estate in order to carry out market and liquidity stress tests, with first off, a response to the ESMA consultation,
- **"Valuation"**: this is about identifying valuation problems of certain assets and working out a common methodology,
- **"Real estate capital-investment"**: the aim is to consider problems specific to members with activities as property traders or in real estate development.

Focus on the reform of the RG AMF and the SCPI instruction

On 20 September 2018 the ASPIM-AFG proposed a response to the AMF consultation regarding the reform of the General Regulations (RG AMF) and to the new AMF common instruction applicable to SCPIs, GFIs and SEFs.

The Working Group focussed on proposing reforms that mainly concern:

- the dematerialisation of relations with associates and with the AMF,
- making reports available on the website of the management company or for their transmission in hard copy, removing the obligation of communicating by registered letter and removing handwritten notes on the subscription form,
- the frequency of investors' reports; alignment of the regime with those of OPCIs and GFI-SEFs.

News bulletins will be published half-yearly and not quarterly, and presentation of costs, addition of a possible reference to a retirement commission, and in case of free transfer of assets, a sitting commission on rents with a possible extension to other proceeds, notably dividends from investments, approval needed from the General Assembly for any other commission.

Approved by the Board of the AMF at the end of December 2018, the new RG AMF, which takes into account the demands for modernisation of SCPIs made by ASPIM, was approved by the ruling of 12 February 2019.

The draft instruction was approved at the last meeting of the AMF board, held in February 2019, and was published on 13 March 2019.

The ESMA publishes a first statistical report on the costs and performances of packaged retail investment products

This report was drawn up in the context of the mission that the European Commission gave to European surveillance authorities and it sheds light on a certain number of elements:

Concerning retail FIAs (including real estate funds) this report reveals that they hold 15% of the retail market. ESMA concluded however that at this stage an analysis of the performance and the investment costs of these funds is not possible as no relevant regulatory data is available and commercial data is insufficient.

However the AMF has supplied an overview of the market based on information communicated to national regulators in the context of the AIFM directive. The ESMA has noted the heterogeneous distribution of alternative retail funds within the European Union and has indicated that of all the FIAs distributed, 18% are with retail investors, mainly real estate funds and funds of hedge funds.

The report also shows the pertinence of divulging costs to investors, as required by transparency regulations relating to European rules such as MiFID 2 and PRIIPs, as well as the need for asset managers to act in the best interest of investors.

More information on: www.esma.europa.eu

REGULATORY AND FISCAL *News*

Updating AMF doctrine

The AMF has continued updating its doctrine (instructions and positions) arising from the transfer into French law of the MIF 2 directive (regime separation for management companies and investment firms) as well as reviewing promotional type communications.

For this reason, ASPIM responded to the consultation about the instruction that applies to OPCIs (DOC-2011-23), emphasising the need to modify some technical aspects in the functioning of the vehicle.

Some of these instructions will need to be reviewed over the next few months to take into account measures arising from the PACTE law bill.

Ratification of the fiscal convention between France and Luxembourg

Because of an extremely busy schedule at the end of 2018, Parliament was not able to ratify the new Franco-Luxembourg tax agreement, signed on 20 March 2018, before the 31 December 2018 as originally planned.

This convention was ratified a little late on 14 February 2019 and its purpose is to avoid double taxation, to increase judicial security for operators in both countries and to reinforce the fight against tax fraud. It has been long awaited by real estate professionals.

In particular, the new measures introduced, especially the change in the rates of withholding tax on dividends and that in the notion of residency, as well as the introduction of antiabuse measures, will have a significant impact regarding the structuring of upcoming professional SPPI-CAVs when they enter into force on 1 January 2020, a year late due to delayed ratification.

PACTE law bill: a new step towards modernising the SCPI

Three amendments to modernise the purpose and composition of the SCPI portfolio were tabled in the “PACTE” bill (action plan for the growth and transformation of businesses): the possibility of holding, on an ancillary basis, furniture as part of a building, the clear confirmation of the possibility for SCPIs to hold indirectly a real estate asset through the intermediary of an SCI and the possibility of holding real estate indirectly through capital companies and not just through persons.

