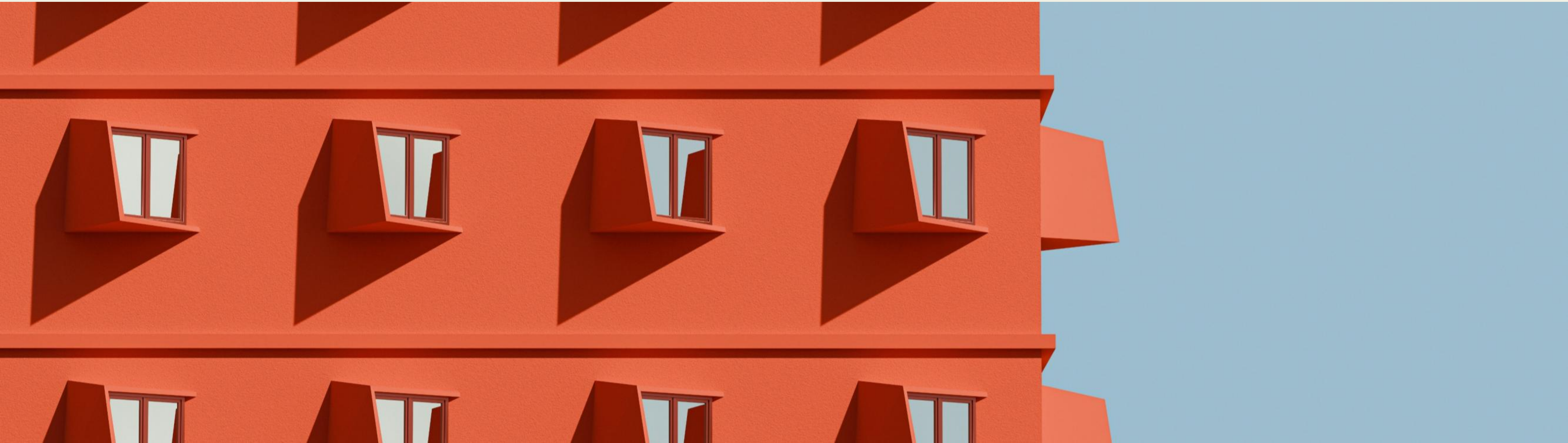
The French Residential Investment Market

1st Half 2026 | The investment market | knightfrank.fr/en/research/



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01. Economic context

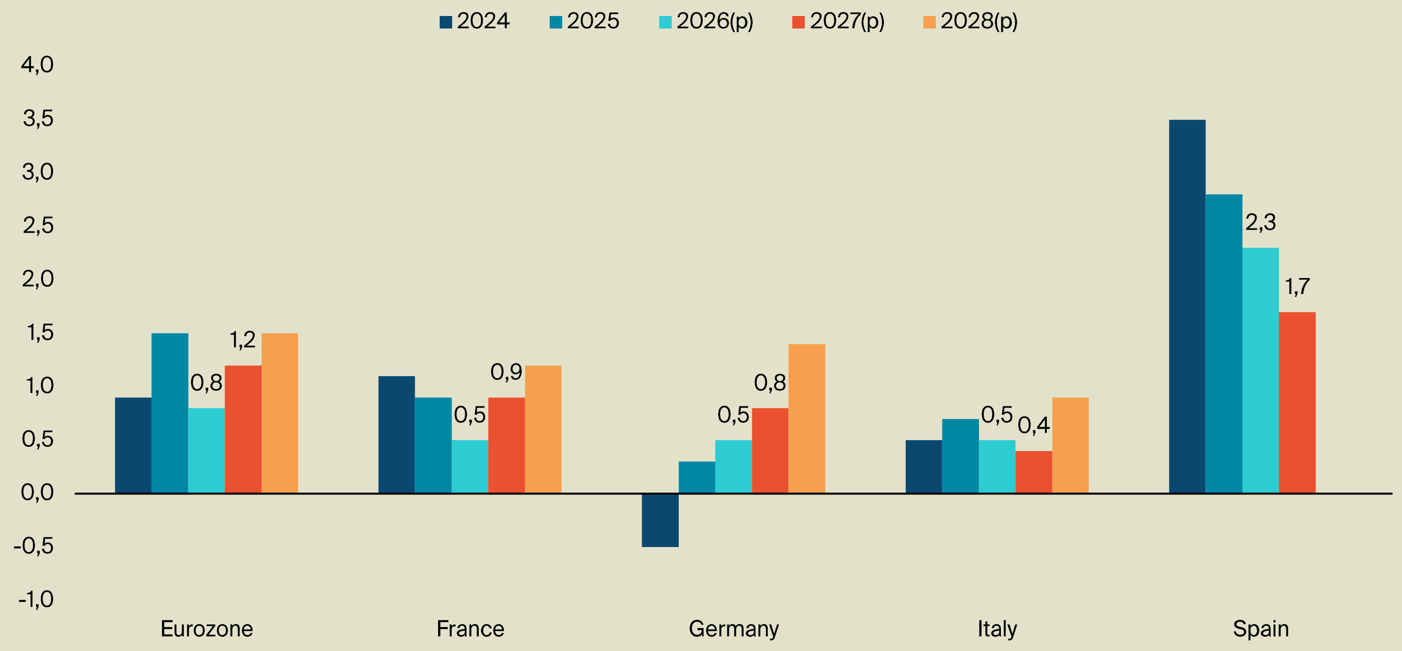
France less penalised than its neighbours by the war in the Middle East

