EXPLORING INTERSECTORAL LINKAGES BETWEEN REAL ESTATE AND CONSTRUCTION

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Abstract
Even though linkages have attracted a lot of research interest, few researchers focus on the intersectoral linkages between two specific sectors. This research therefore proposes an indirect intersectoral linkage measure model to explore linkages between the real estate and construction sectors using the Hypothetical Extraction Method (HEM). Using the OECD input-output tables, the direct, total intersectoral linkages and the proposed indirect intersectoral linkages are explored and tested respectively for seven OECD countries over twenty years. The findings describe that the intersectoral linkages from construction to real estate are larger than those from real estate to construction. The statistical testing results imply that the proposed indirect intersectoral linkage measure method seems to be appropriate to analyse the intersectoral linkage between the construction and real estate sectors.

Keywords
Input-output analysis, construction sector, real estate, intersectoral linkages, hypothetical extraction method

INTRODUCTION

The linkage concept has been recognized as playing a crucial role and providing substantial contributions towards guiding appropriate strategies for future economic development (Bon, 2000; Sudaryanto, 2003). A sector’s relationships with the rest of the economy, through its direct and indirect intermediate purchases and sales, are described as the sector’s linkages (Miller and Lahr, 2001; Cai and Leung, 2004). The concept of linkage explains how the internal structure of an economy behaves, by visualizing it as an interconnected system of sectors that directly and indirectly affect one another (Miller and Lahr, 2001).

Many researchers have stressed the importance of linkages for achieving a healthy economic system. According to Hirschman (1958), linkages play an important role in initiating and transmitting the process of economic development and diversification of the sectoral structure of the economy. Cella (1984) stated that information about linkages and its spreading effects throughout the economy is highly valuable in forecasting and directing the economic activities. Forni and Paba (2001) found that a relatively fast diffusion of knowledge and new technologies always goes with strong linkage effects and concluded that the linkages are an important source of technological externalities. Porter (2004) implicitly denoted that linkage is one of the most important factors for gaining competitive advantages. The sectors with the highest linkages should be able to stimulate a more rapid growth of production, income and employment than with alternative allocations of resources. What is more, linkages are important for the number of innovations developed in a country because there is a positive