

ISSUE #2

# INSIDE VIEW

## FRANCE 2016





For Sale - Cap d'Antibes

# French Market Overview

**While much is in flux around the world, the fundamental appeal of French property changes little. Among our buyers, 56% of whom are British, the South of France and the Alps remain the most sought-after locations.**

What they want from the former is peace and quiet – with a sea view please – and in the mountains, year-round life and activity.

On the Côte d'Azur, it's more of a sparkling diamond than a golden triangle that provides the pivotal search area for many, between Cannes and Antibes on the coast and inland to St Paul de Vence and Grasse.

In the Alps, the emphasis is on healthy outdoor living. The prized resorts are those such as Chamonix that plough money into their infrastructure and offer as much adrenaline-fuelled activity when the mountains are carpeted in wild flowers as when they are pasted in snow.

But in other ways, buyers' demands of French property have moved on since the credit crisis. Although we feel a cautious confidence about the market this year – 2015 marked a remarkable turn-around after two dismal years – the recovery is still relatively fresh and buyers care little for risk.

They are re-rationalising their priorities and portfolios. They want a liquid asset that won't sit on

the market for years when they want to sell. Many will set out with a €7m budget then decide to spend €4m so that it will appeal to a bigger pool of buyers when the time comes. Despite the fact prices have fallen 30-40% in the last five years and budgets are reduced, buyers refuse to compromise on quality.

At all price levels, buyers also want a working asset. A French property must cover its costs and preferably bring in real returns. People who would never have considered renting out their property before will now study the summer and winter returns for an Alpine chalet or the 10-week peak rental season on the Côte d'Azur.

Falling sales prices in recent years and strong rental demand – including medium to long-term lets among international families – make the potential yields compelling. But buyers are alert and cautious and a property must come with a clean bill of health. That means turnkey ready with no need for structural work or extensive refurbishment and no question marks over whether the basement is legal. With new-build projects, buyers like to see the structure half way up before they commit.

Not all buyers are holding back, however. Where the prices are right, including in pockets of the South West and the Luberon in Provence, we are seeing

properties attracting multiple bids and achieving asking price for the first time in years. Paris is benefitting from the attention of the domestic market, even at the luxury end. The weakening Euro has persuaded them to invest closer to home again and the capital city has never offered better value.

Borrowing is cheap and most of our buyers will use finance as a convenient way to reduce their wealth tax burden. Going forward, as President Hollande enters his final furlong before the next election in 2017, we see little chance of any new deterrents to overseas property investors in France. Indeed, in the light of recent property tax hikes in the UK, many now view buying in France as good value.

Our final word of advice: remember the basics that will attract the next generation of buyers, just as it does this one. Add to that sought-after peace and sea views, the practicalities of proximity to an airport, a historic town or city and good restaurants and you may have found the perfect French recipe.



**Mark Harvey**  
Head of French Department

# Spotting the Big Five

Each pocket of France provides a different feast for the senses, from Luberon lavender fields to Alpine meadows, art in Paris to jazz on the Côte d’Azur and the perfumeries of Grasse to the enticing aromas of Gascon cuisine. Here is a taste of some places you shouldn’t miss.

By Zoe Dare Hall



## Côte d’Azur

On what is quite possibly the world’s premier holiday coast in terms of fame, reputation and a century of name-dropping glamour, you need only look at the private jets stacked up like dominoes at Nice airport to see that having a home on the Côte d’Azur is a solid symbol of success.

Russian buyers may have faded from the scene in the last two years, due to the rouble’s depreciation and a clampdown over capital leaving the country, but Russian renters are strong and Moscow-Nice is the world’s most popular private jet route. Having a fiscal paradise on the doorstep doesn’t hurt – nor does being close neighbours with Italy and Switzerland when a change of scenery is desired.

The Côte d’Azur caters to all tastes, whether it’s the celebrity glamour of St Tropez or Cannes that appeals, the trophy homes on the Caps or the discreet luxury of St Paul de Vence or Mougins, home to a sought after international school.

