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From The Times
October 12, 2007

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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 profits – only 18 per cent. According to Liam Bailey, Knight Frank's head of residential research, "this could have the effect of raising investment volumes – and hence underpin prices in investment and second-home locations".

Paris, which is already receiving 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 9.9 per cent last year. They are now slowing but the city is regaining its lost prestige, according to Giles Oury, a Paris notary. "Paris has always attracted foreigners, but they stopped buying here in the 1980s 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 fitted 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 that."

The family now owns a 6800,000 (£400,000) appartement in the central 6th arrondissement near the chic Bon Marche department store and the no less luxurious Lutetia Hotel. "We've just finished renovating it and we're 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 5.2 per cent in 1995 to 8.2 per cent in 2006. The British represented 5 per cent of foreign purchasers 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 some are in less touristy parts of the city, such as the 14th arrondissement to the south, and the 11th to the east. In these areas, Britons tend to buy flats as an investment to rent out, often to students.



Market report on
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Marie-Pierre Saint-Martin, the director of London Paris Dream Home, a firm that provides a flat-hunting service for people looking to buy in the French capital, says her 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 Mme Saint-Martin found, fell into the first category.

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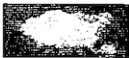


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