

UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL

**REAL 215 / 724**  
**Urban Real Estate Economics**  
**Spring 2015**

---

Professor: Dr. Susan Wachter  
Professor of Real Estate and Finance  
[wachter@wharton.upenn.edu](mailto:wachter@wharton.upenn.edu)  
Office: 215-898-6355  
Vance Hall, Room 430  
Hours: Tuesday 6:00 pm – 7:00 pm

TA: Matthew DeGagne  
[degagnem@wharton.upenn.edu](mailto:degagnem@wharton.upenn.edu)  
Office: Vance Hall, Room 432  
Hours: Tuesday 10:00 am – 12:00 pm

Class Meeting: Monday and Wednesday 12:00-1:30 pm  
Huntsman Hall G50

Course Materials: Class readings can be found in the Course Packet available at [www.study.net](http://www.study.net) or on the course Canvas site. *All readings are required, unless otherwise noted.*

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 4-5 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 1/14    Property Markets: A Micro and Macro Approach  
DiPasquale and Wheaton, *Ch. 2 (BP#2)*
- Mon 1/19                **NO CLASS (Martin Luther King Jr. Day)**
- Class 2 - Wed 1/21    Why Cities Exist and Why the World is Becoming Urban  
Mills and Hamilton, (*pp.7-20; rest optional*) (BP#3)  
O’Sullivan, *Ch. 2 (pp. 17-24) (BP#4), Ch. 3 (pp.45-52, 57-63) (BP#5)*  
Moretti (*pp. 121 – 144) (BP#1)(optional)*  
Lin, *Geography, History, Economies of Density, and the Location of Cities (canvas)*  
(*optional*)  
Duranton, *Urban Evolutions: The Fast, the Slow, and the Still (canvas) (optional)*

## II. REAL ESTATE MARKET DRIVERS

- Class 3 – Mon 1/26    Real Estate Markets: A Macro Approach  
**Problem Set #1 Introduced**  
DiPasquale and Wheaton, *The Property and Capital Markets, Chapter 1 (BP#6)*  
Wachter and Kroll, *Simple Analytics of Equilibrium and Disequilibrium, (pp. 1-17)*  
(BP#7)
- Class 4 – Wed 1/28    Real Estate Markets: Outlook  
Guest Speaker: Steven Cochrane  
Cochrane et al., *Central Cities and Metropolitan Areas: Manufacturing and Nonmanufacturing Employment as Drivers of Growth (canvas)*
- Class 5 – Mon 2/2     Real Estate Markets: Dynamics  
  
Mills and Hamilton, *Chapter 10 (p. 201) (BP#9)*  
Pozdena, *Chapter 2 (BP#8)*  
Gyourko and Saiz, *Construction Costs (canvas)*

## III. URBAN LAND RENT AND LAND USE PATTERNS

- Class 6 – Wed 2/4     Land Value and Regional Growth Drivers  
**Problem Set #1 Due Today before class on canvas**  
Mills and Hamilton, *Chapter 5 (pp 85-91) (BP#10)*
- Class 7 – Mon 2/9     Density and Property Values  
**Problem Set #2 Introduced**  
DiPasquale and Wheaton, *The Urban Land Market: Rents and Prices, Ch. 3 (BP#11)*  
Mills and Hamilton, *Chapter 6 (pp. 96-112, 121-123) (BP#12)*  
O’Sullivan, *Ch. 6 (pp.127-145) (BP#14)*
- Class 8 – Wed 2/11    Suburbanization of Population and Employment  
Kain, *The Journey to Work as a Determinant of Residential Location (BP#15)*  
Wheaton, *Income and Urban Residence: An Analysis of Consumer Demand for Location (BP#16)*
- Class 9 – Mon 2/16    Land Rents, Value, and Urban Growth  
**Problem Set #2 Due Today before class on canvas**

Voith and Wachter, *Urban Growth and Housing Affordability* (**canvas**)

#### **IV. REAL ESTATE MARKET ANALYSIS AND APPRAISAL**

- Class 10 – Wed 2/18 Appraisals, Market Feasibility Analysis, and Market Metrics  
Appraisal Institute, *Understanding the Appraisal* (**canvas**)  
Linneman, *Real Estate Finance and Investment: Risk and Opportunities*, (pp. 30-31),  
Ch. 7 (BP#17), and Ch. 9 (BP#18)
- Class 11– Mon 2/23 Market Real Estate Prices: Indexes and Models  
Guest Speaker: Kevin Gillen  
Nagaraja, Brown, and Wachter, *Repeat Sales House Price Index Methodology* (**canvas**)  
Eurostat Report, *Handbook on Residential Property Prices Indices (RPPIs)* (**canvas**)
- Class 12 – Wed 2/25 Market Analysis and Commercial Real Estate Cycles  
**Introduction of Project and Assignment Due before class on canvas**  
Guest Speaker: Alan Feldman  
Mueller, *Using Market Cycles in Portfolio Management Strategies* (BP#21)
- Class 13 – Mon 3/2 **Review Session**
- Class 14 – Wed 3/4 **Midterm Examination (in class)**

