

## Since 2022, housing rents have increased less quickly than other consumer prices, but more so in the social sector than in the private sector

Housing rents charged to tenants in both the private and social sectors are tracked in the INSEE consumer price index (CPI). Over the recent period, they have changed less rapidly than other household consumer prices. On the one hand, the Rent Reference Index (RRI), used as a base for rent reviews relating to current leases, was capped between Q3 2022 and Q1 2024 by the so-called “purchasing power law” passed in the summer of 2022. On the other hand, in the private housing stock, the elasticity of rents to the RRI has been around 0.5 since 2022, whereas it was more like two-thirds in the 2010s. This slowdown in rents compared to the RRI is due to lower residential mobility in recent years, stricter supervision of rents when re-letting, and fewer rent reviews for tenants on current leases. In the social housing stock, however, rent reviews based on the RRI are still more or less systematic. When compared to average income, the weighting of rents at a constant structure has fallen since 2022 but is expected to pick up a little by mid-2025. Over the period of the forecast, housing rents look set to slow but are still buoyed up in the social housing sector.

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### The household consumer price index includes rents really paid by tenants in the private and social sectors

Each month, the INSEE Consumer Price Index (CPI) measures the prices of a basket of goods and services representative of average household consumption in France. This basket includes housing rents for main residences: the rents measured by the CPI are those actually paid by households, and this differs from the household consumer price in the national accounts, which also includes imputed rents for owner-occupiers (► **Box 1**). Since around 60% of households own their main residence (► **INSEE, 2024**), the weight of rents paid by tenants is relatively low in the CPI (6.4%), compared to their weight in the household consumer price in the national accounts (19.4%). Among tenant households, about 60% are housed in the private sector and 40% in the social sector.

### Rent review by landlords is regulated by law for a current lease, and even in cases of re-letting in the majority of cases

The law regulates rent reviews both in the case of a current lease and, in the majority of cases, for a lease renewal or a re-letting. When a lease is current, the review is based on the Rent Reference Index (RRI) produced by INSEE and published in the *Journal Officiel* every three months (15 days after the end of the quarter). In the private sector, this review takes place on the anniversary date of the lease, and is based on the year-on-year variation in the last RRI published. In the social sector, the review takes place on 1<sup>st</sup> January, and is based on the RRI of the second quarter of the previous year (Article L353-9-3 of the French Construction and Housing Code). Since 2008, the RRI

corresponds to the average of the Consumer Price Index over the last twelve months, excluding rents and tobacco.

Since 2018, for the renewal of a lease or re-letting, changes to rents in “tense areas”<sup>1</sup> are now regulated (► **INSEE, 2019**). This zoning scheme was revised in late 2023: in 2024, 47 urban areas were concerned, compared to 28 before the zoning was overhauled. In these local government areas, the rent increase cannot exceed the RRI, except in cases where there has been major improvement work (but which in this case must constitute an improvement in quality and not a price increase) or an obvious under-estimation of the rent charged to the previous tenant. In addition, rent capping has been trialled in some areas since 2019 and has managed to slow the rise in rents.

Apart from the “tense areas”, when a lease is renewed, landlords are free to set the rent. However, since 2022, the rents of low energy performance housing (rated F or G on the energy performance certificate, and representing about 16% of the rental housing stock ► **SDES, 2023**) are frozen and cannot therefore be subject to any rent review. Given the low tenant turnover rate, which is around 20% per year (► **SDES, 2022**), the RRI strictly regulates changes in rents for the majority of housing.

### The Purchasing Power Law of 2022 capped the increase in the Rent Reference Index (RRI), thereby protecting tenants from inflation

In the inflationary context of summer 2022, Parliament voted on the so-called “purchasing power law”, capping the year-on-year change in the RRI at +3.5% in Metropolitan France excluding Corsica (► **Figure 1**), at +2.5% in the Overseas departments and at +2% in Corsica.

<sup>1</sup> The “ALUR” law (Law for Access to Housing and Renovated Urban planning) of 2014 defines a “tense area” as one of continuous urbanisation with more than 50,000 inhabitants and where there is a clear imbalance between scarce housing supply and strong demand.

## Box 1 - Measuring housing rents for main residences in the Consumer Price Index

The “Rents for main residences” item in the Consumer Price Index (CPI) is constructed from the housing rent index (ILH) published every quarter by INSEE. ILH data is collected from two surveys covering the private and social sectors respectively.

