gecina
Bien plus que des mètres carrés

Press release
April 21, 2016

Business at March 31, 2016

Gecina reconfirms its target for recurrent net income growth of over +5% in 2016,
excluding the impact of the healthcare division's sale

Strong growth in recurrent net income in Q1-2015, up +16.0%
driven by the impact of the acquisitions made in 2015 and the effective management of liabilities

323 million euros of sales completed or secured (excluding healthcare division), achieving a +13% premium versus the appraisal values
with 259 million euros of offices and 63 million euros of residential assets

Key figures

In million euros	March 31, 15	March 31, 16	Change (%)
Gross rentals	137.8	147.8	+7.3% *(-0.1% like-for-like)*
EBITDA	113.3	122.6	+8.3%
Recurrent net income (Group share)	83.4	96.8	+16.0%
Per share (in euros)	1.36	1.55	+13.5%

Unaudited figures.
All the figures presented in this document (excluding the appendices) exclude any impact of IFRS 5 and IFRIC 21.

The results reported for the first quarter of 2016 are in line with 2015. The **+16% recurrent net income growth** has benefited from not only the rent generated by the acquisitions made in summer 2015 (particularly the T1&B towers in La Défense and PSA's current headquarters in Paris' central business district), but also the optimization of operating expenditure and financial expenses. In addition, Gecina continued to receive rent in the first quarter from its healthcare division, which is covered by a preliminary sales agreement that is expected to be finalized in July 2016.

Building on an exceptional year in 2015 for Gecina in terms of its portfolio rotation, the Group has maintained its opportunistic approach to both investments and sales.
Since January 1, 2016, Gecina has completed or secured **322.5 million euros of sales, with an average premium of 13%** versus the end-2015 appraisals. The Group has continued to benefit from a positive market environment, moving forward with its sales of non-strategic, mature or non-core assets, under excellent conditions, in line with the strategy announced at the start of 2015.
Alongside this, the Group signed an agreement in February 2016 for the off-plan acquisition of the BE ISSY office building, which will be delivered in 2018, for close to **158 million euros**. This operation is expected to generate a **potential net yield of nearly 7%** based on current market rents.

Gecina's preferred sectors are seeing positive rental market trends. Take-up, which was already strong in the first quarter of 2015 for the CBD, continued to improve at the start of 2016 (+8%), driving a further reduction in the vacancy rate for central sectors (4.2% for Paris City), while the level of **immediate supply is falling**. Immostat's statistics for the first quarter show that rents on redeveloped properties increased by nearly +6% in Paris' CBD. However, trends are more contrasting for other sectors across the Paris Region, although an improvement is starting to take shape for certain locations. In Gennevilliers for instance, Gecina has signed two leases with the PSA Group and CREDIPAR for nearly 10,000 sq.m of the Pointe Métro 2 building.

Based on the results achieved for the first quarter, and despite the volume of sales already secured since the start of the year, **Gecina is able to reconfirm its target for recurrent net income growth of over +5% for 2016, excluding the impact of the process underway to sell the healthcare portfolio**.

Rental income in line with the Group's targets

Gross rental income came to 147.8 million euros at March 31, 2016, up +7.3% on a current basis and down slightly like-for-like, with -0.1%.

On a current basis, the significant increase of +7.3% is primarily linked to the changes in scope completed or secured since the second half of 2015, including the acquisition of the T1&B buildings in La Défense and the PSA Group's current headquarters in July 2015. Alongside this, Gecina continued to receive rental income in the first quarter from its healthcare portfolio, which is covered by a preliminary sales agreement that is expected to be finalized in July 2016.

Over the period, rent generated by acquisitions and deliveries made in 2015 (T1&B in La Défense, PSA-Grande Armée in Paris' CBD, four student residences and two healthcare facilities) came to +19.4 million euros, while the loss of rent due to sales represented -7.4 million euros (primarily Mazagran in Gentilly, L'Angle in Boulogne-Billancourt and Newside in La Garenne Colombes).
The loss of rent resulting from strategic redevelopments represents -1.9 million euros and primarily concerns the Guersant building in Paris' 17th arrondissement, which was vacated in 2015.

