



Housing Markets in Developing Countries

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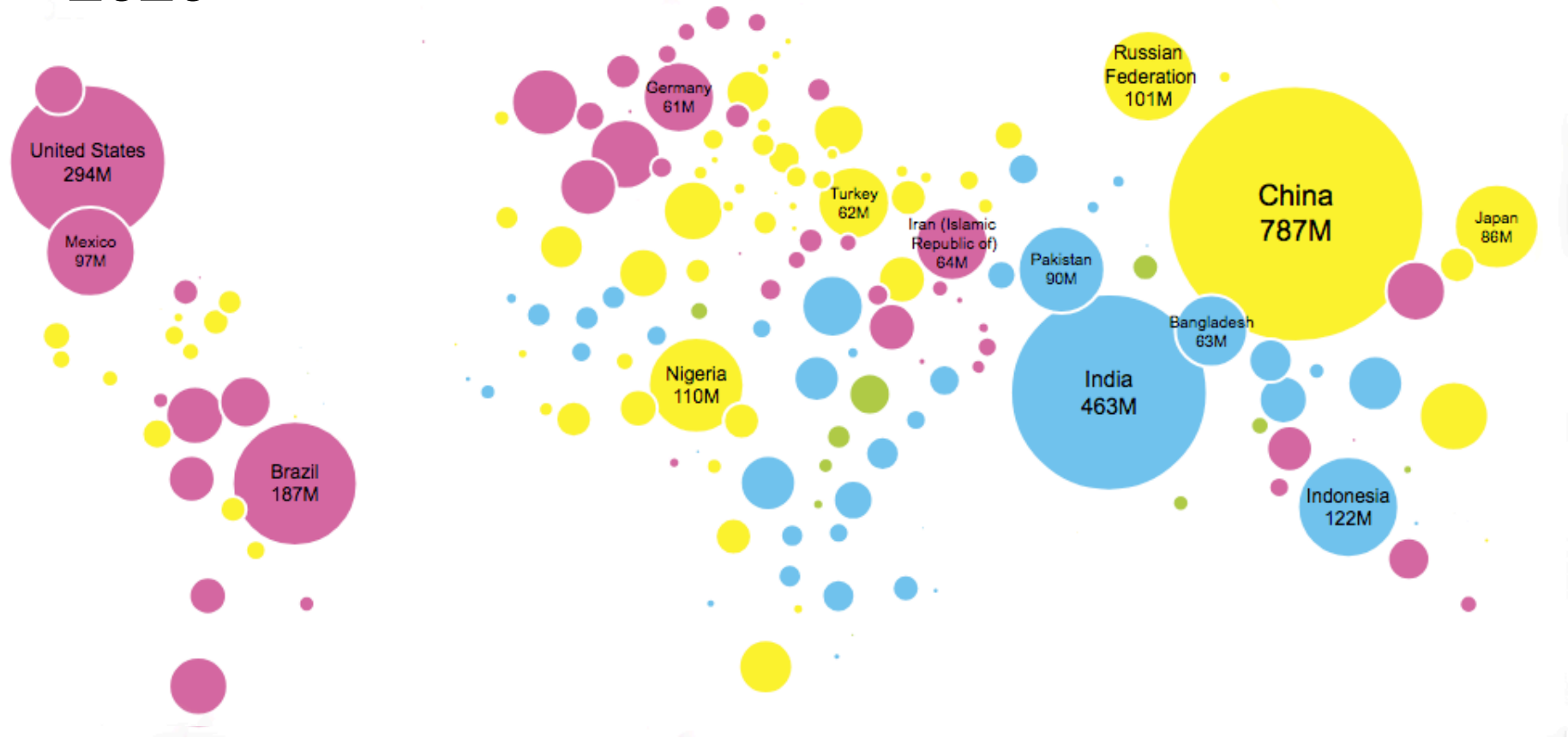
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Why is this important?

