



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

**Efficient and Transparent Land Management  
in ECE Countries**

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**Policy Framework for Sound Real Estate Markets**

***Policy principles and guidance for the development of a country's  
real estate market for social and economic benefits***

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## About REM Implemented and Planned Activities



- Implemented events:

- Milan, Italy, at Exhibition of Italian Real Estate (EIRE), June 12, 2008;
- New York, UN headquarter, Seminar on Real Estate and Financial Crisis, December 16, 2008;
- Rome, Italy, at Chamber of Commerce, Rethinking the Real Estate Market June 3-4, 2009



- Planned events:

- Workshop on “Greening Real Estate Markets”, Dessau, Germany, 26-27 April, 2010.
- Project on “Real Estate Property and Market Risk evaluation for Real Estate backed financial products”

## About “Key Components of Real Estate Markets Framework”



### The REM Task Force by:

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- Wolfgang Amann, REM
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- Peter Creuser, WPLA
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### 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 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***

**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, in order to promote the proper functioning of the real-estate market. A legal framework for land and land-use, including those components relevant to the real estate market and the necessary technical references, should be available at national level in order to enable the proper functioning of the real estate market and to set free the multiple benefits arising from this market.

- 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*

**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.

- 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** – *Bases for Developed Real Estate Markets*

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

It is very important that during creation and introduction of an integrated legal framework all respective laws and regulations should take in to consideration the efficiency of real estate markets. **Governments need to develop integrated policies for enabling decision making processes based on unambiguous rules for financial and real estate transactions and investments in order to create a sound climate for business development and foster the healthy development of the real estate market.**

- 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 and complementary part of the real-estate market and a means to promote economic growth, urban development, reduction in housing pressure and 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 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 parties who, in the various functions, are involved in the 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**

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