

Business School

Never Stand Still

Business School

Competition Policy and Real Estate

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Real Estate Symposium Tuesday, 6 September 2016

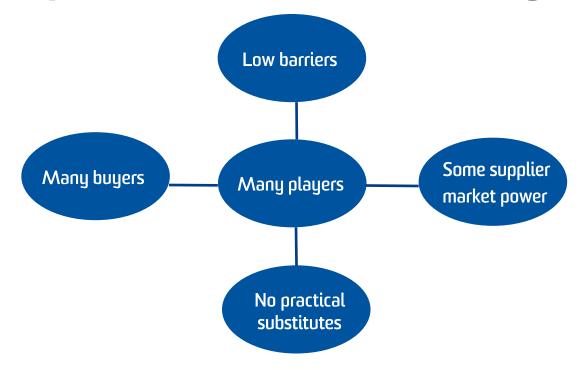


The Culprits?

- 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



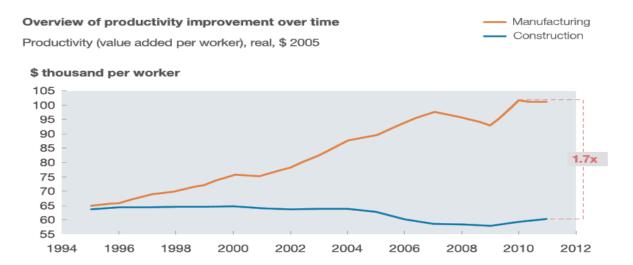
Recent measurement attempts

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.



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

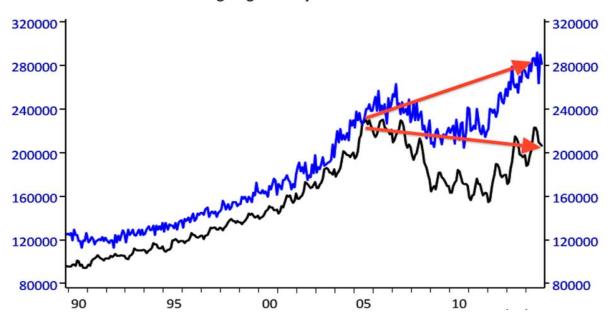
Factor	Impact p.a
Inflation (labour, materials)	3.0 - 4.0%
House size	1.5 - 2.0%
Over-regulation	1.0 - 2.0%
Less: productivity offset	(0.5 - 1.0%)
Net	5.0 – 7.0%



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

New Single-Family Median Sales Price **Dollars**

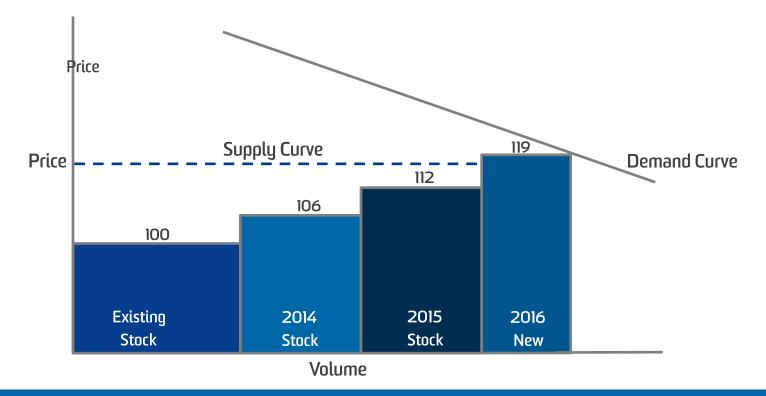
Existing Single-Family Median Sales Price



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

