

RESIDENTIAL RESEARCH



# FRANCE INSIGHT 2016

ASSESSING MARKET CONDITIONS ACROSS  
FRANCE'S PRIME SECOND-HOME DESTINATIONS



PRICE PERFORMANCE

BUYER NATIONALITIES

CURRENCY IMPACT

# Stability returns

France's property market has trod an uneven course over the last decade but 2015 saw renewed optimism which led to a significant upturn in sales.

Residential sales across France increased by 12.5% year-on-year<sup>1</sup> according to the Notaires de France as a more stable economic outlook filtered through into buyer sentiment. This trend was reflected in our own data. Knight Frank's sales doubled between 2014 and 2015, whilst enquiries from prospective buyers increased 87% year-on-year.

With favourable mortgage rates of circa 2.3%, prices stabilising in most prime markets and the euro weak against both

the pound and the US dollar, buyer confidence has strengthened.

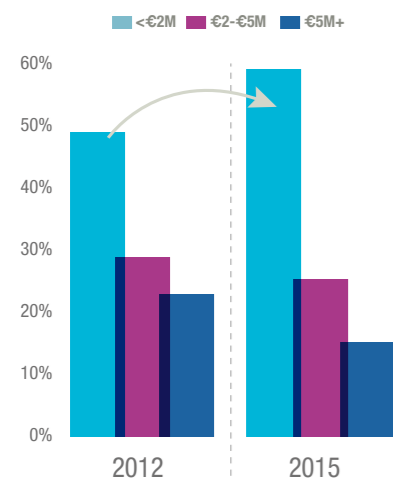
## Polarised by price

Yet this confidence is price dependent. Sales volumes are strongest within the €1m-€5m price bracket but transactions above €5m are slow. According to our latest in-house data, properties priced below €5m accounted for over 85% of our prime sales in 2015.

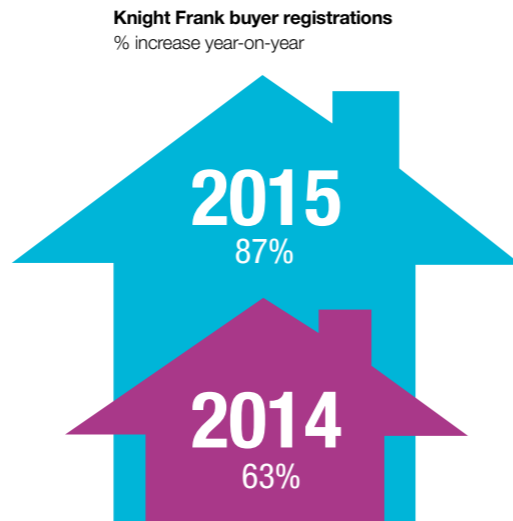
The French property market's recovery post-2007 has faced its challenges, hindered in part by a sluggish domestic economy, the Eurozone debt crisis and President Hollande's stringent austerity drive. However, a ruling by the European Court in February 2015 that social charges imposed on the income and capital gains of non-residents were illegal has provided a level of reassurance, prompting many buyers to act after several years of indecision.

Two indicators underline the extent to which the market has shifted in the last 2-3 years. Firstly, the performance and convergence of France's prime prices. Not only have prices reached their floor in the majority of France's key second-home markets, but all of our five regions saw prices shift within a range of only five percentage points (-3% to +2%, see map). For several years we saw

