

## Headlines March 2013

**Buyers have adopted a more confident attitude** since late 2012 as the uncertainty surrounding taxes has subsided

**At €1.3m, France's wealth tax threshold is now higher** than it was during the buoyant pre-Lehman years

**Capital Gains Tax has increased but its impact is mitigated to some extent** where double taxation treaties exist

**Interest from northern European buyers is strongest;** in 2012 the strength of the euro did not influence enquiry levels

**The volume of prime sales completed by Knight Frank in France increased in the 12 months to March 2013** compared to the corresponding period a year earlier

The information contained in this report with regard to taxation is correct to the best of our knowledge and belief at the time of going to press. It is written as a general guide and we recommend that specific professional tax advice is sought.

"Although prices are still softening in some prime residential markets, where buyers perceive 'value-for-money' they are sufficiently confident to transact, a year ago they displayed much greater hesitancy."



Kate Everett-Allen, International Residential Research

**Uncertainty over potential tax changes in the second half of 2012 led to lower demand in France's prime residential markets. Nevertheless, as the actual detail emerged, buyers cautiously returned. Kate Everett-Allen examines the latest trends in France's prime markets.**

Despite the precarious state of the Eurozone's finances there has been a measured but nonetheless welcome change in the attitude of prime international buyers looking to purchase in France.

Although prices are still softening in some of France's prime residential markets (figure 2), where buyers perceive 'value-for-money' they are sufficiently confident to transact, whereas a year ago they displayed much greater hesitancy. This has translated into higher sales volumes. The number of French sales completed by Knight Frank rose by over 20% in the 12 months to March 2013 compared to the same period a year earlier.

This uptick in interest was also evident on Knight Frank's Global Property Search website, a unique barometer of demand for prime property. The site recorded a 19% increase in French property searches in the first two months of 2013 compared to the corresponding period a year earlier.

Although President Hollande further clarified his new tax plans in France's September budget (and has intimated that he will keep tax under review) it has taken several months for the finer detail to emerge. In short, the changes are less unfavourable than was initially anticipated. This has been met with relief by some purchasers who had braced themselves for tougher regulations. At €1.3m, France's wealth tax threshold is now higher than it was in the buoyant times of the mid-2000s and while Capital Gains Tax (CGT) has increased, its impact is mitigated to some extent where a double taxation treaty exists with the purchaser's home country.

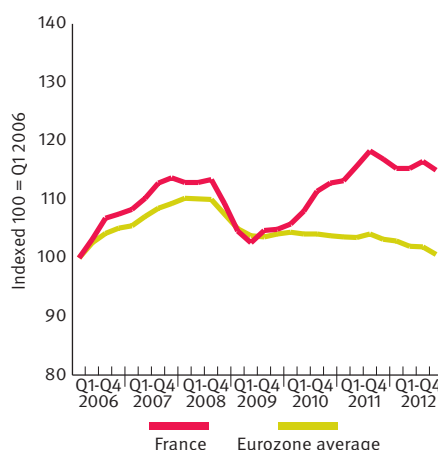
When considering the uplift in CGT some buyers are assessing it against the 'lifecycle' of their potential new home. Many plan to retain their home for a minimum of 5 to 10 years and therefore take the view that a new government may be in place and the current tax structure will be redundant by the time they choose to sell.

France's prime market continues to attract new, and retain existing demand. Northern Europeans are currently the most active in the market but the number of nationalities searching for prime property in France has increased. In 2010 web users from 133 countries searched for a property in France, in 2012 this figure rose to 178, an increase of 28%. During 2012 the strength of the euro had little further influence on the volume of buyer enquiries since many had already factored this into their assessment of the market. However, a notable change in the relative strength of the euro may create the possibility for change in 2013.

As the most visited country in the world France retains its rating as one of the most desirable second home destinations globally.

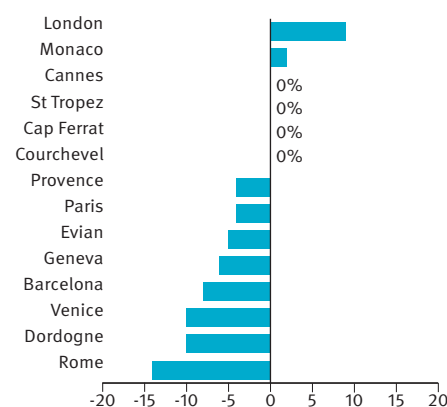
The recent global economic turmoil has not halted wealth creation. According to Knight Frank's [Wealth Report 2013](#) Europe produced 36 new billionaires between 2011 and 2012. The number of Europeans with assets of US\$30m+ is also set to rise, increasing by 16,700 (or 31%) in the next decade and some will be looking for a slice of Europe's limited pool of prime real estate. France, we estimate, will continue to feature heavily in their property portfolios.

Figure 1  
**Mainstream house price performance**  
France versus Eurozone average



Source: Knight Frank Residential Research, Insee

Figure 2  
**Prime price performance in key European second home destinations**  
Annual % change, 2012



Source: Knight Frank Residential Research

## Prime properties for sale

### CÔTE D'AZUR



### CÔTE D'AZUR



### PROVENCE



### FRENCH ALPS



### PARIS



### SOUTH WEST FRANCE



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