

REAL ESTATE INSTITUTE OF AUSTRALIA'S RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT ON ECONOMIC STRUCTURE AND PERFORMANCE OF THE AUSTRALIAN RETAIL INDUSTRY

BACKGROUND

The Australian Government has asked the Productivity Commission to undertake an inquiry into the economic structure and performance of the Australian retail industry. The Commission has been asked to report on, amongst other things, the regulatory or policy issues which impact on the sector. A Draft Report was released on 4 August 2011 inviting responses.

The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia. The REIA's members are the State and Territory Real Estate Institutes, through which around 80% of real estate agencies are collectively represented. The real estate industry employs approximately 77,000 persons with most agencies having less than 10 employees. The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

RESPONSE TO DRAFT REPORT

The format that the REIA's response to the Draft Report takes is to identify the relevant Chapter and Recommendation in the Draft Report and then provide a response.

Chapter 12: Other regulatory burdens

Draft Recommendation 12.1

Governments must prioritise efforts directed at the review and reform of regulations that are unnecessarily burdensome and reduce regulatory inconsistency across jurisdictions where that affords net benefits to business and the community.

The Commission notes that inquiry participants raised a number of concerns about regulations that, in their view, were hindering the retail sector. One of these concerns was from the Shopping Centre Council of Australia (SCCA) who felt that the requirement for licensing of real estate agents dealing with commercial property was unnecessary and imposes costs.

The SCCA's argument is based on the assertion that commercial property is owned by "sophisticated property owning companies and institutions" which have "detailed and enforceable agreements" and do not need consumer protection through regulation.

This argument ignores the reality of the composition of the commercial market and the profile of ownership of commercial property. Not all commercial property is high end nor is all of it owned by sophisticated companies and institutions.

Most commercial property, by number, is not valued in the tens of millions of dollars or the hundreds of millions that are involved in major shopping centres that the SCCA draws on its argument. Further most commercial property, again by number, is owned by small business operators as part of their ongoing business and small "mum and dad investors" as part of their retirement nest egg. As such for the vast majority of commercial property transactions there is a need for regulation and for the sale to be conducted by a qualified commercial property professional.

The Commission appropriately notes that the issue of licensing of commercial property agents is the subject of national licensing reforms under a 2008 COAG agreement.

REIA supports the Commission's conclusion that any specific regulatory matters that are the subject of a current dedicated process are best dealt with by that process.

PREPARED BY

Secretariat
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