

FRANCE: IMPROVEMENT IN HOUSEHOLDS' REAL ESTATE PURCHASING CAPACITY IN THE TIGHTEST HOUSING MARKETS

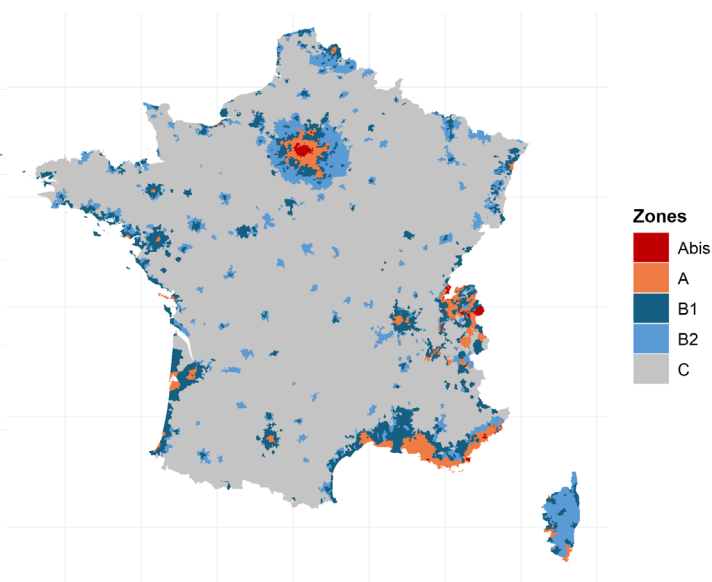
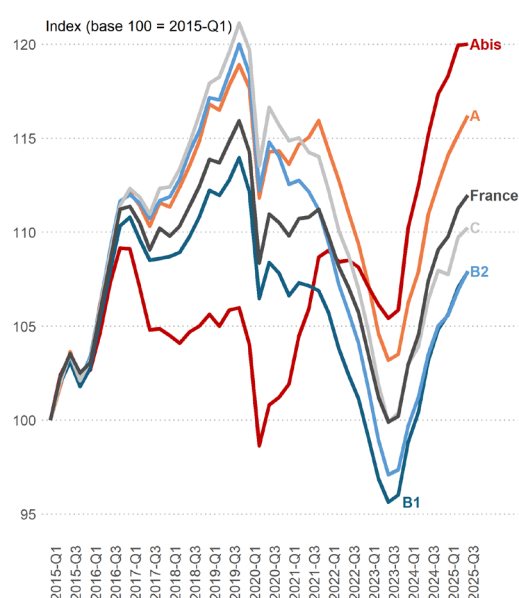
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Since 2020, households' real estate purchasing capacity has improved significantly in the tightest housing markets¹. Our metric, which monitors changes in the amount of space a typical household² can purchase, has increased by almost 20% in areas where demand for housing significantly outstrips supply (A bis). In contrast, in less constrained or even unconstrained areas, purchasing capacity decreased during the same period (by -0.8%, -6.9% and -6.1% in areas B1, B2 and C, respectively).

HOUSEHOLDS' REAL ESTATE PURCHASING CAPACITY HAS IMPROVED SIGNIFICANTLY IN THE TIGHTEST HOUSING MARKETS

Households' real estate purchasing capacity index

ABC zoning of municipalities as at 5 September 2025



SOURCE: BANQUE DE FRANCE, DATA.GOUV.FR, DIRECTORATE-GENERAL FOR PLANNING, HOUSING AND NATURE (DGLN), DIRECTORATE FOR HOUSING, URBAN PLANNING AND LANDSCAPES (DHUP), INSEE, MINISTRY FOR ECOLOGICAL TRANSITION AND TERRITORIAL COHESION, OPENSTREETMAP, BNP PARIBAS CALCULATIONS.

This seemingly contradictory finding can be explained by the relatively low real estate purchasing capacity in 2020 in the tightest markets. In 2015, these geographical areas (A, A bis) already had price-to-income ratios significantly above the national average. The subsequent surge in prices exacerbated the decline in households' solvency until the health crisis. This crisis seems to have marked a distinct shift in the hierarchy of price trends:

- Between 2020 and 2022, the tightest housing markets (A bis) were characterised by virtually stagnant prices (from a high level), while prices continued to rise significantly in other areas. Consequently, buyers were able to fully capitalise on the impact of their nominal income increases on their purchasing capacity.

1 ABC zoning, as calculated by the Ministry of Housing, is designed to categorise areas based on the gap between housing supply and demand. This level of constraint is assessed through "territorial dynamics" (which include the dynamics of living areas, demographic trends, etc.) and various indicators (particularly housing prices and rents).

2 The real estate purchasing capacity index quantifies the surface that can be purchased on credit by a typical household in each period. This index is based on gross disposable income per household, the average interest rate on new loans, the average initial maturity and second-hand property prices (see [France: Rising property prices could be hampered by the slowdown in the rebound in households' real estate purchasing capacity](#)).

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- Between Q3 2022 and Q1 2024, the increase in lending costs for house purchase was accompanied by a more pronounced drop in housing prices in areas where demand outstrips supply: -13% in zone A bis, compared with -7% in zone B1, -4% in zone B2 and -5% in zone C.

- Since Q2 2024, prices have shown relative stability across all zoning categories.

These developments indicate that households' real estate purchasing capacity reached a critical threshold in 2020 in areas with the tightest housing markets. As income³ and the cost of credit are changing in a relatively homogeneous manner⁴ at the national level, it is mainly price dynamics that account for the differences observed between areas. In the tightest housing markets, the stagnation and then decline in prices have therefore had a positive impact: they have facilitated a recovery in real estate purchasing capacity and has given new *impetus* to transaction volumes.

³ This occurs despite the existence of regional income disparities, which can be significant but remained relatively stable over the period studied.

⁴ As income and the cost of credit progress in a relatively uniform manner at the national level, national indicators provide a reasonable approximation of regional trends. In our calculations, only house price indices are specific to each area.



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