ECON3130 / 5330
Real Estate Economics and Public Policy

Course Outline
Part A: Course Information
Semester 2, 2015

*Students are also expected to have read and be familiar with Part B Supplement to All Course Outlines. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the BUSINESS SCHOOL PROGRAM LEARNING GOALS.
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1 STAFF CONTACT DETAILS

Lecturer-in-charge: Nigel Stapledon
Room: BUSINESS SCHOOL 469
Phone No: 9385 9703
Email: nigel.stapledon@unsw.edu.au
Consultation Times – Thursday 9am-12pm (or by appointment)

1.1 Communications with staff
Feel free to contact your lecturer about any academic matter. However, I strongly encourage, for efficiency, all enquiries about the subject material be made at lecture times or during consultation time. Discussion of course subject material will not be entered into via lengthy emails. Email correspondence on administrative matters will be responded to within 48 hours, but not over weekends. Please note that the lecturer has no advance notice of, or control of, the date and time of the exam.

2 COURSE DETAILS

2.1 Teaching Times and Locations
Lectures (Weeks 1-12):
• Stream A: Thursday 3:00pm – 6:00pm – Business School Building G24
• Stream B: Wednesday 2:00pm – 5:00pm – Business School Building G23

2.2 Units of Credit
The course is worth 6 units of credit. This course is taught in parallel to undergraduate and postgraduate students.

2.3 Summary of Course
The real estate sector represents a substantial share of the economy. This course provides an economic perspective on markets and policy related to the real estate sector. We will discuss the theory of urban land and housing markets, the spatial development of cities, interregional competition, economic development, and the migration of labour and capital. We will also look at economic policy issues, such as the roles played by transportation systems and local governments in shaping urban location patterns, and the effects of macroeconomic policy in the context of the interrelationship between property and business cycles. The course will provide an historical and international context for these issues, including for example the major property boom and bust of the 2000s. Students of this course will acquire a comprehensive understanding of the economic factors and policies which influence real estate markets.

2.4 Aims and Relationship to Other Courses
This course is a required course in the real estate major in the Bachelor of Commerce program but is also offered more broadly as part of the economics streams in the Bachelor of Actuarial, Commerce and Economics degrees. The prerequisite for this course is ECON2101 (Microeconomics 2). The material in the course applies concepts learned in ECON2101 to explain theories of real estate economics.
2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate coursework students in the BUSINESS SCHOOL. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Undergraduate Program Learning Goals and Outcomes, see Part B of the course outline. The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

<table>
<thead>
<tr>
<th>Program Learning Goals and Outcomes</th>
<th>Course Learning Outcomes</th>
<th>Course Assessment Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>On successful completion of the course, you should be able to:</td>
<td>This learning outcome will be assessed in the following items:</td>
<td></td>
</tr>
<tr>
<td>1 Knowledge</td>
<td>Explain the assumptions of standard economic models and their application to property markets and public policy issues. Use statistical skills to present data relevant to real estate markets and property cycles.</td>
<td>Final Exam, In-class Tests, Assignments</td>
</tr>
<tr>
<td>2 Critical thinking and problem solving</td>
<td>Use analytical and empirical tools to interpret and analyse impact of changes in supply/demand factors and public policy on real estate markets.</td>
<td>Final Exam, In-class Tests, Assignments</td>
</tr>
<tr>
<td>3a Written communication</td>
<td>Construct written work which is logically and professionally presented.</td>
<td>Assignments, Final exam</td>
</tr>
<tr>
<td>3b Oral communication</td>
<td>Communicate ideas in an oral presentation in a succinct and clear manner.</td>
<td>In-class Presentation</td>
</tr>
<tr>
<td>4 Teamwork</td>
<td>Work collaboratively to complete a task.</td>
<td>In-class Work</td>
</tr>
<tr>
<td>5a Ethical, environmental and sustainability responsibility</td>
<td>Identify and assess environmental and sustainability considerations in economic issues in real estate.</td>
<td>Assignments</td>
</tr>
<tr>
<td>5b Social and cultural awareness</td>
<td>Identify and assess social and cultural considerations in economic issues in real estate.</td>
<td>Assignments</td>
</tr>
</tbody>
</table>
3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course
The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW.” These guidelines may be viewed at: www.guidelinesonlearning.unsw.edu.au. Specifically, the lectures, and post-lecture work groups and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and the lecturer and among students (in and out of class). The lecturer aims to provide meaningful and timely feedback to students to improve learning outcomes.

3.2 Learning Activities and Teaching Strategies
The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Problems which are set and discussed in class. The Course cohort will work in groups (teams) of 4-5.

Lecture Time
Lecture and group work and discussion are integrated into the teaching sessions. Breaks are built into the three hour time slot. The lecture periods will provide a logical structure for the topics that make up the course. During lectures, students will be required to participate in discussion, predominantly within their groups. There will be an opportunity for the groups to work on problem set solutions, discussion questions and assignments. The lecturer will be available to provide guidance. Note carefully that this course requires/expects attendance at lectures and 80% attendance is required to pass the course.

