

REAL 946: Advanced Topics in Urban Economics and Real Estate

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Introduction

This course addresses advanced topics in urban economics and real estate. Readings are based on a selection of empirical and theoretical papers that are of interest to the academic community and policy makers as well. Special attention is paid to research conducted by recent successful job market candidates in the field of Urban Economics. In addition to studying the suggested readings, each student is expected to work on her/his own original research project during the semester. We will discuss all stages of each research project during our weekly meetings. Students are expected to bring new empirical or theoretical outputs every week. Those materials will be distributed to all students, and detailed discussions are expected to follow. At the end of the semester each student will turn in a complete paper and present the work in class.

Requirements:

The course assumes that students have familiarity with standard first year econometrics and microeconomics. The following econometric books are useful references to supplement the journal articles covered in class: “Econometric Methods” (Johnston and Dinardo), “Mostly Harmless Econometrics: An Empiricist’s Companion” (Angrist and Pischke), and “An Introduction to Classical Econometric Theory” (Ruud).

It is also recommended that students take and pass REAL 945 prior to this course. Exceptions can be granted in certain circumstances.

Students should read all assigned readings before each class. The articles are available on Webcafe. **Non-Wharton students** will need to apply for a Wharton account in order to get access to the Web Café. Check out: https://accounts.wharton.upenn.edu/account_user/.

Grades

Grades are based on three items: 20% based on class participation during the semester, 30% based on final presentation, and 50% based on written paper. Presentation dates and paper deadlines will be provided during the semester. Late papers will receive a zero grade.

Topics and Reading List

1. Applications of the Rosen-Roback Model (Spatial Equilibrium)

Notowidigdo, Matthew (2009) “The Incidence of Local Labor Demand Shocks”, MIT mimeo.
Moretti, Enrico (2010) “Real Wage Inequality”, University of California, Berkeley, mimeo.
Moretti, Enrico (2010) “Local Labor Markets”, University of California, Berkeley, mimeo.

2. Agglomeration Economies and Path Dependence

Glaeser, Edward (2008) “*Cities, Agglomeration and Spatial Equilibrium*”, Oxford University Press.
Davis, Donald and David Weinstein (2002) “Bones, Bombs, and Break Points: The Geography of Economic Activity,” *American Economic Review*, 92(5), p. 1269-1289.
Bleakley, Hoyt and Jeffrey Lin (2010) “Portage: Path Dependence and Increasing Returns in U.S. History”, University of Chicago, mimeo.

3. Household Location Decisions and Valuation of Public Goods

Calabrese, Stephen, Dennis Epple and Richard Romano (2009) “Inefficiencies from Metropolitan Political and Fiscal Decentralization: Failures of Tiebout Competition”, Carnegie Mellon University, mimeo.
Caetano, Gregorio (2009) “Identification and Estimation of Parental Valuation of School Quality in the U.S.”, University of Rochester, mimeo.
Cellini, Stephanie, Fernando Ferreira and Jesse Rothstein (2010) “The Value of School Facilities: Evidence from a Dynamic Regression Discontinuity Design,” *Quarterly Journal of Economics*, 125(1), p. 215-261.

4. Environmental Economics and the Housing Market

Greenstone, Michael and Justin Gallagher (2008) “Does Hazardous Waste Matter? Evidence from the Housing Market and the Superfund Program”, *Quarterly Journal of Economics*, 123(3), p. 951-1003.
Bayer, Patrick, Nathaniel Keohane and Christopher Timmins (2008) “Migration and Hedonic Valuation: The Case of Air Quality”, *Journal of Environmental Economics and Management*, 58(1) p. 1-14.
Davis, Lucas (2010) “The Effect of Power Plants on Local Housing Prices and Rents: Evidence from Restricted Census Microdata”, *Review of Economics and Statistics*, forthcoming.
Hornbeck, Richard (2009) “The Enduring Impact of the American Dust Bowl: Short and Long-run Adjustments to Environmental Catastrophe”, Harvard University, mimeo.

