

Doctoral Dissertations

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This section of the *Journal* publishes summaries/abstracts of dissertations related to a broad cross-section of real estate issues. Areas of interest include, but are not limited to, government policy and planning, real estate business and industry issues, property, contract and transaction types, real estate decision-making processes, market analysis, and related methodological and theoretical issues. If you are aware of any real estate-related dissertation(s) that may not appear in standard sources and that you think would be of interest to our readers, please contact the editor.

Bond, Carolyn B. University of Notre Dame, 2005. Does Increasing Black Homeownership Decrease Residential Segregation?

Traditionally, neighborhood segregation by race has been driven by overt discrimination. In theory, alterations in residential lending practices, such as expanded credit opportunities to previously shunned segments of society, should lead to increased levels of integration. This dissertation investigates the link between ownership amongst African Americans and changes in residential segregation during the 1990s. Employing data provided through the Home Mortgage Disclosure Act, observations are collected for the period 1992 through 1999 and combined with 1990 and 2000 Census information. Models assessing the impact of lending, ecological, economic and population characteristics on neighborhood integration are developed. The findings indicate that changes in lending to African American homebuyers helped facilitate declines in neighborhood segregation. It appears that an increased share of mortgage loans received by African Americans contributed to homeownership and decreased levels of segregation. However, limited segregation seems to persist because of continuing disparities in residential lending practices.

Boulatov, Alexei. University of California, Berkley, 2004. Three Essays on Strategic Trading in Oligopolistic Economies.*

Chapter three of this dissertation considers private market real estate transactions. In this strategic double-auction setting, agents receive private signals and have heterogeneous priors of value. Each seller has one homogenous unit of real property and each buyer is trying to obtain a unit of real property at a discounted price. Furthermore, both types of agents maximize their expected payoffs when multiple buyers participate in sealed-bid first-price auction and different sellers have different reservation prices. In this setting, a mixed-strategies equilibrium exists and

a closed-form analytical solution is obtained. Here heterogeneous reservation prices develop from different prior expectations. In addition, this work derives bargaining shares for a market with heterogeneous buyers where bidders encounter a trade-off between the winner's curse and choosing to deal with the sellers with higher reservation prices.

Carroll, Deborah A. The University of Wisconsin–Milwaukee, 2004. From Tiebout to TIF: Does Business Vote with Its Feet?

Considering the theoretical propositions of the Tiebout Hypothesis and Oates' Capitalization Theory, tax increment financing (TIF) can be viewed as an avenue by which municipalities compete against each other for local business development. This is accomplished by making property within TIF districts more desirable than non-TIF properties thereby influencing developers' decisions. This dissertation investigates the efficacy of TIF as a relocation tool. A two-fold analysis is conducted. First, a qualitative analysis of four firms in Southeastern Wisconsin is completed. Second, a quantitative analysis employing data for the City of Milwaukee is conducted to investigate the extent to which TIF is capitalized into local property values. The findings suggest that TIF acts as an incentive to private business developers and results in an increase in the value of surrounding properties. However, the findings also indicate that TIF is not the only factor attributable to influencing investment decisions made by private developers. These findings have significant implications for municipal leaders concerning future development.

Conway, Sheila. Arizona State University, 2004. Stigma-Induced Property Value Diminution from Nuclear Waste Transportation.

The U.S. Department of Energy will soon begin a massive program to transport spent nuclear fuel (SNF) and high-level nuclear waste (HLNW) from civilian nuclear power plants and the nation's weapons facilities to a repository at Yucca Mountain, Nevada. A substantial portion of the SNF and HLNW will travel through Clark County, Nevada. This dissertation seeks to determine the extent of property value diminution that may occur in Clark County because of this program. To evaluate the range of potential property value loss, this research combines surveys of local real estate appraisers, lenders and residents with an analogous case study from the Waste Isolation Pilot Project (WIPP) in New Mexico. There is a consistency in the direction of all of the results from this research with that from the WIPP case. Further, the results of the surveys are consistent with the range of impacts identified by both lenders and appraisers under the serious HLNW accident scenario.

