

Transparency in the real estate market - A global comparative study

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SUMMARY

This is a collaborative research of the University of the West of England, Bristol, UK (UWE Bristol), the International Federation of Surveyors (FIG), the Royal Institution of Chartered Surveyors (RICS), the International Valuation Standards Council (IVSC) and The European Group of Valuers' Associations (TEGOVA).

As a first step - before the research results are available - this article examines and presents our basic understanding of the term 'transparency in the property market'. At this stage, the authors are encouraged by the extensive number of publications on this topic that show a reasonably uniform consensus. However, it is also worth noting that the term is viewed and interpreted differently, even in specialist circles. One gets the impression that the term 'transparency' is strongly interpreted from the personal and professional perspective of the user. The authors would like to develop a generally valid and recognised interpretation in the property sector(s). The study is intended to lay these foundations.

The research uses a global comparative study to examine the level of transparency in real estate markets and identifies key differences between national markets due to the regulatory, economic, political, social, and cultural environment in which sellers and buyers operate. The determination of market transparency focuses on informational market efficiency and information asymmetry. The research is concerned with the perception, definition, and measurement of transparency in real estate markets and exploring any transparency deficits.

To obtain comparable evidence, data was collected using an international online survey and utilising the 'purposive sampling' technique among relevant FIG members. These include professionals working in the field of land administration and management and in property surveying across the private and public sectors as well as in the higher education sector. Additionally, members of RICS, IVSC, CASLE and TEGOVA have been specifically approached for their input.

Understanding market transparency, beyond the current measures available for selected countries and selected property sectors only, should help improve policies aimed at improving market efficiency. From a global perspective, the results of this research aim to inform policymakers to support the more vulnerable members of society who are often deprived of their real estate rights due to market opacity.

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1. INTRODUCTION

When the term '*transparency*' is mentioned, it is usually met with a high degree of approval. However, when it comes to more detailed questions on what we really mean by 'transparency', things can become silent in the political, scientific, business and administrative spheres. It can be assumed that the reason for this silence is often the discomfort felt by some parties on the disclosure of data. Lack of transparency means that one market participant has more information than another - in other words, there is an asymmetry of information. Markets tend to value the availability of information only if it provides a competitive advantage.

In environments where leaders or institutions focus on the willingness and ability of all those involved to make decisions, transparency of action is important. The quality of the decision depends on the quality of the underlying information. Is this information comprehensive and incomplete? Does it correspond to the actual circumstances or is it distorted? Is the information comparable with other information or are the same facts interpreted differently during the survey?

Decisions, whether of broad public policy significance or those of individual private persons, are generally based on available, presumed or imagined information or facts. For this reason, the open availability of information that is as undistorted, comprehensive, discoverable and transparent as possible is of particular importance.

This particularly applies to the property market, as this is a risk based market with high returns and long-term investments. Property markets are important and their efficiency is often a key driver of national and regional economic and social success. Not only in terms of pure yield (profit), but also in terms of the quality of work/life, or even the provision of agricultural products to feed the population.

Taking into account all these modern requirements and the technical possibilities of handling large amounts of data, the issue of transparency in the property market needs to be reconsidered. But what exactly are the advantages of a transparent property market? How is transparency defined and perceived, and where is the resistance to transparent markets?

This study focuses on transparency in real estate markets. Through a global comparative study, we aim to examine the level of transparency in real estate markets and identify the differences

between national markets due to the regulatory, economic, political, social and cultural environment in which buyers/sellers/investors operate. More specifically, the determination of market transparency focuses on the information efficiency of the market function.

For residential and rural real estate, market transparency has a direct impact on social wellbeing. However, it is also important to consider transparency in other related sectors, as transparency is likely to vary between sectors and asset classes. The reason is that property markets are highly interconnected. The success of shopping centres and business districts are directly related to infrastructure connectivity (roads, public transport etc), residential housing, place making (schools, parks, sports areas etc) and do not exist in isolation.

The transparency of the property market is primarily about access to relevant information (e.g. sales price, buyer/seller, owner, property and location information); it also depends on who can obtain this information. A classification or even a ranking of how transparent a property market is in a country or state is only possible if national political and cultural differences are also taken into account.

It is therefore important to understand the differences in the perception of transparency and its significance in different countries. Based on this, approaches can be found that allow countries to be categorised and compared.

Understanding the level of transparency and the particular differences and gaps should help to improve measures to improve market efficiency and enable their evaluation. From a global perspective, the results of our research should inform policy makers and market participants and in particular help the more vulnerable members of society who are often more restricted in their economic opportunities than necessary due to the opacity of markets.

The main research questions are therefore:

- What is the state of market transparency in different countries, especially depending on cultural and social circumstances?
- What are the main differences in the perception of the importance of market transparency in the countries studied?
- What are the main transparency deficits?
- How are the main transparency gaps addressed?
- What needs to be improved to close (or at least reduce) transparency gaps?

To answer these questions, a global online survey is conducted with the aim to explore the nature of market transparency in each country, then compare it against meaningful economic, political and cultural parameters. This should reveal insights into significant transparency gaps and increase our understanding on how these are managed in each country and what could be improved to close these gaps.

This is a joint study by the University of the West of England, Bristol, UK (UWE Bristol), the International Federation of Surveyors (FIG), the Royal Institution of Chartered Surveyors (RICS), the International Valuation Standards Council (IVSC) and The European Group of Valuers' Associations (TEGOVA).

It is anticipated that the results of this study will be used for the preparation of reports, policy briefings, conference papers and peer-reviewed academic papers, as well as for conference and other presentations at professional and academic events.

The remainder of this study is organised as follows: Section 2 provides a literature review on property market transparency; Section 3 provides details of our methodology; Section 4 describes and discusses the data collected; and finally, Section 5 provides conclusions and recommendations for policy makers and practitioners.

