

Real Estate and Urban Economics (ECON6238/MBDA6238/MSRE6238)
Spring 2019

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Office Hours: Thursday 4:00PM-5:00PM or by appointment. *Office hours will be held in the shared faculty office space on the 7th floor of the Center City Building.*

Lecture Time: Thursday 5:30PM-8:15PM. Center City Building Room 604.

Prerequisites: ECON2102 (Principles of Microeconomics) or equivalent. The class will begin with a review of microeconomic theory, but I will operate under the assumption that you have previously worked with economic models. You will also need a working knowledge of high school mathematics.

Textbook: There is no assigned textbook for this course. All of the required readings are posted on the class Canvas page.

Course Web Page: All relevant information for this course will be posted on the class Canvas page.

Communication: Email is the easiest way to reach me. I will be using email to send out announcements throughout the semester, and I will expect you to be checking your UNC Charlotte email account on a regular basis. If you primarily use a non-UNCC email address for communication, you may want to consider having your UNCC emails forwarded to that alternative account.

Course Objective: The objective of this course is to give students the capacity to use economic theory to analyze land and real estate markets. After developing the theoretical machinery necessary for such analysis, students will use economic models to examine current issues in housing and land economics. Topics include: spatial equilibrium models, externalities, measuring the value of housing, housing finance, zoning and land use regulation, affordable housing and property taxation.

Exams: Two examinations will be given in this course. The exams will be “closed book” and comprised of short answer questions. If you miss an exam for a legitimate reason, (e.g., a documented illness or participation in a university-sponsored event) you will be permitted to take an exam of an alternative format. Note that this applies only to excusable absences. If you just skip an exam, you will receive a zero, which is severely detrimental to your grade in this course.

Housing Markets Term Project: 40 percent of your grade in this course will depend on the completion of a term project in which you (1) use economic theory to assess the feasibility of developing property in a particular metropolitan area and (2) describe your findings to the class in a presentation roughly 10 minutes in length. A detailed discussion of the expectations for this project, a sample project from a previous class, and the grading rubric for this project are posted on the Canvas site under the folder entitled “Term Project.”

Grading: Students will be graded on the basis of two exams and a term project. Should you have any questions about your grade in the class, just ask. **THERE IS NO EXTRA CREDIT IN THIS COURSE.**

Grade Weighting Percentages and Calculating Your Grade: Your final grade will be weighted as indicated below

Midterm Exam	30%
Final Exam	30%
Housing Markets Project	40%
Total	100%

To calculate your final grade in this class, you simply need to multiply the weight for each assignment type above by the fraction of the total points that you received for that assignment type. For example, say that you received a 75% on the Midterm Exam, an 80% on the Final Exam, and a 95% on your Term Project.

You would also receive 22.5 points (30×0.75) for the Midterm, 24 points (30×0.8) for the Final Exam, and 38 (40×0.95) points for the Term Project. In this example, the final overall course grade would be an 84.5 ($22.5 + 24 + 38$).

Grading Scale: Below you will find the baseline scale that will be used to determine your final grade in this course. For each grade category, you should interpret the lower end of the numeric range as the minimum grade you need to ensure that you will receive that particular letter grade. For example, a final grade of 80% in this course will guarantee that you will receive *at least* a B. The lower bound for achieving any given grade can be revised at my discretion. Standard rounding (e.g., 80.45 will round up to an 81, while 80.44 will round down to an 80) will be used to calculate your final grade. **DO NOT CONTACT ME FOLLOWING THE POSTING OF YOUR FINAL GRADE TO REQUEST THAT IT BE ARBITRARILY ROUNDED UPWARDS. I WILL NOT RESPOND TO SUCH EMAILS.**

A 90-100
B 80-89
C 70-79
U <70

Key Dates: The dates for the midterm exam and the due date for the term project are listed below. The expected date for the final exam will be given during finals week; the exact date of this exam will be announced during the semester after the registrar finalizes the exam schedule.

