



IALA COUNCIL 71st session



3 and 4 June 2020
Video Conference

9 – FINANCE AND AUDIT COMMITTEE REPORT

9.3 – Future of Headquarters

Note by the Secretariat

1. INTRODUCTION

Considering the growth and development of the Organization towards an IGO, it is envisaged to propose a relocation of the Headquarters to a more suitable premises in order to accommodate an increased number of staff and to welcome more members in the near future.

For this purpose, a study was conducted in November 2019 to estimate the value of the IALA premises with a view to a future sale. On the recommendation of M. Audurier, Deputy Mayor for Economic Development of the City of Saint-Germain-en-Laye, IALA has contacted the Valuation & Transaction Structuring Department of Nexity Conseil & Transaction. The market study is presented in Annex 9.3.1.

2. SALE PROPOSAL

Today, IALA owns 710 m² of office space and 26 parking spaces at the Strategy Center property complex in Saint-Germain-en-Laye. The Headquarters' premises were purchased in 2011 and were completely refurbished in 2018.

The office market study achieved by Nexity identified two possible scenarios:

- **First scenario:** the sale of the asset on a 3-years lease basis with IALA. IALA could sell its asset for €1,707,907 by the end of the year and then remain in the same premises for a minimum of three years. The total impact on the budget would be around €172,105 per year (rent + charges). This scenario would make it easier to find an increased number of potential purchasers.

- **Second scenario:** the sale of the vacant premises estimated at €1,278,000. This option is not recommended by Nexity because it is considered as being less attractive for an investor. Also, the financial transaction would be less interesting for IALA, partly due to a higher deed-in-hand rate (10,02% instead of 7,5%), which corresponds to the fiscal tax called "transfer duties". Vacant premises have already existed at the Strategy Center for a number of years without success in finding investors.

3. FINANCIAL IMPACT (IN EUROS)

Scenario 1 Sale of the asset on a 3-years lease base with IALA	2020		Final impact	2021	2022
Upon signature of the notarial act	+	-		-	-
Sale of the asset (net)	1 707 907				
Honorary fees for Nexity (5%)		85 395			
During the year					
Rent		0		130 600	130 600
Charges (restaurant, parking spaces, common areas...)		26 200		22 000	22 000
Property tax (to be paid by the tenant occupancy)		12 015		12 015	12 015
Office tax (to be paid by the tenant occupancy)		7 490		7 490	7 490
	+1 707 907	-131 100	+1 576 807	-172 105	-172 105



Scenario 2 Sale of vacant premises	2020		Final impact
Upon signature of the notarial act (sale)	+	-	
Sale of the asset (net)	1 278 000		
Honorary fees for Nexity (5%)		63 900	
During the year			
Rent			
Charges (restaurant, parking spaces, common areas...)		26 200	
Property tax		12 015	
Office tax		7 490	
	+1 278 000	-109 605	+1 168 395

4. NEXITY RECOMMENDATION

Due to the market and the liquidity of the asset, Nexity recommends first scenario in order to maximize the value, within a short and controlled period.

In France, due to the existing crisis, some companies are looking for more liquidities and decide to sell their assets. Under the first scenario, the rental contract could be extended if needed, after three years. Selling the Headquarters now may be a good option and will leave IALA free to determine an appropriate relocation date, in the coming years.

5. THE COUNCIL IS INVITED TO

Consider and approve the proposal concerning the future of IALA Headquarters.