



Seminar 2 - June 26, 2012

Recovery, Sustainability and Evolution: Perspectives on the Real Estate Economy

As the highest policy-making body in the United Nations Economic Commission for Europe (UNECE) addressing housing and land management, the Committee on Housing and Land Management works to improve and coordinate land and housing policies. Dialogue on policies for the buying and selling of these properties are an essential component of this work.

Real estate makes up a large proportion of a nation's wealth. Well-functioning real estate markets provide jobs and the security of a home to a nation's residents.

The purpose of this forum was to help policymakers in the UNECE area to develop real estate policies which encourage economic recovery and growth. The event brought together experts from governments, the public sector, the private sector, and non-governmental organizations for dialogue to answer:

- How have real estate markets changed, and how have these changes been related to political and economic changes?
- What regulatory changes are needed to prevent or mitigate future crises?
- How do we create systems of finance that allow both security for lenders and sufficient capital to allow real estate markets to grow?
- How can real estate markets contribute positively to social and economic goals?
- How will real estate markets change, and how can we guide these changes to bring maximum benefit to the most people?

The UNECE Seminar Series

UNECE works to develop sustainable economies and to promote economic stability and growth in ways which do not compromise the welfare of future generations.

As part of these efforts, UNECE is organizing a series of Green Economy Seminars to discuss how to develop the region to achieve economic, social and environmental goals. They allow for idea-sharing between diverse groups of experts, Government officials, and United Nations agencies. We hope that they will lead to greater cooperation to transition the UNECE region to a green economy.

The following articles summarize the presentations of the second seminar, which took place on 26 June at the Palais des Nations in Geneva. This seminar was organized by the UNECE and the UNECE Real Estate Market Advisory Group (REM).

The first seminar took place on 4 April 2012 and discussed greening homes in the UNECE region. The next seminar is planned for 26 September 2012 on energy efficiency in the residential sector.

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Messages from UNECE Secretariat

The work the UNECE does to improve housing, land administration, land management and real estate markets is unique among the United Nations regional commissions.

To improve emergency efficiency in buildings, we produce publications, conduct seminars, and organize training of public officials throughout the UNECE area. To assist member states as they improve their land management policies, our Working Party on Land Administration creates publications on topics such as registration, cadasters, and spatial planning, and organizes regular workshops.

We create detailed country profiles to examine housing and land management challenges and successes in-depth. We work continually to improve housing modernization and management through publications and seminars on topics such as finance for countries in transition and social housing. Through our Real Estate Market Advisory Group, we hold roundtable discussions and seminars throughout the UNECE region on real estate markets.

I hope the discussions from this forum can guide the work of the UNECE, the Committee and member States to integrate sound real estate market principles into our work.



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The United Nations Economic Commission for Europe (UNECE) was established in 1947 as one of the five regional commissions of the United Nations. The UNECE's major aim is to promote pan-European economic integration. To do so, it brings together 56 countries for dialogue to improve cooperation in economic affairs.

The Committee on Housing and Land Management (CHLM) is an intergovernmental body addressing the unique housing and land management challenges of the UNECE region. It serves as a forum for the exchange of best practices and a platform for policy formulation and implementation. It is the highest policy-making body of the UNECE in the field of housing and land management.

The Working Party on Land Administration (WPLA) operates under the auspices of the CHLM to promote and improve land management in the UNECE region. Its members are authorities from land administration and related agencies in UNECE member States.

The Real Estate Market Advisory Group (REM) is an advisory body of real estate experts to the CHLM.

The crash in asset prices of 2008 and the subsequent financial and economic crisis underscored the vital role that real estate markets play in the world economy. These events made clear that real estate market financing and regulations have a very real impact on the welfare and livelihoods of all and that there must be a global effort to set up a regulatory framework so that real estate markets can contribute positively to economic growth.

Transparent real estate markets allow buyers and sellers to know the value of the property they are trading. Secure and well-defined property rights create a secure environment for market transactions. A stable legal framework, which allows consistent reinforcement of contracts, is essential for a fair and balanced market.

These are prerequisites for the forces of supply and demand to increase general well-being and to sustain economic growth.



