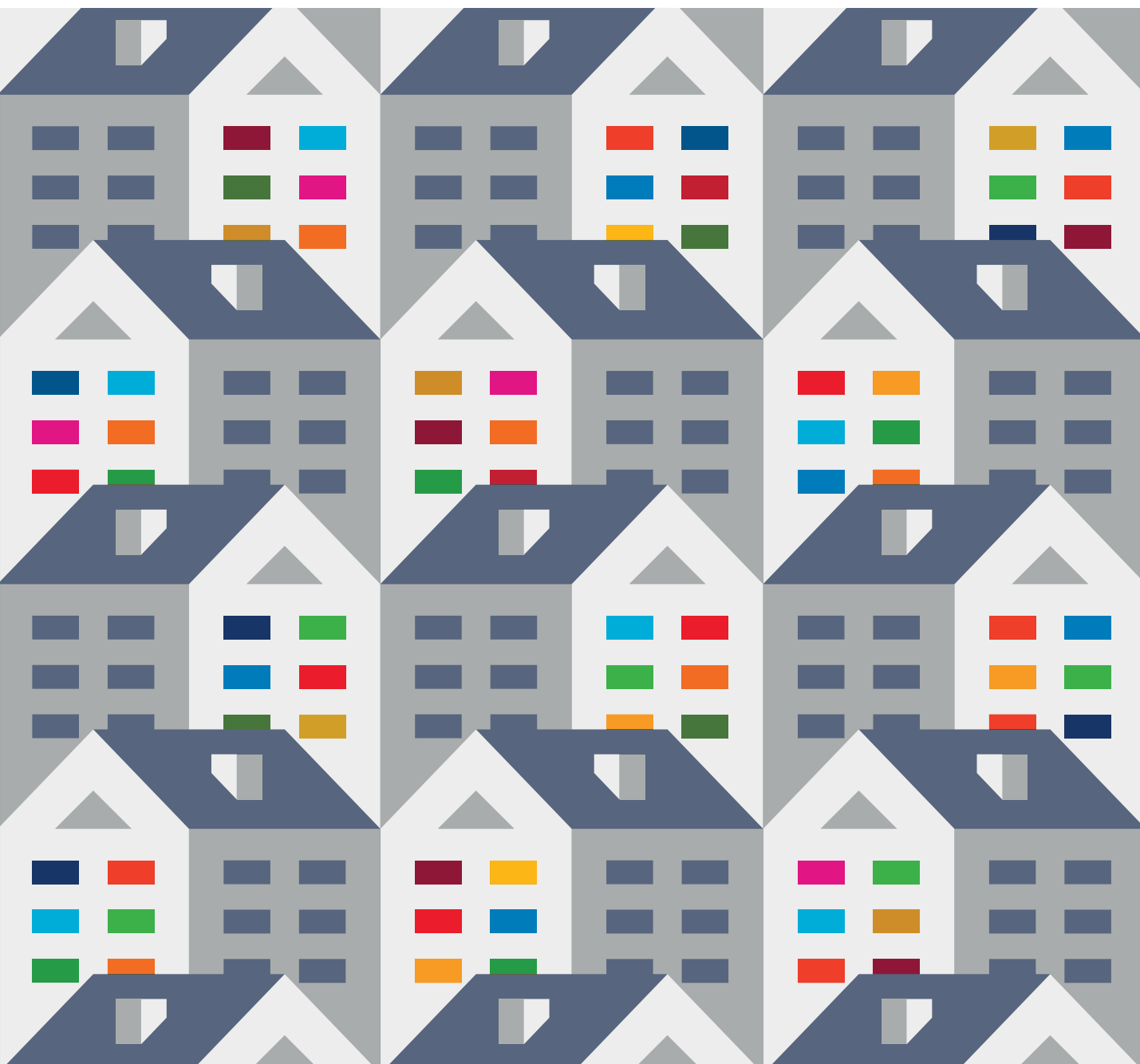


Policy Framework for Sustainable Real Estate Markets



ECE/HBP/202

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Real Estate Market Advisory Group

Policy Framework for Sustainable Real Estate Markets

A principle-based framework for the development
of a real estate sector integrating the concepts of the
UN 2030 Agenda for Sustainable Development,
the New Urban Agenda,
the Strategy for Sustainable Housing
and Land Management in the UNECE Region,
and the Geneva UN Charter on
Sustainable Housing



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PREFACE

The 2010 Policy Framework for Sustainable Real Estate Markets outlined several objectives: to promote better understanding of current critical issues facing the real estate sector so as to develop strategies and solutions that might help tackle those issues (depending on the level of development of national economies), and to devise rules and principles to promote policy recommendations and long-term solutions for sound real estate markets in different enforcement frameworks (in accordance with the level of development of national real estate markets).

The emergence of key international agreements, such as the 2030 Agenda for Sustainable Development, the Geneva UN Charter on Sustainable Housing, the New Urban Agenda, the Paris Agreement, and the Basel III Agreement, have led to the establishment of new global and regional policy frameworks for future activities on sustainable urban development at all levels. Against this background, there is a need to ensure sustainable real estate markets are following suit.

In 2016, the Committee on Housing and Land Management asked the Real Estate Market Advisory Group to update the Policy Framework for Sustainable Real Estate Markets, and at the Seventy-ninth session of the Committee, held on 4 and 5 October 2018, the latest updates were reviewed and approved.

The current version of the Policy Framework includes updates on issues such as urbanization, migration and mobility flows; technology and innovation; the growth of emerging markets and asset competition; the change in housing demand oriented towards green buildings and new designs; energy consumption and climate change; and other relevant phenomena.

Contrary to the widespread belief that finance and real estate sectors have negative impact on sustainability, this version of the Policy Framework for Sustainable Real Estate Markets suggests that they can contribute to the achievement of Sustainable Development Goals with the implementation of effective and compatible principles. In particular, the document shows that these principles can be incorporated by national, local and municipal governments and applied to various forms of real estate.

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ABBREVIATIONS AND ACRONYMS

BIS	Bank for International Settlements
BIM	Building information modelling
CEN	European Committee for Standardization
EBA	European Banking Authority
EBA ITS	Implementing Technical Standards
Eurostat	European Union statistical office
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GNP	Gross national product
IoT	Internet of Things
ISO	International Organization for Standardization
NPE	Non-performing exposure
NUA	New Urban Agenda
LTV	Loan-to-value ratio
PPP	Public-private partnerships
ROE	Return on equity
SDGs	Sustainable Development Goals
TPAC	Third-party arbitration courts
UNECE	United Nations Economic Commission for Europe
CHLM	UNECE Committee on Housing and Land Management
REM	UNECE Real Estate Market Advisory Group
WPLA	UNECE Working Party on Land Administration

GLOSSARY

- **Basel Committee on Banking Supervision (BCBS).** The primary global standard setting body for the prudential regulation of banks and forum for regular cooperation on banking supervisory matters. Its 45 members comprise central banks and bank supervisors from 28 jurisdictions. The Secretariat is located at the BIS in Basel.
- **Basel III Agreement.** The global regulatory framework for more resilient banks and banking systems adopted by the Basel Committee on Banking Supervision.
- **Blockchain.** “A blockchain is a particular type of data structure used in some distributed ledgers which stores and transmits data in packages called “blocks” that are connected to each other in a digital ‘chain’. Blockchains employ cryptographic and algorithmic methods to record and synchronize data across a network in an immutable manner.”¹
- **Climate finance.** “Climate finance” refers to local, national or transnational financing, which may be drawn from public, private and alternative sources of financing”.²
- **Collateral.** A property or other real estate asset that a borrower offers as a way for a lender to secure a loan or mortgage.
- **Geneva UN Charter on Sustainable Housing.** A legally non-binding document that aims to support member States as they seek to ensure access to decent, adequate, affordable and healthy housing for all. It was endorsed by the United Nations Economic Commission for Europe on April 16, 2015.
- **Geneva Ministerial Declaration on Sustainable Housing and Urban Development.** Declaration adopted by the Ministers and the Heads of Delegation participating in the Ministerial Segment of the seventy-eighth session of the UNECE Committee on Housing and Land Management on the occasion of the seventieth anniversary of the establishment of the Committee.
- **Green buildings.** A ‘green’ building is a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts, on our climate and natural environment. Green buildings preserve precious natural resources and improve our quality of life.³
- **Informal settlements.** (i) areas where groups of housing units have been constructed on land that the occupants have no legal claim to, or occupy illegally; (ii) unplanned settlements and areas where housing is not in compliance with current planning and building regulations (unauthorized housing).⁴
- **ISO.** An independent, non-governmental international organization with a membership of 161 national standards bodies. ISO creates documents that provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose.
- **Loan-to-value.** (LTV) is a lending risk assessment ratio that financial institutions and other lenders examine before approving a mortgage. LTV is calculated as the amount of the mortgage lien divided by the appraised value of the property, expressed as a percentage.
- **Non-performing exposures (NPE).** According to paragraph 145 of Annex V of the EBA ITS on supervisory reporting, “non-performing exposures are those that satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.”⁵
- **Non-performing loans (NPLs).** See Non-performing exposures.

