FOREWORD

Lyon: the European city of the future

Lyon benefits from numerous assets: a strategic location in the heart of Europe, a well-organized transport network, high quality infrastructure, a strong pool of talent with more than 150,000 students (voted “best city to study in” by French students), sustained population growth, a strong focus on innovation and entrepreneurship, and a quality of life recognized as being among the best in Europe. It is also classified as a World Heritage site by Unesco and recognized as the first cultural city of France (excluding Paris).

It should be noted that Lyon, a pioneering city in the field, has also put in place a true Smart City strategy to combine economic dynamism and sustainable development. The major urban projects carried by the city (Lyon Confluence, Lyon Part-Dieu, Lyon Gerland, Carré de Soie, etc.) have become “life size” areas of experimentation to imagine and develop new ways of living and working in the city.

At a time when technological, societal and behavioral changes will define the shape of the city of tomorrow, Lyon possesses all the necessary ingredients to continue its extraordinary development and to become one of the reference cities of the future.

And what about its commercial real estate markets?

In 2017, the combined take-up of light industrial premises and logistics warehouses in the Lyon market exceeded 700 000 m².

Our forecast for office take-up in 2018 represents a historic market record with no less than 320 000 m² expected, while investment volumes will exceed the one billion euro mark.

Lyon is one of the most dynamic European cities in terms of business and leisure tourism (voted “Europe’s Leading City Break Destination” in 2016), and the hotel market has never been so flourishing (4 747 285 hotel nights in 2016).

Finally, Lyon remains one of the most sought-after cities in France for the retail market, a trend that will be further enhanced by the new openings in the Grolée-Carnot sector, the conversion of the Grand Hôtel-Dieu, whose 16,000 m² of retail and restaurant space have all been pre-let, and the 32 000 m² extension of the Part-Dieu shopping center (now the largest urban shopping center in Europe).

You will find more detailed analysis of these specific markets in this new edition of “Why invest in Lyon?”, a reference manual designed for investors who are new to our market.

In the following pages, we 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.

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

Lyon at the heart of the 6th most attractive region in Europe with 500 foreign direct investment projects.
(source: EY Global Investment Monitor, 2010-2016)

More than
320,000 m²
The office take-up expected for 2018. A 19% raise compared to 2017.
(source: JLL)

1 Billion
The volume that will be invested in commercial real estate on the Lyon market in 2018 will exceed 1.2 Billion €
(source: JLL)

2.5 Billion
The amount of public and private investment estimated on the Part-Dieu regeneration and development project.
(source: JLL)

10 Million
By investing in a third terminal, Lyon Airport now serves more than 120 destinations and has reached 10.3 million passengers in 2017.
(source: Vinci Airports)

150,000
Over 150,000 students within Lyon urban area, designated as “France’s best city to study” in 2017
(source: L’Etudiant, 2017)
Lyon from the top of Notre Dame de Fourviere
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Auvergne-Rhône-Alpes, one of the most attractive and vibrant regions in Europe

With a GDP of 270 billion euros in 2017 (source: INSEE), Auvergne-Rhône-Alpes is the fifth richest region in Europe in terms of foreign investments, after North Rhine-Westphalia (€670 billion), the Paris region (€660 billion), Greater London (€447 billion) and the Milan region (€357 billion), and ahead of Catalonia (€215 billion) and the Madrid region (€210 billion). Auvergne-Rhône-Alpes’ GDP contributes 10% 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 2017 attractiveness survey ranks Lyon as the top city in France (excluding Paris) in which to locate a company.

In 2017, the Lyon region ranked as the leading industrial region in France with a total of 770,000 companies, 500,000 jobs in industry, and 14 competitive clusters encompassing various sectors such as Life Sciences, Cleantech and Digital technologies (source: CCI Auvergne-Rhône-Alpes).

EY tracks the number of foreign investment projects located in each European 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.

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).
Although EY’s survey of France’s attractiveness 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.

<table>
<thead>
<tr>
<th>City/Region</th>
<th>Country</th>
<th>Number of FDIs (2010-2016)</th>
<th>FDI jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater London</td>
<td>United Kingdom</td>
<td>2 119</td>
<td>25 449</td>
</tr>
<tr>
<td>Ile-de-France (Paris)</td>
<td>France</td>
<td>1 041</td>
<td>15 725</td>
</tr>
<tr>
<td>Dusseldorf</td>
<td>Germany</td>
<td>612</td>
<td>9 613</td>
</tr>
<tr>
<td>Cataluña</td>
<td>Spain</td>
<td>580</td>
<td>25 694</td>
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<tr>
<td>Darmstadt (Frankfurt/M)</td>
<td>Germany</td>
<td>535</td>
<td>6 942</td>
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<tr>
<td>Auvergne-Rhône-Alpes (Lyon)</td>
<td>France</td>
<td>500</td>
<td>8 437</td>
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<tr>
<td>Madrid</td>
<td>Spain</td>
<td>418</td>
<td>9 058</td>
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<td>Dublin</td>
<td>Ireland</td>
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<td>Stuttgart</td>
<td>Germany</td>
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<td>Uusimaa (Helsinki)</td>
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<td>Hauts-de-France (Lille)</td>
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<td>Freiburg</td>
<td>Germany</td>
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<td>2 293</td>
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<td>Istanbul</td>
<td>Turkey</td>
<td>338</td>
<td>7 359</td>
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<td>3 117</td>
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<td>Germany</td>
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<tr>
<td>Antwerpen</td>
<td>Belgium</td>
<td>287</td>
<td>4 780</td>
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<tr>
<td>Karlsruhe</td>
<td>Germany</td>
<td>253</td>
<td>2 757</td>
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<tr>
<td>Grand Est (Strasbourg)</td>
<td>France</td>
<td>359</td>
<td>10 259</td>
</tr>
</tbody>
</table>

Source: EY GIM 2017 (Global Investment Monitor), FDI track from 2010 to 2016 (total FDIs in Europe: 25276). *: The perimeters of the regions presented above correspond to the European NUTS 2 subdivisions and make it possible to compare European regions. When the administrative name of a region does not refer to a city, we have included the region’s largest city in brackets.
USA and Germany among the countries that have invested the most in the Lyon region since 2010

US and German foreign investment in the Lyon region has seen dramatic growth in the past few years. In fact, the United States topped the ranking of the leading countries in terms of direct investment. Moreover, multinational German corporations, focused especially on manufacturing, have invested significantly in developing their existing facilities in the Lyon region due to the growth in their respective industries.

