



**AT A GLANCE
H1 2021**

THE RESIDENTIAL MARKET IN FRANCE

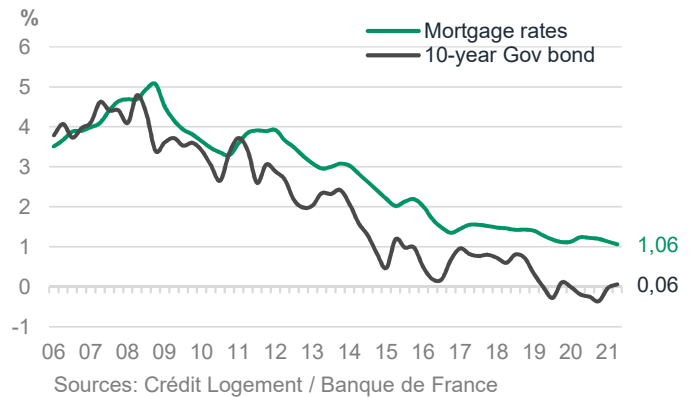
RESURGENT IN 2021

YIELDS STILL LOW

Borrowing is still cheap for buyers, with mortgage rates back to floor levels (1.05% on average for all maturities combined in Q3 2021). Mortgage durations are still at a record average of 233 months, i.e. 19.4 years. These low rates and rising incomes are offsetting the impact of rising prices.

As such, household purchasing power rose further in Q2 2021 after five straight quarters of contraction. It is 18.7% above its long-term average (1985-2020) and is largely underpinning household demand for property.

Interest rates



1.05%

AVERAGE INTEREST RATE



233 months

AVERAGE LOAN DURATION



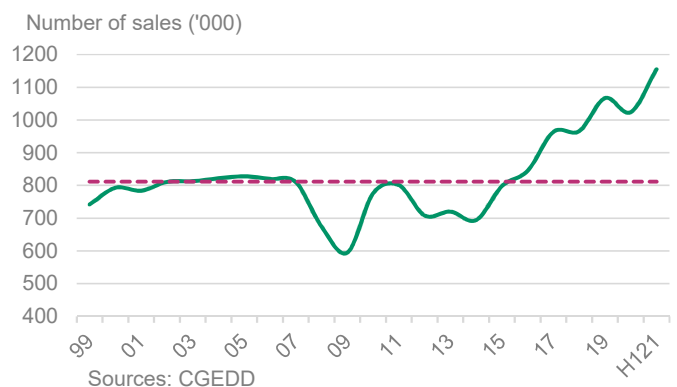
+18.7%

HOUSING PURCHASING POWER

A NEW SALES RECORD

1,155,000 second-hand homes have been sold in France over the last 12 months, a new record, after the first half of 2020 was hit hard by the health crisis and lockdown measures. These short-term obstacles have not hindered the structural increase in sales observed since February 2015. This outstanding result has been underpinned by still very favourable borrowing terms and the safe-haven role played by property.

