

Business School

Never Stand Still

Business School

Competition Policy and Real Estate

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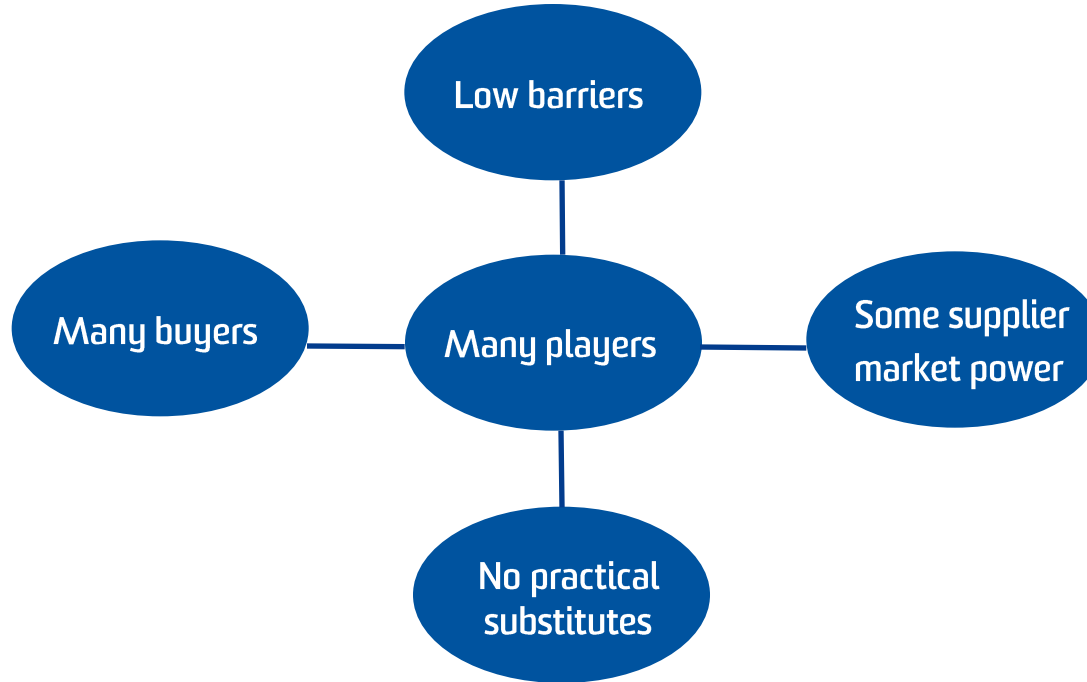
Real Estate Symposium
Tuesday, 6 September 2016



The Culprits?

1. Industry Structure
2. Regulation
3. Low Productivity
4. Convergence of Cost and Demand Pressures

Few Competition Issues in Housing



Over-regulation?



P.C “objectives overload” “lack of clarity”

Property Council “reforms mixed” “often isolated”

COAG Principles of Best Practice Regulation

1. Establish case
2. Look at options
3. Focus on net benefit
4. Abide by competition principles
5. Clear guidance to regulators
6. Timeliness
7. Consult effectively
8. Proportionality of government action and net benefit

