



WIRE

WORLDWIDE INVESTMENT IN REAL ESTATE

PARIS REAL ESTATE MARKET



FRANCE MARKET OVERVIEW:

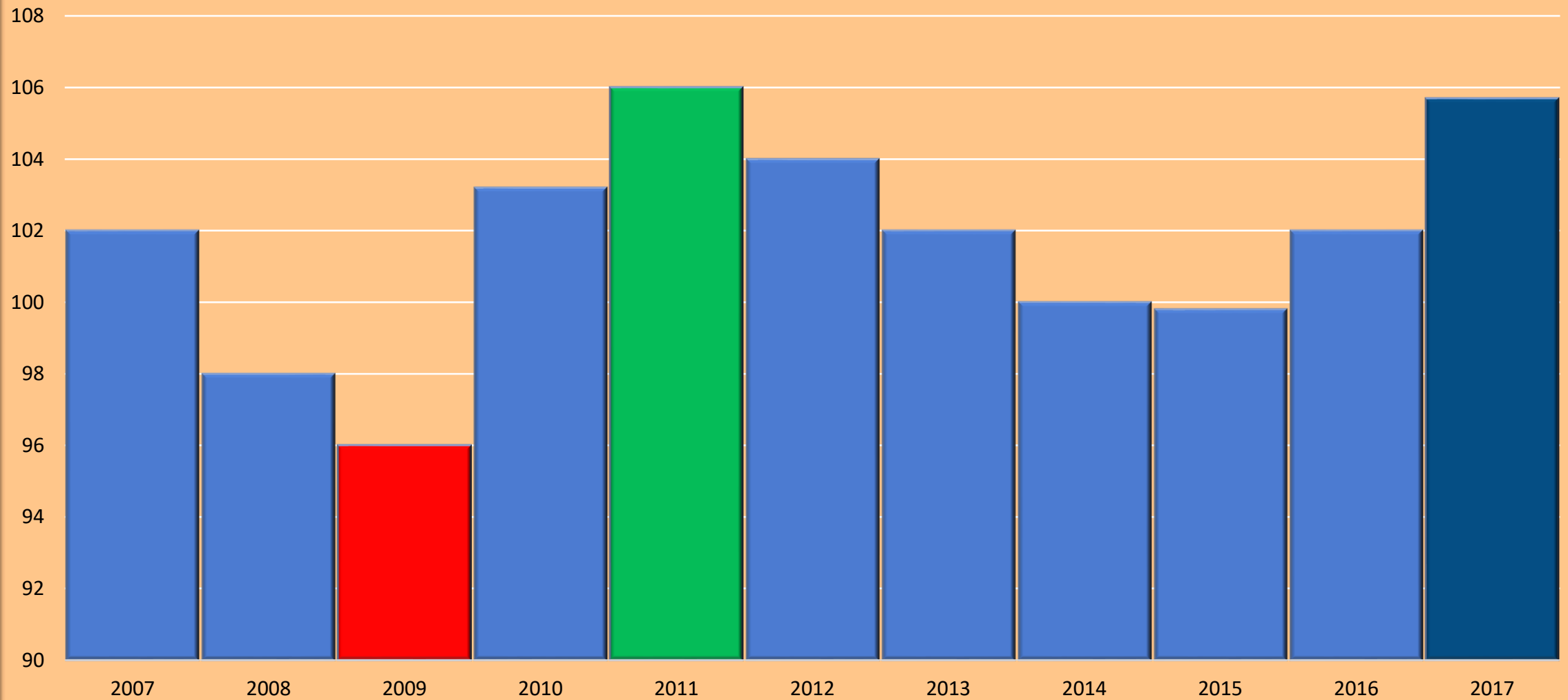
Even though during the last decade France real estate market has been quite volatile, it has been more stable than most European counterparts.

It is mainly due to the financial crisis. The House Price Index had its bottom in 2009 (96) and quickly recovered since 2011 (106) where it touched a new record high.

As a consequence of political issues and an overvalued market, prices remained stable since 2016. Indeed in 2017 (105,7) president Macron election, Brexit's effects and a sustained economic growth caused a rapid increase in the House Price Index. Close to 2011 values it seems that the index will reach new records in 2018 as a consequence of a strong demand arising from foreign investors.