2. LITERATURE REVIEW

2.1. Defining transparency

The importance and benefits of transparency are generally not in question. Transparency in property markets is an important prerequisite for overcoming numerous social, economic and political challenges. It should be possible to review an equitable funding framework, e.g. for the creation of affordable housing, based on data and in various relevant spatial contexts to determine whether the desired effect has actually materialised and where there may be a need for readjustments. In many countries around the world, however, the needs and requirements for transparency are much more basic and include issues such as anti-corruption, money laundering and tax avoidance (OECD, 2023). Transparency is therefore an important basis for assessing the economic, political and social impact of policy decisions.

As a construct that can seem rather abstract as it is not directly observable and therefore not directly measurable from a scientific point of view, 'transparency' has an indispensable need for a definition. This should be as precise as possible and should at least include a description of the reference issue and the context, as well as sufficient information on the operationalisation of the parameters (the measured variables). The interpretation of the metrics is also important: Are there only transparent and non-transparent markets? Where are the boundaries? and Are the transitions defined from one to the other or more blurred?

The narrower the context under consideration, the more precise the definition is likely to be, so that a transparent residential property market in Germany can probably be operationalised more precisely than a global property market that includes all residential and commercial property as well as land markets. It should also always be borne in mind that the choice of parameters and standards used represents an '*a priori*' selection that cannot be completely neutral and objective. However, since the focus is on global comparison, a definition here can only be an approximation and cannot be universally validated. Of particular interest to this study are differences and similarities in transparency as well as perceptual aspects.

An initially provisional and general definition of market transparency centres on the **degree of accessibility, visibility and quality of information** on a market. It refers to how easily market participants have **access to information** about prices, products, market participants and market data. A transparent market is characterised by a free flow of information that enables market participants to **make informed decisions** and **promote fair competition**. The strategies for pricing assets and transactions should be clearly understood.

According to Newell (2016), transparent markets are also characterised by the integrity and high quality of data, clear regulation, a regulated and open transaction process, strong governance of listed items and a culture or willingness to disclose information. Transparent markets more often have strong governance and robust legal/regulatory frameworks, and higher overall standards of professional behaviour and market practices.

The governance aspect is also emphasised by Grover and Grover (2012), for whom land governance plays a key role in the quality of valuation. In their view, market transparency requires freedom of information and association and can be measured by indicators that assess the quality of both institutions and corporate governance, and the absence of corruption.

2.2. Transparency and institutions

The role that the property rights, in their different forms, have in the early development of capitalism is widely discussed between the classical political economists (Adam Smith, David Ricardo and Karl Marx) and other, more recent authors, such as Barrington Moore Jr. and Karl Polanyi.

One contribution of Karl Polanyi can be used to bridge both referred discussions. In *The Great Transformation*, Polanyi (1944/2001) defines land (together with money and labour) as a fictitious commodity – things that were embedded in socially embedded relationships and were not usually subject to be bought and sold or were not commodified, before the emergence of capitalism (Polanyi, 1944/2001). This leads to the creation and regulation of markets for those fictitious commodities by the State since they cannot be self-regulated. In the author's own words:

“The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious” (Polanyi, 1944/2001, p. 75-76).

In this sense, this argument strengthens and justifies the necessity for the State and its institutions to regulate land rights and ownership as a necessary condition for capitalist development. This regulation is used to make individual property rights clear and transparent and to minimise conflicts around the rights of its ownership and simplify its trade.

The role of institutions making the property rights clear, and so transparent, is widely discussed, especially after Douglass North. On the specific issue of property rights, North clearly made the relation between clear rules, property rights and economic development. In his own words:

“The prosperity of the towns, whether based on the wool cloth trade or metals trade, early on made for an urban centered, market oriented area unique at a time of overwhelmingly rural societies. [...] The rulers were supported by new centers of industry that sprang up in response to the favorable incentives embodied in the rules and property rights. [...] And it was in the Netherlands and Amsterdam specifically that modern economic growth had its genesis.” (North, 2005, p. 133-134)

From this proposition, North shows that well-defined property rights are the basis of economic development. So, the way North defined it is that institutions create the rules of the game in a society or, more formally, that they are human conceived restrictions that shape human behaviour (North, 1990, p. 3). And after that, to make it more clear, Angeles (2011, p. 25) states that:

“Institutions have their place in explanations of growth and development but their form should be made explicit for each time and place and we should not expect the same institutional explanation to fit all cases”.

The argument that will be underlined in this study is based on this premise: institutional frameworks, especially land rights, are essential to the transparency of land markets, but are not sufficient on their own, since culture, innovation, and other factors play decisive roles in their development.

In his most important articles North (1981, 1990, 2005) proposed the other main definition that can be used in analysing the transparency of the land markets is the extent of transaction costs. Transaction cost is the cost that one incurs when doing any kind of trade, excluding the production cost. Transaction cost is mostly associated with the absence or lack of good information. The absence of clear rules and/or institutions is likely to increase the cost of acquiring an asset. For land transparency this concept can be used quite directly: **the less the transparency of a market the bigger the transaction cost that can occur** (Pagano and Röell, 1996). The buyer needs to make numerous inquiries to find a suitable property and then check several different records to ensure basic ‘*due diligence*’ processes such as clarity on a property’s physical details, if the seller is the legal owner and no other restrictions apply to the property. As only a small fraction of properties are on the market at any point in time, buyers incur high costs when searching for a suitable asset and given the complexities of specific market sectors and geographical constraints are forced to rely on costly agents, who may hold insider information (Milgrom and Stokey, 1982). However, can the buyers rely on the sales agents? How can the agents representing the sellers also act in the best interest of the buyer? This may leave many buyers in a potentially disadvantaged position. Garmaise and Moskowitz (2004), who proved that information considerations in the real estate markets are significant, found that participants resolve that by avoiding transactions with informed professional brokers.