Recent measurement attempts

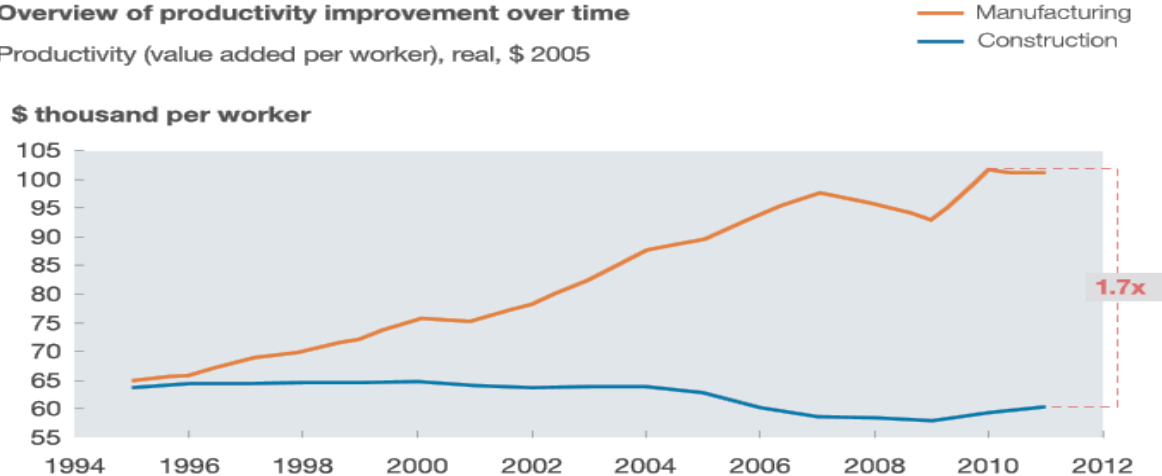
Publisher	Definition and Methodology	Estimated Burden
Netherlands (2004)	Measured administrative burdens using the Standard Cost Model (SCM)	3.6% of GDP
Denmark (2006)	Measured administrative burdens using the SCM	2.2% of GDP
Czech Republic (2006)	Measured administrative burdens using the SCM	3.0% of GDP
United Kingdom (2007)	Measured administrative burdens (excluding business as usual costs) using the SCM	1.6% of GDP
Australia	Productivity Commissioner (2006): Measured internal and external compliance costs using survey data	1.6% of GDP
Canada (2013)	Measured administrative burdens using survey data	1.7% of GDP
United States (2010)	Estimated the cost of economic, environmental, tax compliance, OH&S and homeland security regulation using statistical regressions	11.7% of GDP

Low Productivity

Productivity in manufacturing has nearly doubled, whereas in construction it has remained flat.

Overview of productivity improvement over time

Productivity (value added per worker), real, \$ 2005



Source: Expert interviews; IHS Global Insight (Belgium, France, Germany, Italy, Spain, United Kingdom, United States); World Input-Output Database

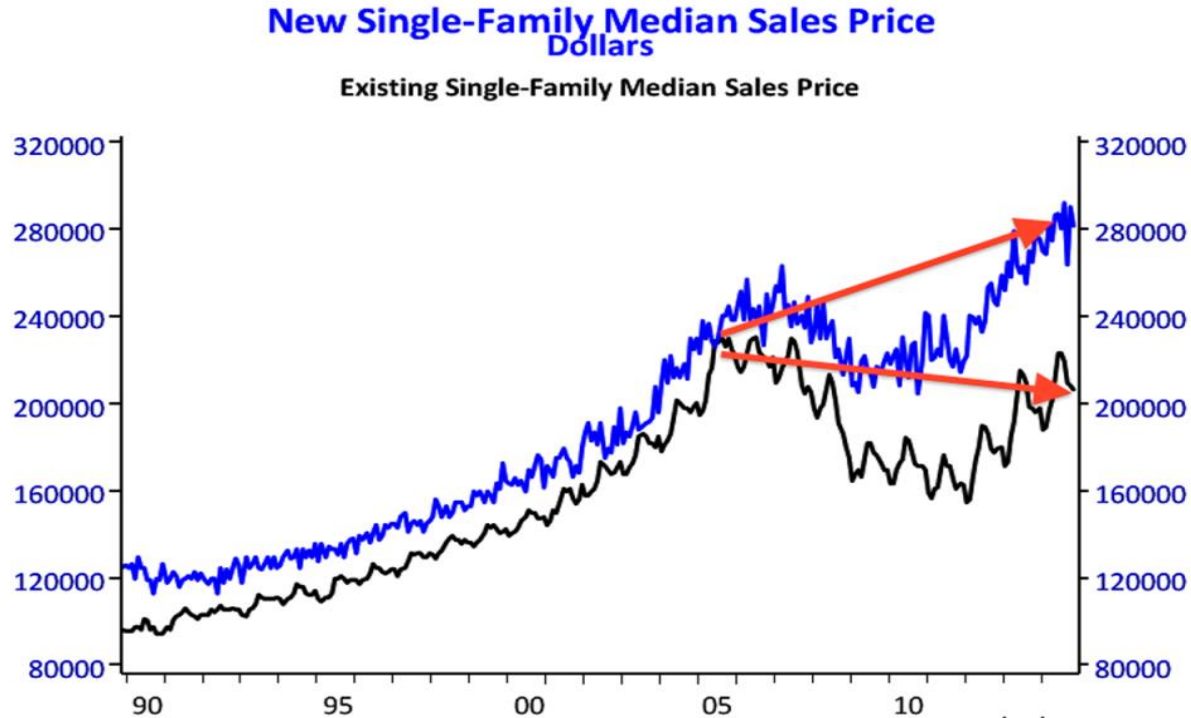
McKinsey&Company

Reference: <http://www.mckinsey.com/industries/infrastructure/our-insights/the-construction-productivity-imperative>, Article July 2015

