

Housing Markets: Real estate cycles and Hedonics

Urban Economics

Ignacio Sarmiento-Barbieri

Universidad de los Andes

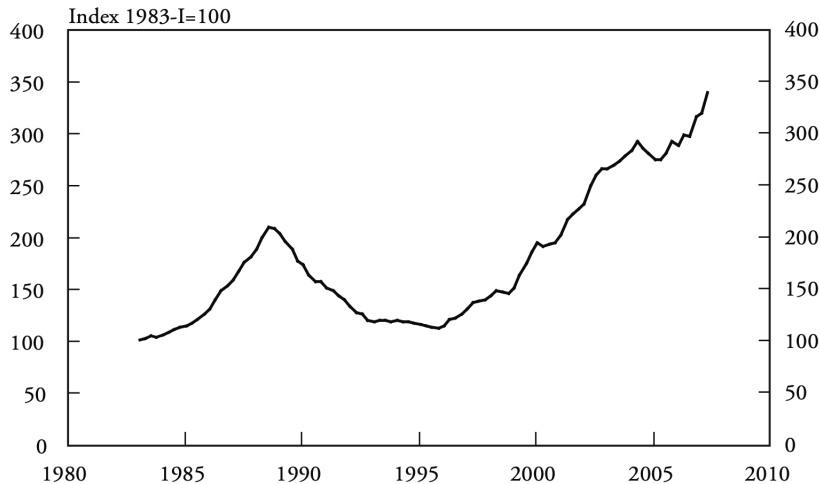
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Real estate prices and cycles

