Editorial

Housing prices, cycles, local dynamics and financial influence. New insights from Europe

Real estate prices serve as a primary reference for making investment decisions (in addition to multiple other effects) and hence are the object of stakeholders' interest, in terms of determining factors, dynamics and the relationships with other variables. Knowledge of price behaviour is inherent to the real estate market and especially at times when exogenous shocks can quickly affect markets, as is the case of the aftermath of the Covid-19 crisis.

This issue (13.2) of the *Journal of European Real Estate Research* (*JERER)* includes eight papers that directly and indirectly address the evolution and behaviour of residential real estate prices. Although, the research underpinning these papers is before the impact of the pandemic, lessons can shed light on how the Covid crisis may affect different real estate markets.

The first group of papers addresses rents and housing prices and provides novel empirical evidence on their evolution and how prices are associated with financial factors. In this respect, Pourcelot *et al.* analyse long-term rental prices in urban areas of France since the seventeenth century. The authors build a hedonic index which is used to identify cycles and explore the relationship between housing rent determinants associated with the homeownership rates to illustrate the evolution of tenancy type and the rent dynamics.

Borgersen theoretically analyses the price to rent ratio and the loan to value ratio of the residential market. The paper uses the user cost theorem augmented with financial variables and observes how leverage is closely associated with capital gains. The paper draws findings on the cost of mortgage-financed housing.

Price evaluation through appraisal methods is critical for investment and firms accounting decisions as any bias in appraisal have substantial impacts. On this subject, Doszyn develops an algorithm built with inequality restricted least squares that is applied to real estate mass appraisal. Econometric methods are used to control for the negative consequences of multi-collinearity in the valuation process.

The paper by Seger *et al.* examine the impact of real estate ownership on capital market performance and investigate its influence over the firm's risk in those listed in German Stock market. Their findings confirm that CRE ownership holding decrease stock returns, affecting the risk of listed firms. The paper also analyses the performance by business segments and concludes that "players in the stock market should always price the real estate holdings in accordance with the business areas in which non-property companies operate".

Mosquera *et al.* analyse real estate agents' satisfaction with the management rewards in the real estate industry in Portugal. The empirical evidence uses primary data from three principal real estate agencies in Portugal and finds that rewards (intrinsic and extrinsic) have a positive impact on job satisfaction, especially for females and young agents.

Regional divergences in house prices are considered in two papers. Zaiter *et al.* analyse the impact of the "financialisation processes" at metropolitan area levels across ten European countries in seeking to understand how real estate market internationalisation has influenced the dynamics of urban hierarchies. The research determines whether there is a process of concentration of real estate firms in principal urban agglomerations with the authors finding a parallelism in the leverage grade of real estate firms and the urban hierarchy.

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Gray examines house prices and their evolution across the British Isles. The paper illustrates how high house-priced regions grow relatively rapidly in expansion phases but slowly adjust during the down cycle. The paper shows a divergence among regions in the north and the south of the UK regarding housing prices.

The diversity of housing cycles is explored by Jadevicius and Van Gool for Dutch cities. The authors present long-time house price series by each city since the 1970s and estimate cycles using conventional econometric methods finding evidence of bubbles in some cities including Almere, Amsterdam and The Hague. The analysis shows that several factors, including climate change, have implications for house prices which in the future could generate new cycles.

Thus the interplay among house prices, market cycles, local dynamics and the influence of the financial sector is central to this issue of *JERER*. I hope you enjoy reading this issue and that the papers serve as a valuable input into your research or practice.

Paloma Taltavull
Department of Applied Economics, University of Alicante, Alicante, Spain