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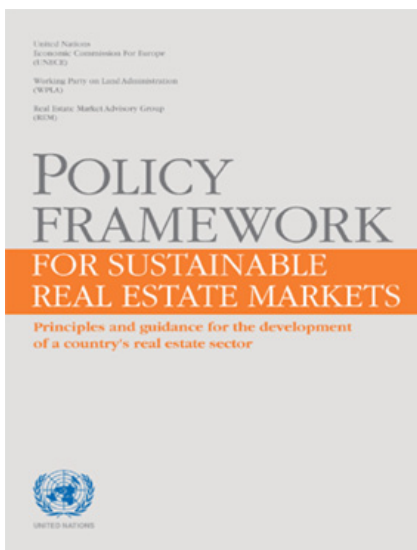


Economic and social development and *Policy Framework for Sustainable Real Estate Markets*

Real estate constitutes 68% of the assets of the world economy. Real estate markets can contribute to stability, employment, growth, and a greener economy. However, an unclear regulatory framework can be destabilizing, as the global financial crisis shows. It is difficult to manage what one does not know.

Economic and social development requires effective policies which aim to improve the stability of a country through transparency and good governance.

Globalization implies an internationalization of both problems and solutions. An organized effort to identify solutions must be fueled by the knowledge that there are fundamental public goods which are also individual goods, including peace, security, justice, collective liberties, environmental protection, economic development, and social solidarity.

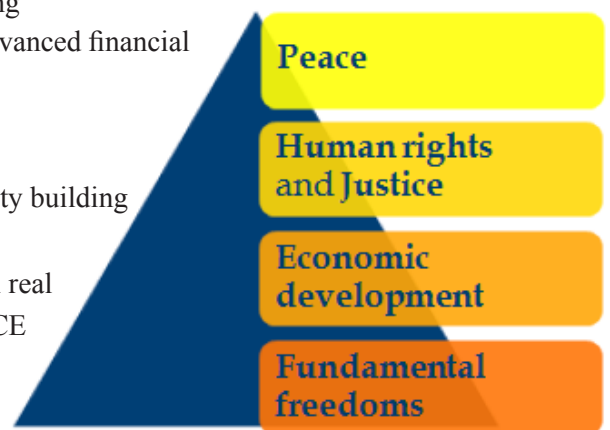


The real estate sector can help to convert unused or underused resources into productive capital to reduce poverty. The real estate sector, if well regulated and based on transparent real estate and financial markets, can be a driving force for sustainable development.

The UNECE Real Estate Market Advisory Group published in 2010 *Policy Framework for Sustainable Real Estate Markets: Principles and Guidance for the Development of a Country's Real Estate Sector*. This document contains 10 principles to guide a country's real estate policy:

- Integrated legal framework
- Efficient land register and cadaster
- Efficiency of services
- Prerequisites for development of sound real estate markets
- Good governance
- Sustainable financing
- Transparency and advanced financial products
- Property valuation
- Social housing
- Training and capacity building

The Framework has been applied to national real estate laws in the UNECE region and beyond.



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Your land or mine?

Land management and administration

How land administration supports economic recovery

Efficient land registration and transparently recorded data and registration procedures are essential to a prosperous economy. Secure tenure implies a legal guarantee to shelter or a place to begin economic activity. Property rights can be secured if the rights are validly granted, recorded in registers open to public inspection, and guaranteed by the state. The transfer of legal property is secure if an appropriate legal framework exists.

Security and transparency in real property valuation are essential for economic activity and mean that real property can be acquired at a fair price and that the property will maintain its value. Transparent land use, planning and development ensures that property rights are protected and that land is used and developed in a way that benefits the community.

To promote land administration best practices, the Working Party on Land Administration hosts workshops throughout the UNECE region.



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Clearing the way for international real estate transactions

Each European country has its own regulations for the buying and selling of land, which can complicate matters for those living in one country who purchase real estate in another. The European Land Registry Association (ELRA) has developed a framework for cross-border purchasing of real estate between EU countries with its CROBECO (CROSS Border Electronic CONveyancing) project.

