

CURRENT TRENDS IN FRANCE

Number of second-hand sales ¹	↓
Number of new sales ¹	↓
Price of second-hand housing ²	↓
Price of new housing ³	↓
Rents ¹	=
Constructions ²	↓
Available supply of new housing ¹	↑
Investments	↓

¹ Annual trends compared to 2007
² Annual trends compared to Q1 2008
³ Annual trends compared to Q4 2007

TRENDS FOR THE MONTHS AHEAD IN FRANCE

Number of second-hand sales	↓
Number of new sales	↓
Price of second-hand housing	↓
Price of new housing	↓
Rents	=
Constructions	↓
Available supply of new housing	↑

ECONOMIC CONTEXT

Like many economic powers worldwide, **France will go through a recession in 2009.** Economic activity took yet another substantial downturn in the 1st quarter and will probably fall further in the 2nd. The business **climate in industry and for goods and services is at a historically low level.** Tight cash flows and unavailable credit mean investment plans have collapsed. Unsurprisingly, **the fall in business activity**, poor financial situations and a rise in bankruptcies have **hit the job market.** At the end of March, the year-on-year increase in the number of job seekers had risen by 22%.

HOMEOWNER SALES

New housing

Housing construction falls further

In **2008, 426,100 planning permits were issued in France, which is a year-on-year fall of 18%** and brings the number of housing developments down to the **levels seen in 2004.** Since the start of 2009, the fall in housing construction has continued. Some **94,200 permits were granted in the 1st quarter 2009, 17% fewer** than in 1st quarter 2008.

Meanwhile there was a 30% drop in the number of new construction sites from 1st quarter 2008 to 2009, with 61,900 schemes. In 2008, the fall was

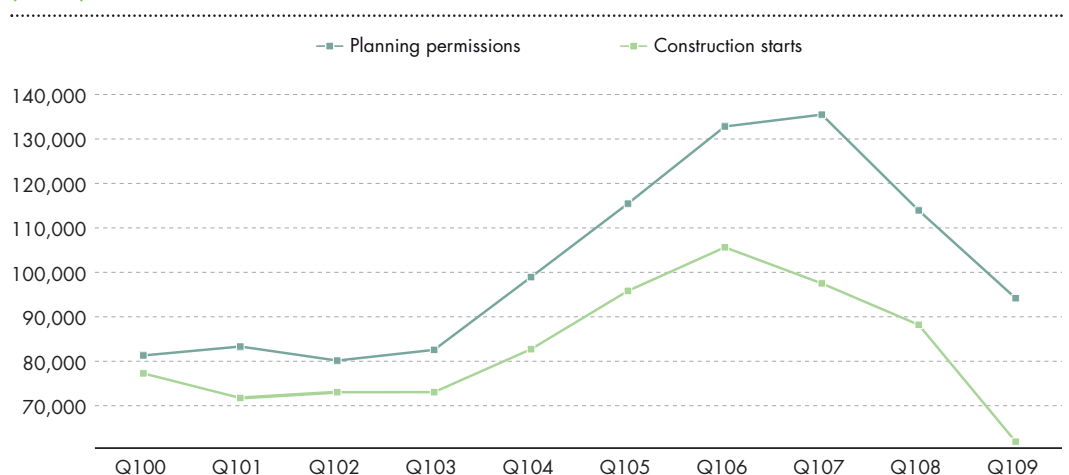
According to the research organisation OFCE the unemployment rate could be close to 10% at the end of the year. **The sharp decline in the inflation rate is probably the only positive sign in the economy.** Low inflation should prevent a slump in consumer spending this year. Already, consumer spending on manufactured goods rose by 1.1% in March. Finally, as in 2008, **foreign trade will continue to adversely affect the French economy.** The combined outcome of these factors leads forecasters to believe that GDP in France will fall by 2% in 2009.

approximately 16%, for 350,900 units in total.

Consequently, while in 2007 housing construction rose to an exceptional high, albeit below the government's target, it **decelerated sharply in 2008 and will probably do likewise in 2009.** According to forecasts by Michel Mouillart¹, **the decline in the number of new developments starting from 2007 to 2009 could be greater than the decline seen in a four-year period during the last property downturn, 1989-1993.**

Planning permissions and construction starts of standard housing in France

(in number)



Source: MEEDDAT SG/DAEI/SESP: SITADEL

¹ Professor in economics at University Paris X - Nanterre

Historic fall in the sale of new housing

The sharp fall in the **sale of new housing** in France that has been going on for a year (due to the credit crunch, rising interest rates and the hesitancy of buyers) got steeper at the end of 2008. **The number of sales for 4th quarter 2008 was 48% lower than in 4th quarter 2007**, with only **15,000 homes being sold in the final quarter**. For the year as a whole, **79,400 homes were sold in 2008, a 38% drop in 2007's results**. This is the **most dramatic market change seen for twenty years**.