Like-for-like, the moderate contraction of -0.1% at March 31 is also consistent with the Group's expectations. It factors in the level of indexation, which is still low (+0.3%), and the slightly negative reversion resulting from renegotiations in 2015, some of which came into effect at the start of 2016.

Gross rental income	Mar 31, 15	Mar 31, 16	Change (%)	
In million euros			Current basis	Like-for-like
Group total	**137.8**	**147.8**	**+7.3%**	**-0.1%**
Offices	85.5	95.6	+11.9%	-0.3%
Traditional residential	31.0	28.8	-6.9%	+0.1%
Student residences	2.7	3.7	+35.1%	+2.6%
Healthcare	18.4	19.7	+6.7%	n.a.
Other	0.2	0.0	-100.0%	n.a.

Offices: rental income up thanks to the Group's growing specialization

Rental income from **offices** is up +11.9%, thanks in particular to the impact of the acquisition of the T1&B towers in La Défense and PSA's current headquarters in Paris' CBD, offsetting the impact of sales and redevelopments.

Like-for-like, rental income is down slightly, with -0.3%, factoring in a particularly low level of indexation (+0.2%) and the impact of renewals and renegotiations, including the marginal rent discounts granted on suburban Paris assets in return for extending the maturity of their leases. Like-for-like growth has also been impacted by the departure of Oracle, which vacated part of the Crystalys building in Vélizy at the end of 2015.

Benefiting from the improvement in take-up for certain sectors in the Paris Region, Gecina signed two leases with the PSA Group and CREDIPAR in February for nearly 10,000 sq.m of the Pointe Metro 2 building in Gennevilliers. This space was made available mid-March. This latest agreement therefore made only a marginal contribution to rental income for the first quarter.

Encouraging trends for Gecina's preferred office markets

Immostat's statistics from the end of March 2016 support the Group's firm belief that the market could have reached a turning point for the Paris Region's most central sectors and the Paris CBD in particular. Take-up in the Paris Region increased by +19%, admittedly compared with a relatively low first quarter of 2015, but the trends show a further significant increase for Paris' CBD (+8%), which had already seen strong growth in Q1 2015. Alongside this, Immostat's statistics confirm an increase in market rental values of around +6% in Paris' CBD for rent on redeveloped properties and +3% on average for the region. Immediate supply is down for the region as a whole, but particularly in Paris (-8%) and La Défense (-14%), where vacancy rates have continued to fall (4.2% in the CBD and less than 10% in La Défense). There is a clear lack of available supply in Paris' CBD, supporting expectations for a possible shortage of supply of quality premises in 2016 and 2017 at the heart of Paris.

These statistics support the Group's confidence in its portfolio, with the vast majority of its assets located in the region's most central sectors (Inner Paris and the Western Crescent's Southern Loop), where the trends observed reveal that market conditions are improving.

Diversification portfolios: rental resilience and impact of sales programs

For the **traditional residential portfolio**, rental income is virtually stable at March 31 on a like-for-like basis (+0.1%). On a current basis, the -6.9% contraction factors in the program to sell apartments on a unit basis when they become vacant as tenants naturally free up assets (Hopper program).

The **student residence portfolio** is reporting +35.1% growth on a current basis, following the delivery of four projects during the third quarter of 2015 (Bagnolet Philia, Bordeaux Blanqui, Paris Lançon and Palaiseau Saclay). Like-for-like, rental income is up +2.6%, notably reflecting the positive reversion and the weak but positive level of indexation.

For the **healthcare portfolio**, rental income is up +6.7% on a current basis, following the delivery of two clinics in the third quarter of 2015 in Bayonne and Orange.

Occupancy rate stable and still high

The Group's **average financial occupancy rate** is still very high, with 95.8%, although down slightly from the first quarter of 2015 (-20 bp). The financial occupancy rate for **office** properties is down 20 bp from the first quarter of 2015 to 94.9%. This reduction is linked primarily to the delivery of the Le Cristallin building in Boulogne-Billancourt, partly offset by the letting of the Pointe Métro 2 building in Gennevilliers.

