



Wednesday, 31st October 2012 4pm, Mill Lane Lecture Room 1

Response Speeds of Direct and Securitized Real Estate to Shocks in Fundamentals

Abstract:

This paper analyses the response patterns of US direct and listed real estate returns to shocks in market fundamentals. Response speeds are estimated with VAR models using Transaction Based Indices (TBI) and NAREIT returns for the period 1994-2009. To avoid the potential influence of different property mixes and of leverage on the dynamics, we use sector level data and deleveraged NAREIT returns. REIT returns are found to lead TBI returns regardless of the property sector; this lead-lag relationship being due to the sluggish reaction of the TBI returns to unexpected changes both in the fundamentals and in REIT prices. The findings suggest that the lead-lag relations cannot be explained by the potentially slower adjustment of sellers' reservation prices than of demand in the direct real estate market. In the office and retail sectors, securitized real estate returns lead direct market returns even when catering for the 'escrow period' in the direct market; while in the apartment and industrial sectors, the escrow period may explain the lead-lag relation.

Speakers:

**Elias Oikarinen (Turku School of Economics), Martin Hoesli
(University of Geneva) & Camilo Serrano (IAZI AG, Zurich)**

Biography:

Martin Hoesli, PhD, is Professor of Real Estate Finance at the Universities of Geneva (Switzerland) and Aberdeen. He is the author of six books and over 90 scholarly articles in real estate. He is a Fellow of the Royal Institution of Chartered Surveyors and of the Weimar School of Advanced Studies in Real Estate and Land Economics. He is a past president of the European Real Estate Society (ERES) and a board member of the Swiss Financial Analyst Association (SFAA). He serves on the editorial board of several international real estate journals. He is a member of the EPRA research committee.

Dr Elias Oikarinen teaches at the Turku School of Economics, Turku, Finland and is currently visiting the Department of Economics at the University of Cambridge on a Finnish research council grant. He has published papers on commercial real estate, housing and finance in major journals including the Journal of Banking and Finance, the Journal of Housing Economics, the Journal of Real Estate Finance and Economics, and the Journal of Real Estate Research. Elias was recently awarded the Nick Tyrrell prize, jointly with Martin Hoesli, for their paper on the relationship between public and private real estate.