

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

REAL 215 / 724
Urban Real Estate Economics
Spring 2017

Professor: Dr. Susan Wachter
Professor of Real Estate and Finance
wachter@wharton.upenn.edu
Office: 215-898-6355
Vance Hall, Room 430
Hours: Tuesday 6:00 pm – 7:00 pm

TA: Brendan Stone
stonebre@wharton.upenn.edu
Office: Vance Hall, Room 432
Hours: 1:30-3 Tuesday

Class Meeting: Monday and Wednesday 12:00-1:30 pm
Huntsman Hall G50

Course Materials: Class readings can be found in the Course Packet available at www.study.net or on the course Canvas site. *All readings are required, unless otherwise noted.*

Assignments: 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	20%
	Project Presentation	10%
	Homework Exercises	10%
	Class Participation	10%

I. INTRODUCTION

- Class 1 – Wed 1/11 Property Markets: A Micro and Macro Approach
DiPasquale and Wheaton, *Ch. 2*
- Mon 1/16 **NO CLASS (Martin Luther King Jr. Day)**
- Class 2 - Wed 1/18 Why Cities Exist and Why the World is Becoming Urban
Mills and Hamilton, (*pp.7-20; rest optional*)
O’Sullivan, *Ch. 2 (pp. 17-24) (BP#4), Ch. 3 (pp.45-52, 57-63)*
Moretti (*pp. 121 – 144) (BP#1)(optional)*
Lin, *Geography, History, Economies of Density, and the Location of Cities (optional)*
Duranton, *Urban Evolutions: The Fast, the Slow, and the Still (optional)*

II. REAL ESTATE MARKET DRIVERS

- Class 3 – Mon 1/23 Real Estate Markets: A Macro Approach
Problem Set #1 Introduced
DiPasquale and Wheaton, *The Property and Capital Markets, Chapter 1*
Wachter and Kroll, *Simple Analytics of Equilibrium and Disequilibrium, (pp. 1-17)*
- Class 4 – Wed 1/25 Real Estate Markets: Outlook
Guest Speaker: Steven Cochrane
Cochrane et al., *Central Cities and Metropolitan Areas: Manufacturing and Nonmanufacturing Employment as Drivers of Growth*
- Class 5 – Mon 1/30 Real Estate Markets: Dynamics
Mills and Hamilton, *Chapter 10 (p. 201)*
Pozdena, *Chapter 2*
Gyourko and Saiz, *Construction Costs*

III. URBAN LAND RENT AND LAND USE PATTERNS

- Class 6 – Wed 2/1 Land Value and Regional Growth Drivers
Problem Set #1 Due Today before class on canvas
Mills and Hamilton, *Chapter 5 (pp 85-91)*
- Class 7 – Mon 2/6 Density and Property Values
Problem Set #2 Introduced
DiPasquale and Wheaton, *The Urban Land Market: Rents and Prices, Ch. 3, pg. 35-46*
Mills and Hamilton, *Chapter 6 (pp. 96-112, 121-123)*
O’Sullivan, *Ch. 6 (pp.127-145)*
- Class 8 – Wed 2/8 Suburbanization of Population and Employment
DiPasquale and Wheaton, *The Urban Land Market: Rents and Prices, Ch. 3, pg. 46-58*
Kain, *The Journey to Work as a Determinant of Residential Location*
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location*
- Class 9 – Mon 2/13 Land Rents, Value, and Urban Growth
Problem Set #2 Due Today before class on canvas
Voith and Wachter, *Urban Growth and Housing Affordability (canvas)*

