Technical Assistance – Market Studies of Pipeline and Stakeholders

France

October 2024

Disclaimer

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A **comprehensive analysis of social infrastructure investment** in nine EU countries is a key objective of the project

Introduction – Project in focus

The project is initiated by the **Council of Europe Development Bank** who has hired **PricewaterhouseCoopers**, through the support of InvestEU Advisory hub, to identify market gaps and potential investment opportunities, with stakeholder engagement playing a crucial role in enriching the study's findings.

Project overview and goals

- The project, led by the **Council of Europe Development Bank (CEB)** and executed by **PricewaterhouseCoopers (PwC)**, is financed by the **European Commission under the InvestEU Advisory Hub**. This signifies a strong commitment from the EU to enhance social infrastructure.
- The aim is to **map the current state of social infrastructure investments** in nine EU countries, notably including France. This involves a comprehensive assessment of market conditions, funding availability, and potential investment opportunities.
- **The study aligns with InvestEU's broader goals to stimulate investment across the EU**, specifically targeting the development and enhancement of social infrastructure.

Methodology and phased approach

1. **Phase One - Desk Research**: In the initial phase, PwC conducts extensive desk research to collate and analyse existing market data and studies. This phase establishes a foundational understanding of the investment landscape in the targeted countries and identifies key stakeholders.
2. **Phase Two - Direct Market Interviews**: Following the desk research, the second phase involves conducting interviews to gather firsthand market insights from identified stakeholders. This step is crucial to enrich the analysis with real-world perspectives and data.
3. **Comprehensive Evaluation**: The combination of desk research and direct interviews ensures a thorough and multi-dimensional analysis, providing a detailed picture of the current market and identifying key areas for potential investment.

Stakeholder engagement

- **The CEB and PwC are actively engaging with principal stakeholders to gather insights and respond to specific inquiries**. This collaborative approach is essential for validating the study's initial findings and enriching the overall analysis with diverse perspectives.
- Through this engagement, the **CEB seeks to build a network of informed and interested parties**, fostering a collaborative environment for future projects and investments.
- Post-study, stakeholders will have opportunities to remain involved in ongoing dialogues and initiatives led by the CEB. This continued involvement is aimed at translating the study's findings into tangible investment actions and partnerships.

Limitations

The main project limitations consisted of reduced data availability, which was mitigated through involvement of local experts who provided estimates, and in some cases, additional data access. As well as, access to stakeholders for the phase 2 interviews, which resulted in some segments being covered by only one interview.

1

Introduction

France‘s GDP growth has been slowed down by inflation, however a recovery is expected in 2024

Introduction – Overview of France’s Economy

France’s economic forecast

France’s GDP grew for 2,5% in 2022, which is slightly below the 5-year average compound annual growth (CAGR) of 2.8% for the 5-year period from 2018. The slowdown was manly caused by supply-chain disruptions and rising energy prices, which contributed to a significant spike in inflation during the year (reaching 13,2%) and adversely impacting goods consumption. Particularly hard-hit were the service sector and manufacturing in energy-intensive areas.

The Bank of France, IMF and OECD all forecast lower GDP growth in 2023, projecting it to be between 0,7% and 0,9%, followed by a moderate recovery in 2024. The main risks remain rising prices of energents, such as oil and gas, due to mismatches in supply and demand, and further surges in inflation from additional wage pressures.

France	2018	2019	2020	2021	2022	CAGR
Population (mil.):	67,02	67,29	66,89	67,65	67,87	**+0,31%**
GDP bn (current EUR)	2.363	2.437	2.317	2.502	2.639	**+2,8%**
GDP growth (%)	1,9	1,8	-7,5	6,4	2,5	**n/a**
GDP per capita (EUR)	32.800	33.250	30,630	32.490	33.180	**+0,29%**
Unemployment (%)	9,0	8,4	8,0	7,9	7,3	**n/a**
HICP (annual % change)	1,2	2,1	3,7	5,2	13,2	**n/a**

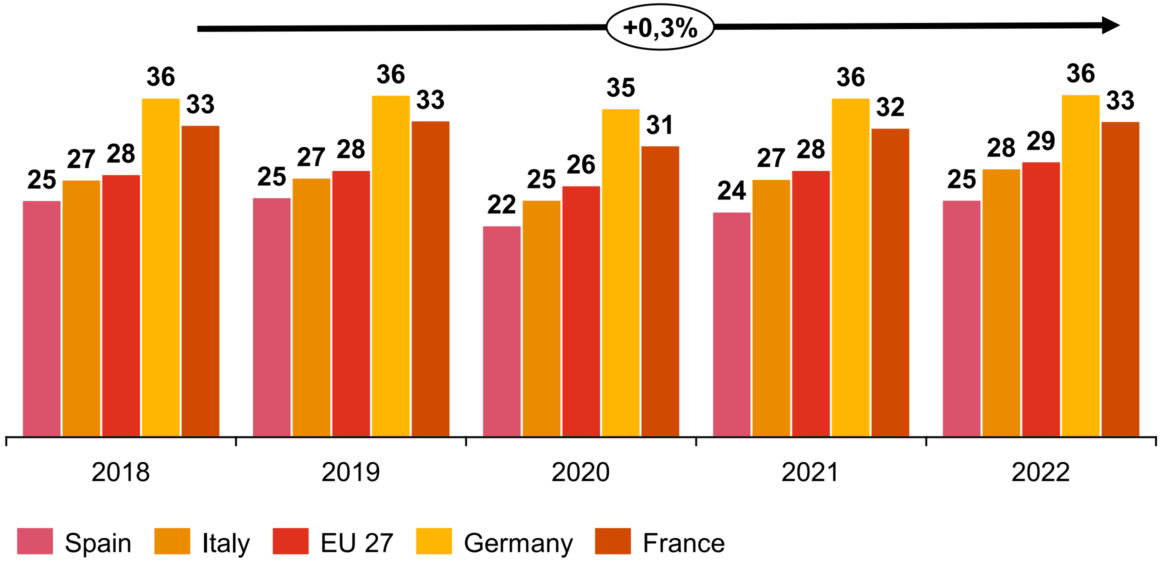
Sources: Eurostat, OECD, IMF, Banque de France, PwC analysis

GDP per capita and inflation

France has been on a track of steady economic growth in recent years. Frances’s GDP per capita has been growing with a CAGR of 0,29% in the 5-year period, and has risen from EUR 32,8k in 2018, to almost EUR 33,1k in 2022.

Inflation is expected to stabilise, mainly due to decreasing industrial producer prices, supported by the decrease of import prices. Service inflation, on the other hand, is expected to remain higher in the long term, due to increasing wage pressures. However, even in this sector, inflation is anticipated to decline by 2024.

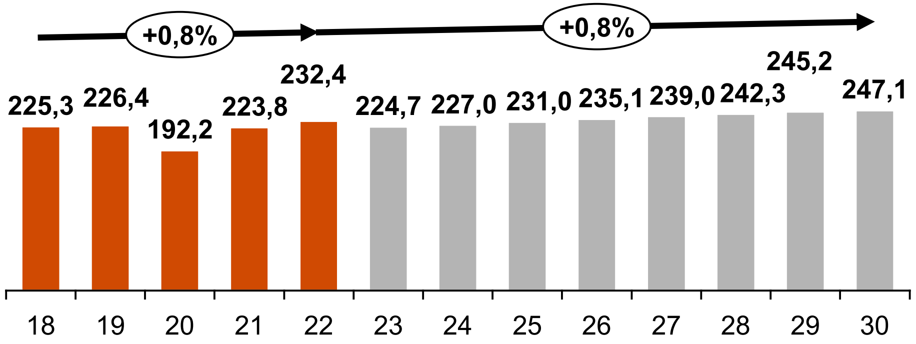
GDP per capita of France and a basket of countries (EUR ths.) 2018 – 2022



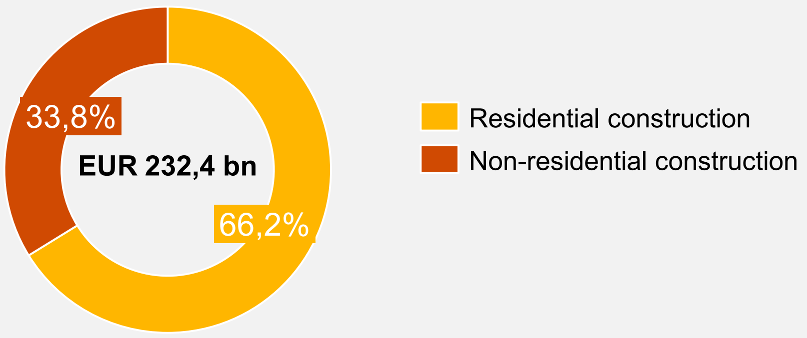
Government investments and reforms are fuelling France‘s construction sector growth

Introduction – Overview of the Construction Sector

Buildings construction industry value, in EUR bn



Construction works value share, by subsector, 2022



France’s construction sector has seen a moderate growth in the past 5 years. However, growth mainly stagnated during the Covid-19 pandemic in 2020, losing 15,1% of its value in the year. After the pandemic, the French construction market rebounded, rising above the pre-pandemic level, reaching EUR 232,4 bn. Growth of the sector was manly promoted by investments and reforms by the French government.

A moderate growth can also be seen in the total number of enterprises operating in the construction sector. In 2020 there were ~501k enterprises, representing a compound annual growth (CAGR) of 0,29% since 2015. The number of construction workers also grew in the same time frame at a CAGR of 0,9% or ~1,8M workers in total.

For 2023, production in construction is expected to stabilise with a slight increase of 0,1%. Employment in the construction sector is also expected to stabilise in 2023.

Projections of the French construction sector show a continuation of growth. The market is expected to reach a CAGR of 0,8% in the next 8 years, until 2030. The growth will manly be supported by France ‘s EUR 100bn “France Relance” recovery plan, which, among other goals, aims to modernise France‘s infrastructure.

Residential construction

The residential segment accounted for EUR 153,79 bn in 2022, equating to 66,2% of the sector‘s value. It also achieved the highest compound annual growth (CAGR) of 1,2%, since 2018.

Non-Residential construction

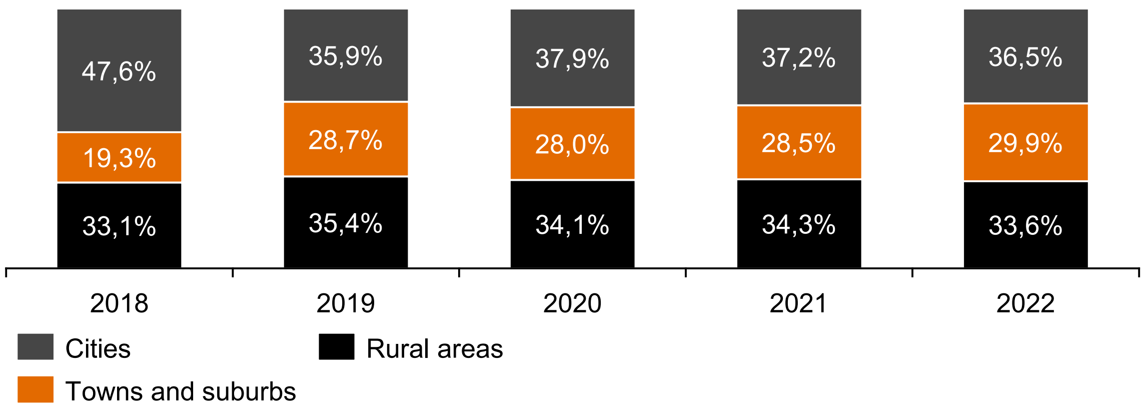
The non-residential segment accounted for EUR 78,57 bn in 2022, equating to 33,8% of the construction sector‘s value. Growth in non-residential construction has been stagnant since 2018, staying roughly at EUR ~78bn.

Sources: Eurostat, EMIS, FIEC, European Commission, PwC analysis

Urban Areas in France are most prone towards poverty and social exclusion risks

Introduction – Overview of France’s population

Share of population, by degree of urbanisation, in %



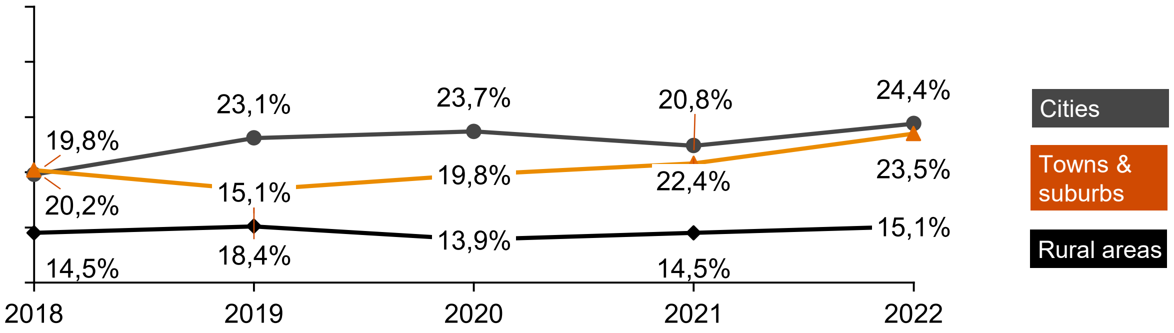
In 2022, France’s population has been reported at around 67,9M people, with projections showing a slight increase to ~68,0M by 2025, and further growth to ~68,7M people by 2030.

In the population structure, a trend of declining population in cities can be observed, which has decreased from 47,6% in 2018 to 36,5% in 2022. According to the French Statistical office (INSEE), this trend is in predominantly attributed to the high cost of living, pushing people from metropolitan centres, such as Paris.

According to the latest population census data from 2020, the combined population of the urban areas of the five largest cities amounts to ~16,2M people or about 23,9% of the total population of France.

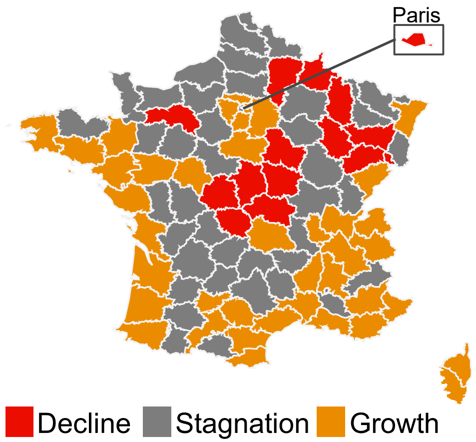
The differences among shares of people at risk of poverty and social exclusion are relatively small. The largest share can be observed in towns and suburbs, as well as cities, with both having about a quarter of the population at risk of poverty or social. The trend in rural areas has been stagnant, hovering at around 15% since 2018, while the share of people at risk of poverty has been on the rise, in both categories, cites, and towns & suburbs.

People at risk of poverty or social exclusion by degree of urbanisation, in %



Source: Eurostat, World Bank, INED, PwC analysis

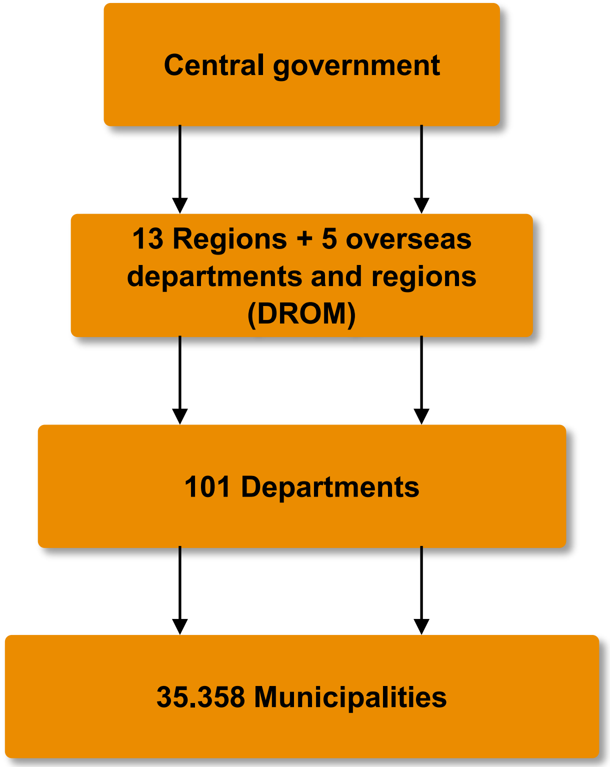
Population change per department



In the past eighty years, two key demographic trends can be observed in France‘s departments. Firstly, a urbanisation shift is happening from rural areas towards more urban population centres, except in Paris, where we observed a population decline, likely due to the high cost of living. Secondly, a trend toward rising population on France's coastline can be observed, where the whole west and south coastal regions have experienced population growth.

Overview of France’s governance structure

Introduction – Governance in France



General overview

France, as a unitary state, has established a robust governance structure under its 1958 Constitution, characterized by a mix of centralization and decentralization. This system encompasses various levels of government – central, regional, departmental, and municipal, each with distinct roles and responsibilities. There are 18 regions (13 metropolitan and 5 overseas regions), 101 departments, 35.358 municipalities.

Central government

The central government, responsible for national policy implementation, retains exclusive authority over matters of national sovereignty, including defence, foreign affairs, justice, and security. It operates through the civil service and armed forces, with local delegates ensuring effective governance across various regions.

Regional

French regions enjoy significant autonomy, including extended responsibilities in areas such as transport, education (lycées), vocational training, culture, regional planning, economic, scientific and environmental development. Some of the actors that are present at the regional level are CROUS (*Centre Régional des Œuvres Universitaires et Scolaires*) and the ARS (*The Agences Régionales de Santé*).

Departments

Operating at an intermediate level, departments manage functions including departmental transport, education (*collèges*), social welfare, public health (sanitary protection, vaccination), and economic and environmental planning.

Municipalities

Led by mayors, municipalities focus on local issues such as primary education, town planning, social welfare, and public order. They also handle municipal transport, public health (vaccination), cultural facilities, primary schools and environmental management. One of the main actors at this level are Public Housing Offices (*Offices Publics de l'Habitat – OPH*).

