

## TECHNICAL INVENTORY AND DATA PROTECTION OF REAL ESTATE OBJECTS: GREEN PAPER EXECUTIVE SUMMARY

### **Brief illustration of challenges in further international harmonisation of real estate technical standards with corresponding enhancement of regulatory and data protection transparency.**

Technical inventory of real estate objects is the complex set of parameters required to compile necessary technical characteristics and ownership details of the real estate object. Technical passport of the real estate object is a mandatory instrument which is necessary for the full implementation of the right of ownership: in sales contracts, division or exchange, reconstruction, redevelopment, etc. Certification of ownership rights must be accompanied by full description of the real estate subject to the ownership rights. Services of technical inventory are to be provided by licensed specialists which, naturally limits the number of qualified specialists in this field. At present there are 2359 licensed engineers and real estate inventory technicians, however only 1722 of them have a valid license (others have their licenses expire or revoked). Current annual value of technical inventory services market is estimated to comprise around UAH 140-200 mln.

Persistent shortcomings of the present inefficient state regulation of the real estate technical inventory sphere are:

- Absent or insufficient regulation of works in technical inventory of specific objects (such as transport infrastructure objects, pipelines, power grid lines, constructions on water, complex industrial, sports, and recreative objects).
- Difficulty in accessing materials of previous technical inventory and data on technical characteristics of real estate objects recorded in paper form.
- Obstacles in data verification on property rights before 2012.
- Information disorder in addresses and location identification of real estate objects.
- Cases of forged technical passports for real estate objects.

These unresolved regulatory issues cause a number of negative outcomes which influence the effectiveness of state real estate management (in particular, during cataloging real estate objects, their characteristics and size, for effective inventory, fiscal management, renovation planning, etc.) and functioning of business and citizens' activities (in realization of ownership rights, protection against illegal possession, receiving funds for mortgage, etc.).

For example, due to a haphazard and unregulated procedure of real estate object subdivision calculations, real estate financing process and plot valuation could encounter unexpected delays and added closing costs.

Ineffective methods for storage of technical inventory data is also contributing to the persistent problems. Although archive materials are usually stored properly allowing for an operative location of required information from previous periods, however, there are separate cases of absence, loss, damage, destruction, and/or forgery of data of real estate ownership, from 1950s until 2012. This ineffective data protection creates huge risks of illegal expropriation of real estate assets and potential huge financial losses for legitimate owners.

Regulating the issues of technical inventory is especially important now. This problem directly influences the effectiveness of privatization of state and communal property (both large one for big investors and small one for SMEs). Solving this problem will raise the effectiveness of managing engineering networks during their

transition to new administrative units (amalgamated communities) and attracting investors to the market of utilities and transport infrastructure management.

### **BRDO regulatory solutions and impact on the stakeholders**

1. Digitization of inventory cases. Ensure storage of technical inventory data in secure electronic form.
2. Creation of electronic components for technical inventory data processing in the state electronic system in construction. The data would be collected based on the results of real estate technical inventory.
3. Ensuring creation and maintenance of the State Address Registry.
4. Bringing the procedure of professional certification for separate types of services in the development of architectural objects in line with the Law of Ukraine “On Regulation of Urban Planning Activities” and the Law of Ukraine “On Architectural Activity”.
5. Standardization of requirements for defining areas of buildings and spaces.

These and other steps, suggested in the Green Paper analysis, will help in solving considerable number of regulatory obstacles and create conditions for further market development. In particular, the interest of SMEs to access the market as contractors, custodians, and users of technical inventory services will rise.

Developing effective state regulation of technical regulation of real estate objects will also greatly impact, albeit indirectly the whole system of protection of ownership rights in Ukraine, facilitate the reduction of illegal expropriation while at the same time contribute to the creation of a more effective environment for the market of low-risk loans and investments in business and infrastructure projects in Ukraine.

### **How the BRDO proposed solutions positively affect harmonization of Ukraine’s regulatory environment in a given sphere with best international (EU) practices**

Although regulation of technical inventory of real estate objects is not included in the commitments of Ukraine in harmonizing of the national legislation with the EU requirements, nevertheless in order to develop a modern transparent and investor-friendly real estate market in it indispensable to fully modernize and further enhance real estate support service provision mechanisms. Additionally, professional certification of service providers in real estate technical inventory should be fully coordinated with principles and practices of the EU and ISO.

Indeed, there are different practices governing real estate technical data and often. results of measurements by local rules differ on international markets or even on one market in different territorial units. Nevertheless, the inclination towards unification of measuring standards is observed in the EU and internationally. Thus, Technical recommendations to the Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community (INSPIRE), set in the end of 2013, are based on the Code of the Council of European Geodetic Surveyors (CLGE) regarding measuring flooring area of buildings. In 2004, CLGE has officially transferred the rights to this Code to IPMSC. After that, the Code has become the basis for creating a single international property measuring standard (IPMS).

Given the interest of Ukraine in attracting international investments and creating favorable conditions for business, it would be useful for the construction sector to take into consideration international tendencies in developing technical inventory. This will simplify information exchange in loan and investment operations and help in planning international cooperation projects more effectively, in particular, in planning and development of international transport corridors.