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The Property Market and Area Planning

# A City Called "Switzerland"

*The prices demanded and paid for landed property have risen in an explosive manner of late. The property market has come off its hinges and has gone "haywire". Is the activity known as "Area Planning" to blame for this – or is it merely the "whipping-boy"? The influence of Area Planning on the functioning of the property market is however limited and can be felt only in the long term. Numerous other measures relating to national policy on real estate matters must also be taken into account.*

During the past 20 years, the population of Switzerland has increased by almost half a million. Over these two decades, the standard of living, in material terms, has risen to four times its former level. Both of these factors exert considerable influence on the extent to which the available area is utilised. Families are getting smaller, but they want bigger apartments. About one third of all households have one-person occupants – 20 years ago, the proportion was less than 20%. The unit surface of apartment per person has increased by more than 20 square metres.

But only one item has not increased: the surface area of our country is still 41,293 square kilometres (about 16,000 square miles). If one deducts from this figure the areas corresponding to waste-land, desert, woodlands and Alpine pastures, one is left with a balance of only some 13,500 square kilometres (5,200 square miles), on which the inhabitants live and work and on which growth of the economy is concentrated. According to such a calculation Switzerland must be seen as one of the most densely populated countries in Europe. The task of Area Planning ("Raumplanung", "Aménagement du territoire" or "piannificazione del territorio" in the official nomenclature) is to channel and coordinate the ever-increasing demands for land in such a manner as to further and encourage the settlement of the population in the most suitable locations and to ensure that the land available is utilised in the respects most favourable to the national economy – whereby the need must always be borne in mind for something of the natural environment to remain intact and for the quality of life in Switzerland to stay high.

#### **The price explosion in the property market**

In the light of the breakneck speed of these developments, it is not surprising if prices for land are rising more steeply than the growth rate for gross national product. The price for building land (as distinct from that for agricultural land), fairly close to towns (say between 10 and 30 kilometres away) now amounts to from 800 to 1,000 francs per square metre. There was a real price explosion, above all in 1987–1989, when prices increased fourfold. At present there appears

to be a trend to stabilisation. In the development of the prices, the former noteworthy regional divergences have, apart from a few isolated exceptions, been eliminated to a great extent. The traffic network by rail and road has been so effectively extended and improved that one can already talk of "the city-called Switzerland"!

High prices are always a symptom of scarcity and shortages on a market. This leads to various reactions. On the one hand for instance, it becomes necessary to exercise far greater care and economy in authorising the utilisation of our meagre resources of land. From the standpoint of efficient Area Planning this will be beneficial. On the other, there will be some negative effects of a social character related to the higher rents for leased property. Another undesirable result is the endeavour to switch commercial or industrial activity to rural districts where the prices for building land are lower: this trend leads not only to spoliation of the countryside, but also – because of greater distances between workplace and residence – to longer journeys for commuters, increas-

ed traffic, greater consumption of energy and more environmental pollution.

#### **There is enough building land**

Some critics claim that Area Planning is the culprit, for having artificially brought about a shortage of usable land, and for having thereby caused the inflation of land prices. This criticism fails to recognise the factual aspects of the situation. First of all, with an area of no less than 240,000 hectares (nearly 600,000 acres) of ground available for building, Switzerland has undoubtedly more than enough – after all, that represents 18% of the total area regarded as "suitable for settlement and colonisation". Between 40% and 50% is still not built-up. Moreover, price rises for real estate are mainly dependent on economic factors of a global nature (interest rates, inflation, expectations of growth etc.). And finally the fundamental and catastrophic scarcity situation where we shall inevitably end up if the demands continue to increase at the present rate, is already casting its shadow. Nobody sells land if he is not absolutely obliged to do so, as he can reckon on it increasing in value every day without his needing to lift a finger. And this "hoarding" sends the price still higher.

