

French listed real-estate investment companies: a success story



Listed real estate investment companies ("SIIC")

I. KEY FIGURES

- Date system created: 2002.
- Number of SIICs in Paris: 54 (45 French and 9 pan-European).
- Stock market capitalisation as at 31/12/2010: €63 billion.
- Type of properties managed: 30 million square metres, primarily in tertiary real estate.
- Planned investment in new projects: €31 billion over the next five years, €17 billion of which in France.

2. TAXATION SYSTEM FOR INVESTMENT VEHICLES IN THE REAL ESTATE SECTOR

The profits of real estate investment companies are taxed:

None of the real estate investment vehicles (SCI, OPCI, SCPI and SIIC) are themselves subject to corporate income tax ("IS"), but shareholders are liable to pay tax on profits, whether individual or corporate entities: this is referred to as tax transparency. The taxpayer pays the tax at the normal rate of IS (French corporate entities), income tax (for French individuals) or by tax deducted at source (foreign individuals and entities) on the dividends paid by the real estate company.

The proceeds from this tax are recurrent and significant:

The value of the tax receipts receivable by the State, is directly therefore correlated to the profits distributed by a real estate company. Listed real estate investment companies ("SIIC") are required to pay out 85% of their profit from rental activity and

50% of their capital gains upon sale; in practice, this guarantees a recurrent tax stream that is proportional to profits (whereas, in the previous system, the payment of dividends was left solely up to the company's discretion). SIICs have in some years maintained a policy of paying dividends, whereas their consolidated earnings (under IFRS standards) were negative. This single level of taxation, referred to as tax transparency, does not result in a reduction of the taxation of SIICs compared with other sectors of the economy; it simply sets up an appropriate taxation regime, which does not discourage activity, while increasing at the rhythm of the companies' expansion.

The amount of direct taxes paid by shareholders of SIICs in 2010 is estimated at €368 billion (source: "SIICs: a French success").

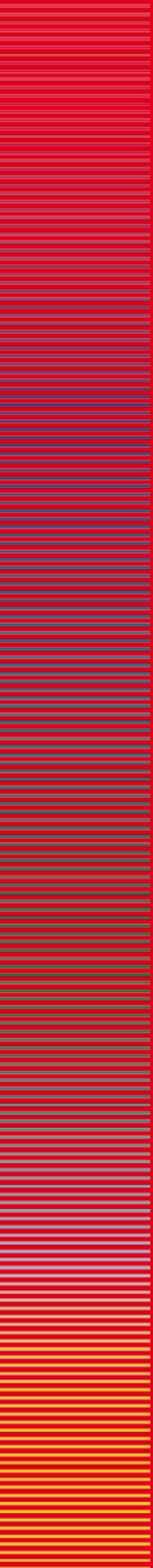
This taxation system is the international standard and encourages companies to maintain their tax base in France

All the developed economies have adopted a system equivalent to that of the SIIC: the United States, Japan, Germany, the United Kingdom, Italy, Spain, The Netherlands, Australia, and Belgium. It has its roots in the structure's ability to generate fiscal revenue, whether directly or by deductions at source, based on dividends.

French SIICs pay dividends that support taxation (whether corporation tax, income tax or tax deducted at source) sometimes broadly fed by the results of these groups outside France, results that would escape the French taxation authority in the regular system (examples: UR and Klépierre). The taxable base in France, therefore, is increased.

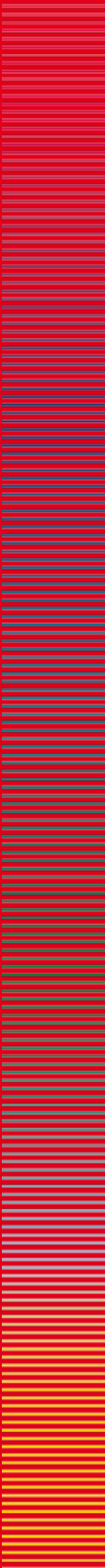
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SIIC

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investment companies:
a success story



After the United States (creation of REITs¹ in 1960), Belgium (SICAFI), the Netherlands (B.I.), France adopted the sociétés d'investissement immobilier cotées (SIIC) regime at the beginning of the 2000's.

Until then, most real estate investment vehicles were not listed. Since the property sector did not generally have recourse to public offerings, the financial resources necessary for its development were limited and couldn't be held by most investors in a liquid form .


One of the key features of this scheme is the introduction of taxation rules for listed real estate companies that are different from those applicable to industrial companies, as is the case in the above-mentioned foreign models. The company itself is not liable to corporation tax in respect of its principal real estate activities (rental income and capital gains), but the shareholder is liable to tax on the profits. Each year, the SIIC company is required to distribute 85% of its earnings and beneficiary shareholders are taxed, in respect of corporation tax (French legal entities), income tax (French private individuals) or tax deducted at source (foreign legal entities and private individuals).

This single taxation level, called "fiscal transparency", does not imply a reduction in tax for SIIC companies compared to other sectors of the economy; it simply introduces appropriate tax rules, which do not act as a disincentive while boosting the companies' development capacity.

In fact, fiscal transparency was already the general taxation method in the real estate sector and, until the creation of the SIIC scheme, only listed companies were not eligible to it. This hampered their listing on the stock market and the creation of a real industry for property investment.

For the government as well as the property industry, the challenge in 2002 was to provide the Paris financial sector with a vehicle to facilitate the financing of non-residential real estate, allow France to catch up with other countries, and in particular the United States, and respond to the development of foreign and sometimes

.../...



speculative property funds which, at the beginning of the 2000's, became increasingly prominent in the French real estate market.

For most experts, it was a very technical reform that was not much publicised.

The scheme thus created was then fine-tuned to take into account changes in the functioning of the property market, the globalisation of financial markets and the needs of companies seeking funds for their real estate projects.

The tax regime was recently assessed, in mid-2011, by the Comité d'évaluation des dépenses fiscales et des niches sociales (Fiscal and Social Expenditure Review Committee). It was rated "3", which means that it has met its objective, was properly targeted and its cost is reasonable with regard to its efficiency.

This assessment is perfectly justified since, eight years after its creation the SIIC scheme is indeed a remarkable success, which has led to the development in France of large-scale real estate companies of European dimension. In just a few years, these companies, which were until then low-profile and sometimes passive players, have become active players in real estate financing in most sectors of the economy.

These companies also became major stakeholders in economic and urban development, thanks to the expertise of the teams that they have progressively established, and the architectural quality of their projects.

Finally, it should be noted that the momentum triggered by the creation of a tax system that is consistent with the fundamentals of the property sector has generated a volume of business and profits that are much more significant and, as a result, generated higher tax receipts for the Government and local authorities.

The aim of this white paper is to outline the development process of companies under the SIIC scheme and analyse the impacts of this reform over the eight years of its existence.

¹Real Estate Investment Trusts

Table of contents

Introduction	p. 2
1 - The French SIIC regime is line with the general trend in real-estate taxation rules towards taxes fully borne by the shareholder, whether in France or abroad	p. 4
1 - Taxation in France has gradually moved towards fiscal transparency for all vehicles that have recourse to public offering for real estate financing. Hence a single level of taxation, at shareholder level	p. 5
2 - The SIIC scheme provided a response to competition from real estate funds that played a major role at the beginning of the 2000's	p. 6
3 - The SIIC regime (REITS in the US) is an investment model used in most leading economies of the world	p. 7
1 1 - Over a few years, the SIIC regime has created a momentum and generated substantial economic and financial benefits for the French economy	p. 8
1 - It has led to the creation of large-scale real estate companies, major stakeholders in the real estate economy	p. 9
2 - Real estate companies are socially responsible companies, key stakeholders in urban policies	p. 10
3 - SIIC companies are significant promoters of architectural quality	p. 11
4 - SIIC companies were pioneers in the field sustainable development, which they have identified as a priority	p. 12
5 - Through their capacity to mobilise capital, SIIC companies have contributed significantly to the financing of the economy	p. 13
6 - SIIC companies have started to play a significant role in real estate "export"	p. 14
7 - SIIC companies had a dampening, sometimes countercyclical, effect in the 2008/2010 crisis	p. 15
1 1 1 - The momentum triggered by the creation of a single taxation level generated an increase in tax receipts	p. 16
1 - Creation of the exit tax: a very positive impact, limited over time	p. 17
2 - The SIIC scheme has boosted tax receipts for the Government	p. 17
3 - The impact is even more significant for local authorities via the increase in property transfer tax	p. 18
Conclusion	p. 19
Annexes	p. 20-21

- The French SIIC regime is in line with the general trend in real-estate taxation rules towards taxes fully borne by the shareholder, whether in France or abroad



1 Taxation in France has gradually moved towards fiscal transparency for all vehicles that have recourse to public offering for real estate financing. Hence a single level of taxation, at shareholder level

The table below summarises the main real-estate vehicles existing under French laws

	Scheme created in...	Income tax	Listed instrument / degree of liquidity	Type of property
SCI	Traditional	Transparency	Non listed Non liquid	All types
SCPI	1960	Transparency	Public offering, non listed, non liquid	Non-residential*, residential secondarily
SIIC	2002	Transparency	Public offering, listed, liquid	Non-residential*
OPCI	2004	Transparency	Public offering with an intermediary, non listed, non liquid	Non-residential*

* Non-residential includes: offices, retail, logistics and more generally specialised real-estate: health, hotels...

The oldest example of fiscal transparency is that of the **société civile immobilière (SCI)** (real-estate investment company) which is suitable for the development of a building or the management of one or, less frequently, of several buildings. The SCI is not suitable for a high number of shareholders and even less for a public offering.

However, as from the years 1970/1980, real estate financing needs which, until then, concerned mainly residential buildings spread rapidly to the non-residential sector; firstly to office buildings, then to specialised properties: hotels, shopping centres, logistics, etc.

It is against this background that the **SICOMI** regime was introduced in 1969 for financial leasing companies, whereby these establishments were exempted from tax on profit subject to the distribution of at least 85% of their taxable profit. This scheme led to a sharp expansion in financial leasing, which became the preferred method for companies' real estate financing. The SICOMI can, in this respect, be considered as the forerunner of the SIIC..

However, after more than twenty years of existence, the SICOMI largely disappeared at the beginning of the 1990's. Weakened by their low equity level (in line with their status as financial establishments), some did not resist the fall in their portfolio value during the serious real estate crisis of the 1990's.

Prior to that, the **SCPI** statute (Sociétés Civiles de Placement Immobilier – Real Estate Investment Partnership) had been created in 1960. SCPI have recourse to public offering. However, since they are not listed, they are hindered by their restricted liquidity during the downside of real estate cycles: SCPI thus went through a real crisis over the period 1990/1994.

However, since the end of the 1990's they have enjoyed special fiscal benefits: investors buying shares in SCPI specialised in some types of residential buildings were granted benefits identical to those enjoyed by private individuals investing directly in buildings¹.

¹ Mehaignerie, Robien, Scellier schemes in particular (those SCPI specialised in residential buildings raised around 900 million Euros in 2010 alone).

Finally, in 2004, in the wake of the SIIC scheme, a new non-listed instrument was set up, the OPCI (Organisme de Placement Collectif Immobilier – Property Investment Fund), whose objective was to address the main weaknesses of the SCPI through the easing of some restrictions: possibility of leveraging, arbitrage, restructuring works and above all a liquidity reserve mechanism. This scheme developed rapidly and has become an instrument valued by institutional investors, both French and foreign. In spite of minor differences between the two schemes, the OPCI remains close to a non-listed SIIC and enjoys full exemption from corporation tax, including on its financial investments. It has become a major factor in outsourcing, i.e. companies' sale of their directly owned buildings to specialised players subject to long-term tenancy (example: the premises of health

care establishments). Today, the total capitalisation of SCPI/OPCI companies is equivalent to €32 billion, compared to €48 billion for SIIC companies.

The introduction of the SIIC scheme has therefore been in line with a more general trend in favour of fiscal transparency in real estate investment in all industrialised countries, and, to date, most property vehicles in France are created within a fiscally transparency scheme.

The result is more equal treatment between listed companies and various non-listed investment vehicles aimed at public offering.

2 The SIIC scheme provided a response to competition from real estate funds that played a major role at the beginning of the 2000's

G rard MESTRALLET Chairman Paris Europlace

“The creation of the SIIC regime has largely contributed to the dynamism of the Paris Stock Exchange: with 42 listed companies, equivalent to €50bn, they represent an active segment of the Paris Stock Exchange today with a higher market capitalisation than its London counterpart. The segment of listed real-estate companies is of strategic importance to the Paris financial centre, in terms of attractiveness to international investors, and in terms of facilitation of the establishment of international headquarters, with ensuing benefits for the development of industrial activities and job creation.”

At the end of the 1990s, medium term investment funds became the preferred real estate financing instruments via vehicles located in tax havens. These funds appeared when the financialisation of real estate witnessed a rapid increase, and reached their full potential at the exit from the 90's crisis in 2000/2003, at a time when French institutional investors were pulling back from the sector. Some major opportunist investment funds, created and managed by investment banks, mostly from the US, (principally funded by pension funds but also by high net worth

individuals), started to intervene, by securitizing non-performing loans and devalued real estate.

This boosted the sector's liquidity at a time when capital had completely dried up.

As from the end of the crisis, and often in the anticipation of its end, these funds intervened by buying property assets available for sale, thereby rapidly becoming the main investors in the French market.

The most symbolic project of that time was the acquisition in 2002 by funds managed by Goldman Sachs, General Electric and Ixis AEW of the first major outsourcing carried out in France (by France T l com) representing almost 150 buildings, for an amount of €3 billion. At that time, this amount was higher than the portfolio of the largest listed real estate company.

The principle of these funds is to mobilise capital for five to seven years, invest it, increase the value of buildings acquired as much as possible and resell them at the best conditions.

This activity is an opportunist (sometimes speculative) and purely financial approach to real estate. It is clear that the timing of the investment is an essential element, but the process also uses

maximum level of financial gearing (in a period of low interest rates the leverage is considerable) and a fiscal optimisation that uses to its full the particularities of the international tax treaties.

The role of such vehicles, which are short-termist and focused on resale, has a low value-added for the French economy: employment and management are often based outside France, and tax receipts may be low. But it should be noted that between 1995 and 2005 the principle real estate operations in France were undertaken by such vehicles in the absence of a dynamic listed real estate sector, handicapped as it was by an unfavourable tax treatment.

It was not until the middle of the decade that, once several major SIIC had been created or had evolved, the relative weight of such non-resident funds in the French real estate sector decreased. Today the SIIC are the foremost real estate owners in France ahead of the Insurance companies, OPCI and SIIC, and non-resident Funds.

Currently, the SIIC regime, based on fiscal transparency, produces tax receipts in France well above those generated by non-resident Funds.

3 The SIIC regime (REITS in the US) is an investment model used in most leading economies of the world

The fiscal transparency system, born in the United States, was first adopted in Europe by the Netherlands and Belgium.

Following the creation of the SIIC regime by the French Parliament at the end of 2002, the scheme gradually spread to a large number of OECD countries.

In Europe, there were 4 countries having such a structure in 2003, representing 29 companies and €22bn of market capitalisation. In 2008, these figures had increased to 8 countries, representing 145 companies and a market capitalisation of €68bn; and this upward trend is not over yet. In particular it is rapidly spreading within Asia. In Europe, only Germany, although it has created an SIIC type of structure, preferred the so-called "open" funds (similar to the SCPI scheme). These funds are governed by an identical fiscal transparency scheme and are supported by German banks, who earn significant management fees from them.

At a time when capital markets are globalising and real estate financing needs are increasing, no country can afford not to be part of this development.

More so since SIIC companies are now present on a European scale. In the shopping centre market, large European real estate companies have already been created; this should be followed by other specialised sectors (hotels, private hospitals, etc.) alongside office specialists.

Countries which do not have an SIIC scheme (or REIT) face the risk of seeing capital flights to large real estate companies in neighbouring countries; and of seeing those same real estate companies coming back to invest in their country or acquire existing real estate companies, which is the reverse of what happened in 2005 with the absorption by the French SIIC company Unibail of the Dutch real estate company Rodamco.

Dominique GROS **Mayor of Metz**

Regarding the involvement of the SIIC company "Foncière des Régions" in one of the buildings at the heart of the city

"This project is symbolic of a company which shares its history with Metz, consolidates its presence there and contributes to the development and to the reputation of a new area geared to the future."

