

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.

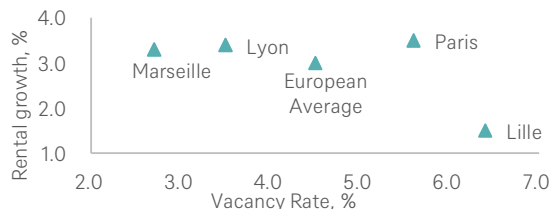
Structural Strength Amid a Slower Cycle

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

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