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Founding Member of
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GLOBAL PROPERTIES

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Prestige and character property: a positive balance sheet for 2022 and an encouraging outlook for 2023 despite an uncertain context. The castle market remains particularly attractive with a return of foreign customers.

Mercure Forbes Global Properties, which has been specialising in prestige and character properties for 87 years, has posted a 22% increase in results despite a complicated macro-economic and geopolitical context in the second half of 2022. For 2023, some uncertainties weigh on the property market, mainly linked to the rise of interest rates, energy costs and the increase in raw materials. Nevertheless, after the opening of two new agencies in 2021, the group confirms its ambitions for 2023 by continuing its development in France.

"2022 has been an excellent year for the group, with sustained and increasing growth, a rebalancing of our business between urban and rural areas while accelerating our structuring plan," said **Olivier de Chabot-Tramecourt, Managing Director of Mercure Forbes Global Properties.**

The group began 2022 with the same momentum as at the end of 2021, recording **332 transactions for a volume of just over 290 million euro.** The presidential elections did not interrupt the good start to the first half of 2022, which accounted for 60% of the year's transactions. The first signs of a slowdown came in July with a drop in visits and signatures. The property market contracted in the second half of the year as a result of the economic and geopolitical context. The rise in energy prices and new environmental standards led to a return to negotiation in favor of buyers of around 3 to 6%. The declining demand in major cities such as Bordeaux, Lyon or Toulouse has led to a further downturn in this market, contributing to a rebalancing of prices, except in Paris, which has maintained its dynamic as the capital city and attraction to foreigners looking for top-of-the-range property in the City of Light.

Another remarkable fact of 2022: the return of foreign customers. While Asian buyers have not yet returned and British customers are still few in number to request visiting properties, American customers have benefited from the euro/dollar parity with a gain in purchasing power of up to 20%. The group's foreign investors accounted for 14% of turnover compared to 11% in 2021 when European neighbors were predominant.

The castle market

The group's leadership in the castle market has seen a 14% increase in the segment's share of sales for the year, with castles accounting for 34% of Mercure Forbes Global Properties' transactions in 2022. **The group still holds 50% of the castles for sale in France and maintains its market share of one in three castles sold in France with a cumulative number of over 5,100 castles sold.**

Mercure Forbes Global Properties, a real estate group committed to the conservation and preservation of built heritage, is **also becoming a leader of the Demeure Historique** and strengthening its ties with Vieilles Maisons Françaises and Dartagnans.

2022 or the rebalancing between rural and urban areas

Since 2020, the sanitary crisis, the remote working new tendency and people who are seeking for an authentic lifestyle, have intensified the demand in rural market. This phenomenon resulted in a 30% contraction in the stock of character houses, manor houses and castles, especially in the attractive areas of the major cities and along the main communication routes (transport, internet, services, etc.). New customers in town centres contributed to a more balanced negotiation environment with sellers for well-situated flats and town houses which have small exterior, and, endowed with the characteristics of the beautiful french heritage. This period contrasts with 2020 and 2021 where negotiations were difficult and properties were lacking.

We notice that the demand for properties which aims to develop tourist activity is currently increasing. It is however difficult to find an appropriate property for such commercial activities. For Mercure, the second home market is dynamic with an increase of 6% in 2022. This is motivated by the changes in the ways that the customers make use of the properties, for whom these second, vacation homes become their main address. This new lifestyle depends however on the location with the home ideally located at less than 2 hours from the workplace, and access to services (shops, health, schools, etc.).

The areas within 200km from Paris and 100km from Lyon are still in high demand regarding the prestige and character properties market. Normandy and Centre Val de Loire continue to benefit from the "telecommuting" effect and their relative proximity to the capital. New Aquitaine attracts both work-at-home beneficiaries and newly retired people, while Occitania is attractive for its relaxed lifestyle at lower prices than the Côte d'Azur. Finally, the areas near the TGV high-speed train lines, Bordeaux, Nantes, Rennes and Vannes, are highly demanded but these areas are also confronted with the shortage of attractive properties.

Energy transition and environmental standards, what constraints?

In an unprecedented energy crisis, the Mercure Forbes Global Properties Group is not much impacted on sales of heritage properties, such as castles and manor houses despite the fact that heritage properties usually have a reputation of using a lot of energy resources. According to a Mercure study, the impact of the new ECD on heritage properties is quite small. Nowadays, 47% of the heritage properties are classified as C, D or E, 3% of them are classified as B, and only 7% as F and G. Customers may however be quite vigilant of these indications, and request further investigation on the ECD impact but without abandoning their initial project.

There are still some significant effects of the Climate and Resilience Law concerning uncertainties on the new obligations, and, in particular on the technical feasibility and the costs of required renovations. For example, it is estimated that :

- the direct cost for wall insulation is between 50 and 90 € per m²;
- there will be a loss of 3 m² of floor space for a 100m² flat;
- it is arduous to assess the difficulty to find qualified companies which are able to carry out the work in a reasonable timeframe.

Therefore, while the group's Real Estate have not yet lost any sales associated with excessive renovations, its agents are still careful with the inflationary context of energy and the shortage of materials which can impact real estate prices and lead to difficult negotiation.

In 2023, the perspectives are encouraging but uncertain due to the economic and geopolitical context

In 2023, the prestige and character property market has demonstrated its ability to attract customers for its resilience aspect. This trend will not be reversed this year because the market is supported by more reasoned prices and the market is also benefiting from the return of foreign customers. As a continuation of 2022, the market is expected to keep the same economic tendency in the first quarter of the year. However, doubts about the economic and geopolitical situation, and the uncertain future justified by the rising social movements could eventually default the market. In addition, the fiscal pressure on property linked to local tax reforms with the increase in property tax may increase the customers reluctance to invest for a while. The postponement of projects from building a new house to investing in an already existing house, and the reluctance of sellers could also impact the market.

Character and prestige real estate is still a resilient market and remains a safe investment in uncertain times.

About Mercure Forbes Global Properties Group

Mercure Forbes Global Properties is a specialist and a true expert, and since 1936 has been offering the most comprehensive selection of French real estate. From charming houses to castles, from rural estates to urban and contemporary properties, the Mercure Forbes Global Properties group offers more than 1,000 character properties for sale and rent throughout France. With 20 locations throughout France and an international team, the group is committed to Propriétés d'Excellence by meeting the demands of a high-end French and foreign clientele.

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