As properties are non-homogeneous goods, their quality varies and are normally not subject to public knowledge. As the seller may hold maximum information about the asset, buyers when

seeking to reduce this information asymmetry, need to conduct their own due diligence not only is this costly but also time consuming. However, even having done thorough due diligence, they can never be 100% sure of the quality of the asset. A property can rarely be tried on like a new jacket nor taken for a test ride like a car. While in particular situations there are ways to reduce these costs via '*vendor due diligence*', these transaction costs cannot be reduced to zero (Wiejak-Roy, 2023). Some researchers argue that the information asymmetry between the sellers and buyers leads to market failure (Kurlat and Stroebel, 2015). However, others optimistically (Gordon and Winkler, 2019) expect a reduction in the cost of accessing information which is associated with the internet revolution. This is seconded by research on the use of e.g. photos to signal asset quality and to reduce the information asymmetry gap (Bian *et al.*, 2021). However, most of this research relates to the residential market and the role of brokers in improving market transparency has not been proved yet (Broxterman and Zhou, 2003). Finally, even if the buyer is confident that they know what they are buying and have negotiated a price, by proceeding with the transaction, they still will have to incur legal fees and pay taxes. As a result, excessive transaction costs discourage transactions, which affects market liquidity.

The relationship between secure property rights, good land governance and efficient land use has been pointed out very clearly by Feder and Feeny (1991). They focus on how land and property rights are defined and institutionalised in different societies throughout history, and how the nature of those rights and the way they are enforced have significant consequences for resource allocation and economic efficiency. Therefore, securing property rights and encouraging transparency over land generates efficient use of the resource, diminishes uncertainty and land market transaction costs, while increasing the use of land as collateral for credit.

Another perspective can be found in the work of Hernando de Soto (2000), who underlines the disadvantages of land informality and the advantages of clear property rights over land. The author uses the concept of dead capital to illustrate the '*unseen*' value of land and how this value can be '*unlocked*' through guaranteeing clear and transparent property rights over land (and, therefore, '*unlocking*' it to be traded on land markets or to be used as collateral for credit).

2.3. Perspectives on transparency

The **economic perspective** generally focuses on investment activities or their framework conditions. A general hypothesis is that the more transparent a market is, the lower the risk of an investment. This leads to the conclusion that a further knock on effect may be a higher value for the respective owner. In an economic context, transparency means providing comprehensive and reliable information so that the market (or the market participant) has sufficient knowledge to operate efficiently and make informed decisions. The aims are therefore generally to promote business and trade, enhance the confidence and attractiveness of the market and promote the willingness to invest, but also to increase social prosperity among the population. The **social perspective** is not contradictory but focuses in particular on the aspect of fairness and equal conditions of participation in market processes. The objectives of transparent property market mechanisms from a socio-political perspective are such that attributes such as socio-economic status or ethnic or religious background should not play a role in access to information or the enforcement of rights.

As already described, the fact that there is no universal, generally agreed and recognised definition of the construct makes it difficult to measure *transparency*. Indeed, the attitudes to information transparency can be '*cultural*'. For example, Scandinavian nations can operate an open access real estate model whilst the UK has struggled to come to terms with transparency and is only now via the *Register of Overseas Entities* tackling issues of opacity that enable potentially illegal activities (Companies House, 2022). As a result, there are various sets of indicators, each of which incorporates a different selection of measurement parameters depending on the intended objective. It is therefore necessary to distinguish between different thematic priorities or content orientations, which are intended to depict transparency in different contexts or for different purposes.

The specific purposes and objectives of measuring real estate market transparency are diverse and include investor analysis and decision-making, market assessment for banks and lenders, policy-making, and the improvement of market practices and regulatory frameworks. Other objectives may include improving the governance of listed vehicles, increasing the efficiency of transaction processes, and creating confidence and stability in the market. In addition, measuring transparency over time can reveal trends and developments that affect investment attractiveness, market behaviour and structure (Newell, 2016).

2.4. Liquidity and transparency

Another way to look at transparency of property rights is in its relation to its liquidity. The liquidity of land and property assets is directly related to the ease of selling or buying land or properties without incurring losses and is not only derived from the institutional setting and the transparency in the market. When the ownership rights over a specific real estate asset are clear and are trusted, its liquidity when compared to another real estate asset with less trust and/or transparency, is higher.

Reydon (1992, 1994) attempted to fill this gap by using the Post-Keynesian theoretical system of reference on the formation of asset prices in order to interpret the formation of land prices. Thus land, as it generates productive incomes and possesses liquidity, becomes an asset of sufficient quality for speculation. This occurs because, in this type of economy, the price of land is determined by three expectational characteristics: (1) the quasi-incomes resulting from its productive use, (2) liquidity, a product of its speculative use while a liquid asset, and (3) cost of maintenance arising from it remaining in the portfolio of the economic agents, all of which are capitalised via a subjective rate of interest.

It is these income streams, resulting from the ownership of land that agents evaluate and compare to those of other assets when deciding on the acquisition of a piece of for example agricultural land. The attributes of these real estate assets (i.e., of being, at the same time, a capital asset that produces other products and a speculative asset) make them a viable asset to have in a portfolio. This leads to there being a demand for land from the most diverse ownership groups, from farmers to industry and banks. The more transparent the market, the higher the liquidity.

