

# French Cross Border Investment



## French investors shift towards the Rising Sun

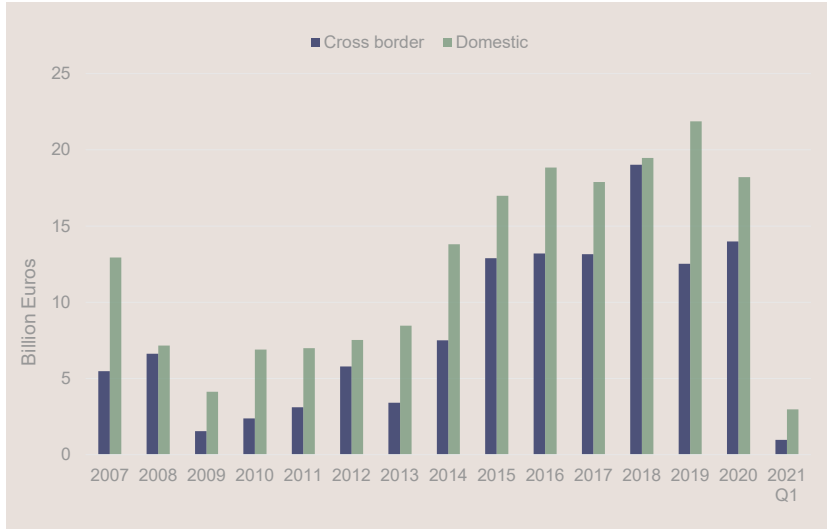
The Covid-19 outbreak and the consequent lockdown restrictions have not stemmed French investors' appetite for global real estate. On the contrary, last year, cross border French investment totalled €14bn, 13% up on the previous year. Whilst at the same time, French investment in their home country declined by 15%.

Most interestingly, French investment destinations across the world changed significantly. French investors allocated some €2.4bn to the Asia-Pacific real estate market last year, representing 17% of all French cross border investments, a record high both in terms of volume and share. The different paces of economic recovery from the pandemic have highlighted some regional opportunities, with Asia-Pacific forecasted to lead the cycle, hence offering faster growth prospects than other regions. The vast majority of these investments targeted the residential sector in Australia and Japan, including notably the acquisition of the large Urbanest student housing portfolio (6,805 beds) by AXA IM in a joint venture with Allianz, APG and Scape Australia and several residential complexes and logistics deals in Japan.

As a result of the increased French investors' appetite for Asia-Pacific properties, the share of French cross border investment in EMEA decreased from 86% in 2019 to 78% last year. Nevertheless, in volume, French investment in EMEA increased by 2.3% YoY to €11bn in 2020. Germany remained their preferred destination with €2.9bn invested last year. Whilst this is 14% up on 2019, this is 18% down on the past five-year average. This slowly declining interest for the country can be attributed to the lack of property available in the market, the strong competition and the consequent rising prices. Some €2.2bn were invested in Italy (+27% YoY), the second-largest country allocation for French cross border money. The UK follows with €2bn of French investment, reflecting an increase of 71% on 2019 and 95% on the past five-year average. UK pricing is currently highly competitive compared to many other European countries whilst very liquid, notably attracting big-ticket market players seeking trophy assets. Other major destinations of French money include the Netherlands, Spain and Luxembourg, whilst investment volume in Ireland, Denmark and Hungary increased significantly over the past five years.

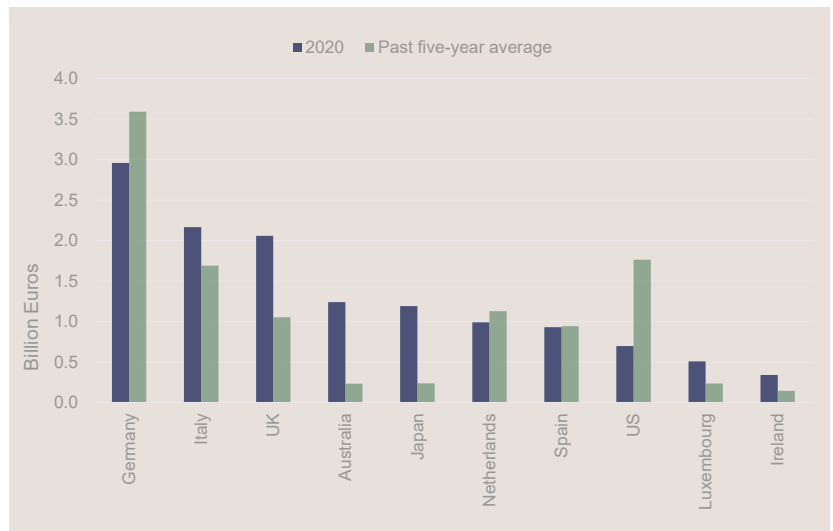
At the other end of the spectrum, the share of French investments targeting the American continent decreased substantially, to 5%, from 8% in 2019 and 13% over the past five years. The French capital was mainly invested in US logistics assets. This includes, most notably, the acquisition by AXA IM of a 27-logistic asset portfolio through share purchase of Cabot Properties REIT.