Massive population growth in cities

2020



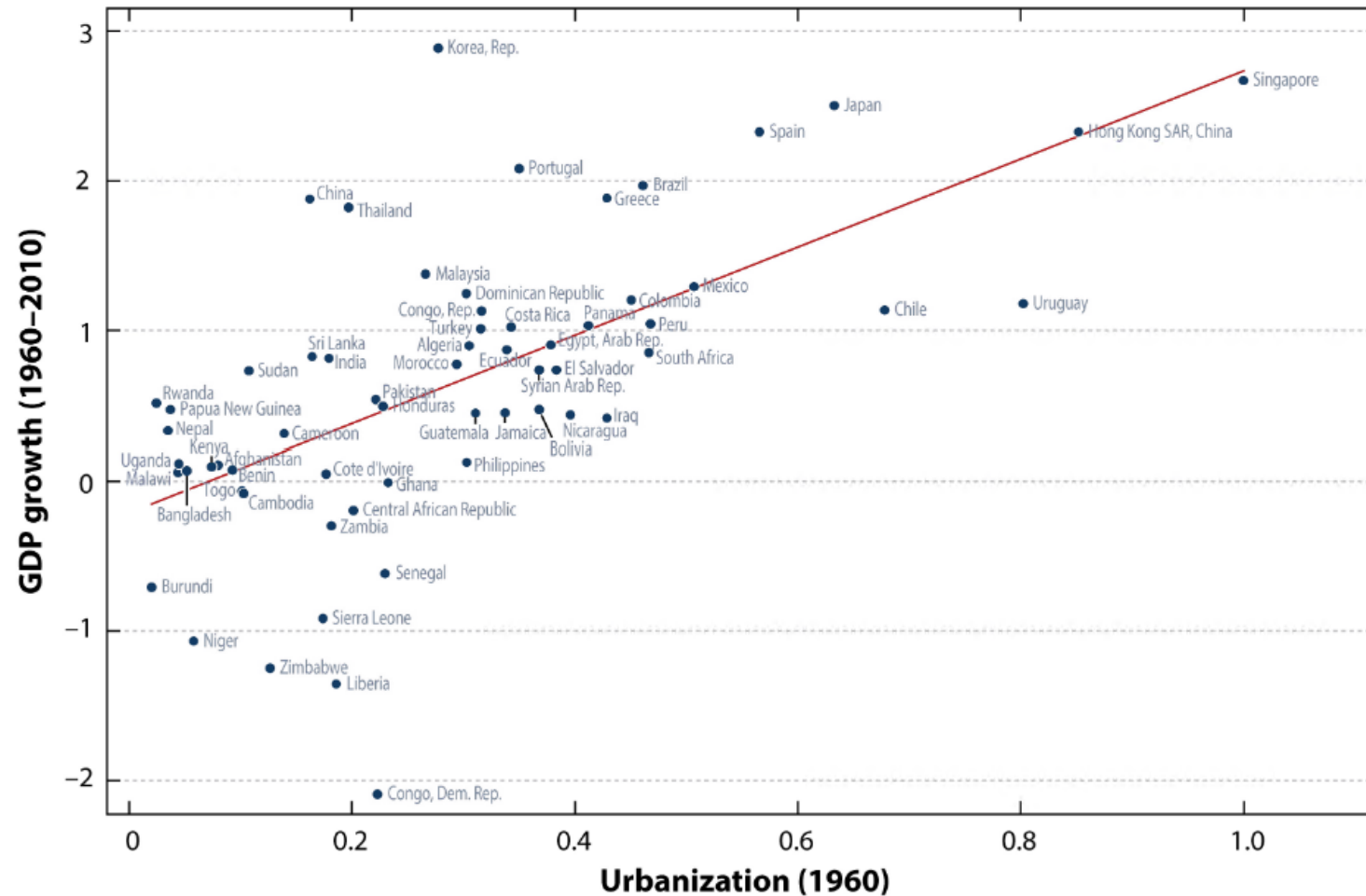
Urban Population

- Greater than 75%
- 50%- 75%
- 25%- 50%
- Less than 25%

Source: [UNICEF, An Urban World](#)

