

Spotlight | 2018

# Côte d'Azur

Prime hotspots | Property tax | Values across the region

An aerial photograph of a coastal town on the Côte d'Azur, France. The town is built on a hillside overlooking a bay filled with numerous sailboats. The water is a vibrant turquoise color, and the buildings are colorful and densely packed. The sky is a mix of blue and orange, suggesting a sunset or sunrise. A white line with a dot at the end points from the text below to a specific area in the bay.

**€3-8 million**

The most active  
prime segment

**<45 years of age**

Younger, wealthy buyers  
are on the rise. And they  
demand best in class



# A buyer's market

The Côte d'Azur market is now adjusting to buyer demand, and it will continue to remain a desirable destination



The Côte d'Azur is part of an international network of second-home hotspots. Because demand comes from a global marketplace, its prime residential markets have more in common with other top-tier global city markets than the rest of France.

Like the markets in many world cities, prime prices in the Côte d'Azur are now on a high plateau. Prices reached this plateau earlier than many other prime

## France's international standing is fuelling interest in the region's real estate

world markets and have seen fluctuations since. After a few years of low transactions, the market is now adjusting to changing buyer demands, a new tax environment and growing global competition.

Supply is high, but conditions are improving. France's enhanced international standing, together with demand for euro-denominated assets, is fuelling interest in the region's real estate. The Mediterranean climate, vibrant towns, beautiful coastline and world-class events attract visitors from across the globe and create a spectacular setting for property. This underpins rental markets as well as creating demand for second homes and means the Côte d'Azur is likely to remain a desirable destination.



### Paul Tostevin

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

## Summary

**The Macron government has brought stability** and improved international standing, but no reprieve on property tax.

**High levels of prime stock mean a buyer's market.**

Discounts on asking prices range between 10% and 30%.

**Buyer profiles are evolving with younger, wealthy buyers on the rise.**

They demand best in class and split their leisure time between multiple destinations in the Mediterranean.

**New build apartments with a high level of services are meeting the demand** for high quality and low maintenance.

**Saint-Tropez is one of the most active submarkets.**

Buyers are attracted to properties on spacious plots and in town with easy access to amenities.

The coast at Eze-Sur-Mer, with Saint-Jean-Cap-Ferrat in the distance



# Prime residential markets

With its dynamic economy and a new wave of young, affluent buyers moving into the region, the Côte d'Azur stands apart from the French residential market. Demand is returning

**T**he Côte d'Azur is long established as an area for residential investment and second-home ownership. One of the first modern resorts, it can trace its origins back to its days as a winter retreat for the British upper class, European aristocracy and American captains of industry at the end of the 18th century.

The region offers not only established, desirable resort characteristics, such as marinas and coastal property, but also the benefits of city living, with high-end retail, restaurants and a full social calendar. This makes it appealing to a new wave of young, globally-mobile, high-net-worth individuals (HNWIs).

Although French buyers are present at the lower tiers of the prime market, above €10 million, buyers are almost always international – part of the global marketplace.

Consequently, prime market performance is detached from the rest of the local market and the French mainstream market.

## A dynamic economy

The economy of the Côte d'Azur is one of France's most dynamic. The tourism market contributes up to 18% of the region's GDP and is the country's second biggest after Paris. Half of all visitors are foreign and 27% come from outside Europe. Nice airport is the second largest in France, hosting more than 12 million passengers last year.

Tourism is not the only attraction of the region. The high quality of life on the Côte d'Azur is an important factor in attracting and retaining talented global workforces.

Sophia Antipolis, north of Antibes, is an internationally renowned science and technology park employing 36,000 people.

To the north of Nice, the €2.5 billion 'Eco-Vallée' project will incorporate a new international business district, R&D facilities, retail and residential, connected by new tram and train lines.

## Prime price trends – the last 10 years

The prime Côte d'Azur residential market peaked in 2008, having risen much faster than the rest of France. Activity slowed significantly after the Global Financial Crisis – more than the rest of France. The market is dominated by wealthy foreign owners so there were few forced sales, transaction levels decreased and lower values were rarely realised.