### French investments



Source Savills Research, RCA

### Major destinations of French investments



Source Savills Research based on RCA

French investors are traditionally very much office oriented and despite the sudden and massive work-from-home wave following repetitive lockdown restrictions, they do not seem to doubt the future of offices. Last year, offices accounted for 37% of French cross border investment. Some €5.3bn were invested in the sector showing a steep increase of 39% YoY. The lack of prime office opportunities in their home country and, most importantly, a hunt for competitive pricing have led them to look into neighbouring countries.

French cross border investment in the residential sector totalled €3.9bn last year, a record high and 206% above the amount recorded in 2019. Hence, residential units accounted for 28% of the cross border volume invested by French investors. Although sudden, their craze for European residential properties comes as no surprise. The multifamily asset class is increasingly attractive whilst in France, the sector is less institutionalised than in many core countries. The explanation behind student housing is quite the opposite, this market is well developed in the country. Some established operators are willing to expand their footprint, often seeking development and/or investment partnerships with French peers.

French appetite for cross border industrial properties also surged. The global volume of French investors dedicated to

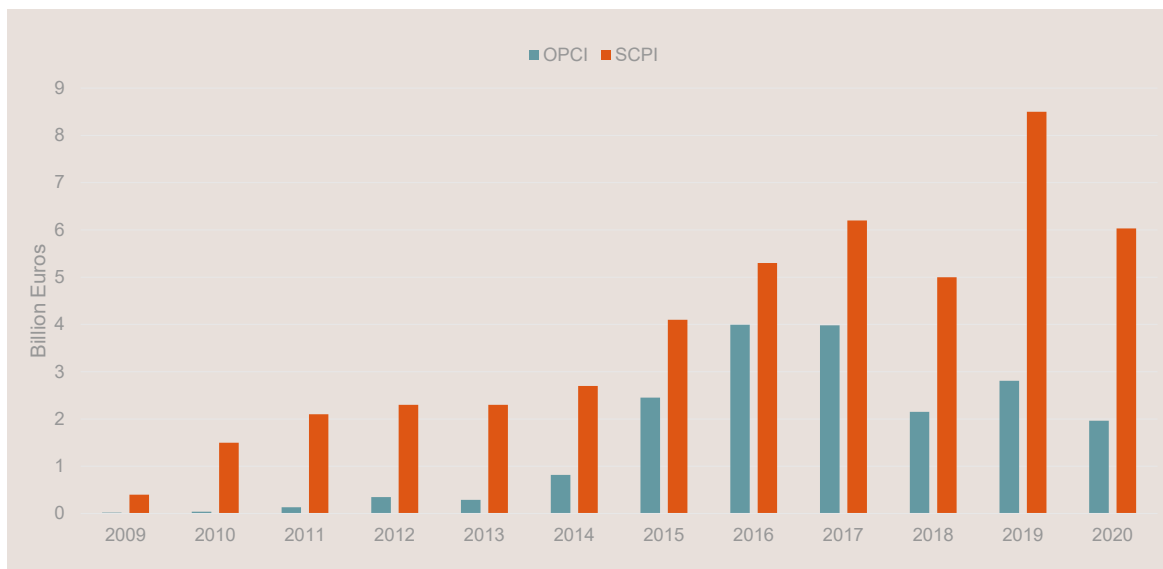
logistics assets increased by 141% YoY to €1.8bn last year, mainly targeting the US, Japan, Italy, Germany, Netherlands and the UK. In line with the general trends, French investors decreased sharply their retail and hotel allocation abroad, -47% and -67% respectively.

The most active French investor globally is by far AXA, whilst in EMEA top investors also include Covivio, BNP Paribas, Primonial, Caisse des Dépôts, Amundi, to name a few.

During the first quarter of the year, French funds have invested slightly less than a billion euro abroad. This is a relatively low figure given the record amount deployed last year. Nevertheless, quarterly volumes, especially the first quarter of the year, do not necessarily set the trend. Although the collected capital from SCPI and OPCI (mutual funds real estate investment vehicles) dropped by 30% last year on the back of a record year in 2019, it remained high by historical standards. The lack of competitive products on their domestic soil will continue pushing French investors to seek properties beyond their borders. Additionally, during crisis periods, investors are generally more inclined to diversify portfolios to lower investment risks and catch opportunities through different property cycles.

“ French investors will continue widening their scope globally throughout 2021. The weight of money to be invested, the lack of suitable products on their domestic soil, the hunt for competitive pricing and the need to diversify their portfolio will increasingly lead them to look beyond their borders. ”

Collected capital by French SCPI and OPCI



Source IEIF, ASPIM

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