

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

REAL 236 / BEPP 236
INTERNATIONAL HOUSING COMPARISONS
SPRING 2017

Course Overview: This course focuses on international comparisons of housing finance systems and housing market outcomes. This includes comparative analyses of the economic factors that underlay housing market differences and similarities. Changing housing market institutions and policies in previously socialist economies and newly emerging countries are examined. The course also addresses integration of global financial markets for national housing markets. International speakers present their views on institutional innovations and the policy setting process in their respective markets. Various approaches to understanding these issues will be used, including readings, written assignments, and group projects.

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Hours: Tuesday 3:00 pm – 5:00 pm

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 1/11 **INTERNATIONAL HOUSING COMPARISONS: INTRODUCTION AND INDICATORS**

Harsman and Quigley: *Housing Market and Housing Institutions in a Comparative Context* (skim)
World Development Report 1999/2000, Tables A2, A3, 1, & 11
World Development Report 2004, Selected World Development Indicators & Technical Notes
Hoek-Smith: *The Housing Indicators Program*, Tables

Mon 1/16 **NO CLASS**

Class 2 - Wed 1/18 **GLOBAL SHIFTS IN HOUSING MARKETS**

Renaud: *The Financing of Social Housing in Integrating Financial Markets*, pp. 760-772
Boleat: *National Housing Finance Systems*, pp. 1-6
DiPasquale and Wheaton: *Ch. 1 - The Property and Capital Markets*
Lunde and Whitehead, *Ch. 1 - Introduction: Milestones in European Housing Finance since 1989*
Sinai and Souleles, *Owner-occupied Housing as a Hedge Against Rent Risk*

Class 3 – Mon 1/23 **HOUSING IN MARKET-BASED SYSTEMS: COMPARATIVE STATICS OUTCOMES**

Problem Set 1 Introduced

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

Class 4 – Wed 1/25 **INTERNATIONAL HOUSING COMPARISONS: INFORMAL LABOR MARKETS**
Guest Speaker: Kevin Gillen

Gillis et al: *Ch. 3 - Two-Sector Models*, pp. 49-63
Harris and Todaro, *Migration, Unemployment and Development: A Two-Sector Analysis*

Class 5 – Mon 1/30 **HOUSING IN MARKET BASED SYSTEMS: EQUILIBRIUM AND DISEQUILIBRIUM CONCEPTS**

Malpezzi, *Urban Housing and Financial Markets: Some International Comparisons*
Malpezzi and Wachter, *Housing Demand*
Pozdena, *The Modern Economics of Housing, Chapter 2*, pp. 218-227, and *Chapter 3*
Saiz, *The Geographic Determinants of Housing Supply*
Wachter and Kroll: *Simple Analytics - Real Estate Capital and Space Markets (review)*

Class 6 – Wed 2/1

INTERNATIONAL HOUSING COMPARISONS: INFORMAL REAL ESTATE MARKETS

Guest Speaker: Nina Harari

Problem Set 1 Due Before Class (Canvas)

Galiani and Schargrodsky, *Property Rights for the Poor: Effects of Land Titling*
Angel, *Housing Policy Matters, Chapter 7 and Chapter 23*, pp. 316-325 and *Chapter 1*
Perelman, *It All Depends Buying and Selling Houses in Rio's Favelas*
Harris and Todaro, *Migration, Unemployment and Development: A Two-Sector Analysis (review)*
Brueckner and Lall, *Cities in Developing Countries: Fueled by Rural-Urban Migration, Lacking in Tenure Security, and Short of Affordable Housing (optional)*

Class 7 – Mon 2/6

CREDIT RISK AND LENDING CONSTRAINTS: MORTGAGE RISK

Guest Speaker: Albert Alex Zevelev

Linneman and Wachter, *The Impacts of Borrowing Constraints on Homeownership*
Quercia and Stegman, *Residential Mortgage Default: A Review of the Literature*
Whitehead, *International Trends in Housing Tenure and Housing Finance (optional)*
Zevelev, *The Leverage Cycle in the Mortgage Market (optional)*
Wachter, *The Limits of the Housing Finance System*

Class 8 – Wed 2/8

MORTGAGE INSTRUMENTS AND INTEREST RATE RISK

Country Selection Due at 9:00AM (Canvas)

DiPasquale, *A Primer on the Secondary Mortgage Market*
Green, *Introduction to Mortgages & Mortgage Backed Securities*, pp 1-19; 25-28; 45-46
Van Horn, *Understanding the Mortgage Market - Chapter 13*, pp. 295-311 **(skim rest)**
Guttentag, *Secondary Market-Based Versus Depository Housing Finance Systems*
Kanojia and Grant, *The TBA Market: Effects and Prerequisites (skim)*
Boyarchenko, Fuster and Lucca, *Understanding Mortgage Spreads (optional)*

Class 9 – Mon 2/13

PRIMARY AND SECONDARY MARKETS: HISTORY

Green and Wachter, *The Housing Finance Revolution (skim)*
Green and Wachter, *The American Mortgage in Historical and International Context (skim first half)*
Levitin and Wachter, *The Public Option in Housing Finance (optional)*
Harvard Business School, *Savings and Loans and the Mortgage Markets (skim)*

Class 10 – Wed 2/15

MORTGAGE MARKETS AND SYSTEMIC RISK

Problem Set 2: Individual Country Slides (Macro) Due Before Class (Canvas)

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

Class 11– Mon 2/20

WHAT CAUSED THE PANIC?

