



FIRN Masterclass

Topics in Real Estate

Course Coordinator

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Course Description

This course is intended to provide a broad overview and survey of contemporary research in the area of real estate. While it is impossible to cover all of the topics or literature in the area, we will focus specifically on recent empirical work – especially work that overlaps with issues in finance. In order to ensure that all students can benefit from the papers we cover, there will be some brief background lectures on real estate topics. These will likely include the basics of urban economics, securitized real estate debt instruments (i.e., mortgage-backed securities), the structure of real estate organizations (real estate investment trusts and partnerships), and some of the institutional features in real estate that can be useful for research. Given this coverage, no prior knowledge or understanding of real estate is required, although I will expect some basic understanding of corporate finance and investments. The vast majority of our time will be spent discussing papers, and the reading list will be tilted more toward recent work rather than classics.

Course Objectives

The goal of the course is to provide all of the students a basic understanding of some of the key issues addressed in real estate research, with special emphasis on the intersection between real estate and finance. An additional goal is to stimulate interest in the area, so students might see opportunities to approach a broader finance or economics question using real estate data. In this way, the course is designed for any finance Ph.D. student who would like to have a better grasp of the empirical work in real estate and/or the ways in which real estate is being used to answer broader finance questions.

For students interested specifically in real estate as a research area, the course should stimulate thought, add institutional depth and breadth, and provide some insights into the ways in which researchers are currently working in the field.

It is worth noting that very few top schools in the U.S. (at least) have dedicated real estate finance Ph.D. classes, so this course has been designed from scratch and covers many issues that are not part of standard finance Ph.D. programs.



Course Content

The outline below is a working roadmap for the course. Please note that the papers to be covered may change slightly depending on interests and discussions, but the list below is a good starting point (and the best estimate of what will be covered). Suggested, optional readings are likely to be added over time to supplement required readings.

Timetable

Sunday, December 2nd: No class (Professor arriving)

Monday, December 3rd: 2:00pm onwards

Introduction to real estate. Basics of urban economics, agglomeration, real estate organizations and investments. (Lecture, with discussion.)

Required Readings:

- Slides to be distributed.
- Further reading(s) TBD.

Tuesday, December 4th: 9:00am to 5:00pm

Location matters. Topics in labor, urban economics, and corporate finance as related to location.

Required Readings:

- “The Vertical City: Rent Gradients, Spatial Structure, and Agglomeration Economies,” C.H. Liu, S.S. Rosenthal and W.C. Strange, 2018, *Journal of Urban Economics* 106, 101-122.
- “Learning by Working in Big Cities,” J. De La Roca and D. Puga, 2017, *Review of Economic Studies* 84, 106-142.
- “Heterogeneous Agglomeration,” G. Faggio, O. Silva and W.C. Strange, 2017, *Review of Economics and Statistics* 99, 80-94.
- “Urban Vibrancy and Corporate Growth,” C. Dougal, C.A. Parsons and S. Titman, 2014, *Journal of Finance* 70, 163-210.

Wednesday, December 5th: No class, Review time and work day for class projects.

Thursday, December 6th: 9:00am to 5:00pm.

Co-hort function hosted by Deakin 5:00pm to 7:00pm

Housing.

Required Readings:

- “Arrested development: Theory and Evidence of Supply-Side Speculation in the Housing Market,” C.G. Nathanson and E. Zwick, 2018, *Journal of Finance* (forthcoming).



- “Homeowner Borrowing and Housing Collateral: New Evidence from Expiring Price Controls,” A.A. DeFusco, 2018, *Journal of Finance* 73, 523-573.
- “Mortgage Debt Overhang: Reduced Investment by Homeowners at Risk of Default,” B.T. Melzer, 2017, *Journal of Finance* 72, 575-612.
- “Understanding the Puzzling Risk-Return Relationship for Housing,” L. Han, 2013, *Review of Financial Studies* 26, 877-928.

Friday, December 7th: 9:00am to 5:00pm

Mortgages, securitization, and mortgage-backed securities.

Required Readings:

- “The Effect of Mortgage Securitization on Foreclosure and Modification,” S. Kruger, 2018, *Journal of Financial Economics* 129, 586-607.
- “Fraudulent Income Overstatement on Mortgage Applications During the Credit Expansion of 2002 to 2005,” A. Mian and A. Sufi, 2017, *Review of Financial Studies* 30, 1832-1864.
- “Advertising Expensive Mortgages,” U.G. Gurun, G. Matvos, and A. Seru, 2016, *Journal of Finance* 71, 2371-2416.
- “Did Securitization Lead to Lax Screening? Evidence from Subprime Loans,” B.J. Keys, T. Mukherjee, A. Seru and V. Vig, 2010, *Quarterly Journal of Economics* 125, 307-362.

