

Provence 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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► Although mortgage costs are high, French banks are now more willing to lend to non-EU residents than 12 months ago which is motivating buyers who had paused their searches.

After a period of uncertainty, in part due to squeezed margins and higher mortgage rates, more French banks are reopening their doors to non-EU residents. In Q2 2023, UK and US buyers have been notably more focused and engaged in their searches as a result.

The resilient appetite for French homes from overseas buyers, despite the economic headwinds, has seen new high street banks enter the market, offering 85% loan-to-value mortgages without the need for additional assets to be secured against the loan, as was previously the case.

Nonetheless, inflationary pressures, higher mortgage costs and recessionary

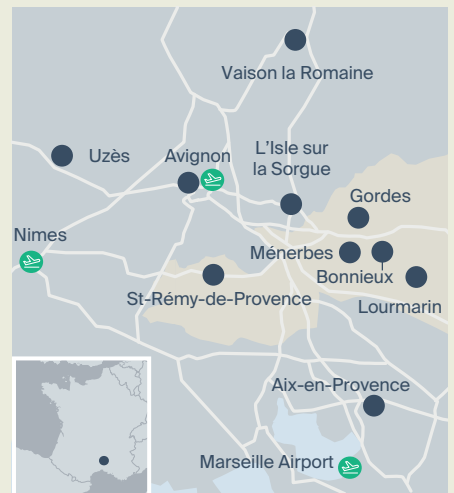
risks are weighing on sentiment. New buyer enquiries are lower than in 2022, but existing buyers remain motivated with viewing numbers over the summer months looking robust.

TARGET MARKETS

The natural parks of the Luberon and the Alpilles are the target areas for most buyers in Provence, with the golden triangle stretching from Gordes to Bonnieux and Ménerbes a key focal point.

PRICES

Three years on from the pandemic, when we saw a clamour for Provençal farmhouses from claustrophobic Parisians,



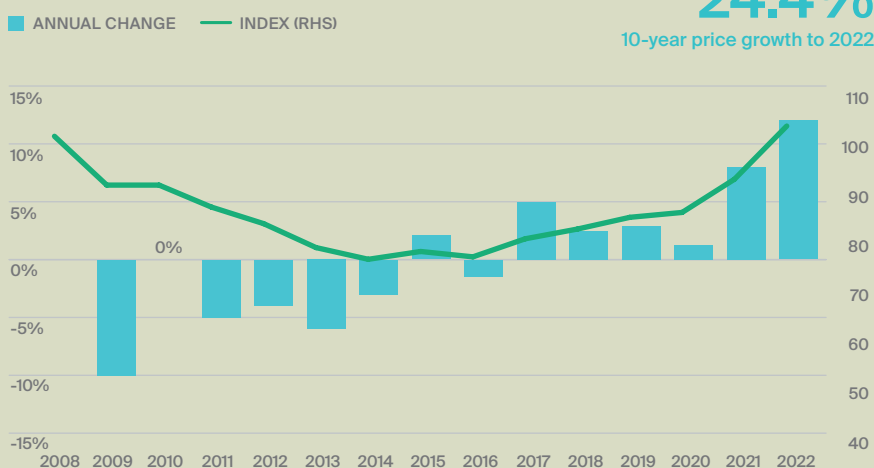
THREE REASONS TO BUY

1. The Eurostar link from London to Avignon provides UK residents with a valuable no-fly option

2. With Avignon being approximately 1 hour from the beaches of the Mediterranean, the region appeals to those seeking a rural retreat with easy access to the coast

3. Unlike several European cities, there are no limits on the number of days holiday homes can be rented

The long view: Prime price performance



Source: Knight Frank Research

TOP 3 PRIME OVERSEAS BUYERS

H1 2023

- 1**
UK
- 2**
Belgium
- 3**
US

PRIME PRICE (€ PER SQ M)

Q2 2023

8,200

Eygalières

6,700

Gordes

5,800

Aix-en-Provence

5,500

Saint Remy de Provence

5,400

Bonnieux

5,100

Lourmarin

3,700

L'Isle sur la Sorgue

3,600

Uzès

3,600

Vaison la Romaine

2,800

Avignon

TYPICAL GROSS YIELD*

55%

Overseas buyers as a % of total buyers in the prime sector

3-4%

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

Source: Knight Frank Research

and when borders allowed Brits, Belgians and Swiss purchasers, the dust is now settling, supply levels are picking up, and price growth is transitioning from stellar to sustainable.

The average price of a luxury property in Provence has increased 22.5% since the start of the pandemic, with 2022 seeing a 12% uplift alone.

However, we expect the rate of price growth to moderate in 2023. Although stock levels have improved since their pandemic low, they remain tight by historic standards, and this will protect the market from significant price falls.

GLOBAL APPEAL

Overseas buyers now account for around 55% of luxury purchasers in the region, up from 40% immediately after the Covid-19 lockdowns, when European buyers from Belgium, Switzerland and the Netherlands, who were looking for a driveable second home destination, dominated the market.

In 2023, the same buyer nationalities persist but have been joined by a larger number of US and UK purchasers.

ACCESSIBILITY

Marseille Airport acts as the gateway for most visitors to the region, with the Eurostar link from London St Pancras to Avignon providing a valuable no-fly option during times of flight disruptions.

Marseille Airport's extension to Terminal One, due to be completed by 2027, will increase capacity from eight to 12 million passengers per year.

SECOND HOMES

The appeal of owning a second home has strengthened since the pandemic. Most purchasers in Provence want to retain their

home for their exclusive use, but those that do opt to rent can achieve good occupancy rates between June and September.

Investment in the region's fibre broadband has heightened Provence's appeal to freelancers and remote workers looking for a better work/life balance. Most villages in the Luberon and the Alpilles now have access to fibre connectivity and plans are afoot to expand it to all areas of Provence.

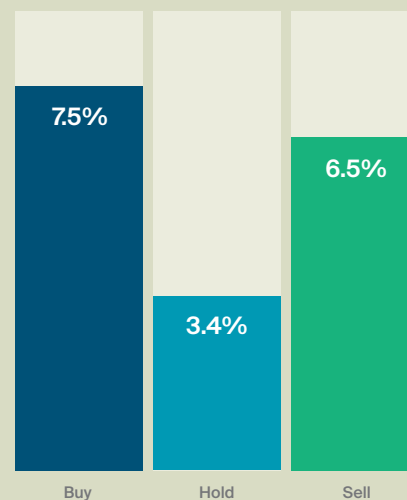
FORECAST

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 -
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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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