



KTH Arkitektur  
och samhällsbyggnad

# *Profit-Sharing between Buyer and Seller*

*Compulsory Purchase in order to form  
Building Plots and Easements*

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# *The Main Principle for Compensation*

## The Expropriation Act

- ☰ Compensation shall correspond to the *market value* of the property – or loss of market value when only a part of the property is affected
- ☰ Also compensation for "*other damage*"

The buyer gets 100 % of the "profit"

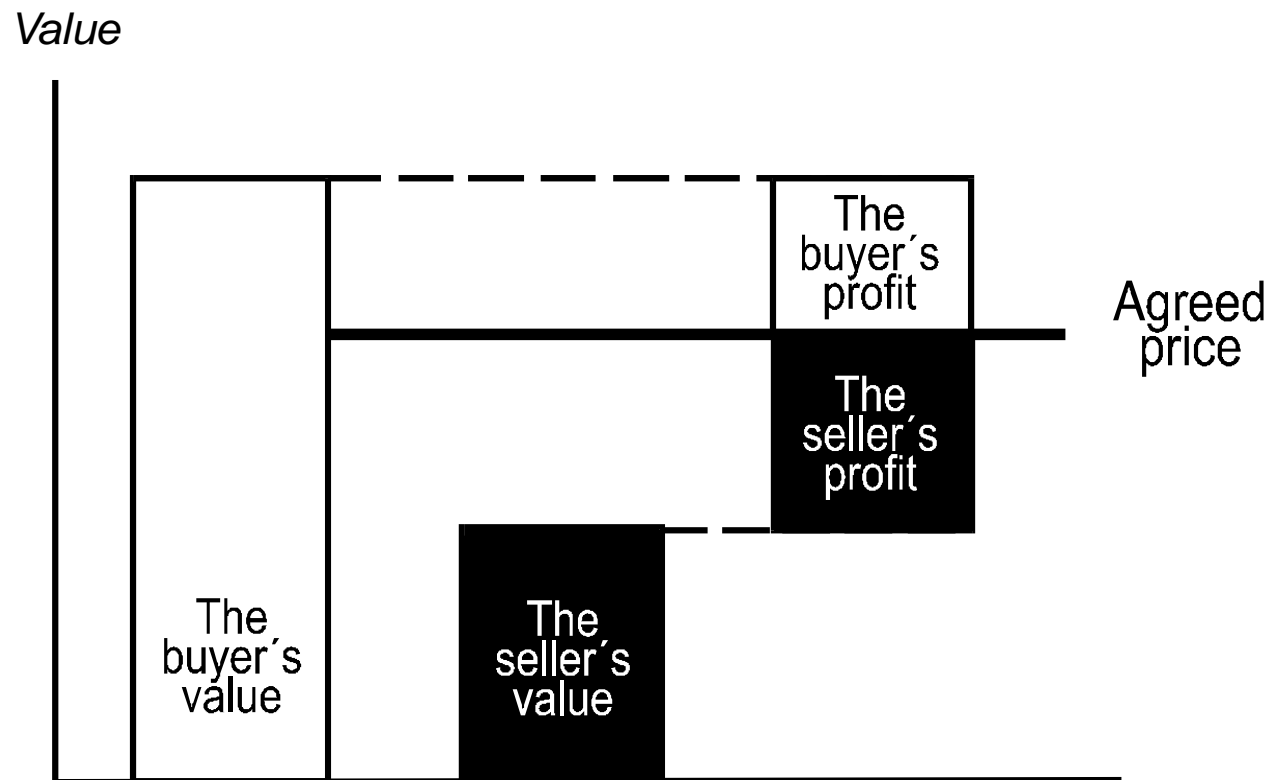
# *”Non-Expropriatory” Compulsory Purchase*

