

Housing Markets (REAL/BEPP 208/708)
Virtual Class: Zoom Invitations Will Be Emailed
Tentative as of November 22, 2020

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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 five sections: (1) economic analysis of housing market fundamentals (supply and demand); (2) a policy analysis section on of housing affordability issues in the U.S.; (3) 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. (4) the nature of housing cycles; and (5) a comparative analysis of Chinese housing markets.

This course presumes knowledge of intermediate economics. 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 term paper. 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: 35%
Class Participation: 5%

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 regular classes—Thursday, April 29, 2021. The readings come from a series of articles you may download from the library. A couple of book chapters are available in a bulk pack for purchase. A handful of the reading 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.

Overhead sets will be posted on our class web site. I encourage you to have ready access to them for each class, as they will save you much note taking.

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

Class #1: Thursday, January 21

Course Overview

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

Class #2: Tuesday, January 26

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: Thursday, January 28

The 2017 Tax Act and User Cost; Subsidy and Distributional Issues

Readings: same as for January 26

Class #4: Tuesday, February 2

Financing Homeownership: Mortgage Products—The Basics

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

Note: Flipped Class; View Video and Prepare Question Answers from Slide Deck for Regular Class

Class #5: Thursday, February 4

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

Readings: State of the Nation's Housing (2019, Chapters 3, 4 and 5); Glaeser, Gottlieb & Gyourko (2013; Sections 7.1, 7.2.1, 7.2.3, 7.3); Gruber, et. al. (2017); Glaeser & Shapiro (2003); Bleemer, et. al. (2017)

Class #6: Tuesday, February 9

The Demand Side of Housing Markets, cont'd.

Just How Risky Is Owning?

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

Note: Flipped Class; View Video and Prepare Answers to Questions from Slide Deck for Regular Class

Class #7: Thursday, February 11

Finish Just How Risky is Owning? if needed

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

Readings: Saiz and Gyourko (2006); State of the Nation's Housing (2019, Chapters 2 and 6)

Class #8: Tuesday, February 16

The Supply Side of Housing Markets: The Role of Regulation

Readings: Glaeser & Gyourko (2018); Glaeser, Gyourko and Saks (2005); Quigley & Raphael (2005); Quigley and Rosenthal (2005); Gyourko, Hartley and Krimmel (2019); Katz & Rosen (1987); Diamond, et. al. (2019)

Class #9: Thursday, February 18

The Supply Side of Housing Markets, (cont'd.)

Housing Affordability and Public Policy: Does Anything Work?

Readings: Glaeser & Gyourko (2008, Ch. 1, 2, 4, 5); Sinai & Waldfoegel (2005); Ambrose & Warga (2002); Cummings & DiPasquale (1999); Baum-Snow and Marion (2008); Diamond & McQuade (2019); Housing New York—undated summary of Mandatory Inclusionary Zoning Program; NYC Planning (September 2015); Furman Center (March 2015-Research Brief); Furman Center (March 26, 2015—White Paper); Collinson & Ganong (2017)

Class #10: Tuesday, February 23

Housing Affordability and Public Policy: Does Anything Work?

Readings: Same as for February 18

Class #11: Thursday, February 25

Measuring House Prices to Control for Quality

Readings: Bailey, Muth & Nourse (1963)-technical; Case & Shiller (1987); Case & Shiller (1989)-technical

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

Class #12: Tuesday, March 2

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

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

Class #13: Thursday, March 4

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

Readings: Glaeser & Gyourko (2005)-technical

Class #14: Tuesday, March 9

Midterm #1 Exam; in class

No new readings

Thursday, March 11—no class; Spring Break

Class #15: Tuesday, March 16

Return and Review Midterm #1; Term Paper project review; catch up on Declining Markets

Class #16: Thursday, March 18

The Growing Price Dispersion Across Markets: The Rise of ‘Superstar’ Cities

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

III. Operating Businesses in Residential: Single Family, Multifamily and Single-Family Rental: Risks and Opportunities

Note: We will have five guest speakers in this class. One will be from the homebuilding industry, one from the high-end multifamily sector, one from the lower-end workforce apartment sector, one from the single family rental sector, and one from a specialist investor in government-backed affordable housing programs. These guest lectures will occur at various points throughout the class. Hence, these five class sessions are placeholders for those guest speakers. Some may occur on alternative dates.

Class #17: Tuesday, March 23

No regular class on this day. Replacing it will be a **6-7pm** guest lecture by Martin Connor, CFO, Toll Brothers, Inc., “The Economics and Finance of Homebuilders Across the Cycle”. Zoom invitations will be sent out as the date approaches.

Class #18: Thursday, March 25

No regular class on this day. Replacing it will be a 6-7pm guest lecture by Andrew Jonas, Goldman Sachs & Co, “The Economics of the Single-Family Rental Business: Cyclical and Longer-Term Views”. Zoom invitations will be sent out as the date approaches.

Class #19: Tuesday, March 30

Guest Speaker: Workforce Housing Provider.

Class #20: Thursday, April 1

Guest Speaker: High-End, Coastal Market Multifamily Owner

Class 21: Tuesday, April 6

Guest Speaker: Investor/Developer in Affordable Housing Sector

IV. Housing Cycles: Why Are Prices So Volatile

Class #22: Thursday, April 8

Housing Market Cycles: Data and History

Case & Shiller (1994); Glaeser (2014)

Class #23: Tuesday, April 13

Why Was the Last Cycle So Hard to Anticipate?

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

Class #24: Thursday, April 15

Why Was the Most Recent Cycle So Hard to Anticipate?

Readings: same as for April 13

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

Class #25: Tuesday, April 20

Overview of the Chinese Housing Market:

Readings: Deng, Gyourko and Wu (2011, 2016)

Class #26: Thursday, April 22

Evaluating the Risk of China's Housing Markets

Readings: same as for April 20

Class #27: Tuesday, April 27

Finish remaining material on China's Housing Markets

Midterm #2 Review

Class #28: Thursday, April 29

Midterm #2 in class

Term Paper Due at the end of the day