

# Paris



## How we define prime Paris residential

### Prime

Typically priced between €2 million and €4 million, or €12,000 to €20,000 per sq m, prime property is usually found in the 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 16th arrondissements – though it can be anywhere given the right neighbourhood.

### Ultra-prime

Typically priced over €4 million, or above €20,000 per sq m, ultra-prime covers the most exceptional properties in the prime arrondissements. They may have large outdoor spaces, be in buildings of the highest architectural quality, or have views over famous monuments.

# In 2020, Paris' prime market continued to show resilience, maintaining positive growth at a time when many other world cities saw price falls.

The Paris prime residential market has been one of the stronger performers globally in recent years. Limited supply, rising domestic and international demand, coupled with low interest rates drove prices to record highs following years of underperformance. The mainstream market has also performed well, with average prices increasing 35% in the past five years. In 2020, Paris' prime market continued to show resilience, maintaining positive growth at a time when many other world cities saw price falls.

Now in 2021, there are signs that the impact of the pandemic is starting to be felt in the wider market. Mainstream prices began to soften towards the end of 2020. Ongoing uncertainty around the shape of economic recovery, coupled with continued restrictions on international travel, mean the outlook for the coming year is weaker than in previous years.



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In the longer term, however, the outlook remains robust. As interest rates look likely to remain low, as they have been for several years, prime Paris property is especially attractive as a safe long-term store of wealth. The pandemic has caused many to reevaluate their property needs and, as in many cities around the world, this too is playing out in the Paris market. The search for more space, coupled with investment into transport infrastructure has boosted activity in Paris' outer arrondissements and suburbs.

Central Paris, nevertheless, has enduring appeal. The market for 2-3 bedroom apartments and well-located pieds-à-terre are current bright spots. Plans to reinvent many of the city's streets and outdoor spaces will further support the city's attractiveness in the years to come.

### Highlights

## 2%

Prime prices in Paris increased by 2% on average in 2020, proving more resilient than the prime markets of many other world cities. By comparison, Savills World Cities Prime Residential Index increased by 0.5% on average over this period.

## 6.8%

The Grand Paris project coupled with changing working habits, accelerated by the pandemic, are driving interest in the Greater Paris suburbs. Average prices in Hauts-de-Seine (department 92) increased 6.8% in 2020, set against 5.4% for Paris as a whole.

## 8.5%

The 5th was the best performing arrondissement in 2020 in terms of price growth. Average prices grew by 8.5% over this period, though seven of the top ten arrondissements for price growth in 2020 were outer arrondissements as buyers sought more space.

## -1.9% – <0%

In the near term, with international travel limited and ongoing uncertainty around the shape of economic recovery, prime prices are forecast to soften by between -1.9% and <0% during 2021.



# Transactions decline but price growth holds up in a turbulent year

## Transactions and prices

The coronavirus pandemic caused an unforeseen shock to the French housing market during 2020. Paris, like many cities around the world, experienced 'stop and start' regulations, where property viewings and transactions were partially or totally on hold for periods during the year.

Residential transactions in Paris as a whole consequently fell 16% below 2019 levels in 2020. Prices, however, increased 5.4% over the same period (although they started to soften towards the end of the year).

Transactions over €2 million fell by 15% in the year in Paris' prime arrondissements (1st–8th and 16th). As prices started to soften towards the end of 2020, prime values have so far proven more resilient (see chart).

Despite travel restrictions in place for much of the year, the share of international buyers purchasing over €2 million in Paris' prime arrondissements held steady compared with 2019, standing at 14% of transactions in 2020.

## Breaking the barrier of Paris' ring road

Deficient transport links have long left central Paris disconnected to the city's outer areas, and outer areas from one another. Property values outside of the ring road are also much lower than in the centre (see map on pages 8-9).

