

# The French residential property market

2024 review

The residential property market

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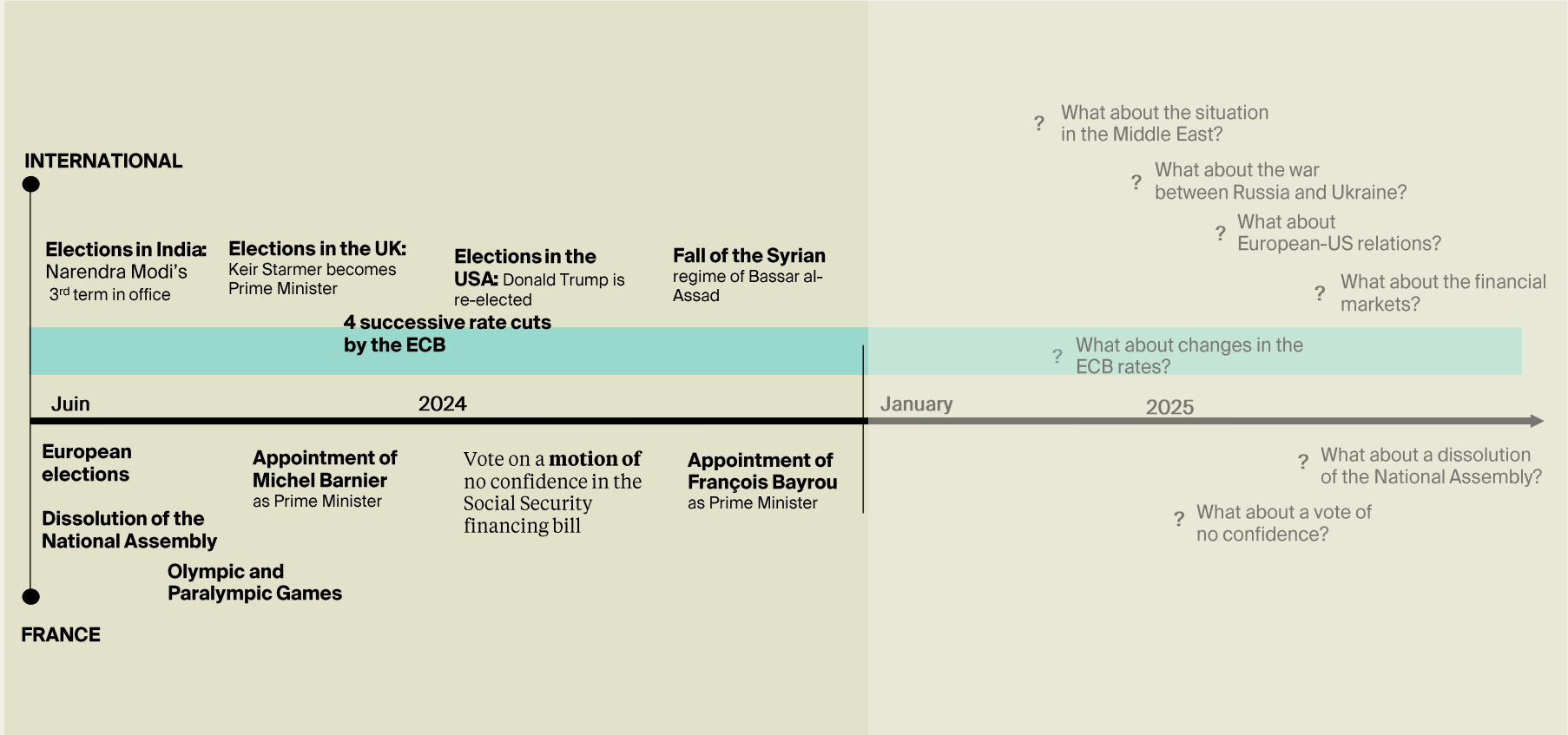
# 01. Economic & legislative context



# An unprecedented 2024... 2025: a difficult year to predict

2024 was characterised by a gradual decrease in inflation in the eurozone, enabling the European Central Bank to initiate an initial reduction in its key interest rates. Despite this positive sign, economic growth remained fragile, hampered by a climate of uncertainty. On the political front, 2024 was punctuated by a series of key elections around the world: general elections in India and the United Kingdom, European Parliament elections, the strategically important US presidential election, not to mention the surprise dissolution of the French National Assembly. These elections contributed to political volatility, which continues to weigh on medium-term visibility.

Internationally, geopolitical tensions have not abated. Between the war in Ukraine, tensions in the Middle East and the Sino-American rivalry, the global environment remains marked by persistent instability, complicating the analysis of the economic and strategic outlook for 2025.



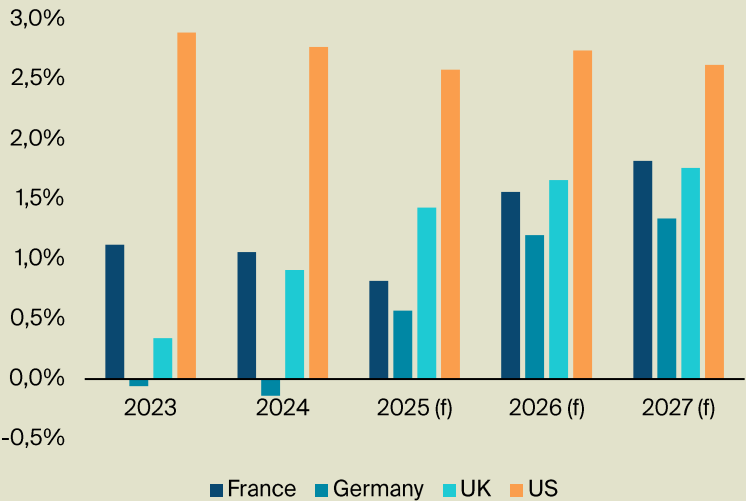
# Better-oriented economic indicators

In an international context characterised by persistent uncertainty, the macroeconomic forecasts for France in 2025 remain cautious but encouraging. Controlling the public deficit, a priority of the new government led by F. Bayrou, remains a major challenge for consolidating the French economic outlook, although it has little impact on growth. In this context, GDP is expected to grow by 0.9% in 2025, after two consecutive years of 1.1%. Growth will accelerate more significantly from 2026 (+1.3%), driven by the easing of financial conditions. Consumption, the main driver of growth, will grow at a moderate pace in 2025, +0.9% as anticipated by the Banque de France (after +0.8% in 2024). It will then gain momentum, growing by around +1.1% in 2026 and 2027, supported by increases in wages and

purchasing power. Having peaked in 2023 (+5.7%), inflation decreased to +2.4% in 2024 and should remain below the 2% mark for the long term, with +1.6% expected from 2025. This marked decrease reflects the decrease in the prices of energy, food and manufactured goods. In this context of controlled inflation, the various central banks began to relax their monetary policy during 2024. This trend is expected to continue, with the ECB's key interest rate gradually approaching a target rate of around 2%.

