

NEWS FROM

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MSASI & HF LLC

Maury Seldin Advanced Studies Institute
Developing and Disseminating the Body
of Knowledge in Real Estate



Hoyt Fellows LLC
Bridging Industry and Academia
with the Advanced Studies Institute



Weimer School of Advanced Studies in Real Estate and Land Economics January 12-15, 2012 Session



2012 Weimer School Fellows:
L-R: Gary Painter, Gary Engelhardt, Steven Bourassa, Stephen Ross, Henry Overman, Colin Lizieri and Robert Helsley

A diverse and engaged group of 45 participants attended the very successful January 2012 session of the Weimer School. The registrants included seven international participants, seven Fellow candidates returning to complete the requirements to become Weimer School Fellows, five new Fellow candidates who are the Class of 2013; the 2012 Halbert C. Smith Honorary Fellow and twelve faculty members. Weimer School Dean David Ling and staff are to be congratulated for another outstanding session.

The thirteen presentations during the session stimulated a great deal of discussion by faculty and attendees. First-year candidates and their proposed topics were: **Dr. Robert Avery** (Board of Governors of the Federal Reserve System), "The Subprime Crisis: Is Government Housing Policy to Blame?;" **Dr. Patrick Bayer** (Duke University), "Cycles in Housing Markets;" **Dr. Gilles Duranton** (University of Toronto), "The Costs of Agglomeration: Land Prices in French Cities;" **Dr. Yuming Fu** (National University of Singapore), "Examining Real Estate Risk Premium;" and **Dr. Anthony Pennington-Cross** (Marquette University), "Transportation and Industrial Property Rents in the Chicago Metropolitan Area." These five individuals will return in 2013 to complete the requirements to become Weimer School Fellows.

Returning presenters, who completed their requirements to become the 2012 Class of Weimer School Fellows, were: **Dr. Steven C. Bourassa** (University of Louisville), "Robust Repeat Sales Indexes;" **Dr. Gary Engelhardt** (Syracuse University), "Bequests and the Housing Decisions of the Elderly;" **Dr. Robert Helsley** (University of California, Berkeley), "Coagglomeration;" **Dr. Colin Lizieri** (University of Cambridge), "Regional and Urban Economic Patterns and Commercial Real Estate Investment Activity in the UK: Is There a Mismatch?;" **Dr. Henry G. Overman** (The London School of Economics), "The Impact of Subsidizing Commercial Space in Deprived Neighbourhoods;" **Dr. Gary**

D. Painter, (University of Southern California), "Caught in the Housing Bubble: Immigrants' Housing Outcomes in Traditional Gateways and Newly Emerging Destinations;" and **Dr. Stephen Ross** (University of Connecticut), "Race, Mortgage Lending, and Credit Market Outcomes: Evidence from Longitudinal Credit History Data." *Summaries of the presentations can be found on pages 3 and 8 of this newsletter.*

The school again thanks Ron Donohue and Jeanne Takeda for their gracious hospitality in hosting the Friday reception and game night extravaganza at their home, a greatly anticipated event enjoyed by all.

The Weimer School of Advanced Studies in Real Estate & Land Economics, 760 US Hwy. One, Suite 300, North Palm Beach, FL 33408, which is owned and operated by the Maury Seldin Advanced Studies Institute, Inc., a non-profit educational organization, admits students of any race, color, national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school-administered programs.

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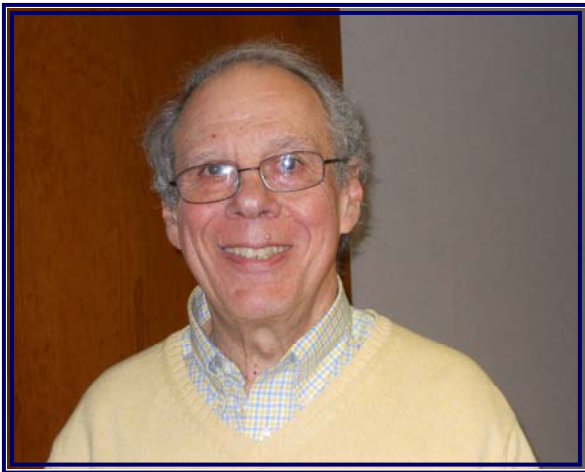
Weimer School and Hoyt Fellows Breakfast

