

HOW TO BUY IT | 10 August 2014

How to buy a dream flat in an even dreamier city

By Lennox Morrison

Alternative Investing

Credit

Debt

Investing

Real Estate



Property prices have slowed recently in the “Golden Triangle” between the Arc de Triomphe, Place de la Concorde and Eiffel Tower. (Fred DuFour/AFP/Getty Images)

Since her days as a student in Paris, Mimi Chiang, an intellectual property attorney in Los Angeles, nursed her dream of a pied-à-terre in the French capital. A series of tragedies—her own battle with cancer and the unexpected death of her husband—finally led the now 51-year-old mother of two to go for it. She contacted Paris-based property and cultural consultant Adrian Leeds of Adrian Leeds Group Inc.

“I wanted a classic Parisian apartment with the wedding cake feeling and beautiful chandeliers,” Chiang said.

Three weeks later, in August 2010, she flew to Paris and chose a two-bedroom apartment near Rue Montorgueil street market, for 800,000 euros (\$1.08m), including estate agent’s fee. She borrowed 85% on a variable-rate mortgage, now around 3%. After three months — a typical closing completion period — the 18th-century apartment was hers.

“Last time we flew in to Paris we hired bikes and rode along the Seine at midnight,” Chiang

said. “Crossing the bridge with Notre Dame behind us and the Eiffel Tower in front was really magical.

“Paris is also a wonderful midpoint from where you can go anywhere else in Europe without feeling so much a tourist,” she said.

How to find it

With so many buyers seeking the same period properties within the 20 arrondissements (districts) known as *intra muros* (within the walls), stock is typically scarce.

Currently, however, there is a little more choice, thanks to high earning locals decamping abroad to avoid tax increases brought in by President François Hollande’s government.

“Prices are soft and mortgage rates are low,” said Leeds. As you might expect, she advises overseas buyers against going it alone, even if French-speaking. “You also need to understand the rules and regulations. Agents here work for the seller, not the buyer.”

Buying in the City of Light certainly requires *savoir-faire* (know-how). There is a plethora of estate agents, who don’t share information with each other and who like to agree to exclusive deals with vendors. Many Parisians also market their own property, either on websites such as **pap.fr** or by word of mouth.

The cost

Prices per square metre range from 6,670 euros (\$9,018) in the hip-but-gritty 19th district to 11,820 euros (\$15,980) in the environs of Saint-Germain-des-Prés and are tracked by the **Paris Chamber of Notaries**.

Interest rates for French mortgages are currently at an historic low. For instance, banks are offering fixed rate mortgages over 20 years at rates of between 2.5 % and 2.9%.

When buying far from home, a degree of familiarity can be reassuring, explained Vincent Desmarie, director of the *pied-à-terre* team at **Barnes** in Paris. “We recently sold a 50-square-metre [538-square-foot] studio near Trocadéro to a student from China. It was a huge advantage for her that the janitor in her building speaks English.” The young woman paid 600,000 euros (\$811,225) in cash, sharing the cost with her family.

Desmarie recommends the 16th district, bordering on the Bois de Boulogne on the Right Bank. “You can find charming properties on the Left Bank but on narrow streets and often

without a lift,” he said.

“Historically, rich people have always lived in the 16th. It’s not trendy but it’s very safe, very comfortable. Apartment buildings have lifts and there’s space for car parking.”

In the market above 1 million euros (\$1.35 million), prices have slowed down recently, said Marie-Hélène Lundgreen of **Belles Demeures de France**. This is good news for buyers in the “Golden Triangle” between the Arc de Triomphe, Place de la Concorde and Eiffel Tower.

“Property in this area sells for around 14,000 to 18,000 euros [\$18,930 to \$23,340] per square metre but this can go up to 30,000 to 40,000 euros [\$40,560 to \$54,080] if there’s an exceptional view, the apartment is in perfect condition or is the work of a well-known architect,” Lundgreen said. Of course, this is for the top-end of the market.

More modestly, the budget for a centrally located one-bedroom apartment with a view and only redecorating needed is 600,000 to 650,000 euros (\$811,225 to \$878,826), said Susie Hollands, of property services company **Vingt Paris**.

On a lower budget of 250,000 to 300,000 euros (\$338,000 to \$405,610), scour the neighbourhoods in northern and eastern Paris, such as around the Canal Saint Martin in the 10th and the Canal de L’Ourcq in the 19th.

The fees and maintenance

Be prepared to pay closing fees. Chiang paid duties and the notary’s fee totalling around 7% of purchase price, a standard amount.

For a centrally located one-bedroom apartment mentioned above, the annual total for service charges and building insurance is around 2,000 euros (\$2,705), normally paid quarterly. Taxes will run about an additional 1,000 euros (\$1,352) per annum. The real estate vendor must provide detailed reports on the property’s condition and minutes from the building’s last three annual general owners’ meetings. “It’s important to check whether the roof is to be replaced soon or the façade cleaned, the interior staircase redone,” Hollands said.

And then there are renovation fees. Chiang spent 200,000 euros (\$270,400) ripping out the modern décor and restoring a sense of history. Everything was done long distance, through Leeds.

Buying a share

An alternative is fractional ownership. Australians Mark and Jane Camilleri, who run their own crêche business near Sydney, didn't want to tie up too much capital.

The couple, both in their mid-40s, instead paid 135,000 euros (\$182,525) to buy one of 13 shares of a two-bedroom apartment within a 17th-century mansion on Place des Vosges. They can use it four weeks each year at pre-arranged dates. "We don't have the worry of looking after it because it's managed centrally. But it's also ours forever so we can pass it on to our children," Mark Camilleri said.

"We're going in December this year and the children are already excited about it. We're not looking for a return on this. It's a lifestyle thing," he said.

Their purchase was organised through Leeds, who said, "If you are going to own a property in France it needs to be long term. It doesn't make sense to flip due to high closing costs and high capital gains taxes set according to the length of ownership.

"With fractional ownership the number one aspect is the calendar. It has to fit in with your lifestyle. It also has to be professionally managed," she explained.

It's also exceedingly difficult—or at least risky—to try to rent out your flat for short-term holiday-seekers. So don't expect to recoup some of your costs by renting your apartment to travellers when you aren't using it. Recent changes to French law and the many official hoops to jump through in Paris, including registering your second home for commercial use, and offering a *further* property for long-term rental in the same area, have made offering short term lets no longer viable. The many owners who continue to offer holiday lets do so at their own risk.

*Follow BBC Capital on **Twitter** or join the conversation about this story on **Facebook**.*



Paris Plages

Each summer, beaches are set up on the bank of the Seine. (Pawel Libera/LightRocket via Getty Images)



Savoury Offerings

A Parisian delicatessen showcases its offerings. (Thinkstock)



Pied-a-terre Paradise

A cobblestone entrance to Mimi Chiang's apartment, just two minutes' stroll from the food market on Rue Montorgueil. (Adrian Leeds Group)



Fractional Ownership

A fractionally owned apartment at Place des Vosges. (Adrian Leeds Group)



To Market

The Rue Poncelet market is well known in the 17th arrondissement of Paris. (flickr Editorial/Getty Images).



Sweet Tooth

There's always room for dessert. (Thinkstock)