Ranking of top investing countries in the Lyon region

<table>
<thead>
<tr>
<th>Investing country</th>
<th>Number of FDIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USA</td>
<td>108</td>
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<tr>
<td>2 Germany</td>
<td>88</td>
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<tr>
<td>3 Italy</td>
<td>37</td>
</tr>
<tr>
<td>4 Switzerland</td>
<td>35</td>
</tr>
<tr>
<td>5 Japan</td>
<td>31</td>
</tr>
<tr>
<td>6 United Kingdom</td>
<td>30</td>
</tr>
<tr>
<td>7 Belgium</td>
<td>23</td>
</tr>
<tr>
<td>8 Canada</td>
<td>23</td>
</tr>
<tr>
<td>9 China</td>
<td>19</td>
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<tr>
<td>10 Spain</td>
<td>18</td>
</tr>
<tr>
<td>11 Netherlands</td>
<td>14</td>
</tr>
<tr>
<td>12 Austria</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: EY GIM 2017 (Global Investment Monitor), FDI track from 2010 to 2016 (total FDIs in Europe: 25276).

S&M: Sales and Marketing.

Source: EY GIM 2017 (Global Investment Monitor), FDI track from 2010 to 2016 (total FDIs in Europe: 25276).
The Auvergne-Rhône-Alpes region remains second in France in terms of FDI attractiveness

Of France's 13 new metropolitan regions, Auvergne-Rhône-Alpes holds second position in terms of attractiveness for most activities, and has even overtaken the Paris region for logistics-related projects. Auvergne-Rhône-Alpes ranks among the five most attractive regions for most activities.

Ranking of French regions according to the number of Foreign Direct Investments

The Auvergne-Rhône-Alpes region mainly attracts investments in Machinery & Equipment (65), Business Services (37), Chemicals (36), Software (35), Electrical (31), Food (28), and Electronics (22).

Percentage of FDIs in Auvergne-Rhône-Alpes by sector

Source: EY GIM 2017 (Global Investment Monitor), FDI track record from 2010 to 2016
Breakdown of Foreign Direct Investments breakdown by activity

WAREHOUSES

Manufacturing

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
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<tbody>
<tr>
<td>Grand Est (Strasbourg)</td>
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<tr>
<td>Auvergne Rhône-Alpes (Lyon)</td>
<td>181</td>
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<tr>
<td>Hauts-de-France (Lille)</td>
<td>143</td>
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<tr>
<td>Nouvelle-Aquitaine (Bordeaux)</td>
<td>95</td>
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<tr>
<td>Pays de la Loire</td>
<td>75</td>
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Logistics

<table>
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<tr>
<td>Île-de-France (Paris)</td>
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<td>Hauts-de-France (Lille)</td>
<td>33</td>
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<tr>
<td>Grand Est (Strasbourg)</td>
<td>25</td>
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<tr>
<td>Nouvelle-Aquitaine (Bordeaux)</td>
<td>21</td>
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OFFICES

Headquarters

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<th>Region</th>
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<td>Île-de-France (Paris)</td>
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<tr>
<td>Hauts-de-France (Lille)</td>
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<tr>
<td>Grand Est (Strasbourg)</td>
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<tr>
<td>Occitanie (Toulouse)</td>
<td>5</td>
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</table>

Sales & Marketing

<table>
<thead>
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<tr>
<td>Auvergne Rhône-Alpes (Lyon)</td>
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<tr>
<td>Provence Alpes-Côte d’Azur (Marseille)</td>
<td>85</td>
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<tr>
<td>Hauts-de-France (Lille)</td>
<td>59</td>
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LABS

Research & Development

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Île-de-France (Paris)</td>
<td>63</td>
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<tr>
<td>Provence Alpes-Côte d’Azur (Marseille)</td>
<td>32</td>
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<tr>
<td>Auvergne Rhône-Alpes (Lyon)</td>
<td>28</td>
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<tr>
<td>Occitanie (Toulouse)</td>
<td>20</td>
</tr>
<tr>
<td>Grand Est (Strasbourg)</td>
<td>19</td>
</tr>
</tbody>
</table>
Access to talent is the top priority for the city of Lyon

Of all the criteria that make a city attractive for foreign investment, access to skills is by far the most important driver of attractiveness: 70% of company directors consider it “very important” for their location choice.

EY’s Global Talents in Global Cities Survey defined five leading categories of talent: students, researchers, business managers, entrepreneurs and creatives. Interviews with company executives identified two levels of priority:

- The ability to recruit executives to top national roles. This concerns two distinct groups of recruits: those at the beginning of their professional career and experienced business leaders. These two groups of employees are essential to businesses.

- Attracting researchers, entrepreneurs and creatives is becoming increasingly important because it facilitates development of an innovation-friendly environment.

**WHAT MAKES LYON ATTRACTIVE FOR FOREIGN INVESTMENT?**

**Access to skills is the top priority for 70% of occupiers questioned.**

The quality of development, market proximity and economic influence are the foundations of business district attractiveness.

**Cost competitiveness and the availability of high-quality offices are prerequisites, for companies when evaluating districts.**

**Ranking of drivers considered by companies when deciding to establish activities**

<table>
<thead>
<tr>
<th>Driver</th>
<th>% of “very important”</th>
</tr>
</thead>
<tbody>
<tr>
<td>To attract and retain talent</td>
<td>70%</td>
</tr>
<tr>
<td>To be part of an attractive urban environment</td>
<td>47%</td>
</tr>
<tr>
<td>To be part of a central and global environment</td>
<td>46%</td>
</tr>
<tr>
<td>To find business opportunities</td>
<td>43%</td>
</tr>
<tr>
<td>Cost competitiveness</td>
<td>35%</td>
</tr>
<tr>
<td>To enjoy tailored offices</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: EY-ULI global business districts 2017, Key Trends

1 EY-ULI global business districts 2017
FOCUS ON LYON

One of the most attractive cities for executives and highly qualified talent

Lyon labelled the most attractive city for students in France

According to the student magazine l'Etudiant, Lyon is France's best city for students 2017. In only two years, the regional capital went from ninth place to first, an amazing feat in and of itself.

