



BNP Paribas Real Estate

**An innovative response
to the financierisation
of the real estate market**

23 November 2006

Real estate services
=
10% of European Union GDP

Real estate services
=
Property Development
Brokerage
Consultancy
Real estate asset management
Property management

- **A very rare combination of 3 factors:**

- **Keen interest shown by individuals and private investors**
in acquiring residential property
- **Keen interest shown by businesses**
in taking over premises suited to their needs
- **Keen interest shown by institutional investors**
in commercial property

Keen interest shown by individuals and private investors **in acquiring residential property**

● Increase in prices since 1998:

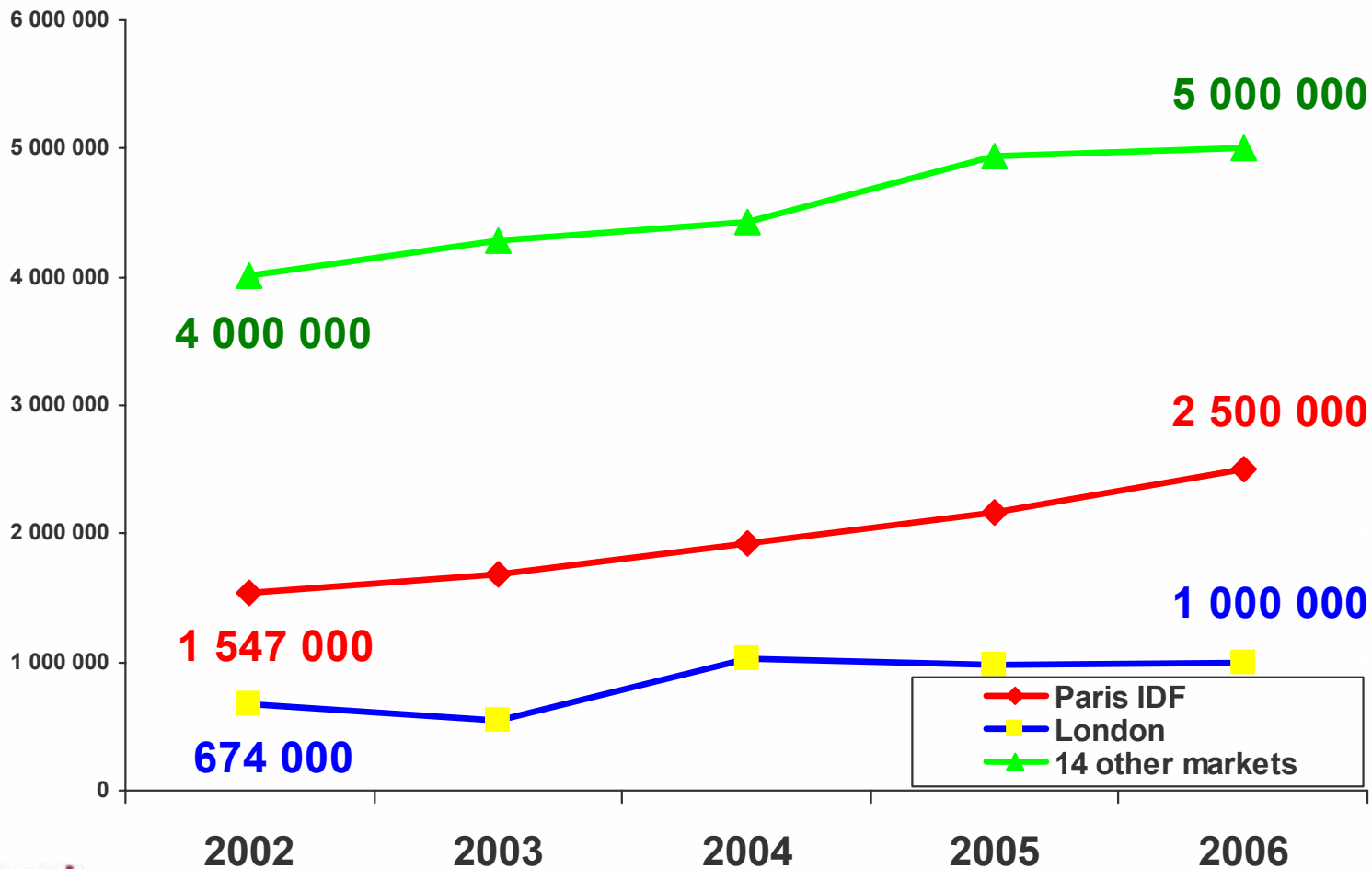
- x 3 in UK, Spain, Ireland
- x 2 in France
- Increases not related to rates of economic growth

