



# France

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## IN A NUTSHELL

- Average home loan rates decreased continuously during the year from 4.17% in January to 3.30% in December.
- Housing sales dropped by 11% to a 10 year low, impacting especially single-family detached houses.
- Prices of existing dwellings fell by 4% over the year, the most since 2009, particularly in Ile-de-France region and big cities like Paris and Lyon.
- Total outstanding home loans fell for the first time (-0.7% y-o-y), with a second consecutive decline in new home loans (-13% vs. 2023).
- The shift in the housing policy towards existing dwellings continued, but did not succeed in promoting renovation to the government target.

## MACROECONOMIC OVERVIEW

According to Insee, the economy grew by 1.1% (+1.6% in 2023). The labour market was resilient with unemployment decreasing by 0.2 pp y-o-y to 7.3% in Q4, near to the 40 year low. The employment rate (of 15-64 years old) reached an annual high record at 74.6%.

As in 2023, the number of business failures continued to rise after a period of low volumes between 2020 and 2022, reaching 67,000 units in 2024 (up 18% y-o-y). Firms in the housing sectors were worse hit: in the building sector, failures increased by 25% to 14,820 (22% of total of national failures), strongly impacted by real estate developers and by builders of single-family detached houses. In real estate activities (led by landlords, agents or brokers for sale or purchase of real estate, rental of real estate, provision of other services related to real estate), failures grew by 32% to 5,025 (7% of the total), mostly affected by real estate agencies (+36% y-o-y of failures).

According to Insee, inflation fell sharply during the year, to 2.3% in annual average for 2024 (5.7% in 2023). The net purchasing power of households grew by 2.5%, largely driven by social benefits (particularly pensions that are adjusted with a delay to inflation) and by increased incomes from assets, which modestly supported the annual rise in household consumption (+1%). The saving rate remaining at a very high historical level (18.2% in 2024) and the second decline in a row for household investment, which corresponds to the use of a part of savings (-5.6% in 2024, after -7.7% in 2023), illustrated the very cautious behaviour adopted by households. This context of wait-and-see did not allow a true recovery of the housing market in 2024 despite some improvements in the second half of the year.

## LOOKING AHEAD

According to forecasts from Banque de France in June 2025, GDP is expected to grow by 0.6% in 2025, with inflation at 1.0%. A slightly higher household purchasing power (+0.5%) would mildly support an increase in household consumption (+0.7% vs. 2024), which would be the main driver of economic

growth in 2025. Moreover, the saving rate is expected to remain at 18.1%, above its pre-pandemic level due to political and economic uncertainty, and would not contribute to the recovery in household investment (expected at -0.5% for 2025).

After 4 interest rate cuts in the first half of 2025 and another potential one in the second half of 2025, the decreases in rates might come to an end in 2025. Political uncertainties, the high level of public debt and deficit, and US tariffs have all increased the cost of debt for the French government. In mid-May 2025, the Eurosystem forecasted an annual increase of 0.2 pp for the OAT-10 year, from 3.40% in 2025 to 3.60% in 2026. Those suggest that further cuts in home loan rates are unlikely.

With 80% of houses financed with a home loan, the end of falling interest rates at mid-2025 – which had been underpinning an increase in planned purchases over the last quarters – combined with economic uncertainty has limited expected purchases over the next 12 months.

## HOUSING MARKETS

Sales of existing dwellings - 85% of all housing transactions - reached 845,000 units in 2024 (their lowest level since 2015) and decreased annually by 9%: Provincial France (approximately 88% of this total) fell by 9% and Ile-de-France by 13%. House prices dropped annually in France by 4.0%, but the fall lessened from the middle of the year as sales started to increase: Ile-de-France region suffered the most (-6.2%, with -6.7% for single-family detached homes and -5.7% for flats), as did Paris city (-5.8% for flats); prices in Provincial France decreased by 3.4% (single-family houses by 3.6% and flats by 3.0%).

With less favourable conditions for the building industry, the number of housing permits fell over a year by 13% to 329,200 and housing starts by 9% to 281,000. Housing starts for multifamily residential (179,000 units) were stable compared to 2023 (although at their lowest level since 2003), those for collective residences increased by 4% (notably in favour of students and seniors, with 34,000 units) and those for single-family detached homes kept shrinking to 67,900 units (-29% y-o-y), their lowest level since the 1960's.

