France

By Bertrand Cartier, Groupe BPCE (Banques Populaires-Caisses d'Epargne)

IN A NUTSHELL

- → Average home loan rates kept decreasing in 2025, from 3.32% in January to 3.09% in December;
- → Housing sales annually rebounded by 12%, supported by existing home transactions (+13%) and single-family detached house sales (+33%);
- → Prices of existing dwellings increased by 0.6% over the year, with larger improvements in Provincial France (+0.8%) and for flats (+1.0%);
- → New home loans surged by 29% in 2025, but new amounts were still not enough to truly relaunch the growth of the total outstanding home loans (+0.1% YoY at the end of December 2025);
- → The shift in the housing policy towards existing dwellings continued with a promotion of large-scale renovations.

MACRO-ECONOMIC OVERVIEW

The French economy grew by 0.8% (+1.5% in 2024). The labour market was a bit less resilient than the previous year, with unemployment increasing by 0.6 pp y-o-y to 7.9% in Q4-2025, moving away from its recent multi-decade low. The employment rate (of 15-64 years old) remained near its historical high, averaging 69.3% over the year.

As in 2024, the number of business failures continued to rise after a period of low volumes between 2020 and 2022, reaching 68,800 units in 2025 (up by 3.7% y-o-y). Firms in the housing sector showed contrasting trends: in the construction sector, failures began to recede (dropping by 3.2%), yet still representing 22% of the total of national failures. In contrast, the real estate sector (4% of the total failures) remained under pressure during the first part of the year, driven by the drop in real estate development activity, before showing early signs of stabilizing for real estate agencies towards the end of the year.

Inflation fell sharply to 0.7% at the end of 2025 (compared to 1.8% at the end of 2024). The net purchasing power of households declined by 0.4% and contributed to the modest annual rise in household consumption (+0.5%). The saving rate remained at a very high historical level (17.8% in 2025 vs. 18.5% in 2024) and the continued slump for household investment illustrated the very cautious behaviour adopted by households (-0.2% y-o-y after -9.8% in 2024). Despite the economic context of 2025, the recovery in the market for existing homes and new single-family detached houses was helped by lower interest rate levels than last year, a movement that was not sufficient to avoid another year of decline for real estate development.

LOOKING AHEAD

According to forecasts from Banque de France in June 2026, in a context of high uncertainty with the war in the Middle-East, GDP is expected to grow by 0.5% in 2026. With inflation (HICP) expected at 2.5%, the household purchasing power could decline for another year in a row (-0.4%) and could limit the growth of households' consumption (+0.2%). Moreover, the saving rate is expected to remain at 17.4%, still above its pre-pandemic level due to political and economic uncertainty and would not contribute to the recovery in household investment (stable compared to 2025).

After a cycle of continuous cuts in its key rates during the first half of 2025, the ECB began a first rate hike in June 2026 in the face of persistent inflationary pressures mainly linked to the war in the Middle East. Combined with an upward trend for the 10-year OAT (expected at 3.7% on average in 2026 vs. 3.4% in 2025), interest rates for new home loans could slightly increase over the next months. With traditionally 80% of houses financed with a home loan, the start of higher interest rates since the beginning of 2026 could limit expected housing purchases for the current year and may specifically slow down the positive trend recorded by new single-family detached houses (whose traditional buyers depend more on home loans than the average).

HOUSING MARKETS

Sales of existing dwellings – 87% of all housing transactions – reached 951,000 units in 2025, annually increasing by 13% (at the same path for Provincial France, representing approximately 88% of this total, as for the Ile-de-France region).

House prices rebounded annually in France by 0.6%, breaking down into +1.0% for flats and +0.4% for single-family detached houses. The provincial France benefited the most from this positive trend, with +0.8% y-o-y (+1.2% for flats and +0.6% for houses). In Ile-de-France region, prices increased by 1.0% in Paris city and by 0.3% in other areas, while they continued to decline for houses (-1.2% y-o-y);

After 2 years of crisis, the beginning of recovery started in 2025 for the building sector. The number of housing permits rebounded over a year by 15% to 369,540, and housing starts by 2% to 264,230. Despite those positive signs, activity remained lower compared to the average of the last 5 years (respectively by 8% and by 18%). Housing starts for multifamily residential (169,850 units) annually increased by 4% (still close to their lowest level since 2003), those for collective residences augmented also by 4% (with 31,755 units, notably in favour of student and senior housing) and those for single-family detached homes kept shrinking for the fourth year in a row to 62,630 units (- 3% y-o-y), their lowest level since the 1960s.

