



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

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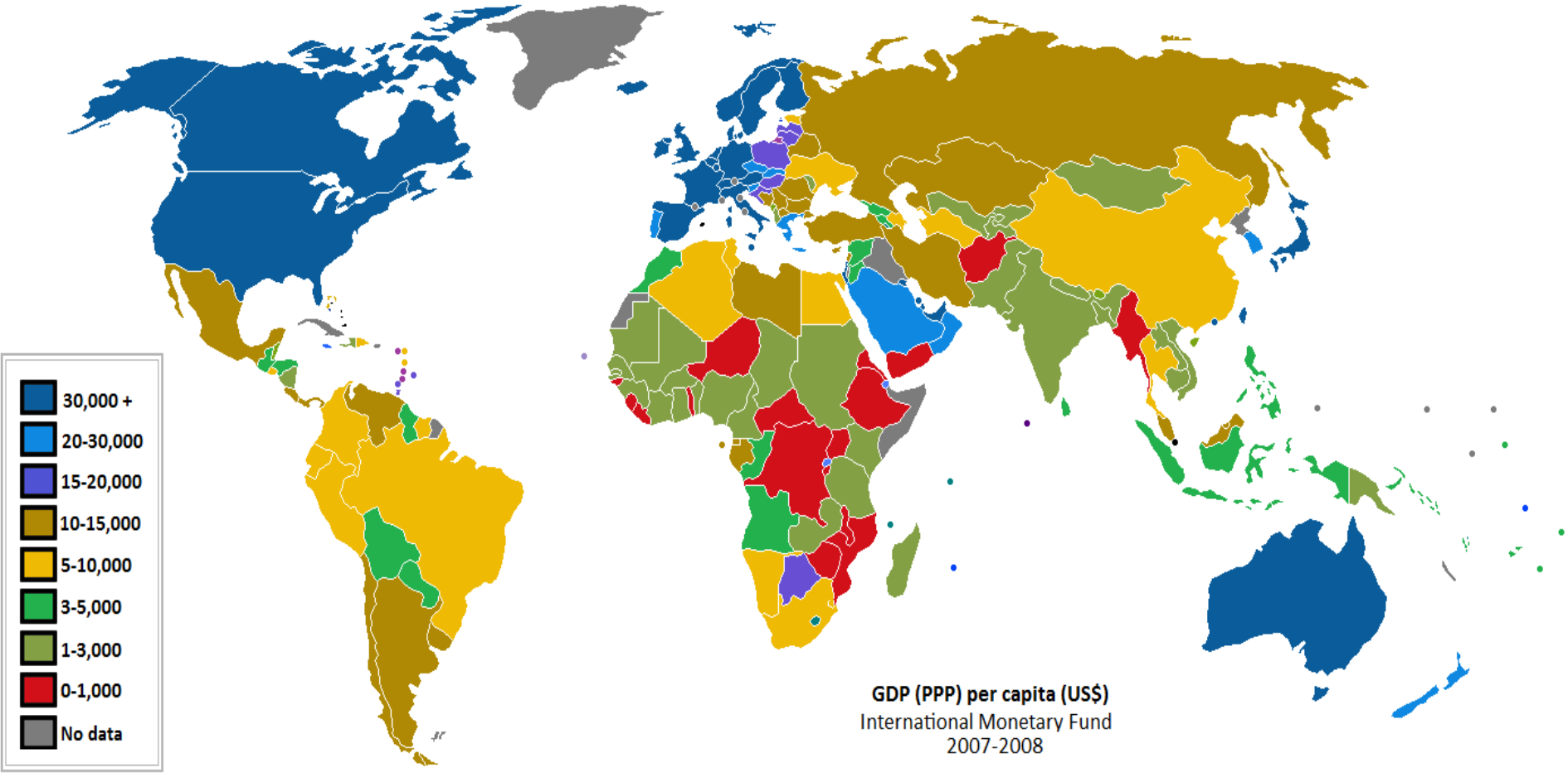
**Draft Checklist on Principles for Sound Real Estate Markets
Outcomes of the discussions held during the Rome Forum
(June 3-4, 2009)**

by GIAMPIERO BAMBAGIONI
Former Chair of REM

▶ The REM Group believes that the **development of real estate markets and related jobs, real estate financing (mortgages), management and administration of the territory**, in other words of the sector we identify as “**real estate economy**”, can decisively contribute to the development of countries and that this sector can produce effective **Social and Economic Benefits**.