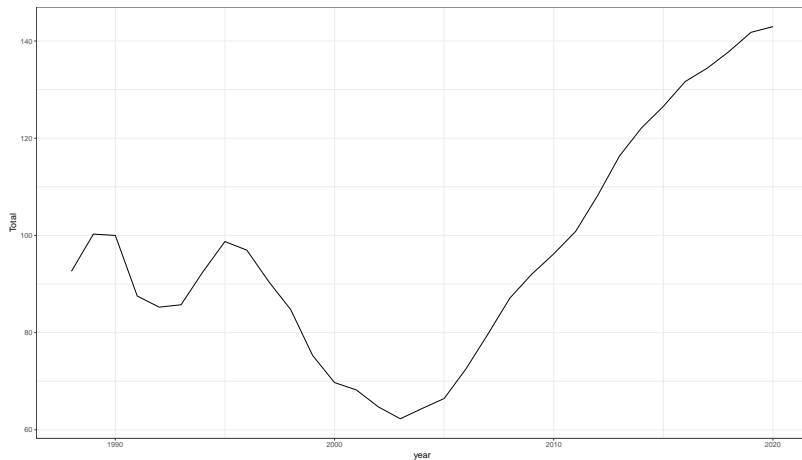
- ▶ Motivation
- ▶ Stylized Facts

Motivation

Greater London Real Home Price Index, Quarterly, 1987-I to 2007-II



Motivation

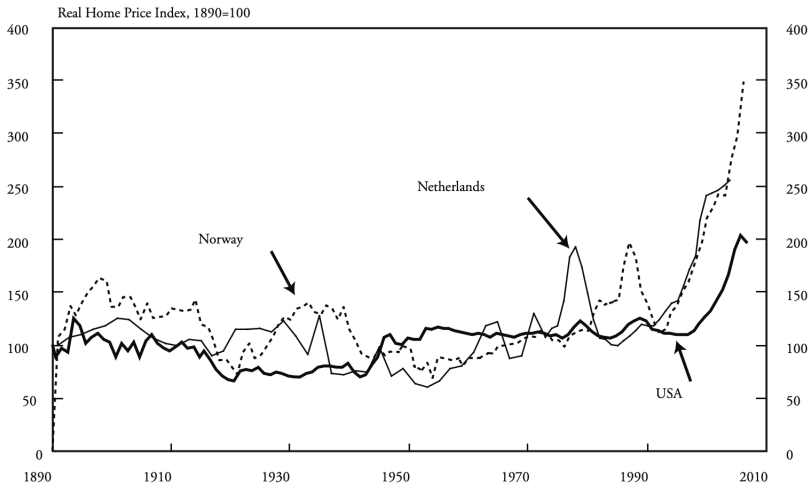


Real estate cycles: some stylized facts

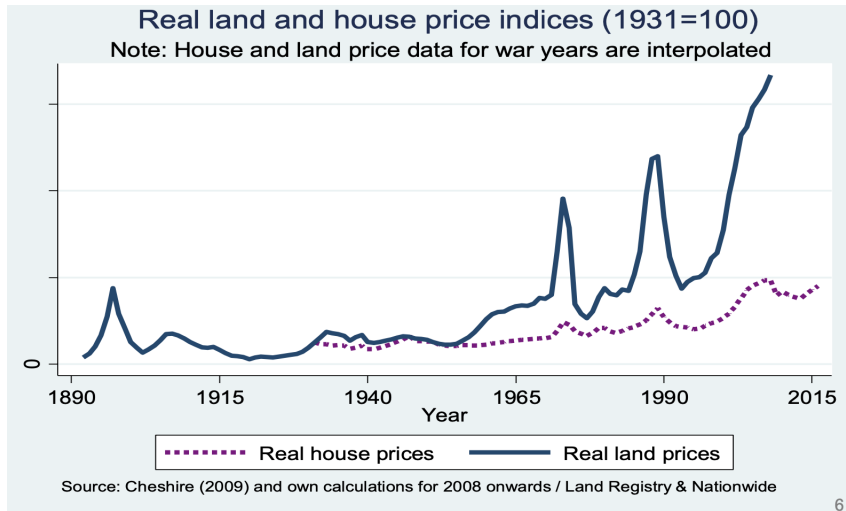
Stylized Fact 1: Real estate has 'always' been subject to strong price volatility.

Real estate cycles: some stylized facts

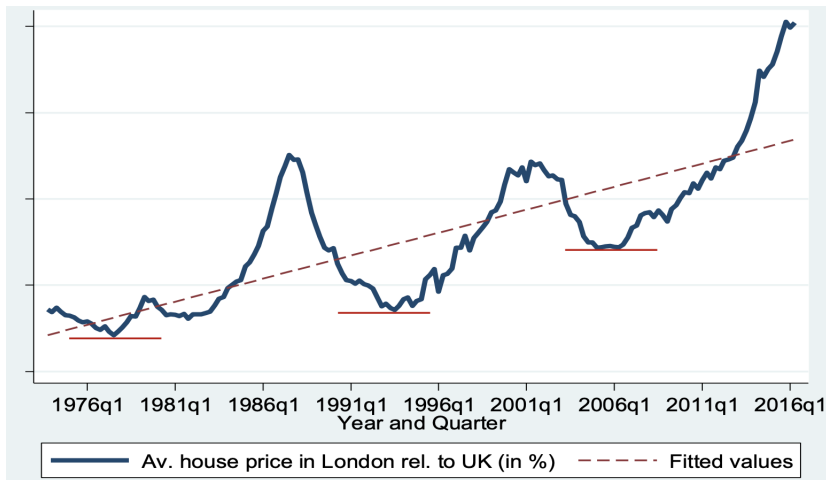
Home price indices deflated for consumer prices and rescaled to 1890=100, Netherlands, Norway, and USA.