With its internationally renowned institutions, working closely with top competitive clusters, Lyon is a student city with a lot to offer. The Université de Lyon is a world-class academic site of excellence. Awarded the IDEX label in 2017, it is located at the heart of the Auvergne-Rhône-Alpes region, in Lyon & Saint-Étienne. It gathers 36 member and associated institutes of higher education that coordinates their training and research resources. Today, Lyon has 140,000 students, 20,000 of whom are international students. This attractiveness contributes to the city's international renown and helps to build close bonds with foreign students.
Fabrique de l’Innovation Project (The Innovation Factory)

The “Fabrique de l’Innovation” project mobilizes students’ talents and creativity, researchers’ scientific excellence and the technological and scientific platforms of all the institutions of the University of Lyon to develop innovative projects. In synergy with the Beelys PEPITE (Student Center for Innovation, Technology Transfer and Entrepreneurship) and the Pulsalys SATT (business incubator for accelerating technology transfer), it strengthens the links between academic and socio-economic circles.

The “Fabrique de l’Innovation” project mainly aims to:
- Implement a pioneering policy for innovation, entrepreneurship, creativity and design.
- Become a leader in creation and innovation, to contribute to the region’s economic development and its influence, in France and internationally.
- Enable businesses and institutions to immerse themselves in an innovative ecosystem.
- Participate in the implementation of innovative teaching methods by offering students the opportunity to work directly on concrete projects conducted by companies.

More than 20 companies with a turnover of at least €600 million have their national or global headquarters in Lyon, attracting high-level managers

ADECCO • AREA • AXXES • BASF • BAYER • BIOMERIEUX SA • BLEDINA • BRAKE FRANCE SERVICE • ENI • IVECO FRANCE • KEM ONE • KUEHNE NAGEL ROAD • MERRIAL • MSD VACCINS • MYLAN • OREXAD • PANZANI • PROSOL • RENAULT TRUCKS • SANOFI PASTEUR • SEB • TNT EXPRESS NATIONAL

The quality of the urban environment in Lyon and the range of its economic influence

A city’s attractiveness is founded upon an attractive urban environment, good transport links, business connections (proximity to markets, clients and partners), and national and global reach. The quality of the urban environment is considered “very important” by 47% of company directors. Being in a good business ecosystem is similarly important for 46%, and being central with global connections is vital for 43%. The priority given by the city of Lyon to the quality of the environment reflects the importance of accessing talent. To attract the skills needed, many companies located in Lyon offer employees a very attractive quality of life. Lyon’s business districts (La Part-Dieu, Confluence, Cité Internationale, etc.) are easily accessible and ensure company staff can “work, live and play” in those districts.

From a corporate perspective, the capacity of a city to offer an environment that is favorable to innovation is the strongest differentiating factor. Now, and in the years ahead, innovation will be a powerful lever for companies and a key to their performance. We know that an environment conducive to innovation correlates positively with GDP per head, especially because of the link between creative environments and entrepreneurship. Ultimately, the ability to attract young, innovative companies is an opportunity to enhance the productivity of leading services businesses established in international cities.
FOCUS ON MEASURES TAKEN BY LYON METROPOLE to improve the quality of its urban environment

Part-Dieu, the Lyon's central business district is currently being renovated. By 2022, a new 170 m-tall tower will be built beside the train station, including a 4-star hotel, as well as retail and office space. The capacity of the train station is also to be increased from 120 000 daily users today to 225 000 by 2030. Lyon has developed a multi-modal transportation network, combining subway, tramway, bus, and self-service bikes. Four extension programs are to be completed by 2020, including the construction of a new tramway line to the south part of the city (source: SPL Lyon Part-Dieu).

Lyon also offers numerous green spaces, providing easy access to outdoor activities within the city. A few years ago, a 5-kilometer stretch on the left embankment of the Rhone River had been developed into green spaces and lanes for non-motor traffic (bicycles, skates and pedestrians). This project was aiming to create a place for relaxation and leisure in a natural, environmentally-friendly setting in the heart of the city. The Tête d’Or Park, the biggest within a French city, features a zoo and extensive paths for walking, cycling and running making the city even more attractive to families and young working people.
To-Lyon Tower (delivery scheduled for 2022)
Business districts are becoming ‘places to live’

Satisfying the desires of employees has become an indirect way to attract leading firms. Outside office hours, employees are consumers, and companies are therefore increasingly inclined to move to districts where employees like working. Today’s companies believe business districts must offer more services for their workforce, especially shopping and dining. Moreover, leisure and cultural facilities will certainly play a growing role in the business districts of tomorrow. Business districts also need to become destinations in their own right. First, the business district needs to become a ‘post card’ place, which matches up to employee expectations, and is perceived as attractive. Second, the perceived value must be matched by reality, relying not just on clichés, but also on the real-life experiences of those who live and work there.

The business district needs to deliver on expectations that it is a great place to be by achieving a high quality urban environment with outstanding cultural and retail opportunities.

Shared spaces are becoming more important, whether they are rest areas, shared meeting rooms or collaborative workspaces integrated with rest areas. These spaces enable employees from different firms to relax, and collaborate.

Business districts need to add more residential property. If this can be achieved, building homes and schools will create a virtuous circle aiding the development of a mixed-use district at the heart of the city, filled with life throughout the week and weekends.

In your opinion, what will shape the business district of the future?

Better transportation infrastructure

More services to employees (retail, restaurant...)

More creative and innovative businesses and networks (startups, fablabs...)

More cultural and leisure offer outside working hours

More coworking spaces, flexible lease and shared offices

More residential units incl. affordable housing

Improved IT infrastructures (Wi-Fi, 4G...)

More business tourism (convention centers, hotels, etc...)

More students

Source: EY/ULI business district e-survey April-May 2017 (total respondents: 226)
FOCUS ON LYON PART-DIEU BUSINESS DISTRICT

A 24/7 live-work-play environment

Lyon Part-Dieu is Lyon’s main business hub. During the next few years, the area will be undergoing major redevelopment aimed at turning the district from a commercial business hub into a mixed-use urban center. Sustainability is also central to the vision for Lyon Part-Dieu. Development and design guidelines emphasize sustainability, and the area will be home to France’s most sustainable office building. The goal for the redevelopment of La Part-Dieu Business District was to create a 24/7 live-work-play environment. Open spaces and a regular program of events have created a welcoming, lively environment that is a destination for locals and tourists alike. The development has benefited from substantial public sector attention to, and investment in infrastructure, open space, transport and urban design.