Source: Eurostat

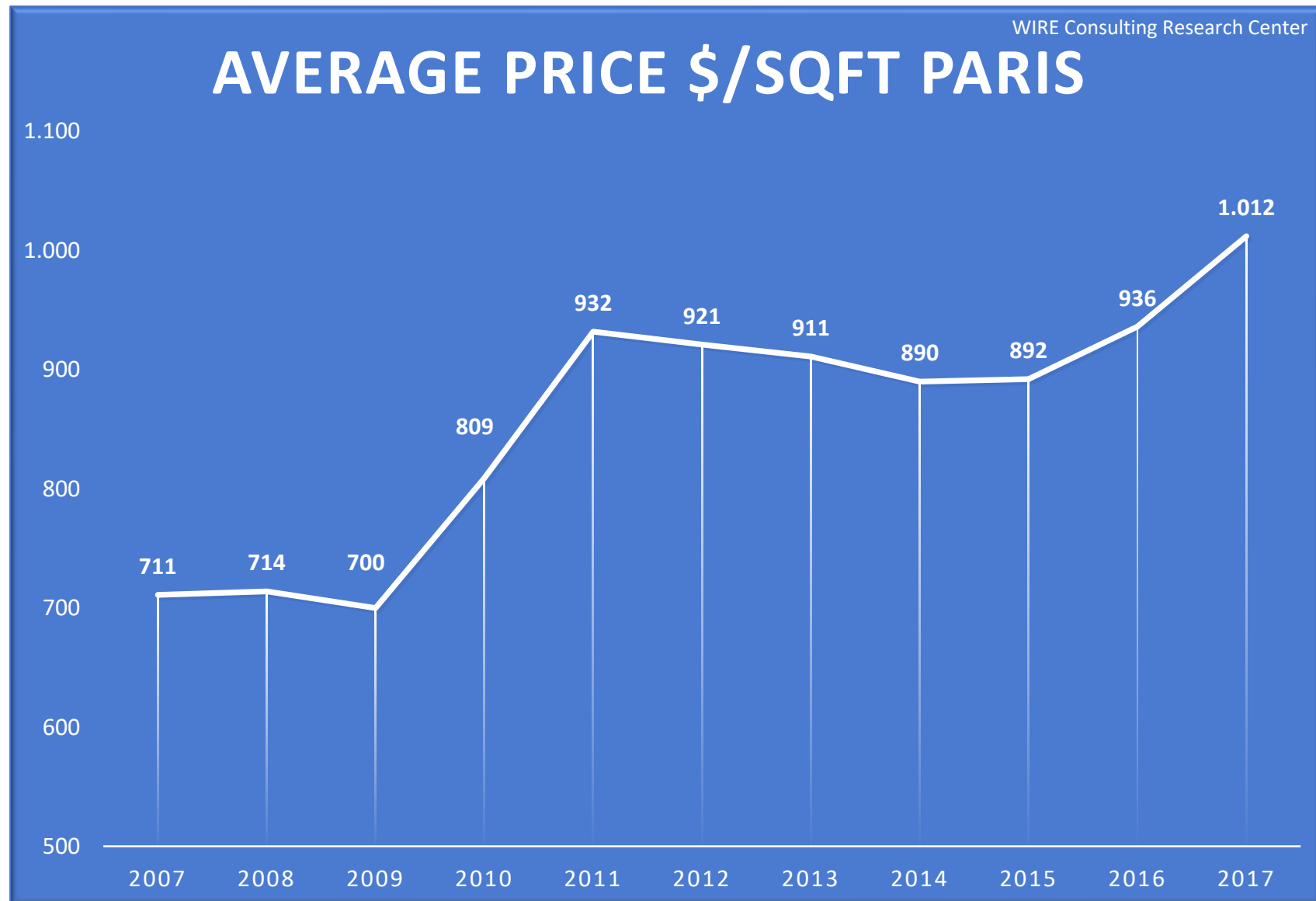
House Price Index - France (year-end values)



The crisis had no major consequences for Paris real estate. The city remains a stable and solid market, which offers relevant appreciation margins.

After a 5-year-long stand-by prices have started to rise in 2017 reaching 1012 \$/SQFT (+8,11%) and the pattern will probably go on in 2018, too.

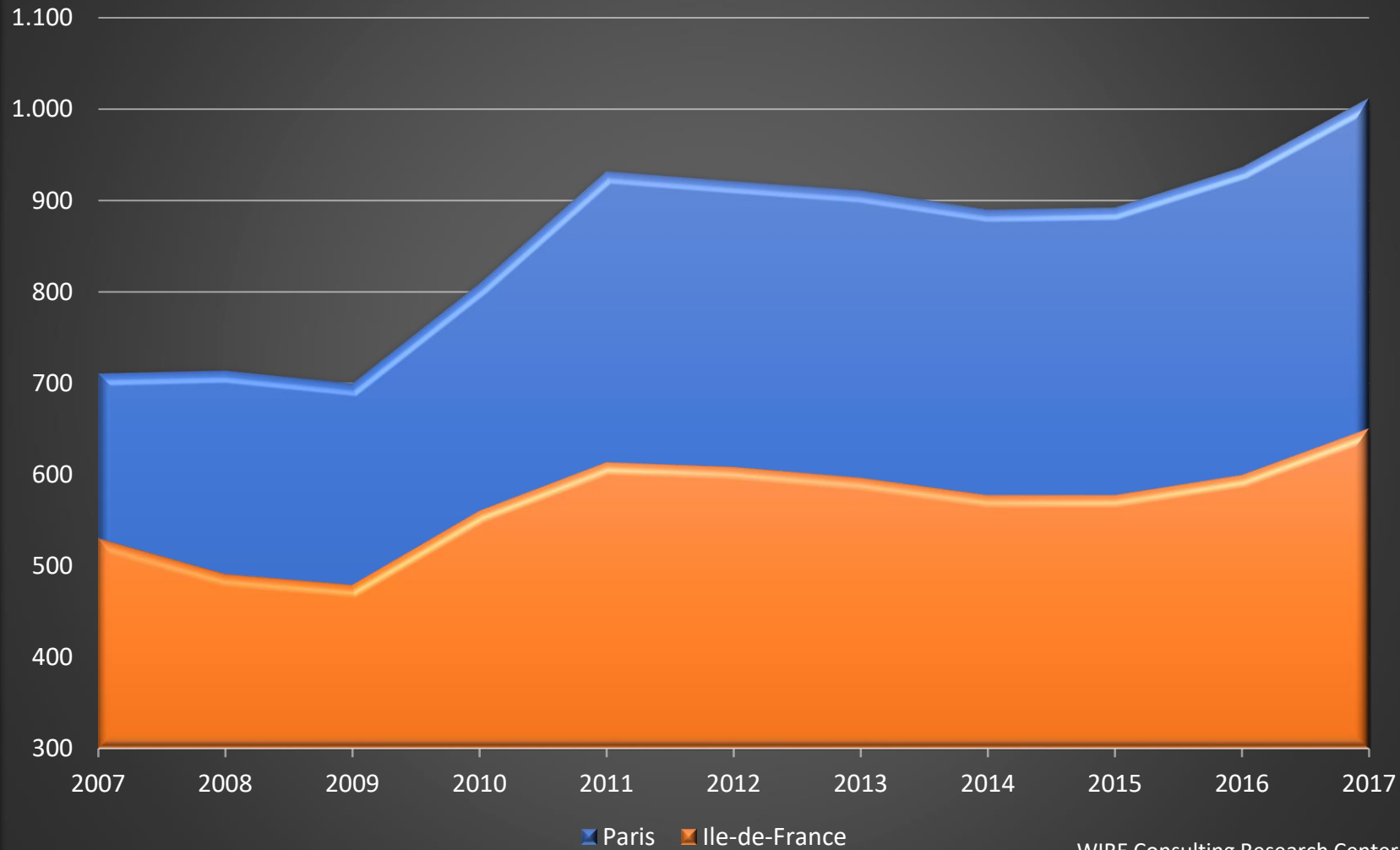
The reasons for the low short-term volatility are to be found in the high transaction costs (about 7%) and the absence of a structured market for re-financing.