● Increase in sales:

- **France:** 75,000 new homes reserved in 2000
121,500 in 2005 (+ 62%)
- **Spain:** 336,500 new homes reserved in 2005

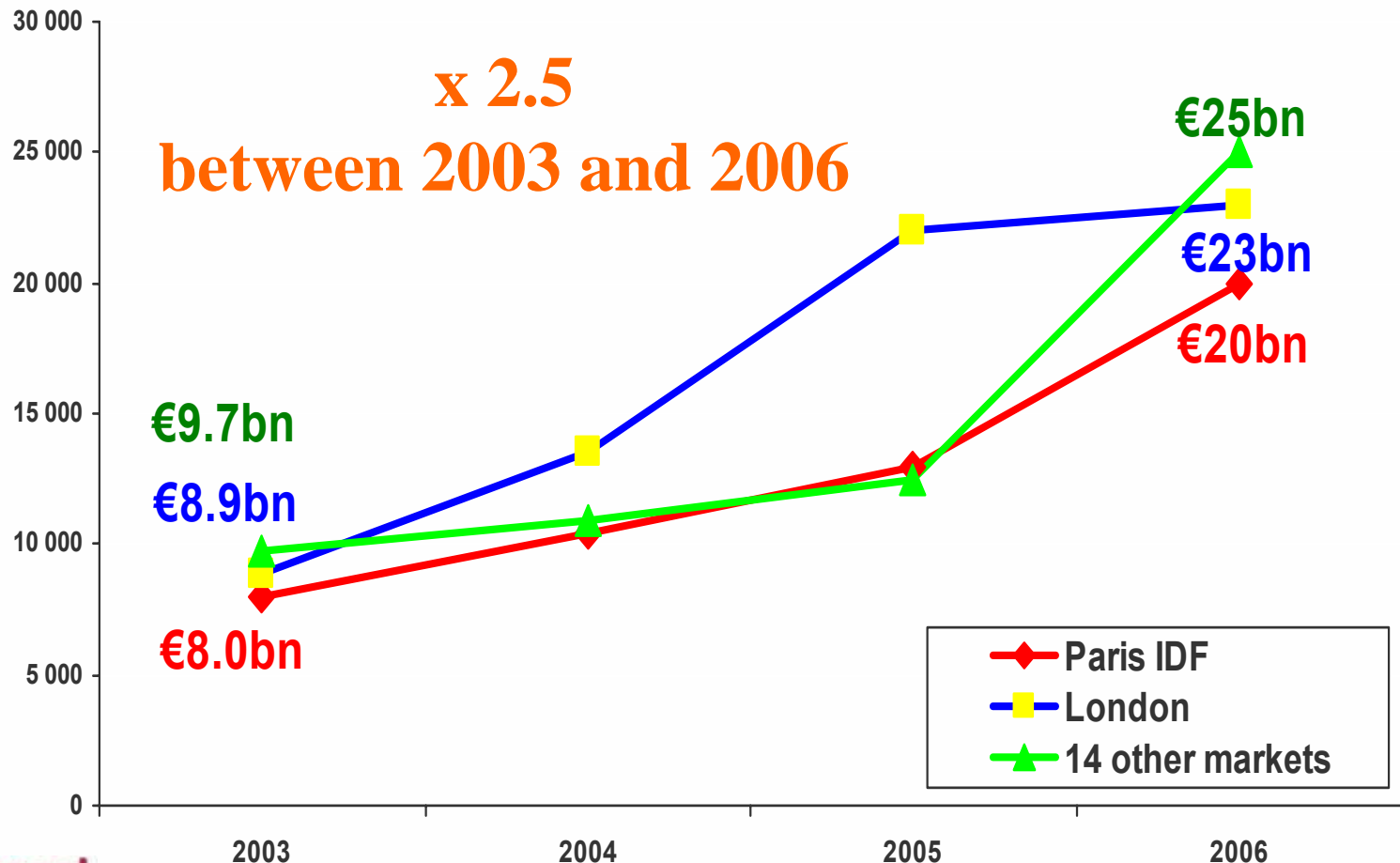
Keen interest shown by businesses in taking over premises suited to their needs