Source: European Commission

2

Affordable social housing

Despite the significant growth in the supply of social housing, there is still a large gap in this segment

Social and affordable housing

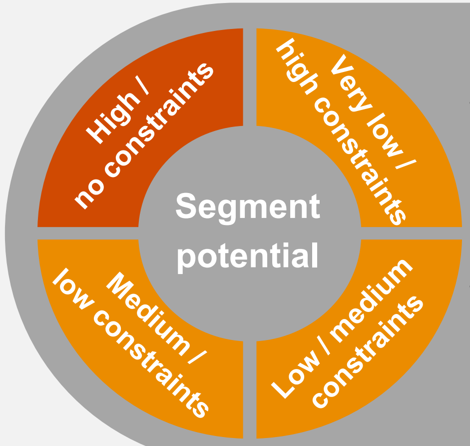
Key conclusions – Phase 1

- There is no dedicated ministry for social housing in France, instead it falls under the governance of the Ministry of Ecological Transition and Territorial Cohesion
- As of 2022, there are 36,54 million dwellings in France, exhibiting a steady growth over the last five years, with a compound annual growth rate (CAGR) of 0,9%
- The overcrowding rate in France is significantly lower than the EU average, partially due to the country having high housing stock per inhabitant
- About 95k social dwellings were added in 2021 accounting for 1,79% of the total stock

Key conclusions – Phase 2

- Stakeholders in the housing sector have highlighted numerous challenges, including inflation, rising material and construction costs, salary increases, and higher utility expenses, all of which pose significant difficulties.
- There is a preference for longer loan durations, ranging from 30 to 50 years. However, the emerging nature of the SSE sector, often lacking the established financial structures necessary to attract long-term investment, exacerbates this issue
- Investors often overlook extra-financial indicators, even funds that may have an impact-oriented investment thesis, and they do not always account for metrics that measure social utility

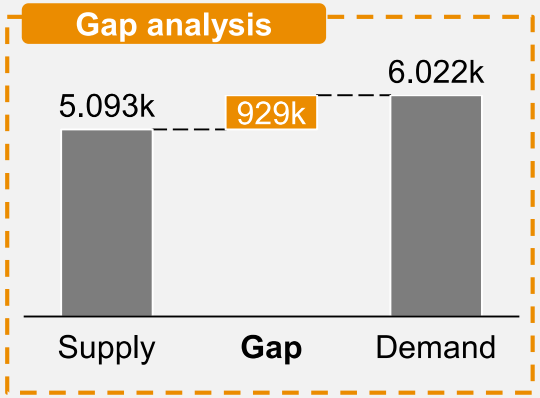
PwC Assessment



- Opportunities for financing mainly exist in financing of local authorities and public social housing organizations with loans for development of new social housing
- The housing gap is large and primarily exists in larger cities and larger municipalities

Key Segment Data

- **13,9%** of stock - social housing
- **63%** share of home ownership
- **185bn** est. financing needed
- **57,1%** rented at reduced price/free
- **~95k** new social housing in 2021
- **1/2** cannot afford a house loan



Responsibilities for social housing are split among local authorities and the Ministry of Ecological Transition

Social Housing – General Overview (1/3)

Social Housing financing and initiatives

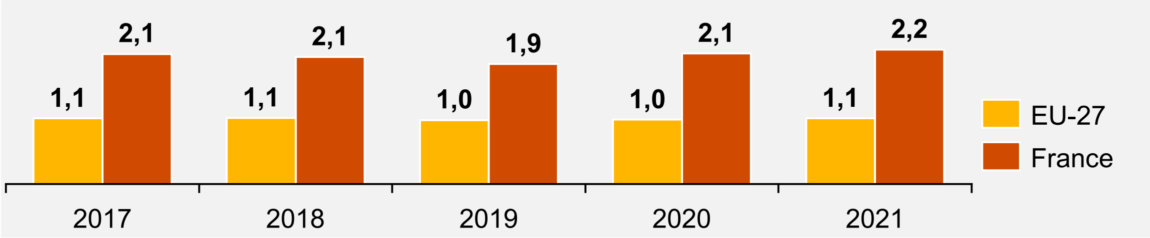
Funding for social housing comes from various sources, including the state, local authorities, the Caisse des dépôts et consignations (CDC), employer contributions, the National Fund for Housing Aid and Equity Loans and the lessors themselves.

A key aspect of CDC's funding involves the government-backed "Livret A" savings accounts. These accounts, offered by all French banks, are popular due to their attractive, tax-free, and state-guaranteed interest rates. They are used to fund social housing construction and refurbishment loans. By the end of 2020, French households had substantial savings in these CDC-managed accounts, totalling EUR 411 billion.

According to *L'Union Sociale pour l'Habitat*, there are ~2,4M pending requests for social housing in France. This is expected to persist due to low construction, social landlords facing high renovation costs and growing debts, and low construction approvals at the national level.

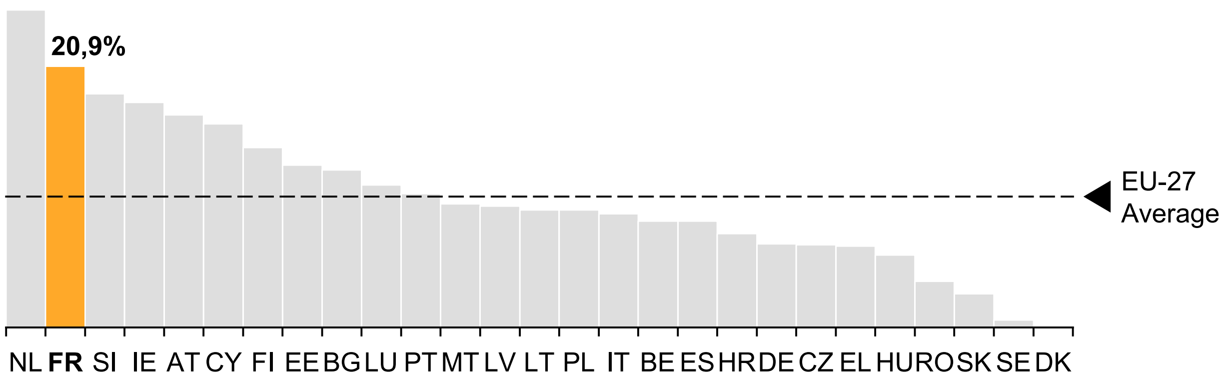
To address the housing crisis in France, the government has initiated several measures, focusing on homeownership, rental access, and residential construction. These include, among other, extending the zero-interest loan ("*Prêt à taux zéro*") until 2027 for specific housing purchases; while for renters, the government implemented a rent shield, capping maximum annual rent increases to 3,5%. Additionally, rent can only be increased if the rental agreement includes an annual rent review clause.

Government spending on social housing, in % of GDP



Sources: Eurostat, Caisse des dépôts, Government website, *Union Sociale pour l'Habitat*, PwC analysis

Tenants, rent with reduced prices or for free in Europe (2022, %)



Responsibility for social housing

As shown in the subsequent slide, social housing in France is overseen by a decentralised system. There is no dedicated Ministry for housing; instead, it falls under the broader governance of *the Ministry of Ecological Transition and Territorial Cohesion*.

The governance structure reflects France's decentralization, with the central government setting national housing targets and local mayors issuing building permits. The key legislation in social housing is the Solidarity and Urban Renewal Act, which requires municipalities to maintain a certain proportion of social housing. It mandates municipalities with over 3.500 inhabitants (1.500 in the Paris area), which are part of larger agglomerations or inter-municipalities with over 50.000 inhabitants, to ensure that 25% of new built houses are social housing by 2025. However, municipalities in areas where increased social housing is not needed must meet a 20% quota. Additionally, cities experiencing more than 5% population growth, not in the specified territories but needing more housing due to market conditions, are also subject to the 20% social housing requirement.

Social housing in France is defined by a variety of actors involved in the sector

Social Housing – General Overview (2/3)

Social Housing definition and providers

In France, social housing, also known as HLM (Habitation à Loyer Modéré), is state-aided housing governed by strict construction, management, and allocation rules, with regulated rents, and access conditional on income limits. HLM rents are determined by the state and are generally much lower than private sector rents. They are regulated by the Construction and Housing Code, General Code of Local Authorities, the French Commercial Code and of the Urban Planning Code. There are 5 main actors in social housing:

Les Offices Publics de l'Habitat (**OPH**s) are classified as public establishments of an industrial and commercial nature. They are responsible for building, acquiring, managing, and renovating social housing. OPHs are financed by state resources, including budgetary allocations from the Ministry of Housing and Habitat, tax aids, and borrowing facilities. Additional funds come from local authorities, corporate resources, and proceeds from their activities.

Les Entreprises Sociales de l'Habitat (**ESH**s) are structured as public limited companies (SA) operating under private law. ESHs are responsible for constructing, acquiring, managing, and renovating social housing. They also implement the PSLA (Social Loans for Rent-to-Own), allowing tenants with modest or low incomes to become homeowners through a rental loan. ESHs are financed through public and private shareholder resources, revenues from their activities, and public aid and subsidies.

Les Sociétés d'Économie Mixte Locale (**SEML**s) primarily aim to support local authorities in development. SEMLs are structured as public limited companies (SA). Their activities span a wide range of urban planning and development tasks, including public space development, construction, operation of industrial and commercial public services, and management of infrastructure and equipment. SEMLs are funded through public funds from local authorities (51% to 85%), private shareholders' funds (15% to 49%), and revenues from commercial activities.

Les Sociétés anonymes coopératives de production HLM (**COOP**s) are private entities that primarily focus on providing social housing. They are responsible for developing, constructing and managing social housing programs, including land acquisition, development, allotment, construction, and renovation of existing real estate assets. They also implement PSAL (Social Loans for Rent-to-Own). Financing for Coop HLMs comes from shareholders' resources, revenue from activities, and public aid and subsidies.

Les Sociétés Publiques Locales d'Aménagement (**SPLA**s) in France are specialized entities with 100% public capital. SPLAs are structured as public limited companies (SA). SPLAs conduct pre-operational studies (feasibility, impact…) to initiate public services, development, construction, or rehabilitation operations. SPLAs also undertake construction operations on behalf of public shareholders. SPLAs are financed by the funds of local authorities, inter-municipal shareholders, and income from their activities.

Financing	State resources	Local authorities	Own proceeds	Private shareholders	Public shareholders
OPH	✓	✓	✓		
ESH	✓		✓	✓	✓
SEML		✓	✓	✓	
COOP	✓		✓	✓	
SPLA		✓	✓		✓

Source: Government website

France’s housing market is characterised by high levels of subsidized renting

Social Housing – General Overview (3/3)

Tenure Breakdown

Home ownership in France is around 63,4%, which is equivalent to ~ 23,1M dwellings. The split of owned homes between homeowners with a mortgage and those without it is roughly equal, at 47,9% and 52,1%, respectively, or ~11,1M and ~12,1M homes.

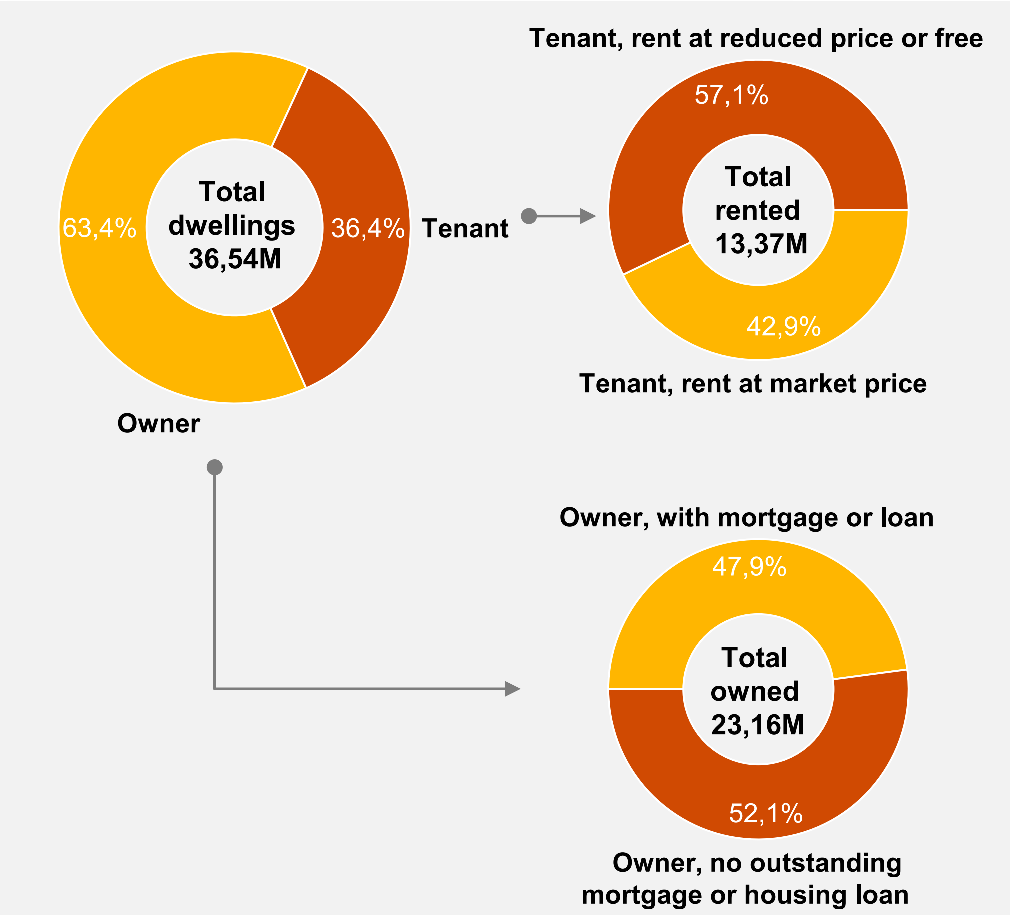
About ~36,4% (or around 13,3M dwellings) of the total housing stock in France is being rented. Considering just rented homes, around 40% are being rented out to tenants at market prices, and the rest (60%) are being rented out to tenants at reduced prices or for free. This means ~5,7M dwellings are occupied by tenants at market prices, and about 7,6M by tenants at reduced prices or for free.

Homeownership has been steadily increasing with a compound annual growth (CAGR) of 0,2% since 2010. For illustration, the share of homeownership in 2010 was at 62,0%. In contrast, percentage of tenants is at its lowest point, and has been decreasing with a CAGR of nearly 0,3%, since 2010.

According to INSEE (The National Institute of Statistics and Economic Studies), ~8,1% of dwellings were uninhabited in 2022, which amounts to ~2,9M dwellings. In response, the *National Plan to Combat Vacant Housing* was initiated in 2021, it focused on incentivizing the return of these homes to the market. This plan was led by the *Ministry of Housing* and the RNCLV (*Réseau National des collectivités mobilisées contre le logement vacant*) and targeted multiple fronts, from enhancing local actors’ tools to accurately assess vacancy issues to promoting the transformation of offices into homes in population dense regions with recorded overcrowding. The goal was to revitalise less pressured markets by renovating existing buildings and offering affordable housing in tighter markets by mobilising the private housing stock for social purposes, thus avoiding new construction.

Rental market

France’s rental market has seen a slight increase in actual rent paid by tenants. Since 2015, rents for dwellings have been increasing, on average, by about 0,37%. As such, tenants have to pay 2,6% higher rents in 2022 than what they were paying in 2015, according to Eurostat. This is mainly due to the government policy of the rent benchmark (IRL), which is used to revise rents for both empty and furnished dwellings, setting annual rent increase limits for landlords when the lease includes an annual rent review clause, and a solidarity rent reduction in 2018 in the social sector.



Source: Eurostat, INSEE, Government website, PwC analysis

France demonstrates significantly lower overcrowding rates compared to the EU averages

Social Housing – Key Issues

Preference for subsidies, and high investment in public stock

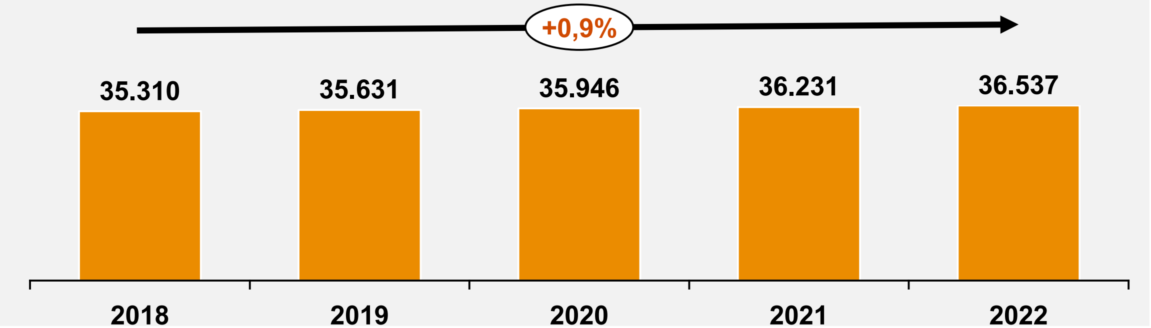
As of 2022, there are 36,54 million dwellings in France, exhibiting a steady growth over the last five years, with a compound annual growth rate (CAGR) of 0,9%. The majority of dwellings are located in urban settings, which, with approximately 28 million dwellings, accounting for about 80% of the total. The remaining 20% are situated in rural settings, establishing a ratio of 4:1 of urban dwellings compared to rural dwellings.

France's number of dwellings per 1.000 citizens is relatively high, with 533 dwellings per 1.000 citizens in 2022. This is reflected in the overcrowding rates, where France's figures are considerably lower than the EU averages across all categories. The exception is in urban areas, which are closer to the EU average, standing at 17,0% (EU average is 19,5%). For towns and suburbs, the rate stands at 6,7% (EU average is 19,5%), and in rural areas, it is 3,0% (EU average is 15,1%).

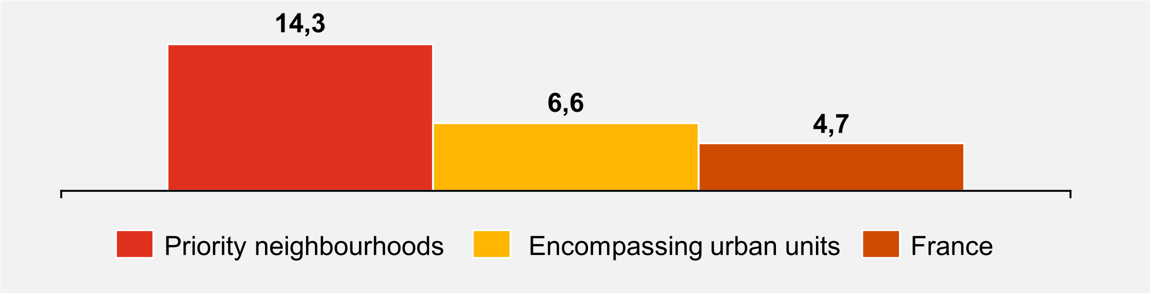
The overcrowding rates in France, segmented by tenure status present a distinct contrast against EU-27 averages. Tenants renting at reduced prices have an overcrowding rate of 22,3%, which is significantly lower than the EU-27 average of 25,1%. For tenants renting at market price, the rate in France is 18,0%, which is also below the EU-27 average of 23,4%. Homeowners with a mortgage or loan in France have an overcrowding rate of just 3,7%, compared to the EU-27 average of 8,3%. Lastly, for homeowners in France without any outstanding mortgage or housing loan, the rate is remarkably low at 1,8%, in stark contrast to the EU-27 average of 16,6%.

The overcrowding rate is much higher in the priority neighbourhoods, standing at 14,3% in 2019, while the rate was much lover in surrounding areas (6,6%) and even lower if we look at the average in France (4,7%). According to the court of Auditors, this can be attributed to the lack of alternative housing for residents and the shortcomings or inconsistencies in strategies for allocating housing. In addition, in many neighbourhoods, there has been very little change in rebuilding the social housing stock, despite the urban regeneration measures.

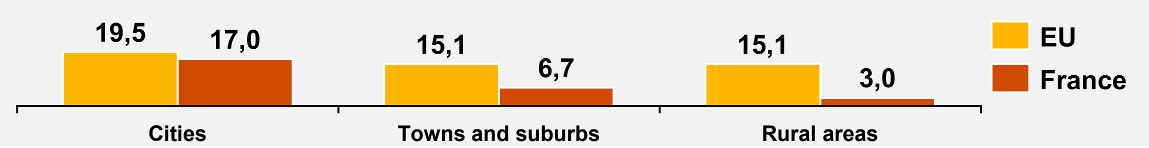
Total housing stock (ths. units)



Overcrowding rate of priority neighbourhoods (2019), in %



Share of overcrowding rate by urbanization type (2022), in %



Sources: Eurostat, INSEE, Court of Auditors, PwC analysis

A discrepancy in the cost of renting can be observed between Paris and the rest of France

Social Housing – Market Demand

Half of households cannot afford to buy a home

France's population is strongly inclined to homeownership, with the share of homeownership being at 63,4%. Out of this roughly half own their homes with no outstanding mortgages or loans. Growth in monthly housing loans reached all-time highs in June of 2021 reaching EUR 21,2B, achieving a growth of 143,68% since 2016. Since then, the market has considerably cooled, monthly new loans dropped by 33% or EUR 14B until December 2022, which is to be expected due to rising interest rates and sharp price increases of real estate prices.

