

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

**REAL 236 / BEPP 236**  
**INTERNATIONAL HOUSING COMPARISONS**  
**SPRING 2020**

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

**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 1/15                      INTERNATIONAL HOUSING COMPARISONS: INTRODUCTION AND INDICATORS**

Harsman and Quigley: *Housing Market and Housing Institutions in a Comparative Context* (skim)  
Knoll et al., *No Price Like Home: Global House Prices, 1870-2012*, pp. 1-22; 27-31  
World Development Reports

**Mon 1/20                                      NO CLASS**

### **Class 2 - Wed 1/22                      GLOBAL SHIFTS IN HOUSING MARKETS**

#### **Problem Set 1 Introduced**

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

### **Class 3 – Mon 1/27                      HOUSING MARKETS: COMPARATIVE STATIC OUTCOMES**

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

### **Class 4 – Wed 1/29                      INFORMAL REAL ESTATE MARKETS** Guest Speaker: Nina Harari

Hoek-Smit, Kim, and Wachter, *No City For All Without Affordable Housing For All*, pp. 4-8 (**Key reading**)  
Marx, Stoker, Suri, *The Economics of Slums in the Developing World*, pp. 187-198 (**Key reading**)  
Perelman, *It All Depends Buying and Selling Houses in Rio's Favelas* (**Skim**)  
Galiani and Scharogradsky, *Property Rights for the Poor: Effects of Land Titling* (**Skim**)  
Brueckner and Vall, *Cities in Developing Countries: Fueled by Rural-Urban Migration, Lacking in Tenure Security, and Short of Affordable Housing* (**Skim**)

### **Class 5 – Mon 2/3                      HOUSING IN MARKET BASED SYSTEMS**

#### **Problem Set 1 Due Before 1:30 PM (Canvas)**

Pozdena, *The Modern Economics of Housing*, Ch. 2, pp. 218-227; Ch. 3 (**Key Reading**)  
Saiz, *The Geographic Determinants of Housing Supply* (**Key Reading**)  
Malpezzi and Wachter, *Housing Demand*  
Gyourko and Saiz, *Construction Costs and the Supply of Housing*

**Class 6 – Wed 2/5**                      **INFORMAL LABOR MARKETS**

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

**Class 7 – Mon 2/10**                      **MORTGAGE INSTRUMENTS AND INTEREST RATE RISK**

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

**Class 8 – Wed 2/12**                      **PRIMARY AND SECONDARY MARKETS: HISTORY**

Levitin and Wachter, *The History of the Mortgage Market* (**Key Reading**)  
Green and Wachter, *The American Mortgage in Historical and International Context* (Skim First Half)  
Green and Wachter, *The Housing Finance Revolution* (Skim)  
Levitin and Wachter, *The Public Option in Housing Finance* (Optional)

**Class 9 – Mon 2/17**                      **CREDIT RISK AND LENDING CONSTRAINTS**

Quercia and Stegman, *Residential Mortgage Default: A Review of the Literature* (**Key Reading**)  
Zevelev, *The Leverage Cycle in the Mortgage Market* (**Key Reading**)  
Linneman and Wachter, *The Impacts of Borrowing Constraints on Homeownership*  
Whitehead, *International Trends in Housing Tenure and Housing Finance* (Optional)  
Wachter, *The Limits of the Housing Finance System*  
**Problem Set 2: Individual Country Slides (Macro) Due Before 1:30 PM (Canvas)**

**Class 10 – Wed 2/19**                      **MORTGAGE MARKETS AND SYSTEMIC RISK**

Levitin and Wachter, *Explaining the Housing Bubble*, pp. 2-43 (**Key Reading**)  
Levitin and Wachter, *The Commercial Real Estate Bubble* (Optional)  
Levitin and Wachter, *The Public Option in Housing Finance* (Skim)

**Class 11 – Mon 2/24**                      **INITIAL MACRO PRESENTATIONS**

**Class 12 – Wed 2/26**                      **SYSTEMIC FAILURE AND THE FUTURE OF SECURITIZATION**

Levitin and Wachter, *The Great American Housing Bubble*, Chapters 4, 5, 6 (pp. 1-6, **key reading**), 7 (skim), 9 (skim)

**Class 13 – Mon 3/2**                      **Review In-class**

**Class 14 – Wed 3/4**                      **Exam 1 (in class)**

**Mon 3/9** **NO CLASS (SPRING BREAK)**

**Wed 3/11** **NO CLASS (SPRING BREAK)**

**Class 15 – Mon 3/16** **COMMERCIAL MORTGAGE-BACKED SECURITIES (CMBS)**  
Guest Speaker: Glenn Mueller

Levitin and Wachter, *The Commercial Real Estate Bubble* (**Key Reading**)  
Goodman, *A Progress Report on the Private-Label Securities Market*  
Goodman, *The Rebirth of Securitization*