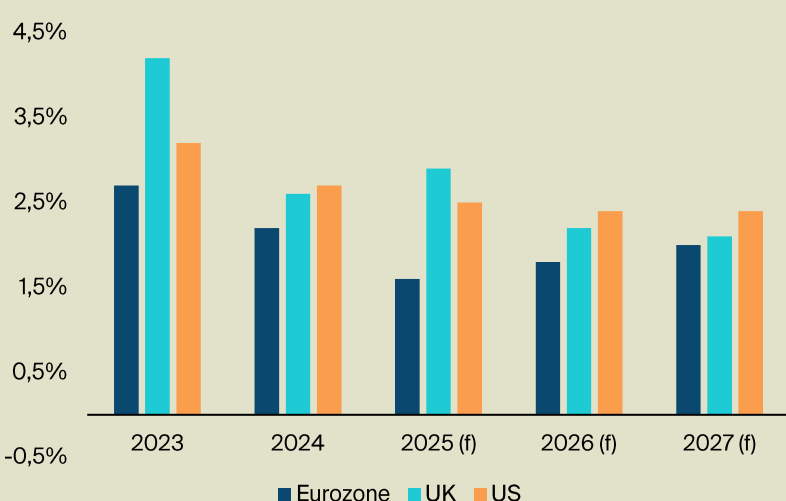
## GDP

In %, annual average



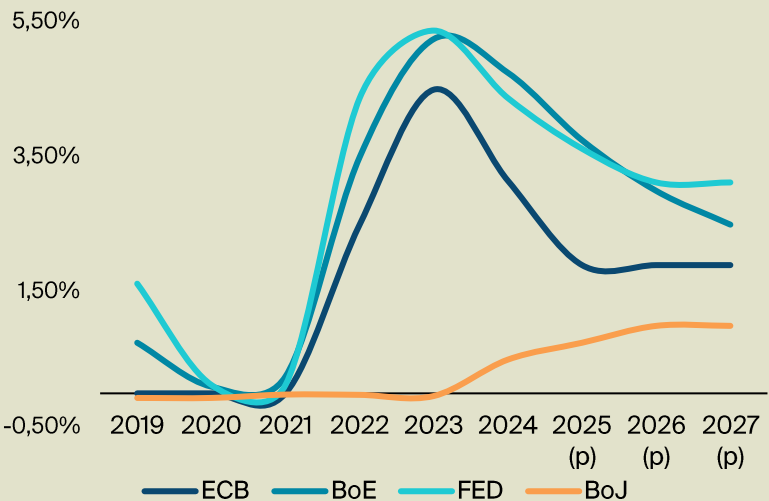
## Inflation

In %, annual average



## Key interest rates

In %, annual average



# Awaiting an ambitious housing policy

2024 was a year of ministerial changes in the Department of Housing, with Patrice Vergriete, then Guillaume Kasbarian and, since October, Valérie Létard. Now, professionals in the sector are calling for a clear and ambitious policy to address the many challenges (increasing scarcity and soaring property prices, stricter regulations, reclassification of some of the rental stock and higher environmental standards, a continuous increase in demand for social housing, etc.) and the housing crisis.

The adoption of the 2025 budget in February enabled the Minister to clarify the government's priorities and to lay the groundwork. Among the key areas of focus are the following goals:

- Guarantee a sufficient supply of affordable, high-quality housing;
- Revive private rental investment to boost production;
- Accelerate housing production, particularly in areas where there is a shortage;
- Reduce the sector's carbon footprint and intensify energy renovations;
- Simplify and streamline procedures to reduce delays;
- Create a public property company to streamline the State's real estate assets: disposal of certain assets and the leasing of others to collect rent, adaptation to climate change, etc.

## First measures announced to support the recovery in 2025

### Capping of the Solidarity Rent Reduction

at 1.1 billion euros (-200 million euros) to reduce the burden shouldered by social landlords;

### Extension of the interest-free loan

to all new housing and throughout the country (whilst remaining applicable for existing housing in areas with sufficient housing, subject to thermal renovation work). Almost 46,000 interest-free loans were granted in 2024, including 25,000 for the purchase of a new home, 17,000 for existing housing and 3,900 for a social housing acquisition. The scheme will remain in place until the end of 2027.

### Roll-out of measures

to support the production of social or affordable housing (€50 million for urban renewal, €100 million in financial support for mayors building social housing, etc.) and a new target of 100,000 social housing units to be built by 2025 (compared with 85,300 approvals issued in 2024 according to the French social housing association "*Union Sociale pour l'Habitat*").

### Encouraging mobility for social housing tenants and home ownership:

2.6 million households were waiting for social housing at the end of 2023 (+184,000 in one year), whilst only 7.3% of properties became available.

### Strengthening of protective measures for all tenants,

in particular to ensure the efficient use of property: any accommodation rented out since 1<sup>st</sup> January must have an energy performance certificate rating of at least F.

