

Paris residential focus

2023

Knight Frank's focus reports provide data-driven insight for second homeowners and purchasers, as well as lenders and investors.

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► With a severe lack of new supply and resilient international demand, pricing has remained robust.

Only two prime developments have come to the market in central Paris since 2019, these include Rue de Grenelle in the 7th Arrondissement and Scene des Loges, in the 15th. Data from France's General Council of the Environment shows there were 5,145 homes for sale in Ile-de-France in Q3 2022 down 30% compared to pre-pandemic levels.

Set against a backdrop of limited stock, overseas buyers have been returning with US, Middle Eastern, Italian and some Asian buyers active in 2023.

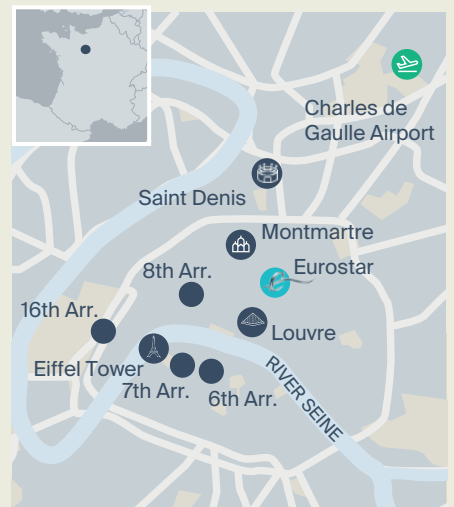
According to the Paris Chamber of Notaires sales in the city reached a seven-year high of 10,600 in Q3 2022.

Although sales have since slipped to 8,000, they remain well above their ten-year average of 7,000 sales per quarter.

RESILIENCE

This demand/supply imbalance is supporting prices. Knight Frank's Prime Global Cities Index confirms Paris registered 4.3% price growth in the year to Q1 2023 putting the city in 11th place in the 46-city global rankings, up from 20th place a year ago.

Analysis of prime prices over the decade reveals Paris has seen a 24.6% uplift compared to -5.9% and 11.8% in London and New York respectively.



THREE REASONS TO BUY



1. Tight supply of new-build and re-sale properties supports prime prices



2. Significant investment in the city's infrastructure (2024 Olympic Games & Grand Paris Project)



3. Diverse mixture of international buyer demand

TOP 3 PRIME OVERSEAS BUYERS

H1 2023

1

US

2

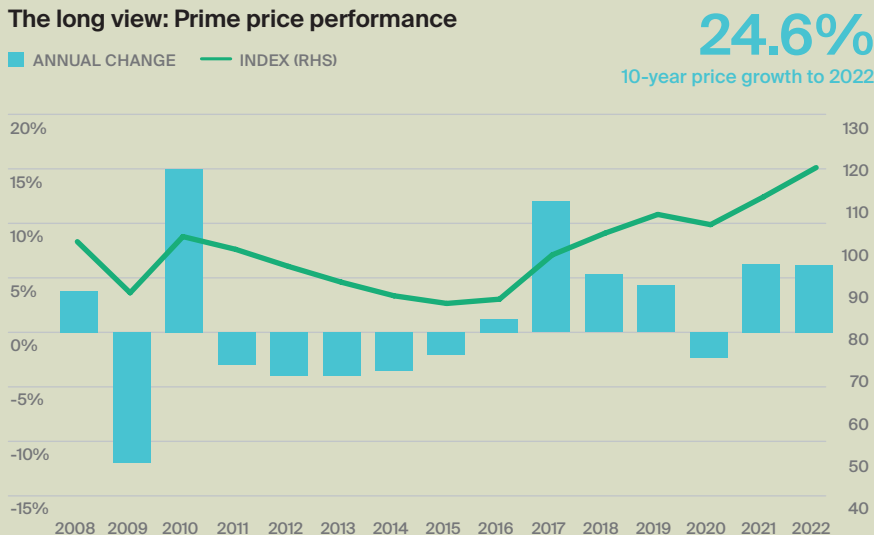
Middle East

3

Italy

The long view: Prime price performance

■ ANNUAL CHANGE — INDEX (RHS)



Source: Knight Frank Research

PRIME PRICE (€ PER SQ M)
Q2 2023

20,880

Paris – average prime price

23,005

6th Arrondissement

22,256

7th Arrondissement

19,425

8th Arrondissement

18,832

16th Arrondissement

50%

Non-residents as a % of total buyers in the prime sector

TYPICAL GROSS YIELD*

5%

*Based on a 3-bedroom property in a central location

Source: Knight Frank Research

FINANCIAL HUB

Paris's evolution as the European Union's pre-eminent financial hub post-Brexit has seen a surge of bankers and finance professionals calling the city home. Data from the European Banking Authority confirms a 71% increase in investment bankers in the year after the UK left the EU.

This trend is set to continue. The number of ultra-high-net-worth individuals (UHNWIs) in Paris is forecast to increase by 5.3% between 2022 and 2027 reaching 14,718.

INVESTMENT

Public investment is also pouring into the city. The 2023 Rugby World Cup, the 2024 Olympic Games and the extensive Grand Paris Project, Europe's largest infrastructure project, which will see the delivery of 68 new stations and 4 new rail lines, will encourage further private investment.

Data from the Paris Chamber of Notaires shows prices in the Saint-Denis area, the main hub for the Olympic Games, has seen prices increase 16% in the last four years.

OUTLOOK

Interest rates within the Eurozone are expected to end 2023 at 3.75%, falling to 3.0% by the end of 2024 according to Capital Economics but France is likely to be less impacted than some of its neighbours.

Unlike other advanced economies, the interest rate is often fixed for the life of the loan in France, household debt is relatively low and less than 3% of households opt for a variable rate mortgage according to the European Mortgage Federation.

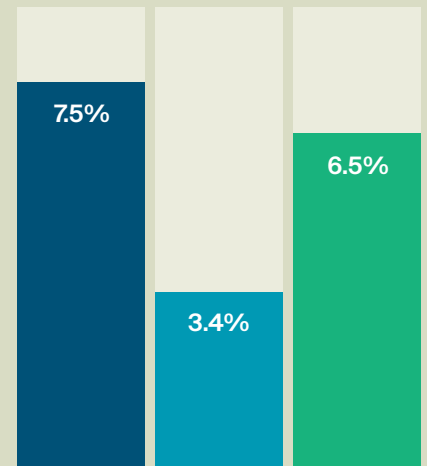
FORECAST

Direction of prime price growth

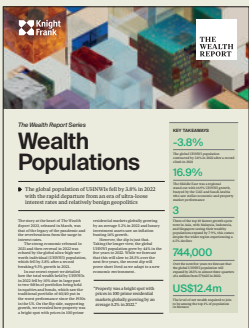


Buy, Hold, Sell costs

Based on a non-resident buyer purchasing, owning and selling a €2 million resale property for use as a second home



Source: Knight Frank Research



The Wealth Report – Wealth Populations Report

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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