After a typical post-holiday period, it is now time to take stock of how 2020 will close. We are approaching a crucial time. While in Q2 2020, the volume of total transactions with older properties over the last twelve months remains slightly above the million mark, growth compared to the previous year is down: from +10% in January to +2% in April. This figure made a slight recovery in May 2020 (+3%) but then fell in June (-0.7%) for the first time since July 2015. There has been a strong rebound in terms of post-confinement signings of pre-contracts, and notaries witnessed strong activity through to mid-August; ongoing sales which were not able to be signed could also be finalised thanks to remote electronic signings set up by notaries. Yet as the pandemic and economic uncertainty persists, a wait-and-see approach is required at this stage. It is reasonable to expect that the confinement may derail the million transaction mark by year-end; 2020 will be over 10 months and while there was a rebound in the summer, not everything will be regained. The shift seen in February 2020, unrelated to the health crisis, may also lead us to believe that the property market – which had a steadily growing stock and dynamic activity fuelled by still low rates – had indeed peaked in its catch-up since February 2013. The threshold of 900,000 sales year on year seems to be the yardstick we’ll use to assess the year. We can anticipate stagnating sales volumes through to the end of the year, with little sign of recovery until next spring and for only certain parameters:

• an economic catch-up with GDP expected to grow by +7.4% in 2021 (according to Bank of France forecasts on September 14), a recovery which should also benefit real estate;
• a health crisis under control.

The price curve has remained unaffected by these changes in volume. Indeed, prices are moving with a lag with respect to volume changes and only a strong and lasting drop in the number of transactions would impact prices. Covid-19 has not lasted long enough to significantly alter attitudes and therefore prices. Only persistent and major economic consequences would be likely to achieve such a change.

Sales of older properties over 18 months, from January 2019 to June 2020

Changes in the sales volumes of older properties in the period 2000/2020

Source: CGEDD according to notary databases and DGFiP (MEDOC)
Year on year price changes of older properties in France

In mainland France, the price changes seen in Q2 2020 continued until October 2020 at a faster pace for the apartment market (+2.1% versus +1.8% in Q2 2020) and even more so in the house market (+2.6% versus +1.4% in Q2 2020).

In Greater Paris, early indicators from Notaires du Grand Paris pre-contracts, the majority of which were signed after the confinement (May-July 2020), point to an overall continuation – or even sharpening – of the upward trend by July 2020, with new developments by market segment and geographical area. There is expected to be an annual increase of 6.6% in Paris, which would set the price per m² at €10,860. Nonetheless, the rise in prices would be for both apartments and houses in inner suburbs, which could come close to 9%. Lastly, the greater Paris region is expected to see price increases close to, or higher than, the Capital (+6.1% for apartments and +7.6% for houses).

In the provinces, the projections based on pre-contracts point to a further rise in prices, with an even more bullish trend for houses.

In late October 2020, quarterly developments are expected to range from +1.5% for apartments and +2.5% for houses. The housing sector is to remain unscathed thanks to a market of users. To take the example of Paris, while the number of offer requests has undoubtedly declined, falling from ten to five buyers per seller, there is still a market shortage. Sellers’ psychology has changed, as they now have fewer expectations and are less demanding. Real estate is, more than ever, a safe haven. This has proven to be the case yet again, even in these uncertain times. It is extremely resilient.

Office real estate is expected to bear the brunt of the coming months and may be highly impacted both in terms of volumes and prices. Business tied to tourism, hospitality, catering, nightclubs and bars have been severely affected by the counter-Covid-19 measures, be it for the restrictions now in force or the businesses not being set up given the current climate. The sector could, however, undergo a significant recovery once a remedy is found. There is ongoing concern for office buildings. The growing trend of teleworking will lead to a rationalisation of needs and costs, urging this sector to downsize.

The rental investment sector – already shaken up by the restrictions on seasonal rentals especially in large cities and tourist towns – is expected to suffer from the Covid-19 restrictions imposed on movement and the drop in tourist numbers. Individuals requiring a furnished rental to meet their repayments and expenses may be forced to sell in order to balance their finances.

Credit - Bank of France data

Home lending rose by 5.3% year on year

Outstanding housing loans to individuals rose by 4.7 billion euros – an increase comparable to the average monthly variation for the last three years (4.8 billion). This rise is similar to that seen in August 2019 (+4.9 billion); as such the annual growth of loans remained relatively stable (+5.3% in August 2020 after +5.4% in July).

Monthly home lending – excluding renegotiations (and external repurchases) – amounted to 16.4 billion euros in August 2020, up from July (14.1 billion). Renegotiations continued to fall, at a 15.2% portion of new lending (after 20.5% in July).

Rates of new home lending (of all terms)

The annual growth rate of consumer lending is up (+1.1% in August, after +0.7% in July). In total, the annual growth rate of personal loans remained almost stable (+4.7% in August after +4.8% in July).

The interest rate on new housing loans (including renegotiations) rose by 2 basis points to 1.31% in August, and that excluding renegotiations rose by 3 basis points to 1.30%.

Sales of new dwellings

The new housing market - Key figures

Housing construction

Credit - Bank of France data

Home lending excluding renegotiations

Proportion of renegotiations in new home loans (as %)

Source: Bank of France
Financial Aid for Housing Energy Renovation

As part of a renovation project, individuals may be eligible for financial aid. For insulation, heating changes or a full renovation... criteria relating to the property, the individual's situation and technical characteristics of the installations must be met in order to obtain financial aid for housing renovation. Different aid can sometimes be cumulated for the same work.

MaPrime Rénov'
As part of its energy renovation policy, the government has overhauled the aid system to make it simpler, fairer and more efficient. The transformation of tax credits for energy transition (CITE) into a single premium (MaPrime Rénov’), which launched on 1 January 2020 for homeowners with low and very low incomes, was an initial step. The reform will be finalised in 2021 by extending MaPrime Rénov’ to all homeowners (regardless of income). Households that are not currently eligible can already start the process of submitting their applications as of 1 January 2021.

As part of the stimulus plan, there will be exceptional premiums to help fund works to insulate housing, strongly encouraging comprehensive and ambitious renovations. MaPrime Rénov’ will also be open to condominiums and landlords.

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<th>Key</th>
<th>MaPrime Rénov’</th>
<th>Tax credit for the energy transition (CITE)</th>
<th>Zero-rate eco-loan</th>
<th>ANAH (national housing agency) aid</th>
<th>Local government aid</th>
<th>Energy supplier aid</th>
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The energy cheque, exemption from property tax and pension fund aid can also be combined with the aid set out in this table.

* MaPrime Rénov’ is capped so that the cumulative amount of aid does not exceed 90% for homeowners with very low incomes, or 75% for homeowners with low incomes.

** The CITE is capped so that the amount of CITE aid does not exceed 75% of the eligible spending actually incurred by the household.

AIDEME and the FAIRE network offer a financial aid simulation tool to help you when applying for your property’s energy renovation. The Simul’Aides tool is still the most efficient way to find out what support is available to you.

• www.faire.gouv.fr/aides-de-financement/simulaides

Aid changes regularly so feel free to consult a FAIRE advisor (Monday to Friday from 9am to 6pm by calling +33 0808 800 700) and find out more about what aid you may be eligible for. For further information: www.faire.fr

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 as 50% 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.