

NEWSLETTER



Société de la Tour Eiffel

December 2009

EDITO

Whereas the Lehman Brothers' crash in September 2008 appeared to herald the end of the world, since the summer the financial markets have been buoyed by a new wave of optimism. Such excessive swings and sentiments illustrate the pendulum theory: the extent of the crisis being proportional to the financial excesses and hyper growth of the last decade, whilst the first signs of a dissipation in the clouds stimulate a stock exchange rally as marked as the preceding free fall.

Société de la Tour Eiffel's share price did not prove an exception to the rule demonstrating a recovery during the summer of 2009 to the extent of erasing what had become an exaggerated discount. This is not without satisfaction for a number of the company's shareholders, not least of which the management who control 10% of the capital, whilst attracting renewed attention from both institutional and individual shareholders.

This is not entirely illogical in view of the fact that there is no property crisis as such, but rather the market has suffered the consequences of the financial and economic turmoil. There can be no comparison with the structural weakness of the property market experienced during the 1990s. As an example the office vacancy rate whilst currently progressing toward 7% in the Ile-de-France region remains well below the levels of 14-15% experienced in the mid-1990s. The presence of agents letting boards on properties remains measured. Furthermore there is a limited development supply pipeline which will continue to diminish as many projects are cancelled or put on the backburner pending a more favourable economic climate. The anticipation of a shortage in new supply in the not too distant future is therefore not exaggerated. The situation is not necessarily the same with some of France's neighbours such as the UK, Spain or even Germany.

This said, the challenges ahead remain, notably the resolution of certain excesses witnessed in the capital markets at the top of the cycle, however we remain reasonably optimistic as to a gradual return of stability. For Société de la Tour Eiffel with its portfolio centered on peripheral offices and regional business parks, the crisis can offer the opportunity to attract tenants be they corporate or administrations, seeking space at reasonable rents. We remain convinced as to the robustness of our business model prompting the dictum attributed to Winston Churchill: "In the darkest nights, the stars shine brightest".

Robert Waterland
Managing director

Mark Inch
Chairman



Coincidental to the 2009 SIMI exhibition in Paris (presence on stand E75, level 2), we have pleasure in launching this first issue of an occasional newsletter which hopefully demonstrates that even in recessionary times the company is capable of making progress.

In figures

+ 58%: share performance Jan 1 - Nov 20, 2009
25 000 m² of new space leased since Jan 1, 2009
45 M€ planned disposals for 2009

Stop Press

Société de la Tour Eiffel wins « Prix des SIIC 2009 » award in the category Town and Future for its Massy Ampère development project.

CASE STUDY



**Domino, Porte des Lilas,
Paris 19th : a smart move...**

In October 2006, the company acquired from the developer Nexity an office and retail project at the Porte des Lilas. Two years later, baptised « Domino » the property was delivered in time to receive the Paris property industry, some 1,500 professionals, celebrating the annual "Nouveau Beaujolais" festival. Commercial success soon followed with Antalis (leading French paper wholesaler) leasing 3,025 m² whereas the first ground floor retail units were attributed to Crédit Mutuel and a flower shop (Espace Fleurs).

By the autumn of 2009, the property was entirely leased up, the Centre des Monuments Nationaux and Pôle Emploi respectively taking 3,964 m² and 3,225 m² of offices whilst a newsagents and an optical centre complemented the retail tenants.

This undeniable success is due to a number of factors not least of which the quality of the location. The new Porte des Lilas office sector benefits from excellent public transport (underground, bus and a near future tramway) as well as private vehicular access. It forms part of an integrated development zone constructed above the boulevard périphérique extending to 25 hectares and including as well as 50,000 m² of offices, housing, a leisure complex, an hotel and public parks.

In addition to this environment, the Domino boasts a modern green architectural concept and specification. Also appreciable in recessionary times is the modest service charge which was a significant incentive in the marketing campaign. *«The Domino was offered on the leasing market with a Parisian address, green certification, and modest rent of 300 €/m² and therefore attracted tenants seeking new quality space in the capital. The project perfectly illustrates the company's strategy of offering quality buildings at a modest cost»* comments Nicolas Ingueneau, Investment Director.

For more information, visit www.domino-lilas.com

Specifications

Architect : Jean Mas - Ateliers 234 : Certification « Green Building offices »
10,500 m² of offices on 8 floors - 1,500 m² ground floor retail space
Basement parking - Staff canteen and restaurant



Interview...

...Pierre Deprost, managing director of Centre des Monuments Nationaux (CMN)

1) What motivated your moving premises ?

Our headquarters and management services relating to Parisian monuments are currently housed in seven different locations spread throughout Paris and the suburbs. Increasing responsibility and the need to modernize the historical headquarters (Hôtel de Béthune-Sully) led us to seek rationalization and consolidation in two locations, the traditional headquarters and the Domino.

2) What were your requirements ?

