



The increase in non-residents' real estate investments is driven by expatriates

At the end of 2019, non-residents owned 1.5% of residential real estate in France, up from 1% in 2001. The value of their real estate assets amounted to EUR 125 billion, four times more than in the early 2000s. Half of this increase can be explained by the growth in the amount of surface area owned, and half by the rise in prices. 42% of non-residents who hold residential real estate assets were born in France and are therefore most likely expatriates. Younger than ten years ago, they have accounted for nearly 60% of the growth in these investments over the past decade. This development contributes to the diversification of the origin and location of non-residents' real estate investments. In Paris, non-residents own properties primarily in touristic or affluent neighbourhoods. For similar housing characteristics, non-residents conduct real estate transactions at prices that are not very different from those of residents.

Roxane Morel

Ministry of Ecological Transition

General Commission for Sustainable Development (Commissariat général au développement durable)

Statistical Data and Studies Division

Julien Uri

Banque de France

Structural Surveys and Statistics Directorate

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125 billion euros

value of the stock of residential real estate held by non-residents in 2019

1.5%

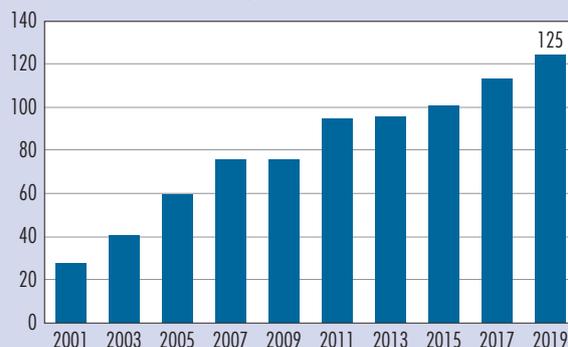
share of residential surface area owned by non-residents

42.2%

share of French-born homeowners among non-residents holding residential real estate

Stocks of residential real estate direct investment in France since 2001

(year-end stocks, EUR billions)



Sources: SDES and Banque de France.



1 Non-residents own an increasing amount of residential real estate in France

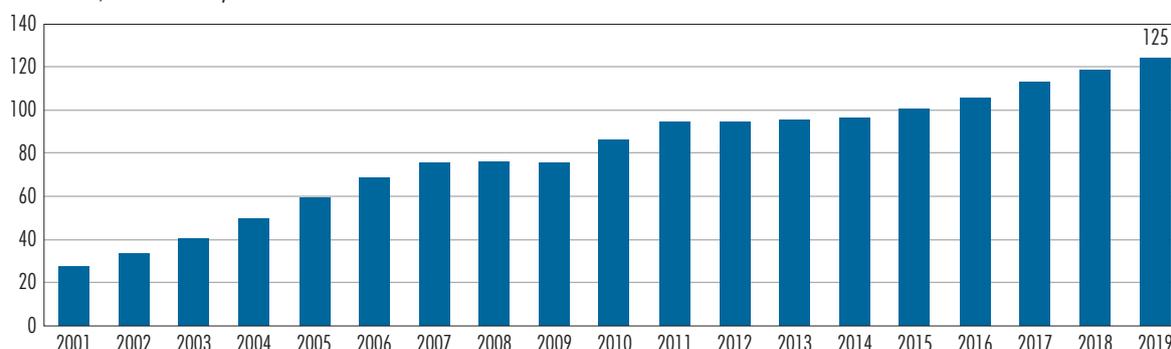
Non-residents' stocks of real estate direct investment have increased fourfold since the early 2000s

Non-residents held EUR 125 billion of residential real estate assets¹ in France at the end of 2019, four and a half times more than at the end of 2001 (see Chart 1 and Box 1). Over this period, stocks posted an average

annual increase of 9%, with three phases of rapid growth (2001-2007, 2009-2011, 2015-2019) and two phases of stagnation or even slight decline (2008-2009, 2012-2014). The years 2001-2007 were marked by strong growth, averaging 18% per year, while, since 2014, stocks have grown at a more moderate pace (by 5% on average per year). At the end of 2019, real estate investment accounted for about one-sixth (16%) of the total stock of foreign direct investment in France, a share that has been broadly stable since 2004.

C1 Stocks of direct residential real estate investment in France since 2001

(year-end stocks, EUR billions)



Sources: Commissariat général au développement durable, Service des données et études statistiques (SDES); Banque de France; based on the *Fichiers démographiques sur les logements et les individus* (Fidéli) and the *Fichier des logements par commune* (Filocom) and on Insee-Notaires indices.

1 For a detailed presentation of the methodology for calculating non-residents' real estate direct investment stocks, see Appendix 1.