# 02. The investment market

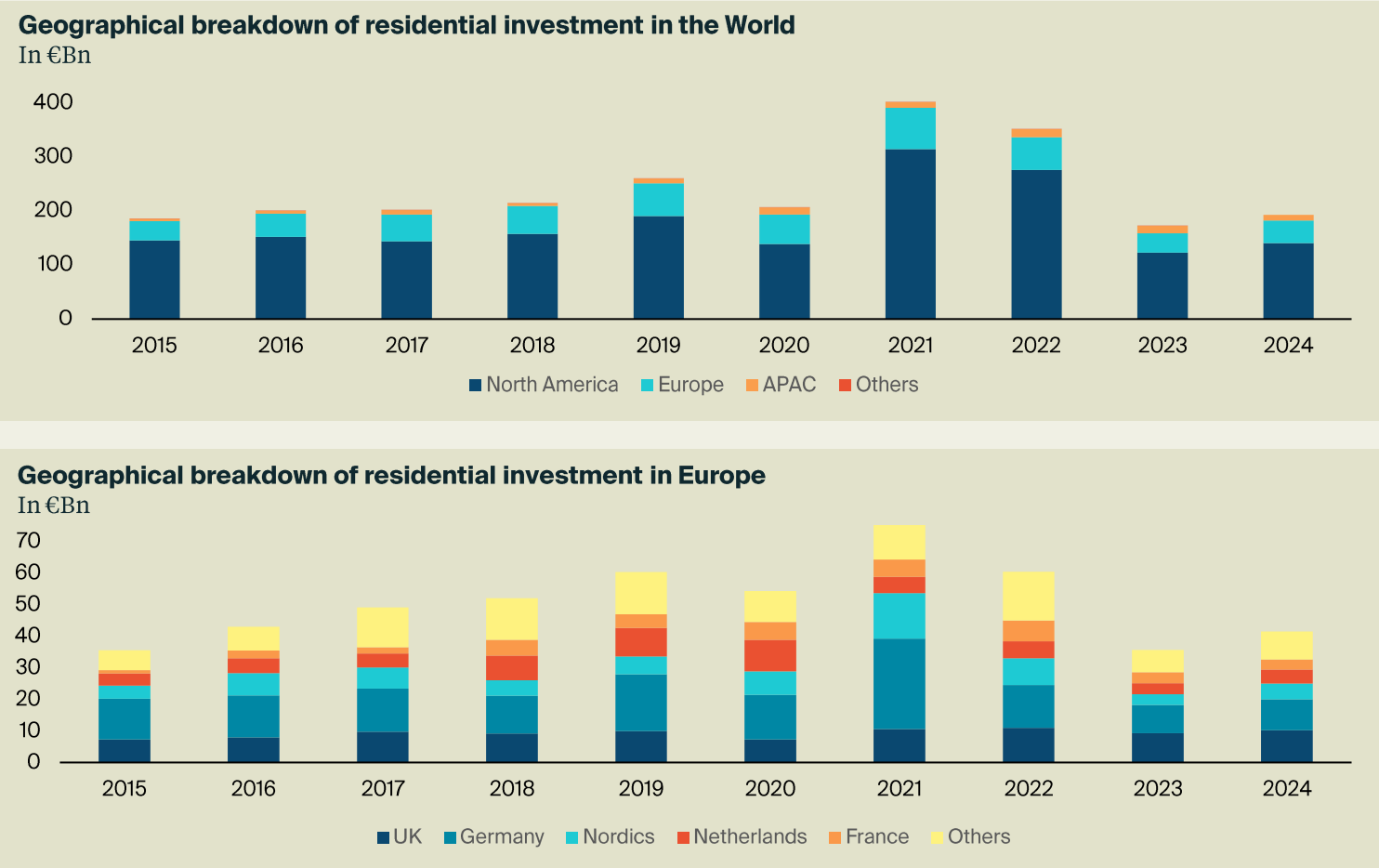


# €192bn invested worldwide, €41bn in Europe...

Residential remains the property type that attracts the most investment worldwide, whilst diversification is emerging as a major trend in the property markets. The 'living sector' now accounts for almost 30% of the amounts invested since 2020, all types combined. In 2024, 192 billion euros were invested in residential real estate worldwide, an increase of 12% compared to 2023. North America is still the largest market, with 140 billion euros committed, 95% of which is in the United States, with growth of nearly 15% year-on-year.

The European residential block sales property market has seen a marked recovery, driven by the gradual fall in key ECB interest rates. Investment volumes exceeded the €40 billion mark over 2024, an increase of 20% compared to a significantly lower 2023. However, this rebound remains below the annual average recorded between 2015 and 2020 (€49 billion) and still far from the historic peak of 2021 (€76 billion), a performance that is difficult to replicate due to the persistent downturn in volumes in key markets such as Germany and the Nordic countries.

However, these regions saw a revival in residential property investment in 2024, with 9.8 billion euros (+9% year-on-year) and 5 billion euros (+46% year-on-year) respectively. In the Netherlands, another historic market, the volumes invested (4.5 billion euros) are still struggling to return to the average of 7.5 billion recorded annually between 2018 and 2022, with the restrictive policy relating to rental property possibly being a contributing factor. The United Kingdom, meanwhile, stood out for its relative stability over the last decade, despite sometimes restrictive financial, geopolitical and health conditions. It retains the top spot in Europe for the second consecutive year, with just over €10 billion invested in 2024 (up 11% year-on-year).



# ... and €3.5bn in France

Investments in the residential market in France reached 3.5 billion euros in 2024, a decrease of more than 25% compared to the previous year. Following a period of caution due to the beginning of the interest rate hike cycle, investors are now particularly attentive and responsive to each residential product put on the market. The number of transactions exceeding 50 million euros remained relatively stable between 2023 and 2024, confirming that the drop in volumes is mainly due to the absence of large-scale portfolios, the return of which is expected in 2025.

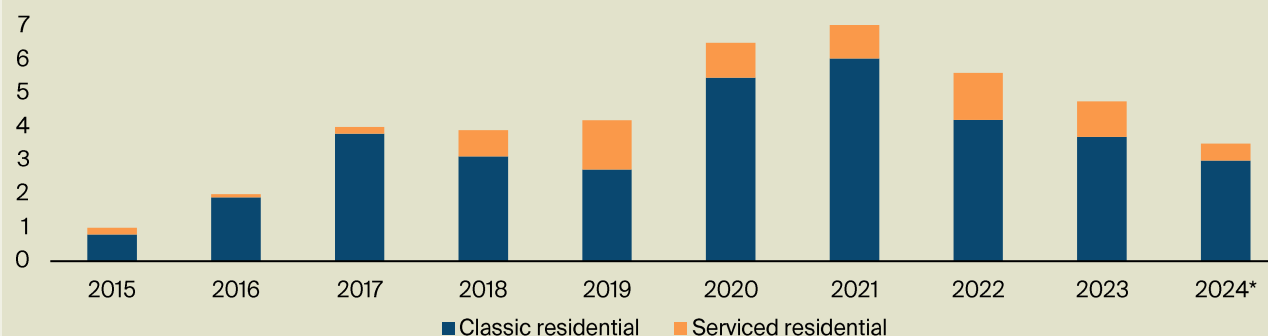
The drop is even more pronounced for the managed residential category, with just over 550 million euros invested in 2024, a decrease of more than 50% year-on-year.

For the first time, co-living dominates this sector, with 285 million euros committed. This amount, although significantly lower than in 2023, a particularly dynamic year (550 million euros), illustrates investors' continued interest in asset diversification and the emergence of new uses. Student residences (Special Study Scheme - *Régime spécial d'études/RSE*) recorded limited volume of 166 million euros due to a limited supply in 2024. However, the outlook for 2025 is more favourable, with

several large-scale sales and investors' confidence in the fundamentals of this market remaining unshaken. Conversely, senior serviced apartments, which were still the dominant type of managed residential property in 2022 (635 million euros), are continuing a downward trend, with barely 75 million euros invested in 2024. This category is still suffering from the impact of the scandals that have affected several operators, as well as ongoing reflections on the very future of this model. Several existing senior serviced apartment portfolios are expected to be put on the market in 2025, already attracting the interest of several foreign investment funds. The emergence of multigenerational concepts, similar to coliving, could, however, pave the way for a more appealing new take on retirement homes.

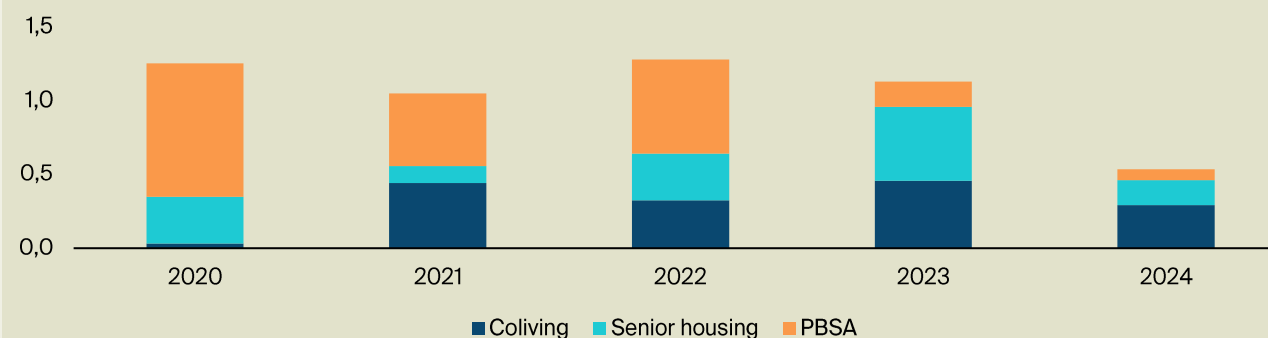
## Residential investment in France

In €Bn



## Breakdown of serviced residential investment in France

In €Bn



# Coliving in France: a market that is taking shape

Coliving is establishing itself as an emerging residential market category, responding to the growing demand for flexibility and services. This hybrid model, combining private residential accommodation, shared spaces and hotel services, appeals to a mobile urban clientele, often young and eager for turnkey solutions. Still in the structuring phase, the market is attracting a growing diversity of operators, from specialised players such as Colonies and Sharies to long-standing managers such as The Boost Society and Ecla, who are gradually expanding their offer.

