



Christophe Ena

Sarkozy's economic strategy could boost French property prices

# Smart money

For many overseas buyers, France was their first fling before they were tempted to stray further afield. But now the country is looking more fanciable than ever, reports RUPERT WRIGHT

Nicolas Sarkozy's success in the French presidential elections is likely to be the fillip property investors were hoping for – if he can impose the radical reforms he thinks his country needs to revitalise its economic life. He wants to overturn the 35-hour week – and make overtime tax-free. FNAIM, an association of French estate agencies, reckons that if he can get economic growth up from its sluggish rate of 2% in 2006 and reduce unemployment from 10%, property prices will soar.

Not that French prices haven't performed well: on average they have risen by 85% since 2000, according to FNAIM, but they are way behind British, German or Irish prices in real terms. Last year, the price of French property rose 7.1% compared with 10.4% in 2005 and 15.4% in 2004, partly due to uncertainty caused by the elections. With Sarkozy pledging to make property ownership one of the keystones of his mandate, many investors expect this gap between European property prices to disappear.

One of his election pledges was to reintroduce tax relief on mortgage payments – what is known as mortgage interest relief at source (Miras) in Ireland. He is also reported to be in favour of abolishing inheritance tax, but has yet to set a date for it. One bonus for Irish investors is that it is now possible to get a credit on the capital-gains tax you pay in France – effectively reducing payments to 20%.

"The approach supported by Nicolas Sarkozy will increase house price inflation," says Jean-Pierre Petit, director of research at leading brokerage firm Exane BNP Paribas. In a report prepared by the Urban Land Institute and Price Waterhouse Coopers, Paris heads the list of best cities to buy in Europe, followed by London, Stockholm, Munich and Lyons.

Jim O'Leary, a 50-year-old Dublin-based businessman, has bought a 44 sq m studio flat in the Marais area of the city for €600,000. "I hired Cécile Gabillet, a consultant with A la Carte Paris Apartments, a property search and rental firm," he explains. "She found the place, looked after the renovation and furnishing, and now it is rented out for €2,000 every week."

Gabillet advises her clients to buy in the main tourist areas such as the Marais, and St Germain. "Two years ago, Mr O'Leary's apartment would have cost about €500,000," she says. "Prices are going up, although perhaps the rate of increase is slowing."

Lyons, despite its reputation as a gastronomic centre, its

location on the Rhône and easy access to the Alps and the Mediterranean, has never been fashionable with foreign investors. Now that flights go from Dublin airport to Grenoble – about an hour's drive from Lyons – with Ryanair, it is likely to become more popular.

Toulouse, in southwest France, is another city coming on to the investors' radar. Known as "la ville rose" partly because of its pink stone, but also because of its gay population, it is a lively university town with reasonably priced housing. A central two-bedroom, 50 sq m apartment can be bought for about €250,000.

Few places in Europe have been affected as much as Carcassonne in the Languedoc-Roussillon region of the south of France by the Ryanair effect, with flights from Dublin and Shannon airports taking about two hours. Karl O'Hanlon, a 55-year-old Dubliner who used to work for the Bank of Ireland spotted the region's potential some years ago when he set up a property company, Garrigae Investissements, with a local partner. "The Languedoc not only offers investment potential it is also a great place to live," he says. "House prices are better value than in other parts of the south. A four-bedroom house by the coast here would cost less than €1 m. On the Riviera, you are looking at more than €2.5 m, if you can find one."

A half-hour drive from Carcassonne airport, St-Laurent-de-la-Cabrerisse is a typical Languedoc village, with a river running through its centre, a wine co-operative and good shops. Garrigae is building a spa complex here, on a former vineyard, surrounded by 171 houses, called Les Jardins de St Benoît. Prices start at €205,000 for a one-bedroom townhouse and €442,000 for a three-bed villa.

The complex, says O'Hanlon will be run as a resort, so most purchases are conducted on a leaseback arrangement, allowing buyers about eight weeks' holiday a year and then a share in the return from the holiday rentals organised by the management. (See pages 8-9 for more on the French leaseback system).

The Hérault, in the south, is France's fastest growing département, but there is plenty of room for growth as both French and northern Europeans relocate to the south of Europe, encouraged by cheap airlines and sunshine. In the centre of Montpellier, price already reflect this popularity: expect to pay at least €300,000 for a 50 sq m flat.

