

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
REAL ESTATE DEPARTMENT &
BUSINESS ECONOMICS AND PUBLIC POLICY DEPARTMENT

REAL 236 / BEPP 236
REAL 836 / BEPP 836
INTERNATIONAL HOUSING COMPARISONS
SPRING 2016

Professor: **Dr. Susan Wachter**
Professor of Real Estate and Finance
wachter@wharton.upenn.edu
Office: 215-898-6355
Vance Hall, Room 430
Office Hours: Tuesday 6:00 pm – 7:00 pm

TAs: **Aidan Thornton**
aidant@wharton.upenn.edu
Office: Vance Hall, Room 432
Hours: Tuesday 4:00pm – 6:00pm

Class Meeting: Monday and Wednesday 1:30-3:00 pm
Huntsman Hall *G50*

Course Materials: Class readings can be found in the Course Packet available at www.study.net or on the course Canvas site. *All readings are required, unless otherwise noted.*

Evaluation: Grades are based on two exams, written assignments, group project presentation, and class participation. The relative weights of the components are as follows:

- Group Project Presentations 10%
- Class Participation 10%
- Problem Sets 5%
- Midterm Exam 25%
- Research Paper 25%
- Second Exam 25%

SCHEDULE OF TOPICS AND ASSIGNMENTS

Class 1 – Wed 1/13 **INTERNATIONAL HOUSING COMPARISONS: INTRODUCTION AND INDICATORS**

Harsman and Quigley, *Housing Market and Housing Institutions in a Comparative Context* (BP#1)
World Development Report 2000, Tables A2, A3, 1, & 11 (BP #2)
World Development Report 2004, Selected World Development Indicators & Technical Notes (BP #3)
Hoek-Smith, *World Bank, Housing Indicator Tables* (BP #4)

Mon 1/18 **NO CLASS**

Class 2 - Wed 1/20 **INTERNATIONAL HOUSING FINANCE AND MARKET OUTCOMES**

Boleat, *National Housing Finance Systems* (BP #5)
Renaud, *The Financing of Social Housing in Integrating Financial Markets: A View from Developing Countries* (BP #6)
DiPasquale and Wheaton, *Chapter 1: The Property and Capital Markets* (BP #7)

Class 3 – Mon 1/25 **HOUSING IN MARKET BASED SYSTEMS: COMPARATIVE STATICS OUTCOMES**

Problem Set #1 Introduced

Wachter and Kroll, *Simple Analytics- Real Estate Capital and Space Markets* (BP #8) Preview
Gyourko and Saiz, *Construction Costs and the Demand of Housing Structure* (**canvas**)
Knoll et al., *No Price Like Home: Global House Prices, 1870 – 2012, (pp.1-22, 27-32)* (**canvas**)

Class 4 – Wed 1/27 **INTERNATIONAL HOUSING COMPARISONS: INFORMAL LABOR MARKETS**
Guest Speaker: Kevin Gillen

DeSoto, *The Mystery of Missing Information, Chapter 2* (BP #11)
Gillis et al., *Two-Sector Models*, pp. 49-63 (BP #27)

Class 5 – Mon 2/1 **HOUSING IN MARKET BASED SYSTEMS: EQUILIBRIUM AND DISEQUILIBRIUM CONCEPTS**

Malpezzi, *Urban Housing and Financial Markets: Some International Comparisons* (BP #12)
Malpezzi and Wachter, *Housing Demand* (**canvas**)
Pozdena, *The Modern Economics of Housing, Chapter 2*, pp. 218-227 (BP #13), and *Chapter 3* (BP #14)
Saiz, *The Geographic Determinants of Housing Supply* (**canvas**)

Class 6 – Wed 2/3 **INTERNATIONAL HOUSING COMPARISONS: INFORMAL REAL ESTATE MARKETS**
GUEST SPEAKERS: ALAIN BERTAUD AND STEPHEN MALPEZZI

Problem Set #1 Due Today Before Class on Canvas

Galiani and Schargrodsy, *Property Rights for the Poor: Effects of Land Titling* (**canvas**)
Angel, *Housing Policy Matters, Chapter 7 and Chapter 23*, pp. 316-325 (BP #9) and *Chapter 1* (BP #10)

Perelman, *It All Depends Buying and Selling Houses in Rio's Favelas* (**canvas**)
Harris and Todaro, *Migration, Unemployment and Development: A Two-Sector Analysis* (**canvas**)

