Gecina
Bien plus que des mètres carrés

Press release

November 5, 2010

Business at September 30, 2010:

Limited contraction in business indicators

Asset value forecasts revised upwards

Upgrading of S&P's rating reflecting the strategic steps taken

- Rental income down -5.1% on a current basis and -2.3% on a comparable basis
- Group rental margin virtually stable at 91.2%, despite the sharp contraction on logistics
- Recurrent income down -5.6% to 262 million euros
- Gecina confirms its forecast for a drop in rental income by between -5% and -6% on a current basis
- Gecina expects recurrent income to be down by less than rental income in 2010, thanks to the efforts made to optimize operating expenses
- The Group is revising its forecasts for asset value growth upwards to around +7% on a comparable basis over the full year in 2010, compared with the +4% to +5% expected at the end of the first half of the year.

Key figures

In € mn	Sept. 30, 2010	Sept. 30, 2009	Change (%)
Gross rental income	463.1	487.9	-5.1%
EBITDA	369.1	388.9	-5.1%
Recurrent income	261.9	277.4	-5.6%
per share (in €)	4.30	4.61	-6.8%

unaudited figures

see details in appendix

The consolidation of rental income reflects the portfolio's active management. The negative reversionary potential on offices is coming to an end.

Gross rental income down -5.1% on a current basis and -2.3% on a comparable basis

Gross rental income is down -5.1% on a current basis to 463 million euros at the end of September 2010. On a comparable basis, this contraction in rental income comes out at only -2.3%. Three major impacts already recorded during the first half of the year continued to affect business over the third quarter.

On the one hand, the disposals carried out in 2009 and 2010 have led to a 39.7 million euro drop in rental income for the Group as a whole, with 24.3 million euros for the office business and 12.9 million euros for residential. On the other hand, the logistics division saw its vacancy rate climb to 27.2% at the end of September 2010 (compared with 25% for the first half of 2010). Lastly, certain office property contracts have been renegotiated down in 2009 and 2010, which has continued to have an impact on rental income. However, the negative reversionary potential on the office portfolio now appears to be very limited.

These trends have been partially offset by the consolidation of healthcare real estate for 34.4 million euros (compared with 11 million euros over the same period in 2009) and, to a lesser extent, the rent generated through investments (2.8 million euros).

The downside factors, already highlighted by Gecina during the first half of 2010, are in line with the budget. While the Group does not expect to see a significant turnaround for the logistics business in the short term, in the fourth quarter of 2010 Gecina looks set to benefit from revenues generated by the assets let recently in the office and healthcare divisions.

In € mn	Sept. 30, 2010	Sept. 30, 2009	Change (%)	
			current basis	*comparable basis*
Group total	**463.0**	**487.9**	**-5.1%**	**-2.3%**
Offices	251.7	287.0	-12.3%	-3.6%
Residential	137.8	146.9	-6.2%	+1.9%
Logistics	24.6	28.0	-12.1%	-10.3%
Healthcare (*)	34.4	11.0	na	na
Hotels	14.5	15.1	-3.8%	-2.1%

(1) *The Healthcare business, consolidated on an equity basis in 2008 and during the first half of 2009, has been fully consolidated since the second half of 2009. For comparison, the change in rental income on a comparable basis is calculated factoring in 100% of Gecimed's rental income for the first half of 2009.*

Average financial occupancy rate stable compared with the first half of 2010

At the end of September 2010, the financial occupancy rate was 94.3%, stable compared with the first half of 2010 (94.6%), but down 1.5 points in relation to the end of September 2009 (95.8%). This drop primarily reflects the increase in the vacancy rate in the logistics sector between the two periods.

For the residential business, the occupancy rate is slightly lower than at September 30, 2009, following the delivery of an 8,647 sq.m building in Saint Denis in July 2010. This asset is currently being marketed.

