

RESIDENTIAL
RESEARCH



**PRIME
FRANCE
REPORT
2019**



THE PRIME FRANCE REPORT

The Prime France Report provides an overview of prime market conditions across Knight Frank's key second home destinations: Paris, The French Riviera, Provence, The French Alps and South-West France.

DEFINITIONS

Where we refer to *Prime Property* this equates to the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile.

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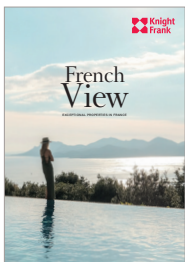
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The Wealth Report 2019



French View 2019



Overview

For the world's wealthy, France remains the ultimate home away from home

Kate Everett-Allen
International Research

France's appeal needs little explanation, it remains Knight Frank's number one market for lifestyle purchases and the country's second home hotspots rank high on the wish lists of the world's wealthy, but its appeal extends beyond its climate and cuisine. For highly mobile international buyers France offers good transport links, excellent international schools a transparent legal system and according to the UN's World Tourism Organisation it is the most visited country when ranked by tourist arrivals – providing a ready source of rental demand.

France is now home to over 610,000 millionaires, the sixth largest concentration of any country globally according to data from GlobalData Wealth Insight. This number is forecast to increase by 22% over the next five years, meaning a new millionaire will be created in, or move to, the country every three hours between 2018 and 2023.

President Macron's revised wealth tax, which now applies solely to real estate as opposed to all financial assets may yet boost this number further. This, combined with recent labour reforms, has done much to signal a pro-investment stance to wealthy entrepreneurs. Furthermore, with low interest rates still holding, and the ECB hinting further reductions may be on the horizon, more buyers are seeking to take advantage by leveraging their asset to minimise their tax liability.

This report offers a guide to the latest trends evident across each of our prime markets in France, we assess past performance, current market trends

and look ahead at some of the transport projects and events that will shape these markets over the next five years.

5 key findings

- 1** We expect resale transactions in France to exceed 1 million sales for the first time by the end of 2019
- 2** France remains the most visited country in the world with over 89 million arrivals in 2018, providing a reliable pool of rental demand for second home owners
- 3** In Paris, rising prime prices will be further boosted by the Grand Paris Project – Europe's largest infrastructure project over the next decade – and by the 2024 Summer Olympics
- 4** British buyers now account for one in five prime purchasers in France, down from three in five in 2014. Belgian, Scandinavian and Middle Eastern buyers, as well as the French themselves have filled the gap
- 5** Due to the weak pound we had expected to see more British homeowners with prime property in France sell up and capitalise on the EUR/GBP exchange rate but there is little evidence of this to date

France in focus

Assessing prime residential market conditions across France's top second home destinations

How do prime prices in France compare? Q2 2019

French Riviera ● Provence ● SW France
French Alps ● Paris

€ per sq m

● Saint-Jean-Cap-Ferrat	€35,000
● Saint-Tropez	€28,000
● Courchevel 1850	€26,000
● Cap d'Antibes	€25,000
● Cap d'Ail	€20,000
● Cannes	€20,000
● Eze	€20,000
● Beaulieu-sur-Mer	€20,000
● Val d'Isere	€19,500
● Paris	€19,000
● Villefranche-sur-Mer	€18,000
● Saint-Paul-de-Vence	€17,000
● Mougins	€16,000
● Courchevel 1650	€15,800
● Courchevel 1550	€15,500
● Meribel	€15,500
● Meribel Village	€14,100
● Megeve	€13,700
● Chamonix	€11,500
● Nice	€11,000
● Valbonne	€9,000
● Eygalieres	€7,600
● Saint-Remy-de-Provence	€7,400
● Gordes	€7,000
● La Garde-Freinet	€7,000
● Aix-en-Provence	€6,300
● Menerbes	€5,900
● Mausanne-les-Alpilles	€5,500
● Bonnieux	€5,200
● Lacoste	€4,900
● L'Isle-sur-la-Sorgue	€4,600
● Vaison-la-Romaine	€3,900
● Bergerac	€1,800
● Auch	€1,700

Source: Knight Frank Research
* Based on a prime (top 5% of the market) detached property in a desirable location

There are clear signs that France's expanding wealth population, along with improving market sentiment, is translating into stronger demand for luxury property. Paris led the charge with sales and prime prices picking up in early 2017. A year later, we saw this confidence spread to France's regional markets, first Provence and the French Riviera, then Gascony and the French Alps.

