

COURSE SYLLABUS
REAL ESTATE ECONOMICS AND MARKET METRICS
SUMMER 2017
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 from both theoretical and empirical perspectives. 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 areas, the impact of local governments on urban economic growth, the impact of urban economic growth on supply and demand identification for specific property types, 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 and forecasting real estate demand and supply in different markets for specific property types at specific locations.

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 and final exam are required. The Midterm Problem Set will be posted on *Courseworks* June 29 and due July 6. The Final Problem Set will be administered in class August 17. A critique of Glaeser's *Triumph of the City* is due July 27.

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:

- Completion of readings, questions, and in-class assignments: 15%
- Attendance and in-class participation: 10%
- Mid-term problem set: 25%
- Final problem set: 30%
- Critique of *Triumph of the City*: 20%

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 6 Overview of course objectives, structure, materials and expectations. Centrality of real estate in the national and world economies: 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 facing the real estate economy.

Required Reading. "Dynamic Cities as Engines of Economic Growth," in *Entering the 21st Century: World Development Report, 1999-2000*, World Bank, pp. 126-138. Glaeser, Introduction, Chapters 1,2.

2 Jun 13 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 20 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 27 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. Specialization without congestion and strategies for sustainable urban 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.

5 Jul 11 Public Policy. Principles of urban government finance in relation to real estate markets: externalities, public goods, regulation, fiscal zoning, taxation, and fiscal capitalization. Introduction to Special Purpose Authorities. Economics of the property tax.

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

Midterm Problem Set Posted.

6 Jul 18 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.

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

Midterm Problem Set Due.

7 Jul 25 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.

Required Reading. CBRE NYC Office Outlook. CBRE NYC Industrial Outlook.

8 Aug 1 Principles and Practices of the Retail and Hospitality and Leisure Sectors. Current Market Trends and Changing Underlying Fundamentals.

Required Reading. CBRE NYC Retail Market Outlook. . PKF NYC Hotel Outlook.

Glaeser Critique Due.

9 Aug 8 Principles and Practices of the Residential Sector and Mixed-Use Sector. . Current Market Trends and Changing Underlying Fundamentals.

Required Reading. *Bulgari Analysis*. CBRE Multi-Family Outlook.

Final Exam Due.