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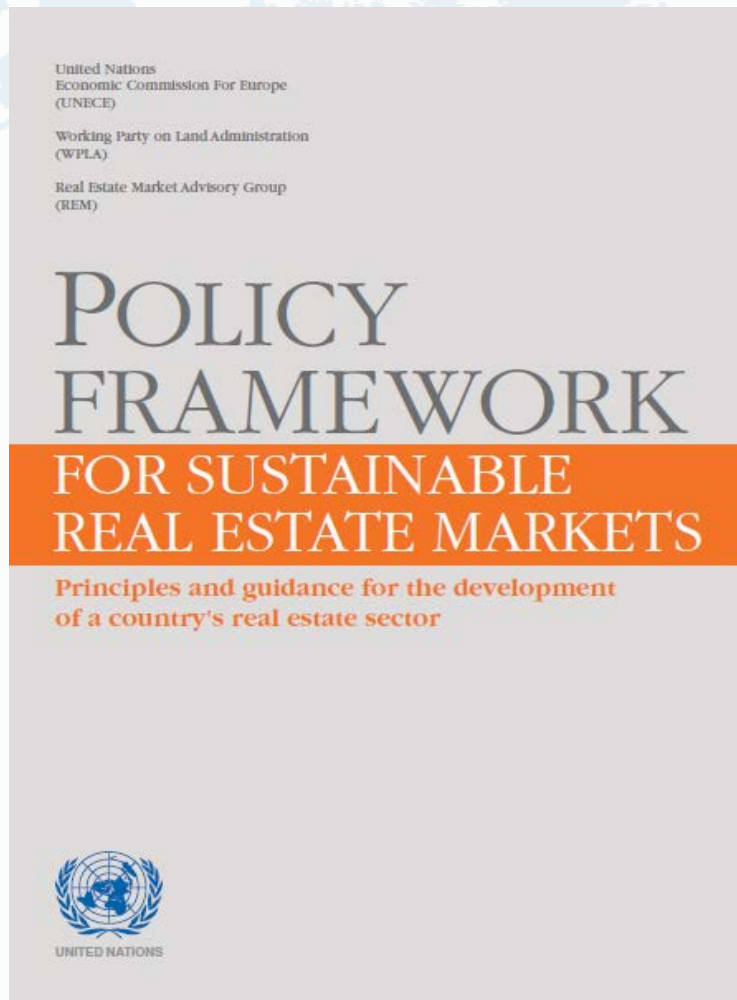
Real Estate Market Advisory Group (REM)

**78th session of the Committee on Housing and Land Management
and Ministerial Meeting**

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Roundtable on the
Policy Framework for Sustainable Real Estate Markets

GIAMPIERO BAMBAGIONI, REM Chair



The **Policy Framework for Sustainable Real Estate Markets**, approved and published in 2010 as UN publication, **consist of 10 Principles** that can be applied in **Developed economies and Countries in transition**.

They can be upgraded and expanded by considering the UN 2030 Agenda for Sustainable Development Goals and other economic and legal issues that interact at different levels.

The Principles can be **applied on a national basis** according to the **different degrees of development of the country** and to the **different legal frameworks**.

Urban development | Sustainable housing | Sustainable Real Estate Markets

Different situations call for studies and instruments which take into account the differences between countries.

