



INSEE (French National Institute of Statistics & Economic Studies) and Notary indexes*

(Base 100 in 1 st quarter 2010)	OLDER PROPERTIES		OLDER APARTMENTS		OLDER HOUSES	
	3 months	1 year	3 months	1 year	3 months	1 year
Mainland France	0.8%	3.2%	1.3%	3.9%	0.5%	2.7%
Greater Paris	1.3%	3.9%	1.7%	4.9%	0.4%	1.9%
French provinces	0.6%	2.9%	0.9%	3.0%	0.5%	2.9%

* Three-month variation (seasonally adjusted): between 1st quarter 2017 and 2nd quarter 2017
One-year variation: between 2nd quarter 2016 and 2nd quarter 2017

► The peak volumes

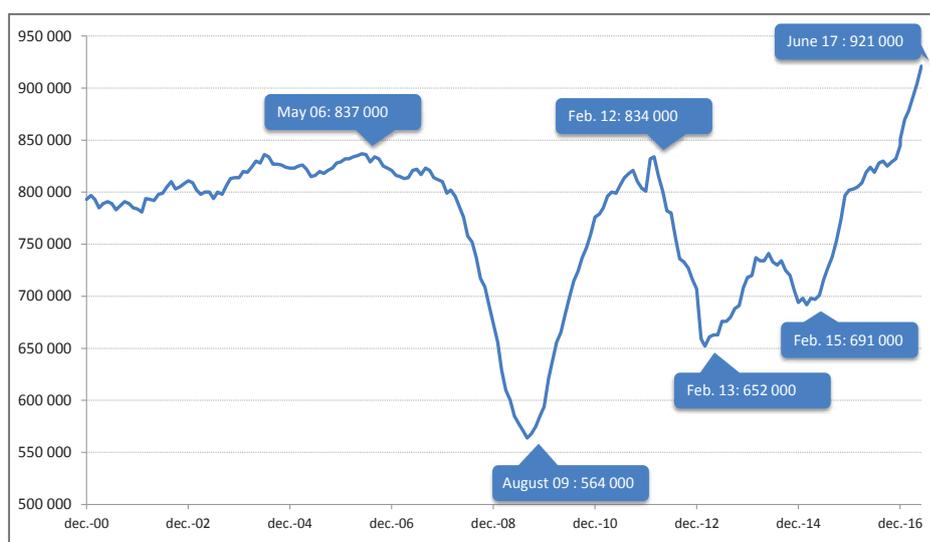
The volume of transactions continued to rise; at the end of June 2017, the number of sales completed in the previous twelve months reached a new historic high, at 921,000 transactions. It thus clearly exceeded the aggregate volume one year earlier of 819,000 transactions.

Such volumes are exceptional. As a reminder, 691,000 transactions were recorded over twelve months in February 2015, 652,000 transactions in February 2013, and even 564,000 in August 2009, at the peak of the *subprime mortgage* crisis.

However, compared with housing stock, which rose 1% per year, volumes were at a slightly lower level than those of 1999-2007. But we are no longer far short of this, with the turnover rate in June 2017 standing at 2.6% (as against 2.7% in the years 1999-2007), bringing us close to the highest levels.

Beyond the catch-up effect, this rise in volumes also stemmed, on the one hand, from the fundamental drop in prices caused by the 2008 crisis in the French provinces (other than some rare regional cities and, of course, Greater Paris) and, on the other hand, con-

Changes in the volumes of older properties in the period 2000-2017



Source: CGEDD according to notary databases and DGFIP (MEDOC)

sistently low borrowing rates, remaining at their low point since the end of 2016.

Indexes

In the second quarter of 2017, prices of older properties continued to rise: +0.8% compared with the previous quarter (provisional seasonally adjusted figures). The rise was clearly more marked for apartments (+1.3%) than for houses (+0.5%). Over one year, the increase in prices continued to escalate: +3.2% compared with the second quarter of 2016, after +2.5% in the previous quarter. For the third consecutive quarter,

the rise was sharper for apartments (+3.9%) than for houses (+2.7%).

