

RECOMMENDED READING

Markets & Institutions in Real Estate & Construction

By Michael Ball (2006, Blackwell Publishing, RICS Research, 280 pages)

REVIEWED BY P. BARTON DeLACY, CRE, FRICS



THE GLOBALIZATION OF REAL ESTATE investing is a growing trend, one that requires among all of us a broader understanding of overseas markets. Michael Ball, in writing the handy manual *Markets & Institutions in Real Estate & Construction*, produces an analysis on property markets across Europe and how they compare to markets in the United States.

At a time when a rising number of American investors are adding foreign properties to their portfolios, Ball was concerned about the lack of reference literature that addressed international comparative analyses exploring housing markets and their relation to planning systems and real estate institutions, such as the construction industry and brokerage houses. As a result, he studied how markets are allowed to respond to demand and how different government programs or industrial institutions impact delivery of real estate products, especially housing.

Ball, a professor of property economics and urban studies at the University of Reading (west of London), has long edited the *European Housing Review*, which is published by the Royal Institution of Chartered Surveyors (RICS). *Markets & Institutions in Real Estate & Construction* has been published as part of a RICS research grant.

One of the areas of Ball's focus in this book is on the stifling housing markets of the U.K. and other European nations. Long delays in new construction have resulted in housing shortages in the U.K., where it takes six or more years to deliver new homes. Most other European countries experience similar, if not longer, timeframes. Extensive time lags, aggravated by planning rules or lack of suitable sites, can miss upswings in demand.

Markets & Institutions concludes that of the larger, growing economies, the U.K. trails all of its European Union counterparts in meeting housing demands. Stagnant home ownership is the perverse result of rigid planning policies coupled with government incentives.



About the Reviewer

P. Barton DeLacy, CRE, FRICS, is managing director and national practice leader for corporate valuation consulting at Cushman & Wakefield, a New York-based global commercial real estate services firm. DeLacy also has a masters degree in urban and regional planning from Portland State University and has served as an adjunct professor in its business school.

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Rising prices and values are among the barriers to entry for prospective homebuyers. With barely a trickle of new land brought into production, U.K. homebuilders cannot respond to increases in demand.

Ball points out that the U.K. is not alone in failing to ease housing woes or increasing home ownership within its borders. With the possible exception of Ireland (now of Celtic Tiger fame, which refers to Ireland's economic boom of the 1990s), few European countries have been able to find a way of jumpstarting the housing industry. In addition, *Markets & Institutions* also points out that the old Soviet block economies, still reeling from central planning, have been extremely slow to respond to rising prices, and no new supply is being produced.

Ball contrasts the homebuilding industries among European countries with that of the entrepreneurial homebuilding institution here in the U.S. Statewide homebuilder associations, comprised of small and large companies, have created an effective lobbying force at all government levels. This involvement in the legislative process has assured favorable tax policies for American homeowners, including home mortgage deductions. These associations also have balanced the influence of slow-growth planning organizations that seek to limit urban sprawl.

Ball also addresses the impact that home ownership subsidies have on property economics for both the construction and brokerage industries in Europe. Subsidizing increases the incidence of home ownership only when

there is a supply of land and the presence of a local homebuilding industry to meet the demand. Minus these two components, those with homes simply get richer, since the infusion of money or easy credit created by the subsidy simply increases prices without a commensurate increase in supply.

Ball, in limiting *Markets & Institutions's* focus on EU surveys, whets our appetite for a similar overview of other international markets, particularly in Asia. One wonders how the phenomenal residential construction boom in China, for instance, would be sustained if that nation's market encountered the same restraints faced by most EU nations. Ball's study explores select topics that may have less interest to those hoping to better discern global megatrends. Thus, the chapter on the controversy revolving around banks and financial institutions getting into brokerage lacks immediacy, if not relevance.

On balance, Ball and RICS are part of a professional movement to integrate academic ideas of economics, measurements and models to the real world of practitioners. Watch for more from Ball and his colleagues at RICS as the study of "property economics" begins to eclipse traditional real estate studies. ■

Markets & Institutions in Real Estate & Construction is available for purchase through Blackwell Publishing. Order online at www.blackwellpublishing.com or call 800.862.6657.