A notary in the country of the buyer executes the deed in the language of the foreign buyer under the contract laws and courts of the buyer. A contract is then transmitted electronically to the country of the plot, where a national helpdesk assists foreign conveyancers to collect information and fulfill formalities.

Increased confidence in sufficient legal protection makes prospective buyers less reluctant to buy foreign properties and could contribute to economic growth.



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Urban transformation and smart land management

Urban redevelopment projects are often touted as ambitious flagship projects to regenerate a city. These projects often have a high cost of development. Unlike greenfield projects, brownfield and greyfield development projects often do not generate enough revenue to cover the costs of the project and may require government subsidies.

In the context of uncertain economic growth, uncertain real estate demand and reduced government budgets for urban redevelopment, effective land management strategies are a crucial factor for sustainable urban development. Throughout Europe, cities use different land management strategies including public-sector and private-sector initiatives as well as public-private partnerships.

The choice of development strategy is usually related to the institutional context, but experience with partnerships also plays a role.



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Better land management for better homes

Surveyors are often expected to identify land tools to ensure property registration, access to land and property rights, secure mortgages, formalization of informal settlements, sustainable housing, effective zoning, and environmental sustainability in an unpredictable economic and social environment.

The International Federation of Surveyors (FIG) is an international NGO which supports international collaboration for surveying. The FIG Task Force on Property and Housing works to investigate challenges and threats from the current financial crisis and to identify a new role for the surveyor.

This includes developing awareness, vision and strategies through institutional development, legislation, coordination of stakeholders, and land tool development for affordable privatization, cadasters, planning, construction and housing.

FIG and the UNECE WPLA will host a joint workshop on development in December 2012.



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Creating tomorrow's professionals: Real estate training and education

International education for experts

Training in broad global issues is essential to training real estate professionals, who work more and more with clients outside their national borders. Unfortunately, the local drives for education and training are often parochial and the technical and professional content in many countries tends to stay local.

The development of international standards for valuation and real estate practice have left the structures and systems for knowledge-building largely unaffected as the driver to deliver skills demanded by local stakeholders takes precedence. There is a need to develop and enhance knowledge networks that provide portals for harmonizing the approaches to training and capacity building in real estate.

International professional organizations can help to build internationally relevant skills to support a sustainable approach to real estate.



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Promoting real estate education growth

In the last 40 years, real estate education in more developed countries has increased dramatically. Organizations around the world are working to bring real estate education to the population of every country.

Global investors have the responsibility to educate and bring transparency to the developing world. Professional organizations such as FIABCI and RICS are working to take real estate education to less developed countries

It is a priority to raise construction standards in developing countries, especially in natural-disaster prone countries. The World Bank and the IMF are expanding their real estate departments to build infrastructure in the developing world.

It is hoped that the United Nations will work with universities, real estate associations, global organizations and corporations to improve real estate opportunities around the world.



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What license? Why real estate agents need to be certified

For most people, a real estate deal can be the biggest financial investment of their lives. However, there are few or no laws to regulate brokerage services in Russia, all the former Soviet republics, Eastern Europe and several other European countries.

There are professional organizations which have standards and rule of ethics similar to those of real estate organizations in the West. However, membership in these organizations is voluntary, which means that a broker could be person without education, practical experience, or knowledge of local laws, or could be a criminal guilty of real estate fraud.

Education, certification, and licensing requirements need to be regulated by the law and obligatory for all real estate professionals. Continuous professional development is necessary for all who are involved in the housing supply chain.



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Making dreams achievable (and affordable): Solutions for housing finance

Urban development: Italian experience

Land consumption is widely discussed when considering the negative effects of poor land management. Nevertheless, it is difficult to determine the amount of land consumption that is needed, the costs of urbanizations and how far the market can accept a restrictive policy aimed at the recovery of existing buildings.

The Italian experience in the discipline of private contribution provides case studies for assessing the private gains and public costs associated with some urban transformation schemes.

Italy has extensive building stock, much which needs improvements to become more energy efficient and able to withstand seismic events. Italy presents unique challenges and opportunities for urban rehabilitation.



