gecina

Press release
October 28, 2021

Business at September 30, 2021

Post-2021 visibility improving

Significant upturn on the rental markets (rental transactions up +32% in the Paris Region)
Dynamic macroeconomic context (2021 GDP expected to grow +6.3%)
Office rental market in Paris continuing to be driven by a polarization benefiting the most central sectors
Gross rental income of €461.8m at end-September, stable like-for-like
+20% reversion in Paris' Central Business District since the start of the year (+4% overall)
€541m of sales, with an +8.1% premium versus the end-2020 values
CSR leadership confirmed, with outstanding GRESB (93/100) and MSCI (triple A) ratings, while maintaining first place in the ranking for the representation of women in management structures on the SBF 120 for the fifth consecutive year

Upturn in rental transactions confirmed in Gecina's preferred sectors

- **+32% increase in take-up** at end-September year-on-year for the Paris Region office market, driven by the robust development of Paris City (+47%) and **especially Paris' CBD** (+76%), where the volume of transactions is already back up to its 10-year average levels
- **Prime rents up +3% over nine months at the heart of Paris** (trending down in peripheral areas)
- **Vacancy rate down in Paris' Central Business District** (-40bp over three months to 4.1%)
- **Gecina has let, relet or renewed over 150,000 sq.m** since the start of the year, up by more than **+70% versus September 2020** and +34% versus September 2019, before the health crisis

Improvement in performance expected for 2022 and 2023

- **Progress with the spot occupancy rate for offices over three months, reflecting the upturn underway for markets in centrality sectors**, following a contraction resulting from the slowdown in transactions with the health shock
- **93.5% occupancy rate** including the leases signed but yet to commence **for offices** excluding retail units, with 92.4% overall, 120bp higher than the average rate published at end-September, reflecting the potential impacts of the normalization that is underway
- **91% spot occupancy rate for student residences**, a significant improvement, indicating a **"normalized" start to the new academic year**
- **33,000 sq.m to be delivered by mid-2022 in the Paris CBD, with 87% let,** taking the pre-letting rate for the 2021-2022 pipeline up to nearly 60%
- **+20% rental reversion captured in Paris' Central Business District**, with +4% in total for offices and over +5% for residential
- **Significant improvement in visibility for 2022 and 2023 at the heart of Paris** and in Neuilly-sur-Seine (73% of the portfolio), with encouraging although mixed signs for the rest of the Western Crescent (21%) and continued questions surrounding the secondary sectors (3%)

€541m of sales completed or covered by preliminary agreements at end-September 2021, achieving an 8.1% premium versus the appraisal values

- **€541m of sales** finalized or under preliminary agreements at end-September, **+8.1% higher than the end-December 2020 values**, reflecting the good performance by the investment markets and the **Group's strong levels of expertise**

Solid prospects for the short and longer term

- 2021 recurrent net income still expected to be €5.3 per share despite the €541m of sales secured in 2021
  - The Group's performance levels since the start of the year have been more solid than expected, **particularly concerning operational aspects** and specifically office lettings in central sectors, in terms of both volumes and prices, **as well as financial aspects**, with the reduction in the average cost of debt and the extension of its maturity. **These achievements have further strengthened Gecina's confidence concerning its expected performance for 2021**
  - As a result, while the Group has secured or finalized nearly €541m of sales since the start of the year, the solid operational and financial achievements observed since the start of 2021 and the good performance by the Group's core markets make it possible to maintain expectations for recurrent net income of €5.3 per share, while the initial forecast excluded the impact of potential sales or acquisitions
  - For reference, **recurrent net income (Group share) per share, excluding the impact of sales completed during the year, would have been €5.4 to €5.45,** i.e. +2% to +3% higher than the Group's initial guidance as announced in February 2021, illustrating Gecina's robust operational performance over the year.

