

savills

Savills World Research
Paris Residential

Spotlight Luxury Residential Property in Paris

November 2015



Spotlight Luxury Residential Property in Paris



PARIS IN THE WORLD

Values in Paris have altered very little since 2012, whereas London and New York have seen sharp increases. As a result of the widening price gap, Paris is becoming more appealing.

Paris is ranked 7th in Savills list of the world's most expensive cities in 2015 after Hong Kong, Monaco, New York, London and Moscow, which tops the list. Despite dropping a place compared to 2014, the Paris market is beginning to

perk up after two years of economic and tax related uncertainties.

London's prime markets have been flat in the last year. High-value properties have been most impacted by changes to the stamp duty regime, with prime London properties priced over £5m recording annual falls of -4.7%

Reasonable prices compared to other global cities, and its ability to generate genuine added value over the long term, ensures that Paris continues to be attractive. The latter is being driven by a combination of favourable factors which have not escaped buyers' attention. ■



Photographs: Jad Caroll

SUMMARY



Paris is the world's leading tourist destination: 47 million visitors (between July 2013 and June 2014) of which 42% were foreigners.



Paris is ranked 7th in the list of the world's most expensive cities for ultra-prime property.



1,648 apartments valued €1m+ were acquired in Paris in 2014. Foreign buyers accounted for 13% of purchases.



In terms of apartment sales, the €1m+ segment accounted for 27% of transactions in the 1st, 4th, 5th, 6th, 7th, 8th and 16th arrondissements in 2014.

FIGURE 1
Cost of a property valued at €3 million to USD and GBP



Source: Savills

THE WORLD IN PARIS

Ever more foreign buyers

Foreign buyers have returned to the market. Their market share reached a record high in 2014, accounting for over 200 transactions (€1m+ segment). Many of them benefit from a favourable exchange rate and the price gap that has opened up between Paris and other cities around the world. Over the past two years Americans have seen prices soar back home and their purchasing power in France has increased by 19%, drawing them back into the market. The share of English buyers,

who are true aficionados of the Paris market, has remained fairly stable since 2007, standing at around 8%.

Europeans, historically the most active in this market (between 30% and 50% since 2007), also saw their market share increase in 2014 reaching 52% of properties transacted by foreign buyers. It should be noted that Paris' luxury residential market remains largely in the hands of domestic buyers who account for close to 1,300 transactions each year.

Taxes and fees are not prohibitive

The perception of France regarding taxation is, to some extent, exaggerated in the case of second homes. France's much quoted 75% income tax rate is not payable by those whose source of income is from another country. Capital gains tax has recently been reduced for non-residents following an EU court ruling that removed the 'social charge' element. This has brought the charge down from 34.5% to 19%.

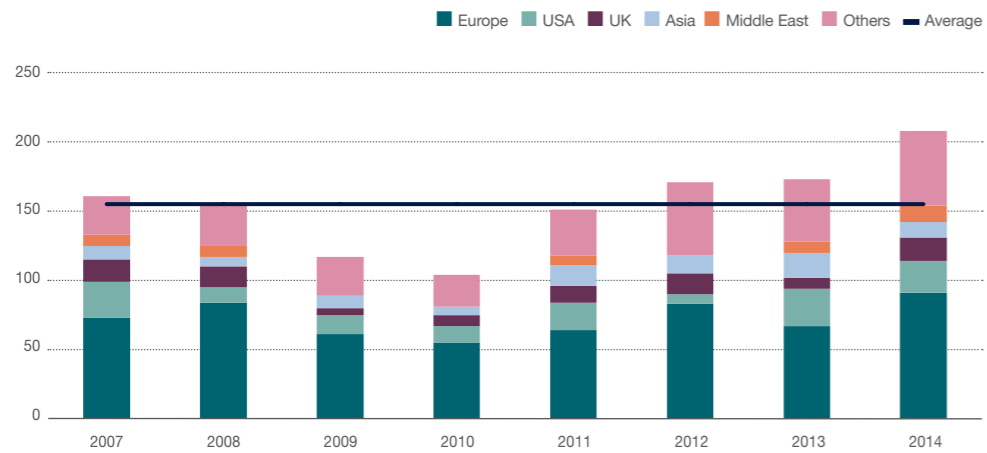
Figure 3 puts the cost of buying, selling and occupying a second home in France into a global context. The scenario assumes a £2 million property held by a non-resident private individual for a period of five years. The graph shows that when it comes to the combined costs of buying, holding, and selling property, France sits mid table against some of its global competitors.

