



Residential property at the end of Q2 2021



Existing property volumes
- 2.3% / 1 year



New properties offered for sale : -20.6% / 1 year



Average interest rate
1.07%



Paris price
€10.690/sqm

I. Residential block sale market

An extremely dynamic and high potential market

A record 2020

Although an under-supplier structurally, the residential investment market was extremely dynamic in 2020. The amounts invested in this asset class, which has risen steadily since 2016, peaked last year. No less than €5.5 billion was invested in residential property in 2020, of which €2.8 billion was invested by CDC Habitat. This total is an all-time high, 41% higher than the amount recorded in 2019.

In detail, acquisitions by CDC Habitat apart, traditional residential property accounted for 75% of the amounts invested in 2020, seniors managed residential property 15%, student managed property 9% and co-living 1%. 2020 also confirmed the strong return of institutional investors to the residential market. The latter contributed to more than half the volumes invested in 2020 compared to around a third in 2019.

2021 investment volume promises to be equally exceptional

The beginning of 2021 has seen confirmation of the excellent performance of residential investment. At the end of May, just over fifty investment opportunities with a unit volume of more than €10 million had been put on the market since the beginning of the year. These fifty transactions represent an estimated investment of around €4 billion. This total is driven by fifteen transactions with a unit volume of more than €50 million, highly sought after and a source of strong competition. Unsurprisingly, the Île-de-France (Greater Paris region)

has confirmed its very high appeal and accounts for more than 70% of the volumes put on sale since the beginning of 2021.

For the second year in a row, the share of new properties in this total is very significant. It represents about two-thirds of properties put on the market. By way of comparison, the share of new properties in volumes invested in residential property was around 64% in 2020, 33% in 2019, 30% in 2018 and 14% in 2017.

In this increasingly coveted market, the pressure on block selling prices is inevitably increasing. There has been a compression in yields which are currently stabilising around 2%-2.5% for prime Paris assets leased under market conditions, between 3% and 4% for those located in the Île-de-France region and between 4% and 5% for the finest properties located in major regional cities.

In conclusion

The Covid-19 crisis has highlighted the advantages of residential property. The latter offers undeniable rental security, meets a primary need and presents a resilient long-term occupancy model. In 2020, all of these arguments stimulated the already strong appetite of many domestic and foreign investors for residential property. In 2021, the ever-increasing competition, observed during competitive tenders, points to the existence of significant funds ready to be invested in this asset class. Much of the €4 billion put up for sale since the beginning of the year is likely to be recognised in 2021 and would be added to the €2.5 billion already signed in the first quarter. In any event, we are heading towards a new record year for residential investment.

In the medium term, all the evidence suggests that the volumes invested in this asset class will continue to increase. The lack of supply seems to be the only

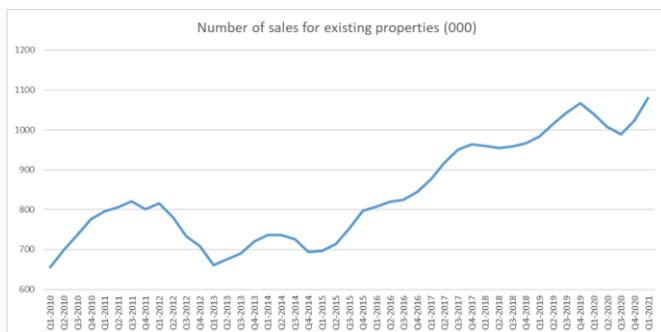
obstacle to the veritable explosion in transactions. To date, the weight of residential property in the total investments in real estate in France is only between 10% and 15% compared to 30% in other European countries. Therefore, the French residential market still seems relatively immature and has significant growth potential.

II. Existing residential property market

An existing property market that is more resilient than ever

In mainland France, volumes recorded over twelve months have reached a new all-time high

In an unprecedented environment, the number of sales for existing properties remained exceptionally high in 2020. This strong volume momentum was confirmed at the start of 2021. At the end of March, there were 1,080,000 existing properties sold over the past twelve months, an all-time record! This total increased 4% year-on-year and remains 33% higher than its long-term average (811,000 annual sales on average between 2000 and 2020). Taking into account several months when real estate activity came to a halt (April-May 2020 and November 2020), this annual volume is logically expected to increase at the end of April 2021 and reach a new record.



This excellent performance of the existing property market once again confirms the role of residential property as a safe haven investment. French people value property, especially as it is currently relatively accessible. In fact, credit conditions are more encouraging than ever. After significant upward and downward movements in 2020, the average borrowing rate (all loan terms combined) stabilised at 1.07% in April 2021. This is an all-time low. Logically and due to a boon effect, new home loan business is increasing. As at the end of March 2021, loan volumes over one year increased by 5.2%.

