

# The Price of PARIS

by Suzanna Chambers



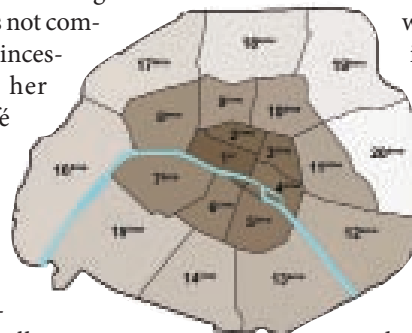
The Rue Saint Antoine in the Marais

The phone on Yolanda McCafferty's desk rings off the hook. And when she's not in her office in Paris's 3rd arrondissement, it's her mobile phone that constantly buzzes in her handbag.

But McCafferty is not complaining about this incessant intrusion at her desk, in her local café or walking through the Marais district to her office on rue Saint Martin. On the contrary, as a hardworking real estate agent trying to sell apartments to a predominantly expatriate clientele in a particularly challenging market, she thinks it's terrific.

Just before Christmas last year, Philadelphia native McCafferty was pessimistic about her job. With the economy back home in free fall and the global

housing market in shock, the number of transactions completed in the French capital fell by up to 20 percent. But now, she says, she has rarely been busier answering queries about the portfolio of pied-à-terre apartments she is handling at the Vivre à Paris agency, where she has worked in investor relations for the last four years.



The outlook is a lot rosier than she had feared, she says. Things have definitely not, however, returned to the decade-long heyday of the property boom, when apartment keys were being exchanged left, right and center as prices climbed ever upward. Her current optimism is leveled by a degree of realism, since by far most of those inquiries are merely that: a look around the market to see how much money





can buy, offering food for contemplation during the difficult months ahead.

"The housing market in Paris is in a sort of a holding period at the moment," McCafferty says. "Buyers are looking, but there are very few transactions. They are waiting to see if Paris is going to be subjected to the same extreme economic crisis that North America and the rest of Europe have experienced. For American buyers, there

is the added uncertainty of the exchange rate. They are unsure about what's going on back home."

There is also doubt about what the future holds under the new administration of President Barak Obama. "Obama has made a definite difference, since he seems to have a plan, but now we're waiting to see if he can execute that plan. There has been a lot of damage over the last eight years, and for things to improve, it's going to take time. People are waiting to see what will happen in the first quarter, up until April. The first 100 days of Obama's administration will be hugely important."

Matthieu Cany, a consultant with the real estate agency Sextant Properties Ltd, may not have a crystal ball, but he believes figures to be released by the Federation of French Real Estate Agents (FNAIM) later this month will confirm what he has always maintained—that Paris is one of the most secure property markets in the world. "Although prices slightly decreased last year, it was more a symbol than a real downturn—a one percent slowdown. As a result, one square meter on average now costs €6,283, while it was worth €6,362 during the second quarter of 2008. Paris still ranks as European leader in terms of security of investment, and it is still known for being a global access point for European property investment."

Cany contends that there will always be a great demand for living space in Paris. Not only is it the nation's capital, but it is also the most visited city in the world, meaning that there will always be an excellent market for renting apartments on a furnished basis. Another plus is the short length of the low season, from November to February. "Moreover," he adds, "according to the FNAIM, rental incomes are still increasing in Paris: by 4.8 percent in 2006, 4 percent in 2007, and 4.3 percent in 2008, so you can't go wrong."

Still the safest—but of course the costliest—locations to hunt for a high-yield investment property are in the historic center of Paris, where prices have remained stable due to consistent demand. Central Paris is an insulated environment where there are tight restrictions on new building, meaning that existing apartment buildings ripe for renovating are at a premium.

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Figures released last July showed that property in the 6th arrondissement of Paris—around Saint Germain des Prés and the Luxembourg Gardens—was the most expensive, with average prices amounting to an approximate €9,790 per square meter. The cheapest areas remain parts of the 18th and 19th arrondissements, including the Buttes-Chaumont neighborhood, with €5,050 per square meter. These are pre-crisis prices, but they do illustrate the great diversity among the city's neighborhoods, which many credits with helping the Parisian housing market remain buoyant in comparison to its European neighbors in the global economic downturn. Paris has also not relied on the massive bonuses of financial sector workers to boost the housing market—a factor that was very important in London and the southeast of Britain.

The most expensive districts in Paris are still in the historic center—with the 6th and 7th arrondissements the highest, followed by the 4th, 5th and the 8th—and on the western end with the 16th and 17th. Americans—who last year bought 5.3 percent of all apartments sold to foreigners in Paris, according to *Le Monde*—traditionally prefer properties on the Left Bank—the 5th, 6th and 7th—and the 4th, which includes the Ile Saint Louis and part of the Marais.

But true to form, properties in these districts don't come cheap. A one-bedroom apartment with an open-plan kitchen in the heart of the Saint Germain des Prés *quartier* in the 6th arrondissement—on the second floor without an elevator—is currently on

the market for €530,000. Meanwhile a classic Parisian apartment in the same district, just steps away from the beautiful Place Saint Sulpice, with four bedrooms and two bathrooms, is being offered at €1,790,000.

But it's much more of a buyers' market now, and the asking price is no longer non-negotiable as it was during the boom. A recent article in *L'Express* magazine included some telling examples: a four-room apartment in the Marais priced at €800,000 eventually sold for €640,000; a three-room apartment in the 15th, offered at €530,000, went for €450,000; a two-room apartment near Nation sold for less than €5,000 a square meter, when the previous price in the area was over €6,000.

However *la crise* affects prices in the coming months, it's certain you will get more for your money in the 19th arrondissement. While there are parts of this district that most apartment-hunters would rather bypass, there are also very attractive sections, including the streets surrounding the Buttes-Chaumont, one of Paris's loveliest parks. A popular destination for many Parisians, the 19th is also home to the Cité des Sciences et de l'Industrie, the largest science museum in Europe, and the Cité de la Musique, a venue for concerts and home of the Paris Conservatoire de Musique. A three-bedroom apartment with a small garden here is on the market for a moderate €695,000 while a selection of brand new studios to four-bedroom apartments with landscaped gardens, to be completed this summer, is being marketed starting at €260,000. ■



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