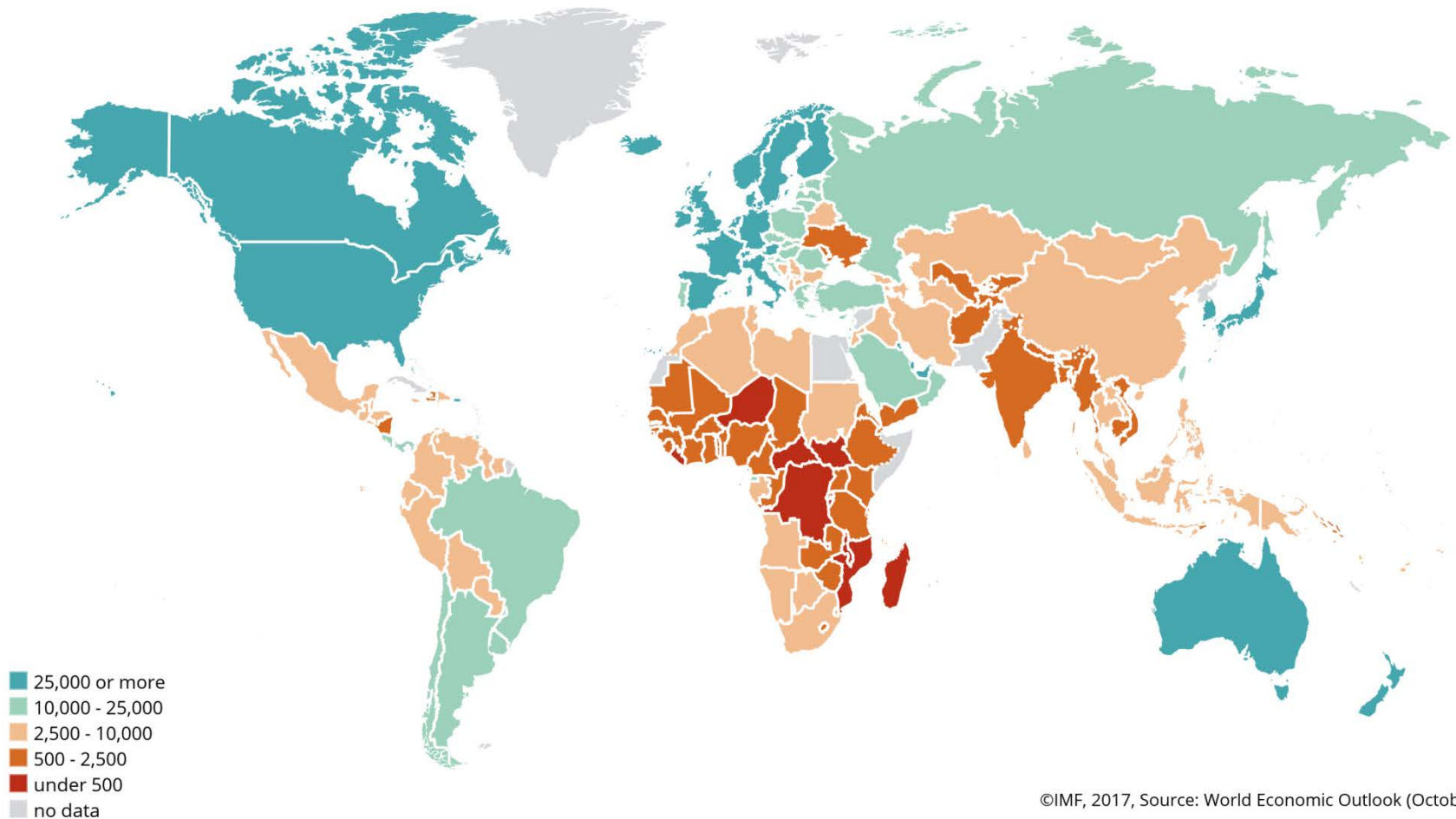
- The Principles can constitute a reference framework but not an automatic solution to all problems.
- Every Country has its own character, different legal systems, economic, social and cultural characteristics.

The Principles call for the **identification of instruments, reforms, appropriate solutions:**

- to define a national Policy framework;
- to implement international standards and supra national regulations;
- to adopt the better solutions for the development of different *Key indicators* according to the three main levels of economic development.

