Formal Real Estate Market Needs so that all dealings will be safe and secure (I)

UN/ECE WPLA, 2005 Among several others:

- **Security of tenure**, Legal definitions and regulations for the registration of land ownership and rights, restrictions and obligations on land

- **Land use regulations**: legal or financial restrictions to use the land, and development or utility provision restrictions (similar importance)

- **Transparency in procedures**: with secure, speedy, low cost and easy access to all land market participants.

- Fundamental facilities like **Mortgage** and **Credit** access and stable, transparent and fair land **Taxation Systems**
Formal Real Estate Market Needs
so that all dealings will be safe and secure (II)

- **Availability of digital, interoperable, and updated data sets**: with common spatial reference is required concerning ownership, value, and use of land, so that lenders should not be affected by unregistered encumbrances. Records should be integrated.

- **Coordination** among institutions involved in land policy is critical to success.

- **Improving public awareness**: of the social and economic benefits of e-governance and participatory democracy.

- **Registration of housing** (urban areas) should be given first priority by Land Administration Agencies.
Rapid urbanization has increased the phenomena of unplanned development - Megacities

2015 Latin America, Central Africa, Asia

2000 Latin America, India, North America, Asia

1950s New York, Tokyo, Buenos Aires, European Capitals
Informal Urban Development

• Land values at the fringe of urban areas are lower and more affordable to those earning less than the average household income; usually informal urban development is located in such areas.

• Today there are about 1 billion slum dwellers in the world; UN-Habitat estimates that if the current trends continue, the slum population will reach 1.4 billion by 2020.

• One of every three city residents live in inadequate housing with few or no basic services.
Informal Settlements-Informal Real Estate Markets
Informal Urban Development

- “Informal”, “unplanned”, “illegal” or “random” urban development is an issue of major importance in a large number of countries within the UNECE region, especially in Eastern Europe, Caucasus and Central Asia (EECCA), Southern Europe, and South-Eastern Europe (SEE).

- There is no clear common definition of what an “informal settlement” is.

- The most important factors for characterizing an area as such are: land tenure, quality and size of construction, access to services, and land-use zoning.
The major reasons for informal settlements are:

- historic, political, social, and economic conditions leading to urbanization
- Population fluxes as a result of armed conflicts and natural disasters
- Lack of spatial information & planning
- Unrealistic zoning regulations
- Marginalization, poverty and lack of financing mechanisms for affordable housing
- Inconsistent and complex legislation
- Excessive bureaucracy regarding land development and building permits
- Illegal subdivision and construction on agricultural lands
- Political reluctance to confront the situation
Squatting on state land is less common phenomenon today

- Today the majority of informal construction in many parts of the UNECE region is of a good, permanent type, and can be characterized as “affordable housing” rather than as “slums”; especially where no affordable housing policy is provided by the state.
- Land values at the fringe of urban areas are lower and more affordable to low-income households. Therefore, informal urban developments are usually located in such areas, and illegally constructed on either illegally occupied land or legally owned land parcels illegally subdivided for housing purposes.
Unplanned development means not always slums

Examples of informal building constructions on legally-owned land parcels
Types of Informal buildings

In some regions these are single-family houses, while in some others they may even be as extensive as 10 story multi-family buildings!
Informal settlements within industrial zones,
Informal development appears also within formal urban areas, in order to increase profit.
Informal development appears in attractive vacation areas, too, due to the rapid increase of land demand by local or international market participants.
Informal settlements in rural land close to the coast
Informal settlement created outside the city plan within forest land.
Informal buildings within forest land
Situation after a big fire
Illegal construction often involves high construction costs, poor construction quality, and lack of access to public services, and cannot be transferred or mortgaged. A considerable amount of capital is tied up in such buildings.
Examples in Albania
(by Doris Andoni)

Scale of informality:

- Number of buildings – 230,000 (?) requests for legalization
- Area occupied – 23,000 hectares
- Number of people leaving in illegal settlements – 800,000 (?)
- Funds invested (dead capital): 4 – 6 billion USD
Is legalization the most appropriate solution?