Developers and constructors are quite understandably adapting their output to the economic situation and are undertaking fewer development schemes, which is leading to a sharp **decline in the number of homes being put on the market (15,200 homes in 4th quarter 2008, or a 57% drop in a year)**. For the year as a whole, **some 93,000 homes were put on the market, 37% less than in 2007**. Again this is the largest variation ever recorded.

The supply of **new homes on the market at the end of 2008 was 8% higher than at the end of 2007 (110,900 units)**. It is the first time since 2004 that annual growth was below 10%. It is also worth noting that **the volume dropped 2% in one quarter**. The slowdown in the build-up of supply is the result of an automatic market adjustment: the number of new schemes being put on the market and buyers pulling out of acquisitions is lower than the number of actual sales and schemes being taken off the market. **The marketing period for new housing grew steadily longer in 4th quarter 2008 to stand at 21.4 months**, which is 3.4 months longer than the preceding quarter.

Visible adjustments in the price of new apartments

In **4th quarter 2008, the average price for new apartments in France showed an annual fall of 0.2% to €3,314/sq. m**. This is the first fall recorded since 4th quarter 2000.

Second-hand housing

Drop in transactions

In **Ile-de-France, the sale of second-hand apartments fell by 16.5% in 2008**. Sales dropped by 19% in Paris, by 15% in the Inner Rim and by 16% in the Outer Rim².

According to the *Chambre des Notaires* in 2008, **667,000 transactions took place on second-hand housing in France, 17% fewer than in 2007** when they totalled 802,000 transactions.

Prices for second-hand housing falling

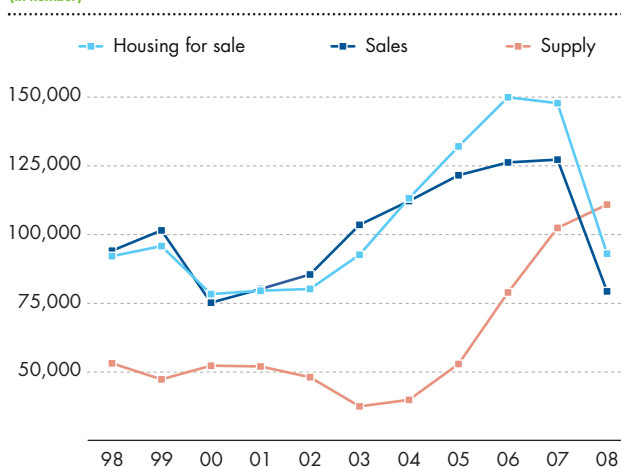
In 1st quarter 2009, for the 2nd quarter running, there was **an annual decline in the price for second-hand housing** in France. It was house prices that fell the most – down 11.2% from 1st quarter 2008 to 1st quarter 2009. For apartments, there was an annual drop of 8.4% to €2,852/sq. m (a quarterly fall of 0.4%). **Owners have now accepted that if they wish to sell, they have to lower their expectations**.

Various forecasts have been made for 2009, which predict a fall in the price of second-hand housing in a range of 10% to 20% on average. This fall will vary depending on location. **Well located properties in the centre of large cities and those with no inherent defects will not be affected or only slightly so**.

² Source: Base BIEN, Notaires Paris - Ile-de-France

Sales, housing for sale and supply of new housing in France

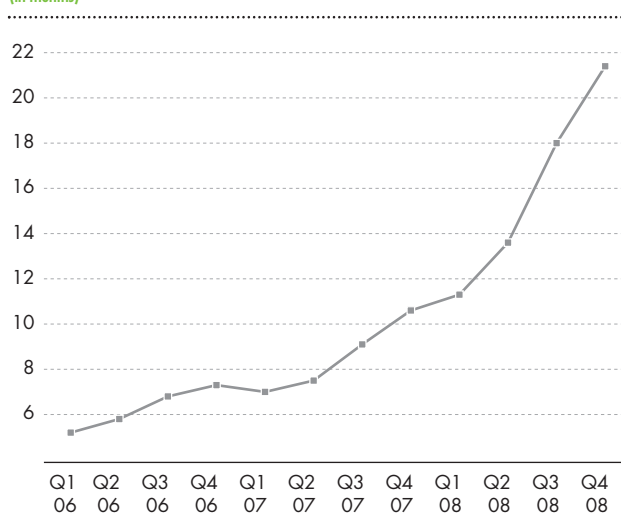
(in number)



