

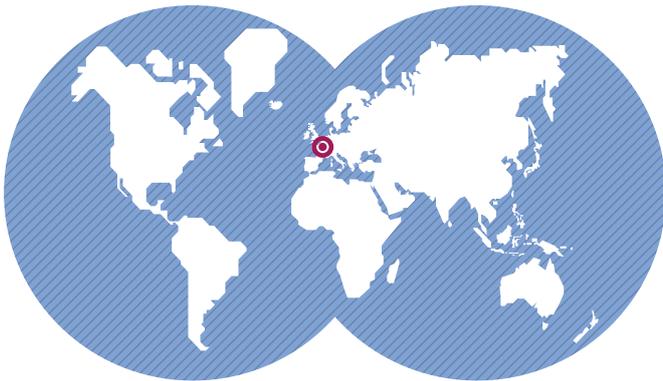
The Savills logo consists of a solid yellow square positioned above the word "savills" in a lowercase, red, sans-serif font. The background of the entire page is a high-angle, panoramic photograph of Paris, France, showing the Eiffel Tower on the left, the dense urban landscape, and the Seine River with a bridge in the foreground.

savills

SPOTLIGHT | 2017

PARIS

Prime residential insight | Key arrondissements | Market outlook



Confidence returns

Paris is a top-tier world city that offers value on a global stage, and consumer confidence is building

“ Our combined Savills World City Ranking for connectedness, competitiveness, power and performance places Paris in third, after London and New York. But several years of more muted performance have left residential costs in the city significantly lower than its rivals.

Foreign buyers accounted for just 9% of the prime market in 2016, but we expect them to grow in importance

However, with a new political regime, historically low interest rates and building consumer confidence, the residential market has now turned. Having bottomed out in 2014, prices increased by 5.8% in the year to May 2017. Prices in the 1st, 4th and 5th arrondissements have already exceeded their 2012 peak.

This recovery is being driven by domestic demand. Foreign buyers accounted for just 9% of the prime market in 2016 (sales above €1m), but we expect them to grow in importance. They already account for around half of buyers in the ultra-prime segment. The new government will bring clarity on legislation and a period of relative stability. This could encourage foreign buyers who have been waiting on the sidelines to act. ”

Paul Tostevin
Associate Director
+44 (0)20 7016 3883
ptostevin@savills.com

Summary

Market momentum is building. Prices increased 5.8% in the year to May 2017

Foreign purchasers account for just 9% of the prime market, down from 14% in 2008

A Macron presidency is positive for the market. A pro-business stance could buoy economic growth

The Paris region benefits from a diverse economic base that generates 31% of France's total GDP

The capital is a world city that offers value. Prime Paris prices are 32% below those of prime London

Paris: a global ranking

Alongside traditional assets of heritage and culture, Paris's commercial environment makes it a top-tier global city

Paris lies third on the Savills World City Ranking; scored on a city's connectedness, competitiveness, power and performance

- 
1
London

An economic powerhouse, London's favourable time zone and culture attracts people and investment
- 
2
New York

New York is highly competitive and a major wealth generator. It vies with London for top spot
- 
3
Paris

A global cultural icon, Paris is attractive to business, talent and international visitors
- 
4
Tokyo

Asia's established and powerful global city, Tokyo is the most populous metro region in the world
- 
5
Hong Kong

