Assignments Packet

Overview
I.   **Homework Assignment**
II. **Midterm Exam**
III. **Case Study Assignment**
IV. **Final Exam**

Overview

Assignments are due by the date and time indicated below. All assignments are individual. This means that you should not discuss them with classmates; all questions about the assignments should come to me.

Assignments	Weight (%)	Points	Due date and time
Homework	10	30	March 30, 5 pm
Mid-term	20	60	April 13, 5 pm
Case study	40	120	April 27, 5 pm
Final exam	30	90	May 11, 9 pm
Total	100	300	

Please submit all assignments by email to ploungani@jhu.edu and ploungani@imf.org (include your name in the files submitted).

I.   Homework Assignment (30 points)

Due 5 pm, March 30, by email to ploungani@jhu.edu and ploungani@imf.org
(include your name in the file submitted)

1. **(8 points; Maximum number of words: 300):** Write a summary of section 24.1 of "Commercial Real Estate Analysis and Investments" by Geltner, Miller, Clayton and Eichholtz.

2. **(15 points; Maximum number of words: 600):** Write a summary of section 24.2 of Geltner et al.

3. **(7 points; Maximum number of words: 300):** Write a summary of section 24.3 of Geltner et al.

II.   Mid-term Exam (60 points)

Due 5 pm, April 13, by email to ploungani@jhu.edu and ploungani@imf.org
(include your name in the file submitted)

A. (30 points total, 3 points each) True or False: State whether the following statements are True or False. For statements that are False, point out the error.

1. If the fundamentals driving property returns show weak international correlations, property markets are all likely to offer weak international diversification potential.

2. Cross-border capital flows have increased in all asset markets except in real estate.

3. The informational disadvantage of international property investors relative to local players is one of the obstacles to the globalization of real estate markets.

4. Nearly 90 percent of listed property companies are international in the sense that they have significant holdings of real estate outside their own country.

5. Office market models show that the driver of demand is consumption.

6. Cyclical return opportunities in real estate are fairly easy to predict, which is why they are called "property clocks."

7. Africa accounts for 15 percent of the total market capitalization of the global property share market.

8. Mortgage markets are larger in countries with greater ease in registering property.

9. Chinese purchases of Australian residential property have increased, with new Chinese settlers increasingly purchasing more than Chinese investors.

10. The United States accounts for about 60 percent of the global REIT market.

B. (30 points. Maximum number of words: 600):

Ahir and Loungani conclude that: "On average across countries, house prices have been on an upward trend over the past 50 years, following a 100-year period over which there was no long-term increase. The rising trend in prices reflects a demand boost due to greater availability of housing finance running up against supply constraints, as land has increasingly become a fixed factor for many reasons."

Write a critical review of their conclusion. (Note: "critical review" does not mean that that you just "criticize" – it means something more like "review with a critical eye". So you should discuss whether or not you agree with their conclusion and why or why not? What evidence supports their conclusion and what evidence goes against it?)

III.   Case Study Assignment (120 points)

Due 5 pm, April 27, by email to ploungani@jhu.edu and ploungani@imf.org
(include your name in the file submitted).

Three cases can be purchased at this link: https://hbsp.harvard.edu/catalog/course/715422.
You are required to do **one** of the three cases. It would be good to get all three in case you
change your mind (and even if you don't change your mind, they are all interesting cases with
useful information and we will discuss all three in class).

Each question is worth 60 points. Maximum length for each question: 800 words.
You can include graphs and tables but keep them to a small number.

Case #1: Pioneers in Colombia

1.   What were the pros and cons of investing in Colombia based on based on the information
     available at the time (i.e. in 2011)?

2.   If this was a current investment opportunity, how would your answer to part 1 change?
     (That is, how would you assess the pros and cons of investing in Colombia today?)

Case #2: Grove International Partners

1.   Discuss which of the two investment opportunities (UK or Japan) was better at the time
     in terms of prospective returns vs. likely risks based on information available at the time
     (i.e. in 2004)?.

2.   If these were current investment opportunities, how would your answer to part 1 change?
     (That is, how would you assess the relative merits of the two investments today?)

Case #3: LandLease (Asia) Property Limited

1.   Discuss the relative pros and cons of direct investment vs. investing in REITs based on
     information available at the time (i.e. in 2003).

2.   If these were current investment opportunities, how would your answer to part 1 change?
     (That is, how would you assess the relative merits of the two investments today?)

IV. **Final Exam (90 points): Due 9 pm, May 11,** by email to ploungani@jhu.edu and ploungani@imf.org (include your name in the file submitted).

A. (30 points total) Use the data provided for Canada and Ireland (in the EXCEL spreadsheet posted on Blackboard and UE/Teaching) to answer the following:

1. (5 points) For each country, what is the 'mean return' on housing (average real house price growth) for over the period 1970 to 2012 (that is, over the full sample in the data provided)? For each country, what is the 'riskiness' of returns on housing (standard deviation of average real house price growth) over the period 1970 to 2012?

2. (10 points) For each country, compute the trend and the cycle in real house prices and the trend and the cycle in real GDP (using either the moving average or HP filter method)..

   a. For each country, plot the cyclical components of real house prices and real GDP? Does there seem to be an association between the two? For which country does the association seem stronger?

   b. What is the 'mean return' on housing (average real house price growth) for the two countries over the period 1970 to 2012 using the trend components of real house prices for the two countries?

3. (10 points) Explain—by running a regression for each country—the mean return in terms of short-term fundamentals (growth rate of real GDP and growth rate of working age population) and the long-run anchor (last period's gap between the real house price and real GDP). How well do the regressions do in explaining mean returns?

4. (5 points) What other factors can play a role in influencing mean returns and riskiness on housing in the two countries?

B. (20 points; 600 words maximum): Tyler Cowen states: "Real estate may be a better – and safer – investment than I thought. This is my conclusion after reading a comprehensive study titled *The Total Risk Premium Puzzle*" Do you agree with Cowen's conclusion? https://www.bloomberg.com/opinion/articles/2019-03-21/buy-a-house-it-s-safer-than-the-stock-market.

C. (20 points; 600 words maximum): What impacts have epidemics and pandemics had in the past on real estate markets? How does the impact of the coronavirus thus far compare with past impacts?

D. (20 points: 600 words maximum): Write a critical review of **one** of the two papers below:

China's Real Estate Market: http://wxiong.mycpanel.princeton.edu/papers/HousingChapter.pdf

Demographic Factors affecting the Home Sales Market
https://sfullerinstitute.gmu.edu/2018/07/10/demographics-housing-market/