



WIRE MAGAZINE

PARIS: LA VILLE LUMIERE

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a professional
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JULY 2017



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CINEL'S CORNER

Despite some doubts, the recent attacks have not fundamentally changed the behavior of high-end real estate buyers because France and Paris are one of the most requested destinations worldwide.

Recent reports reveal that the real estate market in Paris has remained stable following the November 13th terrorist attacks, despite a slight slump in the days immediately following the events. In fact, the French property market has quickly recovered from the initial blow.





According to Paris Property Group, 2016 has been a remarkably healthy and stable year for the French real estate market. With mortgage rates at all-time low and historically good currency exchange rates encouraging foreign buyers, new buyers and investors have boosted the market and continued the steady growth cycle that began in 2015. For 2017, though world and domestic politics present uncertainties, the new year seems promising.

The Paris real estate market offers solid fundamentals to investors which allow them to plan long-term acquisitions: transparency, maturity, liquidity. It's worth remembering that, with 53 million sq m, the **Greater Paris Region has the largest real estate stock in Europe and the third largest in the world after Tokyo and New York.** Rental activity is very strong with levels of take-up running at twice those seen in London.

In terms of investment volumes, Paris is also highly active and has been up on the top step of the podium of continental European cities for several years posting €18 billion in investments in 2014 and 2015.



HOW ELECTIONS WILL IMPACT REAL ESTATE IN PARIS?

Real estate buyers and the entire real estate market is also driven by external factors. Thus, social and political events are important to keep in mind while thinking about investing in Paris.

Pro-European former investment banker **Emmanuel Macron** won the final round of the French presidential election by a large margin, further reducing perceived European political risk.

The results of the French elections have removed one more piece of uncertainty facing investors in the European equity markets. Recent data shows the European economic recovery gaining momentum, which could potentially lead to additional gains for investors.





France and its allies breathed a sigh of relief as Emmanuel Macron defeated Marine Le Pen in the presidential election second round face-off. France now has a young, internationalist, pro-business president who hopes to usher in a new era for the country. **What does his election mean for Paris real estate?**

Firstly, his election has avoided the jump in French bond yields which would have occurred had Le Pen won the vote. Such a jump filters down to mortgage borrowing costs (the OAT yield Obligations assimilables du Trésor or French T-Bill) virtually doubled overnight when Trump was elected) and would have hurt the market's current recovery through decreased demand for mortgages. Rates will remain low thanks to a restored confidence in the French economy's long-term prospects.

The Euro also hit a six-month high against the dollar thanks to his victory. The immediate effect of this is a jump in the value of Paris real estate internationally.



Then there are his policies. When it comes to property, two stand out as important. He wishes to exempt 80% of households from the *taxe d'habitation*, knocking a third off it each year from 2018 to 2020. Macron also wishes to reform the wealth tax (ISF), removing the wealth tax from most assets in an effort to free them up for investment, but keeping the current wealth tax on property over 1.3M €.

All in all, the election has proved good news for Paris real estate in 2017. April's property figures from market sources show accelerated growth in the capital.

Buying an apartment in Paris to rent it remains a safe value, thanks to a strong rental request, with an annual return that can reach up to 4%.

So even if Paris is quite an expensive real estate market, it remains a good investment thanks to its economic dynamism and its international position.



REAL ESTATE IN FRANCE AS SEEN BY OUR PARTNERS



In what situation is the French real estate market?

After a difficult time with a general downturn in prices throughout the country and a slowdown in transactions, the trend has reversed since 2016.

Cities like **Lyon**, **Strasbourg**, and **Bordeaux** have seen a flurry of real estate recovery, just like the south of France.

Paris is still the city where the price per square meter has risen more (+ 6.2% in one year) and where the market is more dynamic today despite a lack of supply.

This lack is due to the mass return on the French market itself, attracted to the purchase of particularly low interest rates and existing tax breaks.





For this reason, the prices in the most sought after and central districts of the capital have reached record figures: for example, we are at over 12,000 € / m² in media in the 6th arrondissement with bits up to 25,000 € / m².

And, of course, traditionally less expensive neighborhoods, such as 18th, 19th or 20th, also show a rise in price per square meter, averaging around 5% in one year.

If these prices can sometimes discourage Paris, Paris remains one of the most interesting real estate markets for international investors.

The most interesting areas for international investors are the following. For Mid-East: VIII, XVI, XIX arr., Asian (extreme east): 1 arr., USA investors are open to discover new areas (but not peripheral), while Italians are most willing to buy in Saint-Germain, Marais and 1 arr. In general, the 1 bedroom flat type of apartment is the most requested.



CURRENT REAL ESTATE STEPS TO INVEST IN PARIS

We asked our partners in Paris to describe the current real estate steps in order to invest in Paris.

Step 1: the offer to buy

A couple of buyers have found an apartment in Paris (IX arrondissement). They intend to finance their purchase of € 430,000 by means of a € 300,000 loan, their equity being used to settle the agency's commission, security deposit and legal fees.

The Estate agent asked them to make an offer to purchase the property, but before they would like to know the steps to buy the asset.

First of all, once you make an offer you should know that is binding till the expiring date, after that buyer and seller have to sign the purchase agreement.

To do not be tied for long time to the offer, the couple asked a limited time to the seller to take a decision. They cannot pull back before the expiring date of the offer.