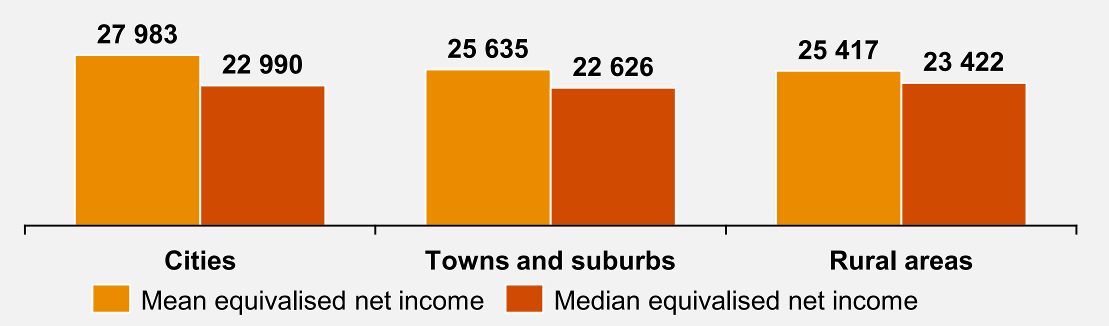
Calculation on the right considers the ability to purchase a home with mortgage loan for a first home, at a commercial bank *(BNP Paribas*), for a 50m^2 dwelling. It is assumed 40% of the household income is spent on repayment. The calculation for terms of the loan is done for a person aged 35, with repayment period of 20 years, and 20% down-payment (commercial terms of the bank). According to the bank's terms, the maximum debt ratio is set at 35%, indicating that monthly loan payments cannot surpass 35% of income; this has been incorporated into our calculation.

Average price per m^2 of EUR 4.012 is assumed, as it corresponds to the average price of an apartment in France, making the price of an average flat EUR 200,6k. After a 20% down-payment, required by bank's commercial terms, the loan amounts EUR 160,5k, with 5,3% APR, resulting in monthly instalment of EUR 1.053. This calculation shows that making a home purchase is inaccessible to the fifth decile of French households.

Considering the average price per m^2 of used dwelling in Paris Metropolitan Area, which is EUR 9.733, and all other parameters unchanged, the price of a flat would be EUR 486,6k. This results in loan amount of EUR 340,6k, and monthly instalment of EUR 1.997, and APR of 5,31%. Large discrepancy between prices in Paris and the rest of the country result in bottom 8 deciles not being able to afford a home in the Paris Metropolitan Area.

On average, the rent for a 50m^2 flat was estimated to be EUR 1.100 in 2022. However, a big discrepancy can be observed between Metropolitan Paris and the rest of France. Whereas rent for a 50m^2 apartment in the Paris metropolitan area amounted to EUR 1.520 in 2022. Both still fit in the same deciles of affordability as if the person would purchase a home.

Annual mean and median equivalised net income (2022, EUR)



Average total income per household (2022, deciles)

Decile	EUR	40% HH income, EUR	35% HH income, EUR
D 1	1.251,35	500,54	437,97
D 2	1.886,26	754,50	660,19
D 3	2.116,05	846,42	740,62
D 4	2.368,01	947,20	828,80
D 5	2.724,38	1.089,75	953,53
D 6	3.092,02	1.236,81	1.082,21
D 7	3.578,57	1.431,43	1.252,50
D 8	4.200,45	1.680,18	1.470,16
D 9	5.063,17	2.025,27	1.772,11
D 10	8.493,07	3.397,23	2.972,58

Source: EUROMOD, SeLoger, BNP Paribas

Rent Buy

Public housing offices (OPH) and social housing enterprises (ESH) operate the majority of social housing in France

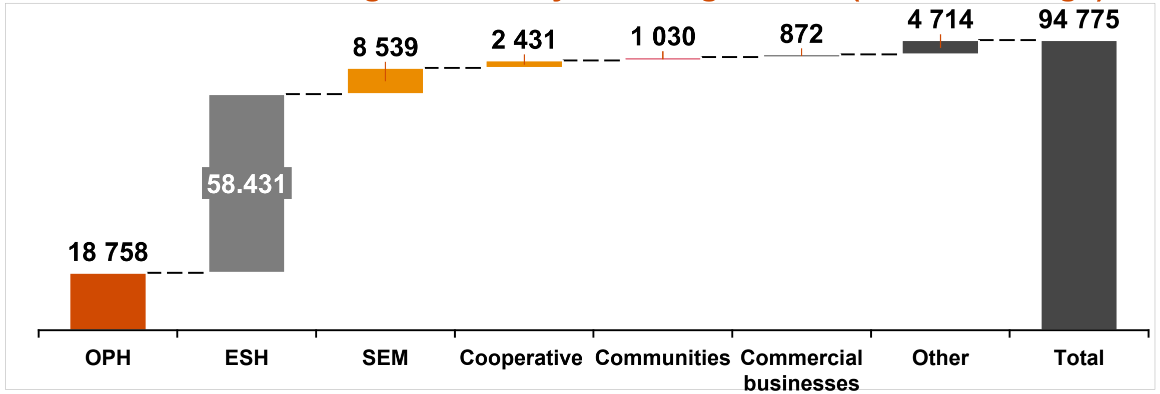
Social Housing – Market Supply

Access to social housing

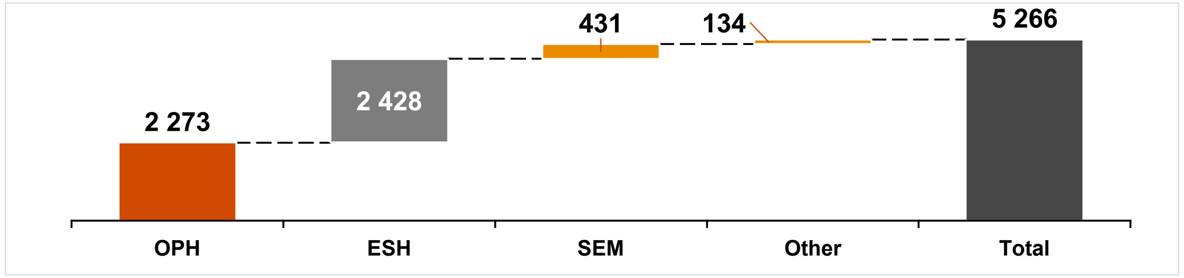
According to the *Ministry of Ecological Transition and Territorial Cohesion*, as of 2022, there are 5,2M social housing dwellings in France. The vast majority are owned by *Les offices publics de l'habitat (OPH) and Les entreprises sociales pour l'habitat (ESH)*, coming in at approximately 2,2M (44,6%), and 2,4M (47,7%), respectively. The rest were owned by *Société d'économie mixte (SEM)* which have ~431k (8,5%) dwellings and the 'Other' category at 134k (2,6%) dwellings.

In the year 2021, there were approximately 94.775 new social housing dwellings financed in metropolitan France by the *National Fund for Housing Aid and Equity Loans, Caisse des dépôts* and government funds. Of these, *public housing offices* (OPH) produced 18.758 units, while *social housing enterprises* (ESH) took the lead by producing a significant 58.431 units. *Mixed economy companies* (SEM) contributed with 8.539 produced dwellings. Cooperative efforts resulted in 2.431 units, while local communities added a further 1.030 units to the total. Commercial businesses were involved in the production of 872 dwellings, and the 'Other' category accounted for 4.714 dwellings.

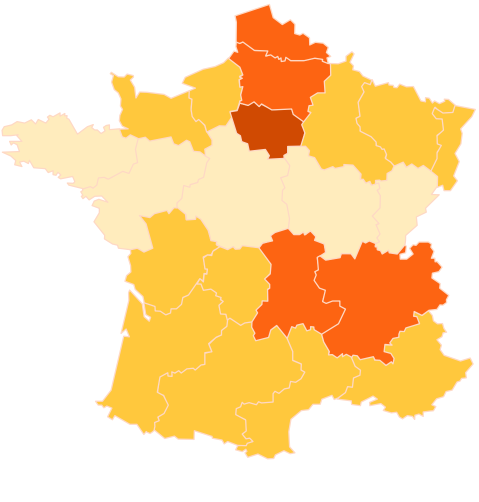
Total new social housing financed by investing entities (2021, dwellings)



Affordable housing stock split (2022, in ths.)



Share split of municipal housing stock by region (2022, %)



Regions	Total	%
France métropolitaine	**5.092.505**	
Île-de-France	1.364.025	26,78%
Auvergne-Rhône-Alpes	592.144	11,63%
Hauts-de-France	591.907	11,62%
Grand Est	434.007	8,52%
Provence-Alpes-Côte d'Azur	331.295	6,51%
Nouvelle-Aquitaine	319.955	6,28%
Occitanie	318.185	6,25%
Normandie	309.967	6,09%
Pays de la Loire	241.602	4,74%
Centre-Val de Loire	196.207	3,85%
Bourgogne-Franche-Comté	190.803	3,75%
Bretagne	186.809	3,67%
Corse	15.599	0,31%

**Offices Publics de l'Habitat (OPH), Les entreprises sociales pour l'habitat (ESH), Société d'économie mixte (SEM)*

Sources: Ministry of Ecological Transition and Territorial Cohesion, Caisse des dépôts, government website

3

Student housing

There is a pressing need to build more student housing in France, with new financing options needed

Student housing

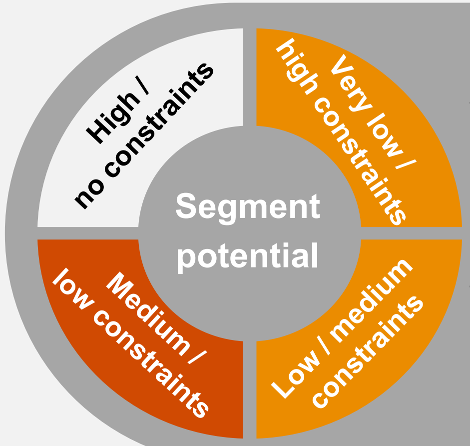
Key conclusions – Phase 1

- The cheapest and most popular option for students in France is to seek accommodation in CROUS University residences, which account for 48% of the total supply. Privately owned residences are more expensive.
- A key issue is the mismatch between demand and supply for public student residences (CROUS). They received approximately 350k applications for around 173k available places in 2022.
- One of the key challenges in building new residences is procurement of new land under reasonable prices close to the universities
- The total number of students in higher education has been increasing by 3% on a yearly basis

Key conclusions – Phase 2 (Student housing & universities)

- There is a significant need for new CROUS student housing developments, especially in major cities where demand exceeds supply
- During the pandemic, a freeze on rent and charges led to student housing providers to operate at a deficit, increasing their reliance on subsidies and reducing their investment capacity
- Stakeholders have identified that banks impose significant constraints on housing innovation, as banks are reluctant to provide long-term loans to legal entities
- The lack of state investment in youth social housing has resulted in a significant shortage

PwC Assessment

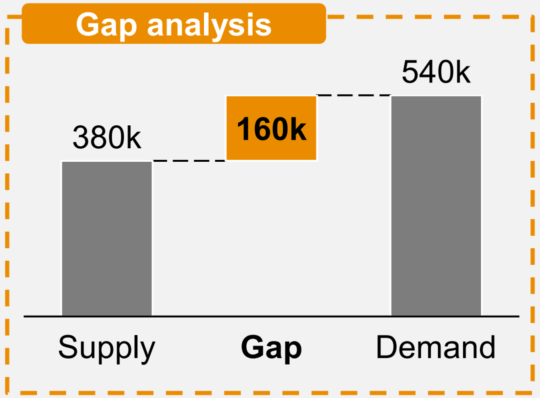


Opportunities for financing exist in financing both public and private players

The housing gap is even more evident when considering increasing rents and the supply of student residences compared to the number of students in France

Key Segment Data

12,1% students living in dorms	**45,3%** rent a private flat	**160k** mid Gap scenario estimate
253k number of foreign students in 2021	**0,9%** CAGR - foreign students	**380k** high est. of supply of beds



Most students reside in their family home or in rental apartments while pursuing university studies

Student Housing – General Overview

Student housing options

There are several student housing options in France, the most sought after option are CROUS university residences.

1 **CROUS University Residences** are public and subsidized by the state. They fall under the governance of the Ministry of higher education and research.

They are the most sought after accommodation option, due to their relatively low cost (EUR 450 Euros in Paris, EUR 350 in the regions on average), they also offer subsidies from the *Caisse d'Allocations Familiales*. They are usually located nearby to Universities.

2 **Private student residences** are run by for profit organizations.

They are usually more expensive than the state run CROUS student housing, having an average rent of EUR 571 according to Studapart. The key advantage of these residences are better furnished rooms, gyms, laundry rooms, they might offer catering facilities where students can get a meal at a lower costs. A weekly cleaning service is also usually included.

According to the *Observatoire national de la Vie Étudiante*, the majority of out-of-town students live in privately owned shared flats.

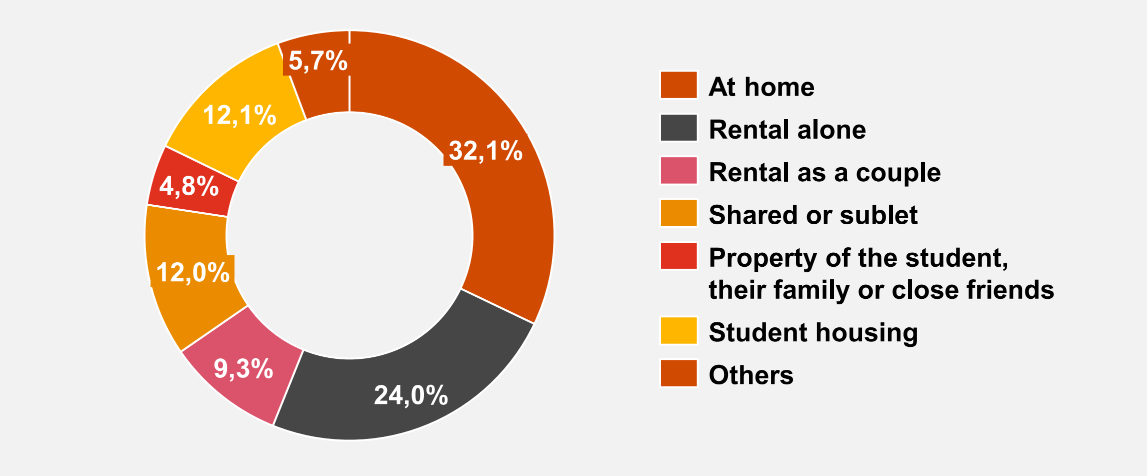
3 **Private rooms or flats** where students often share a flat in order to share the cost. Generally, more students either share a flat or a room in a flat. A typical flat costs EUR 1.100 on average in France or EUR 1.520 in Paris. Whereas a typical rooms cost about EUR 250–500, according to Studapart.

4 **Living at home and commuting** to university - according to the *Observatoire national de la Vie Étudiante* survey conducted in 2020, approximately 32% of students in France decide to live at home while attending university.

Increased construction in student residences in recent years

In recent years, there has been a significant increase in the construction of student dormitories in France, as evidenced by the initiatives of the CROUS networks. For the academic year 2022/23, CROUS announced a notable 47% increase in the allocation of student housing units, totalling ~47,5k new accommodations. This development is part of a broader effort to improve the living conditions of students, with CROUS overseeing the construction and renovation of numerous residences. They also plan to introduce a new allocation procedure, aimed at enhancing equity and meeting the diverse needs of students.

Split of students per type of accommodation (2020, %)



Sources: Eurostat, Eurostudent database, National Observatory of Student Life, Studapart, CROUS

Student population in France is concentrated in several key regions

Student Housing – Key Drivers

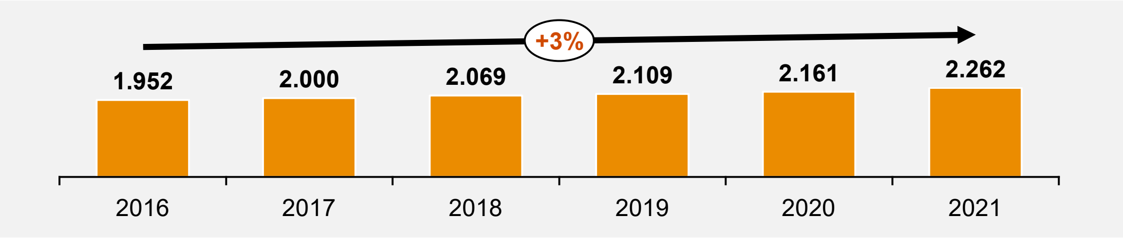
Increasing number of students

According to Eurostat, in France, the student population is primarily concentrated in a few key regions. Île de France boasts the highest number of students, with approximately ~645,7k students (28,55%) of the national total. The presence of numerous prestigious universities and higher education institutions in Paris is the key driver of this concentration.

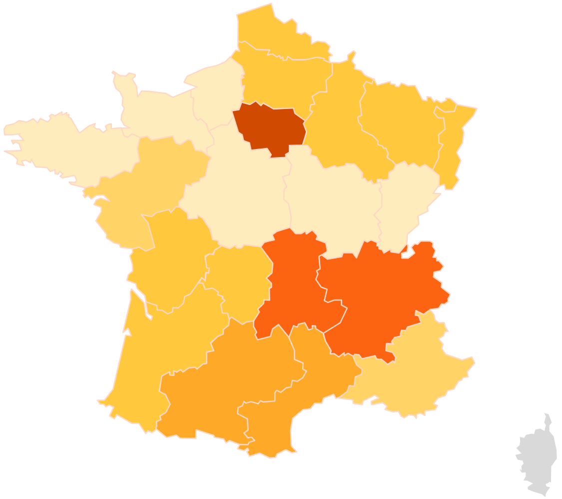
The region Auvergne-Rhône-Alpes also has a substantial student population, accounting for ~290,4k students (12,84%) of France's total student body. Occitanie, Hauts-de-France, and Nouvelle-Aquitaine follow with student populations of ~207,5k students (9,17%), ~199,1k students (8,80%), and ~178,6 students (7,90%), respectively. These regions include cities such as Toulouse, Lille, and Bordeaux, all of which are recognized for their universities and student-friendly amenities. The Grand Est and Provence-Alpes-Côte d'Azur regions also play significant roles in the French educational landscape, each hosting ~167,8k students (7,42%) and ~135,7k students (6%) of the student population, respectively. These percentages reflect a diversification and geographical spread of the student population across France, though there remains a clear trend towards student aggregation in urban areas with well-established universities and higher education facilities.

The mismatch between demand and supply for university housing is a prominent issue in France. As reported by Le Monde, CROUS, the university housing authority, has received over ~350k applications for ~173k available places in 2022. This shortfall persists despite the government's commitment to building housing units for students, with them building ~36k student residences out of the 60k that were planned. The probable reason for this housing issue lies in the substantial increase in the number of enrolled tertiary education students, which has surged by more than 75% from 1990 to 2023, while the expansion of student housing has not kept pace with this growth. A primary impediment to the construction of new student housing is the challenge in accessing suitable land.

Student population growth in France métropolitaine, in ths.



