Press release
October 22, 2019

# Business at September 30, 2019

## Rental income of €500.6m

Rental income up +1.1% supported by an acceleration in like-for-like growth to +2.4%
(+10.3% including the impact of the redeveloped buildings delivered)

## Rental income reflecting Gecina's strategy and robust trends for the most central sectors

- Gross rental income up **+2.4% like-for-like: +2.4%** for offices and traditional residential, and **+2.8%** for student residences
- Factoring in the impact of assets delivered following redevelopment, this performance climbs to **+10.3%** overall (and **+12.4%** for offices)
- Nearly €52m of rent from like-for-like growth and assets delivered in 2018 and 2019 in Paris, the Western Crescent and Lyon, offsetting rent from assets sold and the temporary loss of rent from assets to be transferred to the pipeline

## Portfolio's realignment continuing to move forward

- **€482m of sales** completed or covered by preliminary agreements, **with a premium of nearly 6%** versus appraisal values
- **Strategic sales of mature or non-strategic assets** (logistics, hotels and commercial premises located outside of Paris, etc.)

## Further progress with lettings for the project pipeline in the third quarter

- Pre-letting continuing to move forward: Friedland and Carré Michelet in the last few weeks have increased the **letting rate** for operations delivered in **2019 and 2020** to **nearly 64%**

## Office market still buoyant, particularly in Paris, in a more complex macroeconomic environment

- Immediate supply down -6% for the Paris Region and now at an all-time low for Paris City
- Vacancy rates continuing to contract as a result, with close to 2% for Paris
- **Headline rents trends positive for the most central** sectors and particularly the Paris CBD **(+7.3% year-on-year)**

## Gecina reconfirms its 2019 guidance with confidence

- Restated for the impact of sales of non-strategic assets, recurrent net income per share for 2019 is expected to increase by over +3%, representing €5.80 to €5.85 per share.

| Gross rental income<br>In million euros | Sep 30, 18 | Sep 30, 19 | Change (%)<br>Current basis | <br>Like-for-like |
|---|---|---|---|---|
| Offices | 403.9 | 407.2 | +0.8% | +2.4% |
| Traditional residential | 79.1 | 79.2 | +0.1% | +2.4% |
| Student residences | 12.2 | 14.3 | +17.4% | +2.8% |
| **Total gross rental income** | **495.2** | **500.6** | **+1.1%** | **+2.4%** |

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## Rental income benefiting from recent deliveries and organic rental income growth, which are now offsetting the impact of sales and redevelopments

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| **Total gross rental income** | **495.2** | **500.6** | **+1.1%** | **+2.4%** |

**On a current basis,** rental income is up slightly, climbing +1.1%, despite the high impact of sales completed in the last two years (-€38m) and the redevelopment projects launched (-€9m). As such, this performance primarily reflects the impact of the **assets delivered in 2018 and 2019 (+€42m)** and like-for-like growth (+€9m).
At end-June 2019, rental income growth represented -1.4% on a current basis.

The **like-for-like** performance came to +2.4% at end-September 2019. This improvement is linked to an **increase in indexation (+1.7%)**, as well as the **positive impact of rental reversion** on both offices and residential. These positive effects offset the slight increase in the financial vacancy rate, which is lower than initially expected due to the rapid reletting of space freed up.
At end-June 2019, like-for-like rental income growth was +2.0%.

Note that this like-for-like performance does not include the impacts of the letting of the assets delivered following redevelopment operations. Including these assets, this rate represents +10.3%.

Offices: positive trends for offices in the most central sectors

| Gross rental income - Offices<br>In million euros | Sep 30, 18 | Sep 30, 19 | Change (%)<br>Current basis | <br>Like-for-like |
|---|---|---|---|---|
| **Offices** | **403.9** | **407.2** | **+0.8%** | **+2.4%** |
| **Paris City** | **197.3** | **215.7** | +9.3% | +2.2% |
| Western Crescent - La Défense | 120.3 | 135.2 | +12.4% | +3.0% |
| Other Paris Region | 47.6 | 40.1 | -15.8% | +2.1% |
| Other French regions / International | 38.6 | 16.2 | -58.0% | +0.4% |

**On a current basis**, rental income from offices is up slightly with +0.8%, despite the high volume of sales carried out in 2018 (€1.24bn) and since the start of the year (€156m completed at end-September), as well as the assets transferred to the pipeline. This increase therefore reflects the significant volume of assets delivered in 2018 and 2019.