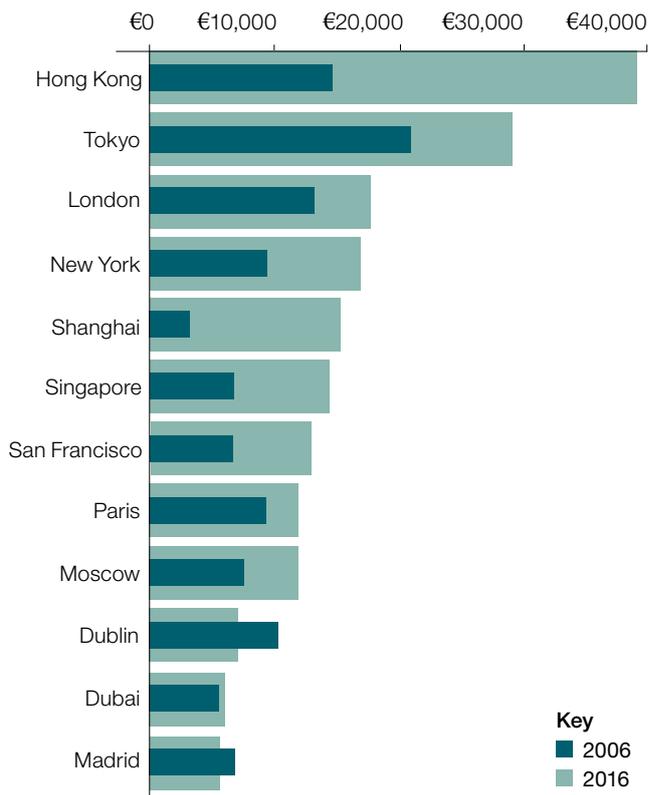
The autonomous territory is a gateway to China and one of the world's leading financial centres

Source Savills World Research

World cities compared

Despite a strong international standing, Paris hasn't attracted the same volume of international money into its prime residential markets as London, Hong Kong and New York. Reliant primarily on domestic wealth, prime prices on a square-metre basis stand 32% below those of London, and 69% below those of Hong Kong. We believe this represents value on a global stage.

Prime league 10-year change in prices (€/psm)



Source Savills World Research

Business base

A global city with a diverse economic base, the Paris region generates 31% of France's GDP. Host to more international HQs than London, the Paris region is the number one European region for R&D spend. It has a young, highly educated workforce and 663,000 higher-education students.

Heritage hot spot

Paris's built heritage is one of its greatest assets. Central Paris is a UNESCO World Heritage Site, while the Louvre is the world's largest museum. Paris Gare du Nord is a strategic European transport hub, and the busiest railway station in the world outside of Japan.

Tourism leader

France is the world's most popular tourist destination, while Paris ranks third for international overnight visitors – after Bangkok and London. Following the terror attacks of 2016, international visitor numbers fell 8.8%, but domestic tourists were largely unaffected.

Momentum builds for prime

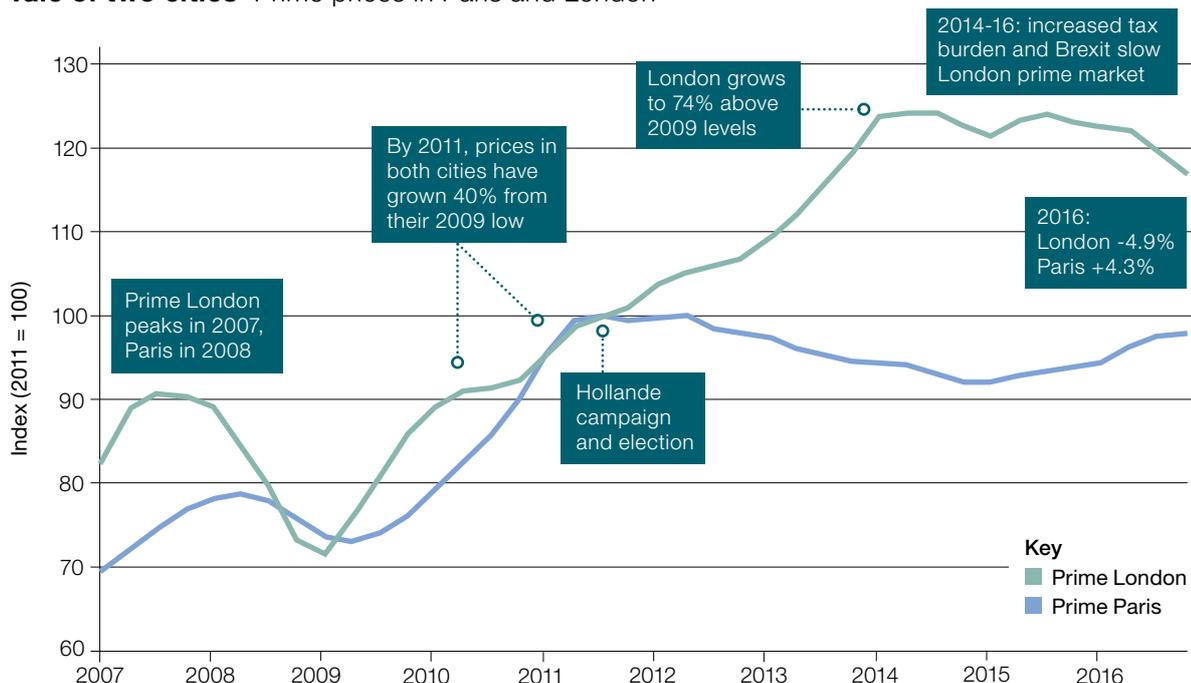
Confidence is returning, with the election outcome bringing stability to the residential market