Development of the co-working offer in Lyon Part-Dieu

The co-working market in Lyon, the favorite playground for start-ups and innovative companies with a small workforce, has been developing over the last few years. The Part-Dieu district already offers significant amount of co-working space with individual and team offices as well as collaborative workspaces, dedicated to young graduates, freelancers or entrepreneurs. They all have their specificities (common areas, relaxation areas, private spaces, spaces to isolate or share, possibilities of payment by the hour or the month, a post office, flexible and tailor-made offers, etc.), and their own distinctive character. These workspaces also organize various conferences and networking events to increase conviviality within their communities. A quarter of Lyon’s 50 co-working spaces are located in La Part-Dieu, the list includes but is not limited to Peexeo, Now co-working, Multiburo, La Cordée, Mama Works, Regus and WorkLoft. Nextdoor (Bouygues Immobilier Group subsidiary), the latest space to open in Lyon, has taken up residence in Silex1, one of the new ecological, connected buildings in the Part-Dieu district. It is based on the co-working model: a freer workspace, with a view to diversity and sharing. For an annual or daily fee, the user has access to an ideal environment and the advantages of the host structure.
FOCUS ON LYON’S transportation infrastructure

Lyon Part-Dieu railway station redevelopment project

The transformation of the Lyon Part-Dieu station by 2023 demonstrates the commitment of all partners and the ambition of project owners to participate in a major project that will have a structuring effect for the city of Lyon, the region and the national rail network. The multimodal interchange (“PEM”) is one of the gateways to the city and the Auvergne-Rhône-Alpes Region. As the nerve center of the daily metropolitan activity, this is where all modes of transport converge. The project aims to permanently resolve problems of saturation in the public transport hubs, to support the sharp increase in the use of bicycles, and to improve access conditions for all modes of transport. The new interchange will offer a more comfortable and user-friendly experience, in a relaxing atmosphere.

All of the planned facilities are designed to simplify the transition from one mode of transport to another, making it easier to understand how the different means of travel complement each other. The interchange hub will be designed to guarantee travelers a high-quality, seamless service, whatever the mode of access chosen. Because the train station is also a place for meetings and entertainment in the heart of the city, all the ingredients of city life are included. The Béraudier gallery with its shopping mall and various services must now meet the needs of daily travel, in a peaceful, pleasant atmosphere. The station of tomorrow will be driver of urban vitality.

Lyon Airport - an ambitious transformation:

With more than 10.5 million passengers in 2017 (+9% YTY) and 120 destinations served, Lyon Airport is the second-largest airport in France after that of the Côte d’Azur (excluding Paris airports). The Lyon Airport development project, begun in 2011, represents an overall investment of 215 million euros (building, aircraft parking areas and equipment). The architecture firm Chabanne & Partners worked with British architects Rogers Stirk Harbour + Partners to design this circular building extending the existing Terminal 1 (+70,000 m²). Two of the three other airport terminals are currently being extended with the aim of reaching 15 million passengers by 2021.
FOCUS ON LYON GRAND HOTEL-DIEU

A new vision of Retail

Grand Hôtel-Dieu, one of the most iconic sites in Lyon, has been under construction for over two years. The new, restored building should accommodate some housing, offices, underground parking, a hotel, the long awaited International City of Gastronomy, and also several shops and restaurants. Grand Hôtel-Dieu will be a vibrant venue for a new kind of retailing, with a resolute focus on the growing interest in more sustainable, low-impact consumption and “shopping as an experience”. This positioning targets a quality, experiential retail offer, reflecting contemporary urban trends in the biggest cosmopolitan cities. The outstanding nature of the site makes it one of the most attractive new destinations for top-flight brands, tying in with the habits of today’s multifaceted, connected citizen-consumer who seeks new retail experiences with sensory appeal, combined with spaces for a relaxing stroll and a breath of fresh air. Innovative, creative, and multi-sensory, this exciting new shopping experience will complement Lyon’s existing retail outlets, differentiating itself through the tranquility and aesthetic appeal of its setting that embraces international innovation while staying true to the local area. This balance will appeal to many customers who are curious and open to new experiences. (source: www.grand-hotel-dieu.com)
Lyon is already exploring the factors that will shape the infrastructure of tomorrow. Thanks to high-tech materials, sensor networks, new science and better data, architects, designers and planners work smarter and more precisely. The city of Lyon is becoming more environmentally sound, more fun, and more beautiful.

In this process, some of the projects conducted in Los Angeles, Eindhoven and London are a source of inspiration for Lyon, from the detail of a new streetlight to a sacred city in flux, from masterful museums to infrastructure designed for bikes - and the algorithms that run it all.
LONDON
Mixed-use buildings and inner-city energy generation

Modern city infrastructure is increasingly mixed-use. The Olympic Park development, for example, not only gave London new sports stadiums, but also created the biggest urban park in Europe for 150 years, a new university, allotment space and affordable housing. The best example currently in construction, however, combines two smart city necessities: mixed-use building and renewable urban energy generation. And then there is waste recycling and recreation too.

In 2016, a 100-metre-tall incinerator at the heart of the urban area generates energy by burning urban waste, while its sloped roof functions as a park in summer and a ski slope in winter.

EINDHOVEN
The Hovenring lets cyclists bypass the traffic jam

Eindhoven was a sleepy provincial town when a family named Philips began making lightbulbs there in 1891. Today, it is a vibrant technology and research hub, where many workers commute in from the sprawling suburbs. That makes for some busy intersections that are not exactly bicycle-friendly. Therefore, as part of a planned network of dedicated cycle roads, Eindhoven asked design firm ipv Delft to come up with a way for cyclists to bypass the stop-and-go with a flyover. Completed in 2014, the €8 million Hovenring is a rare piece of cycling infrastructure that is not just an afterthought - a green strip alongside parked cars or a bike symbol painted on a bus lane. The 1000-ton steel deck is suspended by 24 cables from a towering space needle. Illuminated with LEDs, it seems ready to take off into the northern sky. The roadbed below was even lowered for the approach ramps to be kept at an easy slope. The Hovenring is a joy for thousands of commuters who now cycle into and out of Eindhoven every day.

