



## First quarter 2018: new strategic achievements, new acceleration of rental growth

26 April 2018

### Sustained investment dynamic in major European cities

- Acceleration of developments in Milan: launch of The Sign, with 26,500 m<sup>2</sup> of office space, 35% pre-let
- Growth of the development pipeline in Paris: asset rotation in Paris CBD
- New reinforcement in Germany Residential with €195 million of acquisitions in Berlin, Dresden and Hamburg

### Good rental performance in Q1 2018, across all activities

- Positive trends on all our markets
- Revenues Group Share: up 3.0% to €139 million at a like-for-like scope
- Offices: acceleration in France and Italy with increases of 2.5% and 1.5% at a like-for-like scope
- Germany Residential: strong growth of 5.1% at a like-for-like scope, of which 6.2% in Berlin
- Hotels in Europe: up 3.0% at a like-for-like scope, boosted by a 5.0% increase in variable rental income

### Contemplated merger with Beni Stabili: a major step forward in European strategy and Group simplification

- Reinforcement in major European cities: €1.7 billion increase in assets, mainly in Milan
- Growth of the development pipeline: full consolidation of projects amounting to €690 million in Milan
- Enrichment of client-centricity: expansion of Wellio in Milan, opening of a Meininger hotel
- Accretive impacts of around +1% on EPRA Earnings and NAV per share, and improved capital market profile

## A portfolio of €21 billion, centred on major European cities

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Foncière des Régions holds a portfolio of €21 billion (€13 billion Group Share) centred on large European cities, in particular Paris, Berlin and Milan (62% of the portfolio). With a view to continually strengthening its relationship with its clients, Foncière des Régions relies on a strong long-term partnership strategy with the regions and users (Suez, Thales, Dassault Systèmes, Orange, EDF, Vinci, Eiffage, AccorHotels, Telecom Italia...). As an investor and developer working through all the real estate value chain, the Group can rely on a European development pipeline of €5.1 billion to maintain its growth.

## Sustained investment dynamic in major European cities

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### *Acceleration of developments in Milan*

The first quarter of 2018 was marked by an acceleration of the development pipeline in Italy with the launch of The Sign, offering 26,500 m<sup>2</sup> of office space located via Schievano, in the southwest of Milan. This project represents a total investment of €105 million, with an attractive yield of over 7%.

As a tribute to the quality of the partnerships established by Foncière des Régions, the project's first building – offering 9,500 m<sup>2</sup> of office space – is already pre-let for 12 years firm to AON, a longstanding client. AON, the leading global provider of risk management, had already set up its French headquarters in a building developed by Foncière des Régions in Paris. It has now renewed its trust in the Group's know-how by installing its new Italian headquarters at The Sign in Milan.

### *Growth of the development pipeline in Paris: asset rotation in Paris CBD*

During the first quarter, Foncière des Régions completed an asset swap with an institutional investor, thereby strengthening its presence in Paris' Central Business District, crystallising the creation of value on mature assets, and reinforcing its future sources of growth.

The Group sold its two Paris assets located at 10 and 30 avenue Kléber (16<sup>th</sup> arrondissement) totalling 4,800 m<sup>2</sup>, for €104 million (€21,600 per m<sup>2</sup>) and a 3.3% yield. Foncière des Régions will remain as a tenant with a 3-year renewable lease.

At the same time, the Group purchased, from the same investor, a building of 8,500 m<sup>2</sup> located rue Jean Goujon (8<sup>th</sup> arrondissement of Paris), for €134 million (€15,800 per m<sup>2</sup>). At end-2018, upon expiry of the lease with the current tenant, a full redevelopment programme will be launched by Foncière des Régions in the building, showcasing all of the Company's real estate expertise. The Group is considering regrouping all its Paris teams there after the completion of the refurbishment.

### *Further strategic reinforcement in Germany Residential*

Foncière des Régions pushed ahead with its Germany Residential investment strategy, with acquisitions totalling €195 million, mainly in Berlin, Dresden and Hamburg. These investments were carried out at an average price of €2,330 per m<sup>2</sup> with a 4.3% yield in two years after the re-letting of vacant premises (~8% vacancy). The assets' high rent reversion potential (over 30%) boosts the Group's organic growth prospects.

