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EDITORIAL



“Here you go”

This label entirely dedicated to non-listed real estate funds is on everyone’s lips. And for good reason: for more than three years now, professionals have been working on a proposal that should finally enable the sector to formalise a stringent approach to socially responsible investment.

We know the figures: buildings account for 46% of energy consumption in France, far ahead of transport and industry, and more than a quarter of greenhouse gas emissions. Real estate fund managers therefore have a major role to play in improving the existing stock.

However, the label proposed by the sector goes further as it encompasses strong societal issues such as soft mobility, health, occupant comfort and contribution to local development.

This label also aims to meet the expectations of retail savers who legitimately expect to be able to invest in high-performance products with a positive impact.

Lastly, it aims to give economic actors the means to respond to orders issued by public authorities. For example, the PACTE Act introduced an obligation for insurers to offer at least one SRI-labelled unit of account in all life insurance contracts from 1 January 2020.

At the European level, the Commission has announced its deter-

mination to create labels to guide investors to assets that promote ecological transition.

It is now urgent for professionals to be able to implement a formalised SRI approach. With the proposed standard, France has the opportunity to assert its leadership and set a new standard in Europe. Provided, of course, that the implementing decrees are published in the near future.

“Here you go”, as our British friends say, the proposal for a benchmark is ready. And so are the fund managers.

VÉRONIQUE DONNADIEU
ASPIM General Delegate

The economic impact of real estate fund investment in the regions: ASPIM in Nantes



Still with the same objective of raising awareness among local political leaders and officials about the economic contribution made by unlisted real estate funds in their regions, after Lyon, Lille and Marseille, an ASPIM delegation went to Nantes that on 21 January to meet Pascal Pras, Vice-President of the Nantes metropolitan area, in charge of urban planning, land and housing.

The Nantes metropolitan area is the sixth largest investment destination in the region for 21 ASPIM member portfolio management companies (PMCs), with more than 600,000 m² under management, 100,000 m² of office space, an annual investment volume of €67 million and real estate assets under management of more than €1.6 billion.

Real estate funds' activity creates significant spin-offs for the local economy, with 22,400 jobs located in the assets under management, i.e. 6.5% of salaried jobs in the Nantes metropolitan area and €138 million in acquisitions per year (annual average over 2008-2019).

Another ASPIM visit is planned for the near future, this time to Bordeaux.

ASPIM's response to the AMF's consultation on its non-financial doctrine

On 8 January 2020, ASPIM responded to the AMF's consultation on its draft doctrine on information to be provided by collective investment schemes incorporating non-financial approaches.

ASPIM indicated that it is in line with the regulator's approach on limiting the possibility of making non-financial criteria a key element of product communication to only those funds capable of demonstrating a restrictive and significant approach, while leaving the possibility for other funds to communicate in a brief and concise manner about their non-financial approach. The aim here is to limit the risks of greenwashing.

In addition, the "restrictive" and "significant" nature of the approach appears to be a good minimum standard.

In addition, ASPIM supports the need for consistency between the various sources of information available, which the AMF emphasises in its draft doctrine, with the aim of boosting investor confidence.

It should be noted that although this doctrine aims to cover all asset classes, it mainly refers to the vocabulary of securities and seems difficult to apply, in its present form, to the specific case of real estate.

Thus, although a forthcoming report is due to be published by the AMF in the first quarter of 2020, with a particular focus on the inclusion of non-financial criteria in real estate, ASPIM recommends, for greater clarity and simplicity, that this doctrine be applied specifically to real estate in line with the real estate version of the future real estate SRI label.

PRIIP KID: ASPIM's response to the ESAs consultation

On 13 January 2020, ASPIM responded to the consultation paper on changes to the technical standards (RTS) applicable to the key information document (KID) for packaged retail and insurance-based investment products (PRIIPs) published by the European Supervisory Authorities (ESAs).

This response focused mainly on three proposals from the consultation:

- Regarding performance scenarios, ASPIM supports the new methodology which presents more realistic scenarios and is more appropriate for launching new products without historical data;
- Regarding past performance, ASPIM supports the inclusion of related information; and
- On the presentation of costs, ASPIM reiterated its position regarding the non-disclosure of real estate fees; disclosure should be limited to a display of the fund's management costs.

Changes to the RTS are planned for the first quarter of 2020, with effective implementation in early 2021.

See ASPIM's response at: www.esma.europa.eu

The ImmoData platform accessible on the extranet for members

An initial version of the ImmoData statistical platform has been available to members on the ASPIM extranet since 20 November 2019. This first version offers two applications, one relating to statistics on the SCPI market, the other to the Paris region office market.