LOS ANGELES
LA goes LED - and gets connected

Los Angeles is retro-fitting 4,500 miles of orange-yellow sodium-vapor streetlights with a moonlight-hued matrix of light-emitting diodes. Roads will look brighter, but they will also be more connected. Every energy-efficient lamp will connect wirelessly to the Bureau of Street Lighting, letting headquarters know if it is on, off, broken, etc. But the plans do not stop there. In the future there will be lights that change in response to what is going on around them. They might blink if a police car or ambulance is on its way or brighten for pedestrians on their way home after an evening event. While other cities around the world use LEDs to save money and add splashes of color, Los Angeles plans to build a network that not only shows what is happening right in front of you, but also reveals something about the entire city.
Today, Lyon is one of the most popular Eurocities among corporates and of course 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 33% 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 (5.6%), steadily increasing demand (more than 320 000 m² forecasted in 2018, which is a level comparable to or even greater than Barcelona, Milan or Amsterdam), 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 Axeleria (chemistry, environment) and the historical presence of major industrial groups (Rhodia, BioMérieux, 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 (all assets) stands at a three-year average above 1 billion euros, once again placing Lyon among the top 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 services 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 Villeurbaine 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.

### Key office market indicators Global

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office stock</td>
<td>5 918 809 m²</td>
<td>5 934 198 m²</td>
<td>6 138 863 m²</td>
</tr>
<tr>
<td>Office Take-up</td>
<td>272 153 m²</td>
<td>290 511 m²</td>
<td>269 241 m²</td>
</tr>
<tr>
<td>Office Vacancy Rate</td>
<td>6,20%</td>
<td>6%</td>
<td>5,60%</td>
</tr>
<tr>
<td>Office Prime Rent</td>
<td>€300</td>
<td>€300</td>
<td>€315</td>
</tr>
<tr>
<td>Office Investment volumes</td>
<td>€720 453 000</td>
<td>€614 000 000</td>
<td>€786 000 000</td>
</tr>
<tr>
<td>Office Prime Yields</td>
<td>4.80% - 5.10%</td>
<td>4.50% - 4.80%</td>
<td>3.95% - 4.10%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Eurocities</th>
<th>Office take-up (sqm) 2017</th>
<th>Office stock (sqm) 2017</th>
<th>Absorption rate (%) 2017*</th>
<th>Prime rent (£/Sqm/yr) 2017</th>
<th>Vacancy rate (%) 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brussels</td>
<td>419 640 m²</td>
<td>13 204 600 m²</td>
<td>3.20 %</td>
<td>€300</td>
<td>8.2%</td>
</tr>
<tr>
<td>Prague</td>
<td>417 540 m²</td>
<td>3 353 040 m²</td>
<td>12.50 %</td>
<td>€252</td>
<td>7.2%</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>402 600 m²</td>
<td>5 980 250 m²</td>
<td>6.70 %</td>
<td>€400</td>
<td>6.7%</td>
</tr>
<tr>
<td>Dusseldorf</td>
<td>390 600 m²</td>
<td>9 128 500 m²</td>
<td>4.30 %</td>
<td>€324</td>
<td>7.9%</td>
</tr>
<tr>
<td>Milan</td>
<td>363 630 m²</td>
<td>12 551 250 m²</td>
<td>2.90 %</td>
<td>€550</td>
<td>13.3%</td>
</tr>
<tr>
<td>Stockholm</td>
<td>355 100 m²</td>
<td>11 900 000 m²</td>
<td>3.00 %</td>
<td>€712</td>
<td>7.7%</td>
</tr>
<tr>
<td>Barcelona</td>
<td>331 660 m²</td>
<td>5 933 770 m²</td>
<td>5.60 %</td>
<td>€279</td>
<td>7.7%</td>
</tr>
<tr>
<td>Budapest</td>
<td>315 540 m²</td>
<td>3 383 000 m²</td>
<td>9.30 %</td>
<td>€270</td>
<td>6.9%</td>
</tr>
<tr>
<td>Dublin</td>
<td>291 520 m²</td>
<td>3 678 940 m²</td>
<td>7.90 %</td>
<td>€646</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>Lyon</strong></td>
<td><strong>269 241 m²</strong></td>
<td><strong>6 138 860 m²</strong></td>
<td><strong>4.40 %</strong></td>
<td><strong>€315</strong></td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td>Stuttgart</td>
<td>254 700 m²</td>
<td>8 654 600 m²</td>
<td>2.90 %</td>
<td>€270</td>
<td>2.7%</td>
</tr>
<tr>
<td>Rome</td>
<td>219 230 m²</td>
<td>12 141 700 m²</td>
<td>1.80 %</td>
<td>€430</td>
<td>6.9%</td>
</tr>
<tr>
<td>Manchester</td>
<td>195 630 m²</td>
<td>3 461 010 m²</td>
<td>5.70 %</td>
<td>€412</td>
<td>7.8%</td>
</tr>
<tr>
<td>Lisbon</td>
<td>164 490 m²</td>
<td>4 646 480 m²</td>
<td>3.50 %</td>
<td>€240</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

* Office take-up / Office stock
Why invest in Lyon?

Why did they choose Lyon?

The “corporate’s view”

After its initial success in the Ile-de-France region, Nextdoor chose Greater Lyon as the next place to install itself. It made sense to begin at Part-Dieu, France’s second largest tertiary district. The previous lack of a system of this kind in a city as dynamic as Lyon really made this an inevitable move.

As part of the regeneration of Part-Dieu, Nextdoor wanted to be a key player in the transformation of the district; which without a doubt is establishing itself as a window into the smart city of tomorrow.

Given the enthusiasm of companies for the flexible nature of this offer, the question of a second implantation was raised. Thus, Nextdoor has chosen to establish itself in the emblematic Grand Hôtel-Dieu in order to provide a prestigious yet inviting offer, situated right in the heart of the city. Companies will therefore be able to benefit from the choice between two complementary and highly strategic locations to establish themselves in.

The “investor’s view”

As one of Europe’s leading real estate investment managers, Deka Immobilien is investing in selected growth market. Lyon is one of them! The Metropole of Lyon is the second’s most economically active region in France, after Ile de France with a diversified transport infrastructure, many urban projects and an established office location. The healthy commercial real estate market with stable rental values and a low vacancy rate over years is in line with our quality- and stability-oriented approach.

Deka Immobilien bought the “New Deal”, an emblematic building of Lyon, a former Citroen car dealership, built in 1932 by André Citroen, which was transformed into an office building in 2015. The asset complies with our quality criteria : large size with 22,000 sqm, green certification (BREAAM Excellent), ERP Classification, transport connection, renowned tenants.

Chrystelle de Passorio,
Asset Manager
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 15 to 20% 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, which will be delivered in 2018, Silex 2, in 2019 and lastly the To-Lyon in 2022, a 80 000 m² operation including 66 000 m² of offices, a 4 stars hotel, and a shopping mall directly 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.