The evolution of the conflict in the Middle East has had more negative effects than monetary institutions had anticipated. Despite zero growth in Q1, France's GDP is expected to increase by +0.5% over 2026 as a whole, a pace similar to Germany or Italy. This downgrade to expected growth is mainly due to lower exports and public investment. The private sector should support economic activity in 2026, through both household consumption (+0.2%) and business investment (+0.5%). In addition, France's long-term growth outlook remains positive, with real GDP higher in 2027 and 2028 (+0.9% and +1.2% respectively).

These forecasts could plausibly improve. Markets had priced in up to three rate hikes by the European Central Bank due to surging inflation. However, inflation in the Eurozone fell faster than expected in June 2026, dropping below the 3% threshold. Although the ECB's inflation target is 2%, the first rate hike in June should begin to have an effect from H2. Against this backdrop, a single rate hike or even stability are currently the two main scenarios.

In France, inflation is estimated at 1.8% in June 2026, one point below the Eurozone. However, this optimism remains conditional on geopolitical developments in the Middle East. For now, the end of the ceasefire between the United States and Iran has not translated into a rise in oil prices, but this nevertheless remains an uncertainty to monitor.

GDP in the Eurozone
%, year-on-year



Sources: European Central Bank, Banque de France, Deutsche Bundesbank, Banca d'Italia and Banco de España / (p) projections
NB: For Spain, the Banco de España has not communicated a forecast for 2028
For Germany, Deutsche Bank only publishes its forecasts in June, so those posted do not take into account the ongoing conflict in the Middle East

