

Colonial



Colonial – Capital Markets Day  
UPDATE ON FRENCH PORTFOLIO  
Mr. Dimitri Boulte  
SFL Managing Director



Madrid 15/10/19

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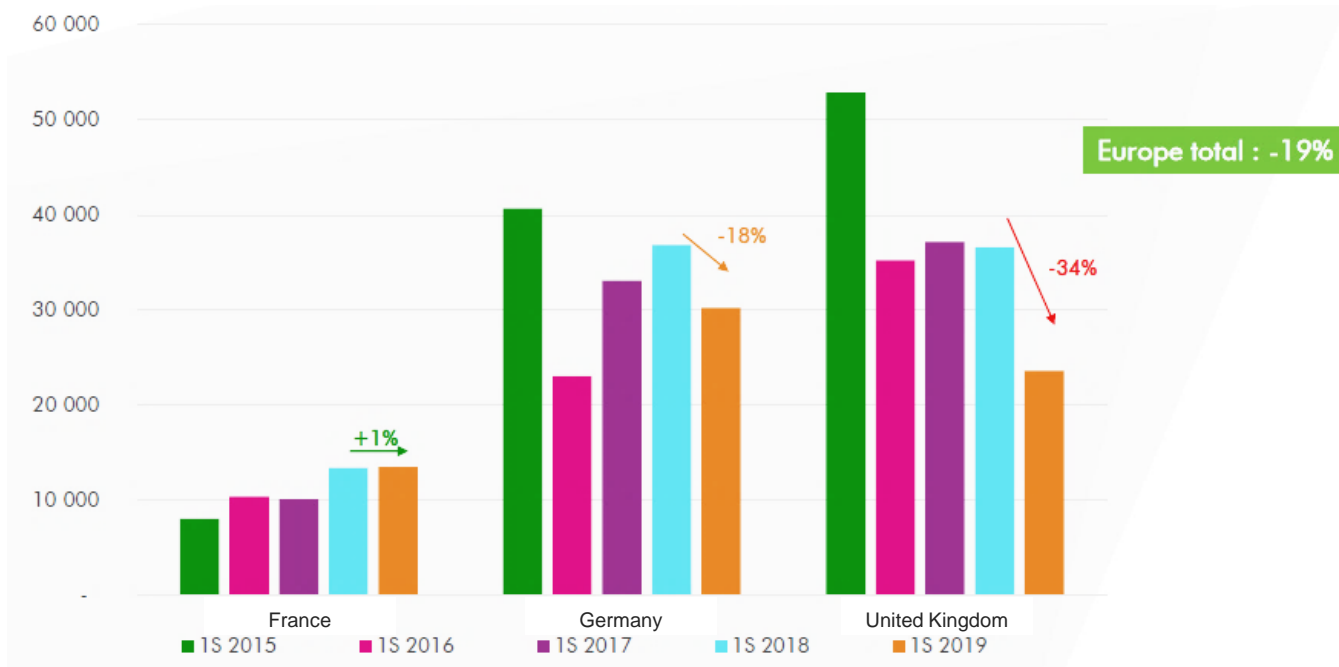


- 01 **Paris Region Market**
  - 1.1 Investment market
  - 1.2 Leasing market
- 02 Operations
  - 2.1 Leasing update
  - 2.2 ESG Rating
  - 2.3 Project Pipeline

A well orientated French market

- > Whilst investment volumes have gone down in the 1<sup>st</sup> semester in the competing big European markets, mostly due to the macroeconomic uncertainties, France arises as a « safe haven » for international investors
- > The record investment volumes of the 1<sup>st</sup> semester is being sustained by deals in excess of €100m, accounting for 58% of total investments

Investment Volumes (€m)



