

# French property market report

## VARIATION IN NOTAIRES-INSEE\* INDEXES

(Base 100 in 1 <sup>st</sup> quarter 2010)	OLDER PROPERTIES		OLDER APARTMENTS		OLDER HOUSES	
	3 months	1 year	3 months	1 year	3 months	1 year
Mainland France	0.4%	-0.2%	0.2%	-1.0%	0.5%	0.4%
Greater Paris	0.1%	-0.8%	0.3%	-1.0%	-0.3%	-0.2%
French Provinces	0.5%	0.0%	0.1%	-0.9%	0.7%	0.5%

\* Three-month variation (seasonally adjusted): between 3<sup>rd</sup> and 4<sup>th</sup> quarter 2015.  
One-year variation: between 4<sup>th</sup> quarter 2014 and 4<sup>th</sup> quarter 2015.



## ► Shift towards a more fluid market

### Indexes

According to the Notaires de France-INSEE (French National Statistics & Economic Studies Institute) index, in the fourth quarter of 2015 prices of older properties increased slightly for the second straight quarter, up 0.4% compared with the third quarter of 2015 (provisional seasonally-adjusted figures) after rising 0.2% the previous quarter.

Over one year, prices of all older properties were virtually unchanged (-0.2%). For the first time since the beginning of 2012, home prices increased relative to the same quarter the previous year, rising by 0.4% between the fourth quarter of 2014 and the fourth quarter of 2015. Prices of apartments continued to fall, but at a lower rate (down 1% over one year after decreasing by 2%).

In Greater Paris, prices of older properties were relatively stable in the fourth quarter of 2015 (up 0.1% after rising by 0.4%).

Over one year, the decline in prices continued to ease: -0.8% compared with the fourth quarter of 2014, after a drop of 1.6% in the third quarter and 2.5% in the second quarter. Apartment

prices fell by 1%, while home prices remained virtually stable (-0.2%).

In the provinces, the prices of older properties increased in the fourth quarter of 2015: +0.5% compared with the previous quarter, after increasing by 0.1%.

Over one year, they were stable compared with the fourth quarter of 2014. Here as well, home prices were up (by 0.5% over one year), while prices of apartments continued to fall (-0.9% over one year).

### 2015 status report

In the fourth quarter of 2015, the volume of transactions continued to grow, resulting in a slight increase in prices for the second consecutive quarter.

This is now sufficiently worthy of note, after a downward trend in prices since the third quarter of 2012.

In 2015, the increase in the volume of transactions nationally was similar to that of 2013, with approximately 100,000 additional transactions bringing the number to 809,000. Expressed as a percentage, the number of transactions rose by 16%.

Unlike in 2013, when growth was constant and continuous over 12 months after reaching a low point, the number of transactions rose by as much but over a shorter period (approximately eight months), reflecting a strong and sudden appetite for real estate. More specifically, only the departments of Indre, Lozère, Haute-Corse and Cantal recorded a decline in sales volumes (between 2% and 5%), which was relatively insignificant compared with increases

in the number of transactions of up to 25% in departments like Morbihan, Pas-de-Calais and Charente-Maritime.

This increase in volumes led to an upward trend in prices, yet without moving them into positive territory: its effect was simply to stop the fall in prices, which remained stable in 2015 as a whole given the decline during the first two quarters. It should be noted that only home prices saw a positive variation during the last quarter, while the change in apartment prices remained slightly negative (-1% year-on-year). Nevertheless, the increases make up for the 2% to 3% decline observed during the first two quarters, which is significant in such a short time period.

2015 will therefore remain the year of a change of polarity in price trends, but without being enough to compensate for the erosion in prices that occurred during the previous three years.

### Pre-contracts

The projection of the price index for older apartments throughout Mainland France based on pre-contracts indicates a decrease in apartment prices and a slight increase in home prices (+1.3%) over one year.

In the provinces, the early indicator for older apartments is down slightly (-0.2%). Homes are following the national trend with an increase of 1% over one year.

In Greater Paris, early indicators on pre-contracts show that the price stability observed in 2015 for older apartments should continue in early 2016. With regard to older homes, these indicators suggest a slight rise in prices.

