CBRE

# Residential, the 2nd largest investment asset class in France in 2025

▲ €4.4 Bn
Investment volumes – 2025

▲ 3.50%
Prime yield
Residential Paris – Dec 2025

▶ 4.20%
Prime yield
Student housing – Dec 2025

▲ +0.7%
Existing housing prices (houses and flats) – Q3 2025
France excl. oversea territories

Note: Arrows indicate annual changes

## KEY POINTS

– Nearly €4.4 billion was invested in residential (excluding social housing) in France in 2025, representing a 34% increase in volume compared to 2024;

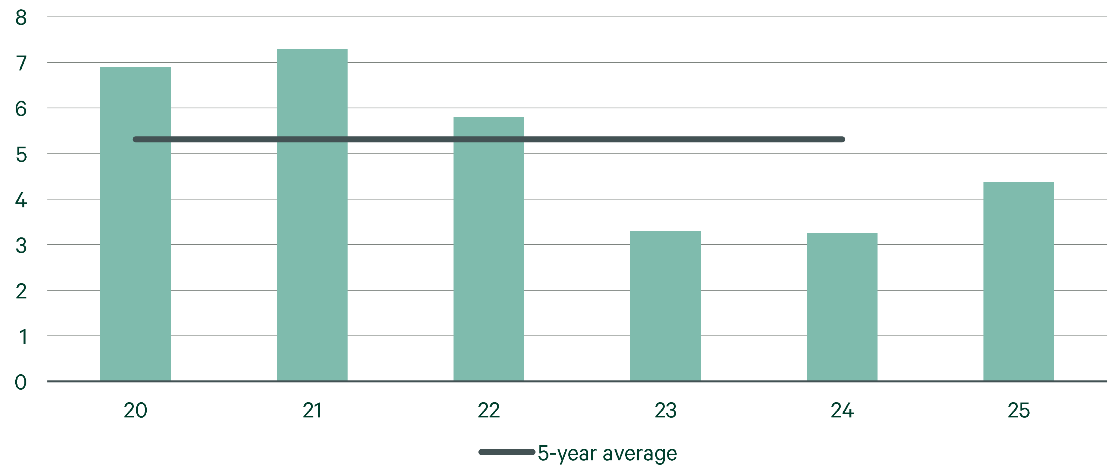
– Prime yields widened at the end of 2025 for multi-family housing, as political instability and budgetary uncertainties in France put upward pressure on the risk premium;

– Real estate prices are on an upward trend, but the increase in borrowing rates for individuals could potentially hamper this momentum;

– The rental market remains under significant pressure, placing it at the centre of political debate in the run-up to two major electoral periods;

– 2025 was another challenging year for construction in France, even though the number of housing starts increased from the low point of 2024.

FIGURE 1: Residential investment volumes* in France (excl. social housing)




In billions of euros
*Private rented, intermediate and operated residential (coliving, student housing, senior housing, multigenerational housing).
Source: CBRE / Immostat, Q4 2025

# 2025: a strong year for student housing

The French residential investment market ended 2025 strongly, with over €1.6 billion invested in Q4, bringing the annual total close to €4.4 billion. This represented a 30% increase in volume compared to 2024, positioning residential as the second largest investment type in France, behind offices and ahead of logistics.

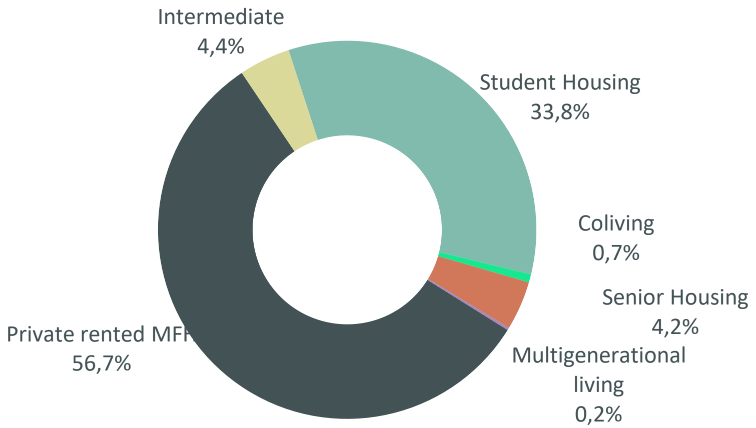
This strong performance was primarily driven by record investment in student housing, which exceeded €300 million in Q4, against a five-year quarterly average of €140 million. The typology saw over €1.4 billion invested in 2025, accounting for one-third of the total residential investment volume for the year. Transaction structures varied, including platform acquisitions, purchases of existing assets, and new developments with or without leases. This adaptability demonstrates that operators, the most active investors on the market, are adept at navigating the market and expanding their portfolios. However, this diverse activity should not be interpreted as an overheated market, as operators remain highly selective regarding location and asset size.

