CONTENTS

THE COTE D’AZUR MEANS BUSINESS

COTE D’AZUR LOCATIONS

 Métropole Nice Côte d’Azur & ECO-VALLÉE P8
 Sophia Antipolis P12
 Cannes, Grasse, Menton P16

LEGAL & TAX ISSUES

 The Acquisition Process P20
 Overview of the Main Legal Aspects P23
 Key Tax Issues When Investing in French Real Estate P28

SERVICES & CONTACTS P34
Several reasons to invest on the Côte d’Azur

The Côte d’Azur offers an ideal environment for the development of sizeable real estate projects due to its exceptional location and its unique international links.

The operations deployed and programmed in the Metropole Nice Côte d’Azur (notably in the Eco-Valley of the Plaine du Var), in Sophia Antipolis, Cannes, Grasse and Menton contain opportunities of high potential returns for investors.

The Côte d’Azur excels in high added-value services and innovative technology networks resulting from its excellent international transport system and strong power of attraction to talent and foreign companies.

The Metropole Nice Côte d’Azur is internationally recognized for the quality of its infrastructures and it continues to improve with major equipment such as the new multimodal exchange pole, the tramway and the 65,000m² International Exhibition Park. The first developments were deployed and in the Business Sector of the Grand Arénas and in the urban technopolis of Nice Meridia. This innovative technopolis is dedicated to technology and sustainable development for smart cities.

Over the last 40 years, Sophia Antipolis has attracted more than 1350 companies, employing 34,400 people in the fields of Information Technology and Life sciences.

The new urban project “Sophia 2030” will complete the existing real estate offer and breathe new life into the technopolis, ensuring that Sophia Antipolis will remain at the top of technology excellence in years to come.

This brochure gives an overview of the main real-estate programs the Côte d’Azur can offer to demanding users and investors.

Disclaimer

The legal and tax comments mentioned hereafter are only of a general nature. As a result, it is strongly recommended to require the assistance of a legal or tax adviser to benefit from a proper legal or tax advice in order to take into consideration the specific facts and circumstance of a given situation. In addition, such comments are subject to changes in the law, case law or administrative doctrine, and such changes may be retroactively effective. If so, the comments as set forth below may be affected and may no longer be relied upon. We assume no responsibility to update these comments as a result of any such change in the law, case law or administrative doctrine. Any change in these facts and assumptions may adversely affect our review and conclusions.
AN OPEN AND CONNECTED ECONOMY POSITIONED ON FUTURE INDUSTRIES

A popular destination for tourists and conference delegates from all over the world, the Côte d’Azur has also become a dynamic, efficient and ultra-connected hub for entrepreneurship and innovation.

A strong specialisation in high value-added industries

With excellent international links and a strong power to attract foreign executives and companies, the Côte d’Azur excels in high value-added services and innovative technology industries such as information technologies in Sophia Antipolis, cleantech and the “smart city” at Nice Éco-Vallée and aerospace in Cannes.

SERVICES AND SHARED FUNCTIONS
Seamlessly connected right in the middle of the EMEA zone, offering qualified, multi-lingual and multi-cultural human resources as well as a powerful ecosystem with costs that are significantly less expensive than competitor European cities, the Côte d’Azur attracts high value-added businesses:

- **R&D centres**
  Intel, Huawei, Magnetti Marelli, NXP, Symantec, Nvidia, Amadeus, Galderma, Bosch, Dassault Systèmes, EADS...

- **IT centres**
  Honeywell, Air France, CERTIAM…

- **Support and training centres**
  Fortinet, Institut Marcel Fournier…

- **Customer service and booking centres**
  American Express, IBM, Air France – KLM, Accenture, Expédia, Santiane, Convers…

- **Design centres**
  Toyota

- **International organisations and knowledge-based companies**
  W3C, ETSI, ESMO, European Society of Cardiology…

- **Head offices**
  Koné, CooperVision, GSF Arkopharma, Virbac…
TOURISM AND CONVENTIONS

Blessed with considerable natural and cultural assets, the Côte d’Azur is France’s 2nd most popular tourism destination with 11.7 million visitors annually. With the 2nd largest offer of conference centres in France, the 2nd busiest business aviation hub in Europe and one of the finest ranges of hotels in the world (640 classified hotels, including 35 five-star hotels), it also has the visitor infrastructures that have led to its ranking as 2nd French destination for international business tourism with 2 million business visitors.

Every year, 500,000 conference delegates attend 400 national and international business events from MipTV to MIPIM, including the NFC World Congress and TM Forum.

TECHNOLOGY INDUSTRIES

- **Sophia Antipolis** has made the Côte d’Azur a European centre of excellence in the field of *information technologies* and continues to attract global heavyweights from Intel to Huawei, including Amadeus and Cisco. The sector grew by 7% in 2013, with 4.05 billion euros in turnover generated on the Côte d’Azur by 1,710 companies representing 21,755 jobs.

  Technological innovation directly benefits the other fields of excellence on the Côte d’Azur:
  - **the imaging and aerospace industry**, with Thales Alenia Space in Cannes.
  - **cleantech** in the Éco-Vallée with Schneider, IMREDD, the Sustainable Design School and many start-ups implanted at CEEI Nice Premium.
  - **smart city, e-health, m-tourism, e-learning** in Nice with IBM, Cisco, EDF, ERDF, ENGIE (GDF SUEZ), Veolia and CNR Santé.
  - **health & life sciences**, from Nice to Sophia Antipolis with Galderma, Median Technologies, Virbac, Lundbeck…
  - **the booming industry of flavours & fragrances**, constantly growing in the Grasse region.

  Each of these industries is surrounded by a powerful ecosystem that benefits from the contribution of 8 competitiveness clusters including the Secured Communicating Solutions global cluster, 4 incubators, 6 business incubators, 4 fablabs and 7 collaborative platforms, 2 standards bodies...

- **French Tech**, the Côte d’Azur won the French Tech Label in June 2015 as a reward for its strong digital ecosystem...
**Wide open to the world**

*Nearly 2,000 foreign-owned companies*, employing 31,000 people are developing their businesses on the Côte d’Azur. More than *120 new foreign-owned companies choose it as a location* every year, particularly for service and R&D activities.

A *multi-polar region*

The development of business property on the Côte d’Azur is arranged around various economic centres:

- **Sophia Antipolis**, Europe’s leading science park is home to leading information technology companies on a 2,400 ha park, 30 minutes from Nice Côte d’Azur airport.
- **Nice and Éco-Vallée**, with a strong service centre at the Arénas and an innovation industry focused on cleantech, sustainable development and the Smart City at Nice Méridia in the Éco-Vallée. All benefiting from a highly effective transport infrastructure which includes the international airport, the A8 autoroute, urban rail, the Promenade des Anglais and expressway East - West, shortly a tram, coming soon, the multimodal hub.
- The sectors of **Cannes** on the coast, specialising in the imaging and aerospace industries, **Grasse** inland and its powerful flavours and perfumes industry and **Menton** on the Italian border with its age-old tradition of well-being.

**France’s “sun belt”**

*Quality of life, a dynamic economy and technological excellence* make the Côte d’Azur an extremely attractive region for management professionals and engineers.

Provence Alpes Côte d’Azur is the 2nd most populated region in France and top in terms of population growth – *an increase of 2 million people* in 45 years and over 800,000 more expected for 2030.