Investors are therefore interested in this category because of its ability to capture new demand flows and to diversify their residential portfolios.

However, profitability remains a key issue, as the model must deal with high operating costs and a somewhat unclear regulatory framework.

Despite these challenges, coliving is favourably aligned with demographic trends, changing urban lifestyles and institutional investors' search for diversification.

## COLIVING IN FRANCE

### 1 DEFINITION AND CONCEPT

- Furnished private residential accommodation (rooms or studios)
- Shared spaces (kitchen, lounges, co-working, gym, etc.)
- Integrated services (concierge service, activities, events)
- Flexible leases adapted to new lifestyles

### 2 KEY SUCCESS FACTORS

- Strategic location (economic and university centres)
- Quality of services and community life
- Flexible leases and ease of installation
- Suitable for the new demands for flexibility and social interaction

### 3 MAIN OPERATORS

- Colonies (e.g. Colonies in Bordeaux)
- Ecla (e.g. Ecla in Massy)
- The Boost Society
- La Casa (e.g. La Casa in Antony)
- Sharies (e.g. Sharies in Pontoise)
- The Babel Community (e.g. The Babel Community in Marseille)

### 4 MAIN TARGET GROUPS

- Young urban professionals (job mobility)
- Mobile workers (freelancers, digital nomads)
- Students and young graduates
- Expats and new arrivals
- Independent senior citizens

### 5 CHALLENGES

- Profitability under pressure (high operating costs)
- Regulatory framework still unclear
- Positioning between residential, shared accommodation and hotels
- Economic model in need of long-term stabilisation

**+€1.5 B**  
VOLUME INVESTED IN COLIVING  
IN FRANCE SINCE 2020

# Forward-funding sales, a shrinking market

In 2024, the development and de facto forward-funding sale market went through a period of contraction, marked by a significant decrease in institutional investment and a historic decline in the production of new housing. Whilst they accounted for more than 50% of residential investments in 2023, forward-funding block sales only accounted for 15% of the total in 2024, with 560 million euros invested. This sharp fall is mainly due to the slowdown in new production, with only 264,000 housing units started during the year, a historically low level since the 1950s, in a context of rising construction costs and high interest rates.

While developers have struggled to secure institutional buyers, thus undermining financial arrangements, semi-public landlords specialising in intermediate housing, such as CDC Habitat, have partly compensated for this decline by continuing their acquisitions. Their intervention made it possible to maintain a minimum level of activity, even if the volumes have remained relatively contained.

We would also highlight the strategic partnership signed between CDC Habitat and Bouygues Immobilier, involving the order of 4,400 housing units, for a sum of almost 900 million euros. However, this three-year plan does not appear in the 2024 figures, mainly due to the staggering of the transaction and the nature of this new agreement. CDC Habitat would therefore no longer be limited to the role of investor but could become a stakeholder in the creation of a development company capable of carrying out large-scale projects to respond to the housing supply crisis.

Private investors and institutional funds, for their part, have

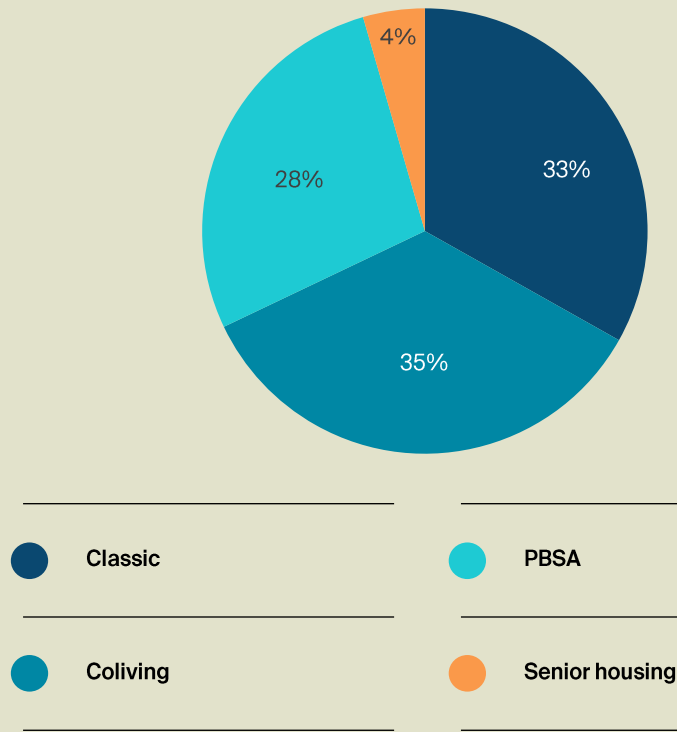
adopted a more selective strategy, prioritising operations offering secure returns and located in areas with high rental demand.

On the other hand, the construction of privately managed residences (coliving, student residences, senior serviced apartments) remained stable compared to 2023, with approximately 15,000 housing units delivered. This category continues to attract investors thanks to high occupancy rates and sustained demand. Managed residences accounted for two-thirds of forward-funding block sales in 2024, driven by coliving and student residences. The momentum of the latter should continue, with the market remaining structurally undersupplied in large university cities, guaranteeing an optimal occupancy rate and attractive profitability. Furthermore, the marketing of high-quality products should enable investment volumes to regain momentum in 2025.

## Investments in residential forward-funding sales In 2024 – excluding the support plan for developers

€560 M

Breakdown of residential off-plan sales in France  
In 2024, in %



# Parapublic investors and investment funds lead the way

As usual, French investors dominated the residential market in 2024, accounting for more than 95% of invested capital.

Intermediate housing landlords and the City of Paris, through numerous pre-emptions, were particularly active, with their investments accounting for a third of the total volume invested in France in 2024. This dynamic reflects the public authorities' desire to increase the supply of affordable housing in response to ever-increasing demand in areas where housing is at a premium.