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Different approaches to sustainability

The Association of Private Bausparkassen works for sustainable housing financing which “enables a large share of the population to fund residential property within an adequate period of time on transparent terms and predictable as well as affordable cash flows, thus creating stable housing markets with minimum risk of private/corporate failure and public involvement, while slashing the emission of greenhouse gases”.

No single type of funding is sustainable in all cases. Conventional deposits continue to be the backbone of housing finance and are moderately sustainable: deposit insurance with a government guarantee could lead to high costs for the taxpayer in a crisis.

Contractual savings schemes, in which savings are linked to the right to a loan, offers a highly sustainable model, as the saved equity offers a buffer to the risks of both the borrower and the lender.



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Working for Global Green New Deal

The 2008 global economic crisis caused a shift of priorities away from environmental and towards traditional economic goals, like increasing employment and GDP. The United Nations Environment Programme created the Global Green New Deal concept to encourage countries to pursue economic goals in a sustainable way.

Geocapita has built on these ideas to draw large capital investments into renewable energy projects and energy-efficient housing. They developed a Public, Private and Community Partnership model to create sustainable communities.

The model aims to satisfy energy, economy, environment, and social and intergenerational equity goals through integrated redevelopment of affordable low carbon energy efficient housing, local community owned renewable energy generation and sustainable community support.



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A red card for unsustainable housing

Despite its proximity to Manchester and to the internationally renowned employment centre of Trafford Park, the housing market in Old Trafford (home of soccer club Manchester United) has failed, resulting in socioeconomic problems.

Without the short-term drivers of corporations or political bodies, non-profit social housing agencies like Trafford Housing Trust (THT) can intervene in failed markets and sustainably change communities. In response to the challenges in Old Trafford, THT created the Old Trafford Masterplan and is leading a private-public partnership to deliver it.

The Masterplan includes retrofitting older buildings, replacing dilapidated apartment blocks with family homes and creating a new neighbourhood centre with modern health and community facilities. The initiative also includes community projects to reduce crime, clean the neighbourhood, improve energy efficiency and provide skills courses for local residents.



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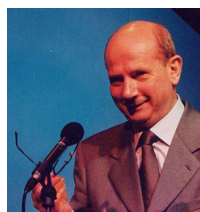
Full speed ahead: Real estate markets as an engine for economic growth

Helping investors look before they leap

Few understood the risk of real-estate backed financial products before the 2008 crisis. Increasingly innovative financial derivatives obscured the relationship between an investment and its underlying value, with no framework in place to assess risk.

REM has produced “Real Estate Property and Risk Evaluation for Real-Estate Backed Financial Products”, an 18-page document containing guidelines to measure risk for these types of securities. It includes analysis of location, market scenarios, cash flows, building quality, seismic risk, quality of service infrastructure and transportation, potential uses of the property, and the consequences of default.

The document aims to restore confidence in the market and provide stability to the continued use of real estate properties to back financial products.



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Why real estate associations should work together for common goals

The REM *Policy Framework* is an excellent tool to provide the rules of the real estate game, but must be combined with medium and long term plans for integrated, holistic urban and land management.

Economic, ethnic, social, industrial, technological, and cultural factors are only some of the aspects to keep in mind when planning the future of a town or city. Development can only be achieved if the guidelines for urban development are clear and shared.

Cobaty International works to improve living standards by creating dialogue between professionals and public authorities. Real estate associations represent the different facets of society and can work together to build knowledge. It would be interesting to combine the lessons of the Policy Framework with Cobaty’s 10 Points for Sustainable Development of Mediterranean Cities.



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The European Real Estate Society (ERES) on real estate

The real estate sector has been at the heart of the global financial crisis. As capital flow and output has fallen, the market is at a historical minimum in house-building, rents and prices and a maximum in vacancy rates.

Real estate markets contribute to the economy in many ways. On the supply side, they increase accumulated knowledge through research in engineering, construction and planning and create buildings, a country’s most durable capital stock. On the demand side, they: provide housing, the most basic need for a population; allow for innovation and modernization in the provision of industrial and commercial centers; attract investment; and create new economic activity centers.

Healthy markets can be created by developing common rules across national borders, better financial systems and credit, and the infrastructure for a knowledge economy.