Long-term rates are rising again across Western economies

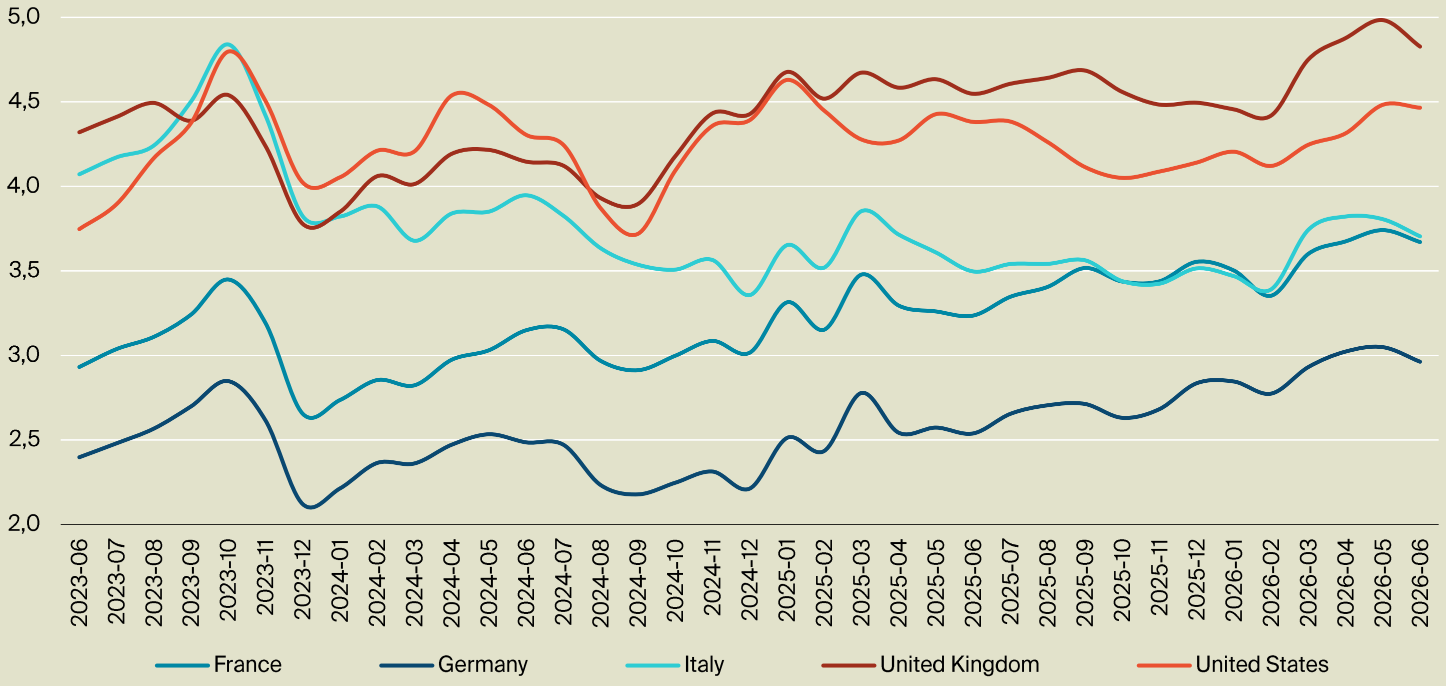
After France emerged from the end of 2025, a period disrupted by domestic political instability, an agreement between political parties helped bring the OAT yield back down during the first two months of 2026. This was before the conflict in the Middle East and the inflationary pressures it generated.

However, France is faring better than other major Western economies. First, with the 10-year OAT estimated at an average of 3.67% in June 2026, France has again recorded lower long-term rates than Italy. Second, between February and June 2026, this bond yield increased by 32 basis points in France, compared with 34 basis points in the United States and 41 basis points in the United Kingdom.

The sharp slowdown in inflation measured in June 2026 and the relative stabilisation of the conflict in the Middle East allowed bond yields to fall across Western countries. However, they remain highly sensitive to developments in the conflict. In this context, the resumption of bombings in the Middle East on 8 July once again pushed long-term rates higher across the main Western powers, particularly in the United States. Their trajectory over the coming months should therefore be treated with caution.

In any event, although France is proving more resilient than Anglo-Saxon countries, Banque de France expects the 10-year OAT to average around 3.7 in 2026, with a further increase in 2027 and 2028. A decline would require a reduction in France's budget deficit, an easing of geopolitical tensions, or a stabilisation of inflation.

10-year bond rates
In % - monthly average



Source: Banque de France

02. The investment market

Sharp slowdown in investment in the 2nd quarter, a H1 result saved by the start of the year

While investment in residential housing as a whole performed well at the beginning of the year, it suffered in the 2nd quarter from the outbreak of the war in the Middle East, which increased economic uncertainty and created inflationary pressure, postponing the prospects of interest rate cuts.

Thus, only €370 million was invested during the 2nd quarter, the lowest quarterly volume observed since 2019, marking a 69% drop compared to the same period last year. Nevertheless, the excellent 1st quarter allowed the half-year volume to hold up and reach €1.5 billion (-21% year-on-year).

