

## The Impact of the ‘Scellier’ Income Tax Relief on Building Land Prices in France\*

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### Key question

The chronic deficit in the construction of rental housing has prompted the public authorities to address the increase in the housing stock as a major issue. Since 1984, the State has introduced 8 tax incentive schemes to encourage the construction of private rental housing. However, it is known that any device aimed at subsidising demand may be partially captured by suppliers. The purpose of this article is to help quantify the causal impact of the ‘Scellier scheme’ (2009-2012) on building land prices.

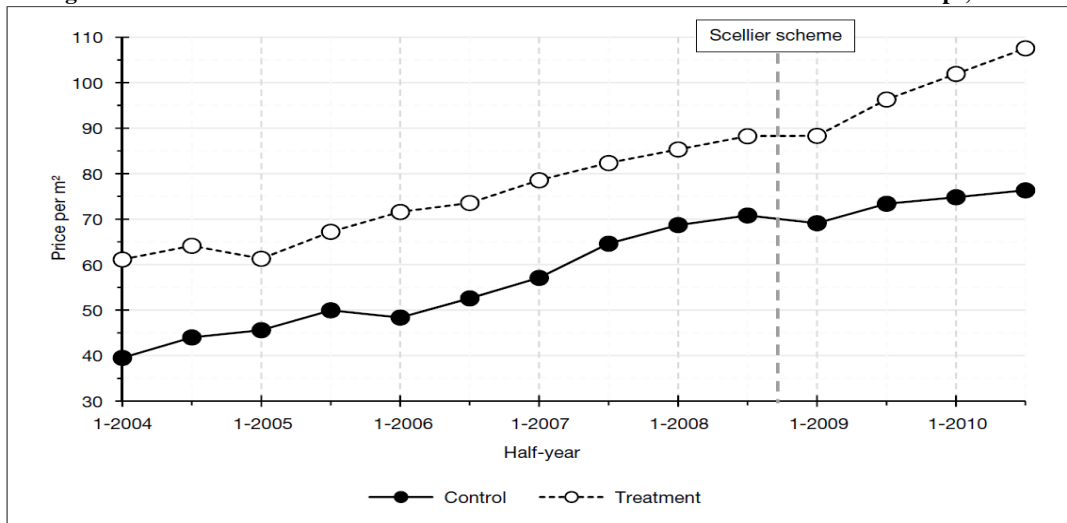
### Methodology

The Scellier scheme has a zoning system that excludes part of the metropolitan territory from its application. This partitioning, into eligible areas or not, is the basis for a difference-in-differences estimation of the impact of the scheme on land prices, using data from the *Base Nationale des Données Patrimoniales* (National Wealth Data Base).

### Main Results

- The introduction of the Scellier law has led to an increase in prices per square metre of around 7 euros in the first year and from 8 to 9 euros between 2009 and 2010. That is an increase of between 8% and 10% of the prices compared to the initial prices.
- It is the regions where the market was most tense that saw their prices rise most rapidly and, in particular, the Greater Mediterranean region with an increase of around 25% over two years.
- The results remain valid for all the robustness tests we have implemented.

Change in the Prices Per m<sup>2</sup> Over a Six-Month Period for the Control and Treatment Groups, All Zones



The curves represent the change in the average price per square metre over a six-month period for the control and treatment groups. Sources: BNDP/DGFIP database; treatment by the authors.

### Message

It is not surprising that a system that promotes the demand for building land in order to increase the construction of rental housing leads in the short term to an increase in land prices. These results can be considered as causal impacts. However, the well-known drawback of this type of approach is that it does not allow these results to be extrapolated outside the study areas. The unwelcome collateral effect of this policy is particularly noticeable in dense areas and in particular in the Mediterranean region, which is facing a combination of obstacles to an active land policy. Our main conclusion is therefore that a policy of urban planning regulations must accompany, if not precede, any incentive measures for the construction of rental housing.