**The Schack Institute of Real Estate**

**Hirsh Scholars: Real Estate Economics and Market Analysis**

**General Course Information**

Faculty Name: Timothy H. Savage, Ph.D., Clinical Assistant Professor of Real Estate

Email Address: [timothy.savage@nyu.edu](mailto:timothy.savage@nyu.edu)

Course Number: REAL1-GC.1045.004

Semester/Year: Fall 2019

Location: MIDC\_524

Day: Tuesdays

Time: 1.30pm – 4pm

Dates: 09/03/2019 – 12/10/2019

Office Hours: Tuesdays, 9am – Noon, 508c

**Course Description**

This course introduces topics in real estate economics that relate to the built environment. At its core, it addresses key ideas in urban economics, such as agglomeration and scale economies. The course examines linkages between regional, national and global economies as they relate to real estate markets. It explores the performance of specific property types under different macroeconomic cycles and changing monetary policies. It examines the impact of local government policy on urban economic growth, the impact of urban economic growth on the demand and supply for specific property types, and the role that capital markets play in facilitating market equilibrium. The course will culminate in the creation of a market analysis of a type that would be used for an investment committee (IC) memorandum. At the end of the course, students will present an executive summary of their IC memorandum as they would to an investment committee. The course will include guest lectures from prominent members of the real estate community, and substantial student participation is expected throughout the course.

**Course Prerequisites**

None. The instructor may deploy the R or Python statistical computing environment for teaching purposes. Students are not expected to utilize the environment.

**Course Structure**

The class will involve a mix of in-person lectures and active discussion by all students. Please check NYU Classes regularly as it will be used for posting course materials, such as slides and other relevant material.

**Course Learning Outcomes**

The course will focus on four broad areas of study:

* the importance of understanding the relationship between economic analysis, real estate demand and equilibrium analysis, and sound investment underwriting
* the factors influencing the supply and demand for real estate
* understanding what makes a market “tick”
* using these factors to evaluate the marketability of a particular real estate investment.

The course will focus on practical applications of using economic analysis in the investment decision making process. It will address the analysis of the linkages between global, national, regional and metropolitan area economies. Lectures will provide a framework to understand what makes a market tick from an economic perspective. They will discuss key indicators we use to understand market performance, comparing and contrasting performance of one market versus another. The course will then evaluate those factors influencing the supply and demand for real estate in a market area focusing on residential and commercial properties. Finally, the course will outline how all this information is used in real estate investment.

The first half of the typical class will start with a formal lecture. The second half of the class will discuss current topics in economics and finance as they relate to commercial real estate in the near term. Class participation is mandatory. You are required to read the Wall Street Journal, Bloomberg, The New York Times, The Financial Times, Barons, Crain’s, GlobeSt.com, and the Real Deal each week. You may also find the aggregator site, [www.economistsview.com](http://www.economistsview.com), to be useful.

Where appropriate, students will be assigned a specific topic on which to develop a 20-minute presentation to the class with time for substantial in-class discussion. The purpose of these presentations is to:

* develop your presentation skills
* actively engage the class members in discussion

The instructor will assign the topics for each presentation one week in advance.

The focal point of the course will be the preparation of a comprehensive economic analysis of a metropolitan area of a type that would be used for an investment committee (IC) memorandum. The memorandum findings will address the performance of commercial real estate markets, identifying critical segments of the market. These include supply and delivery, as well as demand and use. The market study must make a data-driven conclusion regarding the value of an investment or development.

The comprehensive economic analysis or “market study” consists of three major sections, and drafts of each section will be submitted for my review during the semester. Due dates for submission of drafts will be discussed in class. The instructor will review the drafts and provide feedback to students in a timely manner. The objective of the review is to ensure that all students are on the “right track” and provides the instructor with an opportunity to make observations and recommendations to the students prior to the submission of the final market study. The final class is reserved for the presentation of an executive summary. The written document must be submitted through NYU Classes for the purposes of grading.

