

## 11.346 Housing Markets, H1 (2/6/08-3/19/08)

Wednesdays, 12:00-2:00pm

W31-301

<http://stellar.mit.edu/S/course/11/sp08/11.346>

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### Syllabus and Readings

The analysis of domestic housing markets is complicated by the fact that real estate assets are heterogeneous, durable and fixed in location; the fact that housing involves joint consumption and investment decisions with important social implications; and the fact that “private” housing markets are heavily influenced by special legal institutions, financial arrangements and government regulation. The goal of this course is to establish an analytic framework that allows students to explore a variety of topics related to housing markets. The course will focus on helping students develop a research topic in this area. Hedonic modeling will be introduced. Students will be required to write a critical literature review on a housing topic of their choice.

#### Grading:

Class Participation & Assignments: 40%

Term Paper: 60%

Class attendance, preparation and participation are critical. There will be one required statistical assignment and two (short) interim assignments leading to the final paper. Attendance and participation in at least 5 of 7 lectures is required in order to receive a passing grade for the course. A hard copy version of selected readings from the attached list is available for order at CopyTech. All readings are also posted electronically on the Stellar website.

#### Nature and Structure of Critical Literature Review:

The main assignment of the course is a critical literature review on a housing markets topic of the student’s choice, broadly defined. Make no mistake, the deliverable for this assignment should not read like a book report. The goal of the exercise is to arrive at a well-supported narrative about a narrowly-defined housing market topic. Although you will be relating information about prior research done by others, you should have your own story to tell in the context of a critical assessment of that research. Ideally, this process results in conclusions about important questions yet to be answered or that can be answered in a better or more rigorous way. While some students approach this assignment with a particular research question already in mind, others do not have a focused question, but are interested in a particular broad area, say sub-prime mortgage markets. In either case, you should be able to identify a broad topic area, but then quickly narrow your focus to a manageable thread of the literature. The instructor must agree to the topic choice. You are required to survey no less than 10 articles, books, etc. The

use of practitioner writings and publications is encouraged but may not be the sole source of the literature review. If you choose a topic related to one of the class lectures, you must be sure to differentiate your work from the information already covered in class. The point of the exercise is to allow you to investigate a topic area or a particular strand of literature not already explored. Final papers will be posted at the end of the term to the Stellar site for the rest of the class (and possibly future classes) to read or download.

Interim Products: 1 page description of topic and approach; 2 page refinement with citations  
Final Product: 10 page critical literature review, double-spaced.

#### Deadlines and Dates

**2/13:** Turn in a one page explanation of research topic and approach.

**2/20:** Hand in summary statistics assignment (due in class).

**3/5:** Hand in a (up to 2 page) write up refining the topic and approach with a preliminary reference list.

**3/24:** Final paper due.

All assignments should be uploaded to the Stellar website by 12 pm on the due date. You should also bring a hard copy of the summary statistics assignment to class on 2/20 for your own reference during the exercise that day.

An additional guest lecture will be held on a date to be announced on the topic of subprime mortgage markets.

Topics and Readings (Lecture Dates and Guest Lecturers in Parentheses)

**I. Introduction to Housing Markets (2/6)**

Green, Richard K, and Stephen Malpezzi. 2003. *A Primer on U.S. Housing Markets and Housing Policy*. Washington, D.C.: The Urban Institute Press.

DiPasquale, Denise and William Wheaton. 1994. Market for Real Estate Assets and Space: A Conceptual Framework. *Real Estate Economics* 20(1): 181-197.

**II. Housing Cycles and the Economy (Bill Wheaton) (2/13)**

Case, Karl E. and Robert J. Shiller. 2003. Is There a Bubble in the Housing Market? *Brookings Papers on Economic Activity* 2: 1-44.

Wheaton, William and Gleb Nechayev. 2007. Past Housing “Cycles” and the Current Housing “Correction”: What’s Different This Time? Working paper.

**III. Hedonic Modeling (lecture/lab) (2/20)**

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

Malpezzi, Stephen. 2002. Hedonic Pricing Models: A Selective and Applied Review. Working paper.

**IV. Are For-profit and Non-profit Developers Different? (Keri-Nicole Dillman) (2/27)**

TBD

**V. Land Use Regulation and Housing Affordability (3/7)**

Quigley, John M. and Larry A. Rosenthal. 2005. The Effects of Land-Use Regulation on the Price of Housing: What Do We Know? What Can We Learn? *Cityscape* 8(1): 69-137.

Fisher, Lynn, Henry Pollokowski, and Jeff Zabel. 2007. Amenity-Based Housing Affordability Indexes. MIT/CRE HAI Working Paper.

**VI. Community Land Trusts (John E. Davis) (3/14)**

TBD

**VII. Housing Finance: A History (3/21)**

Van Order, Robert. 2000. The U.S. Mortgage Market: A Model of Dueling Charters. *Journal of Housing Research* 11(2): 233-255.

Fisher, Lynn M. 2007. Residential Mortgage Prepayment: The Evolution of a Borrower’s Right to Prepay in the U.S. Working paper.

Edelberg, Wendy. 2006. Risk-based pricing of interest rates for consumer loans. *Journal of Monetary Economics* 53: 2283–2298.