In common with other prime markets such as London and New York, asset prices in the Côte d'Azur did pick up in 2011, driven by new wealth from emerging markets, most

### Property taxation in France

Q&A with Agnes de l’Estoile-Campi, Partner, International Tax, CMS Francis Lefebvre

#### Macron has scrapped the wealth tax, what does this mean for property?

The wealth tax has been replaced by a new tax, IFI, which applies only to real-estate assets. The tax applies to real estate held directly by individuals, as well as shares in companies (regardless of legal status and localisation). The threshold remains unchanged at €1.3 million. There are specific rules for the deduction of debts, with various measures limiting or capping deductions when debts exceed 60% of the value of real-estate assets (if this value is greater than €5m). Appropriate tax planning on the structuring of the acquisition is therefore still needed, in particular where there is debt financing.

#### What about capital gains tax?

Capital gains on French real estate are usually taxed in France according to international tax treaties. The rate is 36.2% for non-resident sellers. Reductions apply if the property has been held for at least five years. Full exemption is applicable after 22 years of holding for income tax and 30 years of holding for social contributions. Also, a full exemption applies upon sale of the principal residence, but this is unlikely to apply to non-residents.

#### How do the taxes associated with buying new build and secondhand properties differ?

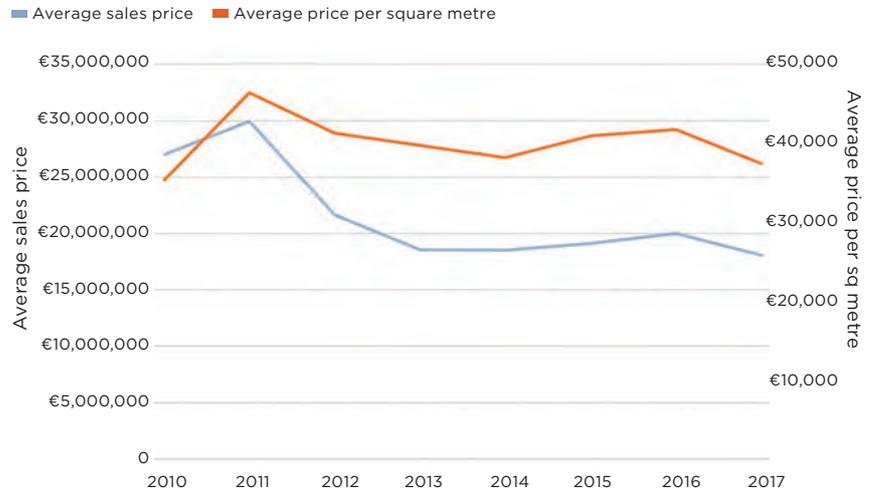
Secondhand properties are subject to registration duties – around 6% of the sale price, paid by the buyer. New build properties sold by real-estate dealers are subject to VAT at 20% when sold within five years of completion. A reduced registration duty at 0.715% of the sale price also applies.

#### How are rentals treated?

Rental income is usually taxable in France according to international tax treaties. If the real estate is held directly, rental income is taxed at progressive tax rates of income tax (up to 45%) and subject to social contributions at a rate of 17.2%. Expenses incurred for the maintenance and repair of the real estate are deductible, as well as fees paid to a real-estate property manager. If the real estate is held through a company, rental may be subject to French corporate income tax at a rate of 33.33% depending on the legal form of the company.

### Price trends in the Côte d’Azur

The €10 million-plus markets in Saint-Jean-Cap-Ferrat, Cap d’Antibes and Saint-Tropez



Source Savills World Research

notably Russia and the Middle East, as the region was one of those chosen by HNWIs to build their global property portfolios.

Demand began to slow after 2012 with the election of François Hollande and, after 2014, fell again due to falling commodity prices, sanctions on countries such as Russia and the stalling French economy.

The 2017 election of Emmanuel Macron seems to have marked another turning point – France’s global standing has improved and a stronger euro and eurozone economy is fuelling demand for euro-denominated assets.

Demand is returning to the Côte d’Azur, but prime stock levels are high, so it is a buyer’s market. Purchasers are seeking best-in-class properties and negotiating hard. Transaction prices for prime resale properties are typically discounted between 10% and 30% on asking price.

Although transaction data for the €10m+ market shows a fall of 40% in the average sales price since 2011, this is mainly due to some exceptionally high value sales of big properties in 2011. Average prices per square metre have remained broadly static and are close to levels observed in 2006.

#### How to meet the demands of today’s occupiers

Buyer profiles are evolving. A younger, international set is emerging and changing the shape of demand in the region. This rising group are aged between 35 and 45, globally mobile, time sensitive and demand the best, favouring high-specification, ready-to-move-into properties.

Rather than spend the whole summer in the region, they split their time between multiple destinations in the Mediterranean so the standing and performance of rival resorts are a consideration. Spanish, Portuguese and Italian resorts are at significantly lower price points than the Côte d’Azur (see table below).