The scope of the *Rents and Charges Survey*, collected since 1958 in Metropolitan France (and since 2019 in France excluding Mayotte), covers all main residences rented unfurnished in the private sector. Housing that is sub-let, leased with a purchase option or occupied free of charge is not surveyed. In addition to the characteristics of the housing, the survey measures rents and charges paid by the tenant households. 5,500 households, representative of the population of tenant households, are surveyed every quarter.

The *Social Landlord Rental Survey* (“Enquête sur les loyers auprès des bailleurs sociaux” - ELBS) has been collected since 2013 directly from around a hundred social housing landlords.

The housing rent index (ILH) is measured at constant quality, like the entire CPI basket, and therefore adjusts for variations in rents as a result of improvements in the comfort of the housing or improvement work that goes beyond simple refurbishment.

Rental prices are collected at the beginning of the quarter (January, April, July and October). The ILH for the private and social sectors is published by INSEE 15 days before the end of the quarter. The rental index in the CPI comes directly from the ILH, converting quarterly variations to monthly.

A methodological note ([► INSEE, 2020](#)) describing the construction of the housing rent index is available on the INSEE website. ●

In Metropolitan France, this cap was in place between Q3 2022 and Q1 2024, when the year-on-year change in the RRI fell back below the ceiling. Between these two dates, the mechanism was able to contain inflation in services and mitigate inflationary shock for tenants: without the cap, the year-on-year change in the spontaneous RRI would have been +6.3% in Q1 2023. In fact, between Q1 2019 and Q3 2024, the RRI published in the *Journal Officiel* increased by +11.7%, whereas it would have increased spontaneously by 15.5% had there been no cap ([► Figure 2](#)).

### Over the recent period, rents have not increased as much as the capped RRI, especially in the private sector

In practice, the housing rent index (“Indice des loyers d’habitation” - ILH) increased by only +7.0% between 2019 and Q3 2024: change in housing rents since 2019 is therefore 4.7 points lower on average than change in the capped RRI. On the one hand, owners may not have applied the increase in the RRI, given the inflationary situation, thus losing the benefit of the annual rent revision. On the other hand, the mobility of the residential rental stock may have decreased recently, leading to a decrease in the share of new tenants whose rents have been set freely (outside the “tense areas”). Finally, environmental regulations on the energy performance

criteria or the extension of the “tense areas” may also have limited any rent increase when re-letting.

Although on average, residential rents have risen less quickly than the RRI since 2019, this observation is more pronounced for tenants in the private sector than in the social sector. Compared to the beginning of 2019, the ILH in the social sector had increased by +8.6% by Q3 2024, against +6.1% for the private sector ([► Figure 2](#)), whereas the capped RRI had increased by +11.7%. In the social sector, landlords can revise rents on 1<sup>st</sup> January based on change in the RRI in Q2 of the previous year. This indexing against the RRI is virtually systematic and has been maintained over the recent period ([► Box 2](#)).

In contrast, in the private sector, the elasticity of rent increases to the RRI was relatively constant, between 0.6 and 0.7 on average during the 2010s. This elasticity has fallen to around 0.5 since 2022, reflecting the fact that rents have evolved less quickly compared to the RRI in recent times ([► Box 2](#)). Analysis of the Rents and Charges Survey produces a breakdown of the reasons for this recent drop in elasticity. First, the share of owners who revised the rents of sitting tenants dropped, in line with inflation during the 2010s, and recovered only very partially with the inflationary episode ([► Figure 3](#)). Second, turnover rates and average rent increases on re-letting (according to the RRI) have declined.

## By mid-2025, variation in housing rents year on year is expected to slow in the private sector but remain buoyant in the social housing stock

By mid-2025, the base for reviewing rents in the private sector is expected to fall back. Due to its method of calculation and the disinflation observed in 2024 (► [Consumer Prices sheet](#)), the RRI has slowed substantially: its year-on-year variation in Q1 2024, affecting rents in the CPI in Q3 2024, was still at +3.5%, whereas the Q4 2024 variation, which will affect rents in the CPI in Q2 2025, is expected to be +2.2%. Thus,