First and foremost were the available floor area and quality of space relative to the cost. Proximity of the headquarters of CMN was also a significant factor in the context of existing public transport facilities.

3) And the choice of the Domino ?

The Domino corresponded perfectly to our housing requirements and economic considerations. The flexibility of the space matched our staff expectations as does the location, 30 minutes from the Hôtel de Béthune-Sully with excellent public transport. The staff canteen is also much appreciated. The quality of this new building with a green certification in the heart of an emerging location were persuasive factors. Finally this outcome perfectly reflects the progress in the State's approach to dealing with its occupancy requirements and therefore received outright approval from France Domaine (government valuation agency).



Société de la Tour Eiffel's development strategy continues to focus on securing rentals be it through new lettings or lease renewals. The company's portfolio is made up principally of new or modern properties less than 10 years old with a modest average prevailing rent of 131 €/m² which is proving perfectly adapted to tenant requirements during the recession. The vacancy level of newly delivered properties has fallen from 24,000 m² at the outset of 2009 to 9,500 m² at the end of the year...

Cadera Nord, Bordeaux Mérignac

A further 2,000 m² of new offices have been leased in the Cadera Nord sector of Park Eiffel Bordeaux Mérignac complementing the 2,000 m² placed in 2008. The park accounted for 25% of take up in the Merignac locality during the first half of 2009. The competitive rental level of 125 €/m² helped the company attract quality covenants such as GRDF (subsidiary of GDF Suez, 1,100 m² on a 6/9-year lease), AGDF Cegedim (650 m²), Crédit Coopératif (480 m² on a fixed 9-year lease) and BNP Paribas group (1,275 m²).



Nursing homes - Medica

In a global deal covering the four clinics owned by the company in Cogolin, La Crau, Lyon and Bourg en Bresse (total 11,300 m²), the tenant has prolonged its commitment for 3 years until 2018 in return for certain rental concessions. The annual rent for these four establishments currently amounts to 2.6 M€. Furthermore at Bourg-en-Bresse, our company is facilitating a 1,800 m² extension to the existing establishment. The new wing is due for completion late 2010 when the additional annual rental will be 0.5 M€.

Parc de l'Espace, Le Bourget, Seine-Saint-Denis

Leasing of this new project located adjacent to the historical Le Bourget aerodrome to the North of Paris now approaches 60%; recent tenants including the local town hall for 700 m² (to garage maintenance vehicles) and Stock Event for 500 m².



As a result of this strategy, no less than 60% of the portfolio has rental income secured until April 2015 whereas the remainder of the portfolio perfectly complements this risk profile with more than 400 different tenants.

We are pleased to report that to date the company has suffered no deterioration in its debtor profile reflecting the stability offered by our tenant roster.

Colt Télécommunications - Malakoff

International telecommunication group, Colt Télécommunications have renewed for a 9-year fixed term the lease on their 10,800 m² headquarters building located rue Pierre Valette, Malakoff.



La Mazarade, Marseilles North

Commercially positioned as an alternative to the prevailing Marseilles prime office market where rentals attain 200 €/m², the Mazarade addition to the Park Eiffel des Aygalades has been an unqualified success. Delivered in February 2009, the two buildings were almost entirely leased upon the delivery at an average rent of 135 €/m². A 2,270 m² unit was taken by SCLE, a company specialized in rail track traffic control, on 6-year fixed lease whilst a second building of 1,550 m² has been multilet.