External Real Estate Events
As an optional part of this course, students will have the opportunity to attend one of two real estate events. The first of these will be MSCI/IPD’s presentation of their quarterly results for the commercial property market in mid-August (date to be advised). As part of the assessment, students who attend have the option then of writing a report on the main presentation. The second option is attendance at the UNSW Real Estate Workshop on 8 September where students attending will have the option of writing a report on one of the papers presented. Note however that there will only be a very limited number of places for students to attend. Students will need to apply to the lecturer.

4 ASSESSMENT

4.1 Formal Requirements
In order to pass this course, you must:
- achieve a composite mark of at least 50 out of 100;
- make a satisfactory attempt at ALL assessment tasks; and
- attend at least 80% of lectures – minimum ten lectures. Attendance means attending for the full lecture.
4.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting</th>
<th>Length</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-class Work</td>
<td>20%</td>
<td>Not applicable.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>8%</td>
<td>800 words</td>
<td>See Assignment Guide.</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>12%</td>
<td>1200 words</td>
<td>25 September, 2014</td>
</tr>
<tr>
<td>In-lecture Tests</td>
<td>15%</td>
<td>3-4 short tests (max15 minutes)</td>
<td>Random weeks</td>
</tr>
<tr>
<td>Final Exam</td>
<td>45%</td>
<td>2 hours</td>
<td>University Exam Period</td>
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4.3 Class Attendance
This is not an on-line course. A record of attendance will be kept. While no marks are awarded for simply “being there”, to achieve a satisfactory mark in the “In-class work” and “In-lecture Tests”, a high rate of attendance is essential. Attendance and demonstrated effort will be taken into account by the lecturer in questions of special consideration. Where students have good reason to be absent, please advise the lecturer.

4.4 In-Class Work
Student active participation is a heavy focus in this course. During each class, both individually and as part of your group, you will work on problems and tasks. The preliminary work you do will only be assessed for effort (i.e. satisfactory or unsatisfactory). In terms of the content, class and group discussion will allow students to self-assess their work and refine it and hence their understanding of the topic. Note that the work on a question may be over several weeks.

For a number of topics, one student in the group will be asked to compile a summary of the views/ideas of the group members and submit this for assessment. For other topics the final draft (including refinements) by individual students will be assessed.

4.5 Assignment 1
For the first assignment there will be three options. The first two involve reports made from attending one of two External Real Estate events (see 3.2). The third option will be a report on an article. Details of the assignment and submission procedure will be made available on Moodle.

4.6 Assignment 2
For the second assignment there will be two options based on topics 6 and 7: “The Housing Affordability Crisis”; and “The Housing Bubble”. As part of this assignment students will first need to determine the specific question to be addressed. Students will be required to submit a concise abstract/proposal which outline the questions to be addressed and includes a list of references. This will account for 3/15 marks, and allows first feedback to students. Details of the assignment and submission details/procedure will be made available on Moodle.
4.7 In-Lecture Tests
There will be 3-4 short written in-lecture tests. These will test your understanding of the basic models and ability to use them.

There will be NO supplementary tests offered for missed in-lecture tests. You should make every effort to take every test. Special consideration does not apply to the in-tutorial tests.

4.8 Final Exam
The final exam will be held during the University examination period and will be 2 hours long. The final exam will cover material from the entire course. Questions about the time, location, content, and make-up of the final exam should not be asked via email. See Part B of the course outline for information regarding requesting special consideration in relation to the final exam.

Students should note that the 2014 exam paper is not a reliable guide to the 2015 exam. The problems which will be discussed in class will provide a useful guide to the type of questions you can expect. An outline of the exam paper will be made available.

4.9 Quality Assurance
The BUSINESS SCHOOL is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of BUSINESS SCHOOL programs. All material used for such processes will be treated as confidential and will not be related to course grades.

5 COURSE EVALUATION AND DEVELOPMENT
Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

This course is being taught in the new teaching spaces and, in addition, this is only the second time this course has been run. It incorporates feedback and quite a number of changes from the 2014 course program but there are still aspects of the teaching and assessment which are untested. For that reason, the lecturer will be actively encouraging/seeking informal feedback/suggestions/etc. throughout the session.

6 COURSE RESOURCES

6.1 Course Website

6.2 Course Material
Lecturer’s Course Notes
The textbook is a very useful and easy to read supplement to the set of notes from the lecturer, which will aid students' understanding of the subject matter. There will be a select number of articles on specific topics.

**Note:** There is a downloadable version of the Breuckner textbook available to students – refer website. Only sections of the textbook will be used. And be careful to note the lecturer's notes will “modify” some of the arguments and importantly take precedence.

### 7 TEACHING SCHEDULE

Lectures start in Week 1 and finish in Week 12. All sessions are three hours but this incorporates breaks. Lecture, group work and discussion are inter-mingled. There is NO recording of the ANY of the lecture period.

