

The residential property market



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A housing market in difficulty in 2023

Whilst the slowdown in the residential property market began in 2022, it was confirmed in 2023. Sales of existing homes in France, for example, have fallen by 22% in one year, while prices have fallen by 7% compared with the end of 2022.

The new-build market, meanwhile, is experiencing the same dynamic, with sales down 30% and prices down 4%. The residential market continues to be hard hit by financing conditions, which remained unfavourable throughout the year (higher borrowing rates, difficulties in obtaining loans, etc.). As for the outlook for new production, it continues to deteriorate despite recent government announcements to support the industry.

In France, investment in the residential market totalled €2.6 billion in 2023, down by more than 50% on the previous year. Over the past year, investment in the managed residential market exceeded €1 billion in France. The importance attached by investors to diversifying their assets and new uses is illustrated by the dynamism of coliving, which continues to grow in importance, with €550 million invested in 2023. As usual, French investors remain the main drivers of the residential market, accounting for almost 90% of all capital committed in 2023.



KEY FIGURES



Falling activity in both existing and new homes

139,880 sales of existing homes (down 25% in one year) and 14,400 reservations of new homes (down 30%) were recorded in Ile-de-France in 2023.

New housing output comes to a halt

The number of building permits issued in Paris Region fell by 23% in 2023, as was the case for France as a whole. Housing starts were also down by 23% year-on-year (-24% in France).

Significant corrections in prices for existing and new homes

By the end of December 2023, the average price of flats in the Paris region had fallen by 6.9% in one year, to €6,280 per sqm, and by 3.9% in the new-build sector, to €5,430 per sqm.

Investment volumes down 51%

At €2.6 billion, the amount invested in France in 2023 fell by 51% in one year. The fall was more limited in the managed residential segment (-39%).

Source: SDES, Sit@del2, Notaires du Grand Paris, CAPEM, Knight Frank

Economic context

EUROPEAN GROWTH REMAINS SUBDUED

Given the tightening of financing conditions, the European Central Bank (ECB) remains cautious about its growth forecasts for the eurozone. GDP is expected to grow by an average of +0.6% in 2023, due to negative growth in the third quarter of 2023 and zero growth in the final quarter. However, growth should pick up from the start of 2024, averaging +0.6% over the year as a whole, before strengthening in 2025 and 2026 (+1.5% and +1.6% respectively). However, the situation remains uneven across the eurozone, with some countries posting growth of over 1%, such as Spain (+2.5% in 2023) and Portugal (+2.3%), and others struggling more. This is particularly the case in Germany, where the recovery is slow to make itself felt: -0.3% in 2023 and only +0.2% expected in 2024.

The downturn in inflation was confirmed at the end of 2023 due to the slowdown in the rise in energy prices. According to forecasts published by the ECB in March, inflation is now expected to be 2.3% in 2024 (5.4% in 2023) and to reach the 2% target in 2025, followed by 1.9% in 2026. However, there are still many uncertainties surrounding these forecasts. These could be revised downwards due to a further deterioration in the geopolitical situation in the Middle East.

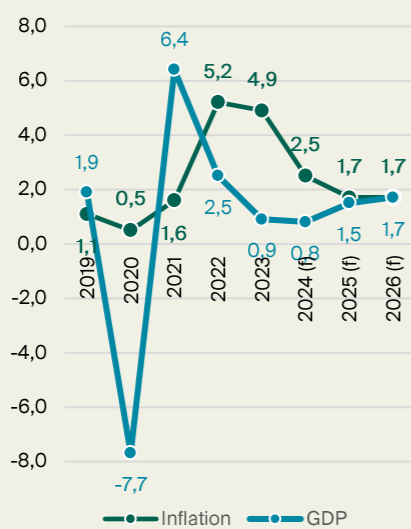
Finally, the labour market has shown itself to be particularly resilient within the eurozone. Forecasts for the unemployment rate are therefore more positive than expected. The unemployment rate is forecast at 6.5% in 2023, after 6.7% in 2022. It should rise significantly in the short term (to an average of 6.7% in 2024), before stabilising in 2025 (6.6%).

STAGNANT GROWTH BUT FALLING INFLATION

Although the forecasts from the Banque de France and INSEE are less optimistic than expected for 2024, France will nevertheless escape recession. GDP is expected to grow by +0.9% in 2023 (after +2.5% in 2022), the result of stable growth in the second half of the year (after +0.7% in the second quarter). The Banque de France has revised its forecasts downwards for 2024 due to lower-than-expected growth in the 4th quarter of 2023. Inflation will therefore average +0.8% in 2024, before gaining strength in 2025 (+1.5%) and 2026 (+1.7%) thanks to disinflation.

Inflation began to ease in 2023, rising by +4.9% over the year as a whole (after +5.2% in 2022). According to the Banque de France, consumer prices will continue to slow in 2024, dropping to +2.5% for the year as a whole. Inflation, for example, stood at +2.9% in February 2024, after +3.1% in January. This slowdown will continue in 2025 and 2026, dropping

GDP and inflation trends in France
As a %, annual average



Source: Banque de France / (f) forecasts

below the 2% mark with, for example, +1.7% expected in 2025. Against this backdrop, and given the rise in wages, households will gain in purchasing power in 2024 (+0.8% after +0.7% in 2023) before a further slowdown in 2025. The various protective measures introduced by the government (fuel allowance, energy cheque, etc.) should also support purchasing power. Household consumption, the main driver of the French economy, is expected to rise by 1.5% in 2024, after +0.7% in 2023.

MODERATE RISE IN THE UNEMPLOYMENT RATE IN 2024

The labour market held up well in 2023, with the unemployment rate stable compared to 2022 (7.3%) but well below the pre-Covid period (8.5%). It will rise significantly in 2024, to 7.7% according to the latest Banque de France forecasts, in response to the economic slowdown. While net job creation remained high in 2023 (337,000 jobs created), it will fall into negative territory in 2024, with the loss of 36,000 jobs. The unemployment rate is then expected to rise to 7.8% in 2025, before falling significantly to 7.7% in 2026.

While economic activity will remain sluggish in 2024, the rise in the unemployment rate will remain under control due to the continuing high demand for labour in certain sectors (services, hotels and restaurants, construction, etc.).