Sales of homes by real estate developers declined by 5% compared to 2023, to their lowest volume (68,500 sales) since the housing crisis of the 90's. Their stock of available home for sale was 117,400 units. The number of sale cancellations by households was equal to 18% of the annual sales and the number of housing operations cancelled by developers was equal to 35% of the annual new homes put up for sale. Annual average prices lowered by 0.7% for new flats (average sale price of EUR 4,678 per square meter) and by 2.7% for new houses (average sale price of EUR 345,342). As the previous year with the support of "Caisse des Dépôts et Consignations" and "Action Logement", the share of purchases by social housing (34%) and others institutional investors (4%) was higher than before 2022.

Sales of new single-family detached homes annually declined by 13% to 50,800 units, the lowest level for several decades. The traditional client

for these properties is largely made up of first-time buyers and households with wages below the national average, who rely heavily on lending. The Government excluded in 2024 this kind of homes from eligibility for the zero interest rate loan ("PTZ"). Secondly the very sharp increase in builder's costs was passed on to buyers (+23% between 2019 and 2023 for the total average cost for a new house). Moreover, the goal of "Zero Net Land Take" (the balance of soil artificialization and renaturation recorded over a given area and period) in 2050 (and the intermediate stage of 50% reduction by 2031) introduced by the 2021 "Climate and Resilience Act" have already partially limited the development of new construction sites, which could also support the increasing trend in prices for new constructions (linked to a greater competition for areas available to build).

## MORTGAGE MARKETS

### MARKET DYNAMICS

According to Banque de France, new loan origination for households declined by 13% to EUR 132.7 bn in 2024. Excluding renegotiations and loan transfers, new loans were EUR 110.3 bn, down by 14%, at the lowest amount since 2014. For the first time since 1993, the outstanding value of all home loans decreased by 0.7% y-o-y at EUR 1,283 bn at the end of 2024 (vs. +0.9% in 2023). Finally, renegotiated loans were EUR 22.4 bn, decreasing by 9% (at 17% of the total new loans, stable over one year). 80% of new loans were for main residence purchases and 41% of the total were for first-time buyers (+1.0 pp versus 2023).

The monthly average interest rate of new home loans continuously decreased between the peak of January 2024 (4.17%) and December (3.30%), which supported the borrowing capacity of households. But in annual average, interest rates increased over a year by 43 bps at 3.72% in 2024, reaching the highest annual level since 2012.

Meanwhile, the average maturity at origination lowered slightly at 22.25 years (-0.8 month vs. 2023). Specifically for the purchase of a primary home, it was 23.5 years for first time buyers (-0.2 month vs. 2023) and 22.3 years for repeat buyers (-0.1 month). In 2024, the average LTV at origination fell to 77.7% (-1 pp vs. 2023) and the share of new loans with LTV higher than 100% was stable at 16.3%.<sup>1</sup> Furthermore, the average DSTI ratio at origination was unchanged at 30.7%.

The production of new housing loans is based on solid fundamentals, with lending criteria respecting the HCSF<sup>2</sup> requirements on the DSTI ratio (maximum of 35%) and the maturity (maximum of 25/27 years) for new loans. The HCSF requirements have a 20% flexibility margin, which was exploited more by lenders in 2024: 15.6% of new home loans did not meet HCSF criteria (vs. 14.3% in 2023), with 15.3% of loans with a non-compliant DSTI ratio and 0.7% for a non-compliant maturity.

Risks remained low in 2024, despite a start of rebound in new home loans in the second half of the year. The NPL ratio was 1.1% at the end of 2024 (+0.2 pp compared to the end of 2023), of which 0.1% were for the stage 2 under IFRS9. The cost of risk for home loans remained very limited at 1.6 bp in 2024 (+0.3 pp vs 2023).

### NON-MARKET LED INITIATIVES

The sharp rise in interest rates in 2023 and their continued high level 2024 compared to the previous ten years led to fewer households buying a home with a loan (-15% vs. 2023), especially repeat buyers for a main residence. There were around 200,000 purchases of a main residence by repeat buyers with loans in 2024, (half the average since 2012) and representing 32% of total new home loans in 2023-2024 (the lowest share since at least the 2000s). Similarly, the number of loans for the purchase of a rental investment (19% of home loans) declined by 18% and fell close to the low volume of 2014 (below 120,000). Conversely, loans to first-time buyers have exceeded those to repeat buyers for a main residence since 2022, with a record share of 44% by number (35% before 2021) and 41% by amount (for the first time above the share of repeat buyers).