<table>
<thead>
<tr>
<th>“LECTURE” SCHEDULE</th>
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<tbody>
<tr>
<td><strong>Week</strong></td>
</tr>
<tr>
<td>Week 1 - 27 July</td>
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<td>Week 2 - 3 August</td>
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<td>Week 3 - 10 August</td>
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<td>Week 4 - 17 August</td>
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<td>Week 5 - 24 August</td>
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<td>Week 6 - 31 August</td>
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<td>Week 7 - 7 September</td>
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<tr>
<td>Week 8 - 14 September</td>
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<td>Week 9 - 21 September</td>
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<tr>
<td><strong>Mid-semester break:</strong> Saturday 26 September - Monday 5 October inclusive</td>
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<td>Week 10 - 5 October</td>
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<td>Week 11 - 12 October</td>
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<td>Week 12 - 19 October</td>
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<td>Week 13 - 26 October</td>
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8 Course Topics

There are seven topics which will be covered in the course. The first six topics are looking at property from a micro perspective. While topic 7 is the last topic and looks at property from a macro perspective some key ideas in it will be discussed in the first lecture as a key objective is to give students a broad understanding of the interaction between micro and macro factors on property markets.

The core topic is Topic 2 and it is essential that students understand this. Topics 3-6 all build on/ use this basic model. In all topics we will be looking at current issues to see how theory explains the issues/ what is happening. While we refer to the Breuckner text, the course notes take precedence where the treatment is different. For most topics there will be supplementary articles on the website.

Topic 1: Transport, agglomeration and the rationale for (towns and) cities

Look at the historical development of market towns as the precursor to cities and related development of rural land price theory. The role of transport and other technology in shaping change.

Look at agglomeration economies. How have these shaped the development of industrial and commercial (office and retail) markets? Why are some cities/towns growing and others declining? What are the forces shaping the relative growth of cities today?

This topic is introductory. As we go through the course and develop an understanding of the basic models, we will continue to look at the forces that change the structure of cities.

Brueckner (2011) Chapter 1 and Course Notes

Topic 2: The monocentric model and principles of location theory

The key model in urban economics is the monocentric model, which is a derivate of the rural land price theory and has industry concentrated in the central business district (CBD). Start with rural model which is also model for firms. Then look at model for households/housing. Start with closed model (a city in isolation). Then look at the open model (allow for movement between cities) and competition between cities (inter-regional equilibrium). Interaction with the labour market – why wages are higher in larger ‘skilled’ cities but real wages are not.

This is the core topic in the course. The discussion in topics 3, 4 and 5 builds on this. That is, it assumes a sound knowledge of the simple models and capacity to use them in the extensions in those topics.

Brueckner (2011) Chapter 2 and Course Notes

Topic 3: Variations on the monocentric model – the polycentric city and how demographic/income variation shapes cities
Modern cities do not necessarily fit neatly into the monocentric model. We observe multiple centres in mega cities. What are the forces driving this? Impact of those ‘other’ centres on the simple monocentric model (the polycentric model) – impact on rent gradient. We also observe that different household groups (income, age) seem to occupy different segments of cities

Brueckner (2011) Chapter 3 and Course Notes

**Topic 4: Congestion and transport policy**

Cities generate positive and negative externalities. The former are the extra amenities that cities offer. But as cities grow, congestion and other negative externalities also grow. What are the policy options (e.g., apply road tolls, expand infrastructure) to address congestion and why is there opposition to these policies? In this topic we focus on policies related to transport – in the next section we look at other policies.

Brueckner (2011) Chapter 5 and Course Notes

**Topic 5: Development and government intervention to restrict development**

Housing prices in cities in Australia are more expensive than cities in the US. Why is this so? Demand or supply side? Look at demand side factors, and then look at the natural and policy constraints (zoning controls) which might explain this. Costs and benefits of zoning and other development controls. Impact of zoning/building controls on the commercial and industrial markets.

Brueckner (2011) Chapter 4 and Course Notes

**Topic 6: The “Affordability Crisis”**

In 2015 there has been considerable debate about the decline in housing affordability in Australia, particularly in the Sydney market. The debate raises a lot of issues, some of which we will discuss in this topic. If affordability is a problem (the first question), how would you address it?

Course Notes

**Topic 7: Macro-dynamics of the property cycle**

Look at returns to housing. The influence of leverage and inflation, and the interaction with interest rates/monetary policy and other government policies. When does the property market become a ‘bubble’? Look at measures of disequilibrium in property markets. The relationship between property prices and activity and why the property cycle is so crucial to the business/financial cycle. The history of property booms and busts in Australia. The GFC and the property bubble/bust of the 2000s in US/Europe. Why Australia missed the 2000s property bust? Good luck or good management? Is Australia in a property bubble in 2014? Is China in a property bubble?

Course Notes