French economic indicators

In % of annual changes	2019	2020	2021	2022	2023	2024 (Forecasts)	2025 (Forecasts)	2026 (Forecasts)
GDP France	1.9 %	-7.7%	6.4%	2.5%	0.9%	0.8% (0.5% acquired)	1.5%	1.7%
Euro Zone GDP	1.3%	-6.5%	5.3%	3.4%	0.6%	0.6%	1.5%	1.6%
Purchasing power (per capita)	2.2%	0.0%	2.3%	-0.1%	0.7%	0.8%	0.5%	0.7%
Savings rate (as % of gross disposable income)	15.1%	21.0%	18.7%	17.5%	17.7%	17.3%	16.7%	16.2%
Average wage (per capita, nominal)	2.3%	-5.7%	5.7%	5.6%	4.9%	4.1%	3.3%	3.3%
Household consumption	1.8%	-6.8%	5.2%	2.1%	0.7%	1.5%	1.4%	1.6%
Household confidence index (at end of Dec.)	102	95	99	82	89	91 (March)	-	-
Unemployment rateM	8.5%	8.0%	7.9%	7.3%	7.3%	7.7%	7.8%	7.7%
Net job creation ('000)	338	-199	802	775	337	-36	-48	74
Inflation	1.1%	0.5%	1.6%	5.2%	4.9%	2.5%	1.7%	1.7%
Business failures ('000)	51.1	31.3	28.4	41.3	55.5	62	-	-

Source: Banque de France, BCE, OCDE, Insee, ministère des Finances

Interest rates back under the 4% barrier

INTEREST RATES DOWN ... BUT STILL HIGH

The decline in the average rate for a home loan seems to have begun in 2024. After peaking at 4.22% in December 2023, the trend reversed in January 2024 (4.13%) and has since been confirmed (3.90% in March 2024). However, this is still a long way from the low levels seen in 2021, which were close to 1%. The fall in interest rates, which will have to be confirmed over time, together with the fall in property prices and the improvement in bank margins, have allowed the market to pick up. However, the restrictions imposed by the Banque de France on access to loans have prevented any real revival in the production of property loans.

Against this backdrop, the average term of bank loans granted has been gradually falling since the record peak of 253 months in October 2023. It now stands at 246 months (20.5 years) in March 2024. The year 2024 will be marked by headwinds, between an improvement in market conditions but a recovery that promises to be sluggish (uncertain

economic context, increase in the deposit required by banks, wait-and-see attitude on the part of buyers, increase in construction costs and renovation materials, etc.).

RETURN OF FIRST-TIME BUYERS

The profile of borrowers has been changing since the start of 2024. While first-time buyers and low-income households, or those with very little in the way of downpayments have been heavily penalised over the past three years, they are now making a comeback in terms of new home loans. In January 2024, for example, the Banque de France estimated that first-time buyers accounted for 52% of home loans in January 2024 (for a primary residence), compared with levels close to 40% during the health crisis. In addition, the rise in salaries recorded in 2023 in response to inflation is also working in favour of buyers. This has led to a rise in property purchasing power, which varies from one region to another.

The usury rate, which was revised monthly at the height of the crisis and

quarterly again from the start of 2024, jumped 270 basis points between January 2023 and 2024 for mortgages of more than 20 years. It reached 6.29% in the first quarter of 2024 (after 4.72% in the fourth quarter of 2023). While the measure offers protection to borrowers and contributes to financial stability, it has not helped to revive loan production.

At the end of March 2024, loan production had fallen by 41% in one year, despite an increase in buyers' downpayments and timid corrections in property prices. However, the fall in the number of loans granted was less marked (-35% in one year), a sign of an improvement in the housing market.

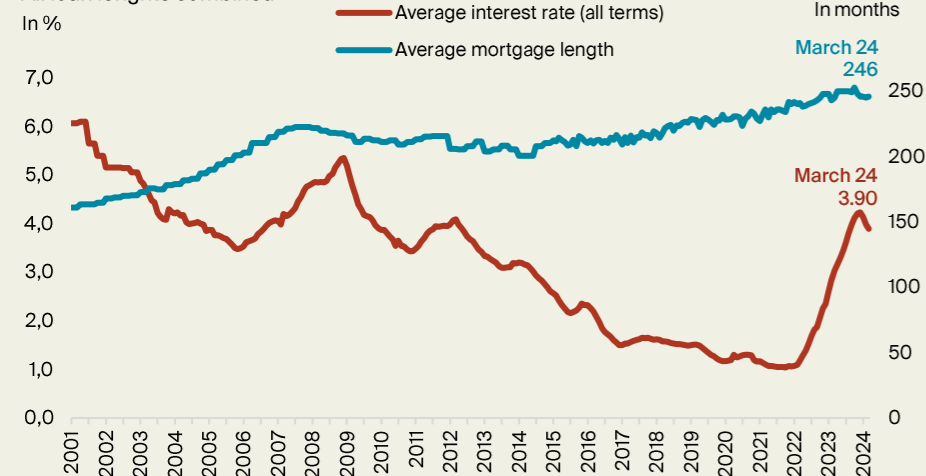
KEY FIGURES END OF MARCH 2024 FRANCE

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Average interest rate
3.90%
3.04% in March 2023
- 
Outstanding mortgages
€1,290 BILLION (January)
+0.8% year-on-year
- 
Mortgage periods
246 MONTHS
+ 1 month year-on-year
- 
Mortgage production
(12 rolling months)
-40.9% IN ONE YEAR
- 
Number of mortgages granted
(12 rolling months)
-35.4% IN ONE YEAR

Source: Banque de France, Observatoire Crédit Logement, CSA, Notaires.

Change in the average borrowing rate in France

All loan lengths combined



Source: Observatoire Crédit Logement



The second-hand market

SHARP FALL IN SALES OF EXISTING HOMES IN FRANCE

A total of 869,000 sales of existing homes were recorded in France over the whole of 2023. The downturn has become much more marked since the start of the year, and in 2023 represents a fall of 22% in one year (i.e. a shortfall of 247,000 sales) and of 7% compared with the ten-year average. This "performance" is a far cry from the 1.12 million sales recorded in 2022.

After several years of favourable conditions for buyers, the tightening of lending conditions, soaring borrowing rates and high prices for building and renovation materials are taking their toll on the French housing market. Demand from potential buyers remains strong, but they are adopting a cautious approach in the face of latent uncertainties.

Regulatory changes, such as the overhaul of the DPE (Diagnostic de Performance Énergétique - Energy Performance Diagnostic), and the introduction of new government measures to support the industry, are helping to keep the outlook for the residential market unclear. Buyers are paying more attention than ever to the energy performance of their homes.

While the margin for negotiation remains limited for the most energy-efficient homes, the more energy-intensive the property, the greater the discount. Properties rated between E and G, which will soon no longer be able to be let due to the Climate and Resilience Act, now represent a niche for investors looking to carry out major energy renovations and achieve a significant return on their investment.

The French residential market is also benefiting from positive factors. After two years of intense sales, sharply reducing the stock of available supply and fuelling pressure on prices, this stock has been tending to build up again since the end of the first half of 2023, thereby supporting the correction in values.

¼ FEWER SALES IN ÎLE-DE-FRANCE

The Île-de-France market will also see a marked slowdown in the number of sales of existing homes in 2023, following an excellent year in 2022. A total of 139,880 sales were recorded in Île-de-France over the year as a whole, a fall of 25% in one year and 14% compared with the ten-year average. The fall was more marked in the second half of the year, particularly in the fourth quarter, when sales volumes were down

28% year-on-year and 27% compared with the ten-year average. The fall was more pronounced for the existing homes market, with just under 39,600 sales in Île-de-France in 2023 (down 28% in one year), than for flat sales (down 24% in one year and 100,520 sales).