January 16th, 2019: End of Drop-Add Period
February 28th, 2019: Midterm Exam
March 7th, 2019: Spring Break (No Class)
March 11th, 2019: Unsatisfactory Grade Notification
March 19th, 2019: Last Day to Withdraw from Course
April 25th, 2019: Term Project Due, Term Project Presentations
May 1st, 2019: Reading Day (No Class)
May 9th, 2019 (Tentative): Final Exam 5:30PM-8:15PM Center City Building Room 604

Attendance Policy: You will not be penalized for missing classes during my lectures. If you do miss a lecture, you are responsible for any material I cover in your absence. In my experience there has been a strong positive correlation between class attendance and student performance. That said, attendance is strongly recommended.

Academic Integrity: All students are required to read and abide by the Code of Student Academic Integrity. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code. Definitions and examples of plagiarism are set forth in the Code. The Code is available from the Dean of Students Office or online [here](#). Faculty may ask students to produce identification at examinations and may require students to demonstrate that graded assignments completed outside of class are their own work.

Email Etiquette Policy: Email will be used extensively in this class. In preparation for your future career, as well as out of general courtesy, you are expected to write professional emails that include a salutation and a signature indicating your name. Emails should also be written in clear, concise English. If you fail to abide by this etiquette, you should not expect a response to your message. For general information on email etiquette, see this [link](#).

Accommodations for Disabilities: If you have a disability and need academic accommodations, please provide a letter of accommodation from the Office of Disability Services early in the semester. For more information about such accommodations, you may contact the Office of Disability Services at 704-687-0040 or visit the Office of Disability Services in Fretwell 230.

Diversity Statement: The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age,

culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Title IX Reporting: UNC Charlotte is committed to providing an environment free of all forms of discrimination and sexual harassment, including sexual assault, domestic violence, dating violence, and stalking. If you (or someone you know) has experienced or experiences any of these incidents, know that you are not alone. UNC Charlotte has staff members trained to support you in navigating campus life, accessing health and counseling services, providing academic and housing accommodations, helping with legal protective orders, and more.

Please be aware that many UNC Charlotte employees, including all faculty members, are considered [Responsible Employees](#) who are required to relay any information or reports of sexual misconduct they receive to the Title IX Coordinator. This means that if you tell me about a situation involving sexual harassment, sexual assault, dating violence, domestic violence, or stalking, I must report the information to the Title IX Coordinator. Although I have to report the situation, you will still have options about how your case will be handled, including whether or not you wish to pursue a formal complaint. Our goal is to make sure you are aware of the range of options available to you and have access to the resources you need.

If you wish to speak to someone confidentially, you can contact any of the following on-campus resources, who are not required to report the incident to the Title IX Coordinator: (1) University Counseling Center (counselingcenter.uncc.edu, 7-0311); (2) Student Health Center (studenthealth.uncc.edu, 7-7400); or (3) Center for Wellness Promotion (wellness.uncc.edu, 7-7407). Additional information about your options is also available at titleix.uncc.edu under the “Students” tab.

Mobile Devices: The use of cell phones, smart phones, or other mobile communication devices is disruptive, and is therefore prohibited during class. Except in emergencies, those using such devices must leave the classroom for the remainder of the class period.

Personal Computer Use: Students are permitted to use computers during class for note-taking and other class-related work only. Those using computers during class for work not related to that class must leave the classroom for the remainder of the class period.

Plagiarism Detection Software: As a condition of taking this course, all required papers may be subject to submission for textual similarity review to Vericite for the detection of plagiarism. All submitted papers will be included as source documents in the Vericite reference database solely for the purpose of detecting plagiarism of such papers. No student papers will be submitted to Vericite without a student’s [written consent](#) and permission. If a student does not provide such written consent and permission, the instructor may: (i) require a short reflection paper on research methodology; (ii) require a draft bibliography prior to submission of the final paper; or (iii) require the cover page and first cited page of each reference source to be photocopied and submitted with the final paper.

