

UNECE
Working Party on Land Administration (WPLA)
Real Estate Market Advisory Group (REM)

KEY COMPONENTS OF REAL ESTATE MARKETS FRAMEWORK

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

Geneva, 2009

NOTE

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FOREWORD

Foreword written by an UNECE officer chosen by UNECE Secretariat.

ABBREVIATIONS

CEN	The European Committee for Standardization
CHLM	UNECE Committee on Housing and Land Management
EUROSTAT	The statistical information of the European Commission
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GNP	Gross National Product
ISO	International Organizations for Standardization
LTV	Loan-to-Value ratio
PPP	Public-Private Partnerships
REM	UNECE Real Estate Market Advisory Group
TPAC	Third-Party Arbitration Courts
UNECE	United Nations Economic Commission for Europe
WPLA	UNECE Working Party on Land Administration

PREFACE

Analyses of the current global financial crisis have made clear that one of the main drivers behind the general financial crisis has been the recent failure of the real estate markets and their breakdown. The crisis brought up a number of problems and the need for UNECE was identified, to respond to these challenges and provide guidance in the field of real estate markets. Consequently, the Real Estate Market Advisory Group (REM) and the UNECE Secretariat, with the support of FIABCI, had organized a high-level roundtable discussion at the United Nations Headquarters in New York in December 2008 debating causes, effects and impact of the financial crisis with a particular focus on the real estate markets. A follow-up forum of experts took place in June 2009 in Rome, hosted by TECNOBORSA, where the draft of this publication and its major contents were subject to in-depth discussions. The outcome is a number of cornerstones and a set of principles that – each of them – would deserve an own study to be published. This Framework is intended to serve policy makers and other interested parties as reference for their future work related to real estate and the underlying market structures.

With this *Framework*, REM have drafted a reference document for their own future activities and projects in the field of real estate markets that will be updated on a regular basis and is meant to be the starting point for in-depth investigation of market issues of particular interest. Key issues are reflected in the current programme of work for REM.

The principles take into account the long-standing experience and work of the UNECE Committee on Housing and Land Management (CHLM) and its Working Party on Land Administration (WPLA). The Framework has been developed by REM, under the leadership of Giampiero Bambagioni, with the cooperation of the UNECE Secretariat and WPLA representatives and experts from across the region, including economists, legal and real-estate market scholars of international organizations.

The task force consisted of Mr. Giampiero BAMBAGIONI (Chair of the Task Force), Mr. Wolfgang AMANN, Mr. Enrico CAMPAGNOLI, Mr. Peter CREUZER, Mr. David EGIASHVILI, Mr. Brian EMMOTT, Mr. Jonathan HARRIS and Mr. Damir PAHIC.

The drafting of the Framework was strongly supported by the UNECE Secretariat: Ms. Christina VON SCHWEINICHEN, Ms. Paola DEDA and Mr. Ariel IVANIER.

Further the preparation of the work was supported by:

- TECNOBORSA and relative Technical–Scientific Committee. Tecnoborsa is the Organization of the Italian Chambers of Commerce for Development and Regulation of the Real Estate Economy
- The International Real Estate Federation (FIABCI)

CHALLENGES AND KEY QUESTIONS

During the seminar organized at UN Headquarters in New York on 16 December 2008 by REM and the UNECE Secretariat, with the support of FIABCI, entitled *'The real estate and the financial crisis: causes, effects and impacts on development'*, it was highlighted that the current global financial crisis is the result of inadequate regulation of real estate and financial markets. Real estate bubbles were allowed to inflate, mortgage lending was inadequately supervised, financial markets were allowed to develop complex financial instruments that few understood, credit risk was inadequately modelled, and credit rating agencies failed to carry out their fundamental role. Investors also failed to properly understand the instruments they were buying and consumers failed to evaluate the risks they were undertaking in buying inflated property with innovative mortgages.