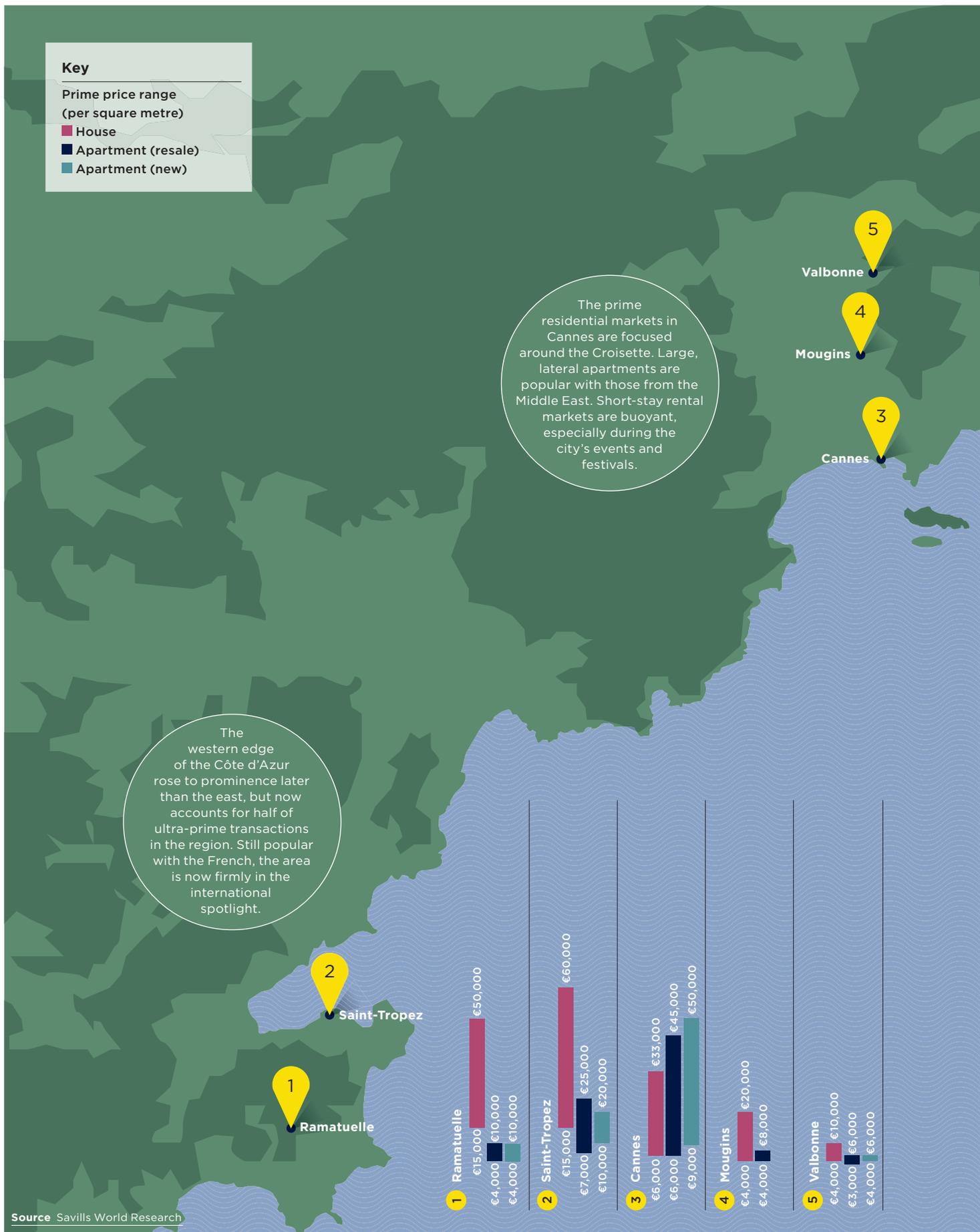
Russians and Eastern Europeans are returning to the market, but with lower budgets for purchase, and are increasingly present in the rental markets. Belgians and Scandinavians are important new and fast-growing purchaser groups. British buyers are still present and Middle Easterners remain a force. The French, now largely absent from the top tiers, account for around half of transactions between €2 and €5 million.

