

Sotheby's International Realty

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Non European Buyers Lead French Property Market Recovery



The harbour in Biarritz, south west France

France has always been a popular destination for second home buyers with Brits leading the way especially when it comes to buying traditional stone built properties in the countryside to renovate. But the global economic crisis in 2008 has changed all that. Ray Clancy, editor of Property Wire reports on what has happened.

French estate agents used to be full of British people on holiday looking at properties with the dream of buying their very own little bit

of paradise in France. But now they are more likely to be translating details into Chinese, Arabic or Russian as buyers from emerging economies lead the property revival in the country.

At the top end of the market in particular it is rich foreign buyers who are pushing prices up. One estate agent in Paris has described it as a 'frenzy' as those from Asia, the Middle East and Latin America snap up one and two bedroom apartments in the very best locations.

Even out in the countryside where English accents used to be the norm, it is the Dutch, Germans, Italians, Belgian, Swiss and the French who are looking for second homes. As they are mostly buying in Euros they have not been affected by the currency fluctuations that have put off many British buyers. As Chris Canning explains in our Expert View section there is a kind of mythical exchange barrier

that British people hanker after of 1.20 and if the pound is worth less than that they seem to adopt a wait and see attitude.

But British buyers have also been hard hit by the austerity measures in the UK, with many worried about jobs and the sheer cost of living. Even if they can find a renovation property at an affordable price then they are put off by the cost of building work. What seemed like a bargain three years ago is now regarded as a potential financial burden.

But none of this is bothering the French real estate market. Although the market has gone through a tough time, it has not suffered as much as some. According to Alexander Kraft, president of Sotheby's International Realty France-Monaco, the downturn hit the French property market later than others and less hard. He reckons prices fell by around five to

15% depending on the region, and the turn around came in the last three months of 2009 when buyers started coming back.

Then 2010 was a complete turnaround and now in the first few months of 2011 Paris, the south west around Biarritz, some parts of Provence, Normandy and Brittany have recovered. 'In some locations prices are exceeding what they were in 2008, it is a frenzy but probably unsustainable,' said Kraft.

Parisian Frenzy

Paris has led the way. Agents like Sotheby's used to advertise in Country Life in the UK, now it is the International Herald Tribune and the Wall Street Journal and expos in Hong Kong and the Middle East. They are becoming experts at working fast when they get a call from a wealthy overseas buyer

who has just 24 hours to look round up to 10 properties.

'We are working at a very fast pace. These are busy people who are looking for a third, fourth or even fifth home. They want the very best and are prepared to pay for it,' explained Kraft. He added that they are buying as an investment. 'They are looking at the long term, for a property they can use when they visit,' he said.

One and two bedroom apartments in the sixth and seventh arrondissements on Paris's fashionable Left Bank and the eighth and sixteenth arrondissements are proving the most popular. For European buyers it is the all time favourites of the Cote D'Azur, the south west, Brittany and Normandy that are sought after especially around Deauville, Biarritz, Dinard, St Malo, Honfleur and Avignon.

But Kraft has found that British buyers are returning, all be it slowly with the Dordogne, Normandy and Brittany as well as Provence still popular. In these areas they can still find bargains, he believes with price drops of 25 to 30%. 'The British buyers were the first to disappear, especially the middle classes looking for second homes,' said Kraft. 'But in the last six months we have seen more enquiries,' he added.

Christie's International Real Estate's affiliate in France, Belles Demeures de France, the luxury arm of Daniel Feau real estate agent, has also found that it is foreign buyers from outside Europe that are leading the boom. Its latest analysis shows that prices and the glamour of Paris, combined with France being regarded as a safe investment, has led to the growth in Asian and South American buyers. Its says that



Old style apartments in Paris are very popular



Lavender and sunflowers in Provence



Brantome in the Dordogne

while buyers from the Middle East and the former Soviet bloc are few they spend more. They want to buy in Paris because it has a certain social status and France is regarded as having a secure economy.

Barrasford and Bird Worldwide has also seen an uptake and French property sales are now the strongest of all of their markets. 'We have found that purchasers are looking for locations that still embody the romantic view of rural France. However, buyers seem to have navigated away from the dilapidated barn that needs renovating and are moving towards purpose built resorts in idyllic rural locations that combine the best of French living with modern facilities,' said Robin Barrasford, the company's managing director.

'Whether this is due to people hearing unfortunate stories about unscrupulous builders or lengthy delays, we are unsure. However, we are noticing a maturing of expectations in the current economic climate, with clients wanting a property that fulfils their romantic dream but also offers them the opportunity of a rental return when they are not living the French dream themselves,' he explained.

Safe and Reliable

According to Joanna Yellowlees-Bound from Erna Low Property, France remains probably the best place to buy in Europe because it has never become overdeveloped like Spain, Portugal and Greece. She pointed out that with developments remaining low density

and stringent regulations to preserve the environment, there has never been a glut of property on the market and therefore property has been able to retain its value much more than many European markets.