- Outlook for growth and value creation and visibility improving for the coming years
  - **Occupancy rates** currently normalizing and **indexation** expected to normalize, **with the benefits to be gradually seen in 2022 and 2023**
  - Still significant **reversion potential** that is continuing to be secured in Paris
  - 17 buildings to be delivered from 2021 to 2024, driving **value creation and growth**
  - Additional IFRS rental potential of around **€120m to €130m** for the committed pipeline and the controlled and certain pipeline
  - Taking into account the robust development of Gecina's core markets and the strategy rolled out in the last few years, **the Group's recurrent net income per share will be trending up over the coming years**.

Normalization of the most central rental markets against the backdrop of an economic recovery that is encouraging for the Group's outlook

The performance at end-September 2021 still reflects the impacts of the slowdown in the volume of transactions during 2020, as well as a moderate level of indexation for rents due to a low rate of inflation in 2020, contrasting with the current observations for **an upturn in economic activity that is already reflected in the real estate markets, especially in the most central sectors**.
The impacts of the recovery **will gradually be reflected in the Group's financial reporting over the coming half-year periods**, supporting the outlook for growth in Gecina's earnings in 2022 and 2023.

The improvement in visibility is linked to the **macroeconomic outlook,** which is improving in France, with +6.3% GDP growth now expected for 2021, and the return to **pre-crisis unemployment levels**, as well as the **upturn in rental transactions (+32%), with this trend particularly marked in Paris' Central Business District (+76%)**, where the volume of transactions is already back up to its long-term average, while the level of available supply within one year is below its 10-year average. This robust development is reinforced by strong progress with the vaccination rate in France (86% of the population over the age of 12), ensuring confidence in the pace of the economic recovery.

At the heart of Paris City, the market shows that the vacancy rate has stabilized or already started to decrease in the last few months, combined with an increase in prime rents (+3% since the start of the year according to Cushman & Wakefield). **A positive trend in Paris' Central Business District,** where the vacancy rate was already trending down in the third quarter (-40bp to 4.1%), although this still contrasts with more peripheral areas, illustrating the polarization phenomenon driving real estate markets and supporting Gecina's preferred sectors (73% of Gecina's commercial portfolio in Paris or Neuilly-sur-Seine).

With more than 150,000 sq.m let since the start of the year, and the average reversion captured of around +20% in Paris' CBD (+4% in total), Gecina's operational performance already reflects the benefits of this context.

In this context, **2021 guidance remains unchanged, despite the €541m of sales completed or secured since the start of the year** (8.1% premium versus the end-2020 appraisal values), and growth is expected to gradually pick up again in 2022-2023, buoyed by the acceleration of lettings, the upturn in indexation, the rental reversion continuing to be captured, especially in central sectors, as well as the contribution of the buildings delivered recently or scheduled for delivery. **The pace of this expected upturn in the Group's results over the coming half-year periods will depend on the pace of the upturn in indexation and the letting of currently vacant space.**

Rental income: outperformance by central commercial sectors and residential

Gross rental income In million euros	Sep 30, 2020	Sep 30, 2021	Change (%) Current basis	 Like-for-like
Offices	**404.2**	**370.9**	**-8.2%**	**-0.1%**
Traditional residential	79.3	79.0	-0.4%	+1.4%
Student residences (Campus)	13.4	11.9	-11.1%	-10.8%
Total gross rental income	**496.9**	**461.8**	**-7.1%**	**-0.1%**[1]

Like-for-like, the performance was stable at end-September.
This performance reflects a **limited increase in indexation** (+0.4%), with this impact deferred due to the economic slowdown in 2020, and the **positive impact of rental reversion** (+0.7%) for **both offices** (+4% headline reversion) **and residential** (+5%). However, these positive effects are offset by a temporary deterioration in the rental vacancy rate (-1.8%), primarily following the departure of three tenants from retail units in the office portfolio, as well as the mechanical consequence of the slowdown in the volume of transactions recorded in 2020.
This like-for-like growth **does not yet reflect Gecina's robust operational performance levels or the impact of the market normalization that is underway** in the Group's preferred sectors, which will benefit more the aggregates (like-for-like growth, average financial occupancy rate) reported for the coming half-year periods.

