

WHY INVEST IN LYON?



2016



FOREWORD



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The Lyon property market has been the leading regional market in France for more than a decade, both in terms of take-up and investment volumes.

Its wide-ranging, transparent markets, diverse players, extensive urban projects, renowned architects and the presence of international investors have enabled Lyon to gradually move into another class and have made it one of the strongest Eurocities selected for our study.

Lyon is able to capitalize on certain criteria that make it stand out among this group: a strong, diversified industrial fabric, real balance between supply and demand, and effective collaboration between public and private operators - all key factors of success for Lyon as one of the major investment locations in Europe.

Lyon also confirms its new status as a strong Eurocity through the development of major new infrastructure in the urban area, such as the "Parc OL" (ultramodern stadium with a seating capacity of 60 000) or the "Musée des Confluences" (850 000 visitors in 2015). In addition to numerous opportunities for economic development such as the privatisation of the Lyon -Saint Exupéry airport, the Turin-Lyon high-speed railway or the creation of the "pôle métropolitain".

We are pleased to announce the publication of the 2016 edition of our "Why invest in Lyon?" brochure, a reference manual designed for those investors who are new to our market. We will provide an overview of the Lyon region's economy and principal real estate submarkets before looking in closer detail at the legal and fiscal aspects of property investing in France.



Mohamed Mabrouk
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We do hope you find this guide useful and we look forward to business opportunities with you in the future.

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AN ECONOMIC OVERVIEW OF THE LYON REGION

Opting for Lyon and its region is to choose one of the most attractive and innovative cities in the world. A competitive location, open to the world, Lyon attracts a growing number of companies and investors each year.

Historically home to silk weaving, and with a long tradition of industry, Lyon has gradually refocused on advanced technology sectors, such as pharmaceuticals and biotechnologies, making these sectors the city's trademark worldwide. More generally, internationally renowned groups have chosen to set up in the region (Meriel, Sanofi Pasteur, SEB, Euronews, GL Events, Aguettant, etc.).

France's third most populated city, after Paris and Marseille, and among the 15 biggest cities in Europe with more than 1,300,000 inhabitants in 2013, Lyon Metropole has not ceased to develop and grow since the 1980s (+17% since 1982). On a larger scale, the Auvergne-Rhone-Alpes region, in which Lyon is located, is France's second most populated and most economically active region after Ile-de-France. Moreover, Lyon has, for more than two years, been part of an innovative cooperation between four urban communities that have come together voluntarily to form a dynamic metropolitan grouping comprising almost two million inhabitants and 140 municipalities.

LYON, A FIRST-CLASS FRENCH CITY

A young, dynamic city with a diversity of cultural assets

The city of Lyon boasts an exceptional heritage. It was listed by UNESCO as a World Heritage site in 1998 and is France's second most popular destination for tourists after Paris with 5.5 million visitors in 2011. Lyon has witnessed almost 2000 years of history, from Medieval times around Fourvière hill, the Renaissance in the Saint-Jean district, and Classicism in the Presqu'île, to the Haussmann-style architecture of the main thoroughfares and along the banks of the Rhône.

Lyon is also the capital of French gastronomy, combining the charm of its famous "bouchons Lyonnais" serving traditional Lyonnais cuisine and its Michelin-starred restaurants (Orsi, Têtedoie, Viannay, and the legendary Paul Bocuse).

Source : INSEE, 2013 data

Members of the metropolitan grouping	Last authenticated municipal population
Grand Lyon Métropole	1 336 994
Communauté d'agglomération Saint-Etienne métropole	390 550
Communauté d'agglomération Porte de l'Isère	101 131
Communauté d'agglomération du Pays Viennois	69 378
Total	1 898 053

Lyon also hosts the annual world hospitality and food service exhibition, SIRHA (Salon International de la Restauration, de l'Hôtellerie et de l'Alimentation). The last edition of this event was held in January 2015 and attracted almost 190,000 visitors. It assembled more than 3,000 exhibitors and brands and gathered almost 20,000 chefs from all over the world.

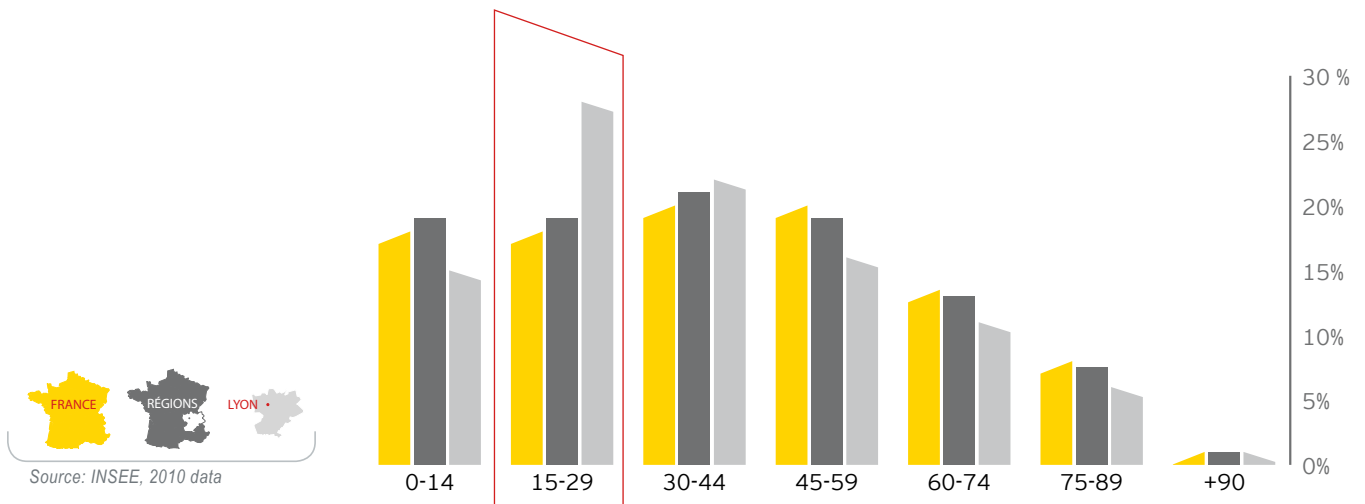
Lyon also likes to shine and sparkle, proof of which can be seen at its traditional Fête des Lumières (Festival of Lights), an annual event that takes place over a few days around 8th December and attracts between three and four million tourists. As soon as night falls, Lyon lights up, illuminating almost 250 monuments, sites and the river banks.

These magnificent illuminations show of the city's architectural heritage, draw attention to forgotten details, and give a special dimension to the two rivers that meet in Lyon.

In addition, Lyon Metropole possesses two international stadiums, Gerland and the brand new "Parc Olympique Lyonnais" in Décines, seating 42 000 and 60 000 people respectively, which bring the city between two and four million euros in annual tax revenues.

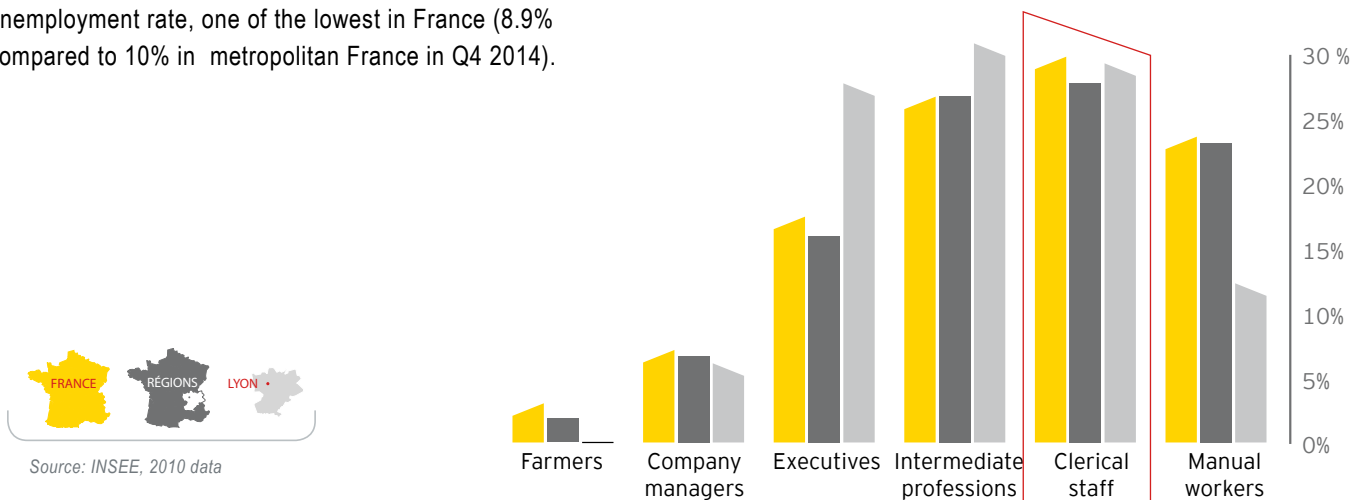
But Lyon also ranks as one of the most dynamic cities in France, as evidenced by the proportion of 15 to 29 year olds, compared to the national and regional averages.

Approximately 66% of Lyon's population is in the under-45s age group, compared to 57% for France as a whole. This is partly explained by the large student population (160 000 students) and a significant number of laboratories and R&D centres (10% of French researchers work in the region).



Working population in 2010

Finally, the Rhône-Alpes region is attractive in terms of job opportunities and job creations, as can be seen from its unemployment rate, one of the lowest in France (8.9% compared to 10% in metropolitan France in Q4 2014).

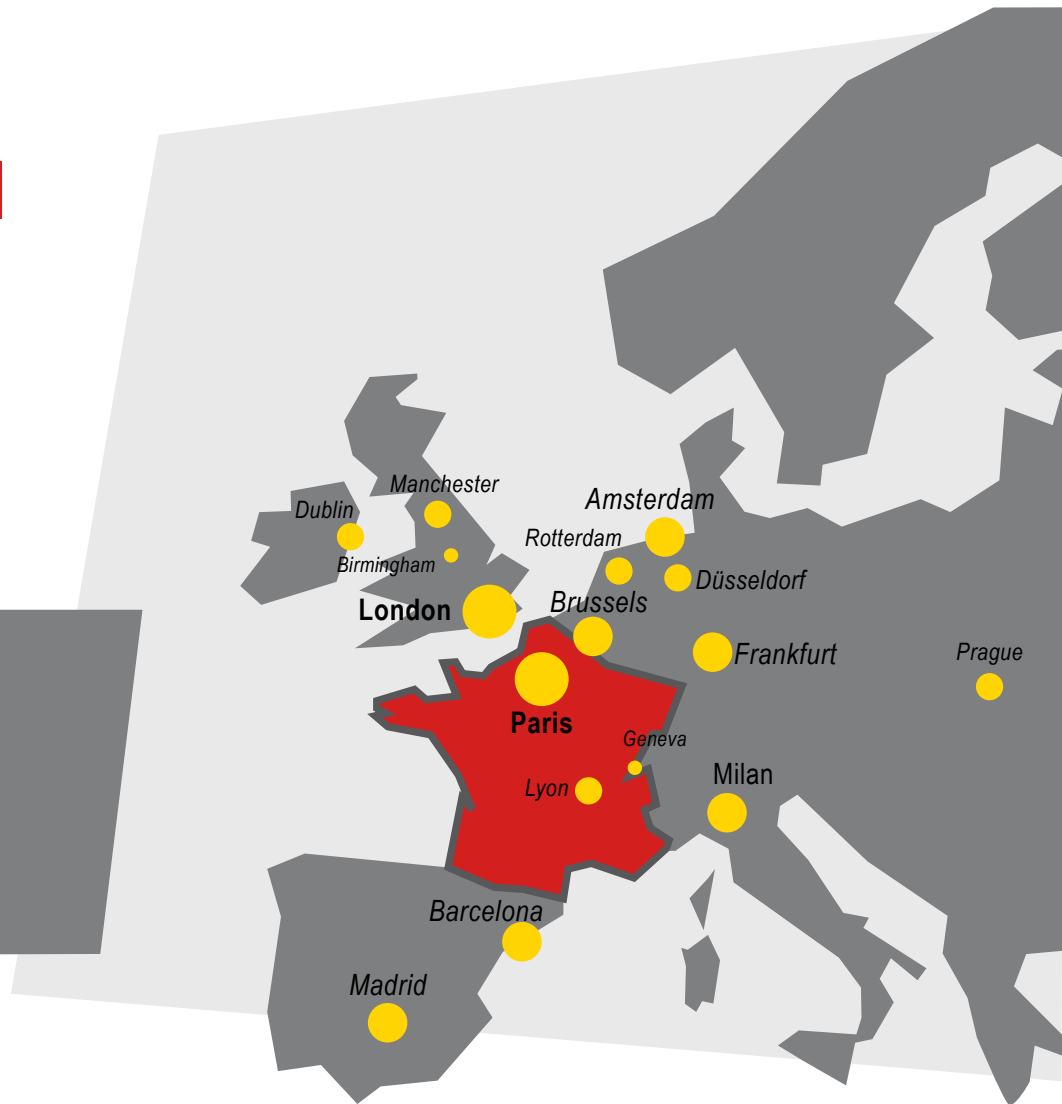


LYON, A FIRST-CLASS FRENCH CITY

GDP

- > €600,000m
- €100 000m > €200 000m
- €50 000m > €100 000m
- < €50 000m

Source: Eurostat, data 2012



Lyon, a city of innovation

The Innovation Cities™ Index is a world index classification and top ranking of cities' potential as innovation economies. The 2015 index includes 500 cities.

The index is based on 162 indicators in the fields of business, economics (general), education (science and universities), start-ups and entrepreneurs, and ICT, as well as basic services (utilities, food supply, water), law and government.

European ranking of the 20 most innovative cities (2thinknow index)

	Cities	Country	Index 2015
1	London	UK	57
2	Vienne	Austria	56
3	Amsterdam	Netherlands	55
4	Paris	France	54
5	Munich	Germany	54
6	Berlin	Germany	54
7	Copenhagen	Denmark	54
8	Stockholm	Sweden	53
9	Tel-Aviv	Israël	53
10	Stuttgart	Germany	52
11	Helsinki	Finland	52
12	Manchester	UK	52
13	Barcelona	Spain	52

	Cities	Country	Index 2015
14	Oslo	Norway	52
15	Lyon	France	52
16	Hamburg	Germany	52
17	Leipzig	Germany	51
18	Frankfurt	Germany	51
19	Brussels	Belgium	50
20	Milan	Italy	49
22	Dusseldorf	Germany	49
26	Dublin	Ireland	48
27	Prague	Czech Republic	48
34	Rotterdam	Netherlands	47
37	Geneva	Switzerland	47
63	Birmingham	UK	44

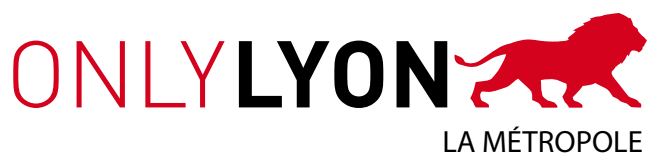
Legend: Cities from our panel

Source: 2thinknow Innovation Cities™ Index 2015: www.innovation-cities.com

Of the 13 cities selected for our services sector real estate comparison panel¹, only seven are among the 20 most innovative cities according to the Innovation Cities™ index. Although Lyon ranks 4th among the cities in our panel included in this index, it is only 15th among European cities. Higher ranked cities such as Amsterdam and Copenhagen have been commended for their original initiatives. Amsterdam organizes an annual innovation competition rewarding research projects with social applications (Amsterdam Science & Innovation

Award²). Copenhagen aims to become the first carbon neutral capital in 2025. The development of district heating, the re-use of building waste and a significant reduction of carbon emissions have already led to the city being named European Green Capital in 2014³.

In order to increase its attractiveness and strengthen its image as a city firmly focused on innovation, the City of Lyon has embarked upon major programs that should result in it moving up in the various international rankings.



The Metropole of Lyon has therefore implemented Lyon Smart City, a strategy which fosters innovative and collaborative projects to create long term value for the region, through services for users, companies and business development. At the same time, the city's major urban projects (Confluence, Part-Dieu, Gerland) all include components dedicated to the smart city, such as positive-energy buildings, car-sharing programs, urban modeling, communities involvement or energy management systems. Partnerships are set up with businesses to further experimentation in the fields of energy, mobility, water, digital technology, social and healthcare, urban lighting, citizens involvement, etc.

Another significant initiative, Lyon French Tech, is dedicated to innovative entrepreneurs in the City of Lyon. It helps them to quickly and efficiently identify the resources that meet their needs in order to accelerate the development of their projects. The organisation generates synergies between all the players in the digital sector and promotes the 300 academic courses in digital technology, the eight incubators, the five accelerators and the seven co-working spaces that the City boasts.



