CBRE

A historically weak Q2 but a promising pipeline for the second half of the year

▼ €1.2 Bn
Investment volumes – H1 2026

▲ 3.50%
Prime yield
Residential Paris – Q2 2026

▶ 4.20%
Prime yield
Student housing – Q2 2026

▲ +0.1%
Existing housing prices (houses and flats) – Q1 2026
France excl. overseas territories

Note: Arrows indicate annual changes

KEY POINTS

– €1.2bn of capital was deployed into French residential block deals (excl. social housing) throughout H1 2026, marking a 42% retraction on H1 2025 figures;

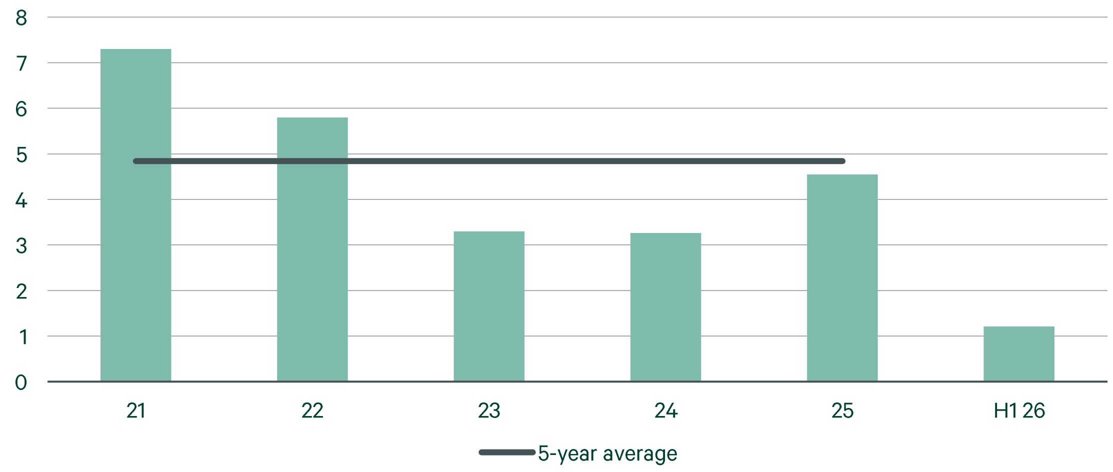
– Prime yields have held firm against Q1 2026 levels across the residential asset class. This has resulted in a negative risk premium for core residential, although prices themselves remain resilient;

– The retail residential market is cooling, with ongoing geopolitical and macroeconomic volatility suppressing buyer confidence;

– The lettings market is showing clear signs of saturation;

– While there has been a steady uptick in housing starts, the pipeline remains insufficient to bridge the gap toward the long-term historical average.

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, Q2 2026

Q2 2026 records historically low transaction volumes.

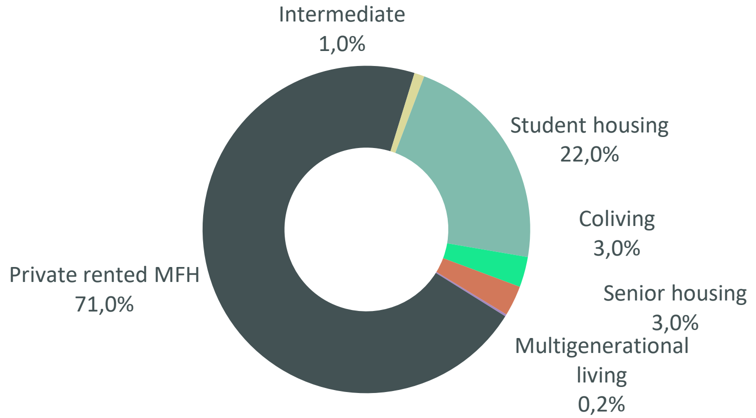
The French residential investment market recorded the lowest 3-month volumes since 2019, with less than €420 million invested in Q2 2026. This underperformance has kept H1 2026 volumes below the €1.3 billion threshold, almost half the average recorded over the previous five first-half periods. While these results may be concerning, the momentum seen at the start of summer 2026 encourages greater optimism for H2: there is a high volume of transactions currently under offer, representing significant volumes. However, a spectacular rebound should not be expected. The macroeconomic environment remains challenging, and structural difficulties in the residential sector persist: insufficient new supply, regulatory uncertainties, increased competition from retail break-up sales, etc.

Unsurprisingly, student housing volumes were down in H1 2026 compared to H1 2025, which was marked by the sale of Gecina's YouFirst platform. However, the decline in volumes should not overshadow the market's effervescence, with 4 more transactions recorded in Q2 2026, totalling €96 million. This pace is expected to accelerate in the coming months, given the number of projects currently underway, both in the Greater Paris Region and the regions.

Investment in traditional residential properties barely exceeded €850 million in H1, a drop of -30% compared to the same period last year. While investor interest for residential remains sustained, supported by strong sector fundamentals, the transactions actually completed are mainly due to the social housing bodies and value-add investors. The latter accounted for 60% of the volumes recorded in H1 2026, compared to around a third in 2024. Furthermore, 75% of transactions, in number, involve deal sizes of under €10 million and are highly concentrated in Paris itself. In this context, the continued absence of institutional capital remains a significant drag on volumes, as current market conditions are not yet aligned with their deployment mandates.