Class 7 – Mon 2/8 **MORTGAGE INSTRUMENTS, CREDIT RISK AND LENDING CONSTRAINTS**

****GUEST SPEAKER: Albert Alex Zevelev****

Linneman and Wachter, *The Impacts of Borrowing Constraints on Homeownership* (**canvas**)
Quercia and Stegman, *Residential Mortgage Default: A Review of the Literature* (BP #15)
Van Horn, *Understanding the Mortgage Market*, Chapter 13 (BP #19) read pages 295-311; skim rest (start reading)
Whitehead, *International Trends in Housing Tenure and Housing Finance* (BP #17) (optional)
Zevelev, *The Leverage Cycle in the Mortgage Market* (**canvas**) (optional)
Wachter, *The Limits of the Housing Finance System* (BP #16)

Class 8 – Wed 2/10 **MORTGAGE INSTRUMENTS AND INTEREST RATE RISK**

DiPasquale and Wheaton, *The Market for Housing Units Chapter 8* (BP #18) read pages 193-199, skim rest
Van Horn, *Understanding the Mortgage Market, Chapter 13* (BP #19) read pages 295-311, skim rest
Guttentag, *Secondary Market-Based Versus Depository Housing Finance Systems* (BP #20)
DiPasquale, *A Primer on the Secondary Mortgage Market* (BP #21)

Class 9 – Mon 2/15 **PRIMARY AND SECONDARY MARKETS: HISTORY**

Green, *Introduction to Mortgages & Mortgage Backed Securities*, pp 1-19 (**canvas**)
Green, *Introduction to Mortgages & Mortgage Backed Securities*, pp 25-28, 45-46 (**canvas**)
Green and Wachter, *The Housing Finance Revolution* (skim) (**canvas**)
Green and Wachter, *The American Mortgage in Historical and International Context* (skim first half) (BP #23)
Levitin and Wachter, *The Public Option in Housing Finance* (optional)
Harvard Business School, *Savings and Loans and the Mortgage Markets* (skim) (BP #22)

Class 10 – Wed 2/17 **MORTGAGE MARKETS AND SYSTEMIC RISK**

Pavlov and Wachter, *Real Estate Crashes and Bank Lending*, (**canvas**)
Levitin and Wachter, *Explaining the Housing Bubble* (Part 1) (**canvas**)
Herring and Wachter, *Real Estate Booms and Banking Busts: An International Perspective* (**canvas**) (optional)
Wachter, *The market structure of securitisation and the US housing bubble* (**canvas**)

Class 11– Mon 2/22 **WHAT CAUSED THE PANIC?**

****GUEST SPEAKER: LARRY CORDELL****

Cordell, Huang and Williams, *Collateral Damage: Sizing And Assessing The Subprime CDO Crisis* (**canvas**)

Class 12 – Wed 2/24 **SYSTEMIC FAILURE AND THE FUTURE OF SECURITIZATION?**

FCIC, Preliminary Staff Report, *Securitization and the Mortgage Crisis* (**canvas**)
FCIC, Preliminary Staff Report, *Government Sponsored Enterprises and the Financial Crisis* (**canvas**)
FHFA White Paper, *Building a New Infrastructure for the Secondary Mortgage Market* (**canvas**)
FHFA, *Director Edward DeMarco Testimony* (**canvas**)
FCIC, Preliminary Staff Report: *The Mortgage Crisis* (**canvas**)
Duca, et al., *Housing Markets and the Financial Crisis of 2007-2009: Lessons for the Future* (**canvas**)
Blake, N. & Muellbauer, J., *Imbalances in EU Housing Markets, Economic Outlook* (**canvas**)

Class 13 – Mon 2/29 **REVIEW CLASS**

Class 14 – Wed 3/2 **MIDTERM EXAMINATION (IN CLASS)**

Mon 3/7 **NO CLASS (Spring Break)**

Wed 3/9 **NO CLASS (Spring Break)**

Class 15 – Mon 3/14 **FINANCE STABILITY AND INSTABILITY: MACROPRUDENTIAL POLICY**

Allen and Carletti, *What should Central Banks do about Real Estate Prices?* (**canvas**)

Blake and Muellbauer, *Imbalances in EU Housing Markets* (**canvas**)

Wachter, *The market structure of securitization and the U.S. Housing Bubble* (**canvas**)

Wachter, *Next Steps in the Housing Finance Reform Saga* (**canvas**)

Class 16 – Wed 3/16 **MORTGAGE MARKETS AND INFRASTRUCTURAL ISSUES – PUBLIC
EVENT (CHECK TO SEE IF EVENT IS BEING REPEATED)**