## The Real Property Formation

- formation of building plots
- formation of easements

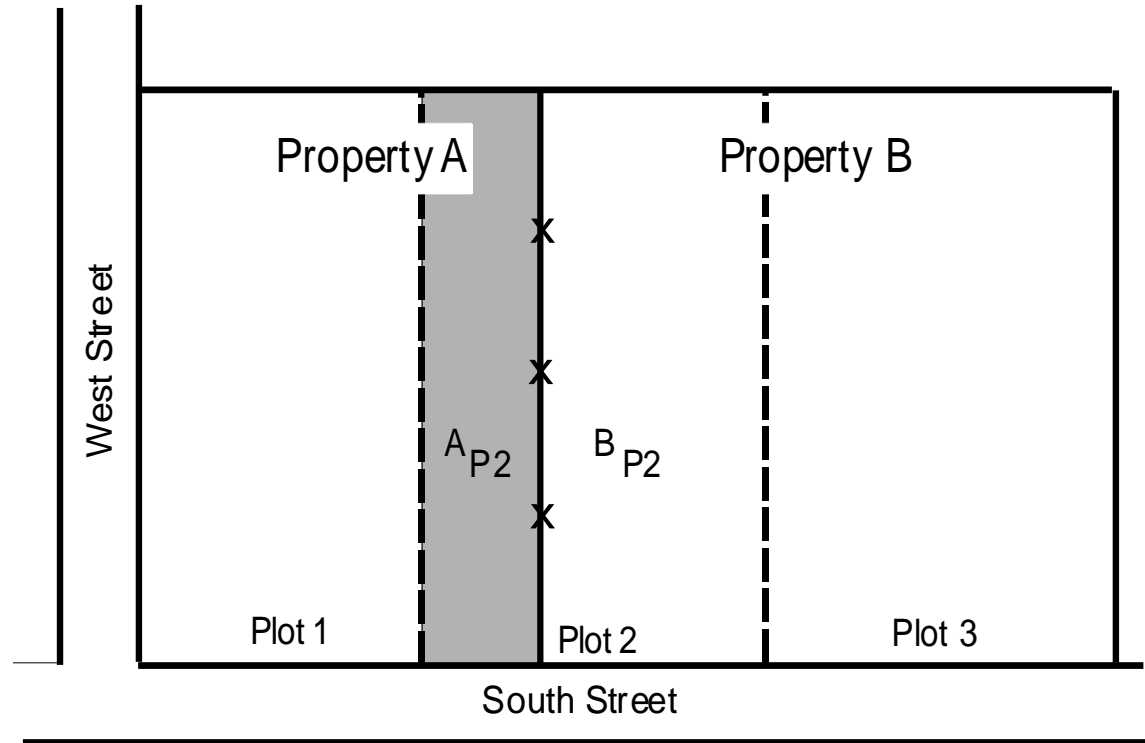
☰ Compensation should correspond to the price that could have been expected if it had been a *normal voluntary transaction*.