Enquiries for French homes increased by 33% and sales by 63% in 2018 year-on-year based on Knight Frank data. This momentum and positivity has continued in 2019, with a number of record prices set in Paris and on the French Riviera in the first half of the year.

Whilst Brexit and the resulting weak pound has seen UK buyers diminish, Belgian, German and Scandinavian buyers have stepped in to fill the gap. With no currency fluctuations to consider and with Paris and Provence within a 4-hour drive for some, a second home for such buyers becomes a viable weekend retreat not just a summer getaway.

This issue of accessibility is a prerequisite for most buyers. The Eurostar

line to Avignon proved a game changer when it opened in 2017, putting Provence within a 6.5 hour train ride of London St Pancras. New large-scale infrastructure projects in the form of the Grand Paris Project (see page 8), the upgrading of Marseille Airport as well as the planned construction of several new high-speed train lines may also influence demand and future market performance.

Proposed high-speed train lines

1	Bordeaux-Toulouse
2	Montpellier-Perpignan
3	Marseille-Nice
4	Paris-Le Havre
5	CDG Airport Roissy-Picardie
6	Lyon-Turin

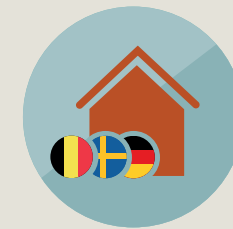
France: Record number of sales achieved in May 2019

No. of resales per annum



Source: CGEDD according to notary databases and DGFIP (MEDOC)

5 trends



German, Scandinavian and Belgian buyers are active

Across France, northern European buyers are active, helping to offset a decline in British purchasers whose buying power has been hindered by the weak pound. Middle Eastern buyers are active in the South of France whilst Paris has seen a rise in US and South East Asian buyers.



New homes in France come with added appeal

Provided buyers adhere to certain stipulations, TVA (VAT) of 20% is refundable on newly-built or off-plan properties while transfer tax is limited to 2% instead of the usual 7% for resale properties.



The informed buyer

The digital revolution means buyers have data at their fingertips. Before arranging a viewing most buyers drill down into achieved prices, rental rates and seasonal occupancy levels at a local level. Most prime markets in France remain a buyers' market and vendors need to consider their asking price with this in mind.



Rental return

Around 70% of Knight Frank's second home buyers in France aim to rent their property – a marked shift from a decade ago. Buyers are becoming more financially savvy opting to rent their holiday home to help cover costs, but most do so without the expectation of a high yielding investment.



Leveraging up

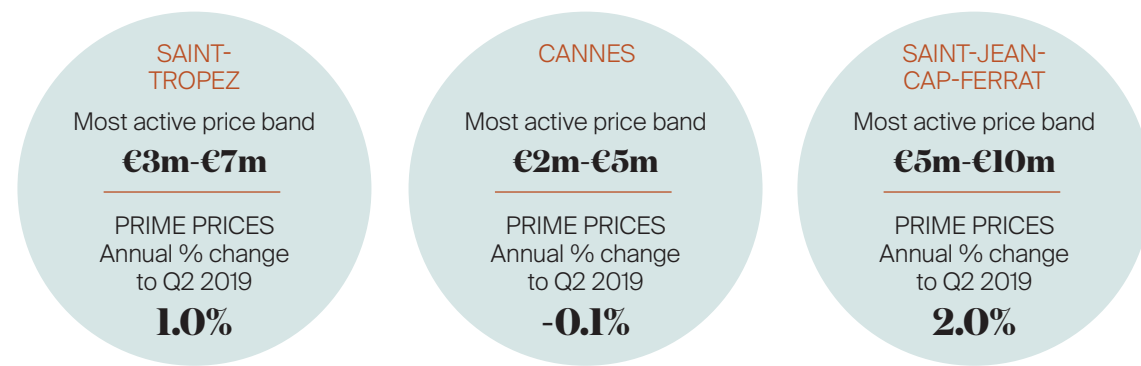
Since September 2017 France's wealth tax applies to real estate only (as opposed to all asset classes) and with record low interest rates on offer, many buyers are opting to take out finance to reduce their tax liability. A 70% loan-to-value mortgage is not unusual with rates around 2%, currently attainable.