PRICES ADJUST IN 2023, CONTINUING INTO 2024

After falling in 2022, prices of existing homes in France fell by 6.9% in one year at the end of the fourth quarter of 2023 (-6.9% in one year for flats and -6.8% for houses). The latter will continue to fall, by around -8% in April 2024, according to estimates by the Notaires du Grand Paris. Flats will see more significant corrections, with a fall of 8.2% expected in April, compared with -7.8% in one year for houses.

Lastly, the residential market in the Paris region has been penalised more by the price correction (-6.8% compared with the end of 2022) than the rest of France (-0.5% in one year). At the end of December 2023, the average price of an old flat in the Paris Region was €6,280 per square metre (down 6.9% in one year). In Paris, the average price fell back below the €10,000 mark to €9,770/sq.m on average, down 6.8% in one year.

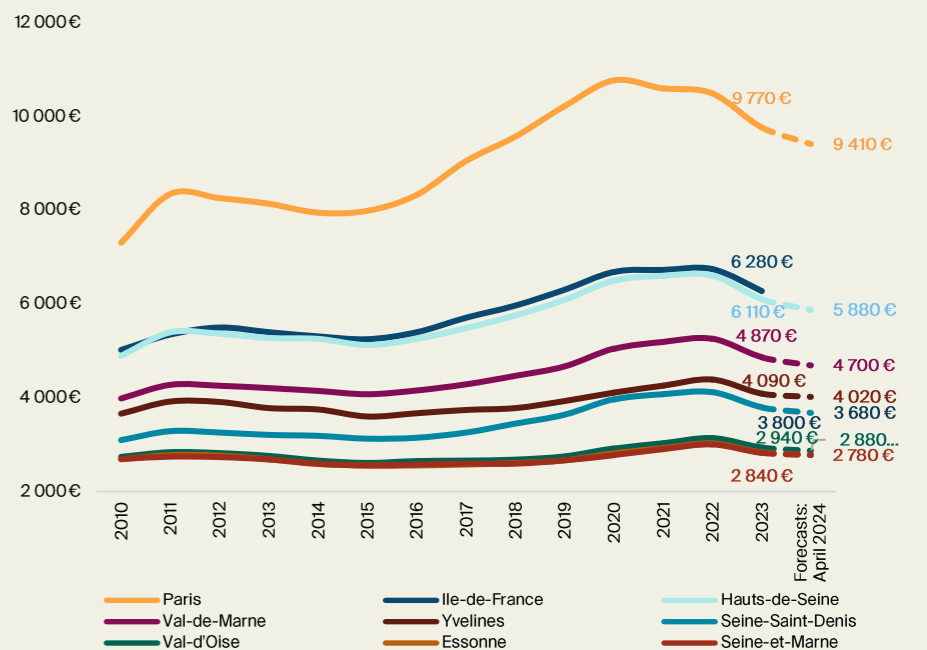
On the basis of the preliminary contracts drawn up by the Notaires, the price of existing homes in the Paris Region will continue to fall. In April 2024, the price of a flat in Paris is expected to fall by 8.1% in one year to €9,410 per square metre.

WHAT IS THE OUTLOOK?

The fall in activity will continue in 2024, fuelled by the wait-and-see attitude of future buyers in a gloomy economic climate. At the end of February, transactions in existing homes (12 months rolling), for example, were down 22% in one year. Interest rates could also remain high, forcing borrowers to increase their down payments.

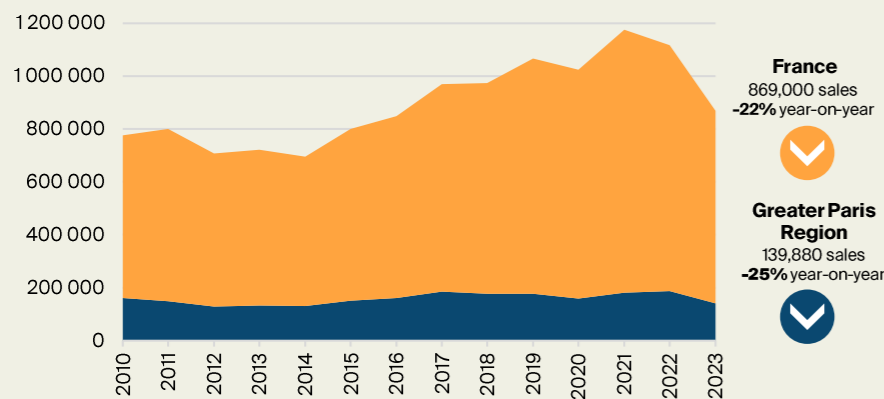
Price erosion will continue in 2024, particularly in the first half of the year, and is likely to be greater than in 2023. It will remain more or less pronounced depending on the type, location and quality of property. However, the correction in values could still be insufficient to offset the loss of purchasing power of French people. The ECB's monetary policy is unlikely to bring much fluidity to the market, against a backdrop of slowly falling inflation.

Change in existing apartment prices In the Greater Paris Region, in €/sq m, at end of December 2023



