

Fair, Efficient and Accessible Property Markets

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SUMMARY

Much of the analysis of property markets has followed two very different approaches. The Efficient Market Hypothesis put forward by Fama, and for which he was jointly awarded the Nobel Prize in 2013, focuses on the information content of market prices. Markets are classified according to whether prices fully reflect past prices, publicly available information, or inside information. Prices vary randomly as new information becomes available. Markets are efficient if prices fully reflect the available information and are fair if they do not consistently favour buyers or sellers. Market efficiency can be increased through greater transparency of prices and transactions. EMH has been criticised on the basis that the behavioural assumptions that lie behind it are unrealistic and that it gives a partial view of what market efficiency is. An informationally efficient market may be distorted by monopolies or externalities and, in any case, the market rules tend to be made by and favour those with power.

A different approach is taken by those who argue for a pro-poor approach to property markets. They have tended to examine the policies that protect the rights and interests of the poor or which prevent those rights from being recognised, for instance as a result of gender or ethnic discrimination. This approach recognises that there is a continuum of rights rather than just focussing on freehold ownership and leasehold tenancies of such land. The emphasis tends to be on the recording and registration of rights in order to ensure their recognition. The outcomes from the pursuit of pro-poor policies are likely to be fair markets in the sense that a variety of rights are recognised and the market is accessible by all. The policies do not necessarily produce an efficient market as there may be limited transparency about transactions or information available about the prices, terms and conditions of transactions.

This paper seeks to produce a synthesis that examines what is required for fair and efficient and

accessible property markets. Using available data from sources such as the World Bank (Doing Business, Governance and Land Governance Assessment Framework), the World Economic Forum, Jones Lang LaSalle, FAO, OECD, and Bertelsmann Stiftung, it explores the range of experience of different countries in terms of strength of property rights, the rule of law, corruption, land registration, construction permits, property finance, valuation, property taxation, expropriation, and economic development.

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