1.2%

At 1.2% GDP growth, the IMF forecasts the French economy will outperform that of Germany, the UK, Belgium, Sweden, Switzerland and Italy in 2019

Key dates ahead

2022	2024	2025	2027	2030
French Presidential election	Paris Summer Olympics	5G network across major transport routes and key cities established	Marseille Airport upgrade due for completion	Grand Paris Project due for completion between 2024 and 2030 – four new lines & 68 new stations



The French Riviera

From second homes to investment purchases and from large price tags to value hunters the French Riviera offers a surprisingly diverse mix of opportunities

The appeal of the French Riviera, arguably the world's most desirable second home destination, is undoubtedly its lifestyle but also the diversity it offers. From medieval villages and rural landscapes to city living and superyacht marinas, the region caters for all tastes and a surprisingly broad range of budgets.

In recent years the performance of the French Riviera's property market proved equally diverse with the residential market along the coast operating along multi-tiered levels.

8

The number of homes sold above €19m on the French Riviera since Jan 2018

The eastern end and central stretch including Saint-Jean-Cap-Ferrat, Villefranche-sur-Mer, Cannes and Cap d'Antibes saw sales strengthen in late 2017. But while activity has increased, prices have shifted by only a few percentage points.

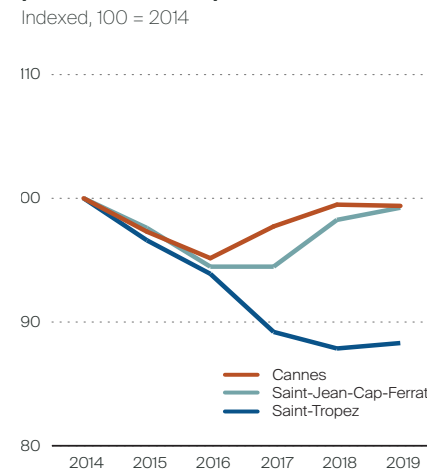
A major conference and festival venue, Cannes is a less seasonal market and has one of the coast's few investment markets given the city's large stock of apartments. Prices here dipped marginally by -0.1% in the year to June 2019 but sit 6.8% higher than in 2017.

To the west, Saint-Tropez's property market cycle lags that of Cannes by around a year and here there are green shoots starting to emerge, with prices rising 1% in the year to June 2019 and with a number of high-end sales agreed in 2019.

Those buyers relocating permanently to the region often target the area inland around Mougins and Valbonne, which offer good international schools and easy access to Sofia Antipolis, a technology park home to over 2,000 companies and more than 36,000 employees.

For those seeking value on the coast, Juan-les-Pins and Sainte-Maxime merit attention, here a three-bedroom villa with sea views starts at around €1.2m.

