

# The Housing Market in a Central European Context

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## Course Description:

Housing markets in many Central and Eastern European countries were severely hit by the Global Economic Crisis after 2008. After a long boom in house prices, homeowners in CEE countries experienced the first substantial drop in the value of their housing assets since the collapse of the state-socialist regime. In some countries, such as Hungary, the growing default rate of mortgage borrowers led to serious problems in the financial sector leading government to seek international help from the IMF. However, in some others, such as Poland and the Czech Republic, the impact of crisis on financial and housing markets was much milder. The variance in the impact of the crisis confirmed that the housing market does not operate in an institutional vacuum and that methods for housing market assessment cannot ignore this. This course will provide an introduction to the standard tools for the assessment of housing markets and house prices used in traditional economics, such as present value and structural models, but it will also discuss and compare institutional contexts among CEE countries. It will explore the effect of state interventions on the nature of housing systems in the CEE region, and the impact of changes in housing systems on the behaviour of market agents. The similarities and differences in market-based housing finance, housing subsidies, private and social renting among CEE countries will be discussed with a view to examining convergence and divergence trends. These trends will to some extent also be compared to the U.S. and to other EU countries. The final part of the course will be devoted to tenure choice (renting or owning a dwelling) and a discussion of the psychological and sociological aspects of decision-making in a housing market that is characterized by a high level of uncertainty. Knowledge of the specific institutional context of the post-socialist housing transformation and the sociological and psychological aspects of housing market decisions will represent added value to the standard tools used in housing economics for the analysis of house price determinants and will provide a deeper understanding of housing markets in this part of the world.

### UPCES Non-Discrimination/Harassment Policy

The UPCES program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristic, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

### UPCES Diversity Policy

UPCES fully embraces diversity and strives to create a safe and welcoming environment for students from all backgrounds. Prague is a wonderfully diverse community and UPCES is no different. All students should feel at home while studying abroad and UPCES will do its utmost to make sure that becomes a reality. Although unique challenges may arise, we believe that students from all walks of life will encounter wonderful opportunities for enrichment as they explore a new culture while studying abroad.

## Literature:

Balchin, P., Rhoden, M. (eds.) 1998. *Housing: the Essential Foundations*. New York, London: Routledge.

Green, R.K., Malpezzi, S. 2003. *A Primer on U.S. Housing Markets and Housing Policy*. Washington: Urban Institute Press.

Hegedüs, J., M. Lux, N. Teller (eds.) 2013. *Social housing in transition countries*. New York, London: Routledge.

Lux, M. (ed.) 2003. *Housing Policy: An End or a New Beginning*. Budapest: LGI - OSI.

## Grading:

Midterm and (non-cumulative) final exams are worth 40% of the grade each. Attendance and class participation are worth 20%. Students will have a choice of either taking the final exam or writing a paper with an analysis of different aspects of housing markets and housing systems in CEE countries. The paper should have up to 1500 words.

## Weekly Schedule:

Week 1

**UPCES Orientation Lecture Series Lectures** and site visits on subjects of history, culture, politics, and the economies of the Czech Republic and Central Europe in order to establish a common interdisciplinary background and vocabulary for all courses.

Week 2

### **INTRODUCTION**

- Housing conditions in post-socialist countries
- Eastern European Housing Model and path dependence
- Introductory to main housing reforms after the collapse of socialism

Pichler-Milanovich, N., 2001. Urban housing markets in Central and Eastern Europe. Convergence, divergence or “policy collapse”. *European Journal for Housing Policy* 1, 145 –187.

Week 3

### **HOUSING MARKET: BASIC FACTS**

- Housing as a special good
- Housing market supply and demand
- Qualitative analysis of housing supply in Prague

Lux 2003, pp. 5-10

Balchin, Rhoden 1998, pp. 25-49

Green, Malpezzi 2003, pp. 5-21

Week 4

### **HOUSING MARKET EFFICIENCY**

- House price indices: types and practical examples from CEE countries
- Present value model of housing market

Green, Malpezzi 2003, pp. 32-60

*Optional:* Zemčík, P. 2011. "Is There a Real Estate Bubble in the Czech Republic?" *Czech Journal of Economics and Finance* 61(1): 49-66

Week 5

### **HOUSING MARKET EFFICIENCY**

- Role of fundamentals and structural models of housing market

Malpezzi, S. 1999. A simple error correction model of house prices. *Journal of Housing Economics* 8(1): 27–62

Green, Malpezzi 2003, pp. 143-146

Egert, B., Mihaljek, D. 2007. *Determinants of House Prices in Central and Eastern Europe*. Bank of International Settlements Working Paper 236. <http://www.bis.org/publ/work236.pdf>

*Optional:* Girouard, N. et al. 2006. *Recent house price developments: the role of fundamentals*. Economics Department Working Papers No. 475. Paris: OECD.

