

## Why Savills?

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 is a company that leads rather than follows, and now employs over 19,000 staff in 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

A unique combination of sector knowledge and entrepreneurial flair give clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation backed up with excellent negotiating skills. Savills chooses to focus on a defined set of clients, therefore offering a premium service to organisations with whom we share a common goal. The Savills name is synonymous with a high quality service offering and a premium brand, takes a long term view on real estate and invests in strategic relationships.

### SAVILLS FRENCH RIVIERA

The Savills French Riviera office, "Riviera Estates", was established in 2001 and is now one of the leading real estate agencies in the French Riviera covering all the key market places with offices in Nice (Headquarters), Saint Jean Cap Ferrat, Valbonne, Saint Tropez and Monaco through an independent Company based in the Principality "JCC Properties Monaco". The Companies provides traditional real estate services as well as targeted consultancy in the luxury residential segment to a range of international clients from Russia and neighbouring countries, the Middle East and most of European countries looking for professionalism, market since 1992.

## Services

Based in Berkeley Square in London's West End, the International Residential Department provides an extensive range of property services for international property owners and developers:

### Consultancy

Market research, concept development, urban and resort master planning, financial investment and structuring, programme management coordination, branding, sales and marketing services.

### Agency

Development sales and market services for international developments and resorts. This includes both on-site and off-site sales operations and global sales road-shows. Our Alpine Homes Division a leading specialist in the sales of ski property for pleasure and profit.

### Network

Individual and multi-unit property sales services through an international network of Savills and associate offices around the world. We also offer a bespoke off-market property sales service.

### Research

Knowledge of both local and international market dynamics, through Savills' global presence and research capabilities. Includes regular reporting on local market conditions and research reports tailored to clients' specific requirements.

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# Market snapshot The French Riviera



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Cover image: Monte Carlo  
View of Riviera villas

### Cote d'Azur Overview

For centuries, the Côte d'Azur or 'French Riviera' has been attracting the rich and famous, from British aristocrats and Russian nobles, to American movie stars and European artists. All are drawn to the Mediterranean sun, glistening blue waters, mountainous hinterland, and today, its image as a chic, "billionaires" playground. The Côte d'Azur forms the coastal area of the 'Provence-Alpes-Côte d'Azur' (PACA) region on the south eastern French Mediterranean coast. It consistently commands the highest priced residential property in the country, and is home to the majority of foreign-owned second homes in France.

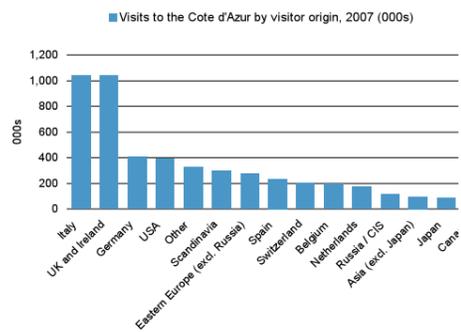
The adjacent Principality of Monaco has long been the choice of residence for high net worth individuals, where residents benefit from both the Mediterranean lifestyle, as well as an attractive fiscal environment. The diversity of the buyer market in terms of purchase motivation, nationality, and age and stage in life, coupled with the strength of the tourism sector, indicate longer term residential market sustainability. Currently however, buyers can find opportunities in one of the world's most sought-after locations at more moderate price levels.

### Tourism

**France is the most visited country in the world**, recording 82 million international tourists in 2007, with visitors from neighbouring countries, the UK, Germany, Benelux and Italy, leading the market. The Riviera has long been associated with elegance and style, hosting high-profile international events such as the Cannes Film Festival and the Monaco Yacht Show. With its strong tourism offer, including 200 private beaches, 15 spas, 21 golf courses, 36 marinas and 17 casinos (including five in Monaco), the Côte d'Azur hosts more than ten million visitors per annum, staying a total of 65 million tourist nights.

More than half of all visits to the Côte d'Azur are to the coastal cities Nice and Cannes. Approximately 50% of all visitors are international, with those from Italy (21%) and the UK and Ireland (21%) dominating the overseas visitor profile. On average, the Côte d'Azur area attracts visitors from 150 different countries each year, demonstrating its far-reaching appeal. The advent of budget airlines in the latter half of the 1990s led to a rise in short breaks in the French Riviera, particularly among British and Italian tourists.

