CARLETON UNIVERSITY
DEPARTMENT OF ECONOMICS
ECON 3856 A
HOUSING ECONOMICS
Winter 2019

Instructor: Dr. Attah K. Boame
Office: B-840 Loeb Building
Telephone: 613-520-2600 x 3769 (No voice messages please)
E-mail: attah.boame@carleton.ca
Lecture hours: Thursday 18:05 – 20:55
Office hours: Thursday 17:15 – 17:45, or by appointment.

COURSE DESCRIPTION
The course will apply basic microeconomic concepts to housing. In particular, it will examine housing markets, housing finance, and housing production. Models of demand, supply, and land markets will be developed, emphasizing the unique characteristics of housing. Welfare economics and public choice theory related to the housing market will be discussed. The rationale and effects of government intervention in the housing market will be examined. Housing investment decisions and housing finance in Canada (e.g., mortgages and mortgage loan insurance) will also be examined. Finally, housing demand forecasts will be studied.

PREREQUISITE
The prerequisite for this course is ECON 1000 or FYSM 1003.

Students who believe they have taken a similar background course or courses from another university must provide appropriate documentation to the Department of Economics Undergraduate Administrator, Amanda Wright.

TEACHING APPROACH
The format of the course will be a combination of lectures, class participation, and discussions. Students will be expected to read course material before class to increase the value of their contributions to in-class discussions. They will also be expected to undertake research projects using housing data available from the Canada Mortgage and Housing Corporation’s (CMHC) website and other sources of reliable data (e.g., Statistics Canada).

EVALUATION

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Project</td>
<td>25%</td>
</tr>
<tr>
<td>Mid-term examination</td>
<td>30%</td>
</tr>
<tr>
<td>Final examination</td>
<td>45%</td>
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</table>
Feedback on the first graded work (the mid-term exam) will be provided by February 28, 2019. Students who can document a compelling reason for missing this exam will be excused and their final grade will be based on their performance in the rest of the course—i.e., the weight of each of the remaining evaluation instruments will rise by a factor of 10/7 (e.g., the final examination weight will be $45\% \times \frac{10}{7} = 64.29\%$ and the research project weight will be $25\% \times \frac{10}{7} = 35.71\%$). Students must inform the instructor of such an absence in advance, if possible.

Both the mid-term examination and the final examination will consist of essay-based applications of housing economics concepts and will cover all the material discussed in class and on the required reading list.

**PROJECT**

Students will complete a research project that involves some aspect of the Canadian housing market. Data for the project are available from Canada Mortgage and Housing Corporation’s “Housing Market Information Portal,” at their Web site: https://www03.cmhc-schl.gc.ca/hmiportal#Profile/1/1/Canada

Topics of interest might include, but are not limited, to the following data contained in the Canadian Housing Statistics and CMHC web site; for all but the final three in the list:

- Housing starts, completions, dwellings under construction, as well as market absorption.
- Rental market conditions (e.g., vacancy rates, availability rates, rent controls).
- Mortgage loan approvals and mortgage loan insurance.
- Interest rates (variable versus fixed mortgage interest rates).
- Households served through social housing programs.
- Government spending on social housing programs.
- Housing affordability and core housing need.
- Housing in the national accounts.
- Employment in the housing sector.
- Elasticity of housing demand (own-price, cross-price, and income elasticity).
- The user cost of housing.

The objective of the project is to discuss the importance of housing in Canadian economic activity and housing conditions in Canada over time.

You must select one topic, for example, rental market conditions (rental availability rates, rental vacancy rates, and average rents in Canada). You may discuss the trends in rental market conditions selecting any number of years, for example, from 1990 to 2016. Note, however, that the more years (data points) you have, the better your report since we are interested in the trend over time.

You may compare the rental market conditions for Canada, provinces, and selected metropolitan areas over time. Note, however, that housing is in general a local market activity and thus emphasis is placed on metropolitan areas, cities, towns, and rural areas. You may draw graphs to
show the trends in the rental market. Your report must include the data you used for the analysis in a table as well as a bibliography.

You may replicate this process for any other topic discussing the role of housing in Canadian economic activity and housing conditions in Canada.


Students must not copy and paste any figures, charts, tables, etc. from CMHC’s website or any other source. Students must use data from CMHC’s website or any other source to create their own tables or draw their own charts, figures, etc. for their report.

The report should be 8 pages including tables, charts and figures, 1.5-spaced, 12-point font in Times New Roman, and must be typed or machine processed. Handwritten reports will not be accepted.

**Students may use any reference style of their choice.**

The research project report must be submitted in class on the following dates:

<table>
<thead>
<tr>
<th>Research report submitted on</th>
<th>To be graded and returned on</th>
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<tbody>
<tr>
<td>March 21, 2019</td>
<td>April 4, 2019</td>
</tr>
<tr>
<td>March 28, 2019</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>April 4, 2019</td>
<td>No Applicable</td>
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</table>

Any project report that is not handed in by April 4, 2019 will receive zero marks.

**EARNING CREDIT FOR THE COURSE**

Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). Note, also the following:

“Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by an instructor may be subject to revision. No grades are final until they have been approved by the Dean.”

Application to write a deferred final examination must be made at the Registrar’s Office.