Saturday, December 8th: 9:00am to 5:00pm

Real estate firms and investments.

Required Readings:

- “CMBS and Conflicts of Interest: Evidence from Ownership Changes for Servicers,” M. Wong, 2018, *Journal of Finance* 73, 2425-2458.
- “Geographic Portfolio Allocation, Property Selection, and Performance Attribution in Public and Private Real Estate Markets,” D.C. Ling, A. Naranjo and B. Scheick, 2018, *Real Estate Economics* 46, 404-448.
- “The Economics of Green Building,” P. Eichholtz, N. Kok and J.M. Quigley, 2013, *Review of Economics and Statistics* 95, 50-63.
- “Institutional Investors as Monitors of Corporate Diversification: Evidence from Real Estate Investment Trusts,” J.C. Hartzell, L. Sun and S. Titman, 2014, *Journal of Corporate Finance* 25, 61-72.

Course Pre-Requisite Knowledge

Students in the course should have a good understanding of Ph.D. level microeconomics, and working knowledge of key concepts in corporate finance and investments. The focus of the course is empirical, so students should also have knowledge of statistics and econometrics at the Ph.D. level.



Assessment

There are two components to the assessment. First, students will be required to write a summary of one article for each class meeting (other than the first class day). The write-up should be 2-3 pages in length, to be turned in at the beginning of class that day. The summary should be sure to address the following questions (at a minimum):

- What is the issue being addressed in the paper?
- Why is this issue important (or not important)?
- How do the authors address the issue, including a description of the data and methodology?
- What do the authors find?
- Do you find the results and/or the authors' interpretation of those results convincing? Why or why not?
- What questions remain open after the paper?

The course grade will be based on these four reports, plus a final course project. The project will be a research proposal for a potential study in real estate. The proposal should fit the question to be examined within the literature, discuss data needed to answer the question (and the data should at least be possible to obtain), methodological approach(es) to examine the data, and potential conclusions. We will discuss this project more during the class. The final grade will be based 60% on the four summaries (i.e., 15% each) and 40% on the research proposal.

FIRN Courses Grading Policy

PhD Supervisor written approval is a pre-requisite for all enrolments by students in FIRN co-ordinated PhD courses and Masterclasses. All students enrolling in a FIRN PhD course or Masterclass must complete the entire program including the assessments to qualify for a grade. Non-completion of any part of the program will result in an automatic “fail - did not complete” grade being recorded by FIRN. Students cannot attend FIRN courses as auditors or guests.

A standardized grading system has been implemented across all FIRN-endorsed Ph.D. courses and applies to all Ph.D. students taking the course. Course presenters are asked to calculate final assessment grades using a percentage basis which can then be converted to a grading of 1-7 as follows:

7	-85% +	Pass with High Distinction/H1 Honors
6	75-84%	Pass with Distinction/H2 Honors
5	65-74%	Pass with Credit/H3 Honors
4	50-64%	Weak Pass
3	<50%	Did Not Pass/Fail
2		Did Not Complete All Assessments
1		Did Not Complete Course



Statement on Plagiarism

Plagiarism is a broad term referring to the practice of appropriating someone else's ideas or work and presenting them as your own without acknowledgment. Plagiarism is literary or intellectual theft. It can take a number of forms, including:

- copying the work of another student, whether that student is in the same class, from an earlier year of the same course, or from another tertiary institution altogether,
- copying any section, no matter how brief, from a book, journal, article or other written source, without duly acknowledging it as a quotation,
- copying any map, diagram or table of figures without duly acknowledging the source, and
- paraphrasing or otherwise using the ideas of another author without duly acknowledging the source.

Whatever the form, plagiarism is unacceptable both academically and professionally.

By plagiarizing, you are both stealing the work of another person and cheating by representing it as your own. Any instances of plagiarism can therefore be expected to draw severe penalties.

Cheating means to defraud or swindle. Students who seek to gain an advantage by unfair means such as copying another student's work, or in any other way misleading a lecturer about their knowledge or ability or the amount of work they have done, are guilty of cheating. Students who condone plagiarism by allowing their work to be copied will also be subject to severe disciplinary action.