## REAL ESTATE ECONOMICS AND MARKET ANALYSIS

Jo Hastings, Adjunct Instructor

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REAL ESTATE ECONOMICS & MARKET ANALYSIS REAL1-GC.1045.002 / DEVE1-Gc.1045.002

(3 Credits)

Spring 2020

Mondays: Jan 27<sup>th</sup> – May 11, 6:20-8:50pm

No Class: Monday Feb. 17th (President's Day) or March 16th (Spring Break)

Room 501, 11 W.42 Street

Office Hours by Appointment (email to schedule a meeting)

#### **Course Description:**

#### This is a long Syllabus, please familiarize yourself!

This course examines connections between the national and global economies and real estate markets from both theoretical and an empirical perspectives. It explores the performance of specific property types under different macroeconomic business and growth cycles and changing 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. Class discussions will also follow current economic news and potential impacts for real estate markets.

#### **Course Structure/Method:**

This course meets in person, once a week, at 11 W. 42<sup>nd</sup> Street, Room TBD. Each class involves a lecture and class discussion. As described under Course Requirements, each student will complete two problem sets and an individual market analysis with an oral presentation. Students will also profile an urban economy and present it to the class in teams of two and complete in-class assignments based on current issues.

This course involves extensive use of NYU Classes. Access requires your NYU Net-ID and e-mails will be sent to your NYU e-mail address. A topic outline will be posted on NYU Classes before each class under Resources. Various additional articles and reports, or excerpts thereof, will be also be posted under Resources. Problem Sets, the Metro Outlook and Term Market Analysis Assignment will be posted under Assignments. The Syllabus will be posted under Syllabus. Any student work submitted by email should be sent from your NYU email directly to the professor's NYU email address. **Modifications to this syllabus may be made throughout the course.** Any modifications will be announced in class and posted on NYU Classes.

## **Course Learning Outcomes:**

By the end of this course, students will be able to:

- Identify and explain dynamics of real estate economies and markets.
- Understand and apply key economic trends and policy issues as background to understanding real estate decision-making.
- Explain interdependence between local government, real estate markets and development trends.
- Describe and classify principles of land use by property type.
- Construct an empirical economic market analysis to assess the locational demand for property development or investment.
- Profile an urban economy and identify key trends.
- Define and apply key market metrics.
- Demonstrate strong analytical writing and presentation skills.

## Required Textbooks other than posted readings

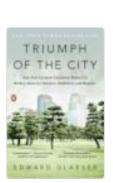
Brett, Deborah and Schmitz, Adrienne (2009).

Real Estate Market Analysis Method and Case Studies.

Washington, D.C.: Urban Land Institute. Direct Order #R29.

Glaeser, Edward (2011).

*Triumph of the City*. New York: The Penguin Press.





## **Supplemental Textbook**

O'Sullivan, Arthur (2009). *Urban Economics*. New York, New York: McGraw-Hill Irwin. also

The New Geography of Jobs (2013), by Enrico Moretti ... highly recommended

These books are available at the NYU Bookstore, Amazon.com or the Urban Land Institute website.

#### **Communication Policy:**

NYU requires all credit students to communicate through NYU email. Please send any questions or other information to <a href="milestyle-sub-edge-nyu.edu">mjh290@nyu.edu</a>. Inquiries will be returned promptly during the business week.

#### **Course Expectations:**

A midterm problem set, a comprehensive final exam, a metro summary and an applied market analysis with a proposal, documented report and oral presentation are required.

The requirements for each assignment will be discussed in class and posted on NYU Classes.

PROFICIENCY with HP12C and READING a DAILY FINANCIAL PAPER are REQUIRED.

#### **Course Attendance and Participation Requirements:**

SPS requires class attendance. Prompt class attendance and active class participation are required on a regular basis. Active class participation includes coming to class on time with thoughts or questions regarding weekly topics for class discussion. Each student is responsible for staying apprised of all announcements, revisions, assignments, reporting any difficulties (including all missed classes or partial classes) and appropriate class conduct. NO CELL PHONES: YOU CANNOT BE FULLY ENGAGED IN CLASS WHILE CHECKING EMAIL. You will have time to check your email and use the facilities during the class break. Absences and/or lateness may have a negative impact on each student's final grade.