OVERALL FACTORS AT THE BASE OF PARIS PROPERTIES PRICES INCREASE:

- The city has fast reached its expansion boundaries, so the offer can't take the peace with the demand
- Interest rates are at an historical low level. Investor know they will not stay there for much longer
- New trust following president Macron election. Expectation of lower taxes on capital and removal of Paris rental caps
- Brexit moved international interest from London to other European cities like Paris
- Strong dollar boosted purchases by investors of dollar-based countries.

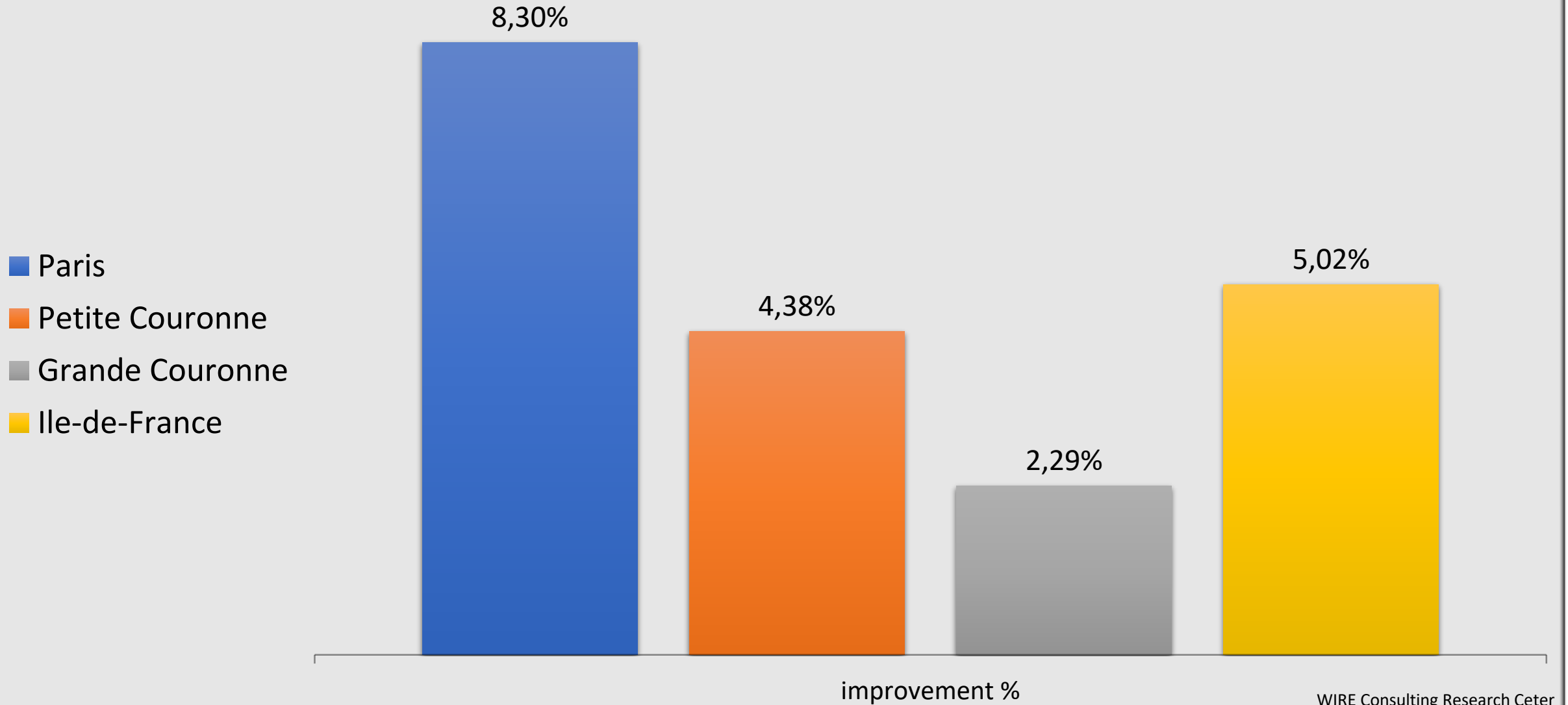