# *Profit-Sharing in Voluntary Agreements*



# Experimental Design

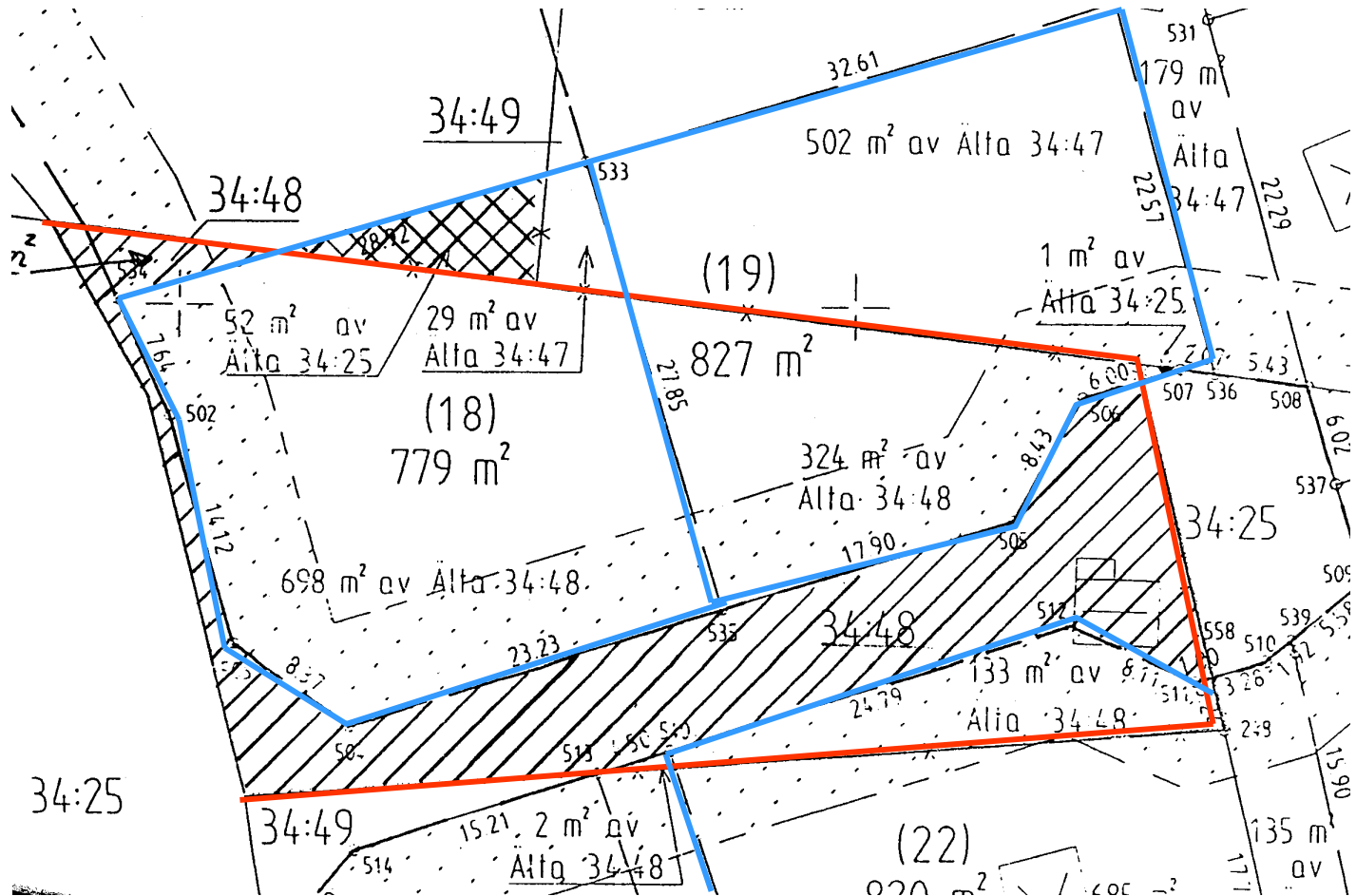
## Building Plot Formation



$$\text{Total Profit} = PP2 - (PA - PAP2) - (PB - PBP2)$$

# An example from the practice

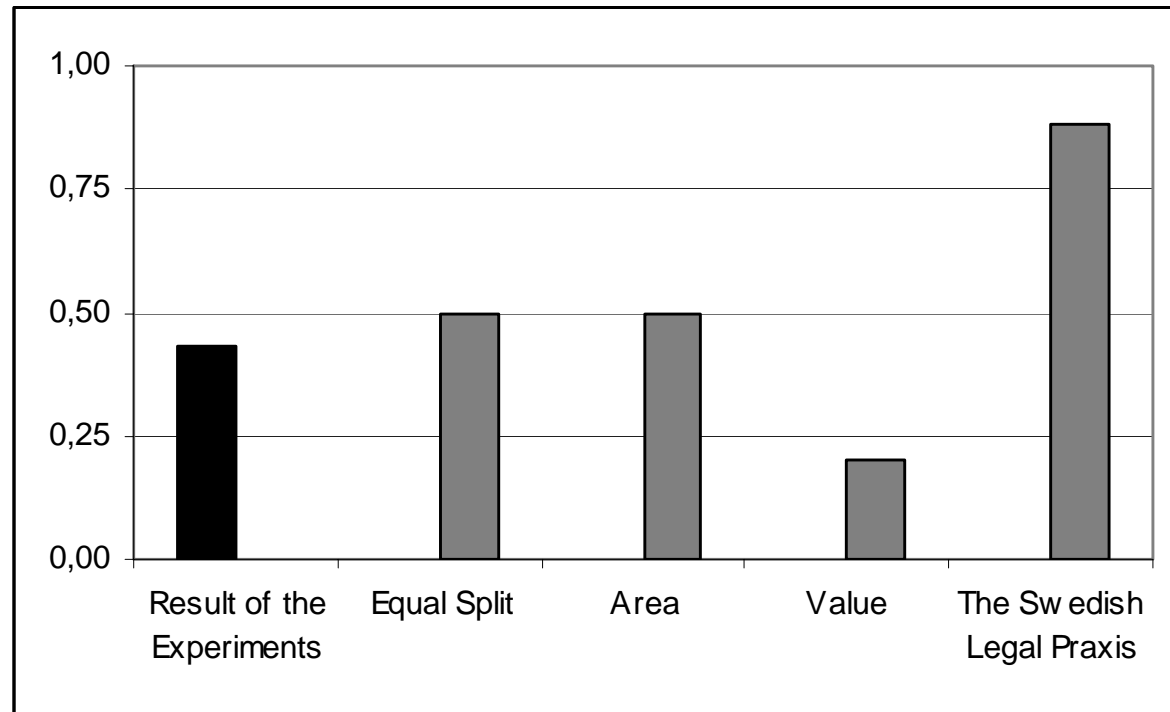
## Building Plot Formation



# *Profit-Sharing Principles?*

- ☰ *Equal* split of the profit
- ☰ Profit-sharing according to the *value* contributed to the new plot
- ☰ Profit-sharing according to the *area* contributed to the new plot