Real estate cycles: some stylized facts



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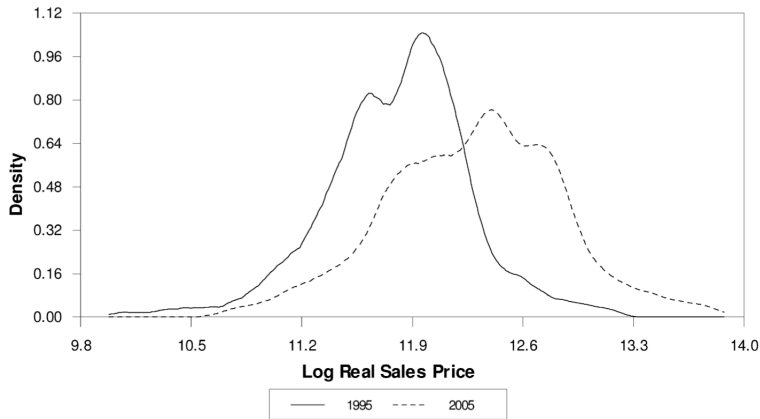
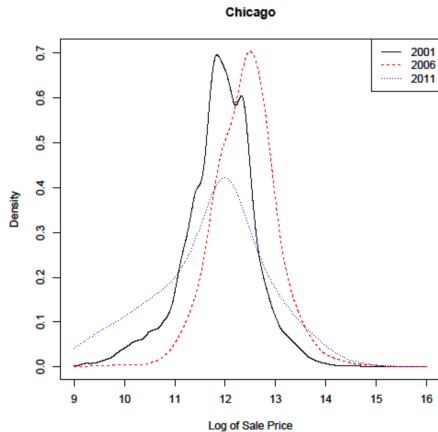


Fig. 1. Kernel density estimates for log of real sales price.

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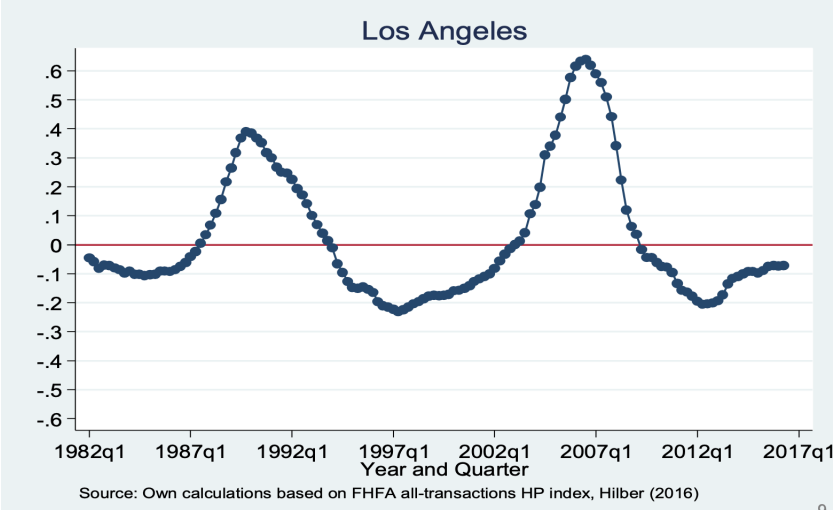
Figure 4: Estimated Sale Price Densities for Chicago



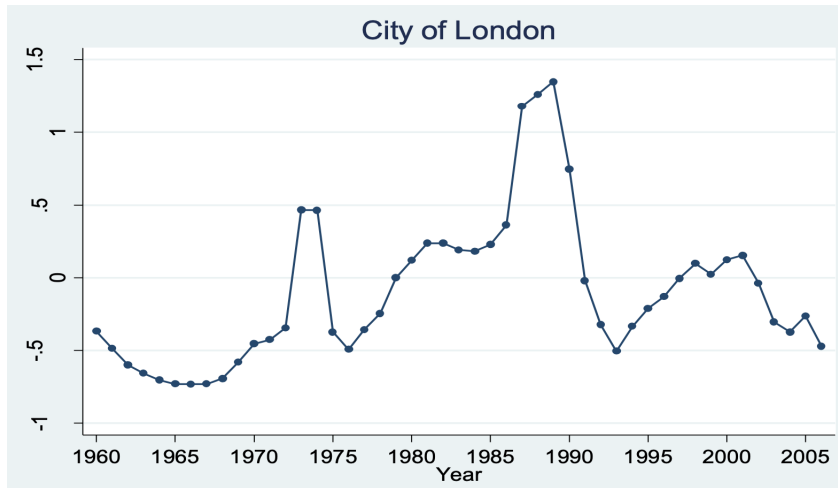
Real estate cycles: some stylized facts

Stylized Fact 2: Various key measures of residential and commercial property markets behave cyclically.

