

Beat: Business

## LUXURY REAL ESTATE MARKET IN FRANCE / MONACO / SWITZERLAND / BELGIUM

BY COLDWELL BANKER EUROPA REALTY

PARIS - SAN FRANCISCO, 18.12.2023, 11:44 Time

**USPA NEWS** - The Coldwell Banker Price Barometer establishes itself as the Benchmark Indicator for the Premium Real Estate Market in France, Monaco, Switzerland, and Belgium from its Launch. Updated Quarterly, it will also provide Regional Focuses on Properties priced between 1 and 5 million Euros and the Ultra-Luxury Segment with Prices exceeding 5 million Euros.

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This Exclusive Analysis in France, based on PriceHubble Data, highlights Essential Indicators such as Prices, Volumes of Listings for Sale, Negotiation Rates, and the Evolution of Living Spaces. This Initial Study serves as a 2023 Review and offers Insights into the Prospects for 2024, including a Comparison with the "Classic" Transactional Segment. Summary and Perspectives by Laurent Demeure, CEO of Coldwell Banker Europa Realty.

While 2021 and 2022 saw a Significant Increase in Sales Volumes in the Luxury Real Estate Market, reaching nearly 80,000 Listings, 2023 returns to the 2019 Level with over 40,000 Properties for Sale. This Downward Trend in Supply follows that of the Traditional Market but withstands it better, especially in terms of Negotiation. Additionally, Living Spaces also tend to decrease in the High-End Segment, going from an average of 210m<sup>2</sup> in 2019 to 193m<sup>2</sup> in 2023.

On the Sales Price Front, the Luxury Real Estate Market holds its ground, with no Discounts or Major Clearance in Sight. The 2023 Coldwell Banker Price Barometer highlights Territorial Disparities in the Resilience of Luxury Property Prices in France and Europe (Monaco, Switzerland, and Belgium). The Luxury Segment is holding strong everywhere, but it is in France where the Highest Price increases are achieved.

Indeed, the Coldwell Banker Price Barometer observes an Average Price growth of 3% in France in 2023. This is a Raw Figure, certainly before any Sales Transactions, but it demonstrates the Attractiveness and Resilience of Luxury Real Estate on a National Scale. At the European Level, there is a +0.2% Increase in Switzerland and +1% in Belgium. This Resistance, particularly strong in the South of France, demonstrates a better Market Solidity for the Premium Sector compared to the Standard Market, where "the Prices of Existing Homes in Metropolitan France recorded a 1% decrease over the Year in August 2023, for the First Time since the end of 2015. This Decline will continue to accelerate in the Following Months to reach 3% over the Year in November 2023," detail the Notaries of France in their latest Economic Update.

- A Negotiation Rate three times Lower than that of the Classic Segment (8% vs. 24%), a Sign of Better Anticipation in the Premium Seller's Market.

In Parallel with the 3% Increase in the Price of Listings in 2023 in the Premium Segment, there is a Significant Difference in Negotiation Margins compared to the "Classic" Segment. Thus, Luxury Property Prices are negotiated on average at 8%, whereas Negotiation stands at 24% in the "Classic" Market.

A Unique Luxury Real Estate Market, buoyed by National and International Economic Conditions. With a Price Growth of around 3% Nationwide, the Premium Property Market stands out in a Gloomy Economic and Political Context. Three Macro-Economic Factors notably explain this Resilience in 2023:

\* Inflation.

The 5.8% Inflation that hit Europe this Year put the Brakes on the Traditional Real Estate Market. However, it also contributed to the Growth of the Premium Segment because, in an Inflationary Context, Real Estate "fully plays its Role as a Safe Haven and a Hedge

against Inflation. Investing when Inflation is rising is part of a Strategy to enhance the Value of the Property in the Long Term," explains Laurent Demeure, President and CEO of Coldwell Banker Europa Realty.

\* Exchange Rates as a Boon.

The Second illuminating Indicator: the Exchange Rate, which allowed International Clients to invest in France at a Lower Cost due to the Monetary Value Effect. The Appreciation of the Dollar thus reduces the Cost of Real Estate in Paris by 6.4%\*, solely due to the Impact of the Exchange Rate.

\* Accessory Credit Rates for a Largely Spared Premium Clientele.

The Rapid Increase in Credit Rates halted Transactions due to a Lack of Funding for some Buyers in France. In the Premium Segment, especially in the High-End Segment between 4 and 5 million, Acquisitions have a Lower Propensity to resort to Credit. The Increase in Rates has thus mechanically had less Impact on this Segment, while the Classic Segment is dependent on Credit for half of its Transactions.

- The South of France, a Perpetual Driving Force.

In France, the South of France is marked by strong Price Growth, especially in the Premium Property Segment, with Prices ranging from 1 to 5 million Euros. A True Price Locomotive, the Region has continued to attract Investors in 2023 and has experienced a Clear Growth in Property Prices. Real Estate fully plays its role as a Safe Haven, despite an Uncertain Economic Context. Thus, Price Growth in Antibes reaches 14%, with a square meter Price of €11,860 in the Premium Segment. In Cannes, Prices increase by 10%, reaching €12,920/m<sup>2</sup>, and in Nice, there is a 9% increase, with Prices of €9,929/m<sup>2</sup>.

