



**Economic and Social
Council**

Distr.
GENERAL

TRADE/WP.5/1999/10
16 September 1999

ORIGINAL : ENGLISH

ECONOMIC COMMISSION FOR EUROPE

**COMMITTEE FOR TRADE, INDUSTRY AND
ENTERPRISE DEVELOPMENT**

Working Party on International Legal
and Commercial Practice

Forty-eighth session

29 November-1 December 1999

(item 5 b of the provisional agenda)

REAL ESTATE ADVISORY GROUP (REAG) REPORT 1998/1999

1. Since its establishment in 1997, the Real Estate Advisory Group (REAG) has achieved a considerable amount in terms of raising awareness of both public and private sectors with regard to the importance to the functioning of the market economics of an active market in real estate. The attention of REAG in this respect has been directed principally to emerging economies in central and eastern Europe and the Commonwealth of Independent States (CIS) countries.
2. The achievement of an active market in real estate will bring considerable social and financial benefits to individuals (through the attribution of realizable value to land assets together with the ability to raise loans on land assets) as well as economic and democratic benefits to the country (through the spread of ownership of assets to a broader base and the potential of establishing a balanced and fair tax regime in respect of transfer of interests in land). Finally, as a general result, there will be a significant increase in Foreign Direct Investment in industrial and business activities.

GE.99-32750

3. The achievement of an active market in real estate requires the establishment by government, with broad support, of:

- a comprehensive land policy and the coordinated functioning of, at minimum: adequate systems in retail banking, mortgage provision, insurance (non-marine, specifically property and life), credit-rating;
- the mechanisms related to land title and land interest transfer (e.g. mapping, land registration, title recording);
- the application of standards to the process of evaluating interest in land (e.g. valuation);
- the establishment of robust and transparent systems for recording the priority between competing interests in land; and
- effective judicial systems to implement land and mortgage rights (including, in proper circumstances, land seizure by or on behalf of a lender where a borrower defaults).

4. Bearing in mind the above, awareness during the current year has been raised by activities undertaken by the Chair of REAG and the secretariat, as follows:

- a. Continued circulation of information to all government missions and interested parties and liaison with MOLA (now the Working Party on Land Administration).
- b. Participation at conferences, in particular: the European Group of Valuers' Associations in Athens (May 1999); MIPIM in Cannes (March 1999 where REAG chaired the key note conference presentation of the four-day event and the UN/ECE Secretariat was represented on the panel); and the TERRE Initiative Conference in Prague (April 1999).
- c. Identification of the Standards of Valuation developed by the European Group of Valuers' Associations as appropriate for wide adoption throughout the region; meeting with the Chairman and Secretariat of TEGOVA in London and establishment of a programme for promoting those Standards for adoption in central and eastern Europe.

- d. General support of the TERRE Initiative, which has, in turn, considerably extended awareness of the issues, both in the public and private sectors, related to the development of viable markets in real estate.
 - e. Development of a conference in Prague in April 1999 in conjunction with the TERRE Initiative; coordination of follow-up by liaising and corresponding with all participants with the objective of establishing work groups/forums at the Central European Initiative Conference in Prague in November 1999.
 - f. Discussion and contact with other bodies involved in real estate issues (e.g. Central European Real Estate Associations Network, The Association of German Mortgage Banks, American Mortgage Bank Association).
5. The objective of REAG is substantially different from that of other WP.5 subgroups. The Build Operate Transfer (BOT), Intellectual Property Rights (IPR) and arbitration groups represent attempts to provide resolutions to discreet topic areas. REAG has a far broader strategic objective, seeking to develop an entire fundamental sector of the market economy. The establishment of a viable market in real estate requires the coordinated delivery of all the fully functioning constituent elements identified in paragraph 3 of this report. The government policy decisions required to deliver all of these constituent elements cover a very broad range of government activity. In addition, the achievement of REAG's objectives will bring a direct social and economic benefit to the individual citizen.
6. The role of REAG is to ensure that the fundamental importance of the function of individually owned and traded interests in land is recognized. To the extent that it is requested to provide specific advice and training to host countries, it will do so, subject to funding being available. The provision of advice and training is of equal importance to the guidance and developmental role of REAG. Both aims should be valued.
7. REAG advice and encouragement to prospective European Union accession countries is particularly relevant in view of the need to conform to the acquis communautaire.
8. What has become apparent over the current year is that many more international bodies (e.g. The World Bank), are beginning to recognize and understand the importance to the world economy of the establishment of a viable market in real estate with all of the constituent elements

as described in paragraph 3 above. It makes no sense for different agencies to compete in such matters. The establishment of the conditions and framework within which the public and private sectors can cooperate to produce the constituent elements required should be a matter for universal ownership and not individual gain. It is proposed that the UN/ECE, through REAG, should convene a summit meeting of the bodies now becoming aware of the fundamental importance of establishing viable markets in real estate. The chief purpose of such a summit would be to set out and agree the fundamentals of what is required, identify resources to achieve the aims and establish a central body under the authority of UN/ECE to develop such activities in relevant economies. It is proposed, on a preliminary basis, that attendees should be from the European Union, the World Bank, the European Bank for Reconstruction and Development, the German Mortgage Bankers Association, the American Insurance Institute, the American Mortgage Lenders Association, the Central European Real Estate Association Network, the Smithsonian Real Estate Institute and leading global private sector bodies interested in real estate matters in the region (e.g. title insurance companies, major industrial enterprises having substantial real estate needs). It is further proposed that this meeting should take place in the second half of 2000, for example, in the Autumn 2000 in Geneva and last for two days. A small secretariat will need to be established to draft the agenda and discussion papers for consideration and a closing conference statement setting out the guidelines under which the universal entitlement of each country to advice and assistance would be made available.
