



# 9M 2013 REVENUE AND BUSINESS ACTIVITY

Paris La Défense, Tuesday, 29 October 2013

- Rise of 2% in value of net new home reservations in France to €1.3 billion incl. VAT over the first nine months of the year, for a volume of 6,540 units (versus 7,139 units at end-September 2012)
- Annual target exceeded for order intake in Commercial real estate: €409 million already recorded at end-September
- Backlog up 7% at end-September compared to end-2012 (at €3.3 billion), equivalent to 16 months' revenue from development activities<sup>1</sup>
- Revenue for the first nine months of the year totalling €1.9 billion, up 1.9% compared to the same period in 2012

## Outlook for 2013 confirmed

- Residential: around 9,000 net new home reservations in an expected market of between 70,000 and 75,000 units
- Commercial: order intake of more than €400 million (versus an initial target of €350 million)
- Consolidated revenue for 2013 expected to exceed €26 billion
- Current operating profit targeted for 2013 at over €180 million
- Based on its outlook, the Company will consider proposing to its shareholders the renewal of a €2 per share dividend in 2014

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<sup>1</sup> Revenue basis – previous 12-month period



**ALAIN DININ, CHAIRMAN AND CEO OF NEXITY, COMMENTED:**

*“Over the past year or so, France has taken quite a few steps to support the new homes market. These include the Duflot buy-to-let investment scheme, the enhanced ‘PTZ+’ interest-free loan, and a reduction in the VAT rate for social housing. In terms of urban planning laws and stimulus for new home starts, the latest legislation is definitely a move in the right direction, namely with regard to recent ordinances and certain provisions of the ALUR act. But that will probably not be enough, in the short term, to reverse the downward trend in construction starts. Further confirmation of this trend has just come from the decline in building permit requests (-16% over the twelve months to end-September).*

*Unfortunately, based on the ongoing debate in France’s parliament over such issues as the 2014 budget and ALUR act, it does not look as though any of the upcoming legislation will spur a significant short-term market rebound. The actual attractiveness of the new ‘intermediate’ social housing status for institutional investors is still hard to measure, and could fail to offset the ALUR act’s damaging effects on residential real estate investment. We may have to wait until local elections are over in March 2014 before persistent market weakness drives the government to take more immediately effective action for recovery.*

*It is no secret that our economy genuinely needs a healthier new homes market to help galvanize GDP growth, employment and tax receipts. Other countries such as the United Kingdom and the United States have shown us that economic recovery and a robust, dynamic real estate market go hand in hand.*

*Nexity’s confirmation of annual targets reflects resilience and a strong business model. We are adapting to changes in the legislation, while also continuing to analyse market opportunities such as buildable land and external growth. Via our process of constant innovation, we are pursuing the development of new offerings, products and market segments.”*

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## REVENUE

Consolidated **revenue** for the first nine months of the year totalled €1,887 million (+1.9% compared to the first nine months of 2012)<sup>2</sup>.

| € millions                         | 9M 2013        | 9M 2012        | Change %     |
|------------------------------------|----------------|----------------|--------------|
| Residential real estate            | 1,195.9        | 1,200.7        | -0.4%        |
| Commercial real estate             | 355.9          | 313.2          | +13.6%       |
| Services and Distribution Networks | 330.3          | 332.7          | -0.7%        |
| Other activities                   | 4.5            | 4.3            | +3.5%        |
| <b>Total Group revenue*</b>        | <b>1,886.6</b> | <b>1,851.1</b> | <b>+1.9%</b> |

\* Revenue generated by both the Residential (excluding Italy) and Commercial real estate divisions is calculated using the percentage-of-completion method, i.e. on the basis of notarised sales pro-rated to reflect the progress of committed construction costs.