Both Hong Kong and Singapore levy foreign nationals with an additional 15% duty on the purchase price. In the US, Federal, State and Municipal property taxes make holding costs especially high. For example, in New York approximately 1.6% of the property value is due annually (this varies from building to building and changes over time).



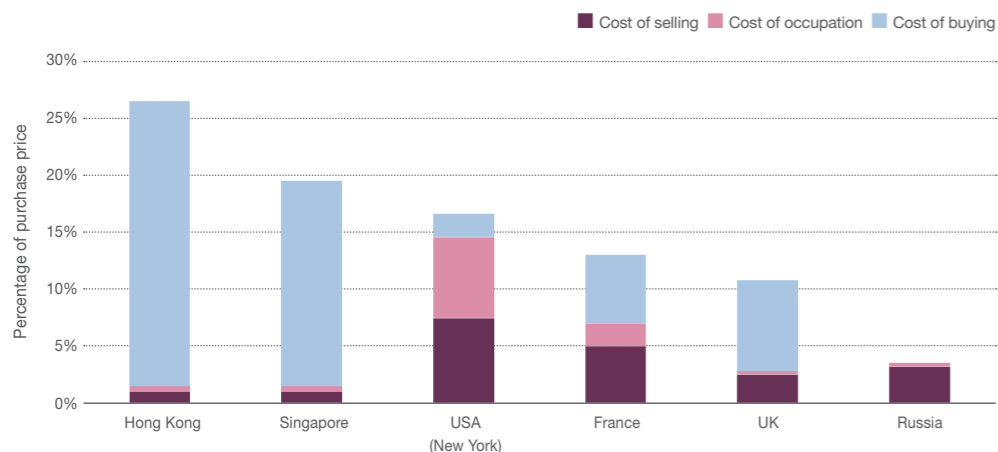
Foreign buyers have returned to the Paris market

FIGURE 2
Purchases by foreign buyers in Paris



Source: Notaires Paris-Ile-de-France (sales €1m+)

FIGURE 3
Holding cost of a second home over five years



Source: Savills. Note: Estimated costs assume a non-resident private individual owning the property for five years not as main residence

FAVOURABLE MARKET CONDITIONS

Upturn in sales

Above all, 2015 has registered growth in the luxury residential sales market, indicating a return of confidence to the market. After two years of stagnation, the market has rallied, posting an annual increase of 15% in sales by volume (properties of €1m+).

The 6th, 8th and 16th arrondissements were particularly active in this upturn, totalling nearly 750 registered transactions, equating to an increase of 25% year on year. According to notary estimates, this trend is expected to continue at least until the end of 2015.

Consequently, the total sales volume is also on the up. This reached €1.6 billion in H1 2015, up 9% year on year.

Abundance of supply

There is plenty of supply in the market, due to an accumulation since 2012. Indeed, the number of properties put up for sale increased as a result of taxation issues since the last presidential elections and many leaving to live abroad.

The increase in supply is strengthening potential buyers' negotiating power (and therefore transaction times) and is putting downward pressure on prices.

Moderate price adjustment

In Paris, price adjustments continue to remain moderate albeit evident, even in up-market districts. Vendors, who have a more realistic approach to the market, accept negotiations on price and manage to conclude sales within reasonable timeframes. Buyers remain demanding and aim to negotiate a fair price, in line with the condition of the property.