Parigi vs Ile-de-France \$/SQFT



WIRE Consulting Research Center

High prices per square foot are fully sustainable in Paris. Furthermore the city does not only grow more than the national average but it works as an engine for the whole regional market. Compared with the Ile-de-France Paris holds best during recessions, while gaining ground at a more than proportional rate during expansion phases.

Properties' Price Increase per Area - 2017

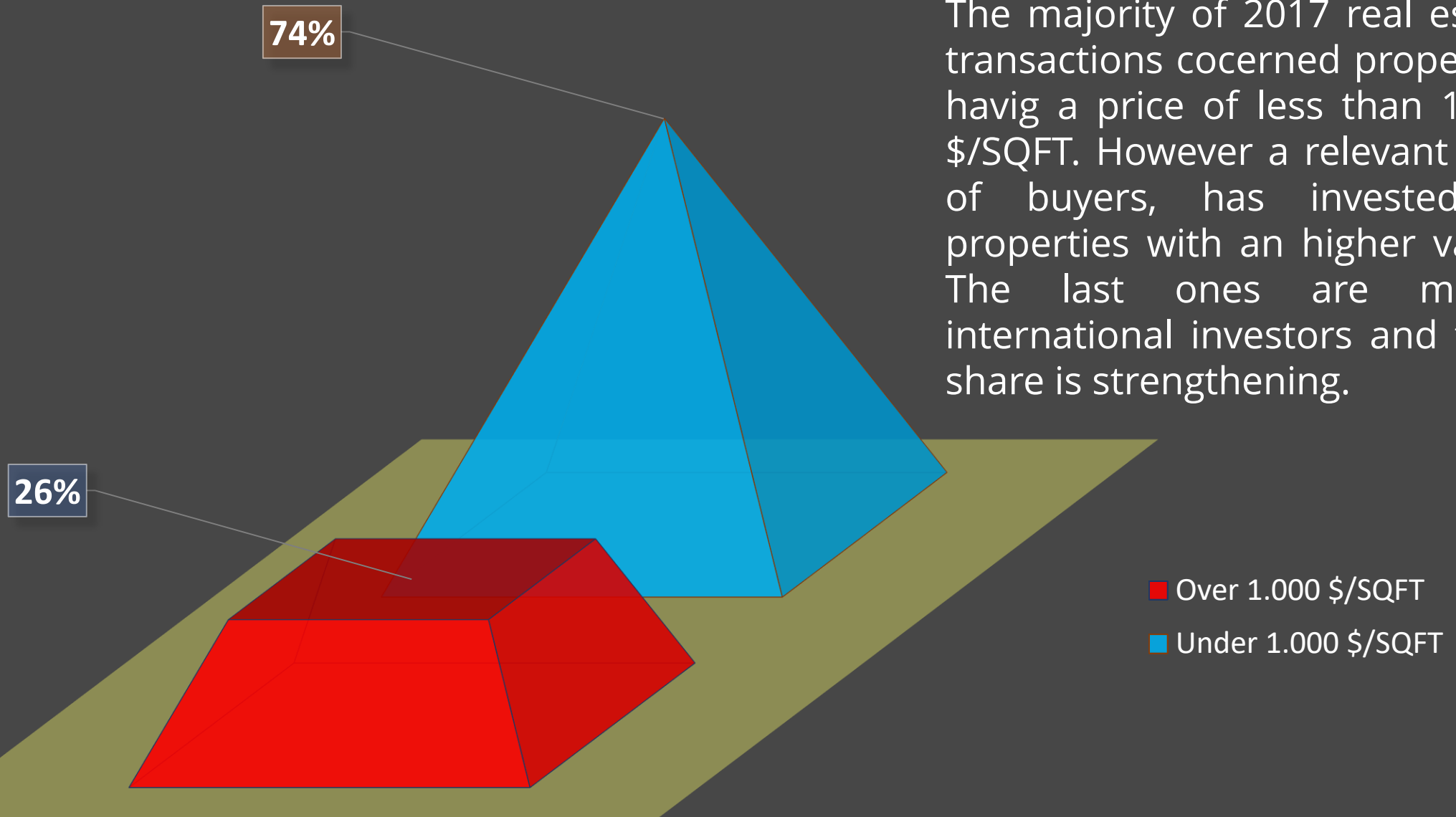


The rising demand has brought to an increase in the number of real estate transactions, which in 2017 were more than 10.000.