Activity has been buoyed by record-low interest rates and competitive asking prices. Transactions across the whole market are up 23% in the year to May 2017. The prospect of interest rate rises has encouraged buyers to close deals and stock levels have fallen.

In the first quarter of 2017, prices stood at €8,450psm across the whole market. Leading indicators from the Notaires suggest prices reached €8,800psm in July 2017, representing an annual price growth of 7%. In the prime market, prices have grown from a 2014 low, averaging between €12,000 and €17,000psm (depending on the area and the quality of the renovation). Exceptional properties are trading for between €20,000 and €30,000psm. Values in the 1st, 4th and 5th arrondissements have already exceeded their 2012 peak.



Tale of two cities Prime prices in Paris and London



Source Savills World Research, MeilleursAgents.com (1st, 4th, 5th, 6th, 7th, 8th, 16th arrondissements)

Foreign buyers decline

A historic city, Paris is characterised by apartments of the Haussmann era, with limited new development. Consequently, modern buildings with high levels of services and amenities (a type favoured by wealthy international buyers) are relatively rare in Paris. Pied-à-terre, larger apartments and mansions are sought after by French and international HNWLs. Family apartments are sold mainly to the French.

Foreign buyers accounted for 9% of prime Paris sales in 2016, down from a peak of 14% in 2008 (sales above €1m). The terror attacks have led some international buyers to postpone purchasing plans. Americans, who benefit from a strong dollar, dropped from 21% of foreign buyers in 2015 to 16% in 2016.

