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French middle class housing fund FLI is meeting its targets ahead of schedule

Paris, December 22, 2014

Just four months after launching on 24 July 2014 by SNI (a subsidiary of France's State financial services entity *Caisse des Dépôts*), the *Intermediate Housing Fund* (FLI) has posted results that exceed its targets all along the line, from invested volume to location attractiveness and financial returns. Initial investments (1,200 residential units) focused on the most promising markets in France, especially Greater Paris and growing metropolitan centres such as Nice, Lyon, Marseille and the Geneva area.

FLI : a dedicated platform for institutional investors to invest in intermediate housing

Despite its track-record of resilience and long-term stability, the French housing market has experienced a withdrawal of institutional investors over the last ten years. Alleged reasons explaining this trend range from excessive valuations to over-regulation, image concerns and management costs.

But in the current environment where low bond returns are driving a search for safe investments offering a premium over State bonds, the FLI intends to offer residential real-estate investments specifically dedicated to the needs of institutional investors:

- Stable revenues from rental income, thanks to positioning at below-market rents that ensure low vacancy;
- A 3.5% coupon indexed to inflation, from the first year of the fund;
- Responsibility for relationships with both tenants and municipalities is entrusted to the SNI, a subsidiary of the Caisse des Dépôts and France's premier lessor (270,000 residential units);
- Protection for long-term value guaranteed by a carefully restricted investment perimeter, with targeted zones amounting to 1% of the French territory, 26% of the population, and 42% of anticipated demographic growth for the next 15 years.
- Fiscal advantages tailored to institutional investors (10% VAT, exemption from property tax on developed properties);
- Fund is eligible for inclusion in the new category of French life insurance schemes known as "Vie-Génération", created in 2014 with specific tax advantages.

FLI invests only in French cities, which offer the best demographic prospects throughout the Euro zone, and where SNI has all its operations.

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Four months in, the fund is meeting its goals ahead of schedule

- **In terms of overall investment:**

- Over 15,000 projects were reviewed by the fund;
- 1,200 housing units have been acquired or are under contract;
- 1,300 additional units are under negotiation.

Overall, close to 2,500 housing units have been secured, or half the total investment capacity following the fund's first closing.

- **In terms of location attractiveness,** the geographic distribution of initial investments corresponds to France's tightest housing markets:

- The Paris area;
- The Nice-Cannes-Sophia Antipolis and Cote d'Azur area;
- The main regional metropolitan centres: Lyon, Marseille and Toulouse;
- The French part of the Geneva area, on the Swiss border.

- **In terms of profitability:**

- Gross rental income of 4.9% (target set at 4.8%);
- Average price exclusive of tax of €2,800 per square meter;
- Acquisitions made on average at 28% below market value due to negotiated block discounts and 10% VAT rate.

All acquisitions consist of newly built housing that complies with the latest environmental standards.

"This first campaign is very encouraging," announced Vincent Mahé, President of Ampère Gestion, which manages the fund. *"It confirms the utility of proceeding with a second round of fundraising, which we expect to close at the end of the first half of 2015."*

Intermediate Housing Fund (FLI): the first fund in France dedicated to financing middle-income housing

With a first close at 515 million euros, the FLI has taken the lead as France's largest fund dedicated to the residential market. In its second round of fundraising, SNI is aiming to draw at least 700 million euros, for a leveraged investment capacity of 1.2 billion euros. The fund is eligible for the fiscal incentives established by Article 279-0 bis of the French Code Général des Impôts (tax code), and falls within the range of assets that count towards getting the fiscal advantages specific to "Vie Génération" life insurance policies. In addition, the FLI has signed several banking agreements that provide guaranteed financing for the entire business plan.



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About SNI Group

SNI is a subsidiary of Caisse des Dépôts, which has total assets of €287bn and 138,000 employees¹. SNI is France's largest landlord and works with public organisations to put into action social housing policies. The company provides innovative and long-lasting solutions, designed to promote diversity and social cohesion. It has the two-fold objective to promote social and middle-class housing in high-density areas, and enhance social mobility. SNI operates as 19 entities across the metropolitan landscape: five main branches and 14 subsidiaries (The Sainte-Barbe Company and 13 "Entreprises Sociales pour l'Habitat").

For more information see: www.groupesni.fr

Media contacts:

Agence FARGO

London office

Tatiana Soukiassian

+44 20 329 062 43

tsoukiassian@agencefargo.com

Paris office

Wyame Fassi Fihri

+33 1 44 82 95 51

wfassifihri@agencefargo.com

Vicktrin Gerald

+33 1 44 82 66 91

vgerald@agencefargo.com

¹ At end-2012. Source: Caisse des Dépôts et Consignations