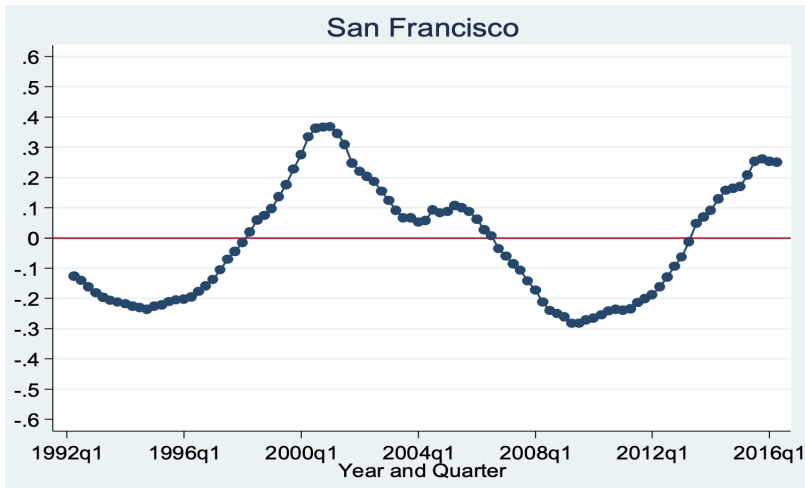
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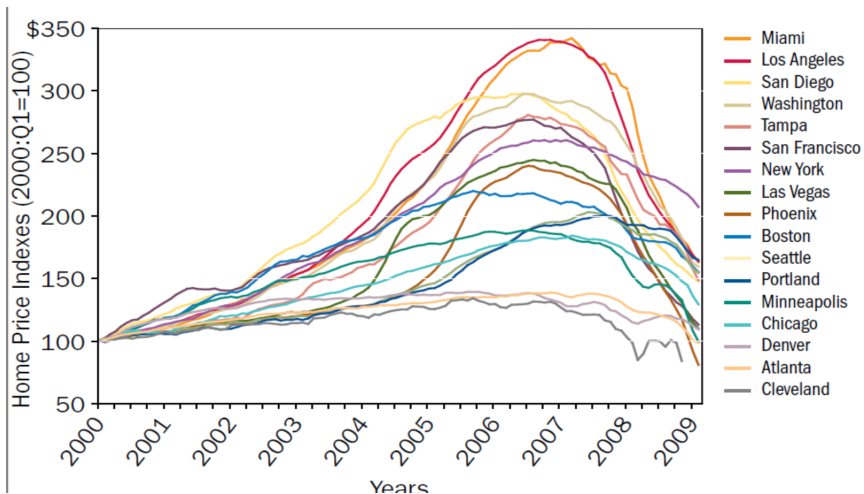
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Stylized Fact 3 The volatility and duration of property cycles varies substantially across markets and property types.

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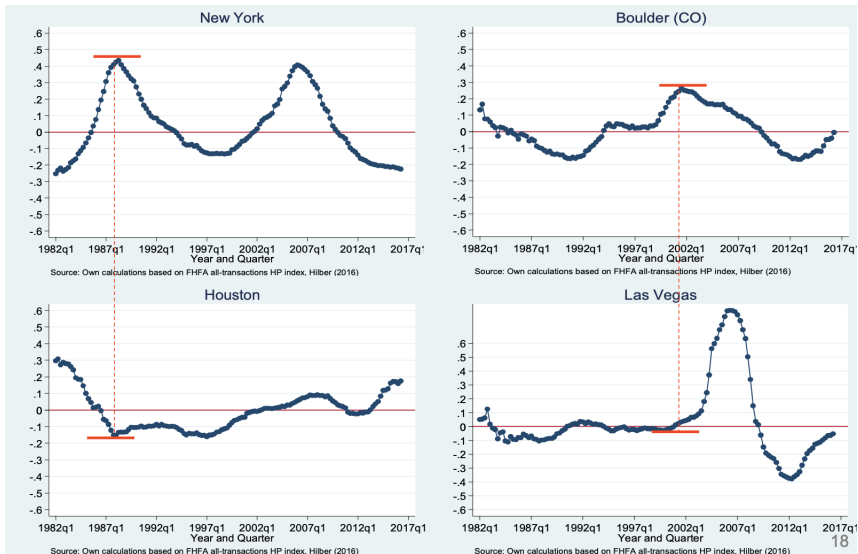