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New housing strategies for a changing Russian society

Since the early 1990s expert views in Russia on the aims and means of housing policy have changed. While since the early 2000s robust economic performance has allowed the Russian government to direct greater volumes of budgetary spending towards social goals, its main objective in the housing sphere remains the transfer of responsibility for housing provision from the state to the individuals.

As part of this dynamic, especially from the mid-2000s onwards, there has been a broadening of the set of policy instruments employed to achieve housing liberalization.

In addition to the promotion of private housing, policy initiatives have included the development of cooperative and rental forms, as well as the greater use of credit mechanisms in the process of housing maintenance.



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Who are the Real Estate Market Advisory Group?

The Real Estate Market Advisory Group, or REM, is a body of real estate experts which works with the UNECE and the Committee on Housing on Land Management to:

- Provide advice on the challenges of linking the environment to real estate markets
- Develop policy frameworks for promoting best practices in member States
- Undertake studies and missions, draft policy models and guidelines, and collect data
- Assist countries in training in real estate and land administration sectors.

Brian Emmott is co-founder and director of UK non-profits International Real Estate Advisory Network Limited and Terre Initiative Limited. He is a specialist in business and market development, with a focus on real estate, mortgage and financial services markets to enhance business in Central, Eastern and Southern Europe and the Commonwealth of Independent States.

Wolfgang Amann is a lecturer at Graduate Studies for Real Estate Economy and the Centre for Architecture, Construction and Environment at Donau University. He has held numerous research and consultancy projects in real estate, social housing, housing legislation, market research in housing, and construction. He has authored or co-authored nearly 200 scientific publications and is an expert consultant for the Austrian Parliament.

Enrico Campagnoli is the founder of several successful real estate companies in Italy, the United States and Switzerland. Since the 1990s, he has been FIABCI delegate to the UNECE in Geneva and was FIABCI president from 2002-2003. He is president of the Italian Institute for Real Estate Evaluation. He is also a founder, member of the Board and representative to the United Nations of the Global Housing Foundation.

Anna Georgieva is the World Bank Country Sector Coordinator for the Environmentally and Socially Sustainable Development Unit in the Russian Federation. She focuses on land administration, rural development, natural resource management and social development. Before joining the Bank in April 2010, Anna was managing director of an international consultancy firm operating in Eastern and Central Europe.

Giampiero Bambagioni, economist and international property specialist, is Director of Scientific Activities and Vice-President of Tecnoborsa, the Italian Organization for Development and Regulation of the Real Estate Economy. He is a contract professor in the Faculty of Architecture at the Sapienza University of Rome, and in the Faculty of Engineering at the University of Perugia. He has collaborated with the UNECE since 2001.

David Egiashvili has worked as an international consultant with the World Bank, USAID, IFC, UN FAO, UNDP and other donors. He is director of the Professional Consulting Group in Tbilisi, Georgia. From 2004 to 2006 he was chair of the National Agency of Public Registry of Georgia. Reforms implemented during this period were ranked best by Doing Business 2006. He is a former member of the UNECE WPLA.

Jonathan Harris has a career of more than forty years in commercial property with experience in property development, investment, finance and management. Current appointments include founder and president of The Continuing Professional Development Association, Director of the Cressida Group of Companies and the Cardinal Group of Companies, and the founder and Chair of the RICS Raising the Ratio Committee.

Upcoming Events in 2012

“Energy Efficiency in Buildings”, a regional training workshop as part of SPECA 3rd International Sustainable Energy Forum	1-7 September
“UNECE REM Policy Framework for Sustainable Real Estate Markets: Sound Rules to Improve the Real Estate Sector and Promote Economic Growth”, Naples	4 September
Green Economy Seminar “Compact, smart and climate-neutral? Cities in a green economy”	26 September
World Habitat Day	1 October
WPLA workshop “The role of land registration authorities in supporting the recovery in the global property market”, London	11-13 October
“Tajikistan Country Profile on Housing and Land Management” launch event	23-28 October
Armenian national training workshop on affordable and energy efficient housing and municipal planning	20-23 November
Green Economy Seminar on sustainable urban development and smart city technology	27 November
WPLA workshop “Informal Development, Property and Housing”, Athens	10-14 December

More information

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