<table>
<thead>
<tr>
<th>Key office market indicators Part-Dieu</th>
<th>Q1 2015 - Q4 2015</th>
<th>Q1 2016 - Q4 2016</th>
<th>Q1 2017 - Q4 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office stock</td>
<td>1 180 442 m²</td>
<td>1 147 949 m²</td>
<td>1 160 616 m²</td>
</tr>
<tr>
<td>Take-up</td>
<td>41 419 m²</td>
<td>83 368 m²</td>
<td>42 298 m²</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>3.70%</td>
<td>3.20%</td>
<td>1.90%</td>
</tr>
<tr>
<td>Prime rent</td>
<td>€300</td>
<td>€300</td>
<td>€315</td>
</tr>
</tbody>
</table>

Sources: JLL / Cecim
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 office stock of approximately 600 000 m² and an average annual take-up of 10 to 20%, the 7th arrondissement is Lyon’s second office market.

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, Merial, 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.

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.

Key office market indicators Gerland

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015 - Q4 2015</th>
<th>Q1 2016 - Q4 2016</th>
<th>Q1 2017 - Q4 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office stock</td>
<td>483 260 m²</td>
<td>504 272 m²</td>
<td>578 340 m²</td>
</tr>
<tr>
<td>Take-up</td>
<td>65 165 m²</td>
<td>20 592 m²</td>
<td>31 237 m²</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>9.80%</td>
<td>9.90%</td>
<td>10.20%</td>
</tr>
<tr>
<td>Prime rent</td>
<td>€215</td>
<td>€210</td>
<td>€215</td>
</tr>
</tbody>
</table>

Sources: JLL / Cecim
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 eco-friendly 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.

After the delivery of “Convergence” (11 000 m²), “Pavillon 52” (8 500 m² - Rudy Ricciotti) and “Le King Charles” (10 000 m²), the main ongoing projects include “Ynfluence Square” (30 000 m² - mixed-use) but also the project “Lumen”, which will gather on a single location the actors of the lighting industry.

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.
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, the second largest town in the Auvergne-Rhône-Alpes region, is part of the “Pôle métropolitain” (alongside Lyon Métropole, VienneAgglo 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 Chateaucreux 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.
As France’s second-largest city, Lyon is a major city which has consumers with a high level of purchasing power. Located at the heart of one of the largest employment hubs in Europe with an active population of 2.5 million in the Rhône-Alpes region, this city offers genuine potential to retailers: over the last five years, retail spending in the Lyon catchment area has averaged €11 billion (source: Grand Lyon).

An attractive and dense city
The city’s wide reach also draws shoppers from beyond the immediate region resulting in a retail turnover that is 6% higher than the consumption potential from resident households. Due to Lyon’s high population density, store catchment areas have a high number of consumers within a relatively short distance; with an average of 1,900 consumers within a 500-metre range the conditions for local stores are excellent.

Presqu’île: City centre revival
Lyon’s Presqu’île, which is based around Rue de la République, is a major French retail hub with almost 1,000 retailers. Presqu’île has a consumer base with a high level of purchasing power: 30% are managers or business leaders, 20% have monthly incomes of €4,500 or more.

In June 2017, retail vacancy in Lyon stood at 3.5% (source codada); this is the lowest rate of all major regional cities in France. This extremely low level is a clear indication of the city centre’s potential but has also been a barrier for new retailers and new trends entering the Presqu’île market. This low level of retail renewal up to 2016 contrasts with the dynamic Part-Dieu shopping centre and the successful leisure and retail centre in Confluence.

With the 2017 arrival of retail in the Grolée-Carnot district and the 2018 opening of retail and restaurants in the Grand Hôtel-Dieu, Lyon city centre will see a 29,000 sq m increase in retail space which has attracted several new brands that are a first for the Rhône-Alpes region. Several well-known international brands are now coming to Lyon: Uniqlo, Hard Rock Café, Citadium, COS, Clarins, Décathlon.

The marketing of these projects has seen the arrival of two new trends to Lyon:
• As retailers are increasingly deploying omni-channel sales strategies, some previously online retailers are now introducing physical stores.
• The return of stores selling furniture and household objects to city centres with smaller formats and a higher sales density.

Brands from the La Redoute group (La Redoute Interieurs and AMPM), Miliboo (previously only an online furniture brand) and Aroma Zone (cosmetics, previously online only) are opening stores at both projects.

In total, over 50 new brands have arrived in the city centre over the last 12 months.
A virtuous model of public-private collaboration

In consultation with the private companies behind the Grolée - Carnot (Firce Capital - TEH) and Grand Hôtel-Dieu (Scaprim - PREDICA) projects, the Lyon city authorities have redesigned several public spaces in order to support these developments and improve the customer experience. All of Lyon’s major public squares have been renovated: Place des Terreaux, Place de la Comédie, Place de la République, Place Ampere, Place Tolozan and Place Louis Pradel. To improve circulation, the city has pedestrianised some high streets: Rue Rivière and Rue Bellecordière to connect Grand Hôtel-Dieu to the rest of the Presqu’île; Rue Thomassin between the Grolée Carnot and Rue de la République. Rue Victor Hugo is also due to be redesigned.

Part-Dieu: refurbishment of Europe’s largest intra-urban shopping centre

The Part-Dieu shopping centre, located in Lyon’s 3rd district at the heart of the CBD, is already considered to be one of the best shopping centres in Europe with over 36 million visitors per year. To keep up with evolving customer expectations in 2017, European retail real estate leader, Unibail-Rodamco, launched an extensive refurbishment programme that will run through to 2020. The landlord’s aim is to make the site more opening in order to improve the overall customer experience. The refurbishment will create an additional 32,000 sq m by building over the existing roof and creating an 18-screen cinema and around 20 restaurants which will have terraces with panoramic views across the city.
THE LYON RETAIL MARKET

Fresh impetus

Deep-rooted changes in the retail offering and the customer experience should reposition Rue de la République at the heart of the Presqu’île retail offering by developing a structured and rich client experience between Rue Grenette and Place Bellecour. The arrival of new retail anchors has significantly strengthened the attractiveness of the ‘heart of Presqu’île’. Over 2018, this area will be increasingly aiming to attract international retailers.

Over the next few years, the challenge for store owners, landlords and the city will be to continue to modernise the city centre and make new retail space available for new anchor tenants. While the Part-Dieu shopping centre is being redeveloped through to 2020, increased activity should see a significant rise in the Presqu’île’s market share where the overall turnover could reach €1 billion.