Summer is when the stars come out to play, but there are plenty of festivals to keep the coast lively all year round, from the annual celebration of lemons

in Menton and jasmine in fragrant Grasse to films in Cannes and the world-famous summer jazz in Nice and Juan Les Pins.

## Luberon/Alpilles

Nearly three decades after Peter Mayle turned the vicissitudes of life in Provence’s Luberon region into a best-selling novel, international buyers continue to make a beeline for its landscapes of lavender and vines and medieval hilltop towns that are regularly voted the most beautiful in France.

Among them are Gordes, Ménerbes and the ‘red village’ of Roussillon, which glow with almost filmic perfection. Apt’s Saturday market draws large crowds to its artisan fare, L’Isle-Sur-la-Sorgue is an antique-hunter’s haven and Lacoste draws the artistic set, including the fashion designer Pierre Cardin, who is renovating many of the town’s old properties.

The Luberon’s population swells in summer, but daily life in this quintessential slice of ‘Provence verte’ remains agricultural, peaceful and unspoilt. To the west, the Luberon mountains merge into the smaller Alpilles, a national park

that’s carpeted with stony scrub, evergreen maquis and olive and almond groves. Its jewels include Saint Rémy de Provence, whose light and cypress trees provided rich inspiration for Van Gogh.

## Gascony

Gascony has dynamic Toulouse as its hub, yet you can soon stray off the beaten path into ‘La France profonde’ at its most peaceful. Buyers can find all that is worshipped about rural France – fine wine, cuisine and countryside – with the added benefits of beautiful Atlantic beaches of Aquitaine close at hand and the Pyrenees ski resorts for winter activity.

The ‘French Tuscany’ also ranks highly in terms of value-for-money and the sense of space it offers. The most popular locations are market towns within a 90-minute drive of Toulouse airport, including Marciac (famous for its summer jazz festival), Mirande, Vic Fezensac and Lectoure, and properties range from elegant village houses with large gardens to grand, historic châteaux. Whether investing here for a holiday home or permanent retirement, what overseas buyers

love about Gascony is the sense of escape from city life. There are no waiting lists for restaurant tables and no traffic jams, just old world courtesy, a lack of pretension and an appreciation of the simple, but very fine, things in life.

## Paris

New-build property is practically unheard of in Paris’s UNESCO-protected historic core, so living the Parisian dream of a high-ceilinged apartment with herringbone parquet floors and tall windows with balconies in a period Haussman building is what most buyers in the French capital turn to in reality. If that vision also includes a location on a leafy boulevard with cafés, boulangeries and one of the burgeoning street markets at hand, then it’s the picture of Parisian perfection for most overseas investors who are buying as much for personal usage as long-term investment potential.

The allure of the Left Bank – the well-heeled 7th arrondissement, the Latin Quarter’s fashionable 6th and slightly cheaper 5th – remains strong among overseas buyers who want to be within easy

walking distance of the river and museums and the buzz of the cafés and restaurants around the Boulevard St-Germain. On the Right Bank, the locations that prove eternally popular are the lively Marais district, the elegant 8th near the boutiques of the Champs-Élysées and Rue du Faubourg St-Honoré and the sophisticated 16th, with its palatial apartments within a stroll of the green expanses of the Bois de Boulogne.

Paris’s prolific cultural and culinary scene need little introduction. They offer both innovation and timeless appeal and ensure year-round entertainment for the overseas buyers who seek a pied-à-terre in what is arguably Europe’s most captivating capital city.

## Alps and Evian

For those seeking a French property that provides a very different lifestyle to the Mediterranean coast, the Alpine resorts continue to hold a strong allure for UK-based buyers in France. Being within an hour’s drive of Geneva is a big bonus for French resorts as that opens up the potential for British buyers to spend weekends on the slopes and for

“Alps draw a third of our buyers in France and two factors are prized in a property purchase: proximity to Geneva and the availability of snow.”

Swiss buyers to find better value second homes over the border. Elegant Megève, which also sees high demand among Dubai-based buyers in search of cooler summer temperatures, scores highly on that count and will see a boost to its fortunes later this year when its Four Seasons hotel opens.