Take-up of second-hand dwellings



1.155 M

SALES OF SECOND-HAND DWELLINGS



+15%

ON A ROLLING YEAR BASIS



+35%

VS THE LONG TERM AVERAGE

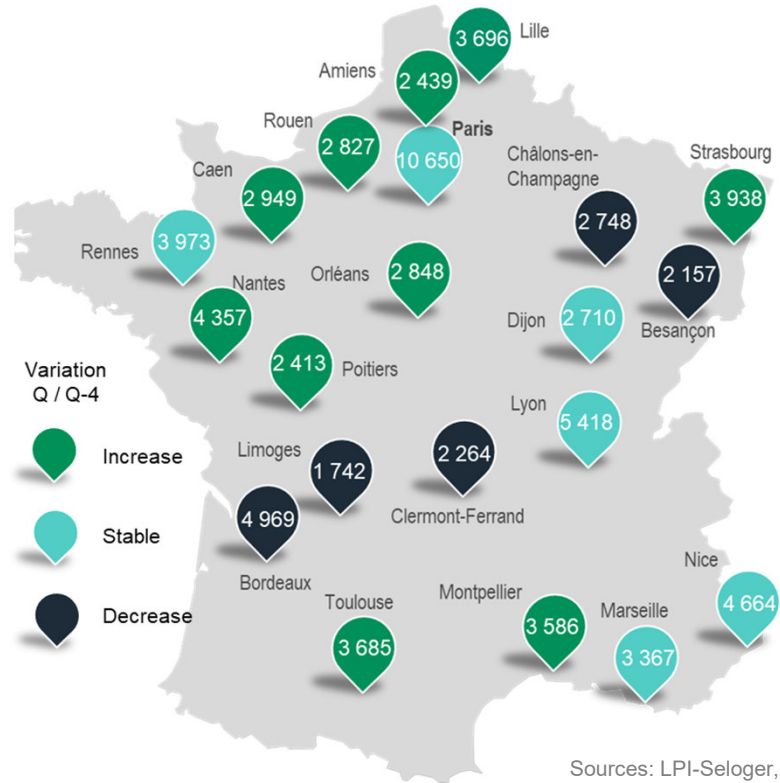
END TO WIDESPREAD PRICE INCREASES

Although France has seen an overall price increase of 6% over the last 12 months, this figure fails to show major disparities.

Île-de-France has enjoyed a 5% increase, but prices in Paris have contracted by 0.3% to € 10,650 /m², a first since 2015. The regions are up 6%, but prices have levelled off in several cities (Lyon, Marseille, Nice, Rennes) or even fallen, notably in Bordeaux and some medium-sized towns (Limoges, Besançon).

Nevertheless, there is still an upward trend in 11 cities, including Toulouse, Lille, Nantes and Strasbourg.

There has been little change in city rankings in 2021: Paris is still the most expensive city in France, followed by Lyon, Bordeaux, Nice and Nantes, which are above the € 4,000 /m² threshold.



Sources: LPI-Seloger, notaires Paris

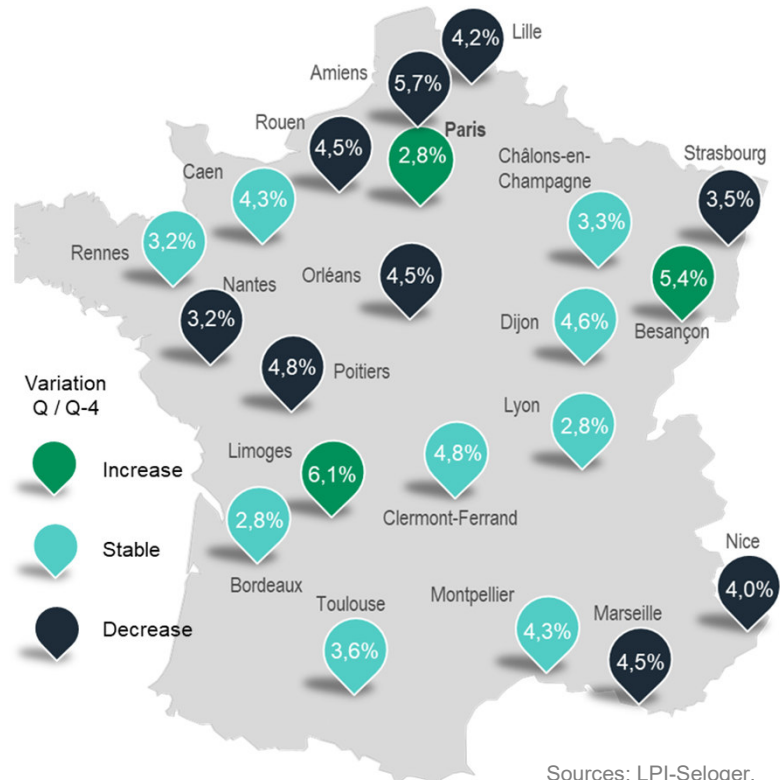


YIELDS STILL AT FLOOR LEVELS

The end of the widespread price increase, combined with rents that have changed little, has automatically caused yields to stabilise. This new situation means that the uninterrupted contraction of yields since 2015 has drawn to a close.