Over a few years,
the SIIC regime has created
a momentum and generated
substantial economic
and financial benefits for
the French economy



Until the creation of the new structure in 2003, listed real estate companies were constrained by the rules applicable to them:

- they could not easily actively manage or sell their assets, due to the capital gains tax liability, which was a major disincentive to the sale of properties which had been held for a long period and therefore largely amortised.
- it was difficult for them to attract capital due to their two-level tax liability and they lacked the necessary funds to expand their investments.

Given these conditions, they paid low dividends, rarely sold assets and thus kept the maximum of unrealised capital gains; their shareholders earned their profit by arbitraging their shares. The lack of flexibility and latent tax liability led to the market value of these companies being traded at a significantly discount to the real value of their underlying assets (net asset value).

The new tax scheme has given these companies the means to move forward, and this has triggered a remarkable momentum.

1 It has led to the creation of large-scale real estate companies, major stakeholders in the real estate economy

With better capacity to attract investors and thus to mobilise capital, listed real estate companies developed a growth strategy as from 2003: internally, by buying or developing, and externally by consolidating with other real-estate companies. Large-scale real estate companies were thus gradually formed, while new ones were created and developed rapidly. One of them, Unibail-Rodamco, was born from the above-mentioned merger between the No. 1 French operator and the largest Dutch real estate company. It has joined the CAC 40, which is symbolic of the size that French SIIC companies have attained and their appeal to capital markets.

However, a large listed real estate company has a particular approach: it is inevitably called upon to develop a long-term strategy to create value on a recurring basis. It acquires assets which are suitable for a long investment period, it designs an ambitious maintenance and renovation policy, it seeks an increase in the value of its assets through works, extensions, long-term agreements with its tenants; and lastly, it regularly arbitrages properties which have reached maturity, which leads to a more rapid asset turnover. To implement this policy, highly professional teams have been created within SIIC companies in all fields: finance, engineering, architecture...

This process has been very positive in terms of the return of decision centres and job creation: direct jobs created internally, as well as indirect jobs created by the many suppliers working with SIIC companies (construction companies, architects and engineering firms, consultancy firms, etc.).

Thus a fully industrial approach has developed, very far from the traditional approach to real estate investment, sometimes oriented towards speculation, represented by property traders as well as by certain large foreign funds. SIIC companies are real estate developers and not merely investors buying finished buildings or projects already under construction. They are thus constantly looking for innovations and ways to adapt to the needs of their clients.

Patrick BRAOUEZEC Chairman of Plaine Commune

As regards the development activities at La Plaine-Saint-Denis

“The real estate companies involved in Plaine Commune, Foncière Paris France and SILIC in particular, are the most suitable types of investors to address the concerns of elected members involved in the development of their territory. They have a long-term vision, are involved in the social life and indirectly create many jobs and resources for the community.”

It is this industrial approach that distinguishes SIIC companies from other property investment entities.

Moreover, the development of SIIC companies took place in a context of increasing transparency, due to the supervision systems of stock market regulatory authorities and the setting up of systems for monitoring activity, valuations and cash flows; these represent safety features for all concerned players: bankers, investors, clients...

The level of information for investors and the clarity of strategy are much higher in an SIIC company than in other real estate investment vehicles. The momentum created is evidenced by the increase in the capitalisation of the 45 SIIC companies present in Paris, which in 2011, despite the unfavourable economic context, reached €48bn (against €17bn in 2002).

2 Real estate companies are socially responsible companies, key stakeholders in urban policies

Edith CRESSON

As regards Unibail-Rodamco's Second-Chance Schools

"On 15 October 2008, in the presence of Ministers Fadela Amara and Laurent Wauquiez, the Chairman of Unibail-Rodamco and I signed a major partnership agreement for the opening of branches of Second-Chance Schools in several shopping centres run by Unibail-Rodamco, in addition to a financial support agreement which is essential to our Foundation. I can today testify that Unibail-Rodamco's concern for the insertion and education of young people in difficult situations is a living and practical reality. This long-term partnership is probably an example of best practice in corporate social responsibility in large French companies."

longer-term players, amongst the most prominent of which are SIIC companies.

SIIC companies, as drivers of a long-term project management strategy and with teams having the capacity to conceive and develop large-scale projects, have gradually become the main partners of local authorities in the field of real estate development.

- Firstly, since the crisis of the end of the 1990's, the "pure players" in the field of property development have gradually lost their importance in non-residential real estate investment. Due to the shortage of capital, they could no longer launch projects that were not pre-marketed and they have been replaced by

Today, SIIC companies are vital stakeholders in developing business districts: Gecina in Gennevilliers, SILIC and Foncière Paris France in La Plaine-Saint-Denis, Icade in Choisy and Aubervilliers, Altarea in Kremlin-Bicêtre...

- SIIC companies have played a prominent role in large-scale projects (such as the La Défense towers), which were previously the domain of the major insurance companies: Unibail-Rodamco with the Phare project, Foncière des Régions with CB21, for the renovation of large office complexes in Paris: Edouard VII or 92 Champs-Élysées for SFL, or for the revival of downtown areas: Bercy Village (Altarea), Forum des Halles (Unibail-Rodamco) or Euralille
- However, the projects, ambitions and needs of local authorities have become more complex, incorporating different functionalities, bigger in size and often with extended timeframes. Here again, SIIC companies are prominent stakeholders - the Aéroville commercial centre at Roissy (Unibail-Rodamco), the Millénaire park at Aubervilliers (Icade/Klépierre), the Triangle Tower at the porte de Versailles (Unibail-Rodamco), the Coeur d'Orly complex (Altarea/Foncière des Régions) among others
- SIIC companies are also present across the entire territory and are capable of developing projects

Gérard COLLOMB Mayor of Lyon

As regards the involvement of the SIIC company Icade in the city

“Our working relationship with Icade is based on trust. There is trust between the urban teams of Greater Lyon and the Icade teams and we know that when a project is launched with Icade, it is well done and it materialises within the scheduled timeframe.”

which are smaller but important for medium-sized cities: the commercial centre of downtown: Nevers (Affine) or the Lendit television studios in Saint-Denis (Foncière Paris France). Some schemes can also be seen as urban regeneration projects in areas such as the Carré de soie commercial centre, launched by Altarea in 2008 in Vaulx-en-Velin.

a location on an opportunist basis, to invest, sell off rapidly, and collect the capital gains before disappearing; on the contrary, they are there to set up the project, make it a success, hold and possibly develop further: their approach is that of a socially responsible company, whose aim is to reconcile economic rationality with profitability while taking into account the municipality's objectives in terms of urban and economic development.

Finally, besides this traditional role of a master-builder, SIIC companies are very often involved in initiatives relating to public interest, philanthropy or corporate sponsorship: involvement in the Palladio foundation (training, scholarships), support to Second-Chance Schools, setting up of awards, such as the Prize for young business creators, support to artistic and cultural institutions. It is clear that, in this field, the size reached by the major SIIC companies greatly facilitates the development of this type of undertaking.

SIIC companies are good partners for local elected members since they have a long-term and responsible vision: they do not come to

3 SIIC companies are significant promoters of architectural quality

As long-term stakeholders, SIIC companies always placed emphasis on architectural quality, foreseeing its key dimension in ensuring a sustainable city. They have gradually become the principle clients of leading architects. Christian de Portzamparc*, Jean-Michel Wilmotte, Leoh Ming Pei*, Winy Maas, Thom Mayne*, Ricardo Bofill, Paul Chemetov, Jean-Paul Viguier, Dominique Perrault, Herzog and de Meuron*, Richard Rogers*, Renzo Piano* have worked or are working for SIIC companies.

Several recent projects noted for their ambitious scale have been carried out with French or foreign architects: the Horizon Tower at Boulogne-Billancourt by Jean Nouvel* or the Angle with Jean Paul Viguier (Gecina), Le Montréal at Orly-Rungis de Zubléna (SILIC), the CB21 Tower at La Défense for Foncière des Régions, the canal-side offices of the Millénaire park at Aubervilliers by Antoine Grumbach for Icade.

Among such projects, it is also worth mentioning: the Triangle by Herzog and Meuron porte de

Versailles, or the Phare at La Défense Tower by Thom Mayne for Unibail-Rodamco, 23/25 avenue Kléber for Klépierre, the Coeur d'Orly by Wilmotte for Altarea / Foncière des Régions in partnership with ADP, the Millénaire 3 and 4, a project of 50 000 m² of office by Kohn Pedersen Fox and Arte-Charpentier for Icade.

Jean-Pierre DUPORT Former Director for Architecture and Urban Planning, former Prefect of the Ile-de-France region

“SIIC companies have set architectural quality as a key requirement. By way of illustration, the bulk of private orders in France to architects who won the Pritzker Prize, both French and foreign, were from SIIC companies. No other type of investors can compete with them in this field.”

**Architect(s) having received the Pritzker Prize, the highest honour in the world in the field of architecture, awarded once a year by the Hyatt Foundation.*

Even more than purely financial investors, SIIC companies are very attentive to aesthetic quality, functionality, integration into the site, as well as

both architectural and technical innovation, and do not hesitate to embark on ambitious projects, in full alignment with local authorities.

4 SIIC companies were pioneers in the field sustainable development, which they have identified as a priority

Taking a long-term view of their investments, SIIC companies were concerned very early on by environmental considerations and took a significant lead over all other real estate investors.

Energy performance was the priority, and first and foremost for buildings under development. Thus, most projects launched by SIIC companies over the last two years seek to comply with the most demanding standards: first HQE (high environmental quality), now BBC (low energy consumption buildings) for French standards, BREEAM and LEED for international standards.

Some of the most significant projects are: the renovation of the CB21 Tower at La Défense with a 30% reduction in energy consumption, a projected zero-energy consumption office building, Mediacom 3, developed at Saint-Denis by Foncière Paris France, and the renovation of an listed building at 103 rue de Grenelle into an HQE office centre by Société Foncière Lyonnaise.

As regards existing assets, their environmental impacts are assessed, in particular with regard to energy consumption (carbon performance and footprint), with quantified improvement commitments or objectives and matching performance indicators (dedicated scoreboards). The European Public Real Estate Association (EPRA), which is principally composed of SIIC or REIT companies, was the first professional association to propose a harmonised European environmental reporting framework.

This approach implies that energy issues are taken into account in relationships with tenants: green leases have been pioneered by SIIC companies and are today largely promoted by them.

Besides this major issue of energy consumption, global carbon footprint – in particular grey energy – the impact of buildings on biodiversity, water consumption, waste treatment, noise or air pollution are also the subject of research and initiatives. In fact, most leading SIIC companies have designed a pluri-annual action plan (usually over 10 years) for their asset portfolio which incorporates investment in improvement works particularly in energy efficiency: restriction of consumption through the inclusion of energy savings systems in technical installations and production systems, reinforcement of insulation, improvement of maintenance systems....

Lastly, every year the Annual Report distributed to shareholders contains an update on the policy implementation, and the actions undertaken to create more awareness about the importance of sustainable development in the strategy of SIIC companies.

Klépierre and Unibail-Rodamco are among the 23 French companies, all industrial sectors included, which are represented in the Dow Jones Sustainability Europe Index. This index represents the "top 20" of the 600 best European companies in terms of economic, environmental and social performance. The representation of SIIC companies in this index compared to all industry sectors is therefore excellent.

5 Through their capacity to mobilise capital, SIIC companies have contributed significantly to the financing of the economy

Overall, our partnership operations with SIIC companies have helped us consolidate jobs within the group by giving better visibility over the future of hotels under rental, and to invest significantly, by improving the image of brands such as Ibis, Etap, Novotel, Pullman and Sofitel.

The role of SIIC companies is to invest in real estate, and thus to replace those industrial companies who do not structurally require to be owners of their buildings: it often involves an outsourcing of the building under management, which leads to a streamlining of property assets, reduction in management-related costs, and above all optimisation of returns on the capital invested.

This latter point is essential in terms of impact on the economy's competitiveness: by disposing of their assets, companies generate liquidity that can then be invested in their core business.

In fact, the rate of return in real estate sector (between 4 and 10%) is less than the rate of return on capital invested in the industrial sector (between 10% and 20%). Thus, through outsourcing, companies not only get liquidity, but they also improve their competitiveness. At the same time, they use buildings that are better managed, better maintained and often more cost-effective for them.

SIIC companies have become the largest investor in corporate real-estate (offices/logistics); they own €95bn of the 220bn of property owned by all institutional investors in this sector, significantly ahead of insurance companies (46bn) and funds (56bn). They raised funds worth 31bn from 2003 to 2009, compared to 8bn over the six previous years, a multiple of four times. A significant part of the capital thus raised came from foreign investors, based on the same process as that used by the leading CAC40 companies.

Since 2000, they have accounted for a significant share of property outsourcing, which reached around €5bn per year. Some SIIC companies have become major partners of large undertakings or franchisors; for instance, Foncière des Régions with

Gilles PELISSON

As regards outsourcing by the ACCOR Group

"The creation of SIIC companies has offered several benefits to a group like Accor:

- Firstly, the ability to sell property portfolios to major, credit-worthy and reliable, players and to lease these back from them.
- Such disposals were always accompanied by reinvestment by the buyers, in order to improve the quality of the hotels.
- These disposals generated substantial cash flows, which helped the group deleverage and reinvest in those hotels being held by subsidiaries.
- Variable rentals, renewable over a long period, have enabled us to better face "the downsides of the cycle", and thus reassure the markets in a hotel business that is cyclical
- Lastly, given that we now have to deal with owners who are real estate management professionals, we have had to professionalise the management of the group's real estate assets in accordance with more demanding standards.

Overall, our partnership operations with SIIC companies have helped us consolidate jobs within the group by giving better visibility over the future of hotels under rental, and to invest significantly, by improving the image of brands such as Ibis, Etap, Novotel, Pullman and Sofitel."

EDF, France Télécom, ACCOR, Eiffage, as well as Klépierre with Buffalo Grill.

The retail sector is the second area of the development for SIIC companies; it is the main thrust of the large existing real estate companies such as Unibail-Rodamco or Klépierre which developed the sector, as well as more recent companies such as Mercialis created from the property outsourcing of Casino, or Altea which, in a few years, has specialised in the creation of shopping centres on a local scale, the so-called "family villages".

More recently, SIIC companies have developed in various other sectors of the economy: conference centres, retirement homes, private hospitals, hotels...

The example of hotels is very typical of the contribution of SIIC companies: outsourcing and acquisition by SIIC companies have not only provided the hotel industry with liquidity, but also facilitated the creation of substantial modernisation programmes. The acquisition of the buildings of ACCOR hotels by Foncière des Régions is significant in this respect.

Housing is not the main investment segment for SIIC companies; however, contrary to general

opinion, they have remained present within this segment and did not embark, like other institutional investors, in wholesale disposals of their residential buildings. Gecina and Foncière des Régions maintain a representative housing activity.

In spite of a very low return, the share of housing in the assets of SIIC companies is 8%. It is a high percentage compared to REITs in other countries.

Generally, SIIC companies have over a period of several years achieved an increasing specialisation, which allows a simpler and more coherent image for shareholders, thus facilitating the raising of funds that is essential to their development.

Real-estate assets of SIIC companies

- Offices and office parks: 32%
- Warehouses/business premises: 14%
- Retail and shopping centres: 42%
- Residential: 8 %
- Hotels, private hospitals, retirement homes and others: 4%

6 SIIC companies have started to play a significant role in real estate “export”

“Export” means investment by a real estate company in property assets located abroad.

It is a feature which is principally found in the shopping centre market today, but which could extend to other sectors if French real estate companies continue to grow.

Today these companies include the following: Unibail-Rodamco, established in 12 European countries and with 40% of their business located outside France, Klépierre whose business abroad accounts for 45%, Foncière des Régions which has 2 subsidiaries, one in Italy, Beni Stabili, which

is subject to the Italian SIIC regime, the other, Foncière Développement Logement, a SIIC company dedicated to housing in France and in Germany, as well as Altarea which acquired Altarea Italia in 2002, and a Belgian subsidiary, Banimmo, in 2006.

The impact of such a policy on the economy, in terms of employment and tax receipts, is significant: it is entirely attributable to the SIIC scheme.

7 SIIC companies had a dampening, sometimes countercyclical, effect in the 2008/2010 crisis

Given their long-term vision, the reaction of SIIC companies during the 2008/2010 crisis was very different from other investors and in particular from funds. Although they did slow down their investments, they did it in a balanced manner, by continuing to study and prepare major projects.