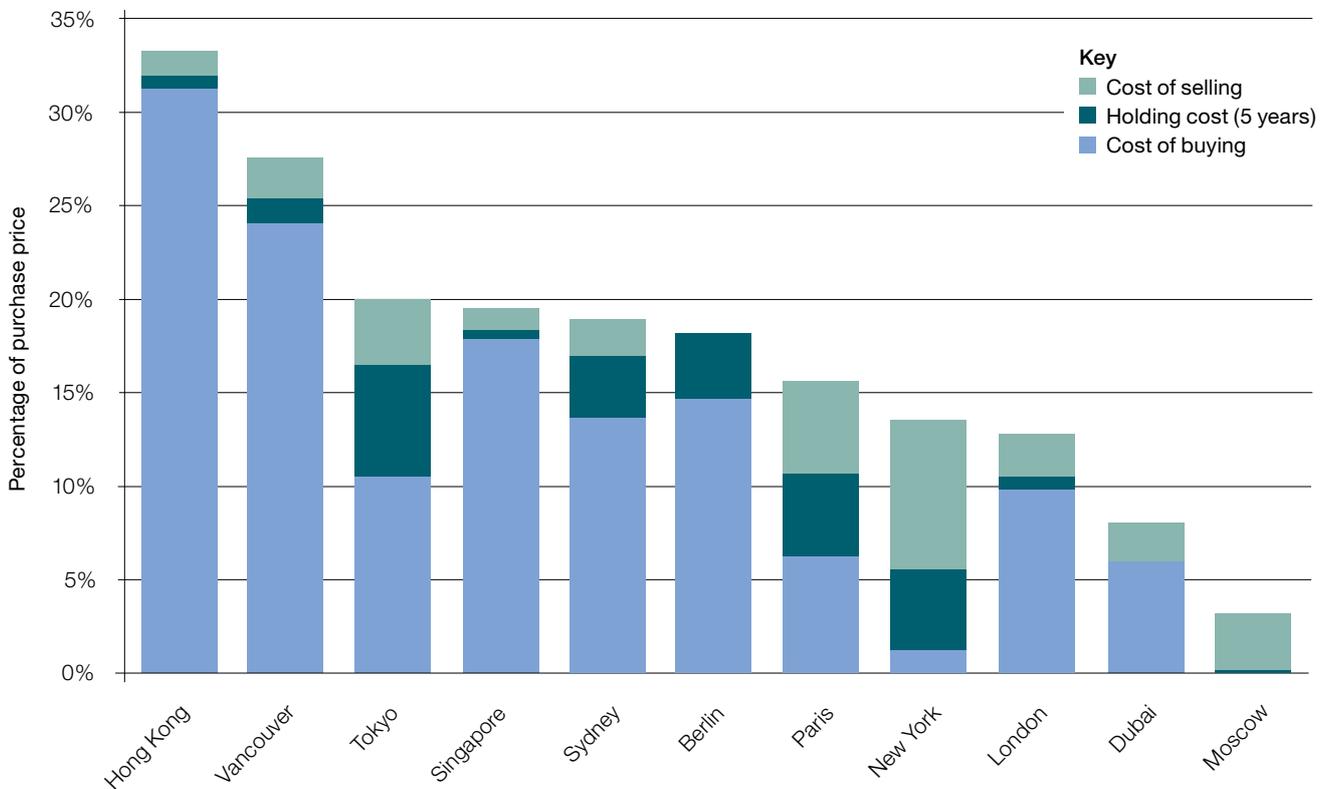
Other Europeans are the largest single foreign buyer group (39%), led by the British, Swiss and Belgians. Buyers from the Middle East and Asia are present in small numbers. The Chinese, a huge tourist group, have yet to make their mark as property purchasers.



Taxes and fees are not prohibitive

The perception of France as a high-tax location has weighed on the prime markets. But our analysis of buying, holding and selling costs in major world cities suggests this is unfounded. Property taxes and fees are, in fact, average by global standards (see below). Purchase costs, in particular, are lower than many rival cities. Hong Kong, Vancouver and Singapore all levy 15% stamp duty on foreign buyers (on top of existing stamp duties).

Buying, holding and selling costs in world cities Property taxes and fees in Paris are average by global standards, while purchase costs are lower than many rival cities



Source Savills World Research **Note** Scenario assumes a \$2 million property (or equivalent), foreign buyer holding for five years as an individual, not as main residence. Any capital gains are not included.

Market dashboard

€12,000-
€17,000

Average prime
price (psm)

€20,000-
€30,000

Average ultra
prime price (psm)

9%

Proportion of
foreign buyers
in prime Paris
in 2016

5.8%

Total annual
residential price
growth, year to
May 2017

Source Savills World Research, Notaires Paris-Ile-de-France

Political stability

Emmanuel Macron, the French president, and his commanding majority government, should mean a period of stability for the Parisian residential market. Reduced political risk in Europe coupled with pro-business reforms could result in renewed economic growth and stimulate the residential markets. The current Wealth Tax (ISF) is to be replaced by a tax on real estate wealth, 'Impôt sur la fortune immobilière' (IFI) in 2018.

