

RESIDENTIAL RESEARCH



FRANCE INSIGHT 2017

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

REGIONAL ANALYSIS

PRIME PRICES

BUYER PROFILE

A change in gear

Emmanuel Macron's victory brings with it cautious optimism, it is hoped his pro-business stance will reinvigorate France's property market after several years of inertia.

By Kate Everett-Allen

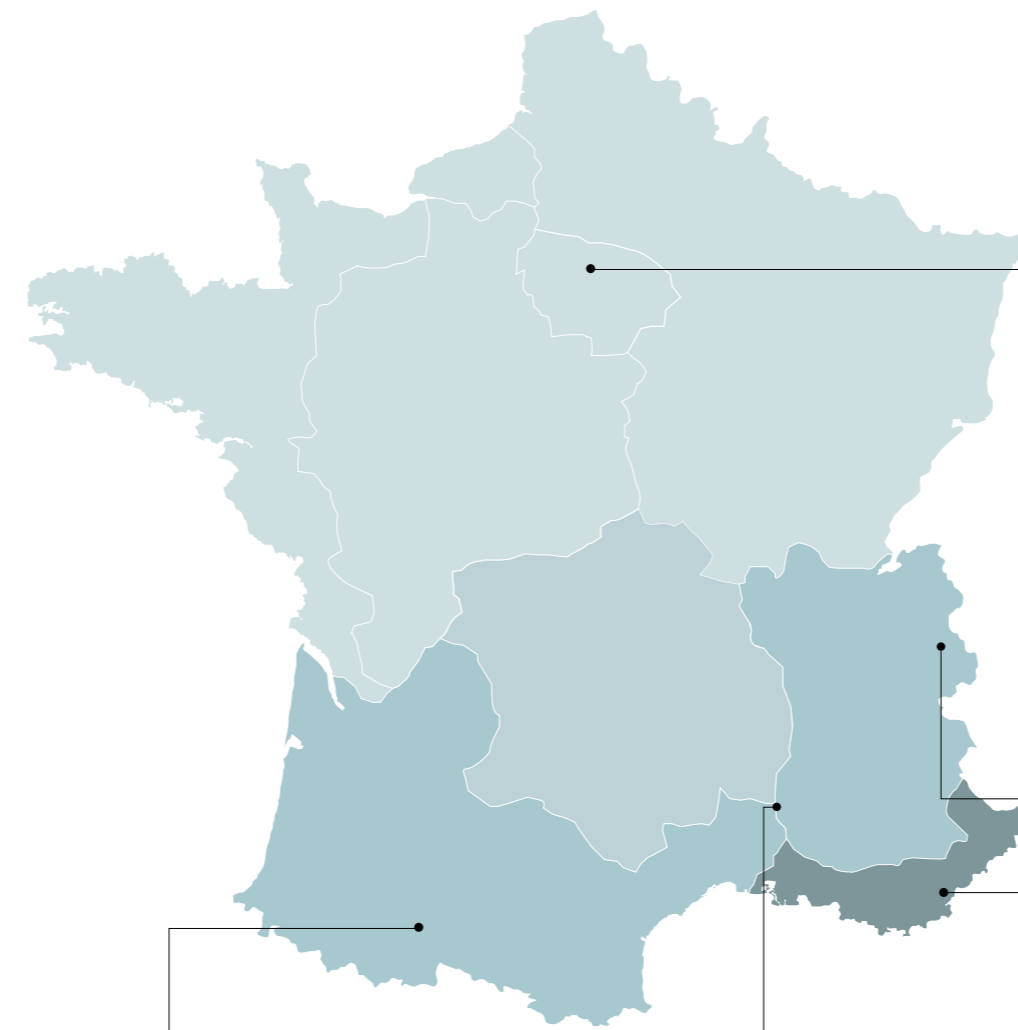
The uptick in market sentiment occurred not after Macron's victory on 7th May but a few weeks prior to the election. Online searches for French properties on Knight Frank's website increased by 97% in April compared with March whilst across the country 30,909 new homes changed hands in the first quarter of 2017, up 8% compared with the same period in 2016 and up 29% compared with 2015.