As such, the low levels reached at the end of 2020 remained in Q2 2021 in most markets, including Paris, Lyon and Bordeaux (2.8%), Nantes and Rennes (3.2%). Yields in the other big cities are between 3.5% in Strasbourg and 4.5% in Marseilles. Yields in medium-sized cities such as Besançon, Amiens and Limoges are above 5%.

The 10-year OAT stood at 0.0% in July, making the real estate risk premium an attractive one. The upturn in activity could be accompanied by the return of inflation, which could last into 2022 and 2023 before returning to its long-term average. However, the risk premium should cushion the rise and bond yields are unlikely to come under any immediate pressure.



Sources: LPI-Seloger, notaires Paris, Clameur

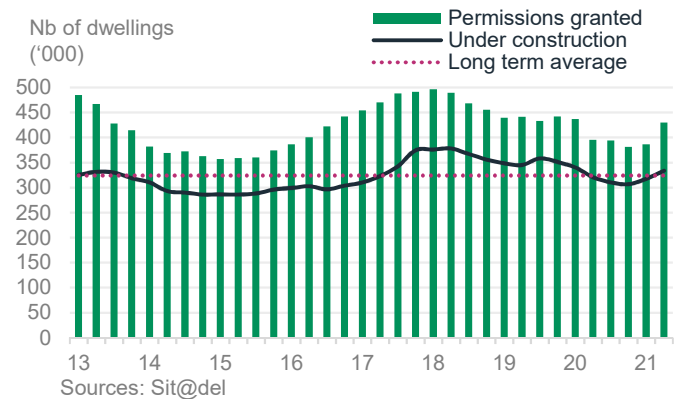
CONSTRUCTION PICKING UP AGAIN

Construction in France was hit by two factors in 2020: the health crisis and municipal elections. This slowdown came against a backdrop of reduced construction since 2018, linked in particular to the scarcity of land and the increase in construction costs.

Construction picked up again from Q2 2021. Over the last 12 months, 430,000 building permits have been granted in metropolitan France, i.e. a 9% fall compared to the same period the previous year. Building starts have increased 4% with 324,000 homes begun.

Although the market is gradually getting back to its pre-crisis level, it is far from its 2017 peak.

Housing construction in France



 **430,000**
BUILDING PERMITS GRANTED

 **324,000**
BUILDING STARTS

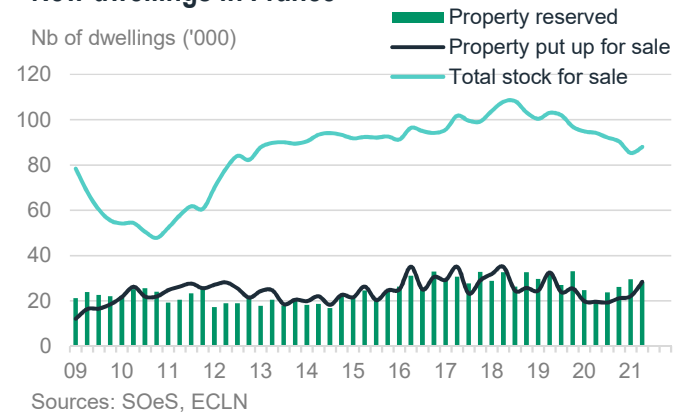
RESUMPTION IN DEVELOPMENT

Over the last 12 months, 115,000 new homes have been reserved, i.e. a 3% rise compared to the same period the previous year. That said, the market is still short of its 2017- 2019 performance, which saw around 130,000 homes reserved annually.

New units put up for sale were also up 3% over 12 months, to 97,000 units. The stock of housing on the market at the end of Q2 2021 stood at just 95,000 units, not enough to satisfy the market. This represents 9.2 months of take-up.

