

REAL ESTATE 215/724 SPRING 2011

URBAN REAL ESTATE ECONOMICS

Professor Richard Voith

Email: voith@econsult.com

Office Hours: Tuesday, Monday 9:15-10:15 SHDH 1469

Phone: 215 382-1894

This course investigates cities and real estate markets from an urban economics perspective. We will examine the basic forces that result in cities, examine why cities grow where they do, assess forces for decentralization and the patterns of real estate value within cities. The second half of the course focuses implications of urban economies for the functioning of real estate markets including residential and commercial sectors. In addition, we examine some impacts that public policy has on urban real estate markets.

Several guest lecturers are scheduled to make presentations.

Format: Classroom lectures, formal class discussions, and guest lecturers.

Students are expected to read, and be prepared to discuss and critique all assigned readings. Two formal class discussions will be held at which time students should be prepared to discuss the each topic. The dates for the class discussions are: 2/2 and 2/23. In addition there will be a market analysis project that will be conducted in small groups and presented in class.

Course Materials:

Course Packet available at www.study.net

Supplemental Readings Distributed Through Web Cafe.

Grading: First Exam 30 points; Second Exam 25 points; market analysis project 25 points; formal class discussions/class participation 15 points; problem sets (2) 5 points.

Course Outline

PART 1: CITIES AND REAL ESTATE MARKETS

1/12 Class 1: Patterns of Metropolitan Development

The Nature and Definitions of Urban Areas:

O'Sullivan *Urban Economics* 7E, Ch 1. "Introduction and Axioms of Urban Economics (CP #1)

Glaeser *Cities, Agglomeration and Spatial Equilibrium* Ch 1, pp 1-10 (CP #2)

1/19 Class 2: Property Markets

The Market for Space and Buildings

DiPasquale and Wheaton “The Property and Capital Markets” (CP #3)

Wachter and Kroll, “Simple Analytics of Equilibrium and Disequilibrium,” *pp. 1-17 (CP #4)*

1/24 Class 3: Why Do Cities Exist?

Comparative Advantage

Agglomeration Economies

O’Sullivan, *Urban Economics 7E*, Ch. 2, “Why Do Cities Exist,” pp. 17-27, Ch. 3, “Why Do Firms Cluster?” pp. 43-67 (CP #5)

Mills and Hamilton, *Urban Economics 5th ed.* Ch 1, “Why Urban Areas?” (CP #6)

Strange, “Agglomeration Economies and the Future of Cities.” (CP #7)

Problem Set 1 distributed, due 2/2

1//26 Class 4: Where Do Cities Develop?

Resource Orientation

Market Areas and Competition

O’Sullivan, *Urban Economics 4th ed.* Ch. 2, pp27-42 (CP #5)

1/31 Class 5: Growth and City Size

What Determines City Size and Growth

O/Sullivan, *Urban Economics 7E*, Ch. 4, “City Size” (BP #8)

Glaeser, “Urban Colossus: Why is New York America’s Largest City (Web Cafe)

2/2 Class 6 Discussion: How Are the Forces Affecting Metropolitan Development Real Estate Markets Changing?

Student Led Discussion

Voith and Wachter “Urban Growth and Housing Affordability: The Conflict”
pp. 1-15. (BP #9)

Mieszkowski and Mills, “The Causes of Metropolitan Suburbanization.” (BP #10)

Voith “Do Suburbs Need Cities” (Web Café)

PART 2: SPATIAL EQUILIBRIUM

2/7 Class 7: Spatial Equilibrium Among Cities

Compensating Variation

Roback, Jennifer, "Wages, Rents and the Quality of Life" (Web Cafe)

Voith, Richard, "Capitalization of Local and Regional Attributes into Wages and Rents: Differences Across Residential, Commercial and Mixed-Use Communities" (1991), *Journal of Regional Science*, Vol. 31, pp. 127-145 (Web Café)

2/9—2/14 Class 8,9: Equilibrium Within Cities--Urban Land Markets

Monocentric Cities: Rents and Prices

DiPasquali and Wheaton *Urban Economics and Real Estate Markets* Ch 3 (CP #11)

Problem Set 2 distributed, due 2/23

2/16 Class 10 Density, Growth and Risk

Development and Optimal Density

DiPasquali and Wheaton *Urban Economics and Real Estate Markets* Ch 4 (CP #12)

