

URBAN LAND AND PROPERTY MARKETS IN FRANCE

Rodrigo Acosta and Vincent Renard

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URBAN LAND AND PROPERTY
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RODRIGO ACOSTA AND VINCENT RENARD

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Urban land and property markets in France

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and Centre National de la Recherche Scientifique*



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FOREWORD TO SERIES

The idea of publishing this series of books on the different national urban land and property markets of Europe was inspired by a five-country research project on the functioning and framework of urban land and property markets. This project, known as the EuProMa Project, was commissioned by the German Federal Ministry for Regional Planning, Building and Town Planning (Bundesministerium für Raumordnung, Bauwesen und Städtebau, or BMBau), and was undertaken at the Faculty of Spatial Planning (Fakultät Raumplanung) of the University of Dortmund, Germany, under the direction of Hartmut Dieterich who holds the Chair in Vermessungswesen und Bodenordnung.

There is a growing interest in the land and property markets throughout Europe. The Single European Market (SEM) is to become a reality as early as January 1993, as is the European Economic Area extending SEM benefits to the EFTA countries. Land use and urban development will be influenced by the SEM in many ways, and competition between regions and cities will grow. Furthermore, ratification of the Treaty of European Union or Maastricht Treaty, (which explicitly refers to "town and country planning" and "land-use" in Article 130s(2)) is expected to lead to more economic and environmental regulations which will be important factors in the operation of the land market.

The central objective of the EuProMa project was to prepare detailed accounts of the actual operations of the urban land and property markets in five major EC economies. This was necessarily supported by accounts of the planning, taxation and legal framework within which the markets operate.

France, Italy and the United Kingdom were selected because of their importance within the EC, as well as their importance for Germany as trading partners. The Netherlands was of interest because Dutch developers are increasingly active in the German property market, a consideration which is important for Britain also, since many British real estate firms and developers have already set up shop in Germany.

The BMBau commissioned the project because it wanted to know how the land and property market functions elsewhere, why it is as it is, whether the outcome of the market elsewhere is more satisfactory than in Germany, to what extent should changes in the German rules be recommended, and whether new European rules are to be expected or should be proposed. The Ministry was anxious to be able to anticipate any need for new legislation or new policy development, and ensure that in the forthcoming Single European Market the German development industry was not disadvantaged by any lack of information about how development is undertaken in competitor countries.

It is impossible for one person or one team to gather all the information about land and property in other countries necessary for a well-founded comparison. The

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co-ordinators in Dortmund were glad and grateful to be able to fall back on the assistance of other members of PRODEST EUROPE, Property Development and Planning Studies in Europe, a consortium of several European universities which is seeking to identify the training requirements of participants in the European property development and planning fields and to promote research and the provision of an educational infrastructure for the development of professional skills in this field. Country reports were completed in the University of Newcastle upon Tyne for the UK, the University of Nijmegen for the Netherlands, the École Polytechnique in Paris for France and the University and Politechnic of Torino for Italy. Sweden is not yet a member of the EC and therefore not part of the EuProMa project, but a book for the series, adopting the same framework and structure, is being prepared in the Royal Institute of Technology, Stockholm. The invitation was extended to Sweden in view of the imminent agreement between the EC and EFTA to form the European Economic Area. There is the prospect of Swedish membership of the EC before long, as well as clear evidence that the Swedish property and real estate industry and profession is already operating on a European basis.

English was the working language of the different national teams and it was agreed that the national reports were to be written in English or (with the exception of the British report) in "Euro-English", the modern equivalent of the Latin of the Middle Ages. Therefore, English was also agreed to be the language of the publication. The task of series editing was shared between the project director and the UK members of the team, the latter bearing the much larger share of the burden.

To use the books prudently the reader should know a little about the methodological path of the whole project.

In order not to get lost among the many different specialist aspects of the task, each team operated on the basis of the same detailed examination pattern prepared by the co-ordinators in consultation with the other contributors. This pattern forms the basis of the chapter structure of each of the volumes in the series. Thus, comparability between the national studies is ensured.