Avg financial occupancy rate	September 30, 2010	September 30, 2009	June 30, 2010
Group	**94.3%**	**95.8%**	**94.6%**
Offices	94.9%	96.4%	94.9%
Residential	97.3%	98.4%	97.6%
Logistics	72.8%	78.5%	75.0%
Hotels / healthcare	100.0%	100.0%	100.0%

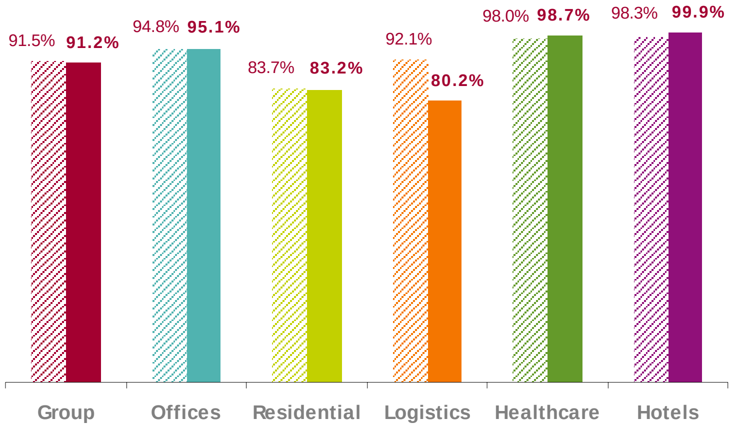
Group rental margin holding up well, despite the significantly lower margin on logistics

The Group's rental margin is down slightly, from 91.5% at the end of September 2009 to 91.2%, despite the significant contraction seen by the logistics division.

This limited change is linked to the improvement in the margin on office real estate, up from 94.8% at the end of September 2009 to 95.1% at the end of September 2010. The assets sold off over the last 18 months have not had any dilutive impact on this indicator. The rental margins on the healthcare and hotel segments also progressed over the period, climbing to the very high levels of 98.7% and 99.9% respectively.

The reduction in the margin on residential property (83.2%, compared with 83.7% at the end of September 2009) factors in timing differences on adjustments for rental expenses and therefore does not reveal any underlying trend. However, the margin is down on logistics, dropping from 92.1% at the end of September 2009 to 80.2%, reflecting the impact of the higher vacancy rate, since certain maintenance costs cannot be transferred to tenants.

Change in the rental margin for Q3 2010 vs. Q3 2009



Reduction in recurrent income, in line with the contraction in rental income

Cost of debt expected to rise over the next 12 months

Net financial expenses are down 4% to 107.2 million euros, compared with 111.5 million euros at September 30, 2009. The average cost of debt came to 3.4% over the first nine months of 2010, compared with 3.3% for the same period in 2009 and 3.29% for the first half of 2010.

The cost of debt is expected to increase over the coming months, notably following the Group's recent financing operations (rescheduling of debt repayments for a total of 1,150 million euros during the first half of the year, 500 million euro bond issue in September 2010) and the increase in banking margins.

Recurrent income down -5.6%

The Group's recurrent income totaled 261.9 million euros, compared with 277.4 million euros at September 30, 2009, down 5.6%, reflecting the lower level of rental income.

Developments for each business line

Offices (55% of the Group's rental income): negative reversionary potential, but positive impact of buildings leased recently as of the fourth quarter

Rental income came to 251.2 million euros, down -12.4% on a current basis, with this trend notably reflecting the 24.7 million euro loss of rental income resulting from the assets sold off in 2009 and 2010. The contraction in rental income on a comparable basis comes out much lower, at only -3.6%.

This change factors in the negative reversionary potential recorded on the 26 leases renegotiated and renewed during the year. In this way, on the 127,364 sq.m (representing almost 14% of the Group's total office space) relet or renegotiated in 2010, a drop in headline rent values was granted, even if the new headline rents have been signed up based on satisfactory levels, almost 4% above market rents. In return for rent adjustments, the terms of existing leases have been extended or new contracts have been signed with an extended firm period.

In addition, 44 properties have been relet in 2010, representing close to 20,000 sq.m (i.e. almost 2.5% of the portfolio in operation), with an incoming-outgoing differential of -13.6%. The new rents (431 euros/sq.m) are very close to market rents.

On the whole, the vacancy rate at September 30 remained unchanged in relation to the first half of 2010, coming in at 5.1% and concerning 59,176 sq.m.

