ASPIM NEWS
The newsletter for unlisted real-estate funds
Issue 6
June 2020

EDITORIAL

First and foremost, I hope that you are all well and that you have not been affected by the unprecedented health and economic crisis that we have been facing for several weeks.

This issue of our newsletter is an opportunity for me to make an initial assessment of the impact of the Covid-19 pandemic.

Our priority was first to fulfil our role in providing support to our members, notably by passing on information and specific documents to help our members handle the direct and indirect consequences of this crisis as best as possible, both in terms of their organisation and their business.

Alongside this, ASPIM has been working more closely with French and European regulators and supervisory authorities, a level where there is a strong focus on the "behaviour" of real estate funds in the light of the current crisis. We will talk more about this later.

ASPIM has been working tirelessly in political circles, and with the French economy and finance ministry in particular, not to mention the role we played in the discussions which led to the publication of a Charter between lessors and merchants resulting from government mediation. As part of this process, we have sought to strike a delicate balance between the necessary support our members provide to commercial tenants hit hard by the crisis and the protection of unitholders' interests. By signing this Charter, lessors and merchants signal their ambition to move forward together to find concrete solutions in the interests of every party and we regret that some share a different view of the work that has been accomplished.

Naturally, our recent efforts have focused on managing the crisis, but we have also continued our actions and our work on long-term issues that are key to shaping the future of our industry. For example, at the time of writing, we are preparing to welcome the launch the SRI real estate label, something that the industry has been committed to for more than three years. This is a particular source of satisfaction, as it involves issues relating to real estate that have become more crucial than ever and addresses clear demands from the market and investors alike. We will have the opportunity to discuss this in more detail very soon.

As regards the vehicles managed by ASPIM members, the first quarter figures are exceptionally good. Admittedly, the effects of the crisis began to filter through in April, but it is far too early to make any definitive observation or hazardous predictions about an investment sector that continues to display solid fundamentals. The coming months will undoubtedly be scrutinised very carefully.

The next issue of this newsletter will be an opportunity to review a certain number of topical issues, still against the backdrop of the health and economic crisis. We will continue to closely monitor the repercussions on our industry.

VÉRONIQUE DONNADIEU
ASPIM General Delegate

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FLASH *News*

15 Septembre 2020: ASPIM Annual General Meeting

Due to circumstances dictated by the Covid-19 public health crisis, the Annual General Meeting has been postponed from 17 June to 15 September 2020:

Maison de l'Amérique latine
217 bd Saint-Germain
75007 Paris

ASPIM *News*

Liquidity of real estate funds under stress

The Covid-19 health and economic crisis and its potential consequences on the liquidity of real estate investment funds have heightened the need to introduce effective measures to handle large-scale redemption requests that could unsettle the market. It has become apparent that existing measures might not be enough to address the exceptional situation we are currently facing.

With this in mind, ASPIM has submitted proposals to the French Treasury and the AMF regarding the management of SCPIs' liquidity in a crisis context:

- a simplification of the procedures for triggering and using the reimbursement fund, and
- the possibility, in the event of a liquidity crisis, of selling real estate assets without waiting for the five-year holding period to be up.

More generally, ASPIM is currently conducting a review of the liquidity of real estate funds available to the public in France.

Modernisation of SCPI shares

ASPIM asked the Ailancy consulting firm to propose ways in which the management of SCPI accounts could draw on the techniques used to manage securities in collective investment undertakings. Ailancy's consultants worked with five asset management companies to gauge the difficulties encountered in managing SCPI partners. The study found that the "pure registered" record-keeping model posed considerable problems when it came to compliance with KYC obligations.

A review of existing models or ones in the process of being implemented for other types of financial instruments found that it was possible, in certain cases, to transfer the legal responsibility for KYC matters from the asset management company to a financial intermediary in the banking industry (custody account keepers). Two options will be explored further: to either switch the SCPI to a registered record-keeping model administered via Euroclear, or to switch it to a registered model administered via a shared platform such as RegistrAccess.

ORIE work: proposal to simplify measures relating to the taxation of corporate real estate

A working group has been set up on the initiative of the ORIE (*Observatoire régional de l'immobilier d'entreprise en Ile-de-France* - regional observatory of corporate real estate in Ile-de-France) to propose simplification measures relating to the taxation of corporate real estate. The purpose of this working group, in which ASPIM is a participant, is to ascertain the current taxation on the corporate real estate sector and to estimate its impact in Ile-de-France (be it on an economic level or in terms of the development of the region).