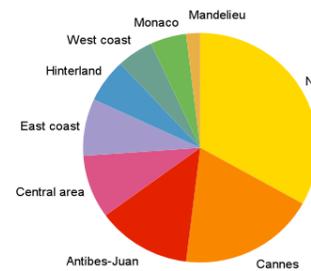
Figure 1. The Côte d'Azur attracts visitors from 150 different countries



Source: Touriscope CRT Riviera Cote d'Azur

Figure 2. Urban coastal areas Nice, Cannes and Antibes are the most visited destinations

Visits by location in the Cote d'Azur (% visits), 2007



Source: Touriscope CRT Riviera Cote d'Azur



Tourism numbers experienced robust increases in 2005-2006, but growth started to plateau in 2007-2008, owing to the global economic climate. Whilst the Côte d'Azur benefits from a highly developed, quality hospitality offer, approximately half of all tourist nights in the Côte d'Azur are spent either in second homes, or in homes belonging to friends and family.

Indeed, its attraction as a stable tourism destination, with strong visitor numbers; diverse international appeal; high level of repeat visitation, and excellent infrastructure and accessibility, underpins its strength as a second home investment location.

### Second homes

**There are almost three million second homes in France**, however, owing to the high propensity among the French to own a second home within the country, just 9% (260,000) belong to foreign owners. Coastal locations are the choice of most (39%) overseas second-home buyers in France.

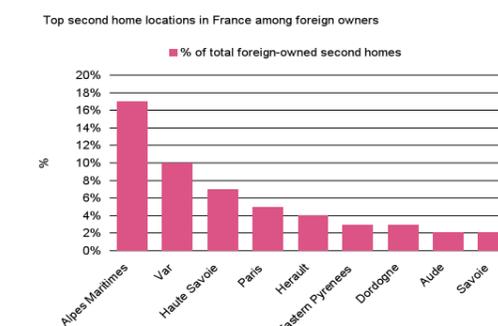
However, there are almost as many second homes in rural locations (37%), with a further 15% in the mountains and 9% in cities, such as Paris.

The Alpes-Maritimes (Nice, Grasse, Cannes, and Antibes) and Var (St Tropez, Toulon) départements on the Côte d'Azur, are the two most popular locations for foreign second home ownership in France. They account for approximately 17% (44,000) and 10% (26,000) of all foreign-owned second homes, respectively. Typically, British buyers dominate the overseas second home market in France, comprising more than a quarter (27%) of all non-resident owners.

They are followed by buyers from Italy, Switzerland and Germany. Given the Côte d'Azur's proximity to Italy however, it is the Italians who dominate ownership in the Alpes-Maritimes area, with more than half (53%), or 23,000 of all foreign-owned second homes. They are followed by Britons who represent 10% of owners, or more than 4,000 properties. At 29% the rate of foreign second home ownership here is considerably higher than the national average (9%).

Nonetheless, this still equates to 110,000 second homes in the area owned by French residents. These owners are split almost equally between those whose primary homes are

Figure 3. The Côte d'Azur has the highest proportion of foreign-owned second homes in France



Source: ODIT

also within the region, those living elsewhere in France, and Parisians. In the luxury market segment however, it is the British and Irish, German, Swiss, Scandinavian and Asian buyers who dominate purchasing activity.

Further, in recent years, there has been increased take-up in the luxury second home market among buyers originating from Russia and other areas of eastern Europe, including Ukraine and Kazakhstan. Typically, these buyers prefer modern properties, close to the sea, in locations such as Cap Ferrat, Cap d'Antibes and St Tropez, which tends to draw both celebrities and a younger crowd in general, seeking the beach and party lifestyle.

In contrast, the British, Irish and Scandinavians active in the top-end of the market, are typically attracted to older, 'provençal' properties near villages in the region. This mirrors the national trend, with almost 40% of foreigners buying properties that were built prior to 1915, emphasising the lasting appeal of traditional French.

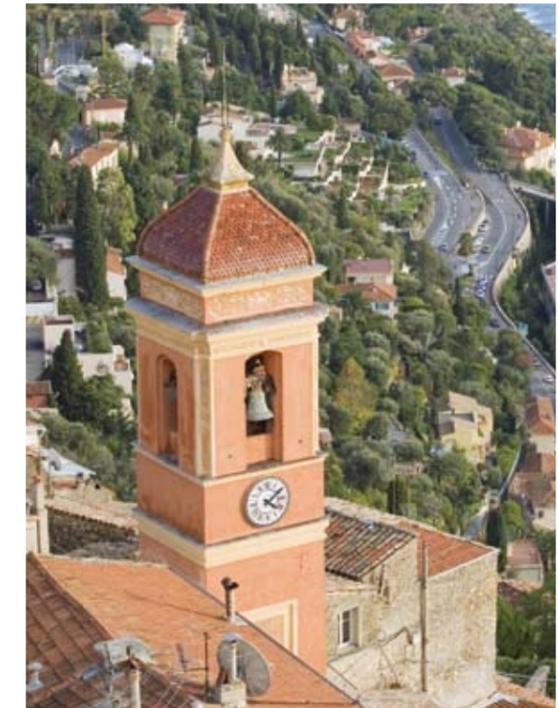
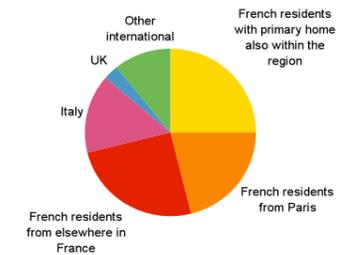


