gecina

Press release
April 18, 2018

Business at March 31, 2018

Lettings and pre-lettings accelerated, and sales program rolled out

Strong rental income growth reflecting the benefits of Eurosic's integration and the market dynamics
- **Gross rental income up +40.8%** on a current basis
- **Like-for-like growth of +1.8%**, significantly outperforming the indexation effect

Strong lettings performance in a buoyant market for central sectors
- Commercial pressures in the central sectors where Gecina's pipeline and portfolio are concentrated
- **Nearly 75,000 sq.m let**, pre-let, relet or renegotiated since the start of the year (including preliminary rental agreements), primarily on properties under development

Rapid progress with the pipeline's pre-letting rate
- **64% of space in the deliveries expected for 2018 has already been pre-let,** including preliminary rental agreements to be covered by leases in the short term. For the entire committed pipeline, this rate is now 55%.

€814m of the sales program already secured
- **€436m of sales completed or secured since the start of the year**, with a premium of around **+10% versus the latest appraisal values**
- With disposals achieved in 2017, **70% of the sales program** targeting at least €1.2bn announced in connection with Eurosic's acquisition is already secured
- In addition, more than **€800m of additional sales** currently subject **to exclusive talks**

Continuing to optimize the balance sheet
- **€500m bond issue** with a maturity of 12 years and a 1.625% coupon
- Almost **€700m of new long-term bank credit lines** set up in the first quarter
- **First responsible credit agreement** indexed against Gecina's CSR performance for €150m

Gecina reconfirms its 2018 targets with confidence
- 2018 will be marked by an acceleration in the volume of deliveries, primarily over the second half of the year, as well as the sales announced following Eurosic's acquisition.
- Gecina is confident that it will be able to achieve its targets for 2018, with **recurrent net income (Group share) per share expected to increase by +3% to +6%** depending on the timeline for finalizing the various sales being considered

Key figures

Gross rental income In million euros	Mar 31, 17	Mar 31, 18	Change (%) Current basis	 Like-for-like
Offices	**88.4**	**133.8**	**+51.4%**	**+1.8%**
Traditional residential	27.5	26.5	-4.0%	+1.7%
Student residences	3.7	4.3	+16.1%	+2.7%
Other business	-	3.9	na	na
Total gross rental income	**119.6**	**168.5**	**+40.8%**	**+1.8%**
Hotels	-	8.8	na	na
Finance leases	-	6.6	na	na
Total gross revenues	**119.6**	**183.9**	**+53.7%**	**na**

Financial schedule
2018 half-year earnings
July 19, 2018

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Improvement in rental income

Gross rental income In million euros	Mar 31, 17	Mar 31, 18	Change (%) Current basis	 Like-for-like
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On a current basis, the +40.8% (+€48.8m) increase in gross rental income primarily reflects Eurosic's integration since the end of August 2017 (for €50.5m), as well as the like-for-like growth achieved (+€1.8m), and rental income from recent acquisitions and project deliveries (+€4.3m), net of the loss of rent from the buildings with strong value creation potential transferred to the pipeline (-€5.6m) and the sales of non-strategic assets (-€2.0m).
This rate of growth reflects a positive scope effect, which will impact the whole of the first half of 2018. The change in rental income over the second half of the year will be on a smaller scale since Eurosic was acquired in the third quarter of 2017, while also taking into account the progress made with the sales program.

Like-for-like, the performance came to +1.8% at end-March 2018. This improvement factors in a slightly higher level of indexation (+0.8%), as well as the impacts of the letting of previously vacant buildings and the rental reversion recorded.