Change in the number of sales of existing homes

In thousands, rolling 12 months

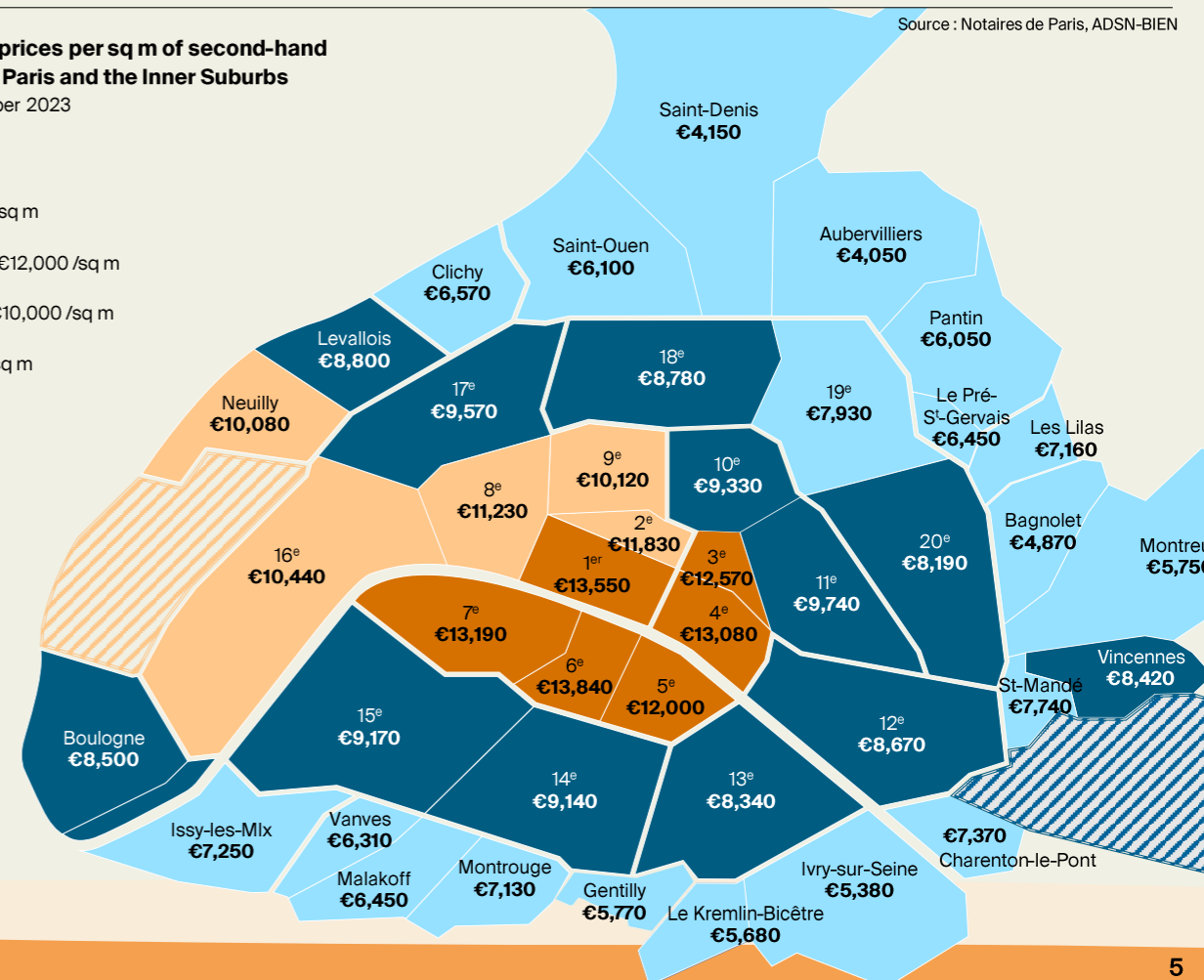


Source: CGEDD d'après DGFIP (MEDOC) et bases notariales, Notaires du Grand Paris

Standardised prices per sq m of second-hand apartments in Paris and the Inner Suburbs

At end of December 2023

- > €12,000 /sq m
- €10,000 to €12,000 /sq m
- €8,000 to €10,000 /sq m
- < €8,000 /sq m



The new residential market

HALF AS MANY NEW HOMES PUT UP FOR SALE IN 2023

Only 12,800 new homes of all types were put up for sale in 2023 in the Paris Region, a volume that was half that of 2022 and 52% lower than the ten-year average. This is the worst performance since 1993. In detail, conventional multi-family housing accounted for 93% of sales for the year as a whole (12,000 lots), while 7% of the stock was for serviced residences and single-family homes (400 lots each).

In addition, almost 60% of multi-family housing starts took place in the inner suburbs (totalling 7,600 lots), with a fairly even split between the departments of Val-de-Marne, Seine-Saint-Denis and Hauts-de-Seine. Sales of serviced residences fell by 76% in one year in 2023, and were limited to just a few municipalities (Ivry-sur-Seine and Choisy-le-Roi in Val-de-Marne, for example). Finally, single-family home sales were concentrated in the Grande Couronne region.

SHARP FALL IN RESERVATIONS

A total of 14,400 reservations for new homes of all types were recorded in Île-de-France in 2023. This represents a significant fall of 30% in one year, and 48% compared with the average for the last five years. In detail, 13,100 multi-family homes and 800 serviced residences were sold (down 27% in one year respectively), along with 500 houses (down 100 lots).

Reservations for multi-family homes, which accounted for 91% of total sales in the Paris Region in 2023, were mainly concentrated in the inner suburbs. The Hauts-de-Seine and Seine-Saint-Denis départements, for example, accounted for 43% of sales. As for net reservations for serviced residences and houses, these were mainly concentrated in the Grande Couronne.

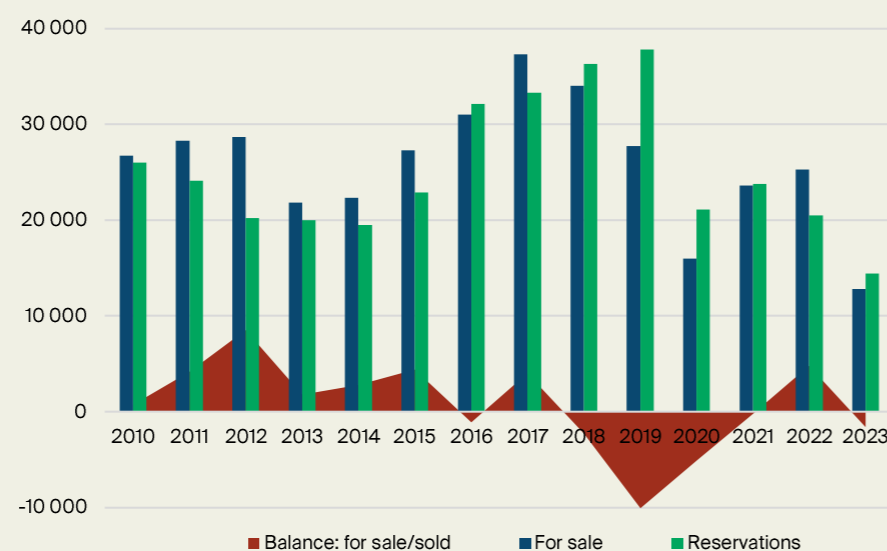
SALES PRICES NOW TRENDING DOWNWARDS

In line with the correction in values seen in the existing homes market, the average selling price for a new home is also trending downwards at the end of the 4th quarter of 2023. According to CAPEM estimates, the average price for all housing types in the Paris Region is now €5,430 per square metre (down 4% in one year).

All segments are affected by the fall in the average price of homes, particularly conventional multi-family housing. The average price in Île-de-France was €5,470 per square metre, down 3% year-on-year but still 3% higher than in the pre-Covid period. While the decline is broadly similar between the 2nd and 1st ring suburbs (down 3% in one year), the gap in value has widened significantly between the two areas. The average sale price is €4,490 per square metre in the inner suburbs, while it peaks at €6,190 per square metre in the outer suburbs (including Paris).

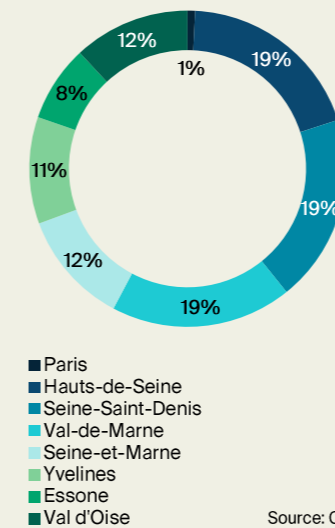
While there is still considerable pressure on values, given the scarcity of available supply in the Paris Region, prices will continue to fall in 2024. However, this fall will be moderated by particularly strong demand in the areas most popular with buyers, such as the Hauts-de-Seine. Conversely, the corrections will be greater and more widespread in less sought-after areas that are further away (mainly in the inner suburbs).

