The May programs of the Hoyt Fellows and Weimer School were very nicely organized by Jeff Havsy (CBRE EA) and Beth Mace (NIC), for the Hoyt Fellows and David Geltner, for the Weimer School Fellows. The programs collectively drew a full house of well over 50 attendees.

May 2016 Hoyt Fellows Program


"Innovation & Disruption in Commercial Real Estate"

May 2016 Weimer School Session

After introductory comments by session chair, David Geltner (MIT), Andrea Chegut (MIT) spoke regarding "MIT's Commercial Property Data Lab & Real Estate Product Innovation," followed by Alexander van de Minne (MIT Center for Real Estate) with "New Frontiers in Real Estate Price Indexing Methodology;" Kevin Karty (Altisource) finished out the morning session with his presentation entitled "Innovations in Integrating Real Time Data and Machine Learning Systems Into Property Pricing Processes."

The afternoon portion of Friday's session started off with David Geltner's presentation on "Depreciation & Capital Consumption in Commercial Real Estate," followed by a presentation by David Ling (University of Florida and Dean Emeritus of the Weimer School) on "The Impact of Tax Incentives on Investment: A Cost-Benefit Analysis of Real Estate Tax-Deferred Exchanges."

Friday afternoon wrapped up with a brainstorming session focused on the session topic.

Saturday morning featured presentations by Sarah Williams (MIT) on "Using Social Media & Crowd Sourcing to Analyze Cities;" Kelly Haughton (Global Index Group) on "New Frontiers in Real Estate Price Index Derivatives;" and Brad Case on "Stock Market Based Indexes for Real Estate Derivatives." Saturday afternoon was devoted to another brainstorming session on the session topic, which welcomed all attendees' participation.

Sunday morning featured presentations by the 2016 Postdoctoral Honorees. Each year the faculty of the Weimer School honors colleagues who have achieved recognition for their research early in their careers. These individuals are given the opportunity to present their research at the January Weimer School session and are invited to return to subsequent Weimer School sessions. Over time, several former Postdoctoral Honorees have become Weimer School Fellows and Faculty. (Cont. on page 2)
This year's Postdoctoral Honorees are Dr. Andrea Chegut (MIT) and Dr. Moussa Diop (University of Wisconsin-Madison). Dr. Chegut's presentation was entitled "MIT's Commercial Property Data Lab & Real Estate Product Innovation." Dr. Diop's presentation was entitled "A Micro Analysis of the Impact of Information Asymmetry and Regulations on Equilibrium Outcomes in Rental Markets." Summaries of the presentations from those who provided them are on pages 2-3 of this newsletter.

May 2016 Hoyt Fellows Meeting/Weimer School Session Presentations In Summary

"Avoiding the Top Four Risks of Real Estate Investing Using Stock Market Based Derivatives"
Brad Case (NAREIT)

The FTSE NAREIT PureProperty® Index Series, launched in June 2015, extracts information regarding implied changes in property values and total returns from observed returns of stock exchanged-traded equity REITs. The indices are available in aggregate and for six property types, four regions, 11 type/region combinations, measuring both price appreciation and total return, for property investments (unlevered) as well as equity investments. Because the assets underlying the PureProperty Index Series consist entirely of liquid securities—which makes them especially suitable for use in swaps and other derivative contracts—the PureProperty indices make possible a full suite of risk management tools that have never before been available for institutional portfolios of illiquid real estate assets.

"The Price of Innovation: An Analysis of the Marginal Cost of Green Buildings"
Andrea Chegut (MIT) with Piet Eichholtz (Maastricht University) and Nils Kok (Maastricht University)

Energy efficiency plays an important role in the reduction of the carbon externality from buildings, but the adoption of green construction practices is slow. Economic analyses of green building have thus far ignored input costs, and this paper finds that the average marginal cost of green-labeled construction projects is zero. However, design fees, representing just a fraction of development costs but paid largely up-front, are significantly higher for green construction projects. These projects also take longer to complete. The results provide insight into market frictions that may represent barriers to the adoption of otherwise economically rational green building construction practices.

"Housing Booms and the Return to Salient Fundamentals"
John M Clapp (University of Connecticut) (with Ran Lu-Andrews)

Previous literature (Genesove and Mayer, 2001) has established that the first price of a repeat pair is a salient reference price. We show that local fundamentals at the date of the first sale (implicit rents divided by user costs of housing) are salient also. A salient market gap is the difference between change in market value and change in local fundamental value over the time between any two sales. This quantity is potentially different for each second sale. Our model of the log of the second sales price generalizes GM (2001) by introducing the salient market gap interacted with loss and gain, and redefines a common diagnostic tool, the ratio of house prices to fundamentals.