Exemples de major transactions in 2019

**Lumière** (136,000 sq.m.)  
Paris 12



**4.85%**  
**€1,200m/€17,800 per sq.m.**  
**Vendor:** Tishman Speyer  
**Buyer:** Primonial/Samsung SRA

**Majunga** (69,000 sq.m.)  
La Défense



**4.20%**  
**€850m/€13,000 per sq.m.**  
**Vendor:** Unibail-Rodamco-Westfield  
**Buyer:** Amundi/Mirae Asset Daewoo

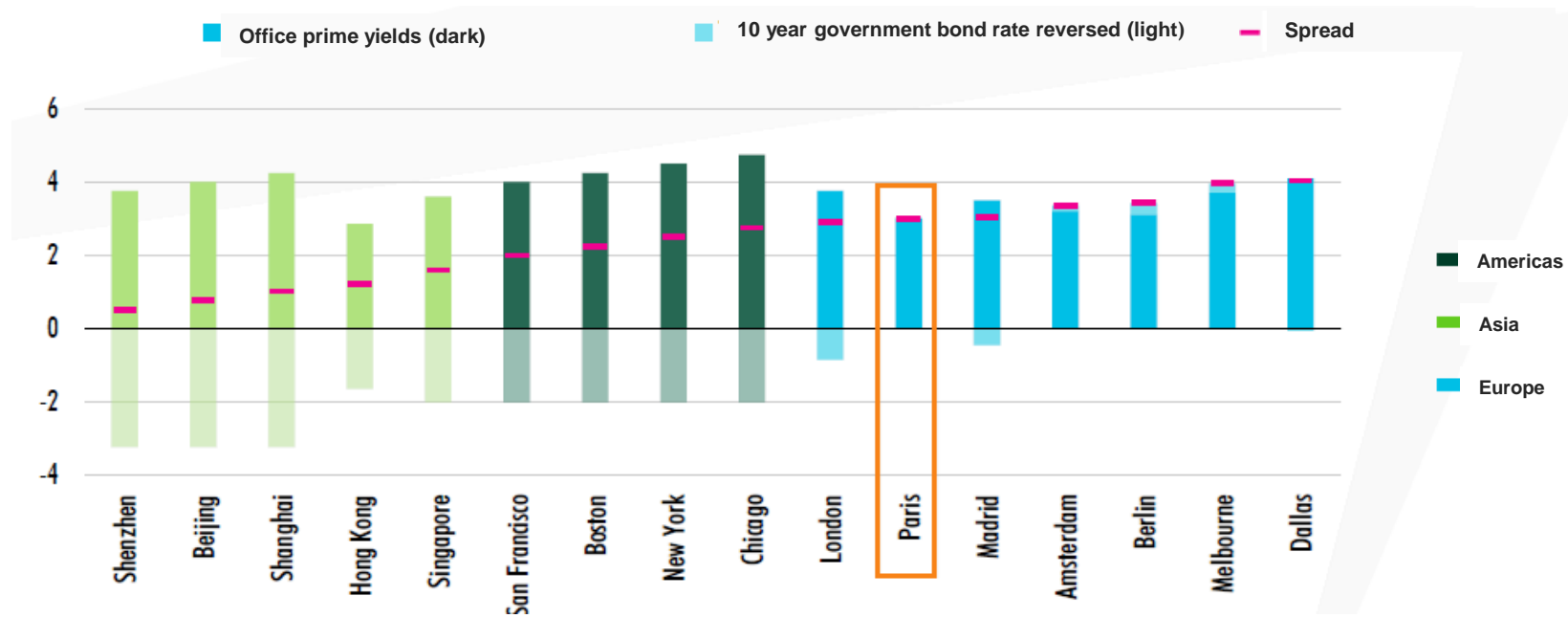
Source : CBRE

## Despite yields' fall, Paris maintains a very attractive risk premium...

- > Paris « prime » yields, though they are currently in a phase of decline, remain high compared to a negative OAT rate (-0.28% at the end of september)
- > The resulting risk premium is driving investment volumes up

➔ *This entails a solid non speculative price structure*

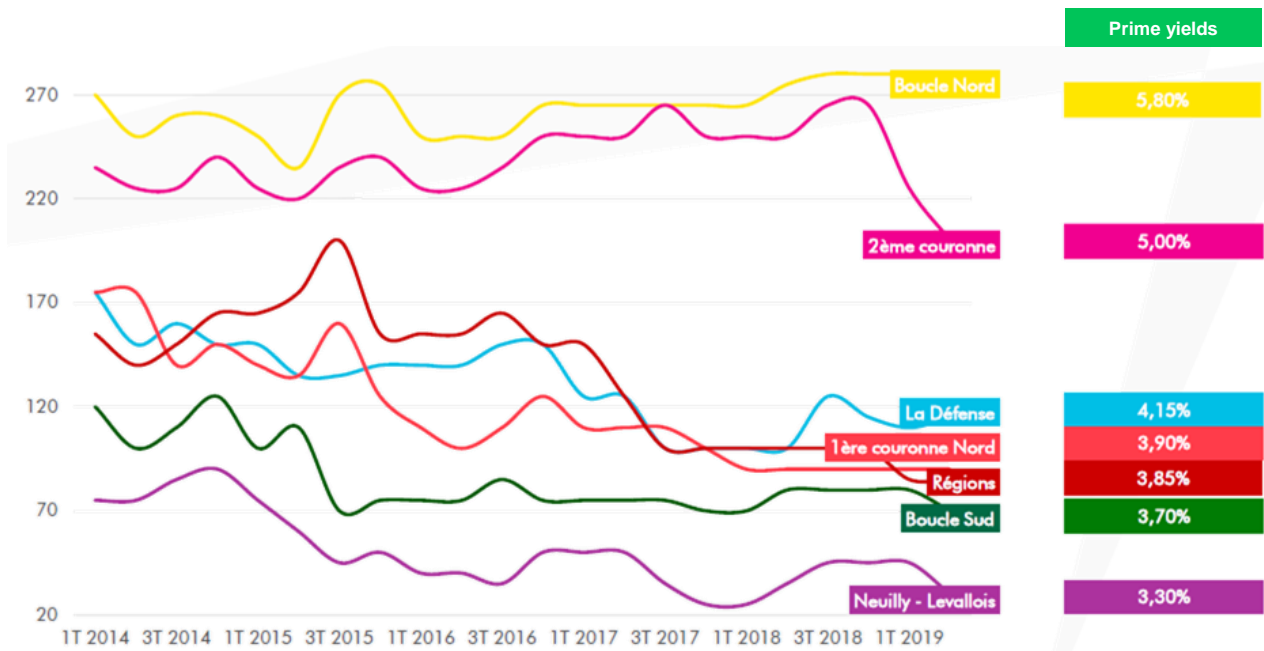
Real estates « prime » yields in major markets across the world



Source : CBRE

> The relative rise in prices observed in Paris CBD in the past few months, needs to be balanced by the severe drop in yields experienced by other Paris Region Markets in the past year

Evolution in the yield gap (bps) with Paris CBD



Source : CBRE

Some transactions displaying a NIY < 3%

**Terreïs portfolio**  
(28 assets) Paris



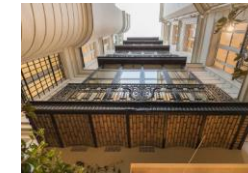
Around **2.70%**  
**€1,800m/€18,000** per sq.m.  
**Vendor:** Terreïs  
**Buyer:** Swiss Life AM

**79 Haussmann**  
Paris 8



**2.75%**  
**€142m/€26,000** per sq.m.  
**Vendor:** Groupe Roullier (Private)  
**Buyer:** Agrica

**35 Boétie**  
Paris 8



Around **2.95%**  
**€54m/€22,000** per sq.m.  
**Vendor:** Angelo Gordon  
**Buyer:** Groupama