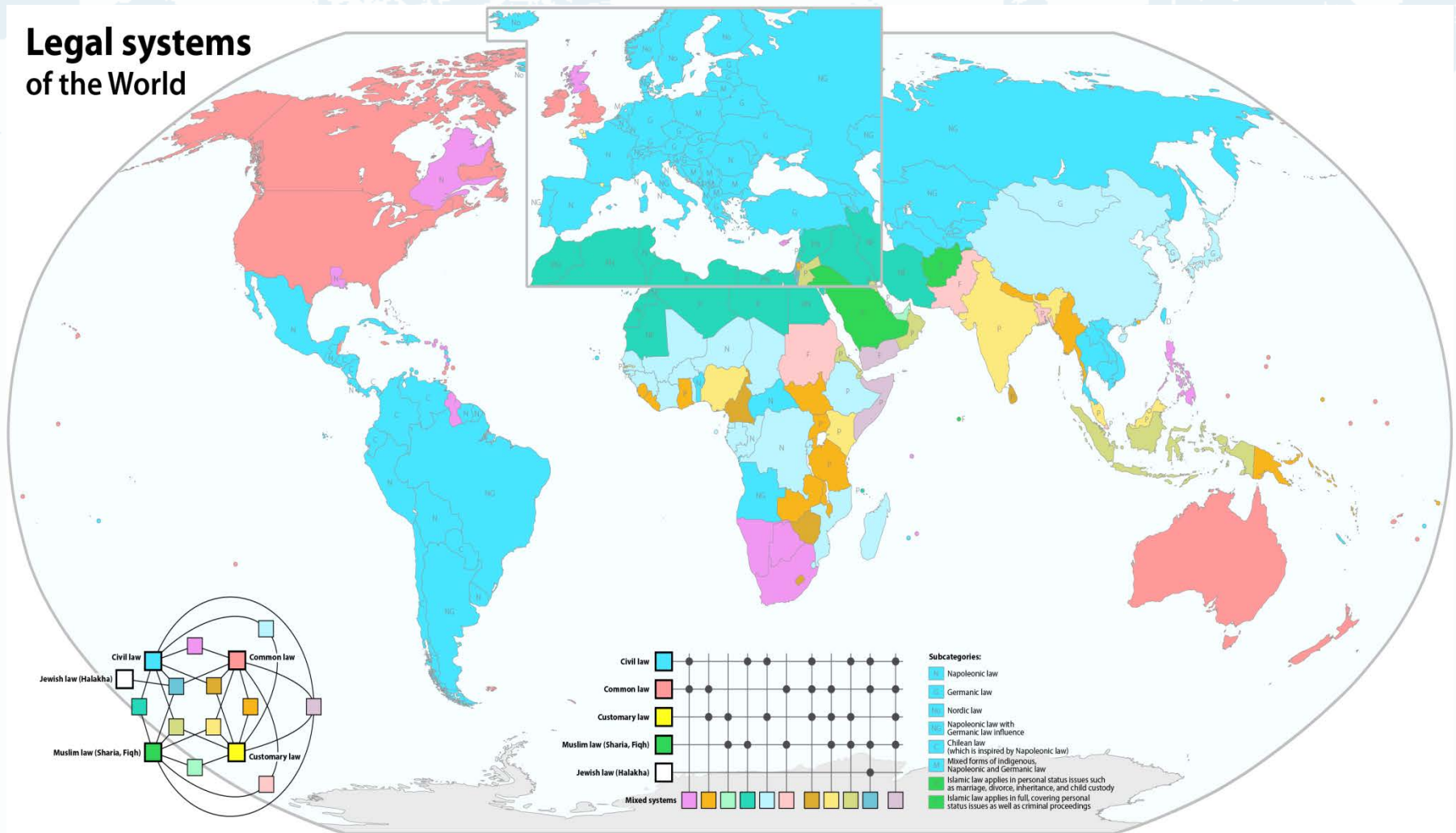
IMF DataMapper

GDP per capita, current prices (U.S. dollars per capita, 2017)