© Cabinet Vürpas Architectes

¹Brussels, Frankfurt, Düsseldorf, Barcelona, Milan, Lyon, Amsterdam, Dublin, Prague, Manchester, Rotterdam, Geneva, Birmingham

²Source: Innovation Exchange Amsterdam - <http://www.ix.nl/en/for-scientists/amsterdam-science-innovation-award.html>

³Source: European Union press release - Copenhagen - European Green Capital 2014 - http://europa.eu/rapid/press-release_IP-13-1285_en.htm

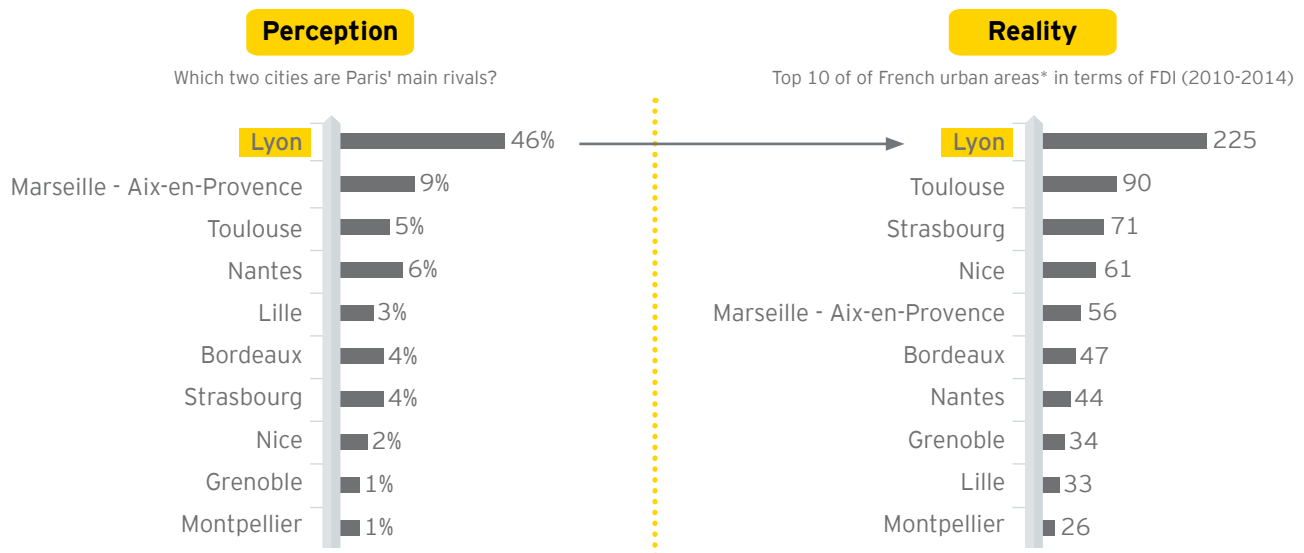
LYON, LEADING ECONOMY AFTER THE PARIS REGION

Over the years, Lyon has succeeded in becoming one of the leading French cities. 46% of the senior executives questioned identified Lyon as Paris' main rival. This perception is borne out by the facts, as Lyon is well in the lead in terms of the number of foreign investment projects between 2010 and 2014.

The City of Lyon also relies on regional anchor points that benefit from its dynamism. Created in 2012, the G4 intermunicipal structure is a joint association designed to

further cooperation between cities. It groups together the City of Lyon and neighbouring intermediate cities including Saint-Etienne. The latter's business district, the second largest in the G4 group, is located around the Saint-Etienne Châteaureux railway station and benefits directly from the proximity of Lyon. Indeed, the Saint-Etienne/Lyon line is France's major regional express line with 4 million passengers per year, representing an average of 15,000 passengers per weekday.

Lyon's perceived attractiveness reflects reality



Source: French Attractiveness Survey 2015 (206 respondents)

Source: EY's Global Investment Monitor 2015
* Urban area, "aires urbaines", INSEE 2010

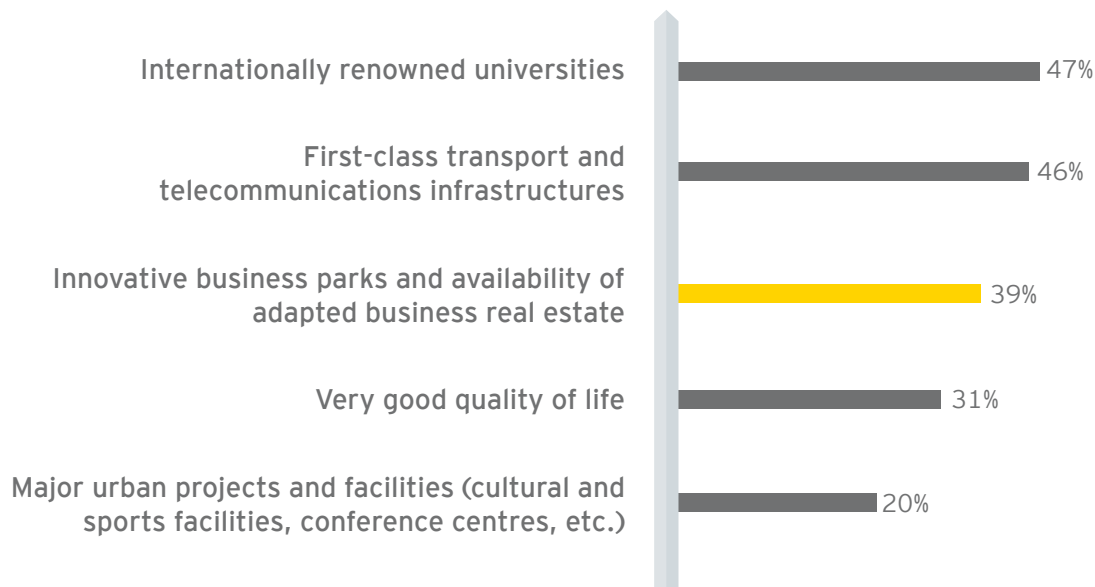


The Musée des Confluences

IN 2016, LYON IS ON THE RIGHT TRACK TO MAINTAINING ITS LEADERSHIP

In the 2015 survey, 39% of respondents stressed the necessity for French cities to strengthen and improve their offer in corporate real estate.

Drivers for French cities to develop their competitiveness at European level?



Source: French Attractiveness Survey, 2015

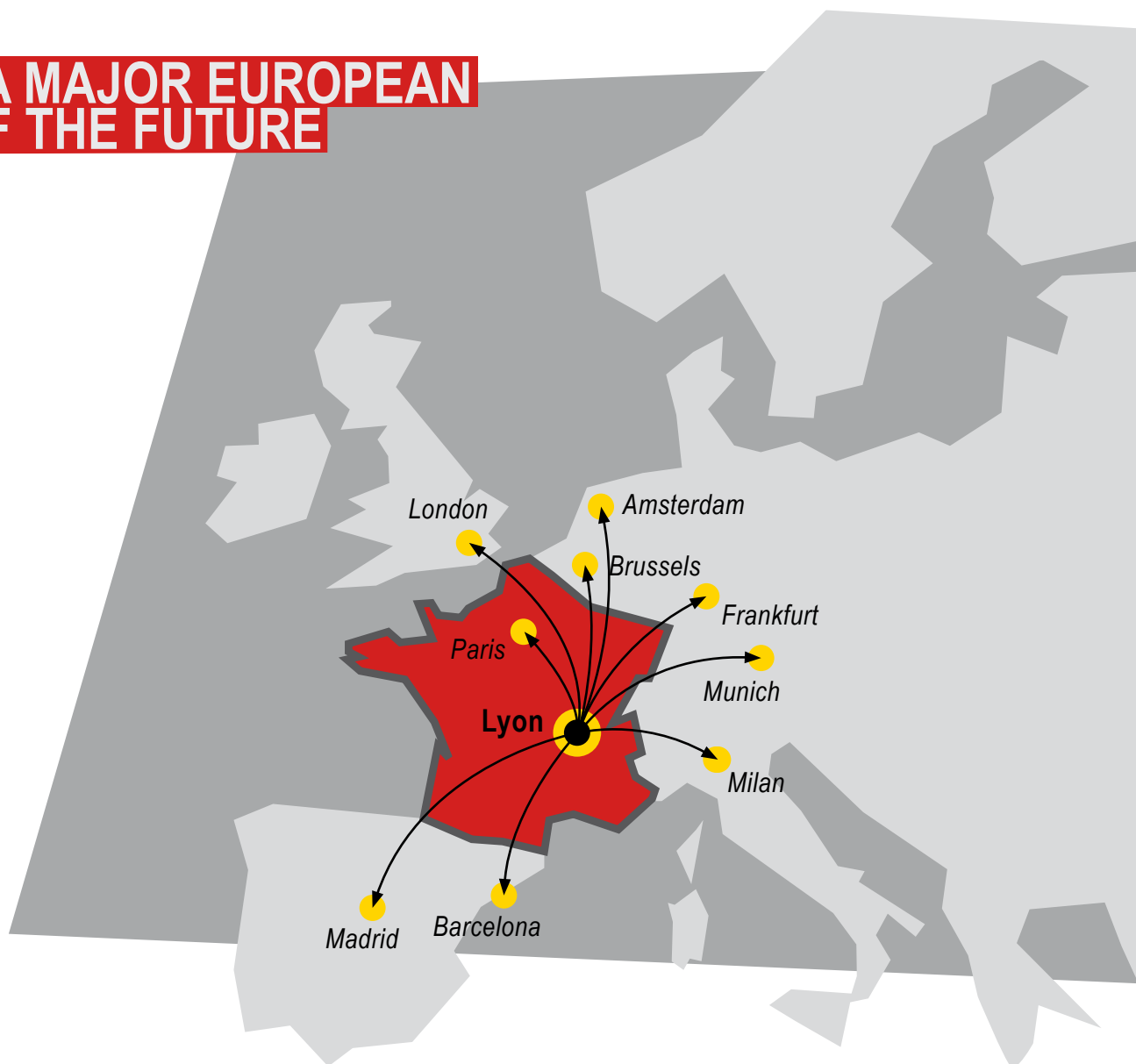
Lyon has already set plans in motion to increase this offer: central business districts have emerged, very high quality peripheral business parks have been developed to accommodate industrial and logistics activities, and policies have been adopted for brownfield redevelopment designed to offer quality real estate adapted to new international standards.

In order to improve the quality of life, the infrastructures dedicated to non-motorised modes of transport have been developed in recent years. The city has 540km of cycle paths (compared to 700km in Paris), 5km of which are along the banks of the Rhône. In 2013, a new tunnel was dug through the

Croix-Rousse hill, parallel to a tunnel for motorway traffic only. This new tunnel, reserved for buses running on natural gas, cyclists and pedestrians, embodies the City's determination to give more prominence to clean modes of transport.

As regards urban projects, the Parc Olympique Lyonnais can accommodate almost 60,000 spectators. The result of negotiation between the Communauté Urbaine de Lyon and Olympique Lyonnais, it provides a Lyon venue for the UEFA Euro 2016 football championship to be held in France and for major events such as the concert of global superstar Rihanna in July 2016.

LYON, A MAJOR EUROPEAN CITY OF THE FUTURE



Lyon, a strategic location

A stone's throw from Germany and Switzerland, and just two hours from Paris, Lyon is on the route to northern Italy, the Mediterranean and Barcelona. This special location, at the crossroads between northern and southern Europe, makes the city particularly suitable for businesses and congresses from an operational point of view, offering access to the best infrastructures and networks connecting with Europe and the rest of the world.

Lyon-Saint Exupéry international airport links Lyon to more than 110 French and European cities (115 direct destinations) and it is possible to make a return journey to the main European business centres in a day. Over the past ten years, Lyon airport has recorded a 33% growth in its traffic (+2.8% en 2015) with two million additional passengers between 2006 and 2015, stabilizing in December 2015 at 8 703 354 passengers.

By rail, Lyon is linked to the centre of Paris (1hr55), Charles de Gaulle airport (1hr54), London (4hrs40 with the direct Eurostar), Lille (3hrs), Brussels (3hrs45), Marseille (1hr40), Nantes (4hrs20), Barcelona (5hrs), Milan (5hrs20) and Frankfurt (5hrs50). Up to 100 high-speed trains pass through the Part-Dieu railway station per day. Lyon Part-Dieu is the leading regional railway station with 27 million passengers, just behind the busiest Parisian stations.

In terms of road transport, the city is located at the centre of a major motorway hub; Brussels, Frankfurt, Paris, Marseille and Barcelona can be reached via an uninterrupted network of high quality motorways. Geneva is 1hr30 away by road. For goods transport, this means that 170 million Europeans are only a day's truck journey from Lyon.



On 1 January 2015, Greater Lyon became, like 11 other French urban authorities, a “Métropole”. Within the same area, Greater Lyon performs the responsibilities of the former urban authority (Communauté urbaine du Grand Lyon) and those of the Rhône department. Responsibilities relating to social housing, cultural affairs and social and employment policy are given to Greater Lyon.

This results in greater cohesion in the policy-making process. In the whole metropolitan area, Greater Lyon becomes the single contact, in particular for employees, companies and investors. Quality of life, employee services, housing and property policies are executed by the same public authority. Moreover, Greater Lyon has, for more than two years, been part of an innovative cooperation between four urban communities that have come together voluntarily to form a dynamic metropolitan grouping comprising almost two million inhabitants

and 144 municipalities. That community strengthens the political and economic cohesion of the urban communities. Investors looking for opportunities within the group of communities can be presented with more solutions and more locations to establish their activities.

As part of the city’s development in cooperation with three other urban communities (Saint-Etienne, Porte de l’Isère and Pays Viennois), a protocol setting guidelines for the creation of a metropolitan transport union was established in 2011. Its essential aim was to facilitate and therefore make more attractive the 45 000 daily intermodal trips made between home and the work place, between Lyon, Saint-Etienne, Bourgoin-Jallieu and Vienne, by overcoming institutional complexity and providing users with an improved service.

Lyon, a city that attracts foreign investors

With a GDP of 242 billion euros in 2013, Lyon and its region⁴ constitute the 7th richest region in Europe, after Paris (€631 billion), North Rhine-Westphalia (€606 billion), London (€447 billion), Milan (€358 billion), Barcelona (€197 billion) and Madrid (€196 billion). The region's GDP contributes 12% to France's national GDP. Because of the city's economic weight and its strategic location, many international companies in diverse sectors have chosen to set up in Lyon: EY's 2015

attractiveness survey ranks Lyon as the top city in France (excluding Paris) in which to locate a company.

EY tracks the number of foreign investment projects located in each region, only taking into account firm public announcements of investments liable to create jobs. This database, which is unique in Europe, provides a vision of investment flows by region and by project type (activity, sector, jobs created). Of the 15 cities selected, 10 are in the 20 most attractive regions in terms of international location projects.

Auvergne-Rhône-Alpes, one of the most attractive regions in Europe

	Urban area*	Country	FDI (2010-2014)	FDI (jobs)	Share of FDI projects in country
1	Greater London	UK	1 692	18 347	45%
2	Ile-de-France	France	878	13 479	33%
3	Catalonia (Barcelona)	Spain	462	23 873	40%
4	Düsseldorf	Germany	432	8 298	13%
5	Darmstadt (Frankfurt)	Germany	417	4 698	13%
6	Auvergne-Rhône-Alpes (Lyon)	France	416	7 375	15%
7	Madrid	Spain	366	5 823	31%
8	Stuttgart	Germany	324	4 132	10%
9	Dublin	Ireland	314	17 520	56%
10	Uusimaa (Helsinki)	Finland	306	1 357	83%
11	Freiburg	Germany	294	1 779	9%
12	Noord-Holland(Amsterdam)	Netherlands	278	1 599	37%
13	Istanbul	Turkey	277	6 474	60%
14	Moscow	Russia	241	3 161	35%
15	Oberbayern (Munich)	Germany	217	915	9%
16	Karlsruhe	Germany	216	2 255	9%
17	Antwerp	Belgium	216	4 234	25%
18	Berlin	Germany	209	6 974	9%
19	Hovedstaden (Copenhagen)	Denmark	185	2 425	69%
20	Stockholm	Sweden	184	1 315	58%
20	Lombardy (Milan)	Italy	184	977	52%
24	Provence-Alpes-Côte-d'Azur (Marseille)	France	149	2 825	6%
26	Brussels	Belgium	148	1 216	25%
29	Zuid-Holland (Rotterdam)	Netherlands	136	1 296	18%
30	Greater Manchester	UK	134	5 317	4%
31	West Midlands (Birmingham)	UK	132	12 100	4%
53	Geneva	Switzerland	80	924	19%
55	Prague	Czech Republic	77	1 495	43%

Source : EY, 2015 / *: The delimitation of the regions presented above corresponds to the European NUTS 2 subdivisions and makes it possible to compare European regions. When the administrative name of a region does not make reference to a city, we have included the region's largest city in brackets.

⁴Lyon's region means the administrative region Auvergne-Rhône-Alpes

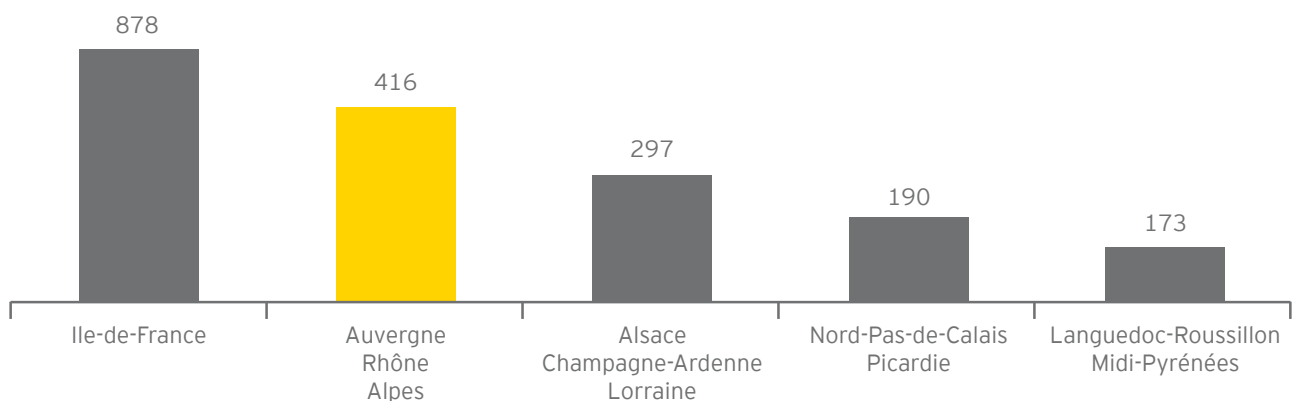
Although EY's 2015 survey of the attractiveness of France stresses that France seems to have been overtaken by the United Kingdom and Germany as the preferred location for

investors, Lyon nevertheless still holds the position of top French city challenging Paris as the most enterprising city of the future.