- **Residential real estate** revenue totalled €1,196 million, holding nearly steady (-0.4%) compared to the same period in 2012. The increase in international revenue (higher delivery volumes in Italy, where revenue is recognized on a completed contract basis) largely offset the decrease in revenue from new homes in France.
- **Commercial real estate** revenue (€356 million) benefited from the high order intake recorded in 2011 and was up sharply in comparison with the first nine months of 2012 (+14%). It included substantial contributions from the Solstys (Rocher-Vienne) and T8 projects in Paris. The increased revenue recorded for the first nine months of the year is not representative of the revenue that will be recorded for the whole year. This is because a large number of projects, including the two mentioned above, will be delivered sometime during the fourth quarter of 2013 and will therefore not generate revenue over the entire quarter.
- Revenue from **Real estate services** totalled €308 million, down 1% compared to the first nine months of 2012. Additional revenue from the consolidation of Icade Résidences Services in the first quarter of 2013 (whereas it was only consolidated as from Q2 in 2012) partially offset the absence of revenue from the services businesses in Germany sold in late 2012, as well as the revenue impact of erosion in the condominium management portfolio and a brokerage slowdown.

<sup>2</sup> Iselection, previously attached to the Services and Distribution Networks division, was organisationally integrated into the Residential real estate division at the start of the year. The revenue data hereafter presented reflect this reclassification. Data for the 2012 financial year are also presented after this reclassification to facilitate comparison. This reclassification is without impact on the recognition of new home reservations.



## 9M 2013 BUSINESS ACTIVITY

### Residential real estate

In line with its expectations for the financial year as a whole, the Group recorded a 9% decline in net reservations for new homes and subdivisions in France and abroad over the first nine months of 2013, compared to the same period last year, with 7,957 units<sup>3</sup> reserved. In value terms, net reservations for new homes and subdivision lots in France and abroad were down 2% to €1,441 million including VAT.

After reaching a historic low in June (2.89% on average excluding insurance), mortgage rates have edged upward since July, reaching an average of 3.00% in September (source: Observatoire Crédit Logement). The increase has been meagre, with rates still particularly low in absolute terms. This is unlikely to change in the short term, based on the ECB's announcements about keeping interest rates low for an extended period of time, which should help the market considerably. But the new home market in France is still feeling the impact of the weakened economic environment (rise in unemployment, economic recession, increased tax burden, etc.) and its toll on consumer morale and purchasing power, as well as the fiscal and regulatory uncertainty (ALUR bill) that has hampered investment decision-making.

In France, net reservations for new homes registered by the Group in the first nine months of the year were down 8% in volume terms but rose in value terms (+2%), essentially due to a sharp drop in the volume of bulk sales to professional landlords (-23%) compared to last year, and to the growing proportion of sales in the areas of tightest supply (45% in zones A and A bis, versus 40% over the first nine months of 2012), which also carried higher average prices.

The first nine months of the year also saw fewer commercial launches (-18% by number of units compared to the same period one year earlier), especially in the first quarter, due to the need to redefine the schedule for certain operations and renegotiate certain land deals to best align with the requirements of the new Duflot buy-to-let investment scheme (published at the very end of 2012). Based on assumed project launch figures for the fourth quarter, the total number of launches over the whole financial year should match initial annual Group forecasts.

| <i>New home and subdivision reservations - France (units and €m)</i> | <b>9M 2013</b> | <b>9M 2012</b> | <b>Change %</b> |
|--|----------------|----------------|-----------------|
| New homes (number of units)  | 6,540          | 7,139          | -8.4%           |
| Subdivisions (number of units)                                       | 1,339          | 1,382          | -3.1%           |
| <b>Total new home and subdivision reservations (number of units)</b> | <b>7,879</b>   | <b>8,521</b>   | <b>-7.5%</b>    |
| New home reservations (€m incl. VAT)                                 | 1,311          | 1,285          | +2.1%           |
| Subdivision reservations (€m incl. VAT)                              | 106            | 107            | -0.9%           |
| <b>Total new home and subdivision reservations (€m incl. VAT)</b>    | <b>1,417</b>   | <b>1,392</b>   | <b>+1.8%</b>    |

The drop in net new home reservations registered over the first nine months of the year was caused solely by a decrease in sales to professional landlords (-23%), while sales to individuals (home buyers and individual investors) remained stable overall (4,438 reservations at end-September 2013 versus 4,404 reservations at end-September 2012). The first half of 2012 had seen especially high sales to professional landlords, but it is possible that some of them have adopted a wait-and-see attitude this year, in anticipation of the new 2014 VAT rate on social housing.

