



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### RSM 483 H1S

Real Estate Markets

Winter 2017

Course Meets: Tuesday, 2-4pm, Room WO 35

---

Professor: Lu Han  
E-Mail: [lu.han@rotman.utoronto.ca](mailto:lu.han@rotman.utoronto.ca)  
Phone: 416-946-5294  
Fax: 416-978-7030  
Office Hours: Tuesday 1-2pm, and by appointment\*  
Office: Rotman 8076  
Teaching Assistant: Camilo Acosta-Mejia  
Email: C.AcostaMejia14@Rotman.Utoronto.Ca

\*It is very important that we be able to meet outside of class. If the timing of my office hours does not work, just ask. I am sure we can work out another time. Please see me at class or email to set up a meeting time.

### Course Scope and Mission

This course uses economic methods to analyze real estate. Topics covered include the determinants of real estate values, the location decisions of households and firms, land use, urban growth and agglomeration, cycles, real estate market dynamics and intermediary, behavioral real estate, and development.

This class is designed to be useful across the Commerce program. In addition to students who pursue careers in real estate itself, a background in real estate can be useful to students interested in banking and asset management. A background in real estate can also be useful to general managers to the extent that they deal with location decisions and because firms in other lines of business frequently own or rent significant real estate, and are therefore accidentally in the real estate business.

The specific course goals are:

1. Learn real estate economics.
2. Learn the relevance of economic analysis to real estate decisions.

## Required Readings

The text for this course is: Helsley, Robert W., Urban and Real Estate Economics, Vancouver: UBC Real Estate Division, 2003.

We will use it for the first half of the term. You may want to share it rather than purchasing it. There is also a small supplemental course packet. Additional readings will be posted on the course website.

## Course Prerequisites

ECO204Y/206Y and ECO220Y/227Y/STA(220H, 255H)/(257H, 261H), RSM 332H1

## Evaluation and Grades

Your final grade will be determined by the weighted sum of your scores on the following:

| <u>Work</u>         |     | <u>Due Date</u>             |
|---------------------|-----|-----------------------------|
| Class Participation | 10% | Ongoing                     |
| Case                | 10% | February 28                 |
| Debate              | 5%  | February 7, March 21        |
| Term Project        | 25% | April 4                     |
| Final Exam          | 50% | Scheduled by Arts & Science |

The case write-up, the debate, and the term project are group projects. You are allowed to choose your own groups, with each group having 4-5 members. You must work with the same group on all group projects. It is solely your responsibility to form the group and coordinate with other group members. Each group should email me and the TA a list of group members before the third class (Tuesday, January 24). Sooner would be better. Please email your group list as soon as you have it with RSM483 GROUP (capital letters) in the subject.

*Class participation:* Your contribution to class discussions is very important to the rest of the class. Please don't be shy –Ask questions to clarify what we are discussing or to bring a different perspective to class. The course is cumulative, so being lost gets quite costly very quickly. Constructive comments in class will increase the participation points. Naturally, consistently bad or irrelevant participation will decrease the participation points. Please display your name card in every class. Absence or late arrivals will be considered as a negative factor in class participation.

*Cases:* The case assignment deals with the Canary Wharf project. I will give out the assignment later. It is due at the beginning of class on February 28.

*Debate:* There will be two brief debates. I will describe the debates in more detail in separate handouts.

*Term Project:* One option that I would encourage you to consider is to write the paper as a case, with information, case questions, and answers. Writing the project as a case is not required, however. The paper must show an understanding of course material, and it must also be business relevant. The paper should be analytically rigorous, applying ideas from real estate economics to a real world situation. I will post separately a list of possible projects. You must clear the topic with me by the sixth class meeting (Tuesday, February 14). To do this, you will need to turn in a brief (one or two paragraph) description of what you hope to accomplish. Please put RSM483 PAPER TOPIC in the subject of the email. The paper can be at most 15 pages long (12 pt. font, double spaced, 8x11 paper, 1 inch margins) plus references and any quantitative or graphical exhibits. The limit is firm. The project is due at the beginning of the last

class. This deadline is firm too. The paper will be presented on the last day of class. Because of this, I will not allow two groups to work on the same topic. Topics will be allocated on a first-come, first-served basis. I will not give away a topic until the brief description (described above) is turned in to me.

*Final:* The final will be on a date scheduled by the Arts and Science office.

Classes will never be recorded. I am very happy to help a student make up a missed class by providing additional readings and by discussing material in my office.

## **COURSE EXPECTATIONS**

### **To Use Turnitin.com:**

Students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the university's use of the Turnitin.com service are described on the Turnitin.com website.