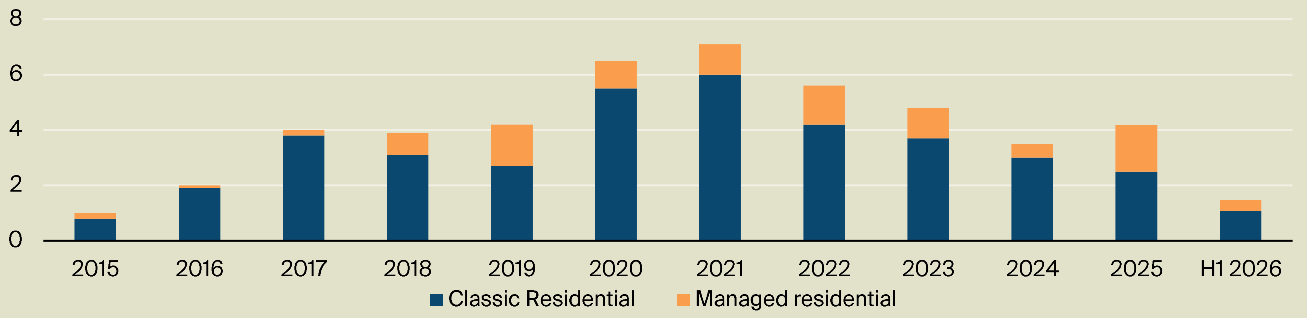
The market was driven on the one hand by the interest of public bodies in acquiring existing buildings, and the desire of some real estate companies to disengage from classic residential properties. This is evidenced by the sale by Gecina of nearly €300 million of assets during the first half of the year, mainly to the City of Paris, with the major transaction being the sale of 148-152 rue de Lourmel for nearly €170 million.

The other key trend is the ability of the French market to generate acquisitions of exceptional properties, following a patrimonial strategy, independent of market conditions. A key example was the largest transaction of the half-year: the acquisition of 29 rue de Sèvres / 48 boulevard Raspail by a family office and Générale Continentale Investissement for €233 million from the Banque de France.

In detail, classic residential posted an investment volume of €1 billion, a stable level over one year. Managed residential properties, on the other hand, continued their good momentum, with an investment volume of €406 million, following a record year in 2025. The activity was mainly driven by student housing, which accounted for €324 million in 10 transactions, including 7 located in the Ile-de-France region.

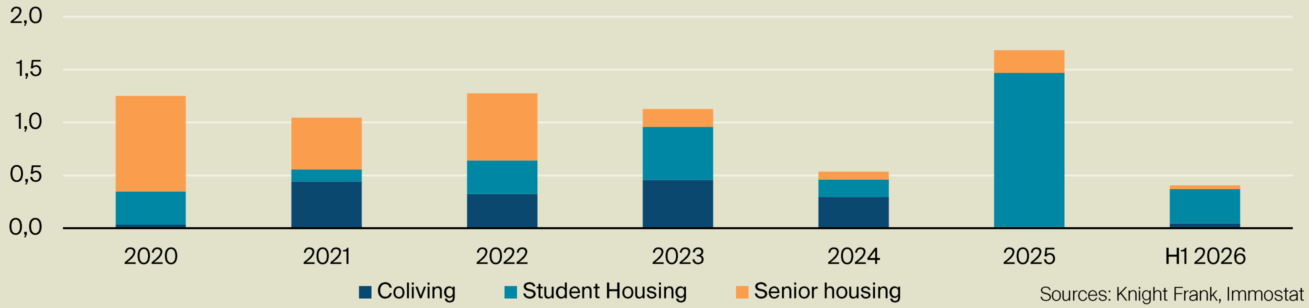
Volumes invested in residential real estate in France

In billions of euros



Volumes invested in residential real estate operated in France

In billions of euros



Sources: Knight Frank, Immostat

Against the tide of new production, forward-funded (VEFA) deals are on the rise thanks to student housing

Faced with a difficult context of high interest rates, and a situation of concern and wait-and-see attitude on the part of investors that is prolonged due to global geopolitical instability, the real estate development sector recorded a sharp decline in results (-24% in one year on housing bookings in the 2nd quarter of 2026, source: FPI). Bucking this trend, forward-funded sales (VEFA) in the residential sector as a whole increased by 57% year-on-year, with €355 million committed, almost exclusively driven by student housing (€300 million). This result allows VEFA sales to post a market share of 24%, after reaching low points in 2024 and 2025 (16%).

The emergence of student housing as an asset class that is particularly popular with investors is due to its solid fundamentals, particularly in France, where demand is structurally strong and where occupancy rates are high, especially in large university cities where the number and rate of foreign students is constantly increasing. Student housing also makes it possible to generate higher rates of return than those of the traditional segment or other real estate asset classes. They are therefore taking up more and more space in the allocations of investment funds on a global scale.