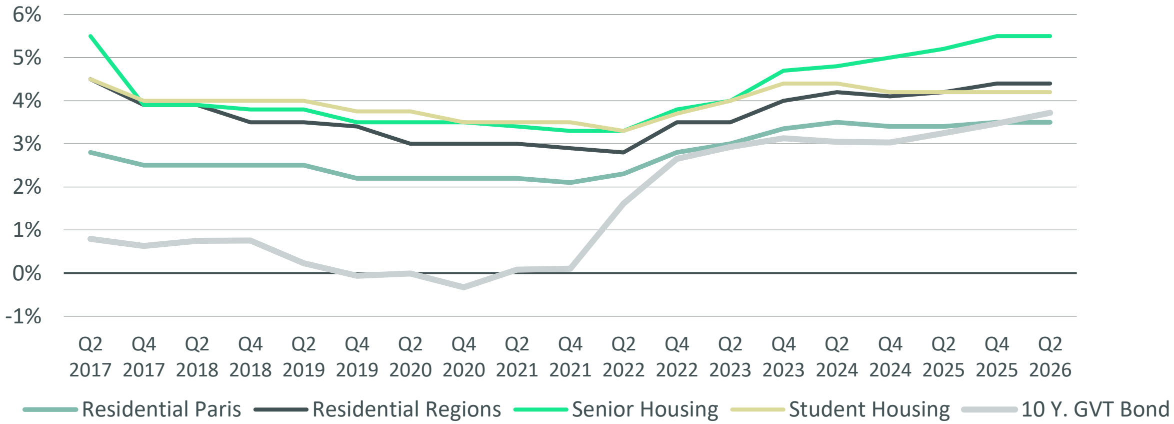
In terms of yields, the continued rise in the 10-year GVT bond is creating a negative risk premium for traditional residential real estate. Market values are holding steady despite the drop in volumes, thanks to the absence of distressed sales and the possibility of reselling assets on a unit-by-unit basis. Prime yields remained stable this quarter for all residential sub-products, ranging from 3.50% for traditonal residential to 5.50% for senior housing.

FIGURE 2: Volumes by asset type in H1 2026



Source: CBRE / Immostat, Q2 2026

FIGURE 3: Prime yield by Product Type



Source: CBRE July 2026, Banque de France (average 10 Y. GVT bond over the period). Grid established by experts (Capital Markets, Valuation, Research), knowing that there are not systematically references 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.

Rental market faces renewed loss of momentum in acquisitions

A slowdown in the private market for acquisitions in Q2 2026

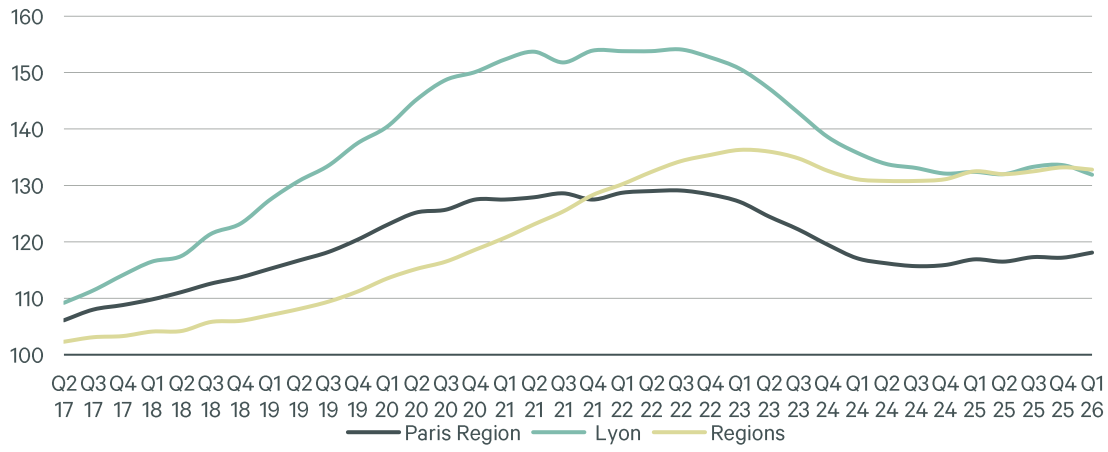
After 18 months of increase, retail sales volumes for existing properties have been declining again since February, falling back below the 950,000 transaction mark in May 2026 over a rolling 12-month period. Mortgage production fell in parallel in Q2, for the first time since spring 2024, as geopolitical uncertainties and the increase in personal deposits weighed on demand. Banks, however, seem willing to lend, as illustrated by the weak increase in borrowing rates in Q2 2026, despite a further deterioration in the monetary and financial environment, notably marked by the increase in the ECB's interest rates. In this context, prices, which have stabilised in recent months, are not expected to rise again, while the rise in borrowing rates could continue in the H2 2026.

