

## CHANGE IN THE INSEE\* AND NOTARY PRICE INDICES

	OLDER PROPERTIES		OLDER APARTMENTS		OLDER HOUSES	
	3 months	1 year	3 months	1 year	3 months	1 year
Mainland France	2%	7.4%	1.4%	5.2%	2.5%	9%
Greater Paris Region (Ile-de-France)	1.3%	4%	1.1%	2.5%	1.8%	7%
French Provinces	2.3%	8.8%	1.7%	7.5%	2.6%	9.4%

\* Three-month variation (seasonally adjusted): change between the second quarter of 2021 and the third quarter of 2021  
One-year variation: change between the third quarter of 2020 and the third quarter of 2021



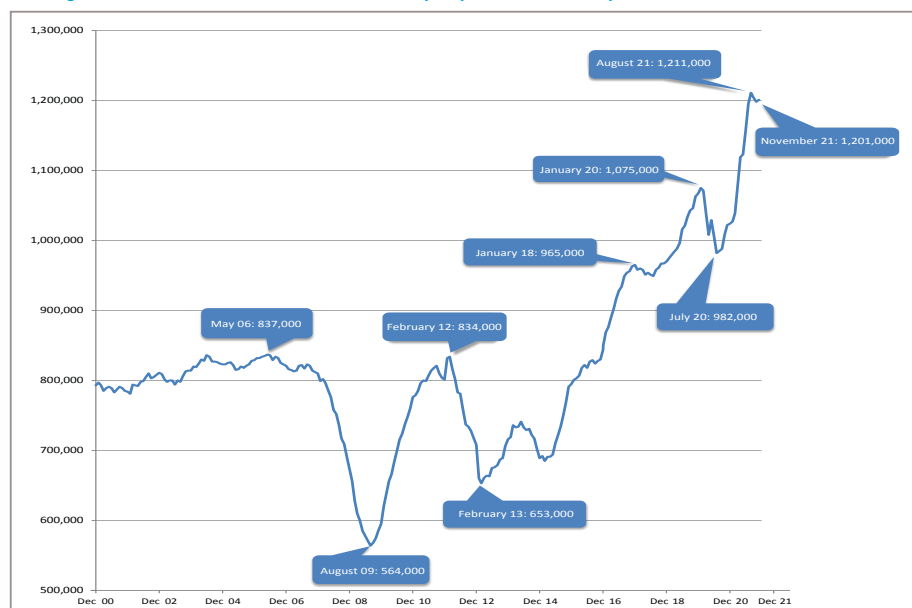
## Towards a slow fall in volumes?

At the end of November 2021, the cumulative volume of older property transactions over the last twelve months in France (excluding Mayotte) reached **1,201,000 transactions**. This volume continues to increase compared to the previous twelve months, registering an increase of **17.5% over one year**. This annual increase remains significant but lower than that recorded in August 2021 (+23% over one year). Therefore, the volume of older property transactions seems to have reached a phase of stabilisation. In a comparable context, it could recover towards a still high reference threshold between 1 and 1.1 million sales in the coming months. It would thus be close to that at the end of 2019, another sign of an appetite for real estate, which is also observed quite generally in all OECD countries.

The French have accelerated, as a whole, the implementation of their real estate projects. And if the accentuation of the movement of travel from large metropolitan centres to smaller municipalities is one more branch in the morphological tree of the real estate market, it remains to be put into perspective with regard to the overall volume of these transactions.

As such, while they may have locally led to a rise in prices and consequences on the accessibility of properties by creating a disparity with certain local populations with a lower real estate purchasing power, this effect remains limited

## Changes in the sales volumes of older properties in the period 2000/2021



Source: CGEDD according to notary databases and DGFIP (MEDOC)

to certain geographical areas. Conversely, this movement has had upsides by relaunching the real estate market in smaller towns that had hitherto been more neglected and encouraging them to develop infrastructure, in particular reception infrastructure.

