

RESIDENTIAL RESEARCH

CÔTE D'AZUR

RESIDENTIAL INSIGHT

Knight Frank



Paul Humphreys of Knight Frank's France, Monaco and The Alps team, offers his insight into the Côte d'Azur's exclusive property market, he explains why it remains the ultimate second home destination and provides his outlook for 2012

What sets the Côte d'Azur apart from other second home hotspots?

The lifestyle on offer here is second to none. From its cosmopolitan and glamorous coastal resorts (Cannes, Cap Ferrat and St Tropez), to its slower-paced medieval hilltop villages (Grimaud, Mougins and Saint-Paul de Vence) the region ticks even the most challenging of buyer wish lists.

Located within approximately two hours' drive of Monaco and the Alps, very close to Italy and renowned for its rolling provençal hills, its immaculately-tendered golf courses and crystal waters, it is easy to understand why the Côte d'Azur has stood the test of time as the aspirational playground for northern Europeans.

How did the price of luxury homes on the Côte d'Azur fare in 2011?

In my view the price of prime property on the Côte d'Azur softened slightly in 2011, falling by between 5% and 10%. Currency fluctuations, the Eurozone sovereign debt crisis and the pervading global economic turmoil all had a bearing.

As the Euro weakened at the end of 2011 it generated interest from those buying in US dollars and pound sterling, including British expats based in the Middle East. Once UK buyers could achieve €1.20 to the pound in late December we saw a noticeable increase in enquiries which has carried on into early 2012.

Who buys on the Côte d'Azur and why?

Exchange rates influenced demand patterns in 2011. British buyers, a mainstay of prime demand along the coast, played a less active role due to the surprising strength of the Euro. Instead, Belgian, French, Swiss and Scandinavian buyers featured more prominently.

However, the Côte d'Azur's appeal now spreads beyond Europe with wealthy buyers from the emerging economies of Asia, the Middle East and Russia displaying strong interest, particularly in the exclusive coastal markets.

What type of properties are in greatest demand?

Frontline beach properties are never on the market for long due to a severe lack of supply. In St Tropez for example no new development is permitted within 300m of the beach.

Inland, a typical buyer's requirement would be for a 4 or 5-bedroom villa with its own pool and gardens in a secure and private setting and crucially, with sea views. Budgets in locations such as Mougins start at around €4m for such a property.

What's your outlook for the market in 2012?

I expect exchange rates to prove highly influential in 2012. If the Euro weakens further sales volumes could increase and return to nearer pre-Lehman levels.

In my view buyers currently have the greatest choice of properties for some time and in what is historically an undersupplied market when it comes to quality, well-priced homes.

Realistic pricing remains key. Buyers are increasingly knowledgeable about the local market and vendors with over-ambitious expectations will fail to trigger interest and secure sales.

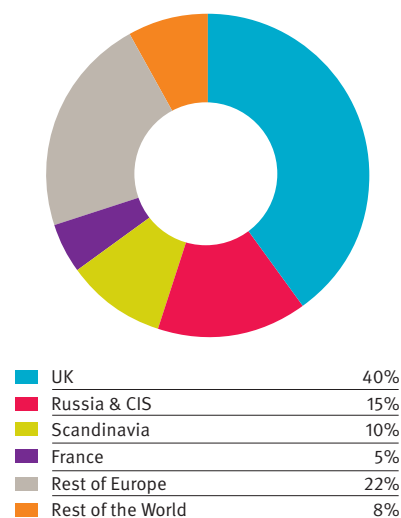
Post-Lehman I have seen an increasing number of buyers weigh up lifestyle and family aspirations ultimately superceding financial considerations, a trend I expect to continue in 2012.

A growing number of buyers conclude that investing in bricks and mortar in a strong, established international location which comes with lifestyle benefits attached is as a safe bet as any in the current climate. Few locations can tick these boxes as comprehensively as the Côte d'Azur.