### **For Written Assignments:**

Please note that clear, concise, and correct writing will be considered in the evaluation of all written assignments. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre ([www.asc.utoronto.ca](http://www.asc.utoronto.ca)) or one of the College Writing Centres ([www.writing.utoronto.ca/writing-centres](http://www.writing.utoronto.ca/writing-centres)). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

### **For Teamwork:**

When working as a team, students are reminded of the following expectations with respect to their behaviour and contributions to the assignment/project:

1. Read the document entitled, "*Working in Teams: Guidelines for Rotman Commerce Students*" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving differences:

Conflicts can – and do – occur. Conflicts are part of the team's process of learning how to work together effectively and can actually generate exciting debate and creative solutions – if managed appropriately.

Student teams are collectively expected to resolve disputes or misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to reach a mutually agreeable solution, the entire team must meet with the Rotman Commerce

Team Coach\*\* as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

\*\*For an appointment with a Rotman Commerce Team Coach, please contact Nouman Ashraf at [nouman.ashraf@rotman.utoronto.ca](mailto:nouman.ashraf@rotman.utoronto.ca) Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

## **POLICY AND PROCEDURE**

### **Missed Assignments/Midterms**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

**Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.**

### **Course Work, Accessibility Needs & Academic Honesty**

**Submission of Assignments** - Late submissions of any assignment may be considered; however, a resolution may be determined at the instructor's discretion and may include an academic penalty.

**Accessibility Needs** - The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca) or <http://www.accessibility.utoronto.ca/>.

### **Academic Integrity**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

*The University of Toronto's Code of Behaviour on Academic Matters*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

### **Email**

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

### **Blackboard and the Course Page**

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at <http://www.portalinfo.utoronto.ca/content/information-students> and review the Frequently Asked Questions.

### **Recording Lectures**

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of

course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

# Course Outline

## **Part I: Introduction**

### **Lecture 1: Course Introduction and Real Estate Pricing (January 10)**

Readings: Lecture Note  
Helsley, Ch. 1 (pp. 1.1-1.4)  
Hu, D. and A. Pennington-Cross (2000), "The Evolution of Real Estate in the Economy," The Research Institute for Housing America, Institute Report Number 00-02 (optional)

## **Part II: Real Estate Pricing**

### **Lecture 2: Real Estate Pricing (January 17)**

Readings: Lecture Note  
Strange (2012), "Real Estate Valuation" in "Essays in Real Estate Economics," mimeo

## **Part III: Land Use and Urban Spatial Structure**

### **Lecture 3: Fundamentals of Rent and Land Use (January 24)**

Readings: Lecture Note  
Helsley, Ch. 5-6

### **Lecture 4: Urban Spatial Structure (January 31)**

Readings: Lecture Note  
Helsley, Ch. 5-6 continued

### **Lecture 5: Urban Growth (February 7)**

Debate: Urban Sprawl  
Readings: Lecture Note  
Helsley, Ch. 7-8

## **Part IV: Real Estate Development**

### **Lecture 6: Real Options (February 14)**

Readings: Lecture Note  
Geltner and Miller, Chapter 28, "Real Options and Land Value," Commercial Real Estate Analysis & Investments

## **Lecture 7: The Economics of Real Estate Development (February 28)**

Case: Canary Wharf

### **Part V: Nonresidential Real Estate**

#### **Lecture 8: Business Location (March 7)**

Readings: Lecture Note

Helsley, Ch. 1 (pp. 1.4-1.7)

O'Sullivan, A., Urban Economics (5th ed), pp. 92-112

#### **Lecture 9: Agglomeration and Future of Cities (March 14)**

Readings: Lecture Note

Rosenthal and Strange, "The Micro-Empirics of Agglomeration Economies," mimeo, 2004.

### **Part VI: Real Estate Market Dynamics and Intermediary**

#### **Lecture 10: Cycles and Psychology (March 21)**

Debate: The Future of Buffalo

Reading: Lecture Note

Helsley, Ch. 11.

Genesove and Mayer, "Loss Aversion and Seller Behavior: Evidence from the Housing Market," Quarterly Journal of Economics, 2001, 1233-1260.

Shiller, "From Efficient Markets to Behavioral Finance," Journal of Economic Perspectives, 17:1 (2003), 83-104. (optional)

#### **Lecture 11: Real Estate Brokerage (March 28)**

Readings: Lecture Note

Levitt and Syverson, "Market Distortions when Agents are Better Informed: A Theoretical and Empirical Exploration of the Value of Information in Real Estate Transactions," Review of Economics and Statistics, November 2008.

Han and Hong, "Testing Cost Inefficiency under Free Entry in the Real Estate Brokerage Industry," Journal of Business and Economic Statistics, 2011, 29(4), 564-578. (optional)

#### **Lecture 12: Student Presentation (April 4)**