But as the positive effects of the social and economic shock absorbers put in place to alleviate the health crisis diminish, the savings stored in 2020<sup>1</sup> will have been used up, and

the volume of transactions could change in the medium term. Nevertheless, the economic environment specific to the real estate market remains reassuring, with interest rates on new housing loans remaining at a low point at 1.12% in November 2021, thus reserving for real estate its quality as a safe and sustainable investment.

## Prices firmly on the rise

In the third quarter of 2021, over one year, the upward acceleration of prices of older properties in mainland France continues with +7.4%. Since the fourth quarter of 2020, the increase is more marked for houses (+9% in one year in the third quarter of 2021) than for apartments (+5.2%), which had not happened since the end of 2016.

## LATEST TRENDS

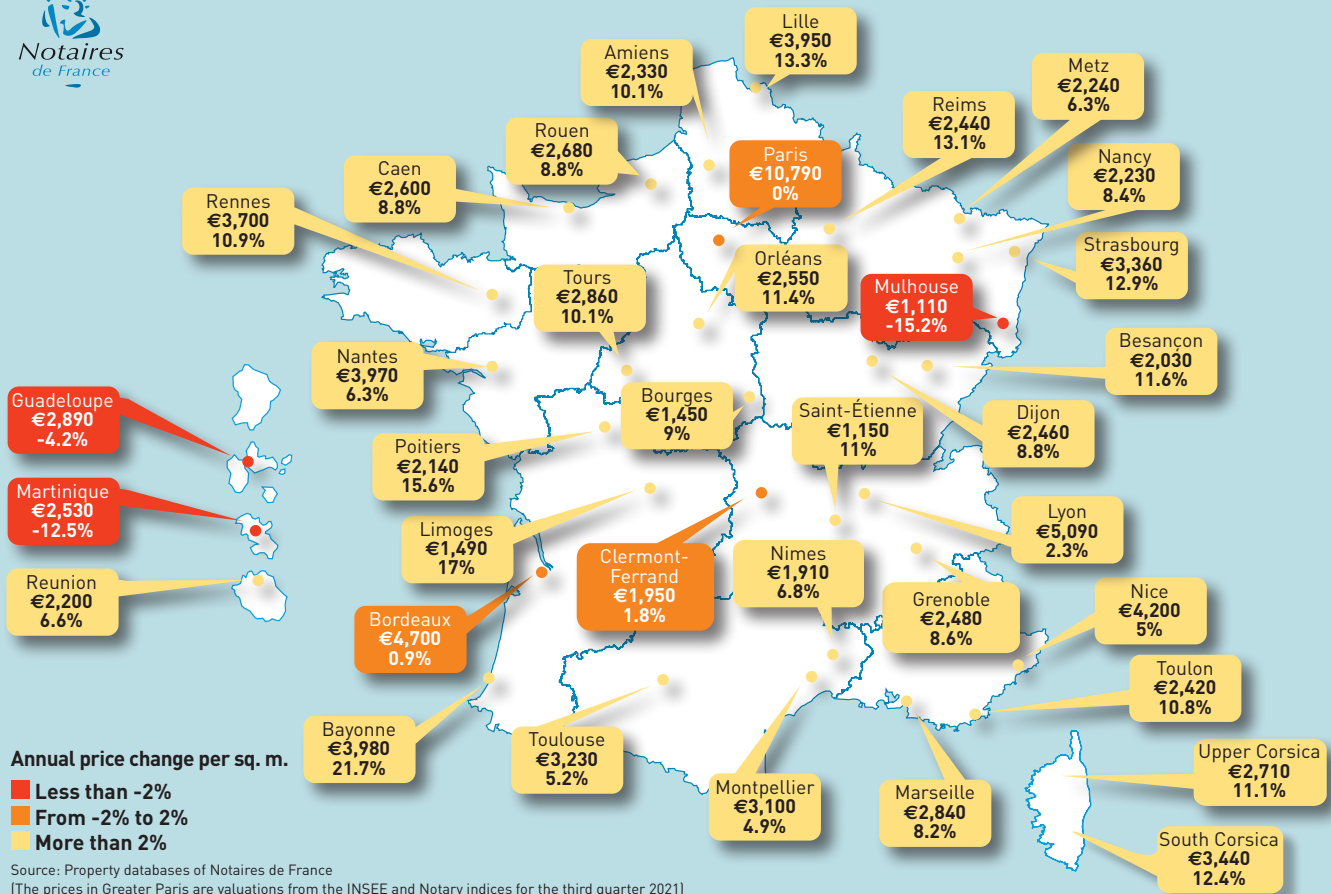
	Older apartments	Older houses
Change 3 months*	1%	1.9%
Change 1 year*	5%	10.1%