Experts in the meeting agreed on the need to develop a framework for Real Estate Markets (and financial sectors related to Real Estate) that could be useful to promote stability and sustainability and to minimize the effects of the crisis. REM therefore presented ten principles as key components of a Real Estate Markets Framework at a UNECE/WPLA/REM Forum, hosted by TECNOBORSA, held in Rome on 3-4 June 2009. Comments at the Rome Forum, the 6th Session of the WPLA on June 18, 2009 in Geneva and at the following public consultations have been taken into consideration to finalize this document. It intends to provide a contribution to the overall work of UNECE on real estate related issues and an input for specific projects of REM itself. It should however be taken into consideration within a wider spectrum of other tools developed by the UNECE Committee on Housing and Land Management (CHLM) and its Working Party on Land Administration (WPLA), such as, for instance, the guidelines for housing finance, spatial planning, social housing and condominium management. Therefore, these guidelines and publications issued under UNECE CHLM and WPLA are meant as an integral part to this document.²

This document represents a specific attempt to address the current lack of regulations and guidance but, taken alone it cannot provide an exhaustive solution to the more complex issues related to the lack of adequate housing present in several countries in the UNECE region, which require comprehensive policies and the direct intervention of Governments.

To that end the document is structured as follows: Following each of the ten principles the underlying rationale is briefly explained, always followed by a number of key indicators that should be taken into account when implementing the given principle for

² See for instance:

- *Restrictions of ownership, leasing, transfer and financing of land and real properties in Europe and North America* - WPLA, Geneva, 2003.
- *Guidelines on Real property Units and Identifiers* - UNECE, New York and Geneva, 2004
- *Land Administration in the UNECE Region – Development trend and main principles* – UNECE, New York and Geneva, 2005

improvement of the real estate market. The study also advocates bringing greater harmonization to the sets of national town-planning and building laws, which – in some countries – are often regulated by very diverse and contradictory local laws. Good governance is in need of harmonized and appropriate regulations in the building and real estate sector as well.

The main aims of this document are to:

1. promote the understanding of some critical issues of the real-estate sector, in order to better develop management tactics and strategies that may assist to different extents depending on the level of development of national economies – in the identification of solutions to the current financial market crisis world-wide; and
2. define rules and principles that may promote the development of solutions within different enforcement frameworks according to the development level of the national real-estate markets and in compliance with the respective legal systems, so that medium and long-term economic and social benefits may be drawn.

The application of the following principles should be based on widely accepted key concepts:

- a) *Sustainable development*: as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”³;
- b) *Good governance*: which should prevent decision-making based on self-interest and favour decision-making to the benefit of the common good. Good governance arenas where these issues play out: public administration, economic society, private sector, judiciary and sustainable development;
- c) *Transparency*: the possibility to have full knowledge of the data, of the criteria with which they have been used and the possibility to go through the steps on the basis of which decisions are taken;
- d) *Accountability*: the extent to which political actors are responsible to society for their actions;
- e) *Fairness*: the degree to which rules are equally applied equally to everybody;
- f) *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.

³ United Nations, 1987. "Report of the World Commission on Environment and Development." General Assembly Resolution 42/187, 11 December 1987. Retrieved: 2007-04-12

PRINCIPLES

Principle 1 – *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.

Rationale:

The norms and regulations needed, together with the systems set up by every country to control and legally protect the rights of possession and use of real estate, provide the necessary foundations on which to create and develop efficient and integrated markets. Without an integrated, national legal system, all the activities which involve management and investment in the value of a property, and which in turn contribute to increase employment opportunities and the overall economic development of a nation, are considerably jeopardized.

