



REPORT

Savills Research

Prime Residential - 2020

Paris



Shining on the world stage

The prime market in Paris has emerged as a bright spot globally. Prices have risen at a time when the prime residential markets of many other world cities have stalled. Concentrated within the capital's historic centre, prime Paris property is viewed as a safe, long-term store of wealth. To international buyers, values are still attractive by global standards.

The city's residential market is currently benefiting from an alignment of factors that have driven domestic demand and boosted its international appeal. Domestic reforms under President Macron, low interest rates and a stable economy are some of the factors fuelling growth.

In the rental market, city-wide caps are now in place. Nevertheless, rentals remain attractive, particularly short-term lets, due to the size of

the tourist market and the ability to generate income in a low interest rate environment.

Growth is being led by new areas as the prime market expands. The gentrification of the 9th and 10th arrondissements has seen these areas outperform. Strong demand for the 'villages' of Batignolles and Montmartre, together with up-and-coming areas such as South Pigalle, have emerged as notable hotspots.



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Summary

Strong growth as other cities slow

Prices in the prime arrondissements increased by 4.4% in the 12 months to September 2019.

The prime market has expanded to emerging arrondissements, such as the 10th. This district recorded the strongest growth in the year to September 2019.

Mansion houses are in strong demand. In the last four years, more than double the number of transactions were recorded than during the previous 10 years.

The prime markets of Paris have recorded among the strongest performance globally, at a time when the prime markets of many other cities have slowed.

City-wide rental caps are now in place, while the local government has implemented stricter regulation on short lets. Nevertheless, the rental market remains attractive.

We expect the period of price catch-up to continue, but for price growth to moderate in the near term.

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 €20,000 per sq m, ultra-prime covers the most exceptional properties in the prime arrondissements. They may have special views, large outdoor spaces or located in buildings of the highest architectural quality.

Prime Paris continues on an upward trend

Residential prices are still rising, with growth being led by new areas as the prime market expands

Price growth and hotspots

In the 12 months to September 2019, property prices in the prime arrondissements grew by an average of 4.4%. This compares with growth of 6.1% across Paris as a whole. The rate of growth in the prime market has slowed as vendor price expectations have risen, while the average time a property spends on the market has increased from 43 to 54 days. As prices have risen, purchasers have become more cautious, while vendors are holding out for the best deal.

Domestic buyers accounted for 84% of all purchasers in the prime market during the first three quarters of 2019. International buyers, making up the remaining 16% of purchasers, are up slightly from the 15% share recorded in 2018. Buyers from the Middle East, the US and a range of European countries are all active.

The 10th was the city's best-performing arrondissement in 2019, recording annual price growth of 9.7% in the 12 months to September 2019. Among the core prime arrondissements, the 6th saw the strongest growth over this period, with values increasing by 9.1%. The 2nd was the only arrondissement to see prices fall during this period, with a -1.0% change.

Mansion houses and turnkey apartments in demand

In a city characterised by apartments, mansion houses (*Hôtel Particulier) are a small but increasingly in-demand part of the market. In the past four years, more than double the number of mansion house transactions were recorded than during the previous decade, around 30 in total.

Mansion houses are particularly desirable in central Paris, providing owners with outside space and their own front door. Most of the recent transactions have occurred in the 7th arrondissement, including a record sale close to €40,000 per sq m in the first half of 2019.

International buyers are driving demand for fully furnished, professionally managed apartments with concierge services. In response, developers are redeveloping buildings, or individual apartments, to match the high specification and amenities found in the prime residential segment of other top-tier world cities.

