Towards uncertainty

A consequence of the health emergency, the almost instantaneous stoppage of property deals is an altogether unprecedented situation: for the first time ever, the property sector has suddenly marked a pause, whereas before the crisis it was undeniably booming, showing double-figure growth at the end of 2019 and at the beginning of 2020! In the older property sector, the volume of transactions was up 11% for 2019 and showed the same growth rate at 31/01/2020, representing 1,076,000 sales at prices by and large trending upwards, both in Greater Paris and in the French provinces. In the 4th quarter of 2019, the increase was even greater: +1.3% compared with the 3rd quarter of 2019, after +1% in the 3rd quarter and +0.7% in the 2nd quarter. Over one year, the increase in prices also surged: +3.7%, then +3.2% and +3.1%. As observed since the end of 2016, years of steady rise, the property market remains in the process of upward pricing evolution: both for the property chain, in particular, removals and house moves must be permitted.

In the medium term, will the “technical” recovery of the property market mark the end of the crisis? Not in our opinion: this mechanical carry-over effect will not dispel the inevitable and brutal after-effects of the virtually total shutdown of the property sector for many long weeks. The meltdown we are currently experiencing, and the difficulties in regularising sales raised by the health crisis, will naturally recur in the two or three following months, given the inertia and the natural lead times of the property market. This state of affairs will in all likelihood be aggravated by the fact that this current period is usually particularly busy, for seasonal reasons. The coming summer should therefore automatically reflect a downward trend in volumes of transactions.

In the long term, how will the parameters specific to the property market - hitherto fairly engaging - be affected and resist, against the yardstick of a global economic environment very badly affected both in France and abroad by a planetary virus for which no vaccine has been found to date? While we can expect to see a severe economic recession, the property market could start to pick up again and for virtually all French people and economic sectors, as sudden as they are unprece-
### Median Price per Sq. M. of Older Apartments in the 4th Quarter of 2019

#### Change over one year: 1st October 2019 to 31 December 2019 / 1st October 2018 to 31 December 2018

- **Rouen**: €168,800, 4.2% increase
- **Reims**: €225,000, 7.4% increase
- **Lille**: €3,340, 4.5% increase
- **Paris**: €10,210, 6.6% increase
- **Orléans**: €2,060, 11.3% increase
- **Saint-Étienne**: €3,350, 13.1% increase
- **Bordeaux**: €336,000, 3.1% increase
- **Montpellier**: €337,400, 4.6% increase
- **Marseille**: €4,470, 7.6% increase
- **Nice**: €3,890, 5.4% increase
- **Toulouse**: €2,880, 7.3% increase
- **Tours**: €2,880, 7.3% increase
- **Nantes**: €3,350, 13.1% increase
- **Grenoble**: €2,250, 9.6% increase
- **Boulogne-Billancourt**: €1,240, 9.7% increase
- **Saint-Étienne**: €1,690, 6.9% increase
- **Lyon**: €4,429, 12.1% increase
- **Toulon**: €2,030, 1% increase
- **Nice**: €3,890, 5.4% increase
- **Toulouse**: €2,880, 7.3% increase
- **Nantes**: €3,350, 13.1% increase
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While all these criteria reflect public and private concerns, from 6,000 to 4,000 points in three weeks. Then suddenly plummeted, the CAC 40 falling by 1.17%, after falling for 9 consecutive months. The annual interest rate linked to imbalances in the economy. The sector could recover fairly soon, in the midst of the health crisis. Will certain occupational categories (high-income groups, event management, tourism, catering, retail, etc.) return to the property market? That is unlikely for several months, until the economy picks up again and confidence, or even certain forms of income, are restored. A lack of confidence in the long term will more or less consciously prompt some buyers to postpone their intention to purchase, as an investment in property is for many people a long-term financial commitment.

The possible scenarios
The property market’s ability to bounce back will therefore essentially depend on the recovery scenarios after this altogether unprecedented crisis.

Either the episode we are going through remains relatively contained in time and extent:
- France and Europe take measures aimed at managing the considerable public debt that will ensue (that is already the announced position);
- The lockdown is time-bound (no second health crisis), a satisfactory medical response is provided in the short term and the non-seasonality of the virus is thereby neutralised.

The property recovery scenario will not necessarily be the worst-case scenario. The sector could recover fairly soon, admittedly weakened but still relatively dynamic. As the fundamental property parameters remain steady, all other things being equal, the market will in all likelihood be subjected to a corrective effect in the short term, then could pick up again, because it is still healthy and non-speculative, not least in response to the collapse of the financial markets. These adjustments could indeed bring some relief in sectors particularly under stress these past few months or years.

