



UNSW
SYDNEY

Dr. Eppli on Sabbatical – Update #1
University of New South Wales, Sydney, Australia

Zoe, Mark and the Sabbatical

Two weeks ago marked the first full week of the eighth grade for my daughter, Zoe, who attends the Randwick Girls High School (a New South Wales public school). Last week marked the commencement of my sabbatical semester at the University of New South Wales (UNSW). It has been an interesting journey learning about and applying for what it takes to be legal: to enroll Zoe in a New South Wales High School, receive the title of Honorary Visiting Fellowship, obtain a four-month temporary research Visa, etc. We often take being legal for granted when it is provided for us each and every day in our workplace, our schools, and our place of residence – taking a semester abroad gives one new appreciation for being legal. Below, the faculty/student ID . . . what epitomizes legal!

The purpose of a sabbatical is to promote faculty professional development, which means working on research (scholarship), enhance teaching methods, and embrace community. Research first, using both NCREIF and Real Capital Analytics data, I am working on a number of applied and academic research articles, one is forthcoming in NAIOP's Spring 2017 Development Magazine. I am also working on an academic article where we attempt to explain why the top six real estate markets in the U.S. have seen far greater cap rate compression than the national and tertiary markets for the period 2001-2016. As for teaching professional development, I plan to enhance my teaching through getting Argus Certified in the coming weeks. Of note, Dr. George Cashman, who will be the instructor of the Real Estate Modeling course, is looking to secure the same certification where we will likely require Argus Certification of all MU RE graduates as well.

So why the need to be at the University of New South Wales? Well, I could do much (all?) of this work at MU or anywhere, however, one of the things that I expect of my students is that they are able to view and deconstruct a property investment/development from the perspective of each of the players in the game – the municipality, the developer, the lender, etc. To enhance the lenses through which I see commercial real estate, I have actively pursued sabbatical semesters working with a globally recognized faculty that reside outside a business school setting, two different lenses (global and built environment) on commercial real estate. At the UNSW I am an Honorary Visiting Fellow with the Faculty of Built Environment. The Built Environment program is largely focused on architecture, design, sustainable methods, construction management, and real estate (probably in that order). The University is a top 50 global institution with an enrollment of 52,000 students. The curriculum, the research, and the overall program focus looks nothing like what we teach and research in the Business School.

Housing in Sydney and Randwick...and Living in an Airbnb

We are moving next week as the Airbnb that we thought that we rented for the duration of our stay is being sold! We live in Randwick, an inner-ring suburb of Sydney (think Shorewood, WI with two-three times the density and approximately ten times the cost) and within walking distance to the University of New South Wales (UNSW).

So why sell your Airbnb house? The house immediately adjacent to our unit, and from what I can tell is a reflection of the unit that we reside in, sold last month for \$1.5 million. Now you might think that

Eppli and his daughter are livin' large down under. Well, let me give you some details on what \$1.5 million gets you in Randwick from public records:

- 760 square feet of building improvements (built in 1890, but with very limited charm)
- 1,500 square feet of land
- Two-bedrooms
- One bathroom
- No air conditioning (yes it reached 105 degrees last week, but that is unusual)
- No off street parking
- Almost \$2,000 per square foot, no kidding!!!

And please know that our location is about five miles from the Sydney CBD, 1.5 mile from the ocean, and does not have a view of the City or the ocean. You can Google the sale statistics on the neighboring property that just sold which is: 17 Waverley St. Randwick, NSW.

The Sydney market is really interesting with double digit single family appreciation rates each of the last three years and prices have doubled over the last ten years according to Statistics Australia data. Property prices now exceed those of NYC – really. While the NYC is an MSA of 20 million people, with geographic constraints, is arguably the finance capital of the U.S./World, and is the lead city for a 324 million person U.S. population; Sydney is largely not geographically constrained by rivers or mountains, has a 4.8 million person population, and is the lead city for a country of 24 million people. All else equal, Sydney's real estate market should be a shadow of New York's. That said, there seems to be a land use and approval process system that limits new supply. Additionally AU has maintained 230,000 person net immigration (about 1% of the population per year) to the country on average for the last five years with about 35-40% of these folks landing in Sydney, in short growing demand. Sydney apartment cap rates have sunk to 3% this year from 3.3% the previous year – real estate looks cheap in the US and a straight up bargain (almost a rounding error) in places like Milwaukee. More on this later as I learn more.

Next update-President Trump

Stay tuned for the coming update on the view of President Trump from down under (Zoe said that they have spent more time talking about President Trump in her first ten days at the Randwick Girls High School than they did all Fall semester in Whitefish Bay) and commercial real estate in Randwick.

Mark