Real Estate Strategic Outlook: France

French Economic Outlook

Faltering momentum amid persistent uncertainty

France's economy is forecast to grow 0.7%[1] in 2025, supported by a resilient labour market. But elevated public debt and fiscal constraints continue to weigh on growth. A gradual recovery is expected in 2026, driven by private investment and exports, though political uncertainty and debt risks persist. Progress in budget negotiations has eased government bond yields, with market pricing in an approved budget early next year.

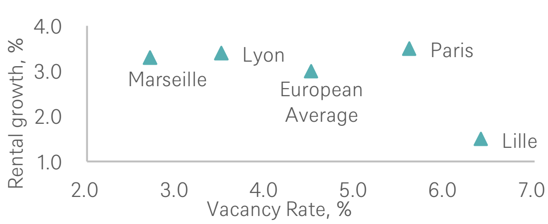
Structural Strength Amid a Slower Cycle

Polarised opportunities appear to be shaping the French market

France's real estate market is increasingly polarised, with resilience concentrated in prime assets, while secondary assets face rising vacancy and softer growth. Logistics remains the most resilient sector in France, supported by structural demand from e-commerce, supply-chain modernisation and constrained plot availability. Prime hubs such as Paris, Lyon and Marseille continue to see strong rental growth, while secondary locations like Lille lag, reflecting the premium on scale, connectivity and modern, well-located facilities. Investors remain focused on high-quality, long-leased assets where tenant credit and scarcity have underpinned long-term income resilience.

The chart below indicates that vacancy and rental growth are expected to diverge across logistics hubs. Tight, supply-constrained markets generally support stronger rental growth, while locations with higher vacancy are likely to lag. Paris stands out as a notable outlier: despite higher vacancy than Lyon and Marseille, it is forecast to sustain robust rental performance, underpinned by its scale, market depth, and strategic locations.

French Logistics Rental Growth vs. Vacancy Rate, 2026-2030, % p.a.



Source: DWS Forecasts, November 2025

Purpose-built student accommodation (PBSA) and senior housing may represent some of the more compelling investment opportunities in France. Strong structural demand, persistent undersupply, and consistently high occupancy levels should support durable, inflation-linked income. Well-located, modern schemes could benefit from demographic tailwinds – growing student populations and an ageing population – which may make these sectors more resilient than many traditional asset classes. Given these fundamentals, we currently have a strong conviction in targeting high-quality assets in both segments.

While logistics continues to demonstrate resilience in prime hubs, the office market shows a similar pattern of divergence. Paris CBD appears to maintain strong occupier demand, steady rents, and limited vacancy, reflecting ongoing appetite for high-quality and ESG-compliant space. By contrast, secondary and peripheral offices, such as La Défense's outer periphery, suburban business parks in the Western Business District, or secondary markets like Nanterre and Boulogne may face headwinds with higher vacancy and softer rental growth.

This underscores the importance of careful asset selection. While prime locations and top-tier buildings may capture most of the market upside, repositioning Grade B assets into 'minus-A' quality space may offer a more attractive strategy than undertaking heavy refurbishments amid France's macro-risks. As investor caution increases, strategies that deliver quick, lower-risk upgrades are becoming more compelling. The growing divergence in performance reinforces this point: prime assets should benefit disproportionately, while secondary stock may require active management or targeted repositioning to remain competitive.

To conclude...

The political and fiscal uncertainty, including ongoing debates over the 2026 budget and potential regulatory changes, continues to influence leasing and investment sentiment in France. Against this backdrop, the office market remains slow growing but highly polarised. Looking ahead to 2026, the office markets of Paris CBD and leading logistics hub are expected to maintain steady rental growth and steady yields, supported by limited supply and strong occupier demand. Disciplined investment focused on core locations, high-quality assets and value-add opportunities will be important to capturing potentially attractive returns in a cautious environment.

[1] Oxford Economics, November 2025

Real Estate Research Team

Office Locations

Frankfurt
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London
45 Cannon Street
London, EC4m 5SB
United Kingdom
Tel: +44 20 754 58000

New York
875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco
101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore
One Raffles Quay
South Tower
15th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo
Azabudai Hills Mori JP Tower
1-3-1 Azabudai
Minato-ku
16th Floor
Tokyo
Japan
Tel: +81 3 6730 1300

Sydney
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel: +61 2 8258 1234

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office & Retail Research

Ross Adams
Industrial Research

Sharim Sohail
Self-Storage Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Tom Francis
Property Market Research

Siena Golan
Property Market Research

Rosie Hunt
Property Market Research

Carsten Lieser
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Asia Pacific

Koichiro Obu
Head of Real Estate Research, Asia Pacific

Seng-Hong Teng
Property Market Research

Hyunwoo Kim
Property Market Research

Matthew Persson
Property Market Research

AUTHOR

Karine Woodford
Property Market Research

Important information