

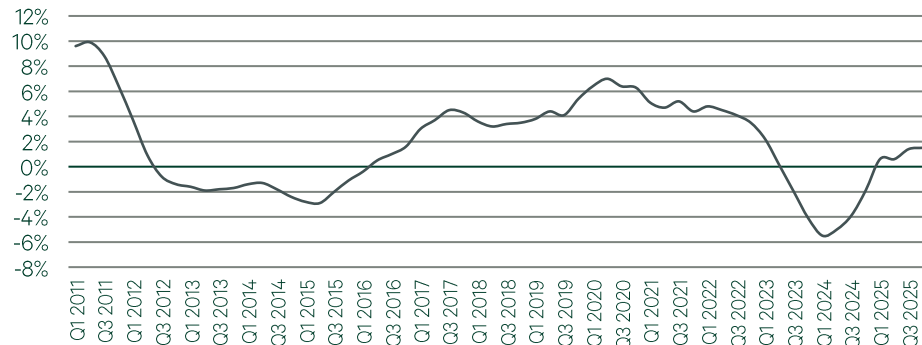
Resilience to be analysed with caution

KEY INDICATORS – arrows indicate annual changes

Sources: CBRE Research / Immostat, Yanport, INSEE, Observatoire Crédit Logement CSA

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|---|---|---|
| Investment volumes ▼ €718 M Q1 2026 | Prime yield ▲ 3.50% Residential Paris | Prime yield ▲ 4.40% Residential Lyon |
| Median rent Paris ▲ €29.2 /sqm/month - apartments | Median rent Lyon ▲ €14.4 /sqm/month - apartments | Rental Indexation (IRL) ▼ +0.6% Q1 2026 |
| Number of sales (existing) ▲ 956,000 February 2026 - 12 rolling months | Average borrowing rate ▲ 3.23% March 2026 | Prices of existing housing ▲ +1.1% Q4 2025 |

FIGURE 1: Annual variation in existing housing prices in France



Source: INSEE, Notaires de France, seasonally-adjusted series, France excluding overseas territories, houses and apartments, Q4 2025

Market fundamentals: a climate of uncertainty could affect the private housing market

Retail transaction volumes are still on the rise but the momentum is drying up

The gradual rise in borrowing rates for individuals observed since the end of H1 2025 is starting to have an impact on retail transaction volumes. While growth continues, it's at a noticeably slower pace. Over the first 3 months of the year, credit production also increased despite geopolitical tensions, with banks trying to bring to fruition the files of households that have not postponed their projects, according to the Observatoire Crédit Logement – CSA. However, a slowdown is likely in the coming months as the economic and financial environment remains relatively gloomy.

Existing housing prices are stabilising after a short-lived recovery

Rising interest rates and a noticeable drop in demand, reflected in fewer loan applications, may now bring an end to the upward price trajectories we've seen; indeed, prices had already stabilised in the latter part of 2025. More recent data from MeilleursAgents suggest a spring market activity below the usual seasonal expectations, though we are not witnessing sharp price falls.

More than encouraging construction activity in Q1 2026

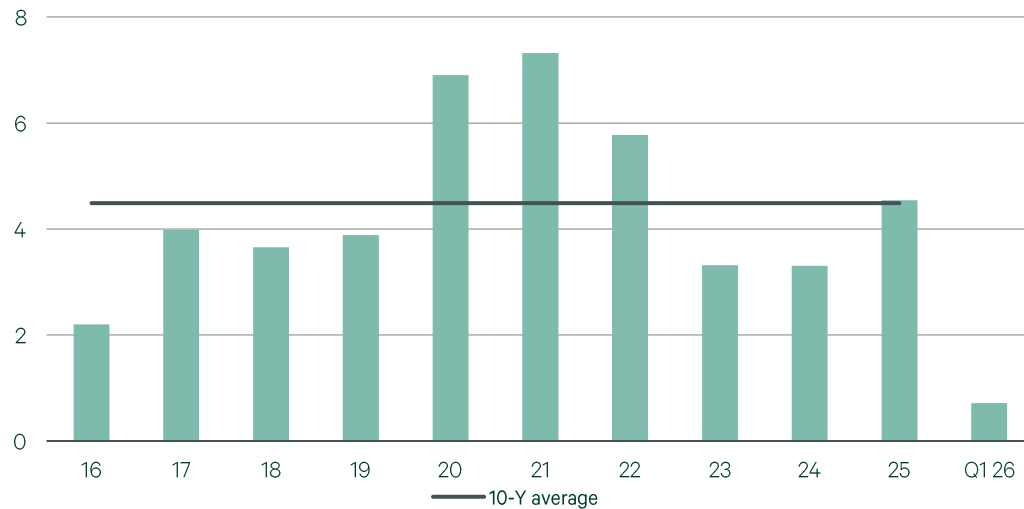
The strong increase in the number of new housing unit authorisations and housing starts was the positive surprise of Q1 2026, up +22% and +11% respectively for the 12 months leading to March 2026, year-on-year. The sector has not experienced the slowdown usually observed during municipal elections and is recovering from the low point reached last year. However, despite approved units nearing the 10-year average (a mere -7% shy), actual housing starts continue to lag substantially (-20%), further widening the disparity between housing provision and market requirements.