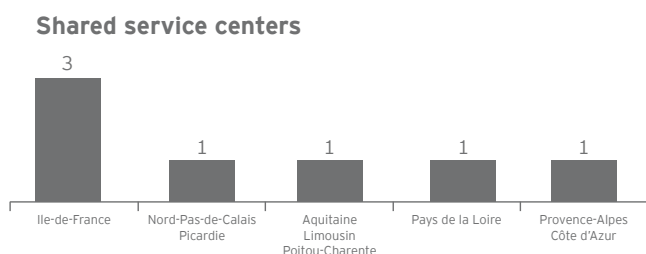
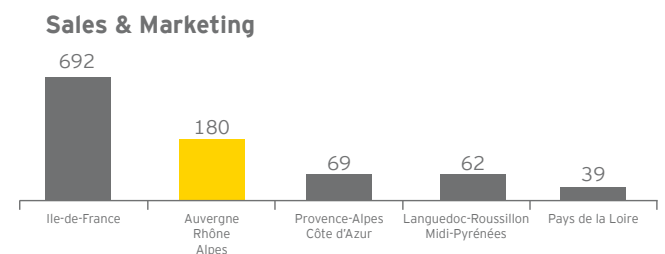
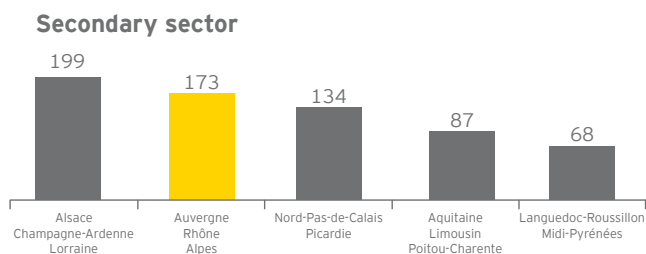
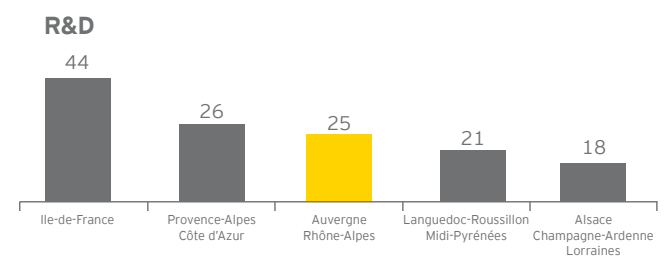
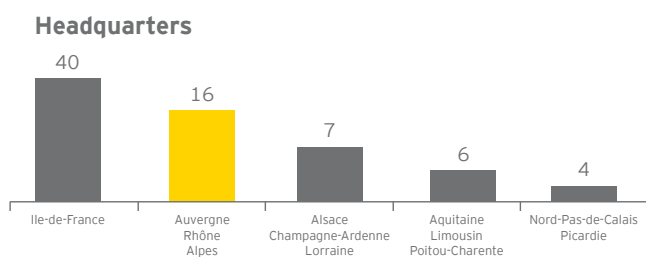
Top 5 French regions in terms of foreign investment projects, 2010-2014

Of France's 13 new metropolitan regions, Auvergne-Rhône-Alpes holds second position in terms of attractiveness for most activities. However, it is overtaken by the Provence-Alpes-Côte-d'Azur region for research and development.

Although Auvergne-Rhône-Alpes ranks among the five most attractive regions for most activities, no foreign investments for shared service centres were recorded in the region between 2010 and 2014.



Top 5 French regions in terms of foreign investment projects, by activity, 2010-2014



THREE IDEAS FROM OTHER CITIES

Most Eurocities have set up initiatives to reinforce their “smart city profile”. Below are some examples that may inspire Lyon to become an even more efficient and pleasant city to live in.



LIVING LAB

One of the most innovative aspects of the new Aspern Urban Lakeside is the Aspern Smart City Research (ASCR) a joint research project by Siemens and the city of Vienna's infrastructure and utilities operators that will focus on topics such as energy, the environment, building utilities and intelligent networks in cooperation with the residents and users of the development. The project will make Urban Lakeside a 'living lab', where an education campus, student residence and housing complex will become a testbed for energy-efficient cities.

Source: www.cities-today.com

OPEN DATA

The Helsinki Region Infoshare (HRI) service aims to make regional information quickly and easily accessible to all. The data published is mainly statistical, giving a comprehensive and diverse outlook on different urban phenomena, such as living conditions, economics and well-being, employment and transport. The data can be used in research and development activities, decision-making, visualisation, data journalism and in the development of apps. The data, at no cost, is ready to be used freely by citizens, businesses, universities, academies, research facilities or municipal administration. For example, existing open data has already been utilised in different applications allowing users to find free wifi zones, to obtain information concerning security in the city, to identify the best route by bike, etc.

Source: www.hri.fi



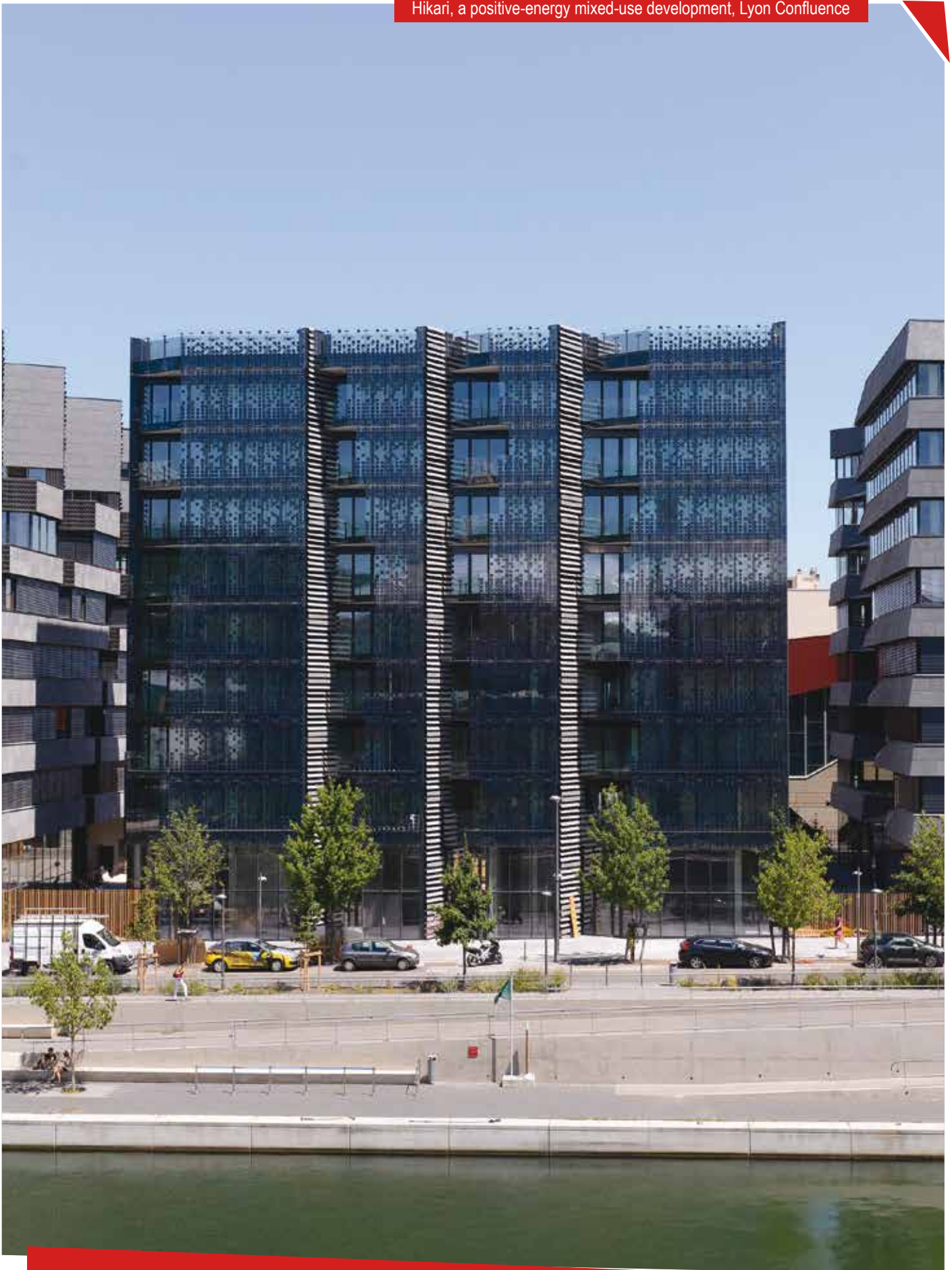
GOVERNANCE

In March 2014, Amsterdam created the role of chief technology officer (CTO). The role is responsible for breaking down silos across the city government, setting overall strategic direction, providing a consistent face to external stakeholders and helping to navigate a complex political landscape. The CTO office plays an integrator role by working across functions and directly reporting to the mayor. This is vital for ensuring that innovation is kept at the top of the city government's agenda and that they are able to run complex, multiagency programs, such as the Amsterdam Smart City platform – a partnership between the city government, businesses, research institutions and citizens.

source: www.citie.org



Hikari, a positive-energy mixed-use development, Lyon Confluence



LYON PROPERTY MARKET OVERVIEW

Today, Lyon is one of the most popular Eurocities among international investors.

This change in Lyon's status, which has come about over the last decade, is due in particular to a healthy commercial real estate market that is based on sound fundamentals and is part of a real drive for development (the supply of real estate has increased by almost 40% in 10 years).

The Lyon market currently benefits from controlled town planning and real collaboration between public and private operators, so that new properties adapted to users' needs have developed, while keeping a true balance between property supply and demand.

The transparency of the market, the stability of rental values and the performance of the different real estate criteria have contributed to reinforcing the attractiveness of Lyon.

With one of the lowest vacancy rates in Europe (6.2%), steadily increasing demand (an average take-up of approximately 255 000 m² over the last three years, which is a level comparable to or even greater than that of Barcelona, Milan, Amsterdam or Manchester), and relatively attractive rental values justifying the arrival of incoming businesses, it seems to be all systems go for Lyon to maintain its position as a leading Eurocity in terms of commercial real estate.

One of Lyon's specific characteristics is that it possesses a first-rate industrial fabric at European level. With its competitiveness clusters of international stature, such as Lyon Biopôle (life sciences, in particular infectious diseases) and Axelera (chemistry, environment)

and the historical presence of major industrial groups (Rhodia, BioMerieux, Sanofi Pasteur, Renault Trucks, etc.), the city enjoys an international reputation among the global players in industry and logistics.

Lyon's strong industrial roots inevitably contribute to the development of services in the urban area. These strongly-forged links between industry and services foster the presence of locally-grown players and also encourage newcomers to the Lyon market.

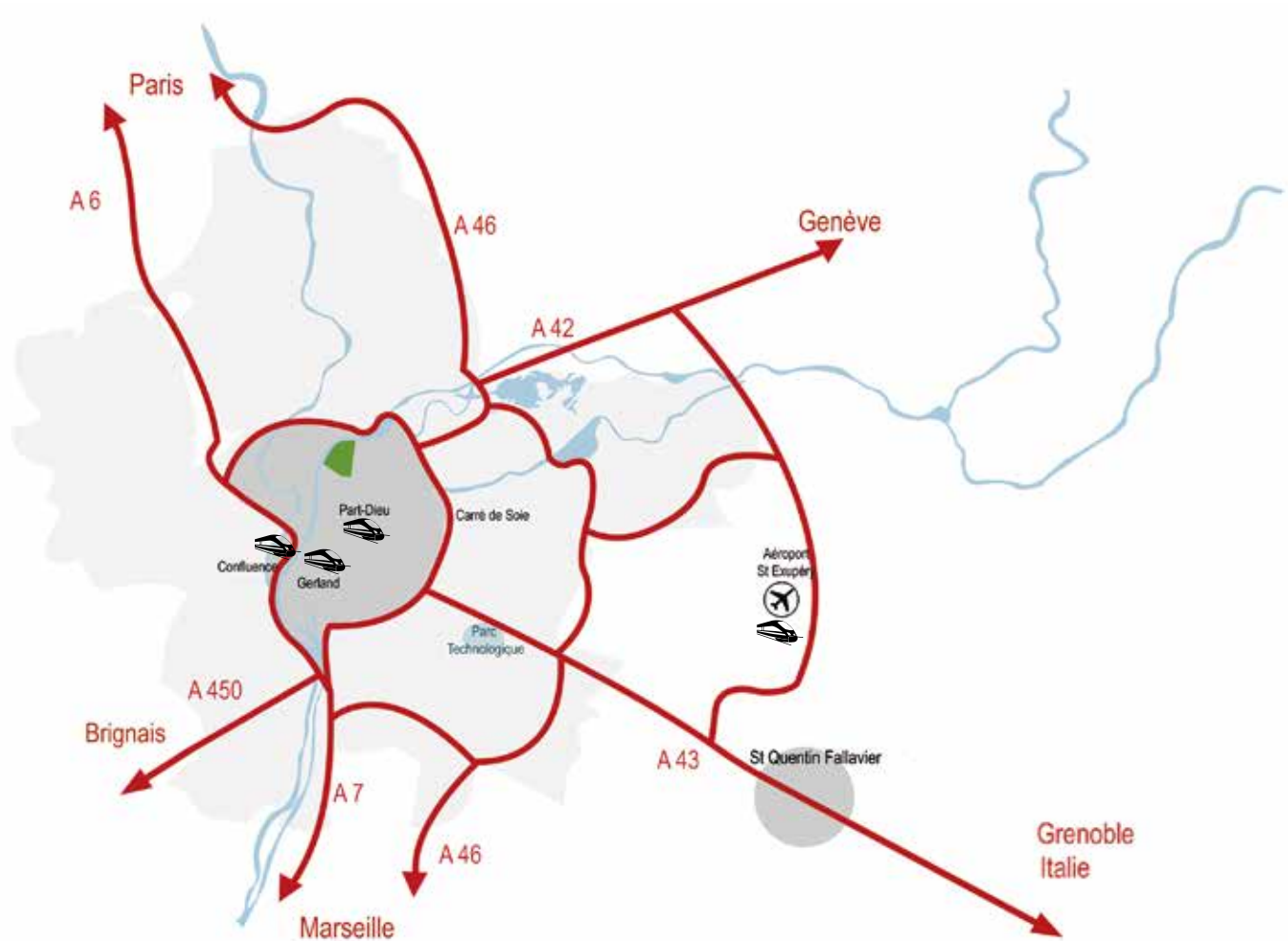
The volume of investment in the commercial real estate market in Lyon stands at a three-year average of 980 million euros, 27% being invested by international players, once again placing Lyon among the top major Eurocities. The diversity of the assets proposed (offices, retail, light industrial and logistics) offers a real strategic choice to national and international investors.

The Lyon real estate market is growing and diversifying. Rooted historically in the Part-Dieu district, France's second leading service sector hub after Paris-La Défense in terms of property stock, today the services sector is developing around four main fast-growing districts: Part-Dieu, Lyon Confluence, Lyon Gerland and Villeurbanne Carré de Soie.

Major urban development projects are also raising Lyon's profile and should ensure it maintains its position as one of the most attractive European cities for investors.