In Greater Paris, prices of older properties continued to rise. In the second quarter of 2017, prices of older properties in Greater Paris were up again: +1.3% compared with the first quarter of 2017, as in the previous quarter. Over one year, the increase in prices surged: +3.9% compared with the same quarter in the previous year, after +3.4% at the beginning of 2017 and +2.6% at the end of 2016. This sharper rise was primarily driven by the prices of apartments (+4.9% over one year, after

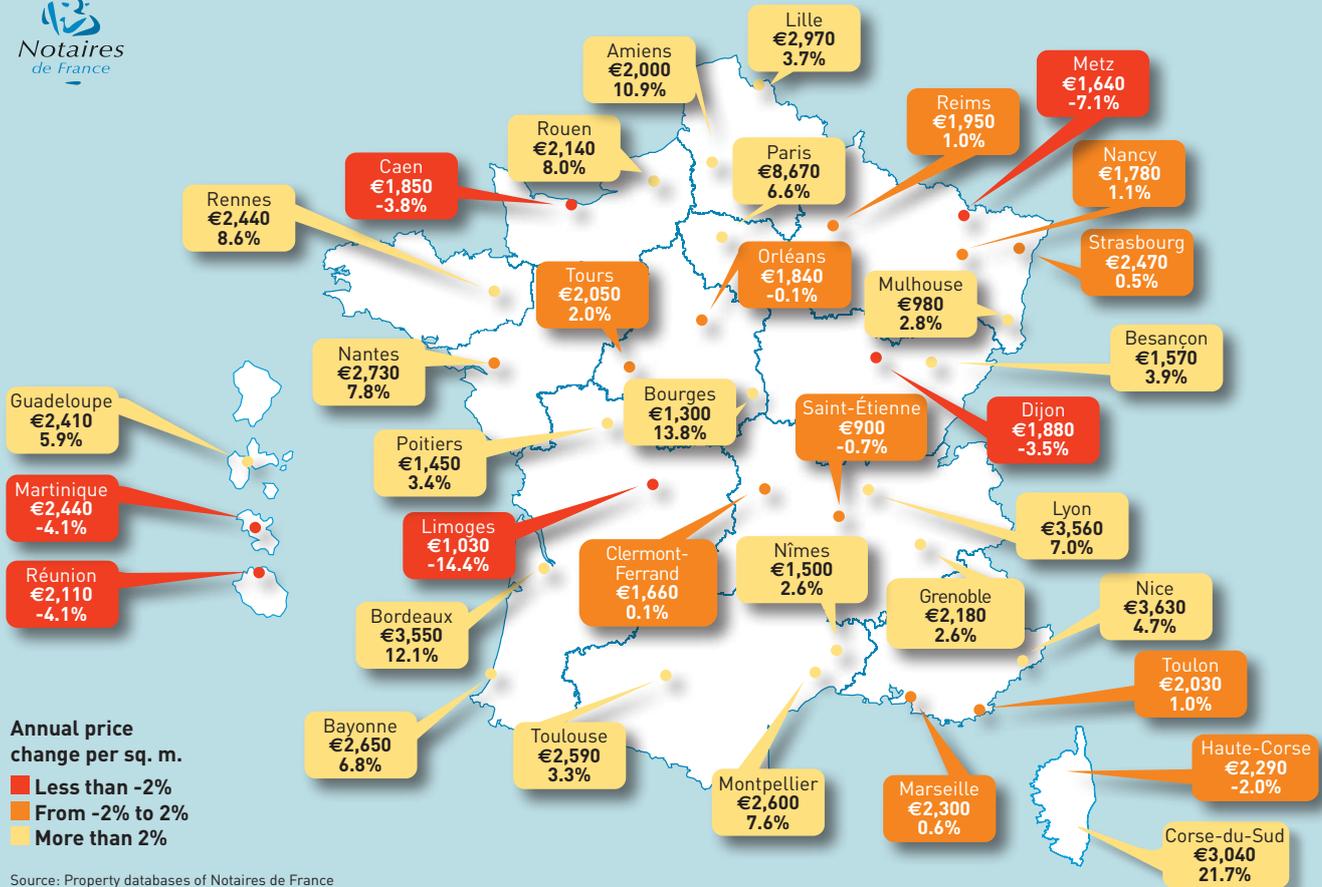
LATEST TRENDS

	Older apartments	Older houses
Change 3 months*	0.9%	1.1%
Change 1 year*	4.1%	3.0%

*Change in projected indicators based on pre-contracts in mainland France: projection at the end of November 2017.

