



**UNECE**

**REAL ESTATE MARKET ADVISORY GROUP (REM)**

Forum

**“UNECE REM POLICY FRAMEWORK FOR SUSTAINABLE REAL ESTATE MARKETS:  
*Sound rules to improve the real estate sector and promote economic growth*”**

September 4, 2012 – Naples, Italy

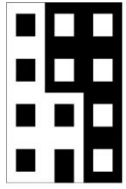
**POLICY FRAMEWORK FOR SUSTAINABLE REAL ESTATE MARKETS**

*Principles and guidance for the development of a country's real estate sector*

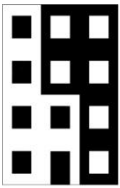
**GIAMPIERO BAMBAGIONI**

*Chair UNECE Real Estate Market Advisory Group (REM)*





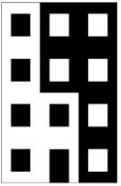
1. INTRODUCTORY REMARKS
  - 1.1 SHARE OF WORLD GDP
  - 1.2 THE THREE MAIN LEVELS OF REAL ESTATE ECONOMY
  - 1.3 INTERLINKED AREAS OF ACTION
2. VISION AND KEY CONCEPTS
3. THE PRINCIPLES
4. CONCLUSION



|    |                | 1980 |                | 1990 |                | 2000 |                | 2010 |                | 2011 |
|----|----------------|------|----------------|------|----------------|------|----------------|------|----------------|------|
| 1  | United States  | 26.0 | United States  | 27.4 | United States  | 30.8 | United States  | 23.0 | United States  | 21.7 |
| 2  | Japan          | 10.2 | Japan          | 14.7 | Japan          | 14.6 | China          | 9.4  | China          | 10.5 |
| 3  | Germany        | 7.7  | Germany        | 7.3  | Germany        | 5.9  | Japan          | 8.7  | Japan          | 8.4  |
| 4  | France         | 6.5  | France         | 5.9  | United Kingdom | 4.6  | Germany        | 5.2  | Germany        | 5.1  |
| 5  | United Kingdom | 5.1  | Italy          | 5.4  | France         | 4.1  | France         | 4.1  | France         | 4.0  |
| 6  | Italy          | 4.4  | United Kingdom | 4.8  | China          | 3.7  | United Kingdom | 3.6  | Brazil         | 3.6  |
| 7  | Canada         | 2.5  | Canada         | 2.8  | Italy          | 3.4  | Brazil         | 3.4  | United Kingdom | 3.5  |
| 8  | Mexico         | 2.1  | Spain          | 2.5  | Canada         | 2.2  | Italy          | 3.3  | Italy          | 3.2  |
| 9  | Spain          | 2.1  | Brazil         | 2.2  | Mexico         | 2.1  | India          | 2.5  | Russia         | 2.7  |
| 10 | Argentina      | 2.0  | China          | 1.8  | Brazil         | 2.0  | Canada         | 2.5  | Canada         | 2.5  |
| 11 | China          | 1.9  | Australia      | 1.5  | Spain          | 1.8  | Russia         | 2.4  | India          | 2.4  |
| 12 | India          | 1.7  | India          | 1.5  | Korea          | 1.7  | Spain          | 2.2  | Spain          | 2.1  |
| 13 | Netherlands    | 1.7  | Netherlands    | 1.4  | India          | 1.5  | Australia      | 2.0  | Australia      | 2.1  |
| 14 | Saudi Arabia   | 1.5  | Mexico         | 1.4  | Australia      | 1.2  | Mexico         | 1.6  | Mexico         | 1.7  |
| 15 | Australia      | 1.5  | Korea          | 1.3  | Netherlands    | 1.2  | Korea          | 1.6  | Korea          | 1.6  |
| 16 | Brazil         | 1.4  | Sweden         | 1.1  | Taiwan         | 1.0  | Netherlands    | 1.2  | Indonesia      | 1.2  |
| 17 | Sweden         | 1.2  | Switzerland    | 1.1  | Argentina      | 0.9  | Turkey         | 1.2  | Netherlands    | 1.2  |
| 18 | Belgium        | 1.2  | Belgium        | 1.0  | Turkey         | 0.8  | Indonesia      | 1.1  | Turkey         | 1.1  |
| 19 | Switzerland    | 1.0  | Turkey         | 1.0  | Russia         | 0.8  | Switzerland    | 0.8  | Switzerland    | 0.9  |
| 20 | Turkey         | 0.9  | Austria        | 0.8  | Switzerland    | 0.8  | Belgium        | 0.7  | Saudi Arabia   | 0.8  |