Take-up (m²)



Very keen interest shown by institutional investors in commercial property

Commercial property investment (€bn)



● Internationalisation of transactions in Europe:

■ Cross-border real estate transactions in 2005

- 50% of real estate transactions

■ Internationalisation of clients:

■ Example of France:

- 2000 :
Non-residents = 58% of commercial property investment
- 2005 :
Non-residents = 60% of commercial property investment
- Much stronger growth as source of capital of SIICs (REITs)
(0% in 2003; 43% in 2005; 49% today)

● Globalisation and concentration of the main players:

■ CB Richard Ellis No. 1 worldwide

- 1998: CB (USA) / Richard Ellis (USA)
- 2001: Insigna (USA) / Bourdais (France)
- 2003: CB Richard Ellis / Insigna Bourdais
- 2006: CB Richard Ellis / Trammell Crow

■ Jones Lang LaSalle No. 2 worldwide

- 1999: Jones Lang Wootton (UK) / LaSalle Partners (USA)

■ Cushman No. 3 worldwide

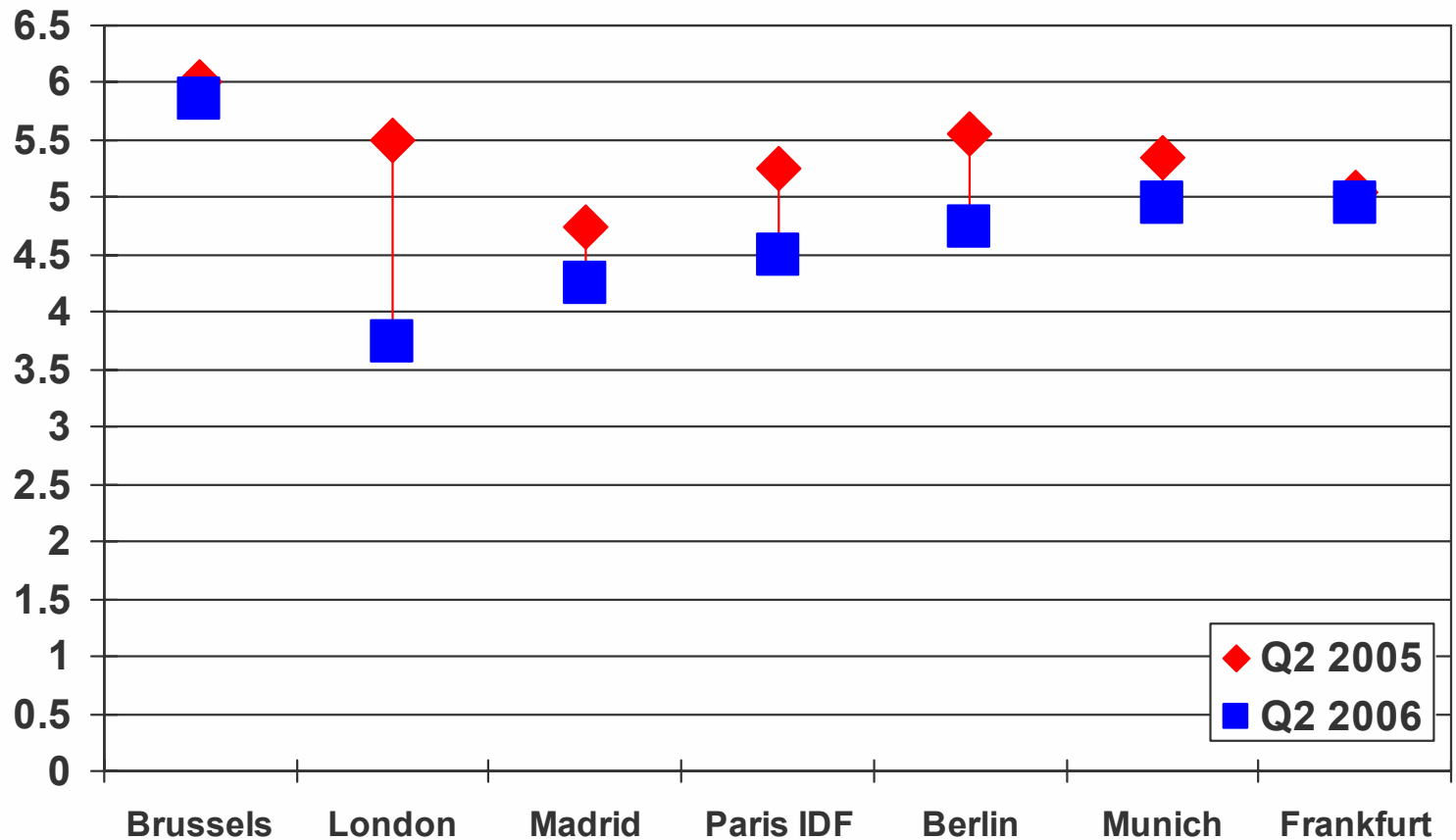
- 1998: Cushman & Wakefield (USA) / Healey & Baker (UK)