Number of new homes put up for sale and reservations
In the Greater Paris Region, all housing types



Source: CAPEM

Breakdown of new available supply in the Greater Paris Region
In %, at end of December 2023

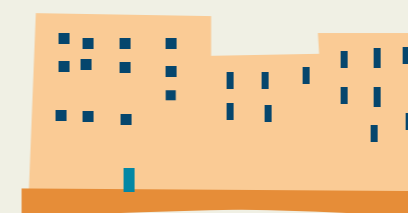


Source: CAPEM

16% FALL IN SUPPLY

At the end of December 2023, the stock of available properties in the Paris Region will continue to fall (-16% in one year), with 4,200 fewer lots than at the same time in 2022. It is also 14% lower than the average for the five years preceding the outbreak of the health crisis.

In total, the Île-de-France will have 20,600 multi-family housing units available (down 15% in one year) at the end of 2023, representing 91% of the total stock. The 1st outer suburbs of Paris remain the region's largest supply areas, accounting for almost 60% of total supply, including 20% in Hauts-de-Seine and 19% each in Seine-Saint-Denis and Val-de-Marne.



There were also 1,300 lots in serviced residences, down 24% in one year, and 800 single-family homes (down 11%). While some of the residential stock is in the inner suburbs (notably 1/3 in Val-de-Marne), the outer suburbs account for the majority of houses for sale (83% of lots).

As a result of the fall in reservations and difficulties in selling off lots, the stock now represents almost 19 months' sales (all property types combined). This compares with just 15.6 months at the end of 2022, and a particularly tight 7.3 months at the end of 2019. This increase in the time to sell illustrates, on the one hand, the wait-and-see attitude of buyers due to the deterioration in conditions of access to credit, and on the other, the rise in the number of unsold properties over the past two years. However, the slowdown has been partly offset by the marked slowdown in new housing production.

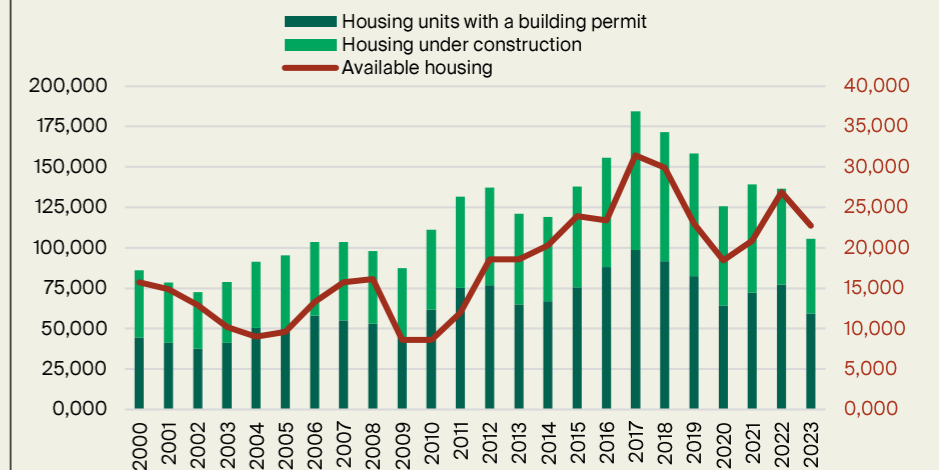
NEW HOUSING PRODUCTION: A SECTOR IN SERIOUS DIFFICULTY

Only 59,500 new homes were authorised

in the Greater Paris Region in 2023, a fall of 23% in one year and 28% compared to 2019. The fall in the number of housing starts is of the same order of magnitude, at -23% in one year, but is much more marked compared to 2019, with only 46,000 homes started (-39%). This represents a 25-year low. At the end of January, the fall continued, with 46,100 starts (12 months rolling), down 27% in one year.

The worsening economic climate, rising construction costs (estimated at between 14% and 16% over three years), the tougher regulatory environment (ZAN, RE2020, etc.) and the sector's recurring difficulties (scarcity and price of land, etc.) are taking their toll on the entire industry. The maintenance-renovation sector, until now a "driving force" according to the French Building Federation, is now experiencing difficulties due to the drop in applications for MaPrimeRénov' grants (-40% in one year for the months of January and February 2024).

Change in the supply of new housing in the Greater Paris Region
In number, all types of housing



Source: SDES, Sit@del2 (data to end December 2023 / 12 rolling months), CAPEM

Changes in housing policy

LONG-AWAITED MEASURES TO TACKLE THE HOUSING CRISIS

While players in the residential property sector have constantly alerted the government to the supply crisis affecting the sector, now coupled with a crisis in demand and the solvency of potential buyers, things seem to be moving in the right direction since the start of 2024. Aware of the growing difficulties facing the entire industry (rising construction costs, the end of the Pinel scheme at the end of 2024, longer time to market, etc.), the government reiterated its intention to create a "supply shock" during its general policy speech. Measures are expected to be implemented rapidly, and **a new bill is expected before the summer.**

The Prime Minister has designated 22 "committed areas" where 1,500 homes will be built by 2027, a quarter of which will be social housing. These areas* will benefit from simplified procedures. Of the twenty or so development projects selected in France, four are in the Ile-de-France region:

- Near Noisy-Champs station (93-77),
- Within the Plateau de Saclay science and technology cluster (78-91),
- In Vitry-sur-Seine, in the developing Ardoines district (94),
- At the Campus Grand Parc in Villejuif (94),
- And in the eastern Paris region at Fontenay-sous-Bois (94).

In all, 30,000 new homes are expected to be built in France over the next three years.

*See map opposite

“ [We are going to work to] simplify things, to simplify the process as much as possible, so that we can have more rental supply on the market, so that we can unblock construction where it is possible and where it is attractive, and therefore have a resolutely supply-side policy [...] ”

Interview with G. Kasbarian on RTL on 12 February 2024

ACCELERATE & SIMPLIFY

Guillaume Kasbarian, Patrice Vergriete's successor and the new Minister for Housing since February 2024, also unveiled new measures at MIPIM to speed up construction and reduce the cost of producing new homes. Under the slogan "supply, supply and supply", the revival of the housing construction sector will involve a major overhaul of planning procedures, timescales and appraisal rules (moving, for example, from an area-based to a parcel-based appraisal).