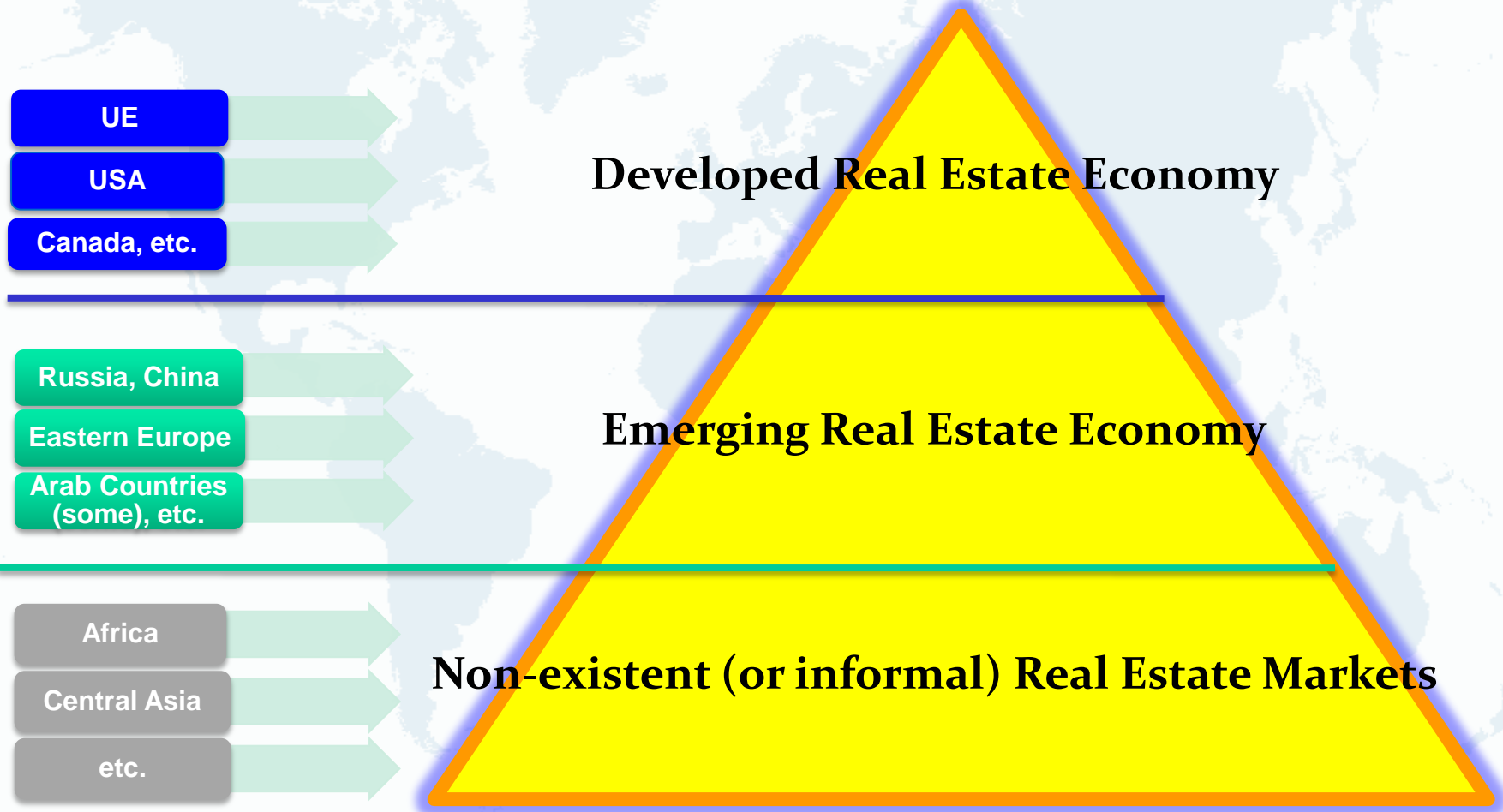
Share of World GDP on a US Dollar Exchange Basis, Current Prices