### Regional comparisons

Prime price per sq m and 2017 price growth

<b>Monaco</b> €41,300 6%	<b>Saint-Jean-Cap-Ferrat</b> €30,000 0%	<b>Saint-Tropez</b> €28,000 0%	<b>Cap d’Antibes</b> €25,000 0%	<b>Costa Smeralda, Sardinia</b> €17,500 0%
<b>Venice, Italy</b> €9,500 5%	<b>Algarve, Portugal</b> €8,900 8%	<b>Ibiza, Spain</b> €8,500 7%	<b>Liguria, Italy (Italian Riviera)</b> €8,100 0%	<b>Mallorca, Spain</b> €8,000 5%

Note Prime only. Excludes super and ultra prime Source Savills World Research





# The Côte d'Azur's prime enclaves

Market intelligence on the residential values across the region



# Three prime hotspots

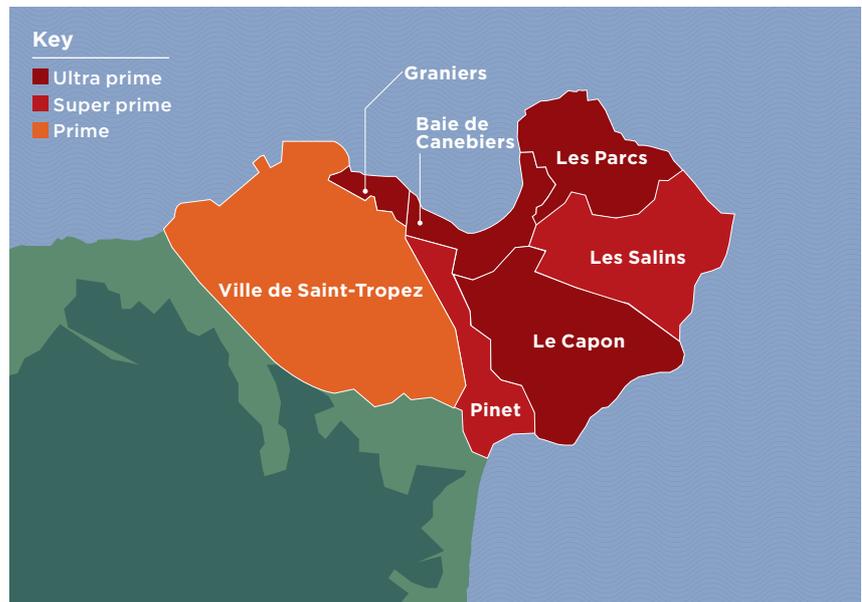
A closer look at three of the Côte d'Azur's most sought-after and exclusive enclaves. Properties are diverse and stock levels are high

## Saint-Tropez

In terms of its property market, Saint-Tropez rose to prominence later than other parts of the Côte d'Azur, but has exceeded Saint-Jean-Cap-Ferrat for €10 million-plus sales since 2014. The town is attractive, with a marina and a busy summer social calendar. It meets the demands of younger buyers seeking proximity to restaurants and bars, as well as families looking to be close to amenities and the beach.

The wider area offers a diverse range of property. Villas in Les Parcs feature reasonably sized plots and spectacular nighttime views of the coast. Prices can exceed €50,000 per sq m. The southern stretch of Les Salins and Le Capon is also highly desirable. Plots are larger, but slightly less expensive.

The area's prime markets are most brisk around €1-5 million, in which the French are particularly active. Over €5 million, there is high supply and fewer buyers.