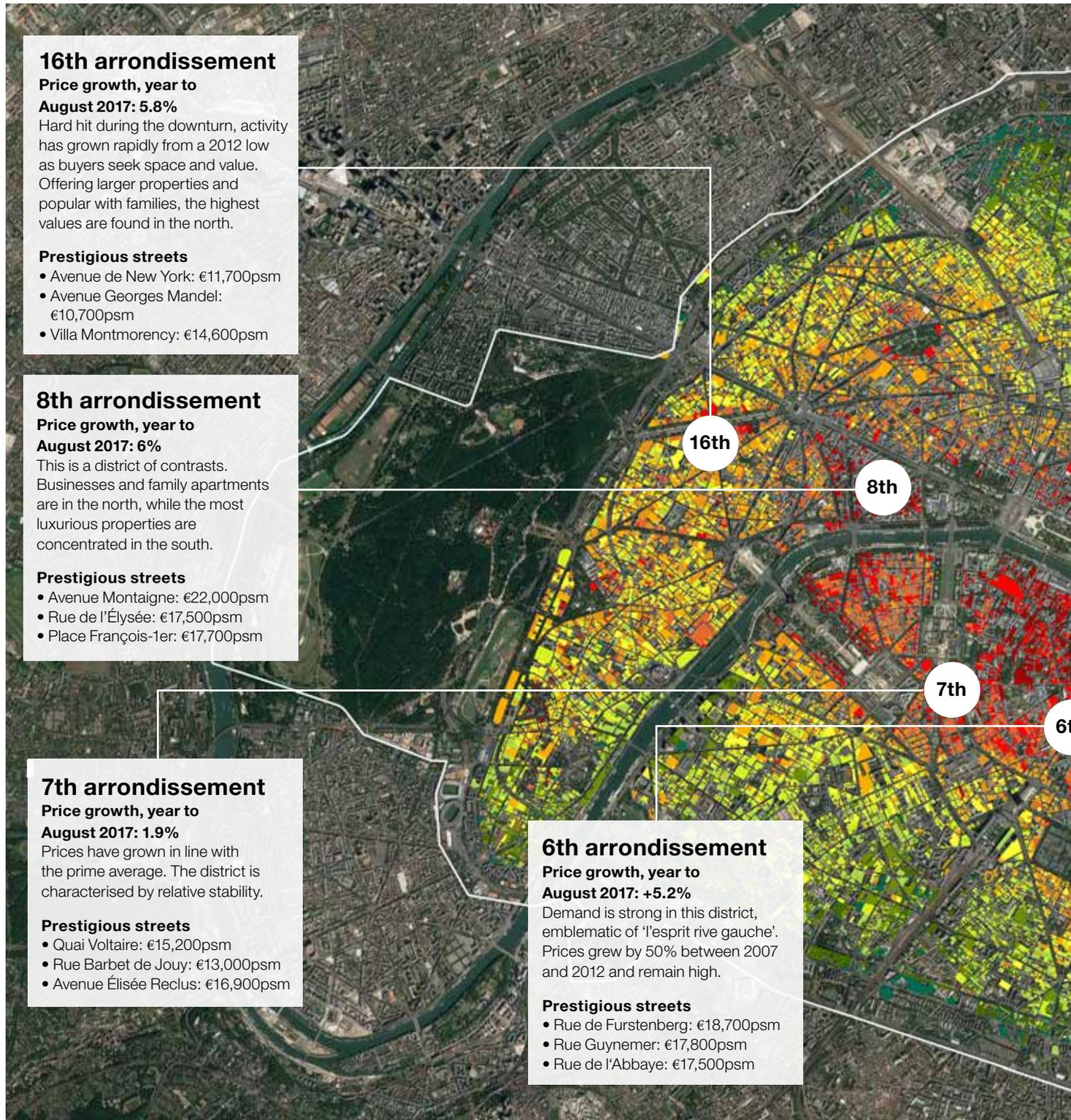
**The Airbnb capital of the world**

Paris is reported to have more Airbnb listings than any other city in the world. Rent caps are in place for new leases on standard apartments (not applicable if the property is let as a secondary residence). This has led many owners to let their primary residence on Airbnb, allowing them flexibility of use and higher rental returns. Fearful of implications on the wider rental market, there is now a four-month cap on Airbnb rentals, which must be registered with the city.

As a result of landlord restrictions, rental growth has been largely flat in the last five years. This is at a time when (until recently) capital values had been falling. This pushed out rental yields, which now stand at 3% for prime property, just below London and New York.

