

INTRODUCTORY GUIDE TO PURCHASING AND SELLING COMMERCIAL PROPERTY IN FRANCE

This Guide is a basic guide to the legal steps in purchasing and selling commercial property in France. Further detail and information can be obtained by contacting Angela STOKES, Law Firm Pallier Lemaitre Vigneron Bardoul, a French Law Europe member firm as detailed on this website.

(A) Purchasing commercial property in France structured as a share deal

For internal tax and inheritance law reasons commercial real estate is often purchased through a property holding company, the shares of the company are the object of a sale and transfer to the buyer.

Operations of this kind are to be considered as M & A- transactions, which are not the scope of this guide.

(B) Purchasing and selling commercial property in France

1. The purchaser identifies property and carries out a commercial survey/valuation report through his Estate Agent/property developer. Property transactions are undertaken in liaison with a notary public, responsible for receiving the purchase price, drawing up and registering formal deed of sale.
2. The purchaser instructs his Lawyer to prepare a legal offer. This is then negotiated with the seller and the seller's Lawyer. Once agreed the principal offer letters are exchanged between the Lawyers. The legal offer requires careful consideration and drafting since once accepted is binding.
3. The seller's Lawyer exhibits the title deeds, any leases, all searches and reports, building alterations papers and other documents to the purchaser's Lawyer. The purchaser's Lawyer then reviews these and reports to the purchaser on the content of same.
4. The purchaser's Lawyer raises with the seller's Lawyer all enquiries in relation to the title deeds, leases, searches, environment issues and others. Once satisfied with these the Lawyers draw up a Promise to sell. The Promise to sell will contain a number of conditions precedent : the intention to finance the purchase with a loan ; obtaining necessary planning permits ; environmental permits etc. On signature of the Promise to sell a deposit of between 10 to 15 % of the purchase price will be paid.
5. In some cases (depending on the kind of property) an acquisition permit from the local authority is required. The purchase cannot be completed until such permit is obtained.
6. When conditions precedent are satisfied, the notary public and purchaser's Lawyer, prepare formal deed of transfer and all loan and charge documents.

7. On the Completion Date (day of execution of the deed of transfer before the notary public) purchaser pays purchase price to the notary public. The notary public holds the purchase price and checks the seller's tax position. If taxes remain unpaid notary public must pay the tax authorities prior to distributing the balance, if any, to the seller. As proof of title to the property notary will deliver to purchaser a statement of ownership ('attestation').
8. The notary public submits the deed of transfer for registration the tax authorities, land registry and local mortgage registry. Commercial Real Estate transfers are subject to tax at a rate of 18.6%.
9. The notary public will receive the title deeds in favour of the purchaser and send to purchaser's lawyer.

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Angela M. STOKES

Tel : ++ 33 2 51 72 72 60

Fax : ++ 33 2 40 47 36 92

E mail : angelastokes@francelaw-avocats.com