

# Market in Minutes

## Retail market

June 2015

### Towards economic recovery

■ In Q1 2015 France recorded a growth rebound (+ 0.6% after 0%). This recovery has not had a visible effect on employment yet, which decreases of 0.4% year-on-year. Indeed, unemployment rate is following a slightly increasing trend: forecasts for 2015 are 10.3% compared to 10.2% in 2014.

■ Oil prices decreased and interest rates facilitate an increase in purchasing power and stronger household consumption in 2015.

■ Manufacturing consumption increased by 1.6% in Q1 2015 (compared to +0.5% in Q1 2014) this, due to a bounce in energy expenses and in sustainable goods (e.g. automobile). Textile and clothing purchases increased by 2.8% in Q1 (compared to -0.2% quarter-on-quarter).

■ The upward trend of business climate index (> the medium long-term average since the beginning of the year) and of household confidence (increasing by eight points between October 2014 and April 2015) foresees an economic speed-up.

### Strong retail demand continues

■ Years of economic crisis and multi-channel development sales have induced retailers to try twice as hard in order to keep up with their attractiveness. Brands such as Yves Rocher, Tati, Fnac and Groupe Beaumanoir have taken advantage of this necessary mutation in order to build up a new corporate identity, improve their concept and increase their sales.

Time is still at costs optimisation, and rationalisation program of the stocks goes on. Prime areas are more privileged than ever, at the expense of secondary areas.

■ In Paris, retailer's demand is mostly held by the clothing and food industry. Foreign retailers, always very attracted to the capital, represented 40% of the opening of high streets in 2014 (including 11% of Italian retailers: Gucci Homme in Le Marais, Cifonelli on Fbg St Honoré Street...).

■ According to the CDAC, 1,165 projects were recorded in 2014, representing an annual increase of 4.3%. Of which 89.6% have been authorised. Among the latter, 910,000 sq m are expansion plans and 2m sq m are new developments.

■ Property developers are innovative, as testified by multiple completions and projects in the pipeline, such as retail park evolution into open air retail park shopping centre. This innovation race accelerates the obsolescence of the existing stock.

■ The rents remain stable in spite of weak economic context. The high street prime rent reaches €21,000 sq m/year, for zone A on the most popular part of the Champs-Élysées. Rental values for Shopping Centers and average areas in Retail Park are €1,800 sq m/year and €180 sq m/year respectively.

■ Tenants and landlords tend to reduce their costs, in particular by controlling their charges.

### Investment: an outstanding context

■ Benefiting altogether by a capital inflows, by a cost-free debt and by the real-estate safe investment effect, the investment market in commercial real-estate has strongly increased, reaching €24bn in 2014 (+30%).

■ In retail, €6.7m have been invested in 2014 and €789m in Q1 2015. An exceptional performance, marked in particular by the number and the volume of landmark transactions:

- the acquisitions of portfolios from Unibail Rodamco (Carrefour) for €1.4bn and from Klépierre (6 shopping centres) for €931m, by Carmila,

- the acquisition of a Unibail Rodamco portfolio (6 shopping centres) by Wereldhave for €850m,

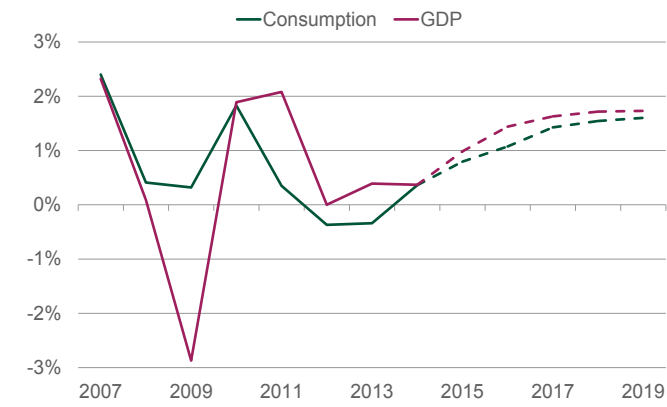
- the purchase of Beaugrenelle by Apsys-Groupe Madar-Financière Saint James for €700m,

- the acquisition of the shopping centre named Nice Etoile, by Allianz for €312m.

■ Investors, focusing on the Core segment, look more than ever to benefit from the resilience of retail assets.