#### **The risk of a "flop"**

If a product is good one tries to make more of it. But although the amount of land cannot be increased, there are ways of "producing" building land. Enough building zones have been defined – but for them to be built over, the ground has to be developed, i.e., it must be provided with adequate access facilities, with connections to the network of public-transport communications, as well as with conduits and mains for the supply of water and electricity and for disposal of waste water and sewage. Whether enough land has in general been developed is not known at present. Investigations are currently going on all over the country to find out... but although such development admittedly creates certain important pre-conditions for the real estate market, nobody is forced to offer his land for sale. And if it is desired to make the property market more "liquid" one must be ready to make



*Out of an area of about 240,000 hectares of ground available for building, between 40% and 50% are still not used.*

a serious effort. It has however happened time and time again that those parties that have been most vociferous in calling for such "liquefaction" of the market for building land have never been willing to provide the cash or other means needed for such measures as expropriation proceedings for zone creation, obligation to build in an approved manner, introduction of special taxes to discourage "hoarding" and so on.

### Internal expansion in depth

Area Planning cannot – and should not – have any function in connection with price regulation. Its contribution to the economy lies in a different sector. It complements or in some cases, replaces, the market if and when that market has failed to achieve a suitable apportioning of the land resources available. It helps to counteract the negative influences of the market such as the erosion of living space and of the natural environment, as well as unprofitable utilisation.

We find it difficult to come to terms with the finite nature of our ground resources, and cannot understand or imagine that further expansion of urban settlements and housing developments must some day come to an end. Area Planning must therefore endeavour to satisfy future housing requirements no longer in verdant settings of parkland and gardens, but rather in an inward-looking form of development based on the adaptation of existing accommodation in largely built-up areas. We should therefore aim – while taking town-planning and ecological requirements into account – at furthering the renovation and modification of existing buildings, at an optimal exploitation of the potential for conurbation projects, the search for alternative forms of utilisation of the land to meet changing needs, the study of possible multiple use of edifices, improving the use made of open spaces (particularly when these are favourably located in relation to public transport), and obtaining a better "mix" of housing and work-places inside existing built-up districts. Such objectives confront the planners with a challenge, as they demand capacity for innovation as well as creativity and flexibility. Many present-day zoning plans and building regulations are unsuitable because they are too rigid and need to be adjusted. Such changes call for a subtle approach, and could at times involve tight-rope walking and even brinkmanship if one is to instil a sense of well-being in the people who will be living in the built-up areas that have been subjected to renewal and concentration.

Area Planning can – and should – make a contribution towards the easing of the problems of the property market. Admittedly, its



During the past 20 years the available unit surface of apartment per person has increased by more than 20 square metres. (Photos: KeyColor)

direct contribution will be somewhat restricted in its scope. It can best help by fulfilling its original and fundamental tasks, that is to say by trying to ensure an economical and thrifty utilisation of our ground resources, and the creation in the long term of a favourable spatial environment for nature, population and economy. An enlightened fiscal policy,

precautionary legislation regarding real estate, measures in support of social welfare policy, and preferential treatment of owner-occupiers will all be able to make a greater contribution towards the calming down of the present trend in real estate prices.

*Fritz Wegelin, Head of Basic Section in the Federal Office for Area Planning*

### Real estate policy under pressure

## The law on landed property – a long-lasting issue

Many aspects of the laws governing landed property are currently under scrutiny. Public discussion on prices for land, on mortgages and on ownership rights shows no sign of slackening. Parliamentary attacks on these themes are increasingly frequent. The media do not tire of pointing out the shortcomings of the present legislation on landed property matters.

We all know that the soil is an absolute essential to our existence, and furthermore that it is an essential which cannot be increased. The population of Switzerland has however increased perceptibly, even if not to a disastrous extent. And increases have also occurred in our incomes and our needs. The consequence is obvious: the growth of population and incomes leads to an ever-increasing utilisation of land. More per capita living space is needed, more space for increasing traffic (above

all, for the building of new roads), greater area for trade and industry, and for leisure activities – the list is endless. The demand for land increases continuously, especially in the urban agglomerations. A further factor is that the growth of the economy necessitates an evermore intensive commercial and industrial activity being concentrated on what is basically an unchanged area of ground. It means quite simply that on every square metre of ground, more and more money is earned and