

PARIS

'CITY OF LIGHT' WOWS BUYERS

Tax reform improves attractiveness of property among wealthy individuals as prices rise throughout the French capital, writes **Peta Tomlinson**

After several years in the doldrums, property prices are rising steadily in the French capital. Analysts say the UK's Brexit decision kick-started the upturn last year, and that confidence has grown following the election of pro-business President Emmanuel Macron.

In 2017, Paris ranked third in Knight Frank's annual Prime International Residential Index in Europe, eclipsing London, New York, Hong Kong and Sydney.

Savills says the market has climbed to new heights this year. The international real estate adviser's latest "Paris Prime Residential Report" shows that top-end home prices rose 3.5 per cent in the year to June 2018, while transaction volumes have exceeded their 2011 peak. Low interest rates, rising consumer confidence and the return of overseas buyers are cited as factors supporting the demand led by domestic buyers.

In particular, notes Savills, the introduction of a new tax reform, l'impôt sur la fortune immobilière (IFI), replacing the wealth tax, "has helped improve the attractiveness of the French

tax regime for wealthy individuals".

Along with a shorter time on the market, prices are now rising all across Paris, and 86 per cent of transactions above €2 million (HK\$17.7 million) took place in the prime arrondissements, the report finds.

Whereas the top prime districts of Paris have all returned to growth in the past two years, it is the less established arrondissements that have performed the best — notably the 10th, where prices are now 21.5 per cent above their former high of 2012.

The 3rd leads the way as the best-performing prime arrondissement, where prices stand 16.6 per cent above 2011 levels, increasing by almost 25 per cent in the past five years. Also known as Haut Marais, the most prestigious streets in this district are Rue des Quatre-Fils, Rue du Parc Royal and Rue Elzévir.

Paul Tostevin, associate director, Savills World Research, says that although domestic buyers continue to dominate the prime residential market, "the election of Macron and his

subsequent pro-business agenda, coupled with tax reform, has boosted France's appeal for overseas investment".

"International buyers accounted for 14 per cent of prime transactions in 2017, up from 9 per cent the year before, the highest proportion of overseas buyers seen since 2008," Tostevin says.

Americans are especially active, attracted by the political environment and a favourable exchange rate. Other buyers include the Belgians and Swiss, as well as Middle Eastern people. Savills' analysis also shows that French expats, who left for London and Brussels in the Francois Hollande era, are now returning to Paris and are investing in property.

However, the nationality that has yet to make its mark is the Chinese, Tostevin notes. "This is perhaps because they are buyers who tend to favour new builds, of which there are very few in a mostly 19th century Paris."

"Yields are low, with little rental growth for the returns-focused Chinese," he adds. "High tax, or at least the perception of it, is [another] issue for them."

Prime residential prices in Paris are lower than that of its global peers. Tostevin notes: that, "the city ranks seventh in the Savills league table of top-tier global cities, 66 per cent cheaper than Hong Kong and 19 per cent below London pricing, although it has overtaken San Francisco in the past 12 months."

Property agent Kathryn Brown, director of operations at Paris Property Group, agrees that Macron's election has given the market a shot in the arm.

BUYING GUIDE

What you can buy for €3.6 million:

A grand duplex apartment in the 16th arrondissement. Place Rodin is set in a beautiful 1930 building near the Avenue Mozart, offering 283 square metres of living and office space on the third and fourth floors.

What you can buy for €500,000:

A studio apartment in a new construction located on the doorstep of the 6th arrondissement. Campagne Première is spread across three buildings, comprising studios to four-bedroom apartments and penthouses with high quality materials and finishes. Prices range up to €4.5 million.





Properties in the 3rd Arrondissement, or Haut Marais, which includes Rue du Parc Royal, have been the best-performing of Paris' prime districts.

"The Paris residential market was subdued from 2011 to 2014 or 2015, due to tax changes imposed by Francois Hollande during his presidency," she says. In the years since, a combination of favourable currency exchange rates, low interest rates and changes to the tax system "caused the market to revive strongly", although Brown finds that the rate of increase has levelled off somewhat during the latter part of 2018.

"Interest rates are still low, the dollar/euro exchange rate is good right now, and in addition, the Grand Paris metro expansion plan, the infrastructure

improvements in preparation for the 2024 Olympics and the businesses moving to France due to Brexit make the future look bright for Paris real estate," she says.

Brown asserts that Paris is "the perfect location for a European pied-à-terre". "It's centrally located as a jumping-off point for travel, and with a wealth of cultural and historical gems to explore close at hand. For the savvy investor, Paris also offers steady long-term growth and a safe haven from international financial volatility."

Home prices are generally much lower than that of many

other top destinations worldwide, and "significant zoning restrictions make Paris off-limits to skyscrapers, allowing the city to maintain its Old-World charm and expansive, iconic rooftop views".

The 'city of light' is a classic mix of the old and the new. On the one hand, says Brown, Paris has retained its authentic character and remains "a collection of villages, each with its own style and appeal".

On the other hand, notes Savills, new infrastructure and funding is set to make Paris an attractive destination for tech investment.

"Paris is also positioning itself to gain from jobs relocating from the UK as a result of Brexit," the Savills' report finds. "Last year, the city was considerably behind Frankfurt as the favourite anticipated destination for those relocating from London. Now 2,200 jobs in finance are expected to be relocated from the UK to Paris, more than the likes of Frankfurt, Amsterdam and Dublin, according to a Reuters survey."

After 10 years of underperforming against its global rivals, concludes Savills, "a period of catch-up is expected in the French capital".