<sup>3</sup> Of which, 59 units in Italy and 19 units in Poland for €23 million, compared to 197 units reserved outside France (89 units in Italy and 108 units in Belgium) over the first nine months of 2012 for €84 million



| <i>Breakdown of new home reservations by client – France (number of units)</i> |                                 | <b>9M 2013</b> |             | <b>9M 2012</b> |             | <b>Change %</b> |
|--|---------------------------------|----------------|-------------|----------------|-------------|-----------------|
| Home buyers  |                                 | 2,180          | 33%         | 1,946          | 27%         | +12.0%          |
|  | <i>o/w: - first-time buyers</i> | 1,689          | 26%         | 1,507          | 21%         | +12.1%          |
|  | <i>- other home buyers</i>      | 491            | 7%          | 439            | 6%          | +11.8%          |
| Individual investors   |                                 | 2,258          | 35%         | 2,458          | 34%         | -8.1%           |
| Professional landlords   |                                 | 2,102          | 32%         | 2,735          | 38%         | -23.1%          |
| <b>Total new home reservations</b>   |                                 | <b>6,540</b>   | <b>100%</b> | <b>7,139</b>   | <b>100%</b> | <b>-8.4%</b>    |

Excluding bulk sales to professional landlords and Iselection sales, the average price of homes sold in France rose by 4.2%, consistent with an increase in average floor area (+1.2%) and average price per square metre (+2.9%). This uptrend is mainly due to the geographic mix of sales. More sales occurred in the Paris region, where average prices are higher.

| <i>Average sale price &amp; floor area* - France</i> | <b>9M 2013</b> | <b>9M 2012</b> | <b>Change %</b> |
|--|----------------|----------------|-----------------|
| Average home price incl. VAT per sq.m (€)            | 3,876          | 3,766          | +2.9%           |
| Average floor area per home (sq.m)                   | 57.5           | 56.8           | +1.2%           |
| <b>Average price incl. VAT per home (€k)</b>         | <b>222.9</b>   | <b>214.0</b>   | <b>+4.2%</b>    |

\* excluding bulk sales and Iselection

For new residential developments in France, the average pre-sale rate recorded at the time construction work was launched remained very high (75% on average over the first nine months of the year), and unsold completed stock held by the Group remained very low (79 units versus 60 units at end-September 2012).

The business potential<sup>4</sup> of the Group's Residential real estate division for new homes in France shrank 5% compared to 30 September 2012, coming in at approximately 23,500 units.

**Subdivision** reservations totalled 1,339 units, down 3% compared to the first nine months of 2012, while the average price of net reservations by private individuals climbed 3% to €78.6 thousand. The drop in volume was part of a general contraction affecting the detached houses market, the main driver for this business. According to Union des Maisons Françaises<sup>5</sup>, sales of detached houses were down 16% at end-July compared to the previous 12 month period. The business potential for subdivisions rose 15% compared to end-September 2012, reaching close to 10,600 units.

<sup>4</sup> Includes the Group's current supply for sale, its future supply corresponding to project stages not yet marketed on acquired land, and projects not yet launched associated with land secured through options

<sup>5</sup> Press release dated 12 September 2013



## **Commercial real estate**

- Transaction volumes in the French commercial investment market during the first nine months of 2013 reached €10.7 billion, a 15% year-on-year increase. As investors began expanding to a wider geographic area, the third quarter saw major deals in the area around Paris, such as Nexity's Éco Campus joint development in Châtillon. Over the year, investment volumes should total between €15 and €16 billion, as they did in 2011 and 2012 (source: CBRE). Business activity recorded at end-September mainly involved existing and rented properties. The market showed little appetite for unsecured (i.e. not partially or totally pre-let) projects involving either new or refurbished buildings. Over the first nine months of the year only one "speculative" (*en blanc*) VEFA off-plan project was sold (source: Jones Lang LaSalle). With economic forecasts still gloomy and the market interested only in pre-let projects, which are more complex and time-consuming to put together, new-build volumes are not expected to pick up in 2014.
- The weakened economic environment weighed on take-up in the Paris region, which totalled 1.3 million sq.m at end-September 2013, down 30% compared to the same period in 2012, particularly affecting transactions in excess of 5,000 sq.m. Over the year, take-up in the Paris region is expected to be even lower than the levels predicted in July, at around 1.8 million sq.m versus 2.4 million sq.m last year, i.e. a drop of roughly 25% (source: CBRE).
- The Group has met and exceeded its annual order intake target of €350 million, with €409 million in new orders recorded over the first nine months of the year (including the Éco Campus project in Châtillon and the Le Nuovo project in Clichy, both of which were totally or partially pre-let under firm-term leases). Major orders placed in the third quarter included the Éco Campus project and an office-building refurbishment in Paris' 8<sup>th</sup> arrondissement on behalf of an institutional investor.