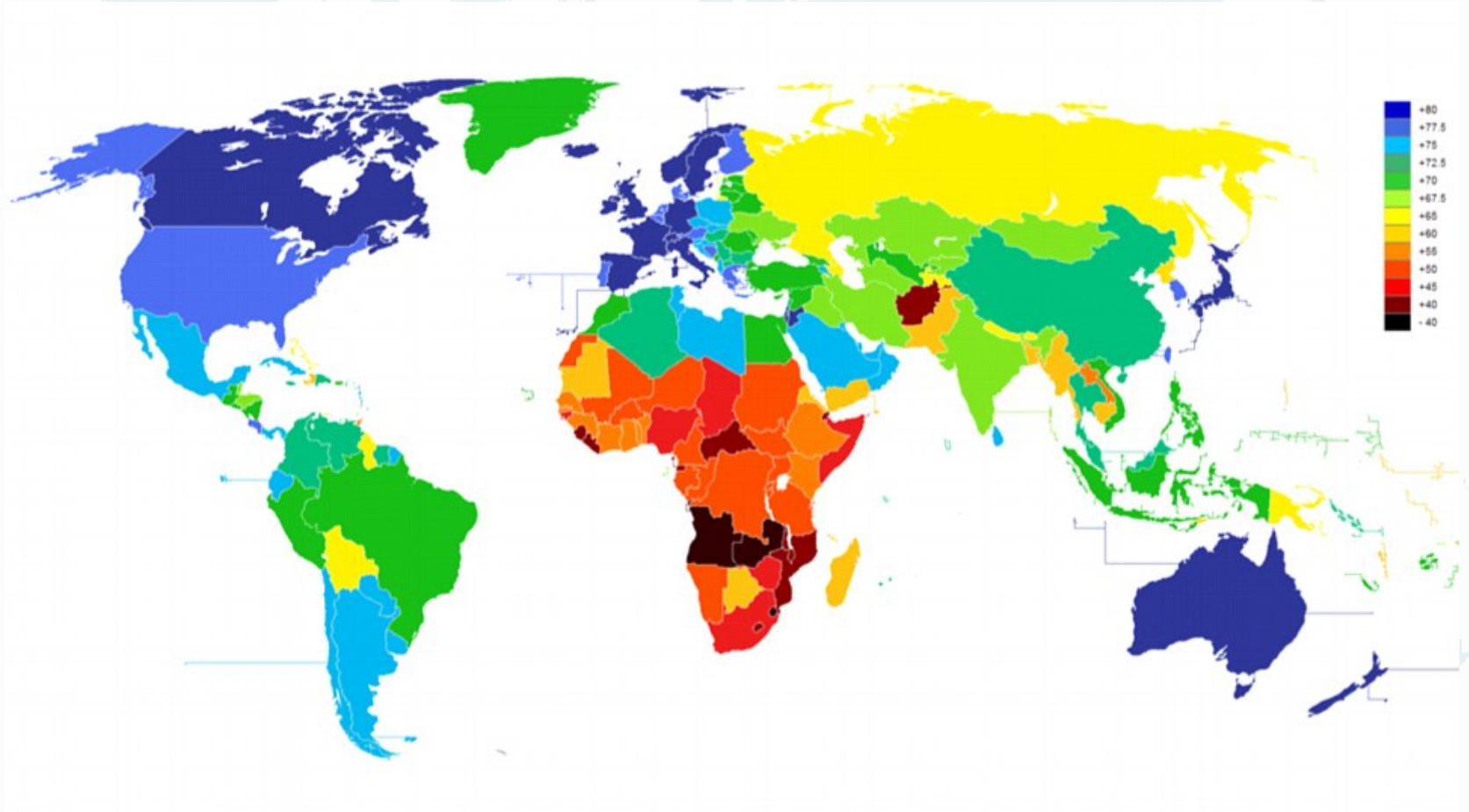


©IMF, 2017, Source: World Economic Outlook (October 2017)