Volumes of renegotiated loans remained high despite the rise of interest rates, mainly linked to loans concerned by an insurance renegotiation. Finally, with less housing transactions in comparison with 2023, the share of new bridge loans went down to 7% of the total amount of new loans (-0.3 pp vs. 2023), whereas the extended bridging loans annually amounted to EUR 2.3 bn (+24% vs. 2023) in a context of a restart of transactions during the second half of 2024.

Banks lend money to households based on their capacity to reimburse and not on the value of the purchased residence, with in addition the notion of "amount left to live on". Besides, 99% of new home loans originated in 2024 were fixed rate (as recent years) and 97% of the outstanding value of all home loans were backed by some form of security (of which 65% were guaranteed by a "caution").

### ANY FURTHER IMPORTANT EVOLUTION

In 2024, the highest interest rates since 2012 generated other effects: Firstly, households used more savings to purchase a home (22.3% in 2024, the peak since 2008) and the average amount of loan annually decreased by 7% to EUR 183,354. Secondly, the share of housing acquisitions financed by a loan represented around 65% of all transactions (versus around 80% in long-term average). Thirdly, the number of homes purchased without lending has steadily increased since 2020 when total transactions were decreasing in the meantime. Finally in 2024, the annual drop of the total amount of home loans showed increased household deleveraging.

Sales of a newly-built homes for rent decreased by 14% in 2024, 33% of total real estate developer sales at 20,000 units (their lowest volume and share since 1995). Regulatory pressures (capping of rent increases, more cities introducing rent controls, and increasing rules on energy-intensity) discourage exposure to the rental segment. With the end of Pinel scheme after December 2024, purchases for a rental investment are expected to continue to fall in 2025. The Pinel Scheme allowed between September, 1st 2014 and December, 31st 2024 the granting of a tax reduction for private landlords who rented a property (concerning newly-built homes in most cases) at a regulated and limited rental price (an approximate and non-exhaustive figure of more than 244,000 digital tax declarations were recorded by the French Court of Auditors over the period).

Finally, as housing permits for single-family detached homes were very low in 2024, the new version of the "PTZ" from April 2025 (valid until December 31<sup>st</sup>, 2027) should benefit this segment for the following quarters.

<sup>1</sup> In France for some housing projects selected/accepted by the lender, the lender can lend an amount of money higher than the value of the home bought in order to cover the added costs of the housing operation (which can be higher than 10% of the value of the home purchased: application fees, registration and notary fees, real estate agencies fees, VAT, ...). This occurs when the household is either unable or unwilling

ing to put enough funds in the acquisition of the home, or when it put a high value asset as a guarantee (such as another property already owned, in the case of specific kinds of home loans).

<sup>2</sup> Haut Conseil de Stabilité Financière

## MORTGAGE FUNDING

As home loans are mainly distributed by retail banks, new home loans are mostly funded by deposits. Domestic private customers deposits reached EUR 2,725 bn at year end (-0.1% vs. 2023), of which 70% were from households (including individual entrepreneurs and NPISH<sup>3</sup>) and 30% from non-financial corporations. Household overnight deposits dropped by 3% to EUR 561.2 bn between December 2023 and December 2024, whereas their accounts with agreed maturity increased by 20% to EUR 176.6 bn, augmenting the funding cost for banks based on those resources.

The total amount of outstanding mortgage covered bonds reached EUR 379.1 bn (Fact Book 2025, European Covered Bond Council) at the end of 2024, equal to 16% of the outstanding home loans in EU27.

Outstanding RMBS was EUR 146.3 bn as of Q4 2024, compared to EUR 140.6 bn on year prior, marking a yearly increase of 4%. Total RMBS issuance, in turn, was EUR 28.6 bn, following a decrease of 45% compared to 2023's EUR 64.2 bn end year value.

## GREEN FUNDING

In 2024, the rent of a home with an Energy Performance Certificate "F" or "G" could not be increased (which is 15.9% of the private rental stock, representing 1.3 million of homes) and it was impossible to rent homes with an EPC "G+" (the most energy consuming homes, 1.4% of the private rental stock). Since April 2023, a complementary energy audit is required for sale of a single-ownership accommodation with EPC "F" or "G", which indicates the kind and the cost of renovation works needed to improve the EPC (EPC "E" will be concerned from January, 1<sup>st</sup> 2025).