Key indicators:

1. A clear, harmonized set of laws (civil code, land law, construction code, law on spatial planning) should be in place or established, in order to enable investments and free trade of real estates and property rights by the legitimate owners. This aspect is the key element of the real estate market. Moreover, the more a market is open and broad-based and transparent (and also accessible to foreign buyers), the more numerous the opportunities to have a functioning Real Estate market and realistic selling prices.
2. The identification and protection of property rights should be promoted as a prerequisite for the granting of real estate as guarantee and, hence, as a key element for the access to mortgage loans and financing.
3. Bankers and backers should be given legal certainty to be able to recover land related property loans, including *performing* and *non-performing* funds implying.
4. A clear and efficient set of laws should be promulgated in order to contribute to the fostering and protection – although indirectly – of the investment of citizens' savings in real estate. If additional resources are invested in this sector – either by the state or private individuals including the use of Public-Private Partnership (PPP) – then the opportunities for housing, infrastructures and utilities are increased; house leasing on the free market may meet the needs of those citizens who cannot afford

- buying a house even with the support of mortgage loans and contribute to greater housing mobility for labour relocation purposes.
5. An efficient legal system and a well trained, independent judiciary with a solid experience in real-estate litigation, fully available to the poor and vulnerable people, should be available to adjudicate on private property rights and contractual disputes (i.e. Third-Party Arbitration Courts - TPAC).
 6. Court rulings relating to such adjudications should be enforceable.
 7. Laws on property guarantees should be aimed at the speeding up of credit-recovery whenever loans are not repaid, based on clear, efficient and rapid legal proceedings and the awareness that long enforcement times may be especially costly in economic terms (as the free exploitation of the guarantee estate is prevented) and in social terms (as the personal or third-party use of the attached assets is prevented).
 8. Legal barriers, that are arbitrarily established to the ownership of real estate by individuals, groups or legal entities should be eliminated in those countries where they are still existing. However, the legitimate possession and productive exploitation of public real estate should be permitted, regulated and protected, in those cases where it is leased or rented to private individuals or legal entities. These rights of use should be freely negotiable and transferable either for free or for a consideration.
 9. The right of ownership is a real right that allows one to enjoy, fully and exclusively, within the limits provided for by the legal system, a given asset or property. A real property is defined by law as private, State or public according to the status of the legal entity who holds title to the right of ownership.
 10. Town-planning and building laws should give special attention to social housing and to the creation of an efficient and free rental/leasing market.
 11. Aware of the responsibilities of management, preservation, ordinary and extraordinary repairs and maintenance that properties require in order to maintain their economic function over time, the “public real properties” owned by each State or local government, could fall only within the following categories:
 - real properties instrumental for the management and administration of the *res publica*;
 - the various categories of properties (such as buildings, lands, watercourses, roads, infrastructures, etc.) for general use, logistical functions and strategic value;
 - any real properties recognized as being of special historic, archeological or artistic interest.

Principle 2 – 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.

Rationale:

The identification and protection of property rights is based on the availability of secure data and information that may be exceptionable to third parties. This necessarily implies the availability of an efficient asset cataloguing and classification system and the possible access to information on title, to which third parties can refer to in order to obtain proof of the legitimacy of the title of ownership over time. Secure private landownership and the security of tenure are integral part of good governance and are the key condition for functioning real estate markets.

For this purpose, regularly updated public registers and cadastral systems are needed, to minimize risk of fraud in transactions and, at the same time, to provide legitimacy to the lawful possession of an asset which in turn will facilitate access to bank loans and insurance.

Key indicators:

1. An efficient, integrated system of identification, cataloguing and classification of real estates and property rights should be established – even in those countries establishing market economy structures – so that every asset is associated with information on their legitimate owners/title holders.
2. A comprehensive set of laws should be in force to enable the existence of a rural and farming land market to allow transparent trade, legitimize property and possession rights so that use is not disputed over time.
3. The land cadastre and land registry should cover the entire country. In order to be accessible to third parties and hence enforceable to anyone (including the state), all transactions affecting real-estate property or use rights should be recorded in a public register. The signatures set on the relevant acts should be verified and authenticated by a public officer.
4. Security in legal transfer of property rights has to be assured by a clear system. The full legality of legal transactions regarding the sale of real estate must be guaranteed through the ascertaining of the identification of the parties carrying out the transactions. For this reason it must become mandatory to have the signatures of the contracting parties verified and certified by a notary public or, in those States that do not provide for this public function, by a authorized official.
5. The information recorded in land cadastre/land registry should be open for public access at a reasonable cost, however personal data protection has to be assured according to national legislation.
6. The registration or recording of property rights for buildings and lands should be comprehensive, accurate and up to date.
7. Ideally, the land registry/cadastre should be maintained digitally and be based on a uniform spatial reference to be also used for all spatial planning purposes. It should also be possible to access it electronically by authorized public actors operating in the real estate market and digital signature can be authorized.