Offices: positive trends for offices in the most central sectors

Gross rental income - Offices In million euros	Mar 31, 17	Mar 31, 18	Change (%) Current basis	 Like-for-like
Offices	**88.4**	**133.8**	**+51.4%**	**+1.8%**
Paris City	**47.0**	**64.6**	**+37.3%**	**+0.8%**
- Paris CBD & 5-6-7 - Offices	26.3	35.9	+36.2%	+1.9%
- Paris CBD & 5-6-7 - Retail	8.7	8.8	+0.9%	+0.9%
- Paris - Other	11.9	19.9	+66.6%	-4.4%
Western Crescent - La Défense	32.4	40.4	+24.7%	+3.2%
Other Paris Region	8.0	14.7	+85.0%	+0.6%
Other regions	1.0	14.1	na	+1.5%

On a current basis, rental income from offices shows strong growth, up +51.4% to €133.8m (+€45.4m), driven primarily by Eurosic's consolidation.
Excluding like-for-like growth (+€1.3m) and Eurosic’s integration (+€46.2m), this increase on a current basis reflects the impact of the changes in scope (acquisitions and sales) and the movement of assets within the pipeline (deliveries and redevelopments). More specifically, the mainly temporary loss of rent (-€5.6m) is linked to the launch of work to redevelop office buildings with strong value creation potential (including the 75 GA building, the PSA Group's former headquarters). This loss of rent has been partially offset by the impact of the assets delivered in 2017 (55 Amsterdam in Paris and Gerland-Septen in Lyon) and the assets acquired recently (+€3.8m).

Like-for-like office rental income is up +1.8%, benefiting from a higher level of indexation (+0.9%), the letting of certain buildings in 2017 that were previously vacant and the positive rental trends observed for the Paris Region's most central markets.
This performance is being driven primarily by the most central sectors, where market trends are favorable, particularly Paris’ CBD (+1.9%) and the Western Crescent (+3.2%). Moreover, the -4.4% like-for-like contraction for the office portfolio in Paris excluding the CBD is linked exclusively to the renegotiation of a lease for a single building on the outskirts of the city.

Residential portfolios: resilience and improvement in organic performance

For the **traditional residential portfolio**, rental income is up +1.7% like-for-like, benefiting from the reduction in the vacancy rate. On a current basis, the -4.0% contraction factors in the progress made with the program rolled out by the Group in the past few years to sell apartments on a unit basis when they become vacant.

Rental income from **student residences** shows a significant like-for-like increase (+2.7%), linked primarily to the improved performance by a residence in Lille. On a current basis, the +16.1% increase also factors in the delivery of two residences in summer 2017 in Marseille and Puteaux.

Market trends still positive, particularly at the heart of Paris

The first quarter of 2018 followed on from the trends observed in 2017 for the Paris Region's office markets. **Rental transactions show further progress, up +13% at end-March**, following +8% in 2017. The volume of transactions reached a **10-year high** in the first quarter of 2018.
This represents an outstanding performance, particularly in an environment marked by the **shortage of available supply on the market**. This performance can be seen across all Paris City's sub-markets and **specifically at the heart of the business districts (+52% for Paris' extended Central Business District).**
Immediate supply has therefore continued to contract (-7% in three months), particularly in Paris (-11%), where the vacancy rate is down to a historically low level of around 2.5% (5.7% for the entire Paris Region). Year-on-year, **immediate supply at the heart of Paris is down -23%**. Faced with these trends in the region's best business districts, tenants are positioning themselves upstream from programs that are under development.

This shortage of quality premises at the heart of Paris is therefore driving market rents up. Cushman & Wakefield reports that rental values are up by around +8% to +10% for Paris City, but still stable or under moderate pressure in peripheral sectors.

Occupancy rate stable and still high

The Group's **average financial occupancy rate** is still very high, with 95.6% at end-March 2018, stable year-on-year (+0.1 pts).

On Gecina's historical scope, which is therefore comparable year-on-year, the occupancy rate is up +2.2 points (+2.6 points for offices), reflecting the improvement in rental conditions for the Paris Region's office markets, following the letting of vacant buildings (particularly in Paris and the Western Crescent). This performance also reflects the delivery of office buildings that were fully let.

For the **student residence** portfolio, the financial occupancy rate is down slightly year-on-year following the opening of two residences in summer 2017, but the operational performance already achieved for these two residences and the impact of work to optimize the management of a residence in Lille made it possible to increase the occupancy rate by +3.6 points over six months.

For the **traditional residential** portfolio, the financial occupancy rate is up +1.4 points year-on-year, reflecting the improvement in the lettings process, particularly for certain large residential units.