It is *France’s most attractive region* for 78% of French management professionals and 91% of the workforce would like to live here.

The region is home to the 3rd largest concentration of *management professionals in France* and offers the best productivity per position after the Ile-de-France region (€73,800/year). A productivity driven by the *service sector*, which employs 84% of the workforce on the Côte d’Azur.

The number of *management professionals* in the Nice urban area has increased twofold in the last 20 years.

Along with the 5.5 million foreign tourists, they contribute to a *cosmopolitan atmosphere* stimulated by 100,000 foreign residents of some 160 nationalities that enjoy the 2nd largest concentration of international schools in France.

**Nice Côte d’Azur Airport**

*France’s 2nd largest international airport with 11.7 million passengers,*

*Europe’s 2nd largest hub for business aviation (Aéroports de la Côte d’Azur),*

*France’s 3rd most significant low-cost airport and one of the first to offer “business low-cost” services in Europe,*

*Over 100 direct destinations across more than 30 countries, daily flights to New York, Dubai and all major European capitals,*

*Just 5 km from Nice city centre and 30 minutes from most of the Côte d’Azur’s large cities.*
An ever-changing urban environment

The Promenade du Paillon, the new Thiers railway station, the Allianz Riviera stadium in Nice, the SophiaTech campus in Sophia Antipolis and the new conference centre in Antibes are just some of the symbolic developments completed in recent years.

Several structural projects will enhance the transport offer:
- The new Thello railway line, creating a direct connection from Marseille to Milan via Cannes, Antibes, Nice, Monaco and Menton (from December 2014).
- Priority 1 of the new Provence Côte d’Azur line scheduled for delivery by 2023/2030 is to create a new Nice-Cannes railway line through a new station at Sophia Antipolis, which will enhance access to Sophia Antipolis (7 minutes from Nice airport via the new line), greatly increase the capacity of the network between Nice and Cannes and improve the service to the Grasse business parks. The developments scheduled under priority 2 will speed up access to Marseille and Genoa.
- A Bus-Tram with a high-level of service to connect Antibes to Sophia Antipolis in under 30 minutes (late 2017).
- The Nice airport multi-modal transport centre (plane, train, bus, tram, self-service hire cars “Autobleue” and bikes “Vélobleu”, and trams), and two centres currently in development in Cannes and Antibes, linked by a regional express train to Monaco and Ventimiglia in Italy.
- A network of tram lines across the Métropole Nice Côte d’Azur urban area.

The Éco-Vallée Plaine du Var, Nice Méridia and the Pasteur Health district in Nice, Technopolis at Cagnes-sur-Mer and Sophia 2030 are current office property projects that will offer new prospects for the region.
THE METROPOLE ENHANCES ITS ATTRACTIVENESS AND OFFER ON SERVICES AND CLEANTECH

The Métropole Nice Côte d’Azur has begun a transformation focused on technology and sustainable development. This is best illustrated by the Éco-Vallée, a vast operation to the west of Nice.

An enterprising, intelligent and sustainable metropolis

An unrivalled tradition for tourism and France’s 2nd largest airport have made Nice Côte d’Azur a metropolis with its sights firmly set on the rest of the world. Specialising in high value-added services, it has positioned itself as a key centre for economic attractiveness in the Mediterranean region, Europe and internationally. Over 800 foreign-owned companies, accounting for nearly 13,000 jobs have located to the Nice and Plaine du Var area.

France’s 1st metropolis has undertaken a move towards technology, innovation and sustainable development. Nice Côte d’Azur can count itself among the circle of the 21st century connected cities. It has joined forces with world leaders (Cisco, IBM, Orange, ERDF, Schneider Electric, Veolia…) to implement pioneering experiments in the field of Smart City, e-health and the silver economy.
**NICE, A LABORATORY FOR THE SMART AND SUSTAINABLE CITY**
- 4th “smart city” in the world (after Barcelona, London and New York and ahead of Singapore) in 2015,
- 1st urban intelligence operation centre with IBM in 2014,
- Pilot for the European Cityopt programme in 2014,
- World’s 1st connected boulevard with Cisco in 2013,
- 1st virtual town hall booth with Cisco in 2013,
- Europe’s 1st smart parking system in 2012,
- A pilot for ADEME with the REFLEXE smart grids energy aggregation project in 2011,
- Winner of the IBM Smarter Cities Challenge in 2011,
- 1st public authority in France to deploy a large-scale electric car sharing scheme, Autobleue in 2011,
- 1st smart grid demonstrator in France in a smart solar district: Nice Grid in 2011 at Carros, host of Innovative City since 2012,
- 1st European city to have deployed a range of services based on NFC technology in 2010,
- Ecocité accredited by the Ministry of Ecology in 2009.

**A new boost for Nice property market**

The **Nice market**, with approximately **400,000 sqm of offices**, is mainly comprised of the Arénas **business district** and the recent urban development of **Nice Méridia**. Many companies have established their regional headquarters here, such as Banque Populaire, Koné, BNP Paribas Real Estate or Altaréa Cogedim. Both areas are within the perimeter of the **Éco-Vallée** and benefit from the proximity of the airport and the A8 motorway.

Recent years have been marked by a certain **shortage in new, available office space** on Nice market. New buildings are due to be delivered in mid-2015 on **Nice Méridia** urban science and technology park (where IBM has reserved some 4,500 sqm and EDF 2,500 sqm) and shortly in the **Grand Arénas** international business centre.

Nice market will benefit from **new reception and public transport infrastructures** and the urban development plans of the **Éco-Vallée** – up to 500,000 sqm of office space is planned over the next 15 years.

---

**NICE, EUROPE’S 5TH CITY FOR THE QUALITY OF ITS INFRASTRUCTURES**

France’s 2nd international airport, the new multimodal hub and a range of public transport dedicated to mobility provide efficient transport infrastructures that are constantly being improved.

- **Nice Airport multi-modal transport centre** will include, right alongside the airport and the A8 motorway, a railway station, bus station, the tram and stations for the Velobleue and Autobleue self-service car and bike hire schemes.
- **The tram network** should be improved in accordance with the Métropole Nice Côte d’Azur master transport plan by 2030 with line 1 being extended to La Trinité, an “East-West” line 2, a “Plaine du Var” line 3 and a line 4 connecting Nice to Cagnes-sur-Mer. France’s 2nd most popular destination for business tourism, Nice boasts premium visitor facilities with the country’s 2nd most extensive range of hotels and the Acropolis Exhibition Hall.
- **The Allianz Riviera**, the magnificent positive energy stadium opened in 2013 in the centre of the Éco-Vallée will also offer new spaces for business. It hosts the Allianz accelerator dedicated to big data, connected sport and intelligent buildings.
- **A new exhibition and convention centre** will give conference delegates 65,000 sqm, in the **Grand Arénas** district, directly opposite the airport and near the city centre and Eco-Vallée.

*Financial Times Ranking/ FDI Intelligence: European Cities and Regions of the Future 2014/2015
ÉCO-VALLÉE: LARGE SCALE PROPERTY PROJECTS

An operation dedicated to cleantech, sustainable development and services

A vast development operation on the Plaine du Var, to the west of Nice, the Éco-Vallée aims to become a world reference in terms of research and innovation in the field of cleantech and sustainable development.