The appeal of the western suburbs

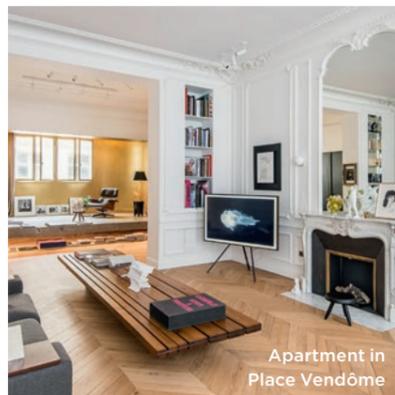
Prime Paris is expanding, and the western suburbs have benefited as buyers seek more for their money. The considerable increase in prices in central Paris, along with improved infrastructure from the Grand Paris project, is helping to break down the barrier of the ring road. After Boulogne-Billancourt and Neuilly-sur-Seine, other municipalities renowned for their parks and quality of life, such as Saint-Cloud, Meudon, Sèvres, Versailles, Saint-Germain-en-Laye, Vaucresson and Ville d'Avray, are becoming more popular with families looking for beautiful homes, gardens and wellbeing.

Traditionally, families kept an apartment in Paris and a second home in the countryside. However, a growing tendency to live in one place is driving more people to the western suburbs, commutable to the city centre, namely departments 92 (Hauts-de-Seine) and 78 (Yvelines). These areas also attract expat buyers thanks to their international schools.

In the 12 months to September 2019, department 92 saw price growth of 4.4%, while department 78 saw growth of 1.0%, although areas within the department located closer to Paris experienced higher growth. Both have also recorded a rise in transactions over €2m, up 2.4% and 9% respectively, compared to the same period in 2018.