General Course Schedule and Readings: Below is the order in which I plan to cover topics in this course and the section of the textbook that corresponds with these topics. This schedule is only tentative and is subject to revision throughout the term. Readings and course handouts are posted on the course's Canvas site. An asterisk denotes required reading. Other readings listed are optional and will not be discussed in class or covered on exams. It is highly unlikely that we will get through all of these topics this semester. Topics that we do not cover in class will not be included on the exams.

Course Outline

Review of Basic Microeconomic Theory

Course Handout: A Review of Microeconomic Theory*

The Property and Capital Markets

Course Handout: The Property and Capital Markets*

Supplemental Materials: Equilibrium_4Quadrant.xlsx

Basic Econometrics

Course Handout: Econometrics in One Lesson*

Housing Market Data Resources

Course Handout: Housing Market Geography and Data Resources*

The Price of Housing

Course Handout: The Price of Housing*

Course Handout: Readings on The Price of Housing*

Reading: Black, S. 1999. "Do Better Schools Matter? Parental Valuation of Elementary Education," *Quarterly Journal of Economics* 114(2): 577-599.*

Reading: Figlio, D. and Lucas, M. 2004. "What's in a Grade? School Report Cards and the Housing Market," *American Economic Review* 94(3): 591-604.*

Reading: Linden, L. and Rockoff, J. 2008. "Estimates of the Impact of Crime Risk on Property Values from Megan's Laws," *American Economic Review* 98(3): 1103-1127.*

The Urban Land Market: Prices and Rents/Growth and Rents

Course Handout: The Urban Land Market*

Supplemental Materials: Price And Growth Example.xls

Structural Attributes and the Density of Urban Housing

Course Handout: Structural Attributes and Density*

Housing Finance, Mortgage Default, and Foreclosures

Course Handout: Housing Finance and Residential Mortgages*

Course Handout: Readings on Mortgage Default*

Supplemental Materials: FRM_Amortization.xlsx, APR_PaymentShock.xlsx, RiskBasedProfitExample.xlsx

Reading: Gerardi, K., Herkenhoff, K., Ohanian, L. and Willen, P. 2015. “Can’t Pay or Won’t Pay? Unemployment, Negative Equity, and Strategic Default,” *NBER Working Paper No. 21630*.*

Reading: Frame, W.S. 2010. “Estimating the Effect of Mortgage Foreclosures on Nearby Property Values: A Critical Review of the Literature,” *Federal Reserve Bank of Atlanta Economic Review*.*

Reading: Foote, C., Gerardi, K., and Willen, P. 2012. Why Did So Many People Make So Many Ex Post Bad Decisions? The Causes of the Foreclosure Crisis. *NBER Working Paper No. 18082*.

Reading: Fuster, A. and Willen, P. 2017. “Payment Size, Negative Equity, and Mortgage Default,” *American Economic Journal: Economic Policy* 9(4): 167-191.

Reading: Hsu, J., Matsa, D. and Melzer, B. 2018. “Unemployment Insurance as a Housing Market Stabilizer,” *American Economic Review* 108(1): 49-81.

Reading: Anenberg, E. and Kung, E. 2014. “Estimates of the Size and Source of Price Declines Due to Nearby Foreclosures,” *American Economic Review* 104(8): 2527-2551.

Reading: Melzer, B. 2017. “Mortgage Debt Overhang: Reduced Investment by Homeowners at Risk of Default,” *The Journal of Finance* 72(2): 575-612.

Reading: Schelke, T. 2018. “Mortgage Default during the U.S. Mortgage Crisis,” *Journal of Money, Credit and Banking* 50(6): 1101-1137.

Reading: Ganong, P. and Noel, P. 2018. “Liquidity Vs. Wealth in Household Debt Obligations: Evidence from Housing Policy in the Great Recession,” *NBER Working Paper No. 24964*.