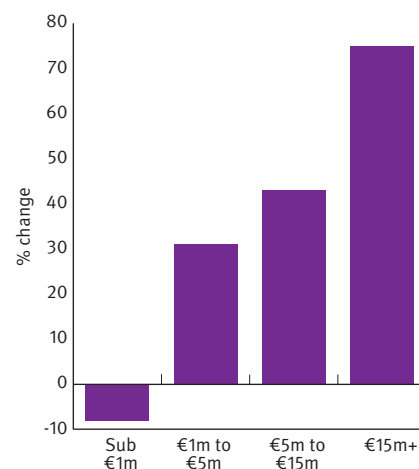
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Figure 1
Who is buying prime property on the Côte d'Azur?



Source: Knight Frank Côte d'Azur

Figure 2
Searches by price bracket
Percentage change in searches by price bracket, 2010 vs 2011



Source: Knight Frank Global Property Search Website

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Knight Frank's Global Property Search website (GPS) receives 600,000 hits per month making it a unique barometer of the demand for prime international property. The following charts highlight some of the trends in the Côte d'Azur market.

Nationality

UK buyers were seeking properties priced on average at €5.2m in the final quarter of 2011 whilst Swedish buyers were interested in more expensive homes (figure 3). Searches undertaken by Russian and French buyers were evenly split across all three price bands while Swedish and UK buyers were more focussed on the €15m+ market (figure 4).

Figure 3
Average price searched by selected nationalities
Searches in the three months to Jan 2012 (€)

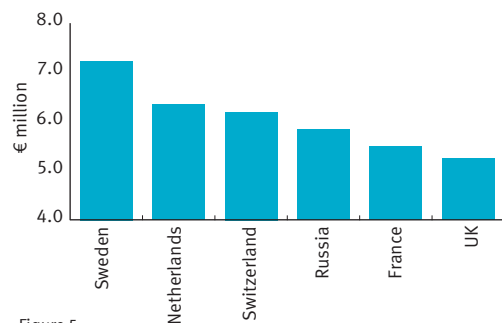
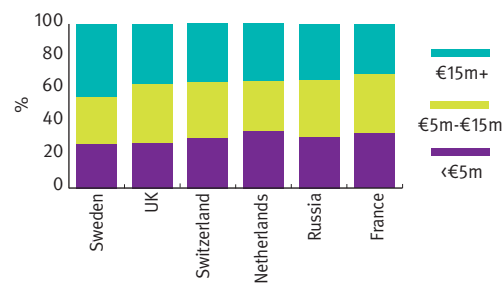


Figure 4
Nationality and price bracket
Proportion of searches by price band and nationality, 12 months to Jan 2012



Search volumes

The period between May and August represents the peak season for online search activity for the Côte d'Azur market (figure 5). The volume of searches rose markedly in 2011 with June and July seeing almost double the volume of property searches than a year earlier (figure 6).

Figure 5
On-trend?
Search activity compared to the monthly average for each location

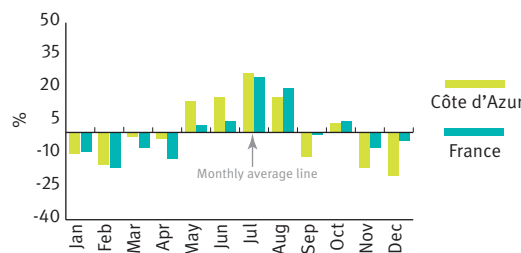
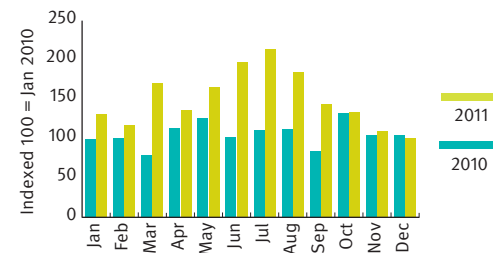


Figure 6
Monthly activity
Volume of property searches by month, 2010 vs. 2011



Source: Knight Frank Global Property Search Website

What can you buy for up to €3m?

MOUGINS

Stunning villa with coastal views

Asking price: €2.75m

4-6

What can you buy for more than €10m?

RAMATUELLE

Extensive villa on St Tropez peninsula

Asking price: €12.5m

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For more details please click on the images above...

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