Prime arrondissement trends

Market intelligence on price growth and residential values in the capital's prime arrondissements



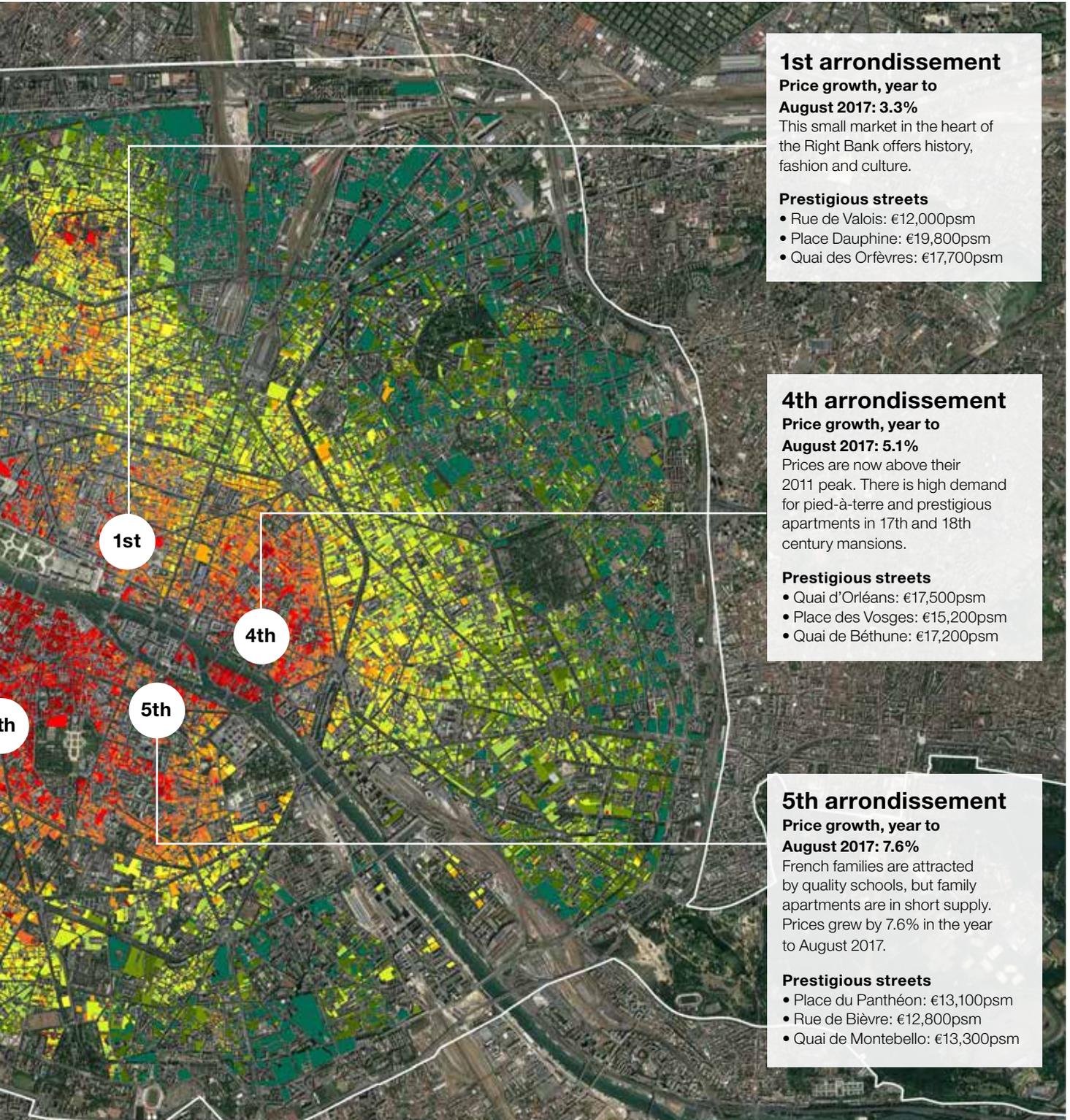
16th arrondissement
Price growth, year to August 2017: 5.8%
 Hard hit during the downturn, activity has grown rapidly from a 2012 low as buyers seek space and value. Offering larger properties and popular with families, the highest values are found in the north.
Prestigious streets
 • Avenue de New York: €11,700psm
 • Avenue Georges Mandel: €10,700psm
 • Villa Montmorency: €14,600psm