Retail take-off in Confluence

In April 2012, Unibail Rodamco opened the Confluence leisure and retail hub (GLA of approximately 50,000 sq m, 106 stores, 7.4 million visitors per year) at the heart of the developing Confluence district. With over 9 million annual visitors this year, this area clearly has potential.

Urban development has continued across this new district with additional office space, new homes and the opening of the Confluence Museum in 2014. It is also becoming a popular area for new retail. Over 9 million visitors were recorded in the leisure and retail hub in 2017. Local retail and restaurants are appearing in the property developments around Place François Mitterrand and along Cours Charlemagne. With work beginning at the Perrache exchange the district will soon be connected to the rest of Lyon’s Presqu’île.

Why did they choose Lyon?

In 2017, the La Redoute Group decided to open up its first La Redoute Interiors and AM.PM stores outside of the Ile-de-France. Lyon established itself as an obvious location due to the strength of its catchment area and the quality of commercial projects currently underway in the city center. So, La Redoute Interiors kicked off with the Grolée project in November 2017 and the opening of the premium AM.PM concept boutique within the Grand Hotel-Dieu will take place sometime in 2018.

— Sandrine GUICHARD
Head of Home & Decoration, Retail & B2B

La Redoute
Why invest in Lyon?

Rue de la République
THE LYON HOTEL MARKET

This year Lyon will celebrate 20 years as a UNESCO World Heritage site. Over this period, Lyon’s hotel and tourism industry has grown alongside major urban developments in support of the city’s economic development. Lyon is currently one of the most active cities for both business and leisure tourism in Europe (4,747,285 overnight stays in 2016). This has been reflected in substantial improvements to the hotel stock.

Higher performance and more diverse hotel supply

The development of events spaces, transport infrastructure, cultural and sports venues in line with the rising numbers of tourists visiting France (from 80.5 million in 2011 to over 88 million in 2017) the 2010s saw a dramatic increase in the volume of overnight hotel stays in Lyon.

Driven by these increases (+12.6% overnight stays sold between 2014 and 2016) and the broader range of demand, the supply of hotels, holiday homes as well as hostels (3 opened since 2016) has grown considerably, particularly over the 2011 - 2017 period (over 4,000 new rooms).

It is worth noting that many refurbishments have also been undertaken across all segments and these have allowed supply to adapt to competition and new customer expectations.

Following the co-ordination seen across urban regeneration, economic development and tourism strategies and regional marketing, Lyon’s hotel real estate has become increasingly attractive to both operators and investors.

Current development projects including Confluence, Part-Dieu, Carré de Soie, the completion of the new terminal 1 at Saint-Exupéry Airport, Confluence Museum, Groupama Stadium, the hosting of major events (Euro 2016, professional exhibitions SIRHA, Equita, Pollutec) as well as the imminent opening of Grand Hôtel-Dieu form a cluster of structural factors which have encouraged a variety of players to opt for Lyon as their first hotel location: Moxy (Marriott), Intercontinental (IHG), Meininger, AEW Europe, Mob Hotel, Blézat Hospitality.

Lyon RevPAR evolution (excl. taxes)

Sources: Observatoire hôtelier lyonnais CCI Lyon Saint-Etienne and Roanne
Why invest in Lyon?

Encouraging outlook

With urban regeneration set to continue in the major districts, the increase in capacity at Lyon’s airports (10.3 million passengers in 2017, representing a 7.7% increase), the modernisation of the high-speed railway stations, the completion of iconic developments (Hôtel-Dieu) and the creation of a schedule of major events (Women’s football World Cup, World Rugby Cup) within a context of economic recovery, record tourist numbers, an active local authority and controlled development of hotel supply (Lyon City’s Hotel plan 2016-2020), hotel stock should see performance continue to improve over the medium term, either in terms of average prices or occupancy rates. This has created a reassuring climate for investors and operators in the hotel and leisure industries.

Why did they choose Lyon?

AEW has been supporting its clients in Lyon and the surrounding region for a number of years. On their behalf we acquire and manage mainly commercial buildings: offices, shops, and logistic platforms. Thus, we have been able to see with our own eyes the dynamic economic nature of the region and the pragmatism of the local authorities. For real estate investors, Lyon has established itself as a real alternative to the Parisian market.

But Lyon has also diversified its development and maintained its attractiveness as a tourist and business destination, with events that are of international significance such as the Fête des Lumières, the Biennale de la Danse, the Loisirs d’Eau trade fair, and the SIRHA.

It is this dynamism and international dimension that have convinced us, on behalf of an SCPI that we manage, to purchase the symbolic Lyon hotel: the Carlton MGallery in the Place de la République. This hotel, ideally situated in the heart of the Presqu’île, has all the aspects necessary to attract both tourists and business clientele.

Jérémy Convert
Executive Director - Investments AEW

We are very happy about this great new addition to our MEININGER portfolio and about realizing it together with our strategic investment partner Foncière des Régions, who is a key player in the real estate investment industry. Lyon is a popular travel destination, it has been voted as “Europe’s Leading City Break Destination” at the World Travel Awards ceremony in 2016. Furthermore, Lyon is France’s second most popular business hub. This means the city attracts tourists and business traveller alike. In addition to this, the SDHT (Lyon Tourist Accommodation Development Plan) supports developments in the professional tourist accommodation industry with focus on innovation and differentiation of offerings (such as new brands and products like MEININGER) according to the Development Plan 2016-2020.

Anja BACHMANN
Executive International Development
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: 11.8 million m²
- Vacancy rate: 4.2%
- Premium rents: 75€/m²/year for industrial premises and 125€/m²/year for office space
- Take-up (2017): 400,000 m²

**Logistics market - Key Figures**
- Stock: 5.1 million m²
- Premium rents: 40-46€/m²/year
- Take-up (2017): 300,000 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.
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.

**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 made through a combination of equity and debt (either a bank loan or a corporate loan or a mix of both), subject notably to compliance with interest rate limitations and thin capitalization rules from a French tax perspective.