Gallagher, Amber C. Utah State University, 2004. Borrower and Mortgage Related Factors Associated with Foreclosure.**

The purpose of this study is to develop a model that can be used as an aid in identifying household factors that contribute to the increased likelihood of residential mortgage foreclosure. Employing data from an inventory of active and foreclosed Federal Housing Administration (FHA) homes in the state of Utah, bivariate and multivariate analysis is conducted with borrower and mortgage related factors. Race, front-end ratio and interest rate all prove to be significant in estimating the likelihood of foreclosure. In addition, the presence of a first-time homebuyer and a high front-end ratio need to be viewed as potential factors leading to foreclosure.

Kunzel, Peter. George Washington University, 2004. Inefficiencies in the Real Estate Market: Implications for Price Dynamics.

The extant literature suggests that special institutional characteristics of the real estate market produce inefficiencies that contribute to price volatility. Varying arguments, ranging from

speculative behavior to large transactions costs that characterize the housing market, have been put forth to explain the possible sources of inefficiency in regional real estate markets. However, no study has attempted to test the relative contribution of the competing hypotheses to inefficiency in regional real estate markets. This dissertation has three main goals: (1) identify volatility in housing prices by testing for market inefficiency; (2) identify and quantify those characteristics of local real estate markets that contribute to price volatility; and (3) test a simple model for the housing market in the United States that incorporates local market characteristics and speculative behavior. The findings indicate that prices are indeed volatile and that local market characteristics contribute to this volatility. In addition, the model suggests that price bubbles may be present in a number of U.S. cities.

Li, Yin. University of Colorado–Denver, 2004. *Exurban Residential Development and the Attraction of Natural Amenities: An Agent-Based Model.*

Low density settlement patterns, such as those recently witnessed in the intermountain West, have significant implications for land use planning decisions. Many of the models used to explain urban development are not well adapted to low density land markets. However, agent-based models (ABM) have the potential to be a powerful tool for simulating dynamics in exurban land markets. Employing ABM techniques, as well as other accepted methodologies, this work investigates patterns of exurban residential development underway in the American mountain West. Results from simulation suggest the interactive and dynamic exurban development model put forth in this work represents the land market system at a reasonably high level of accuracy. Furthermore, exurban agent-based models also suggest opportunities for policy applications that link natural and social models to simulate the effects of alternative planning regimes.

McConaghy, Richard W. University of Massachusetts–Boston, 2004. *Mortality, Moveout and Refinancing as Factors in HECM Reverse Mortgage Payoffs.*

Using data from the first 10 years (1989–1999) of the FHA-insured HECM reverse mortgage program, this dissertation undertakes an investigation into three key research questions: (1) what borrower and loan characteristics, if any, influence loan repayment rates; (2) do repayments due death or moveout match the same rates observed in the general elderly population; and (3) what circumstances create refinancing opportunities for borrowers and how might these opportunities play out. Using varying survival analysis techniques and simulations, these questions are addressed in turn. The findings suggest that: (1) males, older or unmarried borrowers, more recently issued loans and certain payment plan types exhibit significantly higher repayment rates; (2) HECM borrowers die/move significantly faster than homeownership elders from the American Housing Survey; and (3) HECM borrowers could have increased borrowing power during the study period by refinancing and younger age, line of credit payment plan and shortness of interval between original loan and refinance all contribute to the ease of refinancing. Implications for the mortgage industry and the future of reverse mortgages stem from these results.

Morgan, Jonathan Q. North Carolina State University, 2004. *The Role of Regional Industry Clusters in Urban Economic Development: An Analysis of Process and Performance.*

This dissertation focuses on two key aspects of industry clusters: (1) the extent to which clusters affect economic development; and (2) how the socio-institutional and policy process of promoting clusters influences their potential use in economic development. The first aspect is addressed quantitatively while the second is approached qualitatively as a case study. Both the quantitative and qualitative findings suggest that clusters are not an automatic enhancer to urban economic development. The empirical analysis finds only a marginal relationship between

clusters and increased economic performance. In fact, some clusters have a diminishing impact on development indicators. Similarly, the interview responses confirm the suspicion that not all clusters are created equal in terms of their ability to promote economic development. Furthermore, issues concerning clustering vary across inner city and suburban areas.

Orzechowski, Maciej A. Technische Universiteit Eindhoven, 2004. *Measuring Housing Preferences Using Virtual Reality and Bayesian Belief Networks.*

This work assesses interactive computer experiments, based on virtual reality systems, to gain insight into housing preferences. The work has three primary research goals: (1) develop a method for eliciting preferences based on individually designed houses; (2) compare the developed approach with existing methods to assess its validity and reliability; and (3) implement a design support tool for non-designers to create an architectural design. The virtual reality system employed creates housing designs based on inputs and estimates housing preferences using a Bayesian Belief Network, which learns incrementally at every stage. Tests revealed a strong potential for the system to aid non-experts in designing a home. In addition, the system generally outperformed more traditional approaches in measuring and predicting housing preferences and proved very user friendly.

