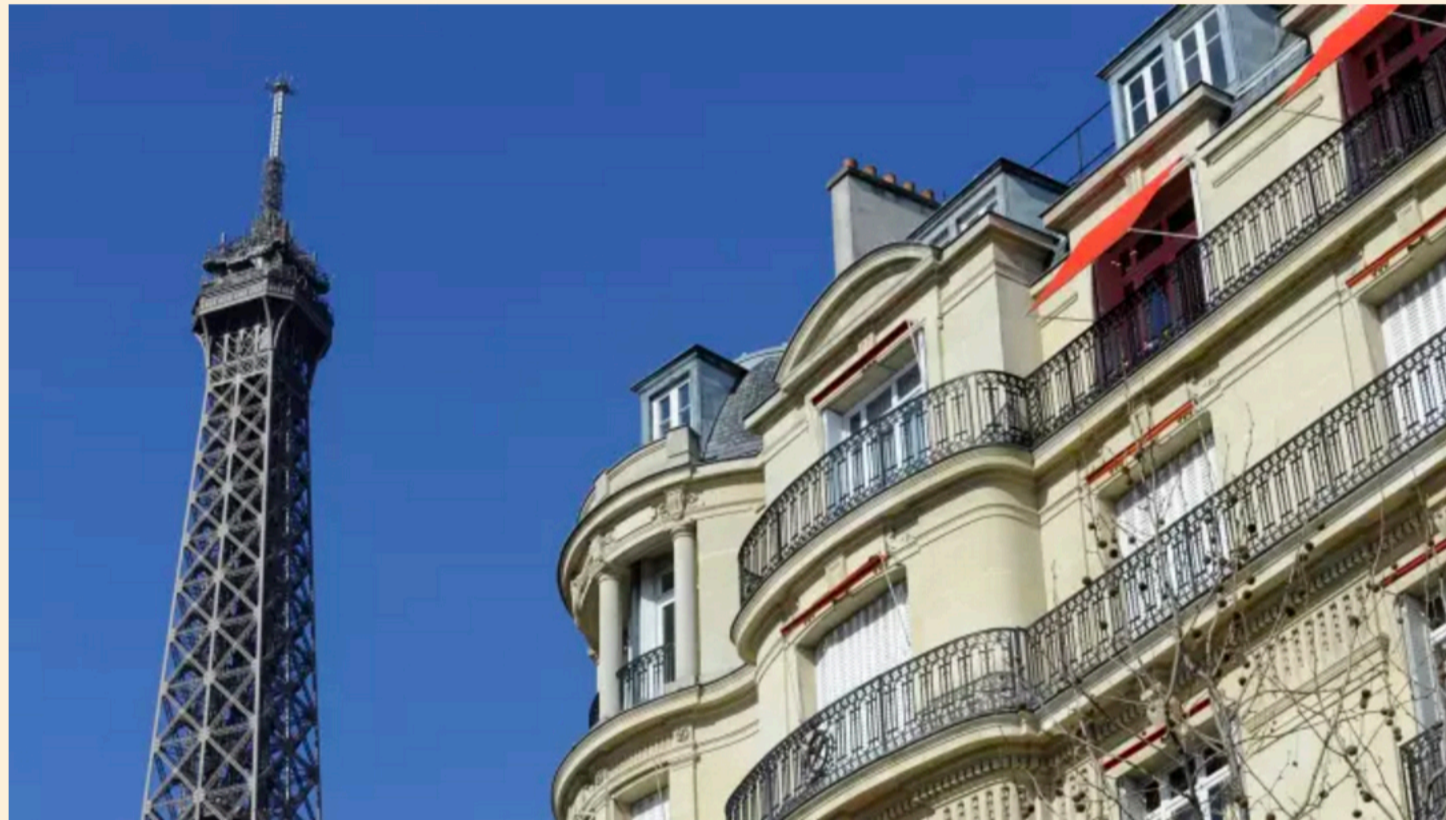


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Macron effect gives Paris property a boost

En Marche optimism, low rates and Brexit uncertainty spur buyers back to the capital



Parisian apartments are expected to reach a record average price of €8,800 per square metre in July © Bloomberg



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JUNE 24, 2017 by: [Harriet Agnew](#) in Paris

The three-bedroom apartment oozed charm: large, high-ceilinged, and in a Haussmann-era 19th-century building in a quiet location in Paris's exclusive Left Bank district. But its owner had it on the market for two years without success — until it was bought for €2.9m just after France's presidential election.

