



Activity at end-September 2017: a robust European dynamic

26 October 2017

Rental activity: 9 months of buoyant activity

- Nearly 90,000 m² secured in France and Italy Offices
- Occupancy rate already reaching 98% for the 13 developments delivered this year
- All 13,400 m² of the Art&Co building at Paris-Gare de Lyon fully pre-let

Further increase in rental income

- Rental income totalling €693 million (€442 million Group share), up 2.0% on a like-for-like scope
- Germany Residential: growth rising to 4.5% on a like-for-like scope
- Hotels in Europe: 4.8% increase in variable rental income on a like-for-like scope

Portfolio rotation supporting ongoing quality and growth

- €1.5 billion in investments, 80% in Germany Residential and Hotels in Europe
- Residential in Berlin: the capacity to seize better opportunities has once again been demonstrated
- Extension of the partnership with NH Hotels in Berlin, Hamburg and Amsterdam
- €949 million in sales of mature and non-core assets, exceeding appraisal values by 8%

Stronger development prospects in the hotel sector and new milestone in the simplification process

- Merger of the hotel investment structures Foncière des Murs and FDM Management
- Hotels in Europe: upscaling and increase in development capacities
- De-listing of Foncière Développement Logements by January 2018

Greater focus on major European cities

Foncière des Régions holds assets worth €21 billion (€13 billion Group share) centred in major European cities, in particular Paris, Berlin and Milan. With the aim of getting ever closer to its clients, Foncière des Régions implements a long-term partnership strategy with the regions and users (Suez Environnement, Thales, Dassault Systèmes, Orange, EDF, Vinci, Eiffage, AccorHotels, Telecom Italia, and others). As an investor and developer covering all stages of the real estate value chain, the Group relies on a European development pipeline of €4.1 billion across all its markets to ensure its ongoing growth.

Investments of €1.5 billion in strategic locations

With investments totalling €1.5 billion (€834 million Group share) since the beginning of the year, of which 80% in Germany Residential and Hotels in major European cities, Foncière des Régions is strengthening its foothold in its strategic locations.

In Germany Residential, the Group continues to seize acquisition opportunities under attractive conditions. In the 3rd quarter, new investments amounted to €149 million (€97 million Group share), bringing total acquisitions since the beginning of the year to €525 million (€338 million Group share). Mainly located in Berlin (84%), these housing units were acquired on the basis of an average yield of 4.4% after the re-let of the 9% vacant units, at an average price of €1,960/m², and benefit from a strong growth potential (+35% rental reversion on average). These investments also feed the development pipeline, with potential additional space totalling 16,000 m².

Foncière des Régions moved on to a new phase in its partnership with NH Hotels, through the acquisition of purchase options for four hotels in Berlin, Hamburg, Amsterdam and Amersfoort totalling 630 rooms. The options will be exercised in 2018 for a total investment of €111 million (€47 million Group share), i.e. €177,000 per room and a rental yield of 5.7% (of which 5.1% based on guaranteed minimum rent). These 4-star city-centre hotels boast high profitability (average EBITDAR margin above 50%) and reinforce our presence in major European cities. With 11 NH hotels in Europe, Foncière des Régions will become the No. 1 NH lessor, which ranks No. 2 operator in Spain and the Netherlands, and No. 6 in France.

In France Offices, following the success of the Silex¹ operation (10,700 m² fully rented in 2017, the year of delivery) at Lyon Part-Dieu, France's second biggest business district, **Foncière des Régions has launched the redevelopment and extension of the neighbouring building, Silex²**. This programme covers 30,900 m² (including a 15,600 m² extension) for a cost of €166 million. This flagship project in the revival of the district of La Part-Dieu will be completed in 2020 and will be a new showcase of Foncière des Régions' know-how.

At the same time, the Group announced the sharing of the Silex¹ and Silex² buildings with Assurances du Crédit Mutuel (on a 51%/49% basis), based on an average rental yield of 4.7%. This will enable Foncière des Régions to continue its development, while actively managing its unit risks with the backing of leading long-term financial partners.

Dynamic policy for the sale of mature or non-core assets

Since the beginning of the year, Foncière des Régions has secured €949 million (€601 million Group share) from the sale of mature or non-core assets, with an average margin of 8.4%, making it possible to improve the quality of the portfolio as well as its growth potential.