Sales of homes by real estate developers declined for the fourth year in a row, by -6% compared to 2024 to their lowest volume (65,205 sales) since the housing crisis of the 90's and new homes put up for sale rebounded by 17% (at 72 920 units). Besides, the estimated number of sale cancellations by households in 2025 was equal to 16% of the annual sales and the estimated number of housing operations cancelled by developers was equal to 21% of the annual new homes put up for sale. Consequently, the stock of available homes for sale annually decreased by 10%, remaining at a high level with 117,740 units. Despite the difficulties in selling, annual average prices increased over the year by 3.5% for new flats (average sale price of EUR 4,917 per square meter) and by 3.1% for new houses (average sale price of EUR 351,327), partly due to the increase in cost of construction.

After the worst years in 2024 for sales of new single-family detached homes with 50,800 units, they surged by 33.3% to 67,800 units. This strong recovery was mainly due to the extension of the Zero-Interest Loan throughout France for new single-family houses since April 2025. Despite this improvement, annual sales remained 42% below the long-term historical average (around 117,000 units). The goal of "Zero Net Land Take" net zero artificialization of soils, in 2050 (and the intermediate stage of 50% reduction by 2031) introduced by the 2021 "Climate and Resilience Act" has already partially limited the development of new construction sites, which could also support the increasing trend in prices for new constructions.

MORTGAGE MARKETS

MARKET DYNAMICS

The year 2025 constituted a phase of normalization for the housing loan market. Average interest rates at origination, after climbing from 1.1% at the end of 2021 to 4.2% in early 2024, declined gradually until June 2025 before stabilising around 3.09% in the second half of 2025.

The easing of financial conditions supported a sharp rebound in new home loans (+20% in terms of number compared to 2024). Annual home loans production reached EUR 171.3bn, up by 29% and was concentrated at 78% for main residence purchases (breaking down into 60% for first-time buyers and 40% for repeat buyers). As a share of GDP, new home loans stood at 7.1% in 2025 (vs. 5.5% in the previous year). After contracting in 2023-2024 in line with lower new home loans linked to higher interest rates, outstanding home loans returned to growth in the second half of 2025, reaching EUR 1,285 bn in December (+0.1% y-o-y).

In this context of a very dynamic loan activity, lending standards loosened slightly without any significant drift. The average loan rose by 5.8% to €193,948, reflecting borrowers' increased borrowing capacity as rates fell. The average maturity at origination reached 22.4 years (of which 23.7 years for first-time buyers), while the average debt-to-income ratio remained stable at 30.4%. Moreover, the average Loan-To-Value (LTV) ratio at origination rose by 2.1 pp to 79.9%, due to a bit smaller down payments from borrowers, while the LTV on outstanding home loans was 67.5%.

Credit risk remained contained despite a slight increase. Defaults represented 0.62% of performing loans, the IFRS9 Stage 3 ratio remained low at 1.2% (+0.1pp YoY), and the share of stage 2 exposures declined to 9.0%. The cost of risk was still very limited, at 0.03% of outstanding loans (versus 0.02% in the previous year).

Banks lend money to households based on their capacity to reimburse and not on the value of the purchased residence, an analysis of risks enhanced by the notion of "amount left to live on". With a vast majority of outstanding loans covered by guarantees or collaterals (97.4%) and new home loans massively fixed-rate (99.6%), the French lending market has created a resilient framework over the last decades, helping to stabilize the NPL ratio at a low level whatever the economic cycle.

NON-MARKET LED INITIATIVES

Several structural shifts shaped the market in 2025. Firstly, the first-time buyer's share of new lending rose to 43.7% (+3.1pp), recording an annual growth of 29% in new amounts. Concerning the buy-to-let lending, the rate environment remained quite unattractive to that segment, combined with the absence of a specific scheme to support it for the first time since 1986 (the Pinel scheme ended at the end of 2024) which mainly explained the fall of the share to 12.0% in the total of home loans (from 14.9% in 2024).