\* Changes in projected indicators based on preliminary contracts in mainland France: projection at the end of February 2022.

<sup>1</sup> - According to the OFCE, over the period from the first quarter of 2020 to the second quarter of 2021, with largely constrained consumption, households accumulated 151 billion in "Covid savings", [www.ofce.sciences-po.fr/blog/perspectives-de-rentree-pour-leconomie-francaise-2021-2022-la-vague-de-la-reprise/](http://www.ofce.sciences-po.fr/blog/perspectives-de-rentree-pour-leconomie-francaise-2021-2022-la-vague-de-la-reprise/)

## MEDIAN PRICES PER SQ. M. OF OLDER APARTMENTS IN THE THIRD QUARTER OF 2021

► Change over one year: 1 July 2021 to 30 September 2021/1 July 2020 to 30 September 2020



Annual price change per sq. m.

- Less than -2%
- From -2% to 2%
- More than 2%

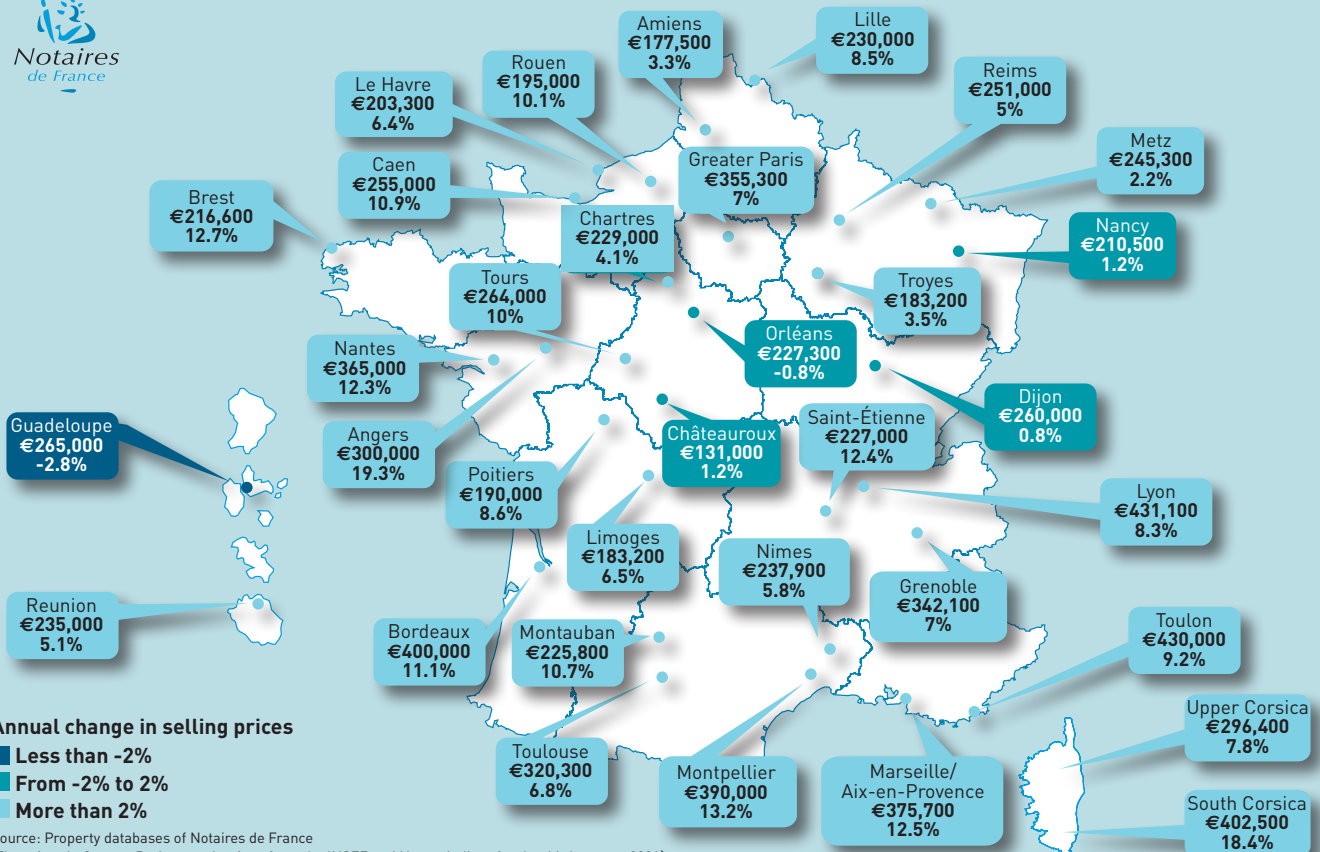
Source: Property databases of Notaires de France