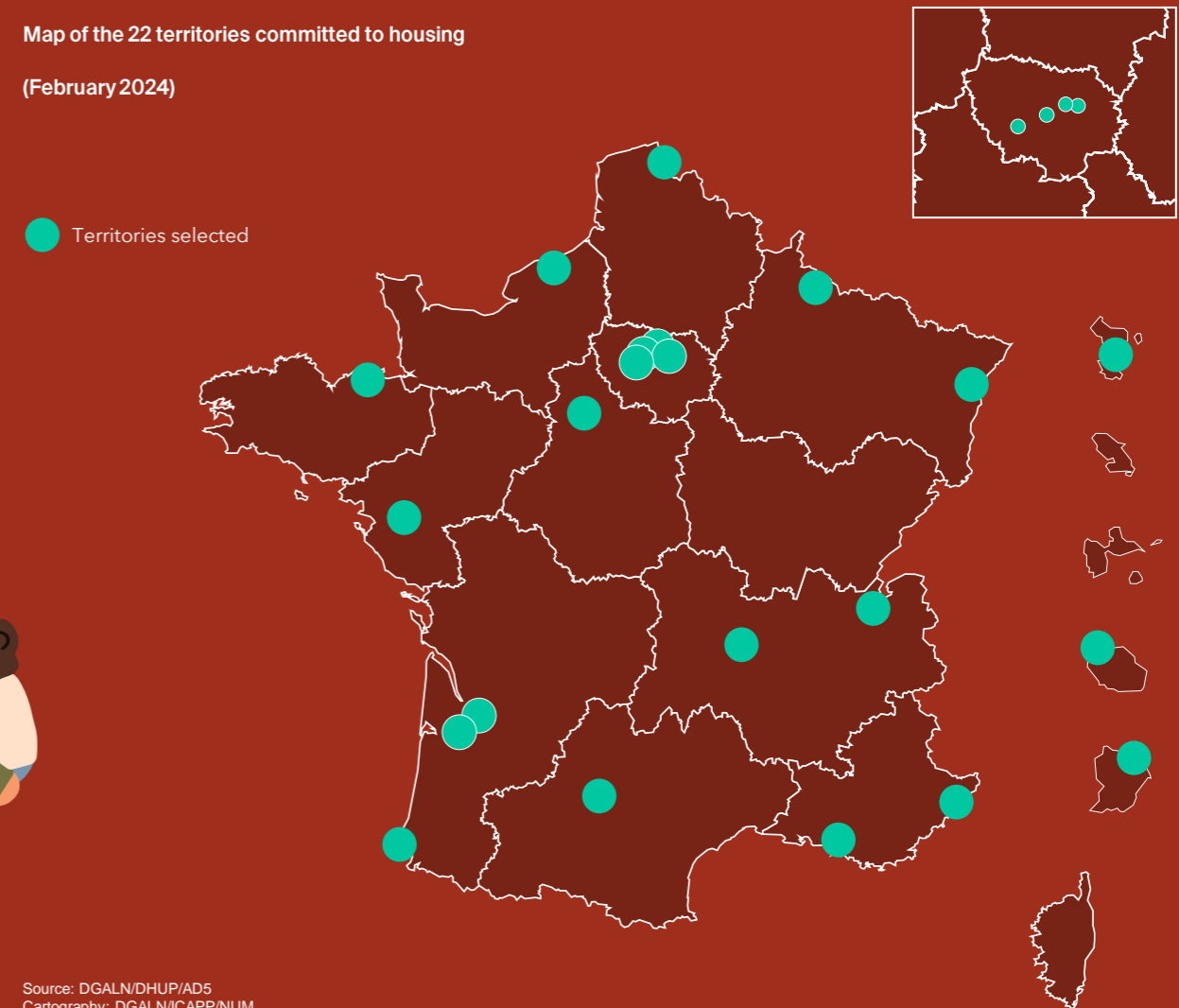
Finally, a number of proposals are being studied to reduce waiting lists for access to social housing and give landlords more options (for example, breaking leases or increasing rent according to income). The high-profile bill on the subject will be presented to the Council of Ministers at the beginning of May, with the aim of putting an end to "social housing for life" and "giving back the power to mayors to allocate social housing when it is new", in the words of Christophe Béchu, the French Minister for Ecological Transition.

The main measures announced by the government to tackle the crisis include:

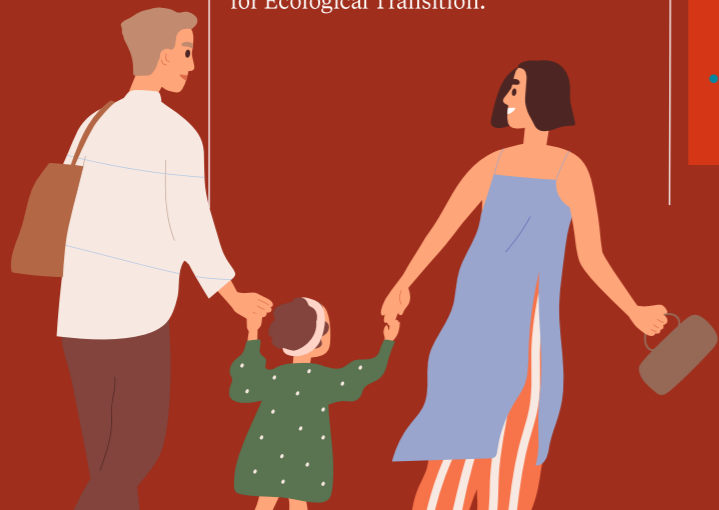
- **Speeding up and simplifying planning procedures**, for example by extending the use of multi-site planning permission and obtaining permits more quickly for ZACs,
- **Shortening appeal procedures** to reduce construction costs and timescales,
- **Dematerialising town planning authorisations**,
- **Redefining the way in which the DPE is calculated** to avoid penalising small areas, for example,
- **Facilitate access to grants**, in particular MaPrimeRénov' and MaPrimeAdapt',
- Proposing a bill to **encourage the creation of intermediate rental housing** and amending the SRU law to include construction targets to "promote housing for the middle classes",
- **Develop a new loan dedicated to first-time buyers** to increase their purchasing power ("in fine" loan).



Map of the 22 territories committed to housing (February 2024)



Source: DGALN/DHUP/AD5
Cartography: DGALN/ICAPP/NUM



The investment market

SHARP FALL IN VOLUMES INVESTED IN EUROPE

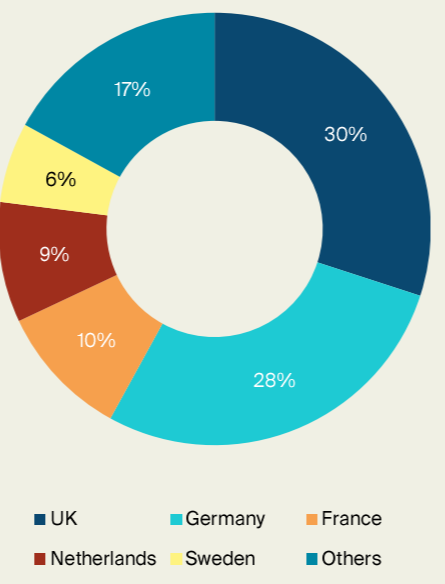
The European residential market is down by around 50% compared with 2022, with €34 billion invested (including €8.4 billion in Q4). Residential property has thus not escaped the downturn also seen in the commercial property segment. While investors' interest in traditional and managed residential assets remains undiminished, higher financing costs, longer negotiation times and the correction in metric prices have limited the scale of volumes invested. In some markets, activity was also slowed by a lack of supply.