The Post-Crisis Housing and Mortgage Market

Course Handout: Readings on the Post-Crisis Housing and Mortgage Markets*

Reading: Kim, Y., Laufer, S., Pence, K., Stanton, R., and Wallace, N. 2018. “Liquidity Crises in the Mortgage Market,” *Brookings Papers on Economic Activity*.*

Reading: Mills, J., Molloy, R., and Zarutskie, R. 2017. “Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class,” *Real Estate Economics* 1-32.*

Reading: Buchak, G., Matvos, G., Piskorski, T., and Seru, A. 2018. “Fintech, Regulatory Arbitrage, and the Rise of the Shadow Banks,” *Journal of Financial Economics* 130: 453-483.*

Reading: Finkelstein, D., Strzodka, A., and Vickery, J. 2018. “Credit Risk Transfer and De Facto GSE Reform,” *Federal Reserve Bank of New York Staff Report No. 838*.*

Reading: Goodman, L., Parrott, J., and Zandi, M. 2015. “Delivering on the Promise of Risk-Sharing,” *Moody’s Analytics and The Urban Institute Joint Report*.

Reading: Federal Housing Finance Agency. 2015. “Overview of Fannie Mae and Freddie Mac Credit Risk Transfer Transactions,” *Federal Housing Finance Agency Report*.

Reading: Zandi, M., Harris, G., Shi, R., and Hu, X. 2017. “Who Bears the Risk in Risk Transfers?,” *Moody’s Analytics Report*.

Reading: Lambie-Hanson, L., Li, W., and Slonkosky, M. 2018. “Investing in Elm Street: What Happens When Firms Buy Up Houses?,” *Federal Reserve Bank of Philadelphia Economic Insights* 3(3): 9-14.

Homeownership Externalities and Taxation

Course Handout: Readings on Homeownership and the MID*

Reading: Keightley, M. 2014. “An Analysis of the Geographic Distribution of the Mortgage Interest Deduction,” *Congressional Research Service Report*. *

Reading: Hilber, C. and Turner, T. 2014. “The Mortgage Interest Deduction and its Impact on Homeownership Decisions,” *The Review of Economics and Statistics* 96(4): 618-637.*

Reading: DiPasquale, D. and Glaeser, E. 1999. “Incentives and Social Capital: Are Homeowners Better Citizens?” *Journal of Urban Economics* 45(2): 354-384.*

Local Government, Property Taxes, and Real Estate

Course Handout: Local Government, Property Taxes, and Real Estate*

Course Handout: Readings on Property Tax Capitalization

Supplemental Materials: PropertyTaxBillMeck.pdf

Reading: Oates, W. 1969. "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis," *Journal of Political Economy*: 77(6): 957-971.*

Reading: Tiebout, C. 1956. "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64(5): 416-424.

NIMBY's, Labor Markets, and Housing Markets

Course Handout: Readings on NIMBYs and the Spatial Allocation of Resources*

Reading: Fischel, W. 2001. "Why Are There NIMBY's?" *Land Economics* 77(1): 144-152.*

Reading: Fischel, W. 2004. "An Economic History of Zoning and a Cure for its Exclusionary Effects," *Urban Studies* 41(2): 317-340.*

Reading: Hsieh, C. and Moretti, E. 2017. "Housing Constraints and Spatial Misallocation," *NBER Working Paper*.*

Reading: Moretti, E. 2013. "Real Wage Inequality," *American Economic Journal: Applied Economics*. 5(1): 65-103.

Reading: Moretti, E. 2010. "Local Labor Markets" in *Handbook of Labor Economics* Volume 4b.

Reading: Chetty, R., Hendren, N., Kline, P., and Saez, E. 2014. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *Quarterly Journal of Urban Economics* 129(4): 1553-1623.

Reading: Chetty, R., Hendren, N., and Katz, L. 2016. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review* 106(4): 855-902.

Reading: Roback, J. 1982. "Wages, Rents, and the Quality of Life," *Journal of Political Economy* 90(6): 1257-1278.

