MOSCOW STATE INSTITUTE OF INTERNATIONAL RELATIONS
(MGIMO-UNIVERSITY),
THE MINISTRY OF FOREIGN AFFAIRS OF RUSSIA

B.A. in Commerce

School of Applied Economics and Commerce

Department of Applied Economics

«Approved»

Dean of the School of Applied Economics and Commerce
_____ N. Zagrebelnaya

«__» _____ 2020

Course Title

Real Estate Economics and International Development

The course program developed by Prof. Mikhail I. Stolbov and Prof. Irina A. Strelets, 2020

Director of MGIMO Library _____ Marina V. Reshetnikova

The syllabus approved at the Department of Applied Economics meeting on 18 February 2020

Chair of the Department of Applied Economics _____ Mikhail I. Stolbov

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PART 1.
INSTRUCTOR INFORMATION, COURSE DESCRIPTION AND TEACHING METHODS

1.1 General information

- Full course title: **Real Estate Economics and International Development**
- Type of course: **Optional**
- Level of course B.A.
- Year of study: 4th (spring semester)
- Number of ECTS credits allocated: 2
- Name of lecturers and office hours:
    1. Prof. Mikhail I. Stolbov, Ph.D. in Economics, Professor, Department of Applied Economics, office hours: upon agreement.
    2. Prof. Irina A. Strelets, Ph.D. in Economics, Professor, Department of Applied Economics, office hours: upon agreement.

1.2 Course aims and learning outcomes

The main objective of the course is to provide students with the basic knowledge of real estate economics, its main definitions and models as well as to introduce some concepts related to investment valuation of transactions in the field of international development.

Learning outcomes:

By the end of this course, students are expected to:

- grasp the main definitions and concepts of real estate economics and finance;
- be able to use the basic models that describe urban development;
- be able to apply discounting to draw calculations related to mortgage lending;
- know the determinants of demand for different types of property (office, retail, industrial) as well as for housing;
- analyze and comment on the consequences of different measures in the field of housing policies.

1.3 Course requirements and grading plan

Course requirements

Students will be required to attend not less than 90% of classes and be prepared for class discussions. The main prerequisite for the course is the knowledge of micro-, international finance at an intermediate level. Specific computer literacy (MS Excel) and a sound command of specific macroeconomic and financial terms in English is required. Certain command of financial mathematics would also be a plus. The course involves a certain amount of reading scientific articles and market reports in English, which are assigned to each class. Conscientious reading of the assigned materials is compulsory. Students will be required to prepare MS PowerPoint presentations in English, based on these materials.

PART 2. COURSE CONTENT

2.1 Types of work

Types of work	Academic hours
Total	**84**
Total for lectures and seminars	**32**
Lectures	16
Seminars	16
Homework	**52**
Essay	8
Preparation for lectures, seminars and tests	44
Course works	–
Course assessment	–

2.2. Course content and readings by topic

Lecture 1. Introduction to real estate economics and international development
Peculiarities of real estate economics (REE). Basic concepts of REE: scale economies, agglomeration economies, transport costs and firm location. Interaction of scale economies and transport costs in the formation of cities. Retail agglomeration and economics of shopping centers. Inter-shop externalities.

Seminar 1. Introduction to real estate economics and international development
Revision of the above theoretical concepts and problem solving.

Sample questions for discussion at the seminar

1. Give the definition of scale and agglomeration economies
2. Which types of agglomeration economies are you familiar with?
3. Explain what inter-shop externalities are and illustrate them with examples.

Required reading
Obligatory

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.

2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Lecture 2. Explaining basic relationships in REE

The baseline model of urban spatial structure: the main premises. The notion of central business district (CBD). Real estate prices and dwelling sizes in the CBD and in the periphery (suburbs). Analysis of housing production. Population density and frontiers of the city.

Seminar 1. Explaining basic relationships in REE

Revision of the above theoretical concepts and problem solving.

Sample questions for discussion at the seminar

1. What are the main premises of the baseliner model of urban spatial structure?
2. What is the relationship between the height of buildings and their distance from the CBD?
3. What are the main properties of the housing production function?
4. Enlist the factors, which influence the frontiers of the city.

Required reading

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.
2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Lecture 3. Demand for office-retail-industrial space

Demand and supply for office space. Occupancy rate, vacancy rate and natural vacancy rate (NVR): definitions and measurement. Graphical representation of equilibrium in the market for office space. Determinants of demand and supply for office space. Demand for retail space. Methods to identify optimal trade areas. Demand for industrial space.

Seminar 1. Demand for office-retail-industrial space

Revision of the above theoretical concepts and problem solving.

Sample questions for discussion at the seminar

1. How are occupancy and vacancy rates related?

2. What happens if the NVR is above the actual vacancy rate in the market?
3. How can office space be categorized with respect to its quality?
4. What is retail gravity?

Required reading

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

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2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Lecture 4. Basics of RE finance

Mortgage lending. Basic types of mortgage loans. Mortgage-related risks: interest rate risk and prepayment risk. Remortgaging and equity withdrawal loans. "Reverse" mortgages. Mortgage securitization. Mortgage-backed securities (MBS) and their types. RE as an investment decision: a portfolio view. Approaches and forms of investments in RE.

Seminar 1. Basics of RE finance

Revision of the above theoretical concepts and problem solving.

Sample questions for discussion at the seminar

1. Describe the basic types of mortgage loans.
2. How can a bank mitigate prepayment risk?
3. Give a general scheme of mortgage securitization
4. What are the benefits and risks of mortgage securitization?

