

**Haas School of Business
University of California, Berkeley
Fall 2009**

UGBA 187: Undergraduate Seminar in Urban and Real Estate Economics

This course examines how market forces influence the development of cities, and constructs the broad economic foundations of real estate market analysis. We will study how location decisions are made and how these decisions impact land rents, land prices, and the allocation of land between competing uses. This will allow us to examine the formation of downtowns, suburbs, business clusters and “edge cities”, urban sprawl, urban blight, and many other features of modern urban areas. We will examine the operation of residential, commercial and industrial property markets, and the determinants of rents, prices, and construction activity. We will examine how government policies, including the provision of public services (e.g., schools and policing), the imposition property taxes and fees, transportation pricing and investment, and land use regulations (e.g., zoning and growth controls) impact location decisions, land values and urban development patterns. Finally, we will examine the causes and consequences of the subprime crisis, and consider the implications of the crisis for the future of real estate markets. Here, in a bit more detail, are some of the questions that we will consider:

1. Why is economic activity clustered in just a few locations?
2. What are the key determinants of the location decisions of firms and households?
3. How is the size and economic structure of a city determined? Are cities too large or too small?
4. What determines land rent (or value) within an urban area? What determines how different parcels of land are used?
5. How do cities respond to changes in the economic environment?
6. How are housing rents and values influenced by variables like dwelling and lot size, structural quality, schools, crime, amenities, rent control, and taxes? How are rents and values influenced by urban growth?
7. How can we solve the problem of urban road congestion? Can and should we discourage auto use and encourage public transit? Is light rail more or less efficient than other transit modes?
8. How do government tax, spending, and regulatory policies affect cities? What are the costs and benefits of zoning and other forms of land use regulation?
9. How are rents and prices determined in commercial and industrial real estate markets?
10. Why are there cycles in real estate markets, and what do cycles imply about the risk of real estate investment?
11. What caused the subprime crisis, and how did it expand to envelope credit markets around the globe?
12. What do improvement in information technology imply about the future of cities?

For business students, this course is a natural companion to UGBA 180, Introduction to Real Estate and Urban Land Economics – it places many of the topics considered there in a broader economic context. The course will also be of interest to students from economics, political science, public policy, and other disciplines, who have an interest in real estate and urban issues. In terms of preparation, microeconomics, preferably at the level of UGBA (or ECON) 101A, will be required. If you are uncertain about your preparation for the course, please contact me before enrolling.

Course materials will consist of my own lecture notes, and selected articles and book chapters. Evaluation will be based on a mid-term, a final, and several problem sets. Please contact me with any questions.

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