## **Services and Distribution Networks**

In **Real estate services**, the portfolio of units under management for individuals amounted to 792,700 units at 30 September 2013 (a 2.9% attrition rate compared to end-December 2012). This decrease mainly affected the condominium management business and was driven by the natural attrition rate, insufficiently offset by new appointments entering the portfolio. In real estate services to companies, total floor space under management amounted to 11.2 million sq.m at end-September 2013. The new management team is taking measures to enhance the business model to improve operating profitability. If the ALUR bill passes in its current form, certain provisions directed at the rental and condominium management professions will alter the economic landscape and require further changes to the business model.

In **Distribution Networks**, the number of promissory sale agreements recorded in the first nine months of the year by Century 21 and Guy Hoquet l'Immobilier was up 2.4% compared to the same period last year, while the market for existing property is expected to decline by 9% over the year, to 645,000 transactions (source: Crédit Foncier Immobilier<sup>6</sup>). The number of franchised agencies totalled 1,281 at end-September 2013, compared to 1,325 at end-December 2012.

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<sup>6</sup> Press release dated 15 October 2013



## BACKLOG – ORDER BOOK AT 30 SEPTEMBER 2013

| € millions (excluding VAT)             | 30 September 2013 | 31 December. 2012 | Change %     |
|--|-------------------|-------------------|--------------|
| Residential real estate – New homes*   | 2,582             | 2,449             | +5.4%        |
| Residential real estate – Subdivisions | 267               | 266               | +0.2%        |
| <b>Residential real estate backlog</b> | <b>2,849</b>      | <b>2,715</b>      | <b>+4.9%</b> |
| Commercial real estate backlog         | 453               | 383               | +18.3%       |
| <b>Total Group backlog</b>             | <b>3,302</b>      | <b>3,098</b>      | <b>+6.6%</b> |

\* including outside France and Iselection

The Group's order backlog at end-September 2013 amounted to €3.3 billion, up 7% from year-end 2012 and equivalent to 16 months' revenue from Nexity development activities<sup>7</sup>. Order backlog in Residential real estate was €2.8 billion at end-September, i.e. a nearly 5% increase over end-December 2012.

## OUTLOOK FOR 2013

- Residential real estate: around 9,000 net new home reservations in an expected market of between 70,000 and 75,000 units
- Commercial real estate: order intake of more than €400 million (versus an initial target of €350 million)
- Consolidated revenue for 2013 expected to exceed €2.6 billion
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- Based on its outlook, the Company will consider proposing to its shareholders the renewal of a €2 per share dividend in 2014

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## FINANCIAL CALENDAR & PRACTICAL INFORMATION

2013 Business activity and results: Tuesday, 18 February 2014

A **conference call** on 9M 2013 revenue and business activity will be accessible in English at 19:00 CET on Tuesday, 29 October 2013, by dialling the following numbers:

- |                                   |                        |                     |
|-----------------------------------|------------------------|---------------------|
| - Dial-in number (France)         | + 33 (0) 1 70 99 35 15 | Access code: Nexity |
| - Dial-in number (rest of Europe) | + 44 (0) 207 153 2027  | Access code: Nexity |
| - Dial-in number (United States)  | + 1 (0) 480 629 9822   | Access code: Nexity |

Playback will be available by phone after the conference call by dialling the following number:  
+44 (0) 207 959 6720 (Access code: 4626021#)

<sup>7</sup> Revenue basis – previous 12-month period



The presentation accompanying this conference can be accessed at the following address:

<http://www.media-server.com/m/p/rjha8q4r>

This presentation will be available on the Group's website starting at 19:00 CET on 29 October 2013.