On a yearly bases the growth accounts for an 8%, which would be bigger without taking into account Q4 of 2016, when the up-trend was already begun.

PARIS % OF REAL ESTATE TRANSACTIONS DIVIDED BY \$/SQFT VALUE

The majority of 2017 real estate transactions concerned properties having a price of less than 1.000 \$/SQFT. However a relevant 26% of buyers, has invested in properties with an higher value. The last ones are mainly international investors and their share is strengthening.

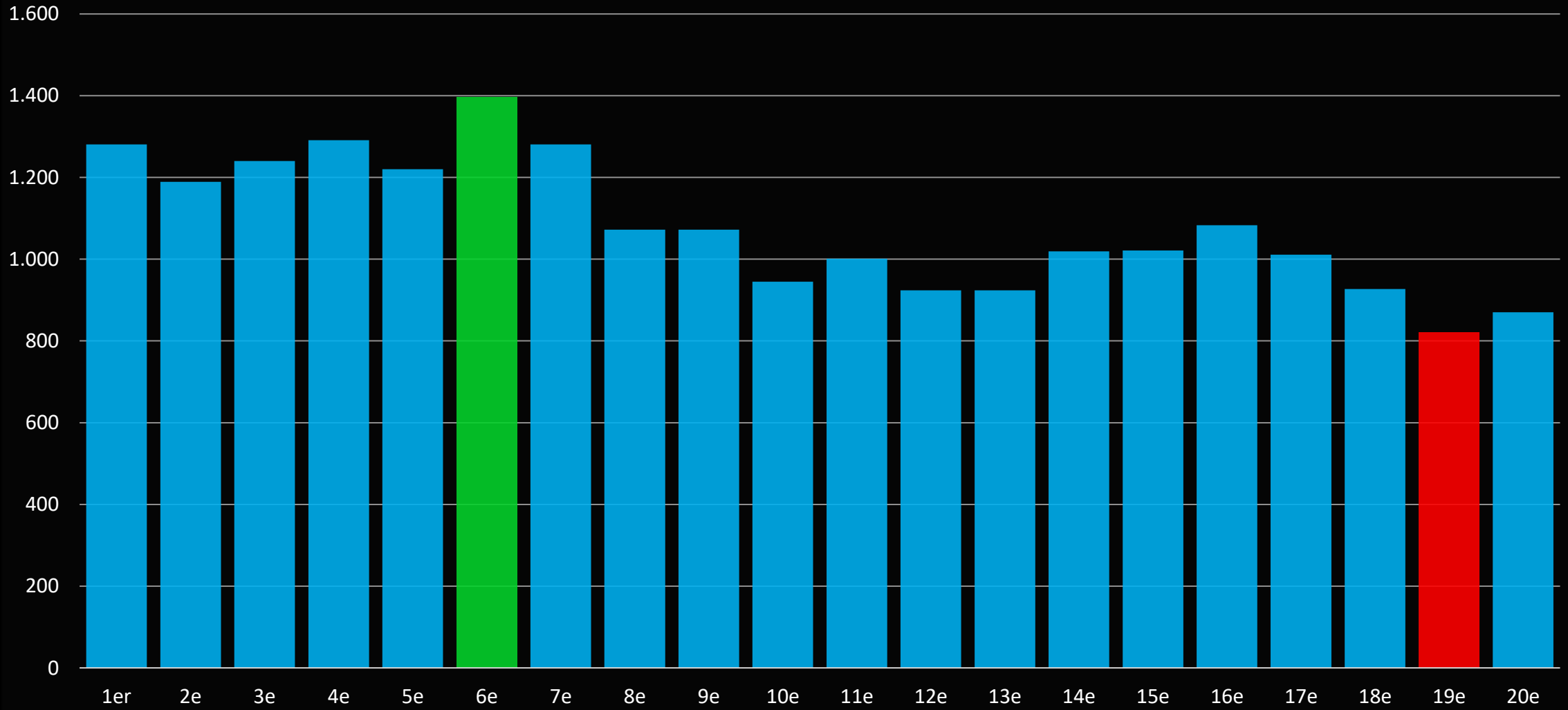


Prices differ significantly between different arrondissement, as well as their yearly growth.

