

REAL ESTATE 215/724 FALL 2011

URBAN REAL ESTATE ECONOMICS

Professor Richard Voith

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Office Hours: Tuesday, 10:45-11:45 SHDH 1469

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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: 9/22 and 10/18. 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

9/8 Thursday 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)

9/13 Tuesday, Class 2: Property Markets

The Market for Space and Buildings

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

9/15 Thursday 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 #4)

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

Strange, "Agglomeration Economies and the Future of Cities." (CP #6)

Problem Set 1 distributed, due 9/22

9/20 Tuesday Class 4: Where Cities Develop, Growth and City Size

Resource Orientation

Market Areas and Competition

O'Sullivan, *Urban Economics 7E*, Ch. 2, pp27-42 (CP #5)

O'Sullivan, *Urban Economics 7E*, Ch. 4, "City Size" (BP #7)

9/22 Thursday Class 5: Discussion How Are the Forces Affecting Metropolitan Development and Real Estate Markets Changing?

Student Led Discussion

Voith and Wachter "Urban Growth and Housing Affordability: The Conflict"
pp. 1-15. (CP #8)

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

Mieszkowski and Mills, "The Causes of Metropolitan Suburbanization." (CP #9)

PART 2: SPATIAL EQUILIBRIUM

9/27 Tuesday Class 6: 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)

9/29—10/4 Thursday-Tuesday Class 7,8: Equilibrium Within Cities--Urban Land Markets
Monocentric Cities: Rents and Prices

DiPasquali and Wheaton *Urban Economics and Real Estate Markets* Ch 3 (CP #10)

Problem Set 2 distributed, due 10/6

10/6 Thursday Class 9: Density, Growth and Risk

Development and Optimal Density

DiPasquali and Wheaton *Urban Economics and Real Estate Markets* Ch 4 (CP #11)

10/11 Tuesday: Fall Break

10/13 Thursday Class 10: Competition, Local Government and Fiscal Federalism

Oats “An Essay on Fiscal Federalism” pp. 1121-1124, 1130-1131 (CP #12)

O’Sullivan *Urban Economics 7E* Ch 15, “The Role of Local Government” (CP #13)

Tiebout, Charles M. “A Pure Theory of Local Expenditures,” (CP #14)

10/18 Tuesday Class 11: Discussion: Growth, Decline and Spatial Equilibrium: What are the Long Run Implications for Real Estate Markets

10/20 Thursday Class 12: Midterm Review

Market Analysis Project Introduced and Groups Formed

10/25 Tuesday Class 13: First Exam

PART 3: CITIES AND PROPERTY MARKETS

10/27 Thursday Class 14: 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.ashx>

11/1 Tuesday Class 15: 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 Café)

11/3 Thursday Class 16: Investing in Land

Guest Lecturer: Peter Linneman

11/8 Tuesday 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 #15)

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)

11/10 Thursday 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)

11/15 Tuesday Class 19 : Office, Industrial, and Lodging Markets

Determinants of Supply and Demand

Readings to be announced

11/17 Thursday Class 20: Office Development

Guest Lecturer: John Gattuso, Liberty Property Trust

PART 4: PUBLIC POLICY AND PROPERTY MARKETS

11/22 Tuesday Class 21: Zoning, Impact Fees, and Land Use Controls Suburban Sprawl, and Housing Affordability

Guest Lecturer: Susan Wachter (Tentative)

*O'Sullivan, Chapter 10, pp. 228-249 (CP #16)

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

Fischel, "Do Growth Controls Matter?" (CP #17)

11/24 Thursday: Thanksgiving

11/29 Tuesday Class 22: Issues in Real Estate Markets: Transportation and Transportation Oriented Development

*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).

Boarnet and Haughwout, "Do Highways Matter?" (CP #18)

Voith, "The Determinants of Metropolitan Development Patterns: What Are the Roles of Preferences, Prices and Public Policies?" (CP #19)

12/1-12/6 Thursday-Tuesday Class 23, 24: Student Presentations

12/8 Thursday Class 25: Second Exam