With interest rates at historically low levels, an upturn in GDP growth forecast and consumer sentiment at its highest rate since 2007 France's economic fundamentals are looking brighter than they have for some time. Add to this the forecast 3.2% rise in the number of households over the next five years and the 82 million tourists that visit France each year – it remains the most visited country in the world – and the demand side of the equation for homeowners looking for a rental return looks assured.

After years of uncertainty – both political and economic – and worrying ruminations over taxes there is a sense amongst prime lifestyle buyers that it is time to act and domestic buyers are joining foreign buyers once more.

It would be remiss to assume however that there are no headwinds. Brexit, a weak Euro (for non-Eurozone owners looking to sell) and shifting price points as buyers look to spread risk and avoid overexposure to one particular country or currency are the key challenges. The €2m-€4m price band is the most active market segment. Those locations where vendors have acknowledged the market's correction are experiencing higher sales volumes.

Each prime region of France has its own set of positive indicators; alongside we have highlighted some of the most salient and provided further analysis of local market conditions.



Gascony

Gascony saw prices decline by around 30% post 2007-08, but values have stabilised across the region since 2015 with the gap between asking and achieved prices narrowing significantly.

The new pricing levels make Gascony highly competitive compared with other French second home markets and attracts those seeking both a holiday retreat and those wanting a semi-permanent base. Properties priced between €600,000 and €1.2m are most in demand but unlike other parts of France few limit their searches to particular villages, instead their priority is to be within an hour of Toulouse Airport, enjoy views of the Pyrenees and be located within easy reach of the Mediterranean, the Atlantic, or both.

Brexit, the weak Euro and lifestyle appeal continue to drive interest in the region with British, US and German buyers responsible for the bulk of our online searches but Dutch, Swiss and Canadian searches are also increasing in number.

Who's looking?

Online property searches in Gascony, 2017



Source: Knight Frank Global Property Website

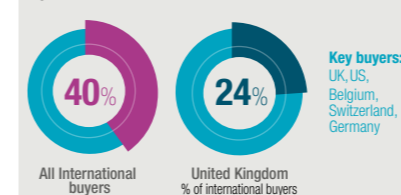
Provence

2016 saw a marked improvement in sales as the year progressed. Enquiry numbers strengthened from September onwards and this trend continued into the first half of 2017 with little or no slowdown observed in the run up to May's election.

The region's two key submarkets, the Luberon and the Alpilles – home to Provence's golden triangle which extends from Eygalières to St Rémy-de-Provence and Maussane – are generating a high number of enquiries.

The market above €2m has picked up notably since 2016 when the interest was focused at the lower price point of €1m-€1.5m. The number of applicants registering with Knight Frank looking to spend in excess of €2m increased 175% in the first five months of 2017 compared to the same period in 2016.

Buyer profile 2017



Key buyers: UK, US, Belgium, Switzerland, Germany

Paris

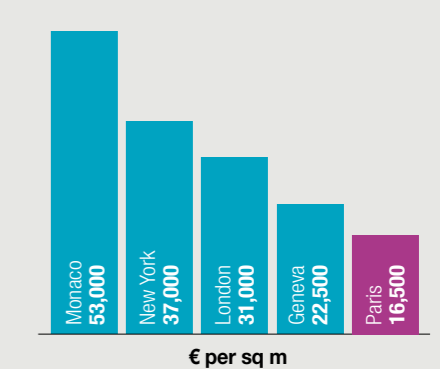
Domestic buyers – both Parisians and beyond, along with French expats – were the first to recognise Paris's value as prices drifted lower, falling by 14% in peak-to-trough terms between 2012 and 2015.

2016 marked a turnaround as prime prices recorded positive growth for the first time since 2012 and prices have continued on an upward trajectory ending the year to March 2017, 2.6% higher.

This shift has sparked the attention of international buyers with US, UK and Middle Eastern buyers increasingly active. The €1m-€3m market is notably strong with many properties changing hands before they can be fully listed. Although Paris continues to represent good value compared with other global cities the price gap between prime Paris and other French cities is widening.