The separation of land and property (Parts II and III of each book) may require some explanation. Although in most countries the great majority of the material is equally applicable to both, the two markets often do have their own operating characteristics. However, in discussion with the whole team when the framework was being formulated, it became clear that in the case of the Netherlands there were two quite different sets of procedures and actors, and that the best way to expose this on a comparative basis was by this separation in the examination pattern.

The operation of the land and the property market of any country is also determined by general economic, political and cultural conditions in the respective country, the constitutional and legal framework and the rôle and independence of local authorities. Factors such as forms of tenure, macroeconomic variables, performance of the economy, social changes, demographic development, owner-occupation, the requirements for land and the trends in spatial development had all therefore to be taken into account and form the subject matter of Part I of each book. The land market is being influenced, for example, by the conditions for and the process of land-use planning, the process of land assembly (including the

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development process), the process of construction and the regulations governing the first use of buildings. The level of detail to which the teams were required to work can be seen by looking at the following excerpt of the examination pattern for the framework for the urban land market.

Excerpt from examination pattern

SECTION II: THE URBAN LAND MARKET

1. *The framework within which the market of urban land functions*

1.1 *The legal environment*

(The legal, esp. town-planning system as it affects the conversion of land to the first urban use.)

1.1.1 Law – Acts – Competences – Plans

- Hierarchy of competences
(Hierarchie/Zuständigkeiten)
- Planning acts and their hierarchy
(Gesetzeshierarchie)
- Plans (application, importance)
(Pläne; Anwendung, Bedeutung)
- Presentation in a diagram
(Darstellung in Schemata)
- Obligation/binding character of the plans
(Verbindlichkeit der Pläne)
- Possibilities for higher tiers of administration to intervene
(Eingriffsmöglichkeiten der höheren Ebenen)

(. . .)

- Environmental protection laws
(Umweltrecht)
- Landscape protection (Landschaftsschutz)
- Water protection (Wasserschutz)
- Law of environmental impact assessment (EEC/85/337)
(Umweltverträglichkeitsprüfung)
- Trade inspection/Nuisance
(Gewerbeaufsicht/Immissionsschutz)
- Other relevant acts
(air, noise, public traffic, housing, etc.)
(Sonstige relevante Nebenrechte – Luft, Lärm, ÖPNV, Wohnungsbau, etc.)

1.1.2 Planning process for local plans

- Planning process (formal) for local plans, which confer the right to construct a building
(lokale Ebene für Pläne mit Baurechtscharakter)

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- Participation of the citizens
(Bürgerbeteiligung)
 - Duration of the planning process
(Dauer des Planaufstellung)
 - Legal process and administrative court proceedings
(Rechtsweg und Verwaltungsgerichtsbarkeit)
 - Modification of local plans
(Änderung von Plänen)
- 1.1.3 Private law relating to land, land transactions and first urban use
- Real estate contract (Grundstücksvertrag)
 - Servitudes (Dienstbarkeiten)
 - Subdivision of plots (Grundstücksteilung)
- 1.1.4 Instruments for the implementation of plans
- Private law
 - Public law (Öffentlich-rechtlicher Art)
 - Replotting of land (Bodenordnungsinstrumente)
 - Instruments to protect planning, e.g. development freeze
(Plansicherungsinstrumente)
 - Compulsory purchase/Compensation
(Enteignung/Entschädigung)
 - Improvements and their charges
(Erschließung, -kosten)
 - Planning permission (Bauordnungsrecht)
 - Betterment levies for planning, building-land regulation, redevelopment
(Abschöpfung von Wertsteigerungen bei Planung, Bodenordnung, Sanierung)
 - Order to construct (Baugebot)
 - Right of first refusal (Vorkaufsrecht)
- 1.1.5 Information systems
- Differentiation in private and public systems
 - Land register (Grundbuch)
 - Cadastre (Kataster)
 - Valuation committees (Gutachterausschüsse)
 - Building-land information systems
(Baulandinformationssysteme)
 - Census (Volkszählungen)
- 1.2 *The financial environment*
(Who finances and under what conditions)
- 1.2.1 In general
(. . .)