- On this total were included for 31% of the space the Anthos and Origami buildings. The Anthos-Boulogne building is leased to Carrefour Management from December 1, 2010, and the Origami building on Avenue de Friedland in Paris, is leased to Barclays Bank from October 1, 2010. These two assets will generate a combined total of 8.6 million euros in rent on a full-year basis.
- 23% of the vacant assets at September 30 are scheduled to be redeveloped in 2011, with studies underway on the Montigny le Bretonneux and Erlanger buildings.
- The vacant space which has not been let is therefore concentrated primarily on the Square de Velizy building, whose potential redevelopment is currently being looked into, as well as the offices on Avenue du Général Leclerc in Boulogne, which were vacated by Avis at the end of July 2010.

Residential (30% of the Group's rental income): strong reversionary potential materialized on relettings, one-off impact of a project delivery

At September 30, 2010, gross rental income totaled 137.8 million euros, down -6.2% on a current basis. However, on a comparable basis, rental income is up +1.9%.

Indeed, asset disposals are reflected in a 12.9 million euro loss of rental income at September 30, 2010, which has not been offset by the 2.5 million euro increase in rental income on a comparable basis and the rental income generated through investments (+1.3 million euros). The division's vacancy rate, negligible at September 30, 2009 (1.6%), rose slightly to 2.7% at September 30, 2010, primarily following the delivery of the Saint Denis building in July 2010, which accounts for 44% of vacant space in the Paris Region. 33% of this 8,647 sq.m development (representing around 1% of the residential properties in operation) has now been let.

The residential division has continued to benefit from a moderate turnover rate (moving average of 15.5% at the end of September 2010) and a very short reletting time, representing 33 days on average. Moreover, Gecina has recorded an +8.2% increase in rents on relettings for its residential portfolio since January 2010.

Logistics (5% of the Group's rental income): further space freed up during the third quarter

Gross rental income totaled 24.6 million euros at September 30, 2010, down -12.1% on a current basis. On a comparable basis, business still shows a marked downturn, coming in at -10.3%.

The financial occupancy rate has continued to deteriorate, dropping from 75.0% for the first half of 2010 to 72.8% at September 30 after a user vacated 37,000 sq.m on the Ormes platform (representing 3.6% of the average surface area of the portfolio in operation). The same user will free up a further 20,000 sq.m in the fourth quarter of 2010.

At the same time, Gecina is actively working to let the vacant space.

Healthcare (7% of the Group's rental income): rental income growth driven by the projects delivered recently

Gecimed, 98.5%-owned by Gecina, has been fully consolidated since the second half of 2009. At September 30, 2010, the healthcare division's gross rental income totaled 34.4 million euros.

Two assets were delivered to Générale de Santé during the first nine months of the year: Hôpital Privé de l'Estuaire in Le Havre in June and the Jeanne d'Arc private hospital in Gien in August. These two assets represent a combined total of nearly 6.5 million euros in full-year rental income.

Hotels (3% of the Group's rental income): negative impact of indexing in 2010, but rents secured over eight years

Gross rental income came to 14.5 million euros at September 30, 2010, down -3.6% in relation to September 30, 2009 on a current basis. On a comparable basis, this contraction is less marked, representing -2.1%. This trend reflects the negative indexing already seen during the first half of the year and set to continue during the fourth quarter.

Following the sale of the Marivaux hotel on July 30, 2010, Gecina's hotel portfolio now exclusively comprises the four Club Méditerranée facilities and Château de Rochegude. The average residual term on the division's leases is eight years.

Asset turnover significantly higher than the targets

Gecina had carried out a combined total of 373 million euros of asset disposals at the end of September 2010, with preliminary agreements signed for a further 102 million euros to be sold off. As such, the total amount of disposals is expected to represent 475 million euros over the full year, some way above the target of 430 million euros announced at the end of the first half of the year.

The 373 million euros of assets already sold off can be broken down as follows:

- 158 million euros of office properties, based on sales prices which were very similar to block values from the end of 2009,
- 189 million euros of residential properties, with 86% unit sales based on an average premium of 22% over the appraised values from the end of 2009. Block sales (14% of the total) were carried out at similar levels to the appraised values from the end of 2009.
- 26 million euros of diversification real estate assets, sold off for slightly more than their appraised values from the end of 2009.

The 102 million euros of assets under preliminary sales agreement give the following breakdown: 75% for residential properties, 20% for commercial and 5% for logistics.