Call it the [Macron](#) factor. The confidence engendered by the French president's victory is helping to put Parisian property back on the map, with rising prices gathering momentum as locals and foreign buyers return to the market and the number of transactions picks up.

Emmanuel Macron backed up his presidential win with a [big majority](#) in national assembly elections last weekend, which will give him a strong tailwind for his five-year term. It will also boost hopes that the French economy has turned a corner. It comes as concern over Brexit is making French expatriates in the UK reconsider the charms of Paris: UK financial services groups may have to move activities to the eurozone.

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Where Inflation and Interest Rates Intersect

Inflation is the rate at which prices for goods and services increase. At first, this sounds like a simple concept, but in actuality it is rather complex. Inflation affects numerous aspects of the market and many factors influence it. If prices go up, the current value of the currency is eroded. What could have been purchased a year prior for USD 1.00 might now cost USD 1.03, and if salaries had not risen in tandem with this inflation, the public would have lost purchasing power. From this vantage point, some may see inflation as a bad thing. However, the right balance of inflation and economic growth

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“We’ve now got a powerful combination of positive factors for the market: low interest rates, the [Brexit](#) effect [. . .] and the election of President Macron that has brought a wave of optimism,” says Hugues de La Morandière, a partner at Agence Varenne, a high-end property agent on the Left Bank.

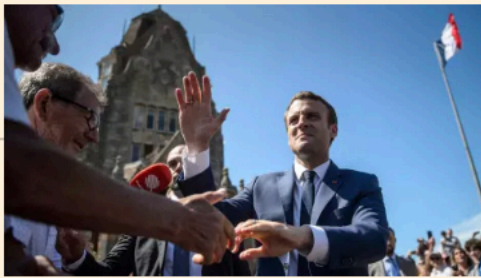
Prices are on track to reach the highest level in five years. Parisian apartments are expected to reach a record average price of €8,800 per square metre in July, surpassing the previous record of €8,462 in summer 2012, according to data from the Chambre de Notaires for Paris Île-de-France. Prices in the first quarter of 2017 rose 5.5 per cent over the past year. There were more than 10,000 transactions during the first three months of the year, a first-quarter record.

Charles-Marie Jottras, president of Daniel Féau, another high-end property agent in Paris, says popular family apartments are selling within a few days, with 10 to 15 buyers for each apartment. “Foreigners all say the same thing: it’s the Macron effect,” he says. “With the uncertainty of Brexit and the problems of Theresa May we have lots of French nationals living in the UK who want to buy properties in Paris.”

FT View

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Europe has an opportunity to tackle its longstanding problems



Buyers are also seeking to take advantage of historically cheap mortgages, locking in interest rates ranging from 1.2 per cent over 15 years to a fixed rate of 1.65 per cent over 25 years, according to the website of independent broker Meilleur Taux.

Paris’s property market previously reached these levels around the start of another presidential term: that of François Hollande in 2012. But the socialist president’s introduction of a 75 per cent supertax on earnings above €1m sent a chilling effect through the property market, driving some

wealthy people to flee France for places such as the UK, Switzerland and Belgium.

Under Mr Macron, taxes are likely to be softened — but he wants to reform France’s divisive wealth tax, levied on those with personal assets of at least €1.3m, so it covers only property. It is a move that could take the edge off property prices by encouraging people to sell in favour of other investments.

Some property agents believe these concerns are overblown. The first €800,000 of real estate assets are exempt from the wealth tax, which also offers a 30 per cent deduction for taxpayers’ principal residences.

Paris’s recovery comes as European buyers have largely deserted exclusive enclaves of London’s housing market in the wake of the Brexit vote. Continental Europeans made up just 8 per cent of buyers in prime central London during the first three months of 2017, falling from 28 per cent in the second quarter of 2016 — just before the EU referendum — according to data from Hamptons International, an estate agency.

In Paris, the foreign influx is strong, a trend that began in 2016 and was partly encouraged by a weak euro. Among foreign investors, Italian and British buyers are the main groups buying into the Parisian property renaissance.

Mr Jottras says: “It’s as if France became a Garden of Eden to the world. I hope foreign investors won’t be disappointed.”



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