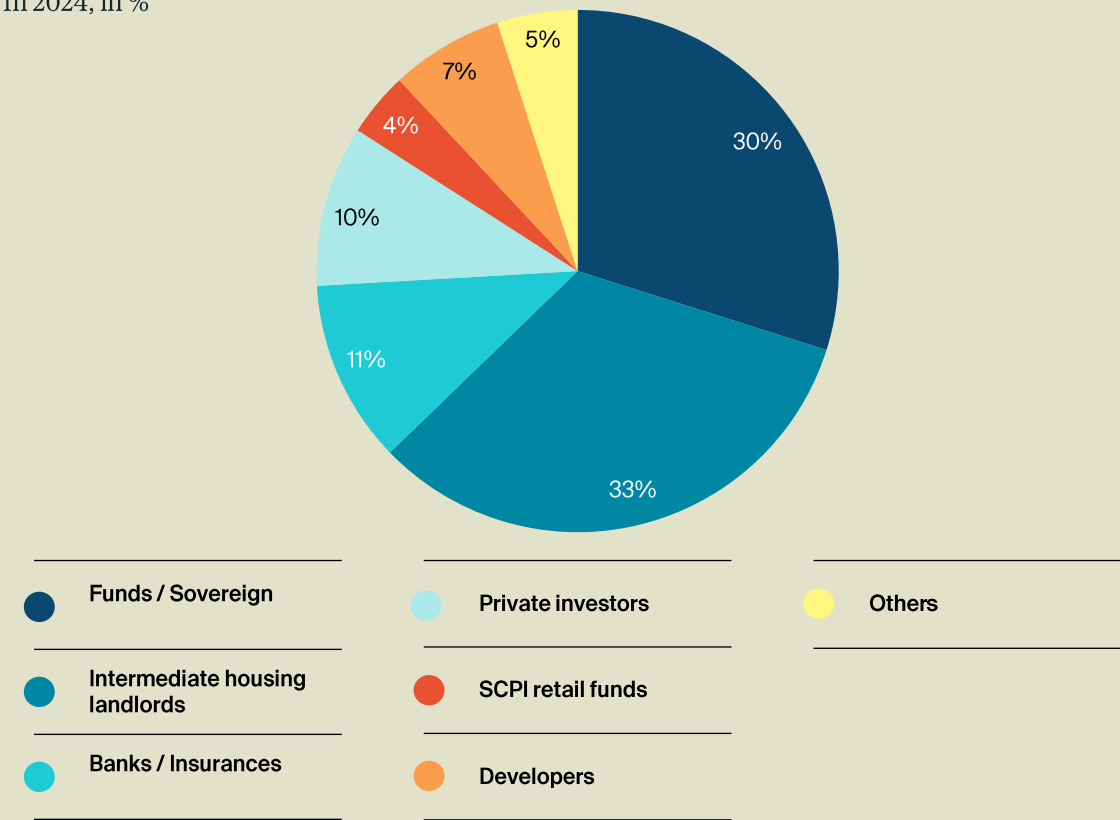
Investment funds were also key players in the market in 2024, accounting for 30% of the volumes invested. Their role was particularly marked for managed residential, a category where they concentrated almost half of their investments, i.e. more than 260 million euros. One reason why funds are attracted to this category is the resilience of the economic model, which offers secure long-term income.

Private investors, primarily motivated by asset-based logic, continue to be predominantly active in the Greater Paris Region, particularly in Paris itself, accounting for 90% and 75% respectively of the nearly 300 million euros invested. This category of investors has benefited from a correction in prices in certain areas, particularly for acquisitions in city centres, often with renovation and enhancement strategies.

Banking and insurance players accounted for just over 10% of the market in 2024, with the scarcity of core products explaining the limited level of their investments. Unsurprisingly, SCPIs and developers were low-key in their acquisitions in 2024. Faced with financing and cash flow difficulties, their ability to commit to new investments was limited in 2024.

Due to the lack of national portfolios in 2024, the Greater Paris Region accounted for more than three-quarters of the volumes invested, confirming its role as a stronghold for residential block sales. However, current marketing activities suggest that investment in the regions will pick up in 2025, particularly in the managed residential category, through sales of asset portfolios (mainly student residences and senior serviced apartments).

**Breakdown of residential investment in France by investor typologies**  
In 2024, in %



# The transformation of assets, a real solution for dealing with the office obsolescence?

The conditions are now in place to accelerate the transformation of obsolete assets, driven by a stricter regulatory framework and a growing shortage of housing, especially new housing. Obsolescence has intensified in the Greater Paris Region, particularly in certain suburban office markets where vacancy rates exceeded 20% at the end of 2024. Conversions therefore represent an opportunity for these areas in decline to revitalise and redress the balance of uses, to the benefit of both the residential and corporate real estate markets.

Although conversions concern all asset classes, sizes and locations, many obstacles remain: difficulties in obtaining planning permission, structural or architectural constraints on the building to accommodate a new use, financial equilibrium, etc. Since 2019, Knight Frank has recorded more than 190 operations over 1,000 sq m in the Greater Paris Region to transform offices into residential accommodation (traditional, social, hotel or managed). These are mainly concentrated in Paris and the western part of the region, particularly in the Hauts-de-Seine department. As for the end uses of the latter, 42% involved 'traditional' housing (including 11% social housing) and 29% managed residential (17% student housing, 9% co-living and 3% senior residences).

Despite a substantial increase in the number of projects since 2022, the impact on the residential market in the Paris region remains marginal: 1.3 million sq m of converted office space, or just 2.8% of the total office stock (55.5 million sq m in 2024 according to ORIE).

**Conversion of offices (>1,000 sq m) in the Greater Paris Region since 2019:**

> 190

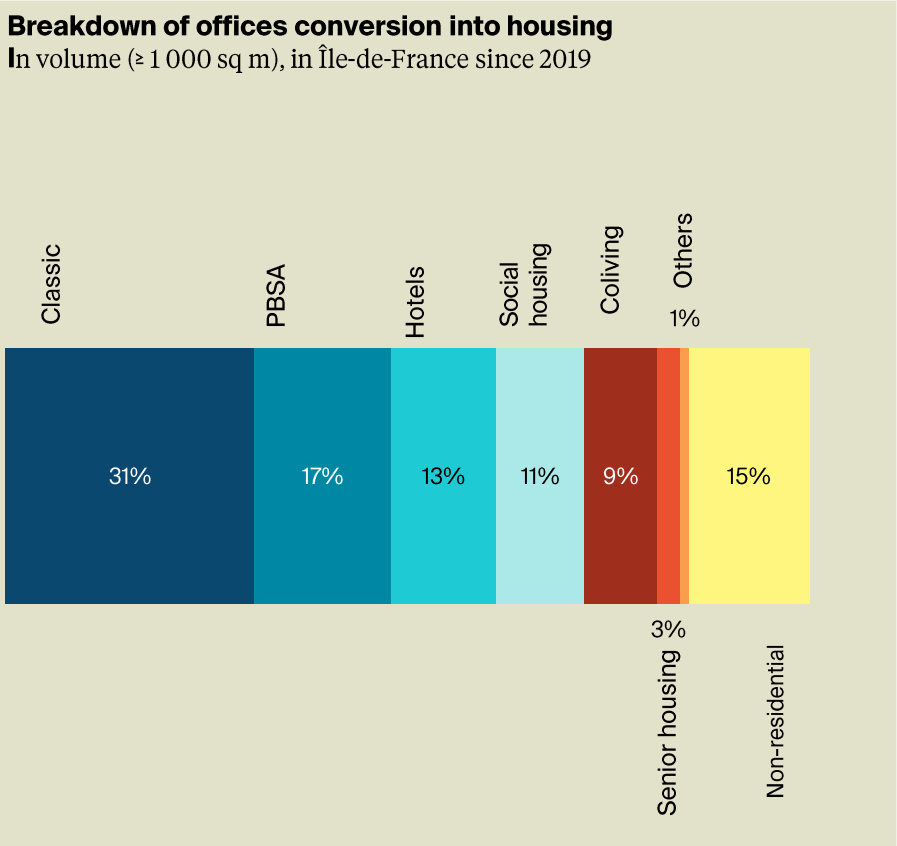
OPERATIONS TO CONVERT OFFICES TO RESIDENTIAL USE (traditional, social, managed)