As a reminder, the creation of an SCPI application is accompanied by partial automation of data feedback (41% of data collected) thanks to a development from SOPRA STERIA, managed by ASPIM.

To access ImmoData, go to your member area: www.extranet.aspim.fr/en

AMF questionnaire on the monitoring of management companies' climate commitments

In late February, the AMF sent all French asset management companies a survey questionnaire to identify the main features of the climate commitments made by financial market entities.

This questionnaire was sent as part of a joint effort with the French Prudential Control Authority (ACPR) to monitor financial players' climate commitments.



The AMF's supervisory priorities for 2020

On 18 January 2020, the AMF published its supervisory priorities for 2020. It should be noted that, unlike in 2019, there are no themes specifically related to real estate.

The thematic priorities are broken down into three groups:

- Portfolio management;
- Other market intermediary activities carried out by investment services providers;
- Marketing of financial instruments.

On the management side, the regulator's priorities will be the delegation of permanent control (mainly for small asset management companies that delegate to specialised control firms), cybersecurity (control of the process for collecting and managing cybersecurity incidents and critical IT service providers) and AML-TF (following the updating of AMF doctrine and in anticipation of the transposition of the fifth Directive).

On the marketing side, a SPOT control campaign will be conducted among distributors on their MiFID 2 obligations in terms of determining a target market and distribution strategy, as well as on the application of requirements for assessing the suitability of a financial instrument for a customer's particular situation.

The publication of these thematic priorities highlights some of the risk areas identified by the AMF and encourages regulated players to examine some of their practices more closely with regard to current professional obligations.

See the presentation document at: www.amf-france.org

Anti-money laundering: sectoral risk analysis and transposition of the fifth directive

On 30 December 2019, the AMF published the sectoral analysis of money laundering and terrorism threats (AML-TF). The purpose of the analysis is to provide a breakdown for the asset management industry of the national analysis published on 20 September 2019 by the Advisory Board for the Fight Against Money Laundering and Terrorist Financing (COLB).

With regard to real estate investment, the analysis shows that it is subject to an intrinsic vulnerability that presents potentially high risks for reasons linked in particular to fund structures, holding structures and the investor-client profile.

The analysis also determines the mitigation measures taken by the public authorities to determine the residual vulnerability, such as dual supervision of management companies (AMF and DGCCRF) and of real estate assets valued by an independent expert. Given this strong regulatory framework for the sector and the efforts made by all professionals, the residual vulnerability is considered moderate. In terms of risk rating, the analysis concludes that there is a moderate level of risk for the real estate sector.

Consult the sectoral analysis on: www.amf-france.org

Furthermore, the texts transposing the fifth AML-TF directive were published on 13 February. They amend paragraph 8 of Article L. 561-2 of the French Monetary and Financial Code applicable to the leasing activity regime.

The Association's interpretation is 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 text excludes from the application of the measure leases whose monthly rent is less than or equal to €10,000.

REGULATORY AND TAX *News*

The AML working group will meet in the near future to propose to the AMF an update of its doctrine on this subject (see p. 9 of the Position - Recommendation DOC-2019-15).

Order: www.legifrance.gouv.fr

Decree in Council of State: www.legifrance.gouv.fr

Simple decree: www.legifrance.gouv.fr

Tertiary decree draft

Decree no. 2019-771 of 23 July 2019, known as the “tertiary decree”, aims to specify the terms of application of Article 175 of the ELAN Act as regards the conditions for implementing the reduction of energy consumption that tertiary buildings will have to achieve in 2030, 2040 and 2050.

Although it entered into force on 1 October 2019, its technical implementing rules will have to be laid down in a three-stage ministerial decree, the draft of which has been put out to consultation:

www.consultations-publiques.developpement-durable.gouv.fr

The first stage deals with methodological issues relating to the implementation of the provisions set out in the decree, such as the method for calculating the final energy consumption reduction targets that tertiary buildings will have to achieve.

The second stage is the publication of an amending decree, scheduled for April-May 2020, which will supplement the provisions of the decree relating to the definition of the final energy consumption levels expressed in absolute value for each category of activity and according to geographical areas in mainland France.

The third stage will be the publication of a second amending decree, scheduled for June-July 2020, which will complete the definition of final energy consumption levels expressed in absolute terms for the overseas territories.

Reform of the VAT regime applicable to management fees: response from ASPIM to the Bercy consultation

In order to bring French legislation into line with European law and case law, the Finance Act for 2020, by amending Article 261 C-1^o-f of the French General Tax Code, extended the VAT exemption provided for the management of UCITS to the management of funds with similar characteristics, including real estate AIFs.