8. The creation and registration of mortgages should be effected in a way that may be consulted electronically.
9. The public should also have electronic access to information held by the central and local government concerning public planning and environmental policies.
10. Security of tenure, of the method whereby land rights are held, has to be assured.

Principle 3 – Harmonization and efficiency

An efficient and transparent real-estate market has to be harmonized with legal and voluntary regulations, international standards, ethical rules and best practices.

Rationale:

In order to encourage economic development and contribute to social well-being, real estate markets should be efficient (i.e. respond well to the aims they are intended to serve), data and information on market trends should be accessible and based on clearly documented sources, for example those coming from Eurostat data. These requirements are essential in order to make purchases and sales safer and attract investments from abroad, as markets which are not transparent and have little data and information available are usually riskier, presenting critical problems for financiers. The riskiest real estate markets also determine higher costs in mortgages and loans. In order to be widely understood, real estate markets should be in line with international standards and best practices as far as possible, as shared operational methodologies and procedures contribute to efficient, high quality processes and professional services.

Key indicators:

1. The knowledge of market dynamics and access to information sources should be fostered (i.e. data on the number of transactions and leasing contracts signed in a given period of time, new construction permits issued, average times required for the conclusion of a selling/purchasing transaction, cost of loans etc.) so that trend analyses may be developed in an objective and reliable way and be understandable at national and international level.
2. Objective and reliable periodical monitoring of real-estate price trend (of sales and rental/leasing) should be performed.
3. Data has to be available and impartial statistics must be prepared. Analyses are necessary to provide information and awareness on the market dynamics to define appropriate economic, financial and credit policies.
4. Transparency should be assured of registrations and publicity of the data of all different real estate transactions (sales and rental/leasing).
5. The culture of good quality professional service to satisfy customer expectations should be promoted.

6. Good practices should be promoted toward the furthering of: quality of projects; quality in construction, legal and customary rules for transactions.
7. A modern construction sector should be promoted for satisfying the new demand for properties (for residential, professional and production uses) that are qualitatively evolved and technologically innovative as those concerning green Real Estate sector and energy efficiency in the building.
8. A comprehensive set of regulations should be developed and made available to regulate construction methods, according international best practices.
9. All services and skills required for the smooth operation of the real-estate sector – and for the extensive application of due diligence in the case of economic transactions – should be adequately developed. These skills include: lawyers, surveyors, brokers, valuers, asset manager, facility manager, consultants, fund administrators, managers of complex real estate services for the banking/credit sector, such as non-performing loans and securitizations, experts and other professionals.
10. The skills and characteristics of various professional figures should be well identified and the qualifications required to exercise a specific profession and any additional specializations should be defined. The culture of continuous professional development – according the following Principle 10 – should be encouraged to provide a professional performance whose quality is acceptable from a customer/consumer point of view.
11. Services should be based on high performance standards and on civil and professional liability rules. The strengthening of ethical standards and the adoption of specific codes of conduct (to be drawn up with the help of all the stakeholders) should be promoted.
12. National methodologies and terms should be integrated and harmonized with international professional standards and international best practices.
13. Voluntary, international norms that are specific of the building and real-estate sector, such as those embraced by the International Organizations for Standardization (ISO), or those developed on a regional scale such as those embraced by the European Committee for Standardization (CEN) should be fostered. National regulatory organizations should acknowledge international standards at a national level.
14. Codes of conduct and monitoring/supervision activities from all sector organizations should be encouraged, in order to measure the efficiency and quality of processes and services by the various professional categories.
15. The services should be competitive. More comprehensive information on the professional characteristics required in order to compare services rendered, costs/fees, etc. should be promoted.