Sources: JLL / Cecim

Key office market indicators Global	Q1 2013 - Q4 2013	Q1 2014 - Q4 2014	Q1 2015 - Q4 2015
Office stock	5 650 520 m ²	5 726 649 m ²	5 918 809 m ²
Take-up	251 970 m ²	242 625 m ²	272 153 m ²
Vacancy rate	5.30%	6%	6.2%
Prime rent	€310	€300	€300
Investment volumes	€692 856 969	€584 277 625	€720 453 023
Prime yields	5.65 - 5.85%	5.40 - 5.80%	4.80 - 5.10%

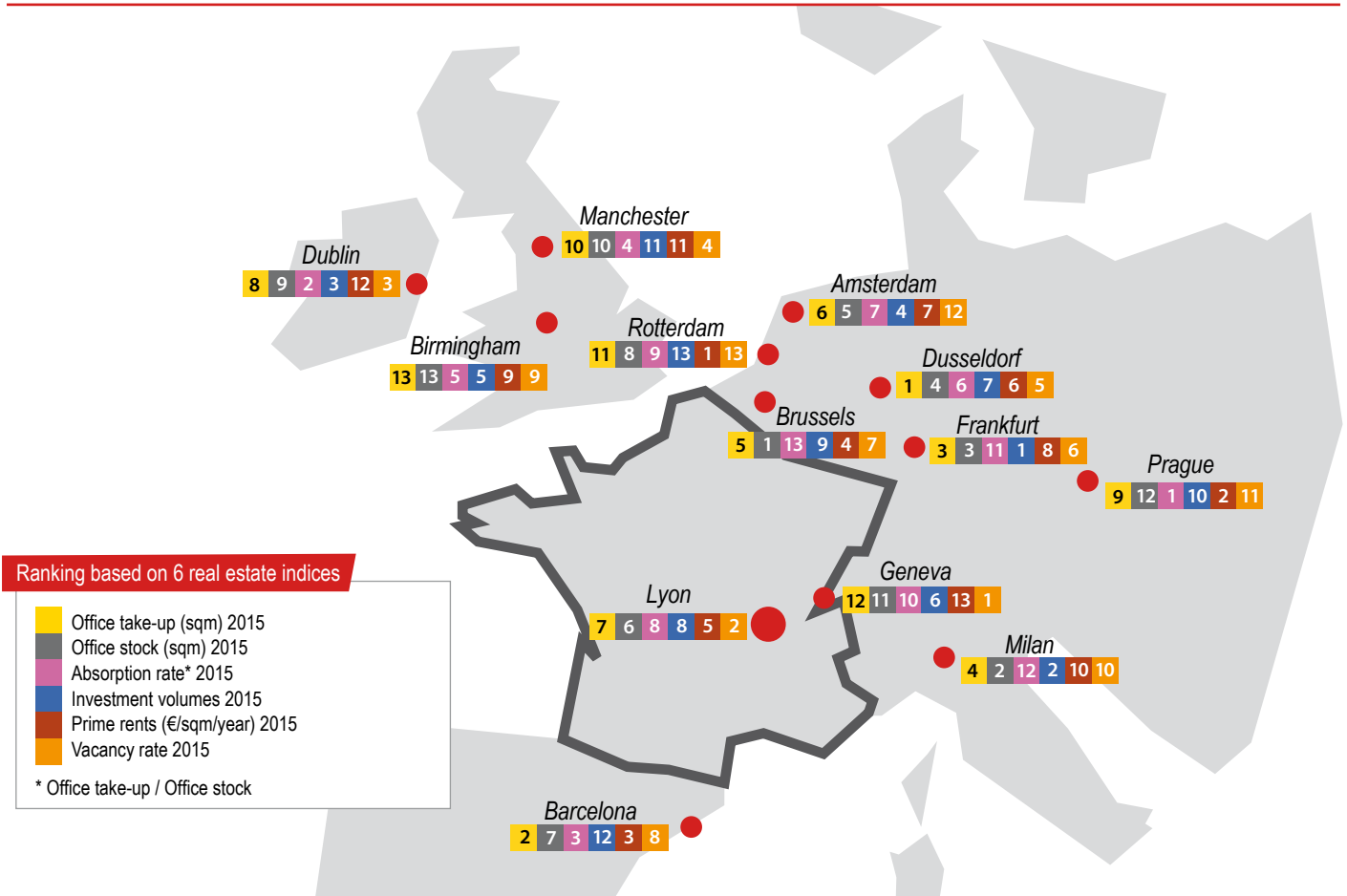


Sources: JLL / Cecim

10 + 1 FACTORS FOR LYON'S COMPETITIVE EDGE

- Transparency of markets and clarity of urban development projects.
- Diverse profiles of industries forming a virtuous circle with services functions and R&D.
- Proximity between local authorities and real estate operators (principle of “public / private co-production”).
- Increasing volume of transactions in office, logistics and light industry markets.
- Balance between supply and demand limiting the vacancy rate and ensuring long-term rental values.
- Diversity and quality of assets, designed by internationally renowned architects to international standards.
- Complementarity of the geographic areas, meeting all the needs of users
- An attractive risk/return ratio for investors.
- Rental values that are among the most attractive in European cities.
- Geographical location with first-rate transport networks, ensuring a catchment area of 170 million people less than 24 hours away by road.
- Lyon is now part of an innovative cooperation between four urban communities forming a dynamic metropolitan grouping (“Le pôle métropolitain”) comprising almost two million inhabitants and offering many new development opportunities within the Rhône-Alpes region

LYON PROPERTY MARKET OVERVIEW



Particularly high-performing real estate indices, especially on key indicators for investors such as the vacancy rate and the absorption rate which illustrate market dynamism, place Lyon as one of the most attractive Eurocities of our selection.

Sources: JLL

Eurocities	Office take-up (sqm) 2015	Office stock (sqm) 2015	Absorption rate 2015 (Take-up/Office Stock)	Investment volumes 2015 (all assets)	Prime rent (€/SqM/yr) 2015	Vacancy rate 2015
Düsseldorf	1 472 500 m ²	4 9 149 300 m ²	6 3,21 %	7 €1 279m	6 €312	5 8.8%
Barcelona	2 398 090 m ²	7 5 873 940 m ²	3 6,78 %	12 €631m	3 €240	8 11.1%
Frankfurt/M	3 391 200 m ²	3 11 862 600 m ²	11 3,30 %	1 €5 027m	8 €426	6 9.1%
Milan	4 318 150 m ²	2 12 582 230 m ²	12 2,53 %	2 €3 525m	10 €480	10 13.4%
Brussels	5 296 780 m ²	1 13 121 140 m ²	13 2,26 %	9 €1 231m	4 €275	7 9.7%
Amsterdam	6 285 050 m ²	5 6 135 180 m ²	7 4,65 %	4 €1 770m	7 €345	12 15.2%
Lyon	7 272 150 m²	6 5 918 800 m²	8 4,60 %	8 €1 256m	5 €300	2 6.2%
Dublin	8 269 930 m ²	9 3 438 900 m ²	2 7,85 %	3 €2 410m	12 €646	3 7.6%
Prague	9 265 900 m ²	12 3 222 400 m ²	1 8,25 %	10 €1 192m	2 €234	11 14.6%
Manchester	10 223 180 m ²	10 3 388 360 m ²	4 6,59 %	11 €1 020m	11 €497	4 8.7%
Rotterdam	11 149 230 m ²	8 3 562 570 m ²	9 4,19 %	13 €449m	1 €210	13 16.9%
Geneva	12 110 000 m ² (est.)	11 3 326 340 m ²	10 3,31 %	6 €1 451m	13 €805	1 5.1%
Birmingham	13 88 590 m ²	13 1 611 870 m ²	5 5,50 %	5 €1 690m	9 €438	9 12.5%

Sky 56

S₅K₆Y

by Gecina



Lyon Part-Dieu



LYON PART-DIEU

Central business district

Located in the 3rd arrondissement, in the heart of the city, the Part-Dieu district is structured around the main through roads Rue Garibaldi, Cours Lafayette, Boulevard Vivier Merle, and Avenue Thiers to the east.

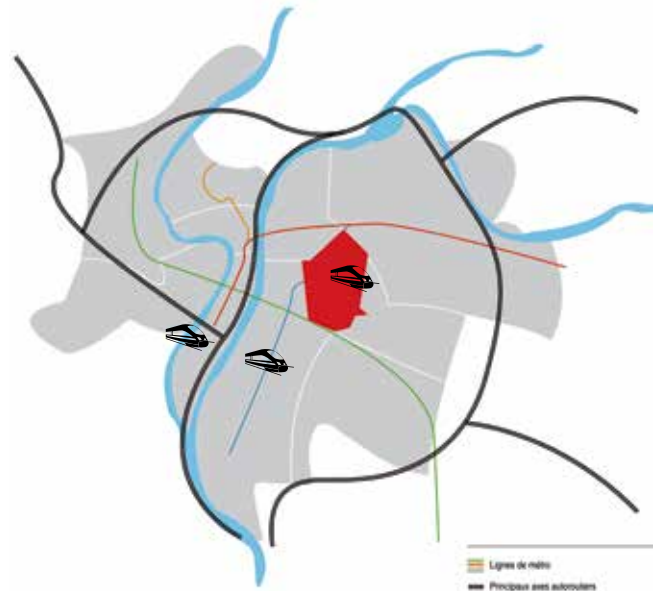
Benefiting from exceptional transport links, Lyon's Central Business District relies on the multimodal platform of Part-Dieu (where half a million daily journeys are made), a real transport hub on a local, regional and national scale (only two hours from Paris by high-speed train), as well as at international level (with connections to Brussels, Geneva, Milan, Barcelona, Frankfurt, etc.).

Developed in the 1970s as part of a major town-planning operation with the objective of providing Lyon with a decision-making centre able to counterbalance the importance of Paris, the Part-Dieu district is, after Paris-La Défense, the second largest service sector hub in France, with over 1.2 million m² of office space (20% of the Lyon real estate stock).

With 20 to 25% of the annual take-up, Part-Dieu is the number one district for high added value companies (in advisory services, banking/insurance, IT services, etc.), the regional offices of large French and international groups, and the headquarters of major regional SMEs. The Part-Dieu district is also characterised by a particularly low vacancy rate in new offices (less than 2%).

In order to meet the steady demand of businesses, the sector is currently undergoing urban redevelopment which is going to intensify real estate projects in the area and lead to a significant increase in the transport capacity of the multimodal station. With office space to grow from 1.2 million m² to 1.6 million m² over the next 10 years, Lyon's central business district is going to be truly transformed so that the residential and service sectors will exist side by side and the different means of public transport will be developed.

Ambitious tertiary projects are being developed, which will



meet the demands of businesses looking for latest-generation facilities, a prestigious address, and proximity to transport networks and services. The main projects include Sky 56, Silex 1 and 2, and lastly the Two Lyon operation. The latter includes an office building 170m high and a shopping mall connected to the one in the new Part-Dieu train station.

Alongside these various new projects, the Part-Dieu office stock, mainly developed during the late 1970s, is undergoing many refurbishments and offers great opportunities for all types of investors.



Sources: JLL / Cecim

Key office market indicators Part-Dieu	Q1 2013 - Q4 2013	Q1 2014 - Q4 2014	Q1 2015 - Q4 2015
Office stock	1 111 528 m ²	1 121 888 m ²	1 180 442 m ²
Take-up	53 299 m ²	46 013 m ²	41 419 m ²
Vacancy rate	3.30%	4.20%	3.7%
Prime rent	€310	€300	€300
Investment volumes (all assets)	€204 562 000	€234 557 684	€213 940 000

LYON GERLAND

7th arrondissement

The close proximity of the A7, the ring road, the Part Dieu train station via the metro (line B), the Jean Macé train station and the T1 tramway line, make Lyon Gerland a highly connected area, on both a local and a metropolitan scale.

With a real estate stock of just over 650 000 m² and an average annual take-up of 15 to 25%, the 7th arrondissement is Lyon's second office market. For the second consecutive year, it has dethroned Lyon Part Dieu as the number one sector with a take-up of nearly 70 000 m² (25% of the overall take-up).

Over the past 30 years, the south Gerland district has been the location of major international laboratories and research centres, firstly for R&D and production, and then developing purely service facilities. This biotechnology and pharmaceuticals cluster currently employs more than 100 000 people in the region and enjoys a worldwide reputation. The presence of sector leaders such as Sanofi, PMSD, Meril, Carso, Genoway, Genzyme, BASF, Aguettant and Episkin is recognition of this international renown.

Gerland extends over an area of more than 3 kilometers in length and is connected to the north of the city with the Jean Macé regional multimodal platform giving it access to regional links, conducive to attracting more traditional activities and back office functions from all types of industries. Thus, the Girondins urban development zone and immediate surrounding area have in recent years seen the arrival of major companies such as the Banque Postale, Gras Savoye, Brossette, Pôle Emploi, Arkema, Macif and Grand Lyon.

There is also a significant amount of land available in the sector, offering a long-term development capacity exceeding 100 000 m² of office space.

The presence of major educational institutions confirms the excellent interaction between the educational and business worlds.

Sources: JLL / Cecim



The 7th arrondissement is also supported by a combination of activities and major residential developments (such as the ZAC du Bon Lait) making this an even more dynamic sector which already benefits from many service facilities. The excellent image conveyed by the pharmaceutical activities, the sector's attractive rental values, its fast transport services to all Lyon's arrondissements and the various projects that are being developed make Gerland a very high-potential district.

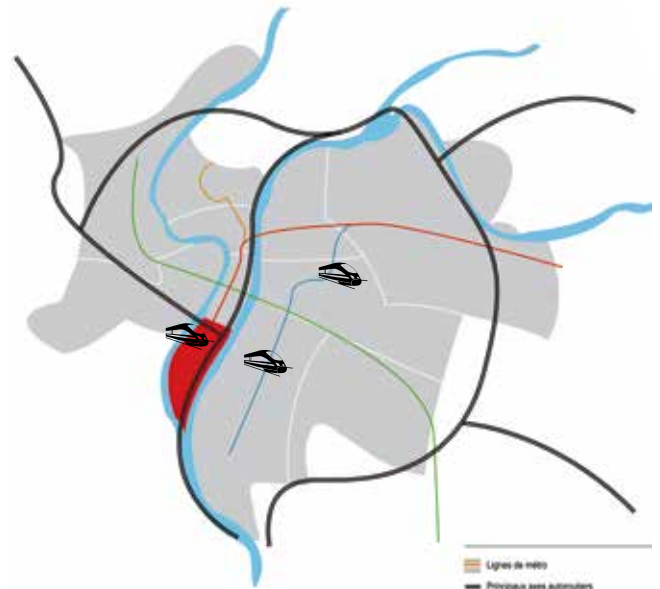
As a consequence and after two transactions exceeding 15 000 m² in 2013 and 2014 (both involving the Sanofi group), 2015 has seen two new major transactions with RTE (14 000 m²) and EDF (21 000 m²), as well as some prestigious newcomers such as Capgemini (7 500 m²).



Key office market indicators Gerland	Q1 2013 - Q4 2013	Q1 2014 - Q4 2014	Q1 2015 - Q4 2015
Office stock	584 546 m ²	603 568 m ²	662 143 m ²
Take-up	45 283 m ²	58 402 m ²	69 454 m ²
Vacancy rate	5.50%	7.00%	9,3%
Prime rent	€215	€215	€215
Investment volumes (all assets)	€47 247 250	€10 700 915	€252 396 024

LYON

Confluence



Extending out from the Presqu'île, to the south of Perrache railway station and the A7 motorway interchange, Lyon Confluence was from the beginning of the 20th century until the last decade a sector dedicated to industrial, port and wholesale market activities. The constraints of urban development have forced these activities outside the city limits and have resulted in one of the biggest areas of available city-centre property space in Europe.

With 150 hectares of transformable land and ultimately 1 million m² of buildings (housing, offices, shops, services, public buildings), Lyon Confluence is one of the most ambitious urban city-centre projects in Europe.

The direction given to this sector is in line with that of a "Green District", with a level of architectural requirements and building processes unequalled in France. Lyon Confluence has been recognised as an eco-district by the French government and as a sustainable district by the WWF, and it has been awarded the European Concerto label for the low energy consumption of its buildings. Thanks to the choice of varied activities and diverse surface areas on offer in the services sector properties, Lyon Confluence is a district that perfectly complements the rest of the Lyon urban area.

With this clear positioning as a Green District favouring ecofriendly modes of transport and benefiting from a direct link to Perrache railway station and to the motorway network, Lyon Confluence has completed its first development phase successfully with more than 400 000 m² of surface area developed, including 130 000 m² of office space, in just under a decade.

Hosting companies from all the sectors of the Lyon urban area, Lyon Confluence has succeeded in attracting prestigious names such as Deloitte, ACIES Consulting, Euronews, DDB nouveau monde, GL Events, GDF Suez, Eiffage, Banque de France, INPI and the Progrès newspaper, and it is the location of the new Hôtel de Région covering more than 45 000 m².

The opening of the much awaited "Musée des Confluences" (22 000 m²) in December 2014 has also contributed to the prestige of this innovative area.

The second phase in the development of Lyon Confluence has now started and has been entrusted to the prestigious Swiss firm of architects and town planners, Herzog & de Meuron. 420 000 m² will be developed over the next 10 years, including 230 000 m² dedicated to commercial real estate, 140 000 m² to residential, 15 000 m² to retail, hotel and services and finally 35 000 m² to public spaces.

The main projects include Convergence (11 000 m²), Le Charlemagne (10 000 m²), Le Pavillon 52 (8 500 m² - Rudy Ricciotti) and Ynfluences Square (mixed-use building of 30 000 m² including 11 000 m² of office space), representing a major step in this second phase.

More than 1 billion euros have been invested in a little over a decade in the Lyon Confluence market, proof of the success of this first phase which now benefits from perfectly acceptable rental values for an address in Lyon's 2nd arrondissement, as can be seen from the low vacancy rate in the sector.



LYON

Le Carré de Soie



Only 15 minutes from the centre of Lyon, located in the municipalities of Vaulx-en-Velin and Villeurbanne, Carré de Soie is a vast area covering 500 hectares and is one of Lyon's biggest urban projects. The ambition is to develop, through various upgrading and renewal operations, a sustainable, vibrant district where economic activities, housing, and public and private facilities blend together.

With good accessibility (the city centre and the airport are only 15 minutes away by metro and tramway), a major shopping centre, a leisure centre and a significant land reserve, Carré de Soie has all the key assets to attract services and industrial companies looking for sizeable, high-quality surface areas, close to public transport services and offering very advantageous financial conditions.

Lyon lacked a site for significant low-rise developments. Carré de Soie provides a practical solution for companies that want

to bring their staff together in a transversal approach and a "college-campus"-type atmosphere.

Carré de Soie appears to possess all the assets to make it an ideal office buildings site, in the wake of the success of the main service hubs of the Est lyonnais sector, like the Technology Park in Saint-Priest.