(The prices in Greater Paris are valuations from the INSEE and Notary indices for the third quarter 2021)

## MEDIAN SELLING PRICE OF OLDER HOUSES IN THE THIRD QUARTER OF 2021

► Change over one year: 1 July 2021 to 30 September 2021/1 July 2020 to 30 September 2020

Statistics for houses refer to the whole agglomeration (city centre + suburbs)



Annual change in selling prices

- Less than -2%
- From -2% to 2%
- More than 2%

Source: Property databases of Notaires de France

(The prices in Greater Paris are valuations from the INSEE and Notary indices for the third quarter 2021)



In the provinces, the rise in prices is intensifying with +8.8% between the third quarter of 2020 and the third quarter of 2021. As since the start of 2021, the rise in house prices (+9.4% over the year in the third quarter) is stronger than that of apartments (+7.5).

In Greater Paris, the prices of older properties are also on the rise with +4% between the third quarter of 2020 and the third quarter of 2021. This increase is much more marked for house prices (+7% over one year, after +6% in the second quarter and +7.3% in the first quarter) than for apartments (+2.5% over one year, after +2.4% and +3.6%). As for the whole territory, in Greater Paris the annual increase in house prices is more marked than that of apartments since the fourth quarter of 2020, which had not happened since 2016.

### Preliminary contracts

The projections based on preliminary contracts in mainland France foresee for the end of February 2022 a continuation of the annual price increase: from February 2021 to February 2022, prices should increase by 5% for older apartments and 10.1% for older houses. Over the last few months, the rise in prices should be less marked with changes over three months of around +1% for apartments and +2% for houses at the end of February 2022 (against respectively +1.4% and +2.5% for the changes over three months at the end of September).

The projections of preliminary contracts highlight an increase in prices in medium-sized cities and towns such as Angers, Limoges, Dijon or Saint-Nazaire to the detriment of large cities such as Bordeaux, which have probably reached a peak and which will experience stabilisation of prices or even a slight fall.