BOX 1

Direct investment in residential real estate

In the balance of payments, direct investment¹ is that in which a resident of one economy has control or significant influence over the management of a company resident in another economy. By convention, a direct investment relationship is considered to be established when a natural or legal person holds at least 10% of a company's equity. By extension, the holding of real estate assets by non-residents is counted as direct investment, as it is very often fully owned (100%).

Direct investment in real estate includes only direct holdings of real estate assets. Another way to invest in real estate in France is to own a French company that itself holds real estate assets in France. However, in this second case, the investment taken into account in the balance of payments is the investment made in the French company, since the holding of assets by this company concerns only resident elements. Moreover, residential real estate is not the same as commercial real estate, which is not covered in this study. It should be noted that non-resident investors in residential real estate in France are almost exclusively private individuals.

1 This is therefore not investment in the sense of gross fixed capital formation (GFCF).



For a better understanding of developments, it is necessary to breakdown the increase in real estate direct investment stocks into volume growth and price increases (see Box 2).

The fourfold increase in real estate direct investment stocks between 2001 and 2019 can be explained as much by the growth in surface area owned by non-residents as by the rise in real estate prices in France, with these components doubling over the period. More specifically, the amount of surface area owned by non-residents increased gradually over the period, with the volume effect² raising stocks by EUR 2 to 5 billion each year.

At the same time, the price effect is much more variable, ranging from +EUR 7 billion in 2005 to almost -EUR 3 billion in 2009. Thus, while the growth in surface area accounts for just over half (53%) of the increase in real estate stocks between 2001 and 2019, the price effect determines most of the fluctuations in its growth rate (see Chart 2). The “cross effect”³ is negligible over the period.

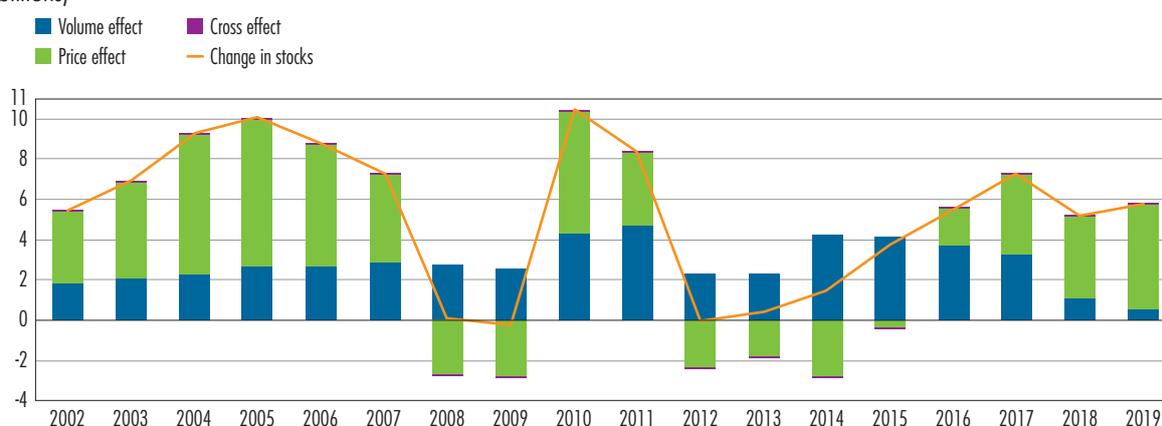
BOX 2

The three factors of change in real estate investment stocks

The factors underlying the change in real estate direct investment stocks are threefold: (i) new acquisitions or sales by non-residents (“net flows”); (ii) changes in the value of housing already owned by non-residents (“valuation effects”); and (iii) changes in the country of residence of households owning real estate in France (“other changes in volume”). Thus, if a resident household moves abroad while retaining ownership of its property in France, the property is then considered to be owned by a non-resident; the stock increases, without this being linked to an acquisition flow or a price variation. The opposite effect occurs when a non-resident household that already owns a home in France decides to move there permanently (for example, a retired household). Like flows, these “other changes in volume” impact the volume (surface area) owned by non-residents, while the “valuation effects” express the impact of changes in real estate prices on the stock.

C2 Breakdown of the change in real estate direct investment stocks in France since 2002

(EUR billions)



Sources: SDES and Banque de France based on the Fidéli and Filocom databases and on Insee-Notaires indices.

Note: Calculation using quarterly data.

² Effect on the stock of the period-to-period increase in surface areas if prices had remained unchanged.