¹ World Bank Group, Distributed Ledger Technology (DLT) and Blockchain - FinTech Note No. 1.

² See: www.unenvironment.org/explore-topics/climate-change/what-we-do/climate-finance.

³ See: World Green Building Council website at <http://www.worldgbc.org/what-green-building>.

⁴ See: Glossary of Environment Statistics, Studies in Methods, Series F, No. 67, United Nations, New York, 1997.

⁵ See: BCE Guidance to banks on non-performing loans, para 5.2.

- **Real Estate rating.** “The evaluation of the overall quality of the building and its potential to preserve its usefulness and value over time in order to minimize the investment risk.”⁶ It includes criteria and methodologies for an appropriate examination of the characteristics and critical factors of real estate properties. When it refers to investments it measures the property’s risk-adjusted returns. These modalities should be comparable across borders.
- **Smart buildings.** “A smart building is highly energy efficient and covers its very low energy demand to a large extent by on-site or district system-driven renewable energy sources. A smart building (i) stabilises and drives a faster decarbonisation of the energy system through energy storage and demand-side flexibility; (ii) empowers its users and occupants with control over the energy flows; (iii) recognises and reacts to users’ and occupants’ needs in terms of comfort, health, indoor air quality, safety as well as operational requirements.”⁷
- **Smart land.** Infrastructure and public services extended beyond urban territories in order to promote a better quality of life in small towns and villages compared to that of a smart sustainable city.
- **Smart sustainable city.** “An innovative city that uses information and communication technologies (ICTs) and other means to improve quality of life, efficiency of urban operation and services and competitiveness, while ensuring that it meets the needs of present and future generations with respect to economic, social, environmental, as well as cultural aspects”.⁸
- **Soft-loan.** A loan with no interest or a below-market rate of interest offered by a national government or by a multinational development bank, to a country or organization that would be unable to borrow at the market rate.
- **Super-city.** A vast urban area, often including or incorporating several smaller cities.
- **Sustainable cities.** “Sustainable cities should meet their ‘inhabitants’ development needs without imposing unsustainable demands on local or global natural resources and systems” in becoming more socially, environmentally, and fiscally sustainable.⁹ Pillars for achieving sustainability of cities are: (i) Social development, (ii) Economic development, (iii) Environmental management, (iv) Urban governance, and (v) Sustainable finance.
- **Tenure neutrality.** The situation in which the consumer is financially indifferent between owning and renting a dwelling.

⁶ See: Italian Property Valuation Standard (Codice delle Valutazioni Immobiliari) (2018), Chapter 20.

⁷ See: Buildings Performance Institute Europe (BPIE), *Smart Buildings Decoded*, (2017), p. 3, at http://bpie.eu/wp-content/uploads/2017/06/PAPER-Smart-buildings-decoded_05.pdf.

⁸ United for Smart Sustainable Cities (U4SSC) publication.

⁹ UN/DESA, Development Policy and Analysis Division. World Economic and Social Survey 2013, Towards sustainable cities, p.61. See: www.un.org/en/development/desa/policy/wess/wess_current/wess2013/Chapter3.pdf.

BACKGROUND INFORMATION

The HABITAT III Regional Report for the UNECE Region¹⁰ outlined key urban trends in the region. The processes of urban concentration, sprawl, and shrinkage brought about by market forces and events such as the Global Financial Crisis drastically affect the real estate markets and the economic development of countries in the region for a prolonged period of time.¹¹ In some parts of the UNECE region, clusters of the most successful cities are merging to form expanded urban areas or ‘super-cities’, sometimes with many millions of inhabitants. According to the Habitat III report, in an era of increasingly ageing population and migration, favouring compactness over urban sprawl is not only a managerial issue for the city; it is key means to supporting equity, integration, and cohesion in a society.

To address urban development challenges, countries have adopted key international agreements, such as the 2030 Agenda for Sustainable Development; the Geneva UN Charter on Sustainable Housing; the New Urban Agenda; the Paris Agreement,¹² the Finance for Development at the Addis Ababa Action Agenda and the Basel III Agreement by the Basel Committee on Banking Supervision (BIS). They have further established new global and regional policy frameworks for future activities on sustainable urban development at all levels.

An integrated and coordinated approach at the global, regional, national, subnational and sub-regional levels, with the participation of all relevant stakeholders, is important to support addressing the challenges of urban development.

Under the Sustainable Development Goal (SDG) 11 – “Making cities and human settlements inclusive, safe, resilient and sustainable”, the New Urban Agenda and the Geneva UN Charter on Sustainable Housing represent current high-level guidance documents pertaining to real estate assets and the built environment. While SDG 11 focuses on sustainable cities and communities, the Geneva UN Charter on Sustainable Housing highlights four principles necessary for sustainable housing: environmental protection; economic effectiveness; social inclusion and participation; and cultural adequacy.

The Basel III agreement has had an impact on the standardized approach for credit risk and therefore on the methods of granting loans. The Committee’s revisions to the standardized approach for credit risk enhance the regulatory framework by improving its risk sensitivity. For example, the Basel II standardized approach assigned a flat risk weight to all residential mortgages; in the revised standardized approach mortgage risk weights depend on the loan-to-value (LTV) ratio of the mortgage.

This Policy Framework document demonstrates how these principles can be incorporated by national, local, and municipal governments and applied to various forms of real estate.

This current publication is based on the 2010 edition of the UNECE REM Policy Framework for Sustainable Real Estate Markets. Among other things, this revision of the Policy Framework takes into account new macro-trends such as huge expansion of cities, increased migration flows, increasingly mobile populations, technology and innovation; green buildings and new designs; the growth of emerging markets and asset competition, the change in housing demand oriented towards green buildings and new designs; energy consumption and climate change issues and other relevant phenomena.

¹⁰ See: HABITAT III Regional Report on Housing and Urban Development for the UNECE Region.

¹¹ See: M. P. Malloy, Housing Market Deterioration in the Wake of the U.S. Subprime Mortgage Market Meltdown: Disturbing Metrics Point to Linkage Between Housing Policy and Financial Services Policy, 4 VITAL SPACES 8 (2011).

¹² At the Paris climate conference (COP21) in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal.

These proposed updates are based on widely accepted concepts, as follows:

- (a) Sustainable development: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”¹³ which includes sustainable finance;
- (b) Good governance: effective decision-making and policy implementation as well as smooth interaction between different sectors of society. Good governance applies to legislative authorities, public administration, judiciary, private sector, and civil society in general;¹⁴
- (c) Transparency: the possibility of having full access and knowledge of relevant information of the criteria by which data is being used, and disclosure of different aspects of decision-making processes;
- (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 to everybody.
- (f) Efficiency: the extent to which limited human and financial resources are used without waste, delay or corruption or without prejudicing future generations.¹⁵

This publication and its predecessor document were prepared by the UNECE Real Estate Market Advisory Group (REM) of experts who agreed on the need to develop an aspirational framework for promoting sound real estate markets as well as improved financing for the sector. Both could help promote stability and sustainability of the region’s economies and minimize the effects of cyclical crises due to exogenous and endogenous factors related to each country.

¹³ UN “Report of the World Commission on Environment and Development: Our Common Future”, 1987.

¹⁴ Many governments, regional, international organizations and NGOs now recognize the importance of governance for economic development, such as: the International Monetary Fund (IMF), the World Bank Institute (WBI), the Organisation for Economic Co-operation and Development (OECD), EU Institutions, etc.

¹⁵ UNECE Guidebook on Promoting Good Governance in Public-Private Partnership (PPP), 2008 (Par. 2.1.).

DOCUMENT STRUCTURE AND OBJECTIVES

The present document is structured following 12 separate Principles (see Structure of the Policy Framework), which are complementary to the original 10 Principles of the previous document. The study advocates improved harmonization of national urban planning and building laws which, in some countries in the UNECE region, are often regulated by diverse and contradictory legislation.

The main aims of this document are:

1. To promote better understanding of current critical issues of the real estate sector, in order to help develop management strategies that might assist (depending on the level of development of national economies) to identify solutions to promote sustainable urban development;
2. To define rules and principles that might promote policy recommendations and long-term solutions for sound real estate markets in different enforcement frameworks (according to the level of development of the national real estate markets) and in compliance with the respective legal systems and international standards.

