



France - Institutional Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

Parameters for decision taking in France:

- The French private rental building stock is divided between private natural persons (95%) and institutional companies (5%) consisting mainly in for-profit municipal companies, social housing companies managing housing stocks for lower middle classes, commercial housing companies and bank & insurance companies. Promoted by tax policies, the largest share of private rental dwelling units is owned by non-professional private landlords who hold one or few apartments each. Those non-professional landlords manage their apartments quite differently than professional housing providers (e.g. term of the management and decision to sell the asset). As a consequence, the parameters which influence the decision making process of different actor types regarding investments into the energy performance of existing rental dwellings in France are identified in the report D.4.1 (see www.rentalcal.eu). Then, actual values or ranges of values are assigned to the parameters to quantify or describe the current situation under which French landlords operate.
- The barriers and disincentives in France in the private rental housing stock are closely related with the structure of its ownership: 95% of the stock is owned by private natural landlords. 78% directly by natural persons and 17% by natural persons through a legal person, the so-called "Société Civile Immobilière" (S.C.I.). 40% of the private natural landlords are 60 years old and above. 35% of tenants living in the private rental housing stock are below the poverty line.
- The natural landlords' main motivations to invest in rental real estates are by order of importance 1. Tax incentives 2. To accumulate wealth . 3. Bequest to offspring. 4. Risk diversification. The dilemma is clear: energy efficiency is a significant investment (average 26.000-32.000 € /dwelling) with a too long payback period if the payback is based only on energy savings. Tax incentives remain the key psychological parameter when using mainly the gross return method, the private landlords do not have a clear idea of the gains they may have investing in energy efficiency. As a consequence, as long as the government will not take any measure to balance the disadvantaged tax environment which favours the owner-occupiers, the natural landlords' investments in energy efficiency will remain insignificant.
- Nevertheless, the report, mentioned above, contributes to a better understanding of different investor types' approach to making investment decisions in energy efficiency refurbishments, but also allows for comparative analyses of actor groups' characteristics. Eventually, barriers and disincentives which impede investments in rental buildings' energy performance are analyzed and promising approaches to mitigate them are described (e.g. depending on their personal incomes, State guarantee may be given to private natural landlords for the subscription of an eco-loan to lower the barriers to obtaining credit attached with their age or their level of income.

Types of investors and stakeholders in France:

- In a European panorama, France is classified as a "mixed case":
- The limits remain clear between the private and the social rented housing sectors with specific players and housing stocks managed separately. The percentage of the rented housing stock reaches 35% of the total housing stock. There is an equal distribution between the private and the social rented housing sectors (almost 50/50). The home-ownership rate remains stable (55-57%). The production of new dwellings was relatively high (e.g. 450.000 units in 2017) during the recent years compared with other E.U. countries.
- The prevalence of the natural private landlords (95%) in the segment of the private rented housing is the result of a double trend. From one side, during the last thirty years public policies used tax incentives to encourage the private households' investments and boost the new building construction . On the other side, the financialisation of the economy has seen the withdrawal of the institutional investors (Banks, insurance companies ...) from the housing sector selling their assets to invest either in commercial premises or in capital markets (Yields =8-9%).
- The group of natural private landlord is not homogenous. There are two sub-types; the natural private landlords who invest directly and the natural private landlords who invest through a legal form (The S.C.I.). The second group is a little bit more professional. Three quarters of the stock owned by natural private landlords is managed directly.
- Besides private landlords, the largest share of private rental dwelling is owned by municipal housing companies. Banks and Insurance companies sold in block or in cuts their housing stock during the last twenty years.

- The new law under discussion in the Parliament in 2018 will impact the sector of housing as the government intends to develop private rental housing for middle classes in the metropolises and needs institutional investors to do it. Evaluation des dispositifs d'aide à l'investissement locatif, Ministère du Logement, documentation française Paris 2008.
- Available at: <http://www.ladocumentationfrancaise.fr/var/storage/rapports-publics/084000206.pdf>
- The same politic is pursued since 2008 e.g. Law Pinel, 2015, information available at: <http://www.landing.loi-pinel-gouv.org>

Constellations for decision making in France:

- The largest share of the rental dwellings in France are held in small-spatial ownership structures by landlords who don't have professional expertise in most of the aspects of an energy retrofit, the subsequent procedures and the calculation of the overall profitability.
- When it comes to constellations of decision taking, the largest barriers and disincentives which keep owners of rental residential properties in France from investments in the energetic quality of their properties originate from the fragmented ownership structure and the owner's motivations and their state of knowledge, capacities and competences. This is why two main types of constellation of decision maker have been identified; the constellation of a corporate decision maker and the constellation of a private natural landlord.
- 70% of the private rental stock owned by natural private landlords is located in multi-family buildings mixed with owner-occupiers in co-ownership lots. This fact increases the complexity of the decision making process. Yet crucial, the role of the associations and condominium board was neglected, the role of the property management firms and their agents too. Up to 2014, there were no collective eco-loans but only individual eco-loans.
- The housing management of the natural landlord is often outsourced to property managing firms which manage the housing estates in co-ownership lots. These property managing firms play a key-role in the renovation process as they ensure generally the technical management and the commercial management of the dwelling units both. Compared with housing companies, they have less internal competences especially in the technical field notwithstanding in terms of engineering. It explains the difficulties met by private landlords to select skilled technical experts to design and lead the renovation process.

Two innovative approaches since 2014:

- A. In 2014, the French government has voted a new law which creates the "*Plateforme territoriale de Renovation Energétique de l'Habitat Privé*". This platform aims specifically at supporting the private owners (owner-occupiers and private landlords) in their project of renovation. The platform which operates as a unique local "guichet" for the natural private owner is in charge of:
 - The mobilization of all actors concerned in both private and public sector (designers and building companies, banks distributing the eco-loan and the other sources of financing, local public authorities informing about subsidies, property agents and managing firms...) in a unique point of contact.
 - The stimulation of the private owners' demand and to facilitate their acting out.
 - The structuration of the local technical supply in order to increase its quality.
 - The involvement of the bank sector to propose a relevant financing.
 - The natural private landlords may entrust the realisation of the renovation project to the platform or to a third party powered by the platform. The platform is in charge of the whole process including its financing.
- B. The strengthening of the role of the co-owners' associations and the property managing firms.
- Starting from the 1st January of 2017, any multi-family building in co-ownership should have realised a diagnosis which should include a mandatory collective Energy Performance Diagnosis (E.P.D.). A chart signed in 2015 between the government and the most important unions of associations and managing firms specifies that if the building is classified in the E, F or G classes then it will be mandatory for the associations of co-owners and their property agents to promote the energy renovation and consequently bunches of works according to the technical specifications of the eco loan.

DATE: 18.04.18