### Buyer solvency and context of prudence

Faced with these price increases, the decision of the High Council for Financial Stability (HCSF) relating to the conditions for granting mortgages, applicable and coercive for banks from 1 January 2022, aims above all to preserve the solvency of buyers in a context of prudence. It should be remembered that these prescriptions, which the banks had begun to standardise, entail a limitation to 35% of the share of income devoted to the repayment of the loan and the payment of the borrower's insurance (debt service-to-income ratio) and a limitation of the duration of indebtedness to 25 years. There is a risk of seeing first-time buyers without a deposit at a disadvantage. It should be noted that the banks can, however, waive these obligations on up to 20% of their loan production per quarter.

### Concerns about the new home market

The performances posted in the older property sector in 2021 should not hide the concern due to the difficulties of the new houses market. The low production of new homes for several quarters has contributed directly to the rise in prices for older properties, even more so when the stocks of older properties for sale are dwindling. Besides, wasn't the first objective of the ELAN

law of 2018 to build and renovate "more, better and cheaper"? Wouldn't it be appropriate to encourage building permit authorisations by speeding them up in certain situations? Or make the neutralisation of very old specifications in certain urban centres possible?

Everyone is aware, moreover, that the revival of the real estate sector and the construction of housing in France remain supported by the tax incentive, since the Pinel system currently represents around 50% of the sale of new housing (Source: FPI).

### The new housing market - Key figures

#### House building

St@t info No. 423 - December 2021

Figures at the end of November 2021

Change Q/Q-1 (*)	All	Single occupancy	Multi-occupancy buildings (including blocks of flats)
Approved housing	- 1%	- 4.2%	+ 1.7%
Builds in progress	+ 0.6%	+ 4.4%	- 2.1%

(\*) Last three months compared with the previous three months. Source: SDES, Sit@del2, estimates at the end of November 2021

#### Sales of new housing

St@t info No. 408 - November 2021

Figures at the third quarter 2021

	Third quarter of 2021
Number of reservations	- 9.8% over a year (23,217 units)
Offered for sale	+8.8% over a year (22,203 units)
Housing inventory	- 3.9% over a year (22,203 units)
Cancellations of reservations for sale	- 21.7% over a year (95,030 units)

Source: SDES, ECLN

### Impact of the Climate Law and new DPE (energy performance assessment)

The official intention of the public authorities is to promote the virtuous classification of a

property for sale by economically stigmatising thermal sieves, but by supporting renovation in order to improve the stock. This trend goes far beyond our borders and is inevitable. To this end, the State has also set up energy renovation aid schemes to support the transition. Similarly, the Climate and Resilience law now directs the allocation of the works fund in condominiums to energy renovation. If the modification of the DPE perhaps pointed towards an increase in sales volumes of classes F and G, the notarial real estate databases, as things stand, do not support this analysis. It seems too early to be able to say that this trend can exist. Similarly, only the coming months will make it possible to verify whether the primary intention of the public authorities – to neutralise the number of thermal sieves, even if the classification criteria change – materialises.

From the analysis of the notarial real estate databases on the distribution of sales of older properties according to the DPE at the level of mainland France it appears that the overall energy performance of the real estate stock has generally improved over ten years.