2.5. Data availability and quality

A fundamental problem in assessing transparency is that many valuation models and standards make implicit assumptions about the quality of governance, which are, however, subject to the preconditions of democratic markets. The result, i.e. the evaluated market price of models, must therefore be questioned if the market processes in some markets/countries are subject to guarantee (and thus not further operationalized) qualities and in others are not. Examples of these market processes that operate with '*low standards*' are unlawful confiscation of land, inappropriate or non-existent land registries, transactions subject to corruption, arbitrary court rulings or tax assessments, and limited access to market information (Grover and Grover, 2012).

Some of the global transparency indices discussed below (see section on indicators) include some of these critical market processes in their analyses. For example, the World Bank assesses the categories '*paying taxes*' or '*registering property*' and, for the first time in 2020, a data set on contracting with the government that should have been included in the subsequently discontinued report (World Bank, 2020). In addition to real estate taxes and real estate registration, the JLL/LaSalle index also evaluates beneficial ownership and anti-money laundering regulations (JLL, 2022).

2.6. Market maturity and transparency

Late 1990s research (Adair *et al.*, 1998; D'Arcy and Keogh, 1998, Keogh and D'Arcy, 1999) proved that a key issue in the development of real estate markets is access to timely and accurate data that can be easily interpreted, suggesting that data transparency is one of the key criteria that characterise mature markets. In the European context, this was proven for that time still maturing Central Eastern European countries, which by mid 2000s still lacked performance benchmarks especially in the investment market (Adair *et al.*, 2006). However, even in mature economies transparency was not as good as one would expect. Schulte *et al.* (2005) observed strong differences in real estate market transparency between the UK, the US and Germany, with Germany, despite major improvements being behind the UK and the US.

More recently, Ionaşcu *et al.* (2019) compared real estate key indicators in industrialised and developing countries. The survey results point to the most competitive and robust countries having the most transparent and mature real estate markets. In developed countries, transparency is driven by technology, innovation, quality of infrastructure and extensive business networks. In emerging and developing countries, the transparency of real estate markets is primarily subject to the quality of governance and the absence of corruption as key prerequisites.

2.7. Transparency across countries and cultures

The importance of transparency in the real estate market and how it is perceived by the population depends on various factors. These depend to a large extent on cultural circumstances and historical circumstances. The handling and use of information in general can vary greatly. This also applies to the property market. Some people have experience of buying or selling property or have this experience within their family circle. Others may have little experience of the market. People or institutions with a lot of experience may perceive greater transparency,

they understand better how the market works, where important information can be found and how it should be interpreted. The ability to correctly interpret information about the property market always depends heavily on a certain level of education. In this context, it is also important to question heuristics (rules of thumb) and to be able to form a different opinion.

Opponents of transparency often argue that this creates class envy and resentment towards supposedly better-off people or institutions (by exposing inequality) or even increases the risk of potential voyeurism.

Irrespective of this, however, there is no question that the availability of information about what is happening in the local and national property markets is a positive factor both economically and socially. The fact that the degree of transparency depends on cultural and historical circumstances must be taken into account when assessing and categorising the degree of transparency.

The “*lack of transparency reduces international real estate allocations*” (Lieser and Groh, 2014, p. 626). While in some countries access to transaction evidence and other data is more restricted for political reasons, in many this is linked to differences in cultures. French (2020) observed that there is a positive link between the accessibility of data including their reliability and the country’s culture of sharing information. More broadly more recently Li (2022) proved that secrecy or restraining access to information is linked to Hofstede’s ‘*individualism*’ (Hofstede *et al.*, 2010) and thus varies across countries (Li, 2022). Hence, transparency across countries must be considered in both the political and cultural context.

2.8. Hierarchy of evidence

Valuation requires reliable information. In response to real estate's weak informational efficiency, several institutions provide instructions on the reliability of various types of data and the ability to use it for valuation for different purposes (IVSC, 2024; RICS, 2019; TEGOVA (French, 2020); IFRS, 2011). This allows both the valuation practitioners and their clients to operate under established criteria which at least gives guidance to ensure some level of consistency in making value estimates. This is especially important in the case of low-activity markets or during quiet periods like what was faced in Europe in 2008 during the global banking crisis or more recently at the beginning of the COVID-19 pandemic. In response to that, professional organisations also provide advice on dealing with ‘*material uncertainty*’ (RICS, 2022, VPS 3), which imposes disclosures around the sources of limited information, its reliability, and how it is used.

Given the varying level of market transparency, various approaches are taken by professional organisations. In terms of the quality of data and the extent to which they can be relied upon, RICS (2019) refers to ‘*hierarchy of evidence*’ which provides three categories A (direct comparables), B (general market data) and C (other sources). Similarly, the new IVSC (2024) refers to ‘*hierarchy of comparable evidence*’ including direct comparable evidence, indirect comparable evidence, general market data and other sources, which is a significant change since the previous IVS edition (IVSC, 2022). With that one can draw parallels to IFRS 13 - Fair Value Measurement (IFRS, 2011), where three levels of inputs can be used for fair value estimation. However, a slightly different approach is taken in the TEGOVA commissioned

report on comparable evidence (French, 2020). With the focus on veracity and reliability and following on Liberti and Petersen (2019), the data is categorised as *'hard'* information (comparable sale of a similar property) and *'soft'* information (non-verifiable reports and commentaries of third parties). The report concludes that:

“there is a correlation between the ranking of data sources and the transparency of the market in question. This means that information that one country may consider should not be used as a significant signpost for value is, in another country, considered to be the principal signpost” (French, 2020, p. 3)

As discussed by Garmaise and Moskowitz (2004), Granja *et al.* (2017) and by French (2020), the access to data may have a significant impact on purchasers' behaviours, especially when it comes to non-local transactions.