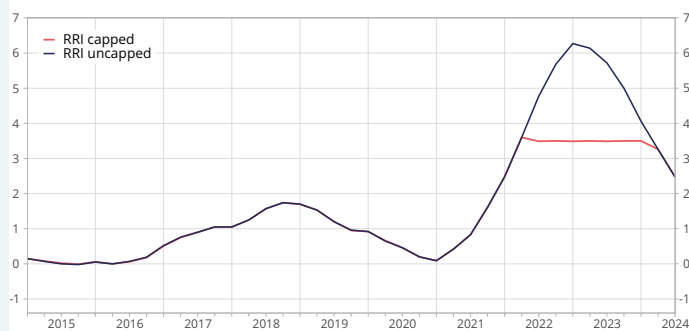
assuming that the elasticity of the increase in private sector rents to the RRI returns to a level of around 0.7 over the forecasting period, then year-on-year change in rents in this sector is expected to slow down slightly by mid-2025, to +1.5%, compared to +1.8% in Q3 2024 (► [Figure 4](#)).

Social sector rents, meanwhile, are expected to remain buoyant: in fact, the revisions expected at the beginning of 2025 are likely to be in line with the year-on-year variation in the RRI in Q2 2024 which was still close to the ceiling (+3.3%).

Overall, the year-on-year change in housing rents is expected to slow to +2.1% in mid-2025, after +2.4% in Q3 2024.

### ► 1. Change in the RRI year on year before and after capping for Metropolitan France excluding Corsica

(year-on-year change, in %)



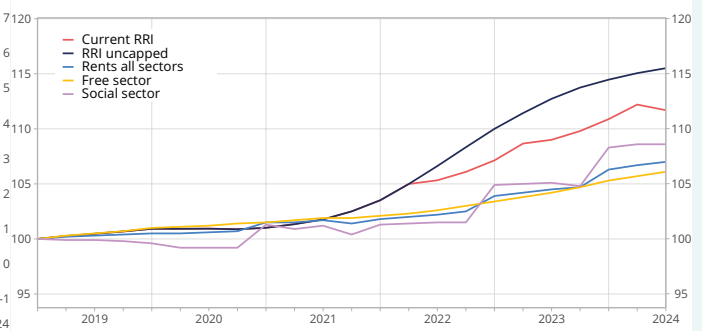
**Last point:** Q3 2024.

**How to read it:** in Q1 2024, in Metropolitan France excluding Corsica, the year-on-year variation in the RRI before capping would have been +6.3%. After capping, it was down to +3.5%.

**Source:** INSEE.

### ► 2. Change in the RRI since 2019 (before and after capping) and housing rents in the private and social sectors

(base 100= Q1 2019)



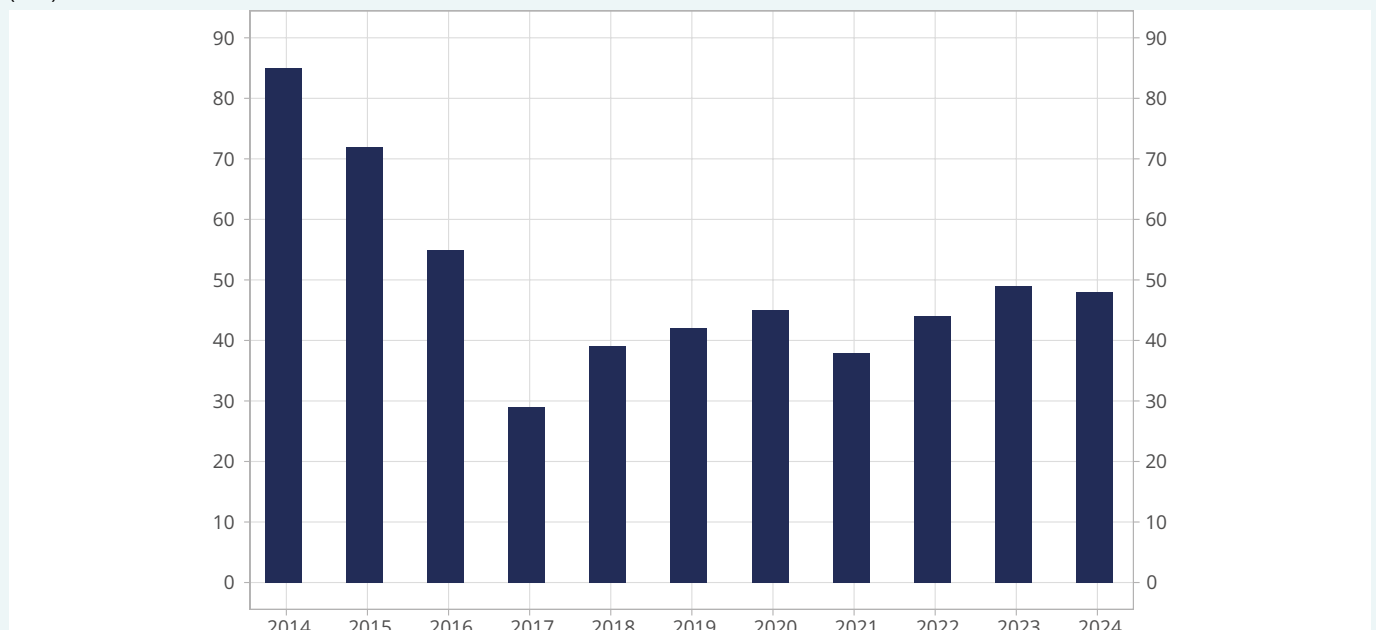
**Last point:** Q3 2024.

