

PARIS REAL ESTATE FUTURES CONTRACT



EURONEXT FUTURES CONTRACT ON PARIS RESIDENTIAL REAL ESTATE

Euronext's futures contract on real estate proposes an innovative, alternative solution for investors seeking exposure to the Paris real estate market without the constraints of physical investment.

The contract is based on the PARISSQM index, a new reference price for Paris Residential Real Estate, created by Compass Financial Technologies and Kalstone, which has been live since May 2018.

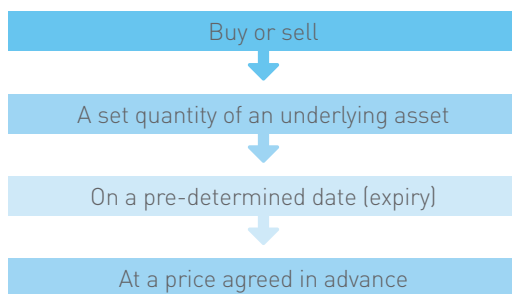
Based solely on real transaction data, the index is published every two weeks with a six-week lag and quoted in euro per square metre.

The Compass Kalstone Paris Residential Property Index has been designed to provide a responsive and consistent benchmark for typical transacted prices in the residential real estate market.



WHAT IS A FUTURES CONTRACT?

A futures contract is a contractual agreement, negotiated between a buyer and seller, to:



Futures contracts are standardised financial instruments, which can be traded on a regulated market through intermediaries that specialise in derivatives products.

If at expiry date the actual price of the financial instrument is higher than the price specified when the contract was agreed, the buyer realises a profit, and the seller a loss.

HOW IS THE PRICE OF A FUTURES CONTRACT CALCULATED?

The price of a futures contract is determined by the expectations and perspective of each potential market participant taking a buy or sell position.

At the settlement date, the price of the futures contract is the last given price of the index.



Important: The Euronext Paris Real Estate futures contract is considered to be a financial product, and therefore is not in the scope of the French Property Wealth Tax (Impôt sur la Fortune Immobilière or IFI).



ABOUT THE INDEX

- The first investable benchmark to replicate the evolution of Paris real estate housing prices
- Based on a proprietary methodology using central tendency, stratification and noise filtering techniques
- Published every two weeks with a lag of six weeks. Index value represents the observed transacted price per square metre over the specific two-week period.
- The first pure proxy index (per square metre in euro) for the residential real estate market in Paris; based on real transaction data reported by the Paris Notaires Services*
- More than 10 years data history collected and price evolution available on Bloomberg and Reuters.
- Compass Kalstone is a complementary partnership between financial indices expert Compass and real estate and finance solution provider Kalstone.

BENEFITS OF THE PARIS REAL ESTATE FUTURES CONTRACT FOR USERS:

- Develop a flexible and efficient strategy to diversify property or trading portfolios.
- Hedge portfolio price risks with real estate futures
- The index reflects exact actual transactions, allowing investors to have accurate exposure to the real estate market, in a price per square metre
- Counterparty risk mitigation through LCH SA
- Cost efficiency: eliminates the constraints of a physical investment (no public notary required) and much lower capital requirements
- Transparency and liquidity: real-time quotation throughout market opening hours
- Financial leverage and flexibility
- Benefit from movements in housing prices

* All property transactions in France must be made through a 'notaire', a legal specialist who is a public official acting on behalf of the French state.



RISK AND VOLATILITY

The annualised volatility of the futures contract, that is the variation between the highest and lowest price over the course of a year, is estimated to be between 3 and 7%. Its volatility is therefore lower than that of a real estate fund (>14%). As an example, the average volatility of the France's CAC 40 Index is 12%.

IN BRIEF

1 contract = 1m²

3 - 7%
annualised
volatility futures
contract

4%
initial margin
required by
LCH SA*

*as estimated in
September 2019



VENDOR CODES

Euronext futures contract:

Bloomberg:
PQIA<index>

Reuters:
0#PREE:

PARISSQM index:

Bloomberg:
PARISSQM

Reuters:
PARISSQM



CONTRACT SPECIFICATIONS

Exchange contract code	PRE
Contract size	Contract valued at €1 per index point
Unit of trading	1m ²
Pricing unit/quotation	Index points (e.g. 8,000 points = €8,000= 1 lot)
Minimum price movement (tick size and value)	Central Order Book, Basis Trade & Large-in-Scale Facility: 1 index point (€1 per contract)
Expiry months	Quarterly (June, Sep, Dec, March) for year 1, then 2 year (Dec), 3 year (Dec)
Introduction of new delivery months	New delivery months are available for trading on the first business day after the expiry of a maturity
Wholesale services (minimum size)	Large-in-Scale Facility (25); Large-in-scale Prof (25)
Euronext market	Paris
Last Trading Day	Trading ceases at 17:30 CET on the day preceding the Expiry Day. In the event that this is not a business day, the Last Trading Day (usually a Thursday) shall be the last business day preceding the Expiry Day
Settlement	Cash Settlement based on the EDSP
Expiry Day	The Expiry Day corresponds to the last publication date of the PARISSQM index in the expiry month (usually a Friday)
Exchange Delivery Settlement Price (EDSP)	The settlement price is the value of underlying index (PARISSQM) on Expiry Day
Clearing organisation	LCH SA
Trading hours	09:00 - 17:30 CET
Algorithm	Central order book applies a price-time trading algorithm with priority given to the first order at the best price
Transaction fees	€3 per contract (€2.30 trading, €0.70 clearing)

HOW TO BUY OR SELL A FUTURES CONTRACT

The property futures contract can be bought or sold via banks and brokers, members of Euronext. The list of these financial intermediaries is available on the Euronext website.

The costs involved in buying or selling a futures contract are relatively low compared to the costs of making a physical transaction (approximately 8% of the transaction cost). The administration fees paid to the financial intermediary (when used) generally come to less than 1%.

Find out more

To find out more about the Paris real estate futures contract, contact the Euronext Commodities team at:

commodities@euronext.com

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