

## **ECON5330**

# **Real Estate Economics and Public Policy**

## **Course Outline**

## **Semester 2, 2017**

## **Course-Specific Information**

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

# Table of Contents

	1
<b>1 STAFF CONTACT DETAILS</b>	<b>1</b>
1.1 Communications with staff	1
<b>2 COURSE DETAILS</b>	<b>1</b>
2.1 Teaching Times and Locations	1
2.2 Units of Credit	1
2.3 Summary of Course	1
2.4 Aims and Relationship to Other Courses	1
2.5 Student Learning Outcomes	2
<b>3 LEARNING AND TEACHING ACTIVITIES</b>	<b>3</b>
3.1 Approach to Learning and Teaching in the Course	3
3.2 Learning Activities and Teaching Strategies	3
<b>4 ASSESSMENT</b>	<b>3</b>
4.0 You must complete the “Working with Academic Integrity” module on your Moodle site, before you hand in any written work.	3
4.1 Formal Requirements	4
4.2 Assessment Details	4
4.3 Class Attendance	4
4.4 Assignment	4
4.5 In-Lecture Tests	5
4.6 Final Exam	5
4.7 Protocol for viewing final exam scripts	5
4.8 Quality Assurance	5
<b>5 COURSE EVALUATION AND DEVELOPMENT</b>	<b>5</b>
<b>6 COURSE RESOURCES</b>	<b>6</b>
6.1 Course Website	6
6.2 Course Material	6
<b>7 TEACHING SCHEDULE</b>	<b>6</b>
<b>8 COURSE TOPICS</b>	<b>7</b>

# 1 STAFF CONTACT DETAILS

**Lecturer-in-charge:** Nigel Stapledon

**Room:** TBC

**Email:** [nigel.stapledon@unsw.edu.au](mailto:nigel.stapledon@unsw.edu.au)

**Consultation Times:** Tuesday 9am-10.30am; Tuesday 6pm-7pm. Please note the lecturer will only normally be on campus on Tuesday.

**Tutor:** James Signorelli

## 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): Tuesday 1:00pm – 3:00pm in Macauley Theatre (K-E15-1027)

Tutorials (Weeks 2-13): See [online UNSW timetable](#)

## 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 from 1996-2004 (for Sydney), and the latest housing boom. 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 some basic concepts learned in ECON2101 to explain theories of real estate economics. Generally,

Masters students do not have a problem picking up the Micro 2 concepts, nor do undergraduate students who have “forgotten” their Micro 2.

## 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 Program Learning Goals and Outcomes, see the School’s Course Outlines Policies webpage available at <https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

	<b>Program Learning Goals and Outcomes</b>	<b>Course Learning Outcomes</b>	<b>Course Assessment Item</b>
		On successful completion of the course, you should be able to:	This learning outcome will be assessed in the following items:
1	Knowledge	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.	Final Exam In-class Tests Assignment
2	Critical thinking and problem solving	Use analytical and empirical tools to interpret and analyse impact of changes in supply/demand factors and public policy on real estate markets.	Final Exam In-class Tests Assignment
3a	Written communication	Construct written work which is logically and professionally presented.	Assignment Final exam
3b	Oral communication	Communicate ideas in an oral presentation in a succinct and clear manner.	In-class Work.
4	Teamwork	Work collaboratively to complete a task.	In-class Work
5a.	Ethical, environmental and sustainability responsibility	Identify and assess environmental and sustainability considerations in economic issues in real estate.	Assignment

5b.	Social and cultural awareness	Identify and assess social and cultural considerations in economic issues in real estate.	Assignment
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### 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](http://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.

##### Lecture Time

The lecture periods will provide a logical structure for the topics that make up the course. While, there will be course notes and slides, students are expected to take notes in the lectures. During lectures, there will be opportunity for students to participate in discussion.

##### Tutorial Time

In these bi-weekly two-hour sessions, students will work in assigned groups. One part will be working through problems and solutions. Another part will be working on the assignment which is primarily an individual one (in terms of final product) but has a team component. The tutor and lecturer will be available to provide guidance.

Note carefully that this course expects attendance at lectures and 80% attendance is required to pass the course. It is not designed as an on-line course. Non-attendance will make completion of the assignment difficult.

### 4 ASSESSMENT

#### 4.0 You must complete the “Working with Academic Integrity” module on your Moodle site, before you hand in any written work.

- You MUST complete the ‘Working with Academic Integrity’ module AND THE MODULE’S QUIZ, found on your course Moodle site, BEFORE YOU ARE ALLOWED TO SUBMIT ANY WRITTEN ASSESSMENT.
- If your submission is delayed because you did not complete the module and the quiz, you may be liable to late penalties as specified in your course outline.
- Failing to comply with the University rules of Academic integrity may result in serious consequences:
  - All cases of plagiarism (regardless of their severity) ARE recorded with the University Integrity Office University register.

- Depending on the level of the plagiarism/misconduct, the penalties may include a FAIL grade for the assessment piece, a FAIL grade for the course, or being expelled for serious/repeat offences.