**How to read it:** in Q3 2024, housing rents in the social sector increased by +8.6% compared to Q1 2019, against +6.1% in the private sector.

**Source :** INSEE.

### ► 3. Share of revised rents among existing tenants in the private sector since 2014

(in %)



**How to read it:** in 2024, 48% of rents were revised among existing tenants in the private sector.

**Source:** Rent and service charges survey, INSEE.

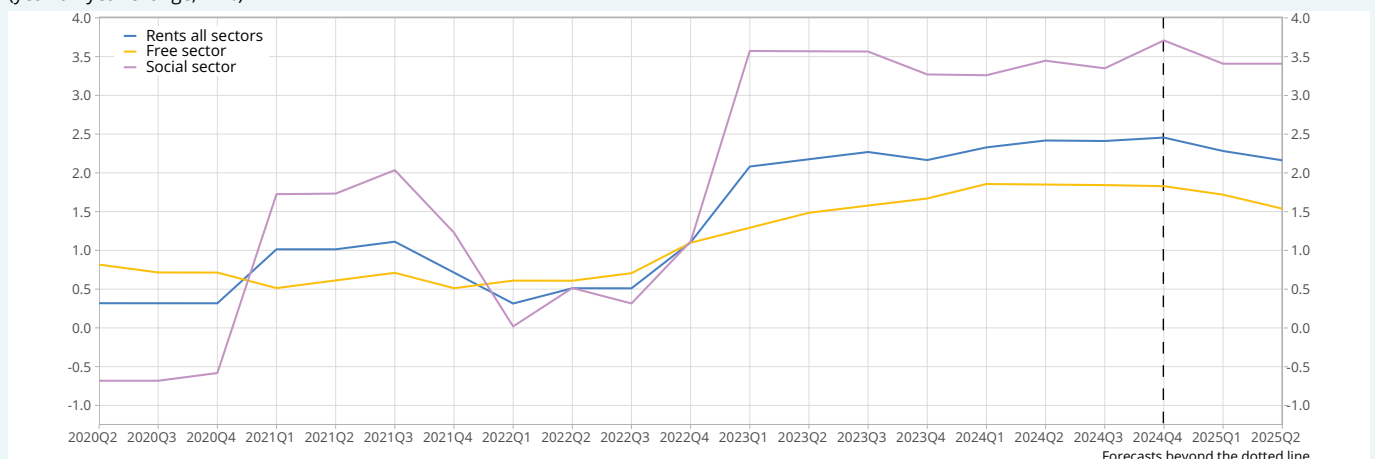
# French economic outlook

## Compared to average income, the constant structure rent index has fallen since 2022 but is expected to pick up slightly by mid-2025

As a result of the ceiling on the RRI, change in housing rents has been relatively well contained compared to other consumer prices since the inflationary shock. Recently, household gross disposable income (GDI) ([► Household income sheet](#)) has increased much faster than housing rents. The weight of housing rents at a constant structure relative to GDI per household has therefore fallen since 2022, in a period of inflation, and should recover slightly by mid-2025. However, this relationship does not take

into account tenant households' rent-to-income ratio, but simply the difference in dynamics between rents at constant quality and overall income per household. On the one hand, the GDI for all households differs from that of tenant households alone, and over the recent period, the income of renting households could have evolved differently from that of homeowners. In particular, social benefits, retirement pensions and the minimum wage have been indexed to inflation, unlike housing rents. On the other hand, the trending of the constant structure housing rent index is less dynamic than average rents actually paid, due to the improvement in the quality of housing over the long term. ●