- An International Clientele dominating Demand in the South of France.

The Strong Historical Attractiveness of the South of France for an International Clientele seeking a Second Residence has been further strengthened in 2023. While the South of France has always attracted Foreigners, primarily the English, Americans, Dutch, and Belgians, it is noteworthy that the Impact of Exchange Rates and the Status of Real Estate as a Hedge against Inflation have played a Role in this Evolution. This Shift towards France, "a Recurring Trend when the International Context is challenging," as Laurent Demeure notes, underscores the Market's Long-Term Strength and Attractiveness.

- The Return to Classicism for a Second Residence.

One of the Impacts of Inflation, uncertainty, and Geopolitical Context is once again the Return of the "Safe Haven" Status of Real Estate. The Return to Classicism of a Historically Attractive, Prestigious Location on the International Stage, and therefore Robust, was particularly Evident in 2023. In Antibes, Prices of Premium Properties increased by 14%, by 10% in Cannes, and by 9% in Nice.

- The Atlantic Coast: a Price Decline after Outperformance.

On the Atlantic Coast, excluding Cap Ferret, the Trend is, on the contrary, a Decline in Prices, as seen in the Classic Market. In Bordeaux, the Price per Square Meter of Luxury Properties decreased by 3%, reaching €6,053. In Nantes, there is a 3% decrease (€5,561), and a 2% decrease in Biarritz (€10,769). These Declines come after Strong Growth in Recent Years, with Markets less favored by International Clients than the French Riviera.

- Is the Premium Market connected to the "Classic" Transactional Segment?

The luxury Market in France thus follows the Underlying Trend of the French Real Estate Market, namely a Decrease in Transaction Volumes and Slower Price Growth but seems to resist better. Benefiting from a more Lenient Negotiation Rate and an International Clientele capable of Driving Prices, the Luxury Segment is also much more shielded from the Impact of Rising Credit Rates. While not disconnecting from the Classic Segment, it offers better Resistance and Solidity.

- What Perspectives emerge for the Luxury Real Estate Market in 2024?

\* Towards a Buyer-Friendly Correction in the First Half of 2024.

After a Year marked by Price growth, the Premium Market is expected to calm down in 2024. This Correction, anticipated by a "Slowdown in the Trend of Second Homes relocating to the South of France," which characterized 2023, and the Sellers' Anticipation

of Increased Negotiation, should, however, remain Temporary, with an Expected Recovery in the Second Half of the Year. It should be considered in Light of the State of Demand, which is still lower than Supply and expected to further decrease due to a Significant Reduction in New Construction.

\* Inflation Control and the end of Rising Interest Rates: towards a Market Recovery?

In the Eurozone, Inflation seems to be under Control and will be much less significant Next Year, with 3.3% expected, compared to 5.8% in 2023. Coupled with Stable Growth (2.9% in 2024 / 3% in 2023) and, most importantly, the end of the Rise in Credit Rates, the Economy appears to show Signs of Consolidation, Favorable to the Stabilization of Real Estate Markets and then to a Recovery.

\* Predictive Demand driven by the Increase in the number of Ultra-Rich Individuals.

The Last Factor that could boost Demand in the Luxury Market in the next Two Years is the expected 28% Increase in the number of Ultra-Rich Individuals by 2026. These Growing Fortunes constitute a Premium International Clientele, capable of investing in Luxury Secondary Real Estate in the most Attractive Locations in France and Europe.

"In the End, the Premium Market, while following the General Trend of the Real Estate Market, with a Slowdown in Growth and Anticipation of Negotiation, remains much more Solid than the "Classic" Market. The Consequence? The Amplitude of the Declines is not as Strong, and the Recovery announced for the Second Half of 2024, combined with the Enrichment of European Fortunes, should support this Market in its Growth," concludes Laurent Demeure, CEO of Coldwell Banker Europa Realty.

About Coldwell Banker Europa Realty:

Founded in the United States in 1906 by Colbert Coldwell and Arthur Benjamin Banker, the Coldwell Banker Network is now one of the World's Leading Luxury Real Estate Leaders. With a Presence in 40 Countries, over 3,200 Offices, and 100,000 Consultants, Coldwell Banker achieved a Sales Volume of \$295 billion in 2022. Its Luxury Real Estate Division participated in over 50,000 Luxury Real Estate Transactions (+54%) in 2022. Coldwell Banker Europa Realty established itself in Paris in 2011 and now has 54 Agencies and 450 Consultants in France, Monaco, and Luxembourg. In January 2024, the Network will expand to Switzerland and Belgium. In 2022, Coldwell Banker Europa Realty achieved a Sales Volume of nearly €1.45 billion in Luxury Real Estate.

Source: Coldwell Banker Europa Realty

Presentation of:

"The Benchmark Indicator for the Luxury Real Estate Market in France / Monaco / Switzerland / Belgium ( Insights 2023 & Outlook 2024)"

December 12, 2023 @ Hôtel Prince De Galles in Paris

With the Summary and Perspectives presented by Laurent Demeure, CEO of Coldwell Banker Europa Realty

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**Article online:**

<https://www.uspa24.com/bericht-23957/luxury-real-estate-market-in-france-monaco-switzerland-belgium.html>

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Official Federal Reg. No. 7442619