Principle 4 – *Developing Real Estate Markets*

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

Rationale:

University-level studies have stressed that the real estate sector can be a driving force for development in both emerging economies and developed countries due to its close interconnection with many other sectors of the economy. There are basically three levels of market, each with different characteristics: Developed Real Estate Economy, Emerging Real Estate Economy and Non-existent (or informal) Real Estate Markets. The development of real estate markets and related jobs, real estate financing (mortgages), management and land administration, i.e. of the sector we identify as “real estate economy”, can decisively contribute to a country’s development and this sector can produce effective social and economic benefits. Globally, these factors could assist in reducing poverty levels and contribute to reduce migration flows towards countries which offer a better quality of life and employment opportunities .

Key indicators:

1. Spatial plans should be implemented as key instruments for territorial development and be based on clear and unambiguous land records and uniform spatial reference. Efficient use of resources which encourages respect for the landscape and quality of the environment and enables construction permits to be obtained quickly should be developed. Land use planning has a regulatory and development function.
2. A more effective and harmonized set of national town-planning and building laws should be developed that makes it possible to avoid local laws that are often diverse and contradictory, which are an obstacle to transparent development and administration.
3. An effective and harmonized set of national town-planning and building laws should be implemented at local level by local authority.
4. Town-planning and building laws should give special attention to social housing and to the creation of an efficient and free rental/leasing market.
5. The strengthening of the real-estate sector and an efficient administration, operation and maintenance of buildings and lands should be key elements of the national policy to promote economic development, social justice and equity and political stability.
6. The promotion of an integrated land administration system will help to:
 - Develop and monitor the correct operation of land and real-estate market;
 - Improve town planning and development of infrastructures;
 - Support a more equitable land and property taxation;
 - Guarantee ownership and security of tenure ;
 - Support environmental management;
 - Provide real credit guarantee;
 - Protect state lands and facilitate land reform;
 - Provide sustainable transactions and control of land use, as well as measures to prevent and manage land disputes.

7. Energy efficiency and investments in renewable energy sources should be promoted for both the construction of new buildings and refurbishment. This will reduce energy consumption and contribute to reduce maintenance costs which – in turn – will affect the value of property, knowing that high management costs largely reduce market opportunities.
8. In emerging economies the State should encourage – as has historically occurred in industrialized countries – the creating of widespread private ownership of agricultural land to allow the land owners to expand and make strategic long-term investments aimed at modernizing agricultural production economically viable, especially to support FAO programmes to reduce malnutrition. The direct interest of the landowner not only creates the necessary conditions for access to credit, but is also fundamental to the development of modern agricultural production, through the creating of larger and more diversified production, in keeping with the characteristics of the land, that can contribute to achieving food and agriculture production levels that can satisfy the domestic demand and increase the per capita GDP.

Principle 5 – Good governance

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.

Rationale

It is also important to consider the possible feedback effects based on an increase in financial stability of the real estate sector and attempts to make the real estate market more environmentally sustainable and more socially responsive to the need to provide adequate housing for all. It is probably necessary to develop suggestions for some short term actions to boost real estate markets, which will hopefully stimulate debate on more structural institutional reforms in the long term to help minimize the recurrence of the financial crisis and its social impacts.

Key indicators:

1. An interdepartmental political approach to issues relating to land policies and any attempts to improve or implement reforms should be supported and actively encouraged at the highest governmental level.
2. Prospective buyers/tenants of any type of real estate should have no restrictions on their choice of tenure options, including sale, lease or mortgage.
3. No price restrictions should be imposed by regulations on real estate related markets (e.g. labour, capital land, construction materials), or related real estate