When unplanned development becomes a massive phenomenon, this means the system needs to be changed.

Yes, legalization where feasible, to support the real estate market and the national economy, may be one step.
Legalization of existing informal developments
Examples from Italy

• Law N° 47 of 28.2.1985 (Craxi-Nicolazzi government); Law N° 724 of 23.12.97 (Berlusconi government); Decree Law 269/2003 converted into Law 326/2003 (information by Pres. Piero PANUNZI)

• In the period 1994-1998, 232,000 new houses were built illegally, for a total floor area of 32.5 million sq.m and a value of 29 billion lire. Tax evaded amounted to 6,700 billion lire. (information by Pres. Piero PANUNZI)
In several countries informal constructions if they are not considered as “illegality of need” (for housing needs) and do not comply with the standards are demolished (e.g., Greece, Croatia, Italy)

In Croatia 1,600 buildings are demolished while 9,000 more are planned so (information by Damir Pahic)
Exceptions are constructions leading to general environmental burdening, e.g., building on public land, river routes, floodplains, coastal zone, archaeological sites, forests, and high risk or radioactive waste areas.
Informal constructions cause:

- Corruption and
- Loss of state revenue (taxation, building permit and transaction fees, etc)

while middle or low-income owners are forced to make financially bad investments

Informal building owners are also considered as “second class” citizens, who through their activity may in the future cause significant environmental problems such as:

- water pollution,
- soil erosion,
- traffic congestion, while also
- demanding public services, schools, clinics, and safety in these areas.
Legalization through integration to the urban plan, accompanied by land improvements and services provision. Inspection for insuring constructions’ stability, safety, and environmental impacts is also necessary. Although costly and slow, this process could avoid marginalization.
• Other suitable tools of more technical nature exist to carry out surveillance such as satellite imagery and automated photogrammetric procedures. Automated feature extraction and spatial data collection can support independent environmental monitoring, efficient urban planning, e governance, transparency, and sustainable development.
• It is of significant importance that both formal and informal buildings and land plots be recorded during cadastral surveys to support efficient decision-making.
• Access to property rights is fundamental right.
• Affordable housing policy should be adopted.
• The lack of SDIs creates serious delays in applying spatial planning.
• Citizen participation should be part of the planning process.
• Coordination among different responsible agencies should be strengthen. Central and local governments should work together; the private sector can play a role.
• Real property taxes should be collected and reinvested locally.
### Spatial Planning Systems
#### The European Perspective

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<th>Discretionary</th>
<th>Close (there is a close relationship between the objectives of the system and what happens in practice)</th>
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Preparatory land-use plan in Germany, overview

Source: City of Mainz, Germany
Legally binding land-use plan in Germany

Source: City of Mainz, Germany

Preparation and update on demand
Documentation of as-is state
• as built map
• inventory of existing plots

Reallocation mass
Sum of plot areas
Subtraction of areas needed for public infrastructure - roads, public open areas, car-parking, children’s playgrounds etc.

Redistribution mass
Share allocation to property owners

Start/End of process

Process of Land Reallocation in Germany
Flow chart of urbanization process in Greece

1. Compilation of the General Urban Plan
   - Geological study
   - Hydrological study
   - Determination of Forest, Archaeological areas, Coastal zone

2. Cadastral Survey

3. Urban Plan Study
   - Publication, Citizen participation, Objections
   - Presidential Decree for the urbanization of the area

4. Urban Planning Implementation Act
   - Reallocation of parcels
   - Publication, Citizen participation, Objections, Amendments

5. Ratification & Registration
   - at the System for the Registration of Transfers and Mortgages
   - or the Hellenic Cadastre
Hellenic General Urban Plan

Municipality of Mandra, Attica, dated at 2003
“Urban Plan” map (left) and “Urban Planning Implementation Act” map (right) from the urbanization process of an area
Municipality of Mandra, Attica
Spatial Planning Systems
The European Perspective

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(there is a distant relationship between the objectives and the reality of the system)

**Different results!**

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**Similar systems**