5. Health Economics and the Housing Market

Gayer, Ted, James Hamilton and Kip Viscusi (2000) “Private Values of Risk Tradeoffs at Superfund Sites: Housing Market Evidence on Learning About Risk”, *Review of Economics and Statistics*, 82(3), p. 439-451.

Propper, Carol and John Van Reenan (2010) “Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labor Markets on Hospital Performance”, *Journal of Political Economy*, 118(2), p. 222-273.

Davis, Lucas (2004) “The Effect of Health Risk on Housing Values: Evidence from a Cancer Cluster”, *American Economic Review*, 94(5), 1693-1704.

6. The Supply Side of Housing

Gyourko, Joseph, Albert Saiz and Anita A. Summers (2006). “A New Measure of the Local Regulatory Environment in Housing Markets: The Wharton Residential Land Use Regulatory Index”, Zell/Lurie Real Estate Center at Wharton working paper, 2006.

Saiz, Albert (2010) “The Geographic Determinants of Housing Supply”, *Quarterly Journal of Economics*, forthcoming.

Murphy, Alvin (2007) “A Dynamic Model of Housing Supply”, Washington University of St. Louis, mimeo.

Calabrese, Stephen, Dennis Epple and Richard Romano (2007) “On the Political Economy of Zoning”, *Journal of Public Economics*, 91(1) p. 25-49.

7. House Prices

a. Bubbles?

Case, Karl and Robert Shiller (2003): “Is There a Bubble in the Housing Market?,” *Brookings Papers on Economic Activity*, v. 2, pp. 299-362.

Himmelberg, Charles, Christopher Mayer and Todd Sinai (2005): “Assessing High House Prices: Bubbles, Fundamentals, and Misperceptions,” *Journal of Economic Perspectives*, v. 19 (4), pp. 67-92.

Glaeser, Edward, Joshua Gottlieb, and Joseph Gyourko (2010) “Can Easy Credit Explain the Housing Boom?” The Wharton School, mimeo.

b. Price Dynamics

Glaeser, Edward and Joseph Gyourko (2007) “Housing Dynamics”, Harvard Institute of Economic Research Discussion Paper No. 2137.

Guerrieri, Veronica, Daniel Hartley and Erik Hurst (2010) “Endogenous Gentrification and House Price Dynamics”, University of Chicago, mimeo.

8. The Mortgage Market

Bubb, Ryan and Alex Kaufman (2009) “Securitization and Moral Hazard: Evidence from a Lender Cutoff Rule”, Harvard University, mimeo.

Keys, B., A. Mukherjee, A. Seru, and V. Vig (2008) “Did Securitization Lead to Lax Screening? Evidence from Subprime Loans”, *Quarterly Journal of Economics*, 125(1), p. 307-362.

9. Household Mobility

Kennan, John and James Walker (2010) “The Effects of Expected Income on Individual Migration Decisions”, *Econometrica*, forthcoming.

- Ferreira, Fernando, Joseph Gyourko and Joseph Tracy (2010) "Housing Busts and Household Mobility, *Journal of Urban Economics*, forthcoming.
- Ferreira, Fernando: "You Can Take it With You: Transferability of Proposition 13 Tax Benefits, Residential Mobility, and Willingness to Pay for Housing Amenities" *Journal of Public Economics*, forthcoming.

10. Behavioral Factors and Other Anomalies

- Genesove, David and Christopher Mayer (2001) "Loss Aversion and Seller Behavior: Evidence from the Housing Market," *Quarterly Journal of Economics*, v. 116(4), pp. 1233-1260.
- Levitt, Steven and Chad Syverson (2005) "Market Distortions when Agents are Better Informed: The Value of Information in Real Estate Transactions," Working Paper.
- Hsieh, Chang-Tai and Enrico Moretti (2003) "Can Free Entry be Inefficient? Fixed Commissions and Social Waste in the Real Estate Industry," *Journal of Political Economy*, v. 111 (5), pp. 1076-1122.