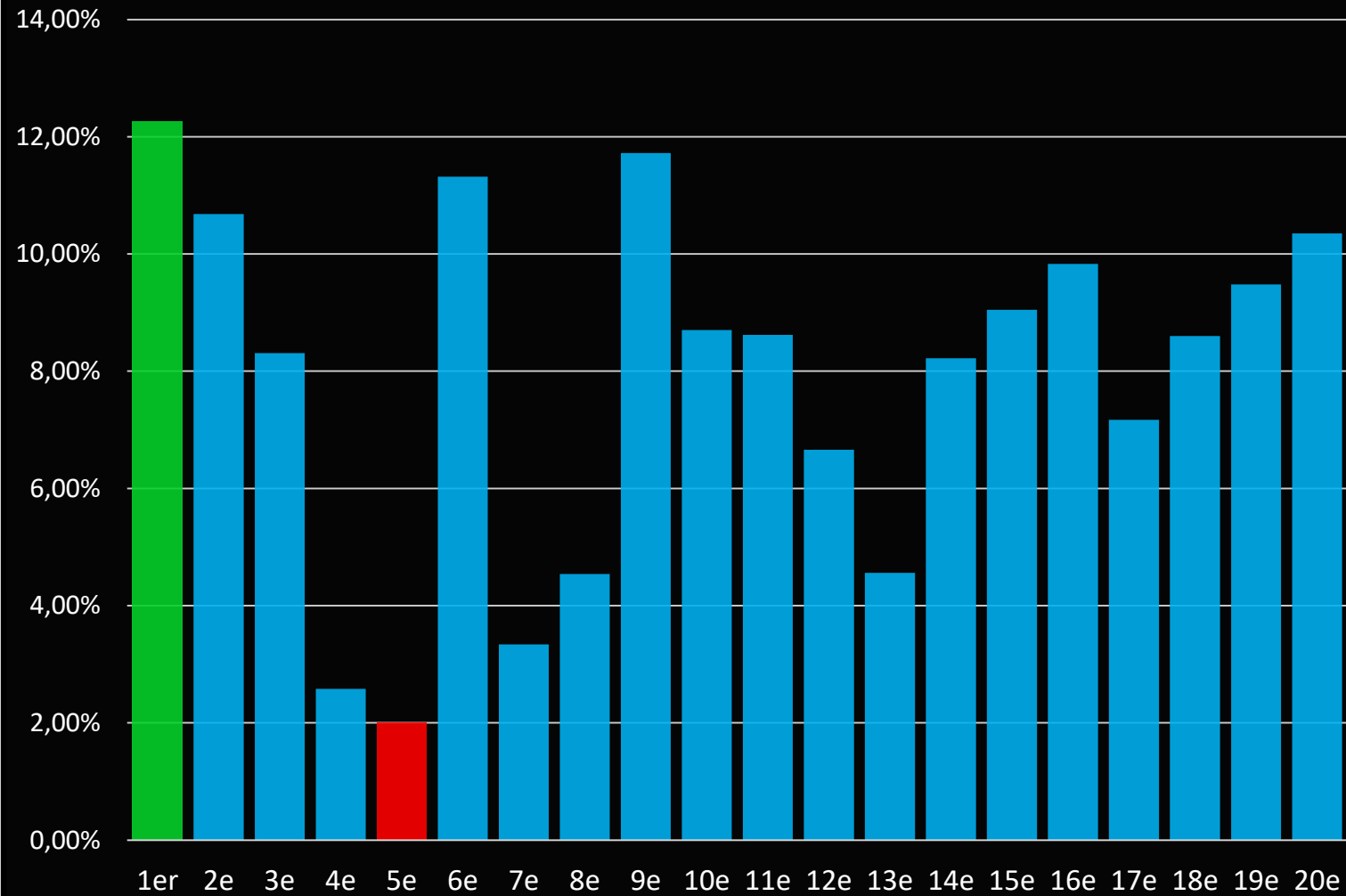
Values are higher in the 6°, 4°, 1° and 7° arrondissement where average prices exceed 1.226 \$/SQFT, with peaks of 3.345 \$/SQFT in the most exclusive buildings.

Even if the 6° and the 1° place themselves in the top 3 also for what concerns the yearly growth, the 4° and the 7° leave the place to many arrondissement historically considered as less relevant. This is due to urban requalification projects and less closed markets, which have a higher appeal for overseas investors.

Price per Arrondissement \$/SQFT (year-end values)



Price Growth % (year-end values)