Cities as engines of growth

Strong correlation between urbanization and GDP growth

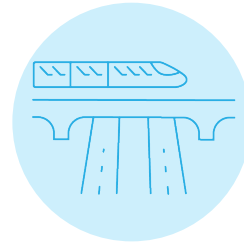


Source: Figure 1b in Bryan, Glaeser, Tsivanidis (2020)

Investing in cities to create engines of growth



Real estate



Infrastructure



Capital markets



Public/private
partnerships



Importance of Housing Sector

Importance of Housing (Micro)



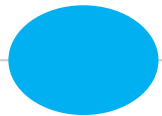
- ◎ Shelter and stability
- ◎ Access to
 - Jobs and economic opportunity
 - Neighborhood amenities/quality (schools, healthcare, crime, pollution, congestion)
 - Networks/peers (residential segregation)
- ◎ Wealth and inter-generational mobility
- ◎ Potential source of collateral to alleviate credit constraints

Importance of Housing (Macro)



- ⦿ Where people live and how they access jobs and amenities
 - ➔ productivity, mobility, equity
- ⦿ Potential spillovers to broader economy
 - Employment
 - Consumption
 - Allocation of land and resources
 - Housing finance
- ⦿ Political risks
 - Eviction, housing affordability, neighborhood change, housing busts

What does this mean for practitioners and policy makers?



What does this mean for practitioners and policy makers?

- Potential benefits and costs are wideranging
 - Direct and indirect effects
 - Spillovers (within housing, to other sectors)
 - Lock-in and durability of housing

What does this mean for practitioners and policy makers?

- Potential benefits and costs are wideranging
- Political risk
 - Eviction, housing affordability, neighborhood change, housing busts
- Cost of doing nothing can also high
- No silver bullet/one-size-fits-all solution



Three phases of real estate markets

Problems (and solutions) are different

Phase 1 of real estate markets

- Structural transformation, rural to urban migration

Property market

Capital market

Phase 1 of real estate markets

- Structural transformation, rural to urban migration

Property market

- ⦿ Large demand shock
 - Capitalized into land prices

Key challenges:

- Housing shortage
- Unequal access
 - Top deciles (luxury)
 - Middle
 - Bottom

Capital market

- ⦿ Mostly equity
- ⦿ Limited debt
- ⦿ Government subsidies

Phase 2 of real estate markets

- No more massive urbanization

Property market

- Emergence of middle class
- Exit of over-levered developers
- Emergence of professional landlords
 - Need tenant and landlord rights

Key challenges:

- “Bubble” risk/excess supply
- Housing shortage in some segments

Capital market

- Development of debt markets
 - Rule of law to protect lenders/borrowers
- Regulation to monitor risks associated with housing