# Result - Case 1

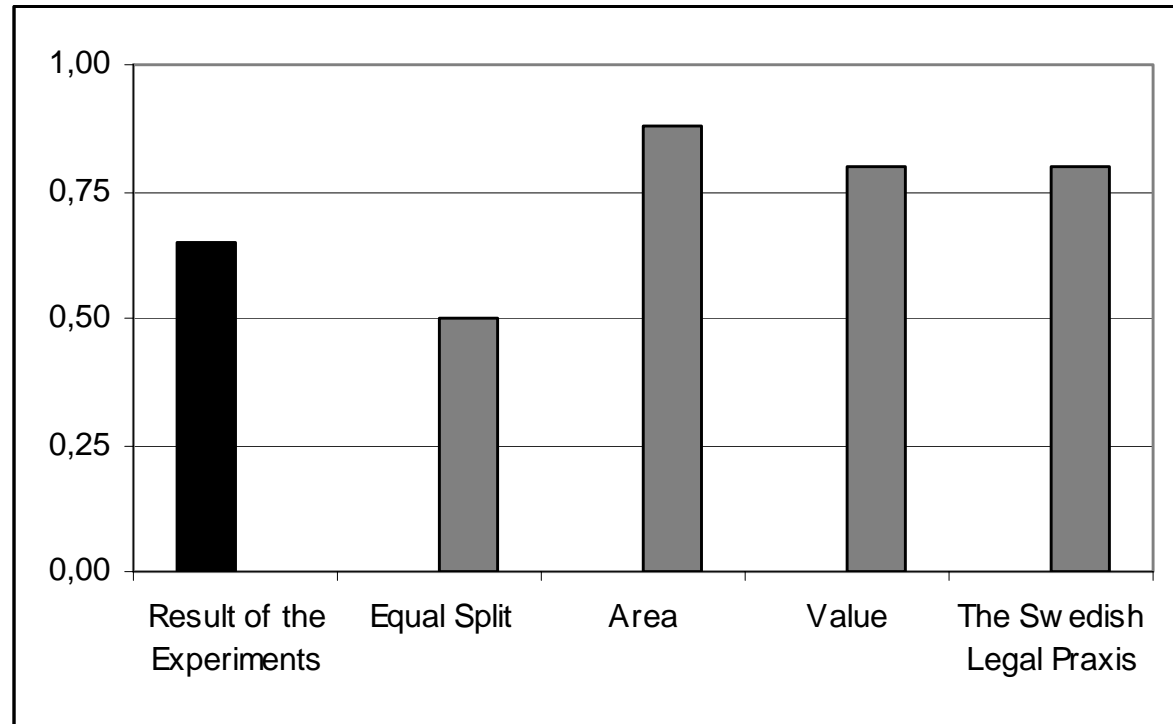


Agreements: 51

Confidence Interval (99 %): 0.39-0.47



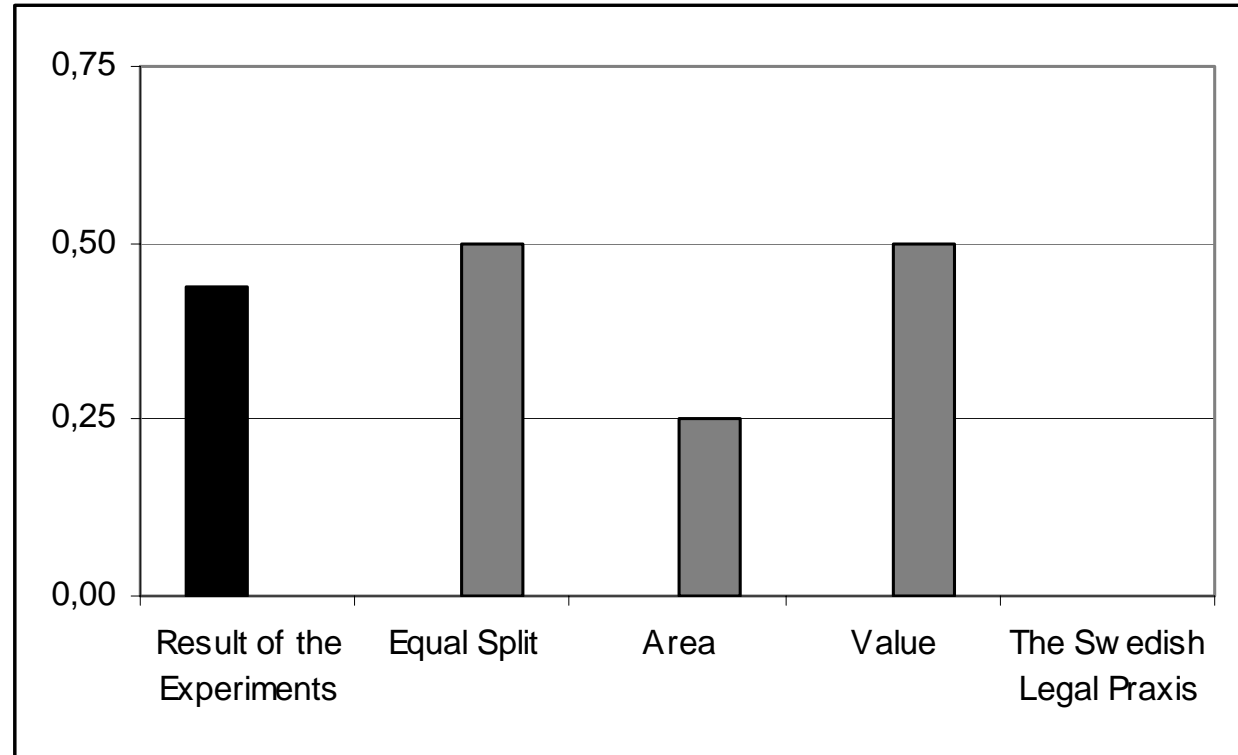
# Result - Case 2



Agreements: 23

Confidence Interval (99 %): 0.60-0.70

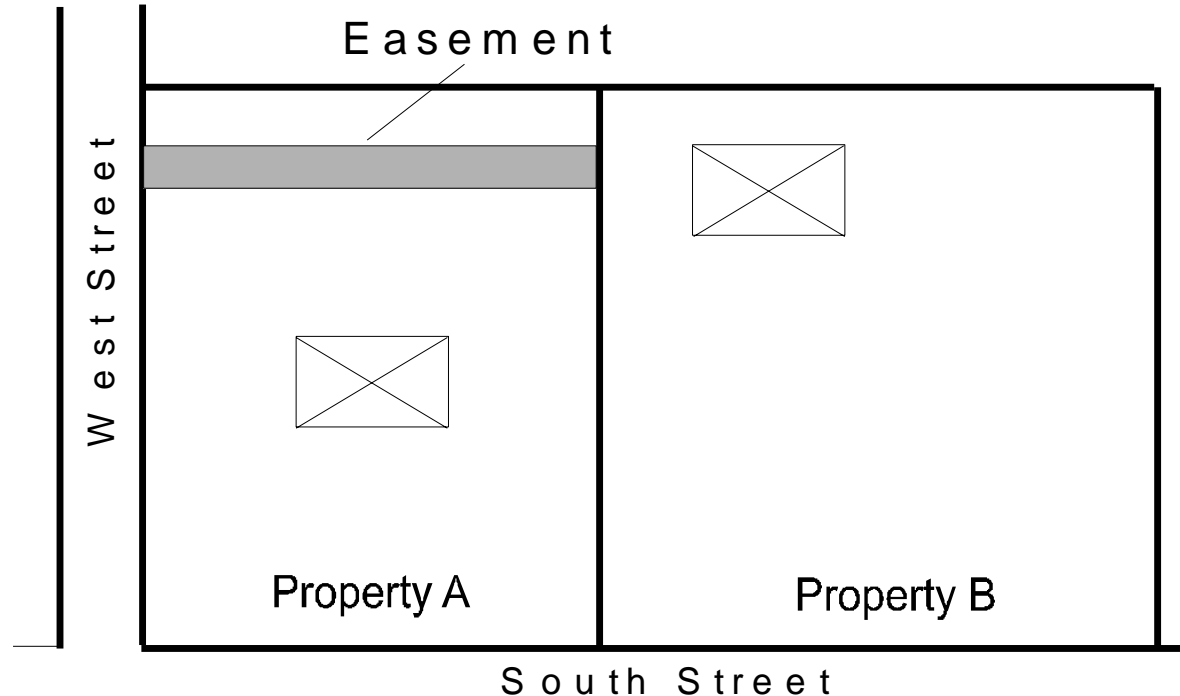
# Result - Case 3



Agreements: 44

Confidence Interval (99 %): 0.40-0.48

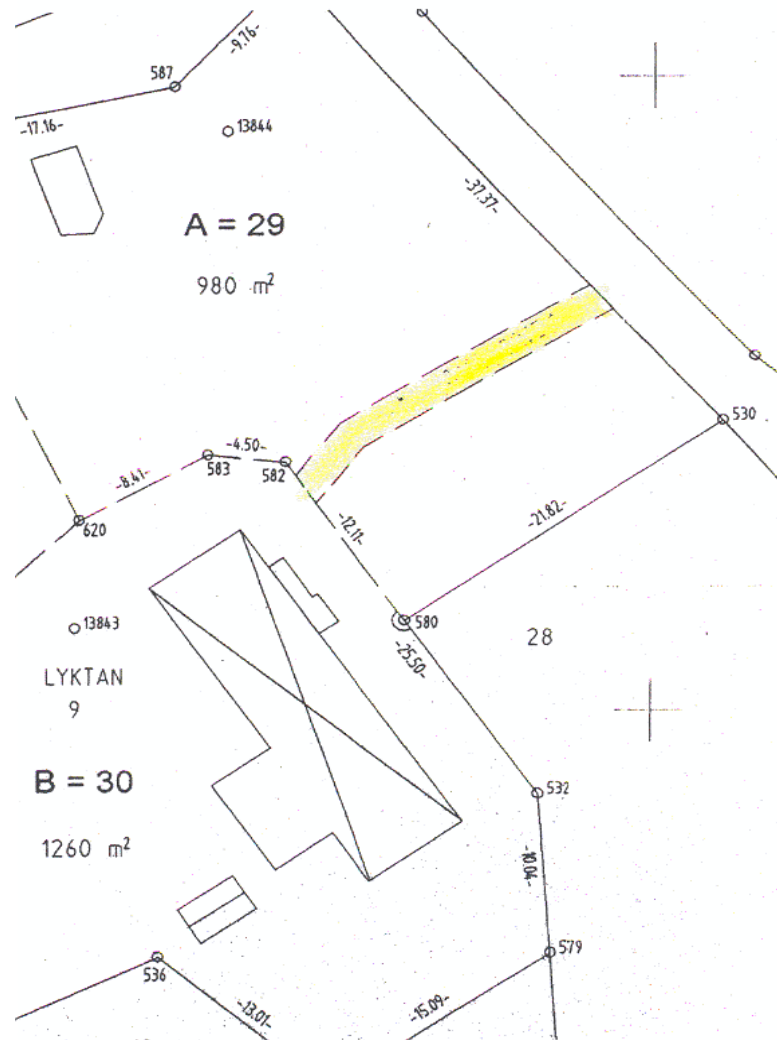
# *Experimental Design Formation of Easements*



The profit made through the easement will be the amount saved by lower construction costs minus the very small value decrease on property A.

# An example from the practice

## Formation of an easement



# *Profit-Sharing Principles?*

- ☰ *Equal* split of the profit
- ☰ All the profit to the buyer, the dominant estate

# Results - Easements

## Formation of Easements

Case	Number of agreements	Profit-share to the seller	Standard deviation	Confidence Interval 99%
1	47	0.34	0.15	0.28 - 0.40
2	15	0.29	0.13	0.21 - 0.37
3	10	0.36	0.13	0.26 - 0.46
Total	72	0.33	0.15	0.29 - 0.37

## Cancellation of Easements

Case	Number of agreements	Profit-share to the seller	Standard deviation	Confidence Interval 99%
1	13	0.22	0.16	0.11 - 0.33
2	20	0.25	0.11	0.19 - 0.31
Total	33	0.24	0.13	0.18 - 0.30

# A theory

- ☰ ***No equal split of profit***
  
- ☰ In each situation there exists a limited number of culturally determined principles as to what constitutes a fair division.
  
- ☰ The subjects choose the principle among these which in the specific situation gives them the largest share of the profits.
  
- ☰ The final division of profit results from a compromise, where the parties on average meet about half-way between what the division would be if the favourite principle of the buyer and the favourite principle of the seller respectively had prevailed.