

# FONCIÈRE DES RÉGIONS

*Co-créateur d'histoires immobilières*



## Activity in the first 9 months of 2016: outlook revised upwards

3 November 2016

### High investment rates in our three major European cities

- €1.4 billion in committed investments, with an average yield of 6.3% and 80% located in Paris, Berlin and Milan
- Disposals of €454 million underway in non-strategic activities and secondary locations
- Improvement in the quality of the portfolio and growth potential.

### Ongoing successful lettings in the 3<sup>rd</sup> quarter

- A fruitful rental strategy in Italy Offices: new leases signed for 57,000 m<sup>2</sup>
- New leases for 45,000 m<sup>2</sup> in France Offices, mainly in development projects
- Renewal of 24% of the rents in France Offices, with a 1% rise in existing rents.

### Rental income up 3.8% at end-September

- Increase in rental income driven by investments in German Residential and France Offices
- Stability on a like-for-like basis
- Secure long-term cash flows: occupancy rate of 96.4%, firm lease term of 7.3 years.

### 2016 guidance revised upwards

- Development pipeline of €3 billion Group Share, of which €669 million committed
- Objective of a 2016 Recurring Net Income increase per share of around +2% vs stable previously.

## High investment rates in our three major European cities

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**At the end of September, secured investments totalled €1.4 billion Group Share.** Actively present throughout its markets, Foncière des Régions is once again profiting from its recognised expertise to increase the quality and growth potential of its portfolio and rental income. Nearly 80% of its investments are concentrated in Paris, Berlin and Milan, with an average yield of 6.3%.

In **France Offices** (€286 million Group Share), the Group notably acquired the headquarters of the Vinci Group (38,000 m<sup>2</sup> for €129 million with a yield of 7.8%) in Rueil-Malmaison, a key business district in the Greater Paris area, in particular for large corporate groups. The policy of focusing on an active development pipeline continued with the delivery of six projects over the year totalling 36,450 m<sup>2</sup>, 93% rented, representing a cost of €207 million (€130 million Group Share).

In **Italy Offices** (€240 million Group Share), three new acquisitions were secured during the year for €58 million Group Share, with an average yield of 6.7%. This further reinforced the Group's position in Milan's prominent business districts. In particular, a new office building totalling 10,500 m<sup>2</sup> was secured during the 3<sup>rd</sup> quarter for €24.5 million (€13 million Group Share) with an average yield of 6.9%. In addition, during the year, the Group doubled its development pipeline to €139 million Group Share, mostly in Milan.

In **German Residential**, acquisitions totalling €321 million Group Share were realized since the beginning of the year, 72% in Berlin. In the 3<sup>rd</sup> quarter, €140 million of assets Group Share were secured, for a gross yield of 4.7% and 6.0% based on market rents (30% higher than existing rents). Most of the assets are located in the centre of Berlin and in the dynamic cities of Hamburg, Düsseldorf and Cologne.

Moreover, in **Hotels in Europe** (€512 million Group Share), Foncière des Régions increased its exposure in profitable European markets, through investments of €295 million Group Share, nearly 80% of which in the fast-growing German market. Foncière des Régions also increased its stake in its hotel subsidiary FDM. Following the public exchange offer, its holding increased to 49.9%, versus 43.1% previously. This represents assets worth €217 million.

Moreover, the quality of the portfolio and the growth potential were further improved through €454 million of new disposal agreements and €786 million of completed disposals Group Share. Since the beginning of the year, the Group reduced its exposure to non-core residential in France and North Rhine-Westphalia, and to Accor hotels in France. In addition, it pulled out of the Healthcare segment with a 25% margin on the appraisal value.

## Rental activity: ongoing positive trend in the 3<sup>rd</sup> quarter

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**Since the beginning of the year, new leases were signed for over 100,000 m<sup>2</sup>, of which over 57,000 m<sup>2</sup> in Italy Offices.** This represents €25 million (€18 million group Share) of new rental income for the group, most of which will take effect on the delivery of the assets under development, in 2017 and 2018.