At national level, selling prices are still rising

Contrary to what some were expecting, no reversal in prices or sharp drop in values has been recorded at national level. As at the end of May 2021, according to notaries' projections, the price of an apartment in mainland France rose 3.2% year-on-year (after +6.3% in December 2020). Still at the end of May 2021, the

average value of a house in France was 6.3% higher than that observed at the same date last year (the increase was 6.5% in December 2020). Over the last three months, the average price of an apartment increased by 0.4%, that of a house by 2.1%.

In the regions, the trend in selling prices is similar. The rise in values continues, but with less intensity than in 2020. As at national level, at the end of May 2021, the average price of an apartment in the provinces increased by 3.2% year-on-year (+6.3% in December 2020). However, it remained fairly stable between January and the end of May 2021. Meanwhile, the price of a house in the regions increased by 6.3% year-on-year at the end of May 2021 (+6.5% in December 2020).

	Main French towns in May 2021			
	Average prices - existing properties		Evolution	
	Apartments	Houses	1 year	3 months
Lyon	€5 017	€5 787	3,6%	0,2%
Bordeaux	€4 398	€5 335	-0,6%	-0,2%
Nice	€4 421	€5 048	0,0%	0,3%
Nantes	€3 577	€4 418	5,3%	1,0%
Toulouse	€3 401	€3 829	-0,6%	-0,5%
Lille	€3 364	€2 922	1,4%	-0,4%
Strasbourg	€3 323	€2 972	5,7%	-0,7%
Montpellier	€3 069	€3 610	-0,8%	-0,2%
Marseille	€3 015	€3 882	4,0%	0,9%

In the Île-de-France region, the existing property market although more affected, continues to perform well

In the first quarter of 2021, sales in the Île-de-France region amounted to 38,740 units and increased by 3% compared to the first quarter of 2020. This total is 12% higher than the average volume recorded in the first quarters of the last 10 years (34,590 sales). In the first quarter of 2021, the increase in volumes was the same in the inner suburbs of Paris (+5%, 13,990 sales) as in the outer suburbs of Paris (+5%, 17,160 transactions). Throughout the Île-de-France region, it is the housing segment in the outer suburbs of Paris that shows the most significant growth in volumes (+8%).

Year-on-year, although sales volumes in 2020 fell 12% compared to 2019, the existing property market in the Île-de-France region remains dynamic. From April 2020 to March 2021, there were 169,732 sales, a total down by only 1.7% compared to the previous twelve months. Notaries' pre-contracts also point to dynamic transactional activity over the coming months, confirming the ability of the Île-de-France market to rebound.

The rise in prices in the Île-de-France region is decelerating

According to the latest available information, as at the end of May 2021, the average price of an apartment in the Île-de-France region was up 2.3% year-on-year (after +4.3% at end-February 2021), that of a house 4.4% (+6.7% at end-February 2021). In June 2021, the average price per sqm of an apartment in the region is expected to reach €6,720, up just 0.6% compared to the end of February 2021. A house



is selling at €337,700 on average in June 2021. This price is up 1.2% compared to the end of February 2021.

In Paris, volumes continue to contract and prices are stagnating

After an annual drop in sales of 16% in 2020, volumes in Paris do not seem to be rebounding at the start of 2021. In the first quarter of 2021, only 7,580 sales were concluded in the capital. A total down 5% compared to the figure one year earlier.

However, the decline in sales volumes in Paris does not concern all types of property. The luxury segment in Paris (homes with a metric price of between €12,000 and €15,000/sqm) continues to perform well, with volumes up 9.7% between 2019 and 2020. Sales of exceptional property (property sold at more than €25,000/sqm) also remain strong.

In terms of selling prices, property values in Paris, which have risen steadily for more than 5 years, began to decline from the end of November 2020. From December 2020 to the end of March 2021, the average price in Paris decreased by 1.3%. It has since remained stable, amounting to €10,690/sqm in June 2021. At this date, its annual growth is only +0.2% (vs. +5.4% in December 2020).

In conclusion

After more than a year of a health crisis that has shaken consumer confidence, restricted freedom of movement and reduced some prospects for the future, French people's strong appetite for property does not seem to have been unduly affected.

At the start of the year, the total volume of cumulative transactions over 12 months reached an all-time high, up 4%. This increase in volumes, recorded in a still unstable health and economic environment, points to an existing property market that is more solid, healthy and resilient than ever.

At the same time, while selling prices have not fallen, their rise nevertheless seems to be diminishing since the end of the third quarter of 2020. Over the past three months, we have even noted that apartment prices are almost stagnating across France (+0.4% for France, unchanged in the provinces, +0.6% in the Île-de-France region). Only houses seem to see their prices continue to rise sharply and emerge winners from the crisis.