Some of them are banking on the creation of added value via refurbishment and enhancement of the property, with a straightforward increase in market prices remaining more hypothetical. There is a

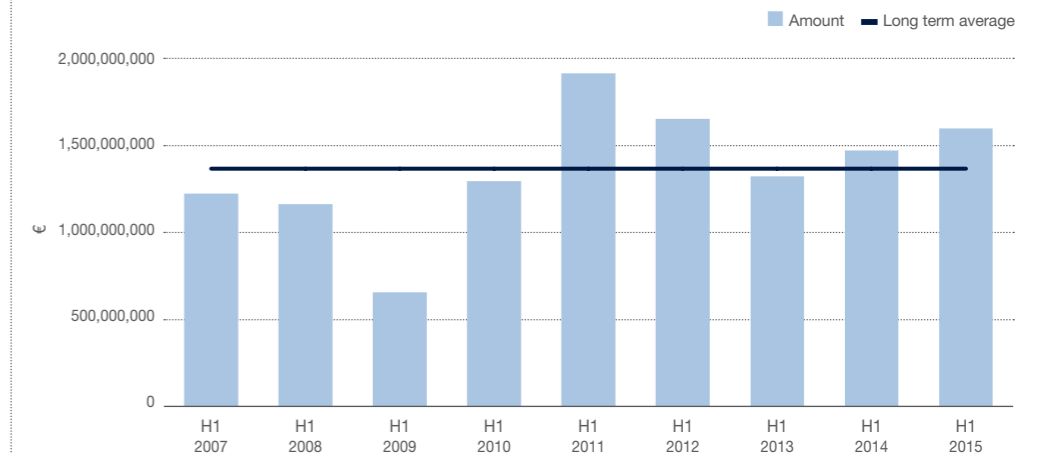
significant difference in prices between properties that have been meticulously renovated to international standards, and the rest.

It should be noted that the unit price of properties sold across all districts is 6% lower than in 2014, but that the price per sq m is up, demonstrating a decrease in the size of the properties transacted.

As of mid-2015, the average price of properties between €1 and €3 million ranged from €9,540 per sq m in the 4th arrondissement up to €12,920 per sq m in the 6th. The 4th, 6th and 8th arrondissements registered a slight increase, while the 1st, 5th, 7th and 16th were generally down.

