

RESIDENTIAL RESEARCH

PARIS RESIDENTIAL INSIGHT

Knight Frank



Mark Harvey, of Knight Frank's France, Monaco and The Alps Team, offers his insight into the Paris luxury homes market. He looks at how it's performing, who's buying and considers why Paris's charm is as enduring as ever for international buyers

How did the price of prime property in Paris perform in 2011?

Over the course of the year prices fell marginally by around 3% in the prime market* but it was a tale of two halves.

The first half of 2011 saw robust activity, a continuation of the heated 2010 market. Supply constraints eased slightly, particularly in the €2-€5m sector, as vendors brought their properties to the market having seen above average prices being achieved in 2010.

Summer acted as a watershed, sales volumes weakened in the third quarter which resulted in price falls in the final three months. This change of pace largely mirrored the trajectory of the Eurozone's sovereign debt crisis.

Who's buying in Paris?

Buyer motives range considerably; some are pursuing a lifestyle acquisition, others want a base while their child completes their studies in the French capital. There are also an increasing number who, given the financial backdrop of volatile stock markets, underperforming gilts and derisory savings rates, see Paris as their safe haven.

Wealth preservation is now a priority for buyers rather than short-term capital appreciation, particularly when there are lifestyle benefits attached.

The breakdown of nationalities purchasing in Paris has remained largely static in recent years with European buyers representing the largest component of demand, although 2011 saw interest from Russian, Middle Eastern and Asian buyers gather pace.

What sets Paris apart from other European cities?

Paris provides heritage, culture and a vibrant cosmopolitan lifestyle but its added advantage, is that the price of prime property is often 20% to 30% less than in central London.

Its history, architecture, boulevards, large squares, boutiques and culinary offer act as a major pull factor for buyers seeking to combine culture with a fun lifestyle. Buyers are not simply looking for a bricks and mortar investment, in my

experience they genuinely want to spend short, regular breaks throughout the year soaking up the Parisian culture, one that many see as synonymous with fun, passion and a sense of joie de vivre.

What type of properties are in greatest demand?

An apartment in Saint-Germain-des-Prés, located in the 6th arrondissement, with views over The Seine or a Parisian landmark would sit at the top of most buyers' ultimate wish lists. Budgets here would start at around €6m.

Unaffected by wartime bombing, Paris is devoid of infill sites and 1950s architecture and new homes are not always the aspirational acquisition that they are elsewhere. Heritage is key and for many discerning buyers great importance is attached to a building's provenance. Many purchasers are searching for older, architecturally-rich homes with good views and the period features that they afford; high ceilings and light, well-proportioned rooms.

What's your outlook for 2012?

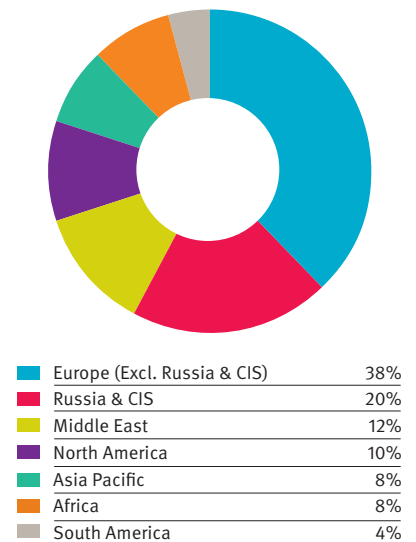
Putting aside the current economic challenges faced by the Eurozone and the French legislative and Presidential elections in April and May of this year, my view is that Paris's prime market will see prices continue to stabilise in 2012. Prior to Q3 2011 we forecast some capital growth in 2012 but stock increased in the final quarter which meant less upward pressure on prices.

Not surprisingly, Paris continues to hold the title of the most visited city in the world attracting around 15 million international visitors each year**. It has a global appeal and one that shows no sign of weakening. Our outlook is a positive one overall, new supply remains scarce, foreign demand is robust – drawn to its cosmopolitan lifestyle, its heritage and transparent tax and legal systems – which together indicate that Paris's place amongst an elite tier of "global cities" is a deserved and secure one.



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Figure 1
Who is buying prime property in Paris?



Figures may not add up to 100% due to rounding

Source: Knight Frank Paris

Figure 2
Searches by price bracket
The change in search volumes by price bracket (%), 2010 vs 2011



Source: Knight Frank Global Property Search Website

* Knight Frank's definition of the Paris prime market equates to properties valued between €15,000 per sq m and €30,000 per sq m with the average price currently at €21,000 per sq m

** Paris Convention and Visitors Bureau 2010



Knight Frank's Global Property Search website 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 Paris market.

Nationality

Demand for luxury homes in Paris comes predominantly from western Europeans but with increasing interest from Russian, CIS, Asian and Middle Eastern nationals. In 2011 most international buyers were seeking property in Paris priced between €1m and €5m. Our data suggests German nationals were looking for the most expensive homes in the year to January 2012, with over 40% of their searches relating to property priced above €5m.

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

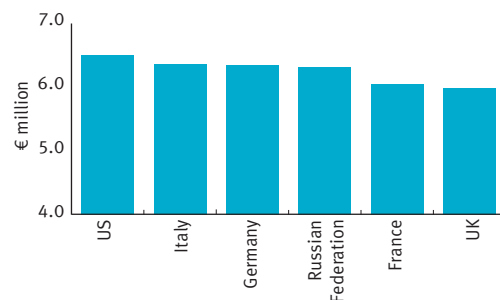
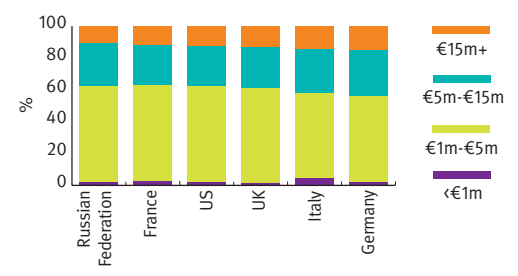


Figure 4
Nationality and price bracket
Proportion of searches by price band and nationality, 12 months to Jan 2012



Search volumes

In Paris property searches peaked in the second half of the year with July and August recording the highest number of searches (figure 5). 2011 saw a marked increase in search volumes compared to 2010 with Paris properties on the site attracting more than double the online viewings between January and April 2011 than they did a year earlier (figure 6).

Figure 5
Seasonal trends
Search activity compared to the monthly average for each location

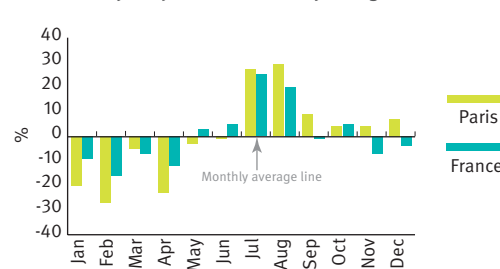


Figure 6
Monthly activity
Volume of property searches by month, 2010 vs. 2011



Source: Knight Frank Global Property Search Website

What can you buy for up to €2m?

7TH ARRONDISSEMENT

Parisian loft with courtyard

Prices from €1.13m

1

What can you buy above €10m?

16TH ARRONDISSEMENT

Elegant private mansion

Price on Application

4

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

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