IS NOW THE RIGHT TIME TO BUY INVESTMENT PROPERTY IN FRANCE?

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Thank you for downloading this guide.

I hope you will find it informative and that it will

Help you to assess whether buying property in France

Is the right thing for you, where to aim for according to

Your personal lifestyle and your ambitions/needs as

An investor.

Buying abroad can be stressful, as with every property purchase.

It's important to avoid making mistakes along the way

And avoiding that dreaded potential tax bill!

Enjoy this guide and do reach out to me with comments and

Advice, if any, on how to improve it further!

I am Katy Da Silva, Founder of "Property With Style".

I have run short-term rental properties in France for 10 years and was born into a property development Family in the French Riviera.

My personal experience as a UK based investor in France – initially quite poor! – led me to setting up my own property services business, helping like-minded individuals locate, refurbish and set up their own short-term property investment in France, generating a great return whilst minimising their tax bill and maximising their enjoyment!

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Despite Brexit and the pandemic, or maybe because of both, the appeal to own a property that one could drive to, if it comes to that, is greater than ever. France is on our doorstep and, going into 2023, still offers some very attractive investment opportunities despite recent currency moves, along with a fantastic quality of life and that opportunity to practise your or your children's language skills ahead of that GCSE or A Level!

Below, I have reviewed the latest data to assess where to buy property in France for all budgets, with great quality of life whilst still getting a great return when you are back home and offering long term capital appreciation. Please read on.

Why buy in France in 2023?

1. A resilient property market, heavily regulated and with long term mortgage rates

The French property market has proved very resilient despite recent Covid confinements: the market has been rising steadily over the past 5 years, from Q4 2015 to Q3 2020. In the 12 months to August 2022, house prices grew by an average 8.6% nationally and are due to grow by another 3.5% by year end 2022, according to FNAIM, the trade body for Real Estate agents in France. Property sale transactions in France topped 1,182,000 over that same period – the first time that sales have reached this level since 2000, surging since the end of the May 2020 Covid confinement. Admittedly, this might be unsustainable, and activity may start to slow down somehow in the next few months, with a likely reduction of homes for sale.

Like what we have seen in the UK, spurred by the “work from home” movement and the feeling that one could relocate further away from city centres, French buyers have increasingly been looking for properties in smaller towns, those with fewer than 3,500 people, mostly located in cheaper, rural areas. The trend was first observed in March 2020, post lockdown, when high-cost housing areas like Paris, Lyon and Toulouse became less desirable.

The French property market is one of the most regulated housing markets in the World: *Loi Hoguet* controls virtually every aspect of French property transactions and flipping is discouraged through high Capital Gains Tax with no discount when selling property within 5 years of purchase.

On the financing side, bank lending for home loans has been relatively unaffected by Covid: mortgage lending increased by 5.3% in the 3 months to August 2021 due to historically low mortgage interest rates (1.05%). Although rising, due to higher inflation levels (6.8% in September 2022, highest since 1985!), they are still expected to remain much lower than in the UK due to their longer maturity and the fact that 85% of French house loans are fixed rate: this helps create a very stable property market, which is less prone to the sharp upturns and downturns seen in other countries. Not many stories of negative equity and forced sellers there, when compared to the UK.

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2. A reasonably strong and rebounding French economy and a stable political background

The French economy itself is bound to perform strongly in 2023, with an expected GDP growth of 4.2%. House sales are forecast to continue at around 950,000 during 2022. Source: *Notaires.fr*

After suffering an 8.7% decline during 2020 as a result of the Coronavirus crisis, the Banque de France forecasts that the French economy is expected to grow by 4.2% in 2022 and 2.1% in 2022.

In addition to this, there are many grounds for optimism about the French economy, with Bloomberg (not usually positive about the French economy), recently commenting that France is heading for a 'Golden Decade':

1. In September 2020, the French government announced a huge €100 billion economic stimulus package, focused on green energy solutions and environmental measures, to reduce France's level of carbon emissions.

2. Unemployment has fallen steadily during President Macron's time in office, from around 9.5% of the country's workforce in 2017 when he took office, down to 7.2% just before the pandemic hit in 2020 and now standing at just over 8.0% (unemployment rose to 9.1% during the pandemic as companies shed temporary staff and now stands at 8.1% in Q4 2021). The ratio of new hires on coveted open-ended permanent employment contracts (an essential pre-requisite in France to get better access housing and loans) compared to fixed term contracts, is up to 49% (it stood at 44% when he took office). *SOURCE: Statista.com.*

3. Business activity in France is shaking off a decade of sluggish growth. The tax cuts introduced by Macron early on in his Presidency, have helped raise French company profit margins back to levels not seen since before the global financial crisis. As a result, company investment levels are now higher now than before the Covid-19 crisis, while Europe as a whole still hasn't recovered. According to INSEE, the French Statistic Office, investment levels now stand at just below 25% (of gross fixed capital). There is a continued increase in the number of new companies formed each month and France is increasingly attracting foreign investors to the country. Ernst & Young report that France has jumped above the U.K. and Germany its global rankings for attracting new investment projects and jobs. *SOURCE: Banque de France Macroeconomic predictions Sept 2020.*

3. Property in France: high rental yields

Property investment is most favourable in a low interest rate, high rental yields environment, so let us have a look at how this spans out in France.