The Éco-Vallée operation is the result of a commitment which involves the French government, the city of Nice, the Métropole Nice Côte d’Azur, the Alpes-Maritimes Departmental Council and the Provence-Alpes-Côte d’Azur Regional Council. Planned over the next 25-30 years, the operation aims to set an ecological example and extend the Plaine du Var area to the West of Nice. The Public Development Authority EPA Plaine du Var is responsible for its implementation.

It is currently home to industrial leaders from the energy (Schneider) and information technology sectors (IBM), to smart network experiment projects such as Réflexe (managed by Veolia Environnement), Nice Grid (managed by ERDF) and CityOpt (European programme), along with start-ups, incubators and education and research organisations based in Nice Premium.

The Plaine du Var today

- 15 municipalities,
- 116,000 inhabitants,
- 10,000 hectares,
- 10,120 companies,
- 60,000 jobs.

The Éco-Vallée of tomorrow

- 3,000,000 sqm of buildable space,
- 50,000 new jobs,
- 450 hectares for development,
- 2.5 billion euros of investment, between 2011 and 2025 (80% private).

An innovation-conducive environment for tomorrow’s property

Combining property development projects for offices, transport and reception infrastructures, leisure facilities and residential properties, the Éco-Vallée offers a concentration of urban innovation and a prime location for experimenting with the property of the future, in view of the challenges posed by environmental issues such as energy and risk management, the distribution of living spaces between people and nature, compatibility between economic growth and respect for the environment, the role of agriculture on the outskirts of the city, etc.

Two projects are currently being marketed: Grand Arénas, the Côte d’Azur’s new international business district and Nice Méridia, the urban science and technology park and eco-district.

NICE PREMIUM

Opened in 2012 in the centre of the new Nice Méridia eco-district, Nice Premium today accommodates the Mediterranean Institute for Risk, Environment and Sustainable Development, the Sustainable Design School, the Nice Côte d’Azur EC BIC, around thirty start-ups dedicated to cleantech, a co-working space, the “EcoLab” fablab, The Smart City Innovation Center and the offices of the CCI.
**NICE MÉRIDIA**

*Now marketing*

Right in the city centre, this urban technology park, designed by the urban architect Christian Devilliers is dedicated to R&D and training in the environmental, green growth, health and contactless mobile services sectors, in synergy with the skills based in Sophia Antipolis.

- **24 ha for the 1st urban operation.**
- **60% of publically controlled land.**
- **347,000 sqm available for development:**
  - 58,000 sqm of offices,
  - 177,000 sqm of housing,
  - 38,000 sqm of research and development centres/laboratories,
  - 36,000 sqm for education,
  - 17,000 sqm of services, shops and hotels,
  - 21,000 sqm of commercial activities (showrooms, ...),
  - public facilities and sporting complex.
- **5,000 potential jobs.**
  - 3,000 to 4,000 students.
- **Accessibility : Line 2 in 2018.**

**LE GRAND ARÈNAS**

*Now marketing*

Designed by the urban architect Josep Lluis Mateo, this international business centre is founded on a mixed urban planning concept featuring offices, hotels, housing and public facilities. It incorporates the Nice Airport multi-modal transport centre and will also feature an international exhibition hall.

- **49 ha.**
  - **95% of publically controlled land.**
- **750,000 sqm available development: Leisure facilities services, shops and hotels.**
- **22,000 potential jobs.**
- **Accessibility : Line 2 in 2018.**

They join us: ARTEA, PITCH PROMOTION, AMETIS, BNP PARIBAS Real Estate Promotion, NACARAT, Architects CHAIX and MOREL, Architect Jean NOUVEL, Architects LAISNE & Co...
THE SCIENCE PARK INNOVATIVE URBAN PROJECT

The government and the science park’s authorities have designed an ambitious development project, “Sophia 2030” built around the major architectural project “Côte 121”.

Sophia Antipolis an unrivalled science park

A global benchmark in the field of information technologies, Sophia Antipolis is currently home to 1,350 companies, including 170 multi-nationals, employing 34,400 people of 63 different nationalities, a higher education centre with 5,500 students and public and private research facilities with 4,500 researchers.

The concentration of world leaders and start-ups, international standards bodies (W3C, ETSI), competitiveness clusters, academic organisations and professional associations promotes sound dynamics in a rare collaborative environment, facilitated by first-class shared technical platforms and many local events.

In the last 40 years, almost 900 additional positions have been created annually across the science park, mainly in R&D activities or businesses with a strong technology content.

Sophia Antipolis is facing constant demand for new premises. Major new tenants who have recently set up or expanded include Magnetti Marelli and Huawei in 2014, TDK, General Electric, Bosch Automotive in 2015...
Over 3,800 sqm, the Sophia Antipolis Business Hub is home to the Secured Communicating Solutions and Pégase competitiveness clusters, the Telecom Valley association, the Telecom ParisTech and PACA-Est incubators, the Regional Innovation and Internationalisation Agency, a business incubator accommodating around twenty start-ups, a co-working space, the Com4Innov 4G platform and the offices of the CCI. In 2014, it was accredited as a “Business Innovation Centre” by the European Business Network.

The new campus dedicated to ICT was opened in 2012. In addition to a strong academic foundation (UNS/Polytech Nice Sophia, Eurecom/Telecom ParisTech, INRIA, CNRS, INRA), able to accommodate some 3,000 students and 800 research professors, it houses the SATT Sud Est, the head office of KIC ICT Labs, the CIM PACA collaborative platform and the new “SoLab” FabLab dedicated to the Internet of Things.

Sophia Antipolis, an area in full renewal

Spread across five municipalities in the middle of an area with one million inhabitants, the park extends across an exceptional 2,400 ha site, two thirds of which are given over to green spaces and sporting activities. Just 20 km from Nice Côte d’Azur international airport, it is served by the A8 autoroute and public transport networks.

Sophia Antipolis is still full of opportunities. Its spaces currently in use are spread over 200 ha of available public land. The science park’s capacity is nearing 2 million sqm of buildable space for 1.2 million sqm of offices. 14,000 sqm of offices are currently due to be delivered. 37,000 sqm of offices have been authorized, hotel and sport projects are under development.
Focus: Sophia 2030 and “Côte 121 Project”

The government and SYMISA (the science park’s development body) wanted to devise a new image of Sophia Antipolis for 2030, to enable it continue embody natural magnificence and technological excellence.

The objective of “Sophia 2030” is to renew, through a unique urban project, the innovative strength of an ecosystem that boasts important synergies between higher education, research and business.

Backed by the science park’s unified governance, the new development project will re-energise and complement Sophia Antipolis’ offer in terms of housing, higher education, tertiary premises, shops and services and respond to its main challenge of accessibility.

“CÔTE 121” PROJECT

The “Côte 121” project is based on 4 networked, urban hubs in the southern part of Sophia Antipolis: Les Trois Moulins (Antibes), Saint-Philippe (Biot), Le Fugueiret and Les Clausonnes (Valbonne), for a completely new and complementary urban offer which is suited to the future challenges for Sophia Antipolis.

This represents an additional buildable area of over 500,000 sqm by 2030 combining offices, housing, sports and tourist facilities and major new hubs like a City of Knowledge in Le Fugueiret.