Although the sector had to manage the increase in their debt, face the drop in the value of their net assets and thus sell off some assets to rebalance their debt ratio, this policy was limited and at no time was there a surge in disposals "at any price" as witnessed in previous crises, leading to a breakdown in the market and an acceleration of the fall in values.

There is in fact a major operating difference between an open-ended fund (SCPI or a German fund for example) and a listed company:

- An SCPI or an open-ended fund operates by capital subscription: in a crisis situation, it no longer has access to new capital, cannot invest and even has to dispose of some assets to be able to meet requests for repayments (German funds for instance were blocked in 2007/2008). This results in a pro-cyclical effect in the event of crisis.
- in contrast, in a listed company, the investor most often comes in through the purchase of existing shares: in a crisis situation, the price of these shares may fall based on the forces of demand and supply, but it is still based on the value of the company's net assets, and this situation does not significantly hamper its strategy: the company can continue to invest, and its disposals' policy will depend on its financial strategy (maintenance of the debt ratio) and its objective in terms of capital gains, and is not due to external constraints.

Since the real estate market has been resilient in the face of the crisis, the earnings of SIIC companies recovered as early as 2010. The share markets followed suit, correcting part of the losses recorded, and investment objectives were back at the forefront as from the beginning of 2011.

More generally, SIIC companies helped to stabilise the property market during the last crisis: the existence of transparent players, subject to the supervision of stock market authorities and to a comprehensive and very professional valuation system, has developed their responsibility and has significantly contributed to the good performance of the French (and Ile-de-France) market. This resulted in better market resilience (there was neither an overproduction of office buildings, nor a sharp fall in rent as was the case in previous crises or in other European countries) and a better appraisal by foreign investors of the market and of the market players.

Lastly, it is important to recall that SIIC companies maintained, and often increased, their dividend distribution level during this crisis, based on their recurrent, and indeed sometimes increased, cash flows, and in anticipation of an improved market. Dividends paid by the 48 SIIC companies amounted to €2 152 billion in 2008: they increased to 2 196 billion in 2009 and 2 668 billion in 2010 (for 45 SIIC companies). Few sectors of the economy have maintained their distribution on that scale.

●●● The momentum triggered by the creation of a single taxation level generated an increase in tax receipts



This increase applies to receipts by both local authorities and the Government, while it is often incorrectly believed that, with the abolition of tax on profits for SIIC companies, the scheme resulted in a loss of tax receipts for the government and creation of more wealth for shareholders.

This is an extremely superficial approach that does not take into account two key factors:

- The first is that we live in a highly competitive investment environment. Foreign funds that pay practically no tax can invest freely in France. So can other SIIC structures or European REITs (with their headquarters in Great Britain or in the Netherlands for example). Such entities would certainly make up for the ground lost since 2001 compared to French SIIC companies if the latter were to be competitively weakened.
- The second is that the elimination of one tax level can make the remaining one more efficient than the two previous ones. The creation of the SIIC scheme has unleashed new potential, created wealth and generated higher taxes overall than under the preceding structure.

1 Creation of the exit tax: a very positive impact, limited over time

The creation of the exit tax¹ thus enabled an immediate taxation of the unrealised capital gains of those companies that opted for the scheme, even though they had no intention of selling their assets.

Tax receipts for the Government were significant, well above the estimates made in 2002: overall, €2.5bn have been paid in respect of the exit tax over eight years, while the 2002 estimates were 1.5 billion. As can be expected, it is the first years that are the most productive, when most existing companies opted for the scheme. But there is still a significant annual flow, due to the creation of new SIIC companies and to outsourcing.

But it is also through the remarkable acceleration of portfolio rotation (sale of buildings followed by reinvestment) that this scheme has been productive in terms of tax receipts. While real estate companies, when taxed on realised capital gains on real estate, formerly found it difficult to sell off a largely amortised asset due to the difficulty in finding an equivalent reinvestment in terms of return (after the capital gains tax at 33% was paid), SIIC companies have established a systematic rotation policy.

¹Exit tax from the normal tax regime, paid upon entry into the SIIC scheme by a real estate company and charged on unrealised capital gains (the rate was initially 16.5% and was subsequently increased to 19%)

2 The SIIC scheme has boosted tax receipts for the Government

The new scheme led to a very rapid growth of SIIC companies and of their profits, and the new investors who provided the capital enabling this growth expect regular and relatively high dividends. At the constant scope of 18 SIIC companies distributing €304m dividends in 2002, the amount distributed in 2010 increased to €2 222m, i.e. a seven-fold increase in eight years.

This buoyancy has resulted in an increase in tax receipts for the Government.

A simulation was carried out based on the seven largest real estate companies, who in 2010 accounted for 80% of the €2.2 billion distribution in the above-mentioned sample.

In 2010, under the SIIC scheme, these seven real-estate companies distributed €1 737 billion of dividends to shareholders, who paid €368 million of direct taxes.

In 2002, before the creation of the SIIC regime, these seven real-estate companies distributed €280 million of dividends and paid €136 million of corporation taxes: direct taxes paid by shareholders amounted to 56 million. This represents total receipts of €192 million for the Government. We can assume that if the SIIC scheme had not been created, the development of these seven real-estate companies would have been much slower, and a growth rate of some 50% in eight years (5% per year) is assumed, which would indicate a current equivalent of 284 million of tax receipts.

In 2010, for the same seven real-estate companies, a simulation of what the Government tax receipts would have been without the SIIC scheme, gives corporation taxes of €140 million and direct taxes of €139 million (based on a distribution of €648 million), i.e. total receipts of €279 million.

Thus Government tax receipts are higher under the SIIC scheme than under the ordinary system, irrespective of the hypotheses used: €368 million compared to €288 or €279.

It is worth noting in the pre-2003 scheme, there was a self-limitation of dividend distribution to avoid double taxation and retain profits. Value creation was transferred to the shareholder in the form of capital gains on the underlying security: but 50% of investors on the Paris Stock Exchange do not pay capital gains tax on securities in France since they are based and taxed abroad.

The most serious impact of this reduction in dividends was not the resulting reduction in direct taxes, but the companies' lower investment capacity and the transfer of their activities to entities that produce no or very little tax receipts in France.

3 The impact is even more significant for local authorities via the increase in property transfer tax

We have seen that the previous scheme hampered the resale of amortised buildings since the capital gains tax coupled with property transfer tax, could reach a third of the building's value. The creation of SIIC companies has triggered a sharp increase in portfolio rotation: while listed real estate companies previously kept their buildings for thirty years and sometimes much longer, the asset turnover for SIIC companies is currently eight to ten years.

As soon as the reform was adopted, disposals increased rapidly: €828 million in 2002, €1 868 million 2005, and €3 993 million in 2009. Between 2002 and 2010, sales and thus receipts for local authorities from property transfer taxes increased five-fold.

Conclusion

This new SIIC sector has enabled a remarkable dynamic of energy and ambition. At a time when real estate was affected by a strong impact from the financial world, the new regime allowed France to develop a robust sector with several notable SIIC companies, and through them to play a prominent role in the world of real estate investment.

Hence the reversal of the trend of the beginning of the 2000's, when foreign funds, sheltered by a highly beneficial tax regime, were managing large scale assets in the pursuit of short-term profit, without any sustained interest in the development or the maintenance of the assets, or in their tenants.

More seriously, listed real estate companies had started to be acquired and sometimes dismantled by foreign real-estate companies: the takeover by General Electric of Sophia, by Colonial of SFL, by Metrovacesa of Gecina.... Some of them survived. Others, such as Sophia, have disappeared, broken up and sold "by apartment" and teams (and jobs) were scattered through several employment plans.

By completely reversing the trend, the SIIC structure has maintained and developed a group of dynamic real estate companies; and it has allowed the French real estate industry to rapidly take a prominent place in the European market, with the development of an "export" activity.

Contrary to popular misconceptions, this growth has resulted in an increase in tax receipts, more so since part of the business is foreign based.

This development happened in parallel with the harmonisation of tax regimes applicable to the different real estate vehicles: SCPI, OPCI, SIIC, and at a time when the REITs structure was spreading across most OECD countries. But the dynamism of French real estate companies and the solid starting point represented by the Ile-de-France market have given them a serious lead.

However, the most important point is that the teams thus created, whose professionalism and efficiency are internationally recognised, are a guarantee of the pursuit of this momentum and success.

The SIIC scheme will be a remarkable asset to address future challenges: intense international competition, need for modernisation and adaptation to new environmental standards and to the needs of users of office buildings, shopping centres, hotels, retirement homes, private hospitals, etc.

Development projects in France by the leading real estate companies represent 5 billion Euros of investment over the forthcoming years, thus generating numerous economic benefits.

Many of these are complex urban projects, with innovative architecture, and representing priorities for the Government and local elected members.

Whether it concerns the Greater Paris Scheme and the business centres of the immediate suburbs, the modernisation of regional centres, or of the infrastructures of medium-sized cities, SIIC companies have proven and will continue to prove their know-how and their capacity to create and renovate (sometime to ensure compliance with international standards) high quality real estate assets to address the needs of the industrial and service sectors in France.

Annexes



● Statistical works carried out for the FSIF p. 22

●● Listed real estate investment companies (SIIC) p. 41

●●● Presentation of the FSIF p. 59



Statistical works carried out for the FSIF

1	List of SIIC companies	p. 23
2	Prospective SIIC creations - As at end April 2011	p. 24
3	The SIIC sector of the Paris Stock Exchange	p. 25
4	The sector's capitalisation trend	p. 26
5	Capital raised by SIIC companies	p. 26
6	Free float and performance of SIIC companies	p. 27
7	Financial data on SIIC companies	p. 28
8	Exit tax generated	p. 29
9	Investments by SIIC companies	p. 30
10	Real-estate assets of SIIC companies (in m ²)	p. 31
11	Real-estate assets of SIIC companies (in €m)	p. 32
12	Outsourcing	p. 33
13	Dividends paid by SIIC companies	p. 33
	- Appendix 1: details of outsourcing	p. 34
	- Appendix 2: SIIC companies' dividends trend	p. 40

1 List of SIIC companies

Companies that opted for the SIIC structure in 2003

AFFINE
 FONCIÈRE DES REGIONS
 GECINA
 ICADE (regime extended after merger in 2007)
 KLÉPIERRE
 SIIC DE PARIS 8°
 SILIC
 SOCIÉTÉ FONCIÈRE LYONNAISE
 UNIBAIL-RODAMCO

Companies that opted for the SIIC structure in 2004

ADC SIIC
 ADT SIIC
 SIIC DE PARIS
 TOUR EIFFEL
 HAMMERSON (GB)
 WERELDHAVE (NL)

Companies that opted for the SIIC structure in 2005

ACANTHE DEVELOPPEMENT
 ALTAREA-COGEDIM
 FONCIÈRE DES MURS
 MERCIALYS
 CORIO (NL)
 EUROCOMMERCIAL PROPERTIES (NL)
 VASTNED RETAIL (NL)
 WAREHOUSE DE PAUW (B)

Companies that opted for the SIIC structure in 2006

ANF
 CEGEREAL
 EUROSIC
 FDL
 FONCIÈRE PARIS FRANCE
 IMMOBILIÈRE DASSAULT
 KLEMURS
 PAREF
 ZÜBLIN IMMOBILIÈRE FRANCE

Companies that opted for the SIIC structure in 2007

AFFIPARIS
 ARGAN
 BLEECKER
 FONCIÈRE ATLAND
 FONCIÈRE DES 6° ET 7° ARDTS DE PARIS
 FONCIÈRE EUROPE LOGISTIQUE
 FONCIÈRE INEA
 GECIMED*
 SCBSM
 SELECTIRENTE
 TERREIS
 MONTEA (B)
 SEGRO (UK)

Companies that opted for the SIIC structure in 2008

MRM
 COFINIMMO (B)

Companies that opted for the SIIC structure in 2009

CFI-COMPAGNIE FONCIÈRE INTERNATIONALE
 FONCIÈRE SEPRIC
 FREY

- 41 French SIIC companies
- 9 pan-European SIIC companies

* Delisting plan under way Source: IEIF

As at 30/04/2011

2 Prospective SIIC creations - As at end April 2011

(completes the lists of SIIC companies and years of option)

Name of Company	Expected year of option	Current status
BANIMMO (pan-European SIIC)	No date announced	No information on current status
CBO TERRITORIA	2012	Real-estate activities still insufficient but significant increase in capital in December 2007. Not expected to opt before 2012
CIE IMMOBILIÈRE BETELGEUSE	No date announced	Is no longer sure that it will opt for the scheme
FONCIÈRE 7 INVESTISSEMENT	No date announced	No information on current status
FONCIÈRE VOLTA	2008	No information at the moment on status
PATRIMOINE ET COMMERCE	2011	The company is expected to opt for the SIIC scheme during the 2nd semester of 2011, effective on 01/07/11

As at 30/04/11 Number of SIIC companies	41 French SIIC companies 9 pan-European SIIC companies
As at 30/04/11 Number of SIIC projects	5 projects announced 1 pan-European SIIC project

Source: IEIF

3 The SIIC sector of the Paris Stock Exchange

		Number	Market capitalisation in €M	% Paris Stock Exchange
02/01/2003	French SIIC companies	10	11 132	1.21%
31/12/2003	French SIIC companies	10	13 296	1.25%
31/12/2004	French SIIC companies	16	21 056	1.85%
	Pan-European SIIC companies	3	10 301	-
31/12/2005	French SIIC companies	21	26 616	1.79%
	Pan-European SIIC companies	7	17 551	-
31/12/2006	French SIIC companies	37	47 139	2.56%
	Pan-European SIIC companies	7	25 054	-
31/12/2007	French SIIC companies	48	53 907	2.84%
	Pan-European SIIC companies	8	14 976	-
31/12/2008	French SIIC companies	45	31 279	2.96%
	Pan-European SIIC companies	9	8 028	-
31/12/2009	French SIIC companies	45	45 106	3.33%
	Pan-European SIIC companies	9	14 438	-
31/12/2010	French SIIC companies	45	47 439	3.33%
	Pan-European SIIC companies	9	16 148	-
31/12/2011	French SIIC companies	41	50 974	3.13%
	Pan-European SIIC companies	9	16 729	-

Source: IEIF based on Fininfo and Euronext data

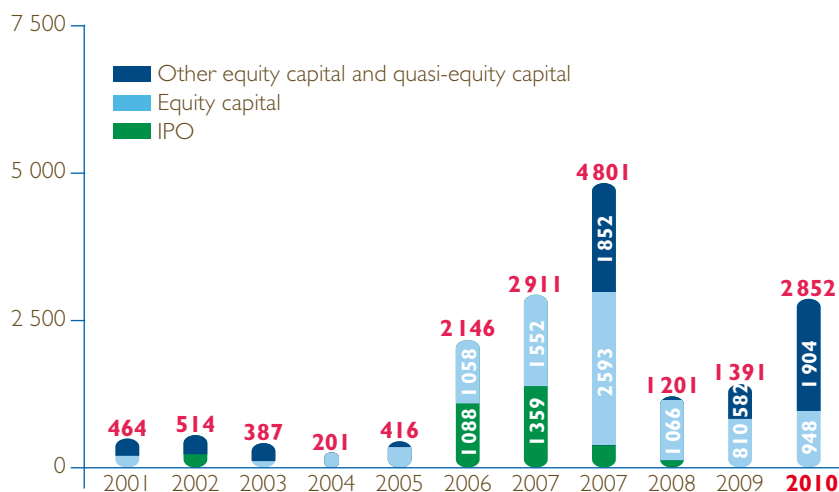
4 The sector's capitalisation trend

	Number of listed real-estate companies	Capitalisation (in €M)	Average capitalisation (in €M)	Capitalisation of the leading real estate company (in €M)	Capitalisation of the first 5 real estate companies (in €M)
1994	56	13.6	0.2	1.1	3.3
2001	29	16.5	0.6	2.6	9.1
Reform: SIIC Scheme					
2007	48	53.9	1.1	12.2	32.3
2008	46 SIIC companies	31.3	0.7	8.7	18.5
2009	45 SIIC companies	45.1	1	14	30.7
2010	45 SIIC companies	47.4	1.1	13.6	31.7
30/04/2011	41 SIIC companies	51	1.2	14.5	34.5

Source: IEIF based on Fininfo and Euronext data

5 Capital raised by SIIC companies (excluding issue of shares by contribution)

In million Euros



Source: IEIF based on Fininfo and Euronext data

6 Floating capital and performance of SIIC companies

Date	Free float*
31/12/2003	+ 51%
31/12/2004	+ 53%
31/12/2005	+ 48%
31/12/2006	+ 42%
31/12/2007	+ 51%
31/12/2008	+ 48%
31/12/2009	+ 55%
31/12/2010	+ 53%
30/04/2011	+ 54%

* Capitalisation-weighted average
Source: Euronext

Overall index performance (gross dividend reinvested)	Euronext IEIF	CAC 40	Euronext IEIF REIT Europe	Dow Jones Euro Stoxx 50
2003	+ 24%	+ 20%	+ 19%	+ 18%
2004	+ 36%	+ 11%	+ 40%	+ 9%
2005	+ 31%	+ 27%	+ 27%	+ 24%
2006	+ 63%	+ 21%	+ 51%	+ 18%
2007	- 19%	+ 4%	- 28%	+ 10%
2008	- 39%	- 40%	- 45%	- 42%
2009	+ 47%	+ 28%	+ 34%	+ 24%
2010	+ 13%	+ 1%	+ 12%	- 3%
30/04/2011	+ 11%	+ 8%	+ 8%	+ 9%

Source: IEIF based on Fininfo and Euronext data

7 Financial data on SIIC companies*

Total funds in €M	Gross rent	Cash flow**	Net debt	NAV	Discount/Premium	Capital raised	Capital raised (excluding contributions)
2000						1 533	464
2001						595	514
2002						1 109	387
Reform: SIIC Scheme							
2003	1 977	1 102	12 136	15 971	- 14%	233	201
2004	2 132	1 267	12 646	18 680	8%	496	416
2005	2 399	1 582	14 541	22 604	15%	2 494	2 146
2006	3 299	2 114	23 281	34 206	29%	5 341	2 911
2007	4 459	2 958	40 605	58 286	- 18%	18 955	4 801
2008	6 282	4 446	44 649	54 322	- 43%	1 527	1 201
2009	6 565	5 522	46 110	47 893	- 6%	2 092	1 391
2010	6 326	4 621	48 513	50 409	- 6%	3 304	2 852
Variation 2009-2010	- 4%	- 16%	5%	5%		+ 58%	+ 105%

Source: IEIF, based on companies' annual reports

Notes :

* Until 2002, the sample includes all listed real-estate companies. Since 2003, it is a sample of the SIIC companies of each year.

