11.145/11.355 - International Housing Economics and Finance

Instructor
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Regular Lecture Time
Room 9-217
Mondays, Wednesdays 9:30-11:00 am

Recitations
Will be hybrid online and in a designed classroom. Hours and venues TBA depending on enrollment sizes and student availability

Office Hours
Professor
Wednesday, 11:00 am – 1:00 pm
or by appointment

TA: by appointment

Pre-requisites
Microeconomics, Real Estate Economics, or similar (can be taken concurrently)

Description
We will develop a theory of comparative differences in international housing markets, focusing on basic outcomes, valuation, finance, and economics. We will learn about institutional differences in the ways housing expenditures are financed, and about the economic determinants of housing outcomes, such as construction costs, land values, housing quality, and ownership rates. We will then relate these housing outcomes to social outcomes: how affordable is housing? Which type of unit can people in different socioeconomic strata afford? What factors contribute to residential segregation? Do people own or rent? What housing quality? What are the new trends in housing provision, development, and re-development?
We will also study the flow of funds to and from the different national housing finance sectors, trying to understand the greater financial and macroeconomic implications of the mortgage credit sector, and how policies affect the ways in which housing asset fluctuations impact national economies. This will lead us to develop a model of housing price fundamentals and fluctuations that is based on recent research. Finally, we will critically examine the different types of housing policies that are implemented around the world. What are the main housing supply, demand, and finance policy instruments across nations? Are they effective?

This intellectual trip through housing markets will introduce a great many mini case-studies, and take us anywhere to 30-50 different countries. While we draw lessons from an international comparative approach, we will try to make them applicable to housing economic and finance policies and investments at the local, state/provincial, and federal levels within your country of choice. In fact, this is a great course if you are interested in the US housing market also, because a comparative view will provide you with better understanding of our local issues and with potential policies that are implemented elsewhere.

**Learning Methods**

There are innumerable dimensions to housing, land, and real estate markets around the world. In order to maximize our understanding of market dynamics we will use a five-dimensional approach based on:

1. **Professor Lectures**: the lectures will develop a comparative approach to the economics and finance of land and housing markets. We will develop the conceptual tools to understand why outcomes in different markets are so different.
2. **Guest speakers**: guest speakers will bring perspectives from specific markets or sectors.
3. **Reading and discussion around the assigned posted materials**
4. **A take-home quiz** will be administered and graded for you to review readings and foundational materials.
5. **We will all contribute to the class knowledge of specific markets (cities, countries, or regions) by developing:**
   1. **3 student-generated presentations** (10 to 20 slides) about the housing (or commercial real estate) conditions in a country of your choice. We will devote most of the recitation time to discuss and contrast your findings across countries. In the first presentation, you will provide your classmates with research about some of the main big-picture housing metrics of your country/city of choice; in the second presentation, you
will zero-into one or two specific problems – e.g. aging, sprawl, segregation, quality of the stock, affordability, lack of rentals; in the last presentation, you will investigate current housing policies, innovations, and/or new market solutions in housing in your country/city of choice.

ii) A final research paper (loosely, 6-12 pages) presenting and discussing your findings. You can choose to summarize the 3 presentations or to focus on the last one.

Grading
Grading will be based on the 3 presentations, the quiz, and a research paper (up to 12 pages). The final paper (6-12 pages) will account for 40% of your grade. Your presentations to the class will account for an extra 10% of your grade each for the first two ones, and 20 percent for the last one (40% overall). The quiz counts for 20%.

<table>
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<tr>
<th>Assignment</th>
<th>Grade</th>
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<tbody>
<tr>
<td>Presentation #1</td>
<td>10%</td>
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<tr>
<td>Presentation #2</td>
<td>10%</td>
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<tr>
<td>Take-home Quiz</td>
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<td>Presentation #3</td>
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<td>Final Paper</td>
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ALL PROJECTS ARE INDIVIDUAL

Listeners
You can listen to the class but you are required to attend to all classes and are asked to consider contributing by doing a brief presentation about a housing topic of your choice in the last part of the class.