2012 ARES Meetings ❖ April 17-22 ❖ Tradewinds Resort ❖ St. Petersburg Beach, Florida

Invitations have been sent to the annual buffet breakfast sponsored by the Weimer School and Hoyt Fellows at the 2012 ARES meetings in April. The breakfast will be held on Friday, April 20th, from 7:00 am to 9:00 am in the Sawgrass Room. Please reply as soon as possible if you will attend. (Contact Carol Reynolds, weimer@hoyt.org, (561) 694-7621). The Tradewinds Resort requires a firm count well in advance of the event. The breakfast is an invitation-only event.

William J. Poorvu

2012 Halbert C. Smith Honorary Fellow



The 2012 Halbert C. Smith Honorary Weimer School Fellow is William J. Poorvu, who is the Class of 1961 Adjunct Professor in Entrepreneurship, Emeritus at Harvard Business School. He taught and was responsible for the real estate courses at Harvard for 35 years. He was the school's first adjunct professor, its first adjunct professor with a named chair and the first non-tenured professor at Harvard University to be given Emeritus status. He also was on the faculty of the Graduate School of Design for many years. He is the author of several books on real estate, the two most recent being *Creating and Growing Real Estate Wealth: The 4 Stages to a Lifetime of Success, 2008* and *The Real Estate Game – The Intelligent Guide to Decision-making and Investment, 1999*.

As a practitioner he has been the managing partner in a number of private real estate companies. From 1963-1982 he was the co-founder, Vice Chair and Treasurer of Boston Broadcasters, Inc. and in 1982 a co-founder and Chair of The Baupost Group, L.L.C., an investment firm where he currently is Co-Chair of its Board of Advisors. For 22 years he was also an independent Trustee of the MFS Group of Mutual Funds. He has also served on the board of a number of public Real Estate Investment Trusts over the years.

Mr. Poorvu also has been active in public service and is a Life Trustee and former Vice Chair and Treasurer of the Boston Symphony Orchestra, a Life Trustee and former Treasurer of the Gardner Museum and Vice Chair of the National Public Radio Foundation. He is a member of the Carnegie Corporation Investment Committee and a former member of the Yale University Investment Committee and of the Yale University Council. He has served on various government commissions including the State Department's Overseas Presence Advisory Panel. Mr Poorvu received a B.A. from Yale and an M.B.A. from Harvard Business School.

Mr. Poorvu provided insights from his tenure at Harvard, stressing the interpersonal aspects of real estate development and distribution and the use of case studies in instruction. His comments were well received and much appreciated.

Mr. Poorvu joins our distinguished list of Honorary Fellows, which includes Dr. Brian J. L. Berry, Dr. Robert Buckley, Dr. Benjamin Chinitz,* Dr. Anthony Downs, Dr. Leo Grebler,* Dr. Gregory K. Ingram, Dr. John Kain,* Dr. William Kinnard,* Dr. Charles L. Leven,* Dr. Sherman J. Maisel,* Dr. Peter Mieszkowski, Dr. Edwin Mills, Dr. Richard F. Muth, Dr. Dick Netzer,* Dr. Chester Rapkin,* Dr. Jerome Rothenberg, Dr. Anita A. Summers, Dr. George Tolley, Dr. Ralph Turvey and Dr. Paul F. Wendt.*

*Deceased

January 2012 Weimer School Presentations...In Summary

The Effects of Spatially Targeted Enterprise Initiatives

Henry G. Overman
(The London School of Economics)
with Elias Eimiö (SERC)

We investigate the impacts of a significant area-based policy intervention (LEGI) that aimed to increase employment and productivity in 30 disadvantaged areas across England. In order to identify the causal effects of the programme, we use panel data at a fine spatial scale covering years before and after the launch of the program, and exploit several institutional features that determined whether or not an area becomes supported. Using spatial differencing (i.e. comparing areas just inside the policy area boundary to areas just outside), we find evidence of significant displacement from non-treated to treated areas close to the treatment area boundary. Aside from this displacement, we find little evidence of significant impact on treated areas nor of a net impact of treatment once we take account of this displacement. Spatial differencing combined with a regression discontinuity approach based on eligibility criteria confirm these findings. In short, the policy shuffles employment from one side of the policy boundary to the other, with no effect on total employment.