### Breakdown of sales of older properties according to the DPE at the level of mainland France

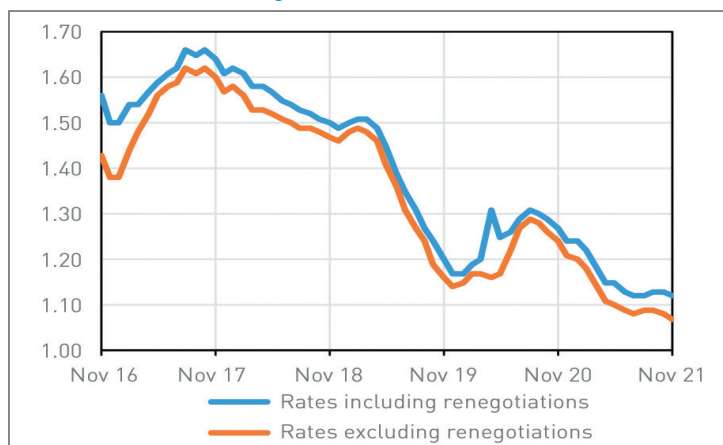
Mainland France		2011 (in%)	2020 (in%)	2021 (in%)	2011/2021 differences
Older apartments	A	0.5	0.9	1.2	0.7 points
	B	0.7	4.3	4.7	4.1 points
	C	9.1	17.2	18.5	9.4 points
	D	39.8	42.3	41.5	1.8 points
	E	30.2	25.4	24.5	-5.6 points
	F	13.9	7.4	7	-6.9 points
	G	5.9	2.4	2.4	-3.5 points
Older houses	A	0.3	1.1	1.5	1.1 points
	B	1.2	3.9	4.5	3.3 points
	C	12.7	19.2	20.1	7.5 points
	D	35.4	37.1	36.1	0.6 points
	E	28	25.9	24.9	-3.1 points
	F	14.6	9.6	9.4	-5.2 points
	G	7.7	3.3	3.5	-4.2 points

Source: Notarial real estate databases

### Credit - Banque de France data

The production of housing loans reached 23.1 billion in November 2021 (18.1 billion excluding renegotiations), after 24.3 billion in October (19.5 billion excluding renegotiations). The interest rate on new home loans remained at a low of 1.12% in November after being at 1.13% in October.

#### Rates of new home lending (of all terms)



Source: Banque de France

# NON-RESIDENT FOREIGNERS PURCHASING OLDER PROPERTIES IN MAINLAND FRANCE 2020

## Non-resident foreign buyers still less represented

In mainland France, the share of non-resident foreign buyers continues to decline, reaching its lowest level in the last ten years, at 1.3% in 2020 (compared to 1.7% in 2010).

For example, 3.8% of purchases in Provence/Côte d'Azur/Corsica (territory which concentrates the most purchases by non-resident foreigners) were made by non-resident foreigners in 2019, whereas they were only 3.1% in 2020. In the Alps and Greater Paris, the annual declines are equivalent to that recorded across France, at -0.2 points, for 1.6% and 0.7% of purchases respectively in 2020.

*A fortiori*, the first half of 2021 confirms the downward trend: non-resident foreign buyers represent only 1.2% of purchases in mainland France as of the first half-year. The Massif Central is the most affected territory in 2021 with 2.2% of purchases made in 2020 by non-resident foreigners compared to only 1.5% in the first half of 2021. In Greater Paris, the share of purchases made by non-resident foreigners remained stable in the first half of 2021 at 0.7%.

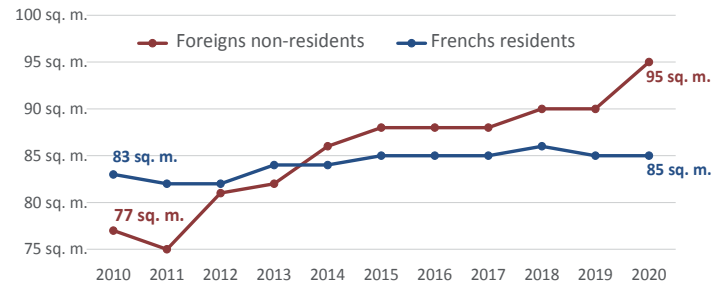
## An ever-increasing median surface area purchased but partly linked to location

In the provinces, the median surface area purchased by non-resident foreigners has increased very sharply over ten years: it has increased from 77 sq. m. to 95 sq. m., i.e. nearly 20 sq. m. in addition, while for French residents, the increase was only an additional 2 sq. m. But the increase in the median surface area purchased by non-resident foreigners is related to the location of their purchases. Indeed, the share of their acquisitions made in the "urban centres"<sup>1</sup> has fallen sharply over the past ten years in favour of that carried out in more "rural" areas. Indeed, if in the provinces, in 2010, 48% of purchases by non-resident foreigners were made in "urban centres", they were only 38% in 2019 and 36% in 2020.

