



VITAL SPACES

THE NEWSLETTER OF THE
UNECE COMMITTEE ON
HOUSING AND LAND MANAGEMENT
AND THE WORKING PARTY ON LAND ADMINISTRATION

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AFFORDABLE HOUSING IS A PRIORITY FOR OVERCOMING THE CRISIS AND ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

A UNECE REM meeting to discuss the impact of the financial and real estate crises, held at the UN New York Headquarters, benefited from the presence of the UN Deputy Secretary General Dr. Asha-Rose Migiro.

"Beyond the seriousness of the real estate crisis and the economy, we must not overlook the effect on the social dimension of people's lives. It is now all the more imperative to strengthen the global partnership for achieving the internationally agreed development goals". This warning, from the Deputy Secretary-General Asha-Rose Migiro, was given at a seminar on the real estate and financial crisis organized by the United Nations Economic Commission for Europe (UNECE), its Real Estate Market advisory group (REM) and the International Real Estate Federation (FIABCI), held on 16 December in New York.



Dr. Asha-Rose Migiro is the Deputy Secretary General of the United Nations.

At the seminar, a panel of experts discussed the root causes, effects and impacts of the current crises on development, as well as possible solutions. Speakers stressed the need to focus on the different demands and realities, as well as alternative models and tools, not merely the financial pitfalls facing just a few countries.

Affordable housing remains a critical issue, with many countries still lagging behind in terms of providing basic housing services. There is a need to address global markets and global imbalances related to real estate, which includes a better mobilization of domestic resources. Warnings have been given concerning the use of foreign capital for housing and its unpredictability. Better, smarter and increased regulation should be part of any new real estate deal. The dangers of sub-prime mortgages were already highlighted in the 1990s; nevertheless, little was done. Bubbles were fuelled by bad policies. To avoid the same mistakes in the future, the experts concurred that stronger and more effective monitoring of the markets, combined with greater accountability, is absolutely essential.

The experts also agreed that a collaborative system to supervise enterprises – comprising private and public stakeholders, a greater role for government and improved international coordination – was needed. According to Deputy Secretary-General Migiro, "It has become apparent that the housing sector needs to take into consideration the broad spectrum of stakeholders with which it interacts – not only the institutions providing financing, but also the people who are purchasing the houses".

In closing the seminar, Paolo Garonna, Officer-in-Charge of UNECE, emphasized that the political landscape now seems ready for change and that the post-carbon economy offers opportunities for renewed housing and real estate policies as well as for enhancing transparency of the system. A well-motivated regulatory system and promoting practical cooperative arrangements in practice, such as private-public partnerships, will also promote sustainability in refurbishment and construction, and help make housing more affordable for all.

The relevant UNECE committees are well placed and already actively providing concrete policy tools to their member States. In particular, practical advice for countries on the real estate crisis will be developed by the Real Estate Market advisory group, which will organize a conference in late March in Rome to discuss a set of

MICRO-MORTGAGES FOR POOR: A CHANCE? A home for the working poor: from the financial crisis a challenge for development, by Enrico Campagnoli

From the 'ashes' of the 'toxic' financial products which have triggered the financial crisis, new, safer and socially oriented financial products backed by micro-mortgages could rise to support homes for the working poor in developing countries.

This is for instance the case of last year's initiative in Latin America of the Global Housing Foundation. This initiative which also helped to limit the impact of the crisis could be extended to Europe as well. Safe and socially oriented financial products, backed by RE properties, are one of the elements discussed within the UNECE WPLA Real Estate Market Advisory Group (REM) workshop to be held in Rome on 3-4 June 2009 at Tempio di Adriano, organized by Tecnoborsa, in cooperation with International Real Estate Federation (FIABCI) to minimize the effects of the crisis.



ENRICO CAMPAGNOLI
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The initiative that Global Housing Foundation (GHF), a non-profit organization, launched last year before the financial turmoil in partnership with UN-HABITAT and Merrill Lynch to give thousands of homes at working poor in Central America, will be discussed as an effective tool that could continue to minimize the effects of the financial crisis and to boost confidence again in the market. The GHF mechanisms will be analyzed to assess how they could be adapted to a UNECE context.

"Working with UN-Habitat, local governments and other partners, the Global Housing Foundation will attempt to source suitable construction locations in each of the target communities. The Foundation will then identify and pre-screen qualified local developers and local lending institutions in each community. Partner local banks and lending institutions will make loans to finance low-income housing (within the range of \$5,000 to \$18,000). Following an appropriate agreed seasoning period and appropriate due diligence, Merrill Lynch will purchase a majority stake in these pools of performing loans, at fair market value, and will then use its global distribution platform to syndicate that risk into the market. UN-Habitat, within its mandate on Experimental Reimbursable Seeding Operations, mobilizes grant resources to provide credit guarantees on the portfolios on a 1 to 4 ratio to kick-start the process. It is envisioned that a \$50 million guarantee loan to the Foundation will facilitate up to \$200 million of financing by Merrill Lynch. Local developers build the homes on an agreed profit basis and local banks provide the loans. The local banks qualify the home purchasers, originate the micro-mortgage and service the loan even after it is sold. Most of the local banks that originate the loans also provide the developer with the construction financing for the development. Once the originating bank pools \$1 million of loans and seasons them for one year, they are eligible to participate in the Merrill Lynch financing programme. The homes are designed to meet a minimum standard for housing in each locality and contain a bathroom, kitchen, individual rooms, clean running water, a septic system and electricity. Families currently living in slum areas will be selected on the basis of their qualifications to repay the micro-mortgage. Priority will be given to women-headed households. Those getting the

mortgages can be teachers, nurses, taxi drivers or others who until now have not had a source of long-term financing to purchase a basic house and rise out of the slums. The initiative is focused on this segment of the slum dwellers, those who live in overcrowded temporary shelters and lack security of tenure, safe drinking water and adequate sanitation." Mr. Ban Ki Moon, UN Secretary-General.



The Global Housing Foundation Europe has recently opened an office in Ireland to expand in 2009 the GHF initiative to Europe. The financial turmoil changed the face of the financial world. Merrill Lynch is now part of Bank of America, also highly affected by the crisis. Can a socially oriented financial product, backed by Real Estate properties with low RE risk (rating) and an appropriate ratio Value to Loan, gain the confidence of a stressed market, help thousands of working poor to gain access to home and to be at the same time a stabilization factor for the market? This is the challenge ahead that can only be partially addressed by GHF.

The United Nations Economic Commission for Europe, Environment Housing and Land Management Division and UN-HABITAT Warsaw Office, have made an agreement to contribute to their programme of work, with the overall objective to complement each other and to mutually benefit from synergies.

In particular ECE and HABITAT agreed to develop joint activities based on expert advice and on the implementation of policy oriented activities. During the first year the two organizations have already identified some activities which could benefit from mutual collaboration. For example UNHABITAT secretariat will participate in the launching events of the UNECE Country Profile of Georgia and Belarus. Furthermore both organizations will involve their constituencies in the participation of UNECE and UNHABITAT events such as in practical oriented workshops and capacity building activities on housing, urban planning and land administration to enhancing regional, national and local capacity to implement human settlements policies, strategies and programmes.

Finally an International Summer School is foreseen to take place in July 2009 in cooperation with Institute of Urban Development, Cracow with special focus on young professionals from Eastern and Southern Europe. UNECE is looking into the possibility to have a young professional from the secretariat to participate in the School (depending on availability of funds), and also to help disseminating/promoting the event among its member States.