Source: MEEDDAT/SESP: SOeS, ECLN

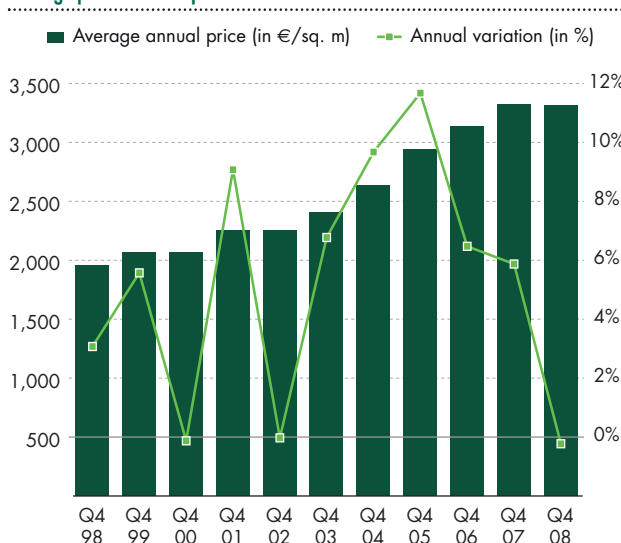
Selling period for new apartments in France

(in months)



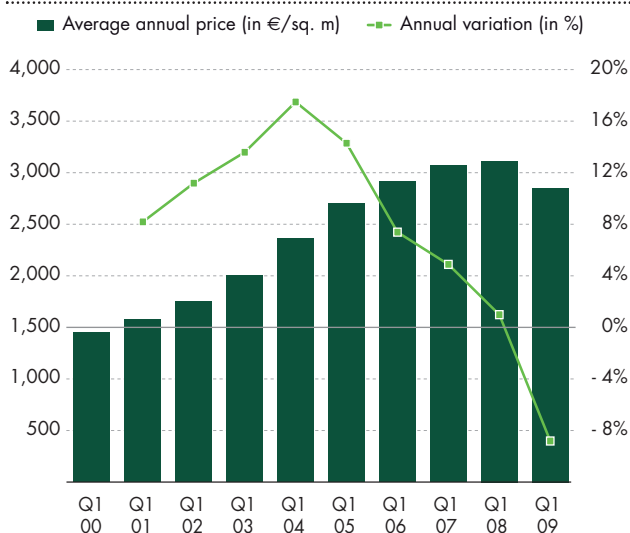
Source: MEEDDAT/SESP: SOeS, ECLN

Average prices of new apartments in France



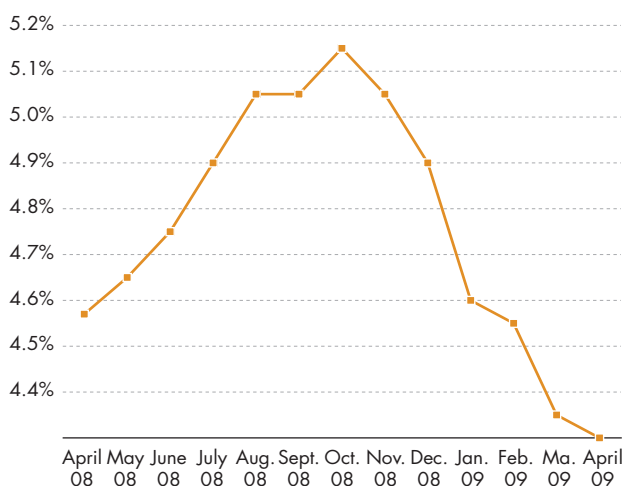
Source: MEEDDAT/SESP: SOeS, ECLN

Average prices of second-hand apartments in France



Source: FNAIM

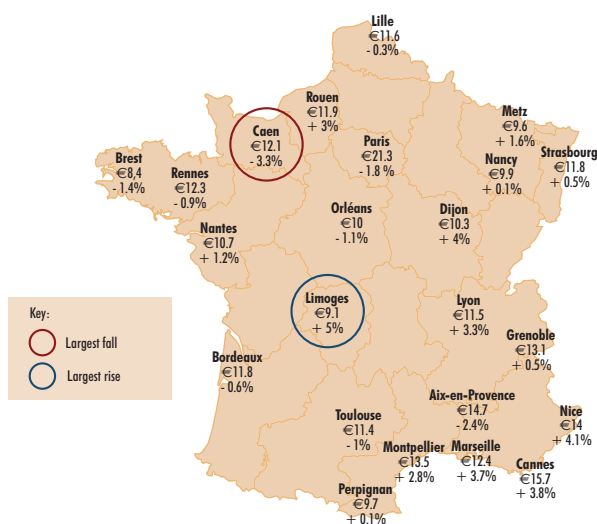
Changes in 20-year borrowing rates for a first-rate mortgage application



Source: Meilleurtaux.com

Average rents for new leases on second-hand apartments in France in February 2009

(in €/sq. m, year-on-year variation)



Source: Clameur

Credit

In **October 2008**, for the first time in many years the **European Central Bank reduced the official market rate to 3.75%**. Thereafter the rate was repeatedly cut so that in **May 2009 it stood at an all-time low of 1%**. These reductions coupled with efforts by banks to stimulate the market have generated **reductions in mortgage rates since October 2008**. Rates fell by 85 base points in 6 months to average at **4.3% in April 2009** (for an excellent application and 20-year repayment period). In parallel the average **repayment period for mortgages shortened** by 8 months in 2008, to settle at an average 2009 of approximately **18 years in April**³. As a result of these new lending conditions, the **average household has seen a tangible improvement in solvability**. The **monthly mortgage repayment figure dropped by 5% from October 2008 to March 2009**, taking it back to the level of spring 2006³.