MEDIAN PRICES PER SQ. M. OF OLDER APARTMENTS IN THE 2nd QUARTER OF 2017

Trend over one year: 1st April to 30th June 2017 / 1st April to 30th June 2016



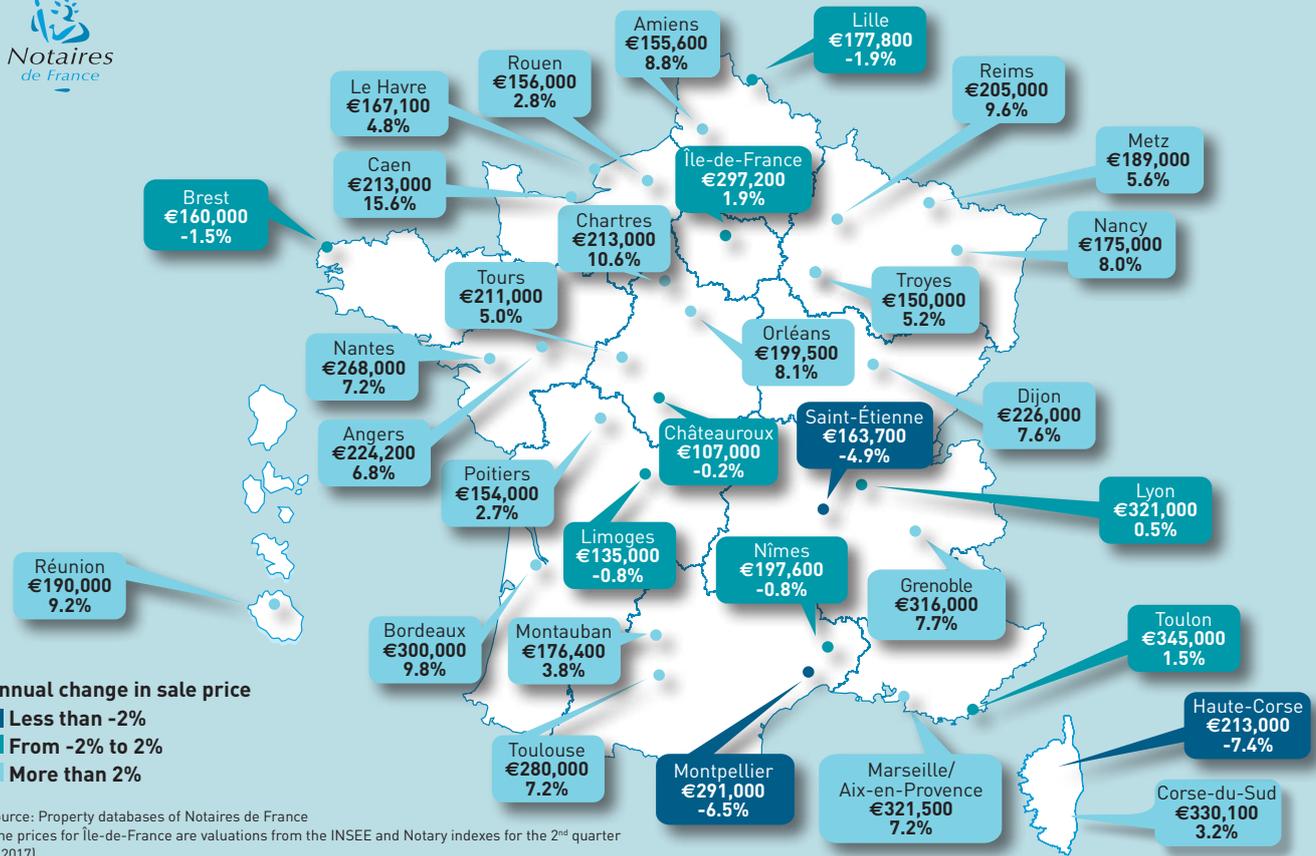
Annual price change per sq. m.

- Less than -2%
- From -2% to 2%
- More than 2%

Source: Property databases of Notaires de France
(Prices in Île-de-France are a valuation of the INSEE Notary indexes of the 2nd quarter of 2017)

MEDIAN SELLING PRICE OF OLDER HOUSES IN THE 2nd QUARTER of 2017

Trend over one year: 1st April to 30th June 2017 / 1st April to 30th June 2016
The statistics for houses cover the whole urban area (town centre + suburbs)



Annual change in sale price

- Less than -2%
- From -2% to 2%
- More than 2%

Source: Property databases of Notaires de France
(The prices for Île-de-France are valuations from the INSEE and Notary indexes for the 2nd quarter of 2017)

+4.1%), particularly apartments in Paris, where prices rose 6.6% in one year. House prices in Greater Paris rose at a slower and steadier pace (+1.9% after +2%).