On the senior housing side, volumes were boosted in 2025 by the sale by EMEIS of its portfolio to Twenty Two Real Estate, while the remainder of the market focused on alternative, typically smaller, senior housing formats. The proliferation of these smaller-scale projects highlights investors' recognition of the growing need for senior housing. However, investors remain cautious about re-engaging with existing operators, although some operators have refined their business models and are prepared to cater to the needs of the baby boom generation.

Investment in traditional residential property remained stable, just above €2.4 billion, in 2025, mirroring the previous year's performance. The anticipated rebound, following the marketing of several property portfolios, failed to materialise. The market is also facing headwinds from declining off-plan sales, impacting both Île-de-France and the regions. With the exception of pre-emptions, most transactions involving existing properties are being driven by short-term holding strategies, with a view to subsequent subdivision. Coupled with a scarcity of new-build projects, this trend will likely reduce the availability of block investment opportunities in the coming years – a dynamic that contrasts sharply with the student housing sector.

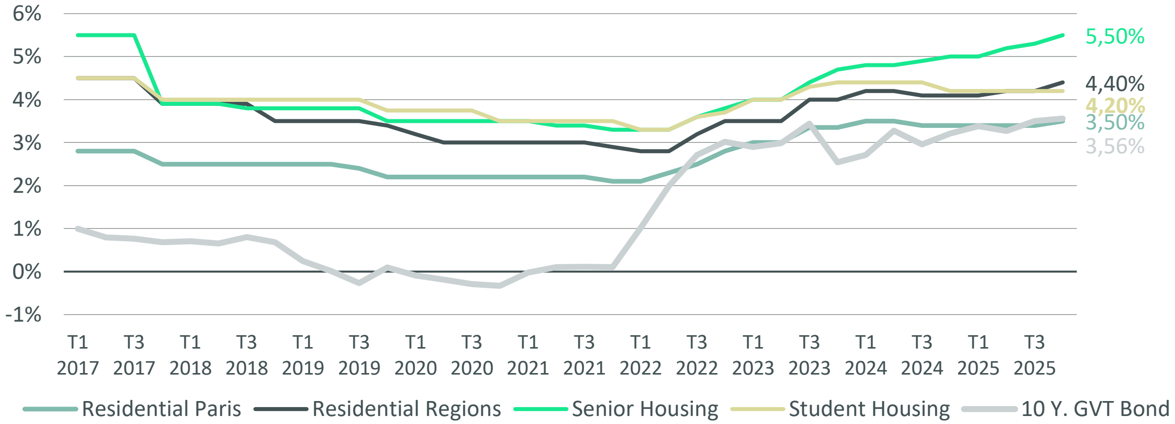
Concerning yields, the increase in the 10-year government bond yield, driven by political instability and budgetary uncertainty, resulted in a widening of prime yields for traditional residential properties. These yields reached 3.50% in Paris and 4.40% in the regions. Yields for senior housing remained at 5.50% at the end of 2025, reflecting the sector's lack of liquidity. Only student accommodation maintained a stable yield, at 4.20%.

FIGURE 2: Breakdown of volumes by type of residential asset




Source : CBRE / Immostat, T4 2025

FIGURE 3: Premium Rate of Return by Product Type




Source: CBRE January 2026, Bank of France (OAT TEC as of 31 December 2025). Grid established by experts (Capital Markets, Valuation, Research), knowing that there are no systematic transaction for each category. Yields for acquisitions of existing, high-quality, unregulated residential property, let at market conditions, by investors with a long-term holding strategy. Excluding properties owned by social and individual landlords.

# Retail Residential Property Market Instability Could Impede Price Growth

## A retail market holding up despite a difficult national context

Despite the challenging political and economic environment, the recovery in individual property transactions continued in 2025, with volumes reaching 945,000 units in the existing market, a 12% increase year-on-year. However, the average borrowing rate steadily rose each month during the second half of the year, mirroring the increase in the 10-year government bond yield, and reached 3.20% in January 2026 (according to the Observatoire Crédit Logement/CSA), up from a low of 3.06% in 2025.