Guest Speaker: Larry Cordell (Tentative)

Cordell, Huang and Williams, *Collateral Damage: Sizing and Assessing The Subprime CDO Crisis*

Class 12 – Wed 2/22

SYSTEMIC FAILURE AND THE FUTURE OF SECURITIZATION

Problem Set 3: Individual Country Slides (Housing) Due Before Class (Canvas)

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

Fri 2/24

PROBLEM SET 4: EXAM 1 QUESTION DUE (CANVAS)

Class 13 – Mon 2/27

REVIEW CLASS

Class 14 – Wed 3/1

EXAM 1 (IN CLASS)

Mon 3/6

NO CLASS (SPRING BREAK)

Wed 3/8

NO CLASS (SPRING BREAK)

Class 15 – Mon 3/13

FINANCIAL STABILITY AND INSTABILITY: MACROPRUDENTIAL POLICY

Allen and Carletti, *What should Central Banks do about Real Estate Prices?*
Blake and Muellbauer, *Imbalances in EU Housing Markets*
Wachter, *The market structure of securitization and the U.S. Housing Bubble*
Wachter, *Next Steps in the Housing Finance Reform Saga*

Class 16 – Wed 3/15

AFFORDABILITY IN EMERGING ECONOMIES: DENSITY AND CENTRALITY

Group Comparative Macro Presentations Due Before Class (Canvas)

Mills and Hamilton, *Urbanization in Developing Countries Chapter 17*, pp. 443-445; 433-442; 452-456
Tiebout, *A Pure Theory of Local Expenditures*
DiPasquale and Wheaton, *Urban Real Estate Economics and Real Estate Markets Chapter 3*, pp. 35-42
Acoca, Chattaraj and Wachter, *Urban Governance and Development of Informality in China and India*
Chattaraj, *India: smart cities need smart governance*

Class 17 – Mon 3/20

HOUSING FINANCE SYSTEMS IN EMERGING MARKETS
Guest Speaker: Marja Hoek-Smit

José Brakarz, *Tenure Regularization: Process and Experiences in Latin America (skim)*
Marja Hoek-Smit, *Chapter 16 – Housing Finance Subsidies*
Michael Lea, *Chapter 2 – Structure and Evolution of Housing Finance Systems*
Bish Sanyal, *Informal Land Markets—Perspectives for Policy (skim)*

Class 18 – Wed 3/22 **MORTGAGE MARKETS AND INFRASTRUCTURAL ISSUES — PUBLIC EVENT**

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 19 – Mon 3/27 **HOUSING FINANCE SYSTEMS IN OECD COUNTRIES (1)**

Lea, *Alternate Forms of Housing Finance*
Whitehead, *International Trends in Housing Tenure and Housing Finance*, Ch. 5-6
Wachter (2014), *The Housing and Credit Bubbles in the US and Europe: A Comparison*

Class 20 – Wed 3/29 **GLOBAL HOUSING DEVELOPMENT**

Eichholtz, Gugler, Kok. *Transparency, Integration, and the Cost of International Real Estate Investment*
Zell, Sam. *Evolution Revolution*
Gordon, Jacques. *The Surprises of International Real Estate*

Class 21 – Mon 4/3 **HOUSING FINANCE SYSTEMS IN OECD COUNTRIES (2)**

Lea, *Alternate Forms of Housing Finance*
Whitehead, *International Trends in Housing Tenure and Housing Finance, Mortgage Systems Chapter 5, Risk Mitigation*, Chapter 6
Wachter (2014), *The Housing and Credit Bubbles in the US and Europe: A Comparison*

Class 22 – Wed 4/5 **GUEST SPEAKER: BOB TOLL**

Class 23 – Mon 4/10 **MORTGAGE AND HOUSING POLICY IN THE US: A HISTORICAL OVERVIEW**

Final Group Presentations Due Before Class (Canvas)

McCoy, *Rethinking Disclosure in a World of Risk-Based Pricing*
Guttentag & Wachter, *Redlining and Public Policy*
FCIC, Preliminary Staff Report: *The Role of the Federal Reserve in Banking Supervision and Regulation*
FCIC, Preliminary Staff Report: *The Community Reinvestment Act and the Mortgage Crisis*
Engel & McCoy, *The Subprime Virus*

Class 24 – Wed 4/12 **BASEL III AND THE ROLE OF SECURITIZATION IN GLOBAL HOUSING FINANCE**

Guest Speaker: Doug McManus (Tentative)

Goodman, *Risk-sharing deals support reduction in Freddie and Fannie guarantee fees*
Duarte/McManus, *Mortgage Related Securities*
Parrott, *Early Steps Down the Path of GSE Reform*
Wachter, *Next Steps in the Housing Finance Reform Saga* (<http://publicpolicy.wharton.upenn.edu/issue-brief/v3n2.php>)

Class 25 – Mon 4/17 **GROUP PRESENTATIONS**

Class 26 – Wed 4/19

**SUSTAINABLE DEVELOPMENT GOALS AND HOUSING IN EMERGING
MARKETS**

First Section (10 Pages) of Final Paper Due Today (Canvas)

The Nature of Cities, *Sustainable Development Goal (SDG) on Cities and Human Settlements*
UN-Habitat, *City Prosperity Index*

Fri 4/21

PROBLEM SET 5: EXAM 2 QUESTION DUE (CANVAS)

Class 27 – Mon 4/24

REVIEW CLASS

Class 28 – Wed 4/26

EXAM 2 (IN CLASS)

Wed 5/3

FINAL PAPER DUE (5:00 PM)