In its response to the consultation of the Tax Legislation Department, on 28 February 2020, ASPIM requested that the draft decree listing the “optable” funds include AIFs “by purpose” and that the draft BOFIP should provide that SCPI subscription fees benefit from the same exemption regime as mutual funds and SICAVs.

In addition, ASPIM asked Bercy to ensure that this new regime should not apply from the publication of the Finance Act, but postponed to that of the decree and the BOFIP so that management companies can update the legal documentation of their funds.

DAC 6: Paris Europlace letter

Faced with the difficulties encountered by Paris financial marketplace participants in the operational implementation of the DAC 6 directive (relating to the mandatory exchange of information in the tax field in connection with cross-border arrangements), Paris Europlace - of which ASPIM is a member - on 21 February sent a letter to Gérald Darmanin, Minister for Public Action and Accounts, asking him to establish an observation period without penalty for the first declarations filed in 2020.

Indeed, an overly rapid adoption of the directive, without consultation with the stakeholders concerned and followed by a flawed transposition text, has so far made it extremely difficult to implement it within the time allowed because of a large number of interpretation difficulties.

FIGURES *News*

SCPI et OPCV in 2019: rising risk premiums and record inflows

2019 ended on a very favourable note for real estate investment funds aimed at retail clients. Despite record inflows that could have contributed to a continued erosion of yields, “retail” SCPIs and OPCVs posted higher annual returns. This was an exception in a year marked by a significant fall in the risk-free borrowing rate (10-year French OAT yield). At the end of 2019, risk premiums for “retail” SCPIs and OPCVs were at their highest level: +548bp over the 10-year OAT for the overall performance of SCPIs (including VPM) and +528bp for the overall performance of “retail” OPCVs.

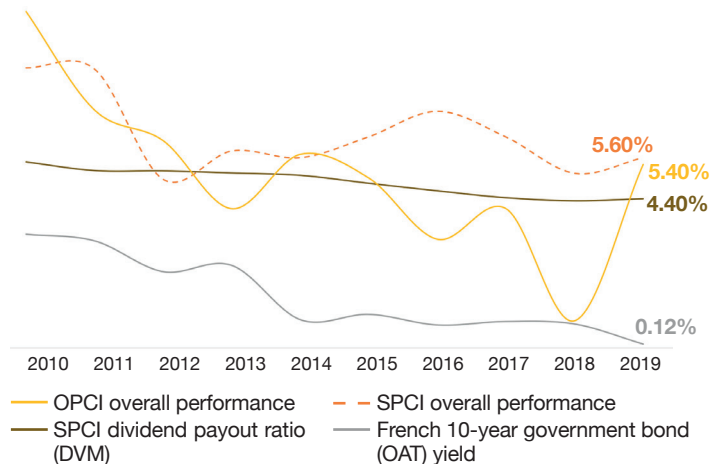
Inflows to the two main collective real estate investment vehicles were a record €11.4bn in 2019, mainly driven by the momentum of SCPIs (€8.6bn in net inflows). This trend can be explained by the political context in France, where the debate on the pension system is helping to raise awareness among French people of the need to build up additional retirement income through savings. Savers are therefore attracted by the return/risk ratio and the long-term horizon of SCPIs.

SCPIs were also very active in the investment market, both in terms of acquisitions (€9.2bn, up 48% compared with 2018) and disposals. The amount of disposals doubled compared with 2018, from €0.85bn to €1.7bn. Arbitrated assets are mainly offices in the Paris region.

In terms of investments, SCPIs primarily targeted offices (63%), followed by shops (12%), health (10%), hotels (4%) and logistics (4%). While office acquisitions are mainly located in the Paris region, the other asset classes are mainly located abroad, with the sole exception of logistics, which is mainly located in the regions.