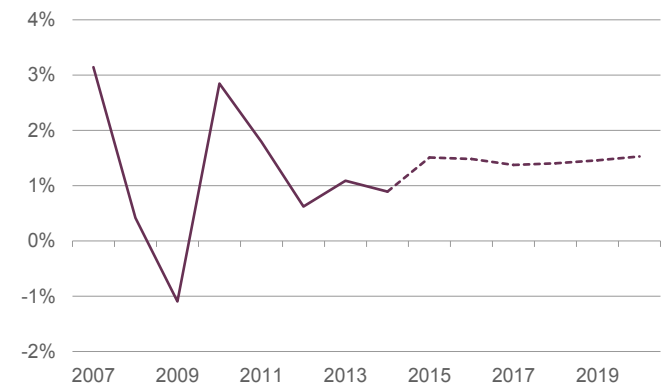
■ The discrepancy between supply and demand enhances the decreases of yields, in particular in the retail parks segment (-50 bps over two years). ■

GRAPH 1  
**Economy** A speed-up is forecasted for 2015



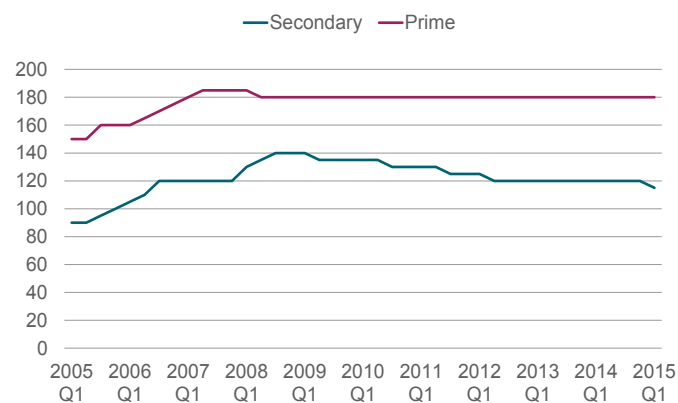
Source: Focus Economics

GRAPH 2  
**Volume of retail sales** A 2% increase is anticipated for 2015



Source: Oxford Economics

GRAPH 3  
**Retail Park** Rental values remain high



Source: Savills / Surface moyenne = 1 000 m²

TABLE 1  
**Retail Park**

	Prime (€ HT HC/sq m/year)	Secondary (€ HT HC/sq m/year)
Sq m > 2,500	100 - 130	80 - 100
Sq m 1,500 - 2,500	130 - 150	100 - 120
Sq m 700 - 1,500	140 - 180	120 - 140
Sq m 300 - 700	180 - 250	140 - 175
Sq m 0 - 300	250 - 300	175 - 200

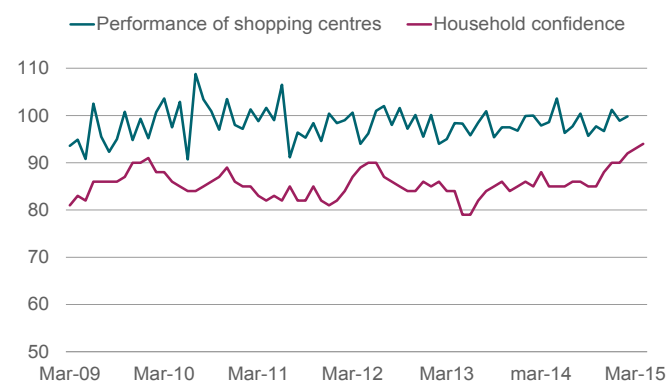
Source: Savills

TABLE 2  
**Projets Retail Park** A model mutation : big is beautiful

Name	Localisation	Area	Open	Opérateur
Atoll	Angers	Sq m 95,000	2012	Compagnie de Phalsbourg
Monde Village	Cean	Sq m 42,000	2013	Carrefour Property
Le Noyer aux Perdrix	Servon	Sq m 30,000	2017	Apsys
Ode à la Mer	Montpellier	Sq m 61,000	2019	Frey
Central Parc Valvert	Le Plessis Paté	Sq m 85,000	2019	Compagnie de Phalsbourg
Europa City	Gonesse	Sq m 230,000	2020/2025	Immochan

Source: Savills

**GRAPH 4**  
**Shopping centre** The performance index reaches its long-term average



Source: INSEE / CNCC

**TABEAU 3**  
**Shopping centre** Prime rents remain stable

	Q1 2015 (€ HT HC/sq m/year)	Trend
Super régional centre*	1,400 - 1,800	→
Régional centre*	1,200 - 1,800	→
Big centre*	800 - 1,200	→
Little centre*	500 - 800	→

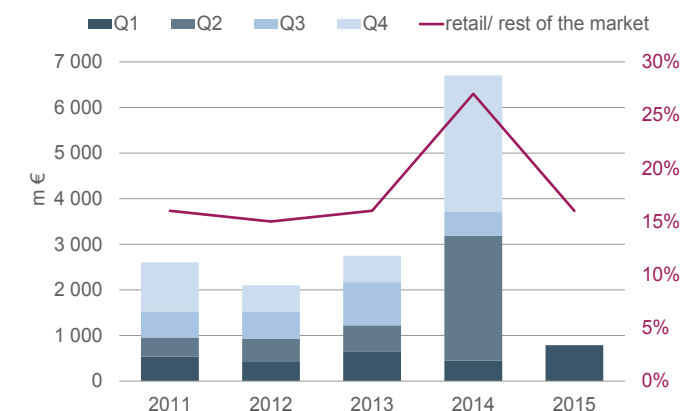
Source: Savills / \* CNCC définitions / Shop <100 sq m