**Rond-point des Champs**  
Paris 8

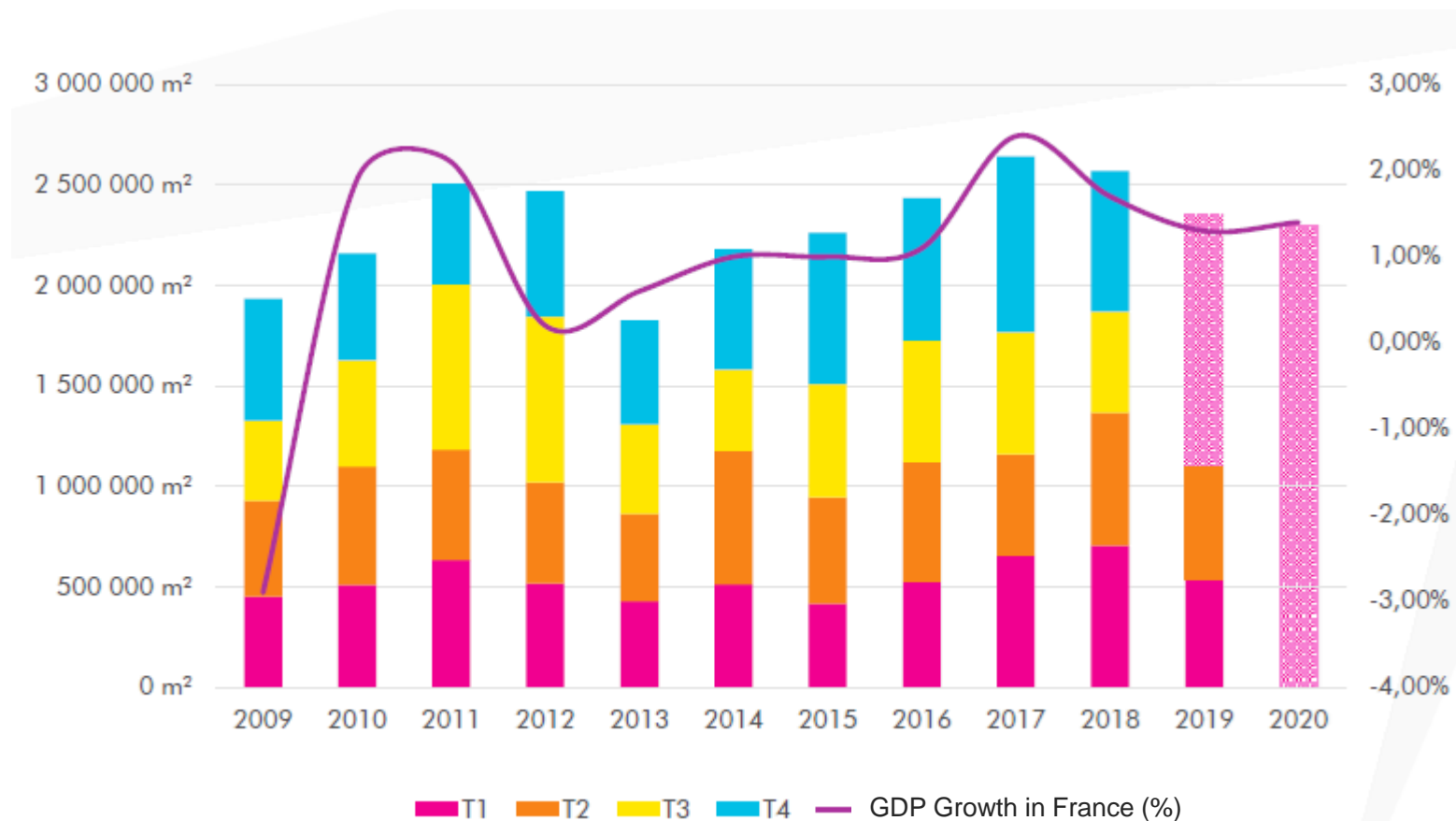


Around **2.20%**  
**€130m/€33.000** per sq.m.  
**Vendor:** Private  
**Buyer:** Verotrade (private)

➡ If SFL's segment value is increasing due to its appeal for investors, it stands out as the most solid and resilient to business cycles

> Take up for 2019 should reach between 2.3 million sq m. and 2.4 million sq m.

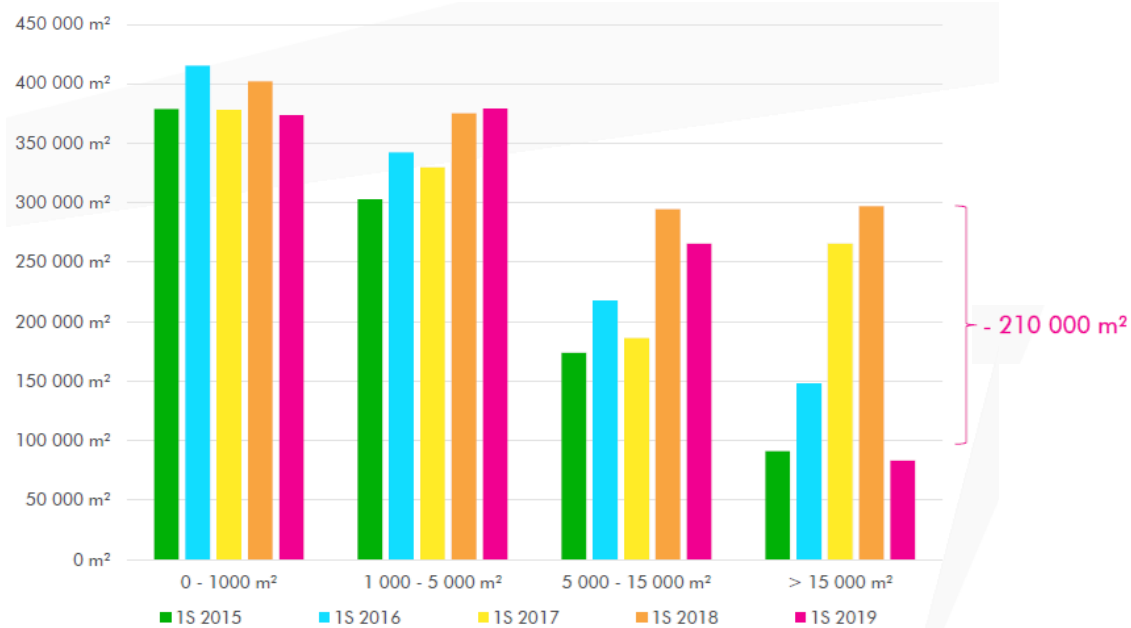
Paris Region lettings (in sq m.)