■ Atisreal No. 5 worldwide

- Wheatheralls in the UK; Müller in Germany; Gésinar in Spain

● Convergence of rates of return

In %



- **Reasons for the financialisation of the real estate market:**

- Large volume of available funds
- Funded pension scheme issues
- Bursting of the Internet bubble
- Loss of confidence in the equity markets
- And so on ...

**But especially:
providing a suitable response
to the asset transfer process**

● Financialisation of real estate products:

- **Growth in the stock market capitalisation of real estate worldwide**
 - €300bn in 2000 - €600bn in 2005 **x 2 in 6 years**

- **Growth of unquoted real estate investment funds in Europe**
 - 150 funds in 1995 (€57bn of assets)
 - 432 in 2005 (€186bn of assets – €290bn including German open-ended funds) **x 3 in 10 years**

- **New investment vehicles: SIICs (≈ REITs), "Robien" SCPIs (tax-exempt real estate investment companies), OPCIs (undertakings for collective investment in property)**

- **Borrowing being increasingly used for leverage effect**
 - SCPIs were not able to avail themselves of borrowing
 - OPCIs will be able to

● Financialisation of real estate products:

- Reduction in the length of time assets have to be held
- Optimisation of management

● Financialisation of lines of real estate business:

■ Development of lines of business

- In real estate asset management
- And in property management

■ Recruitment of financiers and former bankers (The sector is attracting young talent)

In order to

- Respond to the growing outsourcing of the management of real estate assets
- Manage real estate assets actively
- Cope with the growing complexity of packages, developments in funding techniques and so on

■ Premium for coming up with suitable new products (a factor boosting property development)



**The innovative approach
of BNP Paribas**

- **Real estate: a long-standing history in the Group**
- **For a long time activities were focused:**
 - **On France**
 - **On 3 lines of business**
 - Property development (Meunier)
 - SCPI fund management (Antin Vendôme)
 - Property management (Comadim and Gérer)

2004: the great turning point

● 2000-2003:

- **Development of housing transactions:**
BNP Paribas "Espaces Immobiliers" (real estate centres) –
collaboration with Retail Banking

● 2004:

- **Creation of BNP Paribas Real Estate**
- **Acquisition of Atisreal**

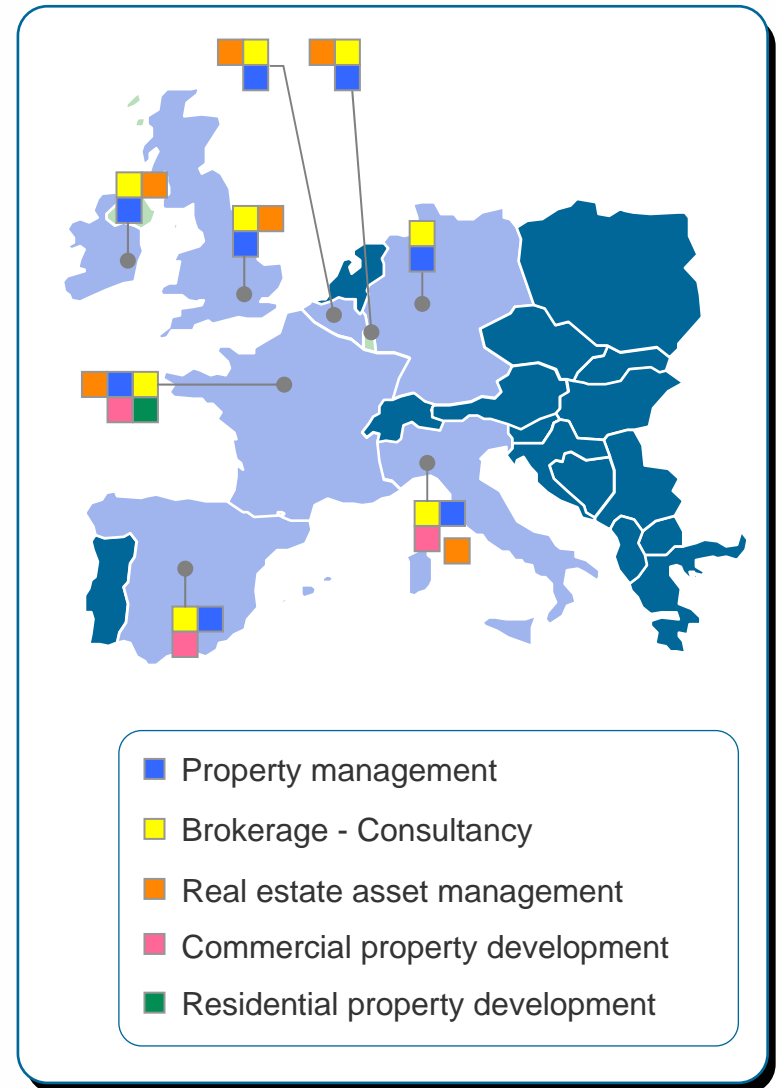
A European network
to respond to the
internationalisation of
real estate strategies

