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Our colleague Marc VANDERSCHUEREN just explained earlierthe three main areas from the measurement code for the floor area of buildings:
- External area (SEM),
- Internal area (SIM),
- Constructed area (SDC).

Now let us get back to the basics and ask ourselves the question: why a measurement code and is it possible to use it for real estate appraisal, Future orillusion?

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The notion of physical square meter (m²)doesn't pose any difficulty. However, its applicability to measure the building is more complex. In fact, no one measures the building in the same way. There are several different definitions and standards of areas that vary between countries andeven within the same country onecan find several types of areas. Depending on the method used, the differences of areas of a building can be up to 30%.

This lack of homogeneity was certainly one of the causes of the birth of the measurement code for the floor area of buildingswith the aim to spread it out all over the countries of the European Union.

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We can remember that in September 2008, during the first European congress in Strasbourg, the Council of European Geodetic Surveyors (CLGE)on behalf of all surveyorssigned a statement that mentioned "Surveyors of the European Union declare that they want to work together and with the national and European authorities".
To strengthen the uniformity of the real estate law on the territory and to make it more understandable to consumers, France and Belgium have set up a working group since January 2008 to harmonize the buildings areas all over the territory of European Union and therefore write a European code.
This code has been warmly welcomed by the CLGE, which, as everyone knows,gathers together 36 countries, including 27 members of the European Union.
The code was presented a first time during the CLGE conference in Bucharest (Romania) in May 2010 and a first reading of this code was organized during the Opatija General Assembly (Croatia) in May 2011.
The Working Group caught the representatives of the European Commission's attention in charge ofreal estate management which often have to face up to problems caused by the heterogeneity of the buildings areas.
After two and a half years of work, the measurement code was unanimously adopted duringthe Tallinn General Assembly (Estonia) on 16th and 17th September 2011.
The objectives of this code are structured around concepts of clarity, transparency, simplicity, precision, completeness, legal certainty and economic requirements.
Its aim is not to replace the different national practices and the different national and legal reference areas, it wants to become the common reference code to mention alongside these

legal and national areas, three European reference areas in order to offer a better information to the consumers.
It is an indisputable improvement towards the harmonization of European real estate law.
During the Edinburgh General Assembly (Scotland) the 30th March 2012, the English final version of the measurement code was adopted in version 1.0.
In addition, the INSPIRE data specifications working group adopted the measurement code as the default description of buildings areas.
It was adopted by the European Commission the 11thApril 2012 and is now included in version 3.0 in the INSPIRE data specifications.

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The purpose of this code is,

- firstly, to allow citizens to better understand how to calculate the buildings areas,
- secondly, to be an answer to the economic requirements of our society,
- thirdly, to provide a common language between professionals,
- fourthly, to ensure the legal certainty of the contracts,
- fifthly, to facilitate an objective comparison between different properties,
- and, finally, to provide a standardized graphical representation of real estate.

The Working Group set up a broad approach to develop a measurement code as universal as possible for all properties whatever their purpose-built (houses, businesses, offices, industry, agriculture, plant and infrastructure).
It defines the basic and standard definitions,which will be common to all properties regardless of their purpose-built or their use.
With the aim of transparency and understanding by everyone, the rules of this Code must be applicable either to existing buildings or at all phases of the construction process (from conception and design to completion).
In order to ensure the best possiblevisibility, when a measurement will be prepared in accordance with the specifications of this code, it will be followed by the reference "euREAL".

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In our modern world, the area parameter is predominant by itself or through financial quotes in many fields of real estate.

①For instance, a REIT (Real Estate Investment Trust) is a company quoted on the Stock Exchange whose objective is the distribution of dividends by managing the valuation of real estate assets. It is obvious that if an investor wishes to compare the REIT he will be focussing on the areas of the different and concerned buildings. Therefore, it is important that these areas should be measured with the same standard.

②In conventional real estate products, the need is the same for public and private investors whenthe consultation and the comparison of data are essential. Therefore these data should be based on transparent information that will allow ones to buy, rent or manage properties. Once again, to measure homogeneous areas allows an objective and relevant comparison.

