REAL 2150 / 7240 / 9450
Urban Real Estate Economics
Spring 2023

Professor:    Dr. Susan Wachter
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TA:    Max Zieger
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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 1/11

NO CLASS FOR UNDERGRADS

Class 1 – Wed 1/18  Introduction
DiPasquale and Wheaton, *The Operation of Property Markets*, Ch. 2

Class 2 - Mon 1/18  Why the Global Population 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 1/25  Real Estate Regional and National 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 1/30  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 2/1  Problem Set Review
   **Problem Set #1 due before class on canvas**
Case & Wachter, *Inflation and Real Estate Investments*

Class 6 – Mon 2/6  **Guest Speaker: Macro Markets and Real Estate**

III. URBAN LAND RENT AND LAND USE PATTERNS
Class 7 – Wed 2/8  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 8 – Mon 2/13  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 9 – Wed 2/15  Land Rents, Property Value, and the Impact of Work from Home
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location*
Kain, *Journey to Work as a Determinant of Residential Location*
Moretti, *Forces of Attraction* (pp. 121 – 144)
Wachter, *How Remote Work is Affecting Real Estate Markets*

Class 10 – Mon 2/20  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 11 – Wed 2/22  Market Feasibility Analysis and Appraisal
Linneman, Real Estate Finance and Investment: Risk and Opportunities, Ch. 9
Appraisal Institute, Understanding the Appraisal

Class 12 – Mon 2/27  Review

Wed 3/1  First Exam

Mon 3/6  NO CLASS (Spring Break)

Wed 3/8  NO CLASS (Spring Break)

Class 13 – Mon 3/13  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 3/15  Historical Real Estate Cycles
Linneman and Kirsch, What Determines Cap Rates
Ambrose, Linneman, and Wachter, The WRE Index
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)
Problem Set 3 Preview

Class 15 – Mon 3/20  Problem Set 3 Due before class on canvas
Problem Set 3 Review

Class 16 – Wed 3/22  Real Estate and the Macro Cycle
Initial Feasibility Presentation Draft Slides due 3/22

Class 17 – Mon 3/27  Feasibility Presentations

V. REAL ESTATE MARKETS: THE IMPACTS OF PUBLIC POLICY
Class 18 – Wed 3/29  Local Taxes and Spending: Federalism (Devolution)
O’Sullivan, Ch. 17 (pp 442-443)
Tiebout, A Pure Theory of Local Expenditures

Class 19 – Mon 4/3  Land Use Controls and Sustainability
Project 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?
World Bank Report, Reforms in Land Use and Local Finances Will Help Make China’s Urbanization More Efficient

Class 20 – Wed 4/5
Guest Speaker: Bobby Turner
Canyon-Johnson HBS Case Write-Up due before class on canvas
   “Canyon Johnson Urban Fund HBS Case: Which Deal is Better?”

Mon 4/10
Shark Tank Preparation

Class 21 – Wed 4/12
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 4/17
The Future of Cities
Duranton, *The Growth of Cities in the US*
Glaeser, *The Vitality of Cities*
Porter, *Location, Competition, and Economic Development*
Sassen, *The Global City: Introducing a Concept*
Kmetz, Mondragon, Wieland, *Remote Work and Housing Demand*

Class 23 – Wed 4/19
Shark Tank Presentations

Class 24 – Mon 4/24
Review Class (optional and recorded for remote viewing)

Class 25 – Wed 4/26
Second Exam