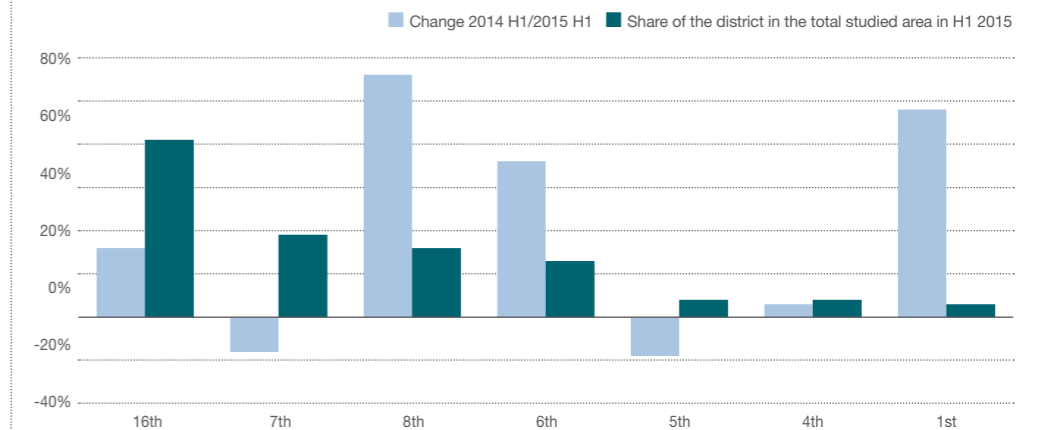


FIGURE 4
Total sales volume by value



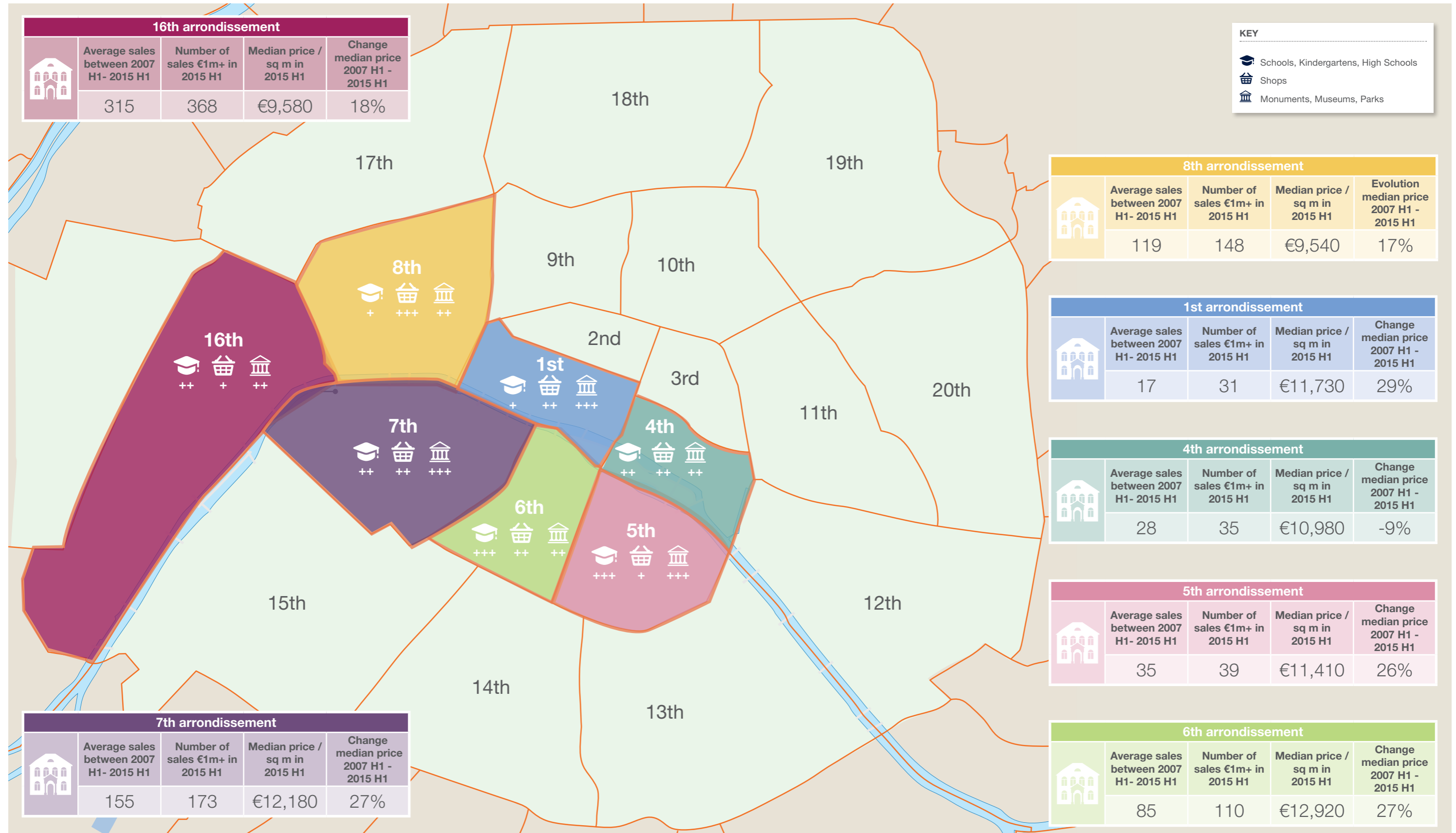
Source: Notaires Paris-Ile-de-France (sales €1m+)

FIGURE 5
Sales performance and market share in H1 2015



Source: Savills, Notaires Paris-Ile-de-France

FIGURE 6
Key figures



Source: Savills, INSEE, Notaires Paris-Ile-de-France (median price: sales between €1m to €3m) (H1=1st semestre)

WHAT PROPERTY AT WHAT PRICE?