Insufficient rental supply to meet growing demand

The cooling of the residential sales market is inevitably shifting demand into the private rented Sector, which has remained critically undersupplied despite the modest transaction rebound seen in 2025. The number of properties available for rent, which has been in free fall since mid-2021, continues to decline in the major French cities, making it increasingly difficult households to secure housing.

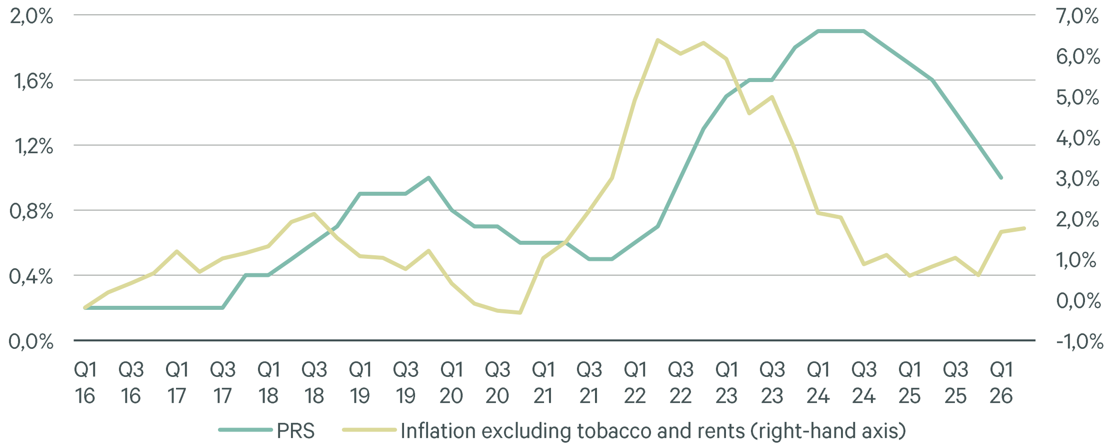
This rise in demand has no direct impact on rents due to statutory rent caps within high-demand urban zones. Nationally, residential rents in the private sector increased by 1.0% year-on-year in Q1 2026, mirroring the inflation observed a year earlier, on which rent control and indexation mechanisms are based. In the coming months, the resumption of inflation triggered by the Iranian conflict is expected to mechanically lead to an acceleration in rent increases.

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



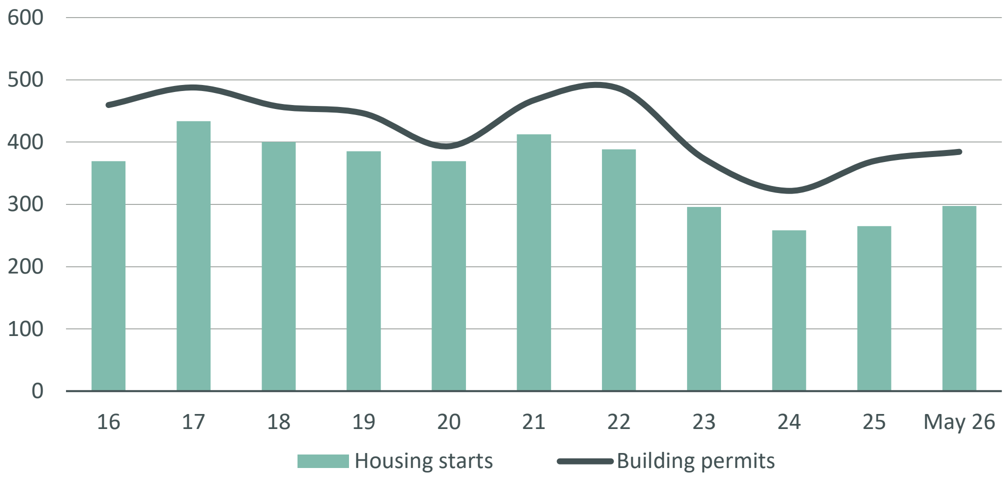
Source: INSEE, CVS data, housing in old buildings, July 2026. Latest data available as of Q1 2026.

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



Source: INSEE, July 2026. Latest available data for PRS as of Q1 2026.

FIGURE 6: housing starts and building permits



In thousands of dwellings, over 12 rolling months

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

Recovery in housing starts continues, yet a substantial shortfall persists

Since the low point observed at the end of the summer of 2025, housing starts have risen sharply. At the end of May 2026, the number of housing starts on a rolling 12-month basis had risen by 20% compared to the same period a year earlier. While encouraging, this uptick remains insufficient to bridge the supply deficit accumulated since 2023, with starts still tracking more than 20% below the 10-year historical average.

For the first time since the 2022 crisis, the individual housing segment is recovering. However, its market share has contracted, now representing just 36% of total starts compared to nearly 45% pre-slowdown. For its part, multifamily housing had begun stabilising earlier, at the end of 2023. Finally, it is worth noting the buoyancy of construction for "managed" residential sector (student, senior, social, etc.), which represents 15% of housing starts at the end of May 2026 over a rolling 12-month period, compared to less than 10% in 2022; A change in the distribution that recalls the dynamics in the investment market.

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