Value opportunity

Prime prices by city, Q1 2017



Source: Knight Frank Research

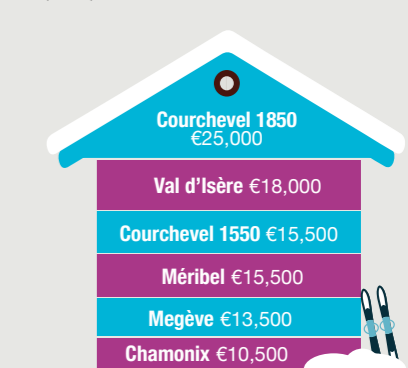
The French Alps

The ski home market is increasingly split between those buyers seeking altitude for reliable snow coverage (Val d'Isère, Courchevel 1850) and those seeking a dual season property further down the mountain (Chamonix, Megève) which can generate a summer and winter income.

The 2016/17 ski season underlined the extent to which the performance of the Alpine property market is highly resort-dependent. Chamonix and Val d'Isère achieved strong sales whilst a lack of quality stock in parts of the Three Valleys led to slower sales rates. A number of new developments are under construction in Courchevel and Méribel, the lower grade resale stock in some pockets may drive new home sales with the added attraction of a VAT rebate which applies to all new homes in France.

Prime price comparison

€ per sq m, 2017



Source: Knight Frank Research

Côte d'Azur

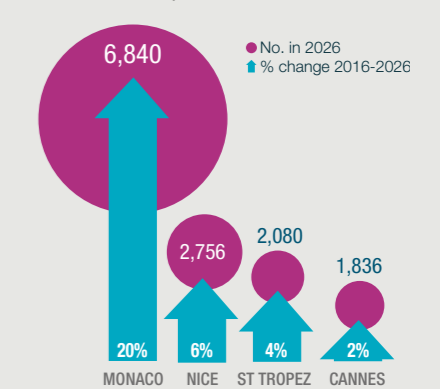
The performance of the prime Côte d'Azur market, which stretches more than 115 kilometres, can be split into three broad segments. The first, St Tropez and the surrounding Western area has seen a moderate uptick in sales since summer 2016 but vendors tend to be discretionary and as a result unyielding on price.

In comparison, the second area, Cannes, along with Valbonne, Grasse and Mougins, saw vendors adjust their prices downwards in 2015-16 and this has in part contributed to steady sales across all price bands.

Finally, the eastern end (close to Monaco and including Èze, Villefranche and Cap Ferrat) occupies the middle ground with sales activity proving intermittent. Transactions between €5m and €10m vary according to location but there are green shoots emerging in the super-prime market (€15m+).

Global wealth hub

Multi-millionaires* by location

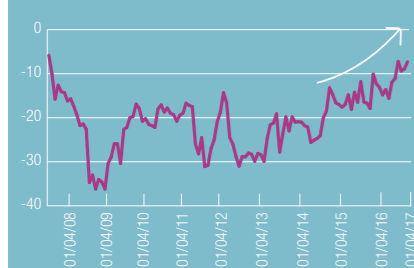


Source: New World Wealth
*Individuals with net assets of US\$10m+ excluding primary residence

FRANCE KEY STATS 2017



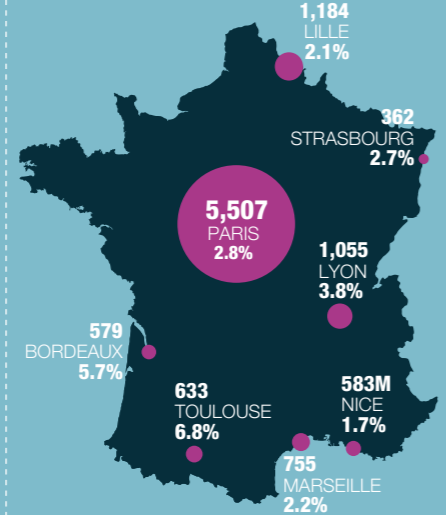
CONSUMER SENTIMENT



SOURCE: Eurostat, IMF, Oxford Economics

DEMAND ON THE RISE

Household forecast



● No. of households 2022 (000's) change 2017-2022



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RESIDENTIAL SALES

Mark Harvey

Head of the French Department
+44 20 7861 5034
mark.harvey@knightfrank.com

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research
+44 20 7861 5133
liam.bailey@knightfrank.com

Kate Everett-Allen

International Research
+44 20 7167 2497
kate.everett-allen@knightfrank.com

MARKETING PUBLICATIONS



[France: Inside View 2017](#)

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RESEARCH PUBLICATIONS



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