2.9. Dynamics of real estate transparency

The recording of transparency in the property market means that its development progress over time should also be the subject of research. A key driver for such comparisons and analyses is the expanding investment capital for real estate, which is increasingly being allocated within a global search radius. At least until the recent slump in transactions in the coronavirus year 2020 and since 2022 as a result of the crisis-induced economic upheavals, particularly due to the consequences of the war in Ukraine, the global transaction volume has been steadily increasing (JLL, 2023). In 2021, JLL recorded a total global transaction volume of USD 757 billion, an all-time high (JLL, 2021).

The question of whether property markets are becoming more transparent in a regional and global context was examined by Newell (2015) for the period 2004 to 2014 using data from the JLL Real Estate Transparency Index, the Transparency International Corruption Perception Index and the World Economic Forum Global Competitiveness Index (Newell, 2015). The authors conclude that global real estate markets have improved significantly in terms of transparency, particularly in the years from 2012 to 2014 (72% of the 96 markets analysed improved). For the longer period from 2004 to 2014, real estate transparency statistically improved by 16%. However, only the 49 countries that were benchmarked in 2004 could be included for methodological reasons (23 in Europe, 14 in Asia-Pacific, 8 in the Americas, 3 in the Middle East/North Africa and one market in Sub-Saharan Africa). At the global level, markets in Asia-Pacific have made the most progress over the 10-year period, followed by Europe. Many emerging markets were among the *'top ten improvers'* in real estate market transparency between 2004 and 2014, with Romania, Turkey and Indonesia taking the top spots (Newell, 2015).

The correlation between property transparency and corruption (102 markets) was also analysed for 2013/2014: here, European markets were in the middle range (R^2 of 72.3%), surpassed by a stronger relationship in the Middle East/North Africa (74%), while Asia-Pacific (68.9%) and the Americas (44.9%) showed significantly lower correlation measures. Many of the emerging markets in MENA, Sub-Saharan Africa and Latin America turned out to be *'underachievers'*, where transparency was lower than expected, measured by their level of corruption (Newell, 2015).

2.10. Indicators for transparency across sectors

When it comes to actually measuring transparency, the complexity of operationalising such a model quickly becomes apparent. As one of the most widely recognised and comprehensive indices, the Global Real Estate Transparency Index (GRETI) was first surveyed by JLL/LaSalle in 1999 and has been updated every two years since then. The latest available version (JLL, 2022) assesses the transparency of real estate markets in a total of 156 cities in 94 countries and territories, based on the availability and quality of performance benchmarks and market data, governance structure, regulatory and legal environment, transaction processes and sustainability tools. The economic value of transparency is illustrated by the quote from Mark Gabbay (CEO of LaSalle Investment Management): "*Rising transparency lowers the cost of capital for real estate by reducing the uncertainty associated with projecting cash flows and capital expenses*" (JLL, 2022, p. 9).

The overall index value is computed from a set of 254 parameters, which have now increased significantly, and a combination of six sub-index scores, most of which have their own sub-themes. These are:

1. Performance measurement (direct property indices, listed real estate securities indices, private real estate fund indices, valuations);
2. Market fundamentals (Market fundamentals data);
3. Governance of listed vehicles (financial disclosure, corporate governance);
4. Regulatory and legal (regulation, land and property registration, eminent domain/ compulsory purchase, real estate debt information);
5. Transaction process (Sales transactions, occupier services); and
6. Sustainability.

Over the last 10 years, most of the growth in parameters has been in the area of market data. Sustainability was only added in 2018 and became a focus topic in 2022 because "*[t]he urgent drive for decarbonization is leading to new transparency requirements*" (JLL, 2022, p. 2). As a result, the GRETI classifies the transparency of the real estate market into five levels: high, transparent, semi-transparent, semi-opaque and opaque. The score ranges from 1.0 to 5.0, with lower scores indicating higher transparency. The report also highlights notable new initiatives by selected countries to improve real estate transparency over the past two years (e.g. introduction of a beneficial ownership register for foreign purchasers of real estate in Germany, digitisation of land records in Kenya).

Another important global transparency index was published by the World Bank annually from 2003 up to 2020. In its latest issue, the *Ease of Doing Business (EoDB) Index* compiled indicators on business regulations and the protection of property rights in a comparison of 190 economies. 'Economies' are defined here in terms of politically independent countries and territories with their own government and economy. The World Bank explicitly states that the report "*isn't meant to be an investment guide*" (World Bank, 2020, p. vii) because it does not take into account many crucial factors such as macroeconomic stability, the development of the financial system or the rule of law. Nonetheless, the name of the index implies that the core of the EoDB is a statement about entrepreneurial freedom in the respective market, and that the regulations that support or hinder this market behaviour are to be evaluated. The 12 areas of

the EoDB therefore include the following, with a total of 41 indicators (the last two are not part of the ranking):

1. barriers to starting a business;
2. dealing with construction permits;
3. getting electricity;
4. registering property;
5. getting credit;
6. protecting minority investors;
7. paying taxes;
8. trading across borders;
9. enforcing contracts and;
10. resolving insolvency;
11. employing workers; and
12. contracting with the government.

Until 2018, deregulating the labour market has also been evaluated. A country's performance is scored on a scale of 0 (worst performance) to 100 (best performance) based on data from all categories. A ranking is then created based on each country's performance score. The country with the highest score is considered the best country, and the other countries are ranked according to their scores.

Studies using the *Doing Business* report find a positive correlation between economic freedom (on wages, prices, property rights and licensing requirements) and gross domestic product growth, and a significant correlation between business-friendly regulation (aspects of getting credit and enforcing contracts) and lower poverty rate (World Bank, 2020). At a global level, it is concluded that “*property registration processes remain most inefficient in the South Asia and Sub-Saharan Africa regions*” (World Bank, 2020, p. 2).