The reform of the Energy Performance Certificate for homes under 40m<sup>2</sup> came into effect on July 1, 2024. Affecting at least 15% of the housing stock, it aims to ensure a more accurate assessment of the EPC (which often leads to an improvement of the rating). While this can be seen as a measure of equity taken into account the specificity of small homes, it can also be viewed as a way to limit the impact of the renting ban linked to EPC on the availability of the rental market (amidst increasing pressure of rental demand, specifically for small homes).

From the beginning of 2024, the Government changed the eligibility for the energy housing renovation bonus "MaPrimRénov" to large scale renovations, quickly leading to a significant decrease in energy renovations financed with this scheme in Q1 2024. In this context, the Government approved some measures effective from May to December 2024 to revitalize applications of "MaPrimRénov". In 2024, 340.801 homes were renovated (of which 91,374 had large renovation works) under the most important public scheme, representing EUR 3.3 bn of financial aid. In this case, a large scale renovation is defined as a combination of several elements (for example the change of windows, the insulation of roof/ground/walls,...), leading massively to an overall improvement of its energy efficiency. Moreover, several kinds of energy efficiency works are eligible for reduced VAT at 5.5% (vs. 10% or 20% for other kinds of renovation works).

Moreover, a total of 112,500 Eco-PTZ (a zero interest rate loan to improve energy performance of homes) were distributed in 2024 (+7% vs. 2023). Finally, home loans granted by banks for housing renovation were EUR 2.2 bn in 2024 (-13% vs. 2023).

|  | FRANCE<br>2023 | FRANCE<br>2024 | EU 27<br>2024 |
|--|----------------|----------------|---------------|
| <b>MACROECONOMIC VARIABLES</b>   |                |                |               |
| Real GDP growth (%) (1)*   | 1.4            | 1.2            | 1.0           |
| Unemployment Rate (LSF), annual average (%) (1)                          | 7.3            | 7.4            | 5.9           |
| HICP inflation (%) (1)   | 5.7            | 2.3            | 2.6           |
| <b>HOUSING MARKET</b>  |                |                |               |
| Owner occupation rate (%) (1)  | 63.1           | 61.2           | 68.4          |
| Gross Fixed Investment in Housing (annual change) (1)                    | -5.0           | -6.1           | -4.3          |
| Building Permits (2015=100) (2)  | 91.7           | 81.7           | 136.9         |
| House Price Index - country (2015=100) (2)                               | 131.5          | 126.2          | 179.8         |
| House Price Index - capital (2015=100) (2)                               | 126.7          | 119.3          | 171.5         |
| Nominal house price growth (%) (2)*                                      | -0.7           | -3.8           | 4.9           |
| <b>MORTGAGE MARKET</b>   |                |                |               |
| Outstanding Residential Loans (mn EUR) (2)                               | 1,292,144      | 1,283,174      | 6,879,667     |
| Outstanding Residential Loans per capita over Total Population (EUR) (2) | 18,953.9       | 18,741.4       | 15,311        |
| Outstanding Residential Loans to disposable income ratio (%) (2)         | 70.8           | 68.0           | 71.3          |
| Gross residential lending, annual growth (%) (2)                         | -41.0          | -13.3          | 3.9           |
| Typical mortgage rate, annual average (%) (2)                            | 3.29           | 3.72           | 4.34          |

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

\* Eurostat Reviewed

\*\* EU 2024 to be confirmed

<sup>3</sup> Non-Profit Institutions Serving Households, including for example, charities, trade unions, churches. etc