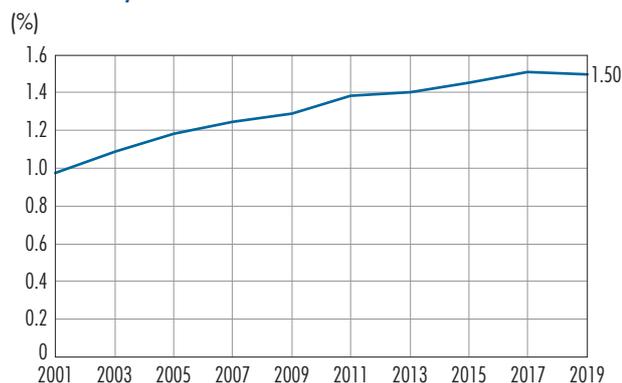
³ Residual from the breakdown of the change in stocks, which cannot be attributed to either volumes or prices.



Non-residents own 1.5% of the residential real estate in France

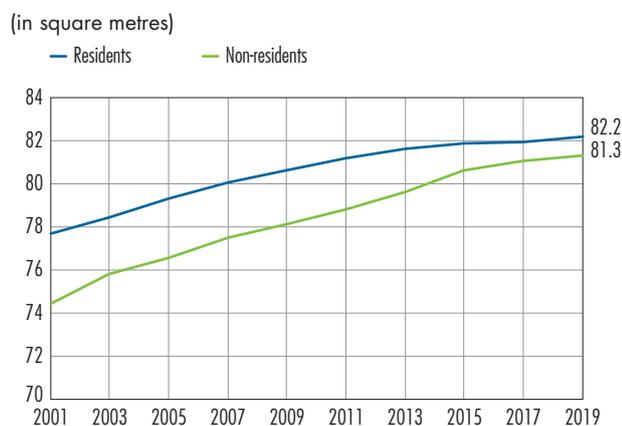
At the end of 2019, non-residents directly owned just over 1.5% of the residential surface area in France (see Chart 3). This corresponds to nearly 560,000 dwellings, for a total floor space of about 45 million m². Apart from a slight decline in 2019, the share held by non-residents has been rising steadily since 2001, when it was less than 1% and represented just under 23 million m². This is mainly due to the rise in the number of dwellings owned by non-residents (up by 80% between 2001 and 2019). While the average size of dwellings owned also increased, gradually converging to that of resident-owned dwellings, this increase was proportionally much smaller (9%) than the

C3 Share of French residential real estate surface owned by non-residents



Sources: SDES and Banque de France based on the Fidéli and Filocom databases.

C4 Average size of dwellings of residents and non-residents in France since 2001



Sources: SDES and Banque de France based on the Fidéli and Filocom databases.

rise in the number of dwellings. At the end of 2019, the average size of dwellings owned by residents and non-residents was roughly equivalent, at around 80 m² (see Chart 4).

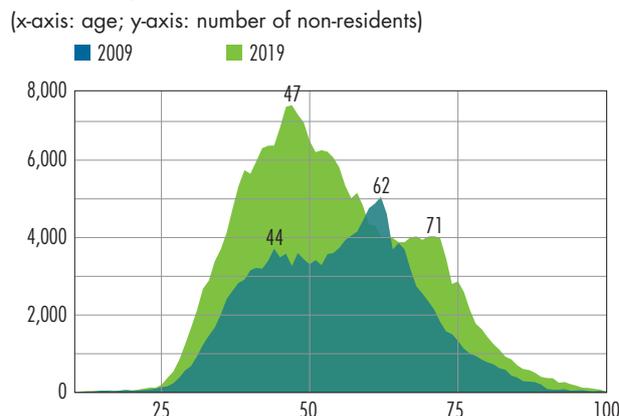
2 The origin and location of non-resident real estate investment are becoming more diversified

Since 2010, the number of French-born non-resident homeowners has risen and they are increasingly young

The available data do not enable us to identify expatriation movements. Their role in explaining the changes in the housing stock owned by non-residents is therefore proxied here by analysing their country of birth.

At the end of 2019, 42% of non-residents who directly owned residential real estate assets in France were born in France, compared with 35% at the end of 2009. In ten years, their rise accounts for two-thirds of the increase in the number of non-resident homeowners, and close to 60% of the growth in the surface area and value of the stock of real estate direct investment. French-born homeowners are now younger: over the period considered, the share of those in their forties has climbed by five percentage points (from 22% to 27%), while that of those in their sixties has dropped by nine percentage points (from 26% to 17%). The most

C5 Age of French-born non-residents holding real estate assets in France, in 2009 and 2019



Sources: SDES based on the *Fichier des propriétaires*.



represented age has thus shifted from 62 to 47 (see Chart 5 above), a change that is probably linked to expatriation trends.⁴

The predominant share of real estate assets owned by residents of border countries is tending to decline

The geographic origin of holders of real estate direct investments is not very diversified: the top three investor countries account for almost half of the total, and 80% of investments come from only ten countries, including all those bordering France. These border countries account for about two-thirds of investments and are among the main contributors. The leading investors are thus residents of the United Kingdom (EUR 29 billion at end-2019, i.e. almost a quarter of real estate direct investments for this country alone), Switzerland (EUR 16 billion, i.e. around 13%) and Belgium (EUR 15 billion, i.e. 12%); followed by Germany and Italy (see Chart 6). The top non-border countries are the Netherlands (ranking sixth), followed directly by the United States. At the end of 2019, the euro area represented 40% of real estate investments, to the tune of EUR 50 billion.