Required reading

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

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2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Lectures 5-6. Housing demand and tenure choice

Housing demand: the traditional and hedonic approaches. The user costs of housing (of owner-occupied housing, of rental housing). Tenure choice in the basic model. Some other factors affecting tenure choice (expected mobility, risk, pride of ownership, etc.). Down-payment requirements, tenure choice, and mortgage default. Property abuse and tenure choice.

Seminar 1. Housing demand and tenure choice

1. Housing demand: the traditional approach.
2. Housing demand: the hedonic approach.
3. The user costs of housing.
4. Tenure choice in the basic model.
5. Some other factors affecting tenure choice

Sample questions for discussion at the seminar

1. Why is housing one of the most important commodities?
2. What does the traditional approach to housing assume?
3. What does the hedonic approach to housing assume?
4. What are the user costs of owner-occupied housing?
5. What are the user costs of rental housing?
6. How does a consumer choose the tenure mode?
7. Describe basic factors affecting tenure choice.

Required reading

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2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.
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Seminar 2. Housing demand and tenure choice

1. Down payments and tenure choice.
2. Mortgage default and tenure choice.
3. Property abuse and tenure choice.

Sample questions for discussion at the seminar

1. Why is a home buyer required to make a down payment?
2. In what way “impatience” and tenure choice are linked?
3. What does mortgage default mean?

4. What does property abuse mean?
5. In what way could the bad behavior of renters be altered?

Required reading

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2. Lecture slides.

Optional

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2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Lectures 7-8. Housing policies

Rent control: how it works. The stock-flow model. Demand shock and the imposition of rent control. Effects of rent control. Housing-subsidy programs. Homelessness and policies to correct it.

Seminar 1. Housing policies

1. Rent control.
2. The stock-flow model.
3. Demand shock.
4. Effects of rent control.

Sample questions for discussion at the seminar

1. What policies does government intervention in the housing market involve?
2. What is the main aim of rent control laws?
3. Wat are negative effects of rent control?
4. Describe the stock-flow model.
5. What are the results of a demand shock in the housing market?

Required reading

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.
2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Seminar 2. Housing policies

1. Housing-subsidy programs.
2. Homelessness and policies to correct it

Sample questions for discussion at the seminar

1. What are main goals of housing-subsidy programs?
2. Describe different housing-subsidy programs and their results.
3. Analyze homelessness by means of an economic model.
4. Why do some cities have more homelessness than others?

Required reading

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2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.

2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

2.3 Exam Questions

1. Basic concepts of REE: scale economies, agglomeration economies
2. Retail agglomeration and economics of shopping centers. Inter-shop externalities.
3. The baseline model of urban spatial structure: the main premises and results.
4. The notion of central business district (CBD). Real estate prices and dwelling sizes in the CBD and in the periphery (suburbs).
5. Analysis of housing production.
6. Population density and frontiers of the city.
7. Demand and supply for office space. Occupancy rate, vacancy rate and natural vacancy rate (NVR): definitions and measurement. Graphical representation of equilibrium in the market for office space.
8. Determinants of demand and supply for office space.
9. Demand for retail space. Methods to identify optimal trade areas.
10. Demand for industrial space.
11. Mortgage lending. Basic types of mortgage loans.
12. Mortgage-related risks: interest rate risk and prepayment risk.
13. Remortgaging and equity withdrawal loans. “Reverse” mortgages.
14. Mortgage securitization. Mortgage-backed securities (MBS) and their types.
15. RE as an investment decision: a portfolio view. Approaches and forms of investments in RE.

16. Housing demand: two basic approaches (the traditional and hedonic approaches)
17. The user costs of owner-occupied housing and of rental housing.
18. Tenure choice in the basic model.
19. Factors affecting tenure choice (expected mobility, risk, pride of ownership, etc.).
20. Down payments and tenure choice.
21. Mortgage default and tenure choice
22. Property abuse and tenure choice.
23. Rent control.
24. The stock-flow model.
25. Demand Shock and the Imposition of Rent Control.
26. Effects of Rent Control.
27. Housing-Subsidy Programs.
28. Homelessness and Policies to Correct It.

Consolidated reading list (in alphabetic order)

1. Luque, Jaime Urban Land Economics: Textbook. – Springer, 2015. - In database Springer https://link.springer.com/
2. Lecture slides.

Optional

1. Manganelli R. Real Estate Investing. Market Analysis, Valuation Techniques, and Risk Management. – Springer, 2015. https://link.springer.com/book/10.1007/978-3-319-06397-3.
2. The New Palgrave Dictionary of Economics. – London: Palgrave Macmillan, 2018. - https://link.springer.com/referencework/10.1057/978-1-349-95189-5

Some relevant websites and databases:

https://book.ru
https://biblioclub.ru/
https://www2.colliers.com/
http://www.imf.org
https://www.knightfrank.com
https://www.lasalle.com
http://www.pwc.com
http://search.ebscohost.com
https://link.springer.com
http://znanium.com

PART 3. FINAL REMARKS

- Plagiarism is considered as a severe violation and as an indication of incompetence in the course. Plagiarism is understood as making of one's text using compilation method for other people's publications, even connected with own phrases and sentences. Collective performance of individual tasks is also unacceptable. Proved plagiarism, an F-mark is given regardless of the fulfillment of all other requirements.
- Assignments are to be handed in on the due date. Late submissions will translate into the lowering of the grade.
- Students are asked to keep a copy of all work submitted for evaluation.
- Due to the specific features of the course, students are encouraged to use MS Excel, PowerPoint and calculators during seminars.