The 10th arrondissement



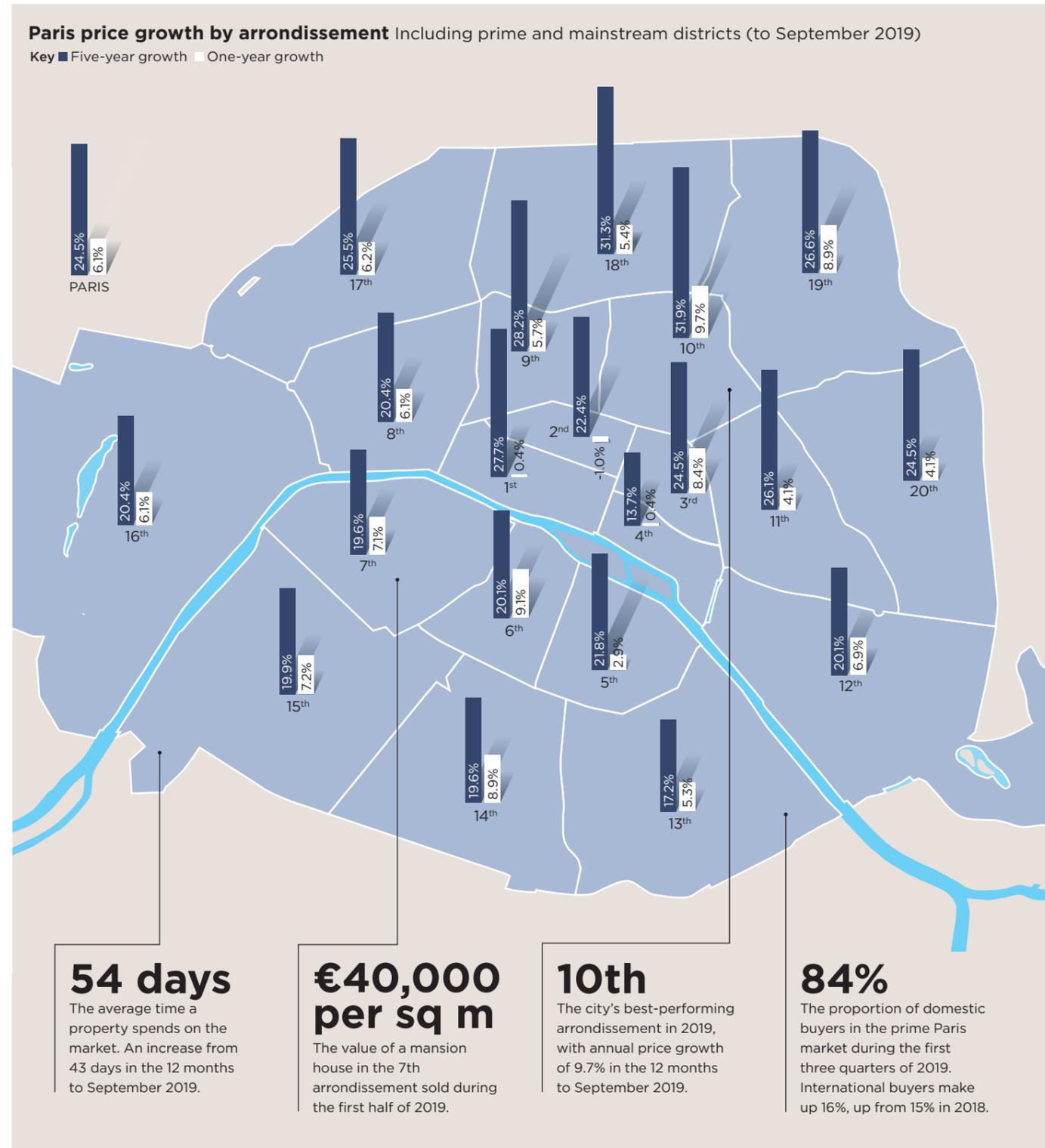
Apartment in Place Vendôme



Parc de Montretout, Saint-Cloud

Note *A large and luxurious residence in an urban setting, with a courtyard and private garden

👉 International buyers are driving demand for furnished, professionally managed apartments with concierge services 👈



Source Savills Research using Chambre des Notaires de Paris, Meilleurs Agents, Savills France

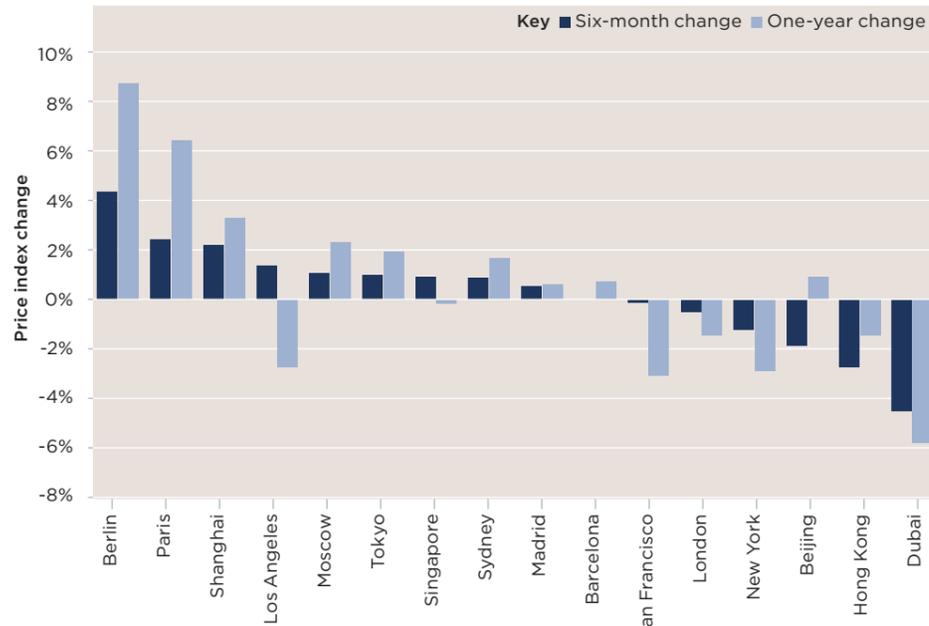
Paris in perspective

The prime markets of Paris have continued to grow at a time when those of many other world cities have slowed

Paris price growth
During the 12 months to December 2019, the Savills World Cities Prime Residential Index remained flat with 0.1% growth, the slowest combined growth in value recorded since 2009. Global economic uncertainty and other factors weighed on demand and price growth in the leading global centres. Paris, however, is bucking the trend. Price growth was second only to Berlin, as low supply levels and growing demand from domestic and international buyers pushed prices up in both cities.