(Cont. on page 3)
Connecticut data allow detailed spatial controls for unobserved heterogeneity; town-year fixed effects are strongly correlated with local public services and taxes. There is substantial identifying variation across town-years in the salient gap.

Results show that sales with gains are discounted by .17 on average in log terms relative to losses in the presence of a positive salient gap, suggesting that those with gains rationally move the market towards fundamentals. Salience is supported when we compare to a counterfactual gap based on a fixed seven year holding period. Results are robust to variation in the holding period, to sub periods around the global financial crisis, and to differences across towns in proxies for elasticity of housing supply and demand.

We develop a new model to control sample selection based on persistent unobserved quality and we find that second sales with losses are between 50% and 80% higher quality than those with gains. In the presence a negative gap, the .06 discount on gains relative to losses becomes .012 to .030, an amount plausibly related to psychological and financial constraints of sellers with losses.

"Metros - Apartment Market Summary and Outlook"
Jay Denton (Axiometrics)

The apartment market has experienced incredible performance during the past several years. While rent growth and occupancy rates are still robust at the macro level, there are risk factors that have caused certain metros, submarkets, and assets to underperform the national benchmark. Certain metros, such as Houston, have seen a slowdown in job growth that has caused a deceleration in performance. When job growth slows, it impacts practically every neighborhood and price point. On the other hand, new supply tends to impact performance at a micro level. Many of the urban core areas across the U.S. have been impacted by concentration of new supply delivered the past few years. While Axiometrics expects the apartment market to remain strong throughout 2016, it is important to take a deeper look at potential risk factors related to supply and demand.

"A Micro Analysis of Information Asymmetry and Regulations on Equilibrium Outcomes in Rental Markets"
Moussa Diop
(University of Wisconsin-Madison) with Brent Ambrose (Pennsylvania State University)

We present new empirical evidence on the impact of tighter rental market regulations on equilibrium market outcomes using micro-level lease performance panel data. After confirming the pricing of regulations into rent, we show that landlords generally do not adopt risk-based pricing as tenant risk deteriorates, particularly in highly regulated markets. In contrast, they invest in tenant screening as regulation costs soar, restricting riskier households access to privately-supplied rental housing. This evidences itself in negative relation between default rates and regulations, despite the associated higher rents. Although the additional tenant screen by landlords in response of regulations is understandable, its magnitude is somewhat surprising.

"Commercial Buildings Capital Consumption and the United States National Accounts"
Dr. David Geltner (MIT)

With Sheharyar Bokhari, PhD. (MIT)

Commercial buildings are a major asset class, over $16 trillion of nonresidential structure value on a net current cost basis, 30 percent of the value of the stock of all produced assets according to the BEA. Yet, commercial buildings depreciation has not been comprehensively and rigorously studied since the highly influential work of Hulten and Wykoff almost 40 years ago. This study updates and extends that earlier work, and applies the findings to the national accounts, including demonstration of price indices for commercial structures and land. The paper is based on a combined database of over 112,000 transactions of commercial buildings and development sites, and over 17,000 property records of capital improvement expenditures, spanning 2001-2014.

The paper’s major contributions to the previous published literature include: (i) More flexible and precise estimation of the net depreciation value/age profile, allowing much finer characterization of the building life cycle; (ii) Explicit quantification of the land value component of commercial property value, enabling net depreciation to be quantified as a fraction of remaining structure value; (iii) Inclusion of capital improvement expenditures, allowing estimates of “gross depreciation” (total capital consumption), which includes the cost of capital improvements as well as “net depreciation” (which is the loss in real value as a function of structure age even after and including capital improvements) and (iv) Application and implications of the paper’s net and gross depreciation findings to and for the national accounts, including BEA quantification of capital consumption and commercial structure fixed asset value in the National Balance Sheets, as well as demonstration of how to use the paper’s findings to construct pure price and quantity indices for commercial structure and land values as necessary for the national accounts.

"Impact of Driverless Cars on City Growth"
Cooper Martin
(National League of Cities)

Many observers are speculating about how vehicles will disrupt cities and real estate development, but cities are already in the midst of a transformation in urban mobility. By enabling travelers to access transit data, request a ride, book a car, or hop on a bike in real time, cities are more attractive and accessible than ever before. The National League of Cities recently issued a report, City of the Future: Technology and Mobility that explores how cities can build a 21st century transportation network. This presentation explains how the current mobility revolution interacts with trends in demographics, consumer demand, and infrastructure cost to drive value and investment toward urban centers.
Edward Coulson (2009 Weimer School Fellow) is joining the University of California, Irvine Merage School of Business faculty in 2016 as Professor of Economics and Public Policy (Real Estate).