If we look at the present situation in United States and Europe – caused by real estate finance and sub-prime mortgages – we realize there is a need for specific measures, knowledge of market dynamics, risk evaluation and measurement, rating systems to protect citizen’s investments and savings.

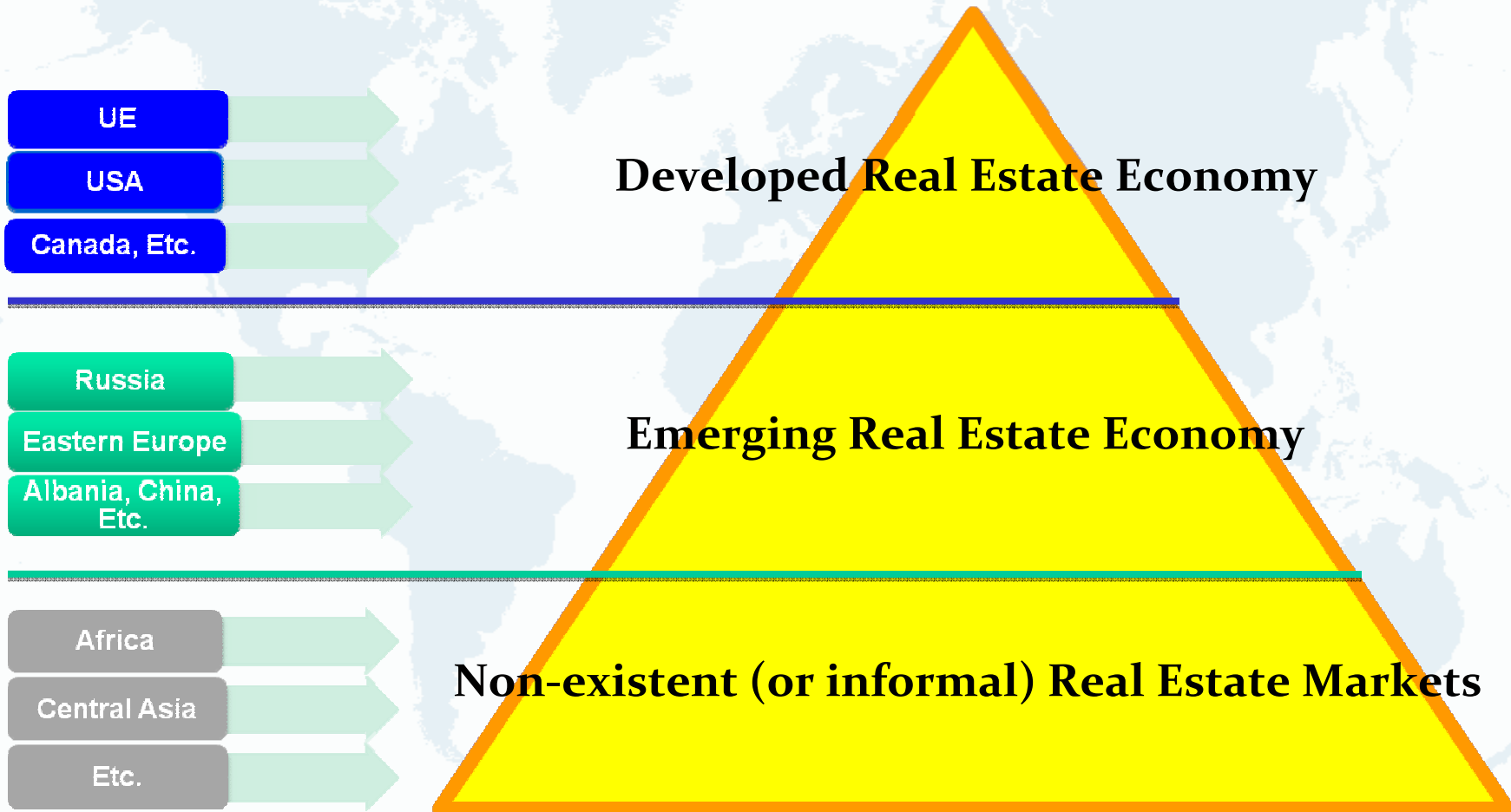
WORLD SITUATION



World map of countries by GDP (PPP) per capita from IMF statistics - 2007 estimates

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:



▶ **These 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 Guidelines¹ 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.