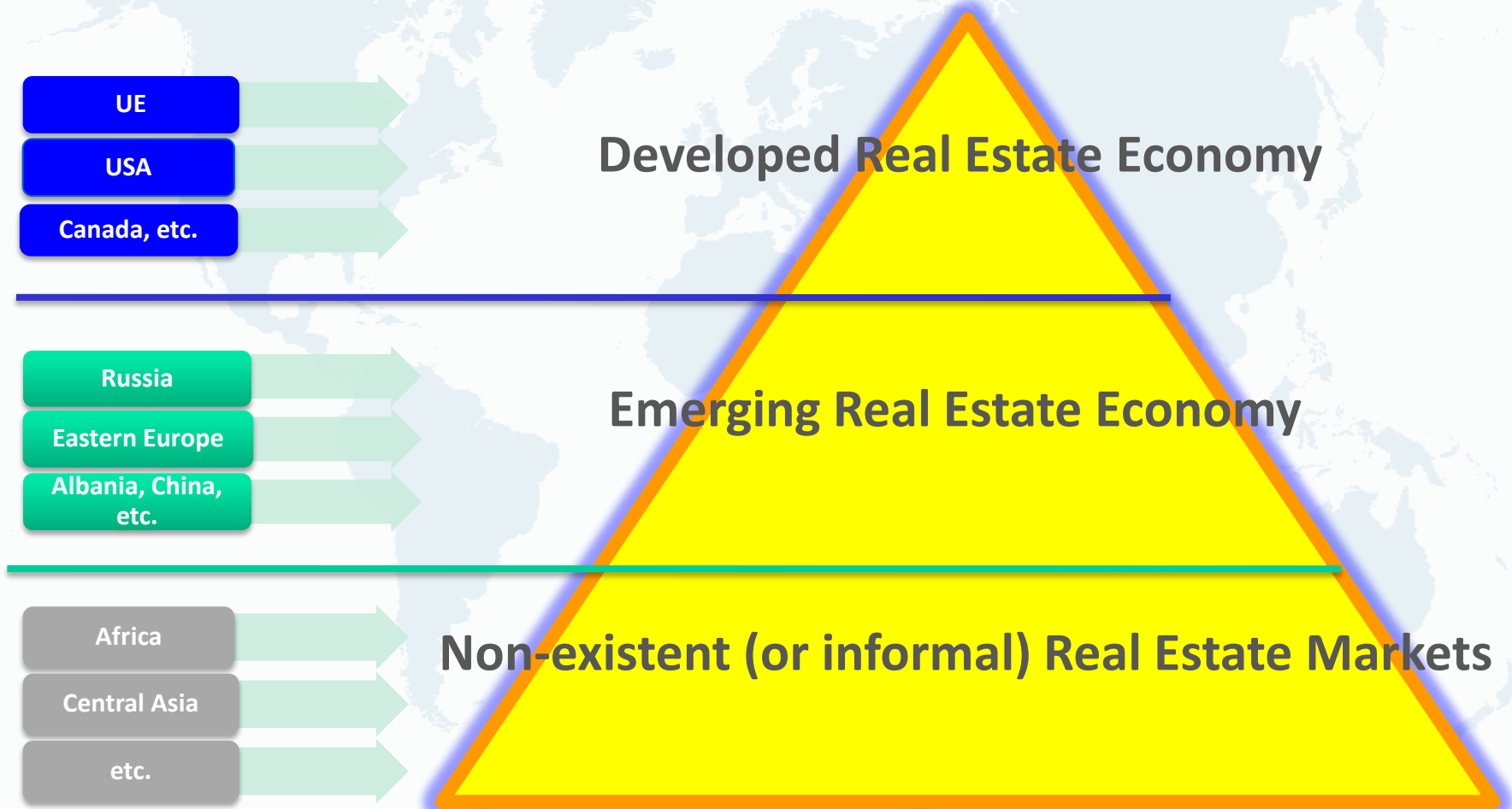
Legal systems of the World



There are many reasons behind the migration phenomena and search for a better quality of life in other Countries: GDP per capita, freedom, wars, quality of collective services, life expectancy, etc.



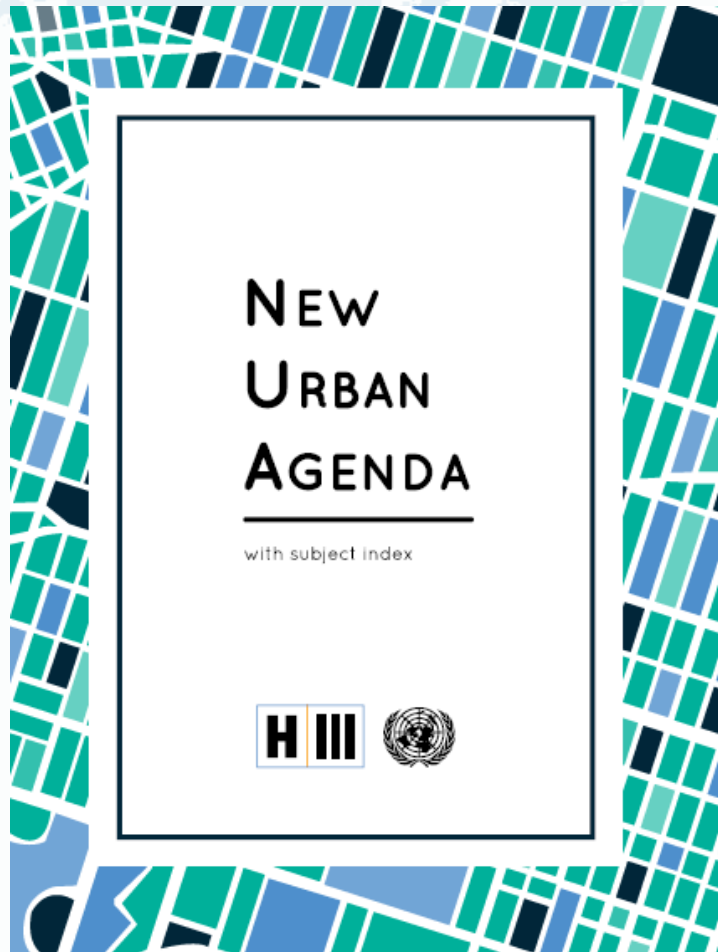
These figures clearly show that there **are three levels of real estate development with different market characteristics**, as illustrated with the following pyramid:



The UN development guidelines



The UN-Habitat | The New Urban Agenda



UN HABITAT

Action Framework for Implementation of the New Urban Agenda

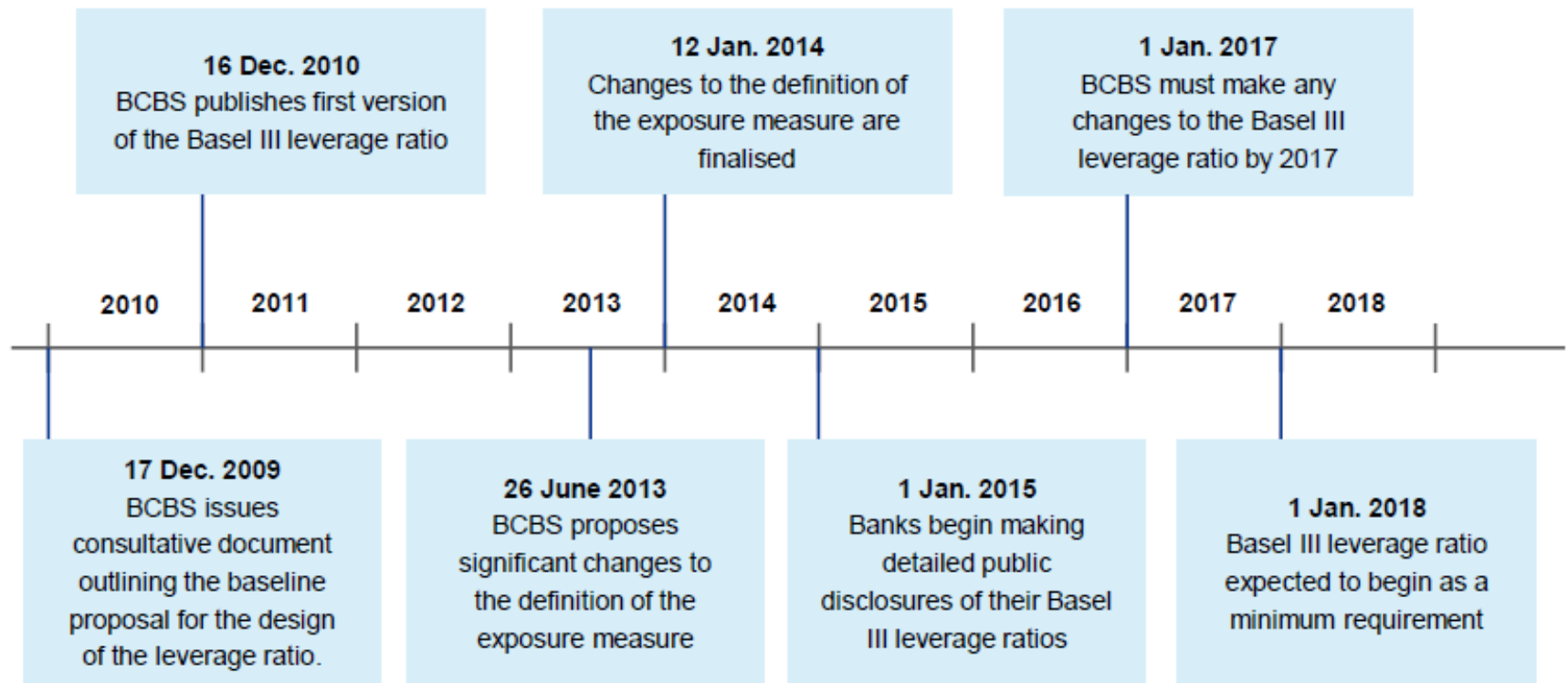
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19 April 2017

The Basel Committee on Banking Supervision (BCBS) | The Basel III leverage ratio aims to constrain the build-up of excessive leverage in the banking system and to enhance bank stability.