The strong rental performance achieved in the 1<sup>st</sup> half-year carried on in the 3<sup>rd</sup> quarter. In **France Offices**, Foncière des Régions signed new leases for more than 16,000 m<sup>2</sup>, in particular for buildings in the development pipeline like Silex<sup>1</sup> in Lyon (+ 1,600 m<sup>2</sup>) and Calypso in Marseille (+ 1,400 m<sup>2</sup>).

In addition, leases covering 441,000 m<sup>2</sup> were renewed YTD, accounting for 24% of annualised rental income from France Offices, with an average rise of 1.2% on existing rents.

In **Italy Offices**, Foncière des Régions reinforced its plan to improve the occupancy rate in its portfolio excluding the Telecom Italia buildings (91.0% rented). Launched at the end of 2015, this plan targets

capex of €37 million Group Share and additional rental income of €10 million Group Share. So far, 44% of the rental income has been secured. During the quarter, the Group pre-let 6,700 m<sup>2</sup> of the Corso Ferrucci building (45,600 m<sup>2</sup>) in Turin and signed a lease with the Meininger hotel group for Monte Titano (6,000 m<sup>2</sup>) in Milan, an office building to be transformed into a hotel.

## Rental income up 3.8% at end-September

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**At the end of September, rental income amounted to €674 million (€431 million Group Share), up 3.8% over the year.** This good performance was attributable to:

- > Deliveries of assets in 2015 and acquisitions in 2016 in France Offices (4.4% increase in rental income)
- > A large number of acquisitions in 2015 and 2016 in German Residential (+15%)
- > An increase in Hotel assets in Europe (+2.9%).

The 4.3% drop in rental income in Italy was due to the disposals completed in 2015.

**On a like-for-like basis**, rental income remained stable against a backdrop of zero inflation. The under-performance of the Hotel segment due to the terrorist attacks (-3.7% of which -9.3% on variable AccorHotels rents) was offset by strong performance in German Residential (+3.1% of which +5.0% in Berlin). In Italy (-0.2% on a like-for-like basis), the 2.1% growth on the portfolio excluding Telecom Italia reflects the first positive effects of the occupancy rate improvement plan.

The Group's occupancy rate remains high, at 96.4%, with an average firm lease term of 7.3 years.

## 2016 guidance revised upwards

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With vigorous investment activity and ongoing rental success, the first nine months of the year confirmed our position in each of our asset categories and strengthened our foundations for continuing growth. Foncière des Régions can rely on a development pipeline of €3.0 billion, Group Share, of which €669 million to be delivered by 2018.

On the strength of these successes, reflected in solid operational indicators, the Group has, from now on, an objective of a **2016 Recurring Net Income increase per share of around 2% compared to a stable guidance previously.**

*Paris, 3 November 2016*

**A conference call for analysts and investors**

**will take place today at 18:00 (Paris time)**

The presentation for the conference call will be available

on the Foncière des Régions website: [www.foncieredesregions.fr/finance](http://www.foncieredesregions.fr/finance)

## Financial calendar

2016 Annual Results: 16 February 2017

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#### Shareholder relations



## Appendix:

### Rental income at end-September 2016 at 100% and Group Share

9-month 2016 - €million	Rental income (100%)	Rental income (Group Share)	Change	Change on like-for-like basis	Occupancy rate	Residual firm terms of leases (in years)
<b>Offices - France</b>	<b>206.9</b>	188.0	4.4%	-0.5%	95.2%	5.7
<b>Offices - Italy</b>	<b>149</b>	75.8	-4.3%	-0.2%	95.2%	9.2
<i>Of which Telecom Italia offices</i>	<i>74.2</i>	<i>37.7</i>	<i>-7.2%</i>	<i>-2.5%</i>	<i>100.0%</i>	<i>14.1</i>
<i>Of which offices ex telecom Italia</i>	<i>74.8</i>	<i>38.1</i>	<i>2.6%</i>	<i>2.1%</i>	<i>91.0%</i>	<i>4.9</i>
<b>Residential Germany</b>	<b>159.3</b>	98.4	15.0%	3.1%	98.2%	n.a.
<b>Hotels/Service Sector</b>	<b>146.4</b>	61.8	2.9%	-3.7%	100.0%	10.4
Other (French Resi.)	11.9	7.3	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>673.5</b>	<b>431.2</b>	<b>3.8%</b>	<b>0.0%</b>	<b>96.4%</b>	<b>7.3</b>

