

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

REAL 215 / 724 / 945
Urban Real Estate Economics
Spring 2022

Professor: Dr. Susan Wachter
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Class Meeting: Monday and Wednesday 12:00 pm – 1:30 pm
Location: JMHH G65

Assignments: There are several homework assignments, designed to review the basics of urban economics and real estate return analysis. The purpose of these is to review course material and prepare students for the first and second exam. These assignments will be marked with a zero, check, or check plus. In addition, there is a Market Analysis Assignment to be done in a team of 6 students which will require presenting a development project of your choice to a “shark tank” panel.

Grades:	First Exam	25%
	Second Exam	25%
	Class Participation	20%
	Group Project	20%
	Homework Exercises	10%

I. INTRODUCTION

Wed 1/12

NO CLASS FOR UNDERGRADS

Class 1 – Wed 1/19 Introduction—Zoom class
DiPasquale and Wheaton, *The Operation of Property Markets*, Ch. 2

Class 2 - Mon 1/24 Why Cities Exist and the World is Increasingly Urban
Problem Set #1 Preview
O’Sullivan, *Why do cities exist?* Ch. 2 (pp. 17-24; pp. 81-83, 88-91)
Mills and Hamilton (pp. 7-10, 15-16, 201)

II. REAL ESTATE MACRO MARKETS

Class 3 – Wed 1/26 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 – Mon 1/31 Real Estate Markets: Dynamics
Malpezzi & Wachter, *Housing Demand*
Pozdena, *Determinants of Housing Demand*, Ch. 2 (p. 25-end)
Gyourko and Saiz, *Construction Costs* (p.667-end)
Saiz, *The Geographic Determinants of Housing Supply* (skim)
Knoll et al. *No Price Like Home* (p. 18-32)

Class 5 – Wed 2/2 Problem Set Review
Problem Set #1 due before class on canvas
Case & Wachter, *Inflation and Real Estate Investments*

III. URBAN LAND RENT AND LAND USE PATTERNS

Class 6 – Mon 2/7 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 – Wed 2/9 Value and Density
Problem Set #2 Preview
Mills and Hamilton, *Chapter 6: Households in an Urban Spatial Context* (pp. 107-122)
O’Sullivan, *Chapter 6: Urban Land Rent* (pp.127-145)

Class 8 – Mon 2/14 Land Rents, Property Value, and Urban Growth Pre and Post Covid-19
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location*
Voith and Wachter, *Urban Growth and Housing Affordability*
Kain, *Journey to Work as a Determinant of Residential Location*
Moretti, *Forces of Attraction* (pp. 121 – 144)

Class 9 – Wed 2/16 Urban Growth
Problem Set #2 due before class on canvas
Guest Speaker: Jessie Handbury
Couture and Handbury, *Urban Revival in America, 2000 to 2010*

IV. REAL ESTATE MARKET ANALYSIS

- Class 10 – Mon 2/21 Market Feasibility Analysis and Appraisal
Linneman, *Real Estate Finance and Investment: Risk and Opportunities*, Ch. 9
Appraisal Institute, *Understanding the Appraisal*
- Class 11 – Wed 2/23 **Review**
- Class 12 – Mon 2/28 **First Exam**
- Wed 3/2 **SPECIAL UNDERGRAD SESSION (SEE UNDERGRAD MATERIAL)**
- Mon 3/7 **NO CLASS (Spring Break)**
- Wed 3/9 **NO CLASS (Spring Break)**
- Class 13 – Mon 3/14 Commercial Real Estate Market Analysis and Cycles-Introduction
Guest Speaker: Glenn Mueller
Mueller, *Real Estate Market Cycles, Monitor and Forecast*
Linneman and Kirsch, *Real Estate Cycle* (Ch. 7)
Initial Project Information Due
Project Name, Team, and Concept
- Class 14 – Wed 3/16 Historical Real Estate Cycles
Linneman and Kirsch, *What Determines Cap Rates*
Ambrose, Linneman, and Wachter, *The WRE Index*
Problem Set 3 Preview
- Class 15 – Mon 3/21 Real Estate and Financial Crises – The New Cycle
Initial Feasibility Presentation Draft Slides due 3/22
Levitin and Wachter, *The Commercial Real Estate Bubble*
Herring and Wachter, *Real Estate Booms and Banking Busts*
Levitin and Wachter, *The Great American Housing Bubble* (Ch 4-8, skim)
Malpezzi and Wachter *The Role of Speculation in Real Estate Cycles* (skim)
- Class 16 – Wed 3/23 **Problem Set 3 Due before class on canvas**
Problem Set 3 Review
Case write-up due before class on canvas
“NYC Investment Opportunity: Would You Do the Deal?”
- Class 17 – Mon 3/28 **Feasibility Presentations**

V. REAL ESTATE MARKETS: THE IMPACT OF PUBLIC POLICY

- Class 18 – Wed 3/30 Local Taxes and Spending: Federalism (Devolution)
O’Sullivan, Ch. 17 (pp 442-443)
Tiebout, *A Pure Theory of Local Expenditures*

- Class 19 – Mon 4/4 Land Use Controls
Canyon-Johnson HBS Case Write-Up due before class on canvas
DCF draft due before the class
O’Sullivan, *Land Rent and Land Use 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 20 – Wed 4/6 Guest Speaker: Bobby Turner
Canyon-Johnson HBS Case Review
“Canyon Johnson Urban Fund HBS Case: Which Deal is Better?”
- Mon 4/11 Shark Tank Preparation**
- Class 21 – Wed 4/13 Transportation, Taxes, and Urban Development
5-min presentation recording due before class
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 22 – Mon 4/18 The Future of Cities
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)
Glaeser, *Why Growth*
Porter, *Location, Competition, and Economic Development*
Sassen, *The Global City: Introducing a Concept*
- Class 23 – Wed 4/20 **Shark Tank Presentations**
- Class 24 – Mon 4/25 Review Class
- Class 25 – Wed 4/27 **Second Exam**