On a current basis, rental income is down -7.1%, due to the combined impact of the office sales completed (-€14m), the buildings currently being redeveloped or to be launched for redevelopment shortly (-€7m), and the buildings delivered recently (+€5m), as well as certain buildings being unavailable for less than a year to carry out smaller-scale renovation work (-€18m).

Offices: positive trends for offices in the most central sectors

Gross rental income - Offices In million euros	Sep 30, 2020	Sep 30, 2021	Change (%) Current basis	 Like-for-like
Offices	**404.2**	**370.9**	**-8.2%**	**-0.1%**
Paris City	**218.7**	**213.2**	-2.5%	-0.2%
- Paris CBD & 5-6-7	**133.7**	**132.7**	-0.8%	+0.7%
- Paris - Other	85.0	80.6	-5.2%	-1.7%
Western Crescent - La Défense	139.4	121.4	-12.9%	+0.5%
Paris Region - Other	32.3	22.9	-28.9%	-3.2%
Other French regions / International	13.8	13.3	-3.8%	+0.7%

The office real estate markets show clear signs of a recovery, especially in central sectors, in terms of both rental transaction volumes and values. The current upturn in inflation is also supporting a positive outlook for indexation in 2022 and 2023, benefiting the Group's rental prospects. The benefits of these current trends will gradually become visible in the Group's reporting over the coming half-year periods, with the figures at end-September still primarily reflecting the market trends observed over the last 12 months.

Like-for-like, office rental income is stable (-0.1%), reflecting a low but positive level of indexation (+0.4%), and the benefits of the reversion captured during the last half-year periods (+0.6%), as well as the increase in vacancy levels resulting from the slowdown in the volume of transactions in 2020.
A detailed breakdown of the like-for-like change shows an outperformance by the central sectors, with a **higher organic growth rate in Paris' Central Business District (+0.7%)** and, to a lesser extent, the **Western Crescent (+0.5%),** compared with a **contraction for the rest of the Paris Region**, where Gecina has a limited presence.
These contrasting performance levels depending on the areas are linked primarily to the **contribution by the reversion captured, which was still positive for Paris (+20% in the CBD, +3% for the rest of Paris)**, but negative for less central sectors (-1% to -10% depending on the areas).

[1] -0.9% excluding the benefit of a rent catch-up effect, applying backdated adjustments for an under-rented situation following a court ruling

For the scope concerning retail units in Paris' Central Business District, the like-for-like growth rate was +5.1%. It benefited from a rent catch-up effect, applying backdated adjustments for an under-rented situation following a court ruling.

On a current basis, rental income from offices is down -8.2% (-€33m), linked primarily to the high volume of sales completed in 2020 and 2021 (-€14m, with Le Valmy in Eastern Paris, several buildings in Antony, Boulogne-Billancourt and Vincennes in 2020, and the Portes d'Arcueil building and other buildings in Levallois and Montreuil in particular in 2021). It also factors in the departure of tenants from assets with strong value creation potential which have been transferred or will be transferred shortly to the committed pipeline (-€7m), including the departure of Altarea-Cogedim from the "Boétie" building in Paris' CBD. On the other hand, the benefits of the recent deliveries of the Anthos building in Boulogne and the Rue de Madrid building in Paris' Central Business District contributed over +€4m.
This change also takes into account the space blocked for minor renovation programs before being relet within the next 12 months, including part of the Tour Horizons building in Boulogne-Billancourt.

YouFirst Residence (traditional residential): organic development progressing

For Homya's residential portfolio, rental income is up +1.4% like-for-like. This performance reflects the impact of the strategy rolled out aiming to capture reversion potential. Since the start of the year, the rent differential secured between new and old tenants came to over +5%, with a rotation rate of around 16%, contributing +1.1pts to this portfolio's like-for-like rental performance. Alongside this, indexation, which does not yet include the impacts of the current upturn in inflation, represents +0.3%. However, this performance was partially offset by the impact of a moderate increase in the vacancy rate, which reduced organic growth by around -0.3%.
The contribution by the vacancy rate shows an improvement, because it was -0.8% at end-June, highlighting the improvement in the context, as well as the processes rolled out by the Group for lettings.