Nevertheless, people are hesitant to make decisions in this uncertain economic climate so **the production of mortgages is falling, with a 14% monthly drop in March 2009**³. The **rate of decline is slowing down, partially due to measures to help boost the new housing market** such as the interest-free loans.

THE LETTING MARKET

In 2008, rents continued to rise in France, but not as steeply as before, showing an annual variation of 1.5% on average, which is lower than the inflation rate, a situation that has not arisen since 1993. Lower consumer spending power and the poor economic climate have led to a fall in **residential mobility**, generating a reduction in demand for rental accommodation. Letting market activity has shrunk, so that in February 2009 approximately **44% of French towns saw average rents fall**. Yet in **56% of towns, rents were still on an upward trend**. The cities that resisted the best are those with a **sound economic fabric**, therefore less affected by the crisis. These trends are likely to continue in 2009 and, as a general rule, average rents should stabilise.

REAL ESTATE SECTORS AND THE BUILDING INDUSTRY

The decreases in prices and interest rates, coupled with the slight improvement in consumer spending power at the end of 2008, should make house purchasing more accessible. Yet, many potential buyers are waiting because of the economic crisis and the threat of unemployment. These factors led to a **slump in transactions and many real estate agencies going out of business in 2008**. Of the 34,000 estate agents in France, 20% could disappear between 2008 and 2009⁴. **The building industry will no doubt also feel the impact of these trends**, with orders in construction, maintenance, renovation, surveys and so on, being hit. **Estimates put potential job losses in the sector at 20,000**⁵. Note that it is still too early to see the effects, if any, of government measures to help the building industry and investment in the letting market.

³ Source: Observatoire du Crédit Logement CSA

⁴ Source: Seloger.com

⁵ Source: Fédération Française du Bâtiment

ZOOM...

THE RESIDENTIAL MARKETS IN REGIONAL FRANCE

Regions		Average prices of second-hand flats in regional cities in March 2009 (in €/sq. m) ¹	Planning permits issued in 2008 (in number) ²	Construction starts in 2008 (in number) ²	Housing for sale of new homes in 2008 (in number) ³	Reservations of new homes in 2008 (in number) ³	Supply of new homes for sale in 2008 (in number) ³	Marketing period for new homes in Q4 08 (in months) ³
Alsace	Strasbourg	2,553 (- 7.8%)	11,785	10,677	2,622	2,632	4,024	25.4
Aquitaine	Bordeaux	2,632 (- 3.6%)	33,287	28,170	4,740	4,150	5,806	20.7
Auvergne	Clermont-Ferrand	1,666 (N.D.)	8,696	8,596	762	866	1,261	25.4
Basse-Normandie	Caen	2,405 (- 1.6%)	9,891	8,390	1,269	1,358	2,112	40.4
Bourgogne	Dijon	2,321 (- 2.3%)	7,255	5,296	464	666	1,437	32.2
Bretagne	Rennes	2,457 (- 2.1%)	32,370	28,946	5,929	4,992	1,488	38.9
Centre	Orléans	2,222 (- 2.2%)	14,933	13,029	2,401	1,843	3,499	26.3
Champagne-Ardenne	Châlons-en-Champagne	1,828 (- 5.9%)	6,469	5,807	953	632	1,328	23.7
Corse	Ajaccio	N.D.	6,141	3,196	1,472	1,296	1,083	8.6
Franche-Comté	Besançon	2,127 (+ 3.1%)	7,083	6,378	843	719	1,702	40.2
Haute-Normandie	Rouen	2,793 (- 4.6%)	8,002	6,435	1,391	1,152	1,738	28.1
Languedoc-Roussillon	Montpellier	2,836 (- 2.8%)	32,753	25,427	8,361	6,360	7,269	16.6
Limousin	Limoges	1,575 (- 6.8%)	4,633	4,242	359	244	842	38.3
Lorraine	Metz Nancy	2,042 (- 8.5%) 2,121 (- 4%)	14,035	10,972	1,106	1,309	1,530	17.2
Midi-Pyrénées	Toulouse	2,786 (- 4.7%)	27,536	21,640	3,600	4,711	4,589	13.9
Nord-Pas-de-Calais	Lille	2,899 (- 2%)	17,059	15,923	4,135	2,742	4,440	25.1
Pays de la Loire	Nantes	2,756 (- 3.1%)	32,088	23,098	3,807	4,116	6,820	27
Picardie	Amiens	2,333 (N.D.)	9,173	8,195	1,474	1,268	1,216	18.7
Poitou-Charentes	Poitiers	1,950 (- 6%)	17,091	13,681	1,182	1,317	1,980	23.5
Provence-Alpes-Côte d'Azur	Marseille Nice	3,080 (- 3.8%) 3,964 (- 2%)	31,187	24,626	11,852	10,319	12,716	16.1
Rhône-Alpes	Grenoble Lyon	2,702 (- 2.7%) 2,710 (- 3.1%)	55,993	46,522	14,914	12,208	20,979	28.6

