

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

REAL 215 / 724 / 945
Urban Real Estate Economics
Spring 2020

Professor: Dr. Susan Wachter
Professor of Real Estate and Finance
wachter@wharton.upenn.edu
Phone: 215-898-6355
Office: 422 Vance Hall
Hours: Tuesday 6:00 pm – 7:00 pm

TA: Michael Wallach
Office: 424A Vance Hall
Email: wallachm@sas.upenn.edu
Hours: TBD

Class Meeting: Monday and Wednesday 12:00 pm – 1:30 pm
Huntsman Hall G55

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 1/15 Introduction
DiPasquale and Wheaton, *The Operation of Property Markets*, Ch. 2
- Mon 1/20 **NO CLASS (Martin Luther King Jr. Day)**
- Class 2 - Wed 1/22 Why Cities Exist and the World is Increasingly Urban
Problem Set #1 Introduced
O’Sullivan, *Why do cities exist?* Ch. 2 (pp. 17-24; pp. 81-83, 88-91)
Badger, *What Happens When the Richest U.S. Cities Turn to the World?* (optional)
Mills and Hamilton (pp. 7-10, 15-16, 201)

II. REAL ESTATE MARKET DRIVERS

- Class 3 – Mon 1/27 Real Estate Markets: A Macro Approach
DiPasquale and Wheaton, *The Property and Capital Markets*, Ch. 1 (pp. 10-33)
Wachter and Kroll, *Simple Analytics of Equilibrium and Disequilibrium*, (pp. 1-17)
- Class 4 – Wed 1/29 Real Estate Markets: Outlook
Guest Speaker: Mark Zandi
- Class 5 – Mon 2/3 Real Estate Markets: Dynamics
Problem Set #1 due today before class on canvas
Malpezzi & Wachter, *Housing Demand* (last page)
Pozdena, *Determinants of Housing Demand*, Ch. 2 (p.19-25)
Gyourko and Saiz, *Construction Costs* (skim)
Saiz, *The Geographic Determinants of Housing Supply* (skim)
Knoll et al. (optional)

III. URBAN LAND RENT AND LAND USE PATTERNS

- Class 6 – Wed 2/5 Land Value and Location
Mills and Hamilton, *Introducing Land and Land Rents into Price Theory*, Ch. 5(pp. 85-91)
DiPasquale and Wheaton, *The Urban Land Market: Rents and Prices*, Ch. 3
- Class 7 – Mon 2/10 Density and Property Values
Problem Set #2 Introduced
Mills and Hamilton, *Chapter 6: Households in an Urban Spatial Context* (pp. 107-122)
O’Sullivan, *Chapter 6: Urban Land Rent* (pp.127-145)
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location*
- Class 8 – Wed 2/12 Land Rents, Property Value, and Urban Growth
Voith and Wachter, *Urban Growth and Housing Affordability*
Kain, *Journey to Work as a Determinant of Residential Location*
Edlund, *Bright Minds, Big Rent: Education and the Rising Returns to Skill*
Moretti, *Forces of Attraction* (pp. 121 – 144)
- Class 9 – Mon 2/17 Urban Revival in America
Guest Speaker: Jessie Handbury
Problem Set #2 due today before class on canvas

Couture and Handbury, *Urban Revival in America, 2000 to 2010*

IV. REAL ESTATE MARKET ANALYSIS, APPRAISAL AND CYCLES

- Class 10 – Wed 2/19 Market Feasibility Analysis and Appraisal
Linneman, *Real Estate Finance and Investment: Risk and Opportunities*, Ch. 7 and Ch. 9
Appraisal Institute, *Understanding the Appraisal*
- Class 11 – Mon 2/24 Guest Speaker: Ari Shalam INTRO TO FEASIBILITY ANALYSIS
Case write-up due today
Ari Shalam, “NYC Investment Opportunity: Would You Do the Deal?”
Project Name, Team, and Concept to be presented today
- Class 12 – Wed 2/26 Commercial Real Estate Market Analysis and Cycles
Linneman and Kirsch, *Real Estate Cycle*
Orlando and Wachter, *Booms and Busts in Real Estate*
Mueller, *Real Estate Market Cycles, Monitor, 2020*
- Class 13 – Mon 3/2 **Review**
- Class 14 – Wed 3/4 **First Examination (in class)**
- Mon 3/11 **NO CLASS (Spring Break)**
- Wed 3/13 **NO CLASS (Spring Break)**
- Class 15 – Mon 3/16 Commercial Real Estate Cycles
Guest Speaker: Glenn Mueller
Mueller, *Real Estate Market Cycles, Forecasts, 2020*
- Class 16 – Wed 3/18 Historical Real Estate Cycles: What Do We Learn
Problem Set #3 Introduced
Linneman and Kirsch, *What Determines Cap Rates*
Herring and Wachter, *Real Estate Booms and Banking Busts*
Ambrose, Linneman, and Wachter, *The WRE Index*
Initial Feasibility Presentation Draft Slides due 3/25
- Class 17 – Mon 3/23 Real Estate and Financial Crises
Problem Set #3 due today before class on canvas
Levitin and Wachter, *The Commercial Real Estate Bubble*
Malpezzi and Wachter “The Role of Speculation in Real Estate Cycles”
Pavlov and Wachter, *Robbing the Bank*
Pavlov and Wachter, *Real Estate Crashes and Bank Lending*
Levitin and Wachter, *Explaining the Housing Bubble*
Levitin, Pavlov, Wachter, *Securitization: Cause or Remedy of the Financial Crisis?*
- Class 18 – Wed 3/25 **Group Feasibility Presentation today**

V. REAL ESTATE MARKETS: THE IMPACT OF PUBLIC POLICY

- Class 19 – Mon 3/30 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 4/1 Transportation, Taxes, and Urban Development
Guest Speaker: Dick Voith
Nathan Baum Snow, Did Highways Cause Suburbanization?
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 4/6 Practice Final Group Presentation
- Class 22 – Wed 4/8 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: Which Deal is Better?”
- Class 23 – Mon 4/13 Land Use Controls and Zoning
O’Sullivan, *Land Rent and Landuse Patterns*, Ch. 9 (pp. 240-242)
Pollakowski and Wachter, *The Effects of Land Use Constraints on Housing Prices*
Fischel, *Do Growth Controls Matter?*
Glaeser, Gyourko, & Saks, (2005). *Why is Manhattan so expensive? Regulation and the rise in housing prices.* (pp. 331-337, 351-356, 361-362, 366-367)
World Bank Report, Reforms in Land Use and Local Finances Will Help Make China’s Urbanization More Efficient
- Class 24 – Wed 4/15 The Future of Cities (1)
Duranton, *The Growth of Cities in the US*
Knoll et al. *No Price Like Home: Global House Prices, 1870-2012*, (pp.1-22, 27-32)
- Class 25 – Mon 4/20 The Future of Cities (2)
Glaeser, *Why Growth*
Porter, *Location, Competition, and Economic Development*
Sassen, *The Global City: Introducing a Concept*
- Class 26 – Wed 4/22 Shark Tank Presentations
- Class 27 – Mon 4/27 Review Class
- Class 28 – Wed 4/29 **Second Examination (in class)**
- Wed 5/6 – **FINAL GROUP PROJECT PAPER DUE on CANVAS**