In France Offices, the Group signed the sale of the Hermione and Floréal buildings in Marseille (23,800 m² of office space) to a user. Delivered this year, these two buildings mark the completion of the Euromed Center development programme, which is mainly composed of 4 office buildings (47,400 m²) and a 4-star hotel of 210 rooms, and constitutes a new prime office reference in Marseille. This sale

crystallises a value creation of 36% over cost. In addition, the 5,600 m² Victor Hugo building in Issy-les-Moulineaux was sold for €38 million, 17% above its last appraisal value.

In Germany Residential, Foncière des Régions continued to refocus its operations in Berlin by signing the sale of assets, mostly in NRW, for €262 million (€156 million Group share) with an average margin of 19% over the last appraisal values.

The Group's exit from non-strategic activities continued with the sale of assets for €224 million (€139 million Group share), mainly residential and commercial buildings in France.

Rental income at end-September: good momentum on all of our markets

A persistently high occupancy rate of 97%, demonstrating the successful positioning of Foncière des Régions

In a buoyant rental market, Foncière des Régions is reaping the benefits of its positioning centred on strategic locations and in sync with shifting client demand, particularly through an active development policy. The persistently high occupancy rate has now climbed to 97% (versus 96.7% at end-2016), up for all assets.

In France Offices, over 60,600 m² of office space was secured, including nearly 50,000 m² under development, for an average firm term of 8 years. The occupancy rate thus increased by 0.3 point to 95.9%, compared to the end of 2016.

In Italy Offices, the occupancy rate of the portfolio excluding Telecom Italia assets further improved to 93.1% compared to 91.6% at end-2016. Rental performance was favourably impacted, with a 0.9% increase on a like-for-like scope at end-September (versus +0.2% in 2016), of which +1.5% for the portfolio excluding Telecom Italia. The Group signed new leases for 27,400 m² and renewed leases for 83,900 m². Intesa Sanpaolo extended its lease in the Via Montebello building in Milan (18,400 m²) for a firm term of 9 years under the same terms, based on an office rental level of €500/m².

Success of the development pipeline

For the whole year, 13 assets (10 office buildings and 3 hotels) will be delivered, representing c.100,000 m² of office space and 683 hotel rooms, with a strong appeal for tenants. The buildings' average occupancy rate is already 98%, based on the leases signed under rental terms in line with or above expectations. The developments spur growth in rental income as well as value, with value creation expected to exceed 30% (+50% on deliveries in the 1st half-year).

Foncière des Régions will notably be delivering the Art&Co building (13,400 m²), opposite the Gare de Lyon train station in Paris before the end of the year. Already fully pre-let, the building will constitute one of the first sites for the Group's new flexible office and co-working activity (5,000 m²).

In Italy, Foncière des Régions has already pre-let all of the Via Cernaia building (8,300 m²) in Milan for a firm term of 9.5 years to Amundi, for its new headquarters.

Increase in the organic growth of rental income

At the end of September, rental income amounted to €693 million (€442 million Group share), up 2.4% year-on-year due to the strong investment dynamics in 2016 and early 2017, particularly in Hotels (rental income up 13.6%) and Germany Residential (+8.2%).

On a like-for-like scope, rental income increased by 2.0%, compared to +0.2% for the whole of 2016, and benefited from good momentum for all assets.

In Germany Residential, the rental income organic growth accelerated, reaching 4.5% at end-September, versus +3.6% in 2016. The Group is reaping the benefits of its investment policy centred on

prime locations, in Berlin in particular, with strong rental reversion (+35% on average). In Berlin, rental income rose by 5.7% (+110 basis points versus 2016). In NRW, the improvement in the quality of the portfolio was reflected in a 3.4% increase in rental income on a like-for-like scope, versus +2.8% in 2016.

Good rental performance was also recorded in Hotels, with an increase of 2.1% on a like-for-like scope, of which +4.8% for income indexed to the hotels' turnover (AccorHotels).