Preliminary Calendar: *Subject to change*

<p>| Date                  | Lecture                                                        | Reading Pack |
|-----------------------|----------------------------------------------------------------|
| Monday, January 31    | Introduction: The Puzzle of Housing Markets                    | 1            |
| Wedn, February 2      | Home Value: Location and Residential Density                    | 1            |
| Monday, February 7    | Jobs and Sprawl Around the Globe                                | 1            |
| Wedn, February 9      | Income, Transportation, Space Demand                            | 1            |
| Monday, February 14   | Downtown redevelopment and PPP; Ethnic and Income Segregation  | 1            |
| Wedn, February 16     | Gentrification and market segmentation; immigrants              | 2            |
| Mon, February 21      | NO CLASS: PRESIDENT’S DAY                                       |              |
| Tuesday February 22   | Older Stock; Depreciation and Reinvestment                       | 2            |</p>
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<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Week</th>
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<tbody>
<tr>
<td>Wed, February 23</td>
<td>Local Consumption, Amenities and Housing Markets</td>
<td>2</td>
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<td>Mon, February 28</td>
<td>Demographic factors I</td>
<td>2</td>
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<td>Wedn, March 2</td>
<td>Demographic factors II; simple market growth forecasts</td>
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<tr>
<td>Monday, March 7</td>
<td>Property and Registration; Taxes;</td>
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<td>Wedn, March 9</td>
<td>Financing Infrastructure for residential development</td>
<td>3</td>
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<tr>
<td>Monday, March 14</td>
<td>Money and Finance: Tradables and Dutch Disease</td>
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<tr>
<td>Wednesday, March 16</td>
<td>GDP Constraints to new housing construction</td>
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<tr>
<td>Monday, March 21</td>
<td>NO CLASS: SPRING BREAK</td>
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<tr>
<td>Wednesday, March 23</td>
<td>NO CLASS: SPRING BREAK</td>
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<td>Monday, March 28</td>
<td>NO CLASS: WORK ON TAKE-HOME QUIZ</td>
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<td>Wednesday, March 30</td>
<td>Construction costs; Transparency and bribes</td>
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<td>Monday, April 4</td>
<td>Financial Inflows; asset pricing with user cost</td>
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<td>Wednesday, April 6</td>
<td>Macroeconomics, cycles, bubbles, and “bubbllettes”</td>
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<td>Monday, April 11</td>
<td>Money and Finance: inflation and monetary effects</td>
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<td>Wednesday, April 13</td>
<td>Housing finance I: models and principles; institutionalization and asset values</td>
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<td>Monday, April 18</td>
<td>NO CLASS: Patriot’s Day</td>
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<td>Wednesday, April 20</td>
<td>Housing finance II: banking and markets; Fintech</td>
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<td>Monday, April 25</td>
<td>Rental yields; yield compression; investment motivations</td>
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<td>Wednesday, April 27</td>
<td>Ownership versus Rental as a Financial Market Outcome</td>
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<td>Monday, May 2</td>
<td>Housing policies across the globe I</td>
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<tr>
<td>Wednesday, May 4</td>
<td>Housing policies across the globe II</td>
<td>4</td>
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<tr>
<td>Monday, May 9</td>
<td>Wrap up and Final Discussion</td>
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**Final paper due by May 14th:** I will consider an earlier presentation and paper delivery date by Harvard GSD students.
READINGS

Reading pack #1

6. ULI Case Study: King's Cross—London, United Kingdom
8. “Tall Buildings, a Strategic design Guide” Steve Watts, David Langdon
10. “Successful Public Private Partnerships.” Urban land Institute

Additional Reference (Optional)
Reading pack #2


Additional Reference (Optional)
27. Mexico Large Housing Developments: https://www.latimes.com/projects/la-me-mexico-housing/#nws-mcnewsletter
Reading pack #3


34. Michaels et al. (working paper). *Planning Ahead for Better Neighborhoods: Long Run Evidence from Tanzania.*

35. Policy Memo for Slum Upgrading and Long-run Urban Development by Mariaflavia Harari and Maisy Wong (February 2020)


37. The Economist."Azerbaijan’s economy drunk on oil is suffering rapid inflation


44. Abiko et al. Basic Costs of Slum Upgrading in Brazil


**Additional Reference (Optional)**


48. European Union SME Centre: The construction Sector in China

**Reading pack #4**