Palmer, Lance. Utah State University, 2004. *The Effects of Mortgage Debt on Assets and Total Resources Among Near-Retirement Households.*

Employing data for 1992–2002 from the Health and Retirement Study, this dissertation investigates the long-term relation between household leverage and changes in household wealth using the theoretical framework of the life cycle income hypothesis. The relation between household leverage and changes in assets and total resources is modeled via robust regression analysis. The findings suggest that retained or incurred mortgage debt consistently reduces household resources. However, in the presence of higher income and higher risk tolerances, the use of mortgage debt is beneficial in that household assets increase on average. Implications for consumers, financial professionals and policymakers can be drawn from these results.

Pitkin, William C. University of California–Los Angeles, 2004. *Urban Disinvestment Revisited: Subprime Mortgage Lending and Slum Housing in the City of Los Angeles.*

The study of urban disinvestment received strong attention in the literature during the 1960s and 1970s from which two primary lines of study evolved. The first focused on disinvestment on the part of financial institutions, while the second concerned itself with disinvestment in the urban rental housing stock by property owners seeking to maximize property returns. In general, these two streams of literature have been analyzed separately with little recent investigation. This study seeks to fill this gap by revisiting both strands of the urban disinvestment literature in a present context with the City of Los Angeles as its subject. Two primary research questions are undertaken: (1) investigate the relationship between subprime refinance mortgage lending and neighborhood characteristics; and (2) examine factors leading to deterioration of multifamily housing conditions. Employing extensive data on mortgage lending and property conditions in Los Angeles for the 1990s, this work finds that the use of subprime lending accelerated significantly during this period and is taking the place of the now illegal practice of redlining. In addition, along with disinvestment by high-cost mortgage lenders, this work finds that there is a strong relationship between deteriorating housing and tax delinquency—a situation similar to that uncovered in the original urban disinvestment studies of “rust-belt” cities.

Soto, Patricia. Louisiana State University, 2004. *Spatial Econometric Analysis of Louisiana Rural Real Estate Values.*

The general purpose of this dissertation is to conduct a spatial analysis of the dynamics of rural land values in Louisiana. A secondary purpose is to compare spatial econometric techniques to the more traditionally employed hedonic estimates. Data for this study includes sales of rural property for the period January 1993 through June 2003. Results from model estimations reveal that cropland, government program cotton base acreage, paved road and inverse of travel time, among other regressors, have a positive and significant impact on per acre land values. Conversely, size of tract, distance to nearest town, travel time to nearest town, flood influence and recreational, among other variables, exhibit a statistically significant inverse relationship with per acre rural land values. Finally, in several instances, marginal implicit prices are overestimated or underestimated when using results from OLS estimation suggesting the superiority of spatial econometric techniques.

Yang, Lihong. University of Southern California, 2004. Intra-Metropolitan Variation in Residential Mortgage Prepayment Risks: Unobserved Factors and Estimation Bias.

This dissertation empirically investigates intra-metropolitan variation in prepayment risks caused by unobservable factors associated with spatial and income differences. Using data on loans originated in Los Angeles, a prepayment model is examined for its performance to capture the variation across differing origination areas. The results indicate that the standard prepayment model may systematically over-estimate the prepayment speed for loans originated in low-income areas relative to those in higher-income areas. This deviation in prepayment speed suggests the impact of unobserved factors. Findings in this work reveal a possible pricing bias arising with the use of standard prepayment models without controlling for these unobserved factors. In addition, the current practice by lenders of originating loans where default risk is emphasized and prepayment risk completely ignored is shown to be faulty. Finally, the findings support earlier arguments that differences in prepayment risk across differing types of borrowers should be addressed using a complete risk-based pricing of mortgages and mortgage-backed securities.

* Indicates dissertations in which only a chapter or a significant part of the work is devoted to government policy and planning, real estate business and industry issues, property, contract and transaction types, real estate decision-making processes, market analysis, methodological and theoretical issues, or other real estate related issues.

** Indicates Masters Thesis work.

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