

FRANCE INSIGHT

2018

MARK HARVEY, HEAD OF KNIGHT FRANK'S EUROPEAN SALES, SHARES HIS INSIGHTS ON FRANCE'S PRIME RESIDENTIAL MARKET.

HOW IS THE MARKET PERFORMING?

Over the last 24 months we have seen a remarkable reversal in France's prime residential markets stemming largely from a strong Paris market (where prices increased by some 12% in 2017). Against a positive economic and political backdrop, France is now experiencing a buoyant and incredibly exciting residential market rebound. "L'effet Macron", as witnessed since the summer of last year, has caused a ripple of optimism from Paris to the internationally sought after regions including the Côte d'Azur, Provence, the Alps and South West France, all of which have witnessed a strong turnaround in sentiment, buyer interest and transactional activity.

WHO'S BUYING IN FRANCE?

International buyers continue to be the driving force of prime residential sales. The lull following the EU referendum proved only momentary; with the British demographic once again accounting for up to one in four prime residential purchases. The remaining 75% of buyers typically stem from northern Europe (Benelux, Switzerland, Scandinavia) along with French domestic buyers who account for around one in five of our prime buyers. Buyers from the Middle East, the US and even Asia are also displaying a greater appetite for French real estate.

WHERE ARE THE HOTSPOTS?

France is fortunate to have many hotspots – from beautiful cities and charming hilltop villages, to glamorous beaches and award-winning ski resorts. Our carefully considered associate network of offices across France, covering Paris, the Côte d'Azur, Saint Tropez, the Luberon and Alpilles, Gers, Espace Killy, Les 3 Vallées, Megève and Chamonix, are the local experts in these very hotspots. The international appeal of these destinations ensures a constant flow of eager tourists which helps to underpin the underlying market

values – perhaps the key reason as to why real estate demand continues to grow in these destinations (with enquiry numbers up 100% compared to 2016).

WHAT TYPE OF PROPERTY IS IN GREATEST DEMAND?

The popularity of different kinds of property depends a great deal on location. In Paris, traditional properties with grand proportions and period features are most in demand, while the preference in the south of France is typically for a local architectural vernacular with a more contemporary interior twist. Budgets vary accordingly, albeit the majority of our buyers look between €2 and €5 million and seek elegant, turnkey ready accommodation with manageable gardens and ideally a breath-taking view.

In contrast, in the Alps demand is frequently focused on new-build properties, with off-plan developments representing 80% of the Alpine homes sold across our network last year. The advantages of buying off-plan in France are multiple and might include staggered payments, the most advanced construction techniques and materials, a 10-year guarantee, and a possible VAT rebate of up to 20% for those open to a rental solution.

WHAT'S YOUR OUTLOOK FOR 2018?

The confidence that was cultivated in the market during 2016 continues to gain momentum and as France celebrates a record 2017 when over one million properties changed hands, we expect transaction volumes to rise further. Against a backdrop of historically low interest rates, rising house price inflation, growing economic and political stability, France looks to attract global wealth that will allow its real estate markets to thrive through 2018 and beyond. Indeed, as global uncertainty prevails, France and its rich cultural tapestry remains an attractive and compelling investment and lifestyle choice.

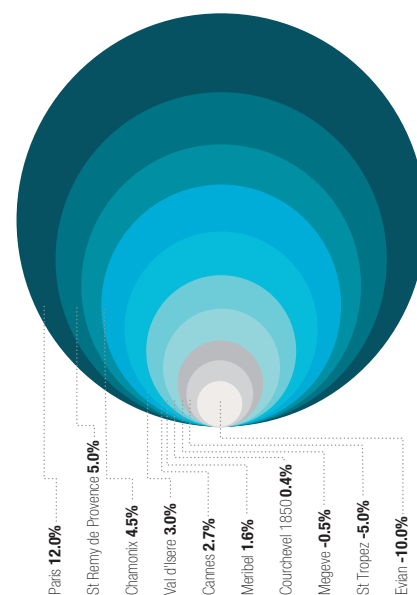


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“FRANCE AND ITS RICH CULTURAL TAPESTRY REMAINS AN ATTRACTIVE AND COMPELLING INVESTMENT AND LIFESTYLE CHOICE.”

FIGURE 1
PARIS RECORDS STRONGEST PRICE GROWTH IN 2017...