In the 1st half of the year, among the 9 VEFA student housing transactions recorded, 6 took place in the Ile-de-France region, and 3 involved 2 projects in Lyon and 1 in Toulouse.

The most active operator in this type of asset was The Boost Society with 3 operations in the Ile-de-France region totalling nearly 1,200 beds for €132 million. This is followed by the joint venture of Invesco and DeA Capital dedicated to French student housing and the Banque des Territoires, which acquired a 250-bed residence for around €60 million in the 13th arrondissement, which will be operated by the Italian brand Camplus. In Lyon and Toulouse, Uxco Group acquired 3 programmes totalling 526 beds for nearly €60 million.

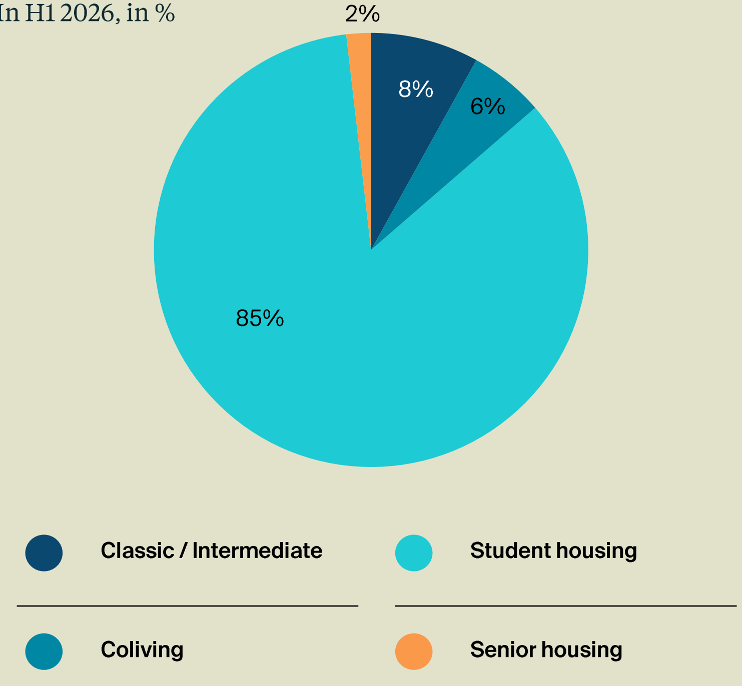
Other operations should see the light of day in the coming months, in view of the announced intentions to invest in student housing. Several recent partnerships concluded between investors, developers and operators have been announced: Invesco / DeA Capital, Goldman Sachs Alternatives / Urban Campus, La Poste Immobilier / Sergic, Pierre Responsables REIM / Colonies, Accor / Aken Ecosystèmes etc. They reinforce a generally still present interest in this market, which is under strong pressure on the supply side.

The gradual institutionalisation of the student housing asset sub-class will make it possible to sustainably support VEFA activity as a whole, but will not be able to guarantee its return to its historical levels; this will remain dependent on a recovery conditioned by a fall in energy costs and a drop in interest rates, now that regulatory and fiscal incentives (private landlord status) have been ratified.

Volumes invested VEFA residential real estate
In H1 2026

355 m €

Breakdown of volumes invested in off-plan residential real estate
In H1 2026, in %