If these amendments are definitively adopted they will allow an SCPI to respond to the new needs of its lessors (especially in the case of co-working) and to have the legal instruments available to roll out its portfolio abroad.

ELAN law: a sweeping reform of real estate law

The law known as “ELAN” (law n° 2018-1021 dealing with the development of housing, planning and digital services) came into force on 23 November 2018 and its purpose is to reinforce several aspects of real estate legislation by introducing new judicial instruments or trying to improve those already in place.

This “hands on” law has 234 articles affecting all housing sectors (simplification of regulations for increased and quicker construction, creation of a mobility lease, return of rent controls, strengthening of tourist rental controls, combatting squatting), urban planning (simplification of procedures and combatting improper claims) and co-ownership.

ASPIM responds to the consultation on the revision of PRIIPs regulations

ASPIM answered the consultation of European regulators (ESAs) on 6 December 2018 about their proposed reform of the PRIIPs Regulation. It looks like 2019 will be the year in which the major lines of the general revision of the PRIIPs Regulation will be partly set as well as associated technical standards.

ASPIM remains active around European authorities so that the introduction of real estate FIAs in the KID PRIIPs is not unfavourable to SCPIs nor to any other kind of CIS.

See ASPIM's response on: eiopa.europa.eu

Meeting of the European Real Estate Forum (EREF) in London

On 28 February 2019, the European Real Estate Forum, met in London, at the headquarters of the RICS, an informal association which brings together different organisations, including ASPIM, which are present in the real estate investment sector in Europe.

This meeting was the occasion for exchanges on the latest European regulatory developments in the sector and for discussion about common or specific issues such as the application in France of obligations concerning anti-money laundering (4th directive), both in investment activities and in letting activities.

Deferment of PRIIPs revision

On 3 December 2018, members of the European Parliament on the ECON Commission adopted an amendment providing for an extension of the exemption of UCITS (and the funds issuing a KID UCITS including open-ended French funds OPCIs) from the rules emanating from the PRIIPs Regulation until 31 December 2021 as well as the deferment of the general revision of the PRIIPs Regulation until the end of 2019.



MEMBERS (on 31 March 2019)

92 members, including:

81 management companies

11 expert correspondents (lawyers, consultants, auditors and experts)

NEW MEMBERS (since October 2018)

8 new members, including:

6 management companies authorised by the AMF: Advenis REIM, Ampère Gestion, Hines, Horizon AM, MNK Partners, Patrimonia Capital

2 expert correspondents: EY and Forstone offices

FIGURES *News*

Key figures for the sector 2018

Summary of “retail” SCPIs and OPCIs on 31/12/2018, performance, income and investments:

SCPI

- 175** vehicles
- 31** management companies
- €5.1 bn** net inflow
- €55.3 bn** capitalisation

“Retail” OPCI

- 18** vehicles
- 12** management companies
- €2.1 bn** net inflow
- €15.1 bn** net assets

SCPIs and “retail” OPCIs received over €7.2 bn in 2018. Such a level of inflow is fairly logically down on 2017 – a year marked by a record inflow of €6.5 bn in the first half of the year – but it is in fact the third highest inflow in the history of unlisted real estate funds aimed at the general public.

The total capitalisation of general public funds grew by 11.4% over one year to reach €70.52 bn at the end of 2018: €55.38 bn of capitalisation for SCPIs (+10.1%) and €15.14 bn for the net asset of “retail” OPCIs (+16.3%).

SCPIs took in €5.1 bn and invested €6.2 bn in Europe last year. Managers were looking for investment opportunities as much in the growing increase in the type of assets targeted as in maintaining a high level of geographical diversification.

In fact, real estate assets known as “alternatives” and particularly concerning service real estate (senior citizen residences, student residences, clinics, hotels) represented about 17% of volume, against 10% in 2017.

“Traditional” assets (offices, retail, businesses, logistics and warehouse) whose weight is sliding, still remain dominant (83% of volume).