Real Estate Investment in the UK

Colin Lizieri
(University of Cambridge)
with Tony Key (Cass Business School, City University)

Our paper examines regional commercial real estate investment flows in the UK between 1980 and 2010. We find no evidence for the hypothesis that institutional investors neglect peripheral regions and focus too heavily on London and the South East. Investment has shifted away from London and rental growth evidence suggests supply adjusts to economic demand. However, cap rates do not suggest that investors anticipate rental growth and the relationship between return and volatility is, at best, weak. Continued heavy investment in London offices, despite poor risk-return metrics seems a puzzle. The pattern probably reflects the global nature of the London office market, with over half the office space owned by non-UK investors, with liquidity, scale economies and the city's perceived role as a safe haven sustaining capital inflows. *For further details, please contact Colin Lizieri at cml49@cam.ac.uk.*

Coagglomeration

Robert W. Helsley
(University of California, Berkeley)
with William Strange
(University of Toronto)

We show that, with free migration, the multi-industry cities or clusters that arise in equilibrium are likely to be inefficient in both size and composition due to the fact that workers may choose to locate in a cluster that is inefficiently large, if the alternative is autarky; or they may choose to locate in a cluster that contains an inefficient mix of industries or workers, if the alternative is to be the first worker in a city of another "type." In some situations, industries will coagglomerate inefficiently. In others, there will be unrealized coagglomeration that could have enhanced efficiency. These results have implications for our understanding of city systems, for urban policy analysis, and for what can be learned about the microfoundations of agglomeration economies from observed patterns of coagglomeration.

Homeownership and Aging

Gary V. Engelhardt
(Syracuse University)
with Nadia Greenhaigh-Stanley
(Kent University)

This paper attempts to answer a simple question: Do the elderly spend down their housing wealth as they age? The answer is key for evaluating life-cycle models of behavior; understanding the role of housing in aging (and vice versa); determining the adequacy of retirement savings; and valuating the demand for reverse mortgages and other annuity products. Research over the last 25 years has yielded few answers. However, new data on unmarried elderly from the Health and Retirement Study (HRS) provide new, much stronger evidence than existing studies that the elderly do spend down their housing wealth to a large extent via tenure transitions at advanced ages. Nonetheless, 35% of unmarried elderly die as homeowners, resulting in a nontrivial portion of elderly housing equity being bequeathed. Evidence supports the presence of both intended and accidental housing bequests.

Caught in the Housing Bubble? Immigrants' Housing Outcomes in Traditional Gateways and Newly Emerging Destinations

Gary D. Painter
(University of Southern California)
with Zhou Yu (University of Utah)

Professor Painter presented evidence on the impact of the recession on the housing outcomes (residential mobility, homeownership, and household formation) of immigrants across the country. Using the 2006 and 2009 American Community Survey to compare housing outcomes at two important time points in the recent economic cycle. After summarizing trends between groups and between metropolitan areas, multivariate models were also presented to control for individual characteristics and a number of important contextual variables at the metropolitan level. The results suggest the impact of the recession has not been as hard on immigrants as one might expect. In particular, the places where immigrant populations are newest have not experienced reductions in homeownership as those in the large immigrant gateways. Even in the established gateways, the decline in homeownership has been smaller for immigrants than for native born households. Regression results suggest that the negative impacts from the recession are strongest in the gateway metropolitan areas, and that have to controlling for residence in the hardest hit areas, changes in unemployment rates and increases in metropolitan level default rates have a negative impact on homeownership rates.