### ACQUIRING FRENCH REAL ESTATE

#### 2 OPTIONS

**1 DIRECT INVESTMENT (ASSET DEAL)**

- Acquiring a specific asset or a portfolio
- Establishment of a company to acquire real estate
- Acquisition of real estate
- Signature and registration of notarised deed of sale ('acte de vente')

#### 2 INDIRECT INVESTMENT (SHARE DEAL)

- Investing in a real estate company or investment fund
- Acquisition of shares in an existing company which owns real estate
- Signature and registration of notarised deed of sale ('acte de vente')
**Property acquisition process**

<table>
<thead>
<tr>
<th>Identification of properties:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Instructed selling agents put the product on the open market</td>
</tr>
<tr>
<td>- Acquisition agent identifies potential properties either on or off market</td>
</tr>
<tr>
<td>- Direct approach</td>
</tr>
<tr>
<td>- Property visit and initial analysis</td>
</tr>
<tr>
<td>- Submission of letter of intent (LOI) including a non-binding offer in order to be granted access to due diligence material via a data room</td>
</tr>
</tbody>
</table>

**Completion of the due diligence** on the property with commercial, legal and technical advisors (including inter alia the review of litigation, quality of occupancy and existing commercial leases)

- **Binding offer**

**Signing of either:**
- A binding sale and purchase agreement
- A direct sale

**Registration of the notarized deed of sale**

---

**Timeline:**
- **12 MONTHS**
- **4 TO 6 MONTHS**
- **7 MONTHS**

(subject to any conditions precedent and pre-emptive rights of the relevant local authority)

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- Limited transfer of tax risks
- No transfer of deferred tax liabilities
- Financing generally easier to obtain

- Transaction generally more expensive in terms of transfer tax
## INDIRECT INVESTMENT (SHARE DEAL)

### Process for acquisition of shares in a predominantly real estate company

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Activity Description</th>
</tr>
</thead>
</table>
| Initial due diligence | Completion of an 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 |
| 2 MONTHS | 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) |
| 3 MONTHS | Depending on the kind of company that owns the property, execution of the transfer of shares by either:  
- A sale and purchase agreement; or  
- A transfer order (ordre de mouvement) |
| 4 MONTHS | Registration of the sale and purchase agreement with the commercial court |

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

**Registration of the sale and purchase agreement:**
- (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 of the property is possible (capital gains tax latency issue). Tax-free step-up via SCI structures is now uncertain, if not excluded, given recent case law.
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.

Please note that a law enacted on 24 March 2014 (known as the “Alur law”) modifies part of the rules applicable to co-ownership.

- 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 organization can be found at the Paris La Défense business center.

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

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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:
(i) It is renewed as described below; or
(ii) Six months’ prior notice of termination is given by either the lessor or the lessee, ending on the last day of the civil quarter.

● 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, on 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).
Why invest in Lyon?

- 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 Monetary and Financial Code. It should be noted that various clauses that did not comply with those requirements have been called into question before the courts over the last few years. Therefore, the risk of such a clause being challenged is greater and can have significant financial consequences.

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) must no longer be charged to the lessee.

It is worth noting that the number of audits of service charges requested by lessees has increased since the publication of this decree.

- Sublease and transfer of the lease agreement

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

In the event 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 the event 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 the event of a change of control.

Lastly, the Pinel Law introduced, under certain conditions, a preemption right for 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.
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 considerations in many sectors, including real estate.

In particular, an environmental appendix (also known as a “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, 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 to achieve the objective of all real estate in France having been renovated to comply with BBC or similar standards 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.


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.
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 property and, depending on the conclusions of the diagnosis, to identify the asbestos and remove it if necessary. In the event of removal, the asbestos waste management must comply 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.

The activities covered by the ICPE regulations are listed in a nomenclature, and prior to operation, an installation is subject to the issue of a permit, registration or declaration, depending on the significance of the risks or inconvenience that may be caused.

As a result, a permit is required for installations involving significant risks/inconvenience for the environment. A permit is issued by the Prefet on the basis of several documents, 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 involvement in the pollution is established.
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 five years (this additional tax applies only to transactions on offices and properties located in the “Ile-de-France” region).

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 estate property tax on developed land is levied annually on developed land situated in France, except where it is eligible for permanent exemption (public estate or "propriétés publiques", rural real property for farming, etc.) or temporary exemption (designated 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.

Specific rules apply to the determination of the BCAV rate where companies belong to a group. The applicable rate is determined by reference to the sum of the turnover of the French companies that meet the 95% ownership condition to be member of a tax consolidated group (even if such a tax consolidated group is not in place).

- 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.

- The Finance Bill for 2017 provided a progressive decrease of the CIT rate from 33.33% to 28% in 2020. The timing and scope of the reduction have been modified by the Finance Bill for 2018, which now provides for the following rules:
  - For FYs opening on or after 1 January 2018: 28% up to €500,000 of taxable income and 33.33% in excess of €500,000 (34.43% including the 3.3% social contribution);
  - For FYs beginning on or after 1 January 2019: 28% up to €500,000 of taxable income and 31% on the amount exceeding €500,000 (32.02% including the 3.3% social contribution);
  - For FYs beginning on or after 1 January 2020: 28% (28.92% including the 3.3% social contribution);
  - For FYs beginning on or after 1 January 2021: 26.5% (27.37% including the 3.3% social contribution);
  - From FYs beginning on or after 1 January 2022: 25% (25.83% including the 3.3% social contribution).

- Furthermore, two temporary additional contributions of 15% each will be applicable to entities whose turnover is respectively greater than €1b and equal to or greater than €3b, for fiscal years ending between 31 December 2017 and 30 December 2018.
Deduction of interest

- Interest is as a rule deductible.
- The 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.

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% when 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 Act for 2012, a 15% WHT has applied to 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 income tax. If the vendor is a partnership, the portion of the gain that is allocable to a corporate partner is subject to corporate income 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 has no longer been available when the amendment to the treaty that was signed on 5 September 2014, i.e., since 1 January 2017.
- Depending on the circumstances, efficient tax structures may still be envisaged.
Why invest in Lyon?

The Grand Hôtel Dieu seen from the Rhône River Banks

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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
- Litigation

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 litigation
- 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 acquisitions 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
- Litigation

Environmental law (specific aspects relating 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
Why invest in Lyon?

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About JLL
JLL (NYSE:JLL) is a financial and professional services firm specializing in real estate, with 80,000 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 2017 global revenue of $6.8 billion USD, JLL serves clients in 1,000 cities and in over 80 countries.

About JLL in France
In France, we have offices in Paris, Lyon (100 employees and all the service lines represented), Marseille, Lille and Bordeaux, and our consultancy activities cover the whole country.

Every year, our 850 specialized employees in the office, retail, logistics, industrial and hotel 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.
    - Sourcing and advising on refinancing facilities for acquisition financing or for loan restructuring.
  
- **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.