65 %

PARIS & HAUTS-DE-SEINE account for most of the converted volume

9,010 sq m

AVERAGE SIZE OF A CONVERSION i.e. an average of 168 homes



# Main residential investment deals in 2024

Address / Asset	Town	Type	Seller	Buyer	Price
Greater Paris Region portfolio (+500 residential units)	Clichy (92), Noisy-le-Grand (93), Palaiseau (91)	Traditional	PRAEMIA REIM	BAUMONT	> €100M
Portfolio of 4 buildings	Paris 4 <sup>th</sup>	Traditional	CITYNOVE	6 <sup>eme</sup> SENS IMMOBILIER	€75-100M
Résidence Ecla	Lomme (59)	Coliving	OCEANIS PROMOTION	UXCO GROUP	€75-100M
43 boulevard Victor Hugo	Neuilly-sur-Seine (92)	Traditional	CDC INVESTISSEMENT	ARKEA REIM	€75-100M
47 rue de Sèvres	Paris 6 <sup>th</sup>	Traditional	AXA IM	ARKEA REIM	€75-100M
1 rue John Hadley	Villeneuve-d'Ascq (59)	Coliving	NACARAT	THE BOOST SOCIETY	€50-75
2 Urban Campus residences	Colombes (92), Le Bourget (93)	Coliving	PICHET / CONSTRUCTA	IN'LI	€50-75
174 rue de l'Université	Paris 7 <sup>th</sup>	Traditional	FINAPAR	MINDSON CAPITAL	€50-75

€50-75
€75-100M
> €100M

# 03. The leasing market



# The rental market: housing stock

The housing stock in France has changed little over the last four decades, with annual growth of +1.1% over the period. At the beginning of 2024, France had just over 38 million dwellings, 82% of which were primary residences.

Most of the French housing stock is still owner-occupied (57%), leaving less than 13 million dwellings in the rental sector, of which 7.2 million are owned by private landlords (individual or institutional). This sets France apart from its German neighbour, where tenants account for 57% of the housing stock (2023 data).

Policies to support the production of new social housing and tax measures in favour of private residential investment have had a significant impact on the structure of private landlords: 57% are individuals, 34% are social housing landlords and less than 2% are private legal entities (compared to 12% in 1985).

Over the past 40 years, institutional investors have gradually turned away from the residential sector to focus on the more profitable corporate real estate sector. They have repositioned themselves in the residential market since 2015 thanks to the rise of residential developments with services (senior residences, student residences, co-living, etc.) and the marketing of large-scale asset portfolios.

## Key figures on French housing stock

Total number	38.2 million	+1.1%*
Including primary residences	31.4 million	+1.1%*
Including tenants	43%	-
Including public landlords	17.3%	-
Including private landlords	22.9%	-

# The rental market

## Stock under pressure

The financing difficulties faced by first-time buyers keep a significant proportion of French households in the rental market, thus intensifying the existing pressure on supply. This is an opportunity for institutional investors, who thereby benefit from a captive clientele, some of whom could, depending on their financial capacity, move into higher-quality rental accommodation.

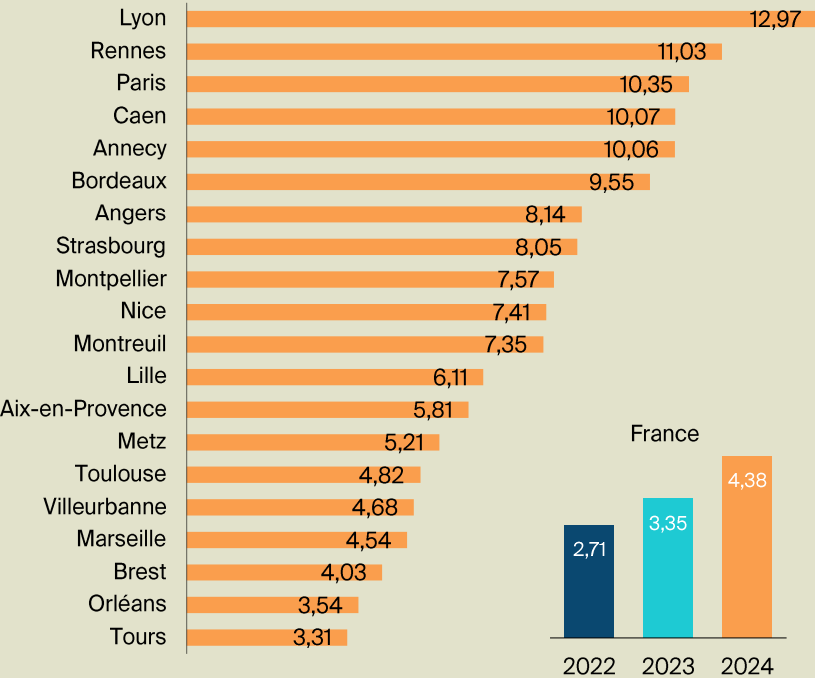
The rental tension index (the ratio between the number of prospective tenants and the number of rental properties on offer in a city) provides a good measure of the pressures at work in the residential market. Having risen steadily since its creation, it deteriorated sharply in 2024 (+1.03 points after +0.64 in 2023), reaching an average of 4.38 in France. Depending on the cities in question, this index can vary considerably: below 1 in 2 cities and up to almost 13 in Lyon.

The increase in this index in 2024 is a common trend in all the cities studied (40), with dramatic increases observed in Caen (+5.68 points year-on-year), Nice (+4.33 points) and Strasbourg (+3.58 points). At the top of the table, Lyon and Paris show indices above 10 with a very significant increase in Paris (+3.17 points year-on-year), a sign of a chronic and rampant shortage in the capital.

It is highly unlikely that the residential rental market will have sufficient housing in the short or medium term, given the structural barriers to home ownership and the continued strong demand for rentals. This shortage situation is also likely to be impacted by the implementation of the Energy Efficiency Audit provisions. Since 1<sup>st</sup> January 2025, housing classified as G (extremely low efficiency) on the Energy Efficiency Audits has been banned from being rented out. The financial aid mechanisms do not currently seem sufficient to initiate a movement to renovate the properties on offer. It is estimated that almost 600,000 homes could de facto be taken off the rental market due to poor energy efficiency.

*A bill will be examined by the Senate on 1<sup>st</sup> April to relax the ban on renting out housing with a G rating in the Energy Efficiency Audit, in force since 1st January 2025. It provides for exemptions if the works could not be carried out and reviews the rent reduction system associated with the tenant's appeal.*

**Rental market pressure by major urban area in France**  
February 2025



\* The rental market pressure score corresponds to the ratio between the number of prospective tenants and the number of rental listings in a given city.

# Greater Paris Region rental market

## Spotlight on Paris

The pressure on the housing rental market is also affecting Paris, which had fewer than 5,000 housing units at the end of 2024, a drop of 30% over four years. An additional 2,000 would be needed to restore fluidity to the market.

The situation varies from one arrondissement to another: the centre (1<sup>st</sup> to 4<sup>th</sup>) accounts for only 8% of rental properties. The other central arrondissements in the east (10-11%) and on the left bank (5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>) each account for 12% of the supply. Although the stock is more generous in the west, this is mainly due to the 16<sup>th</sup> and 17<sup>th</sup> arrondissements. The outer edge of the Left Bank (13<sup>th</sup> to 15<sup>th</sup>) accounts for almost 20% of available stock but remains one of the most sought-after areas. It should also be noted that two-thirds of this supply consists of one- or two-bedroom apartments, a ratio that drops to 52% in the Centre-West.