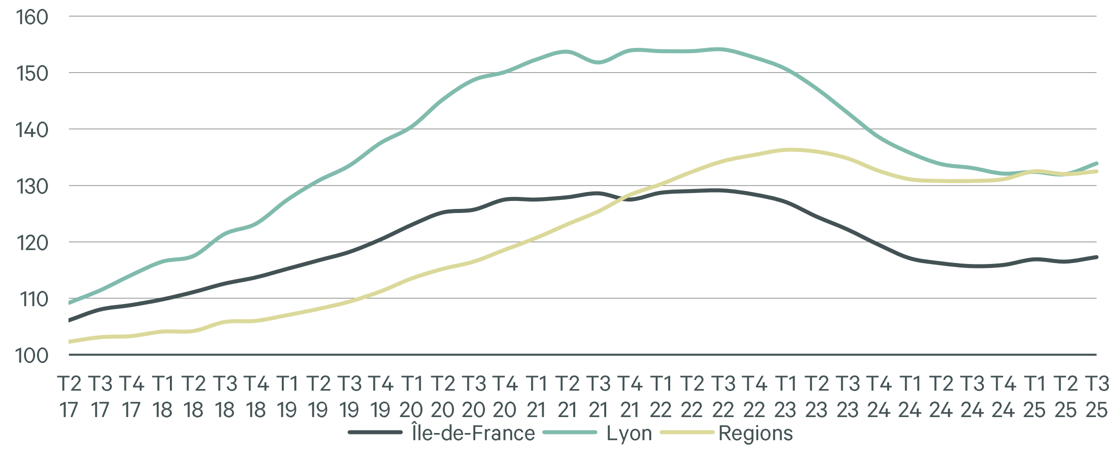
This rising borrowing cost could now threaten the tentative price recovery seen in the second and third quarters of 2025 (the most recent data available), when values had begun to increase, even though purchasing power remained significantly below pre-crisis levels.

## Slowing Rent Growth is not a Not a Sign of Eased Pressure

In Q3 2025, private sector residential rents across the country increased by 1.4% year-on-year, continuing the trend of slowing growth, reflecting the deceleration in inflation upon which rent control and indexation mechanisms are predicated. This trend is projected to persist in the coming months, with inflation having stabilised at approximately 0.8% for several consecutive quarters.

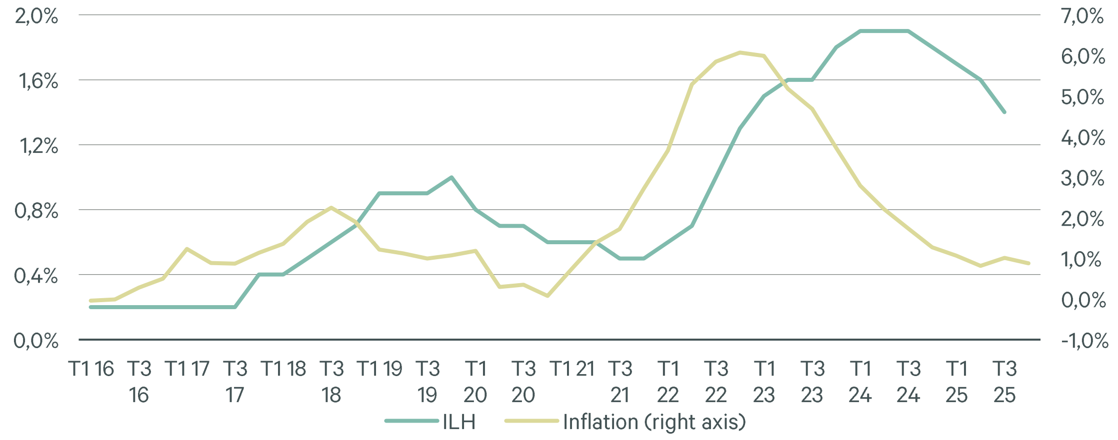
The rental market is expected to remain under significant strain in the coming months, driven by both the subdued level of construction activity in 2025 and the decline in new-build sales to individual investors (fewer than 10,000 units in 2025, according to the Fédération des Promoteurs Immobiliers, compared to over 60,000 in 2019). The growing challenges faced by renters have brought the issue to the forefront of political debate, leading up to upcoming municipal and presidential elections. This includes scrutiny of the benefits and drawbacks of existing rent control measures, currently under review by the Ministry of Housing, as well as criticism of rental practices not subject to those controls (such as “civil code” leases and co-living models).

