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**AT A GLANCE
Q4 2023**

**THE RESIDENTIAL MARKET IN FRANCE
BUFFETED BY HIGH WINDS**



869 000

Sales of second-hand dwellings



248 months

Average loan duration



-2,2 %

Housing purchasing power

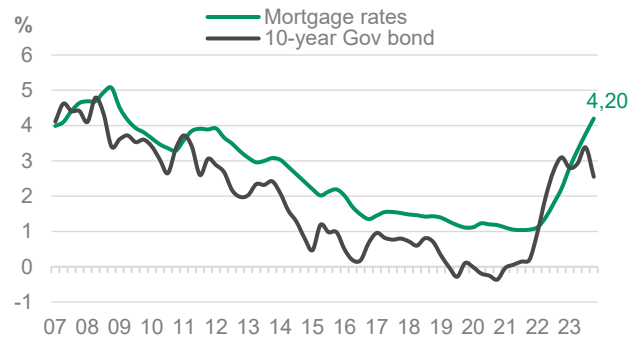
NEW RECORD FOR MORTGAGE RATES

Rising mortgage rates continued to hamper the market in 2023 and households' ability to buy homes remains limited. Against this backdrop, mortgage rates have reached a new record high, averaging 4.20% in Q4 2023.

A total of € 167bn was granted, down 40% year-on-year. In the past, households have partly offset losses in purchasing power by taking out longer mortgages.

The average borrowing period was 248 months (20.7 years) in Q4 2023, a historically high level.

Interest rates



Source: Crédit Logement / Banque de France

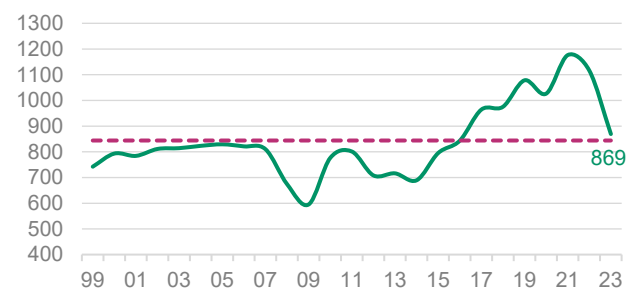
SALES VOLUMES BELOW THEIR LONG-TERM AVERAGE

Over 12 rolling months to Q4 2023, 869,000 second-hand homes were sold in France, down 22.1% year-on-year.

Sales have been sliding since April 2022. By the end of 2023, sales volumes had fallen below their long-term average (881,000 sales per year). Rising mortgage rates have considerably weakened households' ability to buy homes.

Take-up of second-hand dwellings

Number of sales ('000)



Source: CSEDD

PRICES CONTINUE TO FALL

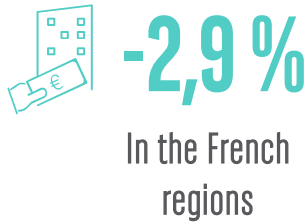
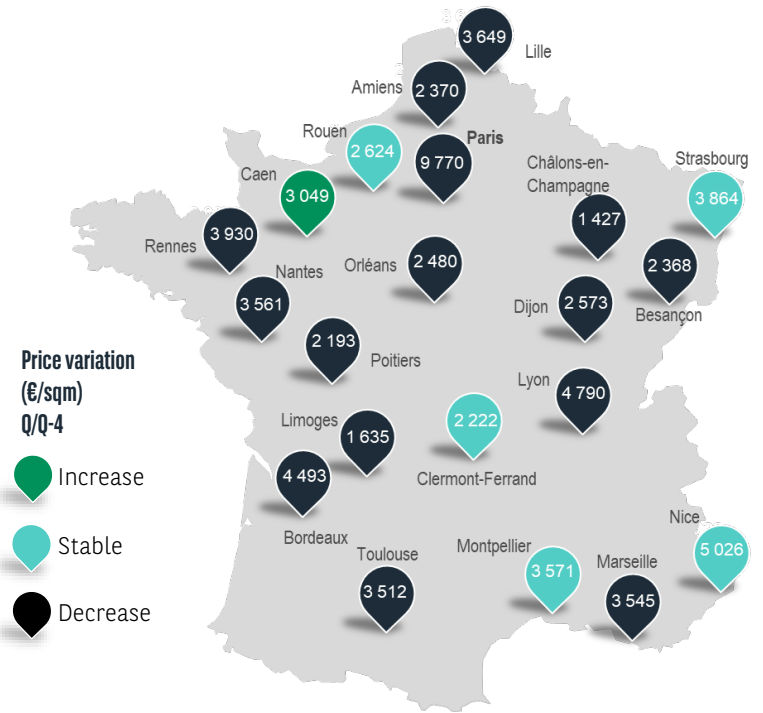
According to the latest French notary figures, prices for all second-hand homes in France fell by an average of 3.9% year-on-year. This national average stems from a -6.9% fall in Île-de-France and -2.9% in the regions.

