

COURSE SYLLABUS
REAL ESTATE ECONOMICS AND MARKET METRICS
SUMMER 2018
Planning A6797, Section 1
3 CREDITS

TUESDAY 11 AM - 1 PM,113 Avery Hall

Instructor: Pamela Hannigan
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I. COURSE DESCRIPTION

This course examines connections between the national and global economies and real estate markets. It explores the performance of the sector and property types under different macroeconomic business and growth cycles and monetary conditions. The course explores key policy issues, their economic impact on real-estate decision-making, and identifies indicators used to track economic and real estate performance. The course also examines the economic structure of major metropolitan economies, the impact of local governments on urban growth and real estate markets and conditions under which certain regions thrive while others decline. Building upon the concepts and tools of economic analysis, this course introduces appropriate data sources and techniques useful in analyzing trends in real estate demand and supply across markets.

The course is structured primarily as a series of lectures, many of which draw from the professor's original materials. Where possible this original material and related readings will be reproduced and made available on *Courseworks* for students. Problem sets will also be posted on *Courseworks*. Class discussions will also follow current economic news and potential impacts for real estate markets. Class participation is strongly encouraged.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Students are expected to complete assigned weekly readings and to prepare questions based on these readings for group discussion. A midterm problem set, final exam and term project are required. The Midterm Problem Set will be posted on *Courseworks* June 26 and due July 3. The Final Problem Set will be posted July 31 and is due August 7. A term project will be posted July 3 and is due August 7.

Modifications to this syllabus may be made throughout the course. Any modifications will be announced in class and posted on *Courseworks*.

III. COURSE GRADING CRITERIA

Course grading criteria are as follows:

- Attendance and in-class participation: 10%
- Mid-term problem set: 20%
- Final problem set: 30%
- Term Assignment Report: 25%
- Oral Presentation: 15%

Only exceptional performers will receive a High Pass. Those who fall short on more than one major assignment will receive a Low Pass.

IV. READINGS

Students will be expected to complete readings in advance of class. These will be posted on Courseworks or distributed in class.

Required textbook: Glaeser, Edward (2011). *The Triumph of City*. New York: The Penguin Press.

Optional textbook: DiPasquale, Denise and Wheaton, William (1995). *Urban Economics and Real Estate Economics*. Prentice-Hall.

V. COURSE CALENDAR AND OUTLINE

1 Jun 5 Overview of course objectives, structure, materials and requirements. Economic centrality of real estate: GDP and the National Income Accounts; Relation of U.S. economy to global economy; Real estate as a key instrument for the transmission of Federal fiscal and monetary policy. Cities as engines of economic growth: Introduction to agglomeration and economic geography. Current issues

Required Reading. "Dynamic Cities as Engines of Economic Growth," in *World Development Report, 1999-2000*, World Bank, pp. 126-138. Glaeser, Introduction, Chapters 1,2.

2 Jun 12 Real Estate Asset and Property Framework. Approaches to forming expectations for real estate investment. Property and asset market dynamics: Economic definition and purpose of real estate markets; Linkages across (1) real estate property and asset markets and (2) real estate markets, the economy and capital markets. Impact of changes in demand to use or invest in real estate on the combined real estate sector as a whole. Economic definition of capitalization rates and determinants.

Required Reading. *Asset Property Framework*.

3 Jun 19 Asset Property Framework review and critique. Business cycles and real estate cycles: definitions, types, and causes. The Great Depression and the Subprime Bubble. QE3, Monetary Normalization and The Taylor Rule.

Required Reading. Temin, "The Causes of American Business Cycles: An Essay in Economic Historiography," National Bureau of Economic Research, Working Paper 6692, 1998.

4 Jun 26 Urban economic growth and the multiplier process under global integration. Economic base theory: income and employment multipliers; location quotients. Urban economic base profiles and forming expectations for urban economic growth. Creative and competitive cities. New York City Economic Profile.

Required Reading: *Multiplier Process*. Glaeser, Chapters 3,4.

Recommended Reading: *Competitive Cities, Executive Summary*. *Global Economy*, OECD Territorial Reviews, 2006. pp. 1 – 82.

Term Assignment Posted.

5 Jul 3 Local Government and Real Estate Markets. Principles of urban government finance in relation to real estate markets: externalities, regulation, fiscal zoning and fiscal capitalization. Economics of the property tax.

Required Reading: *Local Government I and II*. Glaeser, Chapters 5,6.

Midterm Problem Set Posted.

6 Jul 10 The Economics of Highest and Best Use. Location value in the urban economy. Traditional monocentric cities and central business districts. Modern firm types in terms of location choice. Agglomeration in the modern economy. Term Project Discussion.

Required Reading. *Bid-Rent Function*. Glaeser, Conclusion.

Midterm Problem Set Due.

7 Jul 17 Economic Analysis of Real Estate Markets. Market Metrics Defined: Primary and Secondary markets; Demonstrated, unaccommodated and unmet demand; Capture rates and Net Absorption. Principles and Practices of the Office and Industrial Sectors. Current Market Trends and Changing Underlying Fundamentals. Impact of telecommuting and hoteling on office demand.

8 Jul 24 Principles and Metrics of the Retail and Hospitality and Leisure Sectors. Current Market Trends and Changing Underlying Fundamentals.

9 Jul 31 Principles and Metrics of the Residential Sector and Mixed-Use Sector. Current Market Trends and Changing Underlying Fundamentals.

Required Reading. *Bulgari Analysis*.

10 Aug 7 Oral Presentations and Term Projects Due.
Final Exam Due.