The Costs of Agglomeration: Land Prices in French Cities

Gilles Duranton (University of Toronto)
with Pierre-Philippe Combes
(AMSE, Aix-Marseille U.) and
Laurent Gobillon (INED, CREST, PSE)

We develop a new methodology to estimate the elasticity of urban costs with respect to city population using unique French data. Our preferred estimate, which handles a number of estimation concerns, stands at 0.03. Our approach also yields a number of intermediate outputs of independent interest such as city specific distance gradients for land prices, the share of land in construction, and the elasticity of unit land prices with respect to city population. For the latter, our preferred estimate is 0.82.

"Summaries" Continued on page 8

**Special Sessions Sponsored by the Homer Hoyt Institute
at the 2012 ARES Meetings**

April 17 - 22, 2012 ❖ Tradewinds Resort ❖ St. Petersburg Beach, FL

The Homer Hoyt Institute is pleased to sponsor two informative sessions at the 2012 annual meetings of the American Real Estate Society. The 10:30 a.m. session on Thursday, April 19, is a panel which will discuss research methodologies and data available for real estate research at the "granular" level. The second session at 1:30 p.m. Thursday will be research papers which, among other topics, explores the relevance of complexity theory and complex adaptive systems in real estate research.

Please mark your calendar to attend these sessions. If you have not yet registered for the April 17-22 ARES meetings, you may do so at <http://www.aresnet.org/>. Lodging and registration details are available on the site. If you have problems creating an account to register, please contact Diane Quarles at (864) 656-1373 or equarle@clmson.edu. Registration includes access to all sessions and open admission events.

The Homer Hoyt Institute wishes to express our appreciation to Elaine Worzala (2005 Weimer School Fellow) for her good work in organizing these sessions and to ARES for the opportunity to sponsor them.

First Session

Thursday, April 19th - 10:30 a.m.

**Alternative Research Methods and Data Sources Available
to Better Understand the Complexity of Real Estate**

Round Table Discussion

Moderator: **Norm Miller**, *Professor, Burnham-Moores Center for Real Estate, University of San Diego*

Panelists: **James Follain**, *Senior Fellow, Rockefeller Institute of Government, SUNY - Albany*

Michael Sklarz, *President, Collateral Analytics*

Jay Spivey, *Senior Director of Research and Analytics, CoStar*

Grant Ian Thrall, *Managing Director and Owner, Business Geography Advisors; President Elect, ARES*

Jeffrey D. Fisher, *Co-President, Homer Hoyt Institute*

Second Session

Thursday, April 19th - 1:30 p.m.

Alternative Methods for Better Understanding the Complexity of Real Estate Markets

Paper Session

Chair: **Jeffrey D. Fisher**, *Co-President, Homer Hoyt Institute*

Literature Review of Complexity Economics and Alternative Research Methodologies

Stephanie Y. Rauterkus, *Assistant Professor of Finance,
University of Alabama at Birmingham*

Coherent Risk Measures in Real Estate Investment

Roger J. Brown, *Colvin Institute of Real Estate Development, School of
Architecture, Planning and Preservation, University of Maryland;*
and **Michael S. Young**, *Professor of Real Estate Practice, Arizona State
University*

Sherlock Homes: The Case of Hidden Complexity in the Residential Housing Market

David Wyman, *Associate Director, Arthur M. Spiro Institute for
Entrepreneurial Leadership, Clemson University;*
Maury Seldin, *Chairman of the Board, The Homer Hoyt Institute;* and
Elaine M. Worzala, *Director of the Richard H. Pennell Center for
Real Estate Development, Clemson University*

Social Network: An Epidemiological Approach

Michael J. Seiler, *Founder and Director, Institute for Behavioral
and Experimental Real Estate (IBERE), Old Dominion University;*
Andrew J. Collins, *Virginia Modeling, Analysis
Simulation Center (VMASC), Old Dominion University*
Nina H. Fefferman, *Dept. of Ecology, Evolution, and Natural Resources,
Rutgers University*

Translational Research and Real Estate: Promise and Potential Issues

Larry Wofford, *Davis D. Bovaird Professor of Entrepreneurial
Studies and Co-Director, International Business
and Entrepreneurship Institute, University of Tulsa*
Mike Troilo, *Assistant Professor in international Business, International Business
and Entrepreneurship Institute, University of Tulsa*

2012 Hoyt Fellow—Weimer School Program
The Hoyt Center / 760 US Highway 1, Suite 300 / North Palm Beach, FL

An Outstanding Program! The Hoyt Fellows program is coordinated by Greg MacKinnon and Michael Hudgins; the Weimer School program by Susan Wachter and Jim Shilling. Post-doctoral honorees present on Sunday.