**TABEAU 4**  
**High street** Increase of prime rental values

Sq m zone A	Bordeaux	Lille	Marseille	Paris	Toulouse	Lyon
Prime localisation	Rue de la Porte Dijeaux  Rue Sainte Catherine	Rue de Béthune  Rue Neuve  Rue de la Grande Chaussée	Rue Saint-Ferréol  Rue Paradis	Av. des Champs Elysées  Av. Montaigne  Fbg. Saint-Honoré	Rue d'Alsace Lorraine	Rue de la République
Rent (€/sq m/year zone A)	1,400 - 2,100	1,900 - 2,300	1,500 - 1,900	11,000 - 21,000	1,300 - 2,200	1,400 - 2,600

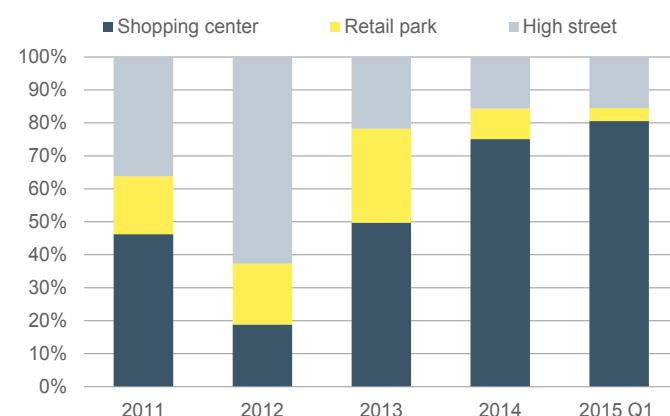
Source: Savills

**GRAPH 5**  
**Investment volume** A dynamic first quarter after an exceptional year



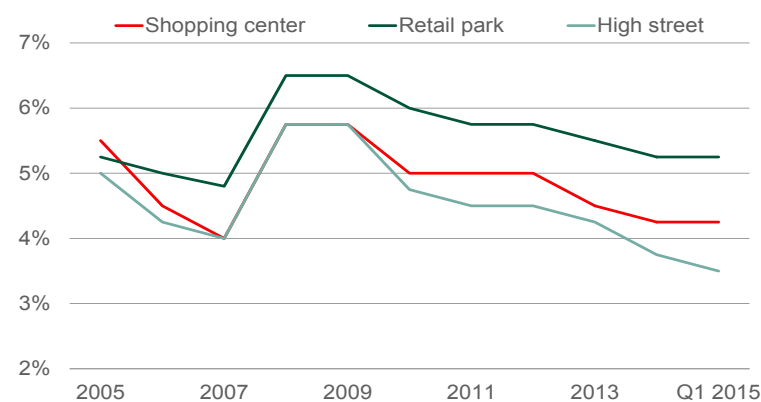
Source: Savills

**GRAPH 6**  
**Breakdown of investment volume** The share of Shopping Centres increases further



Source: Savills

GRAPH 7

**Prime yield** Yields compression ease off

Source: Savills

TABLE 5

**Top 5 investors of 2014-2015**

Investor	Total volume (€)
Carmila	2,331,000,000
Wereldhave	850,000,000
Apsys-Groupe Madar-Financière Saint James	700,000,000
Allianz	312,000,000
Chelsfield / Olayan Group	250,000,000

Source: Savills

## Conclusions and perspectives

### Innovation and performance

■ The improvement of the economic context and business climate should promote the growth of consumption. Nevertheless, consumption patterns have evolved a lot in recent years; as a result, only the most creative retailers will take advantage of it.

■ In 2015, developers will keep on innovating, offering more and more services and entertainment goods.

■ With a weak currency rate and long-term interest rates at their lowest, the Euro zone market, notably France, remains very attractive.

■ The competitive market environment should bring a new decreasing pressure to the yields.

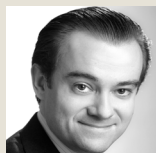
■ In the current very good economic and financial conditions, we anticipate the annual volume at year-end to overtake the ten-year average which is €2.9bn. This, in spite of the lack of prime opportunities on the market.

## Savills France

Please contact us for further information



**Will Woodhead**  
CEO Savills France  
+33 1 44 51 73 21  
wwoodhead@savills.fr



**Alexandre Boucly**  
Co-head of Retail  
+33 1 44 51 73 14  
aboucly@savills.fr



**Christian Nehmé**  
Co-head of Retail  
+33 1 44 51 73 26  
cnehme@savills.fr



**Marie-Josée Lopes**  
Head of Research  
+33 1 44 51 17 50  
mjlopes@savills.fr

#### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.