In the French provinces, prices of older properties rose less sharply than in Greater Paris. They were up 0.6% between the first and second quarters of 2017, a slightly lower increase than in the previous quarter (+1.2%). Over a year, they rose less sharply than in Greater Paris, though they picked up since the start of the year: +2.9% between the second quarter of 2016 and the second quarter of 2017, after +2% in the previous quarter. The rise was similar for apartments (+3%) and houses (+2.9%).

Median prices

Prices of older properties in most departments rose in the second quarter of 2017. Nevertheless, there were a number of exceptions: e.g. Alpes-de-Haute-Provence (-10% in apartments and -5% in houses), Loir-et-Cher (-3% in apartments and -4% in houses), Manche (-14% in apartments and -3% in houses), Yonne (-10% in apartments and -5% in houses).

Of the main provincial towns and cities, in older apartments, as with the last quarter, Dijon posted a fall (-3.5% over a year). In Saint-Etienne (-0.7%), Le Havre (-0.1%) and Orléans (-0.1%), prices stabilised. In other towns and cities, prices rose. Bordeaux still posted the sharpest increase, up +12.1% over a year. This was followed by Le Mans (+8.7%), Rennes (+8.6%), Brest (+8.5%), Rouen (+8%) and Nantes (+7.8%).

In the main provincial urban centres, prices of older houses were mostly up. As in apartments, Bordeaux (+9.8%) and Le Mans (+9.6%) recorded the sharpest rises, followed by Nancy and Orléans with +8% over a year. The urban centres of Rouen, Dunkirk, Saint-Nazaire and Lille reported drops of between 2% and 3% over a year.

The trend reversal in prices noted over previous months continued. Most fortunately, with rare exceptions, particularly in Paris, which is a market within a market, there was no price hike.

That being the case and, firstly, in so far as prices recovered in most large towns and, secondly, as borrowing rates showed a modest upward trend (the drop in the number of renegotiations of home loans confirms this), it would be reasonable to expect that volumes in the second quarter of 2017 should level off.

Is there cause for concern? No. Quite the contrary. Stabilisation of volumes and borrowing rates would contribute towards price control, thus limiting risks of a property bubble. It is important to prevent household funding for residential purposes from reaching critical levels; it is in this context that a crisis could occur, and no one wants a market that does

not encourage first-time buyers from less well-off families.

The new housing market - Key figures

House-building

Figures at the end of July 2017

St@tinfo no. 37 (Sources: SDES, Sit@del2)

Change Q/Q-1 (*)	All	Single-occupancy	Apartments (including blocks of luxury flats)
Approved housing	+2.7%	-2.8%	+6.4%
Builds in progress	-4.8%	+1.1%	-8.6%

(*) Last three months compared with the previous three months.

Sales of new builds

St@tinfo no. 37 (Sources: SDES, Sit@del2)

	2 nd quarter 2017
Number of reservations	-9.4% over a year (30,804 units)
Offered for sale	-17.1% over a year (30,271 units)
Housing outstanding	-1.6% over one year (104,124 units)

The spectre of a policy hostile to property?

The increase in social security contributions is going to add to the duties owing on capital gains from sales. This will also impact significantly on taxation of income from lettings.

And, furthermore, although the refocusing of wealth tax on property is not a property surcharge as the taxation remains the same, it is no less the case that the introduction of the general property tax marks the property owner as a wealthy person, whilst holding a large portfolio of securities, or even ownership of luxury goods, is no longer considered for tax purposes as an asset. That is to neglect the necessary property investment: for the owner, who thereby raises his income and particularly that of his pension; for the tenant, who is happy to find an alternative offer to the low-cost housing which his level of resources does not allow him to access.

What is more, the building sector, through its share in GDP and its impact on employment, needs this construction and renovation activity, which is the lifeblood of all the regions.

Furthermore, we should highlight the incentives recently announced by the Ministry of Territorial Cohesion that encourage confidence and peace of mind.

Thus, noteworthy examples include, randomly:

- mobilising development land ownership, by introducing special tax allowances on property capital gains from disposals of building land in so-called areas under pressure, or even a lower tax rate in the case

of disposals of offices or service premises intended to be transformed into housing

- renewing the “Pinel” rental investment scheme for four years, in areas under pressure (A a, A, and B1)
- extending interest-free loans to purchases of new properties in these same areas
- digitising all the procedures and data in the land, town planning, construction, lettings management and property transaction sector
- encouraging mobility in social housing, and avoid incidents of residential processes
- developing the offer aimed at young people, by financing 60,000 student dwellings over a five-year term, and 20,000 dwellings for young workers over the same period
- encouraging inter-generational homes, by exempting from income tax the rents collected by an owner subletting a room, whether furnished or otherwise, to a student.