The best ski resorts also need to offer year-round appeal for owners, many of whom will also seek to capitalise on the demand for summer rentals in the Alps, and there’s little to beat Courchevel with its six-star service culture and all-season attractions. Val d’Isère, part of the l’Espace Killy, is also one of the most sought-after resorts and one that boasts some of the most decadent super-chalets in the Alps.

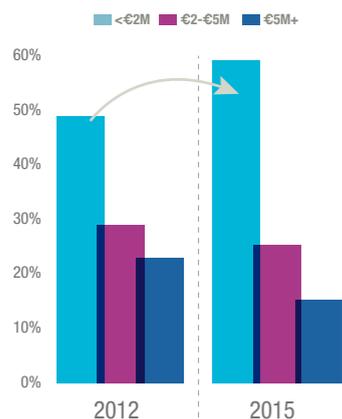
# Stability returns

France's property market has trod an uneven course over the last decade but 2015 saw renewed optimism which led to a significant upturn in sales.

Residential sales across France increased by 12.5% year-on-year<sup>1</sup> according to the Notaires de France as a more stable economic outlook filtered through into buyer sentiment. This trend was reflected in our own data. Knight Frank's sales doubled between 2014 and 2015, whilst enquiries from prospective buyers increased 87% year-on-year.

With favourable mortgage rates of circa 2.3%, prices stabilising in most prime markets and the euro weak against both the pound

Sales activity more focused below €5m  
% of Knight Frank sales by price band



Knight Frank Research

and the US dollar, buyer confidence has strengthened.

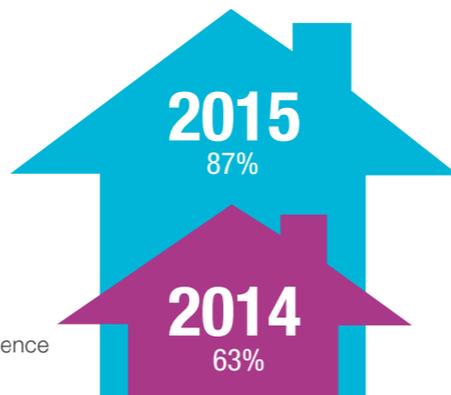
## Polarised by price

Yet this confidence is price dependent. Sales volumes are strongest within the €1m-€5m price bracket but transactions above €5m are slow. According to our latest in-house data, properties priced below €5m accounted for over 85% of our prime sales in 2015.

The French property market's recovery post-2007 has faced its challenges, hindered in part by a sluggish domestic economy, the Eurozone debt crisis and President Hollande's stringent austerity drive. However, a ruling by the European Court in February 2015 that social charges imposed on the income and capital gains of non-residents were illegal has provided a level of reassurance, prompting many buyers to act after several years of indecision.

Two indicators underline the extent to which the market has shifted in the last 2-3 years. Firstly, the performance and convergence of France's prime prices. Not only have prices reached their floor in the majority of France's key second-home markets, but all of our five