Source: Knight Frank

Student housing in France: a rapidly expanding market, driven by strong demand

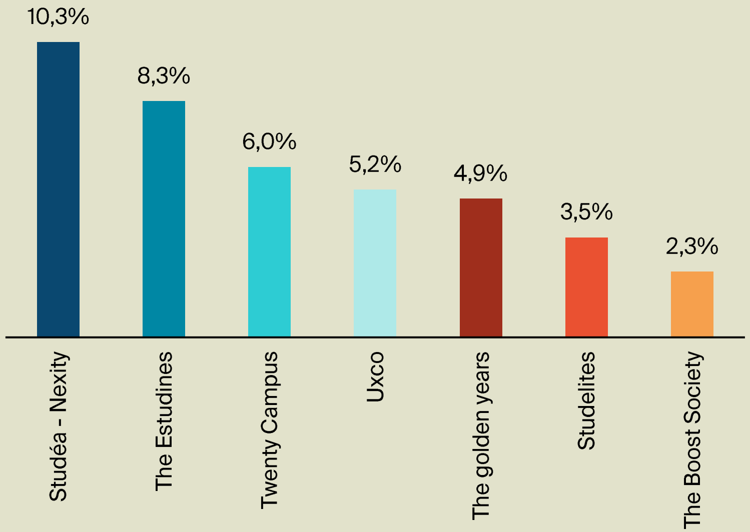
85 % - 95 %
STUDENT HOUSING OCCUPANCY RATE IN THE MAIN CITIES

11 %
RATE OF COVERAGE OF THE STUDENT POPULATION BY THE NUMBER OF STUDENT HOUSING BEDS IN THE PRIVATE SECTOR

€2.8 billion
VOLUMES INVESTED IN STUDENT HOUSING IN FRANCE SINCE 2020

There are 60 operators across the country, and 7 of them represent more than 40% of the residences* in operation.

Distribution of market shares
Number of residences*



*excluding CROUS residences / Source: operators' website

Student residences (private housing stock excluding CROUS residences) are a fast-growing segment of the residential market as a whole, although the coverage rate in France remains limited to around 11%. Indeed, demand remains well above supply in France, considered the **1st student market in Europe (~3 million students).** This structural imbalance creates favourable prospects: rents could evolve at a rate higher than inflation over a three - to five-year horizon.

The sector remains marked by a high level of concentration: out of some sixty operators, seven account for more than 40% of the residences in operation, with Studéa and Les Estudines in a leading position, and operators such as Uxco and The Boost Society growing strongly. This gradual consolidation illustrates the growing maturity of the market.

Since 2020, more than €2.8 billion has already been invested in student residences, confirming the appetite of institutional investors for this asset class. These flows also reflect a change in the way they are held: for a long time, the student stock was developed lot by lot under the LMNP regime, but is gradually switching to block institutional ownership, which is more favourable to homogeneous management, quality of service and asset liquidity.

However, the development of new capacity is coming up against a major constraint: the recurring difficulties related to obtaining building permits in France. The government intends to respond to these difficulties through measures to ease administrative constraints as presented at the beginning of 2026 as part of the "Housing Recovery" plan: simplification of construction and urban planning law, acceleration of the transformation from the tertiary to the residential sector, targeted derogations from standards allowing faster construction in "emergency building zones", etc.

In January 2025, the government made student housing a national priority policy (PPG). In September 2025, the Banque des Territoires launched the AGiLE programme, with a budget of €5 billion to finance the creation, transformation and major renovation of 75,000 student housing units by 2030. Partnerships have already been concluded with student residence operators, such as the Banque des Territoires' entry into the capital of the Invesco / DeA Capital platform.

The top three buyers remain unchanged: investment funds, private investors and the public sector

In line with the year 2025, the main buyers in the block residential investment market were investment funds, followed by private investors and French public bodies.