### Investments secured at end-September 2016

9-month 2016 - €million	Investments including duties (Group Share)	Capex (Group Share)	Acquisitions (Group Share)	Gross yield on acquisitions (Group Share)
	1+2	1	2	
<b>Offices - France</b>	286	128	159	7.7%
<b>Offices - Italy</b>	93	35	58	6.7% <sup>1</sup>
Increase stake in BeniStabili	147	0	147	6.5%
<b>German Residential</b>	321	0	321	4.8%
<b>Hotels in lease properties</b>	102	32	70	6.1%
<b>Hotels in operating properties</b>	193	0	193	7.7% <sup>2</sup>
Increase stake in FDM	217	0	217	5.9%
<b>Total</b>	<b>1 359</b>	<b>195</b>	<b>1 164</b>	<b>6.3%<sup>1</sup></b>

<sup>1</sup> Potential yield, 5,6% immediate yield for Italy and 6,2% for total; <sup>2</sup> EBITDA Yield

### Disposals secured at end-September 2016

9-month 2016, €m	New agreements (Group Share)	Margin vs. Values 2015	Gross Yield	Effective disposals (Group Share)	Gross Yield
<b>France Offices</b>	<b>51</b>	1.9%	7.9%	<b>117</b>	5.6%
<b>Italy Offices</b>	<b>25</b>	1.4%	4.0%	<b>29</b>	7.2%
<b>German Residential</b>	<b>127</b>	10.8%	7.1%	<b>194</b>	7.4%
<b>Hotels</b>	<b>4</b>	0.0%	6.4%	<b>129</b>	6.2%
<b>Non-strategic<sup>1</sup></b>	<b>247</b>	17.8%	3.3%	<b>316</b>	5.1%
<b>Total asset disposals</b>	<b>454</b>	<b>12.9%</b>	<b>4.9%</b>	<b>786</b>	<b>6.0%</b>

<sup>1</sup> Including Healthcare

## **Foncière des Régions, co-author of real estate stories**

As a key player in real estate, Foncière des Régions has built its growth and its portfolio on the key and characteristic value of partnership. With a total portfolio valued at €18Bn (€12Bn in group share), located in the high-growth markets of France, Germany and Italy, Foncière des Régions is now the recognised partner of companies and territories which it supports with its two-fold real estate strategy: adding value to existing urban property and designing buildings for the future.

Foncière des Régions mainly works alongside Key Accounts (Orange, Suez Environnement, EDF, Dassault Systèmes, Thales, Eiffage, etc) in the Offices market as well as being a pioneering and astute operator in the two other profitable sectors of the Residential market in Germany and Hotels in Europe.

Foncière des Régions shares are listed in the Euronext Paris A compartment (FR0000064578 - FDR), are admitted to trading on the SRD, and are included in the composition of the MSCI, SBF 120, Euronext IEIF "SIIC France" and CAC Mid100 indices, in the "EPRA" and "GPR 250" benchmark European real estate indices, and in the FTSE4 Good, DJSI World, Euronext Vigeo (World 120, Eurozone 120, Europe 120 et France 20), Oekom, Ethibel and Gaïa ethical indices.

Foncière des Régions is rated BBB/Stable by Standard and Poor's

[www.en.foncieredesregions.fr](http://www.en.foncieredesregions.fr)

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