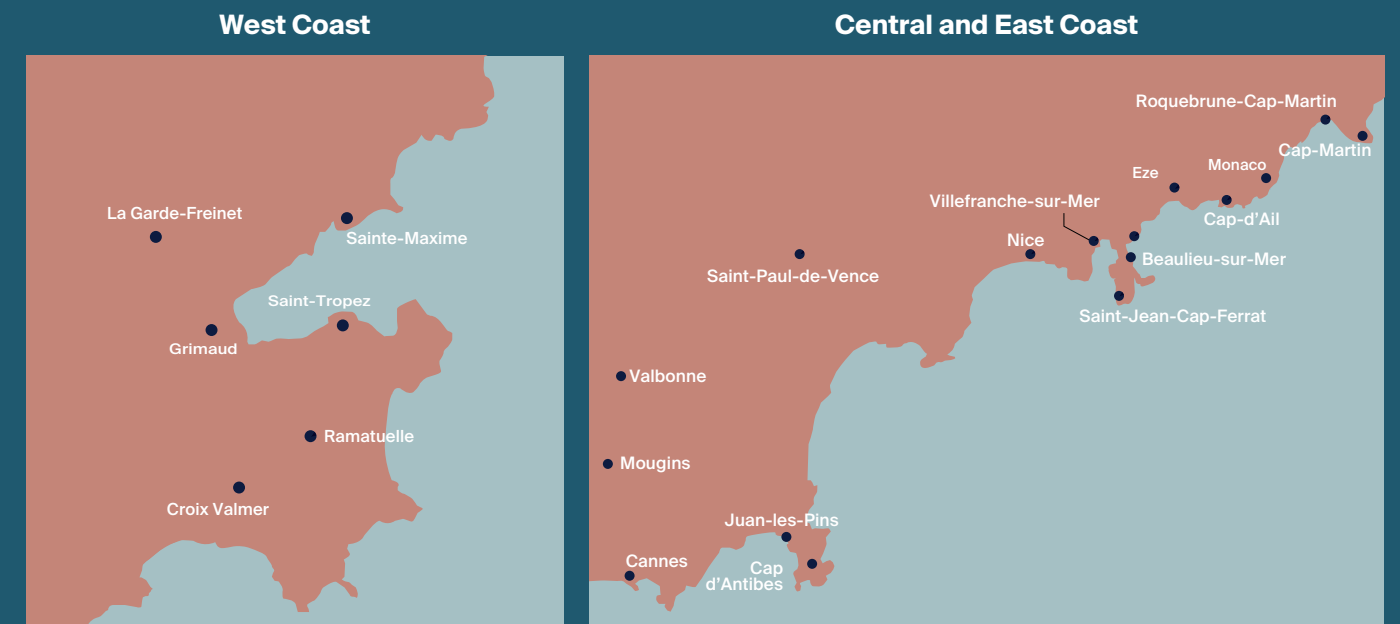
The French Riviera: Prime price performance compared



Source: Knight Frank Research

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The French Riviera mapped...



Saint-Jean-Cap-Ferrat - The prime hotspot

As one of the most exclusive markets on the coast Knight Frank is proud to announce it has opened a new office at Avenue Denis Semeria, Saint-Jean-Cap-Ferrat.



The 1.3km forested peninsula is home to around 500 spacious villas on large plots and it has one of the strongest international buyer profiles on the French Riviera.

The Eastern side is home to the best beaches, the Port and the old town, it offers the widest array of amenities, whilst the west has a steeper coastline and good views.

Easily accessible, Saint-Jean-Cap-Ferrat is located within a 35-minute drive of Nice Airport and a 30-minute drive of Monaco. Prices range from €2m to in excess of €200m with the most active price band currently between €5m and €10m.

Factfile

- Saint-Jean-Cap-Ferrat has more mountain shelter from the Mistral wind compared to Saint-Tropez
- There are two Michelin-starred restaurants - La Voile d'Or and Le Cap
- The small marina has around 560 berths
- Property taxes are c.7% per cent of the purchase price, including registration fees and stamp duties

Most active price band
€2m-€4m
 PRIME PRICES
 Annual % change
 to Q2 2019
5.0%

Average price by
 arrondissement
 at 1 Sept 2019

Selected arrondissements

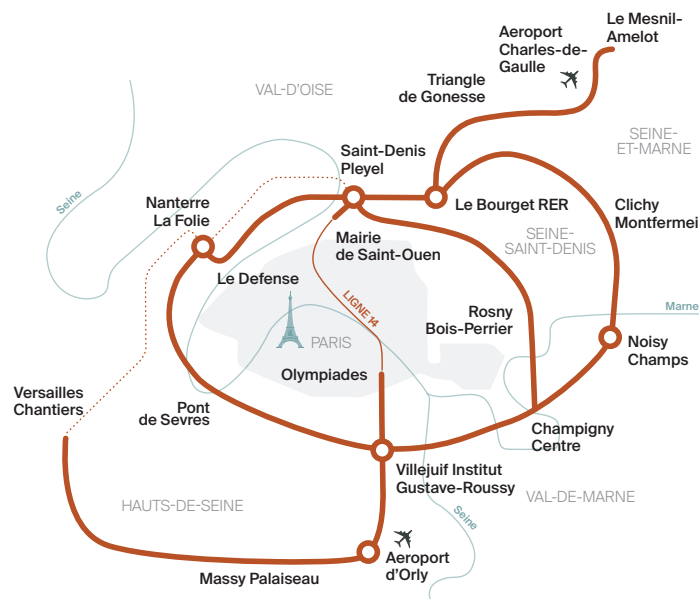
1	€12,817/m ²
4	€13,183/m ²
6	€14,270/m ²
7	€13,941/m ²
8	€11,657/m ²
9	€10,983/m ²
10	€9,965/m ²
16	€11,048/m ²
17	€10,551/m ²
18	€9,535/m ²