** Over 2003-2005, "current" cash flow, since 2006, operating cash flow after variation in WCR.

Fiscal data in €M	Exit tax paid each year
2003	340
2004	366
2005	393
2006	75
2007	129
2008	191
2009	249
2010	451

Source: IEIF, based on companies' annual reports

* Excluding pan-European SIIC companies

8 Exit tax generated (payable in 4 annual instalments) in millions of Euros: 2 540.2 as at the end of June 2011

SIIC Option in 2003	Amount
Affine	11.8
Foncière des Regions	49
Gecina	567
Icade EMGP	36
Klépierre	120.6
SIIC de Paris 8 ^e	2.8
Silic	100
SFL	106.4
Sophia	70
Unibail-Rodamco SE	386
Exit tax generated in 2003	1 449.6

SIIC Option in 2005	Amount
Acanthe Développement	3.2
Altearea	19.6
Foncière des Murs	0.1
Foncière Masséna	nr
Mercialys (Casino)*	99
Compagnie La Lucette	1.2
Warehouse de Pauw	5.2
Corio	25.8
Eurocommercial Properties	32
Vastened Retail	11.5
Exit tax generated in 2005	197.6

SIIC Option in 2004	Amount
Adc SIIC	0.4
Adt SIIC	nr
Bail Investissement foncière	75.1
Icade Foncière des Pimonts	6
SIIC de Paris	12.4
Tour Eiffel	2.8
Hammerson	114.5
Rodamco Europe	112
Wereldhave	8.9
Exit tax generated in 2004	332.1

SIIC Option in 2006	Amount
Anf	65
Cegereal	90
Docks Lyonnais	6.4
Eurosic	18
FDL	7.9
Foncière Paris France	3.7
Immobilière Dassault	4.4
PBM	8.3
Klémurs	3.5
Lucia	5.9
MB Retail Europe	4.9
Paref	1.7
Siicinvest	nr
Tesfran	1.8
Vectrane	34.6
Züblin Immobilière France	18.4
Exit tax generated in 2006	274.8

* Includes Casino's exit tax

SIIC Option in 2007	Amount
Affiparis	7.7
Argan	9.2
Blecker	4.5
Foncière Atland	1.7
Foncière des 6 ^e et 7 ^e ards de Paris	0.1
Foncière Europe Logistique	7.7
Foncière Inéa	0.9
Gecimed	nr
Icade (Expansion after merger and acquisition)	228.7
Montea	0.2
Scbsm	1.6
Segro	4.4
Sélectirente	3.9
Société de Tayninh	nr
Terreïs	2
Exit tax generated in 2007	272.5

SIIC Option in 2008	Amount
Mrm	12.1
Exit tax generated in 2008	12.1

SIIC Option in 2009	Amount
CFI (ex-Didot-Bottin)	nc
Foncière Sepric	nc
Frey	1.5
Exit tax generated in 2009	1.5

SIIC Option in 2010	Amount
Exit tax generated in 2010	0.0

TOTAL Exit tax generated by choice of option SIIC	2 540.2
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Source: IEIF, based on companies' annual reports

9 Investissements des SIIC*

Economic data (€M)	Investment (€M)		Transfers (€M)
	Acquisitions	Construction/works/renovation	
2001	2 134	479	1 864
2002	1 129	413	618
2003	1 638	457	824
2004	2 912	2 367	2 740
2005	3 854	3 331	2 057
2006	11 997	779	1 868
2007	6 655	2 309	2 187
2008	4 873	2 380	4 312
2009	1 686	3 245	3 993
2010	2 823	2 832	6 014

* Excluding pan-European SIIC companies. Until 2002, the sample represents all quoted real estate funds.

From 2003, it represents the sample of SIICs each year.

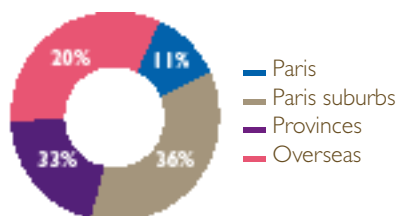
Source: IEIF based on companies' annual reports

10 Real-estate assets of SIIC companies* (in m²)

Real-estate assets (as at 31/12/2010)

Geographical breakdown

Geographical coverage	In m ²	In %
Paris	25 695 395	11%
Paris suburbs	9 164 977	36%
Provinces	8 434 641	33%
Overseas	2 989 511	20%
Total	5 106 265	
Breakdown not available	7 556 876	
Total	33 252 271	



* Excluding pan-European SIIC companies

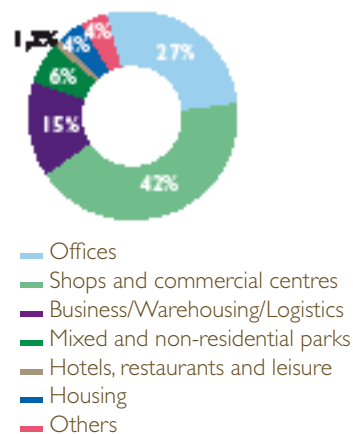
Source: IEIF, based on companies' annual reports

Notes: some companies do not specify the geographical breakdown of their assets in m².

This concerns the assets of Affine, ANF, CFI, Eurosic, Frey, Klépierre, MB Retail Europe and Züblin Immobilière France.

Breakdown by sector

Sector	In m ²	In %
Offices	8 852 287	27%
Shops and commercial centres	14 173 159	42%
Business/Warehousing /Logistics	5 063 488	15%
Mixed and non-residential parks	2 020 439	6%
Hotels, restaurants and leisure	412 955	1.2%
Housing	1 296 196	4%
Others	33 252 271	
Total	1 433 747	4%
Breakdown not available	-	
Total	33 252 271	



* Excluding pan-European SIIC companies

Source: IEIF, based on companies' annual reports

Notes: some companies do not specify the geographical breakdown of their assets in m².

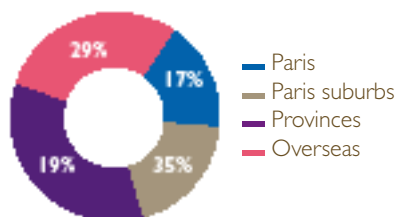
This concerns the assets of Affine, ANF, CFI, Eurosic, Frey, Klépierre, MB Retail Europe and Züblin Immobilière France.

11 Real-estate assets of SIIC companies* (in million Euros)

Real-estate assets (as at 31/12/2010)

Geographical breakdown

Geographical coverage	In €M	In %
Paris	15 155	17%
Paris suburbs	30 507	35%
Provinces	16 945	19%
Overseas	25 526	29%
Total	88 133	
Breakdown not available	13 488	
Total	101 620	



* Excluding pan-European SIIC companies

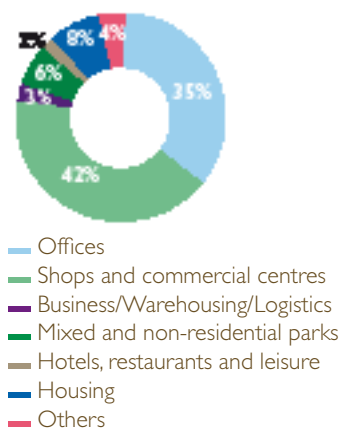
Source: IEIF, based on companies' annual reports

Notes: some geographical breakdown is not available.

This concerns ADC SIIC, Argan, CFI, ANF Immobilier (B&B hotels only), Foncière Inea, Frey, the logistics assets of Gecina, Klémurs, SCBSM, and the commercial centres of Unibail-Rodamco located in France.

Breakdown by segment

Segment	In €M	In %
Offices	35 295	35%
Shops and commercial centres	42 883	42%
Business/Warehousing /Logistics	3 452	3%
Mixed and non-residential parks	5 896	6%
Hotels, restaurants and leisure	1 551	2%
Housing	7 813	8%
Others	4 275	4%
Total	101 164	4%
Breakdown not available	456	
Total	101 620	



* Excluding pan-European SIIC companies

Source: IEIF, based on companies' annual reports

Notes: some geographical breakdown is not available.

This concerns ADC SIIC, Argan, CFI, ANF Immobilier (B&B hotels only), Foncière Inea, Frey, the logistics assets of Gecina, Klémurs, SCBSM, and the commercial centres of Unibail-Rodamco located in France.

12 Outsourcing

Total amount of outsourcing

Year	In €M
2005	1 693
2006	1 938
2007	3 115
2008	788
2009	548
2010	210

Source: IEIF, based on companies' data

13 Dividends paid by SIIC companies

First calculation method (variable scope, all SIIC companies of each year)

Year	Number of SIIC companies having distributed dividends	Total dividends paid (in €)
2003	11	539 988 563
2004	17	923 720 815
2005	22	917 731 922
2006	38	953 995 511
2007	49	1 628 226 468
2008	48	2 152 612 641
2009*	46	2 196 572 503
As at 31/12/2010	45	2 668 343 387

* At 31/12/09, there are only 45 SIIC companies since SIICINVEST was delisted in November

Second calculation method (constant scope)

Year	Number of SIIC companies	Total dividends paid (in €)
2002*	18	304 617 149
As at 31/12/2010	45	2 429 502 549

* Distribution before opting for the SIIC scheme
Source: IEIF based on Fininfo and Euronext data

Appendix I: details of outsourcing

Outsourcing

Year 2005

Seller	Buyer	Amount in €M	Type of transaction
Habitat	Corio (ex-VIB)	6	10 000 m ² of retail space
Accor	Foncière des Murs	1 025	128 hotels
Suren Medidep	Foncière des Murs	158	31 retirement homes
Le Figaro	Gecina	29	Acquisition of Figaro's headquarters (8 200 m ²)
Club Med	Gecina	225	4 holiday villages
Immobilière Carrefour	Hammerson	14	16 supermarkets of which 11 rented (2 200 m ²)
Legris Industries	Tour Eiffel	8	10 900 m ² of office space
Exposium	Unibail	229	103 exhibition space
Total		1 693	

Year 2006

Seller	Buyer	Amount in €M	Type of transaction
Heidelberg France	Affine	15	Complex made up of office space and warehouses at Tremblay-en-France (20 000 m ²)
SMII	Bail Investissement	40	3 warehouses at Saint-Martin-de-Crau (85 000 m ²)
Casino	Compagnie La Lucette	204	13 warehouses (418 000 m ²)
Groupe Firmenich	Compagnie La Lucette	27	2 office buildings at Neuilly (3 800 m ²)
Marques Avenue	Corio	26	Acquisition of the factory outlet of Marques Avenue (7 083 m ²) located in Cholet
Courtepaille	Foncière des Murs	112	71 restaurants
Accor	Foncière des Murs	583	71 hotels and 5 thalassotherapy institutes
Sofavim	Foncière des Murs	7	Psychiatric clinic of Meudon (3 300 m ²)
Générale de santé	Gecina	536	28 properties (buildings of private hospitals)
Maison de Velleda	Gecina		Buildings of a private hospital in Plancoët in Brittany (5 970 m ²)
Buffalo Grill	Kle murs	246	128 restaurants
Casino	Mercialys	57	5 shopping centres in Corsica (78 700 m ²)
Galeries Lafayette	Rodamco Europe	52	Retail space in Vélizy 2 (4 720 m ²)
Club Méditerranée	Vectrane	23	Holiday village of Deux Alpes (9 456 m ²)
Total		1 938	

Year 2007

Seller	Buyer	Amount in €M	Type of transaction
Panhard General Défense	Affine	13	Acquisition of the headquarters of Panhard Général Défense in Marolles
B&B Hotels	ANF	471	Buildings of 159 hotels across the country
Go Sport	Corio, Hammerson et Rodamco	46	Buildings of 7 shops in France
Caisse Nationale des Caisses d'Epargne (CNCE)	Eurosic	650	Two buildings in the east of Paris as well as the headquarters of Palatine Bank in Paris
Keolis Foncière	Atland	38	Portfolio of 21 production sites (including: Rennes, Bordeaux, La Ciotat, Porte-lès-Valence, Hyères, Le Coteau, Brétigny-sur-Orge, Nantes, Comines, Agde and Saint-Doulchard)
Midi Foncière	Foncière Atland	31	7 buildings for office and business purposes (17 100 m ² of office space and 8 700 m ² of business space) in the Toulouse area
Club Méditerranée	Foncière des Murs	42	Club Med of Balaia (392 rooms, Portugal)
Générale de santé	Foncière des Murs	53	4 private hospitals (3 in Paris and 1 in Boulogne-Billancourt)
Jardiland	Foncière des Murs	242	57 garden centres across the country
Pierre & Vacances	Foncière des Murs	177	4 Sunparks villages in Belgium
Quick	Foncière des Murs	316	102 Quick restaurants (across the country)
SPB	Foncière Inea	11	One office building in Havre (4 995 m ² of offices + 112 parking spots)
Générale de santé	Gecimed	X	Land of over 8 ha for the construction of a hospital (34 000 m ²) in Havre
Medi-Partenaires	Gecimed	X	Buildings of the "Montréal" polyclinic (12 000 m ²) in Carcassonne
Medica France	Gecimed	X	3 residential establishments for old and dependent persons of which one is in the Paris suburbs, the two others in the provinces (13 000 m ² i.e. 280 beds)

Year 2007

Seller	Buyer	Amount in €M	Type of transaction
Groupe Mory	Gecina	X	11 logistics' platforms across France and 2 light industrial properties in the provinces (90 000 m ²)
Maison du Monde	Gecina	X	Warehouse of 31,000 at Saint-Martin-de-Crau
CHU de Nancy	Icade	70	Long-term lease for hospital purposes for the construction of a new cluster for medical specialities (31 000 m ² , Brabois site)
Esso Icade	Foncière des Pimonts	96	Esso's headquarters in Rueil-Malmaison (30 000 m ²)
Mr Bricolage	Icade Foncière des Pimonts	90	About forty retail units
Defi Mode et enseignes nationales	Klémurs	153	112 shops in France (99 000 m ²) The agreement was implemented in 2008 and 2009
Casino (via Vindénia)	Mercialys	73	5 commercial centres in the Island of Réunion (127 shops covering 28 700 m ²)
-	Paref	5	2 warehouses (16 000 m ²) located in Vaux-le-Penil (Melun)
Groupe Thermes Adour	Paref	17	Buildings of 3 hotels with thermal facilities (Dax and Saint-Paul-lès-Dax)
DHL	Segro	160	26 logistics buildings (210 000 m ²) in Lyon, Marseille, Lille, Toulouse, Bordeaux, Nantes, Orléans and Strasbourg
Mannesmann Plastics Machinery	Segro	X	3 industrial sites located in Germany (Munich, Nuremberg and Hanover)
Neckermann	Segro	197	Building located on the Frankfurt campus (310 000 m ² of which 86 000 m ² of offices)
Areva	Tour Eiffel	55	Former headquarters of Cogema (17 820 m ²) in Vélizy
Sofrica	Vectrane	21	11 warehouses (50,000 m ²)
Faurecia Züblin	Immobilière France	88	Faurecia headquarters (11 176 m ² + 296 parking spots) in Nanterre