- services (e.g. brokers, surveyors, valuation experts) or real estate products (e.g. rent control).
4. E-government and customer friendly proceedings should remove unnecessary and substantial delays in administrative approval of procedures for real estate development.
 5. The costs of real estate transactions in the countries where they are presently too high should be reduced, in order to promote the access to property and allow greater housing mobility to be realized for labour/study relocation.
 6. Additional legal constraints which inhibit (in part or in total) the freedom of private individuals to enter into private contracts as regards interests in land should not exist.
 7. Energy efficiency in the existing building stock and in new constructions have to be stimulated and supported by an adequate legal framework for a more environmental sustainable real estate market and the higher impact of the green real estate economy investment on GDP will be useful to the recovery from the financial crisis.
 8. All laws and procedures affecting property rights and transactions should be well documented, indexed and widely and openly available to the public at a reasonable price.
 9. Property rights should be protected and fair compensation be paid to affected asset owners in case of expropriation for public reason.
 10. Instruments like urban re-development procedures and land consolidation to be promoted.

Principle 6 – Finance

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

Rationale:

Credit policies directly influence real estate market dynamics, in the sense that real estate assets form the collateral on which mortgages and loans are allocated. Competitive mortgage rates facilitate the purchase of a house and they have a direct influence on living standards. Competitive mortgage rates with easier repayment installments are increasingly an essential need for both young couples and first-home family buyers.

The provision of competitive mortgages and loans to provide access to private ownership, or partial ownership for a growing number of citizens, would contribute to solving housing problems.

Key indicators:

1. Private investment in real estate investment should be encouraged.
2. Primary and secondary-mortgage markets should be well regulated and developed.
3. A need to promote alternative forms of funding based on microcredit first and foremost among economies in a state of transition.
4. Average returns on investments in real estate and other investments in the industrial and financial sector should be comparable.
5. Small to medium loans may be secured on real estate.
6. There should be no restrictions on regulated financial intermediaries allowed to engage in real estate financing.
7. Insurance cover against fire, standard risks and natural disasters should be available at internationally competitive rates.
8. All insurance companies operating within the jurisdiction of a specific country should be covered by an adequate regulatory regime.
9. There should be state incentives for helping young couples purchase homes, through indirect aid (i.e. tax assistance in paying loan interest) or direct aid (capital subsidies for the purchase/construction of a house).

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.

Rationale:

The financial crisis has highlighted a key factor in the relationship between real estate and the financial worlds. The lack of transparency in the assessment of the value and the risk of real estate assets, especially when it has been used to back financial products, appears to be one of the causes for the current crisis. The absence of compatible regulations in a global financial market, governing not only financial institutions and their financial products but also the property backed warranties, has contributed to the current crisis. The lack of rules affects not only financial institutions and their financial products, but also the collateral and other warranties backing these products, which are often real estate assets. In particular, the amount of liquid assets available from the banking system can reflect directly if purchasers of real property will have access to loans or not and, therefore, it influences the dynamics of the real estate market and of the economy.

Key indicators:

1. The valuation and rating of the warranty-backed financial products must have a direct and transparent connection with the value and the risk of the real estate asset under warranty and they have to be assessed by an independent valuer.
2. There should be a minimum capital reserve required to meet outstanding risk (i.e. Solvency ratio).
3. There should be adequate transparency, research, publicity and monitoring of the criteria for real estate underwriting specially when real estate assets are used to back securitizations and/or advanced financial products.
4. Loan-to-value (LTV) ratio has to be considered a basic and prudential criteria for providing financing to the private borrower.
5. A prudential loan-to-value (LTV) ratio and the Real Estate rating have to be considered basic criteria for real estate assets to be used as guarantee of advanced financial products.
6. Financial Institutions should operate a credit scoring system when assessing lending in a standard format.
7. Loan-to-value (LTV) is not the only valuable standard for providing financing to the private borrower seeking mortgage credit: he needs to have a job, a steady income (so as to be able to repay the debt regularly), and a good payment record.
9. Banks and financial institutions real estate value and risk evaluations must be conducted by independent experts and be transparent and public to the investors.

Principle 8 – Valuation standards

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.