The trend varies between markets, with prices falling in most cities. Prices in the major regional cities (Lyon, Paris, Lille, Nantes, Rennes) have fallen over the past year, while they have stabilised in Montpellier and Nice.

In Q4 2023, prices were over € 3,000/sqm in 12 French cities. Paris was top (€ 9,770/sqm) followed by Nice, Lyon, Bordeaux, Rennes, Strasbourg and Lille, from € 5,000/sqm to € 3,600/sqm. Other cities with prices above € 3,000/sqm include Montpellier, Nantes, Marseille, Toulouse and Caen.

Over the same period, prices nationwide continued to fall for both houses (-3.7%) and apartments (-4.1%).

Price in France €/sqm

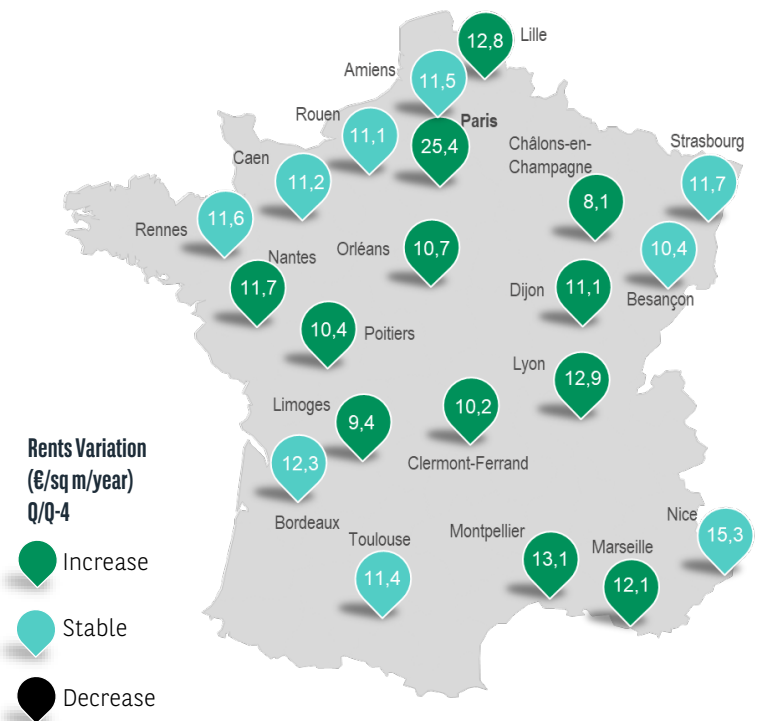


RENTAL INCREASES IN MANY CITIES

Rents climbed overall across France between 2000 and 2020, with Paris, Nice, Montpellier, Lyon and Lille leading the way. Rents have risen in many cities, and not fallen in any.

There has been greater pressure on the rental market for several months now, with supply still limited and demand increasing due to reduced ability to buy homes. Households that do not buy due to higher mortgage rates are staying in their rental properties longer, with less renewal of the stock. Meanwhile, demand for housing is still underpinned by demographic growth and households becoming smaller.

Rents in France €/sqm/year



DEVELOPMENT HAS STALLED

There were 373,100 building permits granted in mainland France in 2023, down 24% on the previous year. Quarterly analysis shows that, since Q4 2022, the market has fallen back below the threshold of 100,000 permits. It had previously stayed above this threshold in the wake of the Covid-19 crisis.

Building starts have also fallen (-22% vs. end 2022), with around 290,000 homes under construction.

Real estate developers have been suffering for several quarters from rising construction costs and interest rates.

RESERVATIONS STILL VERY LOW

There were 14,400 homes reserved in Q4 2023, i.e. up 11% on the previous quarter. This slight recovery was not enough to meaningfully improve 2023 overall. Indeed, with 64,500 reserved over the full year, reservations were down 37% compared with 2022. The last time the 12-month figure was so low was back in the 2000s.

The number of homes put up for sale fell by 31%, with 72,400 going onto the market over the year. The total number of homes on the market in 2023 stood at 116,200, up 6.3% in one year and equivalent to 25 months of sales.