While the ranking of the top ten investor countries remained unchanged between 2009 and 2019, the origin of real estate direct investments became more diversified. The share of the top ten countries dropped from 86% in 2009 to 80% in 2019. Within this group,

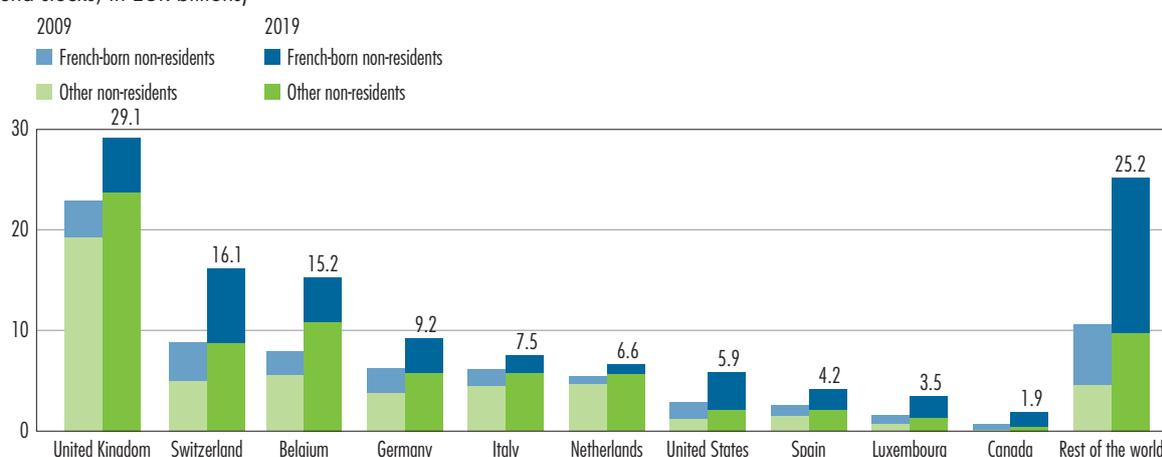
real estate direct investments from Canada, the United States and Luxembourg more than doubled (up 169%, 106% and 120% respectively). For these countries, the increase was strongly driven by French-born non-residents, and in particular by the working age groups (which contributed 137, 74, and 83 percentage points respectively, including 116, 62, and 62 percentage points by the population under 65). Real estate direct investments from Switzerland and Belgium also posted strong growth (+82% and +91% respectively), but with a less differentiated increase between French-born homeowners and others. In contrast, the United Kingdom, the Netherlands and Italy recorded more moderate increases (+28%, +22% and +23% respectively). Italy is one of the few countries where French-born residents made a negative contribution to French real estate ownership (-2 percentage points).

Non-residents' real estate assets are, however, largely concentrated in a few départements

Real estate assets held directly by non-residents are very unevenly distributed across France. At the end of 2019, five départements accounted for half of the stock, and three-quarters of the investments were located in one quarter of the départements (see Maps 1a and 1b below). Île-de-France accounted for close to one-third of holdings, with a total value of roughly EUR 36 billion at the end of 2019, including EUR 26 billion in Paris

C6 Geographical origin of direct real estate investment stocks in France, in 2009 and 2019

(year-end stocks, in EUR billions)



Sources: SDES and Banque de France based on the Fidéli, Filocom, property databases and on Insee-Notaires indices.

⁴ See C. Brutel (2015), "Analysing migratory flows between France and the rest of the world in the period 2006-2013", *Insee Analyses*, No. 22, October, and Ministry of Europe and Foreign Affairs (2020), *Rapport du gouvernement sur la situation des Français établis hors de France*.