Due to this pressure, the price of new homes has risen further compared to Q2 2020, to € 4,400 /m² for apartments (+1.8% over one year) and € 330,500 for houses (+7.6%).

New dwellings in France



 **115,000**
RESERVATIONS

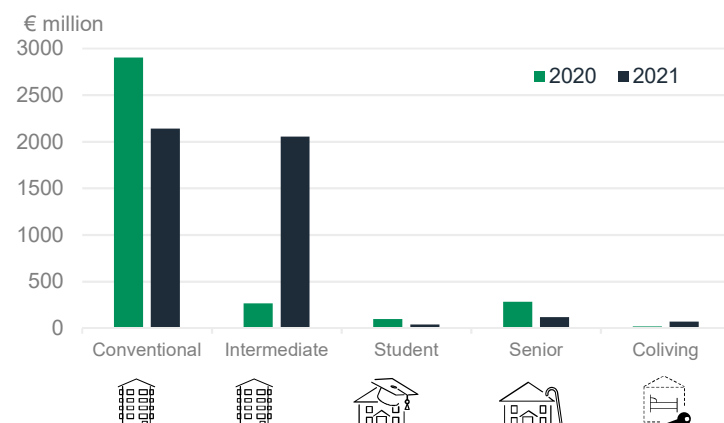
 **+3%**
DWELLINGS PUT UP FOR SALE

A VERY STRONG START TO THE YEAR FOR INVESTMENT

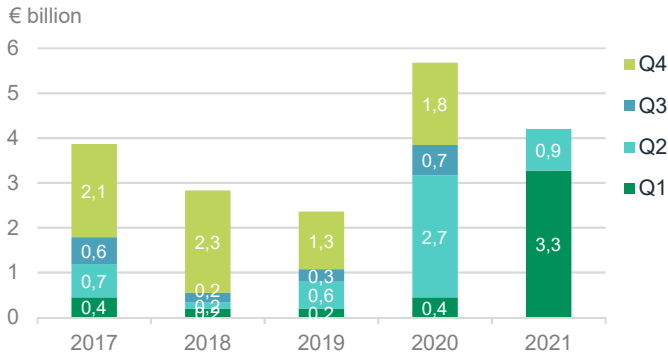
In H1 2021, the total amount invested in residential and so-called "alternative" assets was €4.4bn, up 24% on H1 2020. Investment in the residential sector in the strict sense of the term rose by 32% to € 4.2bn, divided equally between conventional and intermediate housing.

Investment in alternative assets came to just € 223m, i.e. 44% less than in H1 2020.

Investment by typology (H1)

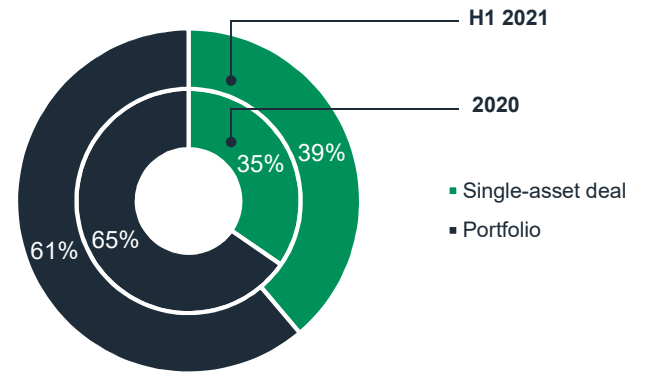


Investment in residential



Sources: BNP Paribas Real Estate, Immostat

Selling typology



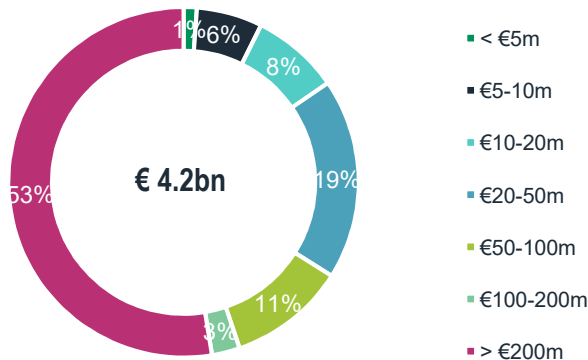
Sources: BNP Paribas Real Estate, Immostat