- **Commercial property: 8 countries**

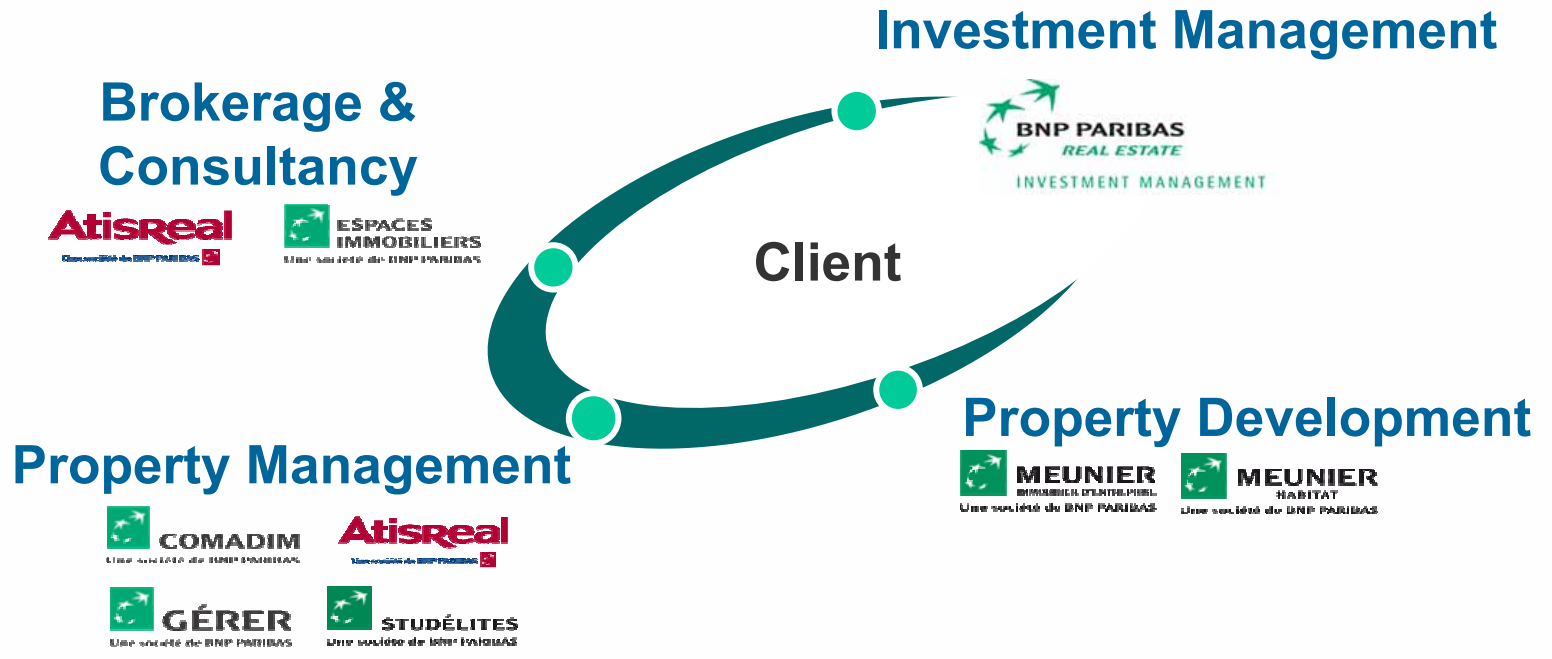
- France
- United Kingdom
- Germany
- Spain
- Belgium
- Luxembourg
- Italy
- Ireland
- + Representative Office in New York