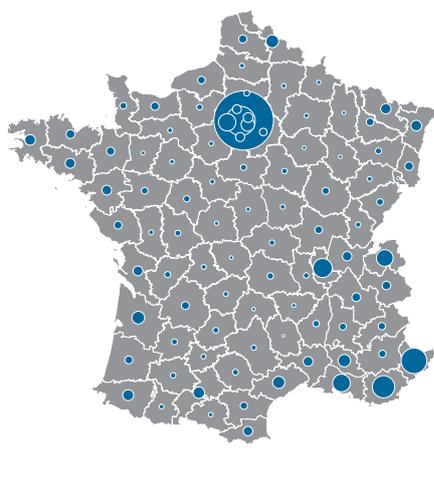


M1 Real estate investments by non-residents in each *département* at end-2019

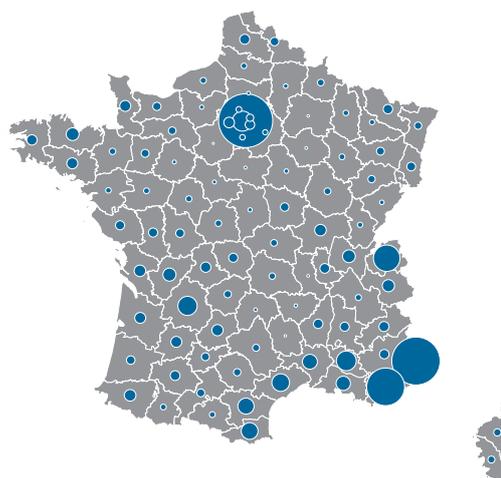
(year-end stocks, in EUR billions)



a) French-born non-residents



b) Other non-residents



Sources: SDES and Banque de France based on the Fidéli, Filocom, property databases and on Insee-Notaires indices.

and EUR 5 billion in the Hauts-de-Seine. Investments were also significant around the Mediterranean, in particular in the Alpes-Maritimes (EUR 13 billion), the Var (EUR 8 billion) and, to a lesser extent, the Vaucluse and the Bouches-du-Rhône (over EUR 2 billion each). A third investment area is formed by several départements with a certain touristic appeal: Haute-Savoie (EUR 4 billion), Dordogne (close to EUR 2 billion) and the départements along the Aquitaine coast.

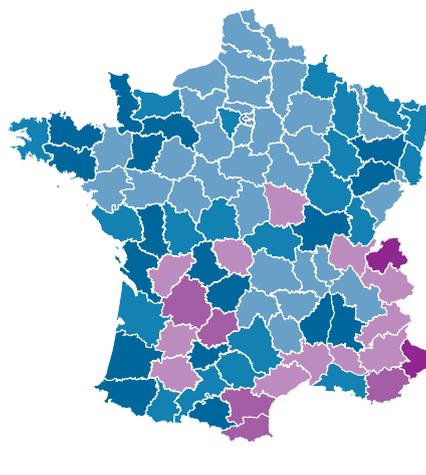
If we take into account only non-residents who were not born in France, other specificities emerge. Apart from the Mediterranean coastline, the distribution of real estate assets held by residents of border countries generally follows a logic of geographic proximity: those of Swiss residents are more numerous in Haute-Savoie, those of German residents in Bas-Rhin and Moselle, those of Italian residents in Alpes-Maritimes, those of Spanish residents in the Eastern and Atlantic Pyrenees, and those of Luxembourg residents in Meurthe-et-Moselle and Bas-Rhin. UK and Dutch residents invest in particular in the Dordogne, while residents of non-border countries invest proportionally more in Paris.

The breakdown of real estate assets held by French-born non-residents is broadly correlated with the population

of the *départements*. However, a few *départements* stand out: the amount of real estate owned by French-born non-residents is greater in Paris, the Var, Alpes-Maritimes, Savoie, and Hauts-de-Seine, and less in the Nord and the Pas-de-Calais.

M2 Share of residential surface held by non-residents in each *département* at end-2019

(as a % of total residential surface)



Sources: SDES and Banque de France based on the Fidéli database.

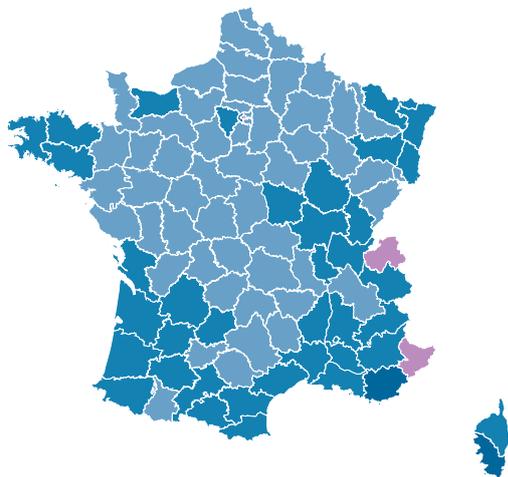


M3 Share of surface held by non-residents in each *département* at end-2019

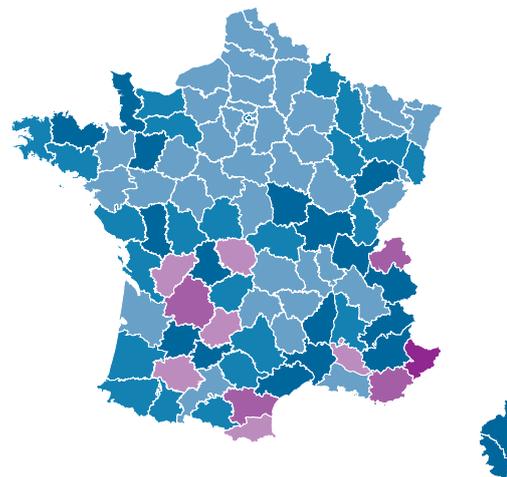
(%)



