

Policy framework for sustainable real estate markets

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

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Real Estate Market (REM) Advisory Group

PREFACE

- ◆ Upgrade of housing stock and mortgage finance => economy
- ◆ Role of the real estate sector and the transition and consolidation of green economies
- ◆ Labor force and migration
- ◆ Crisis – in part unclear regulatory frameworks
- ◆ Recovery in the short run + long-run sustainable development
- ◆ Establishment of mortgage finance, valuation standards, real estate organizations

BACKGROUND AND AIMS OF THE STUDY

- ◆ 2008 – roundtable discussion in NY “The Real Estate and the Financial Crises: Causes, Effects, and Impacts on Development” – real estate bubbles allowed to inflate, mortgage lending inadequately supervised, too complex financial instruments, misunderstood credit risk, errors of credit rating agencies
- ◆ Aims – critical issues, rules and principles. Based on widely accepted concepts:
 - Sustainable development
 - Good governance – legislative authorities, public administration
 - Transparency
 - Accountability
 - Fairness
 - Efficiency

Principle 1: Integrated legal framework

- ◆ Property rights
- ◆ Harmonized laws – civil code, land law, construction code, law on spatial planning
- ◆ Independent judiciary with experience in real estate litigation
- ◆ Enforceable court rulings
- ◆ Default on loans – speedy credit recovery
- ◆ Elimination of legal barriers in ownership – Russians in the CR
- ◆ Urban planning and building laws – effective and harmonized
- ◆ Social housing, rental market
- ◆ Laws for agricultural lands
- ◆ Regulations of construction activities
- ◆ National policy regarding real estate
- ◆ Public ownership – government institutions, general use (roads, infrastructures, etc.), special interest (historic buildings)

Principle 2: Efficient Land Register and Cadastre

- ◆ System of identification, cataloguing and classification of real estate
- ◆ Covers the entire country
- ◆ Documented public restrictions
- ◆ Lists guarantees
- ◆ Notarized signatures
- ◆ Publicly accessible at reasonable costs
- ◆ Registration and recording accurate, comprehensive and up to date
- ◆ Ideally digital
- ◆ Electronic creation and registration of mortgages
- ◆ Electronic access
- ◆ Security of tenure should be ensured

Principle 3: Efficiency of services

- ◆ An efficient and transparent real estate market should be consistent with legal and voluntary regulations, international standards, ethical rules, and best practices.
- ◆ Data information – Eurostat
- ◆ International norms – International Organization for Standardization (ISO), European Committee for Standardization (CEN)

Principle 4: Prerequisites for development of sound real estate markets

- ◆ A well developed real estate sector contributes to the conversion of unused and underused resources into productive capital, hence increasing employment opportunities and reducing property.
- ◆ Levels of development: developed, emerging, and non-existent
- ◆ Spatial plans, urban plans, an integrated land administration system
- ◆ Energy efficiency and investments in renewable energy sources should be promoted
- ◆ Private ownership of agricultural land – long-term investments

Principle 5: Good governance

- ◆ Inter-sectoral approach
- ◆ No restrictions on choice of tenure options for buyers and tenants
- ◆ No arbitrary price restrictions
- ◆ E-government and customer-friendly proceedings
- ◆ Reducing of real estate cost transactions
- ◆ Documentation of laws
- ◆ Protection of property rights, fair expropriation
- ◆ Urban redevelopment procedures and land consolidation

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.
- ◆ No arbitrary restrictions on financial intermediaries.
- ◆ Recovery of loans with land and real estate as a collateral.
- ◆ Insurance available at competitive rates.
- ◆ Encourage private investment
- ◆ Incentives to help young couples.
- ◆ Protections of savings in real estate.
- ◆ Financial procedures involving real estate should be well documented and developed.

Principle 7: Transparency and advanced financial products

- ◆ A transparent connection between the value and rating of the warranty-backed financial products with the value and risk of the value of the underlying real estate.
- ◆ Minimal capital reserve ratio – solvency ratio
- ◆ Criteria for financing real estate transactions should be transparent and publicly available.
- ◆ Access to information about the market dynamics – the data on number of transactions and leasing contracts signed, etc.
- ◆ Real estate price trends data
- ◆ Loan to value ratio and the real estate rating are the basic criteria for real estate assets to be used as a collateral.

Principle 8: Property valuation

- ◆ Property appraisal criteria based on commonly shared valuation standards should be promoted , as it is essential to purchasing and selling activities, access to loans and the application of equitable taxation.
- ◆ Data regarding comparable sales transactions readily available.
- ◆ Reasonable taxes

Principle 9: Social Housing

- ◆ Long-term investment.
- ◆ Reduce excessive private ownership (over 80%)
- ◆ National housing plan
- ◆ Rental and leasing policies - mobility

Principle 10: Training and capacity building

- ◆ Updated know-how and technological resources that contribute to the continuous redefinition of the planning, realization, and management of building projects and services require specific skills.