Key dates on the introduction of the Basel III leverage ratio



Source: Grill, Lang and Smith (2015).

The application of the *Principles* should be based on widely accepted key concepts:

1. **Sustainable development**: as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”;(*)
2. **Good governance**: which should prevent decision-making based on self-interest and favor decision-making to the benefit of common good;
3. **Transparency**: the degree of clarity and openness through which decisions are taken;
4. **Accountability**: the extent to which political actors are responsible to society for their actions;
5. **Fairness**: the degree to which rules are equally applied to everybody;
6. **Efficiency**: the extent to which limited human and financial resources are applied without waste, delay or corruption or without compromising the well-being of future generations.

(*) United Nations, 1987. "Report of the World Commission on Environment and Development." General Assembly Resolution 42/187, 11 December 1987. Retrieved: 2007-04-12

Principle 1 | INTEGRATED LEGAL FRAMEWORK

Principle 2 | EFFICIENT LAND REGISTER AND CADASTRE

Principle 3 | EFFICIENCY OF SERVICES

Principle 4 | PREREQUISITES FOR DEVELOPMENT OF SOUND REAL ESTATE MARKETS

Principle 5 | GOOD GOVERNANCE

Principle 6 | SUSTAINABLE FINANCING

Principle 7 | TRANSPARENCY AND ADVANCED FINANCIAL PRODUCTS

Principle 8 | PROPERTY VALUATION

Principle 9 | AFFORDABLE HOUSING FOR SOCIAL COHESION AND INCLUSION

Principle 10 | TRAINING AND CAPACITY-BUILDING

Principle 1 | *Integrated Legal Framework*

An integrated national legal system should be established and harmonized with the existing regional and international norms for the real estate sector **and with the aims indicated in the 2030 UN Agenda for Sustainable Development Goals.**

Technical reference frameworks should be set for the application of regulations in order to promote the proper functioning of the real estate markets. In addition a legal framework for land and land-use should be available at national level.

- National Legal System should be harmonized with regional and international regulations;
- A clear and harmonized set of laws should be in place or established;
- Protection of property rights should be promoted as a prerequisite for the granting of real estate as guarantee.

Principle 2 | *Efficient Land Register and Cadastre*

The security of real estate transactions should be enhanced by identifying, **recognizing** and protecting property rights through the establishment of an efficient system for the **property title provision** for the registration, cataloguing, classification and updating of real property data, based on up-to-date land registry and cadastre records.

- Regularly updated information in public registries and cadastral systems
- Secure data and information that will be acceptable to the third party
- System should cover the entire country;
- The information should be accessible to public at a reasonable cost;
- Creation and registration of mortgages should be effected in a way that may be consulted electronically;
- The public should have electronic access to information concerning public planning and environmental policies.

Principle 3 | *Efficiency of Services*

An efficient and transparent real estate market has to be harmonized with legal and voluntary regulations, international standards, ethical rules and best practices. **In order to develop and enhance the economic benefit of publicly owned assets should be encouraged forms of cooperation between public and private partnerships (PPPs).**

- Real estate markets should be in line with international standards and best practices;
- The knowledge of market dynamics and access to information sources should be fostered;
- The culture of good quality professional service should be promoted;
- All services and skills required for the smooth operation of the real-estate sector should be adequately developed;
- Services should be based on high performance standards and on civil and professional liability rules.

Principle 4 | *Prerequisites for development of sound RE markets*

A well-developed real estate economy sector contributes to the conversion of unused or underused resources into productive capital, hence increasing employment opportunities and reducing poverty. **An holistic approach to the renewal of the existing buildings and cities will promote a better quality of life for citizens and also a country's economic-social development.**

- The Real Estate sector can be a driving force for development in both emerging economies and developed countries;
- Three levels of market:
 - Developed real estate economy
 - Emerging real estate economy
 - Non-existent (or informal) real estate markets
- Set of national town-planning and building laws should be implemented by local authority and should give special attention to social housing;
- Energy efficiency and investments in renewable energy sources should be promoted for both the construction of new buildings and refurbishment. 16

Principle 5 | *Good Governance*

Governments need to develop integrated policies for decision making. In order to create a sound business climate and foster more stable real estate markets, these should be based on unambiguous financial and investment rules. **The Geneva UN Charter on Sustainable Housing aims to support member States as they seek to ensure access to decent, adequate, affordable and healthy housing for all.**

- Comprehensive set of regulations for construction methods;
- No bureaucratic procedures for real estate development;
- Protection of property rights and fair compensation in case of expropriation for public reasons;
- no restrictions on their choice of tenure options, including sale, lease or mortgage;
- No price restrictions on real estate input markets (e.g. labor, capital land, construction materials), or related real estate services (e.g. brokers, surveyors, valuation experts) or real estate products (e.g. rent control).