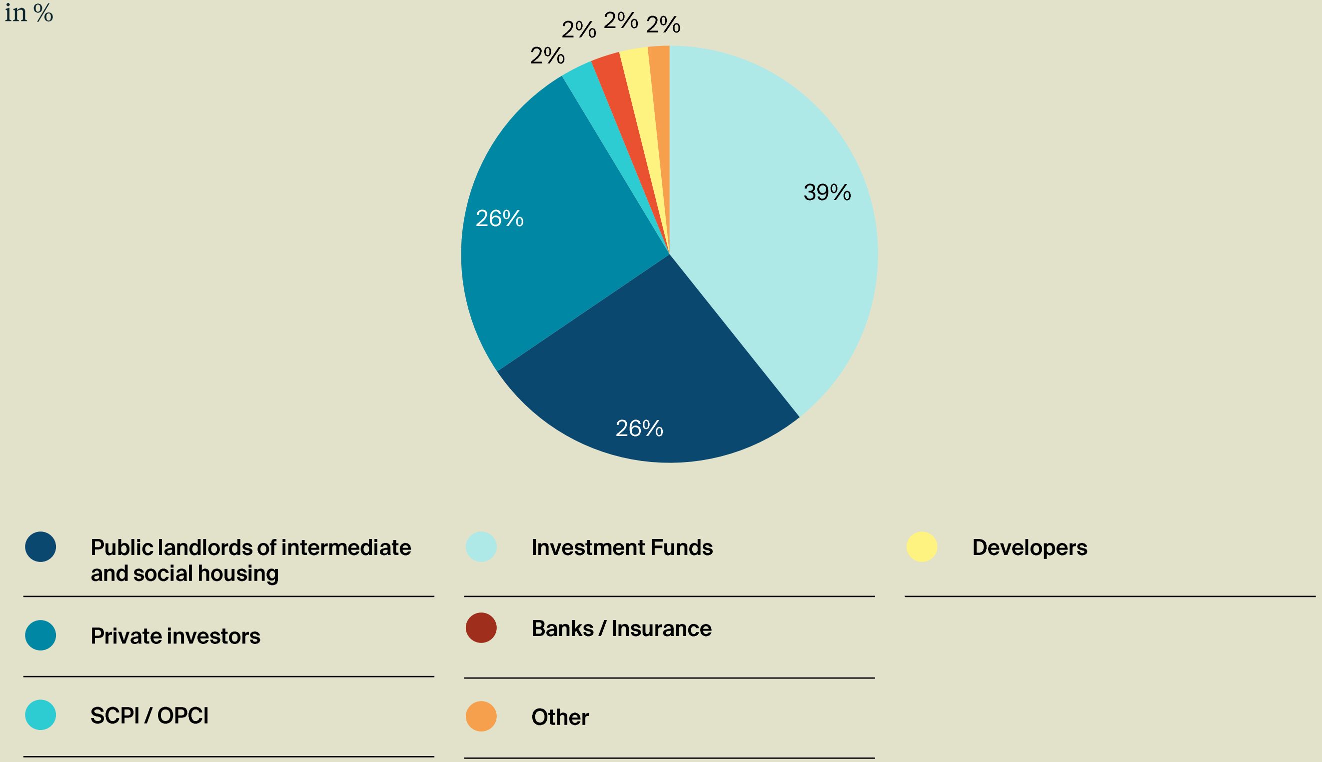
Investment funds were in the majority, with a market share of 39%. In a context of high interest rates and more restricted access to financing, this type of acquirer stands out for its existing dry powder in addition to their ability to source capital from various horizons.

This was followed by private investors and public landlords of intermediate and social housing, tied with a share of 26% each. For the former, the result is largely attributable to the transaction carried out by a family office and GCI for the acquisition of 29 rue de Sèvres for €233 million. This deal reflects the ability of private fortunes to raise significant capital to invest in exceptional heritage products, taking advantage of the temporary withdrawal of traditional players from the market, and the advantage of being able to finance their acquisitions fully with equity and thus avoid a high cost of debt.

For the latter, the activity was mainly concentrated in the Ile-de-France region via the City of Paris, which continued operations thanks to the pre-emption tool in order to support efforts to respond to housing issues, by promoting the development of a social segment.

Volumes invested in residential real estate by type of investor

In H1 2026, in %



Source: Knight Frank

Major residential asset transactions in the last 12 months

Address / Assets	City	Type	Seller	Buyer	Pricing
Nexus Portfolio (Part 1)	France	Classic	AMPERE MANAGEMENT (GIC)	TIKEHAU CAPITAL / BLOSSOM AM	
29 rue de Sèvres / 48 boulevard Raspail	Paris 6th	Classic	BANK OF FRANCE	FAMILY OFFICE / GCI	
France Campus	France	Student housing	CBRE IM	JP MORGAN	
RSS RESIDENCIES EMEIS	France	Senior housing	EMEIS	TWENTYTWO REAL ESTATE / AZORA	
148-152 rue de Lourmel	Paris 15th	Classic	GECINA	REAL ESTATE AGENCY OF THE CITY OF PARIS	
Camplus Portfolio	France	Student housing	VARIOUS DEVELOPERS	INVESCO / DEA REAL ESTATE / BANQUE DES TERRITOIRES	
Village Delage	Courbevoie	Student housing	INTERCONSTRUCTION	HINES	
Rue Moulin des Bruyères	Courbevoie	Student housing	VINCI	GREYSTAR	
Big 4 Portfolio	France	Student housing	CATELLA AG	GREYSTAR	
Kley Bagnolet 2	Bagnolet	Student housing	EMERIGE	THE BOOST SOCIETY	

50-100M€ > €100M

Source: Knight Frank

The Knight Frank
Research department

offers market analysis and strategic property consultancy services for a wide range of French and international clients, including private investors, institutions and users.