Split of tertiary education level students, by region (2021)



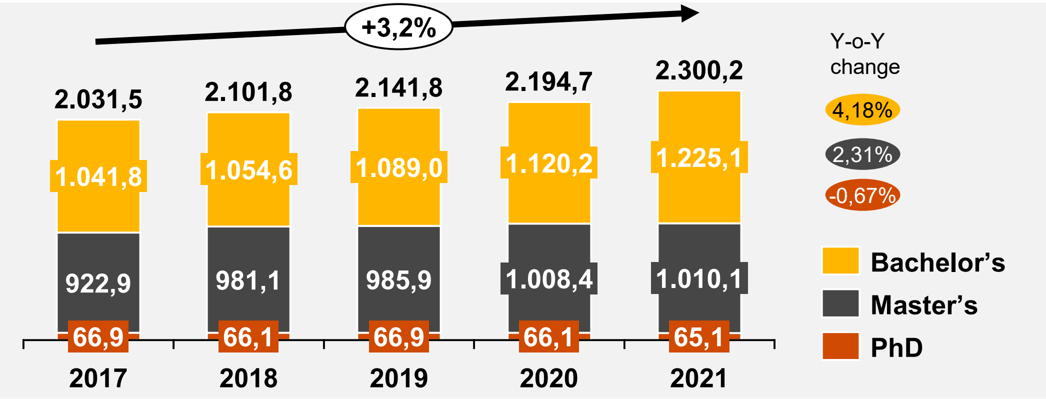
Regions	Total	%
France métropolitaine	**2.261.988**	
Île de France	645.731	28,55%
Auvergne - Rhône-Alpes	290.431	12,84%
Occitanie	207.516	9,17%
Hauts-de-France	199.117	8,80%
Nouvelle-Aquitaine	178.597	7,90%
Grand Est	167.828	7,42%
Provence-Alpes-Côte d'Azur	135.744	6,00%
Pays-de-la-Loire	114.268	5,05%
Bretagne	106.984	4,73%
Normandie	94.774	4,19%
Bourgogne - Franche-Comté	63.787	2,82%
Centre - Val de Loire	52.692	2,33%
Corse	4.519	0,20%

Sources: Eurostat, Campus France, Local news sources, PwC analysis

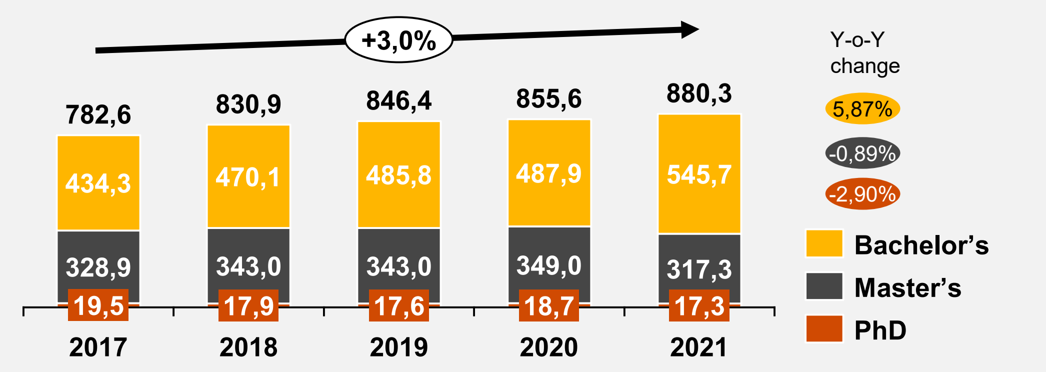
There is an increase in the number of students in tertiary education and in newly enrolled students

Student Housing – Market Demand

Number of tertiary education students, in France, in ths.



Number of newly enrolled student per year, in France, in ths.

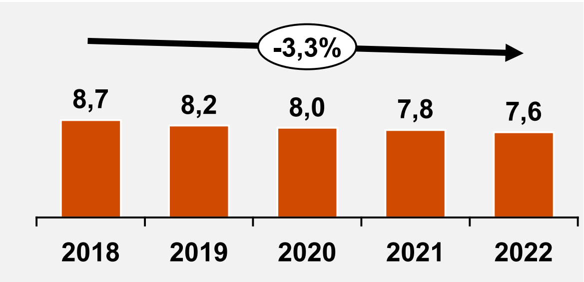


Increase in the number of students enrolled at the bachelor's level

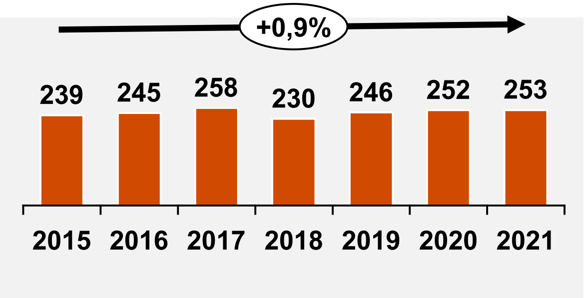
From 2017 to 2021, France experienced an upward trajectory in student enrolment in tertiary education. Specifically, there was a significant increase of 17,6% in the number of students enrolled at the bachelor's level, from approximately ~1 million in 2017 to about ~1,2 million in 2021. Master's level enrolments also saw an increase, though more modest, of 9,4% over the same period, rising from approximately ~923k to just over ~1 million. However, the trend at the doctoral level moved in the opposite direction, with a slight decrease of 2,7%, from nearly ~66,9k to around ~65,1k. This overall growth in student numbers, particularly at the Bachelor's and Master's levels, suggests an increasing demand for student housing in France.

After years of slower growth due to the COVID-19 pandemic, France is seeing a resurgence of foreign students. It hosted over ~253k international students in 2021, marking an ~5,6% increase since 2015. The growth was driven by the increase in the number of European students (+21%) and exchange mobility program (+46%) and France's consistently high rankings as a host country for international students. This rebound is expected to continue, with visas issued for studies and internships up 21% in 2022/23 compared to 2021.

Nr. of early leavers from education (% of total student population 18–24)



Number of foreign students, in ths.



Sources: Eurostat, Campus France, PwC analysis

Public student residences, predominantly managed by CROUS, are concentrated in key regions

Student Housing – Market Supply

Public market supply

There are a total of 380k beds in student residences. The cost of these beds varies based on factors such as location and accommodation quality, typically ranging from EUR 350 to EUR 450 in dormitories, the cost of a private flat on the other hand cost on average from EUR 1.100 to EUR 1.520.

On average, the monthly fee for students, including utility expenses, is approximately EUR 552. However, this amount varies widely across regions, with the highest being EUR 799 in Paris. Due to the high cost of living, around 66% of students who do not live with their parents receive some form of housing assistance.

According to a survey conducted by the *National Observatory of Student Life* in 2020, approximately 54% of students expressed high satisfaction with housing costs, while only around 1% expressed significant dissatisfaction.

Most dormitories have recently undergone renovations, as reported by CNOUS (*Centre National des Œuvres Universitaires et Scolaires*). More than 18.000 housing units have been rehabilitated since 2017. Less than 5% of the building stock remains to be rehabilitated, indicating effective dormitory management.

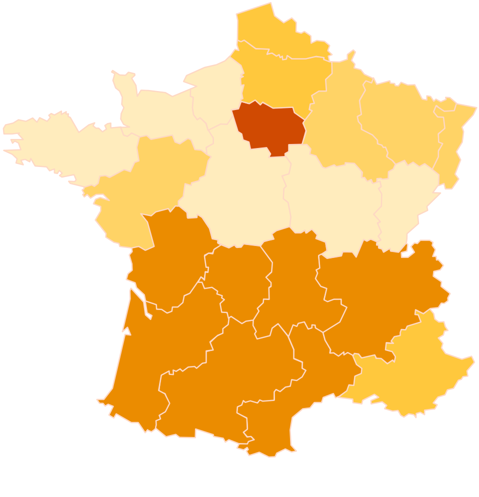
Student residences supply (2022), in %.

**(1) Properties owned by CROUS or built by social landlords and managed by CROUS, (2) Private student housing not affiliated with CROUS or social landlords, (3) Residences managed directly by social landlords or entrusted to associations for management.*

Sources: Data.gouv, Ministry of Ecological Transition and Territorial Cohesion, CNOUS, Local news sources

Share of students not satisfied with their housing conditions, split by housing options, in %

Split of CROUS public dorms, by region (2023)



Regions	Total	%
France métropolitaine	**770**	
Île de France	147	18,94%
Auvergne-Rhône-Alpes	104	13,40%
Nouvelle-Aquitaine	89	11,47%
Occitanie	84	10,82%
Hauts-de-France	67	8,63%
Provence-Alpes-Côte d'Azur	57	7,35%
Grand Est	54	6,96%
Pays-de-la-Loire	43	5,54%
Centre-Val de Loire	35	4,51%
Normandie	34	4,38%
Bretagne	31	3,99%
Bourgogne-Franche-Comté	22	2,84%
Corse	9	1,16%

4

Universities

A worsening student to teacher ratio was observed, which is primarily due to the increasing number of students

Universities

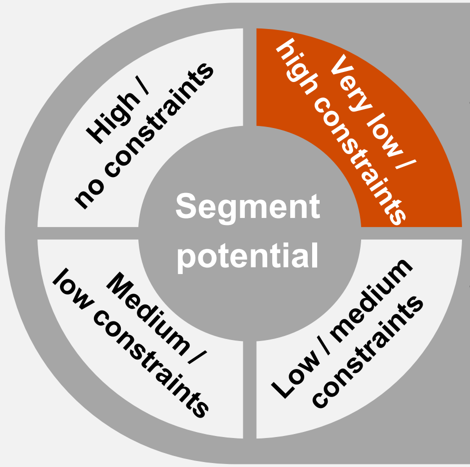
Key conclusions – Phase 1

- Higher education in France falls under the governance of The Ministry of National Education and the Ministry of Higher Education, Research and Innovation
- There are two types of HEI in France: Universities and "Grandes Ecoles„, with universities providing a broader selection of programs, while Grande Ecoles provide more specialized courses.
- Number of students is rising at a CAGR rate of 3,2%, which surpasses the growth in population aged 18-24 in France
- France's student to teacher ratio has been steadily worsening at 3,5% CAGR, and stands at 19,8. in 2021

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

PwC Assessment



Financing opportunities are driven more by renovation and construction of additional facilities

Steady growth in the numbers of student show potential for expansion of university staff and facility expansion in the future

Key Segment Data

1,8M students in public institutions

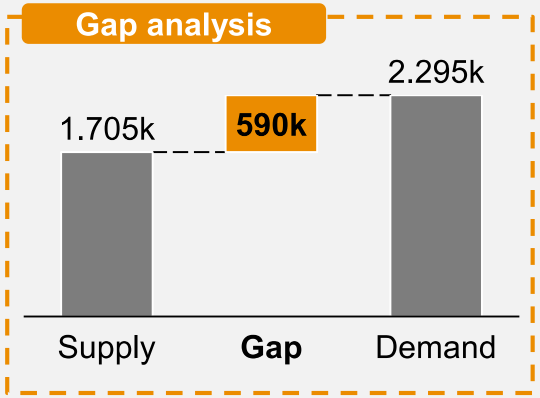
466k students in private institutions

250 number of tertiary institutions

0,9% CAGR - foreign students

3,2% CAGR – tertiary students

3% CAGR - newly enrolled



France has an above-average share of the population with a university degree

Universities – General Overview

Organisation of tertiary education in France

The *Ministry of National Education* and the *Ministry of Higher Education, Research and Innovation* oversee higher education in France. The French system features a strong state presence in the organization and funding of education. The State defines the details of the curricula at all education levels; it organizes the teachers' admissions procedure, defines the content, and recruits teachers who become civil servants. The state is the main funding body of the public education system and subsidizes private universities, which receive approximately 20% of university students. The share of the population with a university degree is 36,9%, higher than the EU average of 32,7%.

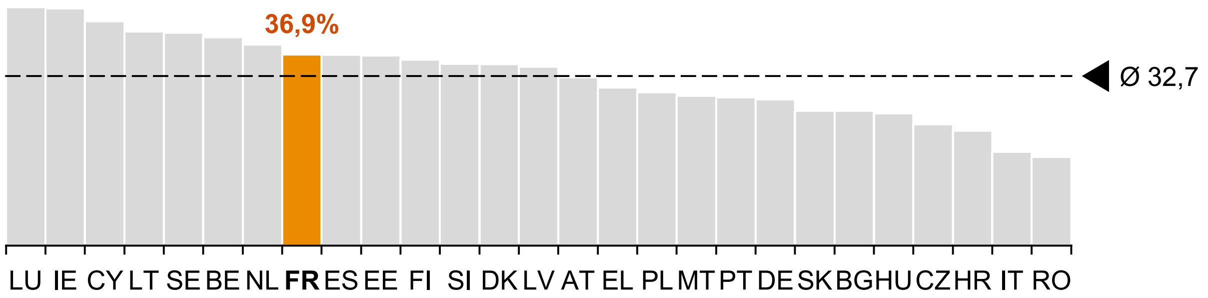
In France, higher education institutions are divided mainly into universities and "*Grandes Ecoles*", with universities offering a broad range of subjects and degrees and "*Grandes Ecoles*" providing more specialized and selective training. There are also two types of short-cycle studies - *Sections de Techniciens Supérieurs* and *University Institutes of Technology.*

Access to higher education requires the baccalauréat national diploma, a final examination at the end of secondary studies, for which the candidates are about 18 years old. Students passing the "*Baccalauréat*" who want to enter the "Grandes Ecoles" have to follow a particular preparation for two years, the so-called "Classes Préparatoires aux Grandes Ecoles (CPGE)", in order to be able to sit for a highly selective entrance exams to the "Grandes Ecoles".

Higher education follows the Bologna process, therefore, there are three cycles of degrees: Bachelor's, Master's and Doctoral. Additionally, a short cycle study programme is provided.

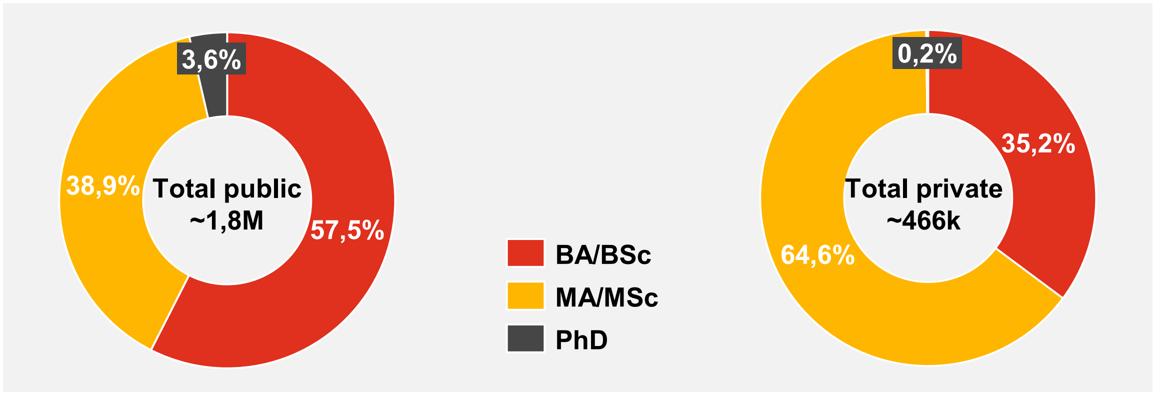
France has a broad higher education system comprising over 3.500 institutions. This includes 65 universities, 25 multi-institute campuses, and 271 doctoral schools. The country also hosts 227 accredited engineering schools and 220 business and management schools, alongside 45 post-secondary public art schools and 22 architecture schools. Additionally, there are about 3.000 private schools and institutes.

Share of population with a university degree, 2022, in %



Split of students by public institutions, 2021

Split of students by private institutions, 2021



Sources: Eurostat, Eurydice, Government website

The university-aged population is expected to grow until 2030, after which a decline is expected

Universities – Key Drivers

Tertiary education is affordable for French and EU citizens

The population segment aged 18–24 is projected to experience growth until the year 2030, reaching ~5,6M individuals. However, post-2030, a decline is projected, with the population decreasing to ~5,2M by 2050. This trajectory suggests a compound annual growth rate (CAGR) of approximately -0,3% over the 28-year period from 2022 to 2050, indicating a declining population trend compared to the previous period. Numbers of international students in France have been consistently increasing from ~239k in 2015 to ~252,8k in 2021. This reflects a CAGR of approximately 0,9% over this five-year period, demonstrating a steady growth in the international student population.

In terms of global rankings, French universities have demonstrated a strong presence in the QS World University Rankings, with 32 French institutions ranked in 2023. Notably, six French institutions were in the Top 200, four in the Top 100, and two in the Top 50.

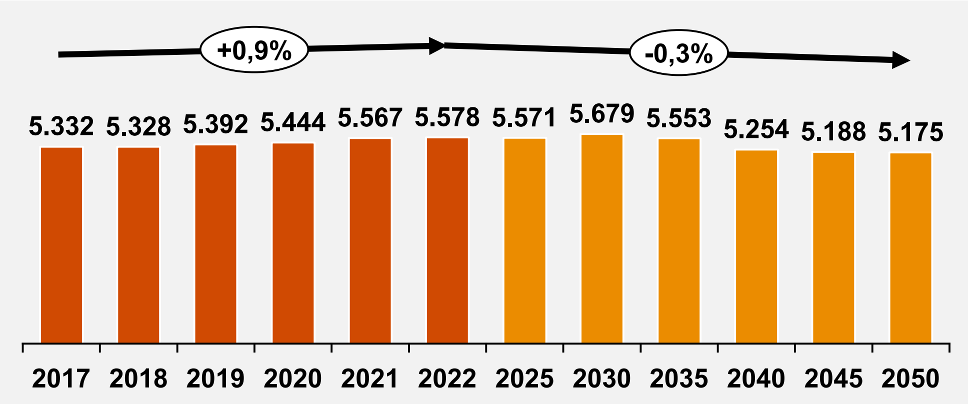
French higher education is relatively affordable due to substantial government subsidies for students studying at public institutions. For the academic year 2023/24, EU students benefit from low tuition fees, ranging from EUR 170 per year for bachelor's programs to EUR 601 per year for engineering schools. On the other hand, non-EU students face higher tuition rates, with EUR 2.770 per year for bachelor's programs and EUR 3.770 per year for master's programs on average. According to the OECD, the employment rate among 25–64-year-olds with a tertiary qualification was 88% in 2021, showcasing the employability of graduates. In terms of earnings, workers with tertiary education earned 49% more than those with only upper secondary education in 2018. Those with a bachelor's degree earned 42% more, and the earnings advantage nearly doubled for workers with a master's degree, who earned 81% more.

Average university tuition for EU students, per year, in EUR

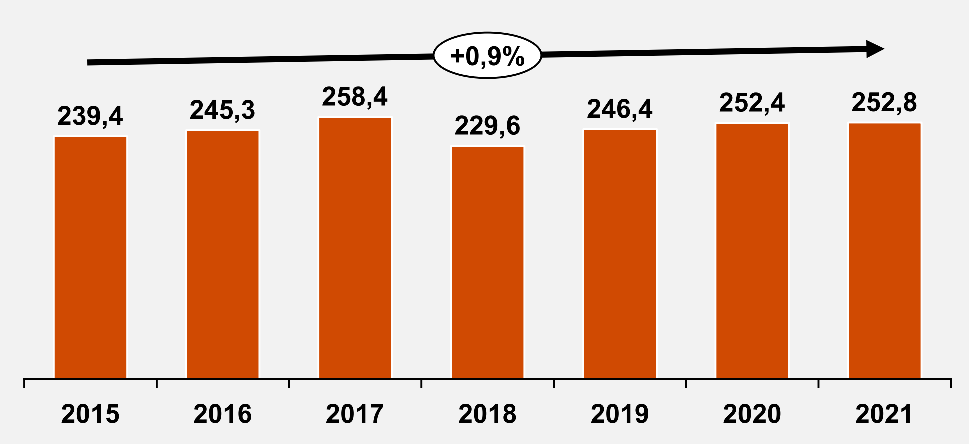
Bachelor's, Public university	Master's, Public university	PhD, Public university	Bachelor's, Private university	Master's, Private university
EUR 170	EUR 243	EUR 380	EUR 5.000-30.000	EUR 1.500-35.000

* In addition, each student should pay a EUR 100 fee for the "cotisation vie étudiante et de campus (CVEC)".
Sources: Eurostat, OECD, Campus France, PwC analysis

Predicted population, 18–24-year-old, in ths.



Number of foreign students, in ths.