Rationale:

In order to contribute to the creation of more efficient and developed markets, it is necessary on the one hand to improve the reliability of valuation processes for transaction purposes or for landed-property financings based on a prudential loan-to-value (LTV) ratio for land or buildings; on the other hand it is considered that developing and fostering the introduction of a real-estate rating system may reduce sector investment risk and improve lower-interest-rate loans. In addition, modern mass-appraisal systems contribute to tax equalization, by avoiding very different tax rates that are applied to assets having similar economic and technical characteristics.

Key indicators:

1. Property valuation for tax purposes should be based on transparent asset appraisal criteria according to international standards that are implemented at local/national level.

2. Property valuation for mortgage or loan-granting purposes should be based on transparent criteria, according to international valuation standards that are comprehensible and reproducible also by third-party valuers working for rating agencies for securitization purposes
3. There should be sufficient transparency in data recording for information regarding comparable sales transactions to be readily available to all valuers; also statistical data on the development of real estate markets should be determined from the data on transactions and should be published on an annual basis at least.
4. The number and amount of taxes on land and/or transactions in land should not be disproportionate to the value of transactions in land which trigger the tax charge.
5. All market operators should have easy access to all the relevant information required to engage in a transaction.
6. All laws and procedures affecting property rights and transactions should be well documented, 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.

Rationale:

Social housing may offer development opportunities for the real estate market and housing sector and it may be a stabilizing factor for economic development. An innovative social housing policy may contribute to recover and reconvert crumbling or underused buildings and to stabilize housing production with the enforcement of multi-year plans for the construction of new housing units. It can also facilitate urban development and regeneration, implement ecologically sound standards in new construction and refurbishment, stabilize migration flows and altogether contribute to an integrative society. In several western countries, aids to social housing are implemented; a great number of these countries spend 1-2% of GNP on the promotion of housing policies. It is considered that an excessive percentage of private property houses (being estimated around 80%) may be a disincentive to housing mobility for labor relocation or study reasons. Basic preconditions for all this are multi-year strategies, the establishment of institutions and an economic environment that stimulates continuity and long-term investments.

Key indicators:

1. A home is a basic requirement for everyone, which may not always be fulfilled with direct access to the real-estate market, although supported by very-long-term loan opportunities. As a result, every country should develop social housing policies that may respond to the requirements of all the population.
2. National and local administrations should – according to local housing requirements – implement long-term plans for soft-loan house leasing either by recovering the existing buildings or by constructing new ones. The implementation of social housing plans usually take 4-8 years from the first initiative to the time they take effect on the markets and buildings are actually let to the people they were constructed for.
3. Awareness should be raised on the importance of state commitment and intervention to promote social housing, also in order to respond to the demand from the poor and from different income brackets. Awareness should be also raised on the fact that the provision of social housing for those in need is an obligation of the government.
4. Rental and leasing policies are needed that on the one hand favour the free market as the presupposition for the mobility of people for reasons of work and study and on the other hand make it possible to give concrete answers – for example, through rent contributions by the State or State-supported social rents – to those who do not have a high enough income to pay even low rents.
5. The development of a policy of long-term housing strategy should be tackled. In view of the multiple options, such a challenge should be based on international best practice.
6. There should be a comprehensive set of laws in force regulating rents, condominiums, management and maintenance, subsidies and social housing. Best practises can be found in UNECE reference documents or will be elaborated in specific REM projects.
7. Public-Private Partnerships (PPP) in housing provision have shown convincing results in many European and Asian countries. Initiatives should be developed in compliance with the UNECE Guidebook on Promoting Good Governance in Public-Private Partnership (New York and Geneva, 2008).
8. Social housing (public housing, PPP housing, cooperatives, etc.) should be developed as integrative parts of a housing markets. Social housing should not target only the most vulnerable groups, because this immediately creates social exclusion and fragmentation of urban spaces. Instead, social housing should compete with private markets to dampen and stabilize price development.

Principle 10 – Professional services 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.

Rationale:

Training and qualifications at every level in the real estate sector should be considered as a strategic factor and therefore a key element for the development and implementation of adequate, economic policies and a range of professional services in line with the ever-growing expectations of the users of those services.

