1. IMF'S LATEST HOUSING MARKET ASSESSMENTS

- **Canada ([Selected Issues Paper](#)):** "House prices in most Canadian regions can be explained by economic fundamentals, but prices in Hamilton, Toronto, and Vancouver are currently well-above estimated attainable levels. Since 2000, house price developments in most metropolitan regions can be explained by robust income growth and a decline in mortgage interest rates. House prices have broadly increased in line with households' borrowing capacity. However, since 2015, prices in Hamilton, Toronto, and Vancouver have deviated significantly from fundamentals. By the end of 2018, pricing gaps stood at around 50 percent for Toronto and Vancouver, and almost 60 percent for Hamilton", says IMF's [report](#).

- **Czech Republic ([Article IV](#)):** "The housing market remains pressured. Despite a recent deceleration, house price growth was still among the 5 highest in the EU in 2018, outpacing wage and income growth (Figure 7). In Prague, where most property transactions take place, offered prices for apartments have increased by 44 percent in the three years from 2016 to 2018. The price-to-income ratio has increased by a cumulative 12.6 percent between 2015: Q4 and 2018: Q4, after having been stable over the preceding 5 years. House price increases have also made a substantial contribution to the measure of CPI targeted by the CNB", says IMF's [report](#).

- **Denmark ([Article IV](#)):** "The housing market plays a vital role in Denmark, reinforcing macro-financial linkages. High mandatory pension contributions and household savings have created a pension system that has facilitated the development of the world's largest covered bond market in percent of GDP. Insurance companies, pension funds, and foreign investors are among the largest holders of covered bonds, which are issued by MCIs to fund household mortgages (…). Thus, housing asset exposures interlink MCIs, pension funds, insurance, foreign investors, and the household sector. Hence, shocks to real estate may impact negatively households' financial and non-financial assets, hindering consumption;

thus, reinforcing macro-financial linkages", says IMF's report.

- **Ireland (Article IV):** "Unlike during the pre-crisis period, rising housing prices have not been fueled by excessive credit but rather by a lagging supply response to rising demand. Robust job creation, rising wages, low interest rates, and population growth have all contributed to a strong recovery in housing demand since 2013. The supply of housing, however, has not kept pace. The main factors that have prevented a faster expansion in housing supply are constraining regulations, weaknesses in the zoning and planning process, financial difficulties of construction firms, skills shortages in the construction sector, and land hoarding", says IMF's report.

- **Norway (Article IV):** "House prices remain overvalued, albeit less so than last year, and household debt continues to rise from an already elevated level (…). The house price moderation discussed earlier has improved housing affordability and correspondingly lowered the risks of a price crash. Nevertheless, house prices remain above fundamentals per staff estimates (0–10 percent at the national level and 5–20 percent in Oslo). Moreover, household indebtedness continues to increase from already high levels, leaving households vulnerable to sharp interest rate rises. Besides mortgages, the rapid growth of consumer credit also warrants close watch, even if it starts from a small base", says IMF's report.

- **United States (Article IV):** "Housing finance and the U.S. housing market have not been reformed comprehensively. Since the last FSAP, no legislative or executive action has been taken to reduce substantially the footprint of Fannie Mae and Freddie Mac ("Enterprises")", says IMF's report.

2. SUMMER READING: RECOMMENDATIONS BY EXPERTS ON HOUSING MARKETS

Looking for something to read over the summer? We asked experts for suggestions on books and papers to read on housing markets. Below are their picks:

[Perceptions of House Price Risk and Homeownership](#) by Manuel Adelino (Duke University), Antoinette Schoar (MIT) and Felipe Severino (Dartmouth College)

Nominated by: Ian Bright (ING)

Why? "People in the US generally consider buying a home to be a safe investment but there is considerable variation depending on income and age and between renters or owners. Further, the risks associated with home ownership are perceived to be much lower than and not correlated with owning shares but are positively correlated with past and expected movements in house prices. The results support suggestions that bubbles develop in house prices and help explain why individuals place more of their wealth towards housing than seems efficient. Similar patterns seem to exist in several European countries but have not been analyzed as thoroughly."