Phase 3 of real estate markets

- Proliferation of products



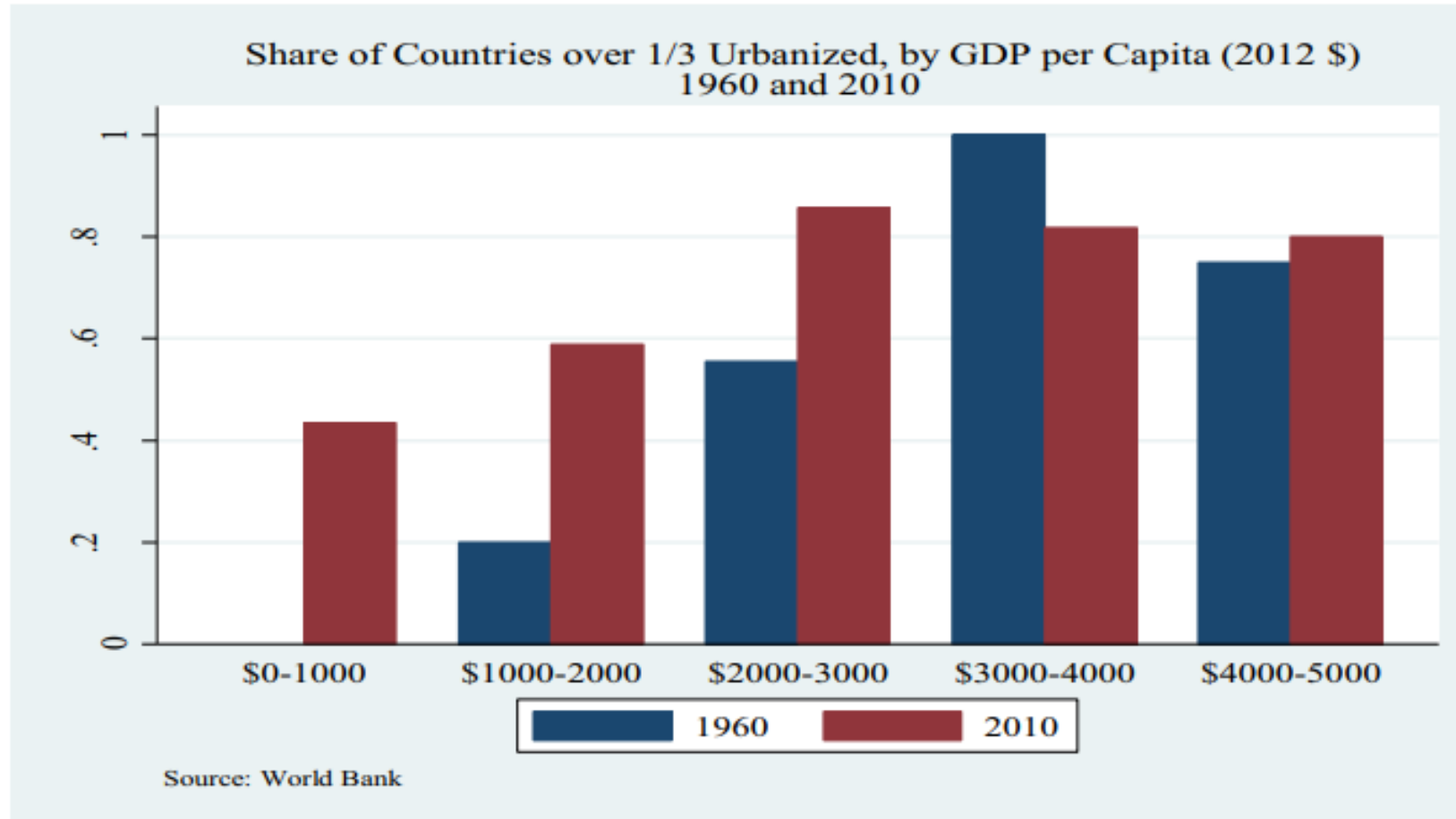
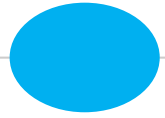
Property market

- Product differentiation
 - (Higher margins) Student housing, senior housing, co-living

Capital market

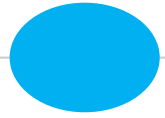
- More complex debt/equity instruments, including:
 - Securitization of debt (mortgage-backed securities)
 - Securitization of equity (REITs)

More cities today urbanizing at lower levels of GDP per capita



Source: Glaeser and Henderson (2017)