Real estate cycles: some stylized facts

MSA	Start Date of 1 st Boom/Bust Cycle	Start Date of 2 nd Boom/Bust Cycle	Duration in Years
Phoenix	1980	1998	18
Fort Worth	1982	1999	17
Dallas	1982	1999	17
...
San Diego	1988	2000	12
Grand Rapids	1988	1999	11

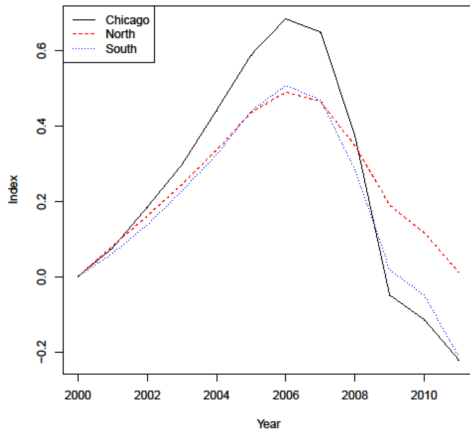
Source: Hilber (2003), own calculations based on OFHEO data, N = 39

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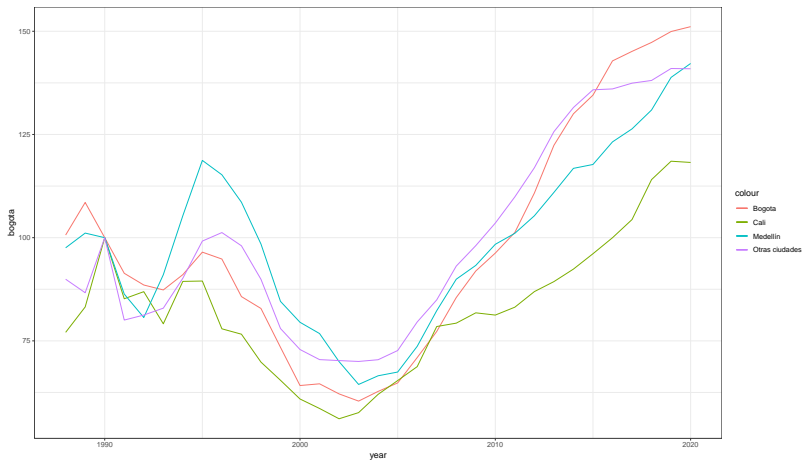


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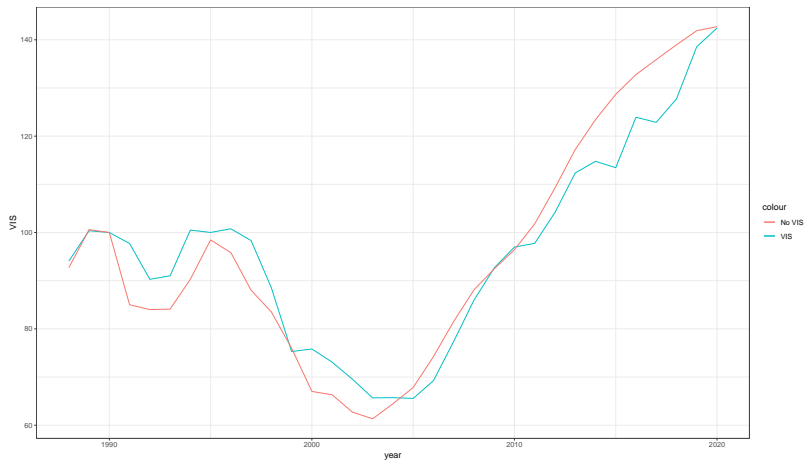
Figure 2: Estimated Hedonic Price Indices



Real estate cycles: some stylized facts



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Further Readings

- ▶ Hilbert (2016, Housing & economy: property price dynamics. LSE REsearch Online