## Launch of Wellio, Foncière des Régions' flexible space brand

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As a partner in company transformations, Foncière des Régions has broadened its offer through the launch, last March, of its flexible space brand: Wellio ([wellio.fr](http://wellio.fr)).

The boom in coworking spaces testifies to the need for work spaces that adapt to new company requirements. With its detailed knowledge of key accounts and its expertise throughout the real estate value chain, Foncière des Régions offers a unique solution suited to the new expectations of companies.

Wellio adjusts to all company growth phases. Available to large groups and SMEs, start-ups, entrepreneurs and independent workers, Wellio enables these different profiles to come together around a shared ambition: working differently, in a stimulating environment.



The first Paris site – The Line – located in the 8th arrondissement, was inaugurated in March 2018. It will be followed by Art&Co in June, opposite the Gare de Lyon train station. By 2022, the Wellio network will offer its customers some 70,000 m<sup>2</sup> of coworking space in Europe.

## Good rental performance in Q1 2018, across all activities

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### *Positive trends on all Group markets*

Foncière des Régions continues to enjoy favourable conditions on its European markets<sup>1</sup>:

- > for Offices, the good trends of 2017 are continuing in both Paris and Milan. Take-up is continuing to grow in Paris (+13% compared to the first quarter of 2017) and has remained high in Milan (+50% compared to the ten-year average). The appetite for new or restructured assets remains consistent and is pushing up prime rents (+2% in Paris and +6% in Milan compared to end-2017);
- > in Germany Residential, the imbalance between supply and demand is continuing and the market remains dynamic. Rents are continuing to rise in Berlin (€9.8 per m<sup>2</sup> at end-2017, +9% compared to 2016) as well as housing prices (€3,700 per m<sup>2</sup> at end-2017, +13% compared to 2016);
- > the European hotel market is booming. In the first quarter of 2018, RevPar increased by 4.4% on average in Europe, driven in particular by the performance of the French market (+6.3% YTD).

### *3% increase in revenues at a like-for-like scope*

At end-March 2018, revenues increased by 3.0% at a like-for-like scope for strategic activities, with a faster growth rate than in 2017 (+2.1%) in all asset classes:

- > For France Offices, rental income rose by 2.5%, after a 1.0% rise in 2017, boosted by an improvement in the occupancy rate (+2.5 pts compared to 31 March 2017). Growth reached 2.9% in Paris and 6.2% in the major regional cities.
- > In Italy, office rental income rose by 1.5%, in particular in Milan, with a 2.2% growth in offices excluding Telecom Italia. The Group benefits from an occupancy rate now standing at 95.3% for offices excluding Telecom Italia, versus 91.5% a year ago.

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<sup>1</sup> Sources: C&W, Berlin Hyp, STR

- > In Germany Residential, the rental income organic growth accelerated, reaching 5.1% at end-March 2018, versus +4.2% in 2017. The Group is benefitting from its investment policy focused on Berlin, with performance of +6.2% on a like-for-like scope. 53% of the growth in rental income stems from the indexing of rents (favourable effect of the update of the reference index – the Mietspiegel – in May 2017), while 43% of the growth comes from the rise in rents upon re-letting.
- > Hotels also posted good rental performance of +3.0% on a like-for-like scope, of which +5.0% for rents indexed to hotel revenues (AccorHotels) and +3.6% in Spain, where the Group invested at the end of 2016.