The aim is to propose a series of measures aimed at simplifying the tax framework and to facilitate a market that can sometimes face impediments. Initial work has ascertained the current taxation measures applied to corporate real estate with a view to assessing its impact on the main types of assets, namely offices, shops, warehouses and hotels in the Ile-de-France region.

Blockchain and real estate funds: ASPIM-ConsenSys webinar alongside the AMF

ASPIM and ConsenSys organised a webinar on 2 June 2020 in conjunction with the AMF to present an international review of programmes that have been led or are under way to tokenize units in real estate funds. The aim was also to discuss the latest developments in regulatory and operational issues for all stakeholders in the value chain: asset managers, distributors, investors and regulators. This was a chance for the various stakeholders to come face to face in order to discuss the opportunities opened up by the tokenization of financial assets in 2020 and the degree to which the French market is following this movement compared to other parts of the world.

EUROPEAN *News*

MiFID 2 review: response to the European Commission consultation

ASPIM responded on 15 May to the European Commission's public consultation on the review of the MiFID/MiFIR framework. Our responses mainly centred on the section relating to investor protection, in which we responded negatively to the key question regarding the creation of an additional "semi-professional" client category.

In the interests of clarity for investors, ASPIM is in favour of making the professional client status more accessible by lowering the requirements for a retail client to be considered eligible to be treated as a professional client.

The European real estate sector and the Covid-19 crisis: ASPIM signs a joint statement

ASPIM and other associations representing the European real estate industry have issued a joint statement reaffirming the key role of the real estate industry in a post-crisis economic recovery.

Read the joint statement: **www.aspim.fr**

Sustainable finance, taxonomy and real estate

On 9 March 2020, the European Commission's Technical Expert Group on sustainable finance published its final report laying down the foundations of the green taxonomy.

More than 200 technical experts determined the framework and environmental objectives of the taxonomy by classifying economic activities that were considered to be sustainable in order to achieve the common goal of reducing carbon emissions between now and 2050.

As a reminder, the taxonomy is intended to serve as a common language for sustainable finance, making it possible to redirect capital flows towards sustainable investments. It involves a unified classification system at EU level that is common to all players in the financial sector, enabling them to determine what is "green" and what is not. It also provides a list of economic activities considered to be environmentally sustainable.

The taxonomy is the fundamental building block in the Commission's action plan, on which other legislation can be based, and in particular the "disclosure regulation", the future European ecolabel for financial products as well as communication between investors and asset managers who market "green" investment products (green share, etc.)

Real estate is one of the eight key priority sectors that have been selected and analysed based on their contribution to GHG emissions in the EU.

ASPIM is currently working on a detailed review of these real estate aspects.

Read the report: **www.ec.europa.eu**

REGULATORY AND TAX *News*

The AMF publishes its summary of SPOT inspections on real estate services

As announced in its 2019 supervision priorities, the AMF published a summary on 27 March of its SPOT 2019 inspections (*Supervision des Pratiques Opérationnelle et Thématique* – operational and thematic supervision of practices) on the conditions under which real estate services are provided, particularly relating to the manner in which outside service providers are selected and monitored. This was, above all, an opportunity for the AMF to remind market participants of the rules that apply in this area and to define the scope of asset management and property management according to the six real estate management companies included in the panel.

The AMF inspections covered the selection and monitoring of real estate service providers, the pricing conditions for real estate services, information for unitholders on the use of real estate services, the management of conflicts of interest and the control system for real estate services.

The report also reports a number of failings, relating in particular to imprecise and non-operational procedures, the provision to unitholders of scant information on the services, or no information at all, a lack of traceability in calls for tender and inadequate traceability of controls relating to the selection of service providers. In an effort to address these failings, the AMF outlines corrective "good" practices in the report, but stipulates, however, that the report is neither a position nor a recommendation.