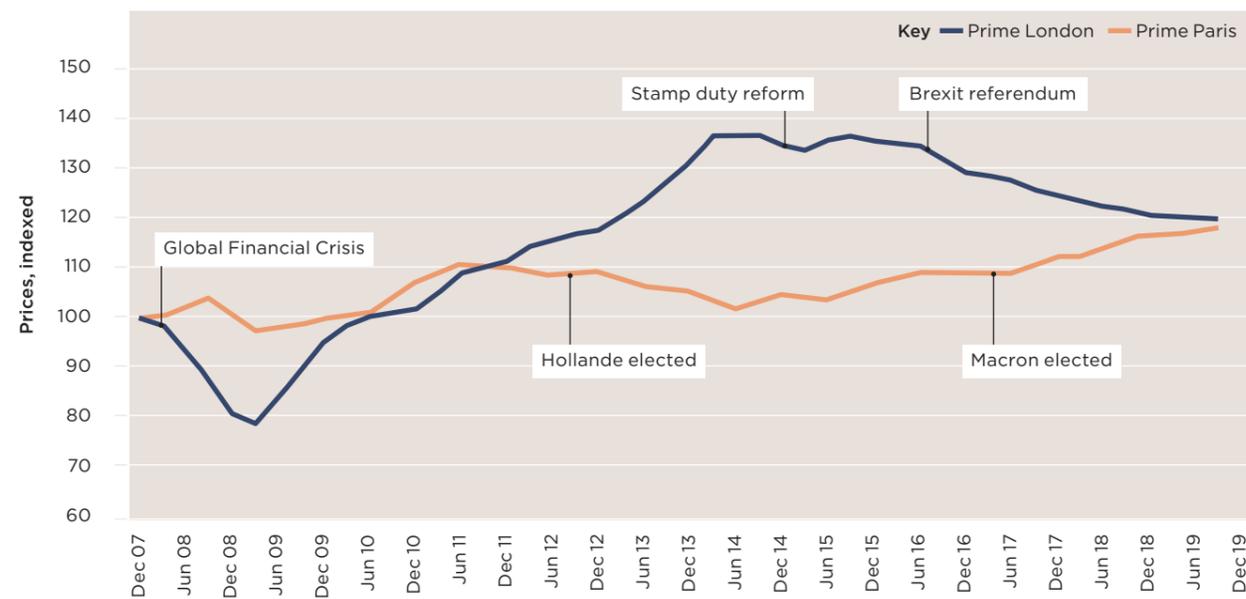
Prime residential price growth in global cities