[Building the city: urban transition and institutional frictions](#) by J. Vernon Henderson, Tanner Regan, and Anthony J. Venables

Nominated by: Remi Jedwab (George Washington University)

Why? "Very few papers have data on buildings and housing prices in developing countries."

[House Prices, (Un) Affordability and Systemic Risk](#) by Efthymios Pavlidis, Ivan Paya and Alexandros Skouralis (all at Lancaster University Management School)

Nominated by: Enrique Martínez-García (Federal Reserve Bank of Dallas)

Why? "This is a very interesting contribution in an area (the intersection between housing economics and financial stability) that has a lot of academic and policy interest and few references. In this paper, the authors show employing the ΔCoVaR methodology developed by Adrian and Brunnermeier (2011, 2016) on U.K. data that, when the real estate sector is under distress, the tail risk of the entire financial system increases significantly. Their novel work also

lends empirical support to the hypothesis that the banking sector is central for the transmission of systemic risk from housing to the overall financial sector. These results are, therefore, very relevant to assess the health of the financial system and its exposure to housing (for financial stability purposes)."

[Order without Design: How Markets Shape Cities](#) **by Alain Bertaud (New York University)**

Nominated by: Stephen Malpezzi (University of Wisconsin-Madison)

Why? "Order Without Design is one of the most important books ever written about cities. Acclaimed planner-architect-urbanist Alain Bertaud distills lessons from a half century of practical and analytical work in dozens of cities ranging from New York and Paris, to Sana'a and Port-au-Prince. Transport, land and housing, labor markets, urban form, and the proper role of urban planning are all covered concisely yet in amazing depth. Rigorous yet eminently readable, the book is a lively demonstration of the gains from trade between planners and economists."

[Boom Town: The Fantastical Saga of Oklahoma City, its Chaotic Founding... its Purloined Basketball Team, and the Dream of Becoming a World-class Metropolis](#) **by Sam Anderson**

Nominated by: Paavo Monkkonen, (University of California, Los Angeles)

Why? "By far the best "city" book I have read in a long time is called Boom Town by Sam Anderson. The history of Oklahoma City is fascinating! Not so much about housing markets, but it does have a chapter on the land rush settlement of the city (which is an amazing story) as well as segregation and urban renewal."

[Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier](#) **by Edward L. Glaeser (Harvard University)**

Nominated by: Frank Nothaft (CoreLogic)

Why? "Urbanization has been a global trend that accelerated with the industrial revolution. Harvard Professor Edward Glaeser presents the basic tenets of urban economics in an accessible manner to reach a wide audience, to reveal why cities have been the spark for innovation and the engine for job creation. He places the evolution of urbanization within an historical context: The Black Plague and slums of early industrialization have largely given way to modern metropolises that serve as the focal point for economic vitality. His writing flows naturally and is punctuated with examples he has observed in his international research. Today in America the urban core is

experiencing a renaissance of activity and attracting new millennial households. You do not have to be a PhD economist to understand how this has occurred once you have read his book."

[Evicted: Poverty and Profit in the American City](#) by Matthew Desmond and [The Dream Revisited: Contemporary Debates About Housing, Segregation, and Opportunity](#) by Ingrid Ellen and Justin Steil

Nominated by: Stijn Van Nieuwerburgh (New York University)

Why? "I would like to recommend two books, one which I have read and one which I am planning to read. Evicted by Matthew Desmond is an in-depth study of the eviction crisis in America. Through personal anecdote, Desmond tells a gripping story of eviction, housing segregation, and poverty. Towards the end of the book, he generalizes to the macro level and discusses implications for affordable housing policy. Beautifully written and inspiring for any economist interested in pursuing housing research. The second book is The Dream Revisited by Ingrid Ellen-Gould, from the Furman Center at New York University. The book brings together several experts to discuss affordable housing 50 years after the Fair Housing Act."

ABOUT GLOBAL HOUSING WATCH NEWSLETTER

The Global Housing Watch Newsletter aims to present a snapshot of the month's news and research on global housing markets. If you have suggestions on new material that could be included or ideas to improve this newsletter, you can send it to Hites Ahir (hahir@imf.org).

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