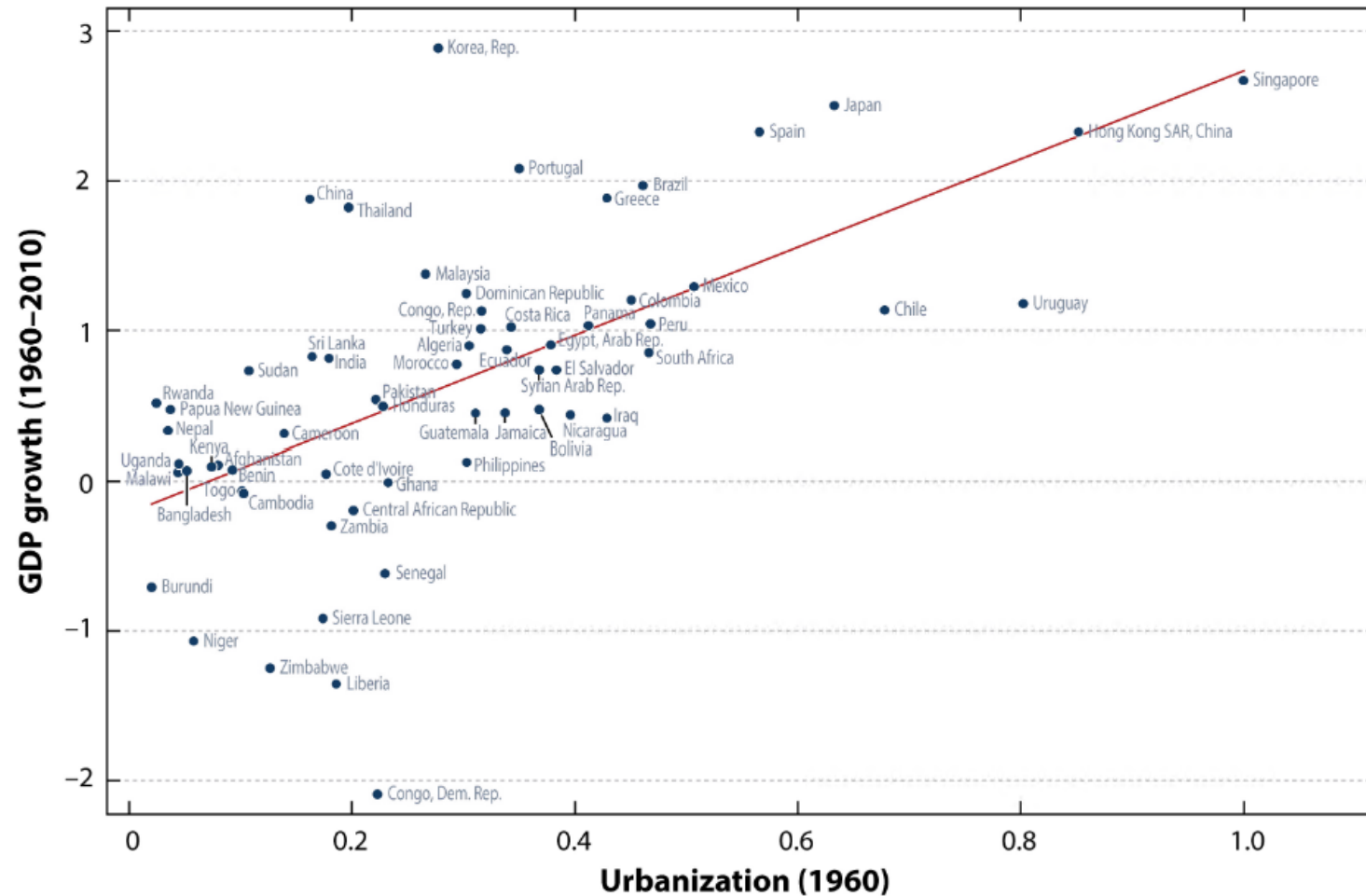
As markets transition through phases, look for development in these three pillars:



Source: Rajan (2019), *The Third Pillar*

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Source: Figure 1b in Bryan, Glaeser, Tsivanidis (2020)

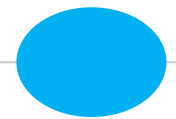
Tee-ing up for tomorrow' sessions

- Framework to guide development of housing markets

● How to Build a Fair and Efficient Housing Market

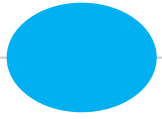
● Scaling Housing Production Requires Finance

● Measuring Housing's Impact Requires Data



Appendix

TBA



TBA