Source: Meilleursagents.com

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Paris

We look at what's driving Paris's prime residential market and outline the ambitious projects that lie ahead



Grand Paris Project

- 4 new lines
- 68 new stations
- 2 million passenger capacity per day
- 90% of lines built underground

Example Journey reductions
 Charles-de-Gaulle Airport to La Defense
34 mins instead of 53 mins
 Orly Airport to the Paris Saclay University Campus
15 mins instead of 1 hr 6 mins

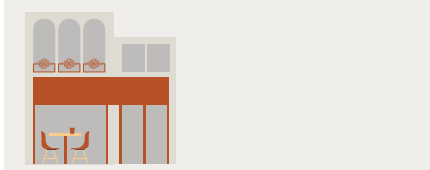
Paris's residential market is a key bright spot globally. Few luxury residential markets can be considered a sellers' market in today's economic climate but since 2017 the city of lights has seen several factors coincide to boost activity. President Macron's pro-business stance, a resurgent commercial sector, large-scale infrastructure projects, cheap finance and constrained supply (there are very few new-build opportunities in central Paris) have boosted sentiment.

At €19,000 per sq m, prime prices in the city also compare favourably with other first tier global cities – the equivalent in London and New York would be closer to €28,000 per sq m and €27,600 per sq m respectively. Prime prices in the French capital jumped 5% in the year to Q2 2019 and stand 21% above their low in Q4 2015. International demand is strengthening amongst European, US and Middle Eastern buyers in particular. A US buyer is currently able to secure a discount of nearly 14% in Paris compared to 2011 taking price changes and currency into account.

Paris is the venue for two major regeneration projects. The first, the €26 billion Grand Paris Project, will be Europe's largest development opportunity over the next ten years. A city-wide initiative, the project will add 200 kilometres of new rail capacity, deliver or upgrade 68 metro and RER stations and provide a new ring route around Paris with lines connecting developing neighbourhoods (see map above).

The second, the 2024 Summer Olympics, will see the development of the Olympic Village on a riverside site in Saint-Denis, 15 minutes from the city centre and most events will be held in and around Paris, including the suburbs of Le Bourget, Nanterre, Versailles and Vaires-sur-Marne.

Neighbourhoodwatch



SoPi
 Once part of Paris' red light district, SoPi (South Pigalle) has broken free of its seedy past and evolved into one of the city's hippest neighbourhoods. Sandwiched between the desirable 9th and 18th arrondissements and at the foot of Montmartre Hill the area is home to independent boutiques, traditional bistros and upmarket cocktail bars.



13th Arrondissement
 Home to Station F, at 34,000 square metres the largest startup facility in the world and the brainchild of tech billionaire Xavier Niel, the 13th or Gobelins as it is known, is one of the few neighbourhoods in Paris with two-storey houses rather than just apartments. The 13th offers values closer to €8,000 per sq m rather than €11,000 per sq m in the 5th.