'France continues to be one of the most reliable places in which to buy. There have been fewer Britons buying in France in the last couple of years, mainly due to the local financial problems back home and the fear of investing in bricks and mortar overseas in general, but the South of France, with the Cote d'Azur in particular, remains a strong destination, with a strong and solid capital appreciation in the mid to long term,' she said.

The main property developers are not seeing as many potential buyers from the UK or Ireland but they are still buying in the South of France mostly one or two bed apartments near the beach in coastal resorts like St Raphael, Antibes, Menton and even Nice.

'Britons are looking for the best deal but are unaware that the local market is not waiting for them to buy, and many are losing great opportunities if they are not sticking to the asking prices,' said Yellowlees-Bound.

Kraft also believes that British buyers are missing out in bargains in the South of France. 'While Provence used to be a very crowded and expensive market, it has cooled down a lot and prices have not gone back up as they have in Paris. Sellers are negotiating much more, they are feeling the pressure,' he explained.

Ski Property

The last 12 months has also seen an increase in demand for ski property in France. Ancey based developer MGM recently reported that all but two apartments in Le Cristal de l'Alpe, a new four star residence de tourisme being built in Alpe d'Huez in the Central Alps, are sold out. 'It is staggering how a development of this size, comprising 68 apartments, has sold out except for two apartments in less than a year and a year before it is due for completion. It just goes to show that quality construction in the best locations will always do well and that there is still a strong demand for good locations in the French Alps,' said Richard Deans, sales consultant in the London office of MGM.

It is now expanding its activities into new areas of the mountains this year as it starts construction work on a record 11 new ski resort schemes. Many of them, like the recently announced new residence de tourisme La Grange aux Fées in Valmorel, a ski resort within the Grand Domaine area of the French Alps linking the Tarentaise with the Maurienne, are little known to Britons although French people regard them as popular year round holiday locations.

MGM has also unveiled a new development in the centre of Villard de Lans, a traditional and lively agricultural town in the heart of the Vecors mountains just 30 minutes drive from Grenoble Airport.

Buying a new build has tax advantages in France and has also opened up the leaseback system to foreign buyers. Some of MGM's



Views in the South of France can be stunning



Traditional architecture in Haute Normandie

developments offer leaseback apartments which benefit from a discounted price. Typically the price payable for a one bedroom apartment of 35 square meters is €215,000 but this is reduced to €180,000 because French VAT at 19.6% is waived under the leaseback scheme. Owners at La Perle d'Ourèa, for example, can occupy their properties for eight weeks a year split between four weeks in the ski season and four in the summer, while receiving a guaranteed income throughout the 11 year term of the leaseback arrangement.

Erna Low reports that the French ski property market is surprisingly buoyant right now. Many people think that ski property is a seasonal market with interest in ski property only during the winter. However, it has become apparent over the last few years, with the trends of our sales, that our busiest time is often at the end of the season when skiers have been out in the winter, mulled over the various property options, and then come in to commit and buy through the summer in order to have their property ready for the following winter, said Yellowlees-Bound.

'At the moment the market for French ski property is primarily an investment market, with fewer pure lifestyle purchases. Apartments from €200,000 to €400,000 continue to be

popular because they offer a low risk investment and owners can benefit from a steady rental return as well as being able to make use of their property themselves. This investment/lifestyle balance seems to be the most appealing choice for buyers in France's ski regions at the moment,' she added.

Low cost flights are another reason for some parts of France seeing an increase in interest, especially from buyers who want to rent out their properties. Cityjet, a subsidiary of Air France, are launching new flights from London City Airport to Pau in south west France thrice weekly from this month. It will further open up this region to holiday makers and home owners from the south-east of England, according to Steven Worboys, managing director of Experience International.

'There is a great demand for homes in the south west of France with its stunning and varied scenery. Owners achieve the best of both worlds with close proximity to the mountains and established ski resorts in winter and the coast in summertime,' he added.

Property Prices

The latest report from the FNAIM, the organisations that represent French real estate agents,

shows that sales doubled in 2010 and five of France's major cities expect their local property values will increase by 10% on average this year. It also predicts that average prices will increase by between 3% and 6%.

One of the biggest estate agents in France, Century 21, has also reported a boom. Its latest report says that the final three months of 2010 saw average prices reach €2,580 per square meter, a new record. But it points out that this masks very different experiences across the country with Paris and the Ile de France seeing a booming market and the provinces less so.

Prices rose 8.7% year on year to the end of January 2011, some 10.6% for apartments and 6.7% for houses. In Paris prices were up 18.46% and in many regions there were also above expected rises, most notably Poitou Charentes at 9.43%, Languedoc Roussillon at 8.84%, Provence at 7.75%, and Brittany at 7.5%.

But while most regions have seen prices starting to rise again, the exception is Haute Normandie which has a year on year fall of 1.9%. While in Bourgogne they rose just 0.22% and in Basse Normandie they were up by only 1.4%.

So the figures point to 2011 being a buoyant one for French property, especially in the most popular locations. ♦