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FRANCE SEES DOUBLE INVESTMENT VOLUMES IN FIRST QUARTER 2010

The French commercial investment market doubled turnover during Q110, totalling nearly €1.8 billion compared to €0.9 billion in Q109. This is according to international real estate advisor Savills.

French investors and German Funds continue to dominate the market, with the exception of the sale of the 35,000 sq m HSBC headquarters located at 103 avenue Champs Elysées to a Qatar investor for €425 million – the biggest deal of the quarter. Savills research also notes a marked increase in domestic private investor spend was seen in 2009 up 12%, a trend it expects to continue into 2010.

Due to few big retail deals signed during Q110 (Bordeaux €67m, Grenoble €92m, Cannes €75m and Toulouse €90m) the share of retail investments exceeded 40% of the total investment figure against 12% in Q109 or 17% as an overall average last year. The sale of regional investment consequently also increased to represent 46% of the Q110 total against 24% in Q109.

Pascal Rupert, director of investment at Savills Paris, says: "Insurance companies, Mutualists pensions funds and Core pension funds are all actively seeking to acquire new buildings. These office properties are seen as a way to increase the "green share" of portfolios, a strategic move as investors seek to conform to new regulations as well as end user expectations. To achieve this some investors will now consider speculative development, which they have not done for over two years now."

Savills reports large office deals currently under negotiation include the purchase of part of the office business centre "Capital 8", located in the CBD by Allianz, and the acquisition of the ZAC Claude Bernard located in the north of Paris near the Parc de la Villette by SEB Immobilien.

Savills predicts that investment volumes for 2010 will total between €10 and €12 billion, compared to €7.9bn in 2009. It states that this volume will remain below the ten year average of €14bn due to limited secure investment opportunities and the lacklustre of the

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rental market, which has seen prime office rents move from €711/sqm/year to €644/sqm/year in the past year.

Lydia Brissy, head of research in France, says: "The CBD office market in Paris will remain a top investor pick in 2010 due to the forecast rental growth of around 5% for prime CBD rents. However whilst the credit market has slackened, sentiment is still cautious and so investment volumes will remain down relative to ten year averages."

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