Principle 6 | Sustainable Financing

Access to credit and mortgages as well as microfinance for low income earners are essential elements of a healthy real estate market. **An appropriate international regulatory framework for banks strengthens the regulatory, supervisory and risk management of the banking sector and creates the preconditions for the long-term real estate development.**

- Regulated and well developed capital markets and the banking sector;
- Encouraged private investment in real estate investment;
- Regulated and developed mortgage as well as secondary-mortgage market;
- Comparability of average returns on investments in real estate and other investments in the industrial and financial sector.

Principle 7 | *Transparency and Advanced Financial Products*

Transparency and appropriate use of real estate assets as guarantee of advanced financial products can produce social and economical benefits. **In addition, an adequate valuation of mortgage assets helps to avoid the borrower's over-indebtedness and reduces non-performing loans (NPLs) and reduce the probability of future financial crises.**

- The valuation and rating of the warranty-backed to financial products must have a direct connection with the value of the real estate under warranty assessed by an independent valuator;
- There should be a minimum capital reserve required to meet outstanding risk;
- Adequate research and monitoring should be done of the criteria for real estate underwriting;
- Credit Rating Agencies (local or international) and Financial Institutions should share information on the value of real estate;
- Financial Institutions should operate a credit scoring system when assessing lending in a standard format.

Principle 8 | *Property Valuation*

Property appraisal criteria based on commonly shared valuation **principles and standards** should be promoted **and applied systematically** as reliable real estate appraisal is essential to purchasing and selling **activities to identify the right relationship between mortgage and property value (LTV)**, to access to loans , **as well as for the** application of equitable tax policies.

- Property valuation for tax purposes;
- Property valuation for mortgage or lending purposes;
- Government regulated licensing or certification;
- Sufficient transparency in data recording;
- Easy access to all the relevant information;
- Well documented all laws and procedures affecting property rights and transactions should be, indexed and widely and openly available to the public at a reasonable price.

Principle 9 | *Social Housing*


Affordable housing and Social housing should be considered as an integral part of the real estate market, as means to promote **social cohesion and inclusion**, economic growth, urban development, reduction in housing pressure, and as a policy options to address the problem of informal settlements.

- A home is a basic requirement for everyone;
- Social Housing should be considered as an integral and complimentary part of the real estate market;
- The development of a policy of long-term housing strategy should be tackled;
- National and local administrations should implement long-term plans for soft-loan house leasing;
- There should be a comprehensive set of laws in force regulating rents, condominiums, management and maintenance, subsidies and social housing.

Principle 10 | *Training and Capacity-Building*

To guarantee an efficient real estate market with high quality professional services, **environmental quality** and building products, **it is necessary to have specific university education as well as** investment should be made in training, upgrading and continuous professional development for all those who, in the various functions, are involved in the housing **and land management** supply chain.

- Training and qualifications at every level in the real estate sector should be considered as a strategic factor;
- The planning and design of effective and reflective systems to monitor and evaluate implementation and results should be fostered;
- The interests of the consumer should also be better promoted and protected in the real estate sector;
- Helping the consumer's/investor's capacity to make well-informed decisions in the real estate market is not only in the interest of professionals but also helps ensure a more open, transparent and more productive real estate economy.

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- On the basis of a careful reading of the Principles it becomes clear, I believe, as these Principles are still valid globally, both for developed economies and for Countries in transition.
 - However, these principles should be known and applied on a national basis according to the different degrees of development of the country and the different legal frameworks.
 - To achieve these goals it is necessary that the Principles may be appropriately promoted at level of Institutions, professional organizations, academia and experts.
 - Where it is necessary, at national level could be established working groups that can develop a specific proposals to bring to the attention of the National government.



Thank you for the attention !

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<http://www.unece.org/housing.html>