③In regional planning, all economic and(or) environmental decisions in order to be effective must be taken with full knowledge of the real estate market. Thus, they requiretransparent knowledge in prices and areas.

④In property taxation, fairness between people dictates that it needs to be based on correct and real estate information,which necessitates an effective and homogeneous area data.

⑤In the status of co-ownership, and, in particular,within the determination of the undivided parts, the fixing of the relative value of each private part must take into account the size of this part. Thus, it would be interesting to see consistency and homogeneity in the measurement of buildings areas for those co-ownership buildings.

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It is obvious that the criteria of clarity and transparency are essential.
Let's just have a look at the recent past crisis and in particular at the SUBPRIME crisis to see that the opacity of the financial derivatives, especially in the measurements of areas, is one of the causes of the crisis in 2007 which saw 3 million U.S. families defaulted on payment with their mortgages.
This is the same problem for real estate bubbles. Once again, a lack of transparency in the comparison of reliable and accessible data (including a standardization of the area measurement) would have either prevented overvaluation, or, at least, limited and anticipated the future behaviour of the real estate market.

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This is why the objectives of this code are fourfold:
- Transparency,
- Legal certainty,
- Planimetric representation
- Economic requirements.

①The willingness is to reply to the needs of the civil society in transparency,
- firstly, to ensure the protection of professionals and European consumers,
- secondly, to better understand the values and property areas,
- thirdly, to measure buildings uniformly and consistently
- and finally, to have a more transparent real estate market.

②The security of transactions requires complete information to define legal definition and boundaries of a property. Thus, we can have this security of transactions by using a unique measurement code by all professionals to ensure greater protection for consumers.

③The planimetric representation will get the outlines of buildings whatever the type of plans including the cadastralor land registry map.

④Finally, regarding economic requirements, it is essential to compare the real estate and economic markets.

The use of this unique code will establish a standardized product for buildings valuation (market value, rental value,...) in order to manage the buildings and to produce reliable statistics on national and supranational levels.

Therefore, the transparency of markets and their economic guarantee will be strengthened.

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Now try to do a bit of foresight and answer to the question that President PIRLOT asked me to launch the debate, the measurement code as a tool for real estate appraisal: myth or reality, future or illusion?

With this aim in view, I will use the example of a country that I know quite well: France. The Charter of the expertise in real estate valuation, which, we must remember, was signed by 14 organizations of real estate appraisal, relates, in its fourth edition, all building or land areas that can be used in real estate practises and it scans 15.

Thus,the “charterof the expertise in real estate valuation”distinguishes:

1 – The Cadastralor plot area: the cadastral documentation is the basis for land registration in France and cadastral documents have mainly a tax nature that secures the bases of the property tax. Generally speaking,the cadastral area comes from a graphic determination from the cadastral document.

2 - The land or property area: it comes from a measurement carried out by a land surveyor and the area mentioned is then a real area.

3 - The SHOB (gross floor building area), a sort of external area, is equal to the sum of the areas of each floor level of the building. This legal area has disappeared in France since the 1th March 2012.

4 - The SHON (net floor building area) is calculated from the SHOB by operating two types of deduction, the first one based on the heights of local, the assignment or their consistencies and the second one based on standard deductions. This legal area has also disappeared in France sincethe1thMarch 2012.

5 ° - The SHAB (direct translation from French: liveable area): this areacorresponds to the floor building area after deduction of walls, partition walls, stairs, stairwells, vertical service shaft or window and door reveals. It does not take into account the area of non-converted usable roof space, cellars, basements, sheds, garages, terraces, loggias, balconies, drying room outside the building boundary, porch, etc ... and parts of floor area with headroom <= 1.80 m are not recorded.

6 –The floorbuilding area: by reaching an urban policy,which tends to economise land and energy, the French government has replaced the applicable legal gross and netfloor building area (SHON and SHOB) with the floor building area since the 1thMarch 2012.

This floor building area is defined from the tax area by operating deductionswith the aim to favour buildings and to disadvantage detached houses.