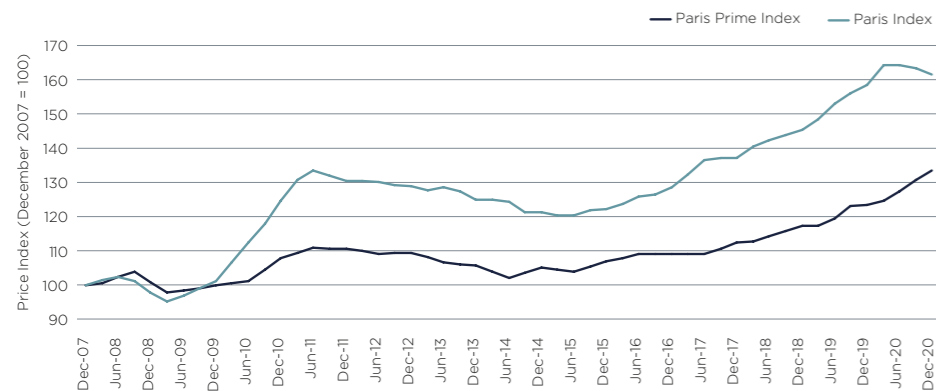
The Grand Paris project is helping to break down this barrier. Major infrastructure projects include new transport links and train stations, better connecting the wider Paris area and benefiting local housing markets.

Lifestyle and working habits have been dramatically altered by the Covid-19 pandemic, whether these changes remain long term is yet to be seen. It is likely, however, that more people will look to work from home more often than they did previously.

This is already driving demand for properties that offer more space. Outer areas, which offer good connections to central Paris, good schools and better value, stand to benefit.



Prime Paris vs all Paris price growth



Source: MeilleursAgents.com Note: Prime Paris prices: transactions over €2m across all of Paris.