In Greater Paris, the median surface area of housing purchased by non-resident foreigners also increased, from 46 sq. m. in 2010 to 60 sq. m. in 2020, while that of housing purchased by French residents only increased by an additional 4 sq. m. in 10 years. Over one year, the gain in surface area amounts to 3 sq. m. in 2020 for non-resident foreigners, while it is almost nil for French residents. Like purchases made in the provinces, transactions made by non-resident foreigners in Greater Paris are now more oriented towards the inner and outer suburbs than in the capital: 73% of purchases made by non-resident foreigners were made in Paris in 2010 compared to 50% in 2019 and 47% in 2020.

## Median surface area purchased in the provinces by nationality and place of residence of buyers

In 2020, the median surface area purchased by non-resident foreigners reached 95 sq. m., i.e. a gain of 5 sq. m. over one year, while it remained stable for purchases by French residents at 85 sq. m.

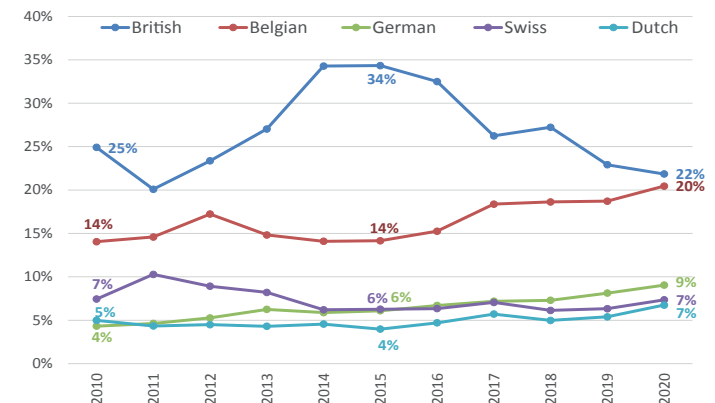


Source: the BIEN and Perval databases of French notaries

## The Belgians, close to first place in the ranking for 2020

Among non-resident foreign buyers of housing in mainland France, the British remain the most represented in 2020 and account for 22% of purchases. However, there has been a sharp drop since the referendum on UK membership of the European Union in 2016<sup>2</sup>. In 2020, Belgians have never been so close with 20% of purchases. The Germans, the third most represented nationality, account for 9% of transactions in 2020, i.e. +1 point compared to 2019.

## Evolution of the share of the five most represented nationalities among non-resident foreigners in 2020



Source: the BIEN and Perval databases of French notaries

1 - Urban units that bring together more than 5,000 jobs.

2 - In 2016, the British represented 32% of purchases made by non-resident foreigners in mainland France.



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## Definitions

### Seasonally adjusted indexes

In the same way that the index calculation method smooths out structural effects, corrected seasonal variations adjust seasonal fluctuations. The purpose is to ensure a fair comparison of trends between two consecutive quarters, without this interpretation being distorted by the time of year. For example, property prices rise during the third quarter of each year, house prices in particular, due to demand from families driven by the school year.

### Median prices

The INSEE (French National Institute of Statistics & Economic Studies) and Notary indexes are only available for geographical areas where the number of changes of ownership is high enough. At more detailed levels, median prices are used. The median price is such that 50% of transactions were concluded at a lower price and as many at a higher price. It more accurately represents the "midpoint" of the market than the average, as it is less affected by extreme values.

### INSEE (French National Statistics & Economic Studies Institute) and Notary indexes

The calculation method used for the INSEE and Notary indexes is based on econometric models which break down the price of a property according to its main characteristics (location, size, comfort, etc.) in order to be better able to withstand structural effects that cause transaction prices to vary from quarter to quarter.