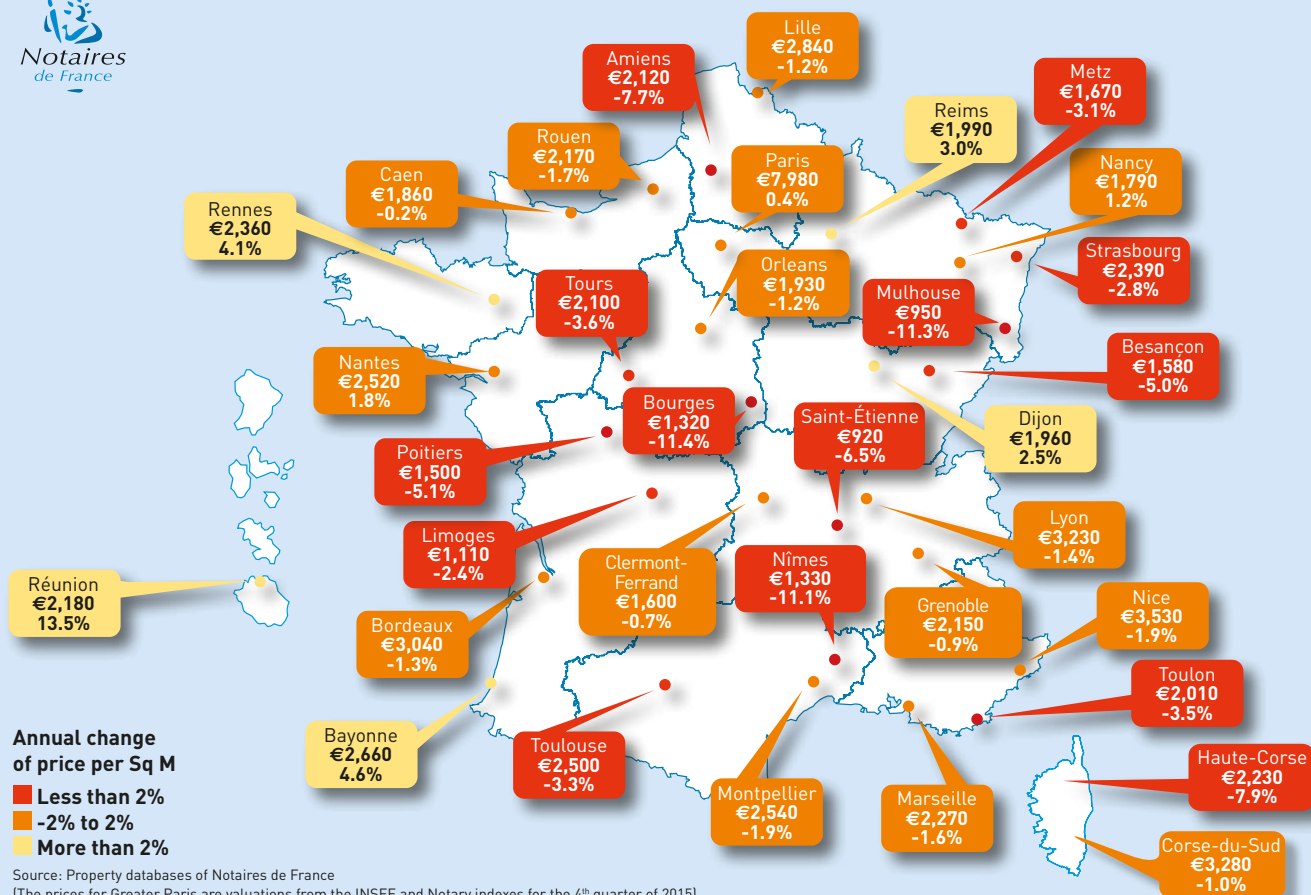
### LATEST TRENDS

	Older apartments	Older homes
Change over 3 months*	-0.2%	0.2%
Change over 1 year*	-0.5%	1.3%

\* Changes in early indicators based on pre-contracts in Mainland France: projection to the end of May 2016.