The overall number of students, as well as newly enrolled students, is increasing in France

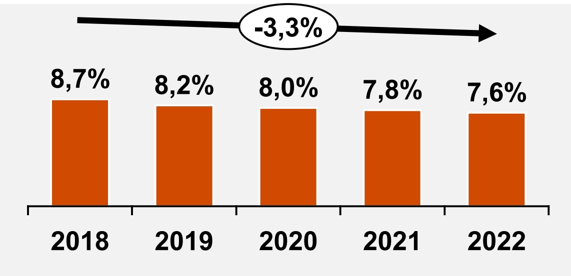
Universities – Demand

Increase in the number of students

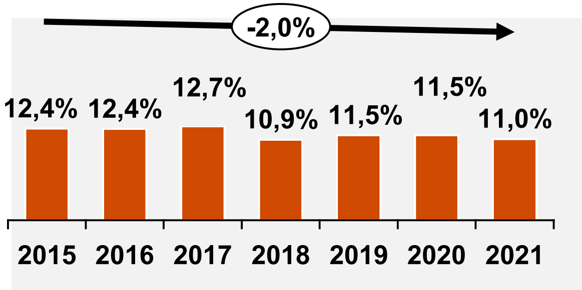
The higher education landscape in France has grown in student numbers from 2017 to 2021, from ~2M to ~2,3M. This is due to growth in bachelor's and master's cycles, where BA/BSc students rose from approximately 1M in 2017 to 1,2M in 2021, and Master's programs recorded enrolments growing from ~923k in 2017 to ~1.010k in 2021. However, the growth here was more modest than that of Bachelor's programs. PhD enrolments, in contrast, showed a slight decrease, dropping from ~67k in 2017 to ~65k in 2021.

Newly enrolled students in Bachelor's programs saw a significant increase, particularly between 2020 and 2021, where the numbers increased from ~488k to ~546k. Newly enrolled students in Master's programs fluctuated but ended with a decrease in 2021 at ~317k, down from the peak in 2020 at ~349k. PhD new enrolments also declined slightly over the five years. Despite the growth of the overall number of foreign students, their share in the student population of France has been falling, slightly decreasing from 12,4% in the year 2015 to 11% in 2021. When it comes to early leavers from education, France saw a consistent decrease over the years, from 8,7% in 2018 to 7,6% in 2022.

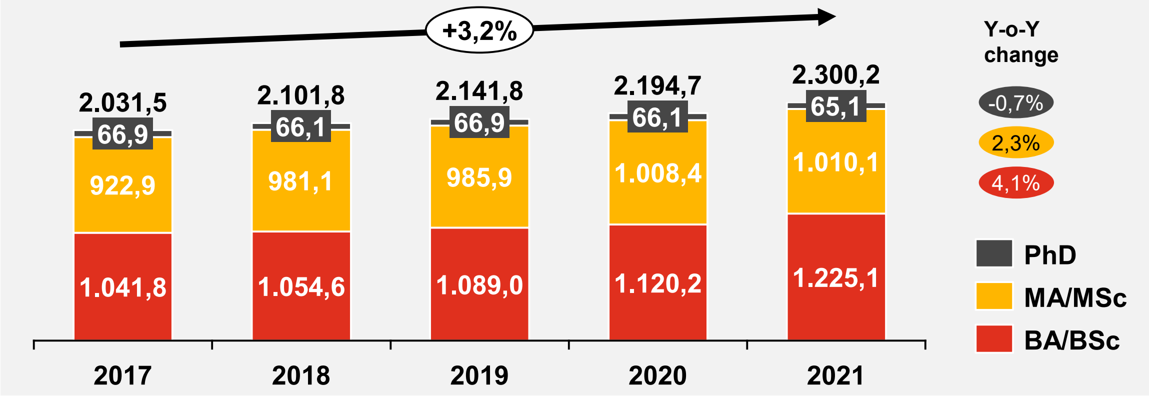
Number of early leavers from education, (% of total population)



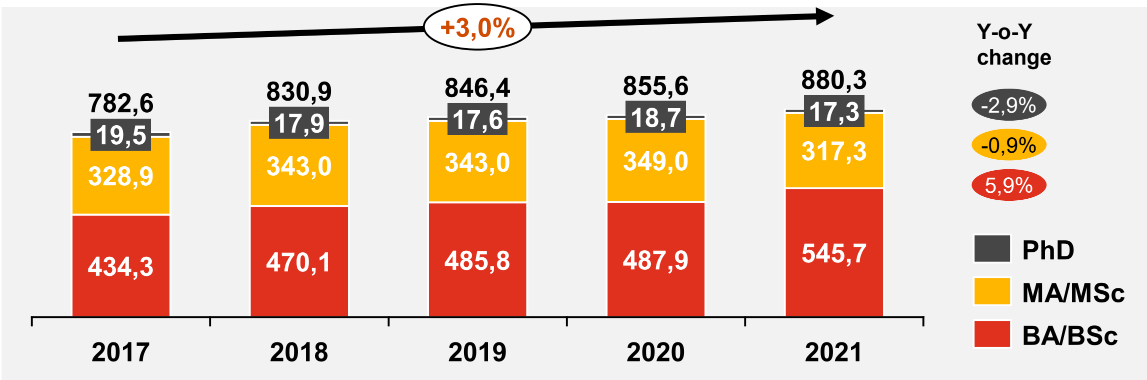
Share of foreign students, in ths.



Number of tertiary education students, in ths.



Number of newly enrolled student per year, in ths.

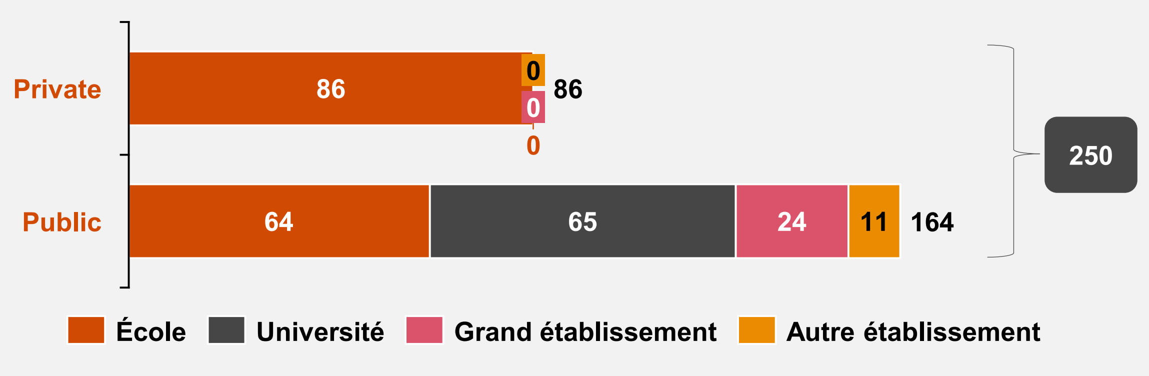


Sources: Eurostat, PwC analysis

France’s tertiary education landscape is comprised of 250 universities, most of which are public

Universities – Supply

Number of tertiary education institutions

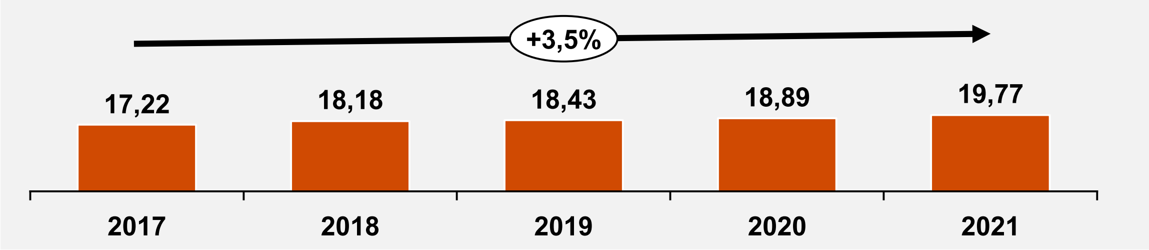


As of 2023, France boasts a robust higher education system with 250 higher education institutions (HEI). Of these, 65 are public universities. Additionally, there are 150 écoles, which are prestigious higher educational establishments, of which 64 are public and 86 are private. France is also home to 24 Grand établissements and 11 Autre établissements, with no private institutions reported in these categories.

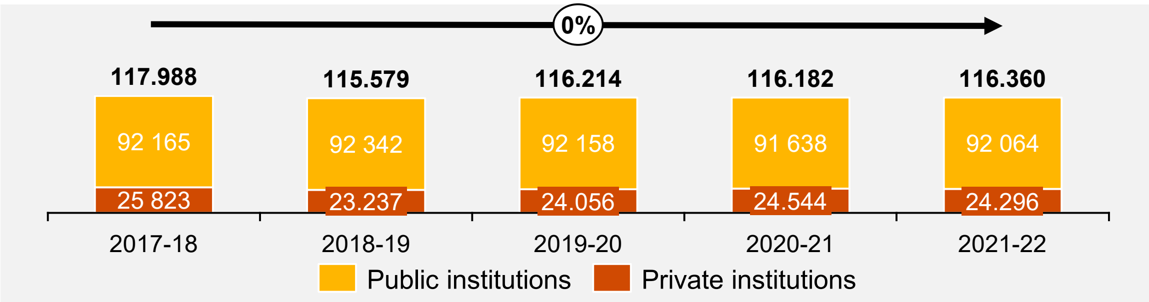
According to Eurostat, there were about 2,3M tertiary education students in 2021. The majority, or ~80% (about 1,8M students) of those attend public HEIs, while the rest, or ~20% (about 466k students), attend private HEIs.

As of 2023, France's higher education landscape reveals a student-teacher ratio that has gradually increased (worsened) over the past five years, which suggests an increasing burden on educators. In 2017, the ratio stood at 17,22 students per teacher. By 2021, this ratio had risen to 19,77 students per teacher, mostly due to the stagnant number of teachers. In contrast, the number of students has consistently risen, from ~2M in 2017 to ~2,3M in 2021. The student distribution favours the capital region over other areas of the country. The capital region is home to ~646k students (28,5%), significantly more than any other region. Other parts of the country together account for the remaining ~1,6M of the student population.

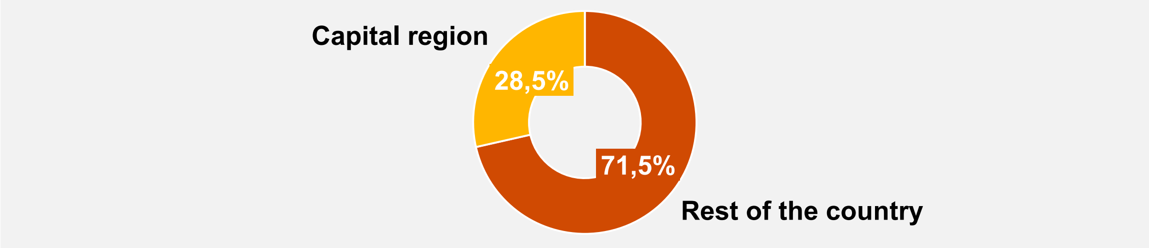
Student-teacher ratio



Number of public sector tertiary education teachers



Distribution of students by regions, 2021, in %



Sources: Eurostat, Government website, PwC analysis

5

Pre-school facilities

Potential in this segment is estimated to be mainly in the regions of France where demographic growth is highest

Pre-school facilities

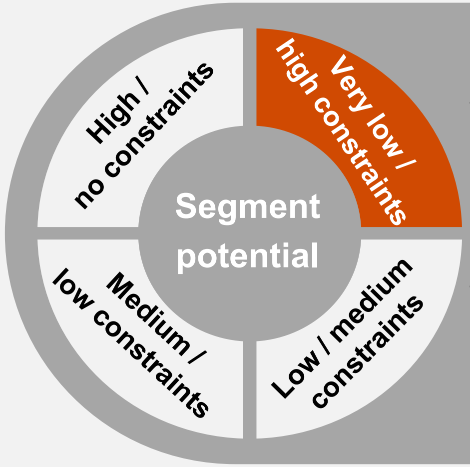
Key conclusions – Phase 1

- Early childhood education is split into two age based stages. The first stage focuses on caring for children under 2-3 years old, the second stage is pre-primary education aimed at children from 2-3 years old until they reach 6 years old
- The majority of children are enrolled in public institutions, with private institutions holding ~14% of the market
- Population of children aged 0-6 has been declining with a CAGR of 1,6% in recent years, mainly driven by the decreasing number of new-born children
- In recent years, the number of available pre-school facilities in France has decreased by 1% CAGR

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

PwC Assessment

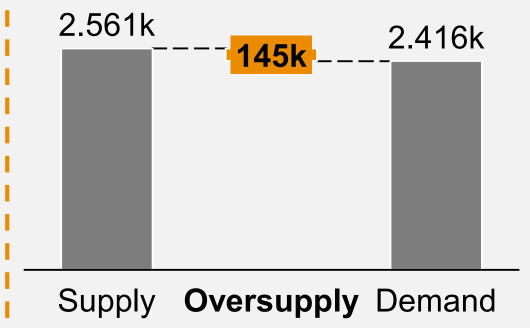


- Pre-schools for ages 3–5 experience oversupply due to mandatory enrolment while the 0-3 age group face a larger oversupply due to low enrolment rates
- There is potential future demand for pre-schools in specific departments with high population growth

Key Segment Data

- **11** children/ 1000 enrolled
- **5,1%** up to 3 y.o. enrolled
- **100%** **3 - 6** y.o. enrolled
- **13,6%** children in private institutions
- **-0.1%** growth of new-born children until 2050
- **13k** number of pre-schools

Oversupply analysis



Early childhood education in France can be categorized into two distinct groups

Pre-Schools – General Overview

There are two types of pre-school education

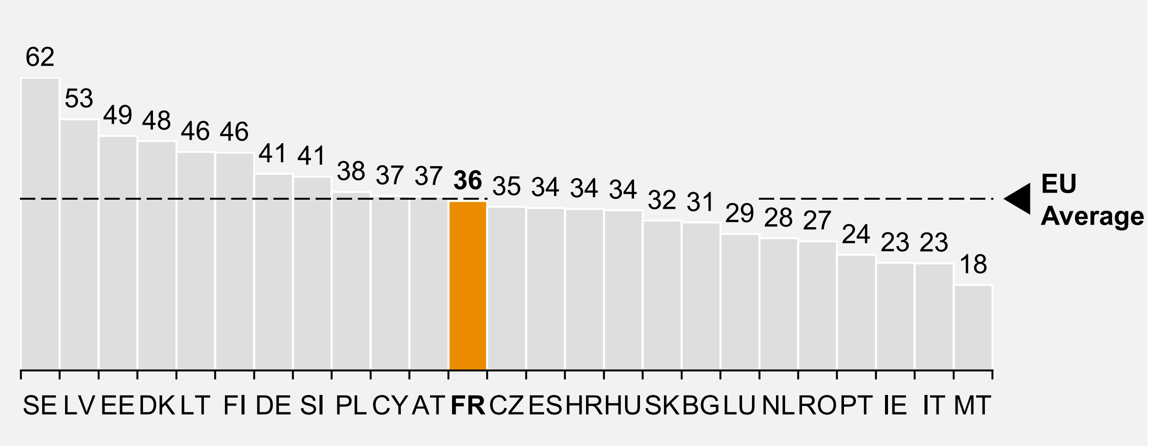
Early childhood education in France is categorized into two distinct stages, based on age groups. The first stage focuses on childcare for children under 2–3 years old, regulated by the Ministry of Solidarity and Health. In this phase, childminders are the primary providers of care, with nurseries (crèches) also available. These childcare services, including collective or parental crèches, are predominantly managed by the local authorities or non-profit associations. The type of facility dictates the maximum number of children allowed. For full-time care by a childminder, most costs are covered by the Family Allowance Funds (Caf).

The second stage is pre-primary education for children from 2–3 years old until they reach 6 years old. This stage falls under the responsibility of the Ministry of National Education and is conducted in pre-primary schools (écoles). Children are generally admitted from around 3 years old, though those as young as 2 may be accepted, based on availability. Since the law introduced in 2019, education from the age of 3 years has been compulsory. Decisions regarding the opening or closing of schools or classes fall under the local education authorities the Academic Director of National Education Services (DASEN) and the Municipal Council.

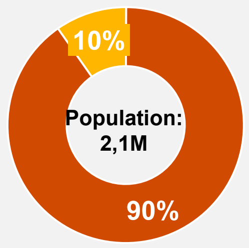
In France, there is no legal guarantee for a place in pre-primary education for children under 3 years of age. However, from 3 years onwards, families are required to enrol their children in pre-primary education unless they opt for home schooling. For families, public pre-primary education is free. Private subsidized pre-primary schools may charge minimal fees. Additional costs can include catering expenses and day nurseries/teacher-assisted study halls, with fees potentially adjusted based on family income. For children below 3 years, access to childcare structures involves costs typically dependent on the parents' income or negotiations with childminders.

Children can only be admitted into pre-primary schools in the municipality they reside in. If parents want to enrol their children into pre-primary schools outside their municipality where they live, they must obtain agreement of the mayor of their municipality of residence and the mayor of the host municipality.

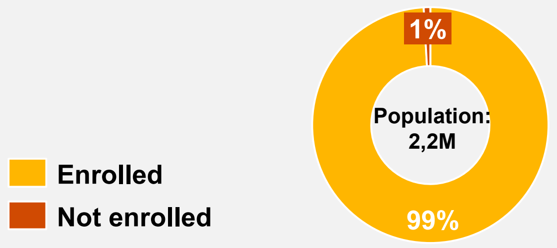
Number of children enrolled to pre-school facilities, per 1000 citizens



Share of children aged up to 3, enrolled in pre-schools, 2021



Share of children aged 3–6, enrolled in pre-schools, 2021



Source: Eurostat, European Commission, Government website, PwC analysis

France is experiencing both, a declining number of children and a stagnating fertility rate

Pre-Schools – Key Drivers

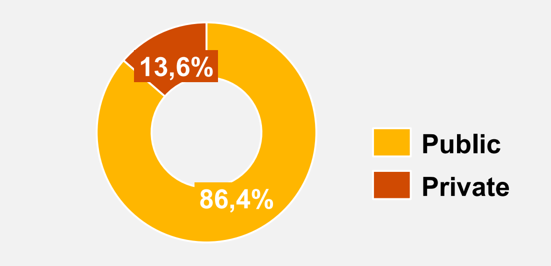
Mandatory enrolment in pre-schools

From 2018 to 2022, the total population of children aged 0–6 years has experienced a Compound Annual Growth Rate (CAGR) of approximately -1,6%, declining from about 4,6M in 2018 to roughly 4,3M in 2022. The population of children under 3 years old has decreased at a higher CAGR of about -1,7%, while the number of children aged 3 to below 6 years has decreased relatively less, indicated by a CAGR of ~-1,5%. This trend suggests an accelerated future decline in the overall early childhood population.

Regarding the birth rate, France has experienced a declining trend in the number of new-borns. Over a five-year period, starting from 2017, the annual number of births has decreased at a CAGR of approximately -0,9%. In numerical terms, this represents a reduction of around 27k births in 2021 compared to 2017. Projections indicate a stabilisation of the fertility rate. By 2050, the fertility rate is expected not to experience growth, staying at an estimated rate of 1,84.