Figure 4. Italian and British buyers lead the overseas buyer market as a whole

Second home ownership in the Alpes-Maritimes departement (by address of primary residence)



Source: Touriscope CRT Riviera Cote d'Azur

Below: Cap Martin





Monaco

Opposite: St Tropez skyline

#### Supply and demand

**The Côte d'Azur offers both secluded, country locations as well as bustling, urban environments, with properties that reflect buyers' luxury lifestyles.**

Access to shopping, restaurants, nightlife, and importantly, the beaches is often essential to potential purchasers here. The Côte d'Azur also benefits from proximity to Alpine ski resorts and good international flight connectivity via Nice airport, making it highly accessible to international visitors.

The majority (60%) of foreign-owned second homes in France comprises houses, as opposed to apartments (40%). This trend is deeper in the luxury residential market around the Côte d'Azur. Typically, properties with a minimum of four ensuite bedrooms, a garden, garages, a pool and above all, sea views are most sought-after. Features often include wine cellars and staff quarters, and in larger properties, home cinemas and spas. Properties in this luxury segment can range in price from €2 million to as much as €30 million.

In the cities, such as Nice, Cannes, Villefranche and Beaulieu, centrally located apartments, with at least two bedrooms, extensive terraces and importantly, sea views, generate most demand. Properties in private gated communities have also been popular.

The Riviera generates broad-based home ownership appeal: It attracts not just one single demographic group, rather, buyers range in age from 35 to 70 years on average. They include young professionals, families and empty-nesters as well as those entering retirement.

Buyers also have diverse purchasing motivations: In addition to second home owners, there are also a high number of expatriate residents who have relocated to the area to benefit from its connectivity to other European cities for business purposes.

Indeed, among the one-million strong resident population of the Côte d'Azur (including the Principality of Monaco), approximately 120,000, or 12% are foreign nationals. The diversity of the Côte d'Azur's buyer market profile, coupled with its world-renown image and rich property stock, underpin the residential sector's long-term sustainability.





Riviera landscape

**Monaco**

While lifestyle buyers dominate the market in most of the Côte d'Azur, in Monaco, the majority of home purchasers are motivated primarily by the fiscal advantages and secure environment offered by residency in the Principality. Indeed, 78% of the 35,300 resident population comprises foreign nationals, led by the French, Italian and British. Notably, between 2000 and 2008, there has been a 43% increase in British residents in Monaco, now totalling more than 2,600 people.

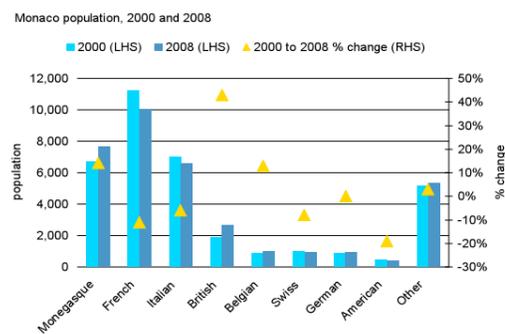
Those buying property here comprise a mix of young, expatriate professionals employed in the Principality; business people who relocate their families to Monaco for tax purposes; or high net worth individuals, seeking an efficient fiscal environment. Approximately a quarter of these residents are aged over 65 years.

Whilst young professionals typically seek compact units, such as studios, more affluent market segments tend to prefer larger apartments, of three bedrooms or penthouses. The private nature of many of these wealthy individuals means that the availability of 24-hour safety and security is

paramount when choosing a home. Elegant, sophisticated properties with sea views, affording access to all that Monaco's lifestyle can offer, are in high demand. The most sought-after location is the Golden Square in the Place du Casino, Monte-Carlo. This is followed by La Condamine (the main harbour), which is the most densely populated quarter; Saint Roman; Fontvieille and the old town, Monaco Ville.

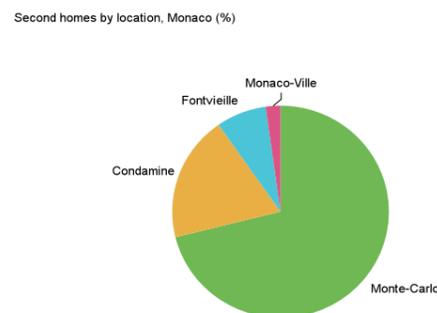
Since 1982 there has been a 22% rise in the number of properties used as primary homes in Monaco. Over this period, the number of second homes has diminished from 1,550 to fewer than 700 units, now accounting for just 4% of housing stock. More than 70% of these are located in Monte-Carlo, underlining its appeal. Insufficient buildable land in the Principality has led to plans to construct an offshore land extension. This will primarily comprise upmarket private residential property, demonstrating the anticipation of sustained high-end housing demand in Monaco.

