

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

**REAL 236 / BEPP 236**  
**INTERNATIONAL HOUSING COMPARISONS**  
**SPRING 2019**

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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.

**Professor:** Dr. Susan Wachter  
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Hours: Tuesday 6:00 pm – 7:00 pm

**TA:** Rachel Pomerantz  
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Office: TBD  
Hours: TBD

**Class Meeting:** Monday and Wednesday 1:30-3:00 pm  
Huntsman Hall G55

**Course Materials:** Class readings can be found in the Course Packet available at [www.study.net](http://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 1/16                      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 1/21                                      NO CLASS**

### **Class 2 - Wed 1/23                      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 1/28                      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 1/30                      INFORMAL REAL ESTATE MARKETS** Guest Speaker: Nina Harari

Angel, *Housing Policy Matters*, Ch. 1; Ch. 7; Ch. 23, pp. 316-325 (**Key Reading**)  
Galiani and Schargrodsky, *Property Rights for the Poor: Effects of Land Titling* (**Key Reading**)  
Harris and Todaro, *Migration, Unemployment and Development: A Two-Sector Analysis* (Review)  
Perelman, *It All Depends Buying and Selling Houses in Rio's Favelas*

### **Class 5 – Mon 2/4                      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, *Urban Housing and Financial Markets: Some International Comparisons*  
Malpezzi and Wachter, *Housing Demand*  
Wachter and Kroll: *Simple Analytics - Real Estate Capital and Space Markets* (Review)

**Class 6 – Wed 2/6**                      **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 2/11**                      **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)

**Class 8 – Wed 2/13**                      **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)

**Country Selection Due (Canvas)**

**Class 9 – Mon 2/18**                      **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 2/20**                      **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)

**Problem Set 3: Individual Country Slides (Housing) Due Before 1:30 PM (Canvas)**

**Class 11 – Mon 2/25**                      **REVIEW CLASS**

**Class 12 – Wed 2/27**                      **EXAM 1 (IN CLASS)**

**Mon 3/4**                                      **NO CLASS (SPRING BREAK)**

**Wed 3/6**                                      **NO CLASS (SPRING BREAK)**

**Class 13– Mon 3/11**                      **WHAT CAUSED THE PANIC?**  
Guest Speaker: Larry Cordell

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

**Class 14 – Wed 3/13**                      **SYSTEMIC FAILURE AND THE FUTURE OF SECURITIZATION**

Levitin and Wachter, *Explaining the Housing Bubble* (Review) Levitin and Wachter, *Why Housing?* (**Key Reading**)

**Class 15 –Mon 3/18**                      **COMMERCIAL MORTGAGE-BACKED SECURITIES (CMBS)**

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 3/20**                      **AFFORDABILITY IN EMERGING ECONOMIES: DENSITY AND CENTRALITY**

**Group Comparative Macro Presentations Due Before 1:30 PM (Canvas)**

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*  
Acoca, Chattaraj and Wachter, *Urban Governance and Development of Informality in China and India*  
Chattaraj, *India: smart cities need smart governance*

**Class 17 – Mon 3/25**                      **HOUSING FINANCE SYSTEMS IN EMERGING MARKETS**  
Guest Speaker: Marja Hoek-Smit

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

**Class 18 – Wed 3/27**                      **INITIAL GROUP PRESENTATIONS**

**Class 19 – Mon 4/1**                      **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**)  
Whitehead, *International Trends in Housing Tenure and Housing Finance*, Ch. 5

**Class 20 – Wed 4/3**                      **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

**Class 21 – Mon 4/8**                      **MORTGAGE AND HOUSING POLICY IN THE US: A HISTORICAL OVERVIEW**

**Second Round Group Presentations Due Before 1:30 PM (Canvas)**

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* (**Key Reading**)  
McCoy and Wachter, *Why Cyclicalities Matters to Access to Mortgage Credit* (Skim) Parrott, *Clarifying the Choices in Housing Finance Reform* (**Key reading**)

**Class 22 – Wed 4/10**                      **SECOND ROUND GROUP PRESENTATIONS**

**Class 23 – Mon 4/15**                      **MORTGAGE MARKETS REFORM – 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)  
Wachter, *Next Steps in the Housing Finance Reform Saga* (Review)

**Class 24 – Wed 4/17**                      **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* (**Key Reading**)  
Allen and Carletti, *What should Central Banks do about Real Estate Prices?*  
Blake and Muellbauer, *Imbalances in EU Housing Markets*

**Class 25 – Mon 4/22**                      **FINAL GROUP PRESENTATIONS (TENTATIVE)**

**Class 26 – Wed 4/24**                      **SUSTAINABLE DEVELOPMENT GOALS AND HOUSING IN EMERGING MARKETS**

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

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

**Class 27 – Mon 4/29**                      **REVIEW CLASS**

**Class 28 – Wed 5/1**                      **EXAM 2 (IN CLASS)**

**Wed 5/8**                                      **Final Paper Due Before 5:00 PM (Canvas & Hard Copy)**