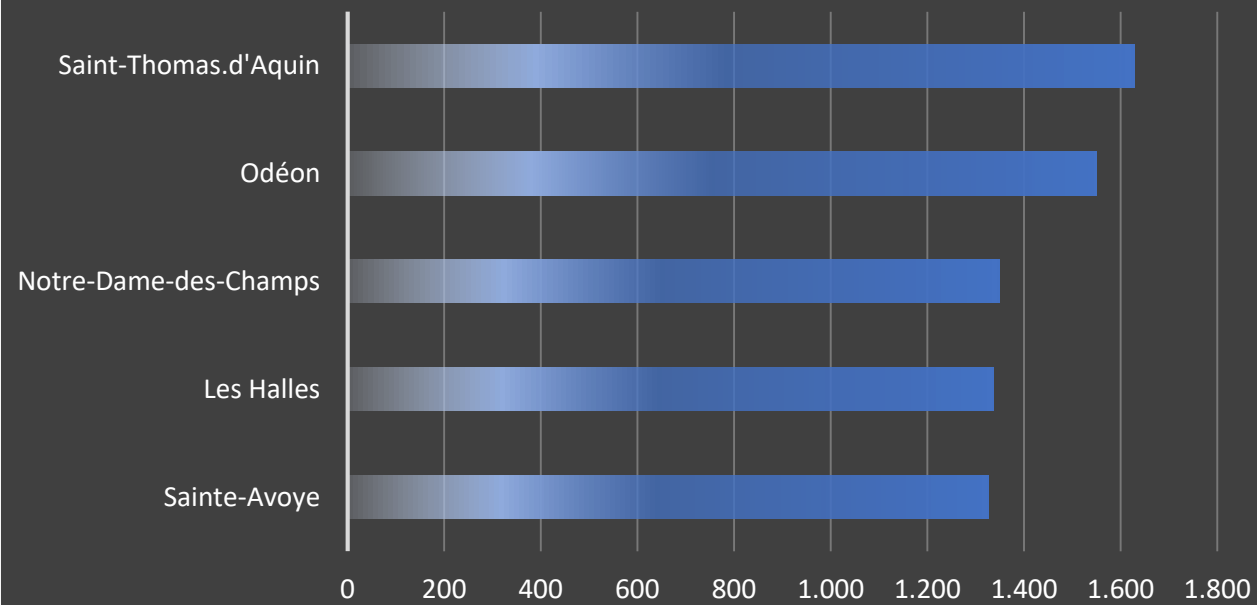


Some arrondissement with prices between the lowest on the market are wonderful opportunities for the investor looking for a profitable long-term capital gain. It is the case of the 9°, 20° and 19°, which in terms of % appreciation have largely surpassed more traditional arrondissement.

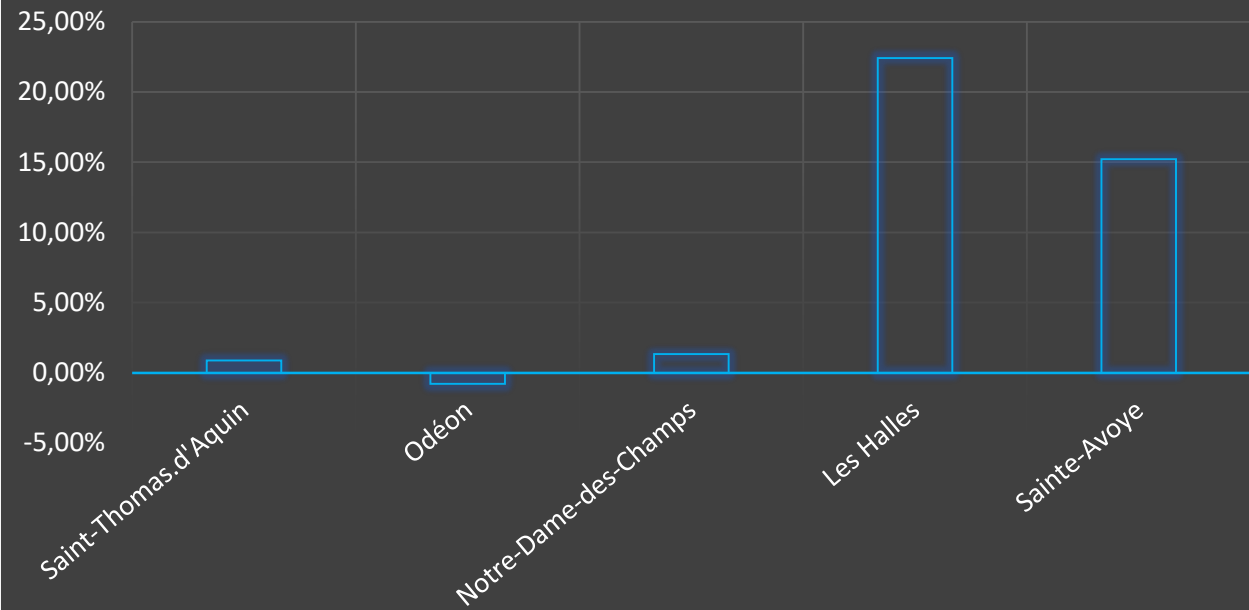
The most costly locations are found in the most renowned arrondissement and are **Saint-Thomas-d'Aquin, Odéon e Notre-Dame-des-Champs**. However analyzing the 5 year period ending in 2017 these areas were subject to a really low appreciation, sometimes even a negative one.

Different is the situation for lower-values neighborhoods. On a 5 years bases the cheaper are the ones which performed better: **La Chapelle +32,30% and La Goutte-d'Or +16,92%**.