Average financial occupancy rate	Mar 31, 17	Jun 30, 17	Sep 30, 17	Dec 31, 17	Mar 31, 18
Offices	**95.4%**	**95.5%**	**95.6%**	**95.3%**	**95.3%**
Traditional residential	96.2%	96.4%	96.6%	96.9%	97.6%
Student residences	93.5%	90.1%	88.9%	90.3%	92.5%
Other business	-	-	94.2%	95.9%	97.8%
Group total	**95.5%**	**95.5%**	**95.6%**	**95.4%**	**95.6%**

Rental business: very positive start to the year and progress with the pipeline's pre-letting rate

The first quarter of 2018 followed on from a particularly dynamic year in 2017 in terms of lettings. Since the start of this year, Gecina has let, pre-let, relet or renegotiated nearly 75,000 sq.m including the leases currently signed under preliminary agreements (of which 60,000 sq.m of pre-lettings of building under development). These lettings represent a potential rental volume of almost €39m, with around €32m for buildings under development.

In terms of the scope for office buildings to be delivered in 2018, the pre-letting rate is now 64% including preliminary rental agreements.
For reference, 12 projects are expected to be delivered in 2018, representing an annualized potential rental volume of over €115m.

Thanks to this dynamic lettings performance, **the committed pipeline's pre-letting rate for office projects increased to 55% including preliminary rental agreements**.

Portfolio rotation still very active

Sales program targeting at least €1.2bn already nearly 70% secured
When it announced its plans to acquire Eurosic, Gecina set out its ambition to accelerate the combined portfolio's rotation with a program targeting sales of at least €1.2bn, potentially rising to €2.2bn depending on market opportunities that the Group may want to capitalize on.

€436m of commercial buildings have been sold since the start of the year or are currently under preliminary agreements. These sales have been secured with an average premium of around 10% versus the latest appraisal values. This sales program aims to realign the Group's portfolio around the Paris Region's most central real estate sectors and reduce the Group's debt to reach an LTV of less than 40%.
Only one third of the sales concern buildings in Paris or the Western Crescent, with two thirds distributed across Paris' Inner Rim (1/3), the Outer Rim and other regions.

By end-2017, the Group had already finalized sales for €379m of assets, taking the **sales program's total progress to date up to €814m, i.e. almost 70% of the minimum sales program announced in connection with Eurosic's acquisition.**

Alongside this, exclusive talks are already underway for over €800m of additional potential sales.

In addition, the Group has finalized €20m of residential sales, based primarily on vacant units, with an **average premium of around +15% versus the latest appraisal values** (+18% for vacant unit sales only).

Continuing to optimize liabilities

€500m bond issue with a maturity of 12 years
On March 7, Gecina successfully placed a €500m bond issue with a maturity of 12 years (March 2030) and 63 bp credit spread, offering a 1.625% coupon. This operation is in line with the Group's financing strategy and will notably be allocated to repay Eurosic's financing facilities with shorter maturities and higher credit spreads. It will help extend the average maturity of debt and achieve the financial synergies announced for the business combination with Eurosic, while securing an attractive cost of financing over the long term.

Gecina sets out its commitment with the real estate industry's first GRESB financing
Gecina has signed a €150m responsible credit agreement with ING based on a spread that will notably depend on its corporate social responsibility (CSR) performance, measured with its Global Real Estate Sustainability Benchmark (GRESB) rating. This is the first GRESB financing to be set up for the real estate industry. This rating, determined each year by GRESB, measures Gecina's progress in relation to its peers based on various CSR indicators. The responsible credit agreement concept introduces a new approach factoring in not just the environmental impact, but also societal and governance aspects more generally.

Gecina reconfirms its 2018 targets with confidence

Thanks to the positive trends on Gecina's core markets and the success of Eurosic's rapid integration, the Group is looking ahead to 2018 with confidence. This year will be marked by an acceleration in the volume of deliveries, primarily over the second half of the year, as well as the sales planned following Eurosic's acquisition. By the end of December 2017, €571m of sales had already been completed or secured. Based on the working assumption for an additional volume of sales of €1.2bn in 2018, **recurrent net income (Group share) per share is expected to increase by +3% to +6% depending on the timeline for finalizing the various sales being considered**.