

Housing Markets
REAL/BEPP 208/708
Tentative as of October 15, 2014

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Office Hours: Monday's, 12-1:30pm and by appointment

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 limited amount of international material for comparative purposes. The class is divided into five sections: (1) supply and demand for housing; (2) operations of homebuilders and rental landlords, as well as the new single family rental sector; (3) housing cycles; (4) international comparisons; Chinese housing will be the focus this year; and (5) public policy analysis applied to a current housing markets-related issue; the financial crisis and housing reform is the topic this year

This course presumes knowledge of intermediate economics, as we will apply that knowledge throughout the semester. 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 paper that is due the last day of the reading period. Paper topics will be discussed in class. The course grade will be determined as follows:

Midterm #1: 30%
Midterm #2: 30%
Paper: 30%
Class Participation: 10%

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 has distinct presentation and written components that will be discussed in class. Ungraded homework assignments will be handed out from time-to-time. These will be helpful in studying for the exams.

The readings come from a series of articles provided in the bulk pack. A handful of them 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.

Finally, laptop computer and PDA usage are **not** allowed in class. Overhead sets will be posted on our class web site. Please bring them to class, as they will save you much note taking.

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

Class #1: Wednesday, January 14

Course Overview

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

Monday, January 19: No class; Martin Luther King Day observed; university holiday

Class #2: Wednesday, January 21

Why Own? The Rent-Own Decision

Readings: Poterba (1984); Sinai and Poterba (2008)

Class #3: Monday, January 26

The Demand Side of Housing Markets: Demographics and Interest Rates

Readings: Gyourko, Linneman and Wachter (1999); Mankiw & Weil (1989)

Class #4: Wednesday, January 28

How Risky Is Homeownership? Housing in a Portfolio

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

Class #5: Monday, February 2

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

Readings: Saiz and Gyourko (2006); Davis & Palumbo (2008)

Class #6: Wednesday, February 4

The Supply Side of Housing Markets: The Role of Regulation

Readings: Glaeser, Gyourko and Saks (2005); Quigley & Raphael (2005); Quigley and Rosenthal (2005); Glaeser, Saiz and Summers (2008)

Class #7: Monday, February 9

The Supply Side of Housing Markets: The Role of Regulation (cont'd.)

Readings: same as for February 4

Class #8: Wednesday, February 11

Financing Homeownership: Mortgage Products—The Basics

Readings: Follain (1990); Frame & White (2005)

II. Operations in the Housing Market: Homebuilders and Multifamily Landlords

Class #9: Monday, February 16

Returns, Margins and Operations for Owner-Occupied and Rental Housing

Readings: Green Street Advisors (2013a,b) ISI Real Estate Research (2012)

Class #10: Wednesday, February 18

Guest Lecture: “Multifamily Real Estate—Operations, Financing and Returns”,
David Neithercut, President and CEO, Equity Residential (confirmed)

Class #11: Monday, February 23

Guest Lecture: “Financing and Operating Homebuilder—Risks and Opportunities”,
TBA

Class #12: Wednesday, February 25

Guest Lecture: “Private Equity Investment in Single Family Rental”, David Roth,
Managing Director, Real Estate, Blackstone (confirmed)

Class #13: Monday, March 2

Midterm Review

Class #14: Wednesday, March 4

1st Midterm Exam; in class

March 9 and March 11—Spring Break; no class

III. Location and Cycles: Where Do We Live and Why? Why Is Housing So Volatile Across Markets and Over Time?

Class #15: Monday, March 16

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

Readings: Roback (1982)—technical

Class #16: Wednesday, March 18

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

Readings: Glaeser & Gyourko (2005)-technical

Class #16: Monday, March 23

The Growing Price Dispersion Across Markets: The Rise of 'Superstar' Cities

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

Class #18: Wednesday, March 25

Housing Market Cycles: Data and History

Readings: Case & Shiller (1994); Ferreira & Gyourko (2011)-technical; Mian and Sufi (2009)—technical; also see data and other material to be posted on our course web site

Class #19: Monday, March 30

Housing Market Cycles: Data and History (cont'd.)

Readings: same as for March 25

Class #20: Wednesday, April 1

Why Was the Most Recent Cycle So Hard to Anticipate?

Readings: Himmelberg, Mayer & Sinai (2005); Case & Shiller (2003); Shiller (2005, Chapter 2, 2nd edition); Glaeser (2013); Talbott (2006)—optional

IV. Policy Application: The Financial Crisis and Housing Finance Reform

Class #21: Monday, April 6

Fannie Mae, Freddie Mac and FHA: What Did They Do and Why?

Readings: Jaffee & Quigley (2011)

Class #22: Wednesday, April 8

What Went Wrong and How to Fix It?

Readings: U.S. Treasury and HUD (2011)

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

Class #23: Monday, April 13

Overview of the Chinese Housing Market:

Readings: Deng, Zheng and Ling (2005); Wu, Gyourko and Deng (2012)

Class #24: Wednesday, April 15

Evaluating the Risk of China's Housing Markets

Readings: same as for April 13

Class #25: Monday, April 20

2nd Midterm Exam; in class; Sections III, IV, and V of the course

VI. Paper Outline/Draft Presentations

Class #26: Wednesday, April 22

Catch-Up on Any Outstanding Material

Start student presentations, time permitting

Class #27: Monday, April 27

Student presentations

Class #28: Wednesday, April 29

Student presentations

- ⇒ Students are required to present themselves and to critique at least one other presentation
- ⇒ Final versions of the term paper are due on the final day of Reading Period, May 1