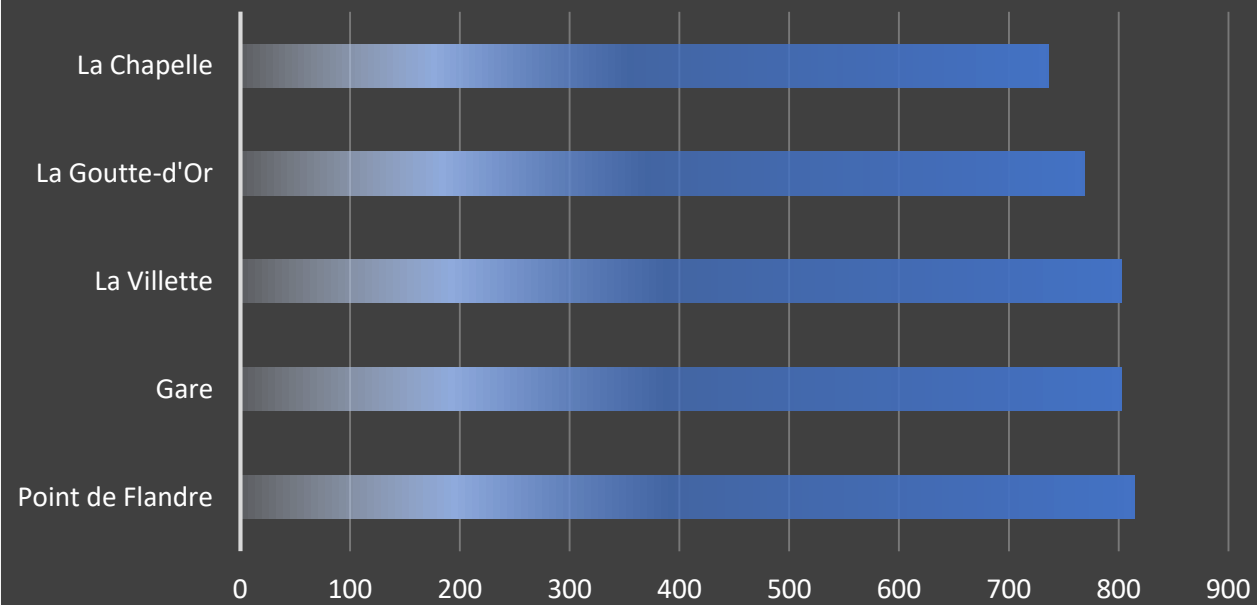
AVERAGE PRICE \$/SQFT PRIME LOCATIONS



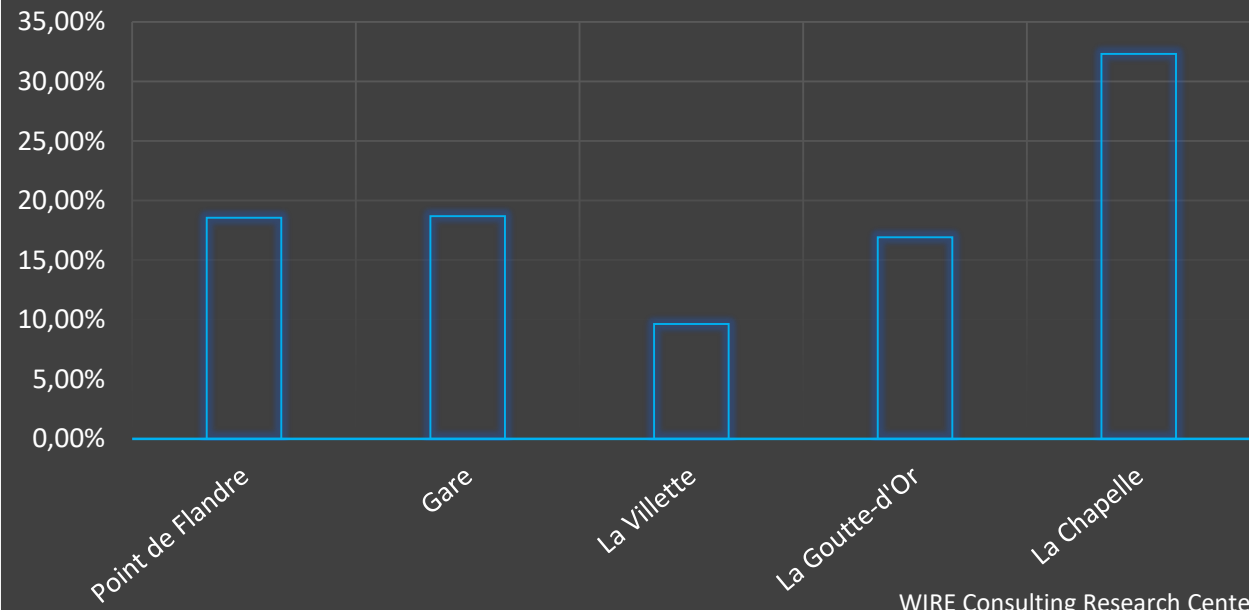
5 Years Evolution



AVERAGE PRICE \$/SQFT LESS COSTLY LOCATIONS



5 Year Evolution



The most wide group of international buyers is represented by the italians, which cover **16% of the total of foreign purchases**. Britons follow with an 11% share.

Another interesting trends is represented by the growing number of US buyers, which nowadays cover **7,5%** of foreign purchases in the «Ville Lumiere».

REASONS AMERICANS ARE BUYING IN PARIS HEAVILY:

- Strong dollar! Paris' market represents a real high-yield long-term opportunity considering the momentary cheapness of the €
- Domestic luxury market top cities are at a risk of overvaluation, which will put markets on a stand-by for some years. Paris represents the best of european capitals and a clear first choice
- Taste for european top-brands concerning food, clothing and architecture is becoming more significant, as americans are getting more refined
- After some issues, the political climate for the next years seems one of the most solid in Europe

THE LUXURY SECTOR:

By now Paris seems one of the European capitals, which are best able to attract substantial capital by foreign luxury real estate investors. Chinese, European and American buyers are directing their capital to the city. If any other location will be able to compete with it, it could reach levels comparable to other famous cities outside the continent, which have now reached all time highs and cannot continue to grow much in the medium-term.

It is enough to look at **Hong Kong**, with an average of **4.348 \$/SQFT**, **Tokyo 3.122 \$/SQFT** and **New York 1.895**.

If international investors will continue to exit those markets and will make money flow into the capital, average prices per square foot for luxury properties (today varies a lot, but the average is about 1.450 \$/SQFT) could **increase up to 50%** of the current value.

Forecast on Luxury Properties Appreciation - 2018

