

The Real Estate Meetings of BPCE L'Observatoire – 2025 Review and 2026 Outlook. The French and the Private Rental Market

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Paris, November 25, 2025

I. What are the impacts of crises on the real estate projects of the French?

The market conditions in 2025 have favored more real estate projects than in 2024, with reasonable price levels accepted by both sellers and buyers. Their choices have primarily focused on the existing property market, which is slowly rebuilding its supply. The increasing predominance of transaction volumes in provincial areas rather than in Île-de-France has been further confirmed since the beginning of the year, resulting in equivalent trends in pricing. However, there remain contrasting dynamics, with diminished recoveries for some markets, glimmers of hope for others, and persistent difficulties for the last ones.

The **existing property market** has indeed regained some pale color since the low point reached in the autumn of 2024. However, transactions slightly declined starting in May, likely due to an uncertain political and budgetary environment and the increase in transfer taxes. Despite the recovery in activity, the evolution of prices over the last six months suggests a market where the tensions between supply and demand are moderate. While the long-term correction is clearly behind us, the recovery over the year is moderate, more pronounced in provincial areas and for apartments than in Île-de-France or for houses. Nonetheless, the situation is improving, with rising prices in nearly two out of three markets compared to half of them six months ago.

The **new property market** has been bouncing back for several months. The recovery of housing permits is quite strong (+28% from April to September year-on-year), and construction starts are following, but at a more measured pace (+9%). Nevertheless, the volumes remain at very low levels. By type of destination, home ownership and intermediate rental housing are the driving forces behind this recovery (+13% and +9% respectively). Within the sub-markets, two dissimilar situations coexist:

- **Real estate development** could record a historic low for the third consecutive year, at a level still nearly 30% lower than that which prevailed during the period from 2018 to 2022. Demand from individuals has decreased for the fourth consecutive year. At the territorial level, the opposing dynamics of transactions and prices indicate a disconnect between supply and demand.
- The production of **pure individual housing** has seen a significant recovery over the last six months (+20% compared to the previous six months), benefiting from the expansion of zero-interest loans since April 1, 2025.

II. Are real estate markets moving towards an intensification of the decoupling between new and existing properties in 2026?

The current stability of interest rates could give way to a slight increase by the end of the year, which would continue into 2026. The French, aware of the deteriorating economic and financial environment, are increasingly considering an interest rate above 3% to be acceptable. Furthermore, with the stabilization of key interest rates and the completion of the adjustment of its balance sheet, the monetary policy of the ECB would no longer exert downward pressure on financing costs within this timeframe. In this context, the rise of the 10-year OAT (Obligation Assimilable du Trésor) would partially impact housing loan rates, due to the structure of production being more favorable to first-time buyers. This atypical configuration is expected to persist next year, pushing the average interest rate for new housing loans to 3.35%.

Housing sales would follow varied trajectories. Since the beginning of 2024, buyers consider the timing to be slightly less unfavorable for purchasing than sellers do for selling. Meanwhile, the upward trend in transactions benefiting the existing market relies on a slightly increased use of credit. **For 2026, the deteriorating budgetary and financial environment (an increase in interest rates coupled with rising unemployment) is expected to weigh on real estate activity**, particularly in the existing market. The recovery in new housing sales would only be noticeable in the segment of pure individual homes, remaining modest compared to the volumes recorded before 2023. Without support measures for rental investment, sales from real estate development would remain at their current low level.

In this context of a slight decline in transactions and significant uncertainties undermining the confidence of the French people, **the price dynamics in the existing market would be compressed: +0.7% in 2026 after +1.0% in 2025.** Moreover, the prospects for price increases remain limited in the views of both buyers and sellers.

Regarding the use of mortgage credit, new production has stabilized in recent months. Among this, first-time buyers represent the largest and most dynamic component. Thus, in 2025, the credit market rebounded more strongly over the year than real estate variables (prices and transactions): +29%. In 2026, the less favorable momentum of the budgetary and financial context is expected to negatively impact households' housing purchase decisions and, consequently, the use of credit, which would see a slight decline.

III. The private landlord: What differences have emerged over the past three years?

Since 2022, while the profile of investors has changed little, the regulatory, budgetary, and financial environment for making rental investments has significantly deteriorated. This population represents 11% of the French aged 18 and over. They are more urban, more affluent, more often living as couples, and more likely to own their homes outright without ongoing loans (53% compared to 35% of the French population).

What about the French who are not private landlords today but are interested in becoming one? They represent 23% of the French population in 2025 (down 1 percentage point from 2022). The share of those aged 30 to 49 has significantly increased within this population, rising from 39% in 2022 to 45% in 2025. While they are mostly executives or craftsmen (41%), the proportion of workers/employees eager to invest in rental real estate has increased (38% vs. 33% in 2022).

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When surveyed three years apart, four key points stand out :

Fact 1: The nature and strategy of investment are evolving. There are more private landlords than in 2022 who are multi-holders (41% vs. 38%). They report owning more apartments than in 2022 (70% vs. 64%) and have generally been renting for longer (32% declare renting their property for over 10 years vs. 24% in 2022). Unfurnished rentals (56%) remain the primary rental method (down 3 points from 2022) in favor of furnished rentals (30%) or seasonal rentals (14%, up 2 points from 2022).

Fact 2: Private landlords are now more likely to want to disengage than to invest (25% vs. 23%, respectively), primarily due to the burden of taxation. In 2022, 30% wished to continue investing compared to 18% who considered disengaging. Certain profiles of private landlords stand out, particularly according to their 5-year strategy:

- Those aged 65 and over show a stronger inclination to maintain their rental investment (56% vs. 40% of all private landlords);
- Those aged 75 and over are more likely to disengage (36% vs. 25% of all private landlords). In addition to the burden of taxation on rents (32%), other reasons for disengagement cited by landlords include the difficulty of managing properties (25%) and the need for renovations due to energy class (20%).

Fact 3: For 45% of private landlords, rental profitability is the deciding criterion, far ahead of other criteria, even though it has slightly decreased in importance over the past three years (down 5 points). Meanwhile, the goal of creating additional retirement income is increasing (+5 points), as is the possibility of having a property to pass on to a child or relative (+7 points). Among the barriers to engaging in rental real estate, the most significant concerns include difficulties that a landlord might face with a tenant (52%), followed by an increase in taxation (41%) or financing renovations (33%). Over three years, more owners report concerns about the possibility of renting due to DPE standards (+4 points to 21%).

Fact 4: The expression of some of these concerns could explain the increase in property management being entrusted to a professional, with one in two landlords doing so in 2025 (+9 points compared to 2022). Additionally, landlords report a decrease in difficulties finding tenants during this period, as well as a decline in significant property damage (down 4 to 5 points since 2022).

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