These two pioneering transparency comparisons already answer one of the questions raised above: Are there only transparent and non-transparent markets, or are the transitions gradual? The complex model of both transparency measures has shown that a dichotomous distinction does not correspond to the reality of the markets and that, ultimately, continuous differences must also be operationalised categorically. In the end, the scores that result from the comparison of the numerous quantitative and qualitative parameters in the various sub-indices also depend on the degree of knowledge and access to market information available to the assessors.

The following Table 1 provides an overview of the different approaches for transparency measurements or comparable evidence of market-relevant institutions discussed above.

Table 1: Approaches for transparency measurements or comparable evidence

Institution (Year)	Product/ Title	Goal/Purpose	Countries / Scope of application	Instrument	Categories	Key findings on transparency
JLL (2022)	Global Real Estate Transparency Index	Provide a global transparency benchmark as a guide for cross-borders real estate investors, lenders and corporate occupiers	156 cities across 94 countries and territories	Survey and follow-up interviews and market research for verification	6 <u>sub-indices</u> (see above) which incorporate 254 different datapoints /questions 5 <u>levels of transparency</u> : high transparent semi-transparent semi-opaque opaque	Compared to 2020, the global transparency score has improved, albeit at a slower rate. Widening transparency gap between the leading markets (setting higher standards) and the majority of other markets (stagnation or even regression). Sustainability has become the biggest catalyst for transparency improvements. Use of new technologies drives transparency, but varies widely.
World Bank (2020)	Ease of Doing Business Index	Comparing frameworks for doing business, providing governments with benchmarks, identifying reforms for better business environment, enabling businesses with information to make informed decisions	190 economies (politically independent countries and territories with their own government and economy)	Survey and expert consultations In addition: information on potential regulatory reforms from governments and World Bank teams	12 <u>areas of business regulation</u> 10 areas are included in the <u>score</u> (assessing the absolute level of regulatory performance and its change over time) and the <u>ranking</u> (performance in business regulation relative to the performance of others)	Property registration: 146 economies lack full coverage of private land in their registers. Only 3% of low-income economies formally register all privately owned land. A total of 92 economies scored zero on the geographical coverage of privately owned land Index, 12 on the transparency of information index and 31 on the reliability of infrastructure index.
TEGoVA / Nick French (2020)	Use of Comparable Evidence in Property Valuation	Identify the availability of comparable data in the market/income approach, and how professional valuers use and rank them	34 European countries represented within TEGoVA	Survey	Categories of comparable evidence used by experts in valuation processes: <u>Hard information</u> : all information on comparable sales that is available: direct transactional evidence (e.g. recent sales/lettings) <u>Soft information</u> : third party and non-verifiable data: all public information, databases, sale & asking prices, indices, AVMS, market sentiment	A decrease in market transparency is usually accompanied by a decrease in the availability of comparable data and an increase in the importance and the use of information on asking prices and other less confidential data

Institution (Year)	Product/ Title	Goal/Purpose	Countries / Scope of application	Instrument	Categories	Key findings on transparency
IFRS Foundation (2011)	Fair Value Measurement (IFRS 13)	Establish uniform reporting standards for the fair value measurement approach; require disclosure of information; provide a basis for valuing assets and liabilities	Applies to all companies reporting under IFRS and public entities reporting fair value measurements	Guideline criteria	Fair value hierarchy, categorised inputs into: <u>Level 1</u> : quoted prices (unadjusted) in active markets for identical assets <u>Level 2</u> : other Level 1 inputs that are directly or indirectly observable for the asset <u>Level 3</u> : unobservable inputs for the asset	N/a
RICS (2019)	Comparable evidence in real estate valuation	Establish globally consistent principles for the use of comparable data; Discuss and address its use, its availability, its potential sources and its relative importance in the property valuation process	Requirements or expectations how to provide services/ outcomes apply for all RICS members and regulated firms	Setting of standards	Categorised Indication of relative importance: <u>Category A</u> : direct comparables (comparable transaction data - recent almost identical or similar properties with full and accurate information; asking prices) <u>Category B</u> : general market data (e.g. indices, commercial/public databases, demand/supply data) <u>Category C</u> : other sources (e.g. transactional evidence from other real estate types or locations, background data like interest rates)	N/a

2.11. Risks associated with transparency indicators

The flipside of international governance rankings based on quantitative indicators and their influence can be illustrated by the World Bank's Global Business Climate Index (EoDB). The indicators have been collected by the IFC, a member of the World Bank Group and the largest global development institution focused exclusively on the private sector in developing countries. In 2020, the World Bank stopped publishing its EoDB Index after '*irregularities*' were found in the data and the index was suspected of being corrupt. Specifically, the index was criticised for being subject to political influence, which repeatedly resulted in '*artefact[s] of methodological changes*' rather than actual development progress (Reisen, 2020). There is therefore a potential risk "*to distort and corrupt the social processes it is intended to monitor*" - as postulated in Campbell's Law (Campbell, 1976, p. 49). Despite all the positive impulses that such transparency indicators can have for the economy and society, this aspect must not be lost sight of.

2.12. Formal vs. informal markets

On a global scale, there has been much more interest in informal and unregistered land and property. '*70% of global land and property is unregistered*' (GLTN, 2021). Research by RICS on unregistered land valuation (Obeng-Odoom and McDermott, 2018), the UN Habitat GLTN policy on the valuation of unregistered land (GLTN, 2018) and the *Valuation of unregistered land operational manual* by UN Habitat GLTN/RICS/FIG/IVSC (GLTN, 2021) highlight that land formalisation is not necessary to enable valuation/appraisal of assets and functioning, if inefficient, land and property markets. However, informality is by its very nature opaque and valuation information in particular requires transparency and accessibility if it is to be used as a method for others to use (comparable evidence and hierarchy of evidence).