Read the summary: **www.amf-france.org**

DAC 6: the European authorities agree to a deferral request from industry organisations

In response to a letter co-signed by a large number of European financial sector organisations sent on 20 April 2020 to the European institutions, on 8 May the European Commission proposed that certain deadlines be deferred, including the date for the beginning of the period to report cross-border arrangements (deferred from 1 July 2020 to 1 October 2020), the reporting date for "historic" cross-border agreements (from 31 August to 30 November 2020) and the date of the first exchange of information (from 31 October 2020 to 31 January 2021).

On 3 June, the Permanent Representatives Committee (COREPER) representing the EU Member States reached a political agreement on the proposal. The European Parliament must give its opinion on the proposed deferral by 30 June.

VAT on management fees: publication of legislation listing the funds eligible for an exemption

The decree setting out the list of funds exempt from VAT on management fees was published in France's *Journal Officiel* on 30 April 2020. The list includes real estate and forestry funds "by nature" (SCPIs, "retail" OPCIs and "professional" OPCIs, SEFs (forestry savings schemes) and GFIs (forestry investment groups)) as well as funds with a real estate private equity activity (FCPRs, FPCIs, FPS/SLPs), but does not include AIFs "by object".

A correction appearing in an administrative doctrine (via the official tax bulletin - *BOFIP*) issued on 7 May opens up the possibility of including AIFs "by object" if they are comparable to the UCITS and AIFs listed by the decree. However, these legislative documents still do not clarify how SCPI subscription fees should be treated. ASPIM will continue to press the French tax legislation department to provide a speedy response on an issue that is crucial for its members.

Read the decree: **www.legifrance.gouv.fr**
Consult the official tax bulletin: **www.bofip.impots.gouv.fr**

AML-CFT: ASPIM responds to the AMF consultation on updates to its guidance on tenant due diligence

The AMF consulted ASPIM with a view to updating its "position-recommendation DOC-2019-15 – Guidance on

REGULATORY AND TAX *News*

the risk-based approach to combating money laundering and terrorism financing" published on 29 November, with regard to the transposition of the 5th European Union anti-money laundering directive into the French monetary and financial code. This position-recommendation covers in particular the due diligence that must be carried out regarding the potential tenants of an acquired property.

ASPIM reiterated its interpretation of the legislation, namely, that when it is ancillary to management, leasing does not fall within the scope of AML-FT, as provided for by the Hoguet law. Therefore, only the leasing activity remains subject to AML-FT due diligence if it is carried out alone and in respect of the transaction activity. In this case, the new legislation excludes from the application of the measure leases whose monthly rent is less than or equal to €10,000.

NON-FINANCIAL APPROACHES IN COLLECTIVE INVESTMENT SCHEMES

AMF guidance: information to be provided by collective investment schemes incorporating non-financial approaches

On 11 March 2020, the AMF published its guidance on the information to be provided by undertakings for collective investment that incorporate non-financial approaches. This guidance applies to all asset classes and seeks to modify and regulate asset management companies' disclosure methods when it comes to the consideration of non-financial criteria in order to ensure that the disclosures made to investors remain proportionate to the effective consideration of such criteria so as to avoid the risk of "greenwashing". Accordingly, a fund that wants to make non-financial criteria a core component of its reporting approach for a product must be able to prove the measurable and material nature of its commitment.

Read the guidance: **www.amf-france.org**

Please note that ASPIM contributed to this report regarding the real estate aspect.

Response to the AMF consultation on its third report on non-financial approaches in collective investment schemes

Following the publication of the AMF's guidance, the regulator will soon publish its third report on non-financial approaches in collective investment schemes.

This report will notably provide:
- a review of the market for funds with non-financial approaches;
- a focus on the various asset classes, including real estate funds;
- a focus on climate issues, with information on GHG emissions;
- a focus on Article 173 of the French energy transition act.

As regards real estate, ASPIM has indicated that it agrees with most of the AMF's positions and recommendations and with the AMF's qualification of bad practices, which all appear to be consistent with those already communicated in the AMF's non-financial guidance issued last March.
We also share the AMF's main convictions, which call for more transparency and a more explanatory approach when reporting to investors.