# Another form of class participation is a one-minute paper.

## The One-Minute Paper

A few days after class, you can send me an e-mail at <u>mih290@nyu.edu</u> in which you:

- 1. Describe the idea, question or material in the last class that was of most interest to you.
- 2. Describe one idea, question or material was most confusing or difficult in the last class.

The one-minute paper is not graded but contribute to class participation grades. Candid individual perspectives are encouraged.

## **Assessment Strategy:**

Class Participation and In-Class Exercise	15%
Metro Summary and Outlook	10%
Midterm Problem Set	15%
Market Analysis Report	25%
Oral Presentation	10%
Final Exam	<b>25%</b>
	100%

The grading criteria used to evaluate achievement in this course are in strict accordance with NYU SPS standards. Grades for <u>late assignments</u> will be reduced by 1/3 grade per day, even with good excuse. Missing assignments will receive a score of zero.

For a complete description of NYU SPS grading policies, go to <a href="http://sps.nyu.edu/academics/academic-policies-and-procedures/graduate-academic-policies-and-procedures.html#Grades">http://sps.nyu.edu/academic-policies-and-procedures/graduate-academic-policies-and-procedures.html#Grades</a>.

Assignments in this course may be checked for plagiarism using TurnItIn, a plagiarism detection software used to verify academic originality and/or may be compared against other students' work.

#### Course Outline:

**Class 1: January 27**: Intro to Course/Session 1 below; Audio Chapter 1 in class: New Geography of Jobs (as there is time)

**SPS Writing Diagnostic**. (turned in during class)

## **Session 1: Introduction to the Real Estate Economics.**

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. What makes the real estate economy unique? Commercial Real Estate Sectors and Markets defined.

<u>Required Reading (before class always)</u> "Dynamic Cities as Engines of Economic Growth," in *Entering the 21st Century: World Development Report, 1999-2000*, World Bank, pp. 126-138.

Glaeser: Triumph of the City - Introduction.

Supplemental Reading. O'Sullivan, Chapter 3. (posted online)

## **Session 2**, Feb. 3, Asset and Property Framework for Decision-Making.

Approaches to forming expectations for making real estate development or investment decisions. Economic definition and purpose of real estate markets. Property and asset market dynamics: 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. Applications and limitations.

Required Reading. Asset Property Framework. Fisher Wheaton Framework.

#### Session 3, Feb. 10, Asset Property Framework Critique and Business Cycles.

Review of Asset/Property Framework. In-class group exercise. 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 (www.nber.org/papers/w6692).

#### Session 4, Feb 24, Urban Economic Growth + the Multiplier Process.

Economic base theory: income and employment multipliers; location quotients. Urban economic base profiles and forming expectations for urban economic growth. City size and diseconomies of agglomeration; specialization without congestion. Creative and competitive cities and strategies for sustainable urban growth. New York City Economic Profile using Moody's *Precis*.

Required Reading. Multiplier Process. Glaeser, Chapters 1,2.

<u>Supplemental Reading.</u> *Competitive Cities, Executive Summary. Global Economy,* OECD Territorial Reviews, 2006. pp. 1 – 82. O'Sullivan, Chapter 5. NYC Quarterly Economic Update Report, Office of the Comptroller.

☐ Term Market Analysis Assignment Posted.

#### Session 5, March 2, Local Government and Economics of Highest and Best Use.

Interdependence of local government and real estate development. 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. Economic implications of property tax. Value as a metric of location and productivity. Cities as Value Propositions. Intro to Opportunity Zones.

Required Reading: Local Government I and II. Bid-Rent Function. Glaeser, Chapter 6.

## Metro Summaries Due. Midterm Problem Set Posted/due one week 3/9/2020.

#### Session 6, March 9, Market Analysis Development.

Economic Analysis of real estate markets defined. Market analysis frameworks defined. Demand Analysis: Primary and Secondary markets, Capture Rates and Net Absorption. Market Analysis as quantitative and qualitative analysis. Sample Market Analysis Framework.

Required Reading. Brett and Schmitz. Chapters 1, 2, 3.

## **■ Midterm Problem Set due BEFORE CLASS**

## Session 7, March 23, Office and Industrial Development and Market Analysis.

Principles and Practices of Office and Industrial Development and Market Analysis. Impact of telecommuting and hoteling on office demand. Impact of telecommuting and hoteling on office demand. Current Market Trends. Glaeser critique.

Required Reading. Brett and Schmitz. Chapter 6. *Case Study 6.1*. CBRE NYC Office Outlook. CBRE NYC Industrial Outlook.