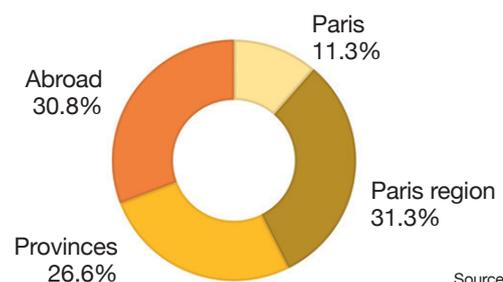
From one year to the next, the geographical distribution has not changed much: 31% of investments were made abroad, 27% in the regions, 11% in Paris and 31% in the greater Paris region.

Concerning yields, SCPIs offer a distribution on market value of 4.35% for an average revalorisation of each share of +0.82%. The risk premium of SCPIs remains unchanged (3.64% exclusive of revalorisation of the share), and they remain one of the highest yielding collective investments aimed at private individuals.

“Retail” OPCIs have returned a global performance of +0.8% (reinvested dividend) over one year according to the IEIF, with a drop in the value of shares of 0.4%. This performance, which is very inferior to previous years, can be explained mainly by the poor stock market performance of European listed real estate (-15.9% in 2018), representing about 12% of the net assets of vehicles. The negative evolution of net asset values also explains the slowdown observed in net subscriptions in 2018 (-46% compared to 2017).

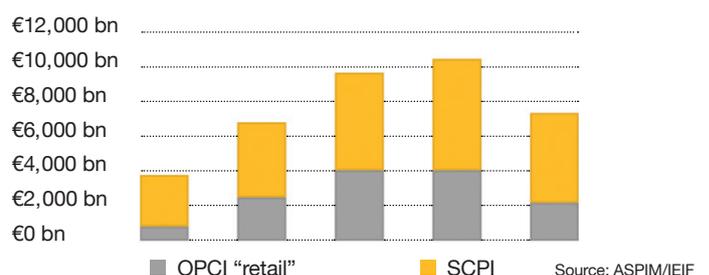
The outlook for performance for 2019 is much better, the net asset values of “retail” OPCIs have begun a rebound in 2019 which is linked to that of listed real estate firms.

SCPI: location of acquisitions 2018



Source: ASPIM/IEIF

Net inflow in millions of euros (€ bn)



Source: ASPIM/IEIF



The Accounting Commission at ASPIM

3 questions for... Bruno Agez

Chairman of the ASPIM Accounting Commission, FIDAUDIT associate, certified accountant and auditor

1 What is the role of the ASPIM Accounting Commission?

For some years, the ASPIM Accounting Commission along with members' active participation, has been working to accompany and defend members in the accounting developments and issues concerning OPCIs and SCPIs. Along with the Board of Directors, this Accounting Commission is sometimes required to be in contact with the regulators for markets (AMF) and accounting (ANC) to get members' voices heard.

to the Application of Accounting and Administrative Rules of OPCIs ("GARCA") as early as 2007. This is a true accounting handbook and it is regularly updated because of the many regulatory developments concerning the functioning of OPCIs and new accounting rules. This GARCA is available of the ASPIM extranet under the "Working Groups and Commissions – Accounting Commission" tab.

of the assets managed, proposals made to the ANC in the context of the latest changes in accounting regulations for OPCIs and SCPIs, an information meeting on the first application of the PGE in SCPIs, determining the distributable result for OPCIs, etc.

The Commission, meets once a quarter and if necessary in each session we look at the updating of GARCA as well as dealing with current happenings and members' questions. Our aim is to share, to exchange and to propose good practices.

2 What instruments have you set up?

Following the creation of OPCIs, the Accounting Commission drew a **Guide**

3 What issues do you deal with in the Commission?

This Commission is not just about GARCA. These last few years, we have been working on different topics concerning OPCIs and SCPIs such as the determination of the global value

"Our aim is to share, to exchange and to propose good practices."

EVENT News

Three associations join for New Years Wishes 2019

On 15 January, the three associations – Association française de la gestion d'actifs (AFG), ASPIM and France Invest (Private Equity) – organised a joint New Year's wishes ceremony for 2019 in the Salons Concorde of the Automobile Club de France.

From left to right: Dominique Gaillard (France Invest), Éric Pinon (AFG) and Frédéric Bôl (ASPIM).



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