The situation is even more strained for studio apartments, whose traditional release onto the market during the summer was disrupted by the Olympic and Paralympic Games.

In this context, rents have continued to rise, regardless of the length of time the tenant has been in the property: +3.2% for the entire Parisian rental market (€25.5/sq m/year), +3% for recent tenants (€27.2/sq m/year), and +4% for tenants who have been in their property for more than 10 years. These rents are staggered according to the size of the dwelling in question: from €31.4 /sq m/ year for studio apartments to €25.3 and €25.9 /sq m/ year for 3- and 4-room apartments.

The change in the rental values of private residential accommodation is therefore very slightly higher than that of the rent review index (IRL), which averaged 2.8% in 2024 after 3.5% in 2023.

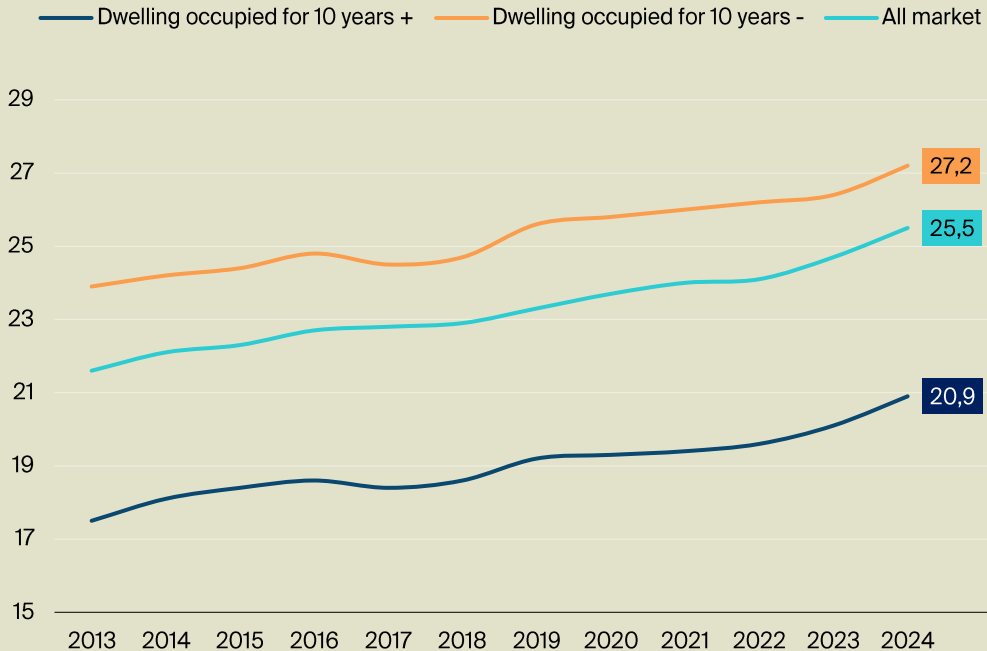
**+2.8%**

IRL INDEX  
(2024)

**+3.2%**

RENT CHANGE  
(2024 vs 2023)

**Rental values of apartments in Paris**  
In €/sq m/year – Rent excluding charges for unfurnished private rental housing



# Greater Paris Region rental market

An analysis of the evolution of rental values of apartments in the Greater Paris Region shows a reality that is very different from that observed in the capital.

Rents for private residential accommodation average €18.50/sq m/year in the Inner Suburbs (departments 92, 93 and 94) and €15.10/sq m/year in the Outer Suburbs (departments 77, 78, 91 and 95). While the year-on-year trend shows growth of 2.8% in the Inner Suburbs (a level lower than the IRL over the same period), in the Outer Suburbs this increase is only 0.7%.

Depending on the location and size of the apartment in question, rental values can vary quite widely: from €11.90/sq m/year for a four-room apartment or more in zone 6 (mainly the Outer Suburbs) to €24/sq m/year for a one-room apartment in zone 4 (mainly Hauts-de-Seine). Unsurprisingly, the towns of the Hauts-de-Seine department are among the top 5 highest rents in the Greater Paris Region and even in France:

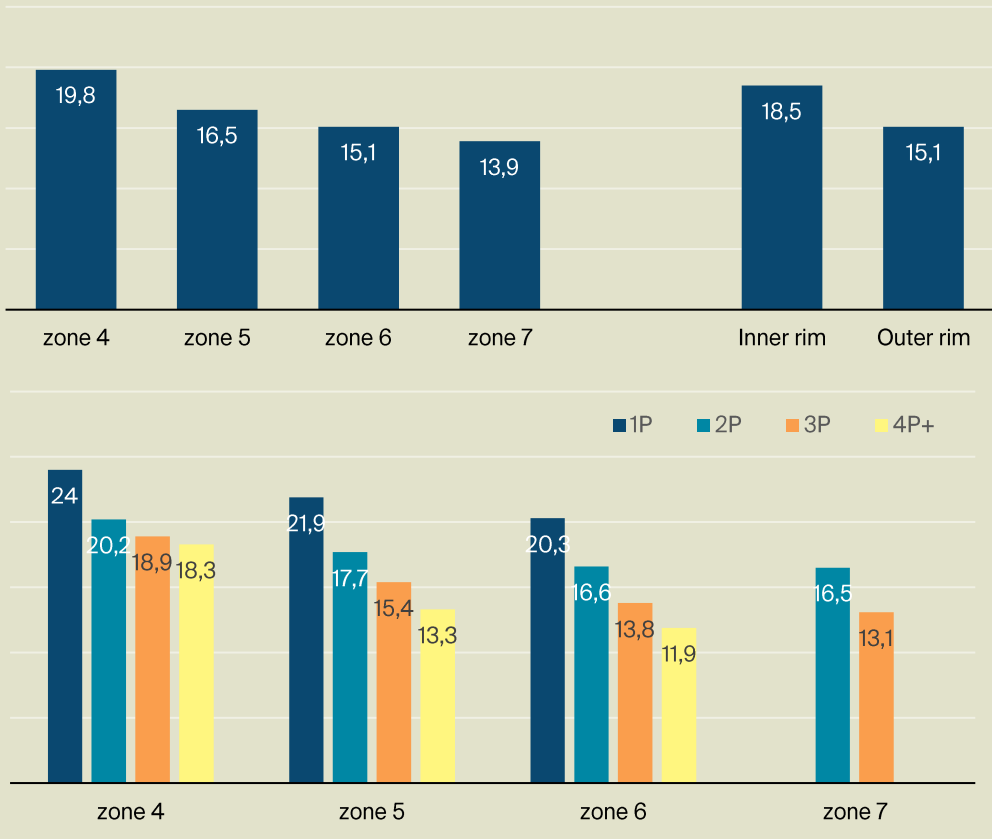
- from €27 to €32/sq m/year in Neuilly-sur-Seine,
- from €25 to €30/sq m/year in Levallois-Perret,
- from €23 to €28/sq m/year in Boulogne-Billancourt,
- from €23 to €24/sq m/year in Issy-les-Moulineaux.

Elsewhere, the trend is more contrasted: a significant drop in rental values in Montreuil (93) with an average value of €18/sq m/year and decreases of 11 to 12% for 2 and 3-room apartments, and in Noisy-le-Grand (93) with an average value of €16/sq m/year and decreases from 8% to 2% for 1 and 2-room apartments. It is also highlighting Versailles where rents, which are among the highest on the market in the Inner Suburbs (€19 to €23/sq m/year), have fallen significantly for one-room apartments (-8%).

