

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

REAL 236 / BEPP 236
INTERNATIONAL HOUSING COMPARISONS
SPRING 2015

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: Thursday 1:00pm – 3:00pm

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 1/14

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 1/19

NO CLASS

Class 2 - Wed 1/21

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 1/26

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 1/28

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 #28)

Class 5 – Mon 2/2

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 2/4

INTERNATIONAL HOUSING COMPARISONS: INFORMAL REAL ESTATE MARKETS

GUEST SPEAKER: ALAIN BERTAUD AND STEPHEN MALPEZZI

Problem Set #1 Due Today before class on canvas

Galiani and Schargrodsky, *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 2/9**MORTGAGE INSTRUMENTS, CREDIT RISK AND LENDING CONSTRAINTS**

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 2/11**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 2/16**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* (**canvas**)
Green and Wachter, *The American Mortgage in Historical and International Context* (Skim First Half) (BP #24)
Levitin and Wachter, *The Public Option in Housing Finance* (skim) (**canvas**)
Levitin and Wachter, *Explaining the Housing Bubble* (**canvas**)
Harvard Business School, *Savings and Loans and the Mortgage Markets* (BP #22)

Class 10 – Wed 2/18**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 2/23**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 2/25**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 3/2**REVIEW CLASS**

Class 14 – Wed 3/4

MIDTERM EXAMINATION (IN CLASS)

Mon 3/9

NO CLASS (Spring Break)

Wed 3/11

NO CLASS (Spring Break)

Class 15 – Mon 3/16

DENSITY AND THE IMPORTANCE OF CENTRALITY IN HOUSING MARKETS: AN INTERNATIONAL COMPARISON

Mills and Hamilton, *Urbanization in Developing Countries Chapter 17*, Read pp. 443-445, 433-442 and skim 452-456 (BP #25)

Tiebout, *A Pure Theory of Local Expenditures* (BP #26)

DiPasquale and Wheaton, *Urban Real Estate Economics and Real Estate Markets Chapter 3*, pages, 35-42 (BP #27)

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

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

Class 16 – Wed 3/18

MORTGAGE MARKETS AND INFRASTRUCTURAL ISSUES – PUBLIC EVENT

Zandi and Deritis, *Housing Finance Reform Steps Forward* (**canvas**)

Immergluck, *Community Developers, Don't Ignore This Housing Finance Reform Bill* (**web link on canvas**)

BPC Reform proposal: (**canvas**)

March 2013 complaints report: (**canvas**)

Ability to Repay rule: (**canvas**)

High-Cost Mortgage rule: (**canvas**)

Class 17 – Mon 3/23

HOUSING FINANCE SYSTEMS IN EUROPE

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 #29)

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

Class 18 – Wed 3/25

**HOUSING FINANCE SYSTEMS IN EMERGING MARKETS
GUEST SPEAKER: MARJA HOEK-SMIT**

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

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

Class 19 – Mon 3/30

FINANCE STABILITY AND INSTABILITY: MACROPRUDENTIAL POLICY

Class 20 – Wed 4/1

**GLOBAL HOUSING DEVELOPMENT
GUEST SPEAKER: FRED COOPER**

Eicholtz, Gugler, Kok. *Transparency, Integration, and the Cost of International Real Estate Investment* (**canvas**)

Zell, Sam. *Evolution Revolution* (**canvas**)

Gordon, Jacques. *The Surprises of International Real Estate* (**canvas**)

Class 21 – Mon 4/6

MORTGAGE AND HOUSING POLICY IN THE US: AN HISTORICAL OVERVIEW

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

Guttentag & Wachter, *Redlining and Public Policy* (BP #30)

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 #31)

Class 22 – Wed 4/8 GUEST SPEAKER: BOB TOLL

Class 23 – Mon 4/13 **BASEL III AND THE ROLE OF SECURITIZATION IN GLOBAL HOUSING FINANCE**

Allen and Gale, *Bubble and Crises* (**canvas**)
Levitin et al., *Securitization: Cause or Remedy of the Financial Crisis?* (**canvas**)

Class 24 – Wed 4/15 **PRESENTATIONS I**

Class 25 – Mon 4/20 **PRESENTATIONS II**

Class 26 – Wed 4/22 **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 4/27 **REVIEW CLASS**

Class 28 – Wed 4/29 **SECOND EXAMINATION**

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