# ☐ Market Analysis Proposal (short summary) Due 3/23/2020.

# Sessions 8, March 30, Retail Development and Market Analysis.

Principles and Practices of Retail Development and Market Analysis. Current Demographic and Market Trends. Mall of America and American Dream; also SoNo Collection, High Street Manhattan.

Required Reading. Brett, Deborah and Schmitz, Adrienne. Chapter 5. *Case Studies 5.1*. CBRE Retail Market Outlook.

☐ Market Area Definitions Due 3/30/2020.

## Session 9, Apr. 6, Hotel & Leisure Development and Market Analysis.

Principles and Practices of Office and Industrial Development and Market Analysis. Current Demographic and Market Trends.

Required Reading. Brett, Deborah and Schmitz, Adrienne. Chapter 7. Case Study 7.1. PKF NYC Hotel Outlook.

## Session 10, Apr. 13, Residential Development and Market Analysis.

Principles and Practices of Residential Development and Market Analysis. Current Demographic and Market Trends. 8 Spruce Street.

Required Reading. Brett, Deborah and Schmitz, Adrienne. Chapter 4. *Case Study 4.1.* CBRE Multi-Family Outlook.

☐ Analytical Statements, Definitions and Rationales Due.

# Session 11, Apr. 20, Mixed-Use Development and Market Analysis. Possible Guest Speaker

Principles and Practices of Mixed-Use Development and Market Analysis. Current Market Trends. Hudson Yards. Bulgari Analysis.

Required Reading. Brett, Deborah and Schmitz, Adrienne. Chapters 8. Case Studies, 8.1, Bulgari Tower, 440 Park Avenue.

#### Session 12, Apr. 27: Review or make up time of previous lessons

**Session 13, May the 4th: Market Analysis Reports Due** + **Oral Presentations** all class; timed 5 min max presentations

Session 14, May 11, Final Exam in class, do not ask for take-home.

#### **NYUSPS Policies:**

SPS expects students to attend all classes on time. Absences and/or lateness may have a negative impact on a student's final grade.

"NYUSPS policies regarding the Family Educational Rights and Privacy Act (FERPA), Academic Integrity and Plagiarism, Students with Disabilities Statement, and Standards of Classroom Behavior among others can be found on the NYU Classes Academic Policies tab for all course sites as well as on the University and NYUSPS websites. Every student is responsible for reading, understanding, and complying with all of these policies."

The full list of policies can be found at the web links below:

- University: HYPERLINK
   "http://www.nyu.edu/about/policies-guidelines-compliance.html"
   ://www.nyu.edu/about/policies-guidelines-compliance.html
- NYUSPS: HYPERLINK
   "http://sps.nyu.edu/academics/academic-policies-and-procedures.
   html"
   http://sps.nyu.edu/academics/academic-policies-and-procedures.html

STATEMENT OF ACADEMIC INTEGRITY. NYU Schack Institute of Real Estate strives to promote an ethical learning environment and want to ensure that all students understand the concepts of academic integrity. This is an extremely important issue for the students' time at the Institute, but also after graduation. Hence, all students are required to familiarize themselves with the Statement of Academic Integrity as found at: <a href="http://www.SCPS.nyu.edu/student-affairs/graduate/academic-policies/#SCPS-statement-on-academic-integrity-and-plagiarism">http://www.SCPS.nyu.edu/student-affairs/graduate/academic-policies/#SCPS-statement-on-academic-integrity-and-plagiarism</a>. Please read the Statement of Academic Integrity carefully and make sure that you follow it whenever you submit any work for this course. Also realize that there are a number of penalties associated with violating the Statement of Academic Integrity: They range from failure for an assignment, exam or course to dismissal from the University. The Modern Researcher by Jacques Barzun and Henry Graff may answer questions regarding when and how sources are correctly cited. All required assignments in this course will be checked for plagiarism using TurnItIn.

**DISABILITY ACCESS STATEMENT.** If you are a student with a disability who is requesting accommodations, please contact New York University's Moses Center for Students with Disabilities at <a href="mailto:212-998-4980">212-998-4980</a> or <a href="mailto:mosescsd@nyu.edu">mosescsd@nyu.edu</a>. You must be registered with the Moses Center to receive accommodations. Additional information can be found at <a href="www.nyu.edu/csd">www.nyu.edu/csd</a>. The Moses Center is located at 726 Broadway on the 2nd floor.