

# **The Cost of a Lack in Real Property Market Formalization on a National Economy**

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**Key words:** Access to land; Informal settlements; Land management; Property taxes; Real estate development; Valuation; Dead Capital; Legalization; Property Formalization; Zoning; Land Policy Efficiency; Human Capital; Linkages; Economic Barriers

## **SUMMARY**

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Key words: Informal Settlements, Dead Capital, Property Taxation, Valuation, Legalization, Property Formalization, Zoning, Land Policy Efficiency, Human Capital, Linkages, Economic Barriers.

## **ABSTRACT**

This paper will focus on methodologies that can be used to economically quantify the effects of land policy on a national economy. In particular, we will look at Greece and Albania and review how a lack of addressing key parts of informal market formalization is currently impacting the national economy. A greater understanding of these balancing factors will lead to more efficient national policy making regarding these issues, allowing more resources to flow where they can be best utilized.

Rapid economic and political change in the European region during the last twenty years has resulted in accelerated population increases in many urban centres. This is mainly due to the immigration of rural poor searching for job opportunities and better living conditions, or of internally displaced people. Increasing unplanned or informal suburban development has become an issue of major importance particularly in the transition economies.

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FIG Working Week 2016  
Recovery from Disaster  
Christchurch, New Zealand, May 2–6, 2016

the economies in question.

The purpose is to estimate the economic annual cost of a lack of formalization in the real property markets of a specific country. The intended use is as an aid for land policy planning and use by NGO and aid agencies in better assessing the cost benefit equation of intervention in the real property market infrastructure and to improve the performance of a specific national property market.

Informal property may include minor informalities such as small additions or changes to a real estate asset that would not typically be allowed based on national development laws and policies. These minor informalities, by definition, pose minimal or no negative impact to the health and safety of the area. However, due to their unrecognized informal nature, a negative economic impact reverberates throughout the national economy from an inefficient use of the assets and associated labor markets (possible limited ability to sell, finance, change, taxation, planning, etc.). Similarly, major informalities have a much greater effect. These major informalities, by definition, can have a significant effect on the health and safety for area residents. Typically, a much larger economic impact is associated with these major informalities. This impact also reverberates throughout the economy primarily through the real estate sector and associated labor markets. Typical major informalities include large informal settlements, development on government or non-owned land, much higher than allowed density or illegal property type development in a given location. By denying a proper ownership title the owners cannot get access to credit and improve this situation.

How governments, credit, citizens, other capital and labor respond to the presence of these informal real property markets can have a very significant economic impact in the region. This study will develop a methodology to explore the economic impact of a “Lack of Formalization” on a given national economy by analyzing, estimating and quantifying the associated economic distortions. These results can then be used to aid the decision making process as it regards cost benefit analysis for these pressing informal property markets and the associated humanitarian, economic, social, and safety related issues that arise from their existence.

## BIOGRAPHICAL NOTES

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