Please register when your invitation to attend arrives. Contact Carol Reynolds at weimer@hoyt.org or (561) 694-7621, if you have not received your registration materials.

*** Hoyt Fellow and Weimer School registrants are encouraged to participate in all sessions ***

Thursday, May 17, 2012 - Hoyt Fellows Session

*** Breakfast buffet at 8:00 a.m. *** *** Session commences at 8:30 a.m. ***

"Running the Base Path of the Real Estate Cycle"

We believe most in our industry would agree this real estate cycle hasn't felt like your typical smoothly sequenced cycle; but, rather, has felt more like a ride on a train with bad brakes – abrupt stop and go, and not making much progress fast. When (if ever) will we get a "normal" cycle, in which investors move from core to more risky flavors of real estate investment, driven by their conviction that values and fundamentals are in a sustainable uptrend, backstopped by an economy on the same path?

Session Descriptions:

First Base...Core (Is core overpriced...and how do you know?) Is cap rate compression finished for this cycle in core markets? Has it gone too far? How can you judge the pricing of core markets? Does current pricing make sense in this environment?

Getting to Second Base...Secondary Markets (Where's the next Hot Dot?) Are investors interested in moving beyond the primary centers in to secondary markets? If not now, when? What is transaction volume telling us? Once capital starts to move, where should it be looking?

Rounding Third...Applying Leverage (Are we doomed to eventually repeat the whole thing again?) Does leverage drive the real estate cycle? What can be learned from history...and does anybody ever actually remember the lessons? Does the industry use too much leverage in general, or do the benefits of a carefully thought out financing strategy outweigh the risks?

Going Off the Base Path...International Markets (Is there value in foreign markets?) What is the outlook for, and investors' interest in, international markets? How are prospects and problems for investing in non-US developed markets, emerging markets, and truly frontier markets?

*** Hoyt Fellows Business Meeting follows presentations ***

*** Reception - 5:00 p.m. - Hilton Hotel *** *** Hoyt Fellows Dinner - 6:30 p.m. (Hoyt Fellows only) ***

Friday, May 18, 2012 - Weimer School Session Convenes

*** Breakfast buffet at 8:00 a.m. *** *** Session commences at 8:30 a.m. ***

Panel Discussion: Multifamily Housing

Chair, **Dr. Susan Wachter**, Wharton School, University of Pennsylvania
Panelists: TBA

Beginning of Session on **Real Estate in the Macroeconomy**

Introductory Comments by Session Chair, **Dr. Jim Shilling**, DePaul University

Overlending, Sudden Stops, and Macro-Prudential Policies

Dr. Pedro Gete, (Georgetown University)

Credit Supply and House Prices: Evidence from Mortgage Market Segmentation

Dr. Manuel Adelino (Dartmouth University)

Continued

Friday, May 18, 2012 - Continued

Session on **Real Estate in the Macroeconomy** *Continued*

Mortgage Default Risk and Local Unemployment

Dr. Anthony Pennington-Cross (*Marquette University*)

Subprime Mortgages, Mortgage Choice, and Hyperbolic Discounting

Dr. Andra Ghent (*Baruch, CUNY*)

*** Weimer School Faculty Meeting Follows Presentations ***

*** Reception at Hilton Hotel - 6:30 p.m. ***

*** Dinner at Hilton Hotel - 7:30 p.m. ***

Saturday, May 19, 2012 - Weimer School Session

*** Breakfast buffet at 8:00 a.m. *** *** Session commences at 8:30 a.m. ***

Session on **Real Estate in the Macroeconomy** (*Continued*)

The Influence of Exotic Mortgage Loans in the Housing Price Bubble

Dr. Wayne Archer (*University of Florida*)