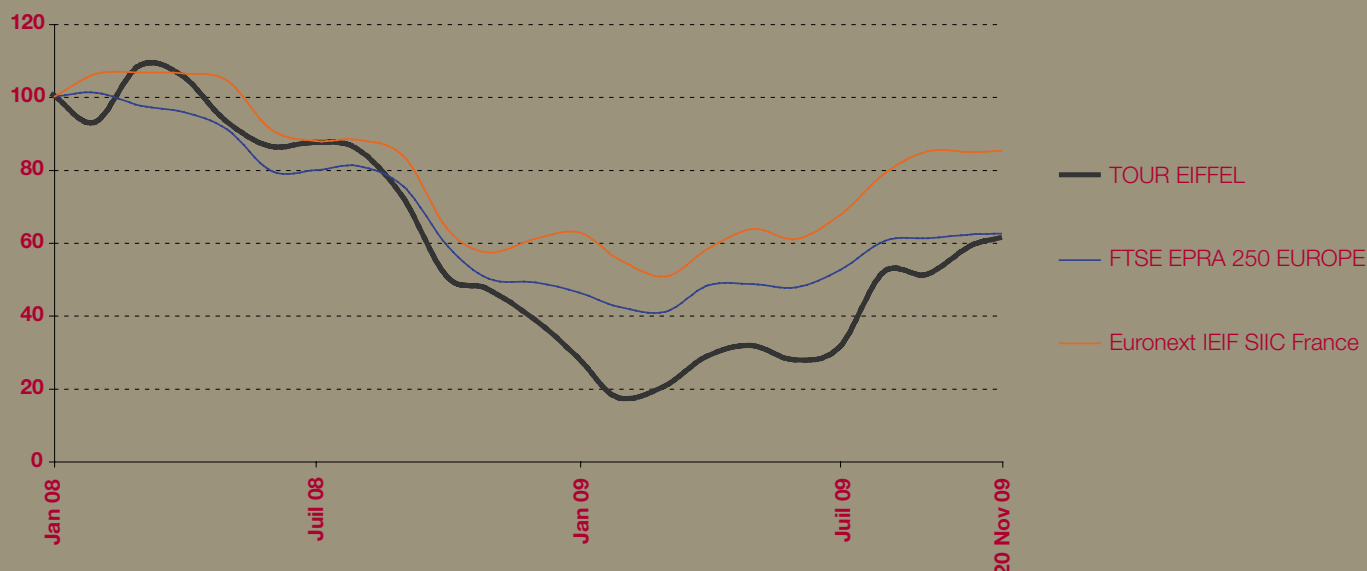


La Poste

In the spirit of our on-going long term partnership with La Poste, the company has concluded a new agreement concerning the Caen Mondeville sorting centre, whereby it is to finance a 4,800 m² extension to be completed Spring 2010 (project manager SEM Normandie Aménagement). A new 9-year fixed lease will be entered into for the enlarged facility at an annual rent of 800,000 €.

Share performance

Stock & sector-based indexes trend from 2008 (100 basis as of 01/01/2008)



As with the other quoted property stocks, the company's share price during the summer recaptured part of the loss suffered since the outset of the financial crisis. This rebound has led to the company posting one of the market's highest performances, whilst the remaining discount relative to NAV should leave further potential in this respect.

Indicators*	3rd quarter 2009	Since 01/01/2009	One year	2 years
Share price movement	+ 92 %	+ 58 %	+ 46%	- 49 %
Shares traded	1 530 149	4 308 726	4 631 045	8 237 132
Rotation rate	28%	79%	85%	159%

* as at 20/11/2009 - Source : Société de la Tour Eiffel

Notwithstanding the financial and managerial fundamentals of the company, two specifics relative to the share performance merit mention :

- => an increased liquidity in the shares trading with an annual share capital rotation of around 100%
- => one of the highest yields amongst European property stocks.

Ordinary General Meeting of 15th October 2009

Bearing in mind the robustness and increase in cash flow stemming from its recurring activity, Société de la Tour Eiffel has decided to continue paying an interim dividend. The meeting voted by an overwhelming majority a distribution of 2 € per share, paid the 27th October.

The meeting also approved the appointment of a new non-executive director, Aimery Langlois-Meurinne, president of Imerys, managing director/board member of Pargesa and board member of Groupe Bruxelles Lambert. Earlier in the year, Renaud Haberkorn was appointed a non-executive director. A Managing Partner of Grove International, he previously held a similar position between 2004 and 2006 representing Soros Real Estate Partners. These appointments underline the company's continued advances in the area of corporate governance.

Selected mentions

Bank of America – Merrill Lynch (August 2009)

« We previously adopted a 55% discount to our NAV forecast to strike our PO. The discount we applied was struck at a pessimistic point in the cycle where there were concerns re the underlying markets and investment appetite for asset sales was dire. These risks have since abated ».

Goldman Sachs Global Investment Research (September 2009)

« We believe management are more likely than many to take advantage of value opportunities [...] and we are now in an environment for them to do so more easily. »

Petercam (October 2009)

« The concept of modern properties at modest rents should work out in these turmoil days. »

Le Revenu (October 2009)

« La gestion est très sûre. Le cash-flow courant, indice clé pour les foncières, a bondi de 50% au premier semestre ».

Investir (August 2009)

« Il nous apparaît en revanche opportun de regarder quelques sociétés plus petites, qui n'ont pas encore profité du rebond. Parmi elles, la Société de la Tour Eiffel... »

MoneyWeek – La Vie Financière (June 2009)

« Tour Eiffel, petite foncière, gros dividende. Peu valorisée, Société de la Tour Eiffel a profité du rebond de mars avant de consolider. Il s'agit aujourd'hui de rester à l'affût des opportunités de cours afin de vous renforcer sur le titre au bon moment ».

Key figures

As at 30 June 2009

Per share:

As at 30 September 2009

Cash flow: 15.9 M€
Rents: 37.1 M€
Portfolio value: 1,039 M€
Net current cash flow: 2.9 €
Net NAV: 72.5 €
Half-yearly distribution: 2€
Turnover: 68.2 M€



Calendar

2-4 December 2009
16 February 2010
11 March 2010
16-19 March 2010
21 May 2010

Société de la Tour Eiffel presence at SIMI (French real estate exhibition)
2009 turnover
2009 results
Société de la Tour Eiffel presence at MIPIM (International real estate exhibition)
Shareholders' meeting

Company's asset management ensured by



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