At the same time, Gecina invested 335 million euros over the first nine months of the year, with 277 million euros corresponding to capex on the portfolio in operation and investments on development projects. The acquisition of a further 25% stake in Beaugrenelle during the first half of the year represents 58 million euros.
At the end of September 2010, Gecina's development pipeline totaled 1.7 billion euros, with 1 billion euros still to be paid out. The expected yield on these projects is 6.7%.

Earnings and outlook

Decisive progress with the implementation of the Group's new strategy

Gecina's strategy, redefined as proposed by its Chief Executive Officer Christophe Clamageran during the first half of 2010, has started to be rolled out.

This strategy aims to further strengthen its financial flexibility in order to enable it to implement a policy for expansion on commercial and healthcare real estate.

In this way, the Group has set itself a target to grow the office portfolio from 5.5 billion euros at present to 9 billion euros in 2014, through proprietary developments as well as acquisitions, while maintaining a focus on "prime" assets in the Paris Region. At the same time, Gecimed's portfolio will be taken from 700 million euros up to 1 billion euros by 2014. On residential real estate, Gecina will adopt a more intensive arbitrage policy, while making targeted investments on both traditional residential properties and the buoyant student residence segment.

By September 30, 2010, decisive progress had been made concerning the Group's financing aspects. Gecina has taken three steps with a view to strengthening its financial flexibility. Firstly, the 320 million euro issue of ORNANE bonds, which may be redeemed in cash and/or converted into new and/or existing shares, in April 2010. Secondly, the rescheduling of repayments for three bank debt contracts from 2011 and 2013 to 2014 and 2015 for a total of 1,150 million euros during the first half of 2010. Lastly, the 500 million euro bond issue in September 2010. This process contributed, along with the strengthening of the governance structure, towards Standard & Poor's upgrading its rating from BB+ to BBB- in October 2010.

Outlook for 2010: limited reduction in recurrent income, increase in asset valuations higher than initially expected

For the full year in 2010, Gecina is still forecasting a moderate drop in rental income by between -5% and -6% on a current basis, resulting more specifically from the assets sold off and the leases renegotiated on office properties.

The Group expects recurrent income to be down by less than rental income in 2010, thanks to the efforts made to optimize operating expenses.

Lastly, in view of the increase in market values, for both commercial and residential assets, the Group is revising its forecasts upwards concerning its own portfolio. Gecina now expects the value of its assets to increase by around +7% on a comparable basis over the whole of 2010, compared with the +4% to +5% previously expected at the end of the first half of the year.

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Gecina, a leading real estate group

Gecina, a European Real Estate Investment Trust ("SIIC") listed on Euronext Paris, is a leader in the premium property sector and owns, manages and develops property holdings worth €11.4 billion as at June 30, 2010, consisting primarily of office and residential buildings located in Paris and the Paris region, as well as student residences, logistics platforms, healthcare establishments and hotels. Benefiting from sound, integrated expertise, Gecina accompanies its clients on their property journeys, with an ever-present concern for the impact of its businesses. Gecina has integrated sustainable innovation in its strategy and, to cement its social commitments, has set up a corporate foundation dedicated to environmental protection and the support of all forms of disability.

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APPENDICES

Condensed consolidated income statement

€ mn *(unaudited)*	Sept. 30, 2010	Sept. 30, 2009	Change (%)
Gross rental income	**463.1**	**487.9**	**-5.1%**
Expenses on properties	(114.5)	(116.7)	-1.9%
Expenses billed to tenants	73.6	75.3	-2.2%
Net rental income	**422.2**	**446.5**	**-5.4%**
Services and other income	4.5	5.3	-14.9%
Services and other expenses	(1.0)	(1.0)	-7.8%
Net rental and service income	425.7	450.7	-5.5%
Management costs	(56.6)	(61.8)	-8.5%
EBITDA before disposals	**369.1**	**388.9**	**-5.1%**
Net financial expenses	(107.2)	(111.5)	-3.9%
Recurring income	**261.9**	**277.4**	**-5.6%**

Data per share

	Sept. 30, 2010	Sept. 30, 2009	Change (%)
Average number of shares over the period	60 906 626	60 126 473	+1.3%
Recurring income per share (in euros)	**4.30**	**4.61**	**-6.8%**