On a current basis, rental income shows a slight decrease of -0.4%, reflecting the impact of the small number of sales completed recently, as well as the departure of one tenant from commercial space in a residential building that will be converted into apartments.

YouFirst Campus (student residences): normalization for the new academic year

While rental income from student residences shows a contraction of -10.8% like-for-like and -11.1% on a current basis, this is linked to the increase in the vacancy rate resulting from the effects of the health crisis and the closure of universities and graduate schools during the first half of 2021.

However, the start of the new academic year in 2021 reveals a normalization, with a spot occupancy rate of 91% at end-September 2021, compared with 76% at end-March and 61% at end-June. This performance makes it possible to be optimistic about this portfolio's rental outlook for the rest of the year, with even stronger trends expected for 2022.

First signs of an improvement in the occupancy rate against the backdrop of a post-health crisis environment and a rental market upturn

The Group's average financial occupancy rate came to 91.2%, down -200bp year-on-year, mechanically reflecting the increase in real estate vacancy levels during 2020 in a sluggish context for lettings.
However, the **spot occupancy rate is up +1.2pts since end-June 2021 to 91.6%,** reflecting the first impacts of the upturn in rental transactions for offices since the second quarter of 2021, and the normalization of the context for the student residence business.

The **average occupancy rate taking into account the leases signed but yet to commence came to 92.4%** for the entire portfolio, i.e. **+120bp higher than the financial occupancy rate published at end-September, which is a key indicator for its potential progress over the coming half-year periods**.

<u>For the office scope,</u> the year-on-year contraction by nearly -2pts to 91% is partly linked to the departure of three tenants from retail units in Paris' Central Business District. **Excluding the retail leases, the occupancy rate for offices is 92%.**
However, the 91% rate does not factor in certain lettings for leases that were signed recently, but have not yet come into effect, such as the Carré Michelet building in La Défense (91% let) or Anthos in Boulogne (43% let). Including these buildings, the occupancy rate represents 92.4%, reflecting the gradual improvement in the environment for lettings.
The average financial occupancy rate came to nearly **95%** for the office portfolio in **Paris' Central Business District** at end-September and **97% for the rest of Paris City**. It is close to **87% for the other sectors in the Paris Region.**

<u>For traditional residential,</u> the occupancy rate is stable overall over three months despite the slowdown in letting processes in 2020 and at the start of 2021 in the context of the health crisis.

<u>For the student residences scope,</u> the financial occupancy rate continues to show a deterioration, due to the closure of universities and graduate schools, combined with the tightening of restrictions during the first half of the year prior to a summer period that is usually low for student residences.
However, the new academic year that started in September 2021 shows a normalization, with a spot financial occupancy rate of 91% for the student residences at end-September, close to their standard levels.

Average financial occupancy rate	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021
Offices	**93.1%**	**93.1%**	**91.7%**	**91.4%**	**91.0%**
Traditional residential	97.1%	96.9%	96.1%	96.7%	96.6%
Student residences	79.0%	82.9%	81.5%	74.4%	72.8%
Group total	**93.2%**	**93.3%**	**92.0%**	**91.6%**	**91.2%**

Spot financial occupancy rate by business	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021
Offices	**92.1%**	**91.7%**	**91.4%**	**90.4%**	**90.6%**
Traditional residential	96.1%	96.6%	93.9%	97.3%	96.9%
Student residences	93.1%	85.9%	76.1%	60.6%	91.0%
Group total	**92.7%**	**92.2%**	**91.3%**	**90.4%**	**91.6%**

Strong upturn in lettings since the second quarter

Since the start of the year, Gecina has **let, relet or renegotiated more than 150,000 sq.m,** representing nearly €75m of annualized headline rental income, with around 46,000 sq.m concerning assets delivered recently or to be delivered shortly (Carré Michelet in La Défense, Live in Paris CBD, Biopark in Paris).

Year-on-year, the volume of transactions signed shows a very significant increase, illustrating the normalization of the markets that has been underway since the second quarter, primarily benefiting high-quality buildings in the Paris Region's central sectors.

