

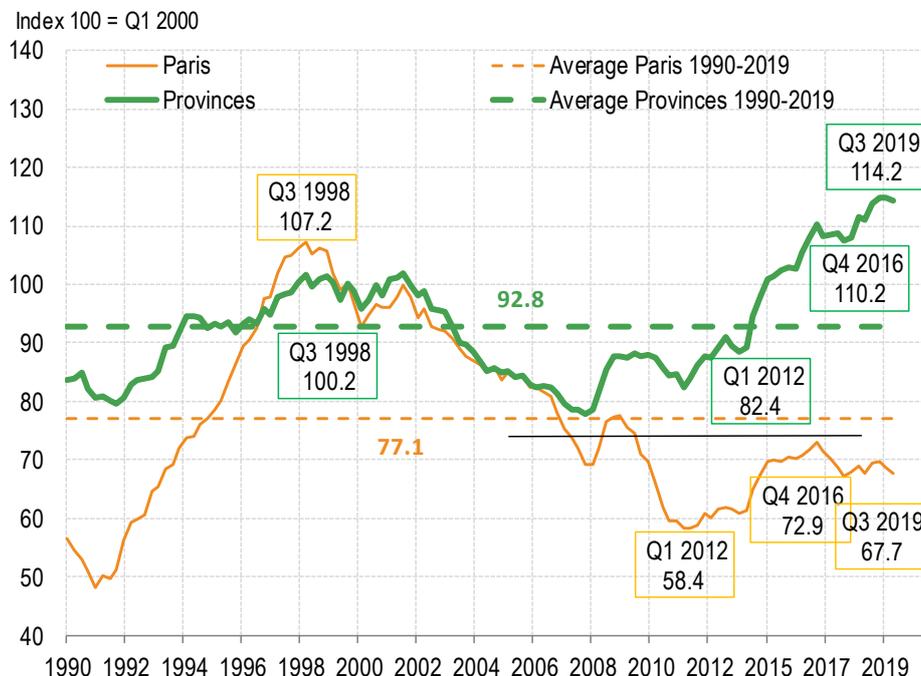


## Home affordability trends in France: dichotomy between Paris and the provinces for the past decade

Our home affordability index measures the ratio of the borrowing capacity of households (based on average household income, average fixed mortgage rates and average mortgage duration<sup>1</sup>) to the average existing home price per square meter (m<sup>2</sup>).

Over the past ten years<sup>2</sup>, home affordability has increased by 30.4% in the provinces, but declined by 12.2% in Paris. Changes in average credit conditions (the average duration was extended to 18.8 years from 17.8 years, and mortgage rates declined to 1.30% from 4.30%) and disposable household income (+7.1%, notwithstanding differences in level) were relatively homogeneous at the national level, which means the differential can be attributed almost exclusively to the spread in existing home prices changes since 2009: home prices have increased by 64.2% in Paris compared to only 10.2% in the provinces. Moreover, this average figure masks significant price differentials from one region to the next.

France: home affordability indices



Source: BNP Paribas calculations from INSEE-Notaires, Banque de France & Crédit logement

<sup>1</sup> In so far as home affordability is rebased, it reflects cases in which down payments account for a stable proportion of the transaction amount (homeowners who sell a home before buying another one), as well as those in which the down payment is negligible (i.e. for certain first-time homeowners and rental investors).

<sup>2</sup> Between Q3 2009 and Q3 2019