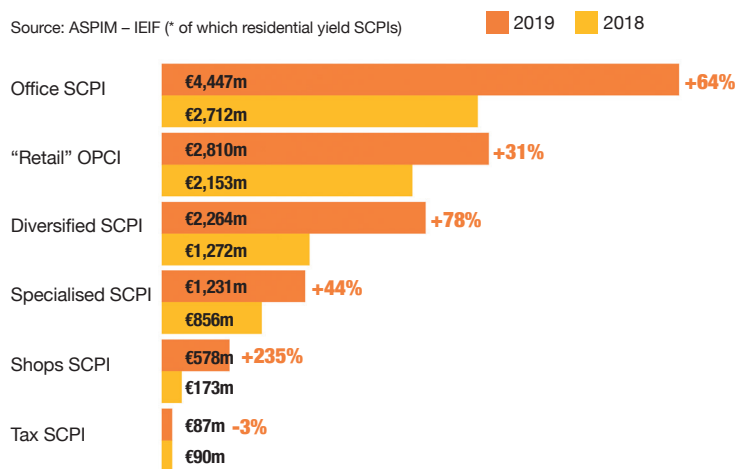
Overall performance

Source: ASPIM based on IEIF and Banque de France



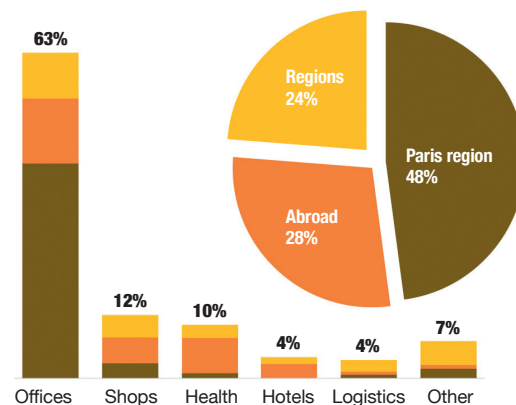
Net inflows of “retail” SCPIs and OPCVs in 2019: €11.4bn

Source: ASPIM – IEIF (* of which residential yield SCPIs)



SCPI acquisitions in 2019: €9.2bn

Source: IEIF



FIGURES *News*

2019 overview of commercial real estate investment in Europe and France

In Europe

Investment in Europe in 2019		
Typology	%*	€bn
Offices	47	131.8
Shops	15	42.5
Industry and logistics	13	37.8
Hotels	8	23.5
Other services	16	45.3
Total	100	280.9

Source: BNP Paribas RE

* The total has been rounded.

2019 was a record year for the European real estate market with €281bn invested, i.e. 3% more than in 2018. Investment volumes reached record levels in Germany, France, Spain and Italy in particular.

Germany became the leading European market with €73.4bn invested, up 19% compared with 2018, ahead of the United Kingdom (€59.9bn), which recorded a significant decline (-19%) due to uncertainties related to the terms of exit from the European Union. France, in third place, reached an all-time high with €41.5bn invested in 2019: +19% compared to the previous record in 2018.

In France

Investment in France in 2019			
Typology	%	€bn*	Change 2018-2019
Offices	61	25.3	+8%
Shops	15	6.2	+38%
Logistics	15	6.3	+50%
Services	9	3.6	+57%
Total	100	41.5	+19%

Source: BNP Paribas RE

* The total has been rounded.

With €25.23bn and an 8% increase over 2018, the office sector is the majority investment sector in France, corresponding to 61% of French investment in 2019.

Logistics has undergone significant development, with a 50% increase compared to 2018, reaching €6.3bn and corresponding to 15% of investment in 2019.

Shops (+38%) have the same weight in investment in France as logistics with €6.2bn invested.

Lastly, service residences (senior citizens and students) posted the greatest increase, i.e. 57% more than in 2018, even though they remain a minority in French investment with €3.6bn, i.e. 9% of total French real estate investment.

The Paris region remains the main market with €29.5bn invested. Investment in the regions also reached record levels with €12bn, 40% more than in 2018. Among the most dynamic metropolises, Lyon tops the list with €2.7bn, followed by Lille with €849m and Toulouse with €526m.

EUROPEAN *News*

EREF: meeting of 18 February 2020

The European Real Estate Forum held a meeting in Brussels on 18 February 2020. The EREF is an informal association that brings together various organisations, including ASPIM, involved in the European real estate investment sector.

Jennifer Johnson, Deputy Secretary General of the European Mortgage Federation, gave a presentation on the Energy Efficient Mortgage Initiative (EEMCI), a market initiative for bank financing of investment in energy-efficient buildings.

The meeting also provided an opportunity to take stock of the future revisions of the IAMF and Solvency II directives.



EVENT *News*

Wishes for 2020 from ASPIM, AFG and France Invest

On 15 January 2020, at the Automobile Club de France, ASPIM, France Invest and AFG presented their wishes for the new year. This event is a special opportunity for our sector to interact with its counterparts in the management and private equity sectors, as well as representatives of the market authorities, who were particularly present this year.

Departure of Christophe Kacy

Christophe Kacy, who has been in charge of communication for eleven years at the Association, left his position last January. We wish him all the best in his career.

New members

At the start of 2020, ASPIM is pleased to announce the arrival of three new members. We now have two new portfolio management companies, Ensof Capital and Altixia Reim, as well as a new corresponding expert, the law firm Racine.