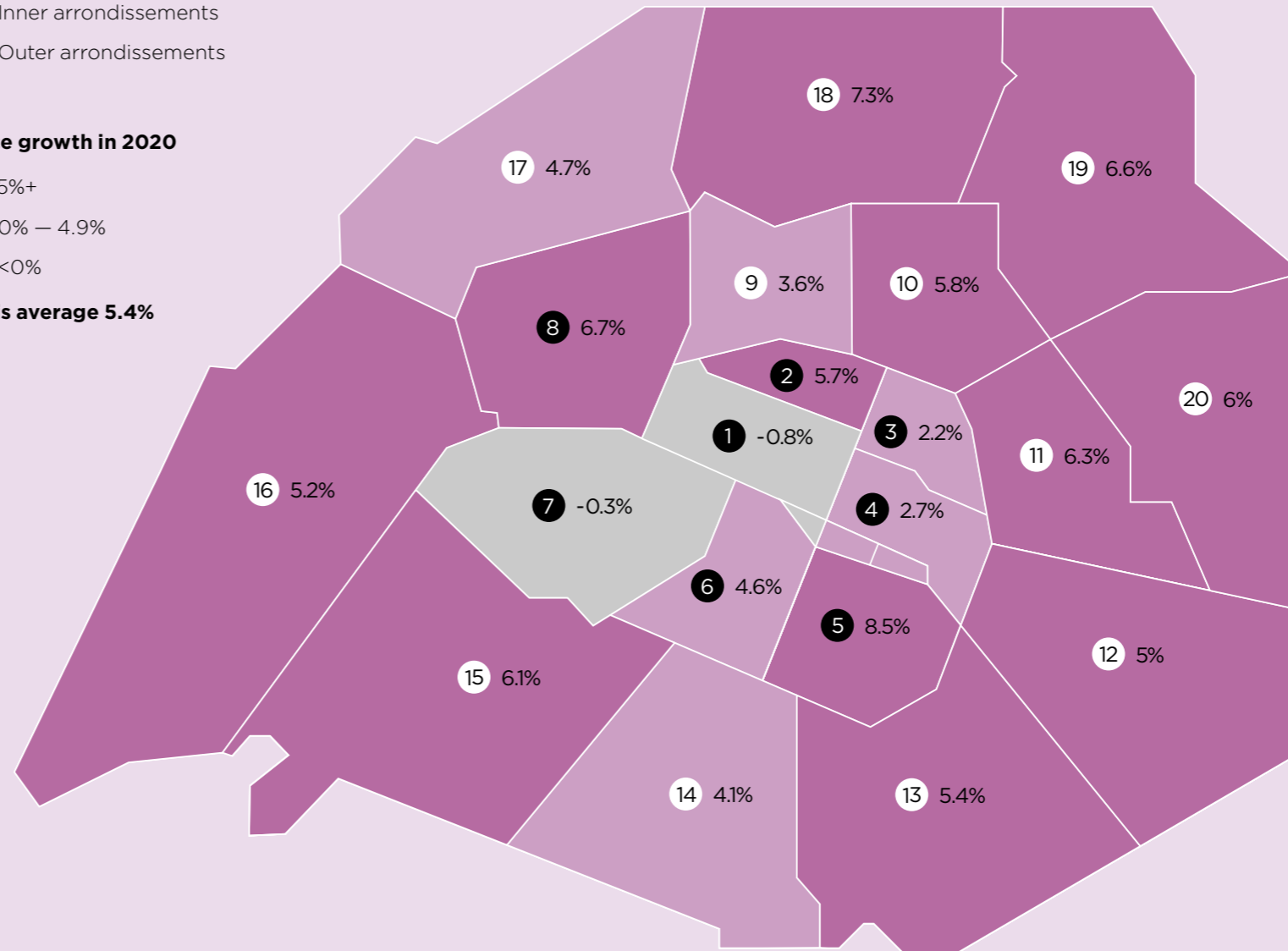
## Paris price growth by arrondissement

- Inner arrondissements
- Outer arrondissements

### Price growth in 2020

- 5%+
- 0% – 4.9%
- <0%

Paris average 5.4%



## Arrondissement highlights

The 5th arrondissement, which is popular with families due to its high concentration of well-regarded schools, recorded the strongest price growth in 2020, with values up 8.5%.

The strongest performing areas in the 5th were Jardin des Plantes and Val-de-Grace, where prices increased by 10.4% and 10.3% respectively. Both areas are close to green spaces, namely the Jardin des Plantes and the Jardin du Luxembourg.

In a year when all Parisians were spending more time at home, it is no coincidence that the strongest growth in 2020 was generally seen in the outer arrondissements where more space is on offer for better value. Seven of the top ten arrondissements for price growth in 2020 were mainly north and eastern arrondissements.

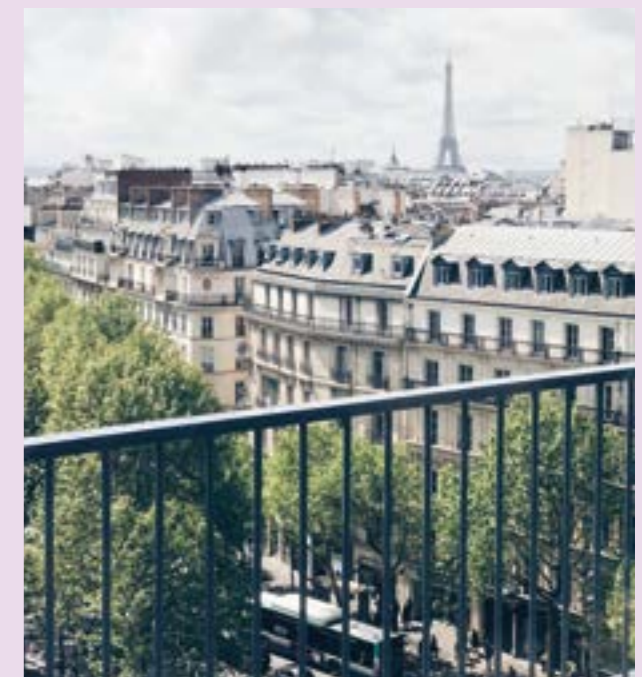
Property prices in the French capital's eastern arrondissements remain the best value. Average values in the 20th, for example, stand 13% below the Paris average as of Q4 2020.

