

UNIVERSITY OF PENNSYLVANIA  
The Wharton Real Estate Center

**Urban Real Estate Economics**  
Real 215/724  
Fall 2010

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Professor: Dr. Susan Wachter  
Professor of Real Estate and Finance  
Office: Vance Hall, Room 430  
215-898-6355  
Hours: Tuesday 6:00 pm – 7:00 pm  
Signup sheet for appointments is available  
The Wharton Geospatial Initiative Lab, Fourth Floor, Vance Hall

TA: Office: Vance Hall, Room 434  
Hours: Tuesday, 12:00 pm – 2:00 pm

Class Time: Real/Finance 215/724: 12:00-1:30 pm

Course Materials: Required readings are in a Course Packet available at [www.study.net](http://www.study.net).

Readings that are provided in the Course Packet are required of all students and are denoted in the syllabus by the number that corresponds to their order in the packet.

There are several homework assignments. The purpose of these is to review course material and prepare students for the midterm and second exam. These assignments will be marked with a zero, check, or check plus. In addition, there is a Market Analysis Project which will be discussed in class. It will require forming project groups of 4-5 students.

Grades:	First Exam	25%
	Second Exam	25%
	Market Analysis Project	25%
	Project Presentation	10%
	Homework Exercises	5%
	Class Participation	10%

## **I. INTRODUCTION**

Class 1 – Wed 9/8     The Operation of Property Markets: A Micro and Macro Approach  
*DiPasquale and Wheaton, Chapter 2 (BP #1)*

Class 2 – Mon 9/13     Why Cities Exist  
Comparative Advantage  
Agglomeration Economies  
*O'Sullivan, pp. 1-13, 39-44, 49-61 (BP #2)*  
*Mills and Hamilton, pp.7-10 (BP #3)*  
Optional:  
*Kotkin & Devol, "Knowledge-Value Cities in the Digital Age" (BP #4)*  
*Glaeser, Gottlieb - The Wealth of Cities: Agglomeration Economies and Spatial Equilibrium in the United States (BP #8)*

## **II. REAL ESTATE MARKET DRIVERS**

Class 3 – Wed 9/15     Real Estate Markets: A Macro Approach  
Problem Set Introduced  
*DiPasquale and Wheaton, "The Property and Capital Markets," Chapter 1 (BP #5)*  
*Wachter and Kroll, "Simple Analytics of Equilibrium and Disequilibrium," pp. 243-249 (BP #6)*  
Optional:  
*Wachter, "Housing and Government Policy in the Global Economy: The Cases of Korea and the US" (webCafé)*

Class 4 – Mon 9/20     Regional Growth Drivers  
Where Do Cities Develop?  
Market Areas and Market Competition  
*O'Sullivan, pp.80-87, 105-112, 119-122, 132-141, 153-159 (BP #7)*

Class 5 – Wed 9/22     Real Estate Markets: Dynamics  
*Pozdena, Chapter 2 (BP #9)*  
*Wachter and Kroll, "Simple Analytics of Equilibrium and Disequilibrium," pp. 249-260 (BP #6)*  
*Mills and Hamilton, Chapter 10 (BP #10)*  
Optional:  
*Barrons Real Estate Markets Today (BP #11) 12/23/03*  
*Malpezzi, "Urban Growth and Development at Six Scales," (webCafé)*  
**Problem Set #1 Due Friday September 24, email to webCafé**

## **III. LAND RENT AND URBAN LAND USE PATTERNS**

Class 6 – Mon 9/27     Location Decisions and Land Value  
*O'Sullivan, pp.167-197, (BP #12)*

Class 7 – Wed 9/29     Density and Property Values  
*DiPasquale and Wheaton, "The Urban Land Market: Rents and Prices," Chapter 3 (BP #13)*  
*Mills and Hamilton, Chapter 6 (BP #14)*

Class 8 – Mon 10/4     Suburbanization of Population and Employment  
*O'Sullivan, pp. 202-223 (BP #15)*

Kain, "The Journey to Work as a Determinant of Residential Location," *Urban Analysis*, pp. 207-22. (BP #16) skim  
Wheaton, "Income and Urban Residence: An Analysis of Consumer Demand for Location." (BP #17) skim