Based on the improving economic climate, the wealthy buyers are returning to revitalise the whole market, regardless of the type of



Pied-à-terre
40-70 sq m
€500,000 - €1m

property. However, sales are not happening when pricing is not realistic.

The 'pied-à-terre' continues to be coveted by both French and foreign buyers. These are predominantly situated in the historic areas of the city centre. Despite strong demand,



Family apartment
100-300 sq m
€1.2m - €3.5m

prices have not spiked due to rent control, legislation on holiday rentals and pending taxation on rentals between individuals (airbnb), which are holding investors back. In central and western Paris, a quality 'pied-à-terre', between 40 and 70 sq m including a living room and bedroom, sells for between €500,000 and €1,000,000.



**Mansion/
Luxury apartment**
250 sq m+ €4m+

A family apartment (around 100 to 300 sq m) located mainly in the 7th, 8th and 16th arrondissements can range between €1.2 and €3.5 million. These are predominantly sold to price-conscious French buyers. Refurbishment costs are a determining factor in pricing.

Luxury apartments or mansions ('hôtel particulier'), generally situated in outstanding locations, incorporating beautiful architecture and offering quality views exchange for upwards of €4 million. Their uniqueness, scarcity and the level of demand are determining factors when it comes to pricing.

Unique residential properties stand out from the rest

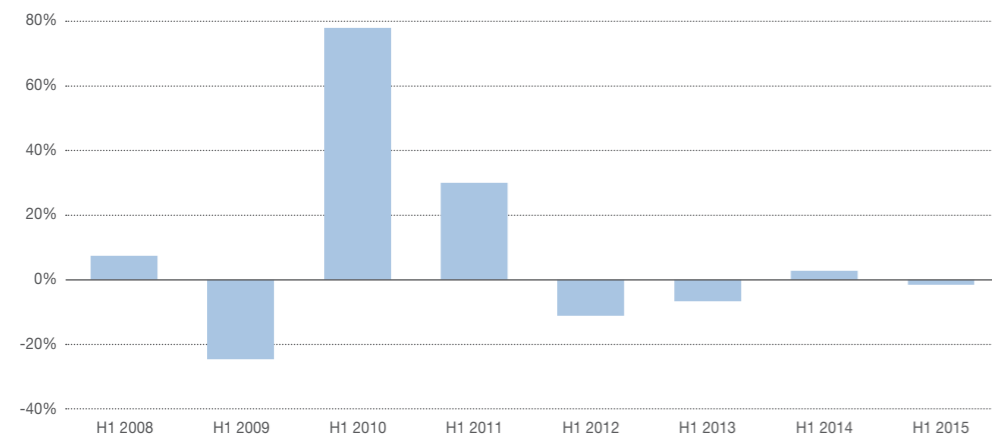
This segment represents between 6% and 12% of the luxury residential market and comprises a significant proportion of second homes and rental investments. The number of sales continues to fall in this market segment, although the trend is easing (-2% in 2015 against -5% in 2014 and -31% in 2013).

Approximately 60 of these properties have been sold since the beginning of 2015, of which more than half were located in the 16th arrondissement. High net worth individuals (HNWIs), both French

and foreign, are gradually returning to this market segment (€3m+). Furthermore, a more opportunistic approach, as well as longer negotiation periods have contributed to sales taking longer to complete.