Drivers of Housing Cost

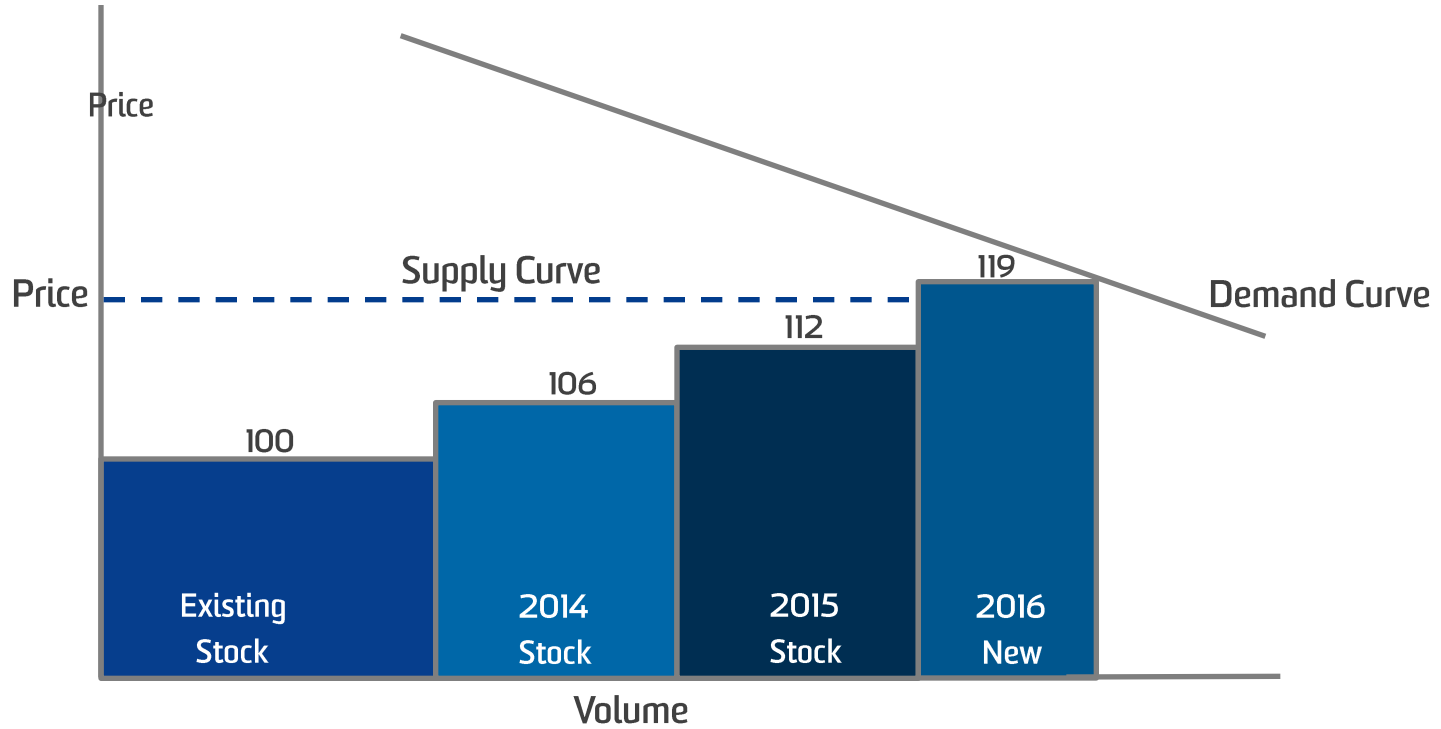
Factor	Impact p.a
Inflation (labour, materials)	3.0 - 4.0%
House size	1.5 - 2.0%
Over-regulation	1.0 - 2.0%
Less: productivity offset	(0.5 - 1.0%)
Net	5.0 – 7.0%

The Difference Between New Home Prices And Existing Home Prices is Getting Wider



Reference: Akin Oyedele, Money & Markets, Business Insider: <http://www.businessinsider.com.au/new-home-price-premium-over-existing-homes-2014-12>

Simplified Supply and Demand Curves



So what?

- **Better understand supply / demand**
- **Tackle deregulation (including review of standards) supported by “reform payments”**
- **Identify what it takes to radically improve productivity**