Hancock and Passmore, *Macroprudential Mortgage Backed Securitization, Can It Work?* (optional)

Kanojia and Grant, *Preserving the TBA Market* (skim)

Mosser, Tracy, and Wright, *The Capital and Governance of a Mortgage Securitization Utility* (optional)

Park and Quercia, *The Once and Future Federal Housing Administration* (optional)

Rossi, *Forging a Path out of Conservatorship for Fannie and Freddie Mac* (optional)

Stegman, *Fact Checking* – March 5, 2015 (optional)

Class 17 – Mon 3/21 **HOUSING FINANCE SYSTEMS IN EMERGING MARKETS
GUEST SPEAKER: MARJA HOEK-SMIT**

José Brakarz, *Tenure Regularization: Process and Experiences in Latin America* (**canvas**)(**skim**)

Marja Hoek-Smit – *Chapter 16 – Housing Finance Subsidies* (**canvas**)

Michael Lea – *Chapter 2 – Structure and Evolution of Housing Finance Systems* (**canvas**)

Bish Sanyal, *Informal Land Markets—Perspectives for Policy* (**canvas**)(**skim**)

Class 18 – Wed 3/23 **AFFORDABILITY IN EMERGING ECONOMIES: DENSITY AND
CENTRALITY**

Draft Presentations Due Today

Mills and Hamilton, *Urbanization in Developing Countries Chapter 17*, Read pp. 443-445, 433-442 and skim 452-456 (BP #24)

Tiebout, *A Pure Theory of Local Expenditures* (BP #25)

DiPasquale and Wheaton, *Urban Real Estate Economics and Real Estate Markets Chapter 3*, pages, 35-42 (BP #26)

Chattaraj, *Urban Governance and Development of Informality in China and India* (**canvas**)

Chattaraj, *India: smart cities need smart governance* (**canvas**)

Class 19 – Mon 3/28 **HOUSING FINANCE SYSTEMS IN OECD COUNTRIES
Presentations Due Today Before Class on Canvas**

Lea, *Alternate Forms of Housing Finance* (**canvas**)

Whitehead, *International Trends in Housing Tenure and Housing Finance, Mortgage Systems Chapter 5, Risk Mitigation*, Chapter 6 (BP #28)

Wachter 2014, *The Housing and Credit Bubbles in the US and Europe: A Comparison* (**canvas**)

Class 20 – Wed 3/30 **LIQUIDITY AND THE FIXED RATE MORTGAGE**

Class 21 – Mon 4/4 **SPEAKER HOLD**

Class 22 – Wed 4/6 GUEST SPEAKER: BOB TOLL (UNCONFIRMED)

Class 23 – Mon 4/11 **MORTGAGE AND HOUSING POLICY IN THE US: A HISTORICAL OVERVIEW**

Draft Presentations Due Today Before Class on Canvas

McCoy, *Rethinking Disclosure in a World of Risk-Based Pricing* (**canvas**)

Guttentag & Wachter, *Redlining and Public Policy* (BP #29)

FCIC, Preliminary Staff Report: *The Role of the Federal Reserve in Banking Supervision and Regulation* (**canvas**)

FCIC, Preliminary Staff Report: *The Community Reinvestment Act and the Mortgage Crisis* (**canvas**)

Engel & McCoy, *The Subprime Virus* (BP #30)

Class 24 – Wed 4/13 **CREDIT RISK TRANSFER AND SECURITIZATION IN GLOBAL HOUSING FINANCE**

GUEST SPEAKER: DOUG MCMANUS (UNCONFIRMED)

Goodman, *Risk-sharing deals support reduction in Freddie and Fannie guarantee fees* (**canvas**)

Duarte/McManus, *Mortgage Related Securities* (**canvas**)

Parrott, *Early Steps Down the Path of GSE Reform* (**canvas**)

Wachter, *Next Steps in the Housing Finance Reform Saga* (<http://publicpolicy.wharton.upenn.edu/issue-brief/v3n2.php>)

Class 25 – Mon 4/18 **PRESENTATIONS**

Class 26 – Wed 4/20 **SUSTAINABLE DEVELOPMENT GOALS AND HOUSING IN EMERGING MARKETS**

The Nature of Cities, *Sustainable Development Goal (SDG) on Cities and Human Settlements* (**web link on canvas**)

UN-Habitat, *City Prosperity Index*, (**canvas**)

Class 27 – Mon 4/25 **REVIEW CLASS**

Class 28 – Wed 4/27 **SECOND EXAMINATION**

Wed 5/6 – **FINAL PAPER DUE on CANVAS**