



Economic and Social Council

Distr.: General
10 July 2013

Original: English

Economic Commission for Europe

Committee on Housing and Land Management

Seventy-fourth session and Ministerial meeting

Geneva, 7 and 9 October 2013

Item 5(a) of the provisional agenda

Review of the implementation of the programme of work 2012-2013

Sustainable Housing and Real Estate Markets

Overview of the activities undertaken by the Real Estate Market Advisory Group

Note by the Advisory Group

Summary

This note describes the activities carried out by the Advisory Group during the 2012-2013 biennium.

The Committee is invited to take note of these activities.

I. Introduction

1. The Real Estate Market Advisory Group provides advice to the Committee on Housing and Land Management and the Working Party on Land Administration on issues related to the real estate sector.
2. This document describes the activities of the Advisory Group from 2012 to 2013 in order to (a) fulfil its programme of work for 2012-2013, in annex to the present document, and (b) prepare guidelines on creating environmentally sustainable real estate markets as mandated by the Committee at its seventy-third session (ECE/HBP/170¹, para.55).

II. Policy Framework for Sustainable Real Estate Markets

3. In 2010, the Advisory Group published the *Policy Framework for Sustainable Real Estate Markets*. The principles it set out should help countries develop a sound real estate sector. The objective of the publication is to offer institutional advice and advocate for a more integrated and holistic approach towards the establishment and management of real estate organizations, especially for economies in transition.
4. At the invitation of member States, the Advisory Group held national roundtable discussions in various countries in the UNECE region. During these roundtables, government officials and national and international experts discussed country-specific challenges in national real estate markets and examined how the principles in the *Policy Framework* could be applied to make real estate markets more efficient, transparent and conducive to economic growth.
5. The roundtables were as follows:
 - 27 January 2012. Roundtable discussion in Moscow, in cooperation with the Russian Ministry of Economy and the World Bank. This discussion focused on how secure and well-protected property rights, combined with accurate and accessible information, can attract greater investment and increase economic growth. An outcome of the discussion was the recommendation to establish a working group on social housing. The Russian Federation is currently considering a draft law on social housing, with several roundtable discussion participants providing input to the proposed law.
 - 21 June 2012. Roundtable discussion in Rio de Janeiro, Brazil, in cooperation with the International Real Estate Federation. This was a side event to the United Nations Conference on Sustainable Development (Rio+20). Discussions centred on the impacts of previous roundtables and allowed stakeholders to comment on the *Policy Framework*.
 - 4 September 2012. Roundtable discussion in Naples, Italy, in cooperation with the Naples Chamber of Commerce and Tecnoborsa. The discussion focused on resolving problems related to the inconsistent application of building codes and the lack of a coordinated source for real estate data. The discussion resulted in the creation of a working group, which is drafting legislation to be proposed to the Italian Parliament.

¹ Available at <http://www.unece.org/index.php?id=29836>.

- 23 November 2012. Roundtable discussion in Rome, in cooperation with the Rome Chamber of Commerce and Tecnoborsa, specifically focusing on guidelines for the risk rating of real estate (further discussed below).
 - 15 January 2013. Roundtable discussion in Washington, DC, in cooperation with the International Real Estate Federation and the Appraisal Institute. The roundtable discussed draft recommendations for the risk rating of real estate and how to apply these guidelines to improve the efficiency of real estate markets in the United States. Participants agreed to an outcome statement acknowledging the importance of real-estate risk-rating systems to macroeconomic stability and growth and to the work of the Advisory Group in this field.
6. Throughout these discussions, stakeholders provided comments on how the *Policy Framework* could be revised to meet changing economic conditions.

III. Risk assessment in real estate and real estate rating

7. The Advisory Group has prepared a draft study entitled “Evaluation of Real Estate Property and Market Risk for Real Estate Backed Financial Products” (informal note 4²). It provides guidelines for the application of accurate and transparent rating mechanisms for real estate properties to be used as collateral for financial products.
8. It includes criteria and methodologies for a risk assessment of real estate properties that will be comparable across borders. At its seventy-third session, the Committee approved the preliminary draft of the study.
9. The study has been reviewed by the Advisory Group, the Bureau of the Committee and the Bureau of the Working Party and has been made publicly available for consultation. The draft document was the focus of the discussions at the November and January roundtables. The final draft reflects the viewpoints of contributors from Governments, non-governmental organizations, private companies and academia.
10. The draft document was also presented at the Annual World Bank Conference on Land and Poverty on 11 April 2013.
11. The Committee is invited to approve the final draft.