FIGURE 4: Apartment price index (basis 100 = 2015 average)



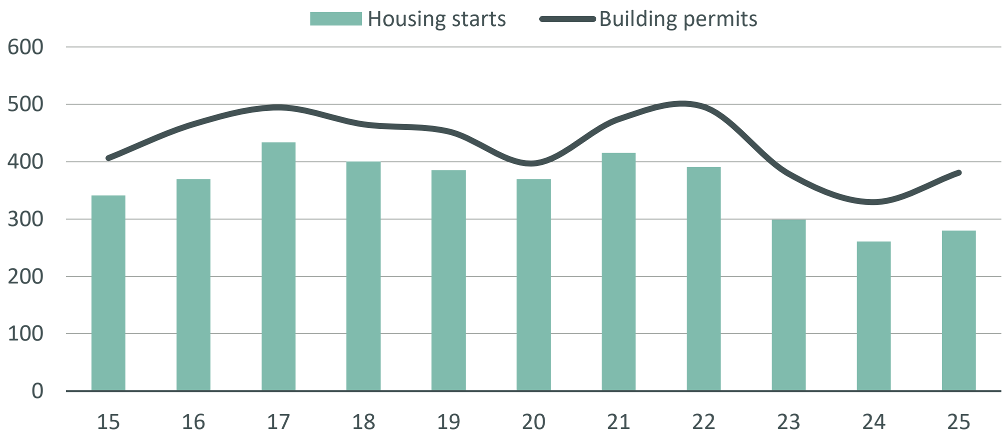

Source: INSEE, seasonally adjusted data, housing in old buildings, Q3 2025

FIGURE 5: Housing rent index (private rented sector-annual change) and inflation




Source: INSEE, Q3 2025.

FIGURE 6: Housing starts and building permits




In thousands of dwellings, over 12 rolling months

Source: CGEDD SDES/Sit@del, January 2026.

## Construction activity remained sluggish in 2025

While the number of housing starts increased by 7% in 2025 compared to the previous year, this does not represent a clear recovery in construction activity, which remains significantly depressed. With fewer than 280,000 units started, activity is down 25% compared to the average since the early 2000s and 19% below the low point reached during the 2009 financial crisis. However, the situation is somewhat less severe for multi-family housing construction alone, which, while also below its long-term average, shows a smaller deficit (-10% compared to the last 25 years). Multi-family housing accounted for 65% of all housing starts in 2025, compared to just over 50% since 2000.

Predicting the trend for 2026 is challenging, and the 15% increase in housing permits granted in 2025 should be viewed with caution. This could reflect both a renewed commitment from developers and an anticipation of the slowdowns typically associated with election cycles. On a more positive note, the “Housing Recovery” Plan, announced in January 2026, was well-received by industry stakeholders. This plan sets a target of 400,000 housing units per year, including 125,000 social housing units and 50,000 private rental units, by 2026. The government is encouraging a revival of rental investment through a new tax scheme for individuals purchasing new or existing properties, provided they commit to major renovations. This scheme, known as the "Jeanbrun" initiative, could stimulate new housing sales for developers but may delay the resurgence of block off-plan sales. However, the numerous conditions attached to the rental aspect of the scheme (including a nine-year rental commitment, unfurnished rental only, and rent caps) could limit its appeal.

### Contacts

**Estelle Barbary**
Senior Consultant
Research
+ 33 (0) 1 53 64 30 71
estelle.barbary@cbre.fr

**Sabine Echalier**
Director
Research
+ 33 (0) 1 53 64 37 04
sabine.echalier@cbre.fr

**Pierre-Edouard Boudot**
Executive Director
Research
+33 (0) 1 53 64 36 86
pe.boudot@cbre.fr

**François-Xavier Pascal**
Head of Residential
Investment Properties
+33 (0) 1 53 64 22 47
fx.pascal@cbre.fr

**Catherine Hamon**
Head of Residential
Valuation
+33 (0) 1 53 64 34 50
catherine.hamon@cbre.fr

**Tasos Vezyridis**
Executive Director – Head of Research,
UK&I and Continental Europe
+44 (0) 7342 079 387
tasos.vezyridis@cbre.com



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