Despite this, the share of residential assets remained stable from one year to the next. Residential assets will account for 21% of all funds committed in the European real estate market between January and December 2023, taking all asset types together, compared with 21.4% in 2022, but less than 15% in the mid-2010s. This share makes residential the second most popular asset class for investors in Europe, on a par with industrial premises, whose position has

also been maintained from one year to the next, and behind offices (28%), with which the gap has nevertheless narrowed by more than 20 points in ten years. In the mid-2010s, office space accounted for between 40% and 45%. In addition, residential is just ahead of retail (19%), which continues to rebound after falling to 11% market share in 2021. Lastly, the hotel sector has performed very well, accounting for 8.5% of total investment in the European property market, compared with 5.2% for the same period last year.

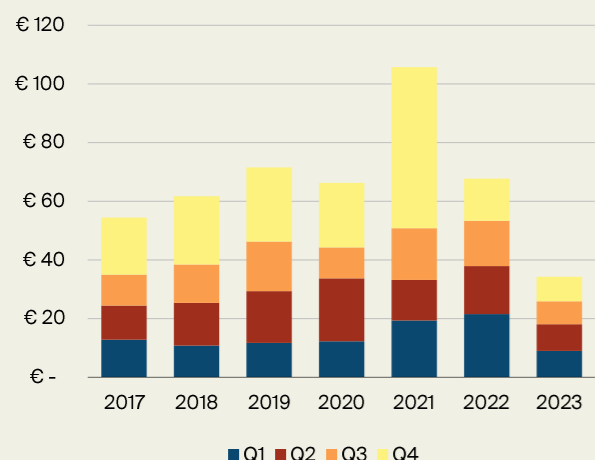
The year 2023 will not change the hierarchy of the various European residential markets. Germany (30% of residential investment in 2023) and the UK (28%) remain by far the largest European markets. Between them, these two countries account for almost 60% of investment in this asset class, ahead of a trio formed by France (10%), the Netherlands (9%) and Sweden (6%).

Geographical breakdown of European residential investment volumes In %



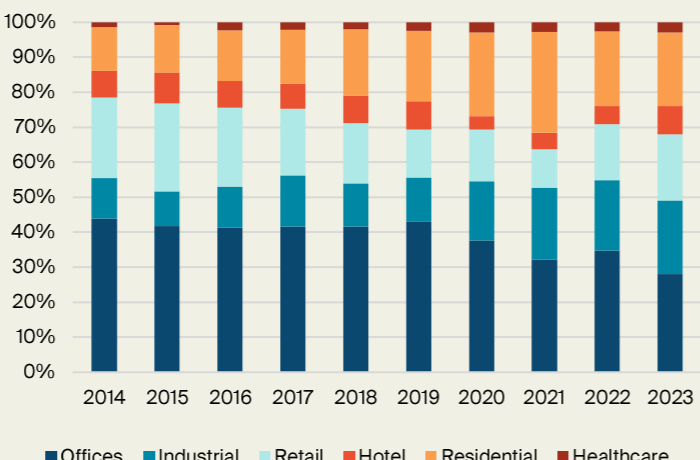
Sources : Knight Frank, RCA

Residential investment volumes in Europe Quaterly, in billions euros



Sources : Knight Frank, RCA

Investment volumes in Europe In % of total volumes, by asset classes



Sources : Knight Frank, RCA



2.6 BILLION INVESTED IN FRANCE...

In France, investment in the professional residential market totalled €2.6 billion in 2023, down by more than 50% on the previous year. The total number of transactions fell by less, from around 215 to 191 in 2023. This measured decline in the number of deals signed highlights the importance of major transactions for the performance of the French residential market. In the whole of 2023, for example, only one transaction in excess of €100 million was recorded: GREYSTAR's autumn acquisition of a 650-bed forward-purchase student residence in Puteaux, scheduled for delivery in 2024. As a reminder, the year 2022 was marked by the sale of the "Lamartine" portfolio by CDC HABITAT to CNP ASSURANCES for just over two billion euros.

...ALONGSIDE A MASSIVE SUPPORT PLAN FOR DEVELOPERS

Although these sales are not counted as such in the volumes invested, it is difficult to overlook the support plan for property developers drawn up by Action Logement Groupe and the CDC Habitat Group. Launched to support housing production against a backdrop of rising interest rates and construction costs,

this plan will have secured the future delivery of 47,000 homes by 2023. These developments, all of which have been purchased off-plan, are mainly located in the Paris region, and more than half of them will be intermediate housing, with the remainder being social housing.

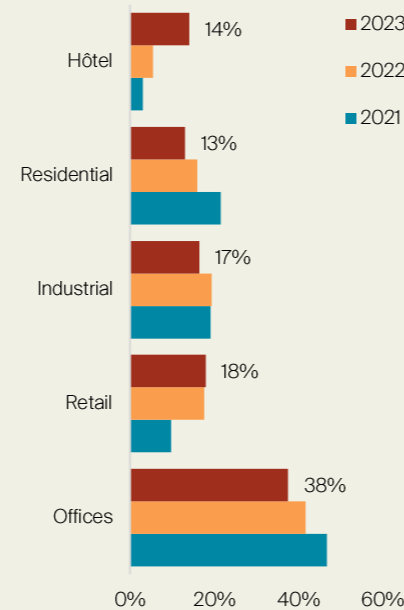
NEW HOMES ON THE UP

Despite a fall from the previous year, when they accounted for just over 60% of the volume invested in the French residential market, VEFAs continued to play a significant role in 2023, accounting for 53% of total investment. This trend confirms investors' sustained interest in new properties that meet the latest environmental and accessibility standards for people with reduced mobility. This enthusiasm for new-build can be seen across all market segments, with €300 million committed to traditional housing, €180 million to intermediate and social housing and more than €900 million to managed residential property.

DIVERSIFICATION THROUGH MANAGED DEVELOPMENT

In 2023, the amount invested in the managed residential market exceeded €1 billion in France. Over one year, the

Investment volumes in France
In % of total volumes, by asset classes



Source : Knight Frank

decline in investment was less marked (-39%) than for traditional residential property (-60%) or commercial property (-53%). The importance attached by investors to diversifying their assets and new uses is illustrated by the dynamism of coliving, which continues to grow in importance. With more than €550 million invested in this market in France in 2023 (+20% in one year), coliving accounted for more than half of all investment in the managed residential segment. This success contrasts with the slight decline in the student residence market and, above all, the sharp drop in investment in the senior residence market.