a) French-born non-residents



b) Other non-residents



Sources: SDES and Banque de France based on the Fidéli, Filocom and property databases.

In general, the share of residential surface area owned by non-residents does not exceed 10% in any French *département*. In eight out of ten *départements*, the share of non-residents is even less than 2%⁵ (see Map 2 above). This is particularly true in the northern half of the country, with the exception of Paris (3.7%) and the Nièvre (2%). Conversely, along the Mediterranean, in the Alps, and from the Charente to the Gers, non-residents systematically own more than 2% of the residential surface area. The Alpes-Maritimes is the *département* with the highest share of non-resident homeowners in France (8.2%), followed by Haute-Savoie (6.5%), the Var (5.1%), Dordogne (4.6%), and Aude (3.9%).

The geographic location of real estate direct investments is becoming increasingly diversified as the number of French-born non-residents increases

The geographic concentration of asset stocks is tending to decrease. Between 2009 and 2019, the highest-growth areas correspond exclusively to *départements* where non-residents hold a small share of the residential surface

area. Thus, stocks posted an annual growth rate of over 10% in Seine-Saint-Denis, Essonne, Rhône, and the Nord (see Maps 3 and 4). They also rose by over 8% in the inner and outer suburbs of Paris. Conversely, and just as significantly, Alpes-Maritimes is the *département* where the average annual growth rate was the lowest over the period (1.2%).

This diversification is mainly driven by French-born non-residents. An examination of the *départements* that have seen strong volume increases since 2009 shows a map of dynamic French metropolises, including Paris, Lyon, Lille, Marseille, Toulouse, Nantes, Nancy, Reims and Grenoble. The properties of French-born non-residents are more likely to be located in large cities, unlike those of other non-residents, whose properties are more often located in medium-sized or even rural cities. In line with this location in large cities, the average surface area of the properties of French-born non-residents is smaller than that of other non-residents (75 m², compared with 85 m² in 2019), while the average prices per m² are higher (EUR 3,000/m², compared with EUR 2,500/m² in 2019).

⁵ For a national average of 1.5% at end-2019 (see Part 1).

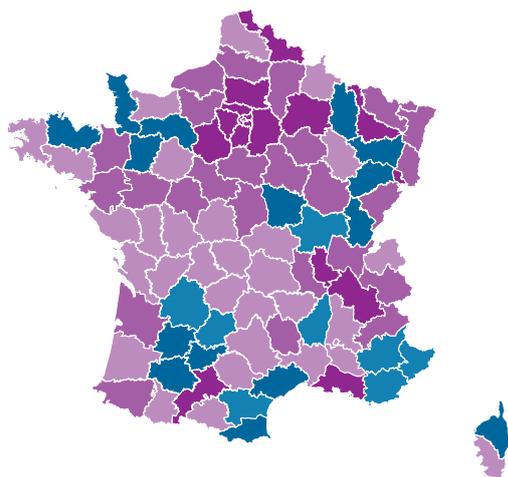


M4 Change in the surface held by non-residents between 2009 and 2019

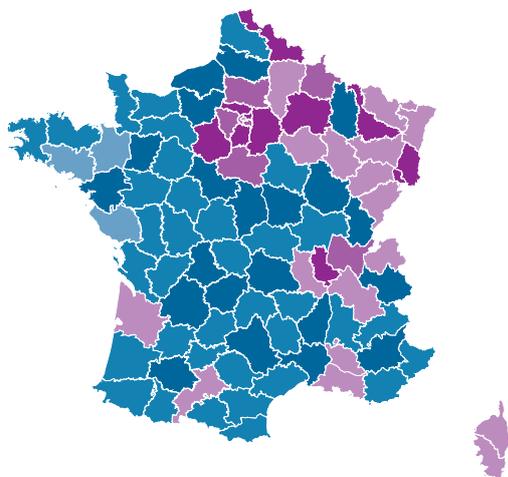
(average annual growth rate of stocks at year-end, %)



a) French-born non-residents



b) Other non-residents



Sources: SDES and Banque de France based on the Fidéli, Filocom and property databases.