Spillover Effects of Subprime Mortgage Originations

Dr. Brent Ambrose (*Pennsylvania State University*)

Can Government Intervention Improve Market Outcome? Evidence from HAMP Modification Program - Dr. Zahi Ben-David (*The Ohio State University*)

Panel Discussion: Reaction to paper presentations, discussion and wrap-up

Dr. James Shilling (*DePaul University*)

Dr. Susan Wachter (*Wharton School, University of Pennsylvania*)

Dr. Dennis Capozza (*University of Michigan*)

Dr. James Follain (*Senior Fellow, Rockefeller Foundation and Private Consultant*)

*** Reception at Hilton Hotel ***

Sunday, May 20, 2012 - Weimer School Session Concludes

*** Breakfast buffet at 8:30 a.m. *** *** Session commences at 9:00 a.m. ***

Post Doctoral Honoree Presentations

Commercial Building Electricity Consumption: Understanding the Role of Shocks, Structure Quality and Contract Incentives

Dr. Nils Kok (*Maastricht University*)

Bulletproof Cities: The Geography of Systematic Risk in Commercial Real Estate Investments - Dr. Liang Peng (*University of Colorado-Boulder*)

Corporate Governance, Real Estate Ownership and Corporate Performance

Dr. Tien Foo Sing (*National University of Singapore*)

Towards Green Cities: Understanding China's Urban Pollution Dynamics

Dr. Siqi Zheng (*Tsinghua University - China*)

*** Lunch at Hoyt Center *** *** Adjournment of Weimer School ***

2012 EVENTS

APRIL	MAY	JUNE
ARES Annual Meeting April 17-21 Tradewinds Resort St. Petersburg, FL	May Hoyt Fellows/Weimer School Session May 17 (Hoyt Fellows) May 18-20 (Weimer School) Hoyt Center North Palm Beach, FL	AREUEA 40th Annual Mid-Year Meeting May 31 - June 1 NAHB Headquarters 1201 15th St. Washington, DC

January 2012 Weimer School Presentations..In Summary (Continued from page 3)

Rents in the Chicago Metropolitan Area Anthony Pennington-Cross <i>(Marquette University) with David Clark (Marquette University)</i>	Robust Repeat Sales Indexes Steven C. Bourassa <i>(University of Louisville)</i> <i>with Eva Cantoni (University of Geneva) and Martin Hoesli (University of Geneva HEC)</i>	Race, Mortgage Lending and Credit Market Outcomes Stephen L Ross <i>(University of Connecticut)</i> <i>with Patrick Bayer (Duke University) and Fernando Ferreira (University of Pennsylvania)</i>
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We estimate a constant quality rent transaction index for industrial property in the Chicago metropolitan area. The estimation technique, while easily replicated, allows for the spatial dependence of rents and spatially correlated errors. Perhaps not surprisingly, the results show that being near to key transportation hubs, especially airports, is a key driver of rents. In contrast, ports have no effect on rents. Lease and physical attributes of the property also play an important role. As compared to average rents, as typically reported by commercial property companies, the constant quality rents show a larger run up and a larger decline of rent.

This paper shows the benefits of applying robust statistical methods to down-weight problematic transactions in the context of constructing repeat sales house price indexes. Robust estimators reduce the influence of outliers that are due to data entry errors, quality changes, or non-market transactions. In addition to comparing conventional and robust indexes, the authors use simulated data, where the correct index is known, to show that robust methods control for the impacts of contaminated data. Finally, they demonstrate that robust methods reduce the magnitude and volatility of index revisions as new data are added to the series.

The authors find substantial unexplained racial and ethnic differences in the incidence of high cost loans and in the credit market outcomes. Differences are observed in all sites and both home purchase and refinance mortgages, but are largest among home purchase borrowers and among African-American borrowers. Over half of the racial and ethnic differences in high cost loans are explained by lender fixed effects for all subgroups and all sites. In terms of credit market outcomes, racial and ethnic differences are relatively unchanged by lender fixed effects or controls for negative equity even though these factors are important determinants of adverse outcomes.