The average price of a new apartment in Q4 2023 was € 4,719/sqm. After the decline in the previous quarter, prices were relatively stable.

The average price of a new house was € 341,200, i.e. a fall of 2.5% over 3 months and 1.9% over one year.

BLOCK INVESTMENTS IN RESIDENTIAL FALL BY 52%

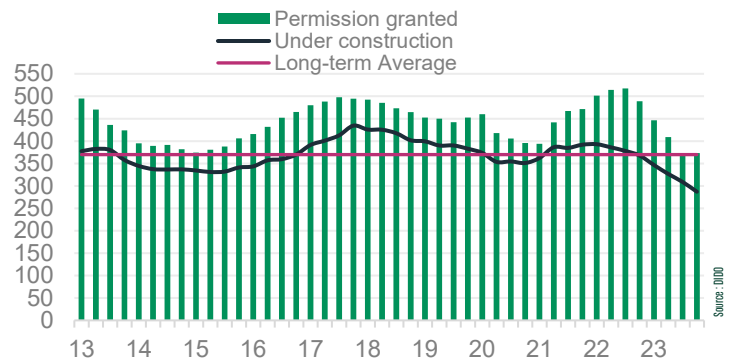
In 2023, investment in residential and alternative assets totalled €2.8 billion, down 52% on the previous year.

Purely residential investment fell even more sharply over the period, by 62%. Just under €1.7 billion was invested in the segment, of which only 17% was for intermediate housing.

Investment in alternative assets came in at around € 1.1bn, vs around € 1.3bn a year earlier. However, this fall was mainly due to the weaker performance of retirement housing, as investment in co-living and student accommodation rose by 33% and 49% respectively over the period.

Housing construction in France

Number of dwellings ('000)



373 100

Building permits granted

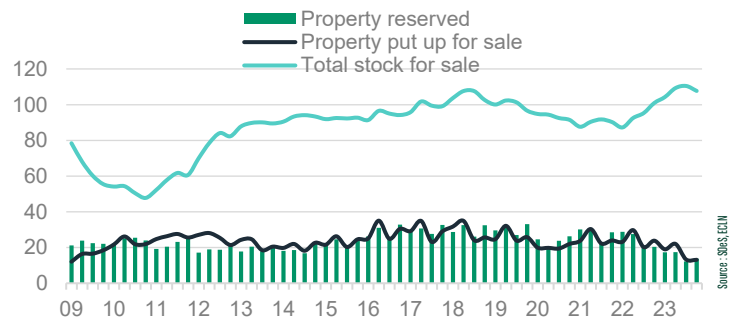


287 100

Building starts

New dwellings in France

Number of dwellings ('000)