- **Housing: mainly in France**

- Alliances in North America through Atisreal



4 complementary lines of business



Coming soon: BNP Real Estate Property Management

Developer, property manager, distributor, investor
A global range of services to meet all real estate needs

No.1 real estate services provider
for businesses in mainland Europe
and major residential property player in France

● Brokerage & Consultancy

- No. 1 in commercial property consultancy in continental Europe
- No. 1 in France (brokerage and valuations)
- No. 1 in Germany
- No. 1 in Luxembourg
- No. 2 in Spain
- In the Top 10 in the United Kingdom

4.8 million m²
of commercial property placed
22,100 valuations carried out
in Europe
3,765 new and existing homes
reserved in France in 2005

● Property management

- No. 1 in commercial property management in France
- No. 3 in residential property services management in France

15 million m² of commercial property
managed in Europe
30,000 residential properties
managed in France and Spain

● Property development

- No. 3 in France

300,000 m² of commercial property &
2,100 residential properties
launched in 2006

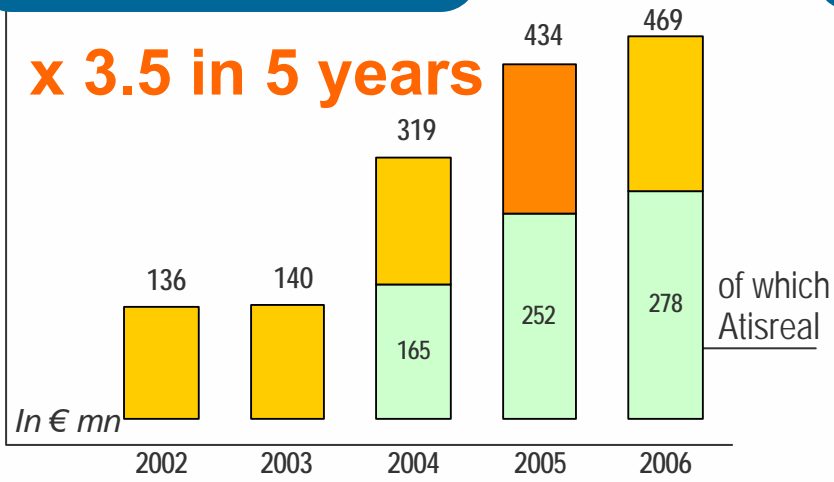
● Real estate asset management

- No. 3 in real estate fund management in France

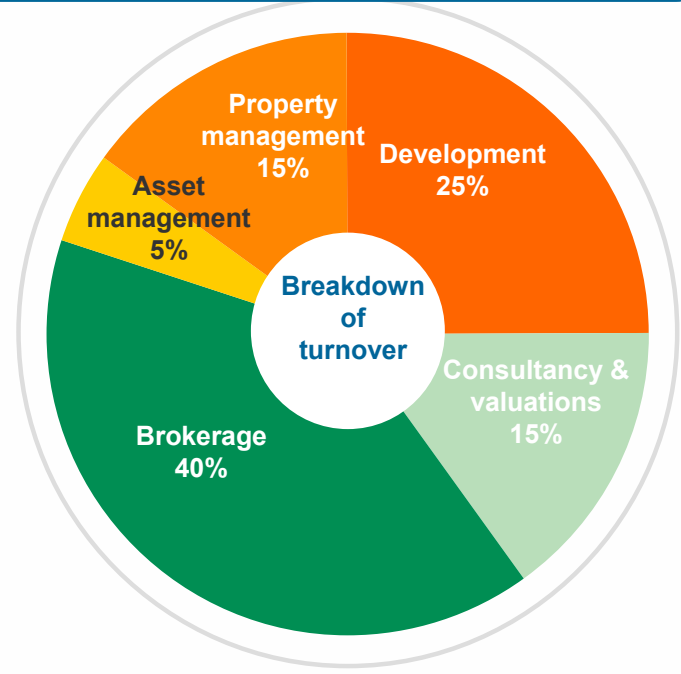
€8.8bn of assets managed in Europe

Net operating income

x 3.5 in 5 years