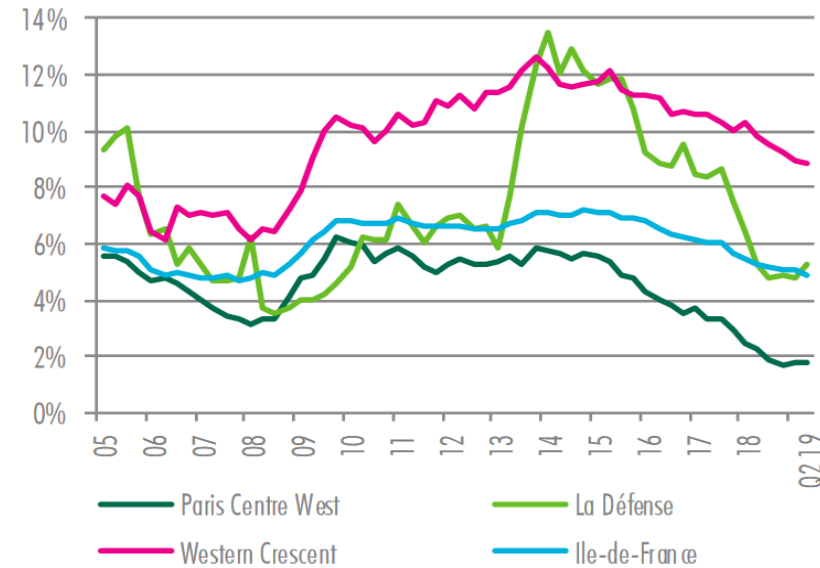
Source : CBRE

- > The rental market has been essentially supported by the dynamism of the medium space segment (1,000 – 5,000 sq m.)
- > But an awakening of the large units is anticipated for the end of the year

Paris Region completed lettings by space segments (in sq m.)



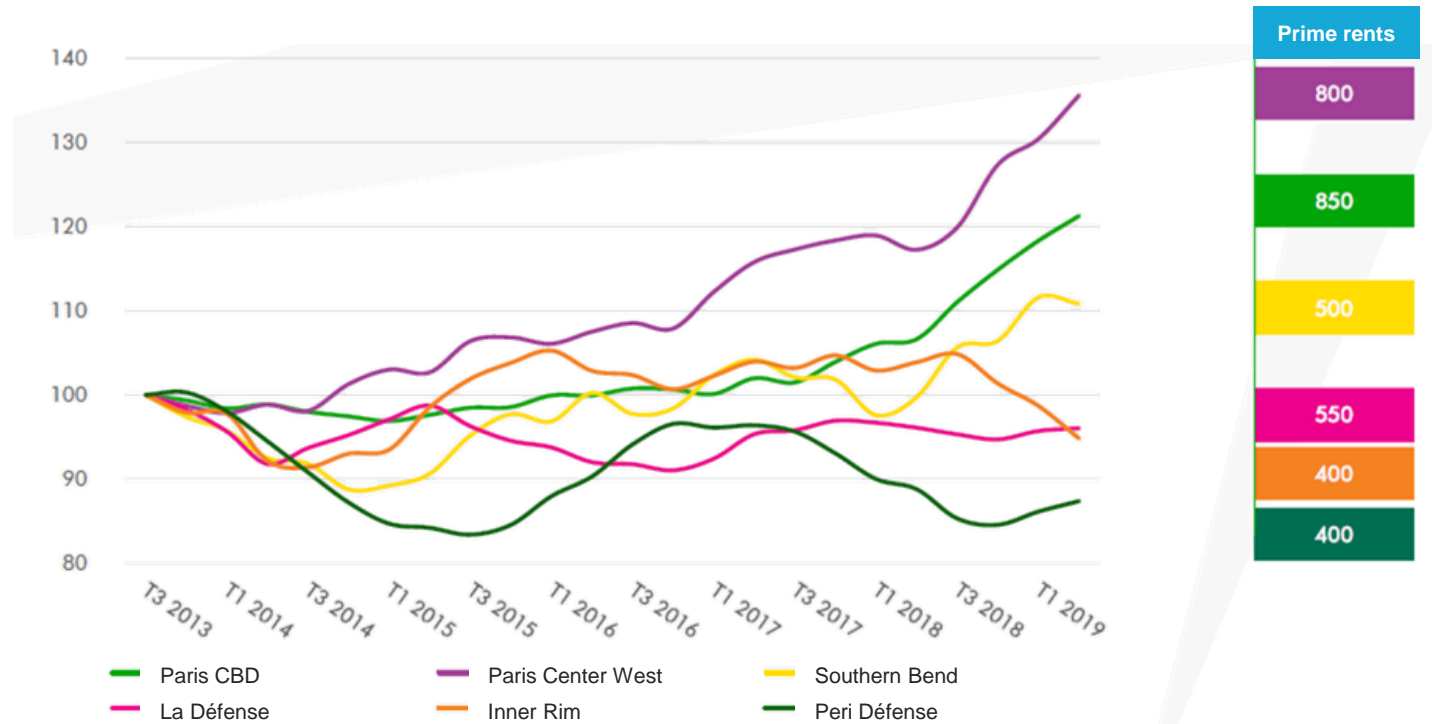
Vacancy rate evolution by sub-markets



Source : CBRE



Average economic rents (base 100 in 2012)