Source: Savills Research using Chambre des Notaires des Paris

## Property types in demand

As people have spent more time at their homes since the pandemic, many have placed greater value on outdoor space. Analysis by Meilleurs Agents shows a terrace or balcony increases apartment prices in Paris by 8.4%. Good quality properties with these characteristics are in high demand.

In the case of central Paris, this has also resulted in demand for pieds-à-terre for buyers seeking a larger primary residence outside of the city while retaining a centrally located secondary property. Larger apartments have been in demand too as people look to maximise their living space and add space to work remotely.





# Paris' prime market proved more resilient than most in 2020

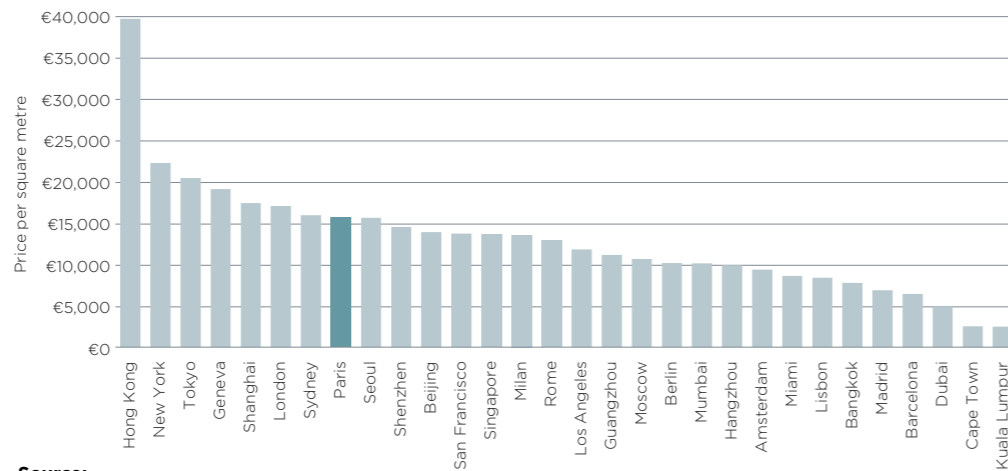
## Paris still offers value on a global stage

The prime residential market in Paris has experienced strong growth in recent years. Limited supply and growing international demand saw prime prices in the French capital undergo a period of catch-up with other world cities, rising by 25% in the last six years, at a time when London's fell by 17%. Prime values in Paris now stand just 8% below those of prime London as of December 2020, compared with around 40% below six years earlier.

Resilience continued into 2020, despite the impact of Covid-19. Work and lifestyle habits have had to adapt because of the pandemic, but the prime residential markets have so far proven one of the more resilient real estate sectors. Savills World Cities Prime Residential Index recorded average annual growth of 0.5% in 2020. Prime values in Paris increased by 2% over the same period, outperforming the index average (see chart to right).