Along the undulating line at an average altitude of 121m, these 4 hubs will be connected by a new mobility solution, the Bus-Tram, which will link the science park to the multi-modal station at Antibes.

The first project to be developed in the “Les Trois Moulins” area represents a potential 150,000 sqm of offices, shops and housing, directly connected to the A8 motorway.

“Sophia 2030” project: an additional buildable area of over 500,000 sqm

- 145,000 sqm dedicated to businesses and the craft industries,
- 27,000 sqm of housing
- 28,000 sqm of specialist housing,
- 130,000 sqm for education and research,
- 133,000 sqm for shops and leisure,
- 30,000 sqm of facilities,
- 6,000 sqm dedicated to sports and eco-tourism.
- **LE FUGUEIRET, “CITY OF KNOWLEDGE” VALBONNE**
  - 40 to 50,000 sqm for service/research activities
  - 50,000 sqm of higher education
  - A student's residence
  - 150,000 sqm

- **SAINT-PHILIPPE BIOT**
  - 20 to 25,000 sqm for service activities
  - 20,000 sqm higher education
  - 60,000 sqm programmed

- **LES CLAUSONNES VALBONNE**
  - 60,000 sqm for shops (CDAC)
  - 25,000 sqm for local and semi-industrial activity
  - 55,000 sqm for service industry and equipment
  - 10,000 sqm for hotels
  - 150,000 sqm

- **LES 3 MOULINS ANTIBES**
  - 40,000 to 50,000 sqm for service activities
  - 1,000 housing units
  - A sports centre
  - A district hub
  - 150,000 sqm Work starts in 2017
CANNES, GRASSE AND MENTON

THESE MEDITERRANEAN COAST JEWELS ARE ALSO WORLD-CLASS SPECIALIST ECONOMIC CENTRES

The areas of Cannes on the coast, Grasse inland and Menton on the Italian border are developing comprehensive ecosystems in their business sectors based on internationally-recognised specialities.

CANNES
CINEMA, NEW MEDIA & ENTERTAINMENT

Overlooking one of the world’s most beautiful bays, Cannes has managed to keep a tight hold on the charm of its Provencal traditions while nurturing a cultural policy and economic dynamism that is open to both the future and the world.

Cannes is home to the head office and main production site for Thales Alenia Space, the European leader in satellite systems, which maintains a dense network of high-tech subcontractors.

With 2 million visitors a year, 55% of whom are foreign nationals, Cannes is a leading leisure and business destination.

France’s 2nd most popular conference destination after Paris, it hosts a number of international events including MIPIM and MAPIC for those involved in property, the Cannes Festival, Mipcom, MipTV, Midem, the International Games Festival and IEDF (the video game exhibition) for imaging professionals.

The CréACannes project capitalises on the city’s special status with imaging technology and marketing professionals. This ambitious programme aims to regulate and stimulate activities related to graphics and their multiple applications, such as media, advertising, image banks, design, medical and scientific imaging and video games.

CRÉACANNES, THE IMAGE TECHNOLOGY CENTRE

The business incubator unveiled in February 2014 on the Bastide Rouge site and dedicated to the creative economy, space and digital imaging is the 1st element of CréACannes, which is set to bring together a Digital Imaging Laboratory (LiN), a university campus dedicated to new digital technologies, the media, tourism and luxury hotels, a leisure centre, a multiplex cinema, serviced offices, a bowling alley and restaurants and a themed business hub specialising in imaging and digital.
MENTON
AN AGE-OLD TRADITION OF WELL-BEING IN EUROPE

Organised around Menton, the French Riviera Urban Community extends from the shores of the Mediterranean to the peaks of the Massif du Mercantour, near Italy and Monaco. Famed for its lemon festival, the healing qualities of its citrus fruits and for the highly-praised Mediterranean diet, the Menton area region has been a favourite holidaying spot with visitors from across Europe since the 19th century, and thus chose to focus on a Health/Nutrition/Well-being specialisation in one of the Côte d’Azur’s most dynamic sectors.

12 km from Cannes and 40 minutes from Nice Côte d’Azur airport, Grasse is home to a world-renowned perfume industry. The Grasse region produces over half the aromatic ingredients in France and accounts for 8% of global turnover. The industry has developed across the entire value chain, from plant cultivation to the cosmetics, flavours and fragrances, detergents and agri-food markets. This concentration of expertise has attracted global leaders such as Kerry Flavours, IFF and Firmenich. With up to 90% of turnover achieved internationally, the Grasse-based producers are some of the best champions of French export. In recent years, several of them have made massive investments in order to expand their production facilities. An outstanding ecosystem has structured itself around the Espace Jacques-Louis Lions, combining a dedicated competitiveness cluster and training courses, a shared analytical chemistry platform and a business incubator (Innovagrasse). The Aromagrasse technology park, opened in 2012 complements the opportunities offered within the Saint-Marguerite and L’Argile business parks.

AROMAGRASSE
This 8 ha technology park offers perfume, cosmetics, pharmacy and biotechnology companies offices and laboratories, both furnished and unfurnished ranging from 200 to 1,000 sqm and fully serviced land or building units of 500 to 10,000 sqm.
MAJOR OFFICE PROPERTY PROGRAMMES

DELIVERED PROGRAMS (OFFICES)

- LES ACQUEDUCS
  - 6,400 SQM
  - 2015

- BUSINESS POLE 2
  - 3,600 SQM
  - 2016

- WTC 6
  - 1,900 SQM
  - 2015

- NATURA 2
  - 1,300 SQM
  - 2015

- SUNSIDE
  - 9,000 SQM
  - 2018

- ECOPOLIS
  - 11,200 SQM
  - 2017-2018

- TRIANGLE
  - 8,600 SQM
  - 2017

- ARCANES
  - 8,500 SQM
  - 2017-2018

UNDERGOING PROGRAMS (OFFICES)

- GRAND ARENAS
  - UNDERGOING PROGRAMS

- TECHNOPOLIS POLE 2
  - 4,000 SQM
  - 2017

DELIVERED PROGRAMS (OFFICES)

- AROMAGRASSE
  - AVAILABLE
  - 4,000 SQM

- CAGNES SUR MER

- CANNES

- GRASSE

- ANTIBES

Éco-Vallée
Sophia Antipolis
Cannes Business
Grasse Business
REAL ESTATE INVESTORS MAY ENGAGE INTO DIRECT OR INDIRECT INVESTMENT

The acquisition process should be viewed and considered in the context of the wider investment lifecycle including the acquisition, management and disposal processes.

Among the various considerations that need to be taken into account, investors should pay particular attention to:

- Legal and tax requirements and incentives;
- Regulatory matters;
- Financing / Property management / Income stability.
ACQUISITION OF FRENCH REAL ESTATE

French real estate may be acquired in either of two ways:
- Directly: by purchasing the property (asset deal);
- Indirectly: by purchasing the Special Purpose Vehicle which owns the property (share deal).

The choice of either route will depend on:
- The assets to be acquired (single asset vs. a portfolio);
- Timing;
- The need to hold the assets through a dedicated vehicle (for tax purposes mainly).

However, in each case, the acquisition process will be similar and the purchaser will need to complete detailed due diligence prior to acquiring the property/vehicle.

The financing of an acquisition in the French market is generally done through a combination of equity and debt (either a bank loan or a corporate loan or a mix of both), subject to compliance with interest rate limitations and thin capitalization rules from a French tax perspective.