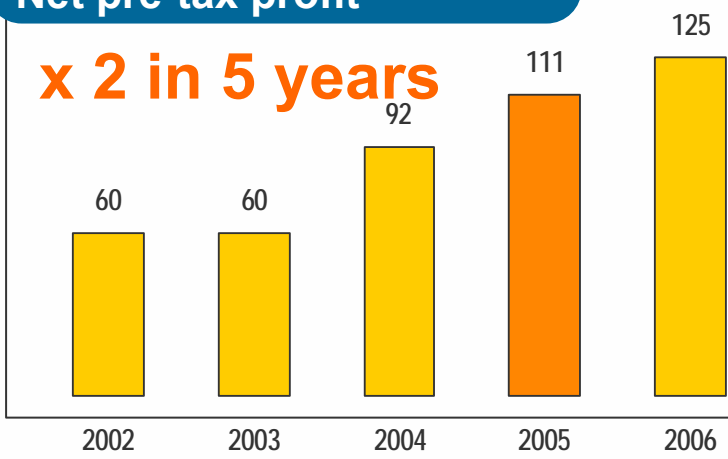


Breakdown of turnover: 2005



Net pre-tax profit

x 2 in 5 years



80% in commercial property
20% in residential property
2/3 services – 1/3 development

The success of cross-selling

- **The real estate businesses work together**
- **Their complementarity creates business**
 - Increase in market shares
 - Capacity for innovation and creation of new products
 - And so on ...

1st example of success thanks to the complementarity of the businesses

● EP1 investment fund

- **Asset manager:** **BNP Paribas REIM**
- **Partners:** CNP Assurances, CARDIF, EcuVie
Norinchukin Bank, BNP Paribas Real Estate
- **Creation:** July and December 2005
- **Equities:** €200mn (investment capacity: €500mn)
- **Sourcing:** **MEUNIER**
€275mn already invested (7 Meunier deals)
€225mn at the planning stage
(3 Meunier projects)

BNP Paribas REIM / Meunier complementarity

Access to Meunier products

An advantage in a market in which there is a shortage of supply

2nd example of success thanks to the complementarity of the businesses

● Residential property services: Les Studélites

- 44 blocks of student flats – 5,500 units
- Property Development:
Meunier
- Brokerage:
BNP Paribas Espaces Immobiliers,
often with clients of Private Banking (as an LMP, or
"professional letter of furnished accommodation")
- Property Management:
les Studélites (with rent guarantees)

