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SCPI AND OPCV IN THE FIRST HALF OF 2020: GROWTH HELD BACK BY THE HEALTH CRISIS

ASPIM (*Association française des Sociétés de Placement Immobilier* - the French association for real estate investment companies) and IEIF (*Institut d'Épargne Immobilière et Foncière* - an independent real estate research organisation) have published statistics on the market for SCPI and retail OPCV real estate investment funds in the first half of 2020. Inflows into SCPI and retail OPCV funds came to €5 billion, in line with the average volumes of the last five years, but down 8% year-on-year.

Frédéric Bôl, Chairman of ASPIM, said: "As expected, inflows and the distribution of funds slowed in the first half of the year due to the impact of Covid-19 and lockdown on the distribution networks and to adjustments made to commercial rents in order to support struggling VSEs and SMEs. Despite the lockdown period, both vehicles recorded positive net inflows in the first and second quarters, enabling excellent liquidity to be sustained in the market for SCPI funds. The reduction in interim dividends paid by SCPIs in the first half of the year remains limited and most managers expect an increase in the second half."

Net inflows and investment

- **SCPIs**

Inflows into corporate real estate and tax SCPIs stood at €3.43 billion in the first half of 2020, down 20% on the first half of 2019.

After a first quarter in line with the growth recorded in 2019 (+23%), in the second quarter net inflows into SCPIs were significantly affected by the lockdown period imposed up to 11 May. SCPIs recorded net inflows of €875 million, down 60% compared with the second quarter of 2019. The fact that inflows nevertheless remained positive reflects the distribution networks' ability to implement subscriptions in a dematerialised format.

In the investment market, SCPIs remained very active in the first half of 2020 despite the health crisis. They made acquisitions totalling €3.5 billion over the first six months of the year compared with €3.6 billion in the first half of 2019. Offices still represent the majority of acquisitions in value terms (57%), followed by retail (19%), logistics (8%), hospitality (6%) and healthcare (4% including nursing and retirement homes and health centres).

Geographically speaking, acquisitions were largely made abroad (43%), followed by the Ile-de-France region (40%, including 7% in Paris) and the French provinces (17%). As a reminder, in the first half of 2019, the share of investments made abroad was only 34%, which reflects the growing weight of international acquisitions in the SCPI strategy. After France, Germany remains the second investment destination, representing 16% of the amounts invested. Northern European countries (7%), Benelux countries (5%), Eastern Europe (4%), Spain (4%) and the United Kingdom (3%) make up the rest of foreign investments, in descending order.

SCPIs also sold €463 million worth of assets, compared with €568 million in the first half of 2019. Offices accounted for 80% of assets sold in value terms.

- **Retail OPCIs**

During the first half of 2020, inflows into retail OPCIs totalled €1.6 billion, a 32% increase in volume compared to the first half of 2019.

After a record first quarter (+131% versus the first quarter of 2019), in the second quarter net subscriptions fell considerably (-50% versus the second quarter of 2019), remaining positive at €332 million. In chronological order, after monthly inflows in excess of €500 million in February and March, net subscriptions fell sharply to €130 million in April, then €34 million in May, before picking up to €168 million in June.

Capitalisation and net assets

- **SCPIs**

The capitalisation of SCPIs totalled €68.9 billion as at 30 June 2020, up 14% year-on-year.

- **Retail OPCIs**

The cumulative net assets of OPCIs rose to €19.5 billion as at 30 June 2020, an increase of 17% year-on-year.

Secondary market

Shares in SCPIs traded on the secondary market in the first half of 2020 amounted to €575 million, up 22% year-on-year. Secondary market activity accelerated in the second quarter with €300 million in

withdrawals offset by subscriptions, an increase of 33% compared with the second quarter of 2019. The secondary market remained fluid with a ratio of asset turnover to capitalisation of 0.86% compared with 0.82% in the first half of 2019. Despite the impact of lockdown measures on inflows, all new withdrawal requests were offset by new subscriptions.

Performance

- **SCPIs**

According to the EDHEC IEIF French corporate real estate index, the overall performance of corporate SCPIs stood at +5.3% as at 30 June 2020 on a rolling year basis. This overall performance consists of a current yield of +4.2% (down 0.2 of a point over a quarter) and a +1.2% increase in the price of shares (down 1.1 points over a quarter). As a result of support measures for tenants hit hardest by the health crisis (postponements or cancellations of rent payments), not all of the dividends initially planned were distributed in the first half of the year. On average, interim dividends paid were 10% lower than in the first half of 2019. Managers are anticipating a return to normal, which will be correlated to an improvement in recovery rates, in the second half of the year.

- **Retail OPCIs**

According to the IEIF retail OPCi index as at 30 June 2020, the overall performance stood at -2.6% on a year-to-date basis and -0.2% year-on-year. This was due to the poor performance of the “listed real estate companies” segment following the stock market sell-off in March (with the Euronext IEIF SIIC France index shedding 32.4% between 1 January and 30 June 2020).

ABOUT ASPIM

ASPIM promotes, represents and defends the interests of its members, all managers of alternative investment funds (AIFs) in real estate (SCPIs, OPCIs and other AIFs “by object”). Formed in 1975, ASPIM is a non-profit association that brings together all actors in the management of unlisted real estate funds. In France, at 31 December 2019, real estate AIFs represented a total capitalisation of €231 billion.

ASPIM has 103 members, of which 86 asset management companies (*Sociétés de Gestion de Portefeuille*) for SCPIs, OPPCIs, OPCIs and other real estate AIFs approved by the *Autorité des Marchés Financiers* (AMF - French financial markets regulator), be they subsidiaries of banking, insurance or foreign real estate management groups or entrepreneurial firms, and 17 highly-qualified experts from the real estate and financial ecosystem (lawyers, consultants, auditors and other experts).

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