¹ *The REM Guidelines project started on July 2008*

Now let's identify the main Guideline (REM Advisory Checklist) development areas.

▶ Which macro areas will we analyse and develop?
And which will be the programme phases?

The purpose of the Guidelines is to contribute to the «*Common well*» generating solutions, policies and new ideas for:

- ▶ the definition of **new solutions that may overcome the critical situations due to the current financial and economic crisis worldwide;**
- ▶ **the identification of a set of possible strategic solutions on the Environment, Housing and Land Management**, which may be the starting point for a future identification of working solutions at a local level that may be harmonised with the set of laws and economic development of the individual countries.

With reference to the REM PoW and the UNECE Strategy for sustainable quality of life in human settlements in the in the twenty-first century. The UNECE Strategy identifies five goals for promoting sustainable quality of live
These goals also provide a basis for identifying the overarching goals for spatial planning.
(UNECE, 2000).

Identification of the essential connections and pre-conditions:

- **Connection between Economic growth and Professional training and Culture;**
- **Connection between Economic development and *Common Well*;**
- **Recognition of the protection of Property Rights, and**
- **To promote a system of meaningful and democratic governance that respond to the needs of local communities;**
- **To improve urban environmental performance;**
- **To facilitate social cohesion and security;**
- **To promote market reform in the housing and urban sector;**
- **To improve land and real estate market and securing private rights in land;**
- **Credibility and Trust;**
- **Etc.**

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 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.

An integrated national legal system should be established and harmonized with regional and international regulations, and technical reference frameworks for the supervision and application of the regulations should be created, in order to promote the proper functioning of the real-estate market.

Principle 2.

Real-estate transaction risks should be reduced 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 modern land-registry and cadastre records.

Principle 3.

An efficient and transparent real-estate market also depends on the harmonization of legal and voluntary regulations with international standards, ethical rules and best practices.

Principle 4.

A well-developed real-estate economy contributes to the conversion of unused or underused resources into productive capital to reduce poverty.

Principle 5.

Governments are responsible for developing integrated framework policies that initiate and guide decision making processes by setting the conditions for the operation of effective coordination amongst sectors, the identification of bottlenecks, and action in housing and land management at both a regional and local levels in order to encourage a healthier real estate market.

Principle 6.

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

Principle 7.

Advanced real estate financial products, similar to those developed for securitization, should be redefined, as these have significantly contributed to the current global financial crisis.

Principle 8.

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.

Principle 9.

Social housing should be considered as an integral and complementary part of the real-estate market and a means to promote economic growth, urban development, reduction in housing pressure and informal settlements.

Principle 10.

To guarantee an efficient real estate market characterized by high quality of professional services and building products, investment should be made in training, qualification, upgrading and continuous professional skill development for all those subjects who, in the various functions, are involved in the supply chain.

Outcomes of the Discussions held during the Rome Forum (June 3-4, 2009)

A. The most important conclusion of the debates held was that the Checklist, as presented, sometime, is too encompassing.

It addresses both structural institutional aspects of land administration and specific issues related to the operations of real estate markets in the context of the current global economic crisis.

It was agreed that **the checklist should focus more on the importance of adequate data management, transparency in access to information, accurate valuation methods and objective risk assessment in real estate markets.**

B. More emphasis should be laid on the principles that address the importance of clear regulatory frameworks for real estate markets rather than on subjects that have already been covered by past publications of the ECE (e.g. land administration development trends and main principles (ECE/HBP/140) guidelines on public private partnerships (HBP/WP.7/2005/8)).

C. The WPLA is invited to discuss the principles taking into account the outcome of the Rome meeting. REM and the Secretariat will take into account comments collected during and after the Rome Forum and also the feedback obtained from the discussions during the WPLA sixth session and will prepare a final version of the document.



Thank you for the attention

E-mail: g.bambagioni@tecnoborsa.com