Structure of the Policy Framework

Policy Framework for Sustainable Real Estate Markets | Principles

- Principle 1.** Promoting the real estate sector and the urban economy as one of the main contributors to inclusive and sustainable economic growth
 - Principle 2.** Creating a supporting regulatory system by integrating regional and international norms and standards into the national legislation
 - Principle 3.** Enhancing governance to create a healthy, transparent, professional and resilient real estate sector
 - Principle 4.** Greening the real estate sector to support the quality of life of people and healthy environment
 - Principle 5.** Integrating real estate markets into smart and sustainable urban development activities
 - Principle 6.** Enhancing the efficiency of land registers and cadastres' operations for transparent land and property management
 - Principle 7.** Enhancing people's quality of life by investing in regeneration and renewal of public and private housing including landscape, historical and cultural heritage
 - Principle 8.** Financing for lending and investment rules
 - Principle 9.** Strengthening the capacity of financial institutions to ensure the access to financial services for real estate products
 - Principle 10.** Supporting property valuation based on transparent asset appraisal criteria in line with international standards
 - Principle 11.** Promoting social housing and affordable housing for social cohesion, inequality reduction and inclusivity
 - Principle 12.** Supporting training and capacity building activities to promote the efficiency of services in the real estate sector
-

PRINCIPLE 1 | PROMOTING THE REAL ESTATE SECTOR AND URBAN ECONOMY AS ONE OF THE MAIN CONTRIBUTORS TO INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH

According to the SDG 8: “Decent Work and Economic Growth”, it is essential to promote inclusive and sustainable economic growth, full and productive employment and decent work for all.¹⁶ A well-developed real estate sector contributes to the conversion of unused or underused resources into productive capital, hence increasing employment and other economic opportunities and reducing poverty.

Rationale

Sustainable housing and urban development are key to achieving better quality of life for citizens.¹⁷ Specialized institutions¹⁸ have stressed that the real estate sector can be a driving force for development in both emerging economies and industrialized countries due to its close connection with other sectors of the economy. On the global level, it is possible to differentiate between three different real estate markets: developed, emerging and informal real estate markets. The development of the real estate sector (and related jobs), real estate financing (mortgages), real estate management and land administration can decisively contribute to a country’s development at any level and hence lead to palpable social and economic benefits. Globally, this can assist in reducing poverty levels and contribute to improved employment opportunities.

Criteria

- 1.1. **Inclusive and sustainable economic growth.** “We recognize that sustained, inclusive and sustainable economic growth, with full and productive employment and decent work for all, is a key element of sustainable urban and territorial development and that cities and human settlements should be places of equal opportunities, allowing people to live healthy, productive, prosperous and fulfilling lives.”¹⁹
- 1.2. **Urban Economy.** “We recognize that urban form, infrastructure and building design are among the greatest drivers of cost and resource efficiencies, through the benefits of economy of scale and agglomeration and by fostering energy efficiency, renewable energy, resilience, productivity, environmental protection and sustainable growth in the urban economy.”²⁰
- 1.3. **Housing policies.** “Housing is, and has been, an influential sector in national economies. Housing should be both a sustainable element in a vibrant economy as well as a sector for meeting people’s needs.”²¹ Effective and efficient housing policies can expand employment in the building sector. Housing programs should foster local economic development through life/work housing options and neighbourhood revitalization. Proper location and siting of housing programs could improve the functioning of the urban economy and labour markets.

¹⁶ See: UN Sustainable Development Goals (SDGs), Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).

¹⁷ See: Geneva Ministerial Declaration on Sustainable Housing and Urban Development, adopted on 9 November 2017 by the Ministers and the Heads of Delegation participating in the Ministerial Segment of the seventy-eighth session of the UNECE Committee on Housing and Land Management on the occasion of the seventieth anniversary of the establishment of the Committee.

¹⁸ E.g., World Bank, OECD, etc.

¹⁹ See: UN Resolution adopted by the General Assembly on 23 December 2016, 71/256. New Urban Agenda, point 43.

²⁰ See: UN Resolution adopted by the General Assembly on 23 December 2016, 71/256. New Urban Agenda, point 44.

²¹ The Geneva UN Charter on Sustainable Housing, Chapter 2, b) Economic effectiveness, vi.

- 1.4. **Sharing economy.** The sharing economy (also known as the collaborative economy²²) covers a great variety of sectors and is rapidly emerging at the international level. Internet of Things (IoT) and blockchain²³ technology can benefit shared economy applications. Effective and efficient housing policies can expand employment and services from sharing houses to car journeys, as well as the tourism sector.
- 1.5. **Job creation.** The creation of jobs linked to the technological development of cities should be encouraged, as well as the new real estate professions and services connected to urban transformation.
- 1.6. **Efficient use of resources.** Resource should be used in an efficient and environment-friendly way. In this regard, spatial plans can be a key instrument for territorial development. They should have both a regulatory and development function and be based on clear, unambiguous and guaranteed or trustable land records and uniform spatial reference.
- 1.7. **Urban plans and building regulations.** Effective and harmonized sets of urban plans and building regulations should be placed at the local level by local authorities. Urban plans should be publicly available and, when possible, a link to the plan should be made in the land registry on each land registration unit affected by the plans. In fact, harmonized and modern sets of urban plans help promote “innovative and productive cities to increase their attractiveness, with a focus on innovation, inclusiveness, improvement of youth perspectives, and job creation through entrepreneurial-friendly environments.”²⁴
- 1.8. **Efficiency in land administration as a component of economic development.** An integrated land administration system with an efficient land registry system and sustainable funding contributes to:
 - (a) Developing and monitoring the correct transactions of land and real estate markets;
 - (b) Improving urban planning and development of infrastructure;
 - (c) Supporting more equitable land and property taxation;
 - (d) Guaranteeing ownership and security of transactions;
 - (e) Supporting environmental management;
 - (f) Providing property guarantee for credit;
 - (g) Protecting publicly owned land and facilitating land reforms;
 - (h) Providing sustainable transactions and control of land use as well as measures to prevent and manage land disputes.

Covers SDGs



²² See: European Commission, A European agenda for the collaborative economy. COM/2016/0356 final.

²³ See Glossary for definition.

²⁴ See: Geneva Ministerial Declaration on Sustainable Housing and Urban Development, letter C. (a) Economic dimension.

PRINCIPLE 2 | CREATING A SUPPORTING REGULATORY SYSTEM BY INTEGRATING REGIONAL AND INTERNATIONAL NORMS AND STANDARDS INTO THE NATIONAL LEGISLATION

An integrated national legal system should be established and harmonized with the existing global and regional international norms for the real estate sector and with the goals and targets of the 2030 Agenda for Sustainable Development. Buildings Codes and technical standards²⁵ should be set for the application of regulations to promote a better quality of products and services necessary for local markets at international level. A legal framework for buildings construction and land use should be available at the national level.

Rationale

Norms and regulations, together with the systems set up by every country to control and legally protect the rights of possession and use of real estate (known as the “land registration system”) provide the necessary foundations on which to create and develop efficient and integrated markets. Without an integrated national legal system, all activities that involve management of and investment in the value of a property — and which in turn contribute to increased employment opportunities and the overall economic development of a nation — are considerably jeopardized. A supporting regulatory framework should integrate codes and standards which can support suitable and sustainable design (for both commercial and residential buildings) and increase energy efficiency and sustainable construction practices.

Criteria

- 2.1. **The 2030 Agenda for Sustainable Development.** According to the Sustainable Development Goals (SDGs): (i) “national ownership is key to achieving sustainable development, the outcome from national-level processes will be the foundation for reviews at the regional and global levels, given that the global review will be primarily based on national official data sources”;²⁶ (ii) “undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws”²⁷, and (iii) “ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.”²⁸
- 2.2. **Implementation of international best practices.** National methodologies should be integrated and harmonized with international standards and international best practices to promote economic efficiency and transparency.
- 2.3. **Building codes and standards.** Building codes should be clear and enforceable, and “promote harmonization of common practices, procedures, products specifications to allow compatibility across state borders and support building safety”²⁹ including regulatory requirements for energy efficient building codes. Building codes should also be understood by practitioners and tied to contractor licensing.

²⁵ There are several international building codes and standard which apply to the real estate sector, one of those is the ISO 15392:2008 on Sustainability in building construction (reviewed and confirmed in 2014). The norm identifies and establishes general principles for sustainability in building construction. It is based on the concept of sustainable development as it applies to the life cycle of buildings and other construction works, from their inception to the end of life.

²⁶ See: SDGs, Follow-up and review, 74. (a).

²⁷ See: SDGs, Goal 5. (Achieve gender equality and empower all women and girls), 5.a.

²⁸ See: SDGs, Goal 1 (End poverty in all its forms everywhere).

²⁹ Geneva UN Charter on Sustainable Housing - Chapter 2. (Goal, Scope and Principles), Economic effectiveness, 14, letter vi.