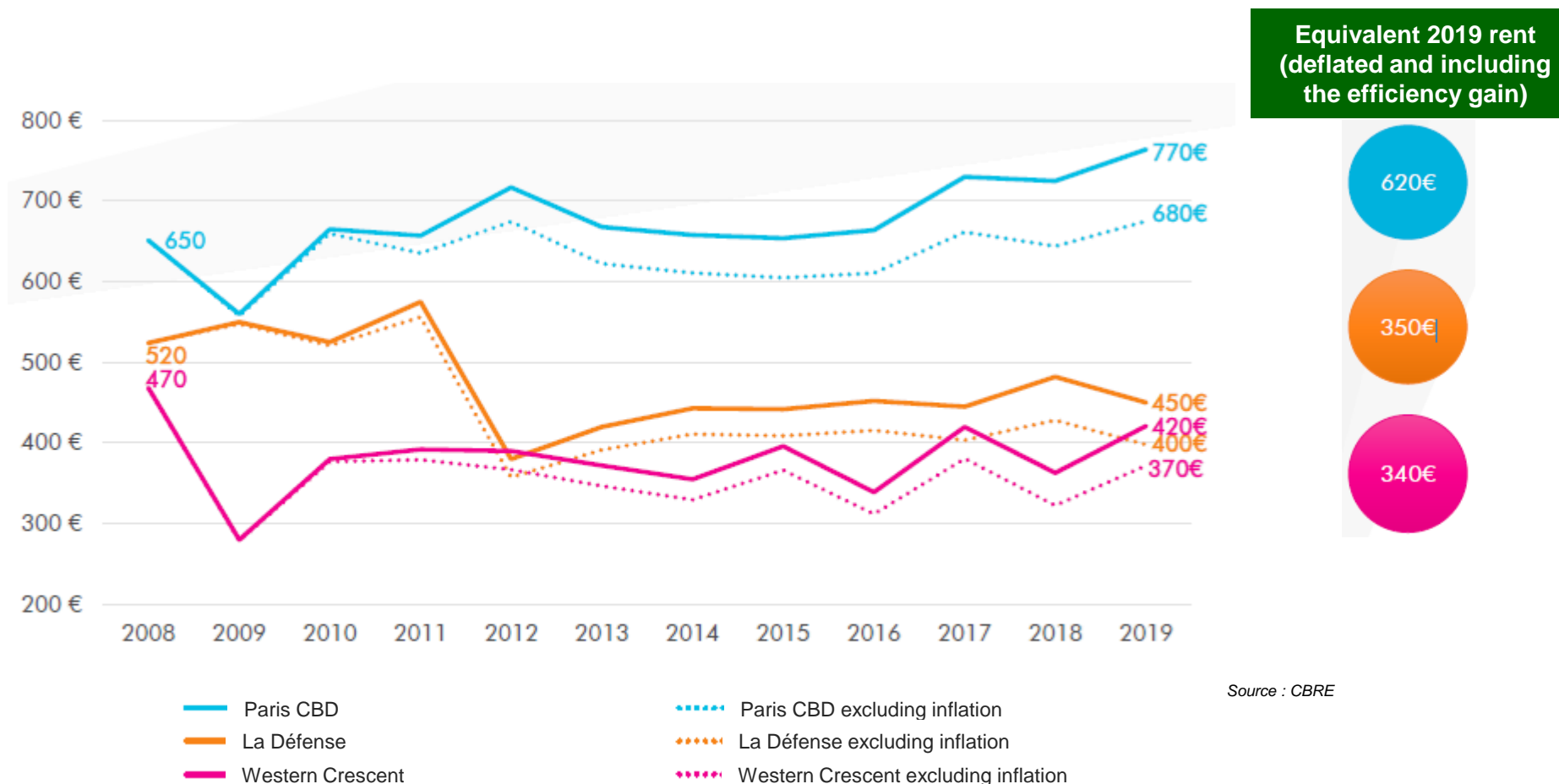
Source : CBRE



Rents' increases particularly concern Paris

> The market's assimilation of these two factors, along with scarcity, should result in new rent increases

Evolution of rents since 2008 (in € per sp m.)





