

Teaching Statement

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Research Statement

I am a macroeconomist with both theoretical and empirical interests. My primary research concentrates on real estate economics and macroeconometrics. I also have research that focuses on explosive dynamics and asset predictability.

Current Research

In my job market paper, *Real Estate and Construction Sector Dynamics in the Business Cycle*, I investigate the business cycle, property-price, and investment dynamics when there is competition between households and firms for real estate. I include a construction sector into a DSGE model, which uses land, capital and labour and undertakes the production of both commercial and residential real estate. Specifically, I introduce sectoral heterogeneity by differentiating between two groups of entrepreneurs - consumption good and construction sector. This market $\neg\neg$ structure activates a ‘real estate substitution channel’, where economic disturbances which alter the demand for one type of real estate, by affecting the overall costs of real estate production, endogenously create a substitution with its counterpart. For example, an increase in demand for residential real estate also increases the cost of producing commercial structures which reduces the amount demanded by firms. In turn, this crowds out commercial real estate which affects the goods market in a similar way to an adverse aggregate supply shock. The estimated model reveals that housing preference shocks explain the largest part of the variation in property prices and residential investment, while technology shocks primarily drive commercial real estate prices.

Another chapter of my PhD examines the sentimental part of housing markets, using narrative evidence. In the paper *Sentimental Housing Markets*, I investigate the causal effect of consumer confidence on the housing market dynamics. I study the role of expectations and the influence of sentiment in the housing markets through survey evidence on consumer behaviour. I adopt an external instrument approach that is using mass fatalities to identify exogenous variations in consumer confidence. The occurrence of these tragic events and media coverage to the wider public can potentially create a wave of fear and pessimism that can affect the behaviour of the consumers, which can impact on the economy. I find that adverse sentiment shocks can negatively affect housing demand with a strong and prolonged reduction of house prices and new houses sold. The deterioration of sentiments is worsening homeownership conditions, causes a response of monetary policy, and exacerbates real consumption spending. I isolate the effect of the housing market by conducting a counterfactual experiment that restricts the effect of the house prices and new houses sold. I evaluate the quantitative effect of the housing market by measuring the difference between the restricted and the unrestricted model. The housing market can propagate the effect of the sentiment shock to the rest of the economy. The effect becomes particularly evident on longer horizons, specifically after one year, where the deviation from the unrestricted model becomes substantial.

In parallel, I also work on the development of bubble detection tests in asset markets and asset price modelling. In my paper, *Speculative bubbles in segmented markets: Evidence from Chinese cross-listed stocks*, which is coauthored with Eftymios Pavlidis and published in the *International Journal of Money and Finance* I propose a novel approach for testing for rational speculative bubbles in segmented capital markets. The basic idea is that, under capital controls, heterogeneity of speculative expectations across international

equity markets causes financial assets with identical cash flow promises to trade at different prices. Because these deviations from the law of one price inherit the properties of the speculative bubble process, they display periods of explosive dynamics and have predictive power for future movements in equity prices in sample. These two hypotheses can be examined empirically using sequential unit root tests and predictive regressions. An attractive feature of this approach for bubble detection is that it does not require the specification of a model for market fundamentals, thus mitigating the well-known joint hypothesis problem. The focus of the paper is on mainland Chinese companies that cross-list shares in Hong Kong. China is an ideal setting for our analysis because of the significant restrictions on capital movements imposed by the authorities and the turbulent behaviour of its stock market over the last decades.

Work in Progress

I have several other projects and papers that are still in the early stages of development. For example, as a natural extension to my job market paper, I investigate the role of monetary policy in affecting the behaviour of real estate investment and property prices, as opposed to other, possibly non-fundamental factors that drive house prices up and down, such as bubbles. In this paper, *Real Estate and Monetary Policy*, I carry out a structural analysis using a Structural Vector Autoregression approach (SVAR). The SVAR focus on the modelling of the construction sector, where both types of real estate are estimated jointly. A unified approach help understand the potential spillovers and comovements between the two real estate sectors. I focus on monetary policy, real estate demand and credit supply (borrowing) in the two markets to understand similarities and differences in a systematic manner.