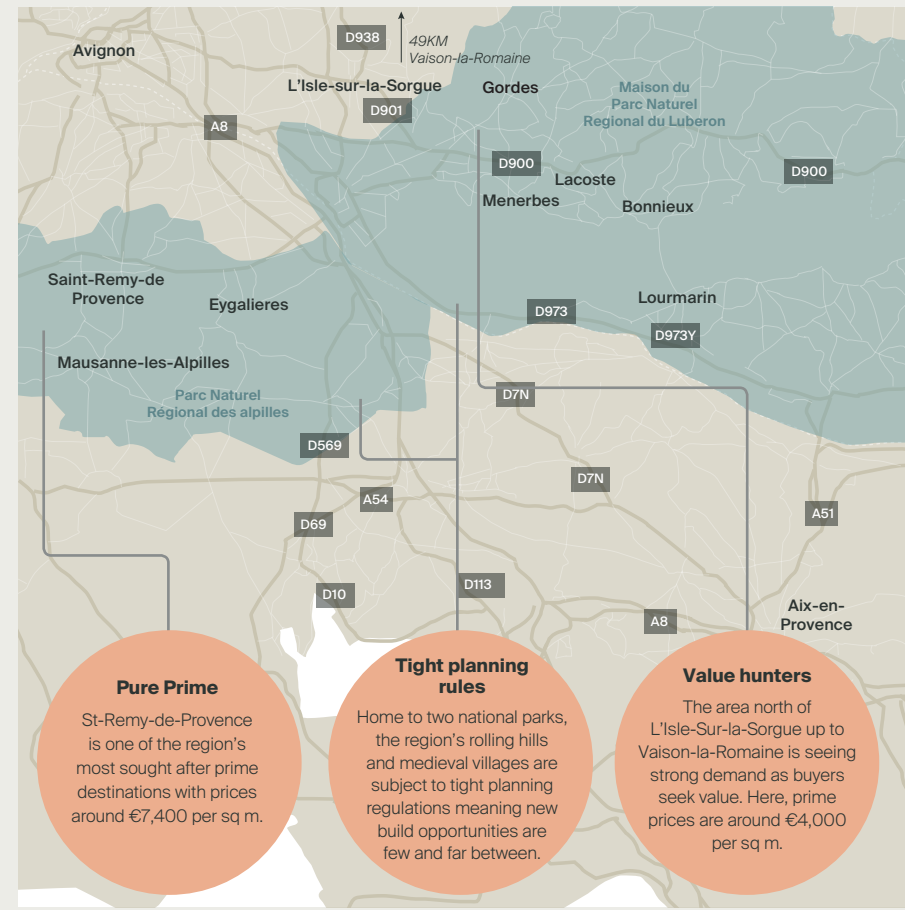
Provence

Demand from northern Europeans is strengthening as Provence's accessibility comes into focus

Most active price band
€1m-€2m
 PRIME PRICES
 Annual % change
 to Q2 2019
1.2%

GOOD TO KNOW

- Cycling tourism on the rise**
 Cycling tourism is on the rise particularly around Mont Ventoux
- Airport upgrade**
 Marseille Airport's €250m upgrade will boost tourism in Provence almost doubling its capacity from 8.5m to between 12m and 16m passengers per annum by 2027
- South facing properties**
 Buyers are targeting south-facing properties which are less exposed to the Mistral



- Pure Prime**
 St-Remy-de-Provence is one of the region's most sought after prime destinations with prices around €7,400 per sq m.
- Tight planning rules**
 Home to two national parks, the region's rolling hills and medieval villages are subject to tight planning regulations meaning new build opportunities are few and far between.
- Value hunters**
 The area north of L'Isle-Sur-la-Sorgue up to Vaison-la-Romaine is seeing strong demand as buyers seek value. Here, prime prices are around €4,000 per sq m.

The Eurostar runs from London St Pancras to Avignon via Paris



The region offers not one but two national parks – the Luberon and Alpilles – which together offer a mix of craggy hillsides, medieval villages and rolling lavender fields.

Prices for a four-bed farmhouse in the Luberon sit at around €1.5m to €2.5m whilst Les Alpilles pitches slightly higher at €2m to €3.5m, both still some way off the French Riviera's best addresses. Prices here have been resilient in recent years with annual growth averaging 1.5% per annum over the last five years.

The area north of L'Isle-sur-la-Sorgue stretching up to Vaison La Romaine has seen transactions strengthen since 2017 as buyers seek 'value' markets. For those from western and northern Europe it is an hour closer than Aix-en-Provence and three hours closer than Var yet the area offers a similar feel to Gers and Gascony. A traditional farmhouse is attainable for €1.5m, the same property would be closer to €1.9m in the Luberon.

With flights from over 117 destinations, Marseille Airport is the main gateway to Provence but for those travelling from Paris, Northern France or the UK, the extension of the Eurostar/TGV line to Avignon which opened in 2015 put Provence within easy reach.