Total
3 115

Year 2008

Seller	Buyer	Amount in €M	Type of transaction
Korian	Cofinimmo	102	14 health care establishments in France (63 493 m ² , 1 272 beds)
Ikea	Corio	X	Corio acquired the Ikea store (14 500 m ²) near the commercial centre of Gru in Turin
Eiffage	Foncière des Régions	102	Portfolio consisting of 75% offices and the balance of light industrial space, of which 1/3 in Ile-de-France and 2/3 in the provinces (1 90 000 m ²)
Orpea	Gecimed	11	"Grand Pré" private hospital at Clermont-Ferrand (62) (7 500 m ² , 144 beds)
Maisons du Monde	Gecina	X	2nd warehouse in the logistics zone of Ecopôle in Saint-Martin-de-Crau (30 000 m ²)
Rexel	Gecina	62	4 logistics platforms in Nancy, Rouen, Orléans and Marseille (76 000 m ²) as well as 3 other logistics platforms (48 500m ²) in Lyon, Nantes and Toulouse
Générale de santé	Icade	202	4 private hospitals for obstetrics surgery in Ile-de-France
Groupe 3H	Icade	76	Acquisition of the buildings of 4 health care establishments in Vendée (85) and Mayenne (53)
King Jouet	Klémurs	18	21 shops run by the King Jouet Group
Chronopost	Montea	5	A logistics building in Lyon (3 901 m ²)
-	Montea	3	1 business park (3000 m ² of warehouse 800 m ² of office space) in Bondoufle (91)
Unilever Belgium	Montea	43	Industrial and logistics site (87 000 m ²) consisting of 8 buildings and a land reserve (13 608 m ²)
Gamm Vert / Agralys	MRM	11	12 shops in the Central region and 1 warehouse in Mer (22 000 m ²)
Belambra	Paref	125	8 holiday villages through the acquisition of companies owning buildings in these villages. However, the SIIC company will only retain 25% of the capital
Dimotrans	Paref	X	4 distribution platforms and a logistics warehouse in Dammartin, Saint-Etienne, Annecy and Cluses (13 000 m ²)

Year 2008

Seller	Buyer	Amount in €M	Type of transaction
Lee Cooper France	Tour Eiffel	6	Headquarters of Lee Cooper France; warehouse and office buildings (18 000 m ²)
-	Tour Eiffel	X	3 000 m ² of distribution platforms located in the Aygalades park in Marseille (13)
ICT Belden	Warehouses de Pauw	X	One site in Venlo (Netherlands, 70 000 m ²)
-	Warehouses de Pauw	21	One logistics site (30 000 m ²) near Lens and a distribution centre (2 400 m ²) in Puurs (Belgium)
-	Warehouses de Pauw	3	Logistics site near Raamsdonksveer (7 000 m ²)
Total		788	

Year 2009

Seller	Buyer	Amount in €M	Type of transaction
UGC Cine Cite	CFI	153	12 cinema complexes
Korian	Cofinimmo	43	5 nursing homes in France (21 910 m ² , 423 beds)
Veolia Transport	Foncière Atland	12	7 operations sites in Abbeville, Alençon, Châtelleraut, Epinal, Le Mans, Noyon and Vernon
Casino	Mercialys	334	25 commercial properties (3 shopping malls in Besançon and Arles, 7 extensions of shopping malls, 10 lots of hypermarket space, buildings of 5 hypermarkets or supermarkets)
GE Money Bank	Terreïs	7	Acquisition of 12 branches in various large regional metropolises
Total		548	

Year 2010

Seller	Buyer	Amount in €M	Type of transaction
Randstad	Terreis	2	Acquisition of 11 branches in the province and in Ile-de-France (in particular Angers, Annecy, Aulnay-sous-Bois, Bayonne, Caen and Grenoble). 5-year lease
Groupe Accor	Foncière des murs	73	Acquisition of a new portfolio of 48 hotels (31 in France, 10 in Belgium, 7 in Germany) for €367m. This transaction is split as to 80% by Prédica (€294m) and 20% by FDM (€73m)
Groupe B&B	Foncière des murs	85	FDM has signed an acquisition agreement with the B&B Group for a portfolio of hotels representing 1980 rooms for about €85m (DI). The hotels are located in France and Germany
Eiffage Immobilier IDF	Foncière des Régions	x	Acquisition under VEFA (off-plan) of the future headquarters of Eiffage Construction (HQE- BBC building of 10 800 m ² gros area) in Vélizy-Villacoublay, from Eiffage Immobilier IDF
Générale de Santé	Gecimed	50	Acquisition from Générale de Santé of the development project for a private hospital
Total		210	

Total amount of transactions in €M 8 293
Source: IEIF, based on companies' data

Appendix 2: SIIC companies' dividends trend

SIIC companies' dividends trend (Constant scope)

Name	Year of option for the SIIC structure	Dividends paid in 2002 (€M)	Dividends paid in 2010 (€M)	Variation in unit annual dividend in %
ACANTHE DEVELOPPEMENT	2005	3 699 894	15 179 895	66%
ADC SIIC	2004	-	-	0%
AFFINE*	2003	5 908 477	9 736 279	12%
ALTAREA COGEDIM	2005	4 24 702	73 287 482	595%
DOCKS LYONNAIS	2006	2 05 675	1 315 517	80%
FDL	2006	127 808	63 010 853	453%
FONCIÈRE DES MURS	2005	451 780	69 924 361	539%
FONCIÈRE DES REGIONS	2003	655 975	335 345 272	255%
FONCIÈRE MASSENA	2005	13 143 840	27 420 600	-94%
GEcina	2003	69 256 361	275 361 856	144%
ICADE	2003	8 092 269	374 487 525	847%
KLÉPIERRE	2003	40 140 831	227 465 199	303%
SIIC DE PARIS	2004	14 322 631	19 631 873	127%
SIIC DE PARIS 8^e	2003	1 960 000	7 000 000	257%
SILIC	2003	30 748 453	80 486 101	162%
SOCIÉTÉ FONCIÈRE LYONNAISE	2003	35 695 980	97 661 922	90%
TOUR EIFFEL*	2004	55 080	21 732 144	857%
UNIBAIL-RODAMCO*	2003	79 727 396	730 455 672	494%
Total dividends in €M		304 617 149	2 429 502 549	

Source: IEIF based on Fininfo and Euronext data

* Some companies pay dividends in instalments.

Dividends here represent total dividends and the date is the date of distribution of the balance.

00 Listed real estate investment companies (SIIC)

1	Scop	p. 43
1.1	SIICs	p. 43
1.2	Subsidiaries of SIIC	p. 43
2	Benefiting from the regime	p. 44
2.1	The election	p. 44
2.2	Consequences of the election	p. 44
2.3	Revaluation: accounting and tax rules	p. 46
3	Exemption regime	p. 46
3.1	Exempted sector	p. 46
3.2	Taxable sector	p. 47
3.3	SIIC 4 / SIIC 5: main shareholding and specific 20% corporation tax	p. 47
3.4	Tax regime of distributed dividends by virtue of the distribution obligation	p. 48
3.5	Distribution of the sums subject to the exit tax	p. 49
3.6	Formalism	p. 49
4	Sanctions	p. 49
5	Restructuring	p. 50
5.1	Mergers and partial mergers (“apports partiels d’actifs”)	p. 50
5.2	Sales of buildings	p. 50
6	Outsourcing of real estate portfolios until 31 december 2011 (SIIC 3)	p. 51
7	The reit model in the world	p. 52

“Successful”, “performing”, “competitive” ! These are adjectives which are often used to qualify the French SIIC regime. This regime was created in 2003 upon the initiative of the French federation of the listed real estate companies (“Fédération des Sociétés Immobilières et Foncières” – FSIF) and has since this date been improved, completed and amended. The main benefit of this tax regime is to exempt from corporation tax rental and capital gain income earned by eligible companies, subject to certain distribution obligations.

The purpose of the current memo is to summarize the main provisions of this regime taking into account the latest measures. Olivier Mesmin and Christine Daric from Baker & McKenzie have, as the exclusive advisors of the French Federation of the Real Estate Listed companies (FSIF, Fédération des Sociétés Immobilières et Foncières) been involved in the design and discussions with the French tax authorities of the whole texts forming the SIIC regime

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The SIIC tax regime was enacted by the Finance bill for 2003 (n°2002-1575 dated December 30, 2002) and published in the Official Journal of December 31, 2002. This text was followed by a Decree n°2003-645 dated July 11, 2003 published in the Official Journal of July 13, 2003. The French tax administration published its administrative guidelines on this new measure on September 25, 2003 (BOI 4 H-5-03). Finance bill for 2004 (n°2003 – 1311 dated 30 December 2003) precised the tax treatment of distributions of sums subject to the exit tax and Finance bill for 2005 (n°2004-1484) dated 30 December 2004 has created a favourable merger regime and a favourable regime to contribution of real estate to SIIC (SIIC 2) and has extended the scope of SIIC regime to rights attached to real estate financial leases. Amendatory Finance bill for 2006 has added new conditions of eligibility and exemption for the SIIC regime, widened the regime (intra group sales) and extended the SIIC 2 regime (SIIC 3). Finance bill for 2008 (n°25007-1822 dated December 24, 2007) has extended SIIC 3 regime to sales of shares in real estate oriented companies and situations of exemptions of dividends and has created new condition for shareholders (SIIC 4). Finance Bill for 2009 (n°2008-1425 dated 27 December 2008) has postponed the entry into force of the 60% shareholding threshold, increased the 16.5% exit tax rate up to 19%, modified rules applicable to exit from the SIIC regime and extended the scope of the SIIC regime (SIIC 5). Amendatory finance bill for 2009 (n°2009-167 dated 30 December 2009) has modified conditions for the election for the SIIC regime of the foreign companies, facilitated the implementation of partnerships between SIIC and SPPICAV through subsidiaries electing for the tax exemption regime and has extended the possibilities for a SIIC or its subsidiaries to sell assets under tax neutral regime to other companies belonging to the same group. Amendatory finance bill for 2010 (n°2010-1658) dated 29 December 2010 has extended the application of SIIC 3 regime to acquisition financed through financial leasing and given certain flexibility to restructurations or refinancing of assets acquired under SIIC 3 regime.

1 Scope

1.1 - SIICS

The regime is applicable, upon election, to companies listed on a French regulated market, or under certain conditions on a foreign market, the share capital of which is superior or equivalent to 15 million euros. For FY open as from 1st January 2007, a company willing to elect for the SIIC regime must also meet the following two conditions:

- As at the date of effect of the election, its share capital and voting rights must be held at least at 15% by persons which individually hold directly or indirectly less than 2% of the share capital and voting rights.
- The direct or indirect shareholding of a shareholder or a group of shareholders acting as one ("action de concert") by the meaning of the Commercial Code shall not be equal or exceed 60% of the share capital and voting rights of the company.

The shareholders can be either French or foreign.

The corporate purpose of the SIIC must be predominantly the acquisition or construction of buildings with a view to their demise and / or the direct or indirect holding of stakes in companies having this identical corporate purpose. This activity may either be performed in France or abroad.

Not only the real estate assets are concerned but also rights attached to a financial lease if it has been concluded or acquired as from 1st January 2005, certain real estate rights ("droits réels immobiliers") such as usufruct, construction lease, long-term lease (Amendatory Finance bill for 2006) and also the rental income arising from properties which possession is temporarily given to the SIIC by the State, its public institutions, the local authorities or one of their public establishments (Finance Bill for 2009). The activities of management of car parks are also eligible to the regime if they constitute the accessory to a leasing activity of buildings.

SIICs and/or their subsidiaries can also perform, as an accessory, another activity, for instance an activity of real estate dealer; property management or development. The predominant character of this corporate purpose is appreciated company by company as follows: The value of the assets used for the performance of these activities must not exceed 20% of the gross value of the assets of the considered company. If the SIIC or one of its subsidiaries performs a financial leasing activity, the gross assets of the considered company must not be constituted at more than 50% of net financial leasing outstanding ("encours net de credit-bail immobilier").

No specific conditions are provided concerning the level of debt of the company.

Finally, the regime is open to foreign companies which meet the above-mentioned conditions according to modalities which are not currently defined in the administrative guidelines, but have to be negotiated on a case by case basis. Several foreign companies have elected for the SIIC regime.

1.2 - SUBSIDIARIES OF SIICS

This regime is also applicable, upon election, to subsidiary companies of SIICs liable for Corporate Income Tax (CIT) as long as (i) they are held directly or indirectly up to 95% at least by the SIIC and (ii) that they have a main corporate purpose identical to that defined above. For FY open as from 1st January 2010, a subsidiary jointly held by one or several SIICs and SPICAVs can also elect for the tax exemption regime under the same conditions.

For FY open as from 1st January 2007, the exemption regime is also open to subsidiaries liable for Corporate Income Tax jointly held by several SIICs (and not only one) which should facilitate partnerships between SIICs.

The regime is applicable as of right to SIIC subsidiaries which are not liable for CIT (partnerships) up to the level of their share of the result apprehended by the SIIC or its subsidiaries having elected for this regime, as long as the main activity of the said partnership is identical to that mentioned above.

2 Benefiting from the regime

2.1 - THE ELECTION

2.1.1 - An elective regime

This regime is applicable, upon election, to all companies and their subsidiaries fulfilling the above conditions which are liable for CIT. It is thus possible to arbitrate concerning those subsidiaries falling within the scope of the regime and to choose to only integrate them into a fiscal year subsequent to that during which the SIIC elected for the regime. It is also possible to have a new subsidiary electing for this regime.

Once exercised, the election is definitive and irrevocable. It is also global and therefore concerns all the assets eligible to the regime held by the opting company including foreign assets (see however paragraph 2.2.3)

2.1.2 - Modalities for exercising the election

Timing

The election can be exercised by SIICs and their subsidiaries until the end of the fourth month from the start of the fiscal year during which the company wishes to benefit from the present regime.

Formalism

The election is notified on paper or electronically to the tax authorities where the annual declaration of tax results is filed by the opting company. Upon election, the SIIC must provide the list of the subsidiaries which opt and mention their denomination, the address of their registered office, the SIRET number and the allocation of their share capital.

Date of effect

The date of effect of the election is the 1st day of the fiscal year during which it is exercised.

With regard to the conditions, these are appreciated at the date of effect of the election, that is to say the 1st day of the fiscal year during which the election is notified.

The administration specifies that the conditions for benefiting from the regime must be met on a continuous basis during the fiscal years covered by the election.

2.2 - CONSEQUENCES OF THE ELECTION

The election entails all the consequences of a ceasing of business with, however, certain adjustments.

- Companies which opt for the regime must file their declaration of results including the modalities of computation of the portion subject to the exit tax (hereinafter § 3.2) within 60 days of the election.

2.2.1 - Ceasing of business

The election entailing a cease of business has the following consequences:

- The exiting of the companies from the tax group to which they belong with all the relevant consequences and, in particular, the recapture of certain intra-group operations (cancelling of debt less than five years old, assignments of fixed assets).
- Taxation of the operating results of the fiscal year: However, given that the election has a retroactive effect as from the 1st day of the fiscal year during which it was exercised, there will not be any consequences.
- Taxation of profits, the taxation of which was suspended, and in particular, the taxation of add back provisions previously deducted from a tax standpoint.

However, a new regime is provided for latent capital gains which are subject either to “exit tax”, or to a suspended taxation mechanism.

2.2.2 - Exit tax

The election for the regime entails an immediate taxation at the rate of 19% of latent capital gains (this rate was at 16.5% before 1st January 2009) (i) on buildings held directly or indirectly by an SIIC and its subsidiaries liable for CIT electing for the regime and (ii) on the shares of partnerships (tax transparent companies) held by an SIIC and its subsidiaries liable for CIT electing for this regime.

