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In Paris, Owning an Eleventh of an Apartment

Richard L. Harbus for The New York Times

Steve and Sue Navaro of Denver own an apartment in Paris's trendy Marais neighborhood. More Photos >

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When Steve Navaro throws open the thick silk drapes framing the large windows in his Paris pied-à-terre, he enjoys a rare luxury in this tightly packed city: a lush garden.

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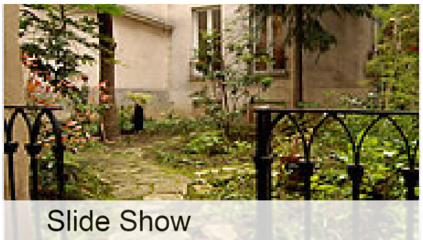

Part-Time Paris

The garden isn't his alone. Nor, in fact, is the apartment. Mr. Navaro, a lawyer from Denver, shares his two-bedroom apartment in the Marais neighborhood of Paris with several other owners.

As the founding investor in the property — and two other apartments in Paris — Mr. Navaro, 56, was driven by a desire to find an economical way to visit Paris often despite a steadily sinking dollar. And, as a real estate investor and entrepreneur, he also wanted to make those vacations pay.

"I was trying to combine my love of Paris with real estate," he said.

Although the concept of fractional ownership has been slow to catch on in Europe, real estate experts say that Americans looking to buy abroad are increasingly exploring group properties, in response to economic uncertainty and the all-time-low exchange rates of the dollar.

For example, six dozen inquiries came flooding in last month after an American woman posted an advertisement on a Web site for expatriates. She was looking for partners to help her buy a 42-square-meter (452-square-foot) loft in the popular Ile Saint-Louis neighborhood. Two buyers quickly pledged $158,000 each, joining two others who had already signed on, said Adrian Leeds, an American property consultant in Paris who runs the Web site, parlerparis.com.

"The dwindling dollar means people saving up their pennies to buy property in Paris have less to spend," said Ms. Leeds, who is planning her own move into fractionals. "This allows them to make an investment in a euro asset, which is crucial."Mr. Navaro and his wife, Sue, signed the contract last August, agreeing on a price of 730,000 euros (then about $997,727). As they began searching for partners, the dollar had already fallen to $1.37 to the euro and was still dropping.

Still, they decided a renovation was essential. The previous owners had remodeled with a modern industrial look that Mrs. Navaro described as "hideous." The Navaros replaced the concrete floors with dark Brazilian wood and added recessed lighting to the living room ceiling, highlighting the 18th-century wooden beams. They also placed a decorative plaster arch over the living room doorway, complementing patches of the original stone that still can be seen in walls newly painted in soft hues of yellow.

With their buying power diminishing by the week, they searched for quality furniture. The only decent deals seemed to be the antiques they found at flea markets, including bronze sconces and a claw-footed dining table. “The best time to do this was last year,” Mr. Navaro said.

Yet 2001 was actually the year that the Navaros began to contemplate buying their first place in Paris — this one in the 17th Arrondissement, on the city’s western side. Back then, the dollar was worth about 90 cents to the euro. Then it began to slide, as Paris real estate prices continued to climb.

“Each year I wanted to buy,” Mr. Navaro said, “and each year it got more expensive to justify. And that’s when I had the idea to get partners.”

The couple walked every street in the arrondissement before buying a 57-square-meter (614-square-foot) apartment near the Parc Monceau in 2006. They found nine other buyers to invest in the cozy one-bedroom, and liked the arrangement so much that last summer they set about looking for another property. Within three weeks they were bidding on the Marais apartment.

By last fall the euro was on a relentless march toward the $1.50 mark — a figure Mr. Navaro called a “mental threshold” for would-be investors. The couple worried that Americans would no longer be eager to buy shares in the Marais apartment (which they had named Jardin Saint-Paul).

But they needn’t have been concerned. Of the 11 shares for sale, each at 92,000 euros ($146,000), Americans bought five. The other three owners are British, Australian and Venezuelan. Three shares remain unsold.

In addition, annual dues of 1,130 euros ($1,792) cover expenses like building fees and utilities. Each owner has use of the apartment during one month a year, on a three-month rotation, eliminating the thorny issue of who gets the place on holidays and summer vacations — so someone who came in March 2008 can return in June 2009. Owners also may trade unused time with one another.

The Navaros' stake in the two properties allows them to spend two months a year in Paris — one month in each apartment — at cost of less than $55 a night, a bargain in a city where four-star hotels start around $300 a night. “Before, we could never afford to stay in Paris a month,” Mr. Navaro said, “but now we can.”

Most fractional arrangements in Paris are organized to make the deal as easy as possible for foreign buyers. Day-to-day matters, like cleaning and repairs, are handled by local employees; the Navaros have two full-time workers who do all that, as well as stocking the apartments with chocolates, Champagne and fresh flowers.

The legal structure used for fractional ownership here is designed to avoid French bureaucracy and inheritance taxes that can total two-thirds of a property's value. In Mr. Navaro's case, he formed an American company, Paris Home Shares LLC, that is the primary shareholder of his French company, a Société Civile Immobilier. The arrangement means American law governs the operating agreement among owners — although, if an owner dies, the inheritance laws of that person's home country prevail, Mr. Navaro said.

Today one of the best reasons to buy in Paris, where market values have risen 9 percent to 16 percent a year in recent years, is to diversify your assets at a time when the dollar shows no signs of bouncing back, several industry experts said.

“It's not always easy for Americans to buy euro-based assets,” said Andy Sirkin, an American lawyer in Paris whose international practice deals only in group properties. “Buying a fractional is basically painless, because for all intents and purposes, it's an American transaction. It gives you all the benefits and removes all the problems.”

But there are risks to fractional ownership, particularly if a would-be buyer's main motivation is to make money, said Tony Tidswell, a real estate consultant in the South of France who lists fractional properties for sale on his Web site, nizas.com.

One of those issues is renting. Experts are divided on whether owners could face French commercial taxes if they accepted renters for unused time. Although many fractionals allow it, the Navaros do not, just to be safe.

The purchase of a fractional should be viewed as a "luxury product, a personal indulgence," said Mr. Tidswell.

And in the end, many buyers do listen to their hearts, not their wallets.

Sandra Quesenberry didn't let the dollar ruin her dream of owning a "little piece of France." She bought the first available share of Jardin Saint-Paul after seeing pictures on the Internet — and cried when Mr. Navaro handed her the keys.

"I don't have a Gucci bag," said Ms. Quesenberry, 58, an office manager in Decatur, Ga., who stayed at the apartment for three days in December. "I don't live extravagantly. If I was going to penny-pinch, I wouldn't have done it."

For his part, Mr. Navaro is so sure of the future of Paris real estate that he recently bought a third property, a two-bedroom apartment in the Seventh Arrondissement, near the Eiffel Tower, and braced for another large renovation. "I've retired twice and I go nuts," he said. "This was a perfect job."

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