Now in its development phase, Carré de Soie has already capitalised on important arrivals such as Véolia Environnement (10 000 m²), Technip (8 500 m²), and two other major groups developing their adjacent campuses : Alstom Transports and Adecco with 33 000 m² and 13 400 m² respectively.

Carré de Soie is now one of the most sought-after locations in the region and the fact that some investors are now considering speculative investments in the area tends to confirm that trend.



SAINT-ETIENNE

Châteaureux

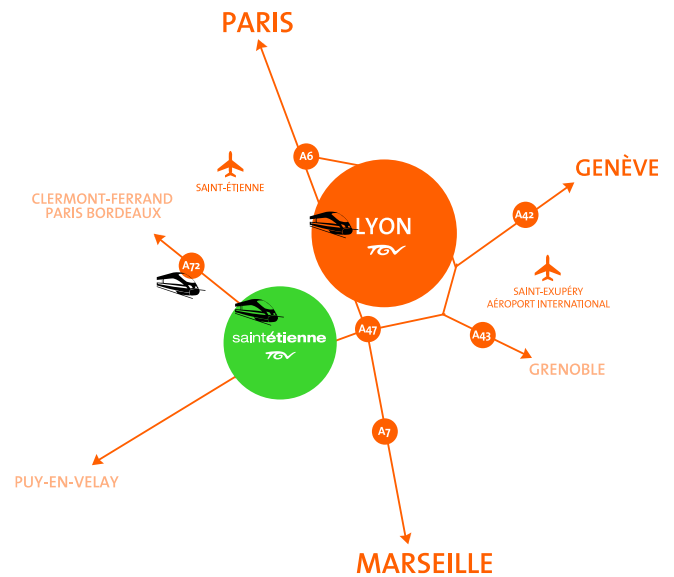


Saint Etienne, the second largest town in the Auvergne-Rhône-Alpes region, is part of the “Pôle métropolitain” (alongside Lyon Metropole, ViennAgglo and CAPI). Only 40 minutes from Lyon, the Saint Etienne urban area has a population of 400,000 and is home to over 20,000 companies, including the largest network of SME-SMIs in France.

Historically known for its industrial activity (arms, bicycles, textiles, etc.), the town’s economy has since shifted towards services and centres of excellence (eyecare industry, engineering, medical technology, higher education and design). Saint-Etienne is also the leading French centre for design and was the second European city after Berlin to join UNESCO’s Creative Cities Network.

The urban area has a substantial level of real estate stock with almost 4.7 million m² of office and industrial space. This stock has been developed to cater for the exceptionally high density of industry-leading SME-SMIs. This stock is largely made up of occupier-owned buildings as well as older buildings which therefore offer attractive renewal opportunities for project sponsors.

Located in the city centre, Châteaureux is Saint-Étienne’s leading business district. Developed around the train station,



the site has excellent access (two tramway lines, buses, self-service bikes) and is only 40 minutes from Lyon by car or by regional express train (one train every 10-30 minutes) and 2 hours 40 minutes to Paris by high-speed train (TGV – direct connection).

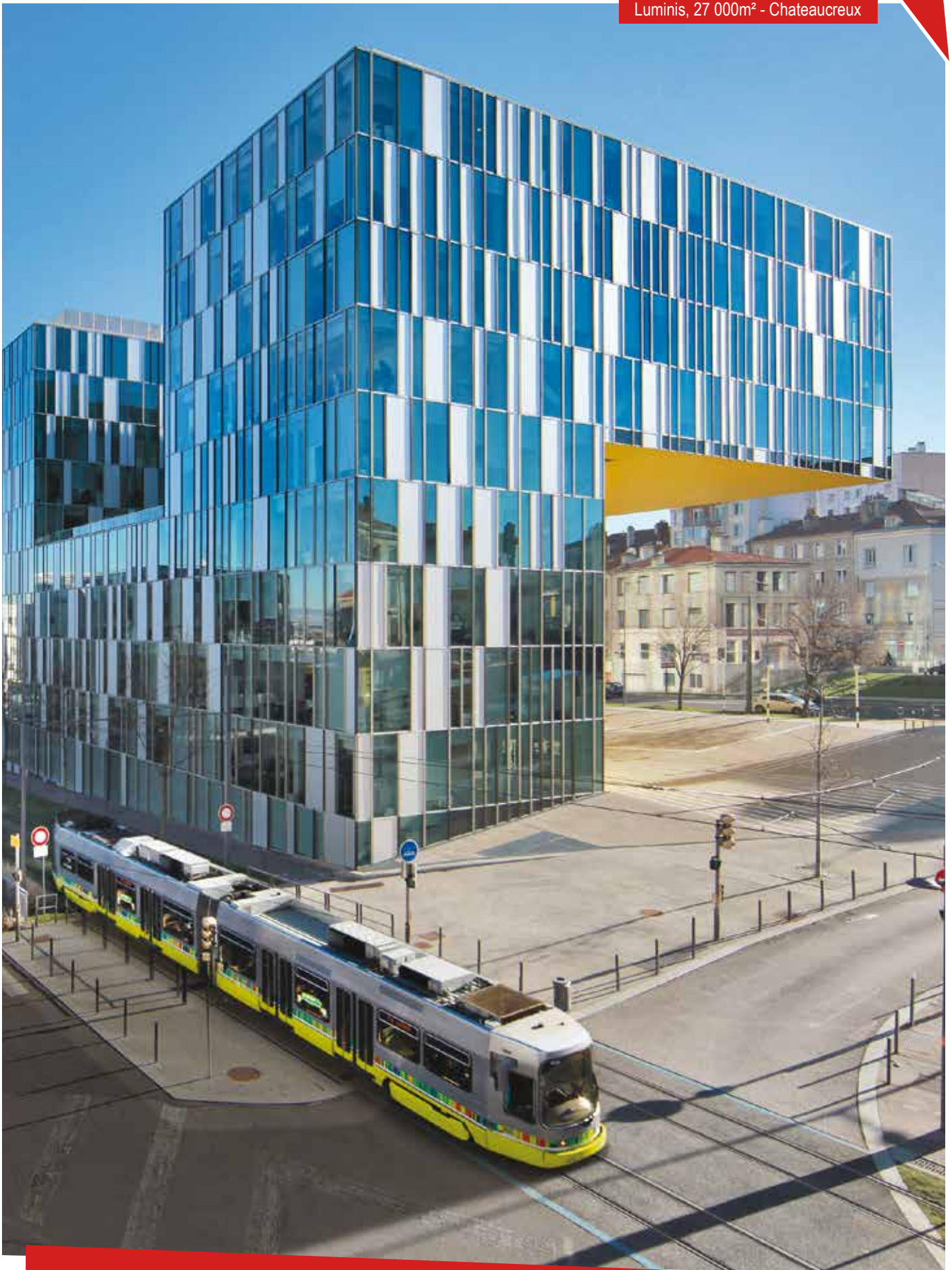
In addition to the iconic global headquarters of the Casino Group (36,400 m²), the district is home to a further 300 companies (around 6,800 jobs), 140 shops and services. This full range of services on offer ensures a good combination of quality of life and working comfort.

The new office development that is currently being built around the TGV station is indicative of Châteaureux’s ambitious plans. The overall development will span 60 hectares providing 200,000 m² of office space and services, 40,000 m² of new public spaces and over 1,000 new homes.

The success of initial buildings should mean a bright future for the Châteaureux district which can already capitalise on a number of good occupiers: Le Progrès – La Tribune, BNP EDF, Orange, headquarters of the Centre National du Chèque Emploi Service Universel and AG2R La Mondiale



Luminis, 27 000m² - Chateaucieux



THE RETAIL MARKET IN LYON

Lyon is the second largest city in France, a leading metropolis where consumers enjoy high purchasing power. Located at the heart of one of Europe's largest employment pools, with a working population of 2.5 million in the Rhône-Alpes region, Lyon offers real potential to retailers: over the past five years, on average €11 billion per year has been spent in Lyon's catchment area (source: Greater Lyon).

An attractive, densely populated area

Lyon enjoys broad appeal in the area and attracts shoppers from elsewhere: sales are 6% higher than the consumption potential of resident households. Furthermore, due to the high population density in Lyon, the catchment areas of the city's shops bring together many consumers within short distances – an average of 1 900 inhabitants within a 500-metre radius, thus offering excellent conditions for commercial success and development to local establishments.

The prime ground-floor retail supply is concentrated in Lyon city centre

The Presqu'île of Lyon, structured around Rue de la République, is a major retail hub of the Rhône-Alpes region with close to 1 000 stores covering 130 000 m² of retail space.

Presqu'île is characterised by customers with high purchasing power: 30% of the customers are executives or company managers, 20% have monthly income exceeding €4 500.



RUE DE LA REPUBLIQUE - QUARTIER GRÔLÉE

Rue de la République is the main commercial hub of the Presqu'île area (€225 million in turnover), and like the Champs Elysées in Paris, it attracts a very large number of retailers, including some luxury boutiques, but particularly mass-market shops, fast food outlets, cinemas and leading chain stores. In 2013 it was largely purchased from ANF by ADIA (Abu Dhabi Investment Authority), one of the world's largest sovereign funds. ADIA was represented by the Grosvenor group for this transaction.

THE "CARRÉ D'OR"

The Carré d'Or is located in the Jacobins district, between Place Bellecour and Cordeliers. This is the favoured area for major luxury brands (Louis Vuitton, Cartier, Dior, Hermès, Mont Blanc, etc.). There are also multi-brand stores and smaller, more select shops.



Retail projects underway to offset the lack of retail space available

As the turnover for stores is high, the supply of retail space in the city centre remains very limited, and rental values reach around €2 500 per m² for the best locations. Demand for these prime locations is mainly from national and international retailers. Independent retailers turn to less central sectors, which are less expensive.

The refurbishment of the former Banque de France (5 000 m²) will allow Nike and MaxiBazar to gain a foothold on Rue de la République in 2016.

Other retail projects are under development in the Presqu'île to supplement the retail supply and offer new opportunities.

The Grolée/Carnot quarter has 12 000 m² of retail space, fully renovated with very high shop windows (5 m). Designed as an open-air shopping centre, this project will be home, from the end of 2016, to new international stores with surface areas exceeding 1 000 m².

A complementary alternative to the city centre: urban shopping centres

The Part-Dieu shopping centre is located in Lyon's 3rd arrondissement, covers 125 000 m² of GLA (following the Cours Oxygène extension in 2010) and welcomes no fewer than 33 million visitors to its 267 shops every year. With its very young customers and a mass-market retail offer, Part-Dieu is a shopping destination that is complementary to the Presqu'île.

Hardly any availability exists, proof of the ongoing attractiveness of this urban centre, which is one of the largest and most successful in Europe.

The shopping centre is at the heart of the Part-Dieu quarter restructuring project. In this context, a 17 000 m² extension of the retail space is planned for 2020, to house new national and international stores. At the same time, the ground-floor

The Grand Hôtel Dieu project (17 000 m² of shops) – planned for delivery by 2018 – will enable the intended stores (particularly high-end catering and delicatessens) to operate spaces in one of the grandest buildings in Lyon.

The Grand Hôtel Dieu will also house the future Cité Internationale de la Gastronomie and will become the leading site for the city's international appeal, as well as a beautiful living space for Lyon's residents with a perfect mix of shops, restaurants, culture and leisure.

The investment market

Apart from Rue de la République (which is largely owned by ADIA) and the Part-Dieu and Confluence shopping centres (Unibail-Rodamco properties), the market in Lyon is mainly run by local investors who own one or more commercial or residential units. However, this dynamic second market remains relatively limited and low-key. The best retail units, located in the prime shopping hubs, are valued at a prime yield rate of 4.50% with a typical variance of approximately 20 basis points for certain specific transactions.

shops around the shopping centre and the Part-Dieu railway station will be dedicated to services and to independent stores, adapted to the needs of the working population, residents, and those travelling to and from the new business district.

In April 2012, The Confluence shopping centre opened in Lyon's 2nd arrondissement. This shopping centre is home to Hollister and several other stores that were not previously present in Lyon. Near to the Saône, and accessible via a river shuttle, this centre is evolving in a high-quality, high-growth environment. With its innovative architecture, open spaces and suspended terraces, this retail and leisure hub offers modern and original retail space.



The Part-Dieu shopping centre, the largest intra-urban centre in Europe, welcomes no fewer than 33 million visitors to its 267 shops every year.



The Confluence shopping center opened in April 2012. Its innovative transparent roof lets in 100% natural light.

LYON HOTEL MARKET

Lyon is France's second most popular business hub. Primarily recognised for its business tourism industry, the destination has strengthened the development of its leisure tourism over the past years. This is due in part to focusing on its architectural and gastronomical heritage, coupled with a growing entertainment infrastructure (the Confluence Museum, Olympique Lyonnais stadium). In less than a decade, the local tourism and hospitality industry has taken on another dimension, helping Lyon to evolve as a credible contender as one of Europe's major cities.

Here are the facts!

Hotel supply has performed well despite being slightly diversified and refurbished, with registered growth upwards of 20%. New brands and alternative concepts have been welcomed to coincide with the increasing tourism and economic attractiveness over the past six years.

As at 1 January 2016, Lyon has a total of 195 rated hotels (from 1* to 5*) and 37 other tourist facilities with 17 722 rooms, studios and apartments.

In 2015, for the first time, more than 3 million rooms were sold; an increase of 250 000 compared to five years ago.

In the 2009-2015 period, the average stay was 2 nights.

65% to 70% of hotel stays remain business related. These have increased thanks to the MICE segment (Meetings, Incentives, Congress and Events), which now hosts large conferences with more than 1 500 delegates and trade fairs, such as Pollutec, SIRHA and Lyon Mode city. This is very positive for hotels and alternative accommodation in the Lyon agglomeration, with strong operating performances as a result.

Meanwhile, it is noteworthy that the global occupancy rate has stabilised at above 55% during weekends, proof that Lyon has become a "city break" destination.

With the city's classification as a UNESCO world heritage site and major cultural events that take place (including the outstanding "Fête des lumières" held in December), Lyon has a varied but balanced client base.

Despite the tragic events of mid-November, the supply achieved satisfactory occupancy rates and average daily rates in 2015, even with numerous newcomers having penetrated the market since 2011 (an additional 3 050 new rooms).

Indeed, the accommodation supply for tourists has considerably changed over the past five years as it follows the changing dynamism of the agglomeration but is also driven by new projects. These include the Part-Dieu area, Gerland, Confluence and Carré de Soie urban projects, which are all attracting the setting-up of new companies.

New Terminal T1, 70 000 m²



Good signs for a reassuring market!

Many hotel groups from large international chains to new arrivals in the market have given priority to Lyon for their most recent openings. These include Okko, Courtyard by Marriott, Hampton by Hilton, Stay City and IHG with Intercontinental in 2019.

Otherwise, the doubling of the Saint-Exupéry international airport should help to encourage further growth in the local tourism industry.

The Lyon Tourist Accommodation Development Plan (SDHT by its French acronym) will ensure that hotel developments remain an attractive element in the context of Lyon's overall urban development and the area's economic density.

Lyon's future tourist accommodation strategy (for 2016-2020) aims to ensure that it remains a targeted and effective development zone for the coming years. It also aims to provide a template for the modernisation of the hotel industry.

These new guidelines will help secure the achievement of key projects in the metropolitan area while preserving the competitiveness of the existing offers.

During the turmoil the performance indicators of Lyon's hospitality supply demonstrated resistance and continued to encourage investor confidence due to reassuring historical revenue growth. As a result of tourism development prospects and rare investment opportunities, appetite is maintained for freehold or leasehold acquisitions in the inner or the outer city with competitive capitalisation rates.

Among those benefiting from the growth of Lyon's hotel market are two major hotel investors in the Cité Internationale, Lyon's main business tourism location:

- SCSP has chosen to refurbish the former Concorde Hotel and rebrand it to Crowne Plaza.
- Lavorel Groupe, has recently acquired the former Hilton in order to refurbish and rebrand it as Courtyard by Marriot

New Nomads, a hotel start-up from Lyon, opened the Slo Living Hostel in 2014. Its next project is to open a trendy new urban hostel in the heart of Lyon's historical center. An affordable, original and comfortable solution for independent travellers, families or freelancers who are staying in Lyon. The hostel will also offer food and drinks and events.



© Lavorel Groupe



LYON INDUSTRIAL AND LOGISTICS MARKET OVERVIEW

Parc Industriel de la Plaine de l'Ain



Historically, Lyon is an industrial city that has relied on strong activities such as the textile, petrochemical and automotive industries, but more recently it has also developed in cutting-edge sectors such as pharmaceuticals and biotechnologies.

This wealth and diversity of the industrial infrastructure is at the very heart of the city's dynamic real estate markets, including the services market.

Indeed the services sector has developed on the basis of this industrial infrastructure and it is the city's dynamic industry that has made its real estate market much more resilient to the economic crisis than markets that are potentially more dependent on the performance of their services sector.

Real stability can be observed in Lyon's industrial market with annual take-up having remained steady at 320 000 m² over the past three years, in spite of an unfavourable economic context.

Due to the morphology of the land available, infrastructures and soil quality, 80% of the industrial fabric is located in the eastern part of the urban area, the inner suburbs to the east of Lyon representing on average 50% of the annual take-up.

Town planning and the lack of land available in this delimited area have nevertheless led to industrial and logistics zones spreading out to Saint-Quentin Fallavier and Plaine de l'Ain further north.