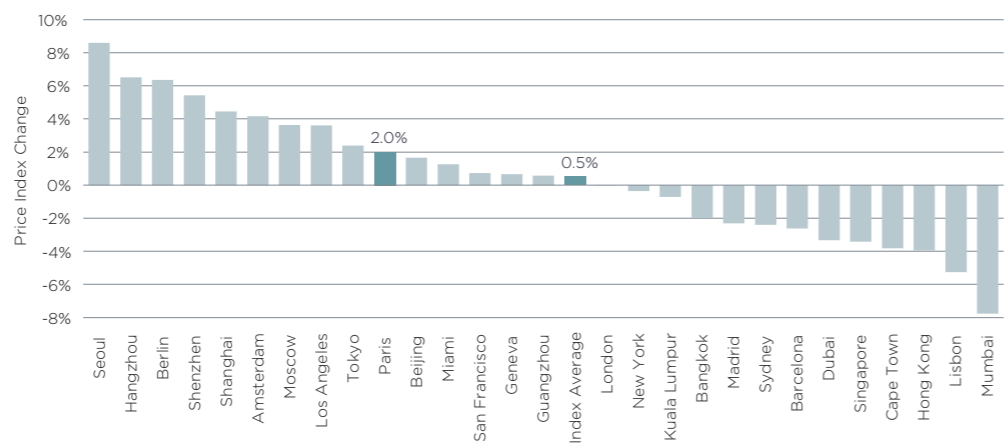
Despite this growth, prime residential property in Paris still offers value in a global context. Average prime values stand at €15,600 per sq m as of December 2020, 60% below Hong Kong - the most expensive city in the world for prime residential property.

**Prime residential capital values in world cities**  
(December 2020)



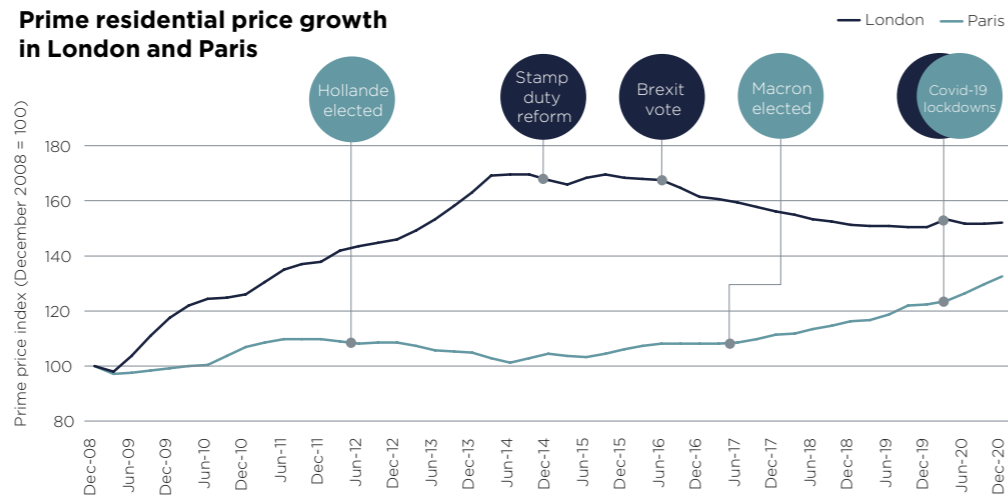
Source: Savills Research

**Prime capital value growth in 2020**



Source: Savills Research

**Prime residential price growth in London and Paris**



Source: Savills Research, MeilleursAgents.com Note: Prime Paris prices: Transactions over €2m across all of Paris. Prime London prices: Savills All Prime London Index