Sales activity more focused below €5m  
% of Knight Frank sales by price band



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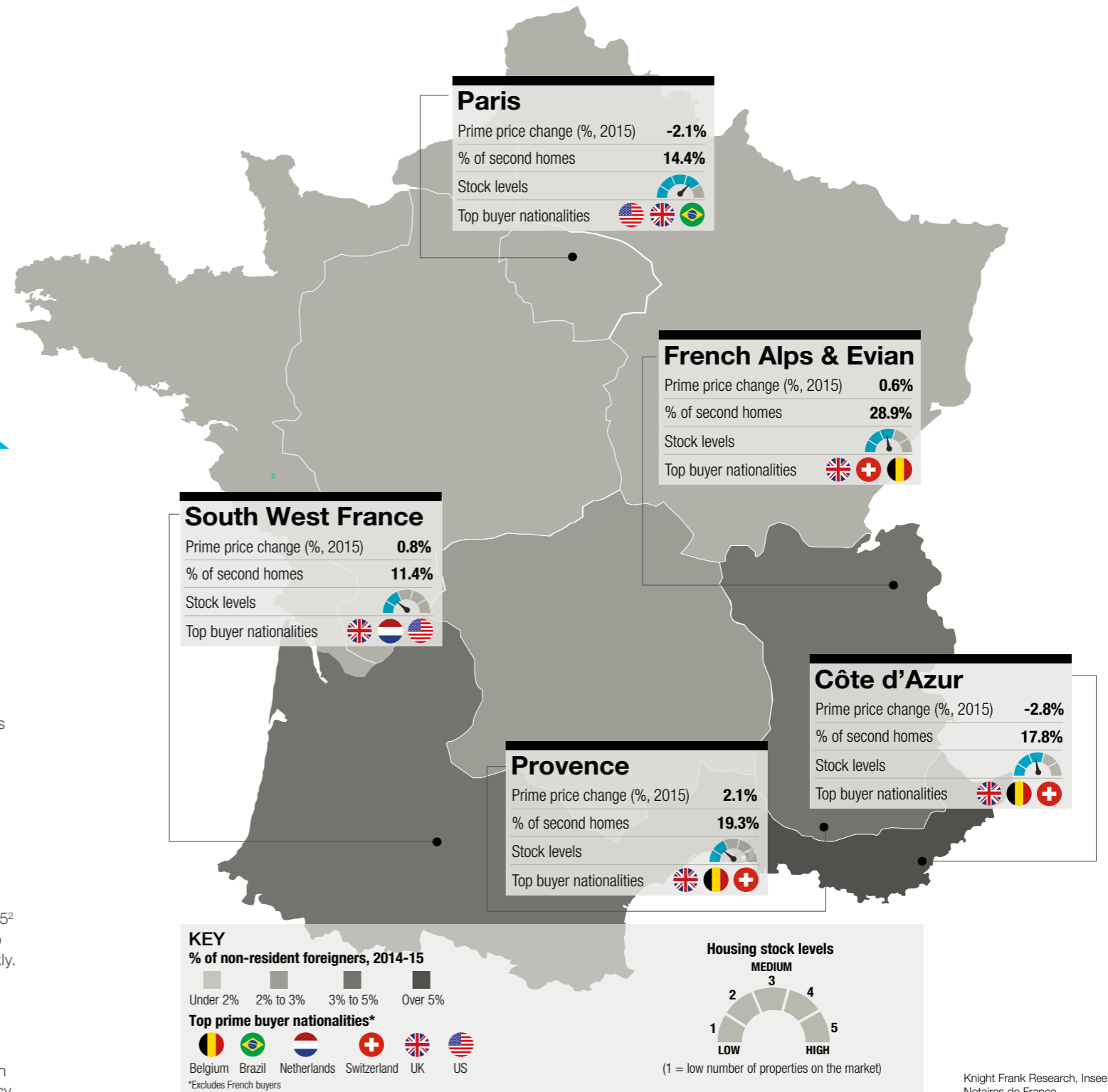
a marked disparity between France's strongest and weakest markets, this has now all but disappeared.

Secondly, the excess supply that was evident for several years in areas such as Gascony and Provence has now largely been absorbed back into the market. Add to this the slow recovery in housebuilding – the number of homes under construction in France has fallen from 469,000 in 2007 to 352,000 in 2015<sup>2</sup> – and it is likely that when prices start to pick up they could do so relatively quickly.

## Brits are back

The British own more second homes in France (69,000) than in any other European country<sup>3</sup>. Given the lifestyle on offer, France's proximity and the currency advantage in recent years it is perhaps no surprise that the British are active once more and represent a key source of demand in all of our markets.

Equipped with a strong dollar, American buyers are also increasing in number, particularly in Paris and parts of Gascony, whilst Evian continues to be in favour with high net worths from the Middle



East, drawn to its lakeside living and easy access to The Alps.

Although our focus in the map above has been on foreign buyer activity, demand from domestic buyers has also strengthened. Faced with lower purchasing power abroad, a more positive

political sentiment, cheap finance and good value – particularly in Paris – French buyers are seeking a slice of their capital's real estate.

Across France interest in income-generating assets, be it a vineyard, boutique hotel or olive grove, is on the rise

and a trend to watch over the next few years. Wealthy buyers are increasingly seeking a product that generates an income allowing them to cover their costs, whilst also funding a month with family and friends each year in their favourite part of the world.

<sup>1</sup>12 months to Nov 2015 <sup>2</sup> Housing starts, Ministry of Environment <sup>3</sup> Survey of English Housing, DCLG, 2014



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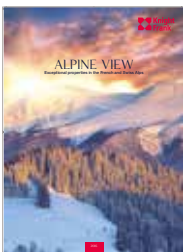
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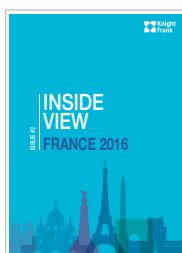
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## MARKETING PUBLICATIONS



[Alpine View 2016](#)



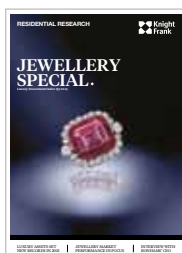
[France: Inside View 2016](#)

The Research data provided in this report was originally published within **France: Inside View**

## RESEARCH PUBLICATIONS



[The Wealth Report 2016](#)



[Luxury Investment Index - Jewellery Special Q3 2015](#)



[Ski Property Report - 2015](#)



[Global Tax Report - 2015](#)

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