BUOYANT INVESTMENT IN RESIDENTIAL

Out of the € 4.2bn invested in residential property "in the strict sense" in France in H1 2021, portfolios accounted for 61%. In particular, we note the acquisition by AXA IM – Real Assets of a € 2bn portfolio made up of intermediate housing made in the scope of a partnership with In'li.

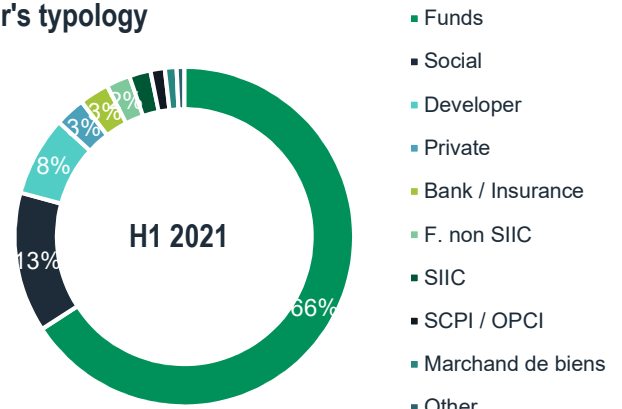
New assets, which were largely preferred in 2020, still represented 53% of the market in mid-2021. CDC Habitat has continued to make acquisitions this year, with a portfolio of 1091 off-plan homes bought from Icade Promotion for € 208m.

Breakdown of investment by volume size



Sources: BNP Paribas Real Estate, Immostat

Buyer's typology



Source: Immostat, BNP Paribas Real Estate

Out of the 129 block transactions made over the first six months of the year, around half were for less than € 10m. Those over € 50m meanwhile accounted for just 8% in number and two thirds in volume terms, showing the decisive weight of portfolios in this market.

Funds dominated the residential market over the period, accounting for two thirds of investment, followed by social landlords, with 13%.

Outlook

The recovery of residential real estate since the beginning of 2021 demonstrates its resilience. Indeed, along with logistics, this asset category has managed to thrive in an uncertain context. The health crisis has highlighted the importance of having a home that is pleasant to both live and work in. The rise of teleworking could alter households' residential strategies, as could the arrival of the Grand Paris Express, which is already a source of growth. Investors have recognized this, and since 2020 have resumed investing heavily in the Residential asset category, which even has a higher overall return than offices according to MSCI data, with lower volatility. However, not all cities and housing will benefit from this momentum, which more than ever requires solid fundamentals in terms of location, proximity to transport and compliance with environmental standards.

LOCATIONS

(April 2021)

HEADQUARTERS

167, quai de la Bataille de Stalingrad
92867 Issy les Moulineaux Cedex
Tél. : +33 (0)1 55 65 20 04

ÎLE-DE-FRANCE AUBERVILLIERS

Parc des Portes de Paris
40 rue Victor Hugo
Bât 264 / 4ème étage
93300 Aubervilliers
Tél. : +33 (0)1 49 93 70 73

ERAGNY

Immeuble Tennessee
8 allée Rosa Luxembourg
BP 30272 Eragny
95615 Cergy Pontoise Cedex
Tél. : +33 (0)1 34 30 86 46

REGIONS

AIX-EN-PROVENCE

Parc du Golf - Bât 33
350, rue Jean René Guillaibert
Gauthier de la Lauzière
Les Milles
13290 Aix-en-Provence
Tél. : +33 (0)4 42 90 72 72

ANNECY

PAE Des Glaisins
19, avenue du Pré-de-Challes
74940 Annecy-Le-Vieux
Tél. : +33 (0)4 50 64 12 12