Any misconduct, including plagiarism, is recorded on your Conduct Record. If you have only one academic misconduct at the lowest level (level A) in your career, then the record is wiped clear when you graduate. Otherwise it remains there permanently. *Many professions, such as accounting and law, require access to the student's Conduct Record.*

#### 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

	Assessment Task	Weighting	Length	Due Date
1	Assignment	20%	1000 words plus charts, tables.	Tuesday 3 <sup>rd</sup> October. By midnight.
2	In-lecture Tests (2)	20% (10% each)	40 minutes	Weeks 5 and 9
3	Final Exam	60%	2 hours	University Exam Period

#### 4.3 Class Attendance

This is NOT an on-line course. While no marks are awarded for simply “being there”, to achieve a satisfactory result, a high rate of attendance is essential. Apart from anything, attendance at the tutorials will be a chance to meet and engage with fellow students.

Please note that the tutorials are not designed to substitute for the lectures. They are designed on the premise that students have attended and absorbed the material in the lectures. Where students have good reason to be absent, please advise the lecturer.

#### 4.4 Assignment

Work on the assignment will commence in the first tutorial session (weeks 1-2), and a portion of each tutorial class will be spent on it. Research out of class is, or course, essential and expected but in-class discussion and feedback is valuable.

Each student is expected to have completed a draft by weeks 7-8. There will be class/group discussion of the reports in those weeks. The draft will be assessed simply as satisfactory or incomplete, with marks allocated for this. A final will be handed in on Thursday of week 10. The final report is expected to be of a high standard.

Details of the assignment and submission procedure will be made available on Moodle before the session starts.

#### 4.5 In-Lecture Tests

There will be two (2) in-class 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-class tests.** For information on Special Consideration please refer to the Business School's [Course Outlines Policies webpage](#).

#### 4.6 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 previous exam papers, which are not made available, will not necessarily be a reliable guide to the 2017 exam. The problems which will be set and discussed in class will be the best guide to the type of questions you can expect. An outline of the structure of the exam paper will be made available.

In the exam paper, all model equations will be included in an appendix. It is your understanding of the ideas that will be tested not your memory. But understanding is not something you can do the night before the exam.

#### 4.7 Protocol for viewing final exam scripts

The UNSW Business School has set a protocol under which students may view their final exam script. Please check the protocol [here](#).

#### 4.8 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 myExperience Survey Tool 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 incorporates feedback and quite a number of changes from the 2014-16 course programs 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

<https://moodle.telt.unsw.edu.au/login/index.php>

### 6.2 Course Material

Lecturer's Course Notes.

Brueckner, J. (2011) Lectures in Urban Economics, MIT Press.

The textbook is a very useful and easy to read supplement to the set of notes from the lecturer, which will aid student's 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 maximum two hours. There is NO recording of the ANY of the lecture period.

“LECTURE” SCHEDULE	
Week	Provisional Topic Schedule #
Week 1 - 24 July	Introduction, Overview of course, and Topic 1.
Week 2 - 31 July	Topic 2: The rural model and principles of location theory
Week 3 - 7 August	Topic 3: The monocentric urban model and principles of location theory
Week 4 - 14 August	Topic 3: The monocentric urban model and principles of location theory
Week 5 - 21 August	TEST 1 and Topic 4: Variations on the monocentric model
Week 6 - 28 August	Topic 5: Congestion and transport policy
Week 7 - 4 September	Topic 6: Development and government intervention
Week 8 - 11 September	Topic 7: The “Affordability Crisis”
Week 9 - 18 September	TEST 2 and Topic 7 continued.
<b>Mid-semester break: Saturday 23 September - Monday 2 October inclusive</b>	
Week 10 - 3 October	Topic 8: Macro-dynamics of the property cycle
Week 11 - 9 October	Topic 9: Macro-dynamics of the property cycle
Week 12 - 16 October	Finish Topic 9 and Course Wrap-up/Overview

# At times, topics will overlap weeks.

## 8 Course Topics

There are nine topics which will be covered in the course – some of which are short and others longer. The first seven topics are looking at property from a micro perspective. The final two topics look at property from a financial/macro perspective. One objective is to give students a broad understanding of the interaction between micro and macro factors on property markets.

The core topics are Topics 2 and 3. It is essential that students understand these topics. Topics 4-7 all build on/ use these basic models. 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.

Course Notes and Brueckner (2011) Chapter 1

### ***Topic 2: The monocentric model and principles of location theory – the rural model***

### ***Topic 3: The monocentric model and principles of location theory – the urban model***

Course Notes and Brueckner (2011) Chapter 2

Topics 2 and 3 set out the key models in urban economics. 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).

This is the core part of the course. The discussion in subsequent topics 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.

### ***Topic 4: 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.

For a long time, people were moving out to outer areas for space and the inner areas of cities were decaying. That has changed and cities are becoming “gentrified”. We look at that and other factors shaping cities?

Course Notes and Brueckner (2011) Chapter 3

***Topic 5: 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.

Course Notes and Brueckner (2011) Chapter 5

***Topic 6: 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? Here would look at the supply side factors - the natural and policy constraints (zoning controls) which influence prices. Costs and benefits of zoning and other development controls. Impact of zoning/building controls on the commercial and industrial markets.

Course Notes and Brueckner (2011) Chapter 4

***Topic 7: The “Affordability Crisis” and Government policy***

If prices and rents have risen, is that a problem? In 2016 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? Some examples of current policy initiatives will be assessed.

Course Notes and Brueckner (2011) Chapter 7

***Topic 8: Macro-dynamics of the property cycle Part 1***

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.

***Topic 9: Macro-dynamics of the property cycle Part 2***

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 2017? Is Australia unique or different?

Course Notes for Topics 8 and 9.