

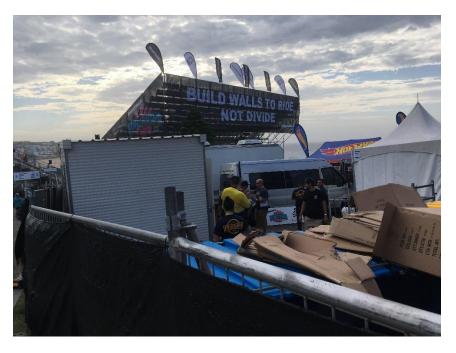
## Sabbatical – Update #2 University of New South Wales, Sydney, Australia

## Two months have passed and . . . .

.... last week Zoe brought several pounds of requested American candy and sugary cereals to school – Recess Peanut Butter Cups, Hershey's Kisses, Candy Corn, Lucky Charms, among others (generously sent by her Aunt Helen) – and it all evaporated almost instantaneously, except the Candy Corn: the expectation was that it would be hard and crunchy. One set of twins, who up until lunch that day maintained a low sugar and organic diet exclaimed "this is the best day of my life!"

American culture, and candy, captures the imagination of Aussies. While very proud of their own heritage, American music, movie stars, and foods, are the icons. Zoe continues to be confounded by how many of her classmates know the words, all the words, to the musical "Hamilton." Zoe, who is referred to as "Chicago" by her geography teacher, said that in the first ten days of school here in Randwick, the teachers spent more time on US politics than the entire Fall semester in Whitefish Bay.

Which brings me to American politics – you knew it was coming! When heard locally in Australia, "Make America Great Again" or "America First," come off rather self-serving and parochial, as the US is viewed as so strong and so wealthy and so "first" in so many ways. As you can imagine, we are still hearing about the many diplomatic visits after the Trump-Turnbull phone call about immigration. Local news casts the President as a bully, and it did not help that the President's Communication Director Sean Spicer referred to the Prime Minister as "Malcolm Trumbell," twice. And, if you think that the border issue with Mexico does not reach beyond North America, guess again. A couple of weeks ago I walked down to Bondi Beach where they were setting up for a large Rip Curl surf competition and captured the following photo on the back of the temporary viewing stands which reads: "Build walls to ride, not divide."



## Two degrees of separation, not six . . . .

Sunday afternoon I found myself in a North Sydney suburb enjoying a glass of wine at a BBQ at the house of two MU alums who reside in Sydney, along with a third alum who lives in NYC. My last update was read by Mary Korwarick, who resides in NYC and was visiting Sydney to see her former MU roommate, Ann Prosser (Marketing) and husband Terry (Journalism) who moved to Sydney thirty years ago. Ann is a native of Delavan, WI.

Another two degrees of separation came when I had a beer with the Deputy Dean Alan Peters of Built Environment, who worked for a decade at the University of Iowa. We discussed several mutual friends and the differences between university administration at UNSW and MU. UNSW is run much more like a business than US universities, where college leadership are paid bonuses for meeting/exceeding budgets (not kidding) – which sets up a whole new level of distrust between college administration and faculty. Net revenue pressure has pushed the Built Environment program to seek full-tuition-paying foreign students, largely Chinese students, for University programs which at times approach and exceed 50% of student enrollment. They are profitable, but at what cost to Australia and Australians?

## You know that I will talk about real estate . . . .

First, residential. The average house price in Sydney is \$1.1 million, having increased fivefold in twenty years. Depending on your data source, the median house price to median income is 12-14 times. At the height of the U.S. housing bubble that ratio peaked out at 4.0 and currently stands at 3.0. Last week, I had the opportunity to have a beer with the residential and commercial real estate leadership from Corelogic in Sydney (Corelogic provides housing data for the Australian Bureau of Statistics), where we discussed what might be pushing prices so high.

As is always the case, the likely cause for the price appreciation is manifold. Most residential properties are sold via auction after 4-5 weeks of exposure to the market. A normal auction might be 4-6 active bidders. More recently it has been 8-12 and the final two are often foreigners, often Chinese. Here foreigners are only "supposed to" be able to purchase new homes, not existing ones, a rule that is regularly skirted. Many Chinese investors look at Australian real estate as place to store wealth and consider property income (or cap rates) on a very secondary basis, and therefore price residential real estate using very different metrics.

A bit on commercial real estate. Zoe and I reside near, if not at the center, of Randwick, a suburb about five miles and an easy bus ride to downtown Sydney. The streets are lined with many small shops as well as two full-service grocery stores, two fresh produce markets, two fish markets, several meat markets, and nine pharmacies – yes nine pharmacies – all within a quarter-mile radius from where we reside. For the most part each pharmacy carries the same products and all have a pharmacist (or chemist as they are called here). In short, Main Street still feels like Main Street both because many of the big box retailers have a limited presence, and in part because Amazon has yet to open their first distribution facility (it is coming, construction has started). Prices are higher, there is very limited selection, and the business model is far less efficient, but service is better, far better.

That is it from here. I hope that you are enjoying the Spring flowers of Wisconsin, something that I miss!

Mark