Logistics activities really emerged in the mid-1980s, transforming the industrial real estate landscape into new units on a large scale.

The development of these activities has been a real growth driver for industry and, by extension, for the Lyon real estate market.

These new-generation, highly-standardised logistics platforms, organised according to specific storage standards, have greatly boosted some geographical sectors, such as the Isle d'Abeau / Saint-Quentin Fallavier sector to the east of Lyon and the Plaine de l'Ain sector to the north-east.

Industrial market - Key Figures

- Stock: 11.7 million m²
- Vacancy rate: 4.9%
- Premium rents : €75 excluding taxes/m²/year for industrial premises and €125 excluding taxes/m²/year for office space
- Average take-up (last three years): 320 000 m²

Source : JLL / Cecim



Logistics market - Key Figures

- Stock: 5 million m²
- Premium rents: €40-46/m²/year excluding taxes
- Average take-up rate (last three years): 314 000 m²

Over just the last 20 years, the Lyon urban area has become the second-largest national market in terms of take-up and the Isle d'Abeau park is the third biggest in Europe with more than 2.5 million m² of logistics units representing all the links in the chain. Lyon's logistics real estate has now become an international reference. It benefits from a strategic location in the heart of a catchment area of more than 170 million people less than 24 hours away by road, from strong economic regions (Ile-de-France, Ruhr, Canton of Geneva, Lombardy, Catalonia, etc.) and from a motorway and rail network on the north-south axis facilitating communication and diverse means of transport.

Logistics real estate is a powerful tool for attracting international investors and major companies to Lyon and enhancing the city's image. Key names, such as Ikea, Schneider, Feu Vert, Intersport, NYK and DHL, have established their large national or South-Europe platforms in the area.

Parc d'activité de Chesnes, Saint-Quentin Fallavier



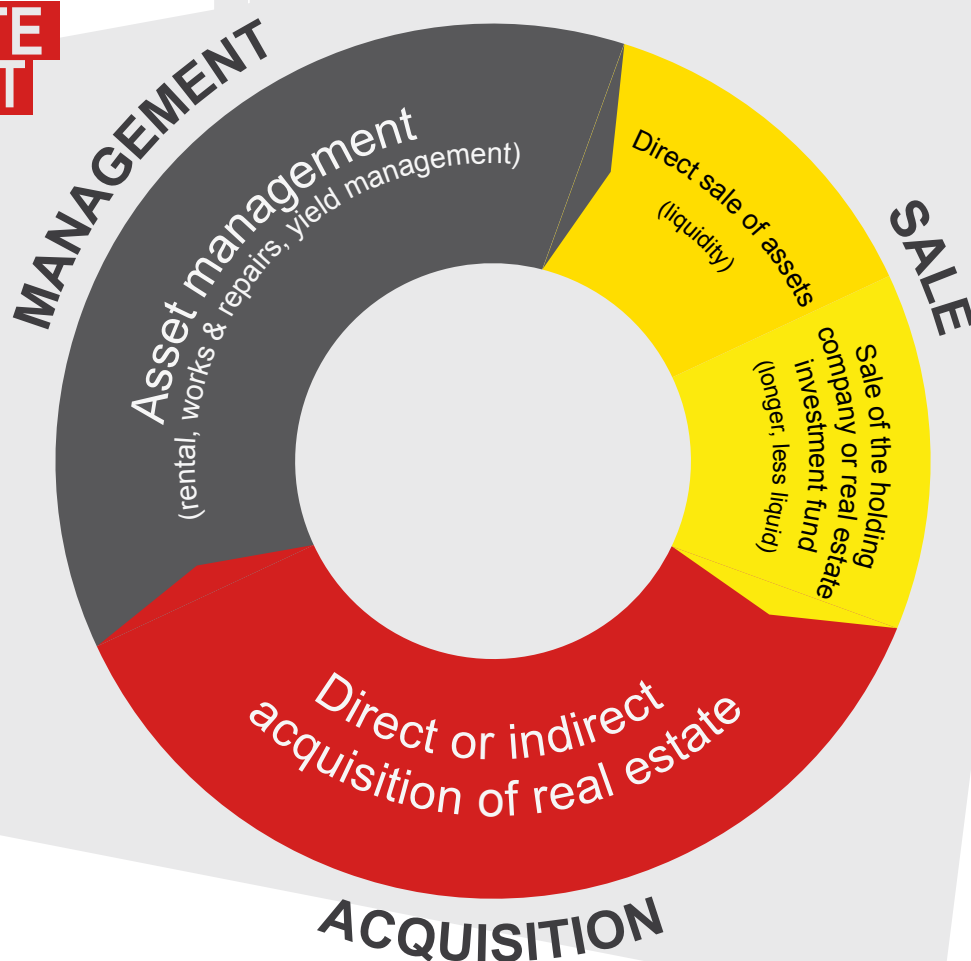
THE ACQUISITION PROCESS

The acquisition process should be viewed and considered in the context of the wider investment lifecycle including the acquisition, management, and disposal processes.

Among the various considerations that need to be taken into account, investors should pay particular attention to:

- Legal and tax requirements and incentives;
- Regulatory matters;
- Financing / Property management / Income stability.

REAL ESTATE INVESTMENT CYCLE



Disclaimer

The legal and tax comments made hereafter are only of a general nature. As a result, it is strongly recommended to request the assistance of a legal or tax adviser so as to obtain proper legal or tax advice based on the specific facts and circumstances to be taken into consideration in a given situation. In addition, such comments are subject to changes in the law, case law or administrative doctrine, and such changes may be retroactively effective. If so, the comments as set forth

Acquisition of French real estate

French real estate may be acquired in either of two ways:

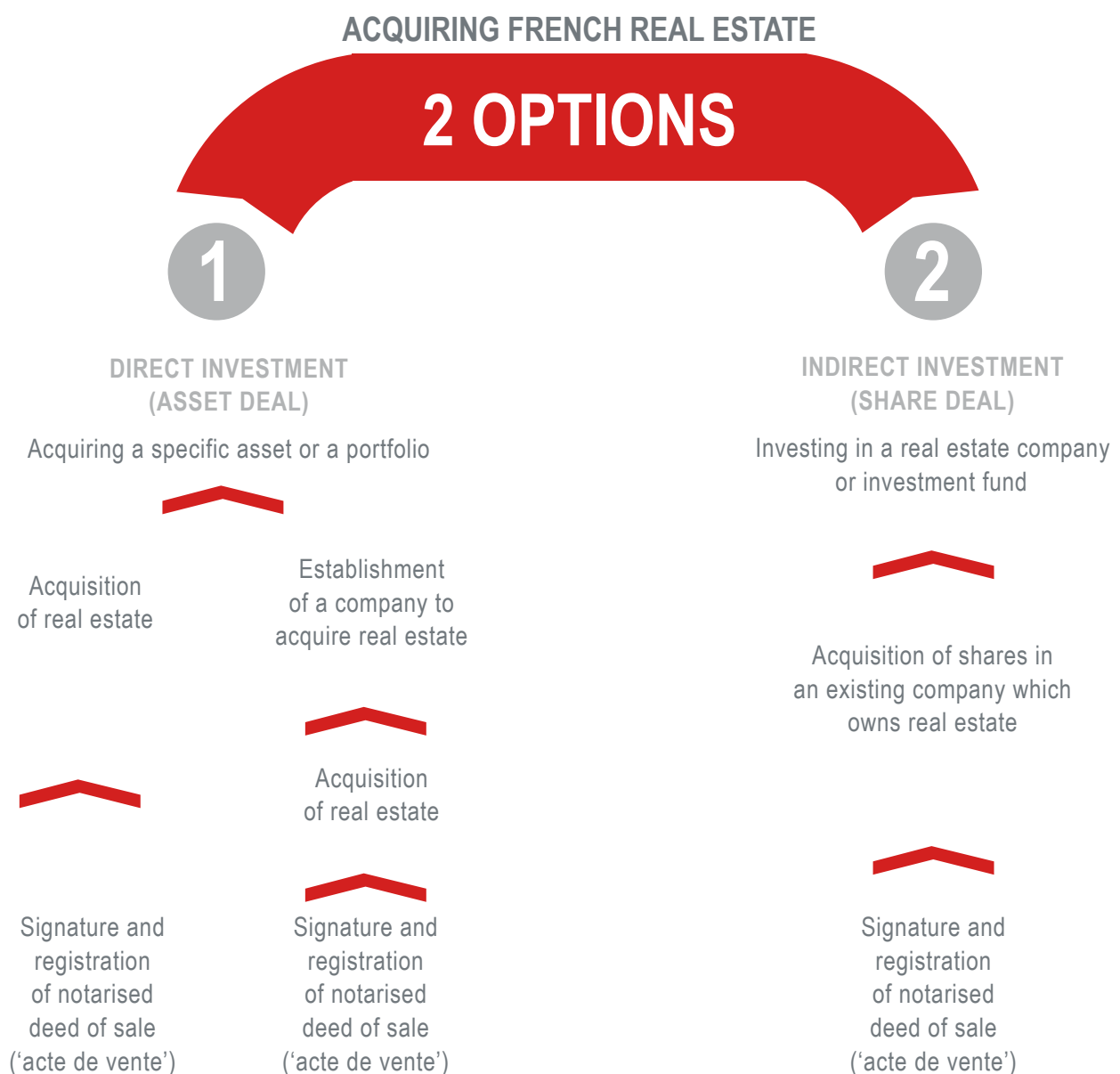
- ① **DIRECTLY:** by purchasing the property (an asset deal);
- ② **INDIRECTLY:** by purchasing the Special Purpose Vehicle which owns the property (share deal).

The choice of either route will depend on:

- The assets to be acquired (single asset vs. a portfolio);
- Timing;
- The need to hold the assets through a dedicated vehicle (for tax purposes mainly).

However, in each case, the acquisition process will be similar and the purchaser will need to complete detailed due diligence prior to acquiring the property / vehicle.

The financing of an acquisition in the French market is generally done through a combination of equity and debt (either a bank loan or a corporate loan or a mix of both), subject to compliance with interest rate limitations and thin capitalisation rules from a French tax perspective.

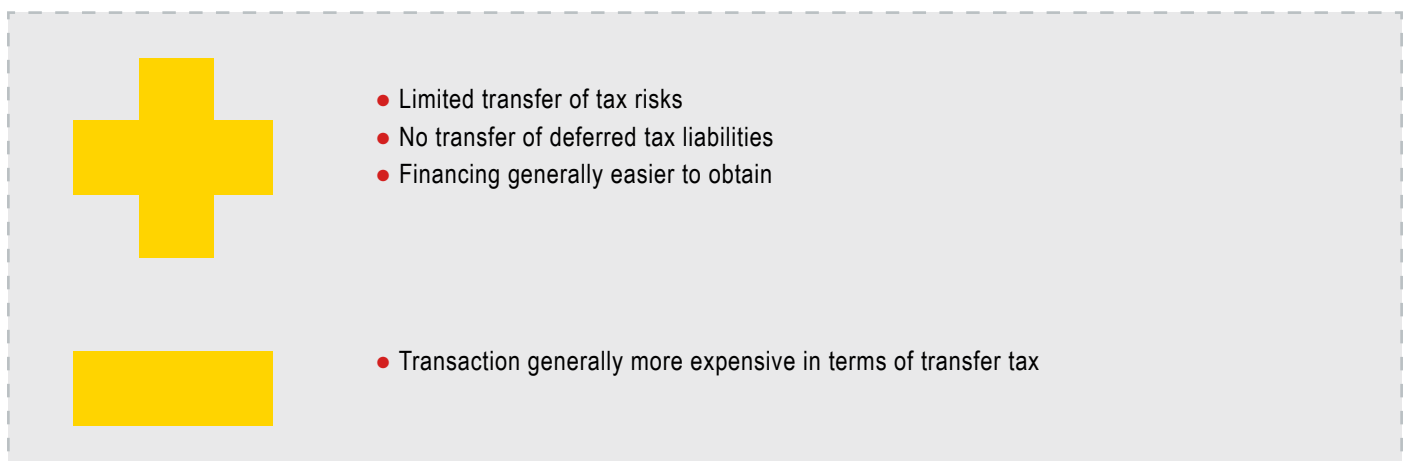
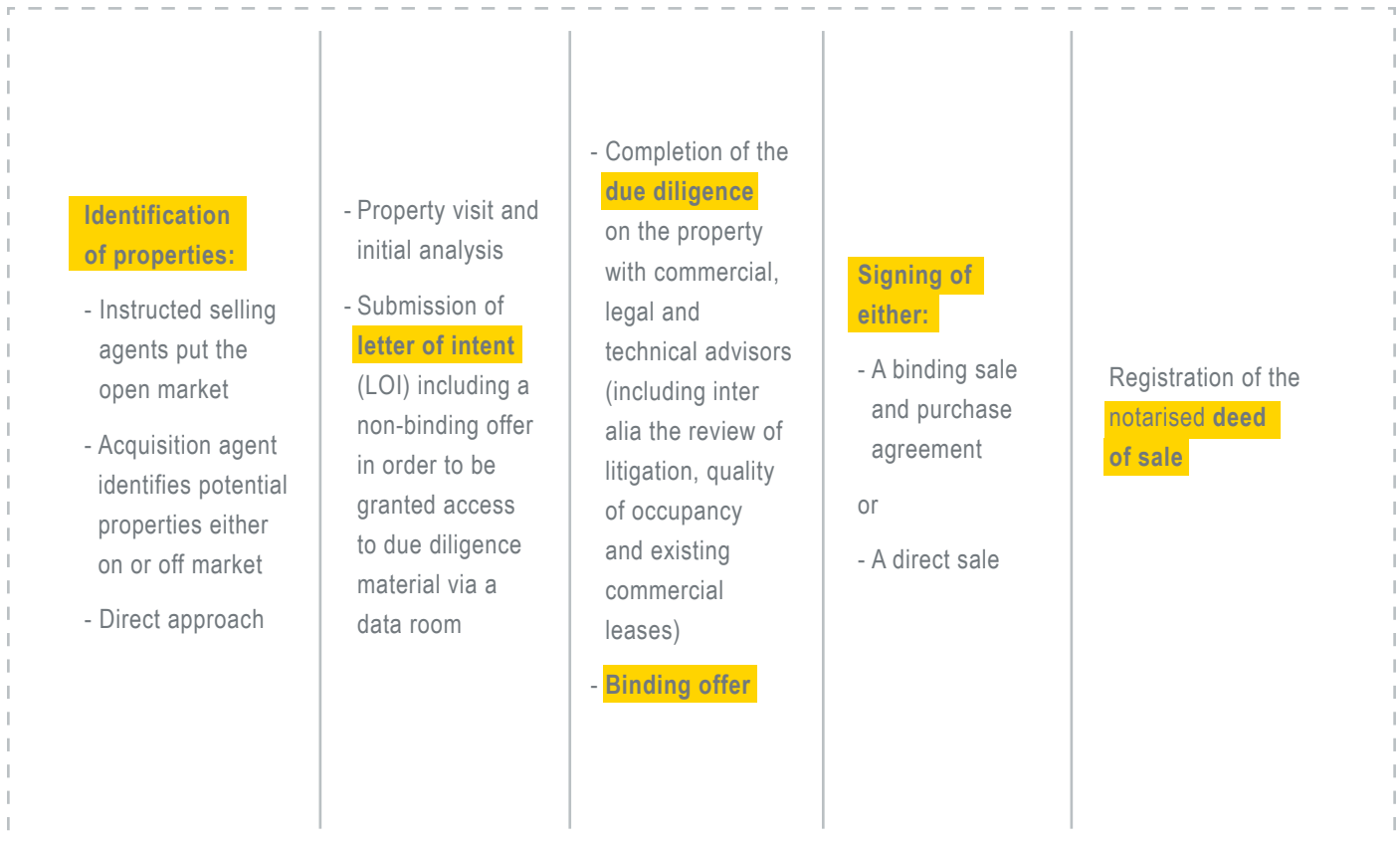


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DIRECT INVESTMENT (ASSET DEAL)

1

Property acquisition process



INDIRECT INVESTMENT (SHARE DEAL)

2

Process for acquisition of shares in a predominantly real estate company

Identification of properties:

- Sending a **letter of intent** including a non-binding commitment to the seller and condition precedent if any

Completion of the **initial due diligence** on:

- The property, the occupancy of the premises
- Litigation
- Existing commercial leases
- The legal and tax status as well as the liabilities of the company

Signature of **a preliminary agreement**, which is either:

- An option agreement (*promesse unilatérale de vente ou d'achat*); or
- An immediate binding sale and purchase agreement (*compromis synallagmatique de vente*)

Depending on the kind of company which owns the property, execution of the transfer of shares by either:

- **A sale and purchase agreement;**
- or
- **A transfer order** (*ordre de mouvement*)

Registration of the sale and purchase agreement with the commercial court



+ 2 MONTHS



+ 3 MONTHS



+ 4 MONTHS

(subject to any conditions precedent and city hall preemptive rights)



- In principle, lower transfer tax costs
- This kind of transaction allows the acquisition of several assets in one operation
- Quicker timing for transaction



- Need to negotiate warranties to cover the risks attached to the purchased entity
- Financing is more complex to structure. No step-up in value on the property is possible unless the entity is an SCI (capital gains tax latency issue)

OVERVIEW OF THE MAIN LEGAL ASPECTS

TWO WAYS OF INVESTING IN REAL ESTATE IN FRANCE MAY BE CONSIDERED:

- OWNERSHIP OR
- LEASING

Ownership

The right of ownership is one of the most protected rights in France. It is an absolute right. As such, freehold ownership confers on the holder the use of the assets, the right to receive the fruits of these assets (rents, interest on money due, etc.) and the right to dispose of the assets.