Berlin and Paris are bucking the trend



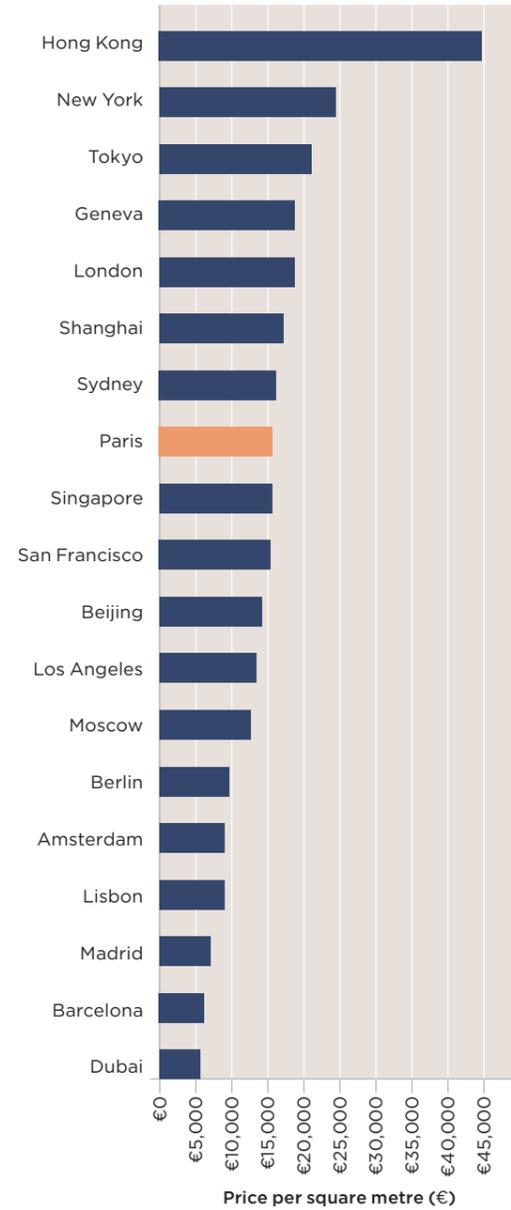
Note Prices to December 2019 Source Savills Research

Prime residential price growth in Paris and London



Note Prime Paris prices: transactions over €1.8m across all of Paris. Prime London prices: Savills Prime London Index Source Savills Research, MeilleursAgents.com

Prime league of top-tier global cities



Source Savills Research

Value on a global stage

In spite of recent price growth, prime property in Paris still offers value on a global stage. Prime residential prices are 66% lower than those in Hong Kong, the world's most expensive residential market. The French capital also ranks below the likes of New York (37% lower), Tokyo (27% lower) and is 17% cheaper than London (see chart above).



The rental market

Legislation and rent caps have not slowed investor interest in the Parisian rental market

Following a decree signed on 5 April 2019, Paris reintroduced city-wide rent caps after a two-year break. Similar to the previous restrictions, the city determines a reference rent for each area and landlords are not able to charge more than 20% above this price. The rent can be increased, or decreased, dependent on the number of rooms, age of the building and characteristics of the building. Apartments, for example, with specific features, such as a view over Parisian monuments or a balcony, are able to go over the rental cap limit. Residential leases are set for a period of six years if the landlord is classed as institutional, or three years if the landlord is a private individual, which is the standard lease term in France. In this period, the tenant is free to give notice, while the landlord cannot, except in certain circumstances.

Civil leases do not have such stringent restrictions. Many high-end apartments are rented on a civil lease with a fixed term and rental level agreed between the landlord and tenant. Furnished properties have a standard minimum lease contract of one year, giving greater flexibility for landlords.

Gross prime inner city yields for Paris stand at 3.1%, lower than New York at 4.0%,

but higher than those of Hong Kong and London at 2.1% and 2.8% respectively.

Short lets

Paris is the second most-visited city in the world, attracting more than 19 million international overnight visitors in 2018. The short-let market in Paris has boomed along with the rise of platforms such as Airbnb.

Concerns that short lets are contributing toward the city's housing shortage have caused local government to implement stricter regulation on the market. Short-let hosts in Paris are required to register with the city hall. Primary residences can be let for a maximum of 120 days a year.

Prime residential market trends

From traditional hotspots to vibrant areas of regeneration, we highlight the best performing and up-and-coming areas across prime Paris



Up-and-coming areas near transport hubs such as Gare du Nord and Gare de l'Est have seen some of the best price performance in the past year

The unrivalled Left Bank 6th and 7th arrondissements

Most prestigious streets Place Saint-Sulpice, Rue du Bac, Rue de Varenne

The two highest-value districts in Paris have seen prices outperform Paris as a whole, with values rising by 9.1% in the 6th arrondissement and 7.1% in the 7th arrondissement in the year to September 2019. They encompass historical and sought-after areas such as Saint-Germain-des-Prés, Odéon, Invalides and Champ-de-Mars.