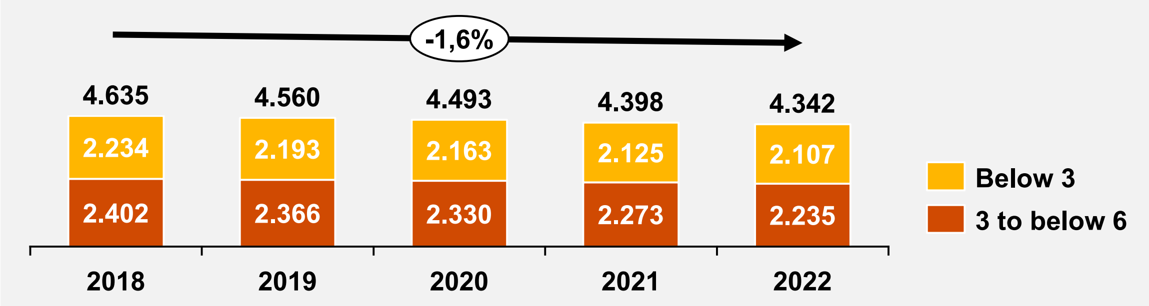
Age group	2 y/o	3 y/o	4 y/o	5 y/o	3–5 y/o
Percentage enrolled	9,8%	96,8%	99,2%	100%	99,1%

Split of children between public and private institutions

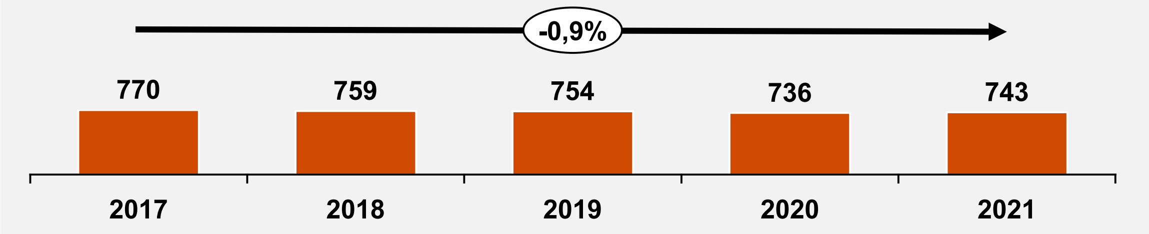


In 2021, public institutions had a dominant role, as ~86% or ~2M children of the total enrolled children attended public pre-school facilities. Private institution hosted around 14% (~328k children) of the total enrolled children.

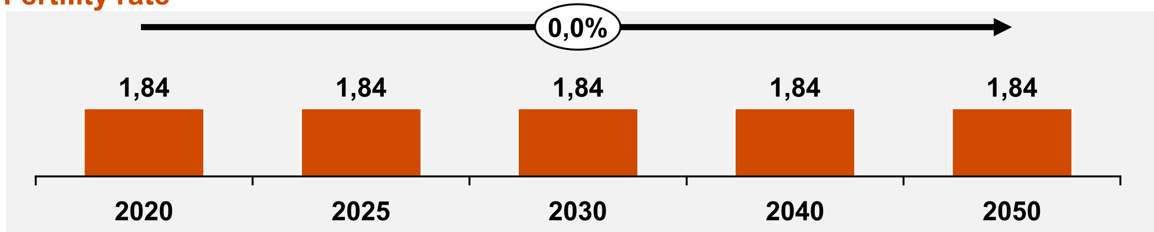
Number of children aged 0–6, in ths.



Number of new-born children, in ths.



Fertility rate



Sources: Eurostat, Government website, European Commission, PwC analysis

France has full enrolment for age group 3–5, as attendance of the pre-schools is mandatory, with places guaranteed by law

Pre-Schools – Demand

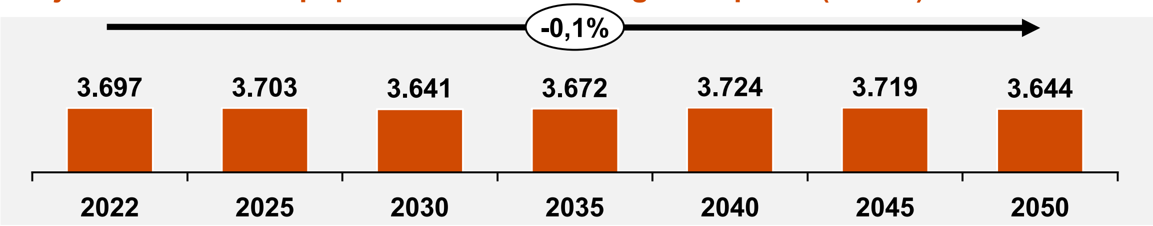
Demand for pre-schools is highest in the capital region

The distribution of population of children across French regions shows a concentration in the Île-de-France area, accounting for 20,44% (~473k children) of the total number of children, which stands at ~2,3M. This is followed by the Auvergne-Rhône-Alpes and Hauts-de-France regions, with 12,14% (~281k children) and 9,49% (~219k children), respectively. On the lower end of the spectrum, Corse contains the smallest proportion of the child demographic, with a mere 0,39% (~8,9k children).

The share of children covered by preschool education is notably lower for those under three years old; this is mainly due to education not being mandatory at this age, and therefore, parents prefer to care for their children at home. On the other hand, the coverage rate of the age group 3–5 years old is at 102%; this is because children aged two years old can also be enrolled into *écoles maternelles*, while the enrolment rate for children in the age group of 3–5 years old stands at 99,7%.

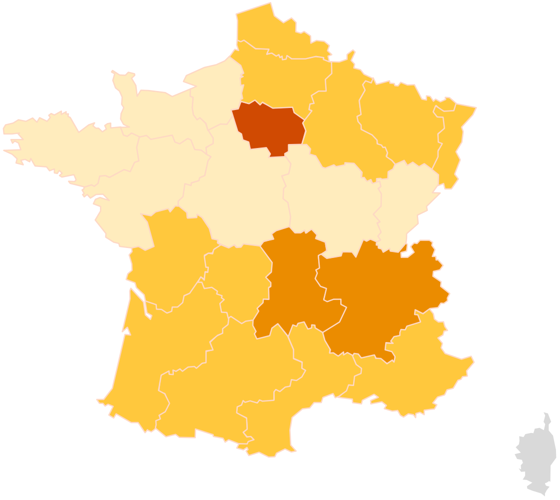
Future projections, according to Eurostat, indicate a downward trend in the population of children aged between 1 and 6 in France. The figures suggest a gradual decrease from ~3,7M children in 2022 to ~3,6M children by 2050. This decline represents a compound annual growth rate (CAGR) of approximately -0,25% over the next three decades, which could lead to implications for the demand in educational services for this age bracket.

Projected number of population of children aged 1 up to 6 (in ths.)



Share of children covered by pre-school education, 2021

Number of children enrolled in pre-school (3–5) by region, 2022



Regions	Total	%
France métropolitaine	**2.314.893,00**	
ILE-DE-FRANCE	473.241,00	20,44%
AUVERGNE-ET-RHONE-ALPES	281.054,00	12,14%
HAUTS-DE-FRANCE	219.640,00	9,49%
OCCITANIE	185.317,00	8,01%
GRAND-EST	174.034,00	7,52%
NOUVELLE-AQUITAINE	173.965,00	7,52%
PROVENCE-ALPES-COTE-D'AZUR	173.939,00	7,51%
PAYS-DE-LA-LOIRE	130.442,00	5,63%
BRETAGNE	110.823,00	4,79%
NORMANDIE	107.954,00	4,66%
BOURGOGNE-ET-FRANCHE-COMTE	84.896,00	3,67%
CENTRE-VAL-DE-LOIRE	82.419,00	3,56%
CORSE	8.941,00	0,39%

Sources: Eurostat, Government website, PwC analysis

Both, number of pre-schools, and number of available places are falling, in line with the declining population aged 3–5

Pre-Schools – Supply

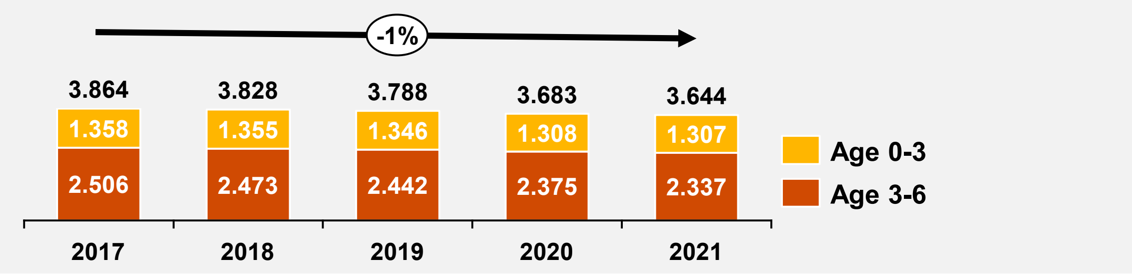
Supply of early childhood education in France

In 2022, France had approximately ~13k pre-school institutions, catering to children aged 3–5. This number represents a continuous decline from 2017, with a 1,8% annual decrease in the number of public pre-schools, slightly offset by an increase in private pre-schools. In 2022, the public expenditure for the care of children under three years old in France was 16,1 billion EUR. Two-thirds of this expenditure (10,8 billion EUR) was covered by the Family branch of Social Security. This includes direct payments to families (through the childcare supplement CMG (*Complément de mode de garde*) or the child education benefit PreParE (*Prestation partagée d'éducation de l'enfant*)), as well as contributions to retirement pensions. It also covers funding for childcare facilities and equipment.

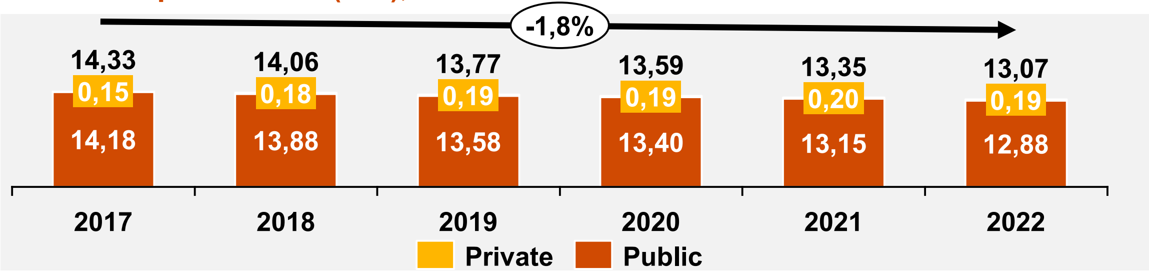
In 2021 there were around 1,3M places for early childhood education for children in the age group 0–3 years old. Majority of the places were with directly employed childminders (~744k), followed by ~471k places with day-care providers, ~82k children were in childcare services in *École préélémentaire* and ~47k were in the care of a home-based employee.

Public nursery schools are not autonomous. As a result, they have neither legal personality nor financial autonomy. It is the municipality that is in charge of public nursery schools and elementary schools. Municipality owns the premises and is responsible for its construction, reconstruction, extension, major repairs, equipment and operation.

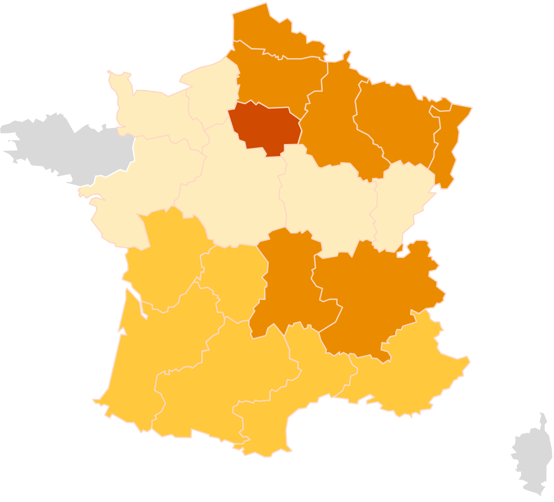
Number of available places in France (in ths.)



Number of pre-schools (3–5), in ths.



Share split of total pre-schools (3–5) by region in France métropolitaine (2022, %)



Regions	Total	%
France métropolitaine	**12.610**	
Île-de-France	2.807	22,26%
Auvergne-Rhône-Alpes	1.307	10,36%
Hauts-de-France	1.290	10,23%
Grand Est	1.272	10,09%
Occitanie	1.170	9,28%
Provence-Alpes-Côte d'Azur	1.133	8,98%
Nouvelle-Aquitaine	1.095	8,68%
Bourgogne-Franche-Comté	685	5,43%
Centre-Val de Loire	563	4,46%
Normandie	546	4,33%
Pays de la Loire	438	3,47%
Bretagne	241	1,91%
Corse	63	0,50%

Sources: Eurostat, Directorate for Evaluation, Foresight and Performance , European Commission, Government website

6

Hospitals


PISO 1
ASCENSOR
SANITARIO
BANCO DE SANGRE
TERAPIA NEONATAL

A large oversupply was identified in this segment, along with staff shortages and relatively small deal sizes

Hospitals

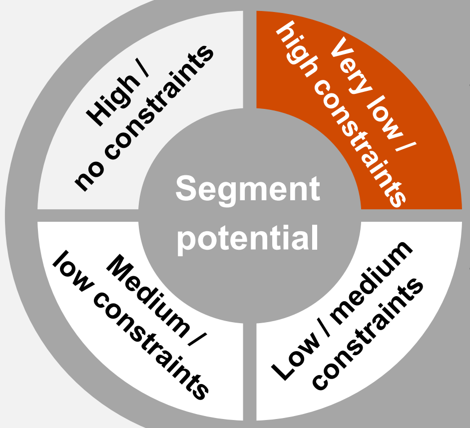
Key conclusions – Phase 1

- Responsibility for healthcare system in France is delegated to the Regional Health Agencies (ARS),
- Approximately 45% or 1.346 were public hospitals in 2021, while the remaining 55%, amounting to 1.645 hospitals, were privately operated
- Despite the higher number of private facilities, the majority of hospital beds—61,5% or roughly 235k beds—are under public ownership
- Distribution of hospital beds follows the distribution of population rather closely, however, some of the key issues are long waiting lists, as well as high costs

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

PwC Assessment



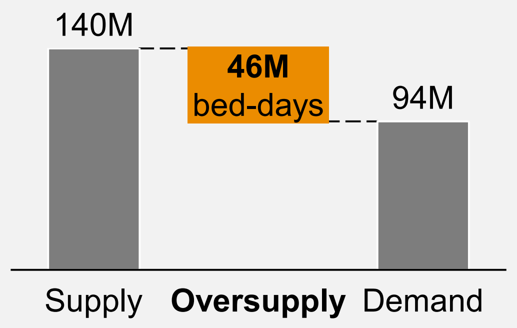
Large oversupply of the hospital beds, as well as falling levels of hospitalisations limit the visible demand for services

The key issues in this segment are staff shortages and relatively small deal sizes for the hospital segment, relative to other countries.

Key Segment Data

~3k number of hospitals	**382,7k** number of hospital beds	**55%** share of private hospitals
39% of hospital beds are private	**5,6** average length of stay days	**66,7%** utilisation rate of beds

Oversupply analysis



Predominance of public hospital capacity in France despite greater number of private facilities

Hospitals – General overview

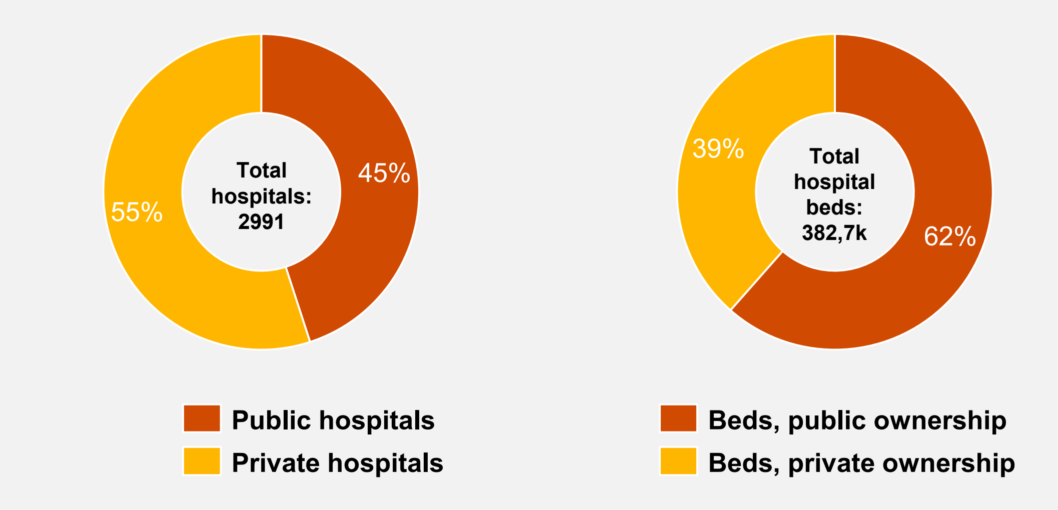
Definition of the segment and ownership

The administration of the French healthcare system is multi-layered. At the national level, ministries handle public health policies, facility oversight, financing, setting rates for the provision of care and conducting healthcare cost control, and providing oversight for France's health insurance institutions. Regional Health Agencies (*ARS*) ensure consistent resource management and equal access to care at the regional level. Each *ARS* takes France's nationwide policies and adapts them to the characteristics of its region.

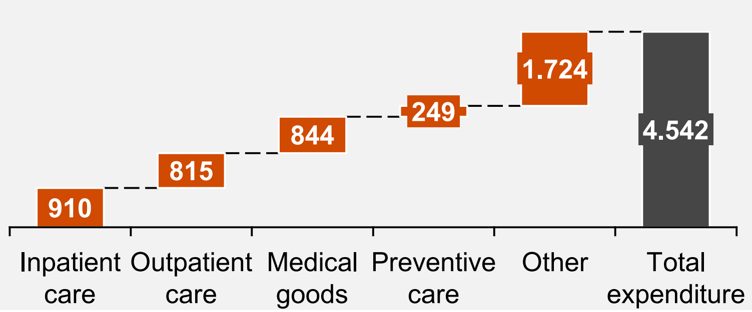
The financing of the French healthcare system is multi-faceted, involving compulsory and supplementary health insurance schemes, public funding sources, and out-of-pocket payments by patients.

In 2021 there were 2.991 hospitals in France. Of these, approximately 45% or 1.346 were public hospitals, while the remaining 55%, amounting to 1.645 hospitals, were privately operated. Despite the higher number of private facilities, the majority of hospital beds—61,5% or roughly 235k beds—are under public ownership, which suggests that public hospitals may have a larger capacity on average compared to their private counterparts. Conversely, private hospitals account for 38,5% of the total beds, approximately 147k beds.

Healthcare ownership, 2021

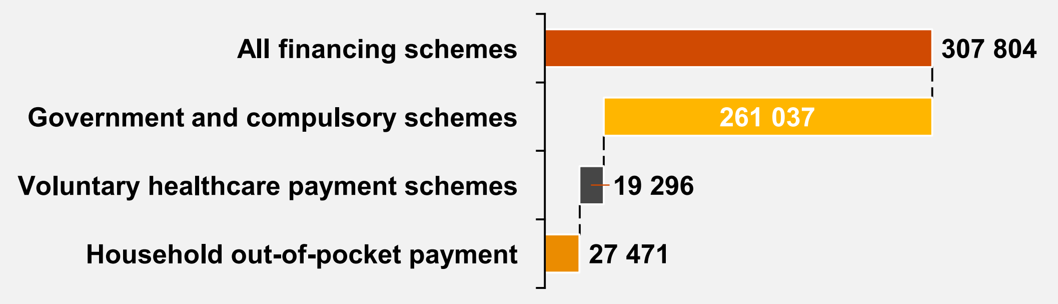


Expenditure on healthcare, 2021, EUR per capita



In 2021, France reported a total healthcare expenditure per capita of EUR ~4,5k. The predominant segment of this expenditure was inpatient curative care, which constituted EUR ~910 or roughly 20% of the total health spending. In comparison, the average current health care expenditure across the European Union was EUR ~3,6k per capita, with France's expenditure exceeding this average by approximately 27,5%.