- 2.4. **International standards.** Voluntary, international norms that are specific to the building and real estate sector, such as those developed by the International Organization for Standardization (ISO), or implemented at a regional scale such as those developed by UNECE and the European Committee for Standardization (CEN) should be endorsed. National regulatory organizations should acknowledge international standards at the national level.
- 2.5. **The right of ownership.** The right of ownership is a real right that allows people to enjoy—fully and exclusively, within the limits provided for by the legal system—a given asset or property. A real property is generally defined by law as private or public.³⁰
- 2.6. **Harmonized set of laws.** A clear, harmonized set of laws (i.e. civil code, land law, construction code, law on spatial planning, expropriation law) should be in place or established to enable investment in, and exchange of, real estate property by legitimate owners.
- 2.7. **Efficient legal system.** An efficient legal system and a well-trained, independent judiciary with a solid experience in real estate litigation, along with land registration systems to prevent this litigation, which is fully available to the poor and vulnerable people, should be set up to adjudicate on private property rights and contractual disputes (i.e. third-party arbitration for dispute resolution procedure).
- 2.8. **Efficiency of the courts.** Court rulings related to such adjudications should be enforceable.
- 2.9. **Laws on property guarantees.** Laws on property guarantees should be aimed at speeding up credit recovery whenever loans are not repaid. The system should be based on clear, efficient and rapid legal proceedings and an 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).
- 2.10. **Removal of arbitrary legal barriers.** 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 still exist. However, the legitimate possession and productive exploitation of public real estate should be permitted, regulated and protected, including 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 after compensation payments.
- 2.11. **Harmonized set of national urban planning and building laws.** An effective and harmonized set of national urban planning and building laws, taking into account the international practice, should be developed to promote long-existing tenure including an appropriate redevelopment of the informal settlements, and to minimize differences in local legislation (when diverse and contradictory), thus contributing to more transparent development and administration.

³⁰ Sometimes a real estate property is defined by law “socially-owned”; the nature of social property is distinct from private and public property, not a variant of private or public property rather it is a *sui generis* concept of property referring for instance to native peoples in Bolivia and Canada, but also in Switzerland (Allmend), documented and discussed in the work of Nobel Prize economist Elinor Ostrom with particular reference to the regulation of the commons.

- 2.12. **Approvals, permits, inspections.** In order to establish a proper regulatory framework, approvals, permits and inspections should be fair and unbiased and carried out by qualified staff, authorized by the appropriate body. This will support transparency and governance, minimize corruption in all construction projects, require approved sustainable techniques in new building projects, granting a sustainable handling of building waste material, and monitoring of the operation of buildings and buildings phases.
- 2.13. **Promotion of norms for the creation of an efficient and equitable rental / leasing market.** Urban planning and building laws should give special attention to social housing and to the creation of an efficient and equitable rental / leasing market.
- 2.14. **Property rights and expropriation for public reasons.** Property rights should be protected, and fair compensation be paid according to international good practice to affected asset owners in the case of expropriation for public benefit. To reduce the costs of acquiring and maintaining property rights, the State should regulate the adjudication of property rights. Hence, once the acquisition according to the legal procedure, the legality of the transaction and the identity of the parties are checked by an independent authority, the right is acknowledged by the State.
- 2.15. **Implementation of a set of laws for agricultural lands.** There should be a comprehensive set of laws for agricultural lands to allow transparent trade, legitimate property and possession rights, so that land use is not a source of disputes.
- 2.16. **Ownership of agricultural land.** Widespread private ownership of agricultural land allows landowners to make strategic long-term investments, with access to credit, aimed at modernizing agricultural production that is economically viable, while preserving the characteristics of the land.

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PRINCIPLE 3 | ENHANCING GOVERNANCE TO CREATE A HEALTHY, TRANSPARENT, PROFESSIONAL AND RESILIENT REAL ESTATE SECTOR

Governments need to develop integrated policies for decision making. In order to create sound business climate and foster more stable real estate markets, these should be based on unambiguous set of rules. National rules should encourage the possibility of implementing projects which enhance transparency and governance, in particular those aimed at creating urban infrastructure and housing, whether through private, public or civil society cooperation.

Rationale

Good governance will contribute to making the real estate market more environmentally sustainable and more socially responsive to the need for adequate housing for all. It is necessary to develop policies for short-term action to boost the real estate markets, which may stimulate more structural institutional reforms in the long term. This will minimize the possibility for the recurrence of financial crises and their social impacts. Moreover, good governance and good practices contribute to defining environmental protection, economic effectiveness, social inclusion and participation, and cultural adequacy. National regulations should “encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.”³¹

Forms of cooperation between public, private and social sectors should be encouraged in order to develop and enhance the economic benefits of publicly owned assets, with clear and transparent rules.

Criteria

- 3.1. **Adoption of an inter-sectoral approach to implement good governance.** An inter-sectoral approach to housing and land policy reforms should be supported and actively encouraged at the highest governmental levels.
- 3.2. **Efficiency of procedures to promote real estate development.** E-government and customer-friendly proceedings should remove substantial unnecessary delays in the administrative approval of procedures for real estate development.
- 3.3. **Good governance and efficiency of real estate.** No arbitrary price restrictions should be imposed by regulations on real estate related 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. rents). At the same time, initiatives to support affordable housing should be encouraged, especially those inclusive of zoning models at facilitated leases.
- 3.4. **Good governance and market options.** Prospective buyers/tenants of any type of real estate should have no restrictions on their choice of tenure options, including sale, lease or mortgage. Additional legal constraints that inhibit (in part or in total) the freedom of private individuals to enter into private contracts with regards to land should be removed.

³¹ See: SDGs – Goal 17. (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development).

- 3.5. **Use of publicly-owned property.** To make the use of publicly-owned property more efficient and / or enhance underutilized public property, the cooperation with qualified professionals and / or private companies should be encouraged. National regulations should encourage the possibility of carrying out projects through PPPs³² and Joint Venture and appropriate financial mechanisms according to the type of project.
- 3.6. **Good practices.** Good practices should be promoted and adapted to the context to improve the quality of projects, construction, and legal and customary rules for transactions.
- 3.7. **Good governance and better-informed decisions.** Real estate consumers/investors should be made more aware of their rights, which will allow them to make better-informed decisions.
- 3.8. **Means of implementation and the Global Partnership.** According to the SDG 17, middle-income countries still face significant challenges to achieving sustainable development. To ensure that achievements made to date are sustained, the efforts to address ongoing challenges should be strengthened through the exchange of experiences, improved coordination, and better and focused support by the United Nations system, the international financial institutions, regional organizations and other relevant stakeholders.³³

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³² See: UNECE Guidebook on Promoting Good Governance in Public Private Partnerships.

³³ See: SDGs, Goal 17 (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development), Means of implementation and the Global Partnership, Point 65.

PRINCIPLE 4 | GREENING THE REAL ESTATE SECTOR TO SUPPORT THE QUALITY OF LIFE OF PEOPLE AND HEALTHY ENVIRONMENT

Significant benefits for both people's health and the quality of the environment can be achieved by limiting air pollution, in addition to the impact this would have on climate change mitigation. A greener real estate sector, including energy efficiency in buildings, reduces the environmental impact of buildings, which in turn increases the quality of life of people.

Rationale

The reduction in energy consumption can be boosted in the real estate sector through the use of new technologies and new materials, and renewable materials, making new and older buildings more energy efficient in order to lower energy consumption, or change management practices or consumer behavior. Less pollution related to energy consumption contributes to better climate change mitigation related to the emission of greenhouse gases. Climate change, in particular its impact on the change in sea temperature and the availability of natural resources, has a substantial impact on the real estate industry.³⁴

Criteria

- 4.1. **Green real estate sector and energy efficiency in buildings.** A modern construction sector should be promoted, to satisfy the new demand for properties (for residential, professional and production uses) that meet a high standard of quality and are technologically innovative. Efforts should be made to promote a green real estate sector and energy efficiency in buildings.
- 4.2. **Green buildings.** Green buildings aim to reduce their environmental impact, which leads not only to environmental gains, but also to increase in the quality of life of citizens. Green buildings are designed, constructed and managed in a sustainable and efficient manner and are characterized by energy efficiency, environmental friendliness, sustainability, and are constructed using recyclable building materials. They can be certified according to nationally and internationally approved certification systems.
- 4.3. **Energy efficiency, renewable energy and decarbonization in buildings and city environment.** Energy efficiency, investments in renewable energy sources and decarbonization should be promoted for both the construction of new buildings and existing buildings' refurbishment. This will reduce energy consumption and contribute to reduced maintenance costs, which can improve property value as high management costs greatly reduce market demands. Energy efficiency should be continuously monitored to measure value based on operating cost as well as construction costs (capital budget vs. operating budget).
- 4.4. **Strengthening resilience to reduce the risk and the impact of disasters.** According to the key commitments of the New Urban Agenda, the Sendai Framework for Disaster Risk, and the Paris Agreement, many countries have felt the impact of natural disasters and leaders have now committed to implement mitigation and adaptation measures to minimize these impacts. Some of these measures include: better urban planning, improved quality of infrastructure, cities designed to be more resilient and protected against natural disasters, improvement at local level of prevention and management tools for public emergencies.