These arrondissements attract both foreign buyers looking for pieds-à-terre in the historic centre of Paris, along with expats and families seeking good schools. Some of the highest prices are commanded by mansion houses with gardens – a large proportion of the city's houses are found here.

'Esprit de Village' 17th and 18th arrondissements

Most prestigious streets Rue Legendre, Place Charles Fillion, Avenue Junot

As more buyers and renters are drawn to the convenience of village life in the city, the appeal of the 'urban villages' of the 17th and 18th arrondissements have risen. This has boosted values across these arrondissements as a whole, which have risen faster than the prime average.

Les Batignolles, in the 17th arrondissement, is a village-like district characterised by 19th century churches, cafés, bakeries and restaurants with open terraces. The area has become popular among young professionals and families, and the local city hall has had to open new schools in response. The 18th's Montmartre is a world-famous village in demand, with tourist attractions, bohemian residential areas and shops.

Vibrant regeneration areas 9th and 10th arrondissements

Most prestigious streets Place Saint-Georges, Rue d'Aumale, Rue Beaurepaire

Up-and-coming areas undergoing regeneration and located near transportation hubs, such as Gare du Nord and Gare de l'Est, have seen some of the best price performance in Paris over the

past year. The 10th arrondissement recorded the strongest price growth in the 12 months to September 2019, with values rising by 9.7%.

In the 9th, South Pigalle (SoPi) is fast becoming one of Paris's trendiest neighbourhoods. It is well-known for its cultural offering, which includes concept stores, in-vogue bars and restaurants, as well as the recent 21 Blanche sport club and the upcoming Soho House Paris.

In the 10th, Canal Saint-Martin is one of the few open waterways in Paris which offers large pedestrianised spaces in a central location. The Canal is attracting young households and first-time buyers looking for a vibrant neighbourhood, as new restaurants, bars and even co-working spaces open up in the area.

Historical prime Paris 3rd and 4th arrondissements

Most prestigious streets Place des Vosges, Rue du Parc Royal, Quai de Béthune

Prime property in the historical centre of Paris, known as Le Marais, is still highly sought-after. The 4th arrondissement is a popular tourist destination and is a hotspot for short lets. A major real estate project is being developed with the former Préfecture de Paris site on Boulevard Morland, including residential units, hotels and restaurants.

The 3rd arrondissement has emerged as a popular alternative for homeowners and renters, offering many of the same characteristics. Values are also catching up fast, increasing by 8.4% in the year to September 2019 compared with 0.4% in the 4th arrondissement during the same period.



Note Prices up to September 2019 Source Savills Research, MeilleursAgents.com

Reaching new heights

Prime Paris to continue closing in on other leading world cities

Continued demand

Real estate remains a desirable asset in today's economic climate, and Paris has re-emerged as one of the most attractive cities in Europe in which to invest. President Macron's agenda of reform, while encountering some hurdles at home, has boosted Paris's international profile, and the prime residential market is undergoing a period of catch-up with other world cities.

Capital flow

With a small historic core, property in central Paris is finite, viewed by many as a safe long-term investment and store of wealth. Lower for longer – even negative – interest rates mean the flow of money into the capital's real estate is unlikely to decrease any time soon. The completion of some record prime residential deals in the Côte d'Azur highlights the volume of capital targeting French real estate.

Olympic appeal

While international buyers are an important part of the market, Paris remains predominantly a domestic one. Looking ahead, major infrastructure projects such as Grand Paris and the Olympic Games in 2024 are likely to have a positive effect on the market, particularly in outer Paris.

Expanding horizons

We expect the period of price catch-up to continue, but for price growth to moderate further in the near term. As one lead indicator, the average time that prime property spends on the market has already risen. We also expect the geography of prime Paris to expand as demand moves further out from the land-constrained prime city core.



Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of global property

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