Knight Frank buyer registrations  
% increase year-on-year



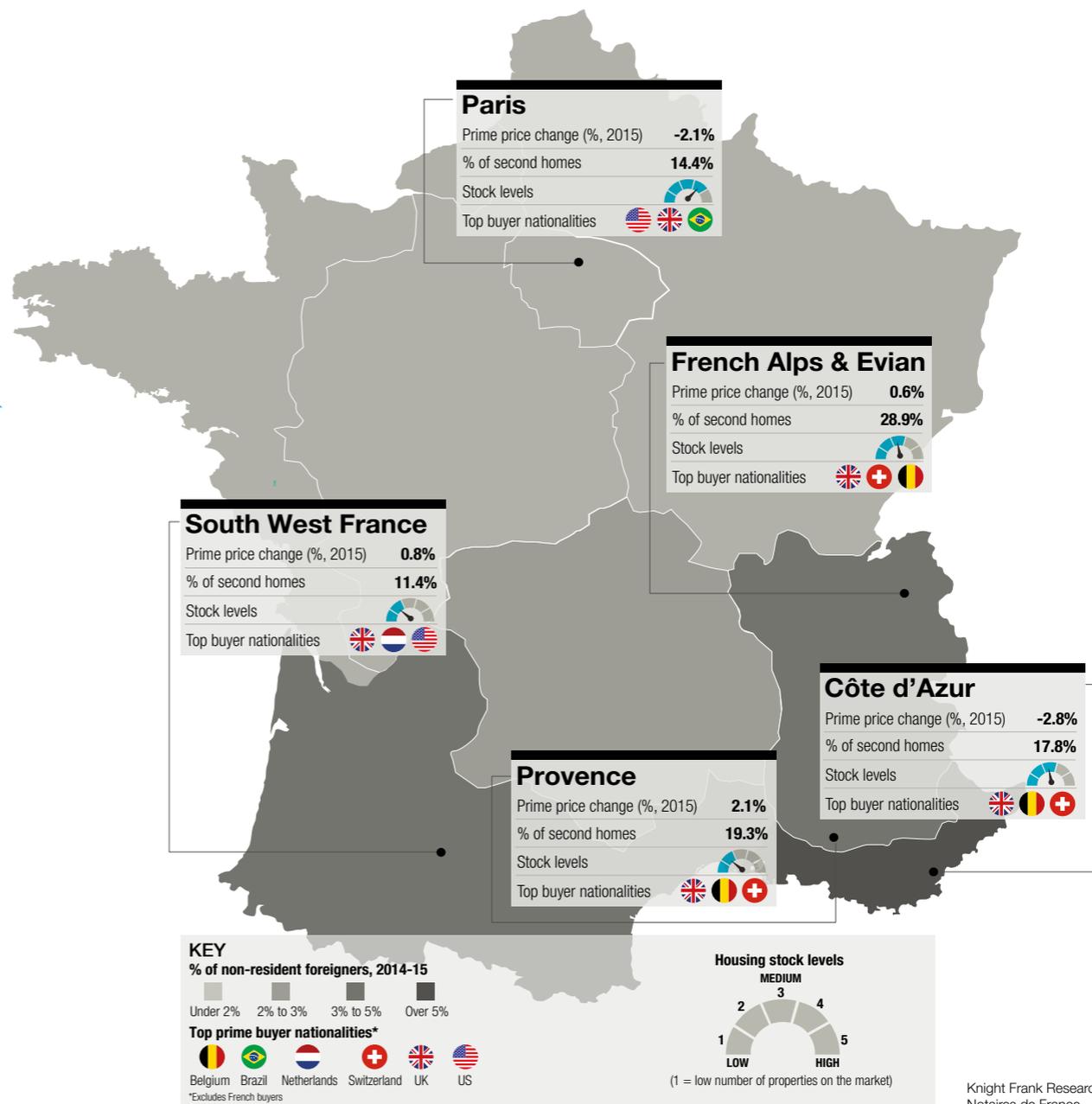
Knight Frank Research

regions saw prices shift within a range of only five percentage points (-3% to +2%, see map). For several years we saw a marked disparity between France's strongest and weakest markets, this has now all but disappeared.

Secondly, the excess supply that was evident for several years in areas such as Gascony and Provence has now largely been absorbed back into the market. Add to this the slow recovery in housebuilding – the number of homes under construction in France has fallen from 469,000 in 2007 to 352,000 in 2015<sup>2</sup> – and it is likely that when prices start to pick up they could do so relatively quickly.

## Brits are back

The British own more second homes in France (69,000) than in any other European country<sup>3</sup>. Given the lifestyle on offer, France's proximity and the currency advantage in recent years it is perhaps no surprise that the British are active once more and represent



Knight Frank Research, Insee, Notaires de France

a key source of demand in all of our markets.

Equipped with a strong dollar, American buyers are also increasing in number, particularly in Paris and parts of Gascony, whilst Evian continues to be in favour with high net worths from the Middle East, drawn to its lakeside living and easy access to The Alps.

Although our focus in the map above has been on foreign buyer activity, demand from domestic buyers has also strengthened. Faced with lower purchasing power abroad, a more positive political sentiment, cheap finance and good value – particularly in Paris – French buyers are seeking a slice of their capital's real estate.