3 In Paris, non-residents purchase and sell housing at similar prices to those obtained by residents

With 3.72% of floor space owned by non-residents in 2019, compared to 1.48% for Bordeaux, 1.47% for Lyon, and 0.95% for Marseille, Paris is the metropolis with the highest proportion of non-resident homeowners. Its real estate market is very dynamic, which makes it possible to study the link between real estate prices and the participation of non-residents in transactions. Since houses and private mansions are very rarely sold in Paris (0.3% of sales), they are not included in the analysis.

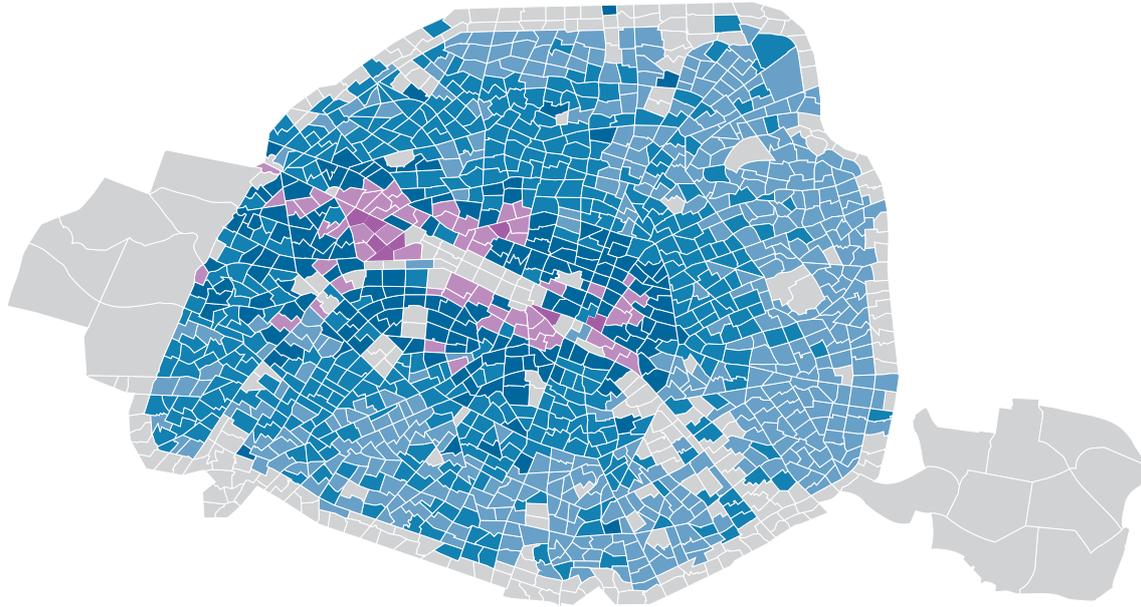
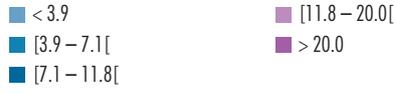
Housing owned by non-residents is mainly located in touristic or very affluent neighbourhoods (see Map 5 below). This location overlaps with that of diplomatic representations and international organisations and schools. Conversely, the proportion of non-resident homeowners is very low in the neighbourhoods on the outskirts of Paris, which are mostly occupied by social housing.

For a given year of transaction and similar housing characteristics (floor, period of construction, neighbourhood, number of rooms, etc.), the purchase price per m² of housing purchased by non-residents is 2.5% higher than that of housing purchased by residents (see Appendix 2 for the detailed calculation). Conversely, the transaction price per m² of housing sold by non-residents is on average 2.5% lower, all other things being equal. These differences remain small and do not enable us to conclude that non-resident buyers have an inflationary effect on Parisian real estate prices over the 2010-2019 period.



M5 Share of housing surface held by French non-residents in Paris at end-2019

(by cadastral section, in%)



Source: SDES based on the Fidéli database.



Appendix 1

Determination of stocks of real estate direct investments by non-residents in France

Since 2019, the Statistical Data and Studies Division (SDES) of the French Ministry of Ecological Transition has been sending the Banque de France aggregate data from the Filocom and Fidéli databases.¹ Thanks to these data, it has been possible to measure, for the first time, the stocks of residential real estate direct investments by non-residents,² which until now had been proxied by aggregating flows.

The Filocom and Fidéli databases are compiled by the SDES and Insee, with the main objective of improving knowledge of the French housing stock and resident demographics. Filocom has been produced every odd year since 1995 and Fidéli every year since 2016. They are both based on a matching of tax data, in particular housing tax and property tax databases. Thanks to these databases, it is possible to know the tax address of the owner of each dwelling in France. The tax address is a very good approximation of whether the owner is a resident or a non-resident. These databases can therefore be used to determine the stock of housing owned by non-residents, i.e. the stock of foreign direct investment in residential real estate.

