

## Richard McCreery's Business Blog

### Riviera property still popular, but prices have fallen



**Richard McCreery's Business Editorial** RLTV 02 Apr 10

Riviera based Independent Investment Adviser, Richard McCreery, has joined the expanding *RivieraLife.tv* team as Business Editor. Richard publishes a weekly Financial Editorial every Friday with informed comment on topical financial matters relevant to residents and businesses on the Cote d'Azur.

Buying a house or apartment on the Riviera has never been cheap but prices did come down last year as the strong Euro put off the Brits, the credit crunch struck hard in Ireland and weak economies in Italy and Germany kept buyers at home. However, the reversal in real estate values could turn out to be temporary if estate agents are to be believed and we might already be seeing a revival in some parts of the region.

According to the Fédération Nationale de L'Immobilier (FNAIM), prices in France as a whole rose 140% between 1997 and 2007. The length of a mortgage in France used to be closer to 13 years for most people but banks have more recently been offering lending terms of up to 30 years which lowers the monthly payments. Interest rates have been historically low during the past decade and new mortgage products such as the 100% loan were introduced. French real estate might not have seen prices rocket as much as some countries, possibly due to the high cost of buying and selling which keeps turnover at about 1/6 of UK levels, but France did experience a boom the likes of which had never been seen before.

Conversely, last year prices for older property across France dropped 4.9%. The Provence-Alpes-Cotes d'Azur region has been hit even harder than the national average and from 2007 to 2008 prices for apartments fell by 9.2%, followed by a further fall of 6.7% from 2008 to 2009. Prices of houses in the region fell 3.3% for 2007/2008 and then plunged 12% for 2008/2009. The south of France traditionally has a high proportion of foreign buyers and this meant that the region was subject to different market forces than some other less desirable regions.

Top-end property wasn't spared either. According to the 2010 Knight Frank Wealth Report the price of a property on St Jean Cap Ferrat, officially the third most expensive real estate location on the planet, came down by 7.5% in 2009. A fall matched by property in Valbonne and St Tropez. Prices in Cannes came down by 10% and even in Monaco, a relatively small and illiquid market, the average price fell by 15%. However, Monaco still managed to retain the top spot for most expensive real estate in the world and it's quite possible that rising taxes in the rest of Europe could see demand for a residence in the Principality bounce back strongly during the next few years, due to its unique tax-friendly charms.

In spite of falling prices the region still retains its place as a top destination for those seeking a second home or a life in the sun. For a while those Eastern European holiday destinations looked like a good bet but many buyers have since realised the value of a strong and liquid secondary market that is supported by a reliable legal system and a solid currency. France is therefore finding that it is able to compete with the new upstarts once more. The Italian tax amnesty has probably also helped drive a lot of money out of bank accounts paying virtually nothing and into something more tangible and enjoyable, regardless of the high prices. In spite of expectations for a violent reaction to the financial crisis, it appears that the Riviera still retains the charm and appeal that brought the original expat residents here over 100 years ago.

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