Across France interest in income-generating assets, be it a vineyard, boutique hotel or olive grove, is on the rise and a trend to watch over the next few years. Wealthy buyers are increasingly seeking a product that generates an income allowing them to cover their costs, whilst also funding a month with family and friends each year in their favourite part of the world.

<sup>1</sup>12 months to Nov 2015 <sup>2</sup>Housing starts, Ministry of Environment <sup>3</sup>Survey of English Housing, DCLG, 2014

# The Purchase Procedure in France

Thinking of buying in France? Our step-by-step guide takes you through some of the key considerations.

## The Notary

Having identified the right property and agreed the terms and conditions of sale, the buyer and seller will need to instruct a Notary. The Notary is nominated by the state whose role is to ensure the letter of the law is applied and that the interests of both parties, relating to the sale and purchase are protected. The Notary will undertake the relevant searches and highlight any liens, right of ways, planning discrepancies and so forth as appropriate. Due to the Notary's mandate and impartiality it is not uncommon for one to act for both parties. This is not mandatory and either party may select their own representative independently.

## Offre d'achat or Offer Letter

In certain circumstances the buyer may be asked to confirm their intention to purchase in writing. This may take the shape of an 'offer letter' or 'offre d'intention d'achat' outlining the purchase price and a lock out date by which the purchaser endeavours to move toward exchange. The offer letter is countersigned by the vendor confirming the price and the period of exclusivity the buyer is granted in which to proceed. The countersigned document binds the vendor to the terms stated therein and also precludes the vendor from entering into any other sale agreement during the aforementioned period of exclusivity. During this period the buyer will meet a Notary, discuss

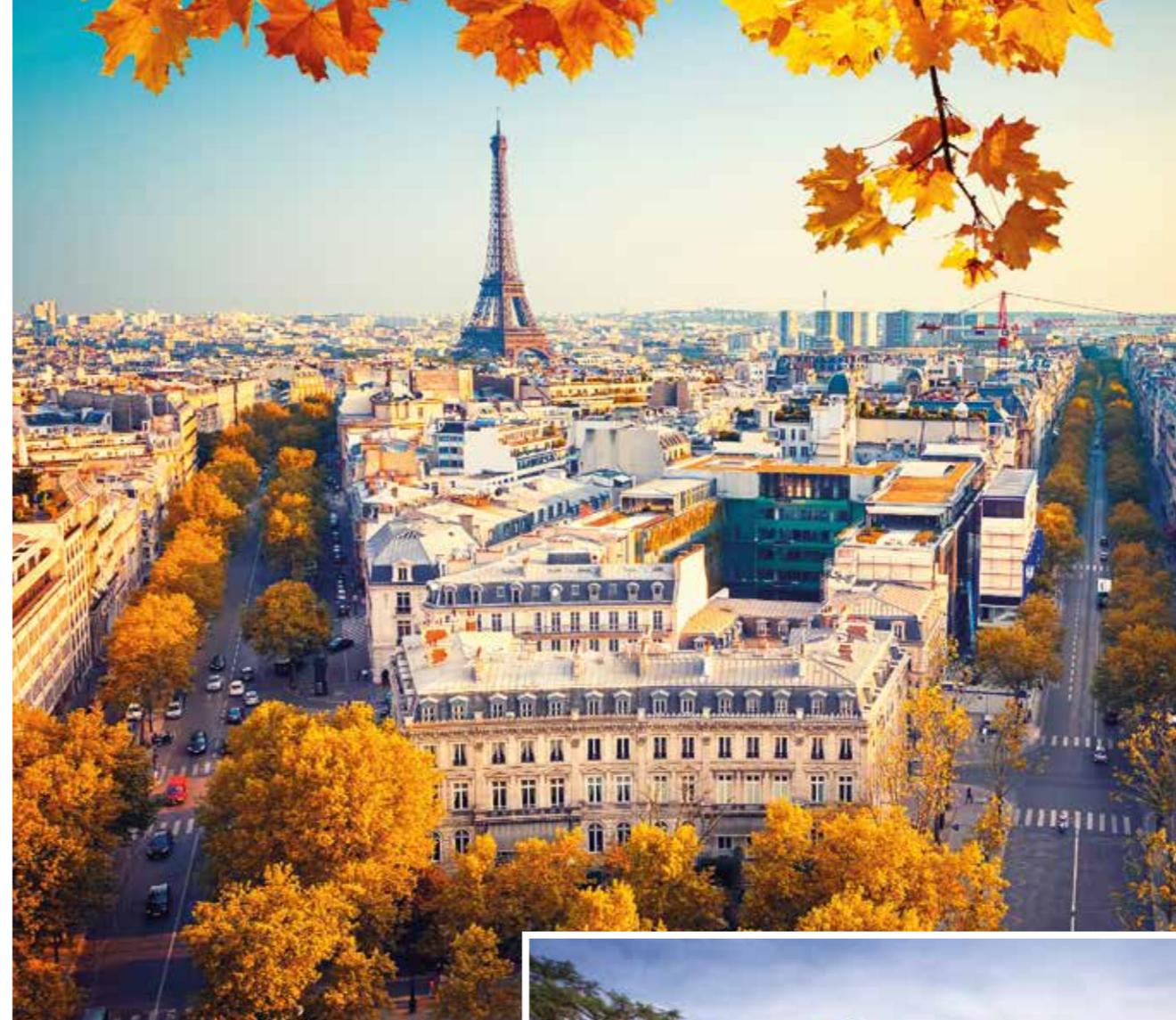
the proposed terms and any conditions of sale which will be summarised and included within a 'Compromis de Vente'.