BIARRITZ

26 Allée Marie Politzer
64200 Biarritz
Tél. : +33 (0)5 59 22 62

BORDEAUX

Immeuble Opus 33
61-64, quai de Paludate
33800 Bordeaux
Tél. : +33 (0)5 56 44 09 12

DIJON

Immeuble Le Richelieu
10, boulevard Carnot
21000 Dijon
Tél. : +33 (0)3 80 67 3

GRENOBLE

Immeuble Le Grenat
285 rue Lavoisier
38330 Montbonnot
Tél. : +33 (0)4 76 85 43 43

LILLE

100, Tour de Lille
Boulevard de Turin
59777 Euralille
Tél. : +33 (0)2 20 06 99 00

LYON

Silex 1
15 rue des Cuirassiers
69003 Lyon
Tél. : +33 (0)4 78 63 62 61

MARSEILLE

44, boulevard de Dunkerque
CS11527-13295 Marseille
Cedex 2
Tél. : +33 (0)4 91 56 03 03

METZ

WTC-Technopôle de Metz
2, rue Augustin Fresnel
57082 Metz cedex 3
Tél. : +33 (0)3 87 37 20 10

MONTPELLIER

Immeuble Le Triangle
26, allée Jules Milhau
CS 89501
34265 Montpellier Cedex 02
Tél. : +33 (0)4 67 92 43 60

MULHOUSE

Beverly Plaza
15, rue de Copenhague
67300 Schiltigheim
Tél. : +33 (0)3 89 33 40 50

NANCY

Immeuble Quai Ouest
35 avenue du XX^{ème} Corps
54000 Nancy
Tél. : +33 (0)3 83 95 88 88

NANTES

14, mail Pablo Picasso
BP 61611
44016 Nantes Cedex 1
Tél. : +33 (0)2 40 20 20 20

NICE

Immeuble Phoenix - Arénas
455, promenade des Anglais
06285 Nice Cedex 3
Tél. : +33 (0)4 93 18 08 88

ORLÉANS

16, rue de la république
45000 Orléans
Tél. : +33 (0)2 38 62 09 91

RENNES

Centre d'affaires Athéas
11, rue Louis Kerautret-Botmel
35000 Rennes
Tél. : +33 (0)2 99 22 85 55

ROUEN

Immeuble Europa
101, boulevard de l'Europe
76100 Rouen
Tél. : +33 (0)2 35 72 15 50

STRASBOURG

Beverly Plaza
15 rue de Copenhague
67300 Schiltigheim
Tél. : +33 (0)3 88 22 19 44

TOULOUSE

Immeuble Elipsys
8/10 rue des 36 Ponts
CS 84216
31432 Toulouse Cedex
Tél. : +33 (0)5 61 23 56 56

TOURS

29, rue de la Milletière
37100 Tours
Tél. : +33 (0)2 47 44 70 58

CONTACT

RESEARCH FRANCE

Guillaume JOLY
Directeur département France
guillaume.joly@bnpparibas.com

Morgane LELIEVRE
Analyste Résidentiel
morgane.llelievre@bnpparibas.com

RÉSIDENTIEL

Jean-François MORINEAU
Directeur Général délégué
Tél. : +33 (0)1 47 59 23 69
jean-francois.morineau@bnpparibas.com

Dominique BONETTI
Directeur commercial vente en bloc
Tél. : +33 (0)1 47 59 22 06
dominique.bonetti@bnpparibas.com

David MOLHO
Directeur commercial vente lot par lot
Tél. : +33 (0)1 47 59 22 57
david.molho@bnpparibas.com

Julien JAMOT
Directeur commercial et marketing France
Tél. : +33 (0)1 55 65 29 97
julien.jamot@bnpparibas.com

Paul GIBEAUD
Directeur consulting Paris Ile-de-France
Tél. : +33 (0)1 55 65 22 22
paul.gibeaud@bnpparibas.com

Stéphane GAUX
Directeur promotion immobilière Régions
Tél. : +33 (0)1 55 65 25 48
stephane.gaux@bnpparibas.com

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