Low rates

Despite recent market events, interest rates remain low in the Eurozone, making borrowing more attractive than saving.

High rental yields

When it comes to rental yields, investors traditionally look at long term residential property rentals to generate return on investment. But in France, residential rentals are problematic. The law heavily favours the tenant (leases are not renewed, they simply roll on, making it difficult for owners to rupture contracts) and market rates are not that favourable.

However, a number of investment strategies have changed that in the recent past and allowed for very attractive returns.

- **In the coastal areas of France, especially in the South of France, seasonality plays in the investor's favour**: there is a highly profitable summer holiday rentals market, typically from May to September alongside a mid-term winter rentals market for people with special circumstances, like facing an emergency, house hunting, able to work remotely from a warmer location or simply looking for some winter sun. or there are two different rental markets which co-exist. When these two rental markets are combined, even relatively modest properties can earn between 7% to 10% net rental yields. 75% of the income will come from weekly rentals in the summer and the remainder from off-season rentals.

- Airbnb and other booking sites have largely democratised the short-term rental market throughout the country, not just in the main cities. **France remains the number 1 visited country in the world** due to the diversity of its offering, from top rated ski slopes to mountains, lakes, food, wine and beach destinations. It is the second largest global market for Airbnb, behind the USA, with over 8.5M French users from June to August 2019, pre-Covid and short-term rentals are 2.6 times more profitable than year-round renting. Source: Forbes

- Co-living has been booming in recent years, with a dire need for student accommodation, pads shared by young professionals and/or more mature tenants, freshly separated or working away from home a few days a week, all looking to live with like-minded individuals and not keen to be alone.

4. Where to buy? Recent outperformers

Unlike the UK, France has recently undertaken a large programme of infrastructure projects, including upgrades to roads, major fibre broadband rollout and recent projects announced to extend to the TGV network (opening faster connections to Toulouse, Nice and Cannes). Property prices have increased by 5.9% over the past 12 months overall, but surging in specific areas:

- House prices in **Angers** in Western France have grown by 7.5% during the last 12 months. This small French city was recently voted the #1 place to live in France by *L'Express magazine survey*. In the more in-depth 2020 study by the *Association Villes et Villages*, Angers was placed as the 4th best city to live in France after Annecy, Bayonne and La Rochelle.

- Over the last 10 years, house prices in **Bordeaux** have grown by an incredible 42% and the city is now the second most expensive place to live in France, after Paris. Bordeaux, Nantes (+10% in 2021), Toulouse (+14% since 2018) & Clermont Ferrand are top cities where to work.

Bordeaux – Pont de Pierre

- Property prices are also booming in the town of **Montauban**, just north of Toulouse. There was staggering increase of 17.1% in the 12 months to March 2021.

- **Amiens** in northern France recorded a staggering +18.1% in 2021! So did Poitiers (+11.9%) in Central Western France.

- Property prices in the Southern city of **Montpellier** have grown by 4% during the last decade. This fast-growing University town was also voted the second place to study in France after Rennes in Normandy.

- As a general trend, property prices in Western France have shown the strongest growth over the last 12 months, especially in the fast-growing cities of **Rennes** and **Nantes**. But the West of France is still playing catch up with Paris and the Southern part of France in terms of the overall value of property.

- Whilst the recent increase in property prices in the **South of France** may appear modest, if you look at the overall long-term trends, the property market here has been far more resilient to the steep rises and falls in house prices that occur in other parts of France.

Highlight destination: The South of France

Although a number of cities and regions have got more attractive over the recent years and months, **Property With Style** believes that there is a strong case to be made for the South of France as a top investment destination over the next 5-10 years, thanks to promising demographic trends, infrastructure investment and climate.

DEMOGRAPHICS

As the population of Northern Europe continues to age, a sizeable minority are predicted to choose the South of France as either a permanent or secondary retirement home. A few years back, every village and commune in the South of France was tasked with producing a plan to increase the housing supply by 20-30%. Why? It was to meet the predicted demand from Northern Europeans moving to the South of France. The economic crisis has hit this plan a bit, but you only have to look around to see more Norwegians, Swedes, Dutch, British, German, Polish and Northern French people buying up houses in the South of France.