2 OPTIONS

1. DIRECT INVESTMENT (ASSET DEAL)
   - Acquiring a specific asset or a portfolio.

   Acquisition of real estate
   Establishment of a company to acquire real estate
   Acquisition of real estate
   Signature and registration of notarized deed of sale

2. INDIRECT INVESTMENT (SHARE DEAL)
   - Investing in a real estate company or investment fund.

   Acquisition of shares in an existing company which owns real estate
   Signature and registration of notarized deed of sale
**DIRECT INVESTMENT (ASSET DEAL)**

Property acquisition process

- **Identification of properties:**
  - Instructed selling agents put the product on the open market
  - Acquisition agent identifies potential properties on or off market
  - Direct approach

- **Property visit and initial analysis:**
  - Submission of letter of intent including a non-binding offer in order to be granted access to due diligence material via a data room

- **Completion of the due diligence on the property with commercial, legal, technical advisors (including inter alia the review of litigation, quality of occupancy and existing commercial leases):**
  - Binding offer

- **Signing of either:**
  - A binding sale and purchase agreement or
  - A direct sale

- **Registration of the Notarized deed of sale**

  + 2 months
  + 4 to 6 months
  + 5 to 7 months (subject to any conditions precedent and city hall preemptive right)

---

**INDIRECT INVESTMENT (SHARE DEAL)**

Acquisition process of shares in a predominantly real estate company

- **Identify properties:**
  - Selling agents instructed put the product on the open market
  - Acquisition agent identify potential properties
  - Direct approach

- **Sending a letter of intent including a binding non commitment to the seller and condition precedent if any:**

- **Completion of the initial due diligence on:**
  - The property, the occupancy of the premises
  - Litigation,
  - Existing commercial leases if any
  - The legal and tax status as well as the liabilities of the company

- **Signature of a Preliminary agreement, which is either:**
  - An option agreement (promesse unilatérale de vente ou d’achat); or
  - An immediate binding sale and purchase agreement (compromis synallagmatique de vente)

- **Depending on the kind of company which owns the property, execution of the transfer of shares by either:**
  - A sale and purchase agreement; or
  - A transfer order (ordre de mouvement)

- **Registration of the operation with the tax and administration and the commercial court**

  + 3 months (subject to any conditions precedent and city hall preemptive right)
  + 4 months

---

**PROS AND CONS:**

- **ASSET DEAL:**
  - **Pros:**
    - Limited transfer of tax risks
    - No transfer of deferred tax liabilities
    - Financing generally easier to obtain
  - **Cons:**
    - Transaction generally more expensive in terms of transfer tax

- **SHARE DEAL:**
  - **Pros:**
    - In principle, lower transfer tax costs
    - This kind of transaction allows acquiring several assets in one operation
    - Quicker timing for transaction
  - **Cons:**
    - Need to negotiate warranties to cover the risks is attached to the purchased entity
    - Financing is more complex to structure
    - No step-up in value on the property is possible unless the entity is a SCI (capital gain tax latency issue)
As far as real estate is concerned, two ways of investing in France may be contemplated:
- Ownership or leasing
- Environmental regulations apply.

### Ownership

The right of ownership is one of the most protected rights in France. It is an absolute right. As such, freehold ownership confers on the holder the use of the assets, the right to receive the fruits of these assets (rents, interest on due money, etc) and the right to dispose of the assets.

There are several types of ownership, including co-ownership and ownership by division into units.

### CO-OWNERSHIP

Co-ownership arises when a building is divided into co-ownership units (lots de co-propriété) owned by several owners. Each unit comprises two parts:
- A privately owned area (partie privative) and
- A right over the common areas (parties communes) (e.g. a corridor)

Each part of the building is identified in a description of the division of the property (so-called “états descriptifs de division”). Co-owners are required to abide by co-ownership regulations (réglement de co-propriété) that must be registered with the land registry and include three types of provisions:
- Provisions relating to the distinction between private and common areas, their intended purpose and the conditions of their enjoyment by the co-owners (e.g. housing or office use)
- Provisions relating to the breakdown of co-ownership fees for the use of the shared services or in case of refurbishment of the common areas for instance (co-ownership fees are proportional to the size of each unit).
- Provisions relating to the management of the building.

Each co-owner can freely enjoy not only the private area but also the common areas within the limits set in the co-ownership regulations.

Co-ownership is a form of freehold which means that a co-owner can freely dispose of its unit.
**Ownership by Division into Units**

There is ownership by division into units when a property is divided into units of different size and shape, either horizontally or vertically or both, each unit having its own right of ownership. It means that the owner can build within the limits of its unit, subject to any easements (right to natural light, minimum distance between buildings, etc.) that may encumber the unit and which are set out in the description deed of the division into units.

There is no specific regulation governing this type of ownership. This type real estate organisation can be found at La Défense, Paris’ business center.

Ownership is acquired through a notarised deed of sale which must be registered with the land registry. Pursuant to the law, and save as otherwise agreed between the parties when it is authorized, the seller of a property has to provide the buyer with two warranties to cover eviction and hidden defects.

**Leasing**

When renting commercial buildings, it is necessary to conclude a commercial lease agreement, for which the specific rules applicable are mostly mandatory.

The rules governing commercial lease are aimed at protecting the “commercial property” of the lessee and therefore are generally more lessee-friendly as they grant the lessee:

- The right to have the commercial lease renewed; and
- An indemnity in case the lessor refuses to renew the commercial lease (unless such decision is on the grounds of a material breach committed by the lessee or the building is declared unsafe and dangerous by a public authority).

Please note that a new law enacted on 18 June 2014 (known as the “Pinel law”) amended some of the provisions applicable to commercial lease agreements. Most of these amendments are applicable to lease agreements entered into or renewed as from 1st September 2014 but some of them are also applicable to prior leases.

**Therefore, the main provisions of a commercial lease agreement are as follows:**

**Duration**

The minimum term of a commercial lease agreement is 9 years but the parties can agree to a longer term. Prior to the Pinel Law, the lessee had the right to terminate the commercial lease at the end of every three-year period unless otherwise agreed between the parties. Currently, this waiver to the three-year termination period may only be entered into for certain lease such as those with a duration of more than 9 years or single-use-premises.

If the term of the lease exceeds 12 years, additional constraints will be triggered. The publication of the lease on the local land registries (and payment of taxes), the amount of the rent will no longer be capped in the event of renewal.

Even if a commercial lease has a define term, it will remain in force for an unlimited term unless:

- It is renewed as described below; or
- A 6-month prior notice of termination is given by either the lessor or the lessee.

**Right of the Lessee to a Renewal of the Commercial Lease**

The right of the lessee to have the commercial lease renewed is subject to the following conditions:

- a commercial lease agreement,
- operation of a business as a going concern by the lessee, in the rented premises, for a period of at least three years before the term of the lease and
- registration of the business and the premises with the Registre du commerce et des sociétés or the Répertoire des métiers.

The renewal of the lease results from the express or tacit acceptance of the renewal offer made by the lessor or the lessee.

- The lessor’s renewal offer must be delivered to the lessee. The lessee can accept the renewal under the terms and conditions set out in the offer or accept the renewal but not its terms and conditions. In particular, if there is a disagreement on the rent, either party must go to court to have the renewed rent determined. In the event of failure to do so within two years as from the renewal offer, the lease will be renewed under the terms and conditions set out in the offer.