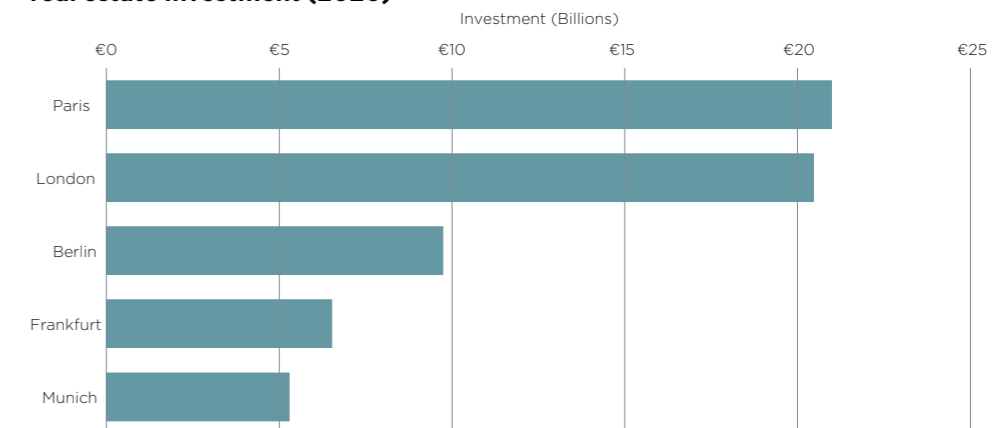


## Investor appeal

Supported by low interest rates, prime Paris property is an attractive asset for wealth preservation. This is a factor not limited to the prime residential market. For institutional investors, the French capital's commercial real estate market (comprising the office, retail, industrial, multifamily and senior housing sectors) has remained appealing.

Paris was the largest European metro market for commercial real estate investment in 2020 for the second year running, ahead of London.

**Top European cities for commercial real estate investment (2020)**



Source: Savills Research using RCA



## Key markets for prime and ultra-prime property

From established luxury areas to the western suburbs, the top end of the market continues to be active

### The enduring appeal of Central Paris: 1st-8th arrondissements

Transactions over €2 million across the central arrondissements fell by 19% in 2020, but the central prime arrondissements still account for the majority of prime and ultra-prime transactions; making up 58% of transactions in Paris over €4 million in 2020.

Major sales were also seen last year, led by best-in-class properties, notably those offering outdoor space.

The pandemic has led many to reassess what makes a location appealing. Cities need to ensure they remain relevant as attractive places to live, work and play.

Paris is arguably at the forefront of this, as the birthplace of the 15-minute city concept. At the heart of this is more integrated neighbourhoods, as well as greener, less vehicle-dependent urban areas. This concept is now gaining more traction as discussion turns to what the future of our cities will look like in a post-Covid world.

Major roads have been shut off to traffic entirely and there are plans to transform the Champs-Élysées into a multi-use green space to better accommodate traffic and pedestrians. Such plans will ensure central Paris' appeal as a place to live continues for years to come.

58%

The central prime arrondissements still account for over half of Paris' transactions over €4 million in 2020.

15

Paris is the birthplace of the 15-minute city concept.

### 16th and 17th arrondissements

The city's western arrondissements were already appealing locations prior to the pandemic, but it has further boosted their appeal as buyers sought larger properties. In the 16th, the number of transactions over €2 million fell by only 8%, compared to a fall of 15% across all of Paris' prime arrondissements.

The 16th and 17th are sought after for their high quality Haussmannian buildings and private mansions. A notable transaction last year was Snapchat boss Evan Spiegel and model Miranda Kerr's purchase of a 1,000 sq m mansion house in the 16th for €25 million.

In the 17th arrondissement, areas such as Les Batignolles offer village-like living close to central Paris that contrasts with large apartments and private mansions found around the Parc Monceau.