€18.50/sq m/yr  
INNER SUBURBS

€15.10/sq m/yr  
OUTER SUBURBS

**Rental values of apartments in Île-de-France**  
In 2024 – In €/sq m/year – Rent excluding charges for unfurnished private rental housing



# Regional rental markets

There are significant differences in values and trends in the private residential rental market in the regions. Three distinct groups can be identified according to the level of rents:

- Saint-Etienne, Brest, Clermont-Ferrand, Nancy, Metz, Rouen, Dijon and Orléans, with rents of between €8 and €12/sq m/year and varying trends ranging between -4.6% (Saint-Etienne) and +4.3% (Metz).
- Rennes, Toulouse, Tours, Strasbourg, Toulon and Nantes, which have rental values of between €12 and 13 /sq m/year. Rennes and Tours are seeing their rents decrease, whilst the other markets are growing (by +0.2% and 1.7%).
- Grenoble, Lille, Marseille, Bordeaux, Montpellier, Lyon and Nice top the rent rankings with values ranging from €13 to €16.5/sq m/year. Apart from Lille (-0.6% in one year), all these markets have seen their rents increase year-on-year, with the strongest increases recorded for Lyon (+3.4%) and Marseille (+3.85%).

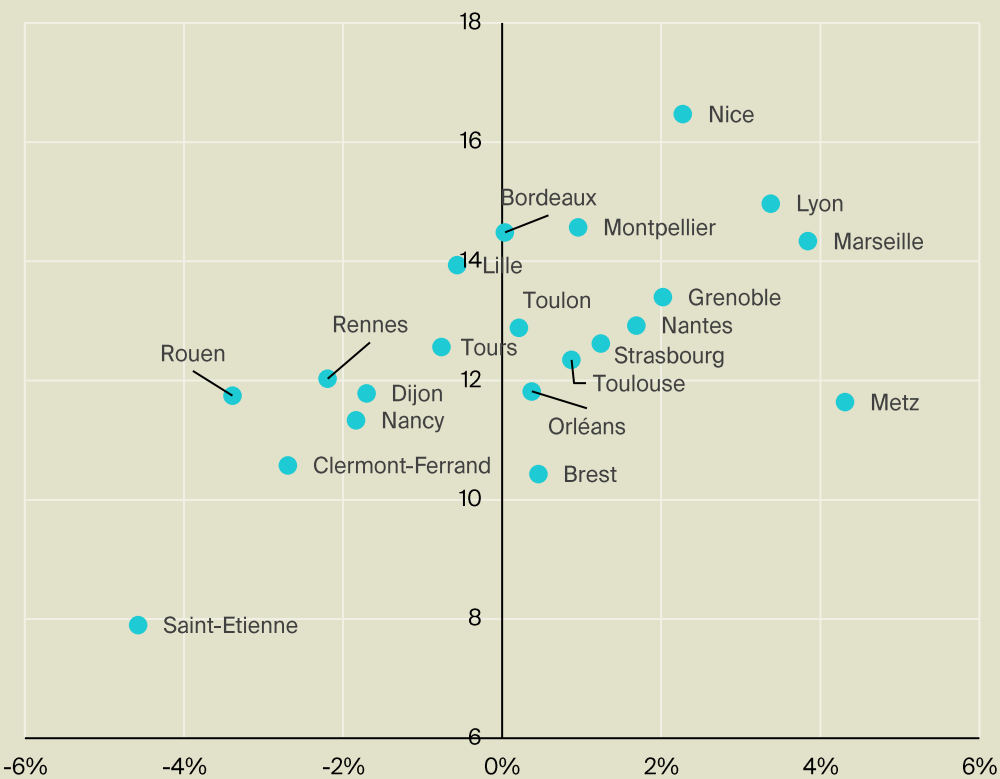
Few markets (8 out of 21) show rent increases higher than the IRL index (+3.5% in 2023 and +2.8% in 2024). This is expected to change in 2025, when the index is expected to slow due to lower inflation and continued strong pressure on rental supply.

At a metropolitan level, the observations are consistent with the city centre. Only Toulon stands out, with values in the outskirts that are higher than in the centre. The phenomenon is less pronounced in Aix-Marseille, Nancy and Brest.

**+0.2%**  
RENT CHANGE  
(2024 vs 2023)

**+2.8%**  
IRL INDEX  
(2024)

**Rental values in French main cities**  
Annual evolution at the end of 2023



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# 04. 2025 outlook

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# 2025 outlook

The residential investment market heads into 2025 with some real strengths, but also with several challenges to be overcome.

On the positive side, we can mention the appetite of a growing number of investors for this resilient asset class, whose demographic fundamentals (ageing of the overall population, increase in and internationalisation of student numbers, fragmentation and specialisation of the residential market and employee mobility, among other factors) guarantee lasting demand. The diversification of investors' real estate portfolios should lead them to increase their exposure to residential property by directly owning assets. Limitations to this approach are the low turnover of this asset class, where holding periods are longer and where the slowdown in new housing production is depriving institutional buyers of a well-stocked and diversified pipeline of operations. Furthermore, the next two years will see a series of elections (municipal in 2026 and presidential in 2027), which are not conducive to the issuing of building permits and support for an ambitious housing policy.

Furthermore, developers are finding it difficult to source land for future developments and investors are finding it difficult to sustain a still-fledgling model of transforming corporate real estate assets (offices, business premises, data centres, etc.) into residential properties.

The return of foreign investors to the French market in 2025 and beyond could be an opportunity for the residential market. Beyond the influx of capital, these new entrants will bring innovative concepts in terms of serviced residential (students and co-living) as well as the emergence of BTR (Built to Rent with services) and, finally, in the high-end sector through the proliferation of branded residences. The appeal of Parisian beautiful stone buildings remains strong among certain long-term investors with significant investment capacities (insurance companies, foreign sovereign wealth funds, Middle Eastern funds, family offices). An operator/investor logic could also find its modus operandi, similar to what is observed in healthcare assets, pending the raising of thematic investment funds for residential properties.

However, it is important to be mindful of changes in rent control, which may dissuade investors from entering this market or investing more capital in it.

## 2025 OUTLOOK

- 1 VOLUME :**
  - Between 4 and 5 billion euros
- 2 ASSETS**
  - Beautiful stone buildings
  - Portfolios of operated residences (students, coliving)
- 3 PLAYERS**
  - Foreign funds
  - Family Office
  - Insurance companies

# The Knight Frank Research department

offers market analysis and strategic property consultancy services for a wide range of French and international clients, including private investors, institutions and users.

*The data used for this study comes from sources widely recognised for their accuracy, as well as from Knight Frank property market monitoring tools.*

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# Knight Frank

at a glance

Founded over 125 years ago in Great Britain, the Knight Frank group today provides its expertise as an international property consultancy with over 27,000 people working from more than 740 offices in 50 countries. Its French branch, established over 50 years ago, operates in the corporate and residential real estate markets.

With more than 100 people working out of Paris, Knight Frank France is structured around five service lines: office marketing and occupier advice (Occupier & Landlord Strategy and Solutions), workplace design (Design & Delivery), investment (Capital Markets), retail leasing and valuation with its subsidiary Knight Frank Valuation & Advisory.