This performance reflects:

- Rental income from the **buildings delivered** in 2018 and 2019 **(+€40.5m)**: seven fully-let buildings in Paris (Ville l'Evêque, Le France, Le Jade, Guersant, Penthemont 1, Ibox and MAP), two buildings in the Western Crescent with nearly 80% let (Octant-Sextant and Be Issy), one building in La Défense (Carré Michelet) and the SKY 56 building in Lyon (97% let),
- The temporary loss of rent from assets with strong value-creation potential that will be or have been **transferred to the pipeline (-€7.9m)**,
- **The impact of sales** of non-strategic or mature assets **(-€36.9m)**, with nearly three quarters concerning buildings located outside of Paris, including the Regional portfolio sold in 2018.

**Like-for-like, office rental income is up +2.4%**, benefiting from higher **indexation (+1.9%)** and **rental reversion** reflecting the good level of Gecina's core markets, secured through renewals, renegotiations and relettings (with a positive incoming-outgoing differential in the central sectors), offsetting the **slight increase in the financial vacancy rate**, which accounts for -0.2%.

**Rental reversion's contribution is positive for Paris City, and zero or close to zero for the other sectors.**

Overall, the positive like-for-like trends in **Paris City** (+2.2%) are being driven primarily by **rental reversion effects**, illustrating the excellent level of office markets at the heart of Paris.
In the **Western Crescent**, the robust organic growth is linked primarily to the **management of tenant departures** (compensation), while the contribution for **reversion is zero**.
For the rest of the Paris Region, the lower vacancy rate accounts for the improvement in the rate for like-for-like rental income growth at end-September.

Market trends still positive, particularly at the heart of Paris, in a more complex macroeconomic environment

While **take-up** in the Paris Region is down -11% year-on-year at end-September, the third quarter recorded an increase in the volume of transactions. Overall, take-up **remains high**, in line with the long-term average, which represents a solid performance **while immediate supply is at an all-time low**. This reflects a solid performance on the rental markets despite a shortage of immediate supply. **Immediate supply levels show a further contraction (-6% year-on-year).** While immediate supply levels are at an all-time low for Paris City, the contraction can also be seen clearly in the Western Crescent and particularly Neuilly-Levallois and the Southern Loop (Boulogne - Issy les Moulineaux), where Gecina has a significant presence.

The vacancy rate is still close to 2% for Paris City, but it is also down for the Western Crescent's best sectors such as Neuilly-Levallois, dropping to 3.3%, and the Southern Loop, with 6.4%.

The market is therefore still **very positive for the most central sectors** and particularly Paris City, where supply will continue to be scarce since only a very small percentage of upcoming deliveries (future supply) are located there.

As a result, **rents on lettings (existing properties) in the Paris Region are up +6.0% year-on-year** (+11% over 18 months), with a clear **outperformance for Paris City** (+7.3% for the CBD year-on-year and +16% over 18 months), **while trends for the Paris Region's other sectors show stability**.

The macroeconomic environment on interest rates and these positive rental trends are continuing to drive up investment volumes (+16% year-on-year) and, as a result, values per square meter for investment transactions across all sectors.

In line with the improvement in market conditions, the Group is effectively positioned to consider capitalizing on tenant departures over the coming half-year periods to launch new redevelopment operations with significant value creation potential.

**Residential portfolios:** improvement in organic performance

For the **traditional residential portfolio**, rental income is up +2.4% like-for-like. This performance reflects the impact of the strategy rolled out aiming to capture reversion potential and reduce the effects of rental vacancies by accelerating turnaround times for lettings. Since the start of the year, the **rent differential secured between new and old tenants came to +7.6%**, contributing +0.4% to this portfolio's like-for-like rental performance. Alongside this, the reduction in the vacancy rate contributed +0.6% to this performance, thanks to the shorter letting times achieved with the new operational strategy deployed.

**On a current basis**, rental income is stable. The impacts of progress with the program launched by the Group in the last few years to sell apartments on a unit basis when they become vacant were offset by the like-for-like performance.

Rental income from **student residences** recorded like-for-like growth (+2.8%), thanks primarily to the **improvement in the occupancy rate** for two residences in Marseille and Lille, as well as the **positive reversion** achieved. On a current basis, the +17.4% increase also factors in the delivery of a residence during the third quarter of 2018 in Puteaux-La Défense.

## Group occupancy rate still high

The Group's **average financial occupancy rate** was still very high at end-September 2019, with 94.4%, down -70bp year-on-year linked primarily to the delivery of buildings that are partially vacant (Carré Michelet) or for which leases have gradually come into effect during the year (Ibox, Be Issy). As a result, the occupancy rate for the **office portfolio** is down -70 bp to 94.2%.

For the **student residence** portfolio, the financial occupancy rate is down to 85.4% year-on-year, linked to the gradual ramping up of two residences delivered recently (particularly in Puteaux-La Défense).