**Class 16 – Wed 3/18** **HOUSING FINANCE SYSTEMS IN DEVELOPED COUNTRIES**

Lea, *Alternate Forms of Housing Finance*  
Wachter, *The Housing and Credit Bubbles in the US and Europe: A Comparison* (**Key Reading**)  
Levitin and Wachter, *Bubbles International* (**Key Reading**)  
Herring and Wachter, *Real Estate Booms and Banking Busts* (**Key Reading**)  
Whitehead, *International Trends in Housing Tenure and Housing Finance*, Ch. 5  
**Problem Set 3: Individual Country Slides (Housing) Due Before 1:30 PM (Canvas)**

**Class 17 – Wed 3/23** **AFFORDABILITY IN EMERGING ECONOMIES: DENSITY AND CENTRALITY**

DiPasquale and Wheaton, *Urban Real Estate Economics and Real Estate Markets*, Ch. 3, pp. 35-42 (**Key Reading**)  
Mills and Hamilton, *Urbanization in Developing Countries*, Ch. 17, pp. 433-442; 443-445; 452-456 (**Key Reading**)  
Tiebout, *A Pure Theory of Local Expenditures* (*skim*)  
Acoca, Chattaraj and Wachter, *Urban Governance and Development of Informality in China and India* (*skim*)

**Class 18 – Mon 3/25** **SECOND PRESENTATIONS**

**Class 19 – Mon 3/30** **WHAT CAUSED THE PANIC?**  
Guest Speaker: Larry Cordell

Cordell, Huang and Williams, *Collateral Damage: Sizing and Assessing the Subprime CDO Crisis* (**Key Reading**)

**Class 20 – Wed 4/1** **EUROPEAN MORTGAGE CREDIT: SYSTEM DESIGN; INSTRUMENTS; CRISIS MANAGEMENT; POLICY CONTEXT**

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

**Class 21 – Mon 4/6** **Practice Final Presentation**

**Class 22 – Mon 4/8** **MORTGAGE AND HOUSING POLICY IN THE US: A HISTORICAL OVERVIEW**

Acolin, Bricker, Calem and Wachter, *Borrowing Constraints and Homeownership* (**Key Reading**)  
Acolin, Goodman and Wachter, *A Renter or Homeowner Nation?* (Skim)  
Guttentag and Wachter, *Redlining and Public Policy*  
McCoy and Wachter, *Why Cyclicity Matters to Access to Mortgage Credit* (Skim)

**Class 23 – Mon 4/13**                      **FINANCIAL STABILITY AND INSTABILITY: MACROPRUDENTIAL POLICY**

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

**Class 24 – Wed 4/15**                      **HOUSING FINANCE REFORM AND THE FUTURE OF THE GSEs**  
Guest Speakers: Richard Cooperstein, Larry Cordell, Josh Rosner,  
Mark Zandi

National Association of Realtors, *A Vision for Enduring Housing Finance Reform*. Full Version and Executive Summary. (**Key Reading**)  
Zandi, *Written Testimony on Chairman’s Housing Reform Outline*, U.S. Senate Committee on Banking, Housing, and Urban Affairs. (**Key Reading**)  
Zandi and Parrott, Washington Post Commentary. (**Key Reading**)  
[https://www.washingtonpost.com/business/2018/09/05/commentary-years-after-going-into-conservatorship-fannie-freddie-need-real-reform/?utm\\_term=.9bdfb23f83b9](https://www.washingtonpost.com/business/2018/09/05/commentary-years-after-going-into-conservatorship-fannie-freddie-need-real-reform/?utm_term=.9bdfb23f83b9)  
Senate Banking, Housing, and Urban Affairs Committee Hearing on Chairman’s Housing Reform Outline. Including Comments by Michael Calhoun. (**Key Reading**)  
President Trump’s call for housing finance reform:  
<https://www.whitehouse.gov/presidential-actions/memorandum-federal-housing-finance-reform/>

**Class 25 – Mon 4/20**                      **HOUSING FINANCE SYSTEMS IN EMERGING MARKETS**  
Guest Speaker: Marja Hoek-Smit

**First Section (10 Pages) of Final Paper Due Before 1:30 PM (Canvas)**

Brakarz, *Tenure Regularization: Process and Experiences in Latin America* (Skim)  
Hoek-Smit, *Subsidizing Housing Finance for the Poor*  
Lea, *Housing Finance Policy in Emerging Markets*, Ch. 2 - Structure and Evolution of Housing Finance Systems  
Sanyal, *Informal Land Markets—Perspectives for Policy* (Skim)  
Hoek-Smit, Kim and Wachter, *Housing Finance and the New Urban Agenda*. (**Key Reading**)

**Class 26 – Wed 4/22**                      **REVIEW CLASS**

**Class 27 – Mon 4/27**                      **FINAL GROUP PRESENTATIONS**

**Class 28 – Wed 4/29**                      **EXAM 2 (IN CLASS)**

**Wed 5/6**                                      **Final Paper Due Before 5:00 PM (Canvas & Hard Copy)**