³⁴ See: ULI Climate Change Implications for Real Estate Portfolio Allocation, 2016.

- 4.5. **Climate finance.** Climate finance should be encouraged as it is critical to addressing climate change, because large-scale investments are required to significantly reduce emissions, notably in sectors that emit large quantities of greenhouse gases, such as the building sector (which comprises residential, industrial and commercial buildings.)
- 4.6. **Greening of real estate markets.** A broader community of experts in the real estate supply chain should be involved. This would be in line with efforts to promote the greening of real estate markets, through developing innovative solutions for the sector.

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PRINCIPLE 5 | INTEGRATING REAL ESTATE MARKETS INTO SMART AND SUSTAINABLE URBAN DEVELOPMENT ACTIVITIES

The urban planning activities and characteristics of buildings are a determinant aspect affecting the quality of life in cities. The renewal and regeneration of the building stock can help make cities more liveable and less polluted.

Rationale

Planning activities can help focus high-level goals into specific action plans. Such exercises can also help municipalities to better understand target areas for capacity building, to plan cities with more resilient infrastructure and better services. The support provided by Information and Communication Technologies (ICT) and Internet of Things (IoT) can further increase the “connectedness” of the buildings to the city’s infrastructure, increasing the comfort of living while allowing financial and operational savings. In particular, smart urban solutions can assure a holistic approach to urban development.

Criteria

- 5.1. **Smart buildings.** Smart and green building should be used for the construction, redevelopment and refurbishment of existing buildings. In order to implement smart building³⁵ innovative technologies and platforms, such as Building Information Modeling (BIM), digital representations of physical and functional characteristics of places should be used. “The significant reduction of maintenance and management costs produces a better Return on Equity (ROE). An increase in the building efficiency reduces operating costs. A reduction of the operating costs increases the gross income and consequently the property value. Smart and green buildings are safer, more comfortable and productive for the occupants; moreover, they are more efficient and economically convenient for the owners because of lower running costs.”³⁶
- 5.2. **Renewal and regeneration of the building stock.** Smart buildings are able to deliver useful building services that make occupants more productive, safer and more comfortable (i.e. illumination, thermal comfort, air quality, physical safety, sanitation, etc.) at the lowest cost and low environmental impact over the building lifecycle. The use of ICTs and Internet of Things (IoT) in the renewal and regeneration as well as the new construction of the building stock can help achieve this result.
- 5.3. **Work force in smart cities.** The retraining of the work force linked to the infrastructural development of “smart cities”³⁷ should be encouraged, bearing in mind that the internet of things (IoT) covers many areas of development of cities that need holistic approaches: (i) smart building, (ii) smart home, (iii) smart logistic, (iv) smart cars, (v) smart asset management, (vi) smart meeting and utilities, and (vii) smart cities and environment.

³⁵ See Glossary for definition.

³⁶ Bambagioni, G. Existing European Buildings and Cities: Economic Improvement and Evaluation of the Cost-Benefit Related to Lifecycle and Performance, *Journal of Civil Engineering and Architecture* 11 (2017) 265-273.

³⁷ See Glossary for definition.

- 5.4. **Promotion of urban development in the inclusive smart land logic.** Promotion of urban development in the inclusive “smart land”³⁸ logic is important in order to ensure the same infrastructure and the same quality of life for all people in a country. Therefore, it is necessary to support “positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.”³⁹
- 5.5. **Blockchain in the real estate sector.** Blockchain⁴⁰ technology could improve the real estate industry with its capabilities to increase efficiency, lower transaction costs, and enable real-time database analysis, because it is decentralized and virtually immutable; blockchain also offers advantages in terms of better security and increased resilience. Blockchain technology brings along various opportunities and risks that should be carefully assessed.

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³⁸ See Glossary for definition.

³⁹ See: SDGs, Goal 11 (Make cities and human settlements inclusive, safe, resilient and sustainable), 11.a.

⁴⁰ See Glossary for definition.

PRINCIPLE 6 | ENHANCING EFFICIENCY OF LAND REGISTERS AND CADASTRAL OPERATIONS FOR TRANSPARENT LAND AND PROPERTY MANAGEMENT

The security of real estate transactions and land administration and management should be enhanced by identifying, recognizing and protecting property rights through the establishment of an efficient system for property title provision, registration, cataloging, classification and updating of real property data, based on up-to-date certain and reliable land registry and cadastre records. For this purpose, property transactions on a blockchain⁴¹ can also be adopted according to appropriate regulations.

Rationale

The adjudication, empowerment, registration and identification and protection of property rights rely on impartial set ups by the state institutions to identify, define and guarantee real rights. Consequently, accurate and reliable data and information should be available to all parties. This implies the need for the existence of an efficient fit-for-purpose land registry system, in order to identify, catalogue, and guarantee real rights as well as to facilitate ready access to information on titling. Third parties can always refer to it to obtain proof of the legitimacy of the title of ownership over time or, if possible, a legal procedure to adjudicate property rights that makes unnecessary a proof of the legitimacy of the title of ownership. Secure private land ownership and security of tenure are integral part of good governance and social peace and a key condition for functioning real estate markets.

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

Criteria

- 6.1. **System of identification of real estate and property rights.** An efficient, integrated system of identification, cataloguing and classification of real estate and property rights should be established using modern technologies, so that every asset is at least associated with information on their legitimate owners/title holders and preferably adjudicated to who becomes, because of that adjudication, the legitimate owner or holder of the right.
- 6.2. **Land cadastre and land registry.** The land cadastre and land registry should cover the entire country. To be accessible to third parties, and enforceable to anyone (including state authorities), all transactions affecting real estate property or use rights should be recorded in a public register. The signatures set on the relevant acts and the validity of the transfer or acquisition should be verified and authenticated by public officers.
- 6.3. **Documentation of public restrictions and costs of transactions.** All public restrictions existing on properties should be well documented in public registers. The costs of real estate transactions in countries where they are presently too high should be reduced, to improve access to property and allow for greater housing mobility for relocation purposes (e.g. labor, study).
- 6.4. **Information on properties.** The adjudication, legal empowerment, identification and protection of property rights should be ensured by an accurate and reliable land registration system as a prerequisite for the granting of real estate as guarantee, and hence as a key element for the access to mortgage

⁴¹ See also the point 5.5.

loans and financing. All laws and procedures affecting property rights and transactions should be well documented in the land register system.

- 6.5. **Security in legal transfer of property rights.** Security in legal transfer of property rights must be ensured by a clear and reliable land register system and the system of identification of real estate and property rights. The full legality of legal transactions regarding the sale of real estate must be guaranteed by clear identification of the parties carrying out the transactions and the checking of all legal requirements for the validity of the transaction, by an independent authority entitled as such authority by the State. It must become mandatory to have the signatures of the contracting parties verified and certified by a notary public or any other authorized official. The system of identification of real estate and property rights, land cadastre and land registry should be coordinated.⁴²
- 6.6. **Public consultation of the information.** The information recorded in land cadastre / land registry should be open for public access at reasonable cost, however, personal data and privacy protection must be guaranteed according to existing national legislation.
- 6.7. **Timely updating of information.** The registration or recording of property rights for buildings and land should be comprehensive, accurate and up to date putting on record the correspondent licenses to assure the compliance to urban law requirements.
- 6.8. **Accessibility of information.** The land registry/cadastre should be maintained digitally and should be based on a uniform spatial reference also used for all spatial planning purposes. All relevant public actors operating in the real estate market should also be able to access it electronically, authorized through digital signature.
- 6.9. **Mortgage information.** The creation and registration and updating of mortgages in the land registry database should be consulted electronically.
- 6.10. **Information on public planning and environmental policies.** In addition, the public should have electronic access to information held by the central and local government concerning public planning and environmental policies.
- 6.11. **Security of tenure.** Security of tenure, for each form whereby land rights are held, should be ensured.

⁴² The legal validity of the transaction should also be verified by independent authorities, in order to avoid fraud and judiciary disputes.

- 6.12. **Identification of public ownership by State or local governments.** Given the management responsibilities for preservation, ordinary and extraordinary repairs and maintenance of properties in order to maintain their economic function over time, the following categories are specified for public ownership by State or local governments:
- (a) real properties instrumental for the management and administration of government institutions;
 - (b) various categories of properties (such as buildings, lands, watercourses, roads, infrastructures, etc.) which are generally used and are of strategic value for the country; and
 - (c) real properties recognized as being of special historic, archeological or artistic interest.
- 6.13. **Taxes.** To assure the payment of land taxes, the payment itself should be proved as a prerequisite to registering the acquired property right.