There are several types of ownership, including co-ownership and ownership by division into units.

• Co-ownership

Co-ownership arises when a building is divided into co-ownership units (“lots de copropriété”) owned by several owners. Each unit comprises two parts:

- A privately owned area (“partie privative”); and
- A right over the common areas (“parties communes”) (e.g. a corridor)

Each part of the building is identified in a description of the division of the property (so-called “états descriptif de division”).

Co-owners are required to abide by co-ownership regulations (“règlement de copropriété”) that must be registered with the land registry and include three types of provisions:

- Provisions relating to the distinction between private and common areas, their intended purpose and the conditions of their enjoyment by the co-owners (e.g. housing or office use)
- Provisions relating to the breakdown of co-ownership fees for the use of the shared services or in case of refurbishment of the common areas for instance (co-ownership fees are proportional to the size of each unit)
- Provisions relating to the management of the building

Each co-owner can freely enjoy not only the private area but also the common areas within the limits set in the co-ownership regulations.

Co-ownership is a form of freehold which means that a co-owner can freely dispose of its unit.

• Ownership by division into units (“*division de propriété en volumes*”)

There is ownership by division into units when a property is divided into units of different size and shape, either horizontally or vertically or both, each unit having its own right of ownership. It means that the owner can build within the limits of its unit, subject to any easements (right to natural light, minimum distance between buildings, etc.) that may encumber the unit and which are set out in the description deed of the division into units.

There is no specific regulation governing this type of ownership. This type of real estate organisation can be found at La Défense, Paris’ business center.

Ownership is acquired through a notarised deed of sale which must be registered with the land registry. Pursuant to the law, and save as otherwise agreed between the parties when authorised, the seller of a property has to provide the buyer with two warranties to cover eviction and hidden defects.

Silex 1 and Silex 2



Leasing

When renting commercial buildings, it is necessary to conclude a commercial lease agreement, for which the specific rules applicable are mostly mandatory.

The rules governing commercial leases are aimed at protecting the “commercial property” of the lessee and therefore are generally more lessee-friendly as they grant the lessee:

- The right to have the commercial lease renewed; and
- An indemnity in case the lessor refuses to renew the commercial lease (unless such decision is on the grounds of a material breach committed by the lessee or the building is declared unsafe and dangerous by a public authority).

Please note that a new law enacted on 18 June 2014 (known as the “Pinel Law”) amended some of the provisions applicable to commercial lease agreements. Most of these amendments are applicable to lease agreements entered into or renewed as from 1 September 2014 but some of them are also applicable to prior leases.

Therefore, the main provisions of a commercial lease agreement are as follows:

• Duration

The minimum term of a commercial lease agreement is nine years but the parties can agree to a longer term. Prior to the Pinel Law, the lessee had the right to terminate the commercial lease at the end of every three-year period unless otherwise agreed between the parties. Currently, this waiver to the three-year termination period may only be entered into for certain leases such as those with a duration of more than nine years or for single-use-premises.

If the term of the lease exceeds 12 years, additional constraints will be triggered: the publication of the lease in the local land registries (and payment of taxes), the amount of the rent will no longer be capped in the event of renewal, and additional taxes.

Even if a commercial lease has a definite term, it will remain in force for an unlimited term unless:

- It is renewed as described below; or
- Six months’ prior notice of termination is given by either the lessor or the lessee.

• Right of the lessee to the renewal of the commercial lease

The right of the lessee to have the commercial lease renewed is subject to the following conditions: (i) a commercial lease agreement, (ii) operation of a business as a going concern by the lessee, in the rented premises, for a period of at least three years before the term of the lease and (iii) registration of the business and the premises with the *Registre du commerce et des sociétés* or the *Répertoire des métiers*.

The renewal of the lease results from the express or tacit acceptance of the renewal offer made by the lessor or the lessee.

- The lessor’s renewal offer must be delivered to the lessee. The lessee can accept the renewal under the terms and conditions set out in the offer or accept the renewal but not its terms and conditions. In particular, if there is disagreement on the rent, either party must go to court to have the renewed rent determined. In the event of failure to do so within two years as from the renewal offer, the lease will be renewed under the terms and conditions set out in the offer.
- If the lessor has not delivered an offer as mentioned above, at least six months before the term of the lease, the lessee may:
 - Do nothing. In that case, the lease will be tacitly renewed for an unlimited period of time with the risk that the rent will be uncapped after 12 years (except if the lease provides for renewal at market value)
 - Have a bailiff deliver a renewal offer to the lessor. Should the lessor want to reject the offer, it must react within three months, otherwise the lessor is deemed to have accepted the renewed lease. The parties must go to court as described above if there is disagreement on the renewed rent

The lease is renewed under the same terms and conditions unless otherwise agreed between the parties.

• Rent

The rent is freely determined by the parties and should normally reflect the market value.

In practice, the rent is either a fixed amount (e.g. offices), or can be based on the turnover of the lessee or be a mix of both (minimum guaranteed rent and a proportion of the turnover) (e.g. retail).

- Indexation of the rent

The parties can decide that the rent will be automatically indexed annually on the basis of an index published quarterly by the INSEE. Depending on the activity of the lessee, the applicable index may be the ICC (*"index du coût de la construction"*: construction cost index), the ILC (*"indice des loyers commerciaux"*: commercial rent index), or the ILAT (*"indice des loyers des activités tertiaires"*: tertiary activities rent index).

Indexation clauses have to comply with the provisions of commercial lease regulations and the French Financial and Monetary Code. Any clauses that do not comply with these requirements are being called into question before the courts. This may be a significant financial issue.

In addition, the rules on commercial leases also provide that the lessee or the lessor can claim for a revision of the rent after a minimum 3-year period.

- Renewed rent

The general principle is that the rent under the renewed lease reflects the market value. However this renewed rent is capped at the variation of the applicable index (further to the Pinel Law, only ILC or ILAT may be used to calculate this variation; the ICC is no longer applicable) between the date of the lease and the termination date of the lease.

However, there are several exceptions where the renewed rent may not be capped (lease with an initial term of nine years but whose effective duration exceeds 12 years due to tacit renewal, significant change in the (i) features of the premises, (ii) use of the premises, (iii) respective obligations of the parties or (iv) local commercial factors). Further to the Pinel Law, should the rent cap cease to apply, the variation in the rent will nonetheless be limited to 10% of the rent paid over the previous year.

• Major repairs

Costs of major repairs are borne by the lessor but the parties are free to agree otherwise.

Nevertheless, further to the Pinel Law, a decree was published on 3 November 2014 specifying the *"services charges, taxes, duties and fees that, given their nature, cannot be charged to lessees"*. For instance, major repairs (i.e. as per article 606 of the French Civil Code) may no longer be charged to the lessee.

• Sublease and transfer of the lease agreement

Unless otherwise agreed between the parties, the lessee cannot sublease the premises.

In case of sale, the lease agreement will be automatically transferred to the purchaser of the premises. Things are different with respect to the lessee. Indeed, the general rule is that the lessee cannot transfer the lease agreement without the prior authorisation of the lessor and subject to certain formalities being carried out, except in case of transfer of the lessee's business as a going concern (*"fonds de commerce"*). However, the lessee may have to give prior notice to the lessor and/or the lease agreement may grant the lessor a preferential right over the business operated on the premises. A similar obligation can also be imposed on the lessee in case of a change of control.

Lastly, the Pinel Law introduced, under certain conditions, a preemption right to the benefit of the lessee in the event that the lessor decides to sell the premises.

The conclusion of a lease agreement may also trigger different French tax consequences (corporate income tax, VAT, registration duties, business tax) depending on the nature or duration of the lease involved which need to be carefully assessed.

Consequently, commercial lease agreements have to be negotiated with great attention to detail.



Siège monde d'Euronews - CARDINAL - © Guillaume PERRET

Environmental regulations

Sustainable Development

In 2007, a series of conferences took place in France to discuss the long-term policies that should be implemented in France as regards the environment and sustainable development. It finally led to the enactment of two laws referred to as Grenelle 1 (3 August 2009) and Grenelle 2 (12 July 2010) which implement sustainable development and environmental consideration in many sectors, including real estate.

In particular, an environmental appendix (also known as “green lease”) must be attached to all lease agreements relating to premises exceeding 2 000 m² of lettable area that are used as offices or for commercial purposes.

This new environmental appendix must be attached to all new or renewed lease agreements as from 1 January 2012 and to all existing leases as from 13 July 2013 (article L.125-9 of the French Environmental Code).

The objective of this regulation is to improve energy performance. Therefore the environmental appendix contains information to be provided both by the lessor and the lessee:

- List, description and energy information relating to the property, waste system, heating, cooling, ventilation, light and any other specific system of the property
- Annual energy consumption of the equipment and systems
- Annual energy consumption of the equipment and systems
- Annual water consumption.
- Annual amount of waste generated by the property (if the landlord/tenant treats this directly) or amount that has been collected to be specially treated (by a third party)

This appendix should be the opportunity for the lessor and the lessee to determine areas of improvement and set objectives and if necessary binding commitments.

Although mandatory, the law does not provide for any specific sanction for failure to attach an environmental appendix or breach of the obligations set out therein. However, if the parties set out precise commitments in the appendix, one may consider that the breach of any of these commitments could entitle the other party to terminate the lease agreement for breach.

Buildings and certifications

The Grenelle 1 and Grenelle 2 laws imposed new objectives and standards in terms of energy performance for both housing and tertiary buildings. The Energy Transition for Green Growth Law dated 17 August 2015 has reinforced principles and provisions in this area.

- New tertiary buildings are required to be “low consumption buildings” (“Bâtiment Basse Consommation” - BBC) and the same should apply to any new housing buildings as from 2013 (article R.111-20 of the French Building and Housing Code).
- Works to improve the energy performance of existing tertiary buildings will be required in order to achieve the objective of all real estate in France having been renovated to comply with BBC standards or similar by 2050 (L.100-4 of the French Energy Code). The overall objective of this regulation is to ensure a significant improvement in the energy performance of existing tertiary buildings when building owners undertake works that are likely to result in such an improvement (articles L.111-10 and R.131-25 to R.131-28 of the French Construction and Housing Code). The cost of such renovation works will depend on the buildings, the type of renovation and the energy performance objective (global and minimum performance objectives). According to the Energy Transition for Green Growth Law (17 August 2015), a decree will set out the terms of this obligation.

There are several French “green” certifications.

The “legal” reference is the High Energy Performance label (“*Haute Performance Energétique*” – HPE) which was created by an Order dated 8 May 2007 and distinguishes between High Energy Performance, Very High Energy Performance, High Energy Performance - Renewable Energy, Very High Energy Performance - Renewable Energy and Heat Pumps, and Low Consumption Buildings (R.111-20 of the French Building and Housing Code).

Another certification is the High Environment Quality (“*Haute Qualité Environnementale*” – HQE) which is aimed at promoting sustainable development in building construction. HQE certification comprises 14 criteria divided into four categories: green construction, green management, comfort and health.

Le Parc Technologique de Lyon, Saint Priest



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Sub HQE certifications exist depending on the type of building or renovation works, such as, for instance, *NF Bâtiments Tertiaires Démarche HQE* for new tertiary buildings, *NF Rénovation Démarche HQE* or *NF Démarche HQE Exploitation* for the operation of buildings.

Energy Performance diagnosis

The aim is to ensure that buildings are as efficient as possible in terms of energy consumption. For that purpose an energy performance audit ("*diagnostic de performance énergétique*" - *DPE*) must be carried out by a certified, independent third party and, where applicable, the landlord might be requested to carry out works to that end.

The DPE must be attached to the contract of sale or the commercial lease agreement.

Asbestos

The landlord is under the obligation to check whether or not there is any asbestos in the premises and, depending on the conclusions of the diagnosis, to identify the asbestos and remove it if necessary. In case of removal, the asbestos waste must be managed in compliance with hazardous waste regulations.

Classified installations for the protection of the environment ("ICPE" regulations)

ICPE regulations apply, in addition to other regulations, to installations likely to create risks or cause pollution or nuisance, notably in terms of local residents' health and safety, such as certain types of warehouses, factories, etc.

Activities covered by the ICPE regulations are listed in a nomenclature imposing, prior to the operation of the installation, a permit, a registration or a declaration system depending on the significance of the risks or inconvenience which may be caused.

As a result, a permit is required for installations presenting significant risks/inconvenience to the environment. A permit is delivered by the Préfet on the basis of several documents notably after a series of public authorities have been consulted and a public enquiry and environmental impact assessment have been carried out. The permit sets out the conditions for the operation of the installations (e.g. the carrying out of periodic water surveys by the operator/owner). Obtaining a permit may be time consuming and this should be taken into account in any acquisition process.

Temporary installations are also subject to registration.

The applicant has to file a simplified application (no impact assessments or public enquiries are required). The registration order is granted by the Préfet on the basis of that simplified application and once a series of public authorities have been consulted.

Less dangerous installations are subject to prior declaration.

Apart from the commitments that may be imposed by law, the permit or the registration order during the operation of the installations (periodic inspections, disclosures, etc.), the operator/owner is required to inform the authorities giving a minimum of three months' notice before it stops operating the installations. It has a duty to restore the site to make it compliant with the use stated in the permit/registration order or, if not set out in the documentation, with the use agreed between the operator, the owner (if different) and the relevant local authority where the installation is located.

In case of a sale, the seller is obliged to inform the purchaser in writing if any ICPE installations were operated on the site and, if applicable, if he is aware of any significant dangers or risks which might result from the installations.

Contaminated sites and soil

On 26 March 2014, the French law on access to housing and town planning reform ("*loi pour l'accès au logement et un urbanisme rénové*"), the so-called "Alur Law" was passed. This law makes significant changes relating to facilities classified for environmental protection and contaminated sites and soil.

New duty to inform

The seller or lessor of land located in a "soil information sector" must inform the buyer or tenant of this situation in writing. Failure to comply with this duty is subject to penalties. If pollution making the land unsuitable for the use stipulated in the contract is discovered, the buyer may request the cancellation of the sale or lease, the return of a portion of the price or the reduction of the rent, or the rehabilitation of the site (if not disproportionate) within two years of the discovery of the pollution.

The possibility of transferring the rehabilitation obligation to a third party within a legal framework (article L. 512-21 of the French Environmental Code)

Until then, rehabilitation work on an ICPE which had ceased operations had to be carried out by the last operator. Although it was possible to contractually transfer that obligation to a third party, this transfer was, however, not binding on the Administration. The Alur Law introduces the possibility of "officially" transferring the rehabilitation work to a third party in order to promote the regeneration of brownfield sites.

The third party must submit an application to the Prefecture to obtain authorisation to carry out the rehabilitation work. The approval of the last operator, the mayor, or the president of the public establishment of intercommunal cooperation (EPCI) and the owner is necessary when the third party intends to rehabilitate the site for a use other than the one provided for in the applicable order of the ICPE or under ICPE regulations. This third party must then submit a rehabilitation application to the prefecture, including soil and water conditions as regards pollution, the measures required to ensure compatibility between the planned future use and the condition of the soil, an estimate of the cost and duration of the work to be carried out as well as the technical and financial capacity of the third party.

A prefectural order setting the amount of the financial guarantees and the rehabilitation work to be performed is then notified to all parties concerned.