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

* Identify and explain the 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 the 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 Reading Materials**

* The Wall Street Journal (particularly The Property Report), The NY Times (particularly Wednesday’s Square Feet articles and Sunday’s Real Estate section), Crain’s NY Business, The Real Deal, GlobeSt.com, and Trepp’s DailyWire.
* Materials the instructor posts to NYU Classes.

**Communication Policy**

All student/professor communication is to be conducted either through NYU email or NYU Classes. Please be mindful of FERPA guidelines. NYU Classes course email supports these policy guidelines. All email inquiries will be answered within 48 hours.

**Assessment Strategy**

It is the instructor’s goal to facilitate a learning experience where everyone exceeds their own expectations, with commensurate effort on their part. Part of the academic process is to grade each student’s effort and the results of their learning experience. Each student’s final grade will be determined by giving weight to the following:

* Participation 30%
* Midterm examination 30%
* Real Estate Market Study 40%

As a rule, late work is not accepted. If you must submit an assignment late, you must obtain the instructor’s prior approval. If approved, there will be a hefty penalty associated with late submissions.

\*Participation is defined as being prepared (i.e. reading lecture material in advance), being actively involved in classroom discussions, and posing relevant questions during student and/or guest presentations. Multiple absences could result in receiving less than full credit for Participation.

**School Grading Policies**

The Schack Institute of Real Estate of New York University strives to promote an ethical learning environment and want to ensure that all students understand the concepts of academic integrity. We see this as an extremely important issue for the students' time at the Institute, but also for after graduation. As a result, we require that all students familiarize themselves with the Policy on Academic Integrity and Plagiarism as found on the following link:

<http://sps.nyu.edu/academics/academic-policies-and-procedures/graduate-academic-policies-and-procedures.html#Grades>

**NYUSPS Policies**

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: <http://www.nyu.edu/about/policies-guidelines-compliance.html>
* NYUSPS: <http://sps.nyu.edu/academics/academic-policies-and-procedures.html>

#### **Schedule Subject to Change as Needed**

#### **Course Outline**

Session 1: 09/03/2019

Topic: Course overview, arc and objectives. An introduction to urban economics. The market study and its role investment decision making. Student discussion: your goals and interests.

Session 2: 09/10/2019

Topic: Scale and scope economies and the economics of agglomeration. Cities and the built space. The components of the market study: demand, supply and probabilistic forecasts of future rents, vacancy and cap rates. Student discussion: location and asset class.

Session 3: 09/17/2019

Topic: Urban spatial structure. Potential data sources: CBRE, Cushman, Newmark and JLL as brokerage and data providers. Other industry data providers. Student discussion: location and asset class.

Session 4: 09/24/2019

Topic: Urban sprawl and land-use controls. Rent control and its potential impact on development. Student discussion: location and asset class.

Session 5: 10/01/2019

Topic: Positive and negative externalities to the urban built space. Student discussion: location and asset class.

Session 6: 10/08/2019

Topic: Positive and negative externalities to the urban built space (cont). Midterm review. Status discussion on market study.

FALL BREAK: 10/15/2019

Session 7: 10/22/2019

Midterm examination (covering all materials covered to date)

Session 8: 10/29/2019

CRE market overview and the role of old and new data in real estate

Jeffrey Havsy, Eigen10 Consulting [confirmed]

Session 9: 11/05/2019

The state of retail and multifamily

Meghann Martindale, CBRE Research [confirmed]

Colleen Pentland Lally, CBRE Capital Markets [confirmed]

Session 10: 11/12/2019

The state of hospitality

Simon Turner, RXR Realty [date not confirmed]

Session 11: 11/19/2019

The state of capital markets

Jim Costello, Real Capital Analytics [person not confirmed]

Session 12: 11/26/2019

The state of office

Jonathan Mazur, Newmark Knight Frank

Session 13: 12/03/2019

Foundations of real estate finance and economics: course synthesis with real estate finance. Student course evaluation.

Session 14: 12/10/2019

Student presentations of market study executive summaries.