The Paris region accounted for 12 of the 16 acquisitions of coliving space during the year, totalling more than €370 million. Numerous projects are being developed across the Paris region, against a backdrop of revitalisation and restructuring in a number of urban areas.

This is illustrated by the 'Newton' mixed-use development in Champs-sur-Marne, comprising 10,000 sq m of coliving space operated by the Odalys Group and more than 5,000 sq m of office and retail space. A consortium of investors, led by several Crédit Agricole branches, took up this opportunity in the 4th quarter for more than €50 million.

A MARKET DRIVEN BY DOMESTIC INVESTORS

As usual, French investors remain the main drivers of the residential market, accounting for almost 90% of all capital committed in 2023. Property developers and lessors of intermediate and social housing have been the most dynamic players in the market, with a total of over €1.2 billion invested, 60% of which in off-plan purchases. Private investors such as wealthy individuals, family offices and family real estate investment trusts took second place, with volumes invested that were, on the whole, more measured. As they generally have cash to invest, they have been less exposed to the tightening of financing conditions. As a result, they invested €350 million, down just 15% on the previous year, 90% of which was in Paris properties.

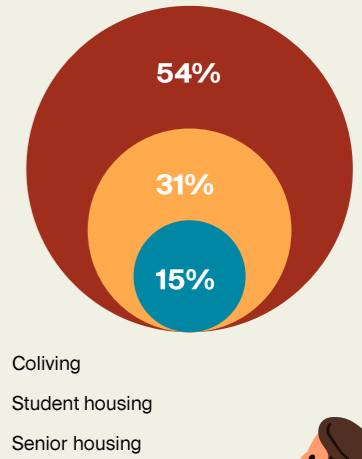
The proportion of foreign investors remains modest, at around 10%-15%, and is relatively well balanced between the Paris region (55%) and the rest of mainland France (45%). It is worth noting that managed residential property is favoured by non-domestic

investors, with almost €200 million of the €310 million they have earmarked for the French residential market in 2023. This is illustrated by the acquisition in the second quarter for €70 million by the US fund ARES MANAGEMENT of a VEFA coliving residence in Saint-Ouen (93) operated by NOMO.

WHAT ABOUT 2024?

Block sales volumes in 2024 are unlikely to reach the levels seen on the French residential property market between 2020 and 2022. Despite the latest announcements from the ECB, which appears to be putting an end to the rise in its key interest rates, coupled with the relative stability of bond yields over the past few months, certain barriers will persist. The wait-and-see attitude of investors is likely to remain the order of the day, while the geopolitical and macroeconomic context remains uncertain. However, it is worth noting the strategic partnership signed in early 2024 between Bouygues Immobilier and CDC Habitat, concerning the VEFA order for 4,400 housing units, which enabled the volume invested in French residential property to reach €1.4 billion in the 1st quarter.

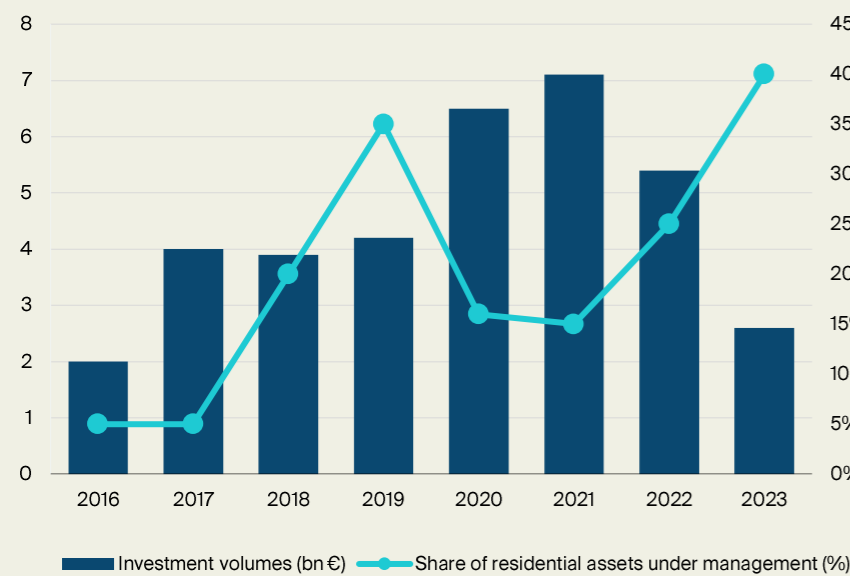
Residential assets under management investment volumes in France
In % of total volumes, by asset classes



Source : Knight Frank

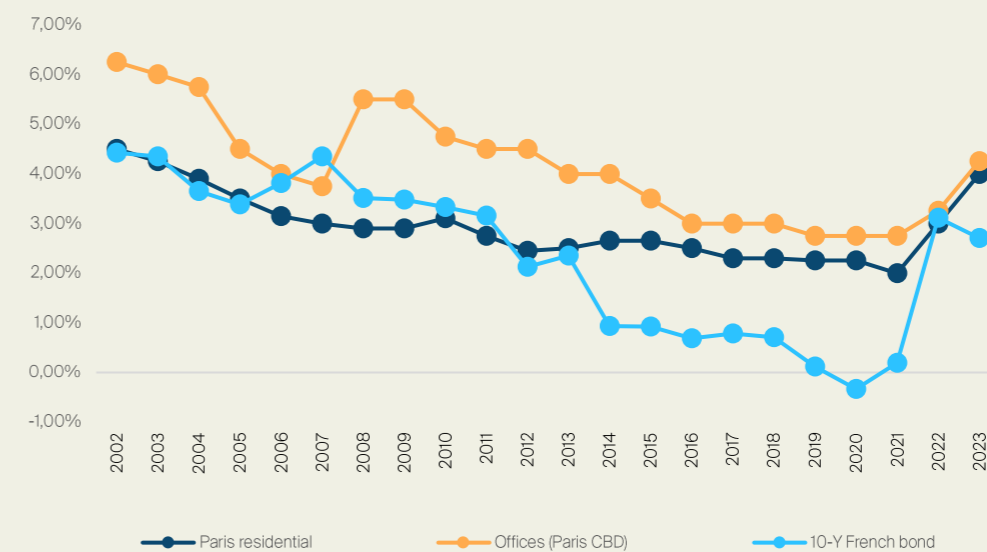


Residential investment volumes in France*
In billions d'euros



Source : Knight Frank
*Residential assets acquired in bulk

Prime yields in France



Source : Knight Frank

SENIOR HOUSING
4,75 - 5,25 %

STUDENT HOUSING / COLIVING
4,50 - 4,75 %

Contacts

Research Department

Knight Frank's Research Department provides market analysis and strategic real estate consultancy services to a wide range of international private, institutional and end-user clients.

The data used to produce this study comes from sources recognised for their reliability, as well as Knight Frank's property market monitoring tools.

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