2/21 Class 11 Competition, Local Government and Fiscal Federalism

Oats "An Essay on Fiscal Federalism" pp. 1121-1124, 1130-1131 (BP #13)

O'Sullivan *Urban Economics 7E* Ch 15, "The Role of Local Government" (BP #14)

Tiebout, Charles M. "A Pure Theory of Local Expenditures," (BP #15)

2/23 Class 12: Discussion: Growth, Decline and Spatial Equilibrium: What are the Long Run Implications for Real Estate Markets

2/28 Class13: Midterm Review

3/2 Class 14: First Exam

3/7-3/9 Spring Break

PART 3: CITIES AND PROPERTY MARKETS

3/14 Class 15: Overview of Property Markets

Emerging Trends in Real Estate 2011 Price Waterhouse Coopers and ULI (Web Café) or
<http://www.uli.org/~media/Documents/ResearchAndPublications/EmergingTrends/Americas/2010/2010EmergTrends.aspx>

Market Analysis Project Introduced and Groups Formed

3/16 Class 16: Cyclical Behavior of Real Estate Markets

Guest Lecturer: Kevin Gillen

Linneman Letter, Fall 2007 (Web Café)

Linneman and Cho “The Great Capital Strike” *Wharton Real Estate Review*, Fall 2009 (Web Cafe)

3/21 Class 17: The Housing Market

The Market for Housing Units and Housing Services

Mills and Hamilton, *Urban Economics 5th ed.*, Ch. 10, “The Market for Housing” (CP #16)

Glaeser and Gyourko “Urban Decline and Durable Housing” (Web Café)

Econsult’s Quarterly House Price Indexes, 2010,

http://www.econsult.com/quarterly_phila_house.htm

Voith, Richard, “The Suburban Housing Market: The Effects of City and Suburban Job Growth,” *Business Review*, Nov/Dec 1996. (Web Café)

3/23 Class 18: Retail Real Estate

Modern Retail Real Estate and Traditional Urban Retailing

Linneman and Moy “The Evolution of Retailing in the United States” (Web Café)

Econsult Corporation: *Commercial Corridors: A Strategic Investment Framework for Philadelphia* (http://www.econsult.com/articles/031009_Exec_Sum.pdf)

Taub and Lewis “General Growth Files Biggest U.S. Property Bankruptcy” (Web Café)

Pershing Square Capital Management, L.P. “If You Wait for the Robins, Spring Will Be Over” (Web Café)

3/28 Class 19: Investing in Land

Guest Lecturer: Peter Linneman

3/30 Class 20 : Office, Industrial, and Lodging Markets

Determinants of Supply and Demand
Readings to be announced

4/4 Class 21: Office Development

Guest Lecturer: John Gattuso, Liberty Property Trust

PART 4: PUBLIC POLICY AND PROPERTY MARKETS

4/6 Class 22: Suburban Sprawl, Transportation and Smart Growth

Is Suburban Sprawl Desirable?

Brueckner, "Urban Sprawl: Diagnoses and Remedies" (CP#17)

Voith, "Does the Federal Tax Treatment of Housing Affect the Pattern of Metropolitan Growth" (CP#18)

Boarnet and Haughwout, "Do Highways Matter?" (CP #19)

Voith, "The Determinants of Metropolitan Development Patterns: What Are the Roles of Preferences, Prices and Public Policies?" (CP #20)

Voith and Crawford, "Smart Growth and Affordable Housing" (CP #21)

4/11 Class 23: Issues in Local Real Estate Markets: Transportation Oriented Development DAVID SCOLNIC

Voith and Huang, *Transit-Oriented Development in Philadelphia*, Econsult Corp 2007
(Web Café or http://www.econsult.com/trans_oriented_dev.htm)

Voith, Richard, "Has Suburbanization Diminished the Importance of Access to Center City?" *Business Review*, May/June 2000 (Web Café).

4/13 Class 24: Zoning, Impact Fees, and Land Use Controls

Guest Lecturer: Susan Wachter (Tentative)

O'Sullivan, Chapter 10, pp. 228-249 (CP #22)

Pollakowski and Wachter, "The Effects of Land Use Constraints on Housing Prices." (CP #23)

Fischel, "Do Growth Controls Matter?" (CP #24)

4/18-4/20 Class 25-26: Market Analysis Student Presentations and Review

4/25 Class 27: Second Exam