

Housing Markets
REAL/BEPP 208/708
Tentative as of November 20, 2015

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This course is designed for students interested in the economics and operations of housing markets. It is primarily a U.S.-focused course, but does include a meaningful amount of material devoted to Chinese housing markets for comparative purposes. The class is divided into four sections: (1) economic analysis of housing market fundamentals (supply and demand); this includes an analysis of housing affordability issues and policies in the U.S.; (2) operations of homebuilders and rental landlords, as well as the new single family rental sector; this section will include a series of guest lecturers from industry executives to help you better understand the operations of housing sector firms. (3) the nature of housing cycles; (4) a comparative analysis of Chinese housing markets.

This course presumes knowledge of intermediate economics, as we will apply that knowledge throughout the semester. For Wharton students, this means you must have passed BEPP 250 (undergrads) or MGEC 611 (MBAs). Non-Wharton students should have taken the equivalent course in the College. The class is primarily lecture based, although we will have a few guest lecturers. There are two in-class midterms and a paper that is due at the beginning of the last class. Paper topics will be discussed in class and must be approved by the professor. The course grade will be determined as follows:

Midterm #1: 30%
Midterm #2: 30%
Term Paper: 30%
Class Participation: 10%

All assignments are due on the day listed in the syllabus, and exams must be taken at the assigned time and date. Late assignments will not be accepted. The term paper is due on the last day of class. Ungraded homework assignments will be handed out from time-to-time. These will be helpful in studying for the exams. The readings come from a series of articles provided in the bulk pack. A handful of them are technical in nature, and these are explicitly noted in the syllabus. You should read these articles for general understanding, and not get bogged down in modeling details or complex estimation strategies. We will go over this material in more detail in class.

Finally, laptop computer and PDA usage are **not** allowed in class. Overhead sets will be posted on our class web site. Please bring them to class, as they will save you much note taking.

I. Understanding Homeownership: The Rent-Own Decision, Demand and Supply

Class #1: Wednesday, January 13

Course Overview

Housing Market Data: Price, Quantities, and Cycles (see bulk pack slides)

Monday, January 19: No class; Martin Luther King Day observed; university holiday

Class #2: Wednesday, January 20

The Rent-Own Decision: The Costs and Benefits of Homeownership Versus Renting

Readings: Poterba (1984)-technical; Sinai & Gyourko (2003); Himmelberg, Mayer & Sinai (2005)

Class #3: Monday, January 25

User Cost, Subsidy and Distributional Issues

Readings: same as for January 20

Class #4: Wednesday, January 27

The Demand Side of Housing Markets: The Roles of Demographics, Interest Rates, Income and the Tax Code

Readings: State of the Nation's Housing (2014, Chapters 3 and 4); Mankiw & Weil (1989); Glaeser, Gottlieb & Gyourko (2013; Sections 7.1, 7.2.1, 7.2.3, 7.3)

Class #5: Monday, February 1

The Demand Side (cont'd.)

Readings: same as for January 27

Class #6: Wednesday, February 3

Just How Risky Is Owning?

Readings: Sinai and Souleles (2005)-technical; Sinai (2011)

Class #7: Monday, February 8

The Supply Side of Housing Markets: What Does It Cost to Build Housing?

Readings: Saiz and Gyourko (2006); Davis & Palumbo (2008); State of the Nation's Housing (2014, Chapter 2)

Class #8: Wednesday, February 10

The Supply Side of Housing Markets: The Role of Regulation

Readings: Glaeser, Gyourko and Saks (2005); Quigley & Raphael (2005); Quigley and Rosenthal (2005); Gyourko, Saiz and Summers (2008); Katz & Rosen (1987)

Class #9: Monday, February 15

Financing Homeownership: Mortgage Products—The Basics

Readings: Brueggeman & Fisher (2014, Chapters 3,4,5)

Class #10: Wednesday, February 17

Housing Affordability and Public Policy: Does Anything Work?

Readings: Glaeser & Gyourko (2008, Ch. 1, 2, 4, 5); Sinai & Waldfoegel (2005); Nothaft, et. al. (2002); Passmore, et. al. (2002); Cummings & DiPasquale (1999); Baum-Snow and Marion (2008)

Class #11: Monday, February 22

Housing Affordability and Public Policy: Does Anything Work?

Readings: Same as for February 17

II. Operations in the Housing Market: Homebuilders and Multifamily Landlords

Class #12: Wednesday, February 24

Guest Lecture: David Neithercut, CEO, Equity Residential (tentative)

Class #13: Monday, February 29

Guest Lecture: Gary Tesch, homebuilder (tentative)

Readings: nothing new

Class #14: Wednesday, March 2

1st Midterm Exam; in class

March 7 and March 9—Spring Break; no class

III. The Location of Housing and Its Price Across Markets: Where Do We Live and Why?

Class #15: Monday, March 14

Why Don't We All Live in San Francisco? Spatial Arbitrage

Readings: Roback (1982)—background; technical; Gyourko & Tracy (1991)—technical

Class #16: Wednesday, March 16

Why Does Anyone Still Live in Detroit? What Happens to Declining Markets?

Readings: Glaeser & Gyourko (2005)—technical

Class #16: Monday, March 21

The Growing Price Dispersion Across Markets: The Rise of 'Superstar' Cities

Readings: Gyourko, Mayer and Sinai (2013)—technical

IV. More on Operations in the Housing Market: Single-Family Rental and Housing for Poorer Households

Class #18: Wednesday, March 23

Guest Speaker #3: Blackstone re SF Rental (tentative)

Class #19: Monday, March 28

Guest Speaker #4: Low End Rental—Jon Rosen (tentative)

V. Housing Cycles: Why Are House Values So Volatile?

Class #20: Wednesday, March 30

Measuring Prices Over Time: Constant Quality Price Indexes

Readings: Bailey, et. al. (1963)-technical; Case & Shiller (1987); Case & Shiller (1989)-technical

Class #21: Monday, April 4

Measuring Prices Over Time: Constant Quality Price Indexes

Readings: Same as for March 30

Class #22: Wednesday, April 6

Housing Market Cycles: Data and History

Readings: Case & Shiller (1994); Glaeser (2014)

Class #23: Monday, April 11

Why Was the Most Recent Cycle So Hard to Anticipate?

Readings: Readings: Himmelberg, Mayer & Sinai (2005); Case & Shiller (2003); Shiller (2005, Chapter 2, 2nd edition)

VI. A Brief International Comparison: China's Housing Markets

Class #24: Wednesday, April 13

Overview of the Chinese Housing Market:

Readings: Deng, Gyourko and Wu (2011, 2015)

Class #25: Monday, April 18

Evaluating the Risk of China's Housing Markets

Readings: same as for April 13

Class #26: Wednesday, April 20

Evaluating the Risk of China's Housing Markets (cont'd.)

Readings: Same as for April 13

Class #27: Monday, April 25

Catch up; 2nd midterm exam review

Class #28: Wednesday, April 27

Midterm #2 in class

Term Paper Due at beginning of class