First, the surface areas provided are restated to address certain geographic or time limitations: (i) the French overseas *départements* and regions are only included from 2016 onwards (changeover from Filocom to Fidéli); an surface area retropolation is therefore carried out, under the assumption that the growth rate is equal to the average for metropolitan France; (ii) as the data are only produced every two years until 2015, the missing points are estimated by means of a linear interpolation.

Second, these surface areas are valued in euros. To do this, the method is based on the Insee-Notaires hedonic price indices,³ which are available for a certain number of geographical areas (*départements* of Île-de-France, main urban areas, provinces). However, these series provide variations (in base 100), not values. In the selected geographical areas, for a given date, the latest quarterly average prices per square meter are therefore obtained from the Conseil Supérieur du Notariat website, and then retropolated using the Insee-Notaires growth rates to create time series.

Due to the significant disparities in French real estate prices and in the location of real estate investments by non-residents, we did not use an average price for the whole of France. Since, only certain geographical areas are identified in the Insee-Notaires indices, we could not construct different price series for each *département*. Instead, eleven departmental price series were created: eight series corresponding to each of the *départements* of Île-de-France, one series corresponding to the *département* of Rhône (assimilated to the Lyon conurbation), one series corresponding to the *départements* of the Provence-Alpes-Côte d'Azur region, and one last series for the other *départements*.

1 *Fichiers démographiques sur le logement et les individus* and *Fichier des logements par commune*.

2 Non-residents are natural and legal persons with a predominant centre of economic interest abroad (with the exception of French representations and French civil servants posted abroad).

3 Price indices that take into account the characteristics of housing.



Appendix 2

Hedonic regression of real estate transactions in Paris

The prices per square meter of transactions are explained by the property characteristics (floor, period of construction, neighbourhood¹ where the property is located, number of rooms, surface area of the outbuildings – cellars, storerooms, etc. –, year and month of the transaction), to which are added two indicators specifying whether the buyer or seller lives outside France. The purpose of these

indicators is to measure the price differential, on purchases or sales, specifically linked to the fact of being a non-resident, all other things being equal. The property used as a benchmark for the calculation is defined by the most frequent modalities of the model's qualitative variables. It is a two-room apartment, built between 1915 and 1945, in the 15th arrondissement and purchased in January 2010.

	Coefficient	Standard error	t	p-value
Constant	7618.2218	107.7154	70.73	0
Ground floor	-76.5014	28.6411	-2.64	0.0076
Last floor	992.5275	22.8563	43.42	0
Other floor (benchmark)	-			
Built before 1870	454.7549	34.4941	13.18	0
Built in 1870-1914	274.9586	28.7743	9.56	0
Built in 1915-1945 (benchmark)	-			
Built in 1946-1970	-506.4222	35.6277	-14.21	0
Built in 1971-1990	-476.2943	39.1646	-12.16	0
Built in 1991-2010	234.5709	43.6466	5.37	0
Built in 2011-2019	2,327.0459	79.2332	29.37	0
Period of construction unknown	-280.4542	48.3104	-5.81	0
Large neighbourhood 7510101	3,329.0578	275.0885	12.1	0
Large neighbourhood 7510102	1,574.2586	116.7272	13.49	0
Large neighbourhood 7510103	1,413.8587	181.657	7.78	0
Large neighbourhood 7510104	2,394.0897	209.8742	11.41	0
...				
Large neighbourhood 7511557 (benchmark)	-			
...				
Large neighbourhood 7512080	-2,109.6376	81.7892	-25.79	0
1 room	993.069	21.0959	47.07	0
2 rooms (benchmark)	-			
3 rooms	-167.9775	22.3546	-7.51	0
4 rooms	-107.9351	29.9962	-3.6	0.0003
5 rooms or more	-53.9791	38.6898	-1.37	0.1709
Surface of outbuildings	30.7926	0.972	31.68	0
Non-resident buyer	188.9229	35.353	5.34	0
Non-resident seller	-191.7456	37.6387	-5.09	0
2010-01 (benchmark)	-			
2010-02	118.9431	124.7451	0.95	0.3403
2010-03	459.1216	121.4512	3.78	0.0002
2010-04	264.1555	125.0576	2.11	0.0347
2010-05	67.4617	125.1954	0.54	0.59
...				
2018-11	3,085.6847	136.3622	22.63	0
2018-12	3,072.4475	134.3194	22.87	0

Source: SDES based on DV3F and property databases.

¹ Paris is divided into 80 large neighbourhoods.



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