From a more financial point of view, borrowing rates have reached an all-time low at the start of the year and will certainly continue to support the market in the coming months. While the emergence from the crisis seems to be clearer now and the few 160 billion euros in forced savings by French people will finally be able to be injected into the economy, some macroeconomic indicators (unemployment, debt, consumer confidence) will need to be thoroughly analysed in order to anticipate the situation in the existing property market in the longer term.

III. New residential property market

A sector in the midst of a supply crisis

Mainland France, a start to the year that is driving optimism despite an unfavourable long-term trend

For the entire first quarter of 2021, 30,497 homes were reserved in mainland France, a volume up 16.2% compared to that recorded in the first quarter of 2020, but which remains lower than in 2019, 2018 and 2017. The majority of these reservations concern collective housing (94% of reservations).

Properties offered for sale amounted to 23,445 units and increased by 12.1% compared to the same quarter last year. However, this total is a low level, not recorded since the first quarter of 2015.

While these figures are positive in the short term, the momentum is quite different over a longer period of analysis. Between April 2020 and the end of March 2021, only 105,179 reservations were made, or 16.2% less than in the previous twelve months. It should be noted that this volume corresponds to sales generated on the diffuse market. It therefore does not include block sales of new homes. The latter remain extremely dynamic (+25.6% year-on-year, or around 8,500 additional homes) and constitute the only well-oriented new property market indicator.

On the diffuse market, properties offered for sale were down 20.6% and amounted to only 86,280 properties put on the market over one year.

This very marked contraction in supply over the past twelve months, logically leads to a decrease in the stock of available homes. It amounted to 90,643 units in March 2021, down 11.4% year-on-year.

With regard to the construction of new homes, the national situation is also unfavourable. While we recorded 455,500 homes authorised for construction over one year in March 2020, the same figure amounted to 384,300 units in March 2021, down 15.6%.



In terms of selling prices, the average value of a new apartment in France stood at €4,373/sqm in March 2021, up 0.9% year-on-year and 1.3% over three months. At the same date, a house was selling at €313,754 on average, an increase of 10.4% over the

past twelve months and 5.9% over the last three months.

[The Île-de-France market hardest hit](#)

Sales in the Ile-de-France region amounted to 5,985 units in the first quarter of 2021 and almost exclusively related to collective housing (97%). This volume was down 4% compared to that recorded in the first quarter of 2020 and reached a low level, not recorded since 2015.

Properties offered for sale also fell in the region. They were down 13% compared to the first quarter of 2020. 3,080 properties were marketed in the first three months of 2021 compared to 3,550 over the same period in 2020.

Inevitably, the supply of properties for sale is also shrinking and stood at 16,041 units in April 2021. A level 26% lower than that observed one year earlier and almost halved compared to the end of 2017. This is the lowest level since the crisis of 2008.

This lack of supply is driving up selling prices. In the first quarter of 2021, the average price of a new apartment in the region (excluding Paris) stood at €5,310/sqm, up 2.1% year-on-year. This same price in the central zone was €5,850/sqm, down 1.8% year-on-year. The average price in the outer suburbs of Paris increased by 3.6% year-on-year and stabilised at €4,500/sqm in the first quarter of 2021.

After Paris, it is still the Hauts-de-Seine department that shows the highest average price per sqm. This amounted to €7,940/sqm at the beginning of 2021.

[In Paris, an almost non-existent new property market](#)

In the first three months of 2021, only 21 sales were concluded in the capital and 16 homes offered for sale. The new property market in Paris is more limited than ever.

[In conclusion](#)

The Covid 19 health crisis, coupled with the postponement of the second round of the municipal elections, had a major impact on the new property market last year. At the beginning of 2021, the sector is struggling to recover. Although sales and properties offered for sale, at national level, are picking up, the sales volume over twelve months has declined by more than 15% and reached a low level not seen since early 2016. This annual volume is even close to its average of the last twenty years (105,000 vs. 102,000 units). Construction of new properties has also fallen. Over twelve months, less than 400,000 homes were authorised, a low figure not reached since 2015 and around 70,000 units lower than the level recorded before the health crisis. Therefore, the first quarter of 2021 did not allow the

available supply of new properties to regenerate. Since the third quarter of 2020, the available supply of new properties has remained less than 100,000 units and does not cover a full year of marketing. Due to this pressure on supply, prices remain strong (+0.9% year-on-year).

In order to deal with the shortage of new homes, industry professionals have been calling for several quarters for the construction process to be facilitated. Their message seems to have been heard by the public authorities. The Prime Minister recently made a series of announcements aimed at relaunching construction. These include doubling the "fallow land fund" and setting up a commission to identify obstacles to the issuance of building permits and propose solutions to remedy them. Any resulting provisions could be incorporated into the 2022 Finance Bill.



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[Sources](#)

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