Donald Epley (1993 Weimer School Fellow) has retired after 50 years of classroom instruction. He was Distinguished Professor of Real Estate, and Director, Center for Real Estate and Economic Development, at the Univ of South Alabama. He remains active as the CEO of Coastal Economics, LLC, a local research and consulting firm.

Jeffrey Fisher (President, Homer Hoyt Institute & Managing Member, Hoyt Fellows LLC) received the prestigious David Ricardo Medal, awarded by ARES at the April meeting in 2016. This award recognizes a person who has created a significant body of published research in academic and refereed professional journals, spanning at least two decades, that includes multiple important, influential writings in journals and/or books. The award represents the highest recognition by ARES of scholarly work in the real estate discipline.

Pat Hendershot (Weimer School Faculty Emeritus) Pat received the Richard Ratcliff Award in Recognition of his innovative and extensive research on housing markets and residential mortgage finance from the American Real Estate Society at their April 2016 meeting in Denver, CO. Pat’s appointment with DePaul University has ceased.

Michael LaCour-Little (2007 Weimer School Fellow) has retired from the position of Chairman of the Department of Finance at California State University-Fullerton and joined the Economic and Strategic Research group at Fannie Mae, based in Washington, D.C.

Glenn Mueller (1996 Weimer School Fellow) has moved to a half time position at Denver University with the understanding that a new faculty member would be hired that Glenn could mentor. After a national search a new junior faculty member, Andrew G. Mueller, PhD, has started at the Franklin L. Burns School of Real Estate and Construction Management at Denver University. Prior to his appointment to the faculty, he was a real estate consultant and instructor at Colorado State University and Regis University.


John Williams (Weimer School Faculty Member) During the 2016 ARES Annual Conference held in Denver, John received the "Pioneer Award" for distinguished service. This award recognizes and honors people who are (1) at the end of their career and retiring, and (2) have made a lasting contribution of some kind to real estate education and/or research during their career. In addition, he accepted an invitation to serve as a Panelist to discuss International Trade on the Continent of Africa at the ARES Annual Conference held in Addis Ababa, Ethiopia, September 5th-9th, 2016.

IN MEMORIAM

The Hoyt Group was saddened to hear the news of the loss of one of its good friends and Weimer School Fellows, well-known economist Dr. Karl E. "Chip" Case. Chip died peacefully in his sleep on Friday, July 15, 2016, after battling a long illness. Most famous for being co-founder of the Case-Shiller house-price index, Chip was Professor Emeritus at Wellesley College. He taught and mentored hundreds of students over his 34 years at the university. Chip Case had a record of helping dozens of Wellesley students, among others, go on to achieve their PhDs in Economics, a record of which he was very proud. He was known for his irreverent and infectious sense of humor, which remained prevalent even through his last days. He received many awards, including the first John M. Quigley Medal for Advancing Real Estate and Urban Economics from the American Real Estate and Urban Economics Association. Chip was beloved by his many students, colleagues and family, and is survived by his wife Susan, daughter Kristen, two grandchildren, and many dozens of his extended family of students, who were there to support him in his final days. Many detailed remembrances of Chip can be found online, including:

The Wall Street Journal

Wellesley College
http://www.wellesley.edu/about/president/speeches/node/92111#Qm68104ulJelWTWt.97

The New York Times

Real Estate and Urban Development Viewpoint
http://reuviewpoint.blogspot.com/2016/06/chip-case-top-housing-economist-and.html
The January 2017 session of the Weimer School will be held at our North Palm Beach, Florida campus on Friday, January 13—Sunday, January 15, 2017. When you receive your registration request, please return it as soon as possible, either by email at weimer@hoyt.org, or by fax at (561) 694-7629. The Hoyt Group has a number of rooms reserved at the Hilton Singer Island Oceanfront Resort, but demand is strong during the season and an early guarantee is required by the hotel. Please register when your invitation to attend arrives. Contact Bobbi Bernardini at weimer@hoyt.org or (561) 694-7621, if you have not received your registration materials. A tentative agenda is included with the registration materials.

The session begins with a welcoming reception at the Hilton Singer Island Oceanfront Resort, Thursday evening, January 12th, with presentations starting on Friday morning and continuing until adjournment at noon on Sunday. A breakfast and lunch buffet for participants will be provided each day at the Hoyt Center. A banquet will be held Saturday evening, January 14, at the Hilton, honoring the Class of 2017 Fellows.

