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Paris Olympics 2024: Costs under control, unless we're talking about real estate



This summer, 16 million visitors are expected to descend upon Paris for the 2024 Olympics.

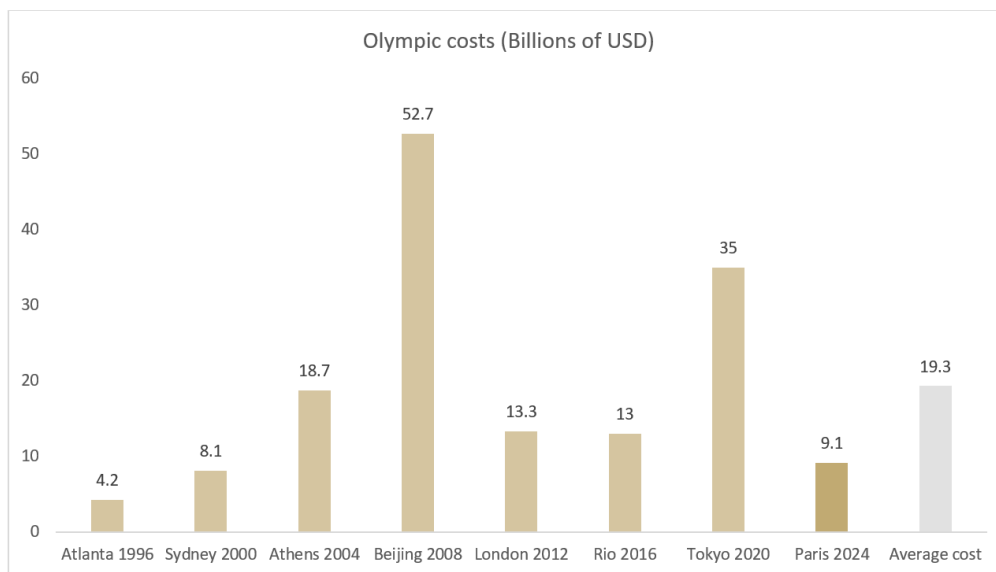
For the host country, the Games can be a costly affair. In 2016, for example, the state of Rio de Janeiro defaulted after event-related costs caused its debt levels to soar. With France's public

finances already under scrutiny – its deficit yawned to 5.5% of economic output in 2023 - a relatively modest budget has been set.

The price tag for the Paris Olympics is estimated at around EUR 9Bn. Of that, EUR 4.5Bn is set aside for venues and facilities: 95% of those used will be existing structures that need minimal or no refurbishment.¹

Another EUR 4.4Bn is earmarked for operating expenses such as hosting and running transport networks. The International Olympic Committee (IOC) projects that 96% of the total operating costs will be covered by ticket sales, TV, and marketing deals. Should there be last minute overshoots, France's government has provided the IOC with a EUR 3Bn guarantee (about 0.1% of GDP). A tax windfall from tourism and visitor spending should also help cover the bill, with the government saying the economic benefits could be as high as EUR 10Bn.

Credit rating agency S&P Global recently estimated that the “lean” Olympics are unlikely to do any lasting damage to France's finances. It currently gives France a AA rating with a negative outlook.



Source: S&P Global, BIL, costs estimated at constant 2021 dollar-denominated prices

However, there is one sector where the Games are converging with others factors to push costs out of control: Real estate.

With spectators, volunteers, and journalists all racing to secure accommodation, demand for short-term rentals is skyrocketing – as are prices.

In a review of some short-term rental sites, our analysts note that during the period between July 26 and August 11, prices are as much as triple the current level. With no price cap in place for those who rent for below 120 days, it is not uncommon to find an apartment available for EUR 1000 per night, of course depending on the location. On aggregate, hosts on Airbnb are

expected to collectively earn around EUR 257 million over the course of the Olympic and Paralympic Games.²

In order to capitalise on this fleeting golden goose, many Parisians plan to leave the city and rent out their accommodation. While difficult to prove, some are reportedly even throwing out existing tenants (who *are* subject to rent controls) to benefit from the lucrative opportunity. The government itself faced intense criticism when it decided to evict some 2,000 students from their rent-controlled apartments to host Olympic staff during the summer.

While the housing market in Paris and its metropolitan area has always been tense, the additional pressure of hosting a global sporting event, is pushing things to boiling point.

Over the past two years, the volume of seasonal rentals in the city, with shorter-term leases, has risen by 18%. This partially explains why, according to a study by SeLoger, the supply of traditional long-term rentals in the French capital has fallen 74% in three years. For France overall, the figure is 25% over the same period.³ Naturally, this has intensified competition among potential renters and pushed up prices.

The rental crunch is the result of several factors. On one hand, higher interest rates have put buying out of reach for many. In turn, they remain tenants for longer and don't free up their accommodation. On the other hand, international students and workers are returning, and they are opting for traditional long-term furnished rentals.

In Autumn, after the closing ceremony has played out, the rental market should begin to relax, with an influx of properties previously rented on a short-term basis. At the same time, ECB rate cuts, expected to begin in June, should be starting to percolate into the real economy.

However, if the challenge of the Olympics was the 100 metre sprint, the city's rental market still has a marathon ahead if we consider the impact of the ecological transition. In the Parisian region, 55% of properties are rated E, F, or G on energy efficiency scales. As of January 1st, 2025, by law, landlords will only be able to rent out properties graded F and above. In 2028, this will become E and above. A decade from now, all properties will have to be D and above to be rented.

Without a wave of renovation work, the Olympics might prove to be only a warm-up.

[1] Infrastructure spending has overshoot the initial budget by over 37% compared with its 2016 projection although it is more moderate once inflation is factored in. Its operating expense budget is 15% higher compared with 2019 estimates.

[2]

<https://news.airbnb.com/paris-2024-olympic-games-a-unique-opportunity-to-host/#:~:text=In%20total%2C%20Hosts%20on%20Airbnb,the%20Olympic%20and%20Paralympic%20Games.>

[3]

<https://www.france24.com/en/tv-shows/france-in-focus/20240325-wanted-a-place-to-live-in-paris>

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