Ville de Saint-Tropez

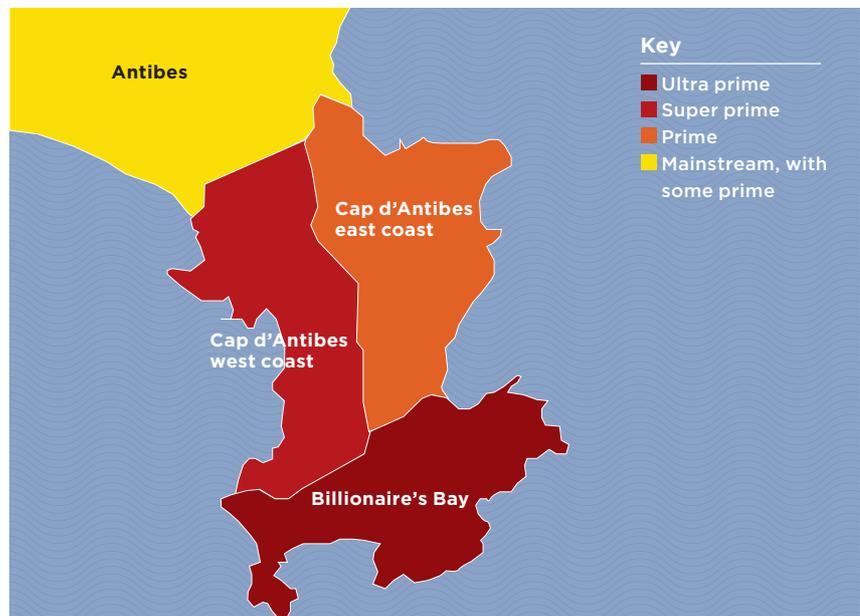


The west coast of Cap d'Antibes

# Cap d'Antibes

Cap d'Antibes is a peninsula of 1,200 properties, offering resident privacy, sea views and easy access to Cannes and Nice. Prices range from €2 million to more than €100 million. The most desirable location is the southern tip, known as Billionaire's Bay, offering bigger plots (some waterfront), with sea views toward Cannes. Prices for villas here exceed €50,000 per sq m.

New development is bringing fresh product to Cap d'Antibes, a market otherwise characterised by villas. Parc du Cap, a gated development of 88 apartments, offers residents a range of amenities (including pools, a spa and a tennis court), 24-hour concierge, and private terraces or gardens. It reflects the type of product many buyers seek today: low-maintenance, lock-up-and-leave apartments, within easy walking distance to restaurants and beaches.



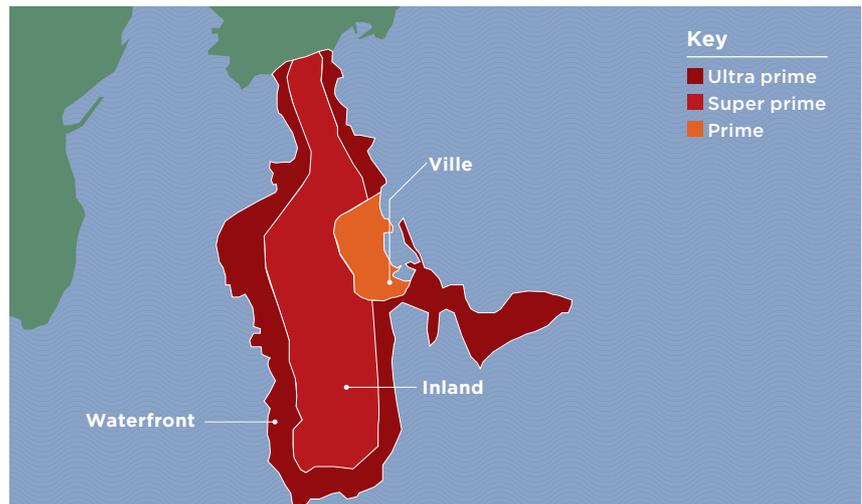


Beaulieu-sur-Mer looking towards Saint-Jean-Cap-Ferrat

# Saint-Jean-Cap-Ferrat

Saint-Jean-Cap-Ferrat remains one of the world's most sought-after home destinations. Private, secure and with spectacular views, the peninsula has a stock of just 500 residences. The world's most expensive property is currently for sale here, exclusively with Savills: Les Cèdres, for €350 million.

Prices can reach €50,000 per sq m for the most secluded properties with sea views. Even higher prices are commanded for those with direct waterfront access. Like the rest of the Côte d'Azur's prime hotspots, this is a buyer's market. Some 12% of the peninsula's 500 properties are currently being marketed. Wealthy owners have little incentive to sell, but properties that are trading are doing so at a 10% to 30% discount on asking price.



**Savills World 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.

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

**Savills French Riviera**  
**Nice (Head office)**  
**Alex Balkin**  
 Executive Director  
 +33 (0)4 93 87 41 15  
 riviera@savills.com

**Cannes**  
 +33 (0)4 97 06 06 90  
 cannes@savills.com

**Saint-Tropez**  
 +33 (0)4 94 82 72 78  
 sttropez@savills.com

**Cap-Ferrat**  
 +33 (0)4 93 76 80 80  
 capferrat@savills.com

**Valbonne**  
 +33 (0)4 93 12 34 00  
 valbonne@savills.com

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

Savills plc: Savills is a leading global real estate service provider listed on the London Stock Exchange. The company was established in 1855 and has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has more than 700 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. While 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.



**€80,000**

Ultra-prime house price  
in Saint-Jean-Cap-Ferrat  
per square metre