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- Credit practice (credit securities, amortisation/repayment, interest rates
(Kreditsystem: Sicherheiten, Zinsniveau, Tilgung)
 - Restrictions on capital import
(Beschränkungen für ausländisches Kapital)
- 1.2.2 Per sector
- Possibilities of financing
(Finanzierungsmöglichkeiten)
 - Investors (Investoren)
- 1.2.3 Land banking (Bodenvorratspolitik)
- 1.2.4 Transaction costs
- 1.3 *Tax and subsidy environment*
- 1.3.1 Taxes concerning the land market
- Taxation of land
(Besteuerung von Grund und Boden)
 - Taxation of other kinds of capital/assets
(savings deposits, shares, capital income tax, . . .)
(Besteuerung anderer Vermögensarten)
 - VAT – value added tax (Mehrwertsteuer)

To understand and to evaluate the complicated land and property markets, three components have to be distinguished: (a) the framework within the market is functioning; (b) the process and interaction between different actors who, while operating within the same framework, have different aims and are playing certain specified rôles; (c) the outcome of the market, or the result of its operation. As a fourth and final step, the outcome, as well as the framework and the process leading to the outcome, all have to be evaluated.

Case studies were a central component of the project, six being provided from each country. These are essentially illustrations of the normal operations of the market. They are representative and not special cases, selected on the basis that they should illustrate different aspects of the functioning of the market and the development process in the respective country.

Clearly it was necessary when working on land and property markets to agree on criteria for judging the market, its performance and its outcome. We agreed to use as a basis for this the formula put forward by Hooper for the OECD Urban Affairs Programme:

The general aim (of the land market) is usually to secure that development land is supplied in needed quantities, appropriate locations, appropriate tenure, at the right time and at appropriate prices, having regard to issues of economic efficiency and social equity. (Hooper, A., "Policy innovation and urban land markets", OECD Urban Affairs Programme, Paris 1989: 5)

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It was for the national teams to use this formula to derive the criteria by which to judge the performance and the outcome of their land and property markets, including considerations of social equity and ecological aspects.

Having completed the national research reports, it seemed to all participants and contributors that the material assembled was too valuable to leave unpublished and only referred to in the final comparative study of the German team. The opportunity could not be missed to make these comprehensive studies about the land and property markets of major European countries available to a wider public.

As series editors we would like to thank all authors of the national reports and books for their support and co-operation in the publishing programme after they had thought they had finished all their hard work by completing the research reports. We would also like to thank the German Ministry for Regional Planning, Building and Town Planning for the generous agreement that the material assembled in reports commissioned by the Ministry and sponsored from its research budget can be disseminated to reach a wider audience in this way.

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SUMMER 1993

PREFACE

The report on which the French volume of the European Urban Land and Property Markets series is based was prepared by a team from ADEF, the Association pour le Développement des Études Foncières. ADEF is located in La Defense, Paris, and is a non-profit association of property professionals, developers, public authorities and academic researchers formed to exchange and publish information and research on all questions relating to land policy through its own journal, Études Foncières, and through books and reports.

The assistance of the following in compiling this study is acknowledged: Ingrid Ernst for the Alsace case study; Alain Motte, formerly of the Institut d'Urbanisme de Grenoble, Université Grenoble II, now of the Université Aix en Provence, for the Meylan case study; François Paillé for the Citroën case study; and Stephane Muzika for the Lorraine case study. Also, for their contribution to the study of the urban property market, Bruno Lefebvre, Yannick Martin, Claire Ombrouck and Sylvie Occhipinti, economist at CEREVE, Université Paris X at Nanterre. Finally, for assistance in the preparation of the text for publication, Charlotte Andrews and Sharon Holt.

We wish to record our thanks to all the other collaborators in the project, but of course we remain responsible as authors for the contents of this book.

RODRIGO ACOSTA

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