The headline reversion achieved on relettings, renewals and renegotiations therefore represents +4%. It came to **+20% in the Paris CBD** and +3% for the rest of Paris City. However, it is negative for the Western Crescent and La Défense (-10%), reflecting the polarization of the office real estate market.

Residential: acquisition of six projects, representing nearly 40,000 sq.m

Since the start of the year, Gecina has secured **six new acquisitions of residential development projects** (592 housing units), **representing €264m** of investments for nearly 40,000 sq.m, further strengthening Gecina's residential development pipeline, with the Wood'up building in Paris (8,000 sq.m), the Art'Chipel building in Marseille (4,800 sq.m) and a building in Rueil-Malmaison (6,000 sq.m), as well as three buildings in Bordeaux (Belvédère, Brienne and Oasis), representing a total of almost 21,000 sq.m.
These three buildings will be delivered between 2023 and 2025.

€541m of sales completed or covered by preliminary agreements at end-September, with an +8.1% premium versus their end-December 2020 values

Since the start of the year, **Gecina has completed €541m** of sales, with a **premium versus the end-December 2020 values of around +8.1%**, comfortably confirming the level of the Group's real estate values.
These sales almost exclusively concern office buildings located outside of Paris.

Guidance unchanged with €541m of sales and improving post-2021 visibility

Gecina is maintaining its initial target of €5.3 of recurrent net income per share for 2021, although this excluded the portfolio's rotation and the volume of sales completed since the start of the year, up to €541m. This reflects the confidence made possible by a robust operational performance for the year and buoyant markets.
For reference, recurrent net income (Group share) per share, excluding the impact of sales completed during the year, would have been €5.4 to €5.45, i.e. +2% to +3% higher than the Group's initial guidance as announced in February 2021, illustrating Gecina's robust operational performance over the year.

Outlook for growth and value creation
The Group is looking ahead with confidence to the coming years, which are expected to benefit from the gradual normalization that is underway concerning rent indexation and occupancy rates, as well as the still significant reversion potential that is continuing to be secured in Paris, and the delivery of 17 projects from 2021 to 2024, driving value creation and growth, with additional IFRS rental potential of €120m to €130m (on the committed pipeline and the controlled and certain pipeline).

Visibility improving for the coming years
Taking into account the robust development of Gecina's core markets and the strategy rolled out in the last few years, the Group's recurrent net income per share will be trending up over the coming years. The pace of the upturn in growth will depend on Gecina's performance, particularly in terms of letting currently vacant space, as well as the extent of the upturn in indexation.

About Gecina

As a specialist for centrality and uses, Gecina operates innovative and sustainable living spaces. The Group owns, manages and develops Europe's leading office portfolio, with nearly 97% located in the Paris Region, and a portfolio of residential assets and student residences, with over 9,000 apartments. These portfolios are valued at 20 billion euros at end-June 2021.

Gecina has firmly established its focus on innovation and its human approach at the heart of its strategy to create value and deliver on its purpose: "Empowering shared human experiences at the heart of our sustainable spaces". For our 100,000 clients, this ambition is supported by our client-centric brand YouFirst. It is also positioned at the heart of UtilesEnsemble, our label setting out our commitment to the environment, to people and to the quality of life in cities.

Gecina is a French real estate investment trust (SIIC) listed on Euronext Paris, and is part of the SBF 120, CAC Next 20, CAC Large 60, Euronext 100, FTSE4Good, DJSI Europe and World, Stoxx Global ESG Leaders and Vigeo indices. In 2020, Gecina was awarded the maximum A rating in the CDP climate change rankings.

www.gecina.fr

GECINA CONTACTS
Financial communications
Samuel Henry-Diesbach
Tel: +33 (0)1 40 40 52 22
samuelhenry-diesbach@gecina.fr

Stéphane Saatdjian
Tel: +33 (0)1 40 40 51 91
stephanesaatdjian@gecina.fr

Press relations
Julien Landfried
Tel: +33 (0)1 40 40 65 74
julienlandfried@gecina.fr

Armelle Miclo
Tel: +33 (0)1 40 40 51 98
armellemiclo@gecina.fr