- If the lessor has not delivered an offer as mentioned above at least 6 months before the term of the lease, the lessee may:
  - Do nothing. In that case, the lease will be tacitly renewed for an unlimited period of time with a risk that the rent will be uncapped after 12 years (except if the lease provides for a renewal at the market value).
  - Have a bailiff deliver a renewal offer to the lessor. Should the lessee want to reject the offer, it must react within 3 months, otherwise the lessor is deemed to have accepted the renewed lease. The parties must go to court as described above if there is disagreement on the renewed rent.
The lease is renewed on the same terms and conditions unless otherwise agreed between the parties.

RENT

The rent is freely determined by the parties and should normally reflect the market value.

In practice, the rent is either a fixed amount (e.g. offices), or can be based on the turnover of the lessee or be a mix of both (minimum guaranteed rent and a proportion of the turnover) (e.g. retail).

• **Indexation of the rent**

The parties can decide that the rent will be automatically indexed annually on a basis of an index published quarterly by the INSEE. Depending on the activity of the lessee, the applicable index may be the ICC (index du coût de la construction), the ILC (indice des loyers commerciaux), or the ILAT (indice des loyers des activités tertiaires).

Indexation clauses have to comply with the provisions provided by the commercial lease regulations and the French Monetary and Financial code. The clauses that do not comply with those requirements are being called into question before the courts. This may be a significant financial issue.

In addition, the rules on commercial lease also provide that the lessee or the lessor can claim for a revision of the rent after a minimum 3-year period.

• **Renewed rent**

The general principle is that the rent under the renewed lease reflects the market value. However, this renewed rent is capped at the variation of the applicable index (further the Pinel Law, only ILC or ILAT may be used to calculate this variation, the ICC is no longer applicable) between the date of the lease and the termination date of the lease.

However, there are several exceptions where the renewed rent may not be capped:

- **lease with an initial term of 9 years but whose effective duration exceeds 12 years due to tacit renewal,**
- **significant change in:**
  - features of the premises,
  - use of the premises,
  - respective obligations to the parties
  - or local commercially factor.

Further to the Pinel Law should the rent cap cease to apply, the variation in the rent will nonetheless be limited to 10% of the rent paid over the previous year.

MAJOR REPAIRS

Costs of major repairs are borne by the lessor but the parties are free to agree otherwise.

Nevertheless, further to the Pinel law, a decree was published on 3 November 2014 specifying the “services charges, taxes, duties ad fees that given their nature, cannot be charged to lessees”. For instance, major repairs (i.e. article 606 of the French Code Civil) may no longer be born by the lessee.

SUB-LEASE AND TRANSFER OF THE LEASE AGREEMENT

Unless otherwise agreed between the parties, the lessee cannot sublease the premises. In case of sale, the lease agreement will be automatically transferred to the purchaser of the premises. Things are different with respect to the lessee. Indeed, the general rule is that the lessee cannot transfer the lease agreement without the prior authorisation of the lessor and subject to certain formalities being carried out, except in case of transfer of the lessee’s business as a going concern (fonds de commerce). However, the lessee may have to give a prior notice to the lessor and/or the lease agreement may grant the lessor a preferential right over the business operated in the premises. A similar obligation can also be imposed on the lessee in case of a change of control.

Lastly, the Pinel Law introduced, under certain conditions, a preemption right to the benefit of the lessee in the event the lessor decides to sell the premises.

The conclusion of a lease agreement may also trigger different French tax consequences (corporate income tax, VAT, registration duties, business tax) depending on the nature or duration of the lease involved which need to be carefully assessed.

Consequently, the commercial lease agreements have to be negotiated with an eye for details.
Environmental regulations

Sustainable Development

In 2007, a series of conferences took place in France to discuss the long-term principles that should be implemented in France as regards the environment and sustainable development. It finally led to the enactment of two laws referred to as Grenelle 1 (3 August 2009) and Grenelle 2 (12 July 2010) which implement sustainable development and environmental consideration in many sectors, including real estate.

In particular, a new environmental appendix (also called “green lease”) must be attached to all lease agreements relating to premises exceeding 2,000 square meters of lettable area and are used as offices or for commercial purposes.

This new environmental appendix must be attached to all new or renewed lease agreements as from 1st January 2012 and to all existing leases as from 13 July 2013 (article L.125-9 of the environmental code).

The objective of this new regulation is to improve energy performance. Therefore the environmental appendix contains information to be provided both by the lessor and the lessee:
- List, description and energy information relating to the property, waste system, heating, cooling, ventilation, light and any other specific system of the property
- Annual energy consumption of the equipment and systems
- Annual water consumption
- Annual amount of waste generated by the property (if the landlord/tenant treats this directly) or amount that has been collected to be specially treated (by a third party).

This appendix should be the opportunity for the lessor and the lessee to determine areas of improvement and set objectives and if necessary binding commitments.

Although mandatory, the law does not provide for any specific sanction for failure to attach an environmental appendix or breach of the obligations set out therein. However, if the parties set out precise commitments in the appendix, one may consider that any breach of any of these commitments could entitle the other party to terminate the lease agreement for breach.

Buildings and Certifications

Grenelle 1 and Grenelle 2 laws impose new objectives and standards in terms of energy performance for both housing and tertiary buildings. The energy transition for green growth Law dated 17 August 2015 has reinforced principles and provisions in that matter:
- New tertiary buildings are required to be “low consumption buildings” (Bâtiment Basse Consommation - BBC) and the same should apply to any new housing building as from 2013 (article R.111-20 of the building and housing code).
- Works to improve the energy performance of existing tertiary buildings will be required to achieve the objective having a real estate in France with all buildings renovated under the standards BBC or similar for 2050 (L.100-4 of the Energy code). The overall objective of this regulation is to ensure a significant improvement of the energy performance of an existing tertiary building when a building owner intends to undertake work that are likely to provide such improvements (articles L.111-10 and R.131-25 to R.131-28 of the construction and housing code). The costs of such renovation works will depend on the buildings, the type of renovation and the energy performance objective (global and minimum performance objectives). According to the energy transition for green growth Law (17 August 2015), a decree will set out the terms of this obligation.

There are several French “green” certifications.

The “legal” reference is the High Energy Performance label (“Haute Performance Énergétique” – HPE) which was created by an Order 8 May 2007 and distinguishes between High energy performance, Very High energy performance, High energy performance – renewable energy, Very High energy performance and renewable energy – heat pumps and BBC buildings (R.111-20 of the building and housing code).

Another certification is the High Environment Quality (Haute Qualité Environnementale – HQE) which is aimed at promoting sustainable development in buildings construction. HQE certification compromises 14 criteria divided into 4 categories: green construction, green management, comfort and health. Sub HQE certifications exist depending on the type of building or renovation works, such as, for instance, NF Bâtiments Tertiaires Démarche HQE for new tertiary buildings, NF Rénovation Démarche HQE or NF Démarche HQE exploitation for the operation of buildings.

Energy Performance Diagnosis

The purpose is to ensure that buildings are as efficient as possible in terms of energy consumption. For that purpose an energy performance audit (diagnostic de performance énergétique - DPE) must be carried out by a certified and independent third party and, where applicable, the landlord might be requested to carry out works to that end.