Whether you're a buyer or seller it is recommendable to seek a Notary's opinion or independent legal advice before entering into any form of written agreement. Whilst the buying process is relatively straightforward the assistance brought by a Notary at the early stages of a deal is invaluable in ensuring a smooth and risk free transaction.

## Compromis de Vente or Purchase Contract

With everything agreed the Notary prepares the 'Purchase Contract' or 'Compromis de Vente'. This will provide a completion date, typically a 3 month period, to allow the Notary to complete the file and relevant searches. Moreover, the 'Compromis' will refer to conditions precedent that unless satisfied will allow the buyer to withdraw within a fixed period. The conditions may include finance, physical modifications, planning matters to name but a few. The resolution of the said clauses is mandatory and an integral part of the 'Compromis' – failure to fulfil all of these will allow the buyer to exit the purchase with no penalties and a full refund.

The 'Compromis de Vente' or 'Purchase Contract' is typically accompanied by 10% deposit entrusted to the Notary and held on Escrow. Once the document is signed by both parties and



received by the buyer a 10 day cooling off period begins. This forms part of the consumer protection legislation in France and gives the buyer the right to withdraw at any stage within those 10 days without penalty or justification.

## Acte de Vente, Completion

Completion of the sale takes place at the Notary's office with payment of the balance, Notary's fees, land registration costs, and transfer taxes all due at this stage. These costs are borne by the buyer and whilst these may vary slightly, the estimated percentage cost of a typical purchase in France is around 7% of the purchase price. Once funds are



transferred and the 'Acte de Vente' is signed the Notary will register the new owner and any mortgage against the title.

## Other considerations

A property may be acquired and held in a private name, however

it is important to note that French wealth tax, succession and CGT may impact on the best way to own a property. It is strongly recommended that you seek the appropriate independent legal and fiscal advice in order to structure the deal in the most efficient way.

## Knight Frank's Network of Agents in France

Throughout Knight Frank's French network it is our intention to provide all our clients with the most comprehensive level of service and care. Working alongside our growing network of Associates in France, Knight Frank's dedicated London team will endeavour to find you the right property in the right area.

All local Network offices are well established and locally owned businesses trading under strict French real estate laws. Local agency agreements and other contractual agreements are governed by French law. We will also help with the following:

- Put you in touch with possible legal, survey, planning and tax advisory firms that can assist you with due diligence, general advice and completing the transaction. None of our agents are qualified to give you legal, survey, planning or tax advice, although they are happy to share with you their years of experience.
- Prepare a purchase contract to pass to the legal teams outlining the terms of the deal and the professionals involved. At all times during the purchase process, we are available to assist with effective communication between the parties involved.