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PRINCIPLE 7 | ENHANCING PEOPLE'S QUALITY OF LIFE LEVERAGING ON THE REGENERATION AND RENEWAL OF PUBLIC AND PRIVATE HOUSING INCLUDING LANDSCAPE, HISTORICAL AND CULTURAL HERITAGE

A holistic approach to the renewal of the existing buildings will promote a better quality of life for people as well as a country's socio-economic development. Housing policies should take into consideration the issues of cultural adequacy, value, and emotional well-being. Norms and regulations aimed at the cultural and heritage preservation tied to the built environment should be promoted.

Rationale

Reusing and adapting existing buildings is the environmentally, socially, and culturally responsible course of action. This includes the regeneration and renewal of public and private housing stock with cultural and heritage significance. The quality and character of heritage buildings and their surroundings add significantly to sense of place, quality of life, and the connection to the city within which they are located. Furthermore, the rehabilitation of heritage buildings has been a consistent element in the success stories of urban regeneration. While individual projects may require incentives or other forms of public support, there is a pattern of positive catalytic impact of heritage projects on surrounding properties and subsequently on the possible benefits for the local tax revenues.

Criteria

- 7.1. **Landscapes, historical heritage and cultural heritage.** National housing policies should consider *"social and territorial peculiarities and support the protection and enhancement of: landscapes, historical heritage, and cultural heritage."*⁴³
- 7.2. **Urban regeneration.** Instruments such as urban regeneration procedures and land consolidation should be promoted in the renewal of public and private housing including landscape, historical and cultural heritage.
- 7.3. **Protection and conservation of World Heritage properties.** According to the Operational Guidelines for the Implementation of the World Heritage Convention⁴⁴, "The cultural and natural heritage is among the priceless and irreplaceable assets, not only of each nation, but of humanity as a whole. The loss, through deterioration or disappearance, of any of these most prized assets constitutes an impoverishment of the heritage of all the peoples of the world. Parts of that heritage, because of their exceptional qualities, can be considered to be of "Outstanding Universal Value" and as such worthy of special protection against the dangers which increasingly threaten them." Moreover "the protection and conservation of the natural and cultural heritage are a significant contribution to sustainable development."
- 7.4. **National policy on administration and maintenance of buildings.** Legislation that strengthens the real estate sector and ensures efficient administration, operation and maintenance of buildings and lands should be a key element of the national policy.

⁴³ Geneva UN Charter on Sustainable Housing - Chapter 2. (Goal, Scope and Principles), Cultural adequacy, 16, letter i.

⁴⁴ See: UNESCO Operational Guidelines for the Implementation of the World Heritage Convention, WHC.17/01 12 July 2017.

- 7.5. **Regularity of construction.** “National policies and programmes that encourage, when possible and appropriate, dwellers of informal construction to regularize and upgrade their constructions provided that the geographic location and other factors allow minimum safety requirements to be met.”⁴⁵

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⁴⁵ Geneva UN Charter on Sustainable Housing - Chapter 2. (Goal, Scope and Principles), Economic effectiveness, 14, letter x.

PRINCIPLE 8 | ENSURING ACCESS TO SUSTAINABLE FINANCING FOR LENDING AND INVESTMENT RULES

Access to credit and mortgages as well as microfinance for low-income earners are essential elements of a healthy real estate market. An appropriate international regulatory framework for banks strengthens the regulatory, supervisory and risk management of the banking sector and creates the preconditions for long-term real estate development.

Rationale

Credit policies directly influence real estate market dynamics since the real estate assets form the collateral⁴⁶ on which mortgages and loans are allocated. Competitive and affordable mortgage rates facilitate the purchase of real estate and have a direct influence on living standards. Competitive and affordable mortgage rates with easier repayment installments are becoming increasingly essential for both young couples and first-home family buyers. Competitive and affordable mortgages and loans, to provide access to private ownership or partial ownership for a growing number of citizens, would contribute to solve housing problems in the long run.

Criteria

- 8.1. **Promotion of private investments for the real estate sector.** Private investment in the real estate sector should be encouraged to create wealth.
- 8.2. **Financial procedures affecting real property transactions.** All relevant financial procedures affecting real property transactions should be developed and well documented to reduce transaction cost and ensure legal security.
- 8.3. **Promotion of alternative forms of financing for access to housing.** Alternative forms of funding based on micro-credit should be promoted, especially in countries with economies in transition.
- 8.4. **Facilitating access to credit.** Small to medium loans may be secured on real estate to facilitate access to credit for vulnerable groups of the population, especially in countries with economies in transition. However, exorbitant and usurious interest rates should be avoided by regulatory agencies and lenders.
- 8.5. **Financial advisors.** To ensure the competence and efficiency of services, specific regulations should be adopted aimed at regulating financial intermediaries operating in real estate financing. Where such national regulations do not exist, the qualification and the deontology of the operators should be promoted through professional organizations.
- 8.6. **Efficiency of procedures.** Bankers should be given legal certainty to be able to recover loans with land and real estate as collateral, including *performing* and *non-performing* funds. Loans are secured on real estate should be registered in the Property Rights Registry.
- 8.7. **Insurance services.** Insurance coverage against fire, standard risks and natural disasters should be available at internationally competitive rates. All insurance companies operating in the jurisdiction of a specific country should be covered by an adequate regulatory regime to ensure legal security. A global reinsurance system should be promoted against disasters.
- 8.8. **Promotion of forms of public incentives for access to credit.** There should be State incentives for helping young couples and vulnerable groups to purchase homes, through indirect aid (i.e. tax benefits to reduce interest payments) or direct aid (capital subsidies for the purchase/construction of homes).

⁴⁶ See Glossary for definition.

- 8.9. **Green Financing.** Banks and local government agencies should be encouraged to explore “green financing” and to offer reduced rates in exchange for environmental sustainability in new developments and retrofits.
- 8.10. **Protection of savings and private and social investments placed in the real sector.** A clear and efficient set of laws along with a public, certain and reliable land registry should be established to contribute to fostering and protecting the investment of citizens’ savings in real estate. Savings invested in real estate contributes to the creation of real GDP value. If resources are invested in this sector (either by the State or private individuals including through public-private partnerships), this increases opportunities for housing, infrastructure and utilities. Also, leasing helps to meet the needs of those people who cannot afford buying a house, and thus contributes to greater housing mobility for labor relocation purposes.

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PRINCIPLE 9 | STRENGTHENING CAPACITY OF FINANCIAL INSTITUTIONS TO ENSURE ACCESS TO FINANCIAL SERVICES FOR REAL ESTATE PRODUCTS

According to the SDG 8⁴⁷ it is essential to strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all. Transparency and appropriate valuation of real estate assets used as collateral for advanced financial products can produce social and economic benefits. In addition, an adequate valuation of mortgage assets helps to avoid the borrower's over-indebtedness and reduces Non-Performing Exposure (NPE)⁴⁸ and reduce the probability of future financial crises.

Rationale

To encourage economic development and contribute to social well-being, real estate markets should be efficient. This means that data and information on market trends should be accessible and based on clearly documented sources (e.g. Eurostat data).

These requirements are essential to make purchases and sales safer and attract investments, as markets that are not transparent and have little data and information available are usually riskier. Riskier real estate markets also determine higher costs in mortgages and loans.

The Global Financial Crisis has highlighted a key factor in the relationship between the real estate and financial world. The lack of transparency in the assessment of the value and the risk of investments in real estate assets, especially when it has been used to back financial products, appears to be one of the causes for the international crisis. The problem can be exacerbated by the absence of relevant standards, or the non-adoption of compatible regulations at a global scale, such as the Basel III Agreement which offers a global regulatory framework for more resilient banks and banking systems.⁴⁹

The lack of harmonized legislation 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. Consequently, any discrepancy in the assessed property value and the actual market value will increase the risks attached to real estate, as potential investors may be purchasing titles of uncertain value.

⁴⁷ See: SDGs, Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), 8.10.

⁴⁸ See Glossary for definition.

⁴⁹ See: M. P. Malloy, Housing Policy and the Core Principles for Effective Banking Supervision, 6 Vital Spaces 4 (2013).