7 - The floor building area or tax area: this area is defined as the sum of the floor building area closed and covered with headroom <= 1.80 m calculated from the internal wall of the building façades after deduction of emptiness and vertical service shafts.
The calculation method for floor building and tax area has been based on former method for gross and net floor building area. This floor building area is defined from the tax area by operating deductions, which is the basic area to get planning permission.

8 - The gross lettable area: this area is equal to the sum of theinternal floor building area after deduction of structural elements, columns, non-removable partition walls and vertical circulation.

9 –The net lettable area: this is the floor building available for work and it is obtained from gross lettable area after deduction of corridors, social locals and toilets.

10 ° - The weighted area: in order to compare real estate references, it is common to weight off areas with the aim to lead the different areas towards a common unit, a standard (the weighted floor building m^2).

11 ° - The GLA (Gross Leasing Area): it corresponds to the net floor building area increased by awnings, externalcorridors, service shafts. This area is commonly used in commercial centers or malls.

12 ° - The marketable area: This term is often used for business premises where there are many tenants. It corresponds to the lettable area after deduction of common use rooms.

13 ° - The weighted area in co-ownership: it takes into account by weighting the different components (consistency, nature or location) of the room or the flat.

14 ° - The constructed area: It consists of the difference between externalarea and internal area. It is generally a technical data.

15 ° - The surface called "Loi Carrez": this surface is applicable to building recorded to co-ownership status. This surface is defined as the sum of the closed and covered floor building area after deduction of walls, partition walls, stairs, stairwells, vertical service shaft or window and door reveals. The parts of floor area with headroom <= 1.80 m are not recorded.

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The report is edifying. We can have 15 different areas for the same premises. The need for simplification is obvious. Within these 15 areas, we have an important number of conventional areas and a few legal areas. We also notice that the actual legal areas (liveable area, building floor area, tax area or surface called "Loi Carrez") have relatively close definitions.

The SHAB (“liveable area”) and the surface “LoiCarrez” have housing purpose-built. The liveable area is a building area with housing purpose-built, the surface “Loi Carrez” is a sales area and the building floor area (which is applicable since the 1th March 2012) is a building area whatever its purpose-builts.

Therefore it isenough clear to the horizon to consider simplifying or, at least, harmonizing these different areas.
The professional is sometimes in trouble to be able to use these areas with judgement according to the use and the purpose-built of the building.
It goes to the right direction that the consumer is senseless to be able to appreciate the tiny differences between these different area concepts.

So in order to reply to the need of better information for the consumer and to the willingness to reach a legal certainty in our civil society, we have to achieve harmonization of these areas on national and probably supranational level.
If it is sometimes difficult to compare buildings within the same country, according to the classification of different areas, what is it about the comparison between buildings from one country to another one?

It is clear that today it is extremely difficult to carry out a detailed analysis of the elements of comparison from one country to another one, because the standards of areas of these countries are different.
This is one of the reasons why the measurement code for the floor area of buildings has been developed to allow a better transparency in the practice of real estate appraisal and to ease comparative analysis of reference elements from one country to another one.

The notions of externalarea and internal area must quickly be spread out among the countriesof European Union while coexisting with the applicable and actual legal areas of each country.
On one hand and in short term, the measurement code for the floor area of buildings as a tool for European real estate appraisal should be able to become a standard in national valuations. This new reference, which doesn’t put the national references back in its place, must, in medium term, become a cursor, a standard or a mean to appraise the real estate valuations. On the other hand, it will probably take a little more time to see the internal and external areas asserting themselves within national valuation practises.

The measurement code for floor area of buildings as a tool for real estate valuation: myth or reality, future or illusion?

- Myth: no, because the system and the objectives are definedtoday.
- Reality: yes, because the European measurement code is approved, is defined with readable and understandable basis and the measurement code is accessible to every investor, user or professional.

Let us wish that tomorrow the protection of European consumer will be strengthened when the builder, investor or user will work with the same standard for a better knowledge and understanding of each practice.

This is certainly the way and the objective we are focusing.