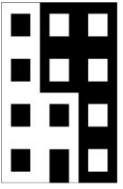
Source: IMF



## THE THREE MAIN LEVELS OF REAL ESTATE ECONOMY

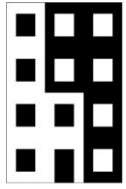
These figures clearly show that there are three levels of markets with different characteristics, as illustrated with the following pyramid:





A more integrated and holistic approach.

There are several interlinked areas of action, summarized as illustrated in the figures.

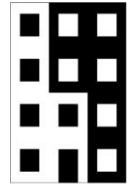


**Different situations call for studies and instruments which take into account the differences between countries.** They call for the identification of instruments, reforms, common solutions: define a *framework*, implement international standards and supra national regulations such as the one, for example, of the Basel 2, and more.

But also **for the development of different *Key indicators*<sup>1</sup> according to the three main levels of economic development. With the awareness that the guidelines 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.**

<sup>1</sup> *The REM Guidelines Project started on July 2008 in response to the Financial Crisis and the part the Real Estate Markets played*



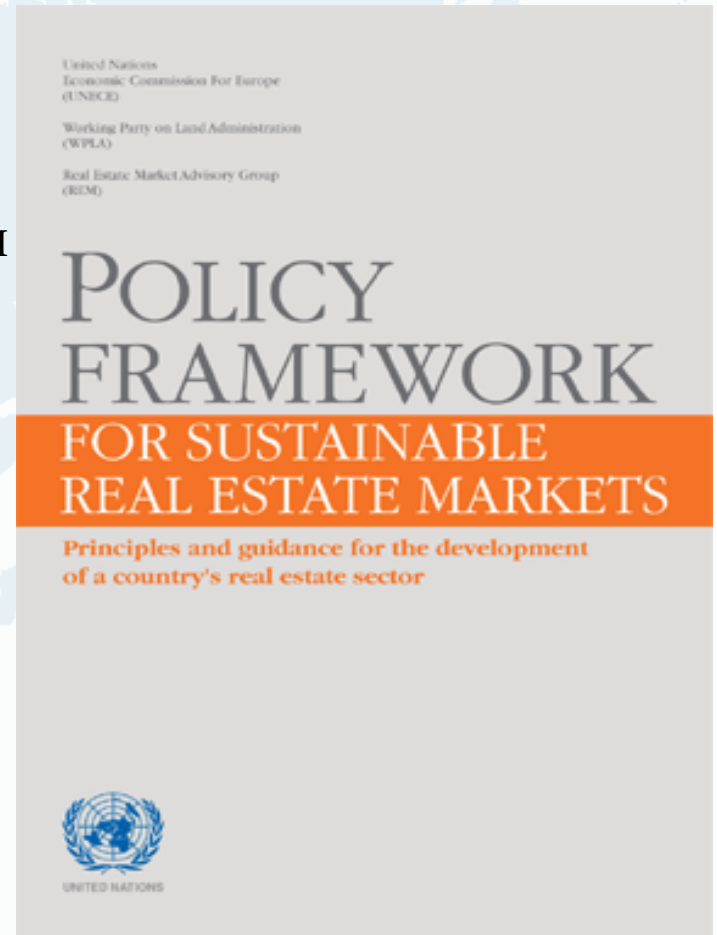


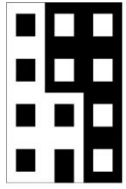
## About “*Policy Framework for Sustainable Real Estate Markets*”

### The REM Task Force:

- Giampiero Bambagioni, Chair of the Task Force, REM
- Wolfgang Amann, REM
- Enrico Campagnoli, REM
- Peter Creuser, WPLA
- David Egiashvili, REM
- Brian Emmott, REM
- Jonathan Harris, REM
- Damir Pahic, WPLA
- UNECE Secretariat