Criteria

- 9.1. **Transparent criteria for financing real estate transactions.** There should be adequate transparency, research, publicity and monitoring of the criteria for financing real estate transactions, especially when real estate assets are used to advanced financial products.
- 9.2. **Appropriate Loan-to-value (LTV) ratio⁵⁰.** LTV has to be considered a basic prudential criterion for providing financing to private and cooperative borrowers. Depending on the riskiness of each market, the most appropriate LTV should be identified.
- 9.3. **Advanced financial products.** A prudential loan-to-value (LTV) ratio and the real estate rating⁵¹ must be considered basic criteria for real estate assets to be used as guarantee of advanced financial products.⁵² Financial institutions should operate a credit scoring system when assessing lending in a standard format.
- 9.4. **Measurement of risk in financing.** LTV is not the only valuable standard for providing financing to the private borrower seeking mortgage credit: a steady income (guaranteeing regular debt repayments), and a good repayment records are also relevant. Banks and other financial institutions, real estate appraisers and risk evaluations must be conducted by independent experts and be transparent with the investors.⁵³
- 9.5. **Real estate collateral.** 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 appraiser. Local governments may regulate access to that information if functional for tax purpose.
- 9.6. **Innovating financing products for low-income families.** Access to real estate products should be encouraged for vulnerable groups, in particular by offering low income housing tax credits to increase the construction of affordable housing units as well as innovating financing products for, or support to, low-income families.
- 9.7. **Market dynamics and access to information sources.** The knowledge of market dynamics and access to information sources should be fostered (e.g., data on the number of transactions and leasing contracts signed in a given period, new construction permits issued, average times required for the conclusion of a selling/purchasing transaction, cost of loans). In this way, trend analyses may be developed in an objective and reliable way and be comparable at the national and international level.
- 9.8. **Monitoring of real estate price trends.** Objective and reliable periodical monitoring of real estate price trends (i.e. of sales and rental/leasing) should be performed. Data have to be available and impartial statistics must be prepared from independent study centers. Analyses are necessary to provide information and awareness on the market dynamics to define appropriate economic, financial and credit policies.
- 9.9. **Transparency of registrations and information on data.** Transparency of registrations and information on data of all different real estate transactions (sales and rental/leasing), categories and zones should be ensured from all administrations and institutions collecting and registering the data.
- 9.10. **Determination of the property value for a transaction.** The existence/authenticity of the real estate assessment value by an independent appraiser, when required by law for a transaction, should be checked by the independent authority registering the subsequent property right. The same should be done with the prudential loan-to-value ratio, when it is applied.

⁵⁰ See Glossary for definition.

⁵¹ See Glossary for definition.

⁵² The Basel III agreement has defined a standardized approach for credit risk reduction through a regulatory framework by improving its risk sensitivity. For example, the Basel II standardised approach assigned a flat risk weight to all residential mortgages; in the Basel III revised standardised approach, mortgage risk weights depend on the loan-to-value (LTV) ratio of the mortgage.

⁵³ According to the Basel III agreement, there should be a minimum capital reserve required to meet outstanding risk (i.e. solvency ratio).

- 9.11. **Transparent markets.** The more a market is open and transparent (and accessible to foreign buyers), the more numerous the opportunities to have a functioning real estate market, real analysis and prices corresponding to the actual selling prices.
- 9.12. **Establish more efficient secondary markets for NPE.** It is necessary that the lenders create the preconditions for the transparency of NPE portfolios in order to mitigate asymmetric information and hence establish more efficient related secondary markets for NPE.

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PRINCIPLE 10 | SUPPORTING PROPERTY VALUATION BASED ON TRANSPARENT ASSET APPRAISAL CRITERIA IN LINE WITH INTERNATIONAL STANDARDS

Property valuation criteria based on commonly shared appraisal principles and standards should be promoted and applied systematically. The appropriate determination of the market value is an essential component of market transparency for purchasing and selling activities, for the identification of accurate loan-to-value (LTV) ratio to assess mortgages, for risk management and the non-performing exposure, as well as for the application of equitable taxation.

Rationale

Valuation methods and procedures are useful for the understanding of property performance and to determine the value of both properties and the associated mortgage guarantees. In order to contribute to the creation of more efficient and developed markets, it is necessary to improve the reliability of valuation processes for transaction purposes or for landed-property financings based on prudent LTV ratios. Moreover, developing and fostering the introduction of a real estate rating systems may reduce sector investment risk and encourage loans at lower interest rates. In addition, modern mass-appraisal systems contribute to tax equalization by avoiding very different tax rates being applied to assets with similar economic and technical characteristics. Finally, modern mass-appraisal systems should be fostered.

Criteria

- 10.1. **Property valuation for tax purposes.** Property valuation for tax purposes should be based on transparent asset appraisal criteria in line with international standards implemented at the national level.⁵⁴ They should also take into account the country-specific regulatory framework.
- 10.2. **Property valuation for mortgage or loan-granting purposes.** Property valuation for mortgage or loan-granting purposes should be based on transparent criteria, in line with international valuation methodologies, that are comprehensible and reproducible also by third-party appraisers. An international applicable valuation concept and methodology of a long-term sustainable value based on the long-term characteristics of the property as well as exclusion of speculative elements and cyclical fluctuations in value should be fostered.
- 10.3. **Information regarding comparable sales transactions.** There should be sufficient transparency on the dynamics of the markets and in data recording for information regarding comparable sales transactions to be readily available to all appraisers. For the transparency and efficiency of the markets, statistical data on the development of real estate markets should be obtained from the data on transactions and should be published on at least an annual basis and each time it is detected a different conjuncture.

⁵⁴ Example : International Valuation Standards, etc.

- 10.4. **Housing taxes.** Home property and immovable property taxes should be equally related to the property tax value to avoid depressing the real estate markets and discouraging investments in the sector, in particular in the purchase of the first house. The number and amount of taxes on land and/or transactions in land should not be disproportionate to the value of transactions in land that trigger the tax charge.
- 10.5. **Promotion of functional preconditions to the knowledge of the market situation.** All market operators should have easy access to all the relevant information required to engage in a property transaction, according to the existing national legislation.

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PRINCIPLE 11 | PROMOTING SOCIAL HOUSING AND AFFORDABLE HOUSING FOR SOCIAL COHESION, INEQUALITY REDUCTION AND INCLUSION

Affordable and social housing should be considered an integral part of the real estate market, as a means to promote social cohesion and inclusion, economic growth, urban development, reduction in housing pressure, and as a policy option to address the problem of informal settlements.⁵⁵ According to the Geneva UN Charter on Sustainable Housing, housing should be both a sustainable element in a vibrant economy as well as a sector for meeting people's needs. This should be addressed through numerous activities, among others, through the increase of "investment in sustainable housing promoted through private and public investments including public-private partnerships and other financing instruments".⁵⁶

Rationale

Affordable housing and social housing can offer development opportunities for the real estate market and housing sector and can be a stabilizing factor for economic development. Promoting innovative social housing policy can contribute to recovering and reconverting functionally obsolete, poorly maintained, or underused buildings as well as stabilizing housing production by the undertaking of multi-year plans for construction of new housing units.

Affordable housing can also facilitate urban development and regeneration; contribute to ecologically sound standards in new construction and refurbishment; stabilize migration flows; and reduce social tensions. The availability of affordable social housing has enormous impact on the reduction of poverty and inequality among low-income households. In several Western countries, social housing has been implemented as part of national housing plans. Basic preconditions for successful social housing policies are multi-year strategies, the establishment of institutions and an economic environment that stimulates policy continuity and long-term investments.

Criteria

- 11.1. **Social housing policies.** Adequate housing is a basic requirement for all people; however, suitable housing is often unattainable to vulnerable or lower income segments of the population due to market prices for both rental and owned housing. Access to suitable housing in such cases may be supported directly by government directly or through very long-term loan opportunities. Every country should develop affordable and social housing policies that can respond to the needs of all segments of the population. Social housing should have a central role in economic and social policies since it can benefit to the whole society ensuring a decent home for disadvantaged families and reducing housing tensions.

⁵⁵ See Glossary for definition.

⁵⁶ See: Geneva UN Charter on Sustainable Housing, Chapter 2. (Goal, Scope and Principles), (b) Economic effectiveness, point (iv).

- 11.2. **Social inclusion and participation.** Housing policy and debate should be advanced with an enhanced emphasis on engaged and negotiated civic involvement, social inclusiveness and reduction of inequality, public health, transparency, and a concern for ethical processes.⁵⁷ This should be addressed through: (i) Instruments of state support for decent, adequate, healthy, and affordable housing, including access to basic utilities and services, which promote social cohesion and contribute to meeting the housing needs of various social groups, including marginalized and vulnerable groups and people; (ii) Increased availability of housing options, particularly affordable and social housing, through different instruments, including through promoting tenure neutrality.⁵⁸
- 11.3. **Long-term plans for soft-loan house leasing.** National and local administrations should, in line with local housing requirements, implement long-term plans for soft-loan⁵⁹ house leasing either through the recovering of the existing housing stock or through new construction. Long term planning is recommended as the implementation of social housing plans usually takes four to eight years from the first initiative at the time in which buildings can be effectively inhabited.
- 11.4. **Commitments and interventions to promote social housing.** Programmes aimed at raising awareness about the importance of social housing, including cooperative housing, among national and local stakeholders can help elevate the issue and encourage a response to the needs of poor and vulnerable groups. Awareness campaigns should also focus on the obligations of governments to provide social housing as opposed to strictly charitable endeavors.
- 11.5. **Rental and leasing policies.** Rental and leasing policies should encourage the mobility of people for work and study reasons while also making it possible to develop specific action plans for concrete answers to low-income groups (e.g. through tax breaks by the State or State-supported social rents).
- 11.6. **Set of laws regulating rents, condominiums, management and maintenance.** A comprehensive, harmonized set of laws regulating rents, condominiums, management and maintenance, subsidies and social housing should be adopted as appropriate to ensure an adequate supply of affordable housing units.
- 11.7. **Tools for the financing of social housing.** PPPs in housing have showed convincing results in many countries. For this reason initiatives should be developed also for the financing of social and affordable housing, in compliance with the UNECE *Guidebook on Promoting Good Governance in Public-Private Partnerships*.⁶⁰
- 11.8. **Social housing and real estate markets.** Social housing (through public housing, PPPs, cooperatives, etc.) should be developed as integral part of a housing market. This housing offer should be integrated with private markets to stabilize housing costs.
- 11.9. **More affordable housing:** Access to real estate products should also be encouraged for vulnerable groups, in particular, by offering low income housing tax credits to increase construction of attainable and affordable housing units; innovating financing products for low-income families; and reducing permitting and compliance fees where possible to decrease the overall cost to deliver housing projects.