A new inflation spike induced by the war in Iran will drive up rents

Nationally, growth in private rental sector residential rents is continuing to decelerate, albeit remaining significantly above the ten-year average. This trend reflects the receding inflationary pressures that stemmed from the conflict in Ukraine. For the forthcoming months, however, the fresh inflationary environment arising from the conflict in Iran is poised to instigate a new cycle of rental increases, driven by indexation. Furthermore, the slowdown currently being witnessed in the acquisition market will inevitably continue to exacerbate the strain on an already highly competitive leasing market.

The Lecornu government is planning to introduce new legislation in the summer of 2026 to enhance housing supply. Key proposals include permitting the re-letting of properties with an EPC-rating of F and , conditional on a commitment to undertake necessary improvement works. Additionally, the government intends to implement a 'local interest operations' scheme to streamline administrative procedures for projects favouring densification and urban regeneration. There is also a proposal to lower the work threshold for the new Jeanbrun tax scheme, which is designed to stimulate buy-to-let investment through tax depreciation.

FIGURE 2: Residential investment volumes



In € bn

Source: CBRE Research / Immostat, Q1 2025

Investment: a deceptive Q1

With €718 million invested, the French residential investment market* took 2nd place in the ranking by property type in Q1 2026, behind retail and ahead of the office. Much like the leading property type this quarter, the residential sector benefited from the completion of a major transaction, namely the acquisition of 29 Sèvres in Paris, for around €210 million. However, this good performance, when compared to other asset classes, should not obscure the fact that volumes for residential real estate are down compared to Q1 2025 (-12%). The decline of almost a third in the number of transactions over the same period illustrates the weakness of activity in the Q1, which nevertheless follows a dynamic end of 2025.

Over the first 3 months of the year, the sustained interest for student housing is confirmed for 2026 with more than 130 million euros already identified. The number of market participants seeking to expand their portfolios in this segment has reached unprecedented levels, driving fierce competition, particularly for residences within the Paris region. While the record volumes of 2025 are unlikely to be beaten due to the absence of portfolio transactions expected in the coming months, the ongoing marketing processes suggest a promising outlook for the category in 2026.

On the other hand, the multifamily housing market still suffers from the absence of multi-product institutional investors. These investors remain cautious, not only due to the currently low yields but also the scarcity of opportunities that align with their specific investment criteria, such as transaction size or off-plan developments. Apart from the sale of 29 Sèvres and an acquisition by Fidelity in Courbevoie, the market remains driven by value-creating transactions, pre-emptions and acquisitions by social housing providers. While the prevailing economic climate undoubtedly plays a role, it is not the sole determinant; a considerable number of assets brought to market require substantial renovation work to comply with new regulations and contemporary expectations regarding comfort. Such extensive refurbishment is often outside the core business of investors primarily seeking income returns. However, some forthcoming opportunities should test the appetite of institutional players in the coming months.

The prime yield for traditional residential properties has been stable over the last few months, standing at 3.50% in Paris in March 2026. This stability indicates that the significant volatility observed in risk-free yields is not immediately translating into fluctuations in real estate values. In this changing environment, the block purchase discount relative to individual retail pricing remains the key indicator for most market participants.

**including multifamily housing, intermediate housing, student housing, senior housing, coliving, intergenerational housing but excluding social housing.*

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