**cuLearn**

All relevant course material and announcements will be available on cuLearn under ECON 3856A, which can be accessed at [https://carleton.ca/culearn/](https://carleton.ca/culearn/) Students are responsible for checking cuLearn regularly to ensure that they are up to date with any announcements.
PLAGIARISM

Please be aware that plagiarism is a serious offense at Carleton and should be recognized and avoided. For further information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at www.carleton.ca/economics/courses/writing-preliminaries.

“Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments, and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).”

ACADEMIC ACCOMMODATION REQUESTS

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

Pregnancy obligation
Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Religious obligation
Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Academic Accommodations for Students with Disabilities
If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. carleton.ca/pmc

Survivors of Sexual Violence
As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and is survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for Student Activities
Carleton University recognizes the substantial benefits, both to the individual student and for the
university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. [https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf](https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf)

For more information on academic accommodation, please contact the departmental administrator or visit: [students.carleton.ca/course-outline](students.carleton.ca/course-outline)

**TENTATIVE LECTURES OUTLINE**

I. Selected economic principles and their application to housing
   - The economic problem, efficiency, equity, allocation of resources, demand, supply and price.
   - Why housing economics?
   - Unique characteristics of housing (heterogeneity, durability, immobility, etc).
   - Housing and the economy.
   - Basic regression analysis.

II. Selected models of the housing market
   - Hedonic pricing, repeat sales price index, filtering model, property valuation, etc.

III. Housing demand, housing supply, land markets, and price determination
   - Demand and supply functions and price determination.
   - Elasticity of demand and supply for housing.
   - Land markets.

IV. Investment and financing decisions and the financial crisis of 2007/2010
   - Basic investment principles (e.g., discounting, net present value, user cost of housing, renting vs. owning).
   - Housing finance, mortgages and mortgage loan insurance.
   - Reasons for the financial crisis.

V. Housing demand forecasts
   - Household formation projection models (e.g., headship rate projections).

VI. Rationale for government intervention in the housing market
   - Economic rationale for government intervention.
   - Housing need.
VII. Mechanisms of government intervention in housing

- Mechanisms of intervention (e.g., landlord/tenant legislation and regulations such as rent controls, building codes and housing standards, social housing, rent subsidies, income vs. price subsidies, tax-based incentives).

**TENTATIVE SCHEDULE OF LECTURES**

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHAPTER/PROJECT/EXAM/EVALUATION</th>
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<tbody>
<tr>
<td>January 10, 2019</td>
<td>Chapter 1 Introduction to Housing Economics</td>
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<tr>
<td>January 17, 2019</td>
<td>Chapter 2 Selected Microeconomic Principles</td>
</tr>
<tr>
<td>January 24, 2019</td>
<td>Chapter 3 Selected Models of Housing Economics</td>
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<tr>
<td>January 31, 2019</td>
<td>Chapter 4 Housing Demand and Housing Supply</td>
</tr>
<tr>
<td>February 7, 2019</td>
<td>Chapter 5 Housing and Land Markets</td>
</tr>
<tr>
<td>February 14, 2019</td>
<td>In-class mid-term examination (Chapters 1, 2, 3, 4, 5)</td>
</tr>
<tr>
<td>February 18 - 22, 2019</td>
<td>Winter Break, no classes</td>
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<tr>
<td>February 28, 2019</td>
<td>Chapter 6 Housing Demand Forecasts</td>
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<tr>
<td>March 7, 2019</td>
<td>Chapter 7 Housing Investment Decisions</td>
</tr>
<tr>
<td>March 14, 2019</td>
<td>Chapter 8 Housing Financing Decisions</td>
</tr>
<tr>
<td>March 21, 2019</td>
<td>Chapter 9 Rationale for Government Intervention in Housing</td>
</tr>
<tr>
<td>March 28, 2019</td>
<td>Chapter 10 Mechanisms of Government Intervention in Housing</td>
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<tr>
<td>April 4, 2019</td>
<td>Review and Course Evaluation</td>
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<tr>
<td>April 12 - 27, 2019</td>
<td>Final Examination (Chapters 6, 7, 8, 9, 10) - Scheduled by Carleton University Examination Office</td>
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**READING LIST**

All the reading materials are loaded on cuLearn under “LIBRARY RESERVES – VIEW COURSE IN ARES”

There is no one suitable textbook currently in print for Housing Economics. There exists a wide range of suitable material in various textbooks and refereed journals. The following is a selection of some relevant reading materials for the course. (Note: library call numbers are in parentheses.)

**SELECTED MICROECONOMIC PRINCIPLES**


SELECTED MODELS OF THE HOUSING MARKET


HOUSING DEMAND, SUPPLY, LAND MARKETS AND EQUILIBRIUM PRICE


HOUSING INVESTMENT DECISIONS


**HOUSING FINANCE AND THE FINANCIAL CRISIS OF 2007/2010**


Canada Mortgage and Housing Corporation (CMHC). *Canadian Housing Observer 2012* (Chapter 2) ([www.cmhc.ca/observer](http://www.cmhc.ca/observer)).


**HOUSING DEMAND FORECASTS**


Canada Mortgage and Housing Corporation (CMHC). *Canadian Housing Observer 2009*, Chapter 3 (Potential Housing Demand Model) ([www.cmhc.ca/observer](http://www.cmhc.ca/observer)).


**RATIONALE FOR GOVERNMENT INTERVENTION IN THE HOUSING MARKET**


MECHANISMS OF GOVERNMENT INTERVENTION IN HOUSING