⁵⁷ See: Geneva UN Charter on Sustainable Housing, Chapter 2. (Goal, Scope and Principles), (c) Social inclusion and participation, point 15.

⁵⁸ See Glossary for definition.

⁵⁹ See Glossary for definition.

⁶⁰ (New York and Geneva, 2008). Available at <https://www.unece.org/cicppp/cecipublications/ceci/2008/guidebook-on-promoting-good-governance-in-public-private-partnerships/guidebook-on-promoting-good-governance-in-public-private-partnerships.html>.

- 11.10. **Zoning regulation to promote affordable housing.** The use of the zoning regulation should be encouraged to offer density or other bonuses (which involve the reduction of construction costs) to private sector developers, in exchange for the creation of additional dedicated affordable units in residential projects (affordable housing, green houses).
- 11.11. **Social housing and land registration.** The correspondent licenses and the certificates that prove the right to access to a social house should be a prerequisite of the property rights registration. In order to avoid fraud, the access and the requirements to have a social house should be verified periodically by competent public authorities.

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PRINCIPLE 12 | SUPPORTING TRAINING AND CAPACITY BUILDING ACTIVITIES TO PROMOTE THE EFFICIENCY OF SERVICES IN THE REAL ESTATE SECTOR

An efficient and transparent real estate market has to be consistent with legal and voluntary regulations, international methodologies, ethical rules and best practices. To guarantee an efficient real estate market with high quality professional services, environmental quality and building products, professionals should have both specific university or professional education as well as on-going training, upgrading and continuous professional development requirements for experts and for all those who, in their various functions, are involved in the housing and land management supply chain. Training should also be provided for government officials working in ministries or agencies responsible for housing and building regulation by appropriate entities.

Rationale

Real estate markets should be in line with international standards and best practices to the degree possible, as shared operational methodologies and procedures contribute to efficient, high-quality processes and professional services. In order to enhance and / or use more efficiently public property, modern forms of partnerships, codified internationally, could be adopted.

Training at every level in the real estate sector should be considered a strategic factor for engendering sustainable real estate markets and, therefore, as a key element in the development and implementation of adequate economic policies. A range of professional services in line with the evolving sophistication of markets and the ever-growing expectations of consumers should be in place at the national level.

Prevailing knowledge and technological resources that contribute to the continuous redefinition of the planning, realization and management of building projects and services require specific skills. This includes not only specific university education at the managerial level, but also continuous professional development, training and courses for all actors in real estate and related professional services. These should be in line with international professional standards and best practices related to the sector.

Criteria

- 12.1. **Efficiency of services and customer satisfaction.** A culture of good-quality, professional service, satisfying customer expectations, should be promoted at the national level taking into consideration international best practices.
- 12.2. **Professional services.** All services and skills required for the professional operation of the real estate sector should be adequately developed, in particular for lawyers, notaries, surveyors, brokers, appraisers, asset manager, facility and property managers, professional condominium managers, consultants, fund administrators, managers of complex real estate services (i.e. in banking/credit sector, including non-performing loans and securitizations) and other professionals.
- 12.3. **Professional qualification.** The skills and characteristics of various professionals should be identified, and the qualifications required to exercise a specific profession and any additional specializations should be defined by appropriate authority and / or professional organizations recognized at national or international level. A culture of continuous professional development should be encouraged for professional performance.

- 12.4. **Ethical standards for professional services.** Professional standards 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 stakeholders involved) should be promoted. The local professional methodologies should be harmonized with the international accepted frames and standards and in correspondence of the local legislation. In the public sector, officials must be adequately skilled and trained in real estate management, public procurement, property development through PPPs and contracts management.
 - 12.5. **Professional organizations.** Codes of conduct and monitoring of activities from all sectoral organizations should be encouraged, to measure the efficiency and quality of processes and services by the various professional categories. The constitution of non-state professional associations representing real-estate market participants should also be encouraged in order to contribute to the development of markets and economic growth in the country.
 - 12.6. **Competitiveness in the real estate services.** Comprehensive information on the skills and professional characteristics required to compare services rendered, (e.g. costs/fees, etc.) should be promoted to make services more competitive.
 - 12.7. **Efficiency of the real estate markets.** The awareness that improved efficiency of the real estate market will generate a clear understanding of and the ability to stimulate innovation and quality in services should be cultivated.
 - 12.8. **Transparency for consumers for well-informed decisions.** 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 and consumers, but also helps ensure a more open, transparent and productive real estate economy.
 - 12.9. **Stimulate consumer knowledge.** The education of the consumer is essential for an innovative and productive real estate economy. The interests of the consumer in the real estate sector should be better promoted and protected, pursuing improved efficiency of the real estate market and stimulating innovative and qualitative services. Real estate consumers/investors should become more aware of their rights, which would increase their awareness and enable them to make more informed decisions.
 - 12.10. **University education and professional training.** Access to various levels of workplace training is needed and should be guaranteed and encouraged to support the transition from university and postgraduate training to the professional real estate industry. Training of adequately prepared, qualified professionals in the real estate sector is crucial.
 - 12.11. **Top-quality professional services.** Professional continuing education should be implemented not only as a prerequisite for top-quality professional services, but also as a driver of labor mobility within the sector.
 - 12.12. **Management and maintenance of assets.** Adequate training is essential for achieving—and in some cases for reinforcing— a culture of high standard service, top-quality production and asset, property and facility management. Successful policies will contribute to innovative construction processes and to the evolution of real estate products.
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- 12.13. **Performance evaluation.** The planning and design of effective systems to monitor and evaluate activities related to real estate, their implementation and results, should be fostered.
- 12.14. **Capacity-building programmes on housing, urban planning and land management.** Academia and the real estate industry professionals should help in identifying, developing and implementing capacity-building programmes on housing, urban planning and land management issues for all stakeholders.⁶¹
- 12.15. **Real estate supply chain.** A broader community of experts in the real estate supply chain should be involved. This would be in line with efforts to promote the greening of real estate markets, through developing innovative solutions for the sector.

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⁶¹ See: Geneva UN Charter on Sustainable Housing, Chapter 3. (Key directions of work and measures to promote sustainable housing), letter (d), point (vi).

Policy Framework for Sustainable Real Estate Markets

The UNECE Real Estate Market Advisory Group (REM) is a group of real estate experts who advise the Committee on Urban Development, Housing and Land Management on sustainable real estate markets, working to identify specific measures to strengthen a country's real estate market in a manner that would contribute to economic growth and sustainable development.

In 2010, the REM Advisory Group published the "Policy Framework for Sustainable Real Estate Markets", a tool that would help guide the member States to create sustainable real estate markets. However, the emergence of key international agreements, such as the 2030 Agenda for Sustainable Development; the Geneva UN Charter on Sustainable Housing; the New Urban Agenda; the Paris Agreement, and the Basel III Agreement, have led to the establishment of new global and regional policy frameworks for future activities on sustainable urban development at all levels.

In response to the request of the Committee to update the Policy Framework to reflect the emergence of such key agreements, the REM Advisory Group produced the current publication, which now also includes updates on the issues such as urbanization, migration and mobility flows, technology and innovation; the growth of emerging markets and asset competition, the change in housing demand oriented towards green buildings and new designs; energy consumption and climate change; and other relevant phenomena.

Moreover, this version of the Policy Framework for Sustainable Real Estate Markets maintains that, contrary to the widespread belief that finance and real estate sectors have negative impact on sustainability, they can actually contribute to the achievement of Sustainable Development Goals with the implementation of effective and compatible principles. In particular, the publication shows that these principles can be incorporated by national, local and municipal governments and applied to various forms of real estate.

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