8th arrondissement
Price growth, year to August 2017: 6%
 This is a district of contrasts. Businesses and family apartments are in the north, while the most luxurious properties are concentrated in the south.
Prestigious streets
 • Avenue Montaigne: €22,000psm
 • Rue de l'Élysée: €17,500psm
 • Place François-1er: €17,700psm

7th arrondissement
Price growth, year to August 2017: 1.9%
 Prices have grown in line with the prime average. The district is characterised by relative stability.
Prestigious streets
 • Quai Voltaire: €15,200psm
 • Rue Barbet de Jouy: €13,000psm
 • Avenue Élisée Reclus: €16,900psm

6th arrondissement
Price growth, year to August 2017: +5.2%
 Demand is strong in this district, emblematic of 'l'esprit rive gauche'. Prices grew by 50% between 2007 and 2012 and remain high.
Prestigious streets
 • Rue de Furstenberg: €18,700psm
 • Rue Guynemer: €17,800psm
 • Rue de l'Abbaye: €17,500psm

Sources MeilleursAgents.com, Savills World Research



1st arrondissement
Price growth, year to August 2017: 3.3%
 This small market in the heart of the Right Bank offers history, fashion and culture.

Prestigious streets

- Rue de Valois: €12,000psm
- Place Dauphine: €19,800psm
- Quai des Orfèvres: €17,700psm

4th arrondissement
Price growth, year to August 2017: 5.1%
 Prices are now above their 2011 peak. There is high demand for pied-à-terre and prestigious apartments in 17th and 18th century mansions.

Prestigious streets

- Quai d'Orléans: €17,500psm
- Place des Vosges: €15,200psm
- Quai de Béthune: €17,200psm

5th arrondissement
Price growth, year to August 2017: 7.6%
 French families are attracted by quality schools, but family apartments are in short supply. Prices grew by 7.6% in the year to August 2017.

Prestigious streets

- Place du Panthéon: €13,100psm
- Rue de Bièvre: €12,800psm
- Quai de Montebello: €13,300psm



Paris outlook

Positive conditions

The election outcome has reassured foreign buyers, who are returning to market. More favourable economic conditions will fuel domestic demand.

Global growth

The prime Paris residential market has underperformed compared with its global rivals in the last five years. We expect a period of 'catch up' as demand builds for prime residential. Central Paris is highly land constrained so new build supply is rare.

Grand Paris

An ambitious new plan for the metropolitan region. A new administrative structure and expanded metro system will unite the city with its suburbs, improving connectivity and unlocking economic growth.

Brexit and Paris

Macron wants to attract banks and talent relocating from London. Dublin has emerged as Paris's main rival, but proposed plans to cut corporation tax could improve the city's competitiveness. Relocators would likely rent before buying, so impact on the sales market would be limited in the near term.

Savills World Research We monitor global real estate markets and the forces that shape them. Working with our teams across the globe, and drawing on market intelligence and published data, we produce a range of market-leading publications, as well as providing bespoke research services to our clients.

World Research

Yolande Barnes
 Director
 +44 (0)20 7409 8899
 ybarnes@savills.com

Paul Tostevin
 Associate Director
 +44 (0)20 7016 3883
 ptostevin@savills.com

Global Residential

Hugo Thistlethwayte
 Head of International
 +44 (0)20 7409 8876
 hthistlethwayte@savills.com

Savills France

Will Woodhead
 CEO
 +33 (0)1 44 51 73 21
 wwoodhead@savills.fr

Catherine Erith
 Residential Valuation
 +33 (0)1 44 51 94 35
 cerith@savills.fr

Agence Varenne

Hugues de La Morandière
 Co-founder Agence Varenne
 +33 (0)1 45 55 79 20
 hdelamorandiere@agencevarenne.fr