INFRASTRUCTURE DEVELOPMENT

The continued infrastructure development of the country, such as the opening of the TGV high speed line direct to Barcelona and the break-up of Paris' monopoly on international flights (which will see the expansion of regional airports, especially Toulouse, Montpellier and Marseille) are extremely attractive for the regions.

CLIMATE

With over 300 days of sunshine a year, the South of France will not only continue to prosper from its tourism industry, but it will also benefit from the investment in renewable energy sources, primarily wind and solar energy. There was a risk that, with the phasing out of Government tax subsidies, solar panels and wind turbines would move into a slow decline; but the development of new battery technology appears to make it cost effective to store surplus energy to be used on cloudy, windless days, giving the sector will get a much-needed boost. The centre of the French renewable sector is based in the South of France.

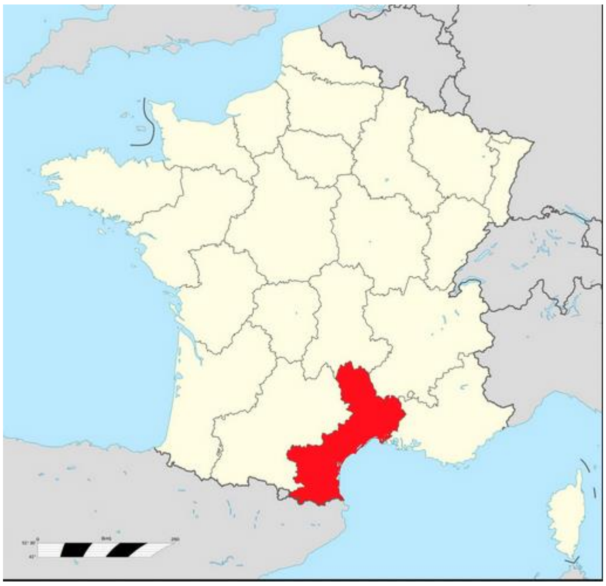
The south of France encompasses a number of regions; we will focus on two main ones: **Provence-Alpes-Côte d'Azur** and **Languedoc Roussillon.**

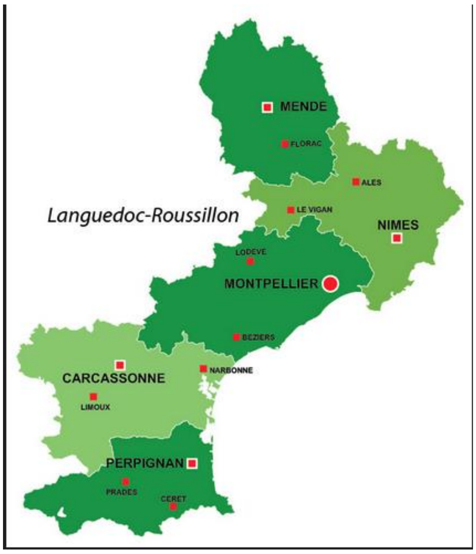
LANGUEDOC ROUSSILLON
Main cities: Nimes, Montpellier, Perpignan, Carcassonne, Mende, Narbonne, Alès, Béziers

House prices in Cote d'Azur and Provence are virtually double the value of property rates in Languedoc Roussillon. From a property investment perspective, the latter offers great opportunities for return on investment, both in terms of expected price increases over the next 10 years and rental yields.

Recent regional developments include the continued growth of some key local business hubs, drawing both industries and people to the south of France, hence more investment and upward demand for housing. Examples include biotech and IT in Montpellier and research and development in Marseille.

This helps attract greater foreign investment. Similar to what has happened in Bordeaux, we are starting to see more Asian investors looking to move into the region to support the amazing growth in the Chinese and Indian wine markets. The Languedoc wine region especially, has the potential to provide the sheer volume of good wine to meet the increasing demand in these domestic markets.





Investment case:

Buy a €330,000 4-bedroom villa with a pool in the region.
Deposit: 25% = €80,000
Fixed rate mortgage: €250,000

	Rental Weeks	Weekly Rate	Total Income
High Season	8	€2,250	€18,000
Mid-season	4	€1,500	€6,000
Winter rentals	24	€300	€7,200
SUB TOTAL			**€31,200**
Booking commissions 10%			€3,120
Property Management 10%			€3,120
Net Income			**€24,960**
Gross Rental Yld			**8%**
Yield on your €80,000 deposit			**31%**

Once mortgage payments are taken into account, this villa can be fully **paid off in 15 years**!

As the table above shows, rental income from long winter lets and highly profitable summer rentals, will be more than enough to cover the mortgage payments. After 15 years, you can either sell the property and enjoy a three-fold return on your initial capital outlay (but beware the Capital Gains Tax), or you can retire to your villa for 9 months of the year and enjoy an annual 'pension' income of **€24,000 minus fees**. That doesn't sound too bad!