Note: This publication is meant to give a very basic indication of the purchasing process. No liability is assumed as each interested person should seek local professional advice.

# The French Network

The London team works closely with our network of local experts in France. Our local agents have been carefully selected for their integrity, experience and professionalism, and speak English as well as French.

## London

### MARK HARVEY

Head of the French Department  
+44 20 7861 5034  
mark.harvey@knightfrank.com

### PADDY DRING

Head of the International Department  
+44 20 7861 1061  
paddy.dring@knightfrank.com

### LENKA AYOOLA

Personal Assistant to Mark Harvey  
+44 20 7861 1073  
lenka.ayoola@knightfrank.com

### RODDY ARIS

Head of the French Alps  
+44 20 7861 1727  
roddy.aris@knightfrank.com

### JACK HARRIS

Provence and Côte d'Azur  
+44 20 7861 5034  
jack.harris@knightfrank.com

### EDWARD DE MALLET MORGAN

Prime sales France and Monaco  
+44 20 7861 1553  
edward.dmm@knightfrank.com

### ALASDAIR PRITCHARD

Prime sales France  
+44 20 7861 1098  
alasdair.pritchard@knightfrank.com

### KATE EVERETT-ALLEN

International Research  
+44 20 7861 2497  
kate.everett-allen@knightfrank.com

### ASTRID ETCHELLS

International PR  
+44 20 7861 1182  
astrid.etchells@knightfrank.com

## France

### FREDRIK LILLOE

Knight Frank Mougins  
+33 4 97 97 32 20  
fredrik.lilloe@fr.knightfrank.com  
www.estatenefrance.com

### JAN LILLOE

Knight Frank Valbonne  
+33 4 97 97 32 40  
jan.lilloe@fr.knightfrank.com  
www.estatenefrance.com

### HUGO SKILLINGTON

Grimaud  
+33 4 94 44 10 44  
contact@skillingtonjanssens.com  
skillingtonjanssens.com

### PIETER VAN NAELTWIJCK

Monaco  
+37 7 97 70 70 20  
pvnrealestate@monaco.mc  
www.pvnrealestate.com

### RUDI JANSSENS

Bonnieux  
+33 4 90 75 96 98  
r.janssens@janssensimmobilier.com  
www.janssens-immobilier.com

### CLAUDE SEGALIN

Saint Rémy de Provence  
+33 4 90 21 57 01  
c.segalin@janssensimmobilier.com  
www.janssens-immobilier.com

### FRANCK DE MONDÉSIR

L'Isle-sur-la-Sorgue  
+33 4 90 92 35 35  
isle@janssensimmobilier.com  
www.janssens-immobilier.com

### CHRISTINE PETROSINO

Lourmarin  
+33 4 90 79 03 82  
c.petrosino@janssensimmobilier.com  
www.janssens-immobilier.com

### PHILIPPE MENAGER

Paris  
+33 6 08 26 61 72  
pm@menagerhug.com  
www.menagerhug.com

### NICOLAS HUG

Paris  
+33 6 11 51 31 32  
nh@menagerhug.com  
www.menagerhug.com

### IAN PURSLOW

Gascony  
+33 5 62 67 61 50  
info@purslows-gascony.com  
www.purslows-gascony.co.uk

### OLIVIER BULLY

Courchevel  
+33 4 79 00 18 50  
olivier@cimalpes.com  
www.cimalpes.com

### GREGORY FLON

Méribel  
+33 4 79 00 70 00  
gregory@cimalpes.com  
www.cimalpes.com

### EMMANUEL BOAN

Megève  
+33 4 50 91 09 97  
emmanuelboan@agenceboan.com  
www.agenceboan.com

### ANDY SYMINGTON

Chamonix  
+33 4 50 91 78 41  
andy@mountain-base.com  
www.mountain-base.com

### LAURENT GUERINEAU

Evian  
+33 4 50 75 75 75  
laurent@evianproperties.com  
www.evianproperties.com

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