



LIQUIDITY IS VALUE !

Recovery from the financial crisis appears gradual. However, if the impact on the economy upon which the health of the real estate market depends, is less dramatic than feared, the rebound also is muted whereas sustained economic growth is a prerequisite for increased office demand.

The fact that the development pipeline has virtually shut down since the financial crisis can be expected to hasten a return to market equilibrium in the foreseeable future although generally the profession anticipates that 2011 will be another lackluster year for business with no tangible improvement before 2012 at the earliest.

Consequently, we remain in the opinion that value creation through the sole adjustment of capitalisation rate is somewhat delusionary; as long as strong office demand, fuelled by economic growth is lacking, one cannot anticipate real growth in asset values. This opinion is shared by Goldman Sachs which recently affirmed that «Growth is much more important than decline in bond yields». A detailed knowledge of the letting market is therefore an essential prerequisite to performance in the real estate sector, a notion which is high on the agenda of our teams who remain constantly in close relationship with tenants, concentrating on the fundamentals and thus avoiding the pitfalls of a purely financial approach.

With regard to the investment market, it appears that the banks are clearly set on an orderly treatment of defaulters without fire sales or indeed discounted busted debt disposals. Here again, we expect it will take some years before a return to stable market conditions.

Against this background, there are positives for the SIIcs emerging from the crisis, it being observed in the global REIT context that the structure has resisted the storm and proven a robust business model. Unfortunately, the situation in France is somewhat clouded by the phenomenon of Spanish shareholders which are highly geared and subject to the control of their banks but globally the picture is positive and for several reasons: reasonable debt levels, accent on cash flow rather than asset value, stable management with proven ability. Above all, the aspect of liquidity is crucial as claimed by Sam Zell, the leading authority in the US REIT world: « liquidity is value »! All these various aspects comfort our optimism in SIIc performance. A recent study by Cohen & Steers pointed out that, in the US, REITs have outperformed all other categories of real estate funds over the long-term whilst also offering investors constant liquidity.

Société de la Tour Eiffel has achieved stability both in its property portfolio and its financial structure. The company is well poised to take advantage of the next favourable cycle.



Robert WATERLAND
Directeur général

Mark INCH
Président

Société de la Tour Eiffel is present at the 2010 SIMI on booth E62, second floor.

CASE STUDY



Topaz

Developed on the site of the nuclear group Cogema's former headquarters, Topaz is located in the heart of Vélizy trading estate, one of the established West Parisian office locations as witnessed by the presence of leading corporations such as EADS, Eiffage, Thales, PSA, Kraft Food, Porsche, Bouygues, Dassault... In all, the locality houses more than 43,000 employees working for 1,000 companies.

The site enjoys a strategic location, adjacent to the Nationale 118 and A 86 motorway, linking Vélizy to La Défense in 15 minutes. More importantly, the Europe station on the new T6 tramway (due to open in 2014) will be directly in front of the property. This tramway extending from Chatillon to Viroflay will enable, via the Viroflay Rive Droite and Viroflay Rive Gauche stations, access to the metro line 13 and the RER line C as well as the main line stations of Paris Saint Lazare and Paris Montparnasse.

As a true reflection of Société de la Tour Eiffel's philosophy, Topaz, the creation of renowned architects, Arte Charpentier, is a building of undeniable quality developed by Cibex to the latest international standards. Its landscaped site and distinctive elliptical form project a campus feel tainted in topaz blue.

The building offers 13,000 m² on five upper floors (2,500 m² per floor with mechanical smoke extraction facilitating maximum partitioning flexibility) together with a ground floor staff canteen of 1,000 m², above two basement parkings.

On an adjacent site, Energy 2, a smaller fully refurbished office building of 5,000 m² is also available extending the total floor area to 18,000 m² with a capacity of 1,500 employees.

« Topaz is the only new building in the area conceived by a renowned architect with a green label offering maximum divisibility, available at a moderate rent of €220/m² », affirm Odile Batsère and Sophie Gay-Perret of Société de la Tour Eiffel.

Fiche d'identité

Architecte : Arte Charpentier

Certification « Green commercial building »

13.000 m² of offices on ground and 5 upper floors

320 underground

and 95 exterior parking spaces

Staff canteen and cafeteria, 270 covers



BÂTIMENTS TERTIAIRES

In tune with the market

Faced with a limited investment market amounting to less than 10 million euros of placings for the year (on a par with 2002-2003) and dominated by the demand for core properties, the company has continued its disposal strategy selling some 50 million euros of assets. The motivations to sell were varied, for example, the maturity of the asset as in the case of Lyon and Champs sur Marne, concerns over specificity (the Colt data center in Malakoff), obsolescence (vacant office building in rue de Charonne destined to be redeveloped as residential), or land surplus to requirements as in the Strasbourg business park.

These disposals enabled a reduction in debt and gave credence to the company's NAV, the sales prices being in line with valuations. More generally, this approach is an essential aspect of a SIIC: the constant renewal of the portfolio and provision of recurring dividend.



Chartres, Business Park



Bourg-en-Bresse, clinique

On the letting front, consolidation of the company's portfolio continued through lease renewals and new lettings which during the first 9 months of the year amounted to € 3.3 M of annual rent for a total floor area of 35,500 m².

Two major developments were delivered during the year, Topaz at Vélizy and the Chartres business park (11,000 m²) situated in Cosmetic Valley. The company also has in hand several extensions for existing tenants (1,800 m² added to the Medica clinic in Bourg-en-Bresse, subject to a new 11-year closed lease for the enlarged facility at an annual rent of € 1.3 M ; additions to the La Poste sorting facilities in Caen and Vitrolles of over 7,000 m²). Lastly, in Strasbourg, the second phase of building D (1,600 m²) was also delivered, largely prelet.

Foundation

A successful conclusion to the 2010 architectural competition

This year, the foundation Fondation d'entreprise de la Société de la Tour Eiffel in conjunction with the group Abvent and the association "Sauvons la passerelle" organized an architectural competition inviting European students to submit ideas for the reconversion of the "passerelle Eiffel", a disused railway gantry crossing the river Garonne in Bordeaux. On the 14th of October, some 200 people attended the awards ceremony held in the Bordeaux town hall in the presence of Alain Juppé, the mayor (recently nominated Minister of Defense). Of the 68 projects submitted the winners were Jérémie Taite and Laurie Paillet with a project based on the raising of the bridge by some thirty meters, the supporting pillars being elevated into 6 towers offering various ancillary space for observing the river and the town...

The success of this event underlines the growing reputation and image of the foundation.



More information on www.fondationsocietetoureiffel.org

Awon Asset Management rebranded Tour Eiffel Asset Management

Interview with Frédéric Maman, Managing Director Tour Eiffel Asset Management



Why this change in identity?

The introduction of this brand reflects the growing notoriety of Société de la Tour Eiffel and the reality of our being solely dedicated to the company's portfolio management. This outcome is logical for the entity originally created by Mark Inch and Robert Waterland in the context of involvement with private equity funds. It subsequently became a subsidiary of Société de la Tour Eiffel in 2006 and has serviced the company on an exclusive basis since 2004.

Can you define the role of Tour Eiffel Asset Management?

Some 23 professionals operate through three divisions comprehensively covering the disciplines of property asset management: search and analysis of investment opportunities, arbitration strategy, marketing and tenant relations, development of site reserves... It is a centralised approach in terms of decision-making coupled with the outsourcing of various back office functions (property asset management, accounting, facilities management,...).