## DISCLAIMER

*The information, assumptions and estimates that the Company could reasonably use to determine its objectives are subject to change or modification due notably to economic, financial and competitive uncertainties. Furthermore, it is possible that some of the risks described in chapter 4 of the Document de Référence, filed with the AMF under number D.13-0342 on 12 April 2013 could have an impact on the Group's activities and the Company's ability to achieve its objectives. Accordingly, the Company cannot give any assurance as to whether it will achieve the objectives described, and makes no commitment or undertaking to update or otherwise revise this information.*

*This release constitutes quarterly financial reporting within the meaning of the Transparency Directive as transposed by the AMF.*

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## AT NEXITY, WE AIM TO SERVE ALL OUR CLIENTS AS THEIR REAL ESTATE NEEDS EVOLVE

Nexity offers the widest range of advice and expertise, products, services and solutions for private individuals, companies and local authorities, so as to best meet the needs of our clients and respond to their concerns.

Our businesses – transactions, management, development, urban regeneration, advisory and related services – are now all fully client focused, optimally organised to serve and support our clients. As the benchmark operator in our sector, we are resolutely committed to all of our clients, but also to the environment and society as a whole.

Nexity is listed on the SRD and on Euronext's Compartment A

Member of the indices SBF80, SBF120, CACMid60, CAC Mid & Small and CAC All Tradable

Mnemonic: NXI - Reuters: NXI.PA - Bloomberg: NXI FP

ISIN code: FR0010112524

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## APPENDIX

### REVENUE BY DIVISION

#### RESIDENTIAL REAL ESTATE

| <i>€ millions</i>              | 9M 2013        | 9M 2012        | Change %     |
|--------------------------------|----------------|----------------|--------------|
| New homes                      | 1,039.3        | 1,088.3        | -4.5%        |
| Subdivisions                   | 87.1           | 83.2           | +4.7%        |
| International                  | 69.5           | 29.3           | x2.4         |
| <b>Residential real estate</b> | <b>1,195.9</b> | <b>1,200.7</b> | <b>-0.4%</b> |

#### COMMERCIAL REAL ESTATE

| <i>€ millions</i>             | 9M 2013      | 9M 2012      | Change %      |
|-------------------------------|--------------|--------------|---------------|
| <b>Commercial real estate</b> | <b>355.9</b> | <b>313.2</b> | <b>+13.6%</b> |

#### SERVICES AND DISTRIBUTION NETWORKS

| <i>€ millions</i>                         | 9M 2013      | 9M 2012      | Change %     |
|---|--------------|--------------|--------------|
| Services                                  | 307.7        | 309.9        | -0.7%        |
| Distribution Networks                     | 22.6         | 22.8         | -0.9%        |
| <b>Services and Distribution Networks</b> | <b>330.3</b> | <b>332.7</b> | <b>-0.7%</b> |

### QUARTERLY PROGRESSION OF REVENUE BY DIVISION

| <i>€ millions</i>                  | 2012         |              |              |              | 2013         |              |              |    |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----|
|                                    | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           | Q4 |
| Residential real estate            | 396.8        | 399.2        | 404.7        | 654.7        | 364.1        | 440.0        | 391.8        |    |
| Commercial real estate             | 81.8         | 105.2        | 126.2        | 204.3        | 114.0        | 130.5        | 111.4        |    |
| Services and Distribution Networks | 107.8        | 112.1        | 112.8        | 120.0        | 107.4        | 113.0        | 109.9        |    |
| Other activities                   | 1.4          | 1.2          | 1.7          | 1.3          | 1.1          | 1.6          | 1.8          |    |
| <b>Revenue</b>                     | <b>587.9</b> | <b>617.6</b> | <b>645.6</b> | <b>980.2</b> | <b>586.5</b> | <b>685.2</b> | <b>614.9</b> |    |