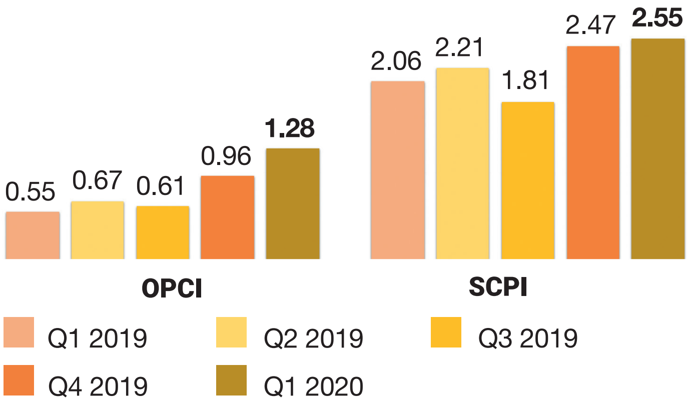
However, we have provided some clarification on the following topics:
- presenting a management company's CSR performance as one of the criteria for "good" governance of a real estate asset;
- checks on data sourced from data providers when such data is emphasised in the fund's purpose or when the asset management company has committed to improve it;
- highlighting non-financial characteristics merely by selecting thematic funds;
- presenting improvement goals for funds developing a best-in-progress approach through an annual review outlining the progress made with such goals and an explanation by the asset management company of whether or not the goals have been reached;
- transparent and detailed disclosures to investors on the methodology and data used to calculate GHG emissions.

FIGURES *News* ASPIM DATA

A very good start to the year for inflows into SCPIs and OPCIs

Growth in inflows into SCPIs and “retail” OPCIs continued in the first quarter, with a year-on-year increase of 47%. While SCPIs predictably accounted for the bulk of inflows (€2.55 billion, up 24% year-on-year), net inflows for OPCIs were particularly vibrant, totalling €1.28 billion (up 131%), marking the second largest quarterly inflows since this savings product was first launched.

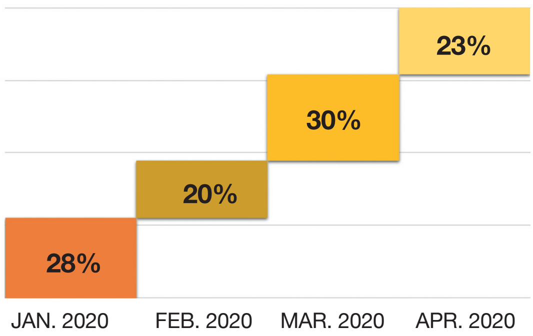
Net inflows in billions of euros



Despite the lockdown measures introduced on 17 March, the pace of inflows showed no signs of slowing until the beginning of April. This was already perceptible in the OPCI market, with net inflows remaining in positive territory at the beginning of the month, but falling by two thirds compared to the end of March.

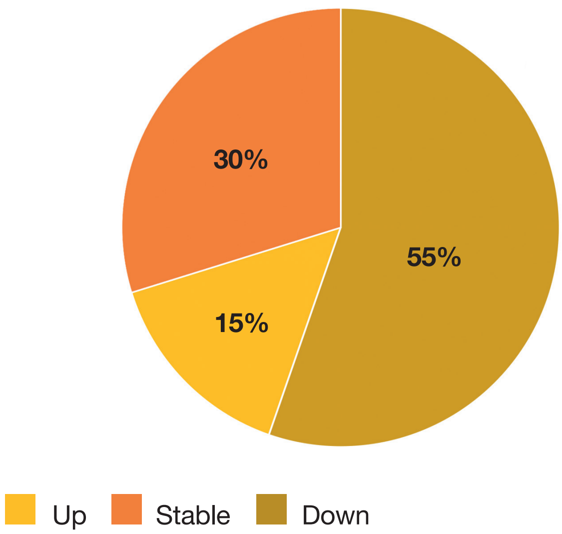
The volume of SCPI unit redemptions remained at a normal level in the first quarter, with a turnover rate even slightly down year-on-year (at 0.41%, compared to 0.46% of the capitalisation for the same period last year). No increase in redemptions was observed in April, which accounts for just 23% of total redemptions so far for the year.

SCPI: breakdown of redemptions from January to April 2020



In the wake of government announcements which affected “non-essential” businesses particularly hard, including those in the hospitality industry, fund managers erred on the side of caution by opting not to distribute the full amount of the first interim dividend for the year.
While the interim dividends paid by 45% of SCPIs did not change or increased, those paid by 55% of SCPIs were lowered on an ad hoc basis.
The interim dividend paid on “yield” SCPIs in the first quarter fell by 7% on average year-on-year.

