

# European Investment

## Crossing Horizons: Unveiling French capital's new frontiers



## French investors increasingly crossing horizons

### DROP IN CROSS-BORDER INVESTMENT ACTIVITY

The total European investment volume for the year's second quarter amounted to approximately €33 billion, marking the lowest Q2 figure since 2010 and reflecting a notable 59% decrease compared to the previous year's corresponding period. This brings the first half of the year's volume to slightly more than €68 billion, which denotes a substantial 60% decline for H1 2023 compared to H1 2022.

Against this backdrop, there is a discernible decline in cross-border inflows. Cross-border investment contributed to 39% of total investment in H1 2023, compared to the average of 47% witnessed over the previous five years.

This trend is relatively evenly distributed across all countries of origin. However, French investors have demonstrated a comparatively resilient degree of cross-border engagement within Europe, given the broader context.

In H1 2023, French capital invested in European real estate totalled nearly €3.2bn. Whilst this is 22% down on the past 5-year average, French capital accounted for 10% of all cross-border investments in Europe, more than the 5% share recorded last year or the average over the past five years (6%).

Spain stands out as the big winner of French investors' resilience in attracting 32% of French capital outflows against 13% on average over the past five years. Among notable transactions, there is the acquisition of the DIA portfolio (comprising 235 grocery stores) by Auchan group for €267 million and the purchase of the Sofia Hotel in Barcelona from Brookfield by Blasson Property Investments and AXA IM - Real Assets for €180 million. Iberia also witnessed a number of acquisitions by SCPIs in the first half of the year with Perial acquiring the Eurostar Hotel in Sitges for €63m whilst Intergestion

acquired a portfolio of Carrefour supermarkets for €42.5m.

The UK is the second-largest destination for French capital, accounting for 18% of all French cross-border investments in Europe. This is in line with the long-term average. Among the substantial acquisitions recorded, one includes the purchase of 191 W George Street, situated in the CBD of Glasgow, by Corum from NFU Mutual for €42 million. Furthermore, the acquisition of two laboratories, namely "Windrush Innovation Centre" in Oxford and Witney by Kandans Science Partner, a subsidiary of Axa Group. Sofidy's recent purchase of 6-8 Bouverie Street in the City of London in March further demonstrates the breadth of asset classes French investors are deploying capital into.

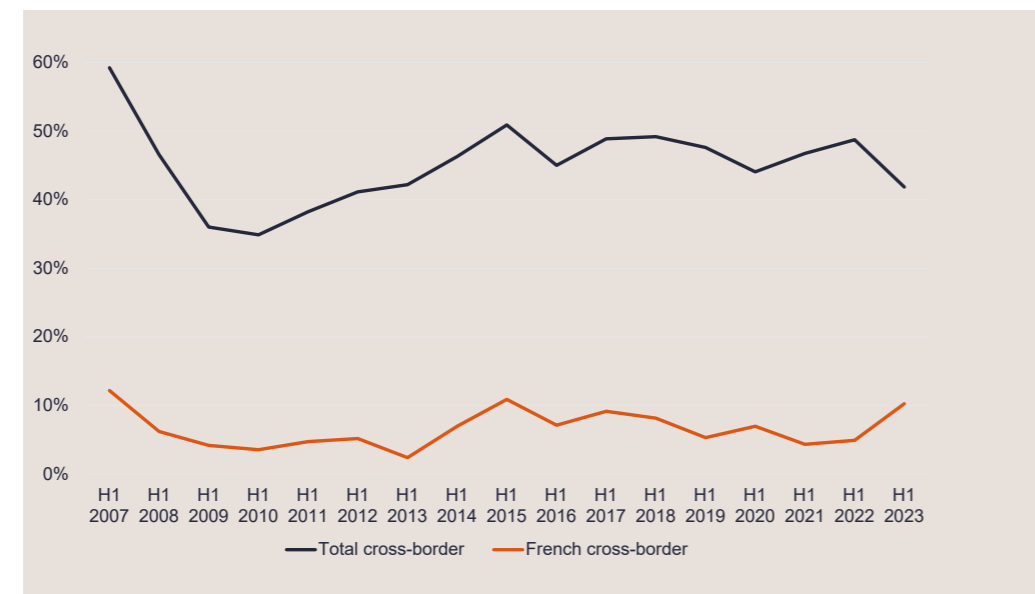
Italy is the third-largest destination, capturing 18% of

French cross-border investments - an increase from the five-year average of 13%.