Q1 2018 - €million	Rental income 100%	Rental income Group Share	Change	Change on like-for-like basis	Occupancy rate	Firm lease maturity (in years)
<b>Offices - France</b>	68	61	-0.2%	+2.5%	97.5%	4.8
<b>Offices - Italy</b>	48	20	-17.0%	+1.5%	96.9%	7.1
<i>of which Offices excl. Telecom Italia</i>	23	12	+7.9%	+1.8%	95.3%	4.2
<i>of which Offices Telecom Italia</i>	25	8	-39.9%	+1.1%	100.0%	12.7
<b>Residential Germany</b>	60	38	+10.6%	+5.1%	97.9%	n.a.
<b>Hotels in Europe</b>	-	-	-	-	-	-
<i>Lease properties</i>	45	16	-4.1%	+3.0%	100%	10.9
<i>Operating properties</i>	9	4	+77.8%	+2.4%	n.a.	n.a.
<b>Strategic activities</b>	<b>230</b>	<b>139</b>	<b>-0.9%</b>	<b>+3.0%</b>	<b>97.8%</b>	<b>6.2</b>
Non-strategic (French Resi., Retail France & Italy)	14	7	-17.7%	-2.3%	94.8%	5.6
<b>Total</b>	<b>243</b>	<b>146</b>	<b>-2.0%</b>	<b>+2.8%</b>	<b>97.7%</b>	<b>6.2</b>

## Contemplated merger with Beni Stabili: a major step forward in European strategy and Group simplification

On 20 April 2018 ([link to the dedicated press release](#)) Foncière des Régions and Beni Stabili – its 52.4%-owned subsidiary and leading office REIT in Milan – announced the start of discussions regarding a potential business combination. The exchange ratio proposed by Foncière des Régions is 8.5 Foncière des Régions shares to 1,000 Beni Stabili shares (ex-2017 dividend distribution). Depending on the status of discussions, the contemplated merger could be completed by the end of 2018.

The merger would be in direct continuation with Beni Stabili's transformation plan initiated two years ago, and further reinforce Foncière des Régions investment strategy in Italy. It would constitute a new step towards Group simplification and would increase ties between its different divisions. Foncière des Régions will enhance its position as a leading Pan-European integrated real estate player, by further strengthening its three strategic pillars:

- > **Focus on large European capital cities:** with an additional €1.7 Bn Group Share portfolio mainly located in Milan, Foncière des Régions portfolio would reach c. €15 Bn<sup>2</sup> Group Share (€21 Bn at 100%). The Group would increase its exposure to prime office in Milan, supported by rental market regained momentum, especially on new buildings.
- > **Property developer:** capitalizing on the success of its development projects and on its €690 M pipeline in Milan as of year-end 2017, the group intends to further intensify the current dynamic. More than 5 new development projects are expected to be launched in 2018-2019, representing 55,000 m<sup>2</sup> and €275 M of capex,

<sup>2</sup> Estimated at mid-year 2018, including secured investments and disposals in H1 2018

- > **Client centric:** while the synergies between Foncière des Régions products and activities (Offices, Hotels, Residential) are stronger than ever, the merger would help to integrate the teams and share know-how to best serve its clients. To this extent, Wellio, the new co-working offer will be rolled-out in Milan by 2019, while Italy is also a target for expansion of the Group' hotel business, in particular with the upcoming opening of the Meininger Hotel in Milan.

On the basis of the proposed merger terms and taking into account estimated synergies of c. €5 M, the merger would have a slightly accretive impact of c. +1% on EPRA Earnings and NAV per share. No material impact is expected on Foncière des Régions financial structure which would remain solid.

Through the merger, Foncière des Régions market capitalization would increase by c. €700 M to reach over €7 Bn<sup>3</sup>, while the company's free float would increase by €500 M<sup>3</sup> to c. €4 Bn<sup>3</sup>.

#### *A new milestone for Foncière des Régions*

In addition to simplifying the group structure, this transaction is a new step forward in Foncière des Régions European strategy. In order to fully reflect its Pan-European footprint and be gathered under the same banner, Foncière des Régions will adopt a new name before summer and will deploy a new brand in the various countries where it operates.

The unveiling of the new European identity will take place on 29 May 2018.

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

The presentation concerning the conference-call will be available  
on the Foncière des Régions website: [www.foncieredesregions.fr/finance](http://www.foncieredesregions.fr/finance)

#### **Financial calendar:**

2018 half-year results: 19 July 2018

Capital Markets Day in Milan: 18 October 2018

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<sup>3</sup> Based on (i) share price as of 19/04/2018 (FDR: €88.30, Beni Stabili: €0.730), (ii) acquisition on the market of Beni Stabili shares by FDR before the completion to reach 60% of Beni Stabili share capital, and (iii) 100% straight merger

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## Shareholders 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.

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

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