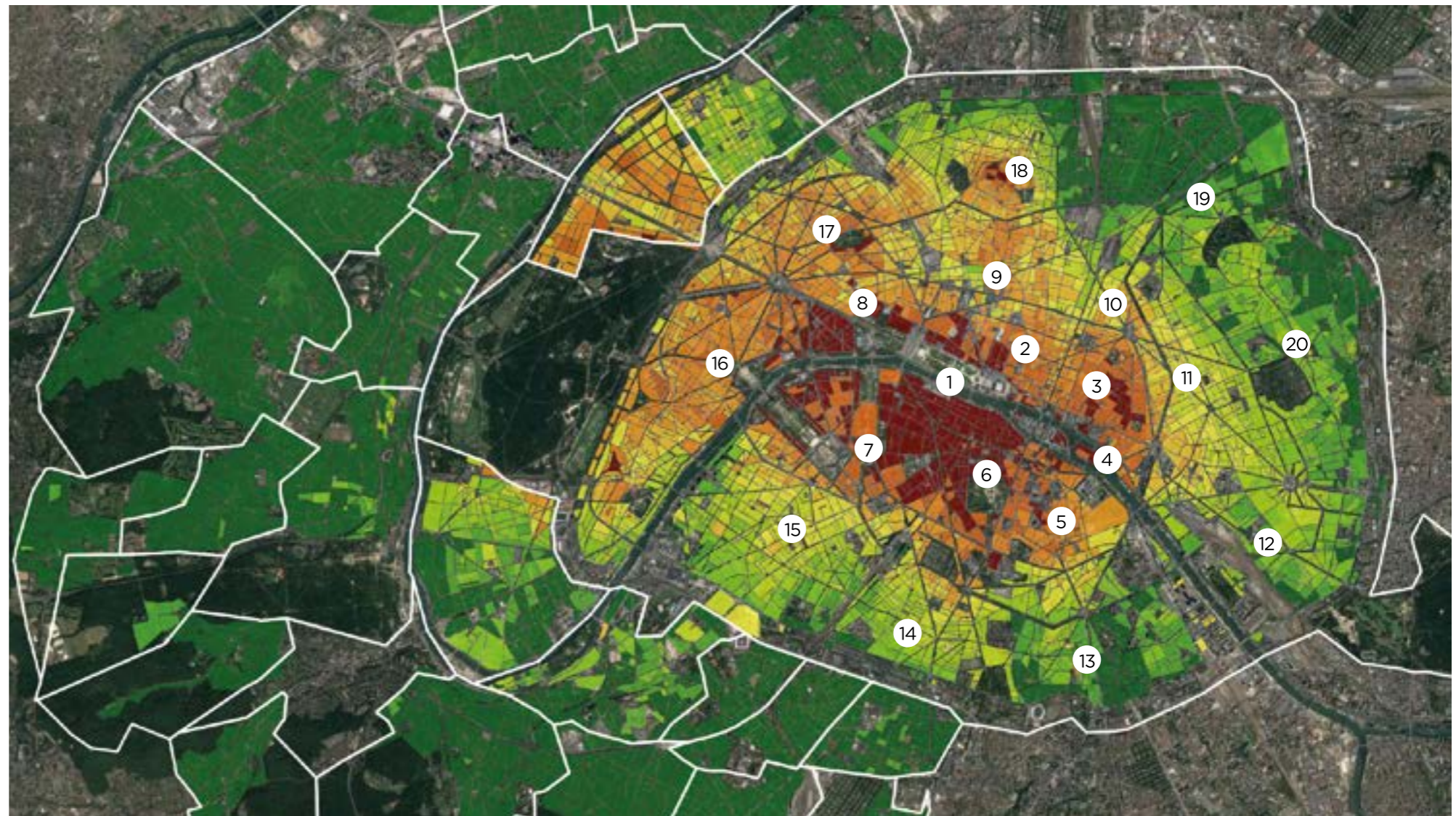
31%

of transactions above €2 million in Paris were recorded in the 16th last year.

### Price (€/m<sup>2</sup>) March 2021

- < 8,900
- 8,900 – 9,500
- 9,500 – 10,000
- 10,000 – 10,400
- 10,400 – 10,800
- 10,800 – 11,200
- 11,200 – 11,600
- 11,600 – 12,100
- 12,100 – 12,800
- 12,800 – 14,100
- > 14,100

Source: MeilleursAgents.com



### The western suburbs

Further out to the west, the Hauts-de-Seine (department 92) is benefiting from the new Line 15 of the Grand Paris project. The first tranche of which is due to open in 2024. A total of 15 new stations are to be built within the department.

Areas around these new stations are already benefiting. In 2020, average prices for properties proximate to Grand Paris stations in Hauts-de-Seine increased by 6.2%, compared to growth of 4.3% in the wider area, according to Meilleurs Agents.

In the case of Nanterre La Folie prices increased by 12.8%, well above the local area growth of 5.7%. Offering value for money, prices here are much lower on average than in Paris (see map below).