The data used for this study comes from sources widely recognised for their accuracy, as well as from Knight Frank property market monitoring tools.

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Knight Frank
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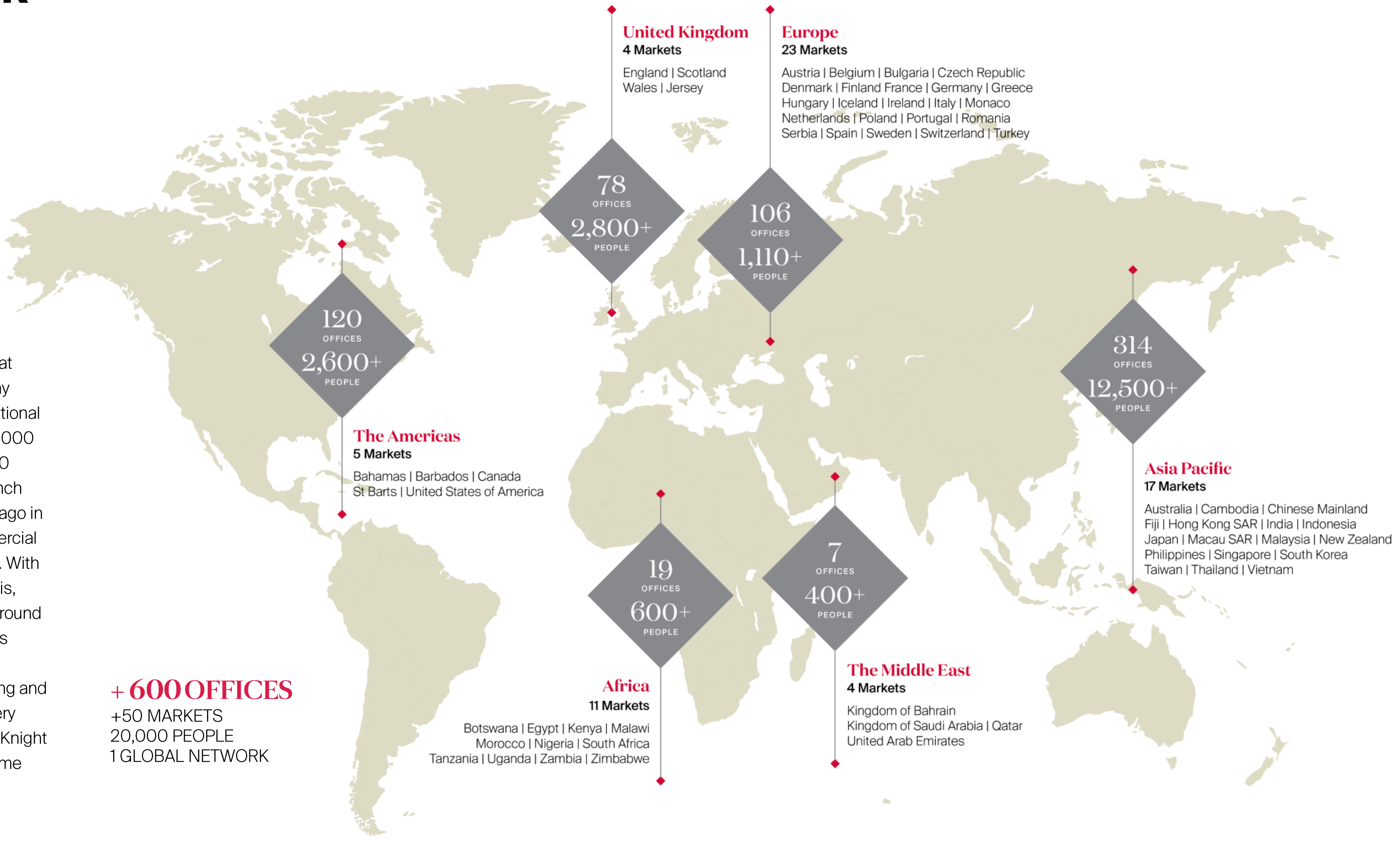

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