For the **traditional residential** portfolio, the financial occupancy rate shows a slight +20 bp increase year-on-year to 97.7%, reflecting the improvement in lettings processes.

| Average financial occupancy rate | Sep 30, 18 | Dec 31, 18 | Mar 31, 19 | Jun 30, 19 | Sep 30, 19 |
|---|---|---|---|---|---|
| Offices | 94.9% | 94.7% | 94.5% | 94.4% | 94.2% |
| Traditional residential | 97.5% | 97.5% | 97.6% | 97.7% | 97.7% |
| Student residences | 87.6% | 87.0% | 87.3% | 84.9% | 85.4% |
| Other commercial assets | 97.4% | 97.5% | 96.4% | na | na |
| Group total | 95.1% | 94.9% | 94.7% | 94.6% | 94.4% |

## Intense lettings activity, generating positive reversion in the most central sectors

Since the start of the year, Gecina has let, relet or renegotiated nearly 112,000 sq.m, representing €39m of annualized rental income (IFRS), with 44% of the rental volume concerning Paris City, 32% in La Défense and the rest relating to buildings located in other areas in the Paris Region and other regional hubs across France.

The performance levels achieved once again show a clear rental outperformance for Gecina's preferred sectors and especially Paris City.

- **In Paris City** (61% of the office portfolio at end-June 2019)**, headline reversion is very positive**, with +13% for the Central Business District (including the 5th, 6th and 7th arrondissements). The rest of Paris City also shows a positive spread, although on a lesser scale. In addition, levels of incentives are down significantly for these central sectors.
- **In the Western Crescent and La Défense** (30% of the office portfolio), reversion is **slightly positive** (+1%).
- **In the rest of the Paris Region, where Gecina has limited exposure** (6% of the office portfolio), headline reversion is still negative, with around -6%.

**These performance levels confirm Gecina's strategic focus on the Paris Region's most central sectors.**

### Further progress with pipeline lettings in the third quarter

During the third quarter of 2019, Gecina made progress in particular with letting two buildings under development, with **Friedland** (for 1,500 sq.m) in Paris' CBD, which office spaces are now fully pre-let, and **Carré Michelet**, with two new leases for nearly 3,500 sq.m.

As a result, the letting rate for operations delivered in 2019 and 2020 is therefore expected to climb to nearly 64%.

## €482m of sales completed or covered by preliminary agreements at end-September, further strengthening the portfolio's quality and centrality

Since the start of the year, **Gecina has sold or secured sales for €482m**, achieving a **premium of around +5.5% versus the latest appraisal values,** with **€156m already completed**.

Out of all the sales completed or secured since the start of the year, less than one third concern office buildings, with the rest comprising logistics assets, hotels, restaurants and vacant unit-based residential sales.

Including the sales finalized since the end of September (notably Pointe Metro 2 in Gennevilliers for €58.2m), the amount of sales completed since the start of the year represents €215m. **The last quarter of 2019 is expected to account for nearly two thirds of sales for the full year, limiting the impact on 2019 rental income.**

Gecina intends to continue capitalizing on favorable conditions to further strengthen its portfolio's centrality by divesting non-strategic or mature assets.

In view of the talks that are currently underway, **nearly €400m of new preliminary sales agreements could be signed by the end of the year**.

## Responsible loans now represent 20% of the Group's bank lines

Since the summer, Gecina has finalized three new responsible loan agreements with BNP Paribas, Natixis and Société Générale for a total of €660m, based on either new bank lines or the transformation of conventional bank lines into responsible credit lines.

Combined with the lines set up in 2018 with ING France and Crédit Agricole Corporate & Investment Bank, the volume of responsible loans is now €910m, representing more than 20% of the Group's bank line portfolio.

## Gecina reconfirms its 2019 guidance with confidence

Gecina is reconfirming its guidance for recurrent net income per share growth in 2019, as announced when its half-year earnings were released, taking into account the solid performance achieved since the start of the year, as well as the good level of real estate markets in the most central sectors, and the interest rate environment, which continues to be favorable.
Excluding the impacts of the sales carried out on Eurosic's previous scope following its acquisition, Gecina now expects recurrent net income (Group share) per share to increase by over +3% in 2019, representing €5.80 to €5.85 per share.

**Gecina, at the heart of urban life**

Gecina owns, manages and develops property holdings worth 19.9 billion euros at end-June 2019. As a specialist for centrality and uses, the Group is building its business around Europe's leading office portfolio, with nearly 97% located in the Paris Region, and a diversification division with residential assets and student residences. Gecina has put sustainable innovation at the heart of its strategy to create value and anticipate the expectations of around 100,000 customers and end users, thanks to the dedication and expertise of its staff, who are committed to an understated, fluid and inclusive city. To offer its customers high-quality services and support their changing needs, Gecina has launched YouFirst, its relational brand.

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 line with its community commitments, Gecina has created a company foundation, which is focused on protecting the environment and supporting all forms of disability.

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