N.D. : Non Determined

¹ Source: SeLoger.com

² Source: MEEDDAT: SOeS, Sitadel

³ Source: MEEDDAT: SOeS, ECLN

As the months rolled on in 2008 regional housing markets in France showed **signs of slowing down**. The final results for each market varied from one region to another, but they virtually all followed the same national trend.

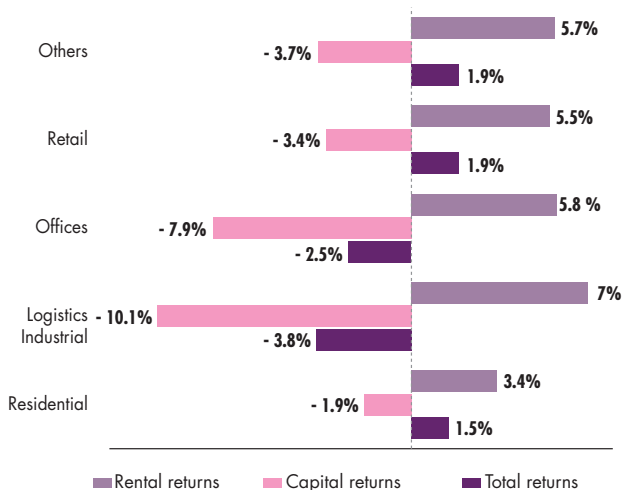
For **the construction of housing, all regions were affected by a downturn**, except in Corse where construction increased by 8%. The biggest drops were in Haute-Normandie (down 35%), Midi-Pyrénées (down 28%) and Auvergne (down 28%). As for construction starts, the big falls were seen in Haute-Normandie (down 39%), Bourgogne (down 33%) and in Pays de la Loire (down 28%).

Reservations to buy new housing also fell sharply in most regions. Particularly large drops were seen in Bourgogne (down 69%), Limousin (down 68%) and Lorraine (down 64%). The least affected regions were Champagne-Ardenne (down just 1%), Nord-Pas-de-Calais (down 18%) and Poitou-Charentes (down 23%). These trends can be seen again in changes to the volume of homes put on the market which have been cut dramatically in Bourgogne, Lorraine and Midi-

Pyrénées. Consequently, **housing supply increased in most regions, which will make developers halt works on certain sites**. A few regions have nevertheless seen supply shrink, the most shrinkage being in a range from 10% to 20% (in Limousin, Lorraine and Auvergne). Nationwide the **marketing period for new homes is long, generally above 20 months**, stretching to 40 months in Basse-Normandie and Franche-Comté in 4th quarter 2008.

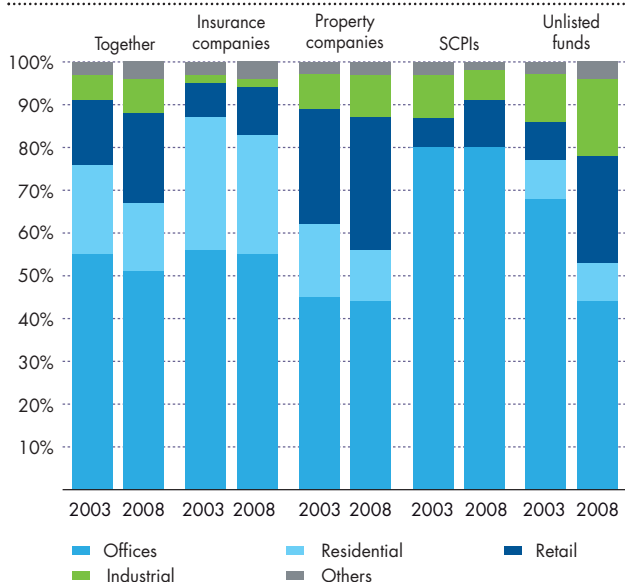
In general, in the major regional cities, **good quality properties that are well situated (in the city centre) are less affected than those that are located in peripheral markets or have inherent defects**. In addition, prices may fall less on new housing than on second-hand housing (the prices for which have fallen in the last 12 months nationwide), notably thanks to the introduction of new government measures such as the Scellier provisions.