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> Very scarce immediate vacancy, as a result of good leasing activity



103 Grenelle, Paris 7<sup>th</sup>



+11 %  
Vs. ERV

Lease contract - 436 sq.m.  
Signature 07/03/2019  
Fixed period : 6 years  
Incentive : 0%

+12%  
Vs. Previous rent



+8 %  
Vs. ERV

Lease contract – 1 596 sq.m.  
Signature 07/26/2019  
Fixed period : 6 years  
Incentive : 12,5 %

+8%  
Vs. Previous rent



106 Haussmann, Paris 8<sup>th</sup>



+10 %  
Vs. ERV\*

Lease contract – 12 396 sq.m.  
Signature 05/16/2019  
Fixed period : 12 years  
Incentive : 18,8 %

+7%  
Vs. Previous rent



176 Charles de Gaulle, Neuilly-sur-Seine



+27%  
Vs. ERV

Lease contract - 1 297 sq.m.  
Signature 07/12/2019  
Fixed period 6 years  
Incentive : 11,1 %

+30%  
Vs. Previous rent



+18%  
Vs. ERV

Lease contract - 647 sq.m.  
Signature 07/12/2019  
Fixed period 6 years  
Incentive : 10 %

+27%  
Vs. Previous rent



Cloud.Paris, Paris 2<sup>th</sup>



+5%  
Vs. ERV

Extension area 1 063 sq.m.  
Signature 08/04/2019  
Fixed period 6 years  
Incentive : 12 %

+16%  
Vs. Previous rent

\* ERV on 12/31/2018

- ◆ Constant upgrade of building services
  - ◆ Improvement of floor plates efficiency and flexibility
  - ◆ Constructive business relationships
- 
- ◆ Reduced vacancy rate
  - ◆ Lower level of repair capex

*Signatures with current tenants*



112 Wagram  
Paris 17

100%  
Occupied\*



#Cloud.paris  
Paris 2

100%  
Occupied\*



Louvre Saint-Honoré  
Paris 1<sup>st</sup>

100%  
Occupied\*



Edouard VII  
Paris 9

100%  
Occupied\*



\* Office units consideration

2.1 Leasing Update  
**EPRA Vacancy rate 1,7 % as of 06.30.2019**

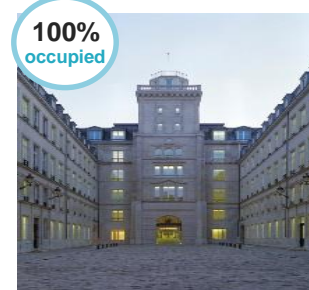
90 Champs-Élysées  
*Paris 8*



9 Percier  
*Paris 8*



103 Grenelle  
*Paris 7*



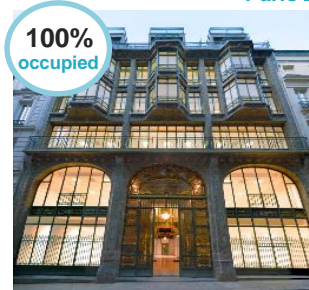
131 Wagram  
*Paris 17*



Haussmann Saint-Augustin  
*Paris 8*



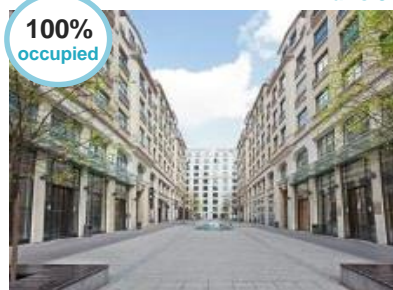
6 Hanovre  
*Paris 2*



Washington Plaza  
*Paris 8*



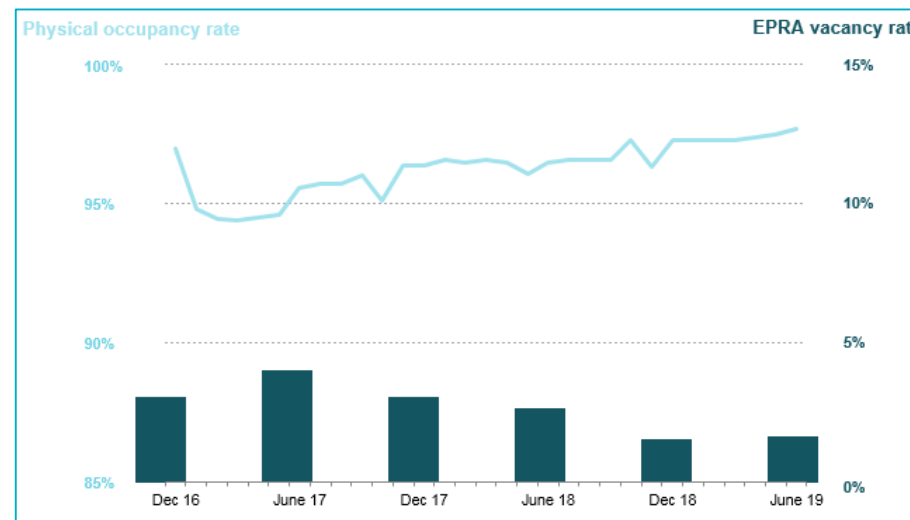
Cézanne Saint-Honoré  
*Paris 8*

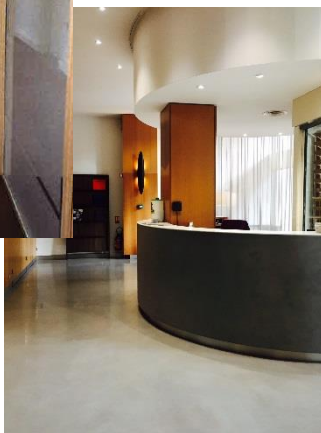


92 Champs-Élysées  
*Paris 8*



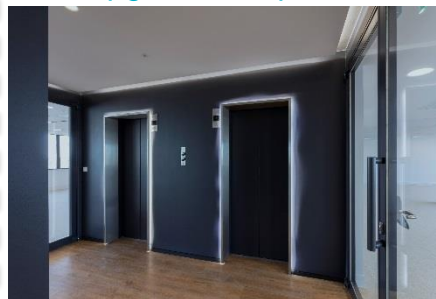
**HISTORICAL TREND OF OCCUPANCY RATE**





**BEFORE**

✓ Upgrade floorplates



✓ Entrance building - new hall



**AFTER**

- ◆ Strong rise in rental levels :  $\approx + 30\%$  vs previous rents
- ◆ Growth in the building rental income by 11%

2017  
Average rent  
445 €/sq.m.



2019  
New signature  
580 €/sq.m.



2014

Acquisition date  
Average rate  
≈520 €/sq.m.