## ► 4. Forecast of year-on-year change in Housing Rent Indices in the private and social sectors (year-on-year change, in %)



**Last point:** Q2 2025 (forecast from Q4 2024).

**How to read it:** in Q2 2025, housing rents in the social sector are expected to increase by 3.4% year on year.

**Source:** INSEE.

## Box 2 - Comparison of variations in rents observed in the private and social sectors with year-on-year variation in the RRI

During the quarterly collection of rental data from private sector tenants and social landlords, housing rents may be stable compared to the previous quarter or they may have been revised, depending on whether it is a lease anniversary date, a lease renewal or a re-letting. For revised rents, most are adjusted according to the Rent Reference Index (RRI), especially on the lease anniversary date, or in the case of a renewal or a re-letting in “tense areas”. Rents can only be revised freely in the case of a lease renewal or re-letting outside a “tense area”, or when major work has been carried out, justifying a rent increase, which then constitutes an improvement in quality and not an increase in the constant structure rent index. As a result, changes in housing rents (ILH), can be simply modelled, differentiating the private sector from the social sector, against delayed year-on-year variation in the RRI.

**In the private sector**, there is a delay of about two quarters between the publication of the RRI in the *Journal Officiel* and its actual application by a landlord for revaluation purposes. A landlord surveyed at the beginning of quarter *T* could only, if necessary, revise their rent with reference to the RRI for quarter *T-2*, since the RRI for quarter *T-1* is not published in the *Journal Officiel* until the middle of the first month of quarter *T*. By making the simplifying assumption that rent revisions are distributed uniformly throughout the year in the private sector, the quarterly variation in the ILH is therefore equal, in theory, to one quarter of the year-on-year variation in the RRI delayed by two quarters, in the event that all the rents concerned are revised according to the RRI.

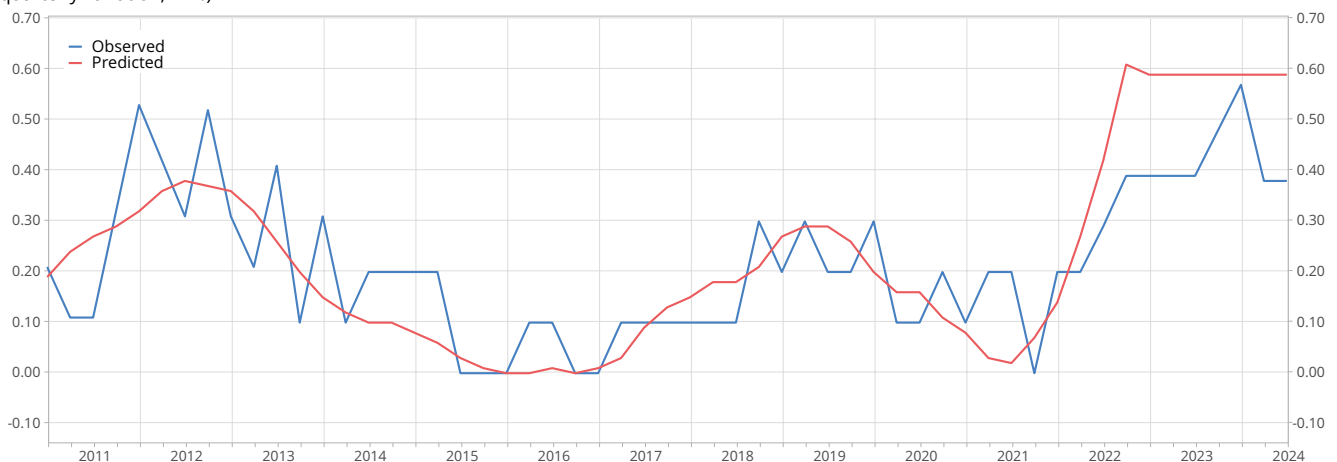
Over the period 2011-2021, the correlation between quarterly variations in the private sector ILH and the year-on-year variation in the RRI delayed by two quarters is well verified (► **Figure 5**): the elasticity estimated quarterly is 0.17 (► **Figure 6**), suggesting an annual elasticity between the RRI and effective revisions of between 0.6 and 0.7.

Over the recent period, elasticity appears to be significantly lower, at around 0.5. Indeed, since the end of 2022, quarterly variations in private sector rents have averaged 0.4%, i.e. below the capped RRI (+0.9% quarterly), and also below the changes that would have been observed if rents had been revised according to the trend highlighted during the 2010s (+0.6%).

