

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

REAL 215 / 724 / 945
Urban Real Estate Economics
Spring 2018

Professor: Dr. Susan Wachter
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Hours: Thursday 3:00 pm – 4:00 pm

Class Meeting: Monday and Wednesday 12:00-1:30 pm
Huntsman Hall 360

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 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 1/10 Introduction
 DiPasquale and Wheaton, *Ch. 2*
- Mon 1/15 **NO CLASS (Martin Luther King Jr. Day)**
- Class 2 - Wed 1/17 Why Cities Exist and Why the World is Increasingly Urban
 Moretti, *Forces of Attraction* (pp. 121 – 144)
 Mills and Hamilton, *Chapter 4* (pp. 81-91)
 O’Sullivan, *Ch. 2* (pp. 17-24), *Ch. 3* (pp.45-52, 57-63, optional)
 Mills and Hamilton (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 1/22 Real Estate Markets: A Macro Approach
 Problem Set #1 Introduced
 DiPasquale and Wheaton, *The Property and Capital Markets, Chapter 1* (pp. 10-33)
 Wachter and Kroll, *Simple Analytics of Equilibrium and Disequilibrium*, (pp. 1-17)
- Class 4 – Wed 1/24 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 1/29 Real Estate Markets: Dynamics
 Mills and Hamilton, *Chapter 10* (p. 201)
 Pozdena, *Chapter 2*
 Gyourko and Saiz, *Construction Costs*
 Knoll et al. (optional)

III. URBAN LAND RENT AND LAND USE PATTERNS

- Class 6 – Wed 1/31 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 2/5 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. 107-122)
 O’Sullivan, *Ch. 6* (pp.127-145)
- Class 8 – Wed 2/7 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 2/12 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 2/14 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 2/19 Market Analysis and Commercial Real Estate Cycles

Class 12 – Wed 2/21 Market Analysis for Commercial Real Estate Projects
Guest Speaker: Alan Feldman
Project Name, Team, Concept/Thesis due today
Mueller, *Using Market Cycles in Portfolio Management Strategies*

Class 13 – Mon 2/26 **Review Session**

Class 14 – Wed 2/28 **First Examination (in class)**

V. REAL ESTATE MARKET CYCLES

Mon 3/5 **NO CLASS (Spring Break)**

Wed 3/7 **NO CLASS (Spring Break)**

Class 15 – Mon 3/12 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 3/14 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 3/19 Historical Real Estate Cycles and What Do We Learn
Levitin and Wachter, *Explaining the Housing Bubble*
Levitin, Pavlov, Wachter, *Securitization: Cause or Remedy of the Financial Crisis?*
Levitin and Wachter, *The Commercial Real Estate Bubble* (skim)

Class 18 – Wed 3/21 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*

VI. PUBLIC POLICY AND REAL ESTATE MARKETS

Class 19 – Mon 3/26 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 3/28 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 4/2 Guest Speaker: Ari Shalam

3-Minute Initial Feasibility Presentation on Final Project due today

Ari Shalam, *"Which Deal is Better?"*

Class 22 – Wed 4/4 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 23 – Mon 4/9 Preliminary Project Presentations

Guest Speaker: Alan Feldman

Class 24 – Wed 4/11 Guest Speaker: Bobby Turner

Canyon-Johnson HBS Case Write-Up due today before class on canvas

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

Class 25 – Mon 4/16 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 26 – Wed 4/18 **Review Session**

Class 27 – Mon 4/23 **Shark Tank Presentations**

Class 28 – Wed 4/25 **Second Examination (in class)**

Wed 5/2 – **FINAL PAPER DUE on CANVAS**