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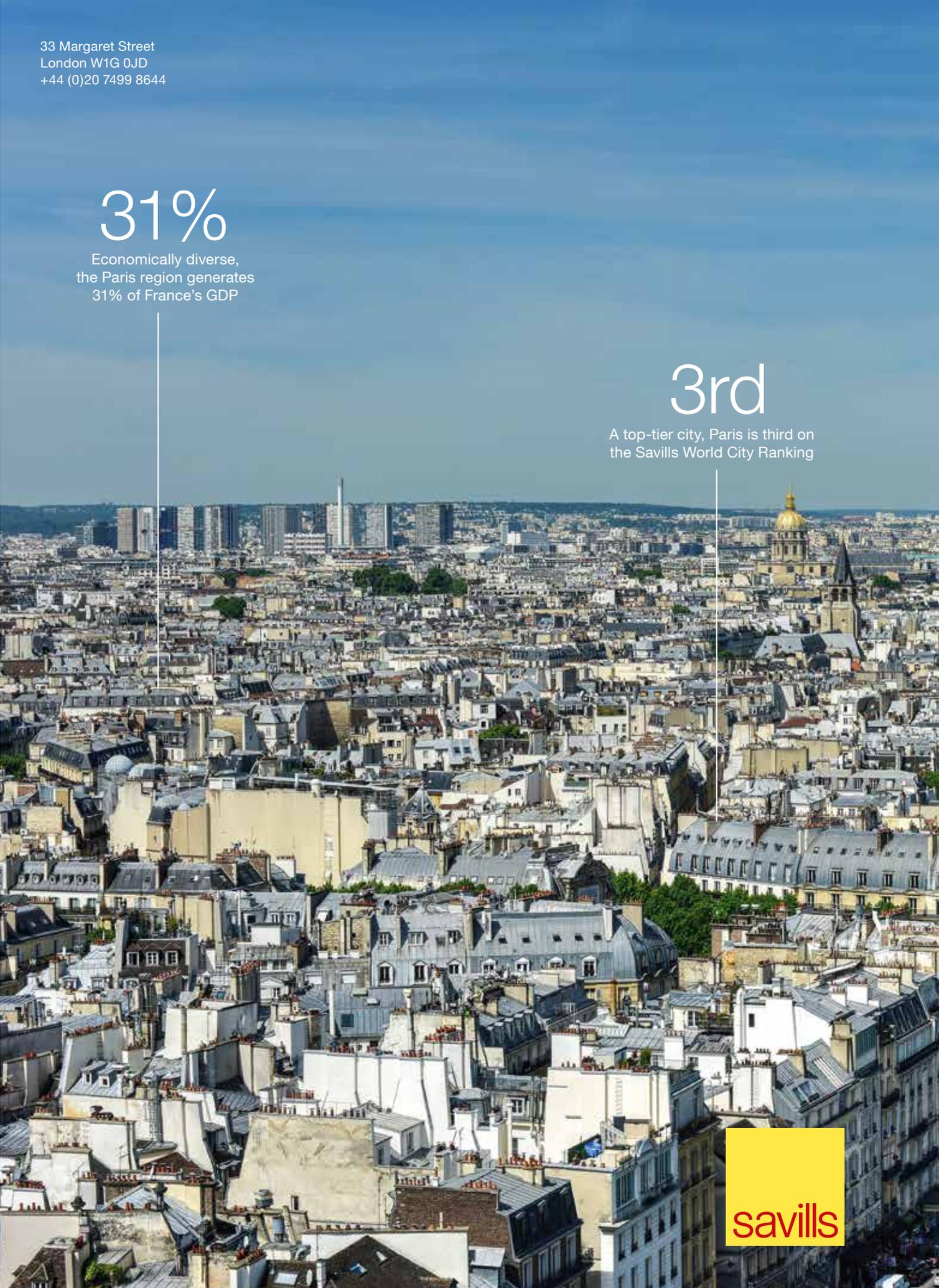
33 Margaret Street
London W1G 0JD
+44 (0)20 7499 8644

31%

Economically diverse,
the Paris region generates
31% of France's GDP

3rd

A top-tier city, Paris is third on
the Savills World City Ranking



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