**In the social sector**, rents are revised on 1<sup>st</sup> January of each year, based on the RRI for Q2 of the previous year (Article L353-9-3 of the French Construction and Housing Code). In practice, variations in rents observed in the ILH for the social housing stock each year in Q1 are similar to the year-on-year variation in the RRI in Q2 of the previous year (► **Figure 7**), and low in the other quarters. Only variations observed during the health crisis in 2020 and 2021 seem to deviate from this rule.

### ► 5. Modelling private sector ILH compared to year-on-year variation in the RRI delayed by two quarters

(quarterly variation, in %)



**How to read it:** in Q3 2024, the quarterly variation observed in the private sector ILH was +0.4% while the expected revaluation, given the year-on-year variation in the RRI delayed by two quarters and the revaluation behaviour of landlords in the 2010s, was +0.6%.

**Source:** INSEE calculations.

# French economic outlook

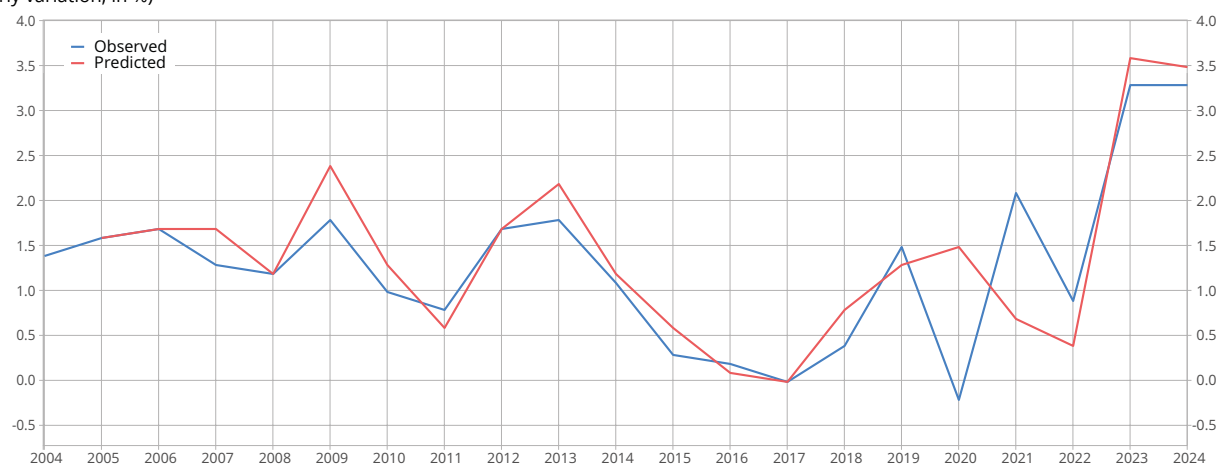
Thus, contrary to what was observed in the private housing stock, in the social sector almost all rents are revised according to the RRI. In addition, no obvious change in behaviour was observed during the period of the RRI ceiling, as revisions observed at the beginning of 2023 and in 2024 were similar to the capped RRI. ●

## ► 6. Modelling Housing Rent Indices (ILH)

	Modelled variable	
	Quarterly variation in the private ILH in quarter T	Quarterly variation in the social ILH on 1 <sup>st</sup> January of year N
	Private ILH (1)	Social ILH (2)
Year-on-year variation in RRI in Q-2	0.169*** (0.012)	
Year-on-year variation in RRI in Q2 of year N-1		0.836*** (0.103)
Estimation period	Quarterly: Q12011 - Q42021	Annual: 2003-2021
RMSE	0.09	0.01
DW	1.9	2.687
Observations	42	17
R <sup>2</sup>	0.820	0.803
R <sup>2</sup> adjusted	0.816	0.791
Test F	187.194*** (df= 1; 41)	65.286*** (df= 1; 16)

**Note:** \*p<0,1; \*\*p<0,05; \*\*\*p<0,01

## ► 7. Modelling quarterly variation in the social sector ILH in Q1 of each year compared to year-on-year variation in the RRI of Q2 of the previous year (quarterly variation, in %)



**Lecture :** in Q1 2024, social sector rents increased by +3.2% while the year-on-year variation in the RRI observed in Q2 2023 was +3.5%.

**Source :** INSEE calculations.

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