Prime residential prices, annual % change, 2017

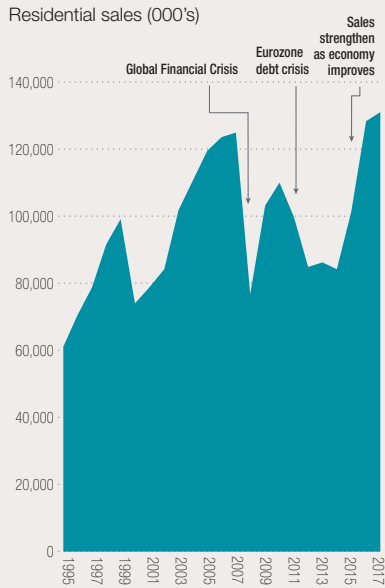


Source: Knight Frank Research

MARKET INTELLIGENCE

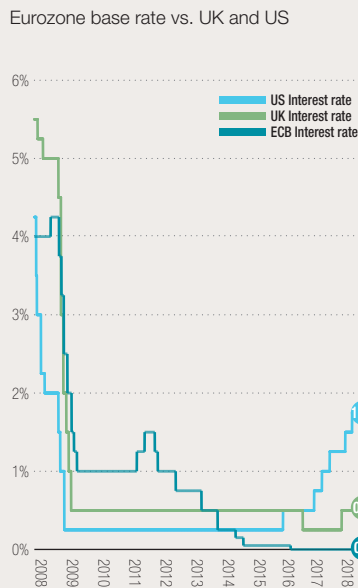
Knight Frank's Research team take the pulse of France's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

FIGURE 2
SALES INCREASE AS MARKET SENTIMENT PICKS UP...



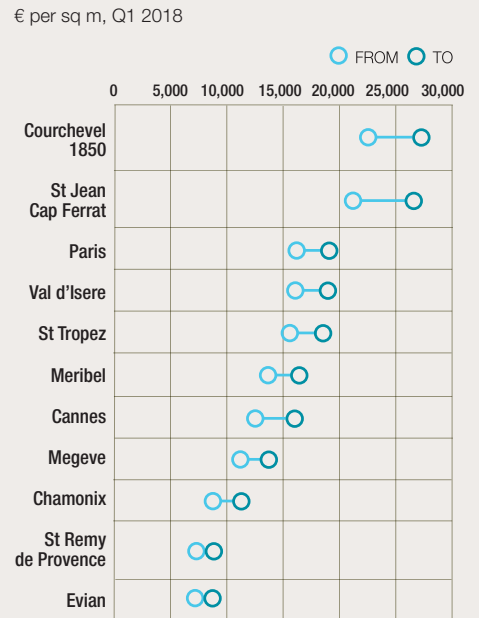
Source: French General Council of the Environment & Sustainable Development (CGEDD)

FIGURE 3
LENDING RATES REMAIN AT HISTORIC LOWS



Source: Knight Frank Research, Macrobond

FIGURE 4
TYPICAL PRIME RESIDENTIAL PRICES

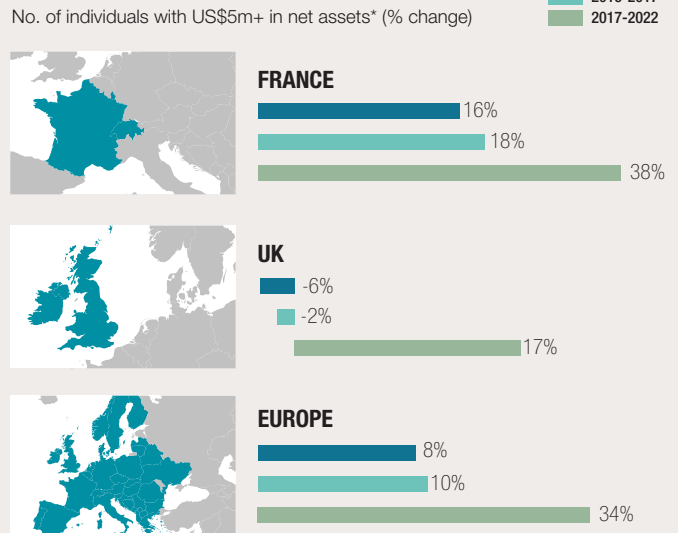


Source: Knight Frank Research

FIGURE 5
TOP 3 THINGS TO CONSIDER

- WEALTH TAX:** FROM 1 JAN 2018, FRANCE'S WEALTH TAX HAS BEEN REDUCED AND NOW COVERS ONLY REAL ESTATE ASSETS AND INVESTMENTS. NON-RESIDENTS ARE ONLY LIABLE ON PROPERTIES IN FRANCE.
- ECONOMY:** AT 1.6% FRANCE'S ECONOMIC GROWTH HIT A SIX-YEAR HIGH IN 2017 AND IS FORECAST TO OVERTAKE THE UK IN 2018 AND GERMANY IN 2019.
- COUNCIL TAX:** MACRON'S GOVERNMENT HAS GIVEN LOCAL MAYORS POWERS TO INCREASE COUNCIL TAX FOR SECOND HOMES. THE LEGISLATION DOES NOT APPLY TO THOSE WHOSE FRENCH HOME IS THEIR MAIN RESIDENCE.

FIGURE 6
FRANCE – A FUTURE WEALTH HUB



Source: Wealth-X
*excluding primary residence



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