### Consist by 10 Principles



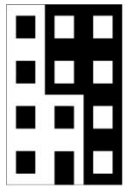


### The application of the following *Principles* should be based on widely accepted key concepts:

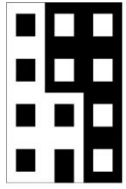
- 1. Sustainable development:** as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”;(\*)
- 2. Good governance:** which should prevent decision-making based on self-interest and favor decision-making to the benefit of common good;
- 3. Transparency:** the degree of clarity and openness through with 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 equally 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** Social Housing
- Principle 10** Training and Capacity Building

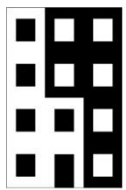


## **Principle 1 – *Integrated Legal Framework***

**An integrated national legal system should be established and harmonized with the existing regional and international norms for the real estate sector.**

**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.**

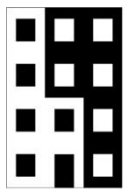
- **National Legal System should be harmonized with regional and international regulations;**
- **A clear and harmonized set of laws should be in place or established;**
- **Protection of property rights should be promoted as a prerequisite for the granting of real estate as guarantee.**



## **Principle 2** – *Efficient Land Register and Cadastre*

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

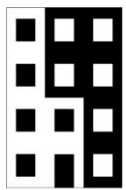
- Regularly updated information in public registries and cadastral systems
- Secure data and information that will be acceptable to the third party
- System should cover the entire country;
- The information should be accessible to public at a reasonable cost;
- Creation and registration of mortgages 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.**

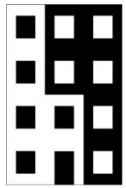
- Real estate markets should be in line with international standards and best practices;
- The knowledge of market dynamics and access to information sources should be fostered;
- The culture of good quality professional service should be promoted;
- All services and skills required for the smooth operation 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 Developed of Sound Real Estate 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.**

- 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.

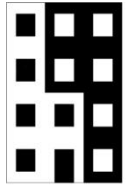


## Principle 5 – *Good Governance*

**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.**

- 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).

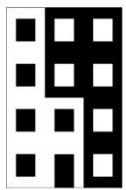




## Principle 6 – Sustainable Financing

**Access to credit and mortgages as well as microfinance for low income earners are essential elements of a healthy real estate market.**

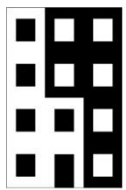
- Regulated and well developed capital markets and the banking sector;
- Encouraged private investment in real estate investment;
- Regulated and developed mortgage as well as secondary-mortgage market;
- Comparability of average returns on investments in real estate and other investments in the industrial 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 and avoid any possible contribution to a global financial crisis, such as the current one.**

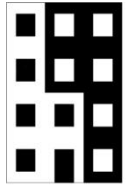
- The valuation and rating of the warranty-backed financial products must have a direct connection with the value of the real estate under warranty assessed by an independent valuator;
- There should be a minimum capital reserve required to meet outstanding risk;
- Adequate research and monitoring should 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 standards should be applied, as reliable real estate appraisal is essential to purchasing and selling transactions, the access to loans and the definition of equitable tax policies.**

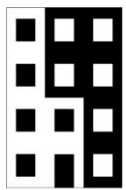
- Property valuation for tax purposes;
- Property valuation for mortgage or lending purposes;
- Government regulated licensing or certification;
- Sufficient transparency in data recording;
- Easy access to all the relevant information;
- Well documented all laws and procedures affecting property rights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



## Principle 9 – *Social Housing*

**Social housing should be considered as an integral part of the real estate market, as means to promote 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 and building products, investment should be made in training, upgrading and continuous professional development for all those who, in the various functions, are involved in the housing 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.

# Thank you for your attention

*E-mail:* g.bambagioni (at) tecnoborsa.com

The PDF version can be downloaded from:

[www.unece.org/](http://www.unece.org/)

[www.tecnoborsa.org/](http://www.tecnoborsa.org/)