Step 2 : the choice of the notary

After accepting the offer of the couple, the seller proposes them to contact his notary to fix an appointment of signature of the compromise of sale. The seller and the purchaser may each appeal to their notary without additional cost to the purchaser.

Step 3 : the compromise or promise to sell

The notary sends buyers the RIB (the bank account identity) of the Notarial Office and asks them to transfer the amount corresponding to 10% of the purchase price and the costs of drafting the compromise of sale. The buyer has to pay a 10% deposit to hold the property. It will be



not refundable in the case the buyer decide to do not move forward with the purchasing process. Anyway the buyers will have the right to cancel the contract, by delivery written notice to the seller or seller representative, within 10 days since they sign the purchase agreement This amount may be freely reduced.

The seller has to produce a technical due diligence of the property status, otherwise he will risk to be the responsible of the asset status.

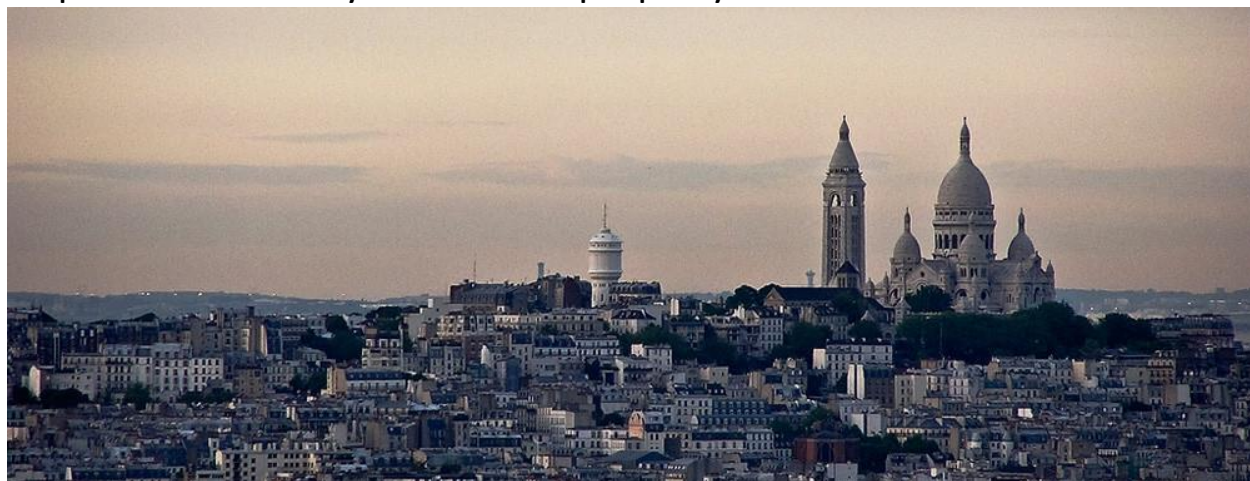
From the 1 April 2013, all payments exceeding EUR 10,000 received or issued by a notary must be made by bank transfer.

The seller has to produce a technical due diligence of the property status, otherwise he will risks to be the responsible of the asset status:

- The risk to the exposition to lead (CREP).
- The certification which garantees the absence of the asbestos.
- The certification which garantees the absence of termites and xylophages insect.
- The Energy Performance Certificate (EPC).
- The metals absnce, natural dangers and technologies status (ERNMT).
- The elettronical and gas systems if they are older then 15 years.

The supervision certification for installation of the drainage system.

The seller has to provide to the notary all the paperworks before the sign of the sales agreement, in order to be sure the buyers know the asset status. If missing the documentation the seller may be responsables for any issue in the property.



Step 4: The loan offer

Whether the purchaser uses a loan or not, the deed of sale must mention an indication of the financing.

When the deed indicates that the price is paid by means of a home loan (governed by the provisions of the Consumer Code on real estate loans - for example, an individual who makes a loan to purchase his principal residence), it must contain a legal suspensive condition for obtaining the mortgage loan(s). It is a legal provision.

If the buyers do not get the loan before the expiring date, which is write in the mortgage agreement, the buyers can decide to renounce to proceed with the purchase of the house, saving the deposit.

Step 5: the deed of sale

The seller gives them the keys in return for the full payment of the sale price to the notary.

The notary will give the property right to both, the seller and the buyers, after the completion of the bureaucratic procedure



APARTMENT FOR SALE

XAVIER PRIVAS

PARIS – V ARRONDISSEMENT



Saint Michel district, apartment located in a beautiful old building, consisting of entrance, living room with open kitchen, bedroom, bathroom with toilet. Great ideal state as an investment in income. Dimensions: 32 m².

Asking Price: 465.000€



APARTMENT FOR SALE

LA MADELEINE

PARIS – IX ARRONDISSEMENT



Apartment composed of entrance and living room with beautiful terrace, bedroom with bathroom and separate kitchen. Dimensions: 38 m².

Asking Price: 635.000€



APARTMENT FOR SALE

RUE DE SEINE

PARIS – VI ARRONDISSEMENT



In the heart of Saint Germain de Près, on the top floor of an elegant Haussmanian building, spectacular views of Saint Sulpice, Les Invalides and Eiffel Tower.

Apartment (open space) in perfect condition, plenty of light, consisting of entrance, living room, kitchen with dining area, two bedrooms and two bathrooms with shower.bathroom and toilet. Dimensions: 70 m².

Asking Price: 1.500.000 €



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