#### **V. REAL ESTATE MARKET CYCLES**

- Mon 3/9 **NO CLASS (Spring Break)**
- Wed 3/11 **NO CLASS (Spring Break)**
- Class 15 – Mon 3/16 Commercial Real Estate Market Analysis  
**Problem Set #3 Introduced**  
Moody and Wachter, *Forecast of Real and Nominal Rental Rates for Metropolitan Office Markets* (BP#19)  
Ambrose, Linneman, and Wachter, *The Wharton Real Estate Index* (BP#20)
- Class 16 – Wed 3/18 Market Analysis and Commercial Real Estate Cycles  
Guest Speaker: Glenn Mueller  
Mueller, *Using Market Cycles in Portfolio Management Strategies* (BP#21)  
*Current Market Cycles* (**canvas**)
- Class 17 – Mon 3/23 The 2008 Real Estate Crisis: Why Financial Markets Matter  
Pavlov and Wachter, *Robbing the Bank* (**canvas**)  
Malpezzi and Wachter, *The Role of Speculation in Real Estate Cycles* (BP#22)  
Pavlov and Wachter, *Real Estate Crashes and Bank Lending* (**canvas**)  
Herring and Wachter, *Bubbles in Real Estate Markets* (**canvas**)  
Levitin and Wachter, *Explaining the Housing Bubble* (**canvas**)  
Blake and Muellbauer, *Imbalances in EU Housing Markets, Economic Outlook* (**canvas**)

#### **VI. PUBLIC POLICY AND REAL ESTATE MARKETS**

- Class 18 – Wed 3/25 Federalism and Devolution: The Impacts on Real Estate Markets  
**Problem Set #3 Due Today before class on canvas**

O'Sullivan, *Ch. 17, (pp 442-443) (BP#30)*  
Tiebout, *A Pure Theory of Local Expenditures (BP#26)*

Class 19 – Mon 3/30 Land Use Controls, Zoning, Impact Fees, and Sprawl  
O'Sullivan, *Ch. 9, (pp. 240-242) (BP#27)*  
Pollakowski and Wachter, *The Effects of Land Use Constraints on Housing Prices (BP#28)*  
Fischel, *Do Growth Controls Matter? (BP#29)*  
*World Bank Report, Reforms in Land Use and Local Finances Will Help Make China's Urbanization More Efficient, (canvas)*

Class 20 – Wed 4/1 Transportation, Taxes, and Urban Development  
Guest Speaker: Dick Voith  
Abbot, Richmond, Fischel, *The Portland Region: Where City and Suburbs Talk to Each Other - and Often Agree (BP#23)*  
Boarnet and Haughwout, *Do Highways Matter? (BP#24)*  
Voith, *The Determinants of Metropolitan Growth Patterns, (pp. 71, 72, 76 – 80) (BP#25)*

Class 21 – Mon 4/6 The Future of Cities  
Duranton, *The Growth of Cities in the US, (canvas)*  
Glaeser, *Why Growth, (canvas) (optional)*  
Porter, *Location, Competition, and Economic Development (canvas) (optional)*  
Sassen, *The Global City: Introducing a Concept (canvas) (optional)*  
Knoll et al. *No Price Like Home: Global House Prices, 1870-2012, (pp.1-22, 27-32) (canvas)*

Class 22 – Wed 4/8 Guest Speaker: Bob Toll

Class 23 – Mon 4/13 Project Presentations-Preliminary  
**Case Write-up (submitted by group) Due Today before class on (canvas)**

Class 24 – Wed 4/15 Guest Speaker: Bobby Turner  
Arena and Oberholzer-Gee, *Canyon Johnson Urban Fund (canvas)*

Class 25 – Mon 4/20 **Review Session**

Class 26 – Wed 4/22 Commercial Real Estate Price Indexes

Class 27 – Mon 4/27 Project Presentations

Class 28 – Wed 4/29 **Second Examination (in class)**

Wed 5/6 – **FINAL PAPER DUE on (CANVAS)**