Informal '*markets*' are outside of government agency control and the '*risk*' associated with informality can lead to all kinds of issues – from enormously high lending rates and skewed banking systems, lack of access to secured lending, the need for continued occupation to maintain tenure rights and legitimacy, a non-existent tax revenue and the maintenance of a power imbalance between local elites and those that rely on their largesse. Informal land and property valuation and the resulting lack of comparable valuation data can also lead to the adoption of inappropriate valuation methodologies and in many cases the consistent undervaluation of assets (Obeng-Odoom and McDermott, 2018).

A land valuation is an estimate of the value of land rights. Usually, it is a financial estimate of the transfer price or market value of land rights. Valuations are often required when land rights are being transferred from one party to another, are being expropriated, are to provide security for a loan or form the basis of assessment for land taxes. Valuations fill a price information gap. The gap is caused by the decentralised nature of the real estate market and the infrequent transaction activity in relation to all assets (a shallow market). In many countries, valuation practice has evolved to meet these requirements. Yet in many other countries, despite acknowledgement of the importance of impartial and objective valuations of land rights, valuation professions have yet to establish themselves and capacity is very limited. Land rights may embody multiple forms of value. For example, land rights may have a value for their existing use, and a different value when allocated to an alternative use. These values depend not only on the supply of and demand for different land uses but also on the regulation of those uses by the State. More fundamentally, land rights may have a market value of their economic

capital and a non-market value of their natural capital and sociocultural capital. It is usually possible to express the market value of economic capital in monetary terms, but it may not be possible to express the economic value of all the non-market value of natural and sociocultural capital with any market evidence. In which case, 'value' ceases to be a monetary amount but a measure of 'importance'. The development of the UN GLTN manual has opened a very important debate on this issue of non-market value, initially highlighted with UNFAO VGGTs (FAO, 2022) and Western economic concepts of market value. The debate on 'natural capital value' (HM Treasury 2021) being just one of many.

Valuation, and its accessibility and transparency, is a key element of a formalised land administration system and should be seen as a key element (along with Land Registration, Mapping and Planning) of any functioning land administration framework.

2.13. Nature and role of public vs private information

England and Wales (the UK operates differing real estate regimes in each constituent nation) may at first glance seem to have quite a transparent informational access regime in place but transparency of ownership has become an increasingly important issue due to potentially illegal activities (e.g. terrorist financing, money laundering, tax evasion) and primary legislation has now been introduced to increase transparency. The *Economic Crime (Transparency and Enforcement) Bill* was introduced to Parliament on 1 March 2022 to increase the transparency of the ownership of UK property by non-UK entities. The bill's introduction was brought forward in light of Russia's invasion of Ukraine to help the implementation of the proposed sanctions announced by the Government. The bill has long been in the pipeline, and in 2019, a joint committee of the House of Lords and the House of Commons, the principal legislative bodies in the United Kingdom, released its report on the draft bill. See Transparency for UK Property, for a summary of the key recommendations. It is however clear that this legislation is now going to be prioritised with cross-party political support and we can expect it to be law soon. The bill will create a new register that identifies the beneficial owners of non-UK entities that own UK property. This largely mirrors the current Persons with Significant Control (PSC) regime but whilst the PSC applies only to UK companies, this legislation will have a much wider effect for non-UK corporate entities. Non-compliance with this legislation may be a criminal offence and lead to restrictions over the sale of property.

RICS chartered surveyors are at the forefront of this issue and RICS has made sure to provide its members with appropriate advice and professional standards on bribery, corruption, money laundering and terrorist financing (RICS, 2023).

Land ownership is also included in this drive towards increased transparency with Scotland releasing its own national *Register of Persons Holding a Controlled Interest in Land* (RoS, no date) and England and Wales opening policy consultations on Transparency of land ownership involving trusts (HM Treasury, 2023) whilst RICS is producing new standards on *Land Agreements/Options* for 2024.

2.14. Transparency and sustainability

One example of the methodologically and politically challenging design and protracted coordination of measurement criteria is the transparency of sustainability as part of the ongoing implementation of the EU-Taxonomy. The EU member states are currently engaged in intensive consultations on the design of a legally binding regulation, the so-called EU-

Taxonomy, which refers directly and indirectly to the ESG principles (Environmental, Social and Governance), which in turn are derived from the Sustainable Development Goals (SDGs) of the United Nations of 2015. The overarching goal of the EU taxonomy is to direct private capital toward sustainable investments and to provide a competitive advantage, such as more favourable financing options, to companies that demonstrate compliance with sustainability requirements in their reporting. The European Commission's March 2018 Action Plan on *Financing Sustainable Growth* states that "A unified EU classification system - or taxonomy - will provide clarity on which activities can be considered 'sustainable'." (European Commission, 2018, p. 4). As of 2022, these regulations will apply to the environmental aspects of 2 of the 6 defined environmental objectives (climate change mitigation, climate change adaptation), and technical assessment criteria with performance thresholds to be achieved must be satisfied. For the S and G of the ESG criteria, it has not yet been possible to define such overall objectives and assessment criteria, and it is expected that implementation will be much more difficult, partly because fewer scientifically unambiguous indicators can be used. In any case, we can expect increasing transparency on sustainability within European real estate markets through indirect and direct mechanisms. Reporting requirements will force companies to collect and present information, making potential 'greenwashing' more difficult. Regulatory and funding frameworks will provide additional incentives and regulations, and debt financing will be subject to risk premiums for non-sustainable businesses/products. Valuers and surveyors will soon have to incorporate issues such as biodiversity net gain (HM Treasury, 2021) into development appraisals, although the valuation methodologies are still in their infancy and there is a severe lack of market transactional information.