Secondly, the share of renegotiations fell during the year from 16.8% in January to 13.2% in December. This represented an annual average share of 14.4% in the total new loans, while the production of new home loans excluding renegotiations, loan transfers and debt consolidation jumped by 33.2% to EUR 147 bn. Besides, the share of bridge loans declined to 6.4%, illustrating a more fluid market, with extended bridge loans lower by EUR 1.9 bn y-o-y.

Thirdly, the share of mortgages in new lending fell this year by 3pp to 16% of total new home loans. This shift has been made in favour of specifically loans with guarantees from insurance-sector guarantors (+3 pp to 41%), reinforcing France's distinctive reliance on the caution system (72.4% of new home loans in 2025).

Finally, the High Council of Financial Stability (HCSF) standard continued to frame French lending at origination, with a limit of 35 for the Debt-Service-To-Income ratio and of 25 years for the maturity (plus a maximum 2 year grace period on repayments in case of off-plan sales). The share of new home loans exceeding those thresholds reached 16.6% (+1 pp YoY), rising gradually but still below the 20% flexibility ceiling authorized by HCSF. The growing use of the flexibility margin contributed to the lending recovery, particularly for first-time buyers.

Despite the decline in interest rates for new home loans in 2025, they remained high in comparison with the previous ten years. This may have slowed down some households in their desire to take out a loan to buy a home, especially repeat buyers. Consequently, the share of housing acquisitions financed by a loan represented 70% of all transactions in 2025 (versus more than 80% in the long-term average). After the start of a period of higher interest rates in the first part of 2026 (3.21% in average for the first 5 months), this situation could persist if interest rates continue to rise in H2-2026.

With the end of the scheme, new home purchases recorded by real estate developers for a rental investment sharply dropped by 46% to around 10,430 units in 2025. With the launch of the new Jeanbrun scheme dedicated to the rental segment in Q1 2026, sales by private developers should be better, but without quickly recording volumes known before 2022. More broadly, the French government has launched a large support plan for the new housing sector in 2026, with the aim of constructing 400,000 housing units per year until 2030, including 50,000 housing units built for rental investment.

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 2,743 bn at year end (+0.7% vs. 2024), of which 70% were from households (including individual entrepreneurs and NPISH) and 30% from non-financial corporations. Household overnight deposits augmented by 1.2% to EUR 567.8

bn between December 2024 and December 2025, whereas their accounts with agreed maturity declined by 4.1% to EUR 169.5 bn.

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 one 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

Since January 1st, 2025, all housing characterized by an Energy Performance Certificate "G" has been impossible to rent as a main residence (representing in 2025 around 1.5 million of main residences and 4.8% of all main residences). Following the complementary energy audit required for the sale of a single-ownership accommodation with EPC "F" or "G" since April 2023, middle-size collective housing has been concerned by a collective EPC since January 2025. This audit indicates the kind and the cost of renovation works needed to improve the EPC (homes characterized by an EPC "E" will be concerned from January 1st, 2028). This is one of the operative tools used by the French government to promote a massive movement of renovation for the French housing stock.

The largest public financial support for energy renovation (MaPrimeRénov') was significantly restructured in 2025, marked by budget cuts, a revision of aid for large-scale renovations and a reduction in aid for small renovations. In 2025, 307,731 homes were renovated (of which 120,306 had large renovation works) with the financial help of MaPrimeRénov', representing EUR 4.39 bn of financial aid. 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).

Finally, a total of 126,030 Eco-PTZ (a zero-interest rate loan to improve energy performance of homes) were distributed in 2025 (+11% vs. 2024), for a total close to EUR 2 bn. According to Banque de France, home improvement loans for households were estimated for 2025 at EUR 12 bn, up by 35% year-over-year, but still below volumes recorded between 2016 and 2022.