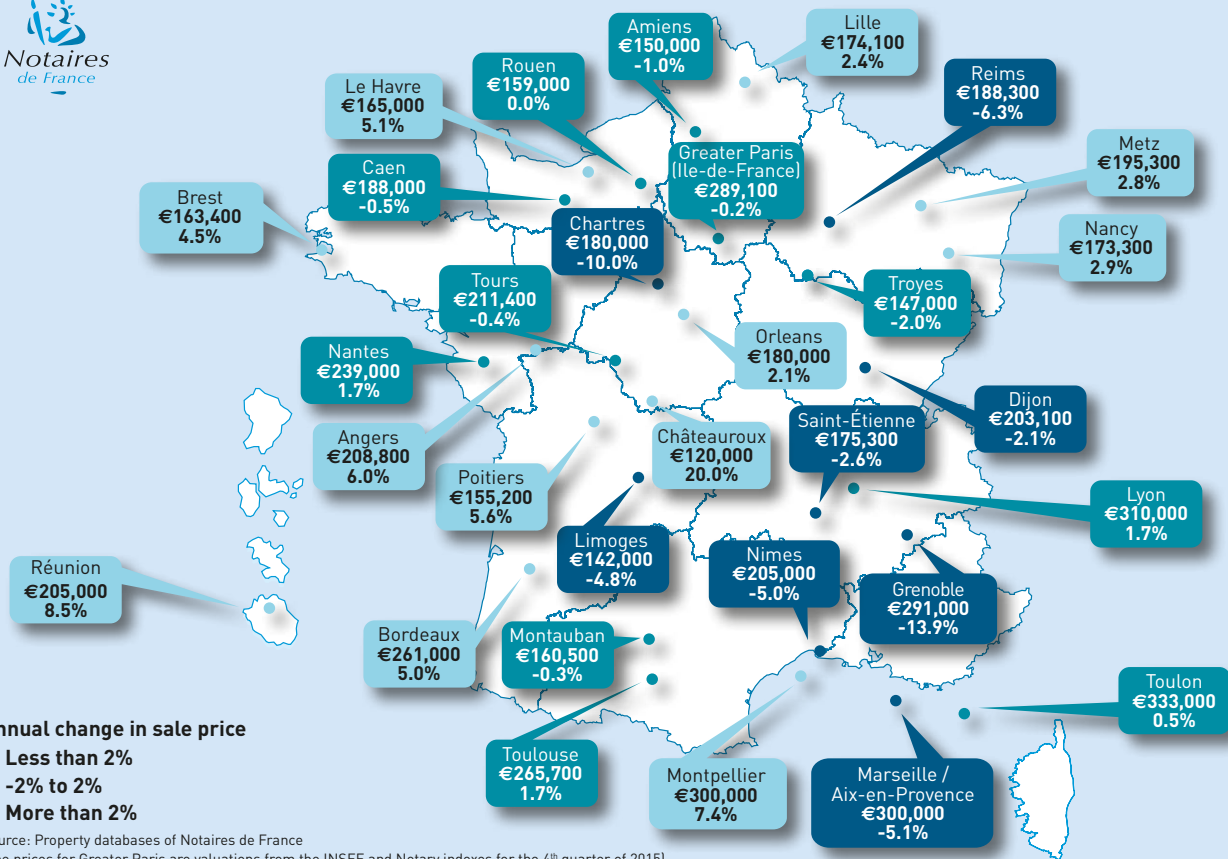
## MEDIAN PRICES PER SQ M FOR OLDER APARTMENTS IN THE 4<sup>th</sup> QUARTER OF 2015

Trend over one year: 1<sup>st</sup> October 2015 to 31<sup>st</sup> December 2015/1<sup>st</sup> October 2014 to 31<sup>st</sup> December 2014



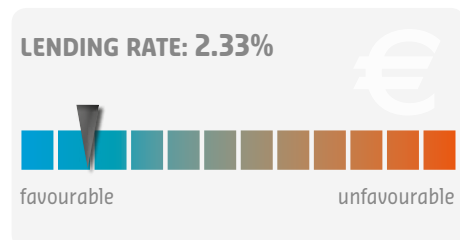
## MEDIAN SELLING PRICE FOR OLDER HOUSES IN THE 4<sup>th</sup> QUARTER of 2015

Trend over one year: 1<sup>st</sup> October 2015 to 31<sup>st</sup> December 2015/1<sup>st</sup> October 2014 to 31<sup>st</sup> December 2014  
The statistics for houses concern the whole urban area (town centre + suburbs)



## Catch-up effect or real underlying trend?

Today, there is a favourable alchemy that combines a drop in interest rates (even more pronounced in March) and an increase in volumes, which therefore implies greater fluidity and a foreseeable rise in real estate prices.