[http://www.oecd-](http://www.oecd-ilibrary.org/docserver/download/519z9c4j8xzt.pdf?expires=1379486101&id=id&accname=guest&checksum=F3CCE771ED34F8F8B96B8740A0BBA797)

[ilibrary.org/docserver/download/519z9c4j8xzt.pdf?expires=1379486101&id=id&accname=guest&checksum=F3CCE771ED34F8F8B96B8740A0BBA797](http://www.oecd-ilibrary.org/docserver/download/519z9c4j8xzt.pdf?expires=1379486101&id=id&accname=guest&checksum=F3CCE771ED34F8F8B96B8740A0BBA797)

Week 6

### **STATE AND MARKET: HOUSING POLICIES IN POST-SOCIALIST COUNTRIES**

- Specific role of housing policy in economic transformation
- Restitution and privatization of housing stock
- Supply and demand-side housing subsidies

Green, Malpezzi 2003, pp. 85-122

Lux 2003, pp. 11-37 and pp. 403-422

Hegedüs-Lux-Teller 2013, Chapter 2

*Optional:* Lux, M., P. Sunega, P. Boelhouwer 2009. [The effectiveness of selected housing subsidies in the Czech Republic](#). *Journal of Housing and the Built Environment* 24 (3): 249-269

Week7

## **MID-TERM EXAMS AND HOUSING SYSTEMS IN POST-SOCIALIST COUNTRIES**

- Super-homeownership system and its impact on behaviour of market actors

Hegedüs-Lux-Teller 2013, Chapter 4

Lux, M., P. Sunega 2010. [The future of housing systems after the transition: The case of the Czech Republic](#). *Communist and Post-Communist Studies* 43 (2): 221-231

*Optional:* Lux, M., P. Sunega 2010. [Interrelations between housing supply agents: the metropolitan housing market in Prague](#). *Post-Communist Economies* 22 (1): 99-117

Week 8

## **FIELD TRIP**

Week 9

## **HOUSING SYSTEMS IN POST-SOCIALIST COUNTRIES**

- Development and trends in private rental housing in post-socialist countries
- Social and public housing in post-socialist countries after 1990
- Presentations of two country cases by students

Hegedüs-Lux-Teller 2013, Parts III, IV

*Optional:* Hegedüs, J., Tosics, I. 1998. Rent reform – issues for countries of Eastern Europe and the newly independent states. *Housing studies* 13: 657–658

*Optional:* Lux, M., A. Kährik, P. Sunega 2012. [Housing Restitution and Privatisation: Both Catalysts and Obstacles to the Formation of Private Rental Housing in the Czech Republic and Estonia](#). *International Journal of Housing Policy* 12 (2): 137-458

Week 10

## **HOUSING AFFORDABILITY AND INEQUALITY**

- Housing affordability: measurement and trends
- Housing inequalities: Do they reflect broader social stratification?
- Presentations of two country cases by students

Lux, M. 2007. *Housing affordability of Rental and Owner-Occupied Housing over the Course of the Economic Transformation in the Czech Republic*, European Network for Housing Research Conference, Rotterdam. <http://seb.soc.cas.cz/>

Lux, M., P. Sunega, T. Katrňák 2012. [Classes and Castles: Impact of Social Stratification on Housing Inequality in Post-Socialist States](#). *European Sociological Review* 29 (2): 274-288.

*Optional:* Yemtsov, R. 2007. *Housing privatization and household wealth in transition*. Research Paper No. 2007/02. United Nations University UNU-WIDER. <http://www.wider.unu.edu/stc/repec/pdfs/rp2007/rp2007-02.pdf>

## Week 11

### **MARKET-BASED HOUSING FINANCE IN POST-SOCIALIST COUNTRIES**

- Development of mortgage lending
- Special housing savings schemes
- Securitization of mortgages
- Presentations of two country cases by students

*Housing Finance Systems for Countries in Transition: Principles and Example.* 2005. New York and Geneva: UN/ECE, Chapters I, III, IV

Mints, V. 2000. Selecting housing finance system for Russia, *Housing Finance International*: [http://www.housingfinance.org/uploads/Publicationsmanager/0012\\_Rus.pdf](http://www.housingfinance.org/uploads/Publicationsmanager/0012_Rus.pdf)

*Optional:* Sunega, P., M. Lux 2007. Market-Based Housing Finance Efficiency in the Czech Republic. *European journal of Housing Policy* 7 (3): 241-273

*Optional:* Stephens, M. 2005. A critical analysis of housing finance reform in a „super“ homeownership state: the case of Armenia, *Urban Studies* 42: 1795-1815

## Week 12

### **OWN OR RENT HOUSING?**

- Tenure choice in post-socialist countries
- Sociological and psychological aspects of housing market behaviour

Schiller, R.J. 2008. Understanding Recent Trends in House Prices and Homeownership, *Housing, Housing Finance and Monetary Policy*, Jackson Hole Conference Series, Federal Reserve Bank of Kansas City.

[http://www.kansascityfed.org/publicat/sympos/2007/PDF/Shiller\\_0415.pdf](http://www.kansascityfed.org/publicat/sympos/2007/PDF/Shiller_0415.pdf)

Case, K.E., Schiller, R.J. 1988. *The behavior of home buyers in boom and post-boom markets.* <http://dido.wss.yale.edu/P/cd/d08b/d0890.pdf>

*Optional:* Hegedüs, J., M. Lux, P. Sunega 2011. [Decline and depression: the impact of the global economic crisis on housing markets in two post-socialist states.](#) *Journal of Housing and the Built Environment* 26 (3): 315-333

*Optional:* Malpezzi, S. 2005. The role of speculation in real estate cycles, *Journal of Real Estate Literature* 13: 143-164

## Week 13

### **FINAL EXAMS**