Join the Paris express

Tax concessions will boost the allure of a French pied-à-terre, reports Adam Sage

A SURGE in the popularity of second homes is set to follow the Chancellor's tax concessions unveiled this week. Anyone selling such a property after nine years will benefit from the new low rate of capital gains tax on the profit – only 10 per cent. According to Liam Brown, Knight Frank's head of residential research, this could have the effect of boosting investment volumes – and hence underpin prices in Investment and second-home locations.

Pains, which is already recording a boost from the high-speed train link from St Pancras, starting next month, is set to be one of those locations. House prices in the French capital rose by 9.2 per cent last year. They are now slowing but the city is regaining its lost prestige, according to Gilles Duruy, a Paris notary. "Paris has always attracted foreigners, but they stopped buying homes in the 1990s and early 1990s," he says. "Now they're back."

Liz Wood and her husband, Lewis, are in the British vanguard. When they were looking for a second home recently, they wanted somewhere attractive, affordable and safe. Paris, said the list. The bill: it was cheaper than London and more romantic than Eastern Europe. "The system in France is straightforward," says Mrs Wood, 53, who is from Edinburgh. "I saw six flats in one day and really liked the last one. We made an offer, it was accepted, and that was it."

The couple now owns a £500,000 (€600,000) apartment in the center of a small, picturesque town near the Chateau de Macon, department store and the loss of breakeven La Côte, Hotel. "We've just finished renovating it and it's really pleased," says Mrs Wood. She is by no means alone. According to the Paris Chamber of Notaries, the proportion of flats in the French capital bought by foreigners rose from 3.2 per cent in 1998 to 8.2 per cent in 2005. The British represented 6 per cent of foreign purchases ten years ago. Today they represent 10.8 per cent, having bought 279 Parisian properties over the past 12 months. Many are in well-known districts such as the Marais, but many are in less trendy parts of the city, such as the 14th and 18th arrondissements to the south, and the 11th to the east. In these areas, Atkins would be sold as an investment to rent out, often to students.

Marie-Pierre St-Martin, the director of London-based Paris Dream Homes, a firm that provides a full-service package for people looking to buy a French property, says that clients fall into two categories. "There are those who want a pied-à-terre and those who want an investment," she says. "It's about half and half." The Woods, whose flat here, St-Martin found, fall into the first category.