New know-how and technological resources that contribute to the continuous re-definition not only of the underlying basis, but also of the planning, realization and management of building projects and services all require specific attention to be paid to training. This includes not only to basic training at a high level, but also to continual development and professional refresher courses in the interest of the client/consumer who desires the quality of building products and professional services to be in line with international standards.

Key indicators:

1. Training of adequately prepared higher qualified, up-to-date professionals in the real estate sector is needed.
2. Access to the various levels of training on the job is needed and should be guaranteed and encouraged to support the transition from university and post-graduate training to the real estate professional world.
3. Professional refresher courses should be encouraged not only as a prerequisite for top quality professional services, but also as a contribution to mobility within the sector.
4. Adequate training is essential in order to achieve, and in some cases to reinforce the culture of high standard services, top quality production, efficient management and maintenance of real estate, to contribute to innovative construction processes and to the evolution of real estate products.
5. The implementation of the standardization of methodologies and language should be promoted.
6. A larger community of experts of the real estate supply chain should be involved, that can contribute to develop innovative solutions, as in greening the real estate market.
7. The planning and design of effective and reflective systems to monitor and evaluate implementation and results should be fostered.
8. The interests of the consumer should also be better promoted and protected in the real estate sector, in the awareness that the efficiency of the real estate market is pursued a clear understanding and ability to stimulate the innovation and quality of the service. The educating of the consumer is essential for an innovative and productive real estate economy.
9. Aim to enable real estate consumers/investors to become more aware of their rights, increasing their awareness and enabling them to make more informed decisions.
10. 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.

CONCLUSIONS

The “*Key Components of Real Estate Markets Framework*” should contribute to the attempts to overcome the effects of the financial crisis. It should help to accelerate the market recovery and promote future development by restoring – inter alia- confidence in a financial market backed by real estate assets with an appropriate and transparent risk assessment. Further, the real estate green sector with its high impact on GDPs should be promoted.

The document clearly advocates taking a more integrated and in a way holistic approach towards improvement and maintenance of the real estate markets. Besides the legal and institutional frameworks that need to be in place, the human resources component and the real estate market itself, including the underlying financial mechanisms and the necessary ethical component need to be considered against each nation’s individual situation. Based on such a general outset, countries should determine their requirements for establishing or developing a well-functioning real estate market.

This document serves two main objectives:

First, it wants to give a permanent contribution to policy makers to find their way to successfully include the real estate market in their local decision making process to maximize social and economical benefits.

Second, it provides the basis and a reference for REM and future REM-guided projects to come. To that end, this document will be publicly available and will be updated on a regular basis.

The term ‘best practice’ in this text generally refers to the following reference documents and if not present in this text they are intended to be indicated during future REM projects:

Working Party on Land Administration

1. Guiding Principles for Public/Private Partnerships (PPP) in Land Administration, 2005 (English) (French) (Russian)
2. Land Administration in the UNECE Region. Development Trends and Main Principles, 2005 (English) (Russian)
3. Social and Economic Benefits of Good Land Administration (Second Edition), 2005
4. ECE Guidelines on Real Estate Units and Identifiers
5. Restrictions of ownership, leasing, transfer and financing of land and real properties in Europe and North America
6. Benefits of Good Land Administration
7. Land Administration Guidelines
8. Inventory of Land Administration Systems in Europe and North America
9. Report on "Key Aspects of Land Registration and Cadastral Legislation" Part I Part II
10. Land (Real Estate) Mass Valuation Systems for Taxation Purposes in Europe

Housing modernization and management

11. Guidelines on Social Housing: Principles and Examples
12. Housing finance systems for countries in transition: principles and examples

Improvement of urban environmental performance

13. Spatial Planning - *Key Instrument for Development and Effective Governance with Special Reference to Countries in Transition*

GLOSSARY OF TERMS

The Glossary used in this document is the same that followings in “Land Administration in the UNECE Region – Development trend and main principles – UNECE, New York and Geneva, 2005”:

<http://www.unece.org/env/documents/2005/wpla/ECE-HBP-140-e.pdf>