IV. REAL ESTATE MARKET ANALYSIS AND APPRAISAL

- Class 10 – Wed 2/15 Appraisals, Market Feasibility Analysis, and Market Metrics
Appraisal Institute, *Understanding the Appraisal*
Linneman, *Real Estate Finance and Investment: Risk and Opportunities*, (pp. 30-31),
Ch. 7, and Ch. 9
- Class 11 – Mon 2/20 Market Analysis for Commercial Real Estate Projects
Guest Speaker: Alan Feldman
- Class 12– Wed 2/22 Market Analysis and Commercial Real Estate Cycles
Introduction of Project and Assignment Due before class on canvas
Mueller, *Using Market Cycles in Portfolio Management Strategies*
- Class 13 – Mon 2/27 **Review Session**
- Class 14 – Wed 3/1 **Midterm Examination (in class)**

V. REAL ESTATE MARKET CYCLES

- Mon 3/6 **NO CLASS (Spring Break)**
- Wed 3/8 **NO CLASS (Spring Break)**
- Class 15 – Mon 3/13 Market Analysis and Commercial Real Estate Cycles
Guest Speaker: Glenn Mueller
Mueller, *Using Market Cycles in Portfolio Management Strategies*
Current Market Cycles
- Class 16 – Wed 3/15 Commercial Real Estate Market Analysis
Problem Set #3 Introduced
Moody and Wachter, *Forecast of Real and Nominal Rental Rates for Metropolitan Office Markets*
Ambrose, Linneman, and Wachter, *The Wharton Real Estate Index*
- Class 17 – Mon 3/20 Initial Project Presentations
Guest Speaker: Alan Feldman
- Class 18 – Wed 3/22 The 2008 Real Estate Crisis: Why Financial Markets Matter
Problem Set #3 Due Today before class on canvas
Pavlov and Wachter, *Robbing the Bank*
Malpezzi and Wachter, *The Role of Speculation in Real Estate Cycles*
Pavlov and Wachter, *Real Estate Crashes and Bank Lending*
Herring and Wachter, *Bubbles in Real Estate Markets*
Levitin and Wachter, *Explaining the Housing Bubble*
(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1669401)
Levitin and Wachter, *The Commercial Real Estate Bubble*
(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1978264)

VI. PUBLIC POLICY AND REAL ESTATE MARKETS

Class 19 – Mon 3/27 Federalism and Devolution: The Impacts on Real Estate Markets

O'Sullivan, *Ch. 17, (pp 442-443)*

Tiebout, *A Pure Theory of Local Expenditures*

Class 20 – Wed 3/29 Transportation, Taxes, and Urban Development

Guest Speaker: Dick Voith

Abbot, Richmond, Fischel, *The Portland Region: Where City and Suburbs Talk to Each Other - and Often Agree*

Boarnet and Haughwout, *Do Highways Matter?*

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

Class 21 – Mon 4/3 Land Use Controls, Zoning, Impact Fees, and Sprawl

O'Sullivan, *Ch. 9, (pp. 240-242)*

Pollakowski and Wachter, *The Effects of Land Use Constraints on Housing Prices*

Fischel, *Do Growth Controls Matter?*

World Bank Report, *Reforms in Land Use and Local Finances Will Help Make China's Urbanization More Efficient*

Class 22 – Wed 4/5 Guest Speaker: Bobby Turner

Arena and Oberholzer-Gee, *Canyon Johnson Urban Fund*

Class 23 – Mon 4/10 Project Presentations-Preliminary

Case Write-up (submitted by group) Due Today before class on canvas

Class 24 – Wed 4/12 Guest Speaker: Bob Toll

Class 25 – Mon 4/17 **Review Session**

Class 26 – Wed 4/19 The Future of Cities

Duranton, *The Growth of Cities in the US*

Glaeser, *Why Growth, (optional)*

Porter, *Location, Competition, and Economic Development (optional)*

Sassen, *The Global City: Introducing a Concept (optional)*

Knoll et al. *No Price Like Home: Global House Prices, 1870-2012, (pp.1-22, 27-32)*

Class 27 – Mon 4/24 Project Presentations

Class 28 – Wed 4/26 **Second Examination (in class)**

Wed 5/3 – **FINAL PAPER DUE on CANVAS**