The department has seen transactions over €1.5 million increase by 2% in 2020. Neuilly-sur-Seine saw the highest number of transactions above this price point in the department.

Transactions over this price point have seen an even greater increase in Yvelines (department 78), up 4% from 2019. Average prices in Yvelines have increased by 4.7% over the same period, standing at €4,110 per square metre.

Versailles is one of the higher value areas in the department, here average prices stand at €6,340 per square metre. The area saw the highest number of transactions over €1.5 million in Yvelines in 2020. Versailles will also be served by the Grand Paris project (Line 18). With prices 40% below the Paris average, it still offers value.



6.2%

increase in average prices for properties proximate to Grand Paris stations in Hauts-de-Seine in 2020



## Enduring appeal

Price growth in Paris' prime residential market is expected to slow in 2021. The French capital's appeal is, however, expected to endure.

### Supply and demand in the mainstream market

Data from Meilleurs Agents shows mainstream prices have started to soften across Paris. The question is whether prices will follow transactions and experience more substantial falls.

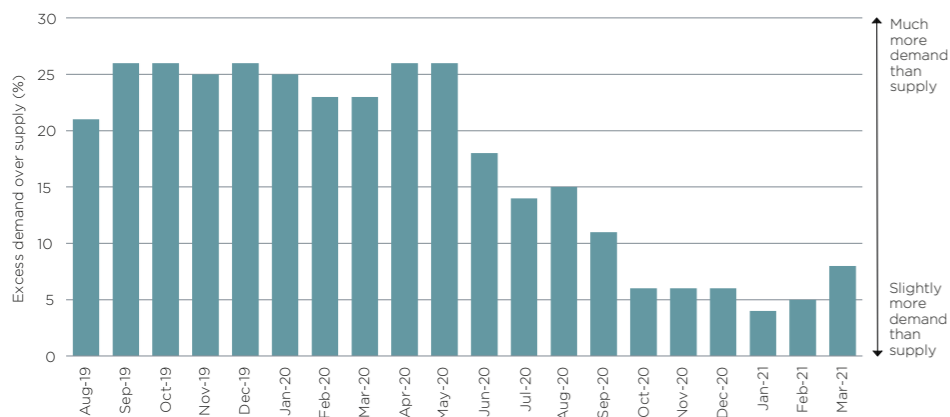
There are opposing factors at play. Uncertainty over employment and economic conditions may dampen sentiment over the coming year.

The ultra-low interest rate environment, however, makes mortgages affordable to purchasers.

Meilleurs Agents' ITI score (L'Indicateur de Tension Immobilière) measures the balance between demand and supply in the market.

As of March 2021 the ITI for Paris indicated slightly more demand than there is supply in the market. However, this has come down significantly since the pandemic (see chart).

**Paris ITI:** demand continues to outstrip supply, but the gap is narrowing



**Source:** MeilleursAgents.com Note: The ITI measures the balance of power between demand and supply in an area and at a given time. A positive ITI indicates excess demand over supply.

### 2021 prime residential outlook

#### Prime prices to soften

With international travel restricted in the near term, along with ongoing uncertainty around the shape of economic recovery, we forecast prime prices to soften over 2021; falling between -1.9% to <0%.

This compares to an average forecast growth of 1.6% across our 30-city Prime World Cities index average, but it is on par with a number of other European capitals, including Lisbon, Madrid and Rome.

#### A long-term store of wealth

Prime property in land-constrained central Paris remains finite and is viewed by many as a safe, long-term store of wealth. Low interest rates make real estate an attractive investment and will help underpin demand.

#### Paris is growing

Prime Paris is expanding beyond the historic core. Infrastructure investment and the drive for more space will further support growth beyond the city's limits.

#### Luxury living is evolving

With greater emphasis on outdoor space, health and environmental credentials, what constitutes luxury living is evolving. The definition of prime property is now expanding to incorporate outer areas too.



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