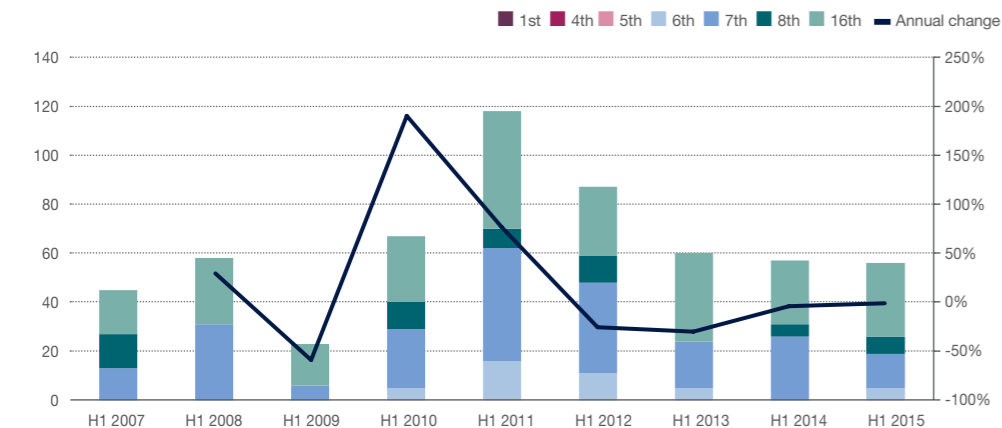
It is difficult to ascertain exactly how pricing will change in the short-term. Given the opportunistic nature of the parties involved, pricing is more influenced by the nature of the property on offer than factors that affect the rest of the residential market. As of mid-2015, average prices ranged from €13,910 per sq m in the 16th arrondissement and €22,790 per sq m in the 7th. ■

FIGURE 7
Volume of unique property sales



Source: Notaires Paris-Ile-de-France (sales €3m+)

FIGURE 8
Number of sales by arrondissement



Source: Notaires Paris-Ile-de-France (sales €3m+)



OUTLOOK

■ Since the beginning of 2015, a convergence between vendors and purchasers has facilitated an increase in the number of sales. This trend should continue, particularly as a result of the increased presence of foreign buyers continuing to benefit from favourable buying conditions.

■ Sales are expected to remain at adequate levels in the coming months, thanks to sustained and strong demand. This will result in a consistent influx of supply and a period of relative price stability.

■ Some factors are still constraining growth in the market, such as longer transaction times, the gradual return of high-end buyers' confidence and a certain hold-off attitude towards rental investment, linked to the rent cap which came into effect this summer in Paris.

■ The 2017 election is the next major milestone that could trigger market growth. Many market players are awaiting potential policy change and more favourable legislation prior to acting.

This document's statistical analysis covers transactions in excess of €1 million carried out in the 1st, 4th, 5th, 6th, 7th, 8th and 16th arrondissements, as provided by the Paris Chamber of Notaries.

Savills European Residential Network



World Research Publications:

- Spotlight: Monaco Residential Market
- Spotlight: French Riviera Residential Market
- Spotlight: Alpine Property Market
- World Residential Markets: Performance and Prospects 2015-2016



For more publications, visit savills.fr/research

Contacts

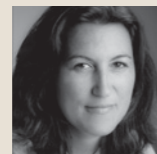
Savills



Will Woodhead
CEO
+33 1 44 51 73 21
wwoodhead@savills.fr



Catherine Erith
Residential Valuation
+33 1 44 51 94 35
cerith@savills.fr



Marie-Josée Lopes
Head of Research
+33 1 44 51 17 50
mjlopes@savills.fr

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

Agence Varenne

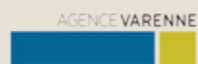


Hugues de La Morandière
Co-founder Agence Varenne
+33 1 45 55 79 20
hdelamorandiere@agencevarenne.fr

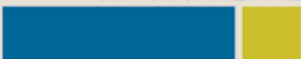
With 25 years experience of working in the most sought-after districts in Paris, Agence Varenne is a benchmark in Parisian luxury real estate, combining extensive levels of expertise and advice, with the power of Savills' extensive international reach. Agence Varenne is a Savills international partner.

Our agencies are located in the heart of Paris's most prestigious districts:

7 place Saint-Sulpice, 75006 ;
42 rue Barbet de Jouy, 75007 ;
14 avenue George V, 75008



AGENCE VARENNE



Agence Varenne
14, avenue George V
75008 Paris
+33 (0) 1 45 55 79 20

agencevarenne.fr

Savills Paris
21, boulevard Haussmann
75009 Paris
+33 (0) 1 44 51 73 00

savills.fr

