

17 November 2016: Land available for development

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The *Autorité de la concurrence* recommends providing professionals and private individuals with improved access to information on the prices of lands for development.

It welcomes the recent measures taken to improve cost transparency within the sector and invites public authorities to continue this initiative.

In brief

In response to a referral by the French Confederation for consumer protection, housing and quality of life (*Confédération Logement et Cadre de vie CLCV*), the *Autorité de la concurrence* issued an opinion today on the functioning of the property development sector. In line with existing legislation, the *Autorité* is in favour of allowing all professionals in the sector as well as private individuals access to the databases maintained by notaries and the tax services on transactions concerning property for development (in terms of volumes, prices, etc.). A better knowledge of land markets should improve the functioning of the sector and, in particular, help private individuals wishing to sell or purchase land to assess its value more accurately.

According to the CLCV, the average price per square metre of undeveloped land has risen three times faster than that of developed property since 2006. The French survey on the price of buildable land (*L'enquête des prix des terrains à bâtir EPTB*) shows that the average price per square metre of such land has risen by 60% compared with 21% for the price per square metre of developed land.

In view of this situation, the CLCV seeks the opinion of the *Autorité* regarding measures that could be implemented to enhance transparency in land prices.

Rising land prices can be partially explained by owners holding onto their land

The price of land purchased by promoters, developers and private individuals varies according to planning permission (defined by applicable town planning rules) and location. A plot located in an economically and demographically dynamic area will see a greater increase in value.

While land prices rise more rapidly than those of real estate as a result of a leverage effect, the reverse is not always true. When real estate prices drop, the price of land does not fall to the same extent, as landowners prefer to wait for better times rather than sell off their land at any price. This phenomenon of holding onto land is a key factor in the property sector.

Although it seems difficult to improve this situation, except through tax measures, any initiatives taken in favour of more transparent prices are likely to free up the market by providing stakeholders with more reliable information, particularly regarding the prices of transactions.

Notary and tax databases must be accessible to professionals and private individuals alike

Through their public service missions, notaries and the tax services have access to the most accurate and comprehensive data on transactions. Recent legislation and regulations have extended access rights to these databases to all professionals in the sector (developers, promoters, real estate agencies, etc.) as well as to private individuals. The *Autorité* supports these measures which will give promoters and developers all the data they need to accurately estimate the value of properties to be purchased and fix their sale prices accordingly. Similarly, private individuals will be able to assess the price of the land they wish to sell or purchase based on reliable data.

The *Autorité* points out, however, that access to these notary and tax databases should be provided objectively and without discrimination to ensure that all professionals in the sector and private individuals have access under equal conditions. The *Autorité* also recommends that the last regulation to finalise the mechanism for access to the notary database (rates charged for information) should be approved as soon as possible.

> For further details, see the full text of the Opinion 16-A-21 of 17 November 2016 regarding a request for opinion from the association CLCV on competitive operation of the building land market.

> Press contact: Chloé Duretête +33 (0)1 55 04 01 20 / Email