Figure 5. High growth in British residents in Monaco



Source: 2008 census, Principality of Monaco

Figure 6. Monte Carlo is the most sought-after location



Source: 2008 census, Principality of Monaco

**House prices**

**Between 2000 and 2007, average house prices in France almost doubled.** Prices dipped significantly at the end of 2008 following the banking crisis and are now stabilising at approximately 8% below their peak value (Q4 2007). As a region, Provence-Alpes-Côte D'Azur (PACA) has consistently commanded the highest house prices and second highest apartment prices (behind the Paris region) in the country. However, in the last year, house and apartment prices here have fallen by 17% and 12% respectively, compared to 10% and 5% in the Ile-de-France (Paris) region.

Whilst all segments of the buyer market on the Côte d'Azur have been impacted by the international credit crisis, it is investors and developers relying on bank financing, who have been most affected. Purchasing activity slowed significantly in Q4 2008, and limited transactional evidence shows that prices in the luxury buyer segment have fallen by around 20% on average.

Since February this year, interest in high-end properties along the Côte d'Azur has picked up. Whilst there continues to be a thirst for property ownership in the area, be it for second home or expatriate purposes, buyers are now more discerning about prices. UK and Irish buyers in particular are currently less active in the market, owing to domestic financing conditions in both countries, and for the British, the unfavourable exchange rate. This has made way for a more diverse range of international buyers, keen to source lower-priced properties, in one of the world's most sought-after locations.

To some degree, because the French market comprises the key ownership base for second homes in the Côte d'Azur, and their purchases tend to be less geared than their Anglophone counterparts, the market has been protected. Now, whilst banks are more cautious, they are continuing to provide funding for second home purchases.

Potential home purchasers in Monaco have also chosen to wait for opportunities in the residential market. Because both buyers and rental tenants gain the same fiscal advantages through residency in the Principality, there is no pressure to enter the housing market during times of uncertainty.

This has led to low transaction activity, as vendors tend to remain unwilling to sell at reduced prices. Nonetheless, limited sales evidence shows that prices have started to decline: At the very top end of the market transactions that would normally achieve €100,000/sqm have been recorded at €60,000/sqm, indicating a 40% reduction. However, these high values continue to reflect the fact Monaco remains the preserve of the world's wealthiest individuals.

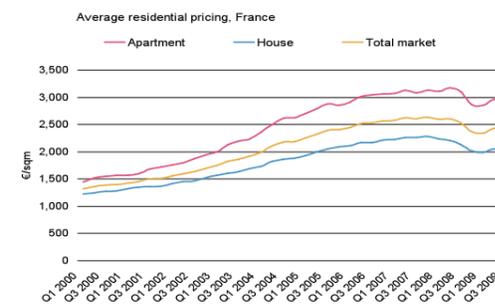
**Summary**

In line with global trends, 2009 is likely to remain a quiet year for residential property transactions along the Côte d'Azur, as buyers remain cautious over house prices and vendors continue to be reluctant to sell at lower prices. International organisations anticipate modest global economic growth to return during 2010. At this time, improved financing conditions and vendor and buyer confidence should support a rise in residential transaction levels.

As one of the world's top tourism destinations, with an elegant visitor profile and a solid image that has been generated over centuries, visitors will continue to flock to the Côte d'Azur to experience its colour and variety. Its rural and urban lifestyle opportunities, attractive housing stock, good accessibility and Mediterranean climate underpin its allure, thereby supporting longer term demand for both primary and second homes in the area.

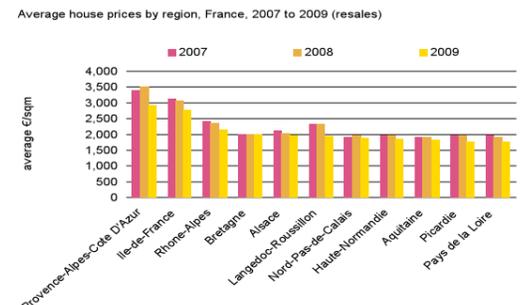
Currently, in the luxury market, high-end buyers are taking advantage of more moderate prices. Further, in this climate, for those seeking security and fiscal advantages, Monaco continues to offer an attractive environment to the global population of wealthy individuals. Indeed, price levels here remain some of the highest in the world, reflecting strength in long-term demand.

Figure 7. Negative growth but now stabilising



Source: FNAIM

Figure 8. The Provence-Alpes-Côte D'Azur region commands some of the highest prices in the country



Source: FNAIM, October 2009