Complementarity

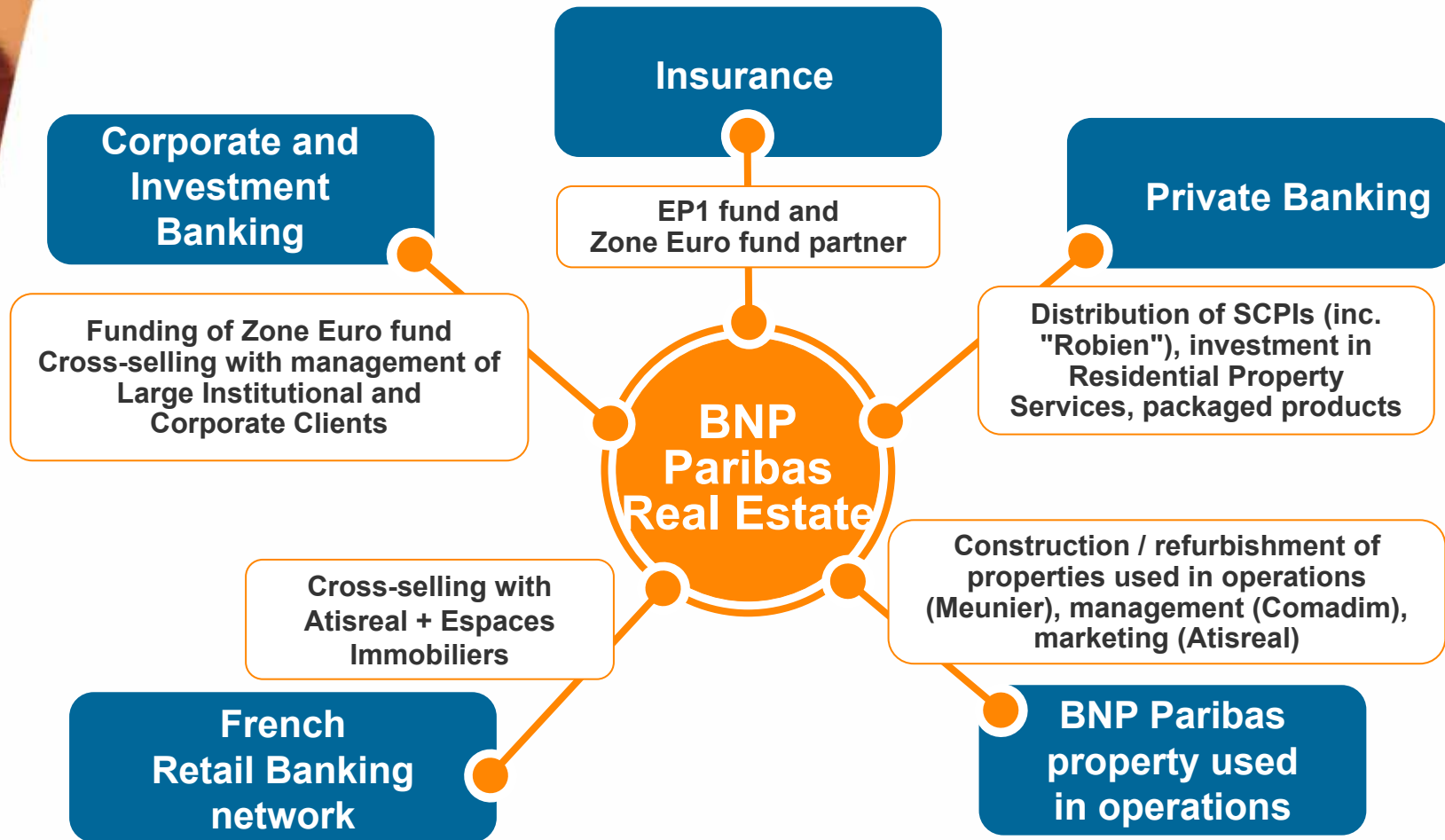
Studélites / Espaces Immobiliers / Private Banking / Meunier

3rd example of success thanks to the complementarity of the businesses

● Atisreal / BNP Paribas complementarity

- To support the corporate or private clients of BNP Paribas who have land or premises to be valued, redeveloped or marketed
- To support corporate or private clients seeking new premises to buy or rent
- 650 cases recommended in 2006 (IPSEN, ACCOR...)

Multiple cross-selling opportunities within BNP Paribas



Example: 3,765 homes reserved in 2005, of which 25% on basis of BNP Paribas business instructions (French Retail Banking and Private Banking)

2 focal points to end with: **Italy** and Spain

- **Developing our 4 lines of business in Italy by drawing on the resources of:**
 - **Our companies already operating there**
 - Atisreal
 - BNP Paribas Real Estate Property Management (with NAZCA)
 - BNP Paribas Real Estate Property Development
 - **BNL Fondi Immobiliari**
 - 2nd-largest property fund manager in Italy
 - 10 funds – €3.3bn of assets
 - **The complementarities with BNL**
 - Management of properties used in operations
 - Development of real estate assets

Objective: to be one of the property market leaders in Italy within 3-5 years

2 focal points to end with: Italy and **Spain**

● **Developing our model in Spain**

■ **3 companies already operating there**

- Atisreal
- BNP Paribas Real Estate Property Management
- BNP Paribas Real Estate Property Development

■ **Acquisition of GESINAR in October 2006**

■ **BNPPI + GESINAR**

- **From 8th to 2nd place in commercial property services**
- 400 employees
- Network of 11 Spanish cities
- Turnover: €32mn (GESINAR: €23mn + BNPPI: €9mn)
- Net pre-tax profit: €4mn

- **Our model remains unique on the market**

- Due to the size of its European network **(8 countries)**
- Due to the diversity of its complete range of services **(4 lines of business)**
- Due to its market shares **(No. 1 in continental Europe)**

- **Value of the model**

- Exceptional sourcing
- Value of expertise in real estate products which are not just financial products

- **It is now being copied by other banks**

- Crédit Agricole
- Caisse d'Epargne

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