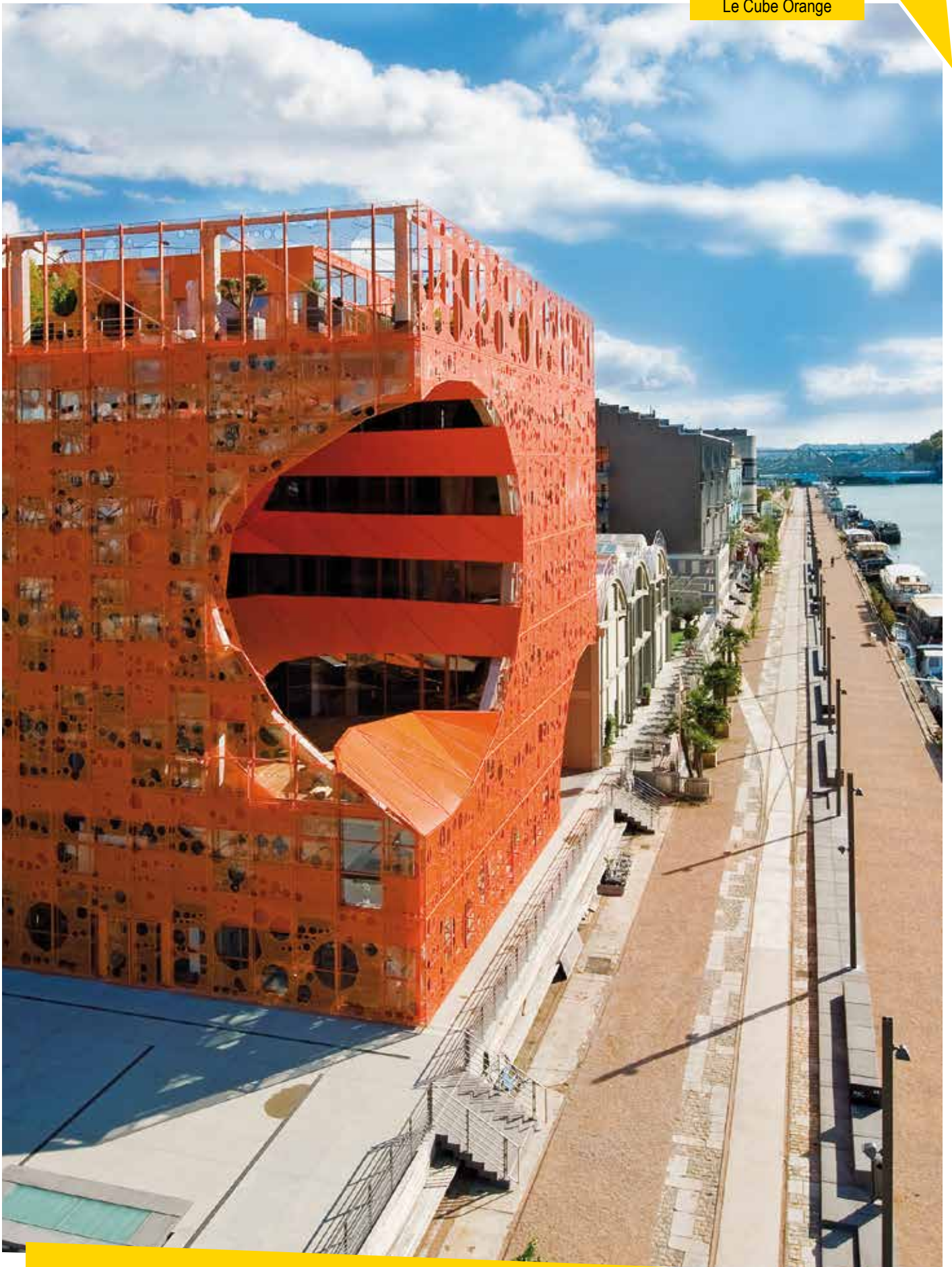
Order of priority of those liable for contaminated sites and soil

The new article L.556-3 of the French Environmental Code sets out the order of priority of those liable for contaminated sites and soil:

- First in order of priority is the last operator of an ICPE site, provided that his ICPE activities caused the soil pollution, or the third party who replaces him,
- If the soil pollution is due to another cause, the waste producer or waste holder will be held liable,
- Alternatively, the owner may be held liable for soil pollution, provided that his negligence or the fact that he had something to do with the pollution is established.



Le Cube Orange



KEY TAX ISSUES WHEN INVESTING IN FRENCH REAL ESTATE

Acquisition

Real Estate Transfer Tax (RETT)

- A 5% RETT is due on the acquisition of shares or shares of interest in a real estate company (i.e., more than 50% of the company's assets are composed of French real estate).
- A 5.81% RETT is due on the acquisition of a property.
- RETT is as a rule paid by the purchaser. However, the parties are free to decide otherwise.
- Land Security Contribution ("Contribution de sécurité foncière") (0.1%) and notary fees (0.825% subject to negotiation where the fees are in excess of €80k) also apply.
- 0.6% tax in addition to RETT is due on the acquisition of office, commercial or storage space that has been completed for more than 5 years.

Value Added Tax (VAT)

- The sale of a property completed within the last five years is subject to VAT at the standard rate of 20%. The 5.81% RETT is in this case not due. However, the sale is subject to real estate registration tax ("taxe de publicité foncière") (0.715%), land security contribution ("contribution de sécurité foncière") (0.1%) and notary fees (0.825% subject to negotiation where the fees are in excess of €80k).
- In certain limited cases, the sale of properties completed within the last five years may be subject to VAT upon election. In this case, RETT is also due.

Ownership and operation of French real estate

Local taxes

Local taxation includes four main taxes: real property tax on developed land, real property tax on undeveloped land, residence tax (applying to furnished housing and any outbuildings) and territorial economic contribution (formerly business tax). There are also additional or similar taxes, such as the annual Ile-de-France office tax.

- Real estate property tax ("*taxe foncière*")
 - Any real estate owner is in principle liable for a real estate property tax ("*taxe foncière*") on developed and undeveloped properties.
 - Real property tax on developed land is levied annually on developed land situated in France, except where it is entitled to permanent exemption (public estate or "*propriétés publiques*", rural real property for farming, etc.) or temporary exemption (designed to promote construction).
 - The amount of tax is obtained by multiplying the cadastral rental value of each property by the tax rate voted by the relevant local authority for the year concerned.
 - The tax is chargeable to the owner of the property on 1 January of each year of taxation but this cost may be passed on to lessees depending on contractual provisions in the rental agreement.
- Territorial economic contribution ("*contribution économique territoriale*" formerly "*business tax*")
 - Until 1 January 2010, business tax ("*taxe professionnelle*") did not apply to the rental of unfurnished properties.
 - As from the above date, business tax has been replaced by the territorial economic contribution ("*TEC*"), which consists of two different taxes:
 - The business contribution on property ("*BCP*", "*cotisation foncière des entreprises*") is due by the occupier of the property and is assessed only on the notional rental value of the company's immovable assets. Contrary to the former business tax, it excludes equipment and movable assets.

The rates vary from one municipality to another.

- The business contribution on added value (“BCAV”, “cotisation sur la valeur ajoutée”), which is due in practice if turnover exceeds €500k, is a progressive tax that can be as high as 1.5% of the added value if the revenue of the French taxpayer exceeds €50m.
- Both taxes are levied on a calendar year basis by local authorities. The sum of these two contributions is capped at 3% of the added value. The TEC is tax-deductible.

The TEC is due by the person to whom the properties are made “available” for the purposes of their business. Therefore, in a scenario involving rented premises, the BCP will be due by the lessee on the rental value of said properties (the lessee has the use of the premises) and the BCAV will be due by the lessor on its added value. The BCAV is also due by the lessee on the basis of the added value of its own business.

The annual Ile-de-France office tax (“office tax”)

The “office tax” is due as of 1 January of each year by owners, property beneficiaries, lessees of buildings under leases and special long-term leases, and beneficiaries of temporary occupation, where such properties are office premises, commercial or storage premises located in the Ile-de-France region.

The amount of the office tax is equal to the area, expressed in square metres, times a rate per unit that depends on the kind of premises and, for offices, on their location. Except in particular cases, the tax is due by the owner of the property.

The 3% tax

The 3% tax (equal to 3% of the FMV of real estate owned) is due annually by entities owning directly or indirectly a real property in France, unless such entities file the appropriate forms or benefit from a specific exemption from such filing.

There are numerous cases of exemption.

Tax on rental income

- Exempt regulated investment vehicles: SIICs and OPCIs are exempt from tax on rental income provided that they meet a distribution requirement. The requirement is 85% for OPCIs and 95% for SIICs.
- Non-regulated investment vehicles are either subject to corporate tax or if they are look-through entities for tax purposes, the portion of their profits that is allocable to a corporate tax entity partner – irrespective of whether such a partner is resident or non-resident – is subject to corporate tax.
- Corporate tax is assessed at the rate of 33 1/3% (+ social contribution that increases the effective rate to 34.43% or 38% if turnover exceeds €250m for FYs closed from 31 December 2011 to 30 December 2016).

Lyon Part-Dieu



Deduction of interest

- Interest is as a rule deductible.
- Deductibility of interest paid on intercompany loans and - in certain cases - external loans guaranteed by a related party is however subject to limitations:
 - Limitation based on “the arm’s length test”:
 - The deductible interest is capped at a rate that is set periodically (2.15% for FYs ended 31 December 2015) or at the rate at which the company could have borrowed from an independent lender.
 - Limitation based on the “thin cap test”: the arm’s length interest according to the above test is only deductible to the extent that the following three thresholds are not exceeded cumulatively:
 - 1.5 times the equity;
 - 25% of the net adjusted income before tax;
 - Interest received from related parties.
- “Anti-hybrid” financing rules
 - Interest paid by a French taxpayer should be taxable at a rate of at least 25% of the French corporate tax in France or abroad (i.e., from 8.33% to 9.5% depending on the case at hand).
- General financial expenses limitation rules:
 - The deductibility of the net financial expenses (including interest paid to an unrelated party), if such expenses exceed €3m per fiscal year, is capped at 75%.

Additional 3% CIT contribution on certain distributions

- Further to the enactment of the second Amended Finance Bill for 2012, dividend or deemed dividend distributing entities are liable to a new additional 3% CIT contribution on certain distributions. This contribution is currently being challenged before the European Commission.
- However, among the few exceptions to the levy of this 3% contribution are the distributions made by SIICs (French REITs) to comply with their distribution requirements, by SPPICAVs, by qualifying SIICs subsidiaries to the SIIC or by qualifying SPPICAVs subsidiaries to the SPPICAV.

Withholding taxes

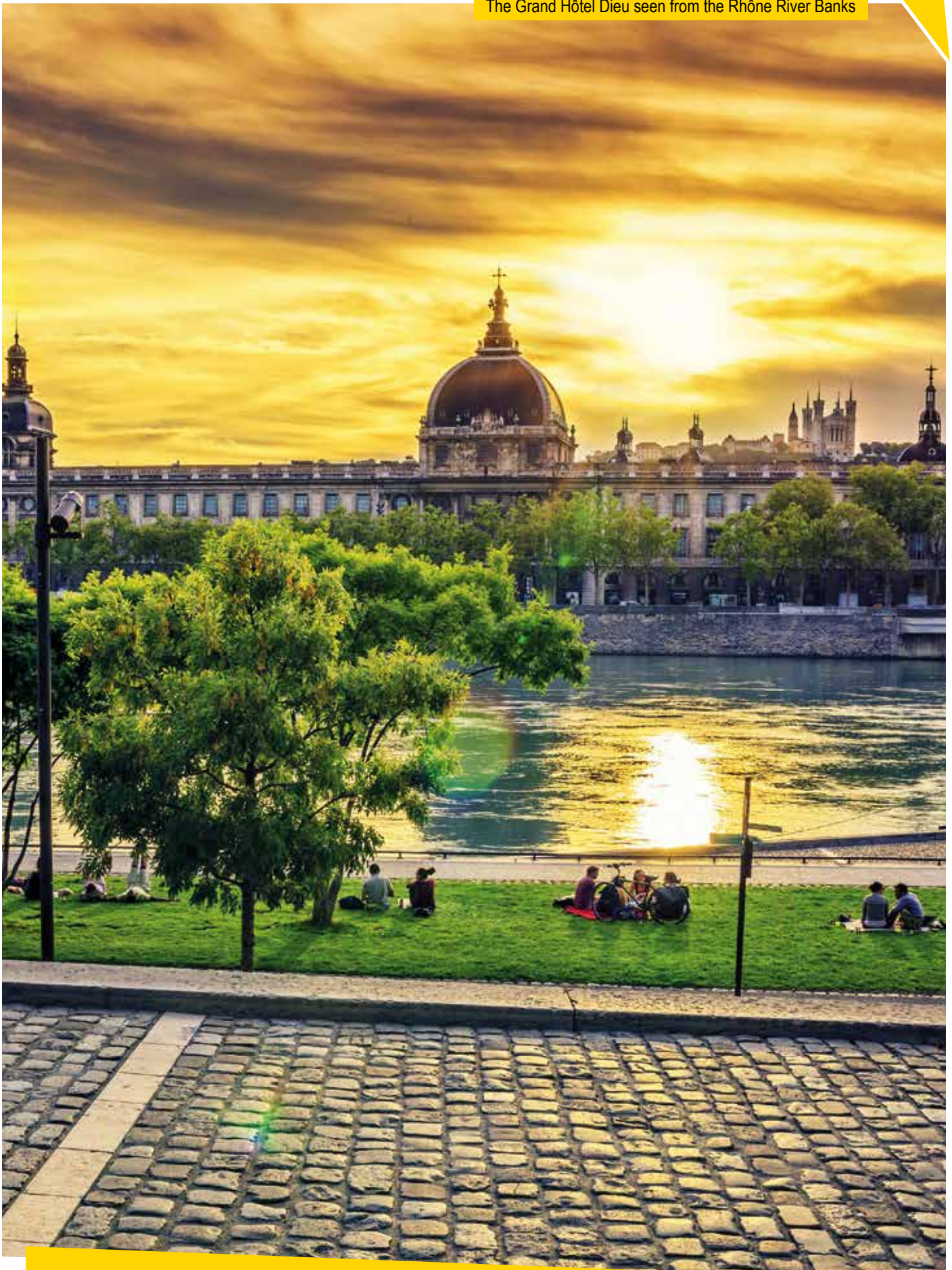
- In most cases, there is no WHT on French source interest. However, a 75% WHT applies if the interest is paid to a so-called non-cooperative country.
- Dividends paid to non-residents are subject to a 30% WHT that is increased to 75% where the beneficiary is located in a non-cooperative country. The 30% WHT is either reduced or eliminated by tax treaties or the EU directive.
- Since the entry into force of the second Amended Finance Bill for 2012, a 15% WHT applies on certain distributions paid by exempt regulated investment vehicles (SIICs, OPCIs) unless a tax treaty provides otherwise.

Exit

Capital gains on disposal

- Exempt regulated investment vehicles (SIICs and OPCIs) benefit from an exemption on gains recognised on the sale of the properties provided that they meet a specific distribution requirement (60% for SIICs and 50% for OPCIs).
- Real estate gains recognised by standard corporate vehicles are subject to corporate tax. If the vendor is a partnership, the portion of the gain that is allocable to a corporate partner is subject to corporate tax irrespective of whether the partner is resident or non-resident.
- Until now, it was usual practice for non-resident investors to own French property companies through a Luxembourg holding company (because the sale of the French property company by the Luxembourg company would not be taxable in France). This exemption will no longer be available when the amendment to the treaty that was signed on 5 September 2014 has come into force (the expected date of application of the new provisions is 1 January 2016).
- Depending on the circumstances, efficient tax structures may still be envisaged.

The Grand Hôtel Dieu seen from the Rhône River Banks



EY CONTACTS

Real Estate services proposed by EY

Real estate transactions

- Legal and tax structuring of cross-border transactions (design of acquisition structure for real estate portfolio, conception of European funds, etc.)
- Legal and tax assistance in the context of real estate transactions consisting of the disposal of real estate rights or shares of real estate companies
- Financial, legal and tax audit
- Drafting and negotiation of share purchase agreements, representations and warranties, etc.
- Assistance with the drafting and the negotiation of commercial leases, real estate leases and long-term leases

General real estate law

- Audit for the acquisition and the restructuring of real estate assets
- Commercial leases
- Hotel management agreements
- Litigations

Real estate taxation

- Corporate taxation of real estate investments
- Tax optimisation of real estate investments
- Advice in the area of externalisation of asset transactions
- Specific tax legislation: VAT, registration duties, 3% annual tax on real estate owned by entities in France, etc.
- Assistance in tax audits and litigations
- Advice relating to the eligibility, appropriateness and possible optimisation of the application of the SIIC and OPCI regimes

Real estate financing

- Structured financing for real estate projects
- Putting-in-place of real estate warranties in the context of real estate financing operations
- Setting-up of financing, tax optimisation in the context of acquisition and restructuring of real estate portfolios
- Real estate leases
- Public-private partnerships
- Financing products

Construction, property development and town-planning law

- Assistance with the drafting and negotiation of property development agreements and construction agreements
- Assistance with the drafting and negotiation of build-operate-transfer agreements and project management agreements
- General regulations relating to town planning
- Litigations

Environmental law

(specific aspects related to real estate)

- Environmental audit
- Assistance with the drafting of environmental warranty clauses, environmental liability clauses in lease agreements, agreements in regulated areas
- Polluted sites and classified installations
- Sustainable development

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JLL CONTACTS

About JLL

JLL (NYSE:JLL) is a financial and professional services firm specializing in real estate, with 66 000 employees around the world.

The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With a 2015 global revenue of 5.2 billion USD, JLL serves clients 1 000 cities in over 80 countries.

About JLL in France

In France, we have offices in Paris, Lyon, (80 employees and all the service lines represented) and Marseille, and our consultancy activities cover the whole country.

Every year, our 550 specialised employees in the office, retail, logistics, industrial and hotels markets advise investors and corporates on real estate projects through different service lines:

Capital Markets

Provide investment advice for direct real estate transactions and approach all our client relationships from the position of a well-informed, expert and trusted adviser; putting our client's objectives and long-term relationship building at the forefront of everything we do:

- Portfolio analysis and formulation of strategic recommendations
- Assistance in asset acquisition or disposal in the office, retail, logistics, industrial and residential (block sales) markets
- Value and liquidity analysis of your assets or real estate portfolios.
- Value Recovery Services: analysis of your troubled assets and implementation of an action plan.

Agency

Bring a strategic, proactive leasing approach to your commercial real estate assets so that you can focus on continuous financial growth. Define and execute a marketing and agency leasing strategy to mix the best tenants at the best lease terms and retain them for lasting value.

Project & Development Services

Deliver proactive commercially focused project and development advice on both new developments and existing buildings in sectors as diverse as offices, hotels and residential. Monitor your building, refurbishment and fit-out projects.

Valuation

Provide valuations and high quality reporting outputs tailored to specific requirements: acquisition and disposal decisions, performance measurement, portfolio regulatory valuations, strategic planning, etc.

Tétris

Deliver fit-out and refurbishment full-services, for innovative and sustainable work space solutions that are inspired by the people who use them

Hotels

Provide a single check-in for building profit with comprehensive hotel asset management and investment services.

Research

Produce an unrivalled perspective on current and future property market conditions, designed to provide insights and practical interpretation to help our clients maximize value.

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