Average financial occupancy rate	Mar 31, 15	Dec 31, 15	Mar 31, 16
Offices	95.1%	95.8%	94.9%
Diversification	97.9%	98.2%	97.7%
Group total	**96.0%**	**96.6%**	**95.8%**

Recurrent net income (Group share) up +16.0% for the first quarter

Recurrent net income (Group share) shows strong growth, up +16.0% to 96.8 million euros at end-March 2016. This performance partly reflects the impact of the acquisitions made in 2015 (including the T1&B buildings in La Défense and PSA's current headquarters on Avenue de la Grande Armée in Paris' CBD), while the healthcare division's sale is not expected to be finalized until mid-2016. This strong growth also takes into account the effective management of operating expenditure, as well as a significant reduction in financial expenses, although this is partly temporary.

The office portfolio's **rental margin** is down 30 bp from March 31, 2015. This contraction primarily reflects the unrecoverable costs linked to the redevelopment of certain office buildings (particularly the Guersant building in Paris).

	Group	Offices	Residential	Healthcare
Rental margin at March 31, 2015	92.1%	94.5%	82.9%	98.9%
Rental margin at March 31, 2016	92.3%	94.2%	82.9%	98.7%

Salaries and management costs are down -0.6%, building on the reduction achieved in 2015, highlighting the effective management of staff costs and overheads.

Net financial expenses are down -15.0% year-on-year, despite a significant increase in the volume of debt compared with the first quarter of 2015 (+885 million euros) due to the high volume of acquisitions in the second half of 2015.

This reduction in financial expenses is therefore linked to a **significant reduction in the average cost of debt** (-90 bp year-on-year to 2.1%, including undrawn credit lines), partially secured in 2015, but further strengthened in the first quarter of 2016 by a temporary factor. At the start of 2016, Gecina redeemed 500 million euros of bonds that had reached maturity, with a coupon of 4.25%. These bonds were refinanced with very short-term financing facilities based on particularly low costs, while waiting for the sale of the healthcare business to be completed. In view of this, the reduction in the average cost of debt in the first quarter (to be seen also in the second quarter) shows a performance that is not expected to reflect a trend for 2016.
Gecina is therefore maintaining its target for a moderate reduction in its average cost of debt over 2016 compared with 2015. For reference, the average cost of debt in 2015 was 2.7% including the cost of undrawn credit lines.

Agreement to sell the healthcare portfolio for 1.35 billion euros

As announced on February 8, 2016, Gecina has signed a preliminary sales agreement with Primonial Reim for its subsidiaries holding its entire healthcare real estate portfolio. The transaction represents a total of 1.35 billion euros (including commissions and fees), with a net yield of 5.9% and a premium of around 16% versus the latest appraisal values. For reference, the value retained at end-2015 already reflected the price agreed on with the buyer. This sale is expected to be finalized in July 2016.

323 million euros of new sales secured or completed, with a 13% premium versus the appraisal values

Excluding the sale of the healthcare division and the sale of residential land banks mostly in Lyon (for nearly 8 million euros), with their sales prices already incorporated into the portfolio's valuation at end-2015, Gecina has completed or secured nearly 323 million euros of new sales since the start of the year, achieving an average premium of around 13% compared with the end-2015 appraisals.

63 million euros of residential sales completed or secured, with a 30% premium versus the appraisal values

In the first quarter of 2016, Gecina completed and secured 63.4 million euros of unit-by-unit residential sales, achieving an average premium versus the end-2015 appraisal values of around 30%.

259 million euros of office sales completed or covered by preliminary agreements since the start of 2016

Since January 1, 2016, the Group has secured or completed 259.1 million euros of office sales, including almost 131 million euros still covered by preliminary sales agreements. These operations show an average premium versus the end-2015 appraisals of around 9%, with an exit yield of approximately 5.1% based on expected rents for 2016.

Gecina is continuing to capitalize on a positive market environment to sell assets that are non-strategic, mature or located in peripheral areas, in line with the strategy announced at the start of 2015. For instance, the Group has sold a 13,100 sq.m building on Quai Marcel Dassault in Suresnes, a 7,630 sq.m building on Avenue Achille Peretti in Neuilly, and the final sites previously held by Gecina in Madrid. On April 1, 2016, Gecina also finalized the sale of the 36,000 sq.m building in Rueil-Malmaison occupied by the Vinci Group, whose lease is due to expire at the end of 2019.