IV. Valuation standards and financing of real estate markets

12. The Advisory Group has prepared questions to assess property valuation standards in UNECE member States. These questions were distributed as part of the Working Party on Land Administration’s survey on the benchmarking of land administration system and presented in the follow-up publication (informal note 6³).
13. On 23 November 2012 and 15 January 2013, the Advisory Group conducted two roundtables, which focused on the evaluation of real estate and of risk rating for real estate.

V. Greening the real estate market

14. As mandated by the Committee at its seventy-third session, the Advisory Group has prepared guidelines for countries wishing to green their real estate sector. They include the

² Available at <http://www.unece.org/index.php?id=32586>

³ Available at <http://www.unece.org/index.php?id=32586>

report on a survey of real estate stakeholders to assess their attitudes towards environmentally sustainable real estate markets and a summary of current guidelines for certifying a building as environmentally sustainable.

Annex: Programme of work 2012-2013⁴

Area I: Policy Framework for Sustainable Real Estate Markets

Description: The *Policy Framework for Sustainable Real Estate Markets* was developed by the Advisory Group and published in April 2010. The principles set out in the *Policy Framework* provide countries with guidance for the development of a sound real estate sector. The objective of the *Policy Framework* is to offer institutional advice, and advocate for a more integrated and holistic approach towards the establishment and management of real estate organizations, especially for economies in transition.

Activities to be undertaken:

- (a) When invited and funded, organize roundtable discussions in countries of the region to promote the implementation of the *Policy Framework*. Currently, interest is being shown by Bulgaria, Romania and Russian Federation.
- (b) Update the *Policy Framework* based on the results of the roundtable discussions and other recommendations.

Outcome:

- (a) Improved understanding by national experts and policy makers of country-specific issues related to the real estate sector; and established network with Governments and other national stakeholders.
- (b) Updated *Policy Framework for Sustainable Real Estate Markets*.
- (c) Improved national legal frameworks for the real estate sector as a result of the implementation of principles and recommendations contained in the *Policy Framework*.

Area II: Risk assessment in real estate and real estate rating

Description: The Advisory Group is currently undertaking a project on Real Estate Property and Market Risk Evaluation. The objective of the project is to develop guidelines (i.e. principles and methods for measuring risk in the real estate sector) for the application of accurate and transparent rating mechanisms for real estate properties to be used as collateral for financial products. It will include criteria and methodologies for an appropriate risk assessment of real estate properties that will be comparable across borders. The implementation would help member States to improve their national legislations on real estate property and market risk evaluation.

Activities:

- (a) Conduct research and analysis and collect inputs from international experts and organizations.
- (b) Summarize key findings and post them online for additional comments and suggestions.
- (c) Develop the first draft of the guidelines on Real Estate property and market risk evaluation.
- (d) Organize a Risk Assessment and Rating of Real Estate Forum in order to present, review and discuss the first draft; seek for additional inputs from participants.

⁴ Seventy-second session informal note 3, available at <http://www.unece.org/fileadmin/DAM/hlm/sessions/docs2011/informal.notice3.rev1.pdf>

- (e) Consolidate key recommendations and finalize the draft guidelines.

Outcome: Guidelines on Risk Assessment for the Real Estate Market.

Area III: Valuation standards and financing of real estate markets

Description: The Advisory Group contributes to the creation of more efficient and developed markets through improving the reliability of property valuation standards and the promotion of sustainable financing of the real estate sector. This will be done through capacity building activities and the development of a study.

Activities:

(a) At least one capacity building workshop on the subject of valuation standards and financing of real estate markets. The workshop(s) are aimed at strengthening the capacity of national authorities and the private sector in reviewing valuation standards and issues related to financing of real estate markets;

(b) As a contribution to the work of the Working Party on the benchmarking study on land administration cadastre systems, a complementary study on property valuation for tax purposes will be developed;

(c) Subject to availability of funding, possible development and publication of Policy Guidelines on Valuation Standards and Financing of Real Estate Markets, in cooperation with other stakeholders in the real estate sector.

Outcome:

(a) Improved national capacity for undertaking valuation assessments, and improved national valuation standards.

(b) The development of a study on property valuation as a contribution to the work of the WPLA.
