

Insights on Central and Eastern European real estate markets

We are delighted that the first issue of Volume 10 of *the Journal of European Real Estate Research* is a special issue relating to aspects of real estate markets, and specifically the housing sector, in central and eastern European countries/cities. One of the remits of the European Real Estate Society is the development of the discipline and real estate research across Europe and in particular in the emergent and now rapidly developing markets of central and eastern Europe. This issue draws together six different papers but with common stands relating to the housing market.

In the paper titled “Discrete choice model of residential location in Krakow”, Michal Gluszak and Bartłomiej Marona explore the link between socio-economic characteristics of house buyers and housing location using a discrete choice model. The results of this study suggest that demand for housing alternatives is negatively linked to the distance from current place of residence. The study indicates that housing motives can help to explain housing location decisions and contribute to a better understanding of the nature of housing preferences in emerging markets in Central and Eastern Europe.

Darius Kulikauskas in exploring the “The user cost of housing in the Baltic States” identifies the over-heating of real estate markets prior to the crisis of 2009 and the significant upward pressure on housing prices in the Baltic states in the current low interest rate environment. The paper in deriving the user costs of home-ownership extends knowledge of markets in the Baltic states and identifies periods of house price misalignments from underlying fundamental values.

In the paper “Heterogeneous preferences of Russian residential mortgage borrowers”, Evgeniy Ozhegov explores the preferences of mortgage borrowers with the analysis examining the underwriting process and the choice of contract terms of loans originated from 2008 to 2012. It is shown that demand of low-income households is less elastic compared to higher income households. Given lower elasticities of demand, low-income borrowers have higher potential costs of loans.

The impact on house prices of energy efficient green premium effects is considered in the paper by Paloma Taltavull, Ion Anghel and Costin Ciora on the “Impact of energy performance on transaction prices: evidence from the apartment market in Bucharest”. The paper uses a hedonic model approach to estimate the price effect of green buildings and a STAR GLS model to evaluate the diffusion effect by spatial sub-markets. The findings show a green premium of between 2.2 and 6.6 per cent with spatial diffusion effects contributing positively to house prices.

Developing the theme of impact on house prices, Berna Keskin, Richard Dunning and Craig Watkins in their paper “Modelling the impact of earthquake activity on real estate values: a multi-level approach” explore spatial effects in the Istanbul housing market. The paper models the effects of earthquake risk and shows variations in the size of price discounts in submarkets, it is observed that spatial impacts are not evenly distributed with lower priced markets having a disproportionately larger negative impact.

The final paper in