64, 500

Reservations

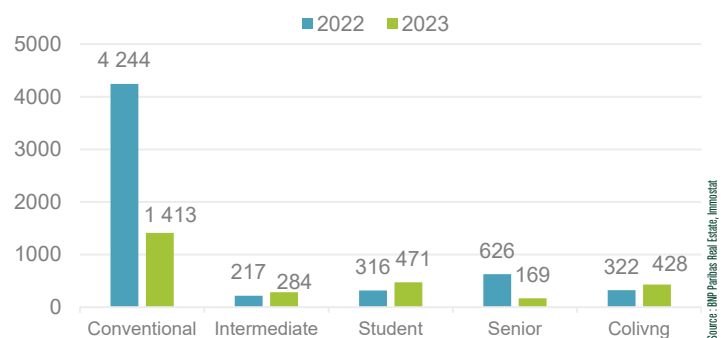


-31%

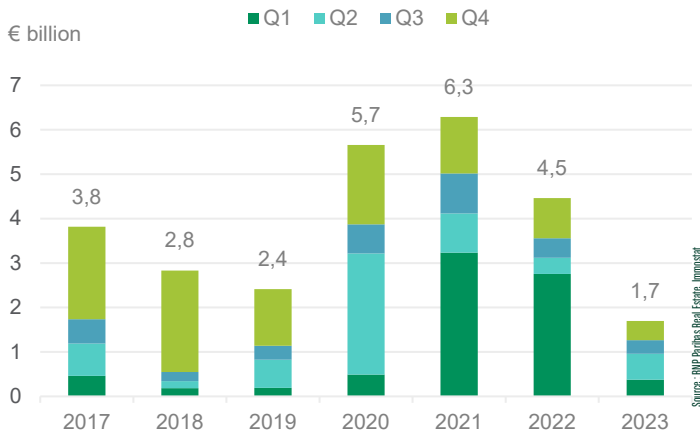
Dwellings put up for sale

Investment by typology

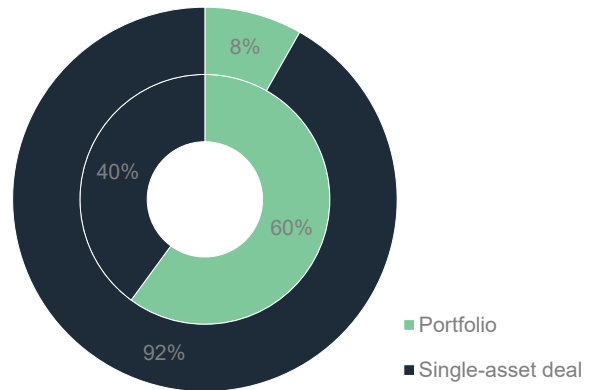
€ million



Investment in Residential



Selling typology



MARKET HELD BACK BY LACK OF LARGE PORTFOLIOS

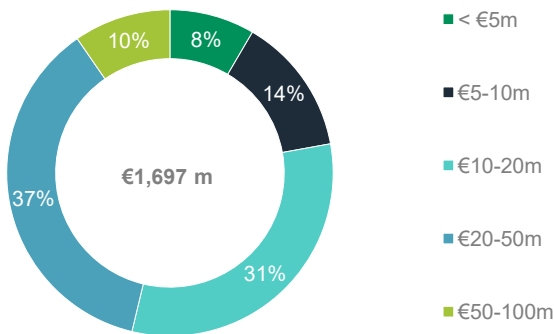
Out of the € 1.7bn invested in France in purely residential property in 2023, portfolios accounted for just 8%, compared with 60% in 2022. The lack of large portfolios has clearly been a factor in the market's lacklustre performance over the past year.

Ile-de-France, a longstanding mainstay of investment in residential assets, once again led the way, with € 1.1bn invested. Bordeaux was next (€ 114m), followed by Lyon (€ 37m).

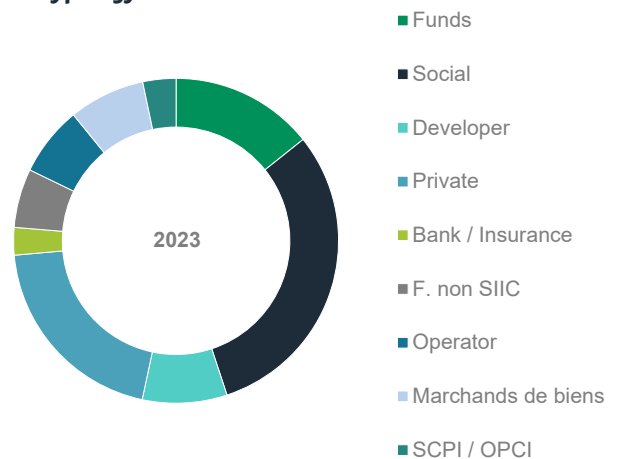
The proportion of off-plan sales also fell in 2023, accounting for 30% of transactions, compared with over 50% over the previous three years.

Of the 160 block transactions in 2023, almost two thirds were for less than € 10m. There were no transactions over € 100m in 2023, and only 2 over € 50m.

Breakdown of investment by volume size



Buyers typology



OUTLOOK

As with other commercial real estate investment markets, 2023 was particularly tough for residential. Unfortunately, housing is likely to remain under a cloud, at least for the first six months of 2024. The new-build market has ground to a halt due to rising construction costs, stricter environmental regulations (such as the RE 2020 and French ZAN regulations) and a shortage of land. Meanwhile the wider housing market has been hit hard by a sharp fall in demand. Indeed, borrowing difficulties persisted throughout the year, while some tax incentives are coming to an end (such as the Pinel scheme, which finishes the end of the year). A long-awaited fall in prices has begun in some of France's major cities, but it is not yet widespread.

Despite all these issues, residential is a robust asset class. It has solid fundamentals, with less people cohabiting and homes needing to be adapted to cope with climate change. These strengths should enable it to rise again as soon as the economic situation improves. Moreover, given the current turmoil in commercial real estate, investors are likely to focus increasingly on diversification strategies. They will no doubt favour certain residential assets such as co-living accommodation, student residences and intermediate housing, especially if the government sticks to its current roadmap.



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(march 2024)

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