Expenditure by financing scheme, 2021, EUR per capita

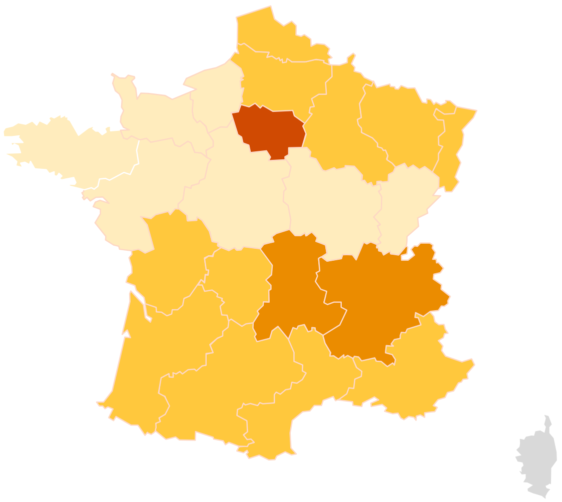


Source: Eurostat, Government website, PwC analysis

France's regional healthcare disparities and higher perceived costs amidst improved service availability management

Hospitals – Key Issues (1/2)

Regional split of hospital beds (HB)

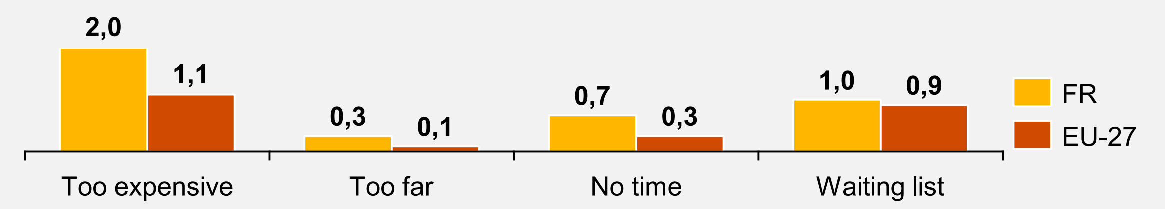


Regions	Total	% HB	% POP
France métropolitaine	**373.545**		
Île de France	63.455	16,99%	18,79%
Auvergne-Rhône-Alpes	46.068	12,33%	12,43%
Occitanie	37.059	9,92%	9,29%
Nouvelle-Aquitaine	35.657	9,55%	9,27%
Hauts-de-France	34.259	9,17%	9,08%
Provence-Alpes-Côte d'Azur	34.013	9,11%	8,44%
Grand Est	31.706	8,49%	7,85%
Bretagne	19.534	5,23%	5,92%
Normandy	18.993	5,08%	5,21%
Pays-de-la-Loire	18.570	4,97%	5,05%
Bourgogne-Franche-Comté	17.058	4,57%	4,24%
Centre-Val de Loire	15.141	4,05%	3,90%
Corse	2.032	0,54%	0,54%

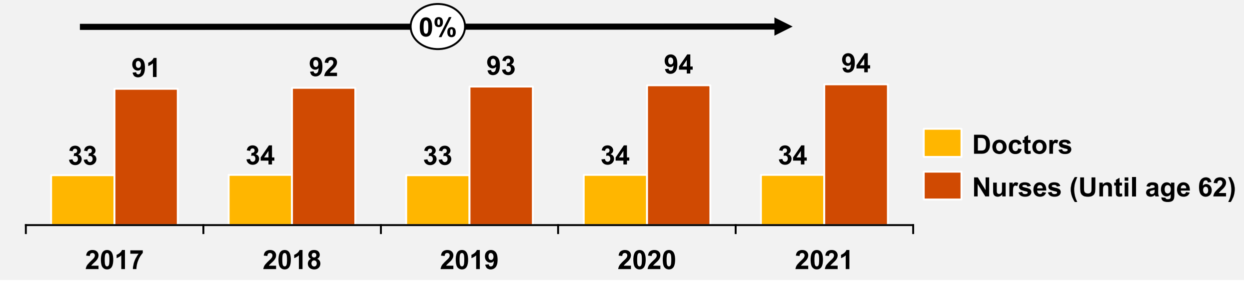
In France, the allocation of hospital beds per region closely follows the population distribution, with Île de France leading with ~63k beds, which is ~17% of the country's total. At the other end, Corse has only ~2k beds, or ~0,5% of the total. Overall distribution roughly reflects the distribution of the population of France's regions. The numbers of doctors and nurses remained more or less the same in the past few years. Furthermore, projections made by the Directorate for Research, Studies, Evaluation, and Statistics (DREES) show that the number of doctors is expected to stagnate in 2027 before a fairly significant increase until 2050 (+1,7% average annual growth between 2030 and 2050).

In France, the perception of healthcare expenses is significantly higher than the EU-27 average, with 2% of the population considering it too costly, compared to 1,1% across the EU-27. When it comes to accessibility in terms of the proximity of medical services, France's performance is close to the EU average of 0,3%. The proportion of the French population citing time constraints as a barrier to healthcare is more than double the EU average, with 0,7% against 0,3%, indicating a greater intensity in balancing healthcare needs with other time commitments. However, France has notably improved in managing waiting lists for medical services, reporting only a slightly higher unmet need at 1%, as opposed to the EU-27 average of 0,9%. This suggests that while France grapples with higher costs and time-related barriers to healthcare, it is relatively successful in maintaining the availability of medical services and managing waiting times.

Self-reported unmet demands of population by reason (% of population 16+)



Doctors and nurses, per 10 thousand population

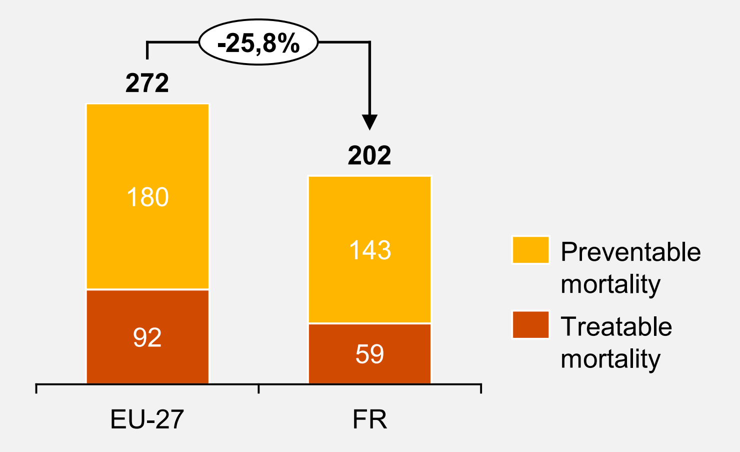


Source: Eurostat, Government website, PwC analysis

France registers lower mortality, but faces rural healthcare gaps and modest self-rated health compared to EU average

Hospitals – Key Issues (2/2)

Mortality rate compared to EU average

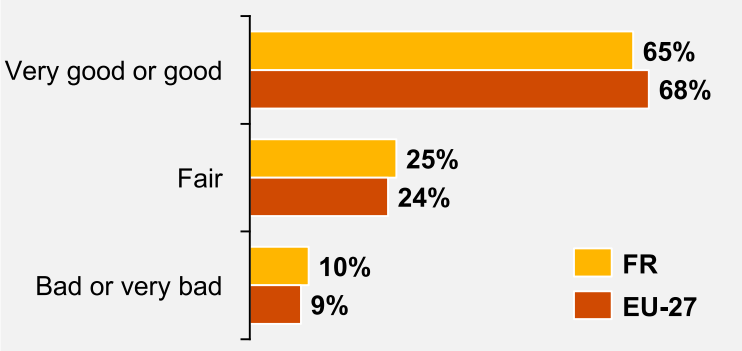


With a total mortality rate of ~202 per 100.000 inhabitants, France's figures are considerably lower than the EU-27 average of ~272. Specifically, France's preventable mortality rate stands at ~143, which is about 20% lower than the EU-27 average of ~180. Furthermore, the rate of treatable mortality in France is ~59 per 100.000 inhabitants, which is roughly 36% lower than the EU-27 average of ~92.

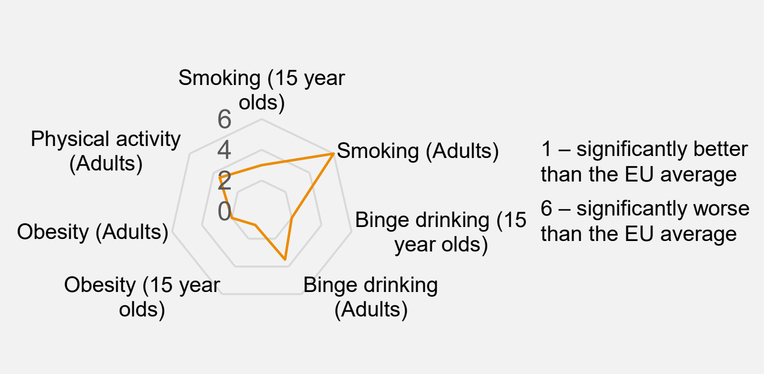
In 2021, France recorded approximately ~662k deaths. The diseases of the circulatory system were the most significant contributors, causing around 20,85% (approximately ~138k deaths) of the total fatalities. Within this category, ischaemic heart diseases accounted for about 22,73% (roughly ~31k deaths) of the circulatory disease-related deaths. Neoplasms, or tumours, were responsible for around 25,72% (about ~170k deaths) of all deaths. COVID-19 had a profound impact, with deaths where the virus was identified, contributing to around 9,10% (approximately ~60k deaths) of the total death toll. Other causes, such as respiratory system diseases and diseases of the nervous system, also had notable shares, with ~36k deaths for each category respectively.

In 2021, France reported that 3,8% of children had unmet needs for medical examination or treatment, marginally above the EU-27 average of 3,6%. This statistic is particularly higher in rural areas, where the figure rises to 4,2%, which is notably higher than the EU-27 average of 3,6%, indicating a more significant disparity in access to healthcare services compared to urban settings. In cities and towns and suburbs, the share of children with unmet medical needs aligns with the EU-27 average at 3,6%.

Self-perceived health and risk factors



In 2022, approximately 65,1% of France's population aged 16 and above rated their health as either "good" or "very good." This figure is roughly 2,7 percentage points below the EU-27 average of 67,8%. In contrast, the proportion of individuals in France who perceived their health as either "bad" or "very bad" stood at 10%, which is 1,3 percentage points higher than the EU average of 8,7%. Additionally, those who considered their health to be "fair" represented 24,9% of the population, a slight increase compared to the EU-27 average of 23,5%.

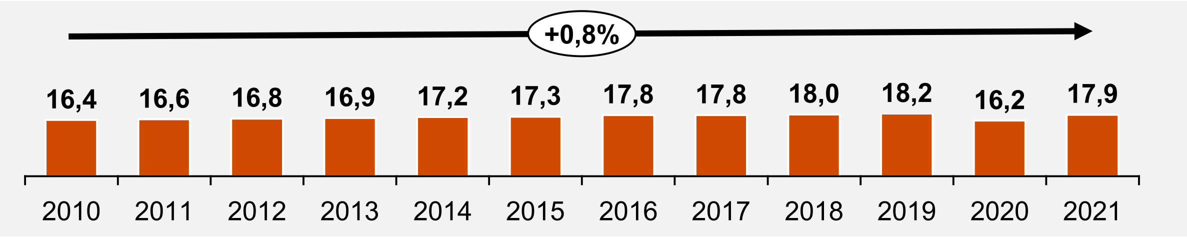


Sources: Eurostat, Institute for Health Metrics and Evaluation, PwC analysis

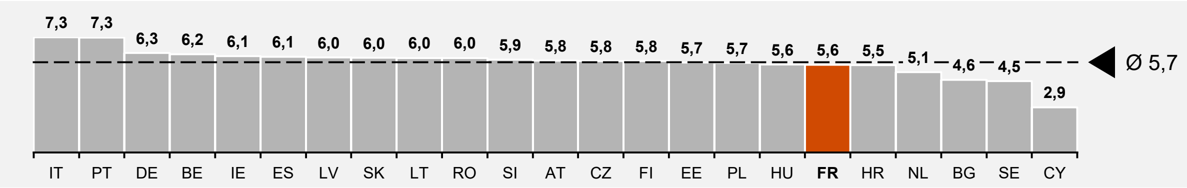
Incremental increase in hospitalizations with a decline in doctor consultations

Hospitals – Market Demand

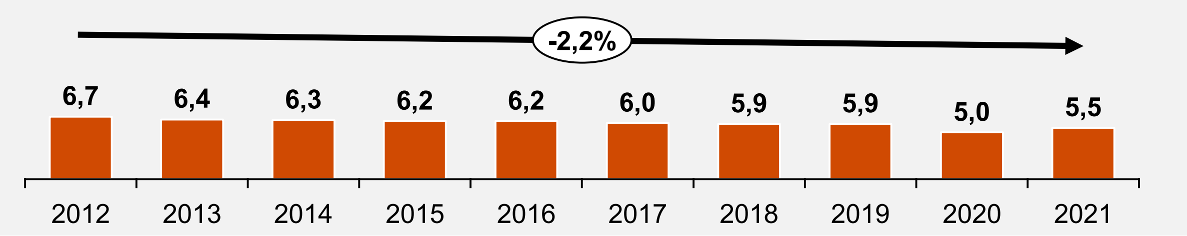
Number of hospitalisations in MCO (Medicine, Surgery, Obstetrics), in M.



Average length of stay across EU in days in 2021



Average number of visits to physicians, per capita



Hospitals have seen an increase of ~0,8% on a yearly basis in the number of hospitalizations in the MCO (Medicine, Surgery, Obstetrics).

The frequency of medical doctor consultations per inhabitant displayed a descending trend over the past decade. Following a modest decrease from 6,7 consultations per inhabitant in 2012 to 6,3 in 2014, a steady decline continued through to 2017, reaching 6 consultations per inhabitant. The downward trajectory persisted, with figures dropping to 5,9 in both 2018 and 2019. A significant decrease was observed in 2020, with the number of consultations falling to 5 per inhabitant, which represents a decline of approximately 15,25% from the previous year. Nevertheless, there was a rebound in 2021, where the rate of consultations rose by 10%, achieving a figure of 5,5 consultations per inhabitant.

In France, the in-patient average length of stay across various diseases showed diverse patterns in 2021. Patients diagnosed with certain infectious and parasitic diseases had an average hospital stay of 6,6 days. Those with neoplasms experienced a slightly longer average length of stay at 6,8 days. Conditions of the circulatory system resulted in an average stay of 6,3 days, while diseases of the digestive system recorded an average of 5,2 days. Lastly, patients recovering from injury, poisoning, and certain other consequences of external causes also had a shorter stay, averaging 5,3 days in hospital.

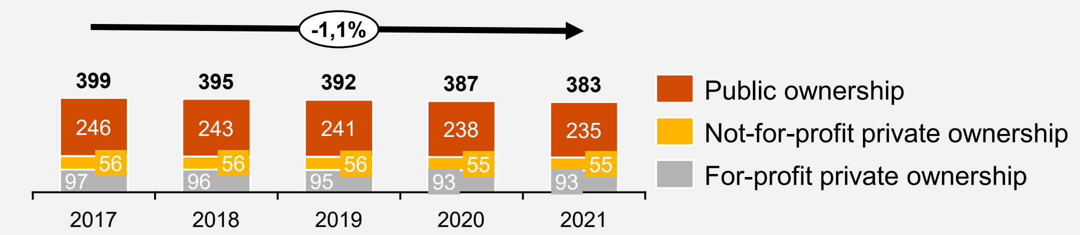
Considering that hospital discharges for in-patients per 100.000 inhabitants were notably high for those diagnosed with diseases of the circulatory system and coupled with the fact that this patient category also registered an average hospital stay of 6,3 days in the same year, it becomes evident that circulatory system diseases represent a significant factor in the demand for hospital beds. This observation stands apart from any potential fluctuations in demand due to COVID-19 and related conditions, suggesting a sustained requirement for healthcare resources dedicated to this group in both the near and long-term future.

Sources: Eurostat, PwC analysis

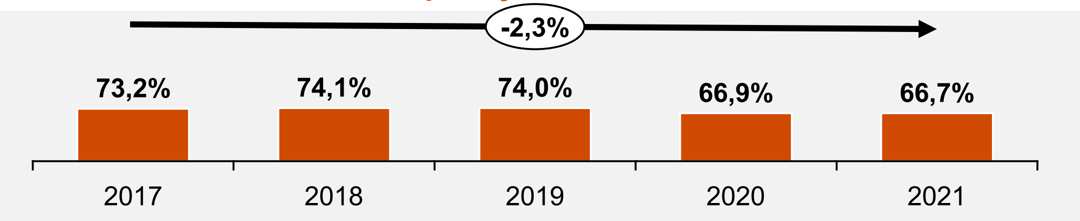
Both the number of beds and bed utilization have been falling since 2017

Hospitals – Market Supply

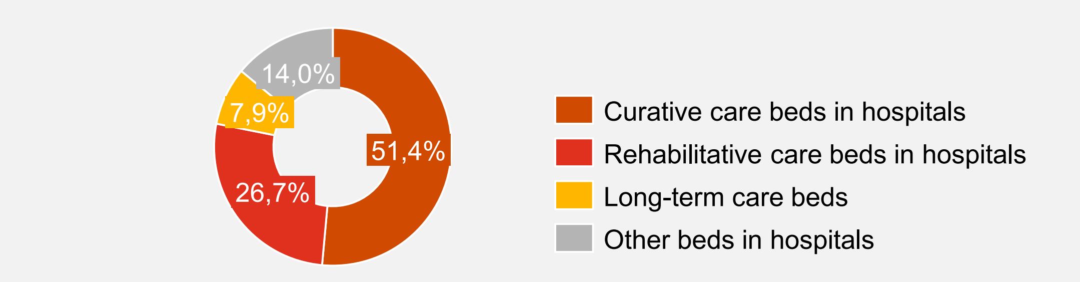
Number of hospital beds, in ths.



Utilisation of current bed capacity



Capacity by type of bed, 2019



Sources: Eurostat, Government website, PwC analysis

As of 2021, France had approximately 382,7k hospital beds. In the five-year span from 2017 to 2021 we can observe a decline in the total number of hospital beds. Publicly owned hospital beds saw a reduction from ~246k to ~235k, while not-for-profit private ownership experienced a slight decrease from ~56k to ~55k. Similarly, for-profit private hospital beds declined from ~97k to ~93k. This amounts to an average annual decrease of roughly 1,1%. While most categories saw a steady decline in bed numbers, with a notable reduction in long-stay capacities (from 80k to 31k beds due to the transformation of some units into care homes for the elderly), the field of psychiatric care presented a mixed picture. Psychiatric bed numbers fell by 5.500 in public establishments but increased in private for-profit institutions. Contrarily, medium-stay care (rehabilitation services) experienced an increase from 92k beds in 2003 to 104k in 2020, primarily due to a significant rise in private for-profit capacities.

In France, the utilization rate of hospital beds saw a decline to ~67% in 2021, a slight decrease from a steady rate of ~73% in the preceding years. In 2020, the health crisis caused by the COVID-19 epidemic severely disrupted hospital operations in France. This led to a significant reduction in hospital utilization, with a 23,5% decrease in days of partial hospitalization and a 12,4% decrease in the number of full hospitalization stays, according to a report from DRESS (*Directorate for Research, Studies, Evaluation, and Statistics*). This situation represented a notable departure from the previous years' trends, which had been characterized by an increase in partial hospitalization and a gradual decrease in full hospitalization.

In 2019, more than half of the hospital bed capacity, precisely 51,45%, was dedicated to curative care, while a significant portion, amounting to 26,66%, catered to rehabilitative care. Long-term care beds comprised a smaller fraction, 7,88%, indicating a focused allocation of resources toward immediate and recovery care. The remaining 14% of hospital beds were allocated for various other uses.