The 2017 Class of Weimer School Fellow candidates will present and discuss their research Friday and Saturday of the sessions. The 2017 candidates are: Lynn Fisher (Mortgage Bankers Association), Joseph Ooi (National University of Singapore), Liang Peng (Pennsylvania State University), Tomasz Piskorski (Columbia Business School), Jenny Schuetz (Board of Governors of the Federal Reserve System), Amy Ellen Schwartz (New York University) and Siqi Zheng (Tsinghua University). The 2017 Postdoctoral Honorees will present on Sunday, January 15. They are: Michael Eriksen (University of Cincinnati), Johannes Stroebel (New York University), and Jiro Yoshida (Pennsylvania State University).

**Preview of the January 2017 Weimer School Session**

**Friday, January 13—Sunday, January 15**

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**Hoyt Group Events and Awards**

**2016 AREUEA Breakfast**

The Hoyt Group sponsored its annual breakfast on Monday, January 4th, for invited guests at the 51st annual AREUEA-ASSA conference. This year’s conference was held January 3-5 at the Parc 55 Hotel in San Francisco, California. The breakfast was attended by 30 people.

**2016 ARES Breakfast**

The Hoyt Group hosted its annual breakfast on Friday, April 1st, at the April 2016 Annual ARES meeting held at the Brown Palace Hotel & Spa in Denver, Colorado. The meeting had a good turn-out of 20 people in attendance.

**2017 AREUEA Breakfast**

The Hoyt Group will sponsor its annual breakfast on Monday, January 7th, from 7:00 am to 9:00 am, during the 52nd Annual AREUEA-ASSA Conference, being held January 6-8, 2017, in Chicago, IL. Invitations containing particulars will be sent this Fall and a prompt reply will be appreciated.

**2017 ARES Breakfast**

The Hoyt Group will sponsor its annual breakfast on Friday, April 7, from 7:00 am to 9:00 am during the ARES yearly meeting, being held April 4-8, 2017 at the Marriott Coronado Island Resort & Spa in San Diego, California.

**AREUEA Dissertation Awards**

The Homer Hoyt Institute (HHI) provides AREUEA dissertation awards annually in honor of Dr. Maury Seldin. Recipients are chosen by an AREUEA committee and announced at the AREUEA Presidential luncheon. Award recipients in 2015 were Anthony DeFusco (Northwestern University) and Hoai-Luu Nguyen (University of California at Berkeley).

**ARES Awards**

The two "Best Paper" awards sponsored by The Hoyt Group were presented at the April 2016 ARES meetings. The "Best" Paper on Innovative Thinking, better known as the "Thinking Out of the Box" award for 2016 was entitled "High Frequency House Price Indexes with Scarce Data," by Stephen C. Bourassa (Florida Atlantic University) and Martin Hoesli (University of Geneva). The "Best" paper published in the Journal of Real Estate Research (JRES) for 2015 was entitled "The Benefit of Search in Housing Markets," by Ping Cheng (Florida Atlantic University), Zhenguo Lin (Florida International University), Yingchun Liu (California State University, Fullerton), and Michael J. Seiler (The College of William and Mary).

**Asian Real Estate Society (AsRES) Awards**

The "Best Paper" award sponsored by The Hoyt Group was presented at the 21st Annual AsRES International Conference, held in Bangalore, India in 2016. The winning paper was "No Way to say "No"; Stakeholder Analysis for Compulsory Purchase for Public Infrastructure Project in Australia" by Jyoti Rao.
Winter - Spring 2017 Events

**JANUARY 2017**

**AREUEA**
52nd Annual AREUEA-ASSA Conference
January 6-8, 2017
Chicago, IL

**Homer Hoyt Institute**
January Weimer School Session
January 13-15, 2017
Hoyt Center
North Palm Beach, FL

**FEBRUARY 2017**

**PREA**
2017 Spring Conference
February 23-24, 2017 - NEW DATE
The Waldorf Astoria
New York, NY

**MARCH 2017**

**NAREIT**
REITWise 2017
March 22-24, 2017
La Quinta Resort and Club
La Quinta, CA

**APRIL 2017**

**ARES**
Annual Meeting
April 4-8, 2017
Coronado Marriott
Coronado, CA

**May 2017**

**Homer Hoyt Institute**
Hoyt Fellows Meeting, May Weimer School Session & HHI’s 50th Anniversary Celebration
Hoyt Center (North Palm Beach, FL) & Hilton Singer Island Oceanfront Resort
Thursday, May 18th (Hoyt Fellows Meeting)
Friday, May 19th - Sunday, May 21st (Weimer School session)
Friday, May 19th - (HHI’s 50th Anniversary Celebration Banquet - Hilton Singer Island Oceanfront Resort)

__Save the date of Friday, May 19th, 2017.__

We will be celebrating the 50th Anniversary of the Homer Hoyt Institute! We're planning a dinner and drinks event at the Hilton Singer Island Resort in conjunction with our May 2017 Weimer School session.