The psychological aspect

As long as rates are low and prices remain reasonable in certain sectors and for certain goods, rates will continue to have a stimulating effect; this is a bullish market in which people feel that they can or even should buy as rates are low and before prices rise again. People are again buying with a hope of a capital gain.

Although property purchasing power has risen by 5 to 10%, depending on the towns and cities, before falling back a little, it remains on the rise¹, resulting for now in additional capacity in the number of sq. m. purchased, allowing each buyer to adjust his housing to his needs.

Once again, the French have confidence in real estate, which nevertheless remains a users’ market, users whose confidence is restored in the future of bricks and mortar. ■

¹ - Property purchasing power fell until 2008, then rose slightly in 2009 and 2010, to fall back again in 2011 and 2012. From 2012 to 2016, purchasing power increased between 10% and 30%, depending on the towns and cities. In 2017, purchasing power fell back slightly.



Life annuity

Often presented as enabling the elderly to fully enjoy their twilight years thanks to additional income streams, whilst at the same time possibly remaining in their own home, lifetime sales may be "the solution" to envisage, both to make up for the reduction in the level of pensions, and to provide finance for a dependence phase which local authorities are finding increasingly hard to bear.

Unlike life annuity mortgage loans, which most often provide a sum of money to finance a personal project, a lifetime sale, which is an actual sale with dispossession of its owner in return for payment of a price, allows a person to convert a part of this price into payment of a periodical annuity, with the service for the latter expiring through the death of the vendor.

The fixing of the sale price takes into account in particular the market value of the property but also the right of use and of residence that the vendor may retain. In the latter case, the life annuity is known as "occupied", unlike those in which the purchaser may benefit immediately and which are referred to as being "vacant".

Once fixed, the price is broken down between a part that is paid immediately, "the down-payment", and most frequently a monthly annuity subject to annual indexation to take inflation into account.

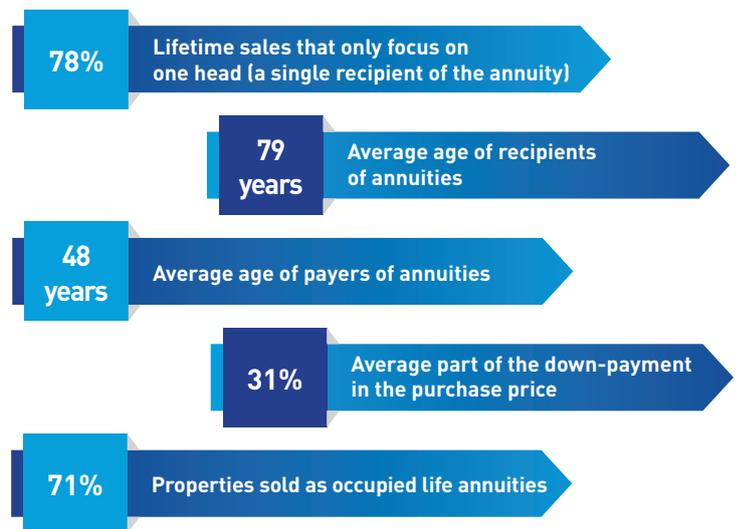
Whilst the down-payment represents approximately one third of the price of the property (a relatively stable amount for 20 years), the annuity part represents on average 7% of the market value of the property. The annuity amount varies according to the life expectancy of the recipient of the annuity at the time of the sale (calculated by insurance companies using their mortality tables). Also, the vendor can enjoy a tax benefit on account of his age (70% discount when he is over the age of 70).

The lifetime sale is based on an uncertainty, the age of death of the recipient of the annuity. This gamble may appear amoral. However, conversely, the recipient of the annuity gambles on his longevity!

Whilst there are many properties up for sale, it should be noted that, for now, there are few buyers, with mortality tables being unable to take into account the steady rise in the lifetime¹ on account of their review method which does not coincide with the time of the sale. ■

¹ - In France, in 20 years, women's life expectancy has risen 3.4 years and that of men by 5.2 years. Source: Insee.

The key figures of life annuity in France*



* 2016 figures, apartments and houses combined, whole of France.
Source: Property databases of Notaires de France



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Definitions

Seasonally corrected prices

In the same way that the calculation of the indexes makes it possible to strip out structural effects, seasonal corrections are intended to 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 (particularly for houses) rise during the third quarter of each year, 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 Institute of Statistics & Economic Studies) 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.



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