7

Retirement homes

The potential in this segment **is limited** due to an **observed oversupply** and **fragmentation of operators**

Retirement homes

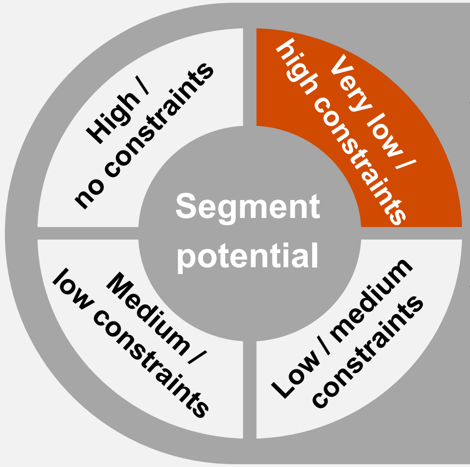
Key conclusions – Phase 1

- Governance of retirement homes falls under the Ministry of Solidarity and Health at the national level
- Retirees have to supplement on average EUR 533 to cover the cost of elderly care accommodation, even after social benefits are applied
- Average life expectancy for elderly in France is higher than the EU average (79,2 years for men as opposed to 77,2 in the EU
- Old age dependency ratio is higher than the EU average (34,1% as opposed to 33% in the EU).
- Presently, there is an oversupply of 211k places in retirement homes in France, which is expected to increase to 253k by 2035

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

PwC Assessment



Relatively high oversupply, that is expected to continue well into the future, with the supply matching the trend of a growing elderly population

The segment is also relatively fragmented, with a larger number of individual operators

Key Segment Data

13,1k number of residential homes

901,6k beds in LTC facilities

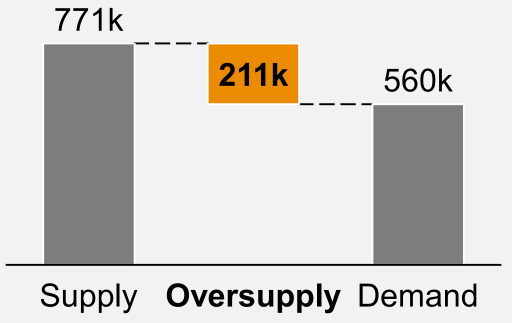
45% % of beds in public homes

14,2M people aged 65+

1,38x avg. costs of LTC compared to avg. pension

211k estimated oversupply

Oversupply analysis



Retirement homes in France are diverse, both in types and services offered, as well as in the regulatory framework

Retirement Homes – General Overview (1/2)

Characteristics of the system

In France, four primary types of retirement homes cater to the diverse needs of the elderly:

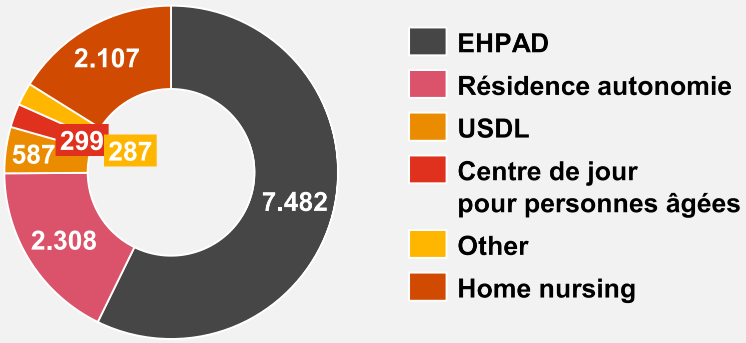
- *Etablissements d'Hébergement pour Personnes Âgées Dépendantes* (EHPADs) are facilities for seniors requiring daily assistance and medical care, offering a range of services including catering, laundry, and entertainment. These homes are available as private, non-profit, or state-run facilities.
- *Etablissements d'Hébergement pour Personnes Âgées* (EHPAs) cater to seniors who need less care than those in EHPADs, offering a supportive environment with a greater degree of independence.
- *Résidences Autonomie* (Autonomy Residences) are non-medicalized residences designed for independent older individuals. In these residences, residents rent a room or an apartment and have access to collective facilities and services, such as laundry, catering, and household services.
- Long-Term Care Units (*Unités de Soins de Longue Durée* – USLDs) are tailored for the most dependent individuals. Often attached to hospitals, these units offer constant care and medical supervision in a setting that resembles a hospital.

Governance of retirement homes falls under the Ministry of Solidarity and Health at the national level through the Directorate General for Social Cohesion and the Directorate of Social Security, which is responsible for the design, implementation, and evaluation of public policies related to social cohesion and support for people's autonomy. This includes benefits for the elderly and the disabled, as well as supervision of social aid for homeless people and those lacking autonomy. Municipal authorities are responsible for social welfare, which includes retirement homes as a complementary action to departmental efforts.

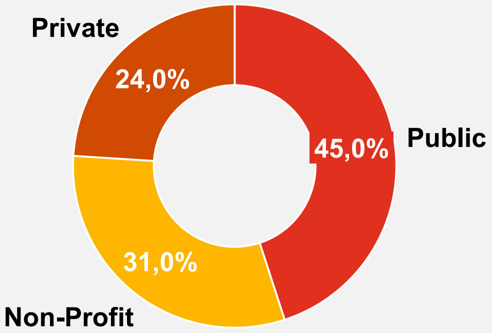
The *Agence Régionale de Santé* (ARS) and the *Direction Générale de l'Action Sociale* (DGAS) share responsibilities for financing retirement homes. The costs faced by residents depend on their accommodation and care needs, graded from 1 to 6. Medical costs are covered by the state under the *Assurance Maladie*. Care homes require authorization from the local ARS and the departmental council before opening. Regular checks and inspections are conducted.

Private care homes, such as those owned by groups like *Orpéa, Korian, DomusVi*, and *Domidep*, are a significant part of the sector. These groups own a substantial number of establishments in France.

Number of institutions for elderly care, by type



Ownership of nursing homes (EHPAD), in %.



Sources: Eurostat, Government websites, local news sources, PwC analysis

Retirees in France experience higher median standard of living than general population, face decreasing pensions

Retirement Homes – General Overview (2/2)

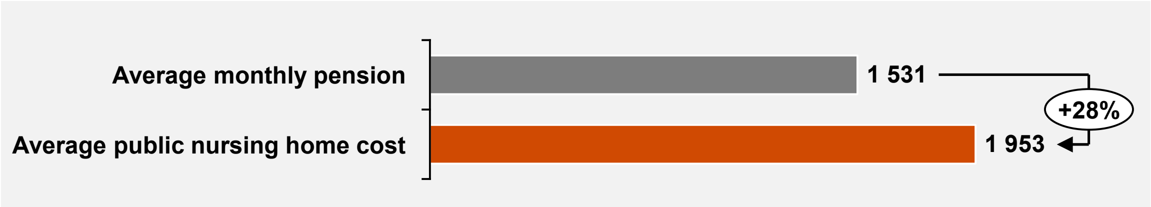
Pensions and prices of homes

By the end of 2021, the average gross monthly pension of retirees residing in France, stood at 1.531 EUR, which corresponds to 1.420 EUR net of social security deductions. This amount has decreased by 2,7% in constant euros since 2016, partly due to occasional pension increases that have been lower than the rate of inflation since then in certain schemes, and partly due to the significant inflation at the end of 2021. The average amount of direct pensions varies little between the French departments, except in Île-de-France, where it can be up to ~40% higher than the national average.

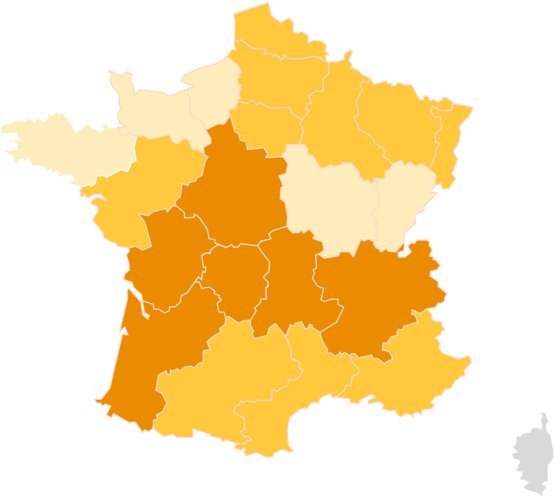
In France, the costs for elderly care accommodation in EHPADs vary significantly depending on several factors, such as location, type of establishment, and level of care required. On average, after accounting for social benefits like *Allocation Personnalisée d'Autonomie* (APA), the cost is approximately 1.953 EUR per month. Before such deductions, the average cost is around 2.445 EUR per month. The least expensive 10% of homes charge under 1.674 EUR monthly, while the top 10% exceed 2.819 EUR. Financial support is available to help with these costs, primarily through APA, which is aimed at those requiring assistance with daily tasks and regular monitoring. The APA amount varies based on income and degree of dependency. Additional assistance, such as *Aide Sociale à l'Hébergement* (ASH) for accommodation costs, and possibly *Aide Personnalisée au Logement* (APL), may be available. The average net pension leaves retirees with a monthly shortfall of approximately EUR 533 when covering the cost of elderly care accommodation, even after social benefits are applied.

In France, retirement pensions constitute the primary component of disposable income for households with at least one retired member, due to them rarely having dependant family members living in the same household. Furthermore, the poverty rate among retirees is significantly lower than the overall population rate, standing at 8,7% in 2021 compared to 14,6% in 2019. This difference is attributed to the redistributive impact of the tax system and social measures (such as social minimums and housing assistance), which collectively reduced the poverty rate of retirees by 3,7 points since 2019.

Pension and monthly fees for retirement homes, per month, in EUR



Split of beds in residential homes, (2021), by regions



Regions	Total	%
France métropolitaine	**894.011**	
Ile-de-France	115.328,00	12,90%
Auvergne-Rhône-Alpes	109.735,00	12,27%
Nouvelle-aquitaine	101.937,00	11,40%
Occitanie	82.840,00	9,27%
Grand est	77.149,00	8,63%
Hauts-de-France	75.973,00	8,50%
Provence-Alpes-Côte d'Azur	66.781,00	7,47%
Pays de la Loire	64.758,00	7,24%
Normandie	54.972,00	6,15%
Bretagne	53.965,00	6,04%
Bourgogne-Franche-Comté	46.856,00	5,24%
Centre-Val de Loire	40.961,00	4,58%
Corse	2.756,00	0,31%

Sources: Eurostat, DREES, local news source, PwC analysis

France exceeds EU averages in life expectancy and healthy life years after the age of 65

Retirement Homes – Key Drivers

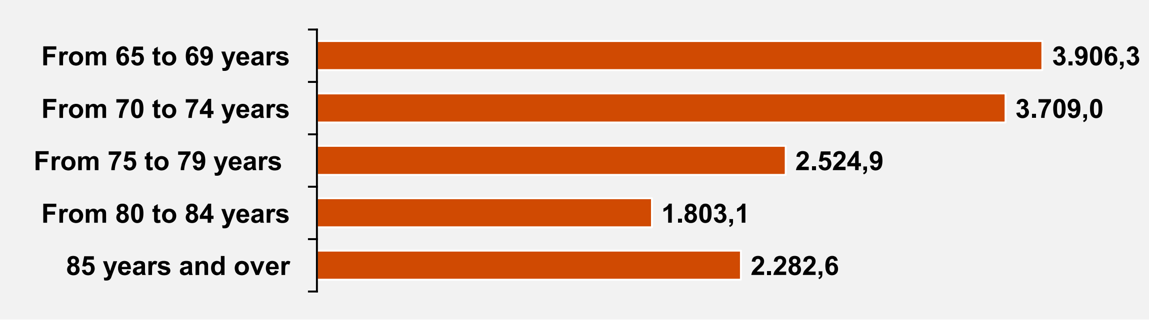
French life expectancy is higher than the EU average

In the year 2021, France observed a higher life expectancy at birth in comparison to the European Union average, with figures standing at 79,3 years for men and 85,5 years for women, surpassing the EU benchmarks of 77,2 years for men and 82,9 years for women, respectively.

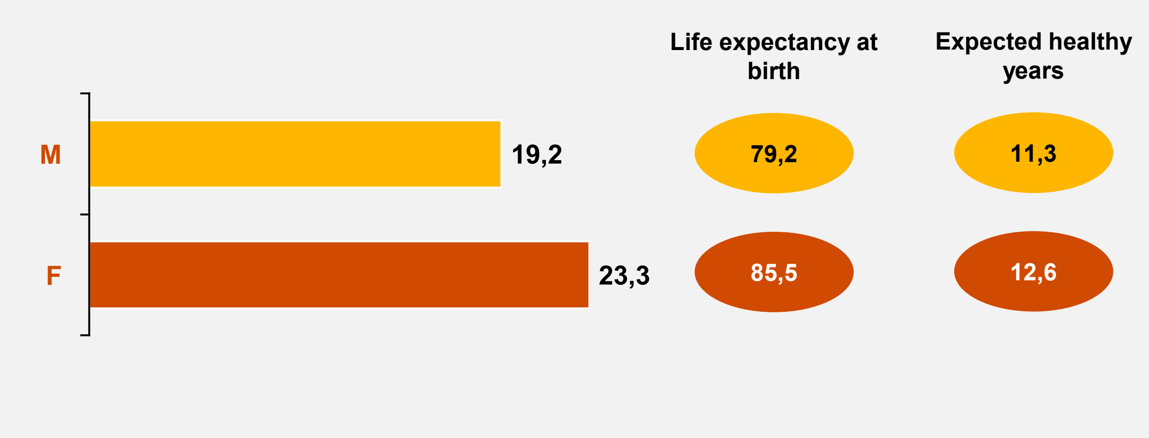
At the age of 65, French citizens could anticipate an additional 19,2 years of life for men and 23,3 years for women, which is notably superior to the healthy life years expectation post age 65 in the EU, which was recorded at 17,3 years for men and 20,9 years for women. Specifically in France, healthy life years at age 65 are estimated at 11,3 years for men and 12,6 years for women.

The old-age dependency ratio has been marginally increasing in France, reaching 34,1% in the year 2022, which is slightly above the EU average of 33%. Furthermore, the at-risk-of-poverty or social exclusion rate for the elderly (65 years or over) in France stood at 10,8% in the year 2020, which is significantly lower than the EU average of 19,4%.

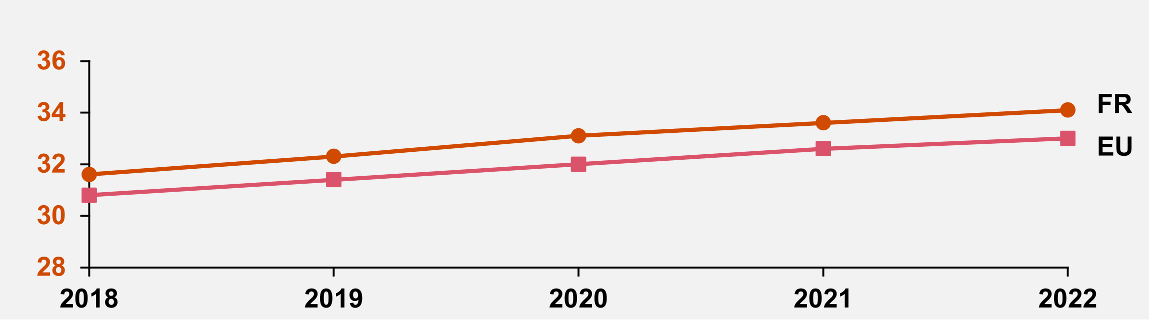
Population aged 65+ (2022), in ths.



Average life expectancy at age 65 (2021)



Old-age dependency ratio, in %



Sources: Eurostat, PwC analysis

France expects a significant rise in its elderly population amidst a potential stagnation in elderly care facility supply

Retirement Homes – Demand & Supply

Demand

The population of individuals aged 65 years or older is anticipated to experience an annual increase, with numbers rising from 14M in the year 2022 to an estimated ~17M by the year 2035. This represents an approximate 1,72% year-over-year growth. Simultaneously, the population aged 80 years or over is projected to grow more robustly, with an annual growth rate of 3,2%, expanding from ~4M in 2022 to ~6M by 2035.

Life expectancy projections for France also underscore this trend. Males aged 65 are expected to see an increase in life expectancy from 20,1 years in 2025 to 21,0 years by 2035, while females are projected to experience an increase from 24,1 years to 25,0 years within the same period.

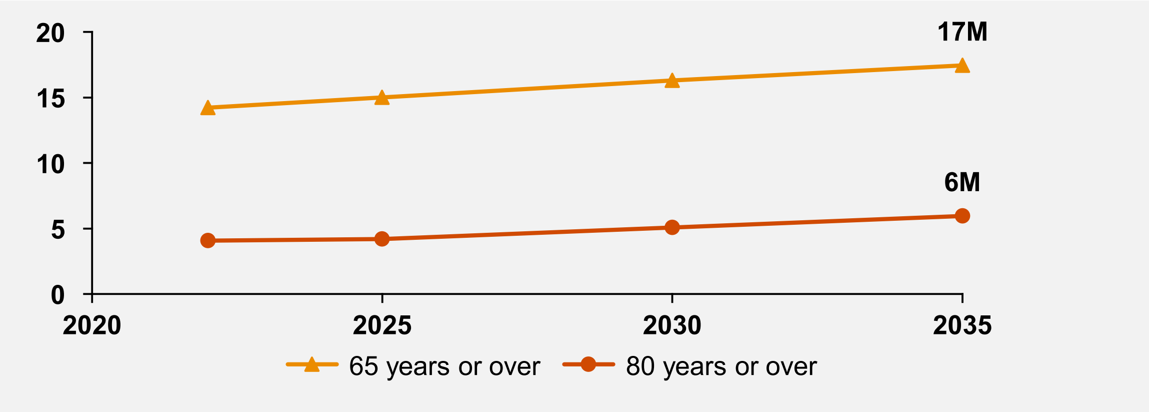
The confluence of these demographic shifts, alongside the projected improvements in life expectancy, is poised to bolster the demand for specialized elderly care services.

Supply

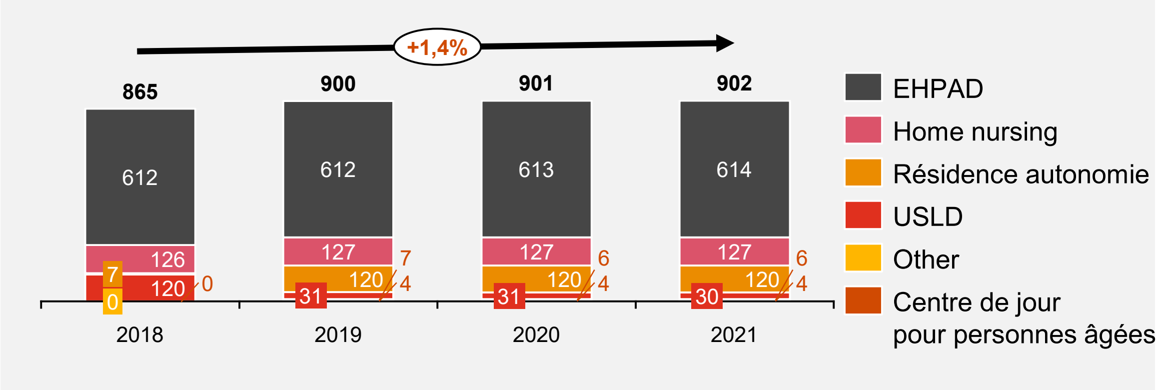
In France, the retirement home sector faces a significant expansion challenge to meet the growing needs of an ageing population. Currently, ~920k beds are available in retirement homes, and they have been growing by a CAGR of ~1,4 since 2018. As of 2019, there were 611.000 seniors in EHPAD (nursing homes) and 104.000 in autonomous residences.

PwC projections for 2030 indicate that with 21 million seniors, 3 million of whom will be in a state of dependency, an additional 108.000 places in EHPAD will be needed, increasing the capacity to between 664.000 and 752.000 residents, depending on various scenarios. By 2050, with the senior population expected to reach 25 million, the demand for EHPAD places will further escalate, requiring an additional 211.000 places, leading to a total capacity ranging from 782.000 to 1.034.000 residents. Autonomous residences are also expected to expand from 104.000 residents in 2019 to approximately 180.000 by 2050. This expansion signifies more than doubling of the current rate of opening new facilities in the sector to accommodate the surging number of elderly, particularly those in need of care.

Population projections for the elderly, in M.



Supply of beds, by the type of institution, in ths. (elderly)



Sources: Eurostat, Drees, PwC analysis