Exit tax is also payable on latent capital gains on rights attached to a financial lease agreement only if the latter has been acquired or concluded as from 1st January 2005 and on certain real rights.

Exit tax is not due on the latent capital gains for buildings held by partnerships.

The portion subject to the exit tax is a fiscal portion, determined by reference to the tax value of the real estate assets or of the shares of the partnership.

Thus, the basis of the exit tax includes:

- Capital gains, the taxation of which was suspended subsequent to a merger or a partial contribution of assets operation, or which was previously neutralised within the framework of the tax group regime.
- The possible consequences of the Quemener decision of the Conseil d'Etat¹ leading to an adjustment of the tax value of the shares of a partnership.

In addition, the administration allows the inclusion in the portion subject to exit tax capital gains on constructions in course of add-back further to a restructuring operation (merger/contribution of assets).

The amount subject to exit tax is computed company by company. The capital gains and losses may be set off against each other within the same company. The previous losses of SIICs (ordinary losses, evergreen losses and long-term capital losses up to 19/33.33) may be credited to the part subject to the exit tax. In case of net long-term capital loss, this loss can be offset against taxable result of cease of business (standard rate of 33.33% or reduced rate of 15%).

The additional contributions are not applicable in addition to this exit tax.

One quarter of the exit tax is payable on 15 December of the fiscal year of the election and one quarter at the latest on 15 December of each three subsequent fiscal years.

2.2.3 - Real estates located abroad

The election is global and therefore focuses on all real estate including that located abroad. However, this real estate is de facto excluded from the election when the tax treaty concluded between France and the country where it is located provides for an exclusive right of taxation in the said country.

When the right to tax is not exclusively given to the foreign State, the tax administration allows the exclusion of the real estate concerned upon election for the regime or upon their acquisition in order to avoid dual taxation. The decision of exclusion must be notified to the tax administration and is definitive.

2.2.4 - Latent capital gains not subject to exit tax

Latent capital gains relating to fixed assets other than those subject to exit tax and, in particular those relating to accessory activities, to rights attached to a financial lease agreement concluded or acquired prior to 1st January 2005, or to shares of subsidiaries liable for CIT electing for the regime, are not taxed and benefit from a suspension of taxation until the assignment of the asset concerned.

The mechanism is conditional upon the undertaking to determine the capital gains realised subsequently upon the assignment of the assets concerned on the basis of the value they had, from a tax standpoint, at the end of the fiscal year prior to submitting to the regime.

¹ Conseil d'Etat 16/02/2000 n°133296 SA Ets Quemener

2.3 - REVALUATION: ACCOUNTING AND TAX RULES

In a notice n°2003-C dated June 11, 2003, the Committee of Urgency of CNC provides that when a SIIC decides to revalue its fixed assets in its corporate accounts, the revaluation reserve corresponding to the assets eligible to the new regime and for which the exit tax is payable, is booked net of the amount of the exit tax as from the opening of the exercise during which the election is made. In the absence of revaluation, the exit tax is booked as an expense.

The absence of taxation of the latent capital gains on assets out of the scope of the exit tax is applicable in case of a revaluation realized upon

the election for the SIIC regime. This adjustment is conditional upon the undertaking mentioned in paragraph 2.2.4 and the filing with the annual tax return of a statement showing the accounting value, the tax value to be used for the computation of the taxable profit at the occasion of future assignments and the revaluated value of the assets concerned.

Finally, in a notice n°2003-10 of June 24, 2003, the CNC specified that the revaluation reserve can be transferred to a distributable reserve either upon the assignment of the revaluated asset or gradually as the additional depreciation corresponding to the revaluated portion of the asset is booked under the condition that the company is in a profitable situation.

3 Exemption Regime

3.1 - EXEMPTED SECTOR

3.1.1 - The profits derived from the demise of the buildings or sublease of real estate properties financed through a financial lease or which possession is temporarily given to the SIIC by the State, its public institutions, the local authorities or one of their public establishments by SIICs and its subsidiaries having elected for the regime are exempted from CIT on condition that they are distributed up to the minimum amount of 85% before the end of the fiscal year following their realisation.

3.1.2 - Capital gains resulting from the assignment to a non related company by the meaning of Article 39-12 of FTC of buildings, of certain real rights, of rights attached to a real estate financial lease, of shares of companies liable for CIT having elected for the regime and of shares of partnerships held by SIICs or one of their subsidiaries having elected are exempted from CIT on condition that they are distributed up to the minimum amount of 50% of their total before the end of the second fiscal year following their realisation.

3.1.3 - These exemptions can only be applicable to financial lease agreements acquired or concluded as from 1st January 2005. Agreements concluded prior to this date remain within the taxable sector.

3.1.4 - Dividends received from subsidiaries having elected for the regime are exempted from CIT on condition that they are fully distributed during the fiscal year following their receipt. Dividends distributed by a SIIC, a foreign company subject to an equivalent SIIC status, or by a French collective real estate investment company (Société de Placement à Prépondérance Immobilière à Capital Variable – SPPICAV) to another SIIC holding at least 5% of the share capital and voting rights of its subsidiary for at least two years would be tax exempt subject to distribution obligations.

3.1.5 - The share of the profits realised by partnerships apprehended by SIICs or their subsidiaries having elected for the regime is exempted under the same conditions – in particular regarding distribution – as set out above.

3.1.6 - The total amount of the compulsory distribution is limited to the taxable profit of the exempted sector. It is also capped to the accounting profit, the amount exceeding the compulsory distribution being carried forward to future profits.

3.1.7 - The administration provides for an allocation key of the expenses in proportion of the kind of income of the exempted sector; taking into account the correlative compulsory distributions. The principle is the exclusive and total allocation (for instance: depreciations are allocated to the lease sector). If not, this allocation will be made on the basis of the following ratio: numerator, the amount of the incomes of the considered operation, and denominator, the total amount of the incomes of the exempted sector.

3.2 - TAXABLE SECTOR

3.2.1 - The profits stemming from the performance of other activities are determined and taxed according to standard rules. The losses prior to the election for the regime which were not offset against the profit at the cession of business or the exit tax basis are lost definitely.

3.2.2 - The charges and products (in particular financial) common to both the taxable sector and to the exempted sector shall be allocated as follows: the principle is the total and exclusive allocation, when possible, to one or the other sector. If not possible, the common expenses are allocated to the exempted sector according to the following ratio: numerator, the amount of the incomes (rents, capital gains, dividends) of the exempted sector and denominator, the total amount of the incomes of the company.

3.2.3 - In addition, the administration provides for a particular method of allocation for the financial expenses and incomes. The net financial incomes are considered as allocated to the taxable sector. By default of exclusive allocation, the net financial expenses of the exempted sector are computed on the basis of the following ratio: numerator, the gross accounting value of the assets used for the realisation of the exempted result and denominator, the gross accounting value of the whole assets.

3.2.4 - Particular case of assets becoming eligible to the exemption regime.

Article 208C Ter allows the levying of exit tax at the rate of 19% (16,5% before 1st January 2009) if subsequently to opting for the SIIC regime, real estate properties, rights attached to a real estate financial lease or shareholding in a partnership become eligible to the exemption. The latent capital gain is then added back in equal share over a four-year period, which allows to spread the taxation.

This provision will mainly concern real estate properties financed through a financial lease agreement concluded or acquired prior to 1st January 2005, which become eligible to the exemption due to the exercise of the option to buy². It will also concern cases where corporations would be transformed into partnerships or where a company having elected to Article 208C regime would absorb a company not subject to that regime (See hereinafter §V).

3.3 - SIIC 4 / SIIC 5: MAIN SHAREHOLDING AND SPECIFIC 20% CORPORATION TAX

3.3.1 - The direct or indirect holding into a SIIC by a single shareholder or by a group of shareholders² acting as one ("action de concert") is limited to 60% of the share capital and voting rights of a SIIC. Should this percentage be exceeded, the SIIC would then become liable to corporation tax under standard conditions in respect of the fiscal year during which this percentage has been exceeded.

This condition needs to be met on a continuous basis and is not applicable if the shareholder is itself a SIIC. It is however allowed to temporarily exceed this 60% ceiling under certain circumstances (e.g. tender offering, restructuring and bonds conversion operations). In such a case, the regularisation shall occur before the dead line to file the income tax return for the FY during which the threshold is not respected. In the other cases, the dead line is the year-end closure of the FY during which the threshold is no longer respected.

²The add back provided for by Article 239 sexies of FTC remains taxable at CIT at standard rate.

The tax exemption regime is suspended during the period of regularisation and the SIIC becomes taxable to CIT under standard conditions on its rental income, capital gains and dividends. In the case of a sale of a building during the suspension period, the taxable capital gain would be decreased by the amount of the depreciation which has been booked during the tax exemption period.

The return to the tax exemption regime triggers the consequences of cease of business with however attenuation: on capital gain incurred during the suspension period on the assets eligible to the tax exemption regime are taxed at 19%.

The suspension of the regime can only be applied once during the first ten years as from the election for the tax exemption regime and the ten year following except in case of stock exchange operation (tender offer), restructuring or reimbursement or conversion of bonds into shares. If the situation is not regularised within the binding delay or if the threshold is not respected several times, the SIIC definitely exits from the tax exemption regime with all the consequences described in § 4 below. This condition applies for FY open as from 1st January 2007 for those companies willing to elect for the SIIC regime as from this date, and for FY open as from 1st January 2010 for those companies having already elected for the regime as at 1st January 2007

3.3.2 - The SIIC becomes liable to a specific corporation tax at a 20% rate assessed on its distributions taken out of tax exempted results and distributed to those of its shareholders, other than individuals, which directly or indirectly own 10% or more of its share capital and are not liable to corporation tax in respect of the dividend received.

This provision does in principle not apply if the shareholder concerned is a French SIIC or a foreign company with a similar status (in fact a tax credit mechanism is provided to avoid paying the 20% tax twice).

This provision however applies whether or not the distributing SIIC is a French company. Dividend income that would be fully tax exempted or subject to a tax substantially below the French corporation tax which would have applied on such dividend income, would be deemed not to be subject to corporation tax for the application of this new provision.

This specific 20% corporation tax is recovered and controlled according to standard corporation tax rules and would be neither creditable nor refundable. It is payable within the month following the actual dividend distribution.

It applies to distributions paid as from 1st January 2007.

3.4 - TAX REGIME OF DISTRIBUTED DIVIDENDS BY VIRTUE OF THE DISTRIBUTION OBLIGATION

3.4.1 - The distributions carried out by subsidiaries having elected for the regime to other subsidiaries having elected for the regime or to the SIIC are exempted from CIT on condition that they are fully redistributed.

3.4.2 - The dividends distributed by virtue of the distribution obligation do not give rise to the application of the parent company regime of the FTC for the recipient company. However, these distributions give rise for the individuals to the discount of 40%.

3.4.3 - The law allows for the taxation at the rate of 10% on distributions of dividends of SIICs received by non-profit making entities, such as public establishments and pension funds.

3.4.4 - With regard to individuals, they can be exempted from tax on dividends and capital gains by transferring the shares of the relevant SIIC to their PEA.

3.4.5 - Finally, with regard to foreign shareholders, the dividends distributed to them will be subject in France to a withholding tax the rate of which can be reduced by virtue of the relevant international tax treaty. The withholding tax exemption provided by the EU parent/subsidiary Directive should not be applicable.

3.5 - DISTRIBUTION OF THE SUMS SUBJECT TO THE EXIT TAX

The distribution of sums having been subject to exit tax does not trigger additional tax at the level of the distributing SIIC.

At the level of the individual shareholders, the discount of 40% is applicable.

Concerning shareholders which are legal entities, the exemption regime should be applicable under standard conditions.

3.6 - FORMALISM

The SIIC and the subsidiaries having elected for the regime must enclose with their declaration of results a statement, conforming to the model given by the administration, which shows the split of their taxable profits and that of the partnerships depending on the realised operations (lease incomes, capital gains, dividends), the corresponding compulsory distributions and the compliance with the previous compulsory distributions.

In addition, the SIIC must enclose with its declaration of profits the up-dated list of its subsidiaries having elected for the regime.

4 Sanctions

In case of non-compliance with the compulsory distribution, the company concerned is taxed under the standard conditions on its whole exempted sector for the fiscal years concerned.

Finance bill for 2009 has toughened the sanctions in case of exit from the SIIC regime.

In the event of the SIIC exiting the regime within ten years following the election, the capital gains having been subject to exit tax at the level of the SIIC will be the subject of an additional taxation at the standard rate of CIT, from which will be deducted the exit tax paid on entering this regime. Such a sanction is not provided in the case of one of the subsidiaries exiting the regime or if a SIIC becomes the 95% subsidiary of another SIIC and remains within the scope of the exemption regime.

As from 2 January 2009, the benefits of the tax exempt sector which have not been distributed yet (finance bill for 2009) becomes taxable to CIT at standard rate. An additional tax of 25% is also payable to a portion of the capital gains incurred during the tax exemption period of the properties. In addition, if the SIIC definitely exit the tax exemption regime after a period of suspension, the SIIC shall also pay on top of the above-mentioned sanctions a corporate tax at 19% on latent capital gains incurred during the period of suspension.

5 Restructuring

5.1 - MERGERS AND PARTIAL MERGERS (“APPORTS PARTIELS D’ACITFS”)

Finance bill for 2005 states that the favourable provisions of merger regime provided for by Articles 210A and following of the FTC will be applicable to SIIC and their subsidiaries having elected for regime of Article 208C. The sole condition is that the absorbing company commits, in the merger deed, to substitute the absorbed company concerning binding obligations to distribute which have not been satisfied yet at the date of the merger.

The favourable merger regime is adapted as follows:

- exemption of merger bonus on condition of its distribution up to the minimum of 50% before the end of the second fiscal year after its realization; because of the accounting obligation to choose Net Book Value for a merger between two companies placed under a common control, bonus should only reflect profits and reserves of the absorbed company which have not been distributed yet,
- add back in equal share over a fifteen year period of the capital gain realized on depreciable assets (for instance constructions) in the exempted result subject to a 85% obligation to distribute; In principle, in case of sale of the property, according to our information, the French tax administration should admit that the amount of this capital gain which has not been added back yet be exempted on condition to be distributed up to a minimum of 50% before the end of the second fiscal year following the sale.

In addition, the merger between two SIIC will not trigger the challenge of the favourable regime on condition that outstanding binding obligations of absorbed SIIC be satisfied by absorbing SIIC, such a commitment being mentioned in the merger deed.

In case of absorption by a SIIC or one of its subsidiaries subject to the Article 208C regime of a company not subject to the regime, exit tax will be levied on latent capital gains on properties, rights attached to real estate financial lease, certain real rights or shareholdings in real estate partnership which become eligible to the regime. It is worth noting that the favourable regime is applicable under standard conditions to the taxable sector.

An Administrative guideline should precise this regime.

5.2 - SALES OF BUILDINGS

The capital gain realised by a SIIC or one of its subsidiaries upon the sale of a property, real rights or rights relating to a financial lease agreement on a real estate is exempted under the conditions that (i) the purchaser benefits from the same tax exemption regime (SIIC, subsidiaries of SIIC, SPPICAV, subsidiary of SPPICAV) and (ii) the seller and the purchaser are related companies by the meaning of Article 39-12° of the French Tax Code. The purchaser shall however take the commitment to respect certain conditions and in particular in case of sale of the concerned property to add back in equal share over a fifteen year period of the capital gain realised on depreciable part of the asset (constructions) in the exempt result subject to 85% obligation to distribute.

Amendatory finance bill for 2010 allows possibility to sell a property acquired under SIIC 3 regime without a breach of the commitment to keep it (see below) under the condition that the purchaser covenants to keep the property during a new 5-year period and remains linked to the seller during this period.

6 Outsourcing of real estate portfolios until 31 December 2011 (SIIC 3)

The article 210E of the French Tax Code allows for the levying of CIT at the rate of 19% (16.5% before 1st January 2007) - plus additional taxes – on net capital gains resulting from the contribution or the sale of buildings, of rights attached to a financial lease agreement or of certain real rights or shares in a real estate oriented company which is carried out by a legal entity liable to CIT according to common rules generally applicable, in favour of a company raising funds from the public or being agreed by the Stock Exchange Authorities ("Autorité des Marchés Financiers") and having a real estate activity³. Amendatory Finance bill for 2006 has specified the definition of "raising funds from the public" by meaning of SIIC 3 provisions.