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Data collection

This research is based on an online survey through which we collected views of a wider range of surveyors operating across the targeted countries, which allows the gathering of first-hand experience. An on-line survey as a research instrument has been selected as it enables data comparison and both qualitative and quantitative analysis and helps boost the response rate needed to collect sufficient evidence from participants across a number of countries. To obtain a rich picture of their understanding and impressions on the real estate market transparency, the survey included qualitative questions (Denzin and Lincoln, 2005).

A pilot survey among members of Commission 9 of FIG (n=5) was conducted to validate draft questions (Gillham, 2008) and to improve the wording, layout, and design. The final questionnaire comprised six sections:

1. Personal profile (Q1-8): professional membership, profession, years of professional experience, education background, specific interest in the real estate market, market segment of focus, and the country for which transparency is assessed;
2. Defining 'transparency' (Q9-10): participant's own view of what is meant by real estate market transparency and what they think is the understanding of the transparency by the wider public;
3. Legislation and centralisation (Q11-14): existence of national regional and or local regulations, their enforcement, the existence of government-led transaction recording systems, and their level of centralisation;
4. Government transaction recording (Q15-26): comprehensiveness of the system, types of rights recorded, market sectors for which recording is in place, or is not and should be or is not required, accessibility of data, responsibility for recording, reliability of

existing systems, dealings with discrepancies between recorded and real transaction prices, strengths and weaknesses of the systems;

5. Non-government transaction recording (Q27-38): same characteristics as for government transaction recording; and
6. Change orientation (Q39-42): evaluation if the systems in place are good enough to support the reasonable functioning of the real estate market, needs for changes to improve market transparency, news on any recent or ongoing projects to improve transparency, and other thoughts on the real estate market transparency.

While questions across all survey parts required text responses, several questions used 3- to 6-point Likert scales (parts (3), (4), (5), and (6)) or multiple-choice responses (part (1)). The survey was designed for desktop and mobile use via Qualtrics XM platform. For details see, the full The Global Real Estate Market Transparency Survey: https://uwe.eu.qualtrics.com/jfe/form/SV_6zCR9PWpZsuo63A or use the following QR code:



3.2. Sampling and sample size

In line with Etikan *et al.* (2016), experienced professionals were selected as respondents via purposive expert sampling. These include professionals working in the field of land administration and management and in property surveying across the private and public sector as well as in the higher education sector. Participants were specifically sourced among members of FIG and its member organisations such as RICS, TEGOVA, CASLE and IVSC via communication channels of these organisations, including regular newsletters, conferences and events, etc. Further sampling was enabled by members of the relevant professional bodies distributing the survey via their equivalent communication channels. This method helped us reach a sufficient number of members across multiple countries.

Addressing the survey to participants, who are members of their relevant national professional organisations, ensured that they were all competent to respond to the survey and could be reasonably expected to respond professionally. Across most professional bodies affiliated with FIG, members are bound by strict ethical standards and duty of care to their relevant professional societies. Thus, they can be reasonably expected to provide well informed and factually correct responses to survey questions.

Based on experience with similar surveys (e.g. in Germany, BBSR; globally, RICS, IVSC), we are aiming for a minimum number of interviews of approx. 10-20 experts per country; this will ensure a scientific utilisation of the analysis results. If the actual number is lower, the surveys will still be utilised in order to realise a follow-up action based on them.

3.3. Data analysis

For statistical analysis, all primary data gathered were imported into Microsoft Excel. Part (1) and all other multiple-choice and Likert scale data was analysed using frequency analysis. Qualitative text responses were examined using the six-step thematic analysis including (1) familiarising with data; (2) generating initial codes; (3) searching for themes by combining codes; (4) reviewing themes; (5) defining themes; and (6) reporting findings (Guest *et al.*, 2012; Braun and Clarke, 2022).

3.4. Ethical considerations

The research was subject to internal ethical approval by the university, ID No. CATE-2223-191 dated 16 October 2023. The authors certify that the study was performed following the ethical standards as laid down in the 1964 Declaration of Helsinki and its later amendments. Before commencing the survey, all participants were informed of the nature of the study via a participant information sheet detailing that their consent and involvement were anonymous and entirely voluntary. Following the survey, participants were given a two-week window to allow them (if they desired) to withdraw their responses.

4. RESULTS AND DISCUSSION

The Global Real Estate Market Transparency Survey was launched on 4 December 2023 via the FIG website. It is currently distributed to FIG members as well as among RICS, TEGOVA and IVSC members with data collection subject to ongoing monitoring.

By 18 January 2025 we collected 27 valid complete responses from 16 countries in Europe, Africa and South America. By early May 2025 we expect to collect enough data to present key preliminary observations for at least few selected countries. At the FIG Working Week we will seek feedback from participants around interpretation of the data collected so far and invite more participants to respond to the survey.

Based on the data collected, we expect to report on:

- *The understanding of what is meant by ‘transparency in the real estate market’ by both the participants as experts and their understanding of how the society members understand transparency.*
- *Comprehensiveness of the legislation around market transparency and its enforcement.*
- *Comprehensiveness of databases.*
- *Reliability of databases.*
- *Accessibility of transaction databases.*
- *Dealing with deficiencies in access to transaction evidence.*
- *New / ongoing initiatives to improve transparency.*
- *Recommendations on how to improve transparency.*

5. CONCLUSIONS AND RECOMMENDATIONS

Transparent real estate markets are expected to better address the challenges of today's society and help to better manage all the virulent changes all over the world.

With this research we expect to inform:

- *develop approaches for the evaluation and observation of real estate market transparency and dealing with low level of transparency; and*
- *suggest improvements to valuation and market monitoring to facilitate more equitable solutions especially to deal with issues such as housing shortage, new land development and compensation in case of eminent domain, and sustainable farming and development given the political, social, economic and environmental uncertainties.*

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