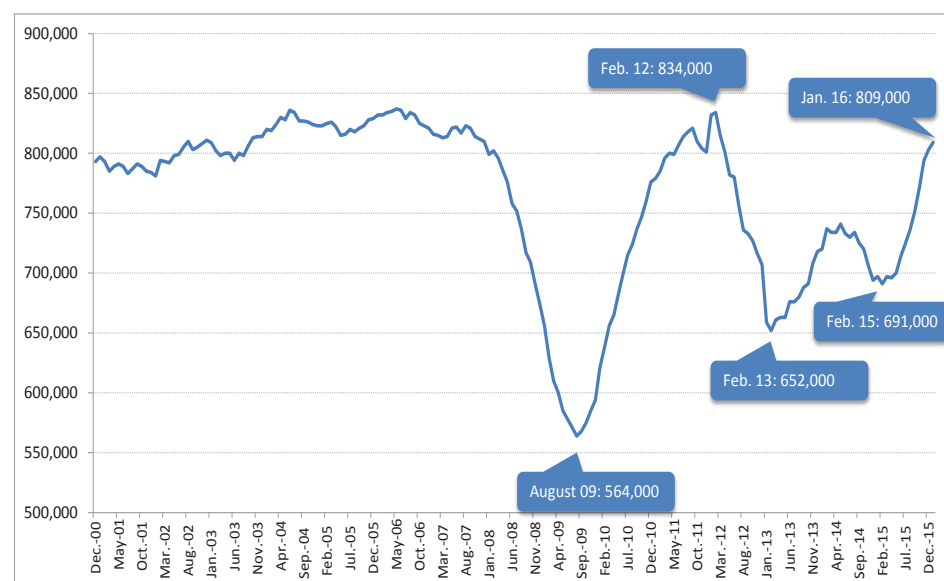


In January, we mentioned a catch-up effect, like a compressed spring that would unwind. One might wonder where we are today in this unwinding: are we still in the compression phase, at a balanced normal number of transactions, or have we already reached an extreme that is likely to be corrected, as was the case at the end of 2012?

With 809,000 transactions, we are almost back to the average annual volume of transactions of the pre-crisis years. In February 2012, the number of transactions peaked at 834,000, which today leaves a growth margin of approximately 3% to return to that level (see graph below).

The catch-up phenomenon is certainly the result of action taken by owners and buyers who were waiting and have finally made a decision, considering the slow drop in prices, low interest rates and the need to sell or buy, which becomes more pressing as time goes by. All types of real estate, including new and older properties, and all surface areas have been affected, which lays the groundwork for a lasting trend.

**This catch-up is the spark that has brought fluidity back to the real estate market.**



At the end of January 2016, sales volumes continued to increase. The number of transactions completed over the past 12 months is estimated at 809,000, up 16% over one year.

We are again seeing sales that have a domino effect, where the seller of one property simultaneously becomes the buyer of another.

Fluidity supports fluidity: as prices are stable and even likely to increase, and as low interest rates make the price of money very inexpensive, the parties involved take action.

In addition, the expansion of eligibility conditions for the new interest-free loan allows new buyers to access a market that up to now was beyond their reach and should therefore sustain the trend towards an increase in volumes in 2016.

**It is time to buy and sell:** a fluid market is a market that favours both buyers and sellers.

For sellers that wish to relocate, it provides assurance that they can sell their property quickly while also refinancing at a lower interest rate than that of their current loan, along with a possible capital gain that would give them more purchasing power.

Lower rates also allow those who would realise a capital loss to consider selling their property anyway, since the gain on the interest rate would offset this loss and, at an equal price, increase their cash flow thanks to a new loan with a new term and a lower rate.

Reducing taxes on real estate transactions (registration fees and capital gains tax) and easing the formalities imposed by the ALUR law (some of which are unnecessary) would be welcomed as a way to ensure a lasting recovery and sustain this fluidity.

## The new housing market - Key figures

### Housing construction results at end-February 2016

(excerpt from CGDD report No. 743 of March 2016<sup>1</sup>)

Variation Q/Q-1 (*)	All	Private	Apartments (including blocks of luxury flats)
Approved housing	+5.2%	-2.8%	+10.2%
Housing starts	+1.9%	-1%	+3.7%

\* Last three months compared with the previous three months.

In cumulative figures over a 12-month period, the number of housing starts is stable (351,200 units).

### Marketing of new homes results in the 4<sup>th</sup> quarter of 2015

(excerpt from CGDD report No. 730 of February 2016<sup>1</sup>)

	4 <sup>th</sup> quarter 2015
Reservations	+8.1% over one year (26,800 units)
Offered for sale	+8.2% over one year (26,900 units)

The number of dwellings available for sale decreased to 99,300 at the end of the quarter (-6.1% compared with the fourth quarter of 2014).

### Non-project house market according to Markémétron<sup>2</sup>

(excerpt from the December 2015 report)

In 2015, gross sales of non-project houses totalled approximately **111,300 units**, an increase of around **11%** compared with 2014.



1 - CGDD: Commissariat général au développement durable

2 - Markémétron: market report examining sales of non-project houses published by the Union des Maisons Françaises (UMF)

**From 1<sup>st</sup> January to 31<sup>th</sup> December 2015**



Compared with the national real estate market, the seaside resort market is trending downwards: median prices have decreased over one year in more than three-fourths of the cities analysed. In most of these cities, the decreases are less than 10%. However, some are posting more significant decreases, mainly in the older home market (Saint-Raphaël, Hyères, Concarneau).



## Definitions

In the same way that the calculation of the indexes makes it possible to strip out structural effects, seasonal corrections are intended to correct 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, each year property prices rise during the third quarter (particularly those of houses) due to demand from families driven by the school year.

The INSEE Notary indexes are only available in those geographical regions in which the number of transactions is sufficiently high. At more detailed levels, median prices are used. The median price is the price at which 50% of transactions have been concluded at a lower price and the same amount at a higher price. It more accurately represents the "midpoint" of the market than the average, as it is less affected by extreme values.

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.

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