

## Curriculum Vitae

### Robert F. Sarama Jr.

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**Birthplace:** Monroe, Louisiana

**Citizenship and Visa Status:** USA

#### Education

Ph.D. Candidate in Economics, The Ohio State University  
(Candidacy exam passed March 2009, Ph.D. expected June 2010)  
M.A., Economics, The Ohio State University, September 2006  
B.S., Economics with concentration in Empirical Economic Analysis, Louisiana State University, May 2005

#### Dissertation

“Asset Pricing and Portfolio Choice in the Presence of Housing”  
Dissertation Supervisor: Pok-sang Lam

#### Areas of Specialization

Research: Macroeconomics, Financial Economics, Urban Economics  
Graduate Teaching: Macroeconomics, Financial Economics, Urban Economics  
Undergraduate Teaching: Macroeconomics, Financial Economics, Urban Economics, Econometrics

#### Fellowships, Awards, and Honors

JMCB Travel Grant, Economics Department, The Ohio State University, Summer 2009  
Fellow of the Institute of Computational Economics, The University of Chicago, Summer 2008  
JMCB Travel Grant, Economics Department, The Ohio State University, Autumn 2006  
University Fellowship, Graduate School, The Ohio State University, Autumn 2005 to Spring 2006  
Outstanding Undergraduate Student in Econometrics Award, Louisiana State University, December 2004

#### Publications

“Deed Types, Mortgage Rates, and House Prices,” with David Brasington. *Real Estate Economics*, Vol. 36, Issue 3 (2008), 587-610.

#### Working Papers (Available at <http://web.econ.ohio-state.edu/~sarama>)

“Pricing Housing Market Returns,” Department of Economics, The Ohio State University, October 2009.  
“Non-durable Consumption Volatility and Illiquid Assets”, The Ohio State University, April 2009.

#### Other Research in Progress

“Do Time-varying Risk Premia Drive Speculative Bubbles?”  
“The Effects of Monetary Policy on Asset Prices”  
“Housing and Commercial Real Estate Cap Rates: Do They Forecast Different Things?”

### Conference Presentations

“Pricing Housing Market Returns”

The University of Cincinnati Finance and Real Estate Department Seminar, Cincinnati, OH,  
November 2009

The Midwest Econometrics Group Meetings, West Lafayette, IN, September 2009

AREUEA and AsRES International Conference, Los Angeles, CA, July 2009

AREUEA Mid-Year Meeting, Washington D.C., June 2009

“Deed Types, House Prices, and Mortgage Interest Rates” with David Brasington

North American Meetings of the Regional Science Association, Toronto, ON, Canada,  
November 2006

### Teaching Experience

Principles of Macroeconomics (E201)	Full Responsibility and TA
Principles of Microeconomics (E200)	TA
Economics of Japan (E672)	TA
Economic Issues in the US (E367.02)	TA
Economics of Sports (E583)	TA

### Professional Experience

Graduate Teaching Associate, The Ohio State University, September 2006 - present

Research Intern, Strategic Research and Risk Management Group, Investment Division, Teacher Retirement System of Texas, Summer 2009

Member, Search Committee for the Vice Provost and Executive Dean of Arts and Sciences, The Ohio State University, September 2008 - June 2009

Research Analyst, The Louisiana Department of Labor, January 2004 - August 2004

### Professional Activities

Member, American Finance Association

Member, American Real Estate and Urban Economics Association

Referee, *Journal of Money, Credit and Banking*

Referee, *China Economic Review*

### References

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## Dissertation Abstract

### Title: Asset Pricing and Portfolio Choice in the Presence of Housing

The portfolio decisions made by consumers have important implications for individual welfare and asset prices. My research addresses the frictions faced by consumers investing across asset classes and the implications those frictions have on asset prices. Specifically, I focus on the choice between housing and financial assets. Although there is a broad literature on returns to holding housing, standard structural models from the finance literature have largely been overlooked when pricing housing market returns. I argue in my research that by evaluating and pricing housing within the same frameworks in which equities and bonds are priced, we can better evaluate portfolio choices.

In addition to using financial economic theory to understand housing markets, we can use housing markets to gain a better understanding of other asset markets. Owner-occupied housing is unique in that it is traded in *local* markets, which are heterogeneous in their economic and demographic characteristics. This heterogeneity in the investor base is a source of variation from which to explore the link between asset prices and uncertainty in the expected future consumption flows of investors.

The first essay, "Pricing Housing Market Returns," finds the housing premium to be smaller than the equity premium. Using state-level data that spans the 1983 to 2006 period, I estimate the asset pricing Euler equations from the intertemporal consumption problem faced by a representative consumer with Epstein-Zin (EZ) preferences. EZ preferences allow the consumer to have a different level of aversion to variation in consumption across states of nature than to variation in consumption over time. The EZ Capital Asset Pricing Model captures a large proportion of the variation in housing returns over the sample period, and I find there to be heterogeneity in the structural parameter estimates across geographies. Controlling for the risk priced by the model and the consumption value of housing, I find that the housing premium is smaller than the equity premium. This result is surprising given that frictions, such as high transaction costs and borrowing constraints, affect the investor in housing more than the investor in equities. I examine institutional differences between the asset classes and find that some of the difference between the two premia may be related to differences in the tax treatment between the two asset classes.

The second essay, "Non-durable Consumption Volatility and Illiquid Assets," finds that factors beyond the volatility of asset payoffs may significantly affect the volatility of the agent's consumption stream. The empirical failure of consumption-based asset pricing models is often attributed to the lack of volatility in aggregate measures of consumption. However, I illustrate in this paper that frictions faced by agents may lead to much higher levels of volatility in individual consumption than we observe in the aggregate data. I identify five distinguishing characteristics of assets, and develop a life-cycle model of the consumer which incorporates these features. The consumer derives utility from non-durable consumption and stock in a risky asset: housing. A key feature of the model is that the housing adjustment costs are non-convex. These adjustment costs generate lumpy changes in the stock of the risky asset over the life-cycle. The model predicts that non-durable consumption volatility is increasing in both the ability to borrow against the assets held in the consumer's portfolio and in the illiquidity of the portfolio. Because the liquidity of the investor's portfolio may depend on the thinness of the housing market in which the investor resides, investors in different geographies may value the same asset differently.

The final essay, "Do Time-varying Risk Premia Drive Speculative Bubbles?" is in progress. Cochrane and Campbell (1999) posit that macroeconomic risks may cause investors to be more or less risk averse at different points in time. That is, during recessions investors feel more risk averse and thus demand a higher premium for taking on risk. I formulate and test the hypothesis that periods of low risk aversion among the investor base precipitate asset price bubbles. Because housing is disproportionately traded by an investor base whose consumption flows are affected by variation in *local* economic growth, housing market and *local* consumption data provide a strong test of this hypothesis.