The DPE must be attached to the sale contract or the commercial lease agreement.

Asbestos

The landlord is under the obligation to check whether or not there is any asbestos in the premises and, depending on the conclusions of the diagnosis, to identify the asbestos and remove it if necessary. In case of removal, the asbestos waste management must be in compliance with hazardous waste regulations.
ICPE regulations apply, in addition to other regulations, to installations likely to create risks or cause pollution or nuisance, notably in terms of local residents’ health and safety, such as certain types of warehouses, factories, etc.

Activities covered by the ICPE regulations are listed in a nomenclature imposing, prior to the operation of the installation, a permit, a registration or a declaration system depending on the significance of the risks or inconvenience which may be caused.

As a result, a permit is required for installations with significant risks/inconvenience to the environment. A permit is delivered by the Prefet on the basis of several documents notably after a series of public authorities have been consulted and a public enquiry and Environmental impact assessment have been carried out. The permit sets out the conditions for the operation of the installations (e.g. the carrying out of periodic water surveys by the operator/owner, etc.). Obtaining a permit may be time consuming and this should be taken into account in any acquisition process.

Temporary installations are also subject to registration. The applicant has to file a simplified application (no impact assessments or public enquiries are required). The registration order is granted by the Prefet on the basis of that simplified application and once a series of public authorities have been consulted.

Less dangerous installations are subject to prior declaration:

• Apart from the commitments that may be imposed by law, the permit or the registration order during the operation of the installations (periodic inspections, disclosures, etc.), the operator/owner is required to inform the authorities giving a minimum of 3-months’ notice period before it stops operating the installations and it has a duty to restore the site to make it compliant with the use stated in the permit/registration order or if not set out in the documentation, with the use agreed between the operator, the owner (if different) and the relevant local authority where the installation is located.

• In case of a sale, the seller is obliged to inform the purchaser in writing if any ICPE installations were operated on the site and, if necessary, if he is aware of any significant dangers or risks which might result from the installations.

NEW DUTY TO INFORM

The seller or lessor of land located in a “soil information zone” must inform in writing the buyer or tenant of this situation. Failure to comply with this duty is subject to penalties. If pollution making the land unsuitable for the use stipulated in the contract is discovered, the buyer may request, the cancellation of the sale/lease, return of a portion of the price/rend reduction, or rehabilitation of the site (if not disproportionate) within two years from its discovery.

The possibility of transferring the rehabilitation obligation to a third party within a legal framework (article L512-21 at the Environmental Code).

Until then, rehabilitation work of an ICPE which has ceased operations had to be carried out by the last operator. If it were possible to contractually transfer that obligation to a third party, this transfer was, however, not binding on the Administration. The Alur Law introduces the possibility of transferring “officially” the rehabilitation work to a third party in order to promote the regeneration of brownfield sites.

The third party must submit an application to the Prefecture to obtain the authorization to carry out the rehabilitation work. The approval of the last operator, the mayor, or the president of the public establishment of intercommunal cooperation (EPCI) and the owner is necessary when the third party intends to rehabilitate the site for a use other than the one provided in the applicable order to the ICPE or under ICPE regulations. This third party must then transmit to the prefecture a rehabilitation file including soil and water conditions as regards pollution, the required measures to enable compatibility between the planned future use and the condition of the soil, estimation of the amount and duration of the work as well as the technical and financial abilities of the third party.

A prefectural order setting the amount of the financial guarantees and the rehabilitation work to be performed is then notified to all concerned parties.

HIERARCHY OF THE RESPONSIBLE FOR CONTAMINATED SITES AND SOILS

The new article L.556-3 Environmental Code sets out the hierarchy of the responsible for contaminated sites and soils:

• First responsible will the last ICPE operator provided that his ICPE activities caused soil pollution or the third party who replaced him

• The waste producer or waste holder for soils polluted by another origin,

• Alternatively, the owner will be held responsible for soil pollution, provided that his negligence or the fact that he is no stranger to this pollution is established.
KEY TAX ISSUES WHEN INVESTING IN FRENCH REAL ESTATE

Taxes apply to acquisition, ownership and operation of French real estate.

▶ Acquisition

▶ REAL ESTATE TRANSFER TAX (RETT)

- A 5 % RETT is due on the acquisition of shares or shares of interest in a property company (i.e., asset composed of more than 50% of French real estate).
- A 5.81 % RETT is due on the acquisition of a property.
- RETT is as a rule paid by the purchaser. However, the parties are free to decide otherwise.
- Land Security Contribution (Contribution de sécurité foncière) (0.1 %) and notary fees (0.825 % subject to negotiation where the fees are in excess of €80k) also apply.
- A 0.6% additional tax to RETT is due on acquisition of office, commercial or storage spaces completed for more than 5 years.

▶ VALUE ADDED TAX (VAT)

- The sale of a property completed within the last 5 years is subject to VAT at the standard rate of 20 %. The 5.81 % RETT is in this case not due. However, the sale is subject to real estate registration tax (taxe de publicité foncière) (0.715 %), Land Security Contribution (Contribution de sécurité foncière)(0.1 %) and notary fees (0.825 % subject to negotiation where the fees are in excess of €80k).
- In certain limited cases, the sale of properties completed within the last 5 years may be subject to VAT upon election. In this case, RETT is also due.
Ownership and operation of French real estate

Local taxation includes four main taxes: real property tax on developed land, real property tax on undeveloped land, residence tax (applying to furnished housing and any outbuildings) and territorial economic contribution (formerly business tax). There are also additional or similar taxes, such as the annual Ile-de-France office tax.

- **Real estate property tax (taxe foncière)**
  - Any real estate owner is in principle liable for a real estate property tax (taxe foncière) on developed and undeveloped properties.
  - Real property tax on developed land is levied annually on developed land situated in France, except where it is entitled to permanent exemption (public estate or “propriétés publiques”, rural real property for farming, etc.) or temporary exemption (intended to promote construction).
  - The amount of tax is obtained by multiplying the cadastral rental value of each property by the tax rate voted by the relevant local authority for the year concerned.
  - The tax is chargeable to the owner of the property on January 1 of each year of taxation but this cost may be passed on to lessees depending on contractual provisions in the rental agreement.

- **Territorial economic contribution (“contribution économique territoriale” formerly “business tax”)
  - Until 1 January 2010, business tax (taxe professionnelle) did not apply to the rental of unfurnished properties.
  - As from the above date, business tax has been replaced by the territorial economic contribution (“TEC”), which consists of two different taxes:
    - The business tax contribution on property (“BCP” cotisation foncière des entreprises) is due by the occupier of the property and is assessed only on the notional rental value of the company’s immovable assets. Contrary to the former business tax, it excludes equipment and movable assets. The rates vary from one municipality to the other.
    - The business contribution on added value (“BCAV” cotisation sur la valeur ajoutée), which is due in practice if turnover exceeds €500k, is a progressive tax that can be as high as 1.5% of the added value if the revenue of the French taxpayer exceeds €50m.
  - Both taxes are levied on a calendar year basis by local authorities. The sum of these two contributions is capped to 3% of the added value. The TEC is tax deductible.
  - The TEC is due by the person to whom the properties are made “available” for the purposes of their business. Therefore, in a scenario involving rented premises, the BCP will be due by the lessee on the rental value of said properties (the lessee has the use of the premises) and the BCAV will be due by the lessor on its added value. The BCAV is also due by the lessee on the basis of the added value of its own business.