Reading: Gyourko, J., Mayer, C. and Sinai, T. 2013. "Superstar Cities," *American Economic Journal: Economic Policy* 5(4): 167-199.

Reading: Diamond, R. 2016. "The Determinants and Welfare Implications of US Workers' Diverging Location Choices by Skill: 1980-2000," *American Economic Review* 106(3): 479-524.

Reading: Oswald, A. 1996. "A Conjecture on the Explanation for High Unemployment in Industrialized Nations: Part I." Working Paper.

Reading: Hilber, C. and Mayer, C. 2009. "Why Do Households without Children Support Local Public Schools? Linking House Price Capitalization to School Spending," *Journal of Urban Economics* 65(1): 74-90.

Land Use Regulation and Housing Prices

Course Handout: Readings on Land Use Regulation and Housing Prices*

Reading: Glaeser, E., Gyourko, J. and Saks, R. 2005. "Why is Manhattan So Expensive? Regulation and the Rise in Housing Prices," *Journal of Law and Economics* 48(2): 331-369.*

Reading: Glaeser, E. and Gyourko, J. 2018. "The Economic Implications of Housing Supply," *Journal of Economic Perspectives* 32(1): 3-30.*

Reading: Glaeser, E. and Gyourko, J. 2003. "The Impact of Building Restrictions on Housing Affordability," Federal Reserve Bank of New York Economic Policy Review 9(2): 21-39.

Affordable Housing

Course Handout: Readings on Affordable Housing*

Reading: Rosenthal, S. 2014. "Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a 'Repeat Income' Model," *American Economic Review* 104(2): 687-706.*

Reading: Diamond, R. and McQuade, T. 2016. "Who Wants Affordable Housing in their Backyard? An Equilibrium Analysis of Low Income Property Development" NBER Working Paper.*

Reading: Eriksen, M. and Ross, A. 2015. "Housing Vouchers and the Price of Rental Housing," *American Economic Journal: Economic Policy* 7(2): 154-176.*

The Urban Sprawl Debate

Course Handout: Readings on the Urban Sprawl Debate*

Reading: Nechyba, T. and Walsh, R. 2004. "Urban Sprawl," *The Journal of Economic Perspectives* 18(4): 177-200.*

Reading: Gordon, R. and Richardson, H. 1997. "Are Compact Cities a Desirable Planning Goal?" *Journal of the American Planning Association* 63(1): 95-106.*

Reading: Ewing, R. 1997. "Is Los Angeles-Style Sprawl Desirable?" *Journal of the American Planning Association* 63(1): 107-16.*

Household Mobility

Course Handout: Readings on Household Mobility*

Reading: Molloy, R., Smith, C., and Wozniak, A. 2011. "Internal Migration in the United States," *The Journal of Economic Perspectives* 25(3): 173-196.*

Reading: Andersson, F. and Mayock, T. 2014. "How Does Home Equity Affect Mobility?" *Journal of Urban Economics* 84: 23-39.*

School Segregation

Course Handout: Readings on School Segregation*

Reading: Billings, S., Deming, D., and Rockoff, J. 2013. "School Segregation, Educational Attainment, and Crime: Evidence from the End of Busing in Charlotte-Mecklenburg," *The Quarterly Journal of Economics* 129(1): 435-476.*

Reading: Bifulco, R. and Ladd, H. "School Choice, Racial Segregation, and Test-Score Gaps: Evidence from North Carolina's Charter School Program," *Journal of Policy Analysis and Management* 26(2): 31-56.*

Place-Based Policies

Course Handout: Readings on Place-Based Policies

Reading: Duranton, G. and Venables, A. 2018. "Place-Based Policies for Development," *NBER Working Paper No. 24562*.

Reading: Austin, B., Glaeser, E., and Summers, L. 2018. "Jobs for the Heartland: Place-Based Policies in 21st Century America," *NBER Working Paper No. 24548*.

The standards and requirements set forth in this syllabus may be modified at any time by the course instructor. Notice of such changes will be by announcement in class and/or by email.