It must be characterized by the emission of securities giving bindingly an access to the share capital, excluding other types of emissions (such as listed bonds other than them reimbursable into stocks). For FY open as from 1st January 2007, this attractive tax regime is also applicable if the assignee is a subsidiary of a SIIC or a SPPICAV having elected for the tax exemption provided by Article 208C as long as they remain within the scope of this regime during at least 5 years as from the acquisition.

Finance Bill for 2009 has confirmed the possibility to apply SIIC 3 regime to buildings which are aimed at being demolished with a view to be rebuilt provided that the construction works are completed before the expiry of the 5 year following the acquisition. It is also possible, under certain conditions, to finance the acquisition under SIIC 3 regime of a property through a financial leasing or to refinance a property through a financial leasing without a breach of the 5-year commitment to keep it. The company acquiring or benefiting from such contribution must covenant to keep the assigned property for five years. The formalism of this commitment shall be specified in a Decree. Noncompliance with this covenant shall entail a penalty corresponding to 25% of the contribution/sale value of assigned property.

The same 25 % penalty is also applicable if the assignee is a subsidiary of SIIC or SPPICAV and does not remain within the exemption regime during at least 5 years. This provision shall apply to assignments carried out until 31 December 2011. This SIIC3 regime has been commented by the French tax authorities in their guidelines dated 30 March 2009 (4H-I-09) and should in practice mainly concern assignments in the benefit of SIIC, SCPI and OPCV under the form of a company (SPPICAV). Its purpose is to favour the transfer of the real estate assets of industrial or commercial companies to real estate companies.

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³ i.e. its corporate purpose is (i) to purchase or build real estate properties with a view to rent them or (ii) to hold shareholdings in companies having the same purpose as in (i).

7 The REIT model in the World

	France	Germany	Australia
Name	SIIC	G-REIT	LPT - Unit trust - public trading trust
Date	2003	2007	1985
Procedure	Option	Registration at the Registrar of Companies	Trust Agreement
Legal status	SA, SCA	Aktiengesellschaft AG	Unit trust
Minimum share capital	€15M	€15M	\$1
Shareholding restrictions	One shareholder or one group of shareholders acting in concert cannot hold 60% of the share capital and voting rights. 15% of floating capital at the time of the option	No shareholder can directly hold 10% or more of the shares or voting rights	N/A
Listed company?	Yes	Yes	No
Business Activity	Long-term real estate investment Ancillary activity possible	Exclusively long-term real estate investment. Buildings where more than 50% is used for residential purposes are not eligible	No restriction except for Unit trusts open to the public or long-term real estate investment as the main purpose with the possibility of ancillary activities
Assets	Assets assigned to an ancillary activity cannot account for more than 20% of total assets	75% of assets in buildings 75% of income from real estate	N/A
Leverage	N/A	45% LTV	N/A
Distribution requirement	85% of rental income 50% capital gains 100% of dividends	90% of net income (including capital gains, 50% of which may however be allocated to reserves)	100% of income
Sanction	Taxation of taxable profit Loss of the tax regime	Fine Loss of the tax regime	N/A
Loss of the tax regime	Exemption subject to distribution condition Taxation of ancillary activities	Full exemption	Exemption
Tax deducted at source on dividend distributions	5% or 15% unless there is an agreement to the contrary Deduction of 20% on dividend distributions to some shareholders	26.75% unless there is an agreement to the contrary	Local taxation unless there is an agreement to the contrary
Entry into the scheme	19% taxation on unrealised capital gains	50% exemption on unrealised capital gains 50% exemption on capital gains in the event of disposal to a G-REIT	N/A

	Belgium	Bulgaria	Spain
Name	SICAFI	SPIC	RECII – SOCIMI
Date	1995	2004	2009
Procedure	Licences from the banking commission Registration on the SICAFI list	Licences from the financial commission Listing authorisation	Option
Legal status	SA, SCA	Public joint stock company (AD)	SA
Minimum share capital	€1.25M	255 646 (500 000 BGN)	€15M
Shareholding restrictions	N/A	At least 30% of the capital must be held by institutional investors Not more than 50 founders	Floating capital of 25%
Listed company?	Yes	Yes	Yes
Business Activity	Long-term real estate investment Promotional activities allowed	Long-term or short-term real estate investment	Long-term real estate investment
Assets	No asset should account for more than 20% of all assets Assets may be held directly or indirectly	No more than 10% of assets invested in bonds or a services company Assets involved in legal proceedings are not allowed for investment Assets in Bulgaria only	80% of assets in the form of real estate, other REITs 80% of income from eligible activities 3 assets cannot account for more than 40% of all assets
Leverage	65% of LTV Interest limited to 80% of income	Short-terms loans cannot account for more than 20% of assets	70% LTV
Distribution requirement	80% of net profit No requirement to distribute capital gains if they are reinvested within 4 years	90% of net profit (including capital gains)	90% of rental income 50% of capital gains 100% of dividends in qualifying subsidiaries
Sanction	Fine	Fine Loss of the tax regime	Fine Loss of the tax regime
Exemptions	Rental excluded Capital gains exempted	Full exemption	19% of corporation tax (15.2% in case of residential assets) 30% in some cases
Tax deducted at source on dividend	15%	5% or 0%	N/A
Entry into the scheme	16.995% on unrealised capital gains	DAS	Transition rules

	United States	Finland	Greece
Name	US-REIT	REIT	REIC
Date	1960	2009	1999
Procedure	Option	Authorisation from tax authorities	Licence from the stock exchange commission
Legal status	Any US legal entity taxable as a company	SA, SARL	SA
Minimum share capital	N/A	€5M	€29M€
Shareholding restrictions	At least 100 shareholders 5 private individuals/ foundations or less cannot hold more than 50% of the shares	No shareholder can hold 10% or more of the share capital	N/A
Listed company?	No	Yes	Yes
Business Activity	Long-term real estate investment	Long-term real estate investment	Real estate investment
Assets	At least 75% of real estate assets, Government or treasury bonds Several other tests	At least 80% of income must be derived from property assets At least 80% of real estate assets must be made up of real estate companies or residential assets	At least 80% of assets in the form of property No asset can account for more than 25% of all assets
Leverage	N/A	80% of debt allowed	50% LTV 25% LTV on construction projects Rule of 10% net assets for the acquisition of a building
Distribution requirement	At least 90% of current income No requirement regarding capital gains	90% of net profit (including capital gains)	35% of net profit
Sanction	Fine Loss of the tax regime	Fine	Fine
Exemptions	Exemption of distributed earnings	Exemption from corporation tax	Special tax rate of 10% Exemption of capital gains
Tax deducted at source on dividend distributions	30%/35% on dividends deducted from current income/capital gains unless there is an agreement to the contrary	28% unless there is an agreement to the contrary	N/A
Entry into the scheme	Transitional regime foreseen No capital gains tax on unrealised Capital gains on property held More than 10 years	26% on latent capital gains	Specific regime for mergers

	Israel	Italy	Japan
Nom	REIT	SIQ	J-REIT
Date	2006		2000
Procedure	Locally managed company	Option	Real estate licence (management and transaction) Regulated management company Approval from financial authorities
Legal status	Public company trades in the Tel Aviv Stock Exchange	Joint stock company	Trusts and companies
Minimum share capital	N/A	€40M	JPY100M
Shareholding restrictions	At least 50% held by more than 5 shareholders	35% of floating capital No shareholder can hold more than 51% of voting rights	N/A
Listed company?	Yes	Yes	No
Business Activity	Investment in long-term real estate assets and liquid assets (at least 95%)	80% of real estate income	Investment in eligible assets (real estate, usufruct, surface rights, liquid assets mainly)
Assets	95% of real estate and liquid assets 75% in real estate assets	80% of real estate assets	At least 50% of assets invested in real-estate, real estate backed securities, trusts, surface rights, enjoyment of rights Not more than 50% of voting rights in another company
Leverage	60% LTV for buildings (20% for other assets)	Defined by the Articles of Association of the SIQ	N/A
Distribution requirement	90% of profit 100% of capital gains	85% of rental income No requirement regarding capital gains	At least 90% of profit (income and capital gains)
Sanction	Loss of the tax regime	Loss of the tax regime	Loss of the tax regime No possibility of deducting dividends distributed
Exemptions	Exemption of distributed earnings	Exemption of rental income Taxation of capital gains	Exemption of distributed earnings
Tax deducted at source on dividend distributions	60% unless there is an agreement to the contrary	20% reduced to 15% if dividends are derived from rental of residential assets	Between 7% and 10% unless there is an agreement to the contrary
Entry into the scheme	Impossible	20% on realised capital gains in the event of contribution of buildings to a SIQ 20% in the event of option for the scheme	No scheme

	Lithuania	Luxembourg	Netherlands
Name	REIT	SIF	FBI
Date	2008	2007	1969
Procedure	Status of undertaking for collective investment	Compliance with rules applicable to specialised funds	Option
Legal status	Joint stock company or fund	FCR, SICAV or SICAF	BV, NV or FGR (open-ended fund)
Minimum share capital	LTL150 000 (around €43 500)	1,25 M€	BV : 18 K€ NV : 45 K€ FGR : N/A
Shareholding restrictions	N/A	Eligible investors	One or several shareholders belonging to the same group cannot hold 45% of shares 75% held by natural persons, exempt entities or regulated FBI
Listed company?	No	No	Not compulsory
Business Activity	Long-term real estate investment with possibility of investing in assets under construction in a limited manner	Long-term real estate investment	Long-term real estate investment
Assets	Not more than: - 20% of liquid assets - 30% of assets of a real estate company - 20% of assets under construction - 40% of assets in a single building	N/A	Only passive real estate investors
Leverage	Limited to 75% LTV	N/A	60% of the tax value of the real-estate asset 20% for other assets
Distribution requirement	N/A	N/A	100% of profit from capital gains can be exempted if recognised in a reserve
Sanction	Loss of the licence	Loss of the tax regime Dissolution/liquidation Penal sanctions	Loss of the tax regime
Exemptions	Exemption of rental income and capital gains Taxation at 15% of dividends and other income with the possibility of application of the parent company scheme	Exemption of all income	Exemption of rental income
Tax deducted at source on dividend distributions	15% unless there is an agreement to the contrary	N/A	15% unless there is an agreement to the contrary
Entry into the scheme	No scheme	No scheme Taxation as per normal rules	No scheme Taxation as per normal rules

	UK	Turkey
Name	UK-REIT	REIC
Date	2006	1995
Procedure	Option	Regulated by the Capital Markets Board Articles of Association model to be complied with
Legal status	Closed-ended company	Joint stock company
Minimum share capital	50 000 £	TRY20 M
Shareholding restrictions	35% of floating capital No shareholder can hold more than 10% of shares/voting rights	At least one of the founder shareholders must hold at least 20% of the share capital
Listed company?	Yes	Yes
Business Activity	At least 75% of profit	Only activities authorised in the agreement Operations relating to the construction, running of a hotel, shopping centre or of a hospital not authorised
Assets	At least 75% of assets used for the rental business At least 3 property assets	At least 50% of real estate assets Condition of diversification of assets
Leverage	ICR	Short-term credit transactions cannot exceed 3 times net assets
Distribution requirement	90% of profit (excluding capital gains)	At least 20% of profit (including capital gains), the percentage if defined in the Articles of Association
Sanction	Fine Loss of the tax regime	Loss of the tax regime
Exemptions	Exemption of rental income and capital gains	Exemption of rental income and capital gains
Tax deducted at source on dividend distributions	20% unless there is an agreement to the contrary	0%
Entry into the scheme	2% of the gross value of eligible assets	No transitional scheme

July-2010	France	Germany	Australia	Belgium	Bulgaria	United States
Number of companies	44	2	60	14	19	173
The sector's performance over 12 months	29.70%	68.70%	18.50%	15.60%	-0.30%	50.80%
Capitalisation	£37.6bn	£0.4bn	£43.7bn	£4bn	£0.1bn	£206.9bn
% of the global REIT sector	9.60%	0.10%	11.20%	1%	0%	53%
Real-estate sector	Offices, retail, industries, logistics, residential	Offices, retail, logistics, residential	retail, hotels, industries, offices, parkings, residential, retirement homes	Offices, retail, health care, industries, parkings, distribution, housing	Agriculture, hotels, industries	Retail, industrial, office, hotel, residential

July-2010	Greece	Italy	Japan	Netherlands	UK	Turkey
Number of companies	2	1	36	7	19	15
The sector's performance over 12 months	-19%	0.10%	-1.30%	23.70%	15%	43.70 €
Capitalisation	£0.3bn	£0.3bn	£21.2bn	£6.9bn	£21.1bn	£1.3bn
% of the global REIT sector	1%	0.10%	5.40%	1.80%	5.40%	0.30%
Real-estate sector	Offices, retail, industries, logistics, parkings	Retail	Offices, retail	Offices, retail, industries	Offices, retail, industries, logistics, residential	Hotels, residential, retail, tourism

000 Presentation of the FSIF

I	The activity of the federation	p. 61
I.1	Representation of Property and Real Estate Companies	p. 61
I.2	Actions with regard to public authorities	p. 62
I.3	Commissions and Working groups	p. 62
I.4	Information of members	p. 63
I.5	The FSIF: a centre for discussions and meetings	p. 63
I.6	Representation of real property companies in national collective agreements	p. 64
I.7	Representation of property companies in the National Joint Commission on Property Employment and Professional Training (C.E.F.I.) and of the National Joint Commission on Employment of Building Caretakers (C.E.G.I.)	p. 64
I.8	Relations with real property industries and the socio-professional environment	p. 64
2	The federation's team	p. 65
	Cotisation des adhérents	p. 66

The FEDERATION DES SOCIETES IMMOBILIERES ET FONCIERES (F.S.I.F. - French Federation of listed Real Estate companies) was originally created in 1935, since which time it has been restructured several times. Most recently, in 1994, under the chairmanship of Mr. Jean WEIL (1994-1997), it completed the merger of two professional bodies:

- the Syndicat des Societes Immobilières Françaises (S.S.I.F. - French Real Property Companies Association);
- the Groupement des Societes Immobilières d'Investissement (G.S.I.I. - Real Property Investment Companies Association).

It was subsequently chaired by Mr. François SIMONNET (1997-2002). Since 28 November 2002 it has been chaired by Mr. Jean-Paul DUMORTIER.

To reflect changes in its members' areas of operation, the FSIF variously amended its Articles of Association in 2001, 2005, 2006, 2007, 2008 and 2009.

“The objectives of the FSIF are:

- 1 - to study, promote and represent the collective and professional interests of its members;
- 2 - to seek and apply any appropriate means to encourage its members; and
- 3 - finally, more generally, to deal with or assist its members in any matter directly or indirectly concerning the FSIF” (Article 3 of the Articles of Association).

“Any Company whose principal object is investment in property or in real estate investment companies may join the Federation” (Art. 2 of the Articles of Association).

The Federation currently has about fifty member companies - both large and small. Firstly, there are the Listed Real Estate Investment Companies (SIIC). The FSIF in effect includes the largest capitalised companies in the property sector of the Paris Stock Exchange (over 95% of the market capitalisation of the listed real estate section, SIIC and non-SIIC). But the Federation also includes private property companies, mixed real estate investment companies, insurance companies and, finally, French subsidiaries of foreign property investment companies.

Since 1994, the Federation has admitted over twenty new members. Despite the mergers and consolidations effected over several years, the number of corporate members (some 50 in 2010) is increasing.

1 The activity of the federation

1.1 - REPRESENTATION OF PROPERTY AND REAL ESTATE COMPANIES

As their professional representative organisation, the FSIF represents its members in the principal commissions, authorities, real property and financial bodies, including:

- the Commission Nationale de Concertation (C.N.C. - National Consultation Commission);
- the Observatoire des Loyers de l'Agglomération Parisienne (O.L.A.P. – Rental research institute for the metropolis of Paris);
- the Association Paris Europlace - Paris Europlace Association;
- the Comité de pilotage du SIMI - SIMI Steering Committee;
- the Agence Nationale de l'Habitat (A.N.A.H. - National Housing Authority);
- the Commission Départementale de l'Habitat (PARIS, Ile-de-France) – County Housing Commission;
- the Commissions Départementales de Conciliation (PARIS, Ile-de-France, Rhône, Saint Denis, etc.) - County Conciliation Commissions;
- the Observatoire National des Marchés de l'Immobilier (ONMI – National research institute for the real property market);
- the Caisse de retraite CRIP (gardiens, concierges et employés d'immeubles) - CRIP (caretakers, concierges and building employees) pension fund;
- the Commission d'Experts du "Compte du Logement" (ministère du logement) - Commission of Experts for the National housing budget" (Ministry of Housing);
- the Comité inter-patronal de l'immobilier pour l'emploi et la formation professionnelle (COPI - Property Inter-employers' Committee for employment and professional training);
- the Commission paritaire nationale de l'emploi et de la formation professionnelle de l'immobilier (CEFI - National Joint Commission for property employment and professional training);
- the Comité des employeurs de gardiens concierges et employés d'immeubles (COREGE - Employers' Committee for caretakers, concierges and building employees);

- the Comité opérationnel du Grenelle de l'environnement (COMOP - Operational committee for French Government policy forum on ecological and sustainable development);
- the Bureau du Comité stratégique du Plan Bâtiment du Grenelle de l'environnement - Strategic committee for the Building Plan in the French Government policy forum on ecological and sustainable development.