## FRANCE FACT TABLE

|   |   |
|---|---|
| <b>Which entities can issue mortgage loans in your country?</b>   | About 330 credit institutions (including banks, mutual banks, municipal credit banks and special credit institutions) are approved by the French supervisory authority (ACPR) and listed in the register of financial officers (REGAFI).  |
| <b>What is the market share of new mortgage issuances between these entities?</b>                                     | Two main categories of credit institutions are involved in property lending in France:<br>- Mutual and cooperative banks, with the largest market share for many years and at its highest historical level (81.5% as of June 30, 2024, for the total outstanding home loans, +1.6pps over a year according to ACPR)<br>- Private banks (16% as of June 30, 2024, for the total outstanding home loans). |
| <b>Which entities hold what proportion of outstanding mortgage loans in your country?</b>                             | Six banking groups and their subsidiaries (3 Mutual, 2 Private and 1 Public) represent almost 100% of the total amount of home loans as of June 30, 2024.<br>Digital credit (Tel and Internet) kept developing with the offers of traditional banks, but still with a limited market share.   |
| <b>What is the typical LTV ratio on residential mortgage loans in your country?</b>                                   | In 2024, the average LTV ratio was estimated at 77.7%, down by 100 bps versus 2023.   |
| <b>How is the distinction made between loans for residential and non-residential purposes in your country?</b>        | French banking regulation require a distinction depending on the purpose of the loan (residential or non-residential). Thus, applicable conditions differ for each kind of financed asset and the ACPR publishes statistics identifying the residential financing of households.  |
| <b>What is/are the most common mortgage product(s) in your country?</b>   | The most common product is a fixed rate over the total duration of the loan. Like previous years, 99% of new credits were fixed-rate loans in 2024 and 97% were secured (of which 70% by a guarantee named "caution" provided by a Loan Guarantee Institution, and 19% with a registered mortgage). 72% of new lending are a fully amortized loan (versus 4% of interest only loans).                   |
| <b>What is the typical/average maturity for a mortgage in your country?</b>   | In 2024, the average maturity of new home loans was 22.25 years (stable compared to the previous year, at 22.32 years).   |
| <b>What is/are the most common ways to fund mortgage lending in your country?</b>                                     | Traditionally, the main sources of funding housing lending in France are the households' and companies' deposits (term deposits or savings accounts,...) and bond issues subscribed by institutional investors.   |
| <b>What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?</b> | In France, the purchase costs depend on the new or existing nature of the purchased house:<br>- Existing properties: 7% to 8% for transfer duties and 4% to 6% for real estate agencies.<br>- New properties: 2% to 3% for a new home (transfer duties only), plus 20% of VAT in most cases (except for social/ANRU areas sales which have a 5.5%, and 10% for sales of intermediate rental housing).   |

## To become homeowner of a primary residence:

## Main supports:

- Prêt à Taux Zéro ("PTZ", zero interest rate loan): this scheme allows first-time buyers to obtain an interest-free loan to finance part of the purchase of a primary residence (45,900 in 2024). The amount and eligibility conditions depend on the property's location and the borrower's income.
- "Prêt Action Logement": formerly known as the "1% Housing contribution", it is a contribution of companies with more than 50 employees to the construction effort and called now "Action Logement". This loan is offered by Action Logement to help access homeownership, particularly for employees of private companies. It provides favorable conditions, including a reduced interest rate.
- Bail Réel Solidaire ("BRS", solidarity real lease): it allows modest households to become homeowners, especially in densely populated areas, at a relatively affordable cost compared with the prices of a home bought on the market. It is based on a land-building separation (the household buy only the housing and lease the land to a government-approved organization).
- MaPrimRenov': a financial aid for renovation works which can support indirectly the purchase of an existing home at a lower price in the outlook to launch works after the acquisition.

## Minor supports:

- PAS (Social Homeownership Scheme Loan): this loan is intended for modest-income households and is subject to income conditions. It is accompanied by a State guarantee to promote mortgage credit to low-income households at a favorable interest rate. It can finance the purchase of a main residence as well as renovations.
- PSLA (Social Homeownership Scheme): this scheme aims to facilitate homeownership for low-income households by allowing the purchase of properties at controlled prices after a period of rent.
- VAT at 5.5% (reduced Value Added Tax): a lower VAT (against 20%) for the purchase of a newly-built home located in some areas in France considered as an urban renewal area (in "ANRU" and "QPV" areas).
- Local Authority Aids: some municipalities or departments implement their own homeownership assistance programs, such as grants or zero-interest loans.

## To buy a home to rent:

- Pinel scheme: it allowed between September, 1<sup>st</sup> 2014 and December, 31<sup>st</sup> 2024 the granting of a tax reduction for private landlords who rented a property (concerning newly-built homes in most cases) at a regulated and limited rental price (an approximate and non-exhaustive figure of more than 244,000 digital tax declarations were recorded by the French Court of Auditors over the period).
- Denormandie Scheme: it encourages the renovation of existing homes by households for rental in certain areas (with a minimum amount of works and a compliance with rental conditions), in exchange of a reduction in income (around 881 households benefited from this scheme in 2024).
- Logement Locatif Intermédiaire ("LLI", intermediate rental housing): the finance bill for 2024 has started to authorize individual investors (through a real estate investment company, "SCI") to buy a new home for rental at a price below the market value, located in densely populated areas and eligible to a lower VAT (10%) as well as a tax credit on the property tax (for a maximum of 20 years). This scheme was not widely known by households in 2024.

## What is the level (if any) of government subsidies for house purchases in your country?