	FRANCE 2024	FRANCE 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	1.5	0.8	1.5
Unemployment Rate (LSF), annual average (%) (1)	7.4	7.5	6.0
HICP inflation (%) (1)	2.3	0.9	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	61.2	61.4	68.5
Gross Fixed Investment in Housing (annual change) (1)	n/a	n/a	2.8
Building Permits (2015=100) (2)	n/a	n/a	86.9
House Price Index - country (2015=100) (2)	126.18	126.95	161.92
House Price Index - capital (2015=100) (2)	119.28	120.48	n/a
Nominal house price growth (%) (2)	-4.0	0.6	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	1,283,174	1,284,701	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	18,741	18,695	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (2)	66.2	65.6	81.39
Gross residential lending, annual growth (%) (2)	n/a	n/a	2.8
Typical mortgage rate, annual average (%) (2)	3.41	3.03	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables

FRANCE FACT TABLE

Which entities can issue mortgage loans in your country?	About 323 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).
What is the market share of new mortgage issuances between these entities?	Two main categories of credit institutions are involved in property lending in France: - Mutual and cooperative banks, with the largest market share for many years and at its highest historical level (81.7% as of June 30, 2025, for the total outstanding home loans, +0.2 pp over a year according to ACPR) - Private banks (15.2% as of June 30, 2025, for the total outstanding home loans).
Which entities hold what proportion of outstanding mortgage loans in your country?	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, 2025. Digital credit (Tel and Internet) kept developing with the offers of traditional banks, but still with a limited market share.
What is the typical LTV ratio on residential mortgage loans in your country?	In 2025, the average LTV ratio was estimated at 79.9%, up by 2.1pp versus 2024.
How is the distinction made between loans for residential and non-residential purposes in your country?	French banking regulation requires 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.
What is/are the most common mortgage product(s) in your country?	The most common product is a fixed rate over the total duration of the loan. Like previous years, almost 100% of new credits were fixed-rate loans in 2025 and 98% were secured by some form of guarantee (of which 72% by an insurance or a collateral provided by a specialized financial institution, and 16% with a registered mortgage). 73% of new lending was a fully amortized loan (versus 3% of interest only loans).
What is the typical/average maturity for a mortgage in your country?	In 2025, the average maturity of new home loans was 22.4 years (almost stable compared to the previous year, at 22.3 years).
What is/are the most common ways to fund mortgage lending in your country?	Traditionally, the main sources of funding for housing lending in France are the households' and companies' deposits (term deposits or savings accounts, etc.) and bond issues subscribed by institutional investors.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	In France, the purchase costs depend on the nature of the purchased house, whether new or existing: - Existing properties: 7% to 8% for transfer duties (DMTO) and 4-6% for real estate agencies. - New properties: 2% to 3% for a new home (transfer duties only), plus 20% VAT in most cases (except for social/ANRU area sales which have a 5.5%, and 10% for sales of intermediate rental housing). The 2025 finance law authorizes departments from April 1, 2025 to March 31, 2028 to increase the maximum property transfer tax (DMTO) rate from 4.5% to 5% to address the decline in real estate transactions. First-time buyers purchasing their primary residence remain protected, however, and are fully exempt from this tax increase.
What is the level (if any) of government subsidies for house purchases in your country?	**To become homeowner of a primary residence:** Main supports: - PTZ (Zero-Interest Loan): This scheme allows first-time buyers to obtain an interest-free loan to finance part of the purchase of a primary residence (73,062 in 2025). 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 from companies with more than 50 employees to the construction effort and is now called "Action Logement". This loan is offered by Action Logement to help access homeownership, particularly for employees of private companies. It provides favourable conditions, including a reduced interest rate. - Bail Réel Solidaire (BRS, "Real Joint and Several Lease", around 3,700 eligible homes built between 2017 and 2024): 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 buys only the housing and leases the land to a government-approved organisation). - MaPrimRenov': A financial aid for renovation works which can indirectly support the purchase of an existing home at a lower price with a view to launching works after the acquisition (307,731 homes concerned in 2025). 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 favourable 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 rental. - 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 urban renewal areas (in "ANRU" and "QPV" areas). - Local Authority Aids: Some municipalities or departments implement their own homeownership assistance programmes, such as grants or zero-interest loans. **To buy a home to rent:** - Denormandie Scheme: It encourages the renovation of existing homes by households for rental in certain areas (with a minimum amount of works and compliance with rental conditions), in exchange for a reduction in income tax (estimated at around 881 households benefited from this scheme in 2024). - Logement Locatif Intermédiaire (LLI, "Intermediate Rental Housing"): The finance bill for 2024 authorised 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 still not widely known by households in 2025.