2016 - 2017

First leasing operations  
620 - 630 €/sq.m.



2019

Last signature  
750 €/sq.m.  
with no incentive

- Refurbishment of all floorplates, upgraded technical performances
- Enhance building common parts, action of shared meeting rooms





## AG2R La Mondiale

- ◆ Building with institutional image

## WeWork

- ◆ 12 years form lease
- ◆ +4 % previous rent
- ◆ Responsibility for developing and design works

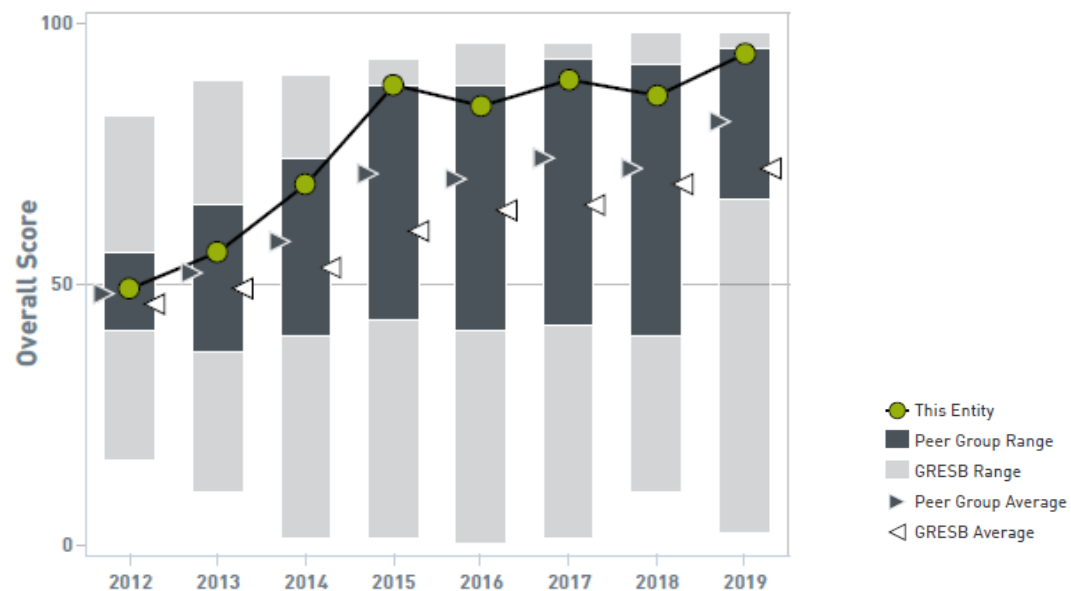


- ✓ No vacancy
- ✓ Technical and design upgrade
- ✓ Ratio density reduced from 12 to 7 person by sq.m.



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- ◆ SFL has been awarded a new label “Green Star” by the Global Real Estate Sustainability Benchmark (GRESB), with a grade of 94/100
  - > Ranked #2 in Europe among 14 members
  - > Ranked # 25 worldwide among 964 members



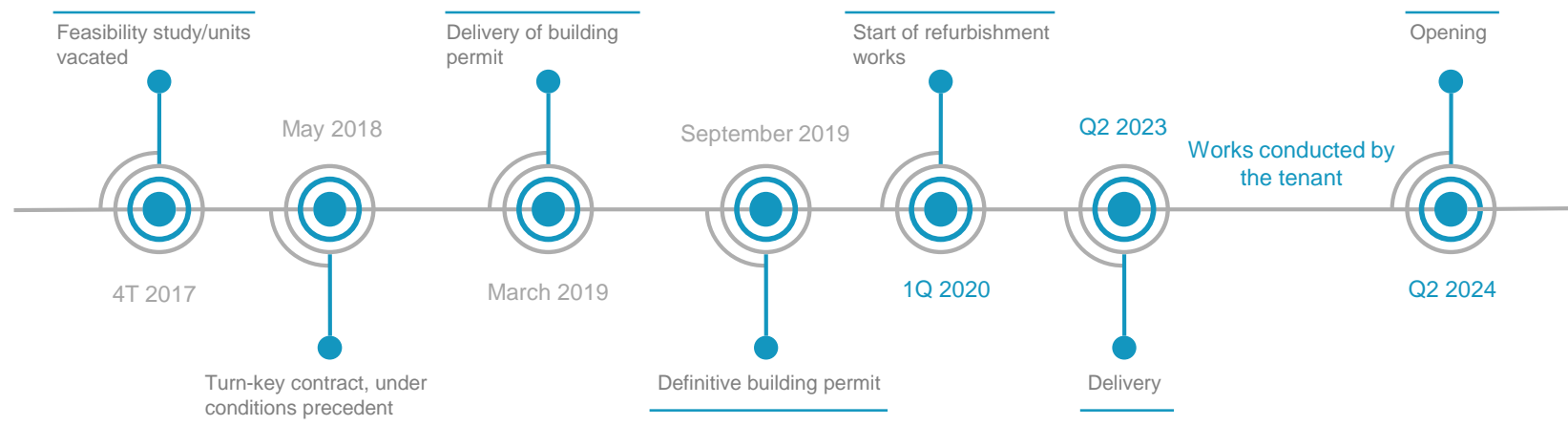
**Steady improvement on GRESB ranking.  
SFL committed to remain best in class**