Key transactions by French investors include the acquisition of a senior care portfolio of six properties by Axa IM via Namira SGR, and the Adeo sale and leaseback to Polis Fondi and LeadCrest Capital Partners for €70 million.

Despite an ostensible focus on Europe's south, markets in northern Europe continue to draw interest from Paris, with notable transactions in the Netherlands and Ireland amongst others. Corum, for instance, acquired the George's Quay House office building located in Dublin's CBD from Henderson Park for €80 million. Additionally, they purchased the Capgemini headquarters in Utrecht's CBD for €78 million. Now that pricing across various German markets is starting to display evidence of

Fig 1: Share of European cross-border investments



Source: Savills / RCA

## Notably thanks to SCPIs

movement, we expect a discernible cross-Rhine capital flow to grow over the coming months as SCPIs in particular re-weight their geographical exposure in Europe.

Whilst traditionally, French capital outflows predominantly targeted office and retail properties over recent years French cross-border investments have become more evenly distributed across different asset classes. Senior housing and care homes have notably gained traction, accounting for 18% of French foreign investments since the beginning of the year. This stands in contrast to the sector's average contribution of 7% to all french cross-border investments. This shift is largely attributed to several portfolio sales in Italy, Belgium, and Germany. We expect this trend to persist through the latter half of the year, as demonstrated by Primonial REIM's recent acquisition of an approximate 64% stake in

Icade Santé for €1.4 billion. The remaining stake in Icade Santé is anticipated to be divested by the close of 2025. Retail assets also regained some interest amongst French cross-border investors accounting for 28% of their investment abroad against 22% on average over the past five years.

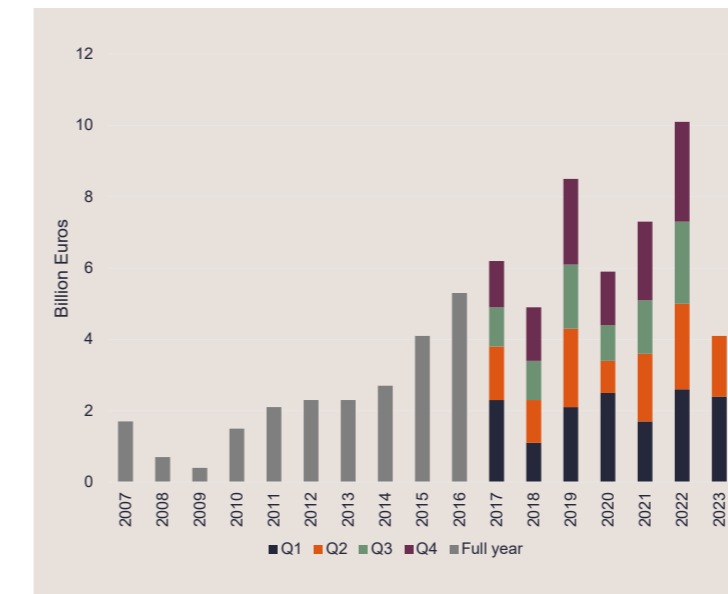
The most active investors include Axa, BNP Paribas, and Primonial. French SCPIs (Sociétés Civiles de Placement Immobilier) such as Corum, Pierval, Sofidy, Iroko Zen and Perial have also been particularly active abroad.

Over the past three years, French SCPIs have intensified their overseas activities. This strategic diversification has been driven by a dual aim: to broaden the scope of their portfolio across varied jurisdictions and to explore lucrative opportunities yielding attractive returns in other European nations.

According to ASPIM (Association Française des Sociétés de Placement Immobilier), SCPIs collected a total of €4.1 billion in H1 2023. Whilst this reflects an annual decrease of 22% on the back of a record year, this is 9% above the past 5-year average. Moreover, since the onset of the year, SCPIs recorded robust annual performances. In accordance with the IEIF (Institut de l'Épargne Immobilière et Foncière), the annual evolution of the overall performance index of SCPIs reached 4.33% in March.

Overall, we expect the French cross-border investment level to continue in the year's second half, notably thanks to the diversification strategy of French SCPIs.

Fig 2: Net collection from French SCPIs



Source: ASPIM

Fig 3: Overall performance index of SCPIs



Source: IEIF - SCPI total return



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