Mary Healy, 29, a former underwear buyer for an Irish department store, moved from Cork to a village near Pézenas,

# knows where to look

**France for investors**

**Cherbourg**

**Roscoff**

**Ferries**  
There are ferries from Rosslare in Ireland to Cherbourg and Roscoff in France

**Brittany, €494,000**  
By the Nantes-Brest canal, a four-bed house with two gîtes. Breton Homes, 00 33 296 501 997, www.breton-homes.com

**Paris, €96,000**  
Sixth-floor studio flat near Montmartre. Imoinvest, 00 44 207 845 0700, www.imoinvest.com

**Flights**  
Ryanair flies from Dublin to Paris, Grenoble, Biarritz, La Rochelle, Nantes and Carcassonne. It also flies from Shannon to Paris and Carcassonne.  
Aer Lingus flies from Dublin to Paris, Lyons, Bordeaux, Nice, Toulouse, Marseilles and Rennes

**Rennes**

**Nantes**

**La Rochelle**

**Toulouse, €122,000**  
One-bedroom apartment on the market as an investment opportunity. Capi France, 00 33 499 060 459, www.capifrance.fr

**Montpellier, €230,000**  
A one-bed flat in this city-centre building is being sold by Crème de Languedoc, 00 44 207 870 3315, www.creme-de-languedoc.com

**FRANCE**

**Lyons, €97,000**  
One-bed flat available as leaseback property. Overseas Property Centres, 00 44 845 257 3737, www.overseaspropertycentres.com

**Grenoble**

**Bordeaux**

**Biarriz**

**Carcassonne, €770,000**  
Set in eight acres, this renovated farmhouse with six bedrooms is 30 minutes' drive from the city and could be run as a B&B. Latitudes, 00 44 208 951 5155, www.latitudes.co.uk

**Nice**

**Cannes, €600,000**  
Three-bedroom flat on sixth floor with use of communal pool. Totally Riviera, 00 33 493 134 420, www.totallyriviera.com

**SPAIN**

a Renaissance town a 20-minute drive from the Mediterranean, four years ago with her four children and French husband Olivier, 35, an engineer. They bought a small house for €72,000, spent €20,000 improving it, and plan to let it in the summer months for up to €1,400 per month. They are in the process of buying another family house nearby for €250,000, which will need up to €50,000 spent on it to make it comfortable. "The quality of life is hard to

beat, and we think we can make some money out of property," says Healy. Bob Pearson runs Breton Homes, a Brittany estate agency. "The advantage of investing in a French property is the security offered by the French legal system," he says, although he warns that buyers should work with a registered French estate agent who is a member of a trade body such as FNAIM or the SNPI (Syndicat National des Professionnels Immobiliers).

**Canny investors are avoiding the most deeply rural areas!**

"If you choose the right area, there is a strong domestic market for individual properties that is driving prices upwards – helped by the return of UK and Irish buyers disillusioned by the precarious nature of promised returns elsewhere. Brittany, with its Celtic roots, is popular as a destination for Irish purchasers. Local agents are reporting a 71% increase in inquiries and a 54% increase in sales for this year alone." In Brittany, house prices have been rising steadily since

2001, and in the past five years the average price of apartments has risen 58%, houses by 54% and building land by as much as 62%. The announcement of the new dual carriageway to Vannes, bringing the beaches of the region's south coast ever closer, and the new hospital centre at Noyal-Pontivy, bringing specialist employment opportunities, should ensure a sustainable increase in prices in the years to come, Pearson reckons.

Throughout France, canny investors are avoiding the picturesque lure of France's most deeply rural areas. Outside the peak summer season, where good marketing is required to assure bookings, there is not a large enough pool of people wanting to rent accommodation and the economy remains weak. A la Carte Paris Apartments, 00 33 142 464 257, www.alacarteparis.com; Garrigae Investissements, 00 33 467 118 719, www.garrigae.fr

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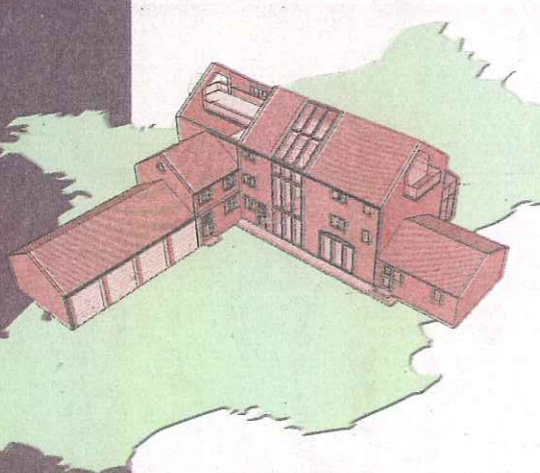
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