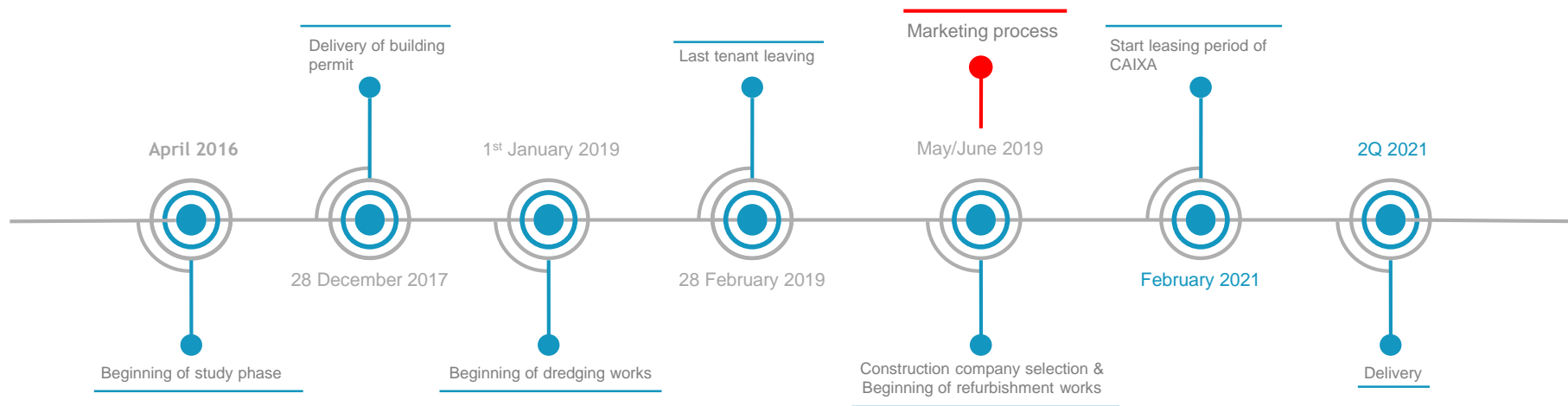


- ◆ 100% buildings with Breeam in Use label



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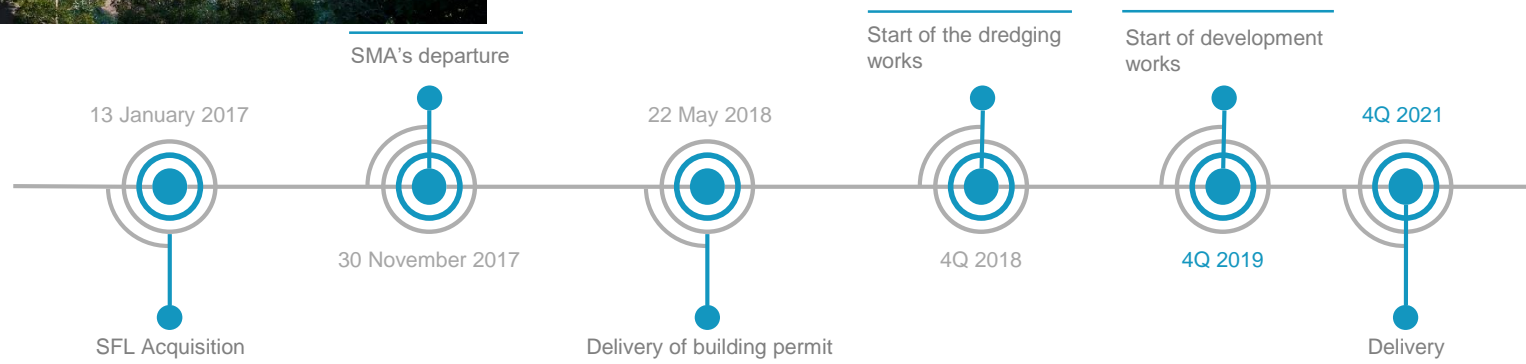
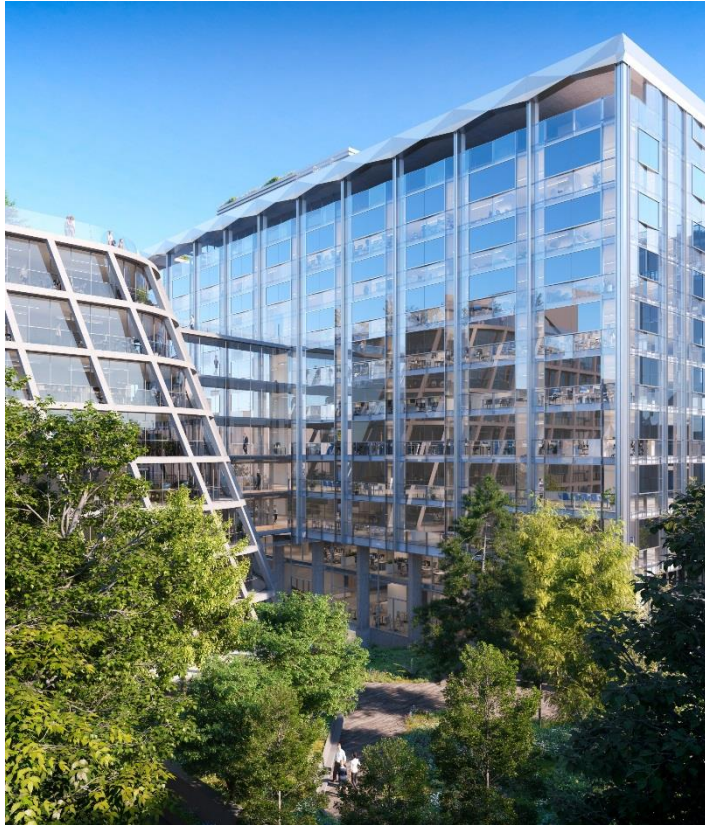












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