158 million euros of new investments secured

Alongside these sales, Gecina signed a preliminary agreement with the developer PRD Office in February 2016 for its speculative off-plan acquisition of the BE ISSY office building, which will be delivered in 2018. This asset, located in Issy-les-Moulineaux, in the Southern Loop of Paris' Western Crescent, will offer a gross leasable area of around 25,000 sq.m and 258 parking spaces. The transaction represents a total of 157.8 million euros including commissions and fees, with around 6,100 euros per sq.m excluding parking spaces.
Based on current market rents, Gecina expects this operation to deliver a potential net yield of nearly 7%.

Gecina confirms its targets for 2016

Based on the results achieved for the first quarter, and despite the volume of sales already secured since the start of the year, **Gecina is able to reconfirm its target for recurrent net income growth of over +5% for 2016, excluding the impact of the process underway to sell the healthcare portfolio**.

Gecina, a leading real estate group

Gecina owns, manages and develops property holdings worth 12.9 billion euros at December 31, 2015, with 90% located in the Paris Region. The Group is building its business around France's leading office portfolio and a diversification division with residential assets, student residences and healthcare facilities. Gecina has put sustainable innovation at the heart of its strategy to create value, anticipate its customers' expectations and invest while respecting the environment, thanks to the dedication and expertise of its staff.

Gecina is a French real estate investment trust (SIIC) listed on Euronext Paris, and is part of the SBF 120, Euronext 100, FTSE4Good, DJSI Europe and World, Stoxx Global ESG Leaders and Vigeo indices. In line with its commitments to the community, Gecina has created a company foundation, which is focused on protecting the environment and supporting all forms of disability.

www.gecina.fr

GECINA CONTACTS

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

Virginie Sterling
Tel: +33 (0)1 40 40 62 48
virginiesterling@gecina.fr

Press relations
Brigitte Cachon
Tel: +33 (0)1 40 40 62 45
brigittecachon@gecina.fr

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

gecina
Bien plus que des mètres carrés

APPENDICES

Condensed income statement and recurrent income

At the Board meeting on April 21, 2016, chaired by Bernard Michel, Gecina's Directors reviewed the financial statements at March 31, 2016, as appended. All the figures presented in this document (excluding the appendices) exclude any impact of IFRIC 21 and IFRS 5.
IFRIC 21 relates to the recognition date for levies, which will no longer be able to be deferred in interim accounts, unless the obligating event occurs over a period of time. The impact of this standard primarily concerns the section of property taxes (taxe foncière) that cannot be charged back to tenants. It will not have any impact on the annual financial statements, but will modify the schedule for recognizing the rental margin in interim publications.
IFRS 5 relates to the recognition of discontinued operations, applied to the healthcare portfolio, for which a sales process is underway.

In million euros *(unaudited figures)*	Without IFRIC 21 and IFRS 5			*With IFRIC 21 and IFRS 5*		
	Mar 31, 15	Mar 31, 16	Change (%)	*Mar 31, 15*	*Mar 31, 16*	*Change (%)*
Gross rental income	**137.8**	**147.8**	**+7.3%**	***119.3***	***128.1***	***+7.4%***
Expenses not billed to tenants	(10.9)	(11.4)	+4.8%	*(20.1)*	*(21.4)*	*+6.5%*
Net rental income	**126.9**	**136.4**	**+7.5%**	***99.2***	***106.7***	***+7.5%***
Services and other income (net)	1.7	1.5	-11.8%	*1.4*	*1.5*	*+6.9%*
Salaries and management costs	(15.4)	(15.3)	-0.6%	*(15.7)*	*(15.6)*	*-0.5%*
EBITDA	**113.3**	**122.6**	**+8.3%**	***84.9***	***92.5***	***+9.0%***
Net financial expenses	(29.2)	(24.8)	-15.0%	*(29.0)*	*(24.4)*	*-15.9%*
Recurrent tax	(0.6)	(0.9)	+58.5%	*(0.5)*	*(0.8)*	*+64.6%*
Recurrent minority interests	0.0	(0.0)	n.a.	*0.0*	*(0.0)*	*n.a.*
Recurrent net income (Group share) from continuing operations				***55.4***	***67.3***	***+21.5%***
Recurrent net income (Group share) from discontinued operations				*17.8*	*18.7*	*+5.0%*
Recurrent net income (Group share)	**83.4**	**96.8**	**+16.0%**	***73.2***	***86.0***	***+17.5%***