- **The 3% Tax**
  - The 3% tax (equal to 3% of the FMV of real estate owned) is due annually by entities owning directly or indirectly a real property in France, unless such entities file appropriate forms or benefit from a specific exemption from such filing. There are numerous cases of exemption.
**TAX ON RENTAL INCOME**

- Exempt regulated investment vehicles: SIICs and OPCIs are exempt from tax on rental income provided that they meet a distribution requirement. The requirement is 85% for OPCIs, 95% for SIICs.
- Non regulated investment vehicles are either subject to corporate tax or if they are look-through entities for tax purposes, the portion of their profits that is allocable to a corporate tax entity partner – irrespective of whether such a partner is resident or non resident – that is subject to corporate tax.
- Corporate tax is assessed at the rate of 33.1/3% (+ social contribution that increases the effective rate to 34.43% or 38% if turnover > €250m for FYs closed from 31 December 2011 to 30 December 2016).

**DEDUCTION OF INTEREST**

- Interest is as a rule deductible.
- Deductibility of interest paid on intercompany loans and – in certain cases – external loans guaranteed by a related party is however subject to limitations:
  - Limitation under “the arm’s length test”:
    - The deductible interest is capped at a rate that is set periodically (2.15% for FYs closed on 31 December 2015) or at the rate at which the company could have borrowed from an independent lender.
    - Limitation based on the “thin cap test”: the arm’s length interest according to the above test is only deductible to the extent that the following three thresholds are not exceeded cumulatively:
      - 1.5 times the equity;
      - 25% of the net adjusted income before tax;
      - Interest received from related parties.
- “Anti-hybrid” financing rules:
  - Interest paid by a French taxpayer should be taxable at a rate of at least 25% of the French corporate tax in France or abroad (i.e., from 8.33% to 9.5% depending on the case at hand).
- General financial expenses limitation rules:
  - Deductibility of the net financial expenses (including interest paid to unrelated party), if such expenses exceed EUR 3Mio per fiscal year, are capped to 75%.

**ADDITIONAL 3% CIT CONTRIBUTION ON CERTAIN DISTRIBUTIONS**

- Further to the enactment of the second Amended Finance Bill for 2012, dividend or deemed dividend distributing entities are liable to a new additional 3% CIT contribution on certain distributions. This contribution is currently being challenged before the European Commission.
- However, among the few exceptions to the levy of this 3% contribution are the distributions made by SIICs (French REITs) to comply with their distribution requirements, by SPPICAVs, by qualifying SIICs subsidiaries to the SIIC or by qualifying SPPICAVs subsidiaries to the SPPICAV.

**WITHHOLDING TAXES**

- In most cases, there is no WHT on French source interest. However, a 75% WHT applies if the interest is paid to a so-called non-cooperative country.
- Dividends paid to non residents are subject to a 30% WHT that is increased to 75% where the beneficiary is located in a non cooperative country. The 30% WHT is either reduced or eliminated by tax treaties or the EU directive.
- Since the entry into force of the second Amended Finance Bill for 2012, a 15% WHT applies on certain distributions paid by exempt regulated investments vehicles (SIICs, OPCIs) unless a tax treaty provides otherwise.
Exempt regulated investment vehicles (SIICs & OPCIs) benefit from an exemption on gains recognised on the sale of the properties provided that they meet a specific distribution requirement (60% for SIICs, 50% for OPCIs).

Real estate gains recognised by standard corporate vehicles are subject to corporate tax. If the vendor is a partnership, the portion of the gain that is allocable to a corporate partner is subject to corporate tax irrespective of whether the partner is resident or non-resident.

Until now, it was usual practice for non-resident investors to own French property companies through a Luxembourg holding company (because the sale of the French property company by the Luxembourg company would not be taxable in France). This exemption will no longer be available when the amendment to the treaty that was signed on 5 September, 2014, has come into force (the expected date of application of the new provisions is 1st January 2016).

Depending on the circumstances, efficient tax structures may still be envisaged.
SERVICES AND CONTACTS

Team Côte d’Azur, on behalf of its shareholders and the real estate community brought together in the Club Immobilier d’Entreprise Azuréen, is working in partnership with Ernst & Young to help real estate investors make the most of the investment opportunities on the Côte d’Azur.

Investor’s services offered by Team Côte d’Azur

Team Côte d’Azur is the investment promotion agency for the Côte d’Azur.

Created by the Alpes-Maritimes Departmental Council, the Nice Côte d’Azur Chamber of Commerce and Industry and the Métropole Nice Côte d’Azur, the purpose of Team Côte d’Azur is to promote the region on international markets and help new, French or foreign companies to establish offices in the area.

The agency gives investors access to a comprehensive range of services so they can discover the Côte d’Azur, a leading, innovative and international region, and turn the investment process into a success.

Team Côte d’Azur facilitates relationships with key players in the Côte d’Azur; and connects investors with institutional, public or private partners who can enable them expand their business.

Typical services offered to corporate investors cover:
- Qualified economic information
- Networking services
- Advice and research of business locations
- Government grants engineering
- Assistance with human resources

Our expertise is free, personalised and strictly confidential.
Real estate services proposed by Ernst & Young

REAL ESTATE TRANSACTIONS
- Legal and tax structuring of cross-border transactions (design of acquisition structure for real estate portfolio, conception of European funds…)
- Legal and tax assistance in the context of real estate transactions consisting in the disposals of real estate rights or shares of real estate companies
- Financial, legal and tax audit
- Drafting and negotiation of share purchase agreements, representations and warranties…
- Assistance for the drafting and the negotiation of commercial leases, real estate leases and long term leases

GENERAL REAL ESTATE LAW
- Audit for the acquisition and the restructuring of real estate assets
- Commercial leases
- Hotel management agreements
- Litigations

REAL ESTATE TAXATION
- Corporate taxation of real estate investments
- Tax optimisation of real estate investments
- Advice in the area of externalisation of patrimony operations
- Specific tax legislation: VAT, registration duties, 3% annual tax on real estate owned by entities in France…
- Assistance for tax audits and litigations
- Advice relating to the eligibility, the opportunity and possible optimisation in relation to the application of the SIIC regime and the OPCI regime

REAL ESTATE FINANCING
- Structured financing for real estate projects
- Putting in place of real estate warranties in the context of operations of real estate financing
- Setting-up of financing, tax optimisation in the context of acquisition, restructuring of real estate portfolio
- Real estate leases
- Partnership between public and private
- Financing products

LAW OF CONSTRUCTION, REAL ESTATE PROMOTION AND URBANISM
- Assistance for the drafting and the negotiation of real estate promotion agreements and construction agreements
- Assistance for the drafting and the negotiation of build operate transfer agreements and project management agreements
- General regulations relating to urbanism
- Litigations

ENVIRONMENTAL LAW
(specific aspects related to real estate)
- Environmental audit
- Assistance for the drafting of clauses of warranty in the environmental area, clauses of allocation of responsibility in the environmental area in lease agreements, agreements in the regulated areas
- Polluted sites and classified installations
- Sustainable development

ABOUT EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.