Within these bodies, the representatives of the FSIF regularly defend a number of basic policies and principles: optimising the economic and social roles of the private commercial and residential rental sector in our country; acknowledging the necessity of directing long-term savings to companies such as listed real estate investment companies (SIICs); instituting and perpetuating the necessary tax equality for the type of savings offered to the public; taking account of the increasingly financial approach to property in managing and exploiting real estate assets (particularly commercial real estate), etc. The FSIF intervenes regularly in respect of subjects raised in these bodies, and plays an active role which is recognised and often followed.

1.2 - ACTIONS WITH REGARD TO PUBLIC AUTHORITIES

The Federation has for a number of years conducted a policy of communication and institutional action to reconcile the collective interests of its members and the general economic interest.

In this field, the FSIF works with national public authorities such as the Ministries of the Economy, Finance, Budget, and Housing, the Senate (legislative upper house), the National Assembly (legislative lower house), national and local elected officials, political parties, think-tanks, independent administrative authorities (e.g., the Financial Markets Authority, the National Accounting Council), and many other public or quasi-public bodies.

The objective is to make sure that the position of property and real estate companies is taken into account whenever new legislative or regulatory provisions are proposed which would affect their business environment and/or their economic and financial interests.

This institutional action and communication is strengthened and extended annually. This is imperative, as real property is one of the sectors most subject to changes in its legal, political and economic environment.

The FSIF's watching brief with regard to the almost continuously changing "rules of the game" is undertaken with the aim of achieving recognition of the industrial nature of the business of property and real estate companies, of stimulating the building sector; of encouraging investment and long-term savings towards the real property sector; and of promoting employment through greater individual and corporate mobility by developing (inter alia) a better adapted and modernised rental sector to enhance the attractiveness of the French industrial base.

Such action is motivated by a desire to align the collective interests of property and real estate companies with the achievement of objectives of general economic interest. This basis for action is systematically coordinated with the initiatives which other professional real property and financial organisations may take in related or similar matters.

In recent years, the FSIF has intervened on several occasions with public authorities, playing an important or even decisive role, for example, in **correcting inconsistent legal situations** (e.g. article 26 of the MURCEF law of 12 December 2001, relating to the stabilisation of rents under commercial leases).

At the end of 2002 the FSIF proposed, and subsequently created in collaboration with the public authorities, to set up a **new statute for Listed Real Estate Investment Companies (SIICs)** which was promulgated by article 11 of the French Finance Act for 2003. In 2003, it worked in close collaboration with the Directorate of fiscal legislation and the National Accounting Council in preparing the conditions for the fiscal and accounting applications of SIIC status.

From 2004 to 2009 this system has been modified and completed by successive Finance Acts.

The FSIF also took the initiative in proposing the creation of a mechanism for encouraging the externalisation of non-strategic property assets by industrial and financial companies, through investment from, or contribution to, real property investment companies open to the investing public. This mechanism is operative until 31 December 2011.

More recently, in 2008 and 2009, as representative of owner-landlords, the FSIF played an essential role in the creation of the national index of commercial rents (ILC), which was introduced in the law for modernisation of the economy. This index has become the standard reference index in almost all retail leases. The Federation has also promoted the Index of service sector rents (ILAT) for office premises, warehouses, logistical centres, etc.

1.3 - COMMISSIONS AND WORKING GROUPS

Whenever an important or topical subject requires careful consideration, or institutional action, a dedicated working group is set up to provide the necessary technical background to its discussion.

These groups, generally chaired by a director of the Federation, consist of about ten people chosen from member companies for their skills and representativeness.

Since September 2000, several different commissions and working groups have been working to establish the "doctrine" of the FSIF.

Their work has been conducted in two distinct but complementary ways.

The six commissions are respectively concerned with:

- 1** - Accounting and financial standards, legal problems and valuations;
- 2** - Institutional action;
- 3** - Financial communication;
- 4** - Shopping malls and retail planning;
- 5** - Social policy (employment, salaries and training);
- 6** - Sustainable development.

These commissions have a more political role. They determine, subject to the approval of the FSIF's Board, the major principles which the Federation is responsible for promoting and defending in front of French and European public decision-makers.

The Subject-based working groups, or specially commissioned ad hoc groups, have been created to examine more specific problems. Subjects which have been dealt with concern the landlord and tenant relationships within commercial leases, professional and residential leases, the changeover to IFRS accounting standards, accounting "components", means of financial communication, reform of the ICC index for the indexation of residential rents, asbestos, notices to quit before sale, recoverable tenancy charges, the Grenelle forum on ecological and sustainable development, the SIIC code of ethics, etc.

The results are later published to all the members and serve as a basis for technical consideration and, where appropriate, for any outward action of the Federation. This procedure not only promotes the use of internal skills at optimum cost, but gives each participant the benefit of the experience and knowledge of the others. It also enables members to be effectively in-phase with the concerns of other member companies of the FSIF.

I. 4 - INFORMATION OF MEMBERS

The FSIF keeps in touch with its membership through several information channels:

Memoranda:

Any topical subject is immediately distributed to all members, in the form of a memo, most often accompanied by the text or document referred to.

Information on laws and regulations, interpretation and comments;

Personalised answers to questions from members;

Specific research on request.

I. 5 - THE FSIF: A CENTRE FOR DISCUSSIONS AND MEETINGS

Within the FSIF anyone may exchange information and ideas in informal and amicable discussion.

The meetings organised by the FSIF are of two kinds:

Business meetings for exchange of information:

They are informal, without agendas or minutes. They enable the participants to exchange views on real property topics concerning both company housing and real property. They take place annually, at the start of the year.

Consultation meetings on "difficult" or topical subjects:

These meetings assist in creating cooperation between the representatives of property owners and real estate companies and in raising topical matters directly concerning the businesses of FSIF member companies.

The Federation, as the employers' representative organisation, also addresses, by invitation, round tables, seminars, conferences and think-tanks (e.g. the Paris Europlace financial seminar; the SIMI and MIPIM exhibitions, the EPRA conference, NAREIT, IPD, IFEI, Business Immo working breakfasts, etc.).

Finally, the FSIF regularly intervenes when the need arises, in general and specialised journals and papers and the audiovisual media (France-info, LCI, Business Immo, Directions immobilières, Gestion de fortune, Profession Logement, la lettre d'APOGEE, Réflexions immobilières, Juris-hebdo, La Tribune, Les Echos, Le courrier du logement, Le Revenu, Investir, Immo Hebdo, etc.).

1.6 - REPRESENTATION OF REAL PROPERTY COMPANIES IN NATIONAL COLLECTIVE AGREEMENTS

As the employers' representative organisation, the FSIF is signatory of two national collective agreements: for employees in the property sector and for caretakers, concierges and building employees.

In this role, the FSIF takes an active part in the work of the national and joint commissions on these two collective agreements. The subjects dealt with and the issues involved are certainly less groundbreaking but nonetheless important as they concern inter alia: the application of labour laws (e.g. the law on professional training of April 2004), annual salary negotiations, employment policy and professional training, management and reduction of working hours, employer/employee legal relationships - modernisation of the national collective agreement for the property sector, job grading, the impact of the annual increase in the SMIC (French minimum wage) on pay scales, etc.

With a view to defending the interests and points of view of its members, the FSIF created for this purpose a **Permanent Corporate Commission**, meeting 2 to 3 times a year. It is composed for the most part of Human Resources Directors, company secretaries or "ground" managers appointed by their companies.

This consultation enables the members of this Commission to determine the scope of the mandate and the limits of issues negotiable by the FSIF, and to have its proposals, directions and choices confirmed, particularly in the light of negotiations between employers and trade unions.

In 2009-2010, the FSIF worked on equal opportunity in the profession, employment for mature staff, contingency insurance and the constitution of a benchmark for pay, etc.

1.7 - REPRESENTATION OF PROPERTY COMPANIES IN THE NATIONAL JOINT COMMISSION ON PROPERTY EMPLOYMENT AND PROFESSIONAL TRAINING (C.E.F.I.) AND OF THE NATIONAL JOINT COMMISSION ON EMPLOYMENT OF BUILDING CARETAKERS (C.E.G.I.)

The property sector was behind in progress on professional training, in particular in comparison with the banking and insurance sectors, and this led to vigorous action by the profession in 1995: the choice of AGEFOS-PMI as authorised mutual insurance body (OPCA) for the property and development-construction sectors, definition of priority training programmes, implementation of a professional qualification framework, selection of bodies to make proposals to the profession, consideration of diplomas and creation of Property Professional Qualification Certificates, participation in the work of the Ministries of National Education and Employment, audiovisual communication, publication of an ONISEP (French trades and training advisory body) brochure on real property trades and training and visits to specialised educational sites, etc.

The Federation, like the National Property Federation (F.N.A.I.M.), belongs to the National Syndicate of Property professional trade unions (S.N.P.I.), the Union of Real Property Syndicates (UNIS), etc., the National Joint Commission for Real Property employment and professional training and the corresponding employers' authority: the Real Property professional employer organisations Committee (C.O.P.I.) and also the Employers' Committee for caretakers, concierges and building employees (COREGE).

1.8 - RELATIONS WITH REAL PROPERTY INDUSTRIES AND THE SOCIO-PROFESSIONAL ENVIRONMENT

The FSIF has established and pursues energetically frequent and fruitful contacts with most of the professional organisations of other employers in the property sector in the broadest sense (- the FFB, UNCM - SNAL - EPL - FNAIM - UNPI - UNIS - SNPI - FPC - SNRT - FFSA).

It often takes the initiative in organising conference-calls, working meetings, participation in study days and congresses, bilateral contacts, etc.

Thus in 1998 the FSIF took the initiative of creating "The Chairmen's Lunch". This brings together the Chairmen of the eleven or twelve property sector federations at lunch-time in a convivial environment.

The purpose of this event is to enable all the Chairmen of these professional organisations, at least once a year, to express their views on current events and the subjects which concern their respective members (subjects raised: real property taxation - law on the 35-hour working week - European harmonisation - status of the private landlord - relations with public authorities, the economy, legal development of landlord and tenant relationships, etc.) with the aim of identifying matters for joint action.

The interest of this operation lies both in its informal and occasional (once a year) format. This initiative has been a real success.

Similarly, on the international level, the FSIF works with the European Public Real Estate Association, the National Association of Real Estate Investment Trusts and the OECD on all the international subjects and problems concerning investment and the exploitation of property assets.

Since 2006, the FSIF has organised the "SIIC Awards" each December. This event is to promote the SIIC among the general public and the media as major economic players and creators of value. At this event, four trophies are awarded: "Town and Future", "Best analyst of the year", "Best operation of the year" and, finally, the "Property and Society" prize.

2 The federation's team

Mr. Jean-Paul DUMORTIER has been Chairman of the FSIF since November 2002.

- An Ordinary General Meeting is held every year. The last was in December 2009.
- The Board of Directors currently consists of about twenty members, under the Chairmanship (Board meeting of 4 December 2008) of Mr. Jean-Paul DUMORTIER (Bachelor of Law - IEP Paris - ENA - MRICS) - Chairman of the SFPF Company;
- Mr. Yves MANSION (IEP Paris - ENA) is Vice-Chairman of the FSIF (Board meeting of 4 December 2008) and, among others, a member of the Supervisory Board of the AMF (French Financial Markets Authority);
- Mr. Pierre VAQUIER is Vice-Chairman of the FSIF (Board meeting of 7 December 2009). He is Chairman of AXA REIM
- The Executive Manager of the Federation, since 1 July 2000, has been Mr. Dorian KELBERG (Doctor of Law - IEP Aix-en-Provence - IIDA - FRICS).
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Given the nature of the FSIF team and the demands made both by the members and the professional environment, the Federation operates in the manner of a law-firm or a Minister's private office.

Each task and role is well-defined. Consultation between the employees is continuous and sustained (with at least one internal meeting per week). The principle for action is "to anticipate by working quickly and well".

MEMBERS' SUBSCRIPTION:

The annual subscription is calculated by a reducing percentage rate on a number of tranches applied to the total rents received in the preceding year.

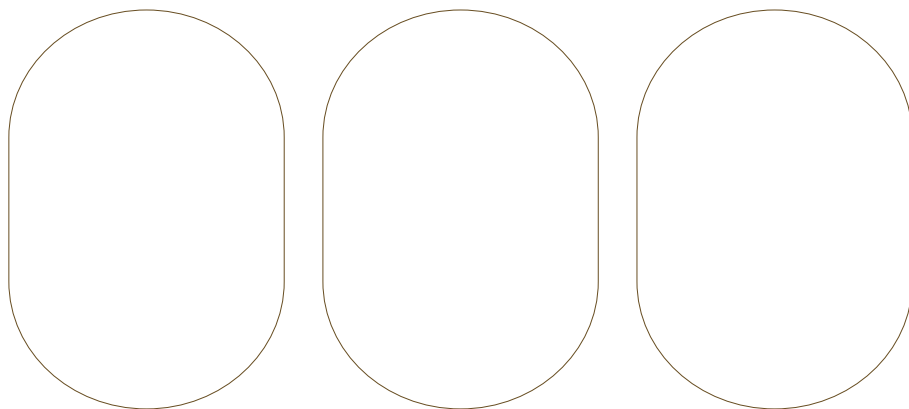
Member companies which have not yet achieved the turnover required for the first tranche of the scale are asked to pay a "basic" annual subscription of 10,000 euros.

The subscription is paid half-yearly, in April and September.

An additional contribution may be required from its members by the FSIF to finance the organisation of public events, paying firms of consultants, publications, etc.

For any additional information, visit the FSIF website at: www.fsif.fr

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SIIC companies reconcile finance with public interest

The fiscal transparency structure for listed real estate investment companies has provided France with a strong and buoyant real estate industry. In fact, thanks to the introduction of the specialist regime for listed real estate investment companies (SIIC) in 2003, the Paris Stock Exchange can now take pride in having the largest sector of listed real estate companies in Europe, with a market capitalisation of almost 50 billion Euros. Although they are only fifty in number, French SIIC companies are at the head of assets worth 95 billion Euros, almost half of the 220 billion owned by institutional investors as a whole, far ahead of insurance companies (46 billion Euros) or foreign funds (56 billion Euros). They managed to raise 31 billion Euros of new capital from 2003 to 2009, four times more than over the previous six years, a significant part of which was achieved by internationalising their shareholder base as is the case for the CAC 40 constituents.

SIIC companies have also helped in stabilising the real estate market over the past two difficult years. In particular, they have provided additional revenue to the Government through the payment of an exit tax levied immediately on unrealised capital gains. But SIIC companies have also played a key role in large-scale projects, in the regeneration of downtown areas, in the development of projects which are more modest but just as significant in their context and in residential real estate. As stakeholders in urban development, they have assigned their projects to the most prestigious architects in the world. As socially responsible companies, listed real-estate companies have incorporated aesthetic quality into the commandments of sustainable development that have become their new guiding principle. Energy performance has become a priority.

As key stakeholders alongside local authorities, listed real estate companies have become essential partners of the largest French groups who, by outsourcing their property assets, have boosted their financial capacity for the development of their core business. It is no matter of chance therefore that such schemes have gradually been introduced across Europe. Born in the modest-sized markets of the Benelux countries, it is France that has made the REIT model popular on this side of the Atlantic, largely inspired by their success in the US. To date, 145 companies in Europe have opted for fiscal transparency. Countries which do not have the SIIC regime run the risk of seeing capital flights to major players in neighbouring countries, who will not miss the opportunity of acquiring real estate companies in countries where the special tax status doesn't exist, or who will even invest by acquiring buildings directly, while enjoying a competitive advantage over local companies that are liable to tax as applicable to companies under ordinary law.

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