9M 2017 - €million	Rental income 100%	Rental income Group Share	Change	Change on like-for-like basis	Occupancy rate	Residual firm terms of leases
Offices - France	204,1	185,2	-1,5%	+1,0%	95,9%	5,1 years
Offices - Italy	152,4	74,3	-1,9%	+0,9%	95,5%	7,4 years
Residential Germany	171,9	106,5	+8,2%	+4,5%	98,3%	n.a.
Hotels/Service Sector	155,6	70,2	+13,6%	+2,1%	100,0%	10,6 years
Other (French Resi.)	8,8	5,4	n.a.	n.a.	n.a.	n.a.
Total	692,8	441,6	+2,4%	+2,0%	97,0%	6,7 years

Merging the two hotel investment structures – Foncière des Murs and FDM Management: moving upmarket and increasing the Group's development capability

On 19 October 2017, the Group announced its intention to merge its two hotel investment structures through a merger of FDM Management (operating properties, 40.7%-owned by Foncière des Murs) with Foncière des Murs (lease properties, 50%-owned by Foncière des Régions), based on the Triple Net NAV at the end of June. After this transaction, which should be finalised in early 2018 (subject to obtaining certain prior authorisations), Foncière des Régions, the sole general partner of Foncière des Murs, will own 42% of its subsidiary's capital and retain control over it.

The Group will enjoy stronger and improved exposure to the hotel sector. With a post-transaction portfolio of more than 44,200 rooms (55,000 under management) and €4.3 billion (€1.8 billion, Group Share, i.e. 14% of the portfolio¹), Foncière des Régions is establishing itself as the leading player in hotel investment in Europe, and is strengthening its growth outlook by:

- > moving the portfolio upmarket, so that it will include 68% of high-end and mid-level hotels;
- > increasing the hotel exposure to Germany (34% of the portfolio, up from 25%), in particular Berlin (15%, up from 8%). As the leading economy in Europe, Germany is the world's 7th tourist destination (33 million visitors) and offers strong growth prospects, in particular in Berlin (6.1% increase in RevPar over one year at end-June and 3.2% expected in 2018);
- > asserting its status as the privileged partner of hotel operators and managers in Europe, with a single point of contact operating across the entire hotel property value chain. Foncière des Régions supports 18 operators and 28 brands with their development strategy in Europe, including AccorHotels, B&B, Carlson-Rezidor, Starwood-Marriott, InterContinental, NH, Motel One, Meininger, etc.;
- > strengthening value creation sources and increasing its development capabilities. The Group is increasing its exposure to its land bank at Alexanderplatz in Berlin, owned by FDM Management, where it plans to ultimately develop more than 70,000 m² in residential units, offices, hotels and retail premises.

This simplification process will enable Foncière des Régions to continue its hotel property development and support the expansion of its hotel-operator partners.

¹ Excluding retail premises for €0.2 billion, Group Share

De-listing of Foncière Développement Logements

At the end of October, Foncière des Régions signed a transfer agreement with Cardif, Crédit Agricole Assurances and Generali Vie for the contribution of their 38.6% stake in Foncière Développement Logements. The contributions will be made by November and be compensated 30% in cash (€4.65 per FDL share) and 70% in exchange of Foncière de Régions shares (1 FdR for 20 FDL), i.e. an implied valuation of the FDL share of €4.21, a 9.5%² discount on the NAV at end-June 2017.

On completion of the contributions, Foncière des Régions will hold 99.8% of the share capital of FDL. In November 2017 it will launch a public repurchase offer, followed by a squeeze-out. The price of the shares not held by Foncière des Régions after the contributions (around 100,000 shares) will be set at €8.06, i.e. the volume-weighted average price per share over the last three months. The Board of Directors of FDL has appointed the Valphi firm as independent experts in charge of evaluating the financial conditions of the public repurchase and squeeze-out offer.

Foncière Développement Logements owns 129 assets, almost exclusively residential units, valued at €371 million at end-June 2017, of which 82% are located in the Paris region (48% Paris and Neuilly-sur-Seine), Lyon and Marseille. This simplification process will strengthen the equity of Foncière des Régions (approximately €74 million²).

² Valuation based on the Triple Net NAV of Foncière des Régions at end-June, at €80.5 per share

A conference call for analysts and investors will take place today at 6:30 p.m. (Paris time)

The presentation for the conference call will be available
on the Foncière des Régions website at www.foncieredesregions.fr/finance

Financial calendar:

2017 annual results: 15 February 2018

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Shareholder relations



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 €21Bn (€13Bn 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 ESG FTSE4 Good, DJSI World & Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20), Oekom, Ethibel and Gaïa ethical indices.

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

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