Of note: careful tax considerations may allow you to offset your mortgage payments against any rental income, amortise the depreciation in the asset value of the house and even deduct some traveling expenses for personal visits to the house, so you could get a great return on investment and enjoy heavily subsidized holidays at your villa when you don't have any reservations!

Getting proper tax advice is paramount.

PROVENCE ALPES CÔTE D'AZUR (PACA)
Main cities: Nice, Cannes, Antibes, Marseille, Toulon, Avignon, St Tropez, Digne les Bains, Gap, Aix-en-Provence

In PACA, the investment case is a little different: it has always had much appeal, especially on the high end of the market. As the leading destination favoured by foreign buyers, the French Riviera relies on its amazing natural riches: investors can enjoy stunning panoramic sea views and make the most of the lovely sunny weather. The region draws investors in with its fabulous natural and high-quality cultural heritage.

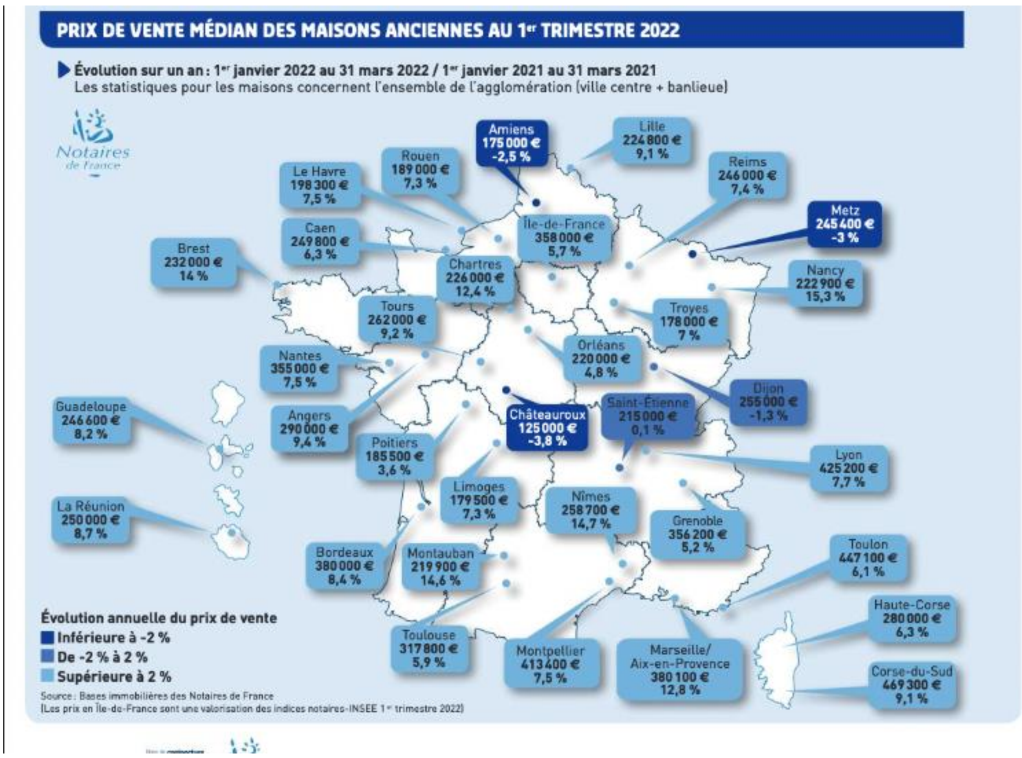
It typically attracts a very international crowd as well as international events throughout the year, like the Cannes Film Festival in May, the Monaco Yacht Show in September, the Voiles de St Tropez yachting event in October amongst others. Yes, there is some seasonality, as highlighted above in the Languedoc Roussillon region, but it is much more subdued and the year-round demand is very strong; so is the short-term rental demand all year round, thanks to the many professional events, especially in Cannes.

Investment case:
Buy a €340,000 2-bedroom design apartment in Cannes.
Deposit: 25% = €85,000
Fixed rate mortgage: €250,000

	Rental Weeks	Weekly Rate	Total Income
High Season	8	€1,500	€18,000
Mid-season	6	€900	€5,400
Events: Lions, Mipim, Film Festival, Yacht Show, Mipcom	5	€1,500	€7,500
Winter rentals	24	€275	€6,600
SUB TOTAL			**€37,500**
Booking commissions 10%			€3,750
Property Management 10%			€3,750
Net Income			**€30,000**
Gross Rental Yld			**9%**
Return on your €85,000 deposit			**35%!!**

Latest general market trends in the French market

See below for evolution of the median selling price for houses over 12 months as of 31st March 2022



Thank you for making it this far and reading this guide!

I hope that you found it instructive.

Please get in touch to discuss any specific requirements.

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We look forward to speaking to you soon!