One cannot rule out corrective geographical effects: the massive recourse to teleworking and the attendant implementation of efficient means of communication are creating new needs. In this respect it is noteworthy that 17% of the people from Greater Paris have moved from their homes to places better suited to lockdown, bigger homes with green open spaces. Combined with the timely widespread adoption of home-working, certain city dwellers could eventually opt for property in the countryside offering better protection. But these needs are uncorrelated to the current macroeconomic background that will have a long-lasting impact on the French economy.

- Or the lockdown persists or is repeated, and no medical response can guarantee that a pandemic does not recur: the crisis would then be of an altogether different scale, causing widespread unemployment, a reduction in the disposable income of households and sluggish growth. Mechanically the volume of transactions then prices would be in significant decline, mirroring the economic crisis that would then have followed on from the health crisis. In response to this anxiety-provoking scenario, it is of the utmost importance, both in the property sector and elsewhere, that public authorities do all they can to save jobs and enable the resumption of economic activity while factoring in health conditions. This is the official position stated at the highest level of the State. This would be reassuring in this current unprecedented context.

The longer the health crisis lasts, the more crippled the economy will be. The positive fundamentals of the property market will thus be severely tested. They will only be able to limit the inevitable corrective effects on the market if the health crisis does not destabilise the economic situation over the long term.

There is no difficulty that we cannot overcome.

### Latest Trends

<table>
<thead>
<tr>
<th>Change over 3 months*</th>
<th>Older apartments</th>
<th>Older houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>0.6%</td>
<td></td>
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<table>
<thead>
<tr>
<th>Change over 1 year*</th>
<th>6.4%</th>
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<tbody>
<tr>
<td>3.9%</td>
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* Change in early indicators based on pre-contracts in Mainland France: forecast for the end of May 2020.

**OLDER PROPERTIES**

<table>
<thead>
<tr>
<th>3 months</th>
<th>1 year</th>
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<tbody>
<tr>
<td>Mainland France</td>
<td>1.3%</td>
</tr>
<tr>
<td>Greater Paris</td>
<td>1.5%</td>
</tr>
<tr>
<td>French Provinces</td>
<td>1.3%</td>
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</table>

**OLDER APARTMENTS**

<table>
<thead>
<tr>
<th>3 months</th>
<th>1 year</th>
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</thead>
<tbody>
<tr>
<td>Mainland France</td>
<td>1.8%</td>
</tr>
<tr>
<td>Greater Paris</td>
<td>2%</td>
</tr>
<tr>
<td>French Provinces</td>
<td>1.6%</td>
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**OLDER HOUSES**

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<th>1 year</th>
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</thead>
<tbody>
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<td>Mainland France</td>
<td>1%</td>
</tr>
<tr>
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<td>0.5%</td>
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<tr>
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<td>1.1%</td>
</tr>
</tbody>
</table>

* Three-month seasonally adjusted variation between the 3rd and 4th quarters of 2019

One-year variation: between the 4th quarter of 2018 and the 4th quarter of 2019

![Chart showing the annual variation of home loans for private individuals](chart.png)

**Source:** Banque de France
A land study is a prerequisite for any land management and planning operation. Land ownership is the underlying asset for housing, agriculture, nature reserves or economic activities. The prices of older properties and new builds in mainland France increased by 115% between 2000 and 2018. During that period, building costs increased by only 50%, so the rise in property prices can also largely be explained by the rise in land prices. Knowledge of land prices is thus essential for an analysis of the property market. In that respect, economic and demographic trends have naturally influenced the land market. Building land has become scarce due to high demand for housing in urban areas, and regulatory planning rules, which have facilitated or curbed the availability of building land, and modifications in land taxes or the improvement in financing conditions for 10 years, are some of the factors that make the land market a market in perpetual motion.

However, the 2008 property crisis marked a turning point. Since 2009, the "urban clusters" (large and medium-sized conurbations) have stood out. They are gradually clawing back market shares in terms of volumes of sales (31% in 2018) at the expense of rural areas (18% in 2018). At the same time, whereas price rises were higher in rural areas, the trend reversed from 2009 onwards, with more favourable price rises in the urban clusters.

Breakdown of sales of building land by location

In mainland France, the difference in prices from one department to the next confirms the importance of the location of land in explaining disparities in land prices: since the crisis, the market has been increasingly heterogeneous and geographical disparities have increased. An analysis of the distance of plots of land from the nearest municipality of 50,000 inhabitants can, moreover, provide an approximation of the impact of the proximity of services and amenities on prices: while its impact has changed little over time, land in peri-urban areas is more influenced by this characteristic, confirming the value of nearby services and amenities.

Finally, between 2000 and 2018, the Notaires-Insee indexes of prices of older properties in mainland France (excluding Ile-de-France) have doubled. And yet, the data in this study shows that land prices tripled between 2000 and 2018. The trends thus show that land performed better than buildings prior to 2010.

The major cycles of changes in prices on the building land and older property markets

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.