

Alicante AREUEA International Conference special issue on housing economics and real estate in Europe

American Real Estate and Urban Economics Association (AREUEA) originated at the 1964 meeting of the Allied Social Science Association in Chicago. AREUEA grew from discussions of individuals that recognized a need for more information and analysis in the fields of real estate development, planning and economics. Over the intervening years AREUEA has grown to be the leader in supporting and promoting real estate and urban economics research of the utmost quality. AREUEA organises three conferences a year, as well as partners with other organizations and agencies, to offer multiple opportunities designed to provide open forums for the exchange of ideas and the dissemination of research relevant to applied decision-making in real estate finance and urban economics. Held for the first time in 1992, AREUEA's annual international conference addresses global developments in international topics that affect real estate and urban economics.

In July 2016, the University of Alicante was pleased to host the AREUEA International Conference. Based on the theme of housing economics after the global crisis, the Conference attracted around 250 delegates from 28 countries. Approximately, 24 per cent of delegates were from the USA, 43 per cent were from European countries including nearly 14 per cent from the UK. Asian countries (Hong Kong, Taiwan, China, South Korea, Malaysia and Japan) were well represented with 14 per cent of authors with the other delegates from Australia, New Zealand, Middle East and Brazil. In total 138 papers were delivered in parallel sessions, each paper had a discussant. The three keynote papers were presented by Christine Whitehead, Richard Barkham and Don Haurin. In addition, there were nine PhD posters with three doctoral students presenting papers in the pre-session.

The conference was generously supported by the University of Alicante (the Faculty of Economics, International Economy Institute and Marjal Foundation), the Alicante City Hall, the Valencian Government (Generalitat Valenciana) and by AREUEA.

This special issue of the *Journal of European Real Estate Research* publishes a number of papers that were initially delivered at the AREUEA Conference in Alicante. Reflecting upon the strong representation of researchers with expertise in housing several of the papers in this issue are housing related but complemented by papers on investment (REITs) and corporate real estate. A keynote presentation and opening paper in this issue by Haurin and Moulton on "International Perspectives on homeownership and home equity extraction by senior households" links the literature on the life cycle hypothesis, homeownership, home equity and pensions. Using data from both EU countries and the USA, the authors find that only a small share of seniors extract their home equity with many reluctant to access such funds. The paper suggests a number of policy options regarding the potential use of home equity to supplement retirement income and pensions but cautions that financial literacy varies amongst age cohorts and between countries.

In contrast to the Haurin and Moulton paper, the second paper in this issue deals with a housing problem for families at a much younger stage in the life cycle, namely, the ability to purchase properties within school catchment areas and the impact on pricing structures. The paper by Fleishman *et al.* on "The effect of school performance on property values: a literature review and a case study" examines the effect of primary-school performance on local property values providing evidence of how school quality in terms of students' achievements can affect local housing markets. Specifically, the paper focusses on whether



the release of students' test scores offered households a new source of information to evaluate the quality of schools, thereby affecting local housing markets. The results show that student achievements, mainly in the state education system, are found to have a positive and statistically significant effect on housing prices. The analysis shows that the premium for housing value is much higher in the most prestigious, prime demand districts in which the housing supply is limited and housing price level is high. The findings raise issues for policymakers concerning the link between place of residence and school admission with relevance to the current practice in European countries.

The next papers in this issue adopt a country-specific context. In their paper on "Long-term regional house price cycles. A city-based index for Italy", Gabrielli *et al.* analyse the dynamics of house prices in Italian cities using data over a long time period from the 1960s. The results show cycle trends of three long-term cycles, the first of which is not recognized in the current official Italian house price statistics, but is consistent with experiences in other European countries. Evidence of intermittent convergence among regional house prices relative to the overall Italian trend suggests periods of convergence and breaks in synchronicity among local markets and asynchrony in two Northern areas. It is shown that the transitory component hides larger causal and non-permanent relationships among regions that affect housing markets of the Adriatic and the Mediterranean coast. The study also finds evidence of an axis in housing prices with Florence–Bologna–Milan and Trento–Bolzano–Turin sharing common long-term trends.

Teye *et al.* in their paper on the "Amsterdam house price ripple effects in The Netherlands" investigate the related phenomenon of ripple effects in housing markets and whether regional markets are influenced by house-price movements in Amsterdam. The paper considers the ripple as a lead–lag effect and a long-run convergence between the Amsterdam and regional house prices. Granger causality tests conclude that a lead–lag effect of house prices exists from Amsterdam to all the regions, apart from Zeeland, whereas co-integration analysis shows evidence of a long convergence between Amsterdam house prices and six regions: Friesland, Groningen, Limburg, Overijssel, Utrecht and Zuid-Holland. The authors argue that evidence of house price ripples facilitate policymakers in uncovering trends that may have implications for the entire economy.

The paper by Flambarb on "Demand for housing choices in the north of France: a discrete approach" changes the focus to one of residential choice. The analysis shows that age, income, size of household and rent to income ratio are important factors with increases in such variables increasing the probability of owning a house in suburban areas. Seemingly, workplace proximity is a desired feature for only certain household types. Preferences are shown to differ between housing markets with the author showing how the distribution of housing choice varies across the region notably between Lille, the regional capital city, and Dunkerque a more industrialized city. It is argued that the supply of housing needs to be diversified to accommodate different household preferences, stages in the life cycle and capacity constraints arising from income differences.

Changing direction, the other two papers in this issue are concerned with investment aspects of real estate. The paper by Moss *et al.* "Can sector-specific REIT strategies outperform a diversified benchmark?" investigates the performance of different portfolios of REITs which specialise by property type and are constructed using the criteria of equal weight, minimum variance, maximum Sharpe and risk parity rather than free-float market capitalization. Although three of the four strategies are shown to outperform the benchmark index on a risk-adjusted basis, the efficient portfolios tended to have large weightings to relatively few sectors. The authors found that maximum drawdowns (losses) of the strategies tended to be rather high, as was the benchmark. The authors consider that the

methods outlined in this paper can be applied to construct superior risk-adjusted REIT portfolios globally.

Bosch-Badia *et al.* in their paper “Corporate real estate, capital structure and value creation” analyse the corporate rent versus buy decision relating to real estate. The trade-off theory that approaches the optimal capital structure is the central focus of the methodology. The paper also explores the practical applicability of renting scenarios in a European context by examining REIT regimes in different countries from the demand-side of commercial renting. The findings highlight analytical relationships with tax savings, bankruptcy costs, default option and default barrier, factors that are identified as being central to the renting versus buy real estate decisions. The authors argue that identifying the main variables that govern the impact of corporate real estate decisions on capital structure and interweaving different approaches generates a conceptual framework that enlightens strategic thinking in this field.

As editors, we trust that the diversity of papers that appear in this issue of JERER provokes further intellectual debate. Finally, we wish to thank AREUEA for selecting Alicante as the venue for the 2016 International Conference and the University of Alicante for hosting the event.

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