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Most active price band
€1.5m-€2.5m

PRIME PRICES
 Annual % change
 to Q2 2019
1.9%

**BEST
 RESORT FOR**

- 

Strongest rental demand in the summer season
Chamonix
- 

Proximity to Airport
Chamonix & Megeve
- 

Highest resort (most reliable snowfall)
Val d'Isere
- 

Access to largest ski domaine
Courchevel & Meribel

French Alps

Alpine resorts are expanding their offer to appeal to a wider demographic and lengthen their season

Reinvention is the name of the game in France's top mountain resorts. No longer the sole preserve of adrenaline junkies these exclusive enclaves are rebranding themselves as wellness retreats. The objective is to broaden the resorts' appeal to non-skiers and expand their season length.

Much like the Aspen Institute, the French Alps also offer a year-round calendar of social, sporting and cultural events. The Winter Golf Cup, the International Adventure & Discovery Film Festival and the Cosmo Jazz festival now sit alongside the established Tour de France, helping

to attract in excess of 120m tourists to the region each year.

Prices across the eight alpine resorts we monitor in France increased by 1.9% in the year to June 2019, up from 1.5% a year earlier. Prices have stabilised since 2013 and sales transactions have been steady. Sentiment improved in 2018/19 in part due to the high snowfall witnessed in the previous season.

The number of new-build projects has declined as planning laws have become more draconian. This has pushed demand back towards the resale sector – the total volumes of sales in the Haute Savoie department increased 7.2% in the year to July 2019 according to the CGEDD.



Safe Haven
 In times of uncertainty when stock markets and bonds are yielding low returns, property is again emerging as a refuge for wealth – particularly homes that enrich one's lifestyle, and retain an international pool of demand to maximise one's exit strategy.

Weekend retreats
 Weekend getaways are on the rise as homeowners look to make short but frequent trips to the mountains, meaning proximity to the airport is being given greater importance.

The race is on
 A new source of demand has emerged; trailrunners. Many base their holidays around their running schedule and ultra marathon events, some are looking to buy, others are seeking long-term lets. Chamonix is high on their list with the areas of Les Bois and Les Houches in demand.

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- 1



Stable prices

Most of France's prime destinations are seeing stable or rising prices – having passed the lowest curve on their property market cycles
- 2



Cheap finance

A low interest rate environment looks set to continue with analysts expecting the ECB to cut rates in late 2019 and a second round of QE on the cards
- 3



No.1 tourist destination

Strong rental demand over 89m overseas tourists visited France in 2018
- 4



€ asset in demand

A rising number of high net worth individuals from overseas are seeking a euro-denominated asset to help spread risk
- 5




Economic heavyweight

France remains the Eurozone's second largest economy and unemployment is at a 10-year low


10 reasons to buy in France

- 6




Tax benefits

France's tax landscape is increasingly benign – wealth tax is now solely based on real estate assets and investors and entrepreneurs have been tempted back by flat rates on CGT and dividends
- 7



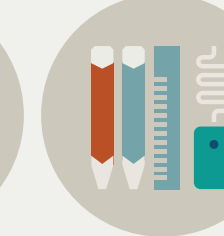
Accessibility

France's location offers easy access to Spain, Italy, Switzerland and Germany. Paris's Charles De Gaulle Airport is a major transport hub and Europe's second-largest airport
- 8




Culinary hotspot

The home of the Michelin-starred restaurant – France boasts 616 in total
- 9



Excellent education

France is renowned for good international schools promoting traditional values and a structured academic syllabus
- 10



Commuter base

Flexible working and excellent broadband connectivity makes weekly commutes from the South of France or Paris to London, Geneva or Brussels a viable option

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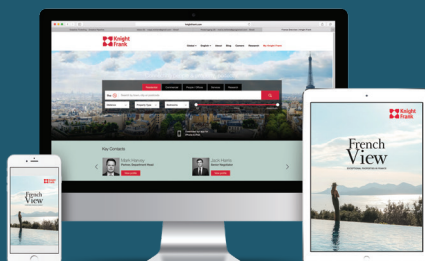
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