Year-on-year change in first interim dividends of the year



Source: ASPIM/IEIF

FIGURES *News* SECTOR DATA

Update on the real estate market in the first quarter

French real estate investment recorded 8.4% total return in 2019

Two figures caught our attention in the string of statistics published at the beginning of the year. Firstly, the MSCI France Property index pointed to a total return on real estate investment in France of 8.4% in 2019, up 1.8 point on 2018. This comprised an income return of 4.1% and a capital return of 4.2%.

Logistics and hotels were the best performers, delivering total returns of 16.2% and 13.5% respectively. Residential properties and offices each delivered returns of 8.9%, ahead of healthcare facilities at 8.5%. Retail returns fell by 1.3 point to 2.2%.

Real estate investment climbs to record highs in the first quarter...

Secondly, according to various corporate real estate consultants, investment in commercial real estate in Europe rose by 52% compared to the same period last year. The major markets climbed in the first quarter on a year-on-year basis, with Germany, the UK, France and Spain posting increases in investment volumes of 97%, 33%, 38% and 54% respectively.

According to CBRE: *"The strong performance in Q1 2020 in Europe was driven in part by a lag effect from the previous quarter, with many large deals that were initiated in the latter part of last year, completing at the start of this year. However, correcting for the large platform deals, investment volumes in Q1 2020 were still up 15% compared to the same period last year."*

... although it is expected to fall by 40% in 2020 due to the Covid-19 crisis

According to BNP Paribas Real Estate, the fall-out from the Covid-19 crisis could send investment volumes down sharply in the second and third quarters pending a recovery at the end of the year. For 2020 as a whole, investment in commercial real estate is expected to decline by 40% compared to last year.

IMMODATA *News*

The whole "retail" OPCI market is just a click away!

A new "retail" OPCI application has been added to ASPIM's statistics platform ImmoData. This new application aggregates historical data for the period since 2008 compiled by our Research department for the 20 OPCIs on the market: net asset values, net sales and net assets. Investment management companies can avail of this exclusive service if they are ASPIM members by sending a request to **j.mauffrey@aspim.fr**

EVENT *News*

Covid-19 crisis and ASPIM documentation

To help ASPIM members stay informed in these exceptional circumstances, we have prepared a series of documents and information ranging from position papers to thematic memos and webinars.

These include:

• An overview, updated every week, of the main legislative and regulatory news in the context of the Covid-19 crisis

• **Handling legal and regulatory issues in the Covid-19 crisis,** position paper dated 21 March 2020

• **What impacts has the emergency law of 23 March 2020 passed in response to the Covid-19 epidemic had on annual general meetings for real estate investment funds?,** ASPIM/Gide webinar dated 20 April 2020

• **Summary of AMF SPOT inspections on the outsourcing of real estate services,** ASPIM/Racine webinar dated 21 April 2020

• **What impacts has the emergency law of 23 March 2020 passed in response to the Covid-19 epidemic had on real estate investment?,** ASPIM/LPA-CGR webinar dated 29 April 2020

• **What are the tax consequences of rent suspensions or cancellations by a lessor that is a SPPICAV, a SCPI, a SIIC that is a subsidiary of a SPPICAV or a flow-through SCI subsidiary of a SPPICAV or SCPI in the context of Covid-19?,** ASPIM/PwC memo dated 4 May 2020

• **Loan agreements in a Covid-19 context,** ASPIM/LPA-CGR memo dated 7 May 2020

• **What are the impacts of the public health emergency law on property management companies and their funds?,** ASPIM/PwC webinar dated 15 May 2020

All these publications are available on the ASPIM extranet portal: **www.aspim.fr/en**

Justine Dagorn joins ASPIM as Head of Communications and Member Relations

In these exceptional circumstances, Justine Dagorn has joined the ASPIM team as Head of Communications and Member Relations. Justine holds a master's degree in international affairs from the Sorbonne and a master's in international communication from ISCOM.

She began her career at BNP Paribas Real Estate in 2016, where she was Junior Brand and Business Content Officer, before joining the French fintech company Lydia in 2018 as Head of Marketing and Communication.

We are delighted to have her on the team!

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