

Discussion of  
“Homeownership and the Scarcity of  
Rentals”

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## Contribution

- Paper highlights **information frictions** in the housing market.
  - **Motivation:** Data from Craigslist on homeownership rates, rental rates and time of a vacancy on the market.
    - Low rent/price associated with high homeownership, short time of vacancy on the market.
  - The **Question:** Can we construct an equilibrium model that qualitatively matches those facts?
  - This paper's **answer** is yes.

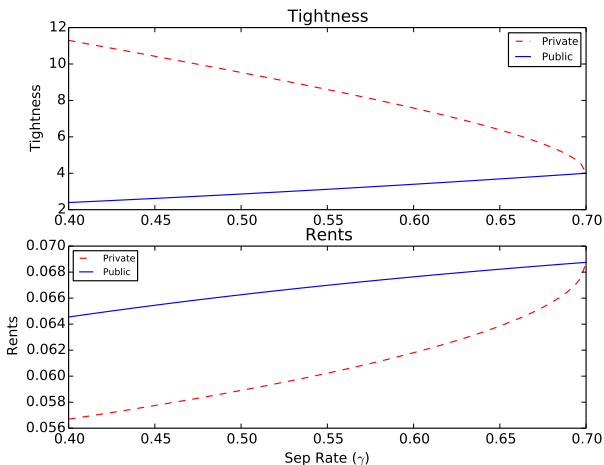
## The Environment in a Nutshell

- Landlords/Sellers match with tenants/buyers of different expected match durations.
- Rental contracts specify a rent and purchase transactions are defined by a price.
- Equilibrium segmentation typical of competitive search models with ex-ante heterogeneity.

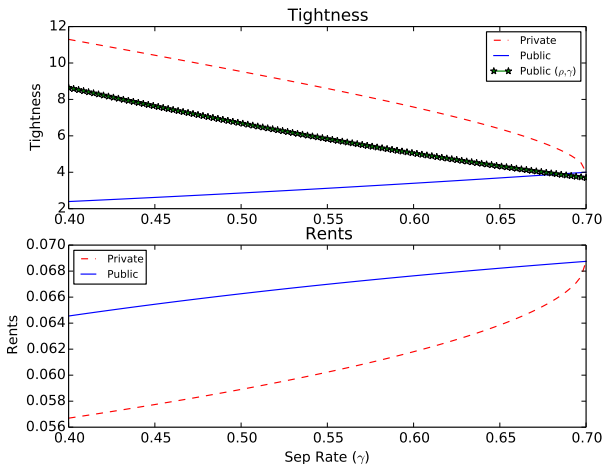
# The Environment in a Nutshell

- Two cases: duration public information and private information.
- **No reason to own in a public information environment.**
  - Purchases/sales of houses are subject to transactions costs.
  - Renting and owning are two different contracts to get the *same* quality of housing services.
  - Landlord is happy to supply plenty of rentals for high duration households (tightness low, rents low).
- **Owning** only occurs in the **private** information economy as a channel for high duration households to avoid getting penalized in the rental market as landlords can't distinguish types and hence give them a better deal.

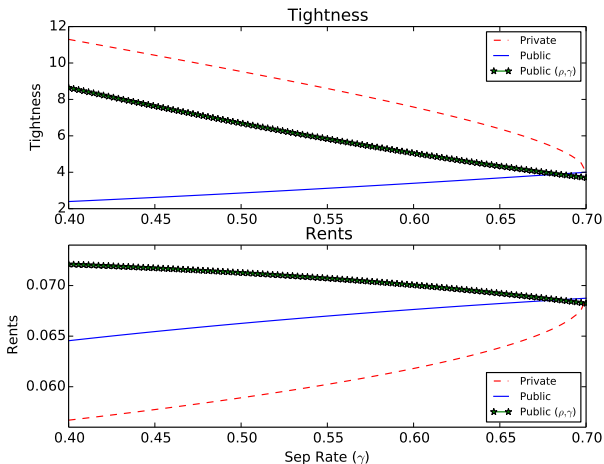
# Expected Duration, Tightness and Rents



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## A Better Test for the Model?

- Model delivers precise **prediction**:
  - Equilibrium segmentation by duration type (both public/private info cases).
  - Suppose age is the primary predictor of mobility.
  - Model predicts that **age dispersion** should be much **lower within** submarkets than **across** submarkets.
  - E.g. young people would own and rent in particular submarkets and old people should own and rent in other submarkets.
- Data availability even for a few MSAs? Can't get it for Craigslist data but AHS?



## Two Additional Thoughts

- **First thought:**
  - Why can't these people do better?
  - Transactions costs in housing appear sizable.
  - What prevents people from specifying duration-specific contracts with fines if tenant leaves earlier?
  - Would this be more efficient than owning?

## Two Additional Thoughts

- **Second thought:**
  - Too little homeownership in the model?
  - Pseudo-quantitative exercise: take empirical mobility distribution of households and with a rough estimate of transactions costs of purchasing/selling homes.
  - How much homeownership does the information channel generate?

## Conclusions

- Very creative paper!
- New data, new framework, and the environment matches a bunch of facts.
- Overall: an important contribution.