

Leader board

Prominent figures in the property and construction industry air their views on today's key issues



Name: **Alain Bechade**
Position: **executive committee chairman of Atisreal**

Market development in continental Europe

Traditionally, continental European (mainly French and German) investors bought assets in their own country and kept them for a long time; a building would remain in the same hands for several decades. Arbitrage – the buying and selling of investments at different price levels to make a profit – was rare, and the number of players remained small due to a lack of opportunities and ambition. The market for commercial property investment was neither mature nor deep. In other words, it wasn't liquid.

With the economic crisis of the 1990s, foreign investors, mainly North American funds, stormed into the French markets and introduced the notion of arbitrage, as they re-sold the buildings they bought every five to six years. This cultural transformation created market maturity, but there remained the

issue of liquidity, the question being who to sell to.

The steady increase in foreign investors then produced market depth, and hence liquidity. While in 1994 barely €2bn was invested in French property, the €10bn mark was reached in 2000 and investments have exceeded that amount every year since, turning Paris into the second European city in terms of property investment after London.

From 1995 onwards, non-domestic investors took the lead, and from 2000 French investors took part in just 30% to 40% of transactions in the French market. Today, a large part of the appeal of the French property market (particularly in Paris) is its depth, created by the number of investors maintaining the market's liquidity; and the current level of 70% foreign investors is the major contributor to this depth. They now come to seek out what they themselves have created!

Germany has experienced a similar phenomenon, with non-domestic investors doubling in five years, as has Spain and Italy.

Foreign investors, especially from North America, have been instrumental in giving the French and other continental European markets the 'je ne sais quoi' that has made them so buoyant!

This article represents the personal views of the author

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