Class 9– Wed 10/6    Forces Impacting Urban Growth Patterns  
O'Sullivan, pp. 112-115 (BP #18)  
Voith and Wachter, "Urban Growth and Housing Affordability: The Conflict" (BP #19)  
Optional:  
Mieszkowski and Mills, "The Causes of Metropolitan Suburbanization" (BP #20)  
Lang, "Office Sprawl: The Evolving Geography of Business" (BP #21)  
Voith, "Do Suburbs Need Cities?" (webCafé)  
**Problem Set #2 and Project Teams Due**

Mon 10/11            **NO CLASS (Fall Break)**

#### **IV. REAL ESTATE MARKET ANALYSIS AND APPRAISAL**

Class 11 - Wed 10/13    State of the Real Estate Markets  
Guest Speakers: Victor Calanog, REIS, Inc. and Frank Notaft, FNMA  
*National Office Market Report (webCafé)*

Class 10 – Mon 10/18    Appraisals  
*Lusht, Real Estate Valuation: Principles and Applications, pp. 6-10, Chapters 2, 3, 6 and 25 (BP #22) Skim*  
*Linneman, Real Estate Finance and Investment: Risk and Opportunities, Chapters 6-10 (BP #23)*

Class 12 – Wed 10/20    **Review Class**

Class 13 - Mon 10/25    **Midterm Examination (in class)**

#### **V. REAL ESTATE MARKET CYCLES**

Class 14 – Wed 10/27    Market Analysis and Commercial Real Estate Cycles:  
*Mueller, "Using Market Cycles in Portfolio Management Strategies" (webCafé)*

Class 15 – Mon 11/1    Commercial Real Estate Market Analysis  
*Moody and Wachter, "Forecast of Real and Nominal Rental Rates for Metropolitan Office Markets." (webCafé)*  
*Ambrose, Linneman, and Wachter, "The Wharton Real Estate Index" (BP #24)*

Class 16 –Wed 11/3    Real Estate Markets and Booms and Busts  
**Project Summary PowerPoint Due**

Class 17 – Mon 11/8    Appraisals continued  
*Housing Markets (webCafé)postponed until 3/22*  
*Pavlov and Wachter, "Robbing the Bank" (webCafé)*  
*Malpezzi and Wachter, "The Role of Speculation in Real Estate Cycles" (BP #25)*

Class 18 – Wed 11/10    Group Presentations

## **VI. PUBLIC POLICY AND REAL ESTATE MARKETS**

Class 19 – Mon 11/15 Federalism and Devolution: The Impacts on Real Estate Markets

*O'Sullivan, pp. 524-539, 512-517, 333-335 (BP #26)*

*Tiebout, "A Pure Theory of Local Expenditures" (BP #27)*

Class 20 – Wed 11/17 Land Use Controls, Zoning, Impact Fees, and Sprawl

*O'Sullivan, Chapter 10, pp. 228-249 (BP #28)*

*Pollakowski and Wachter, "The Effects of Land Use Constraints on Housing Prices" (BP #29)*

*Fischel, "Do Growth Controls Matter?" (BP #30)*

*Optional:*

*Brookings, "Who Sprawls Most? How Growth Patterns Differ Across the U.S." (BP #31)*

*Brueckner, "Urban Sprawl: Lessons from Urban Economics" (BP #32)*

Class 21 – Mon 11/22 Housing, Transportation, Taxes, and Urban Development

*Abbot, Richmond, Fischel, "The Portland Region: Where City and Suburbs Talk to Each Other - and Often Agree." (BP #33)*

*Boarnet and Haughwout, "Do Highways Matter?" (BP #34)*

*Voith, "The Determinants of Metropolitan Growth Patterns," pp. 71, 72, 76 – 80 (BP # 35)*

*O'Sullivan, pp.372-38 (BP#36)*

Class 22 – Wed 11/24 The Future of Cities

*Sassen, "Cities in the Global Economy" (webCafé)*

*Glaeser, "How Cities Have Transformed: Turnaround Cities" (webCafé)*

*Porter, "The Competitive Advantage of Cities" (webCafé)*

Class 23 and 24 – Mon 11/29 and Wed 12/1

Project Presentations

Class 25 – Mon 12/6 Review

Class 26 – Wed 12/8 Second Midterm Examination – In class