Total rates of return by type of building



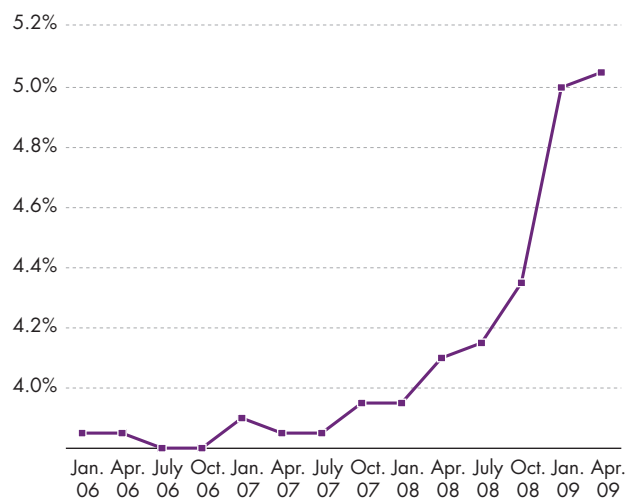
Source: IPD

Choice of investment by type of investor



Source: IPD

Prime residential yields (for well-located assets, let at market conditions)



Source: CB Richard Ellis

INVESTMENT

Investment in "traditional" residential properties

The residential investment market reflected other markets in France, **slowing down in 2008**. In 2009, several **investment strategies should be rolled out that will have a positive effect on supply and demand**, for various reasons.

In the second-hand market, there are several reasons for this:

- **owners needing cash**, for example **life insurance companies** that are required to produce a set level of returns, will **choose to sell residential assets because these are one of the few asset classes that can still yield a capital gain**;
- some **asset managers** investing in a range of assets including real estate have to make sure their investments are allocated in **set proportions across all asset classes**. As the value of assets linked to the stock market have tumbled, they may sell some or part of their real estate assets (whose value has fallen less) so their investments remain allocated in the right proportions;
- **some players, who are anticipating a substantial and durable decrease in prices**, will prefer to sell their **real estate as quickly as possible** to get a better price than the one they believe they will achieve for some time ahead;
- **the application of recommendations by the recent environmental think tank (Grenelle de l'Environnement) will lead to unavoidable works and improvements in standards on some housing**; this may prompt owners to sell second-hand housing. The costs involved in carrying out works over the years appear to be creating a structural shift of assets around the market;
- some investors consider that the **yield on residential investments is no longer sufficient** (yields on prime investments were 5.05% in April 2009). Such investors could therefore sell residential assets to fund acquisitions of others.

In the market for second-hand investments, **three types of investors** are expected to be active in 2009: **landlords in the social sector** (that account for the majority of investment in 2008), **domestic and foreign investment funds** (with a view to reselling units to homeowners), and **some private family-owned property investors** that can afford to carry out repairs and bring buildings up to new standards.

The investment market for new housing is frozen at the moment because of **price discrepancies between supply and demand**. **In the future, any new schemes that are started will have to match market values to be in a position to meet the higher yields expected by investors.**

Developers are increasingly building apartment blocks, so the **risk is spread better than when selling individual homes**. The credit crunch has made banks toughen their requirements before providing finance for developments and will now only lend when a certain number of homes in a block are sold off plan. By selling the entire block to an investor, the developer is more secure and brings in cash sooner.

Institutional investors will account for a large share of **demand for new housing**, looking for properties meeting the latest environmental standards. **A few medium term funds**, looking for opportunities with high yields, **are also likely to be active in the investment market for new housing**. In addition, private investors, attracted by new regulatory provisions (Scellier law), may also be substantial players in the market.

A new class of assets: student accommodation

Student halls of residence are an alternative form of investment to traditional residential sectors and have **good potential** yields for investors. The **student population** in France, which will probably stabilise in the next twenty years, **is very large**, in the region of 2,150,000 to 2,250,000 students a year. **The development potential of the market is very high** because:

- the **existing stock of student accommodation does not match demand**. There are not enough student rooms available and it is of very poor quality. Some 85% of demand goes unsatisfied;
- this type of investment is **secure**, the risks of unpaid rent and vacancies are considered to be very low;
- the **yields** from this category of asset, when it is well placed and of good quality, is high, estimated between 5.5% and 6.5%;
- the **regulatory framework** for student accommodation contains certain incentives for investors (e.g. VAT recovery if certain services are supplied).

In today's market, when other real estate markets are adjusting, **student accommodation offers good investment opportunities that are less sensitive to events in the economy**.

In the investment market for student accommodation, two possibilities exist:

- acquire **housing** to rent to students. Certain tax incentives exist in France for such investments, and these incentives mean the overall **yield is greater on student accommodation than for standard housing investment**. This type of investment is carried out by private investors and currently account for the majority of transactions;
- **acquire an entire hall of residence**, where the investor is the sole owner. The investor benefits from a **degree of rental security due to the demand potential**. In addition, if the investors do not manage the property directly, they sign a commercial lease with a company specialised in operating student residences that pay a net rent to the owner. In this scenario the investor enjoys the same **legal and financial specificity as commercial real estate**. The management company takes care of finding students and collecting rents from the occupiers.

The most active investors following this second possibility tend to be **specialist property investors** (particularly foreign ones), who are experienced in the sector. **Institutional investors** have also started to show interest in the sector.

The Scellier law – part of additions to the 2008 finance act

Law n°2008-1443 of 30 December 2008 sets a new tax framework for individuals looking to **invest in new housing or in sales off plan** (for developments with a planning permit submitted between 01/01/2009 and 31/12/2012), or for **a home that will be renovated** to improve its energy performance to the same levels as those seen in new housing (works to be carried out between the above dates). This home must be used for **unfurnished lettings, rented out as a main residence for at least 9 years**. The lease must be signed 12 months after the home is purchased or works have terminated, and the tenant cannot be part of the same tax household as the owner. The owner also **agrees to respect certain rent ceiling limits, which are determined by geographic area, and are the same as those in the Robien provision** (see table below).

The tax advantage of this new measure consists of a tax reduction. It is equivalent to **25% of the purchase price of the property (the property price is capped at €300,000) if the transaction takes place in 2009 or 2010, or 20% for transactions carried out in 2011 and 2012**. This tax reduction will be **spread evenly over 9 years** and can only be used for one home per year.

In the "*Scellier Intermédiaire*" provision (rental conditions respect the same principles as above and have **income conditions for the tenant**) the rent ceiling limits are identical to those in the **Borloo law**. In addition, after 9 years, the investor benefits from a supplementary tax reduction equal to 2% of the price of the home (i.e. a total reduction of 37% over 15 years).

Rent ceiling limits by geographic area¹

	Scellier (<i>Robien</i>)	Scellier intermédiaire (<i>Borloo</i>)
Zone A ²	€21.65/sq. m	€17.32/sq. m
Zone B1 ³	€15.05/sq. m	€12.04/sq. m
Zone B2 ⁴	€12.31/sq. m	€9.85/sq. m

¹ Zone C (the rest of France) is not eligible for the Scellier provision, unlike the Robien and Borloo laws.

² Paris, inner suburbs, Côte d'Azur, French Geneva.

³ Conurbations with more than 250,000 inhabitants, outer Parisian suburbs, a few expensive cities, around the Côte d'Azur, overseas departments, Corse.

⁴ Other cities of more than 50,000 inhabitants, other expensive border or coastal regions, or around Ile-de-France.

Source: Legifrance.gov.fr, Ministère du Logement

A FEW RESIDENTIAL MARKETS IN EUROPE¹

Spain

The Spanish residential market was robust in recent years. Despite a relatively high level of home-ownership (86% of the population in 2007²), a lot of housing construction took place, indeed it accounted for 13% of GDP, compared to 5% in France. The market for holiday homes was also very active with many foreign buyers present. When the speculative bubble burst in 2008, the sector took a hard knock.

The house prices are falling, by varying amounts depending on the region, but Madrid has been the hardest hit. Nationwide, prices appear to have fallen by 30% to 35% since the end of 2007. Volumes have also been badly affected, particularly sales and the number of new construction starts, which both posted sharp declines at the end of 2008. With the colossal supply of housing on the market (almost 1 million new houses were completed and 3.5 million second-hand homes are on the market³) and the number of owners that have taken out variable rate mortgages (the repayments on which rose sharply in 2008), the price adjustment in the Spanish market is expected to be one of the most brutal in Europe.

Ireland

Ireland is one of the main victims of the property and financial crisis. House prices have fallen by 25% since the start of 2007. The amount of new constructions has also plummeted (only a few months ago the sector was booming) and the number of mortgages being granted has slumped. In addition the vacancy rate is relatively high.

The country is going through a severe economic recession – GDP fell by 2.3% in 2008 and according to government statistics could drop by 7.7% in 2009. The situation is grinding the housing market to a halt, which in turn is negatively affecting the economy, creating a vicious circle.

United Kingdom

Like all other European countries, house prices rose steadily and strongly for ten years and are now undergoing a severe adjustment. House prices have dropped by 20% to 30% since their peak end 2007. In December 2008, the reported annual fall was 16%⁴ and forecasts for the end of 2009 suggest falls of 35% to 40%. In addition, in 2008, there was an all-time low level of transactions after drops of up to 60% a year⁵. Similarly, the number of construction starts has been hammered. Many developments have been stopped and there has been a wave of redundancies.

The economic recession, the credit crunch (variable rate mortgages are very common and many households have high debt levels) and the hesitancy of players are major factors behind the UK's rough ride.

Netherlands

Until recently commentators believed the housing market in the Netherlands could just be spared the consequences of the crisis, but it is now showing signs of weakness. House prices may have posted an annual rise of 1.6% in the 4th quarter 2008, but sales dropped by 13% in the first three quarter of 2008⁶. The deterioration in the financial system last autumn, with the nationalisation of Fortis and the government's shoring up of other banks, and the size of mortgages issued in the Netherlands, have led to a reduction in the distribution of credit and contributed to the slowdown that is expected to continue.

Germany

Although Germany has been spared soaring house prices over the last decade, it could not escape the worldwide economic and financial crisis and its residential market is now showing signs of slowing down. In 2008, house prices fell by approximately 2%⁷ as did the number of planning permits. In the future, the price drop is expected to be lower than in other European countries.

¹ Source: *European Housing Review, L'analyse du logement en Europe*, RICS, February 2009

² Source: Agence Nationale pour l'Information sur le Logement

³ Source: estimates by Banco of Bilbao Vizcaya Argentaria

⁴ Source: Halifax index

⁵ Source: Land Registry

⁶ Source: figures from the Netherlands land registry

⁷ Source: Hypoport index of second-hand housing

INTERVIEWS...

RAYMOND FRACCOLA

Director of investment Groupe CMH (private investor working in social housing)

What are your development strategies today?

Groupe CMH is formed of a regional *Comité Interprofessionnel du Logement (CIL)* and of *Entreprises Sociales pour l'Habitat (ESH)* and represents 53,000 homes. We are continuing to expand in Lille, where the company was first established, and have major urban renovation projects underway. We work alongside companies that pay the "1% logement" (a compulsory contribution to housing in France for companies with more than 20 employees), so to meet their needs we are also accelerating acquisitions in Ile-de-France and Nantes where we have offices.

At the moment we have to integrate the new organisation of the "1% logement" that is greatly changing the supply of housing services via the concentration of CILs. Moreover, our commitment to produce social housing and improve our existing assets means we have to constantly juggle our programmes so we can keep within our financial limits. These limits are affected by lending rates and construction costs. Very soon, the need for equity capital will lead to the concentration of players in the social housing market. In the meantime, demand for social housing is one sector not going through a crisis.

How do you take into consideration the environment and sustainable development?

This is not a new concern for our group because energy costs can represent up to 30% of a rent. Our objective has always been to reduce these costs, which involves improvements in technology and information to tenants. Since 2007, the group has imposed a much stricter regime than national provisions for energy consumption. A complementary budget of €46 million over 4 years has been injected into the refurbishment of housing and new, more ambitious developments. These supplementary investments represent an extra €5,000 per home. We have systematically adopted the green *Habitat & Environnement (H&E)* approach for new schemes. We expect the same standard from developments that we buy off plan and from our schemes for homebuyers. We also have access to grants and subsidies that can be worth up to 40% of the extra investment. Finally, we have an observatory that works in the medium term for our clients.

PATRICE ROLAND

Deputy general manager of the real estate arm of Solendi (collector of 1% logement)

What are your development strategies today?

The companies making up our real estate arm (6 ESHs and a company for intermediary housing) are expanding the production of rental accommodation significantly. By 2013 they should be in a position to deliver more than 5,600 homes, 80% of which will fall within the regimes "Prêt Locatif à Usage Social" (PLUS) and "Prêt Locatif Aidé d'Intégration" (PLAI), and 20% in the "Prêt Locatif Social" (PLS) regime. This development is concentrated in three regions, where the 7,000 companies who work with us say the need is greatest: Ile-de-France, Rhône-Alpes and Provence-Alpes-Côte d'Azur. We have on-going relationships with local authorities and particularly with representatives dedicated to the housing sector. The group's subsidiaries are currently revising their portfolios and plans so as to schedule works to bring our assets that are the biggest energy users up to the latest environmental standards. In total, our investment plan for 2009-2013 will exceed €1.3 billion. Our own resources will directly finance €250 million of this plan.

How do you take into consideration the environment and sustainable development?

In addition to our traditional role as builders and managers of housing, social housing organisations have a wider responsibility to the community that means we have to have a very broad vision of environmental and social issues. We want to show how they contribute to reaching the objectives fixed by the authorities to promote housing that has a low environmental impact and propose housing with well controlled rents and charges for tenants or buyers that have been hit by the economic crisis. The policy leads to three priorities:

- produce low energy-consuming housing as quickly and as massively as possible in anticipation of the Thermal Regulation due in 2012;
- develop housing with positive energy;
- intervene in the 800,000 homes that are the largest energy consumers to meet standards issued by the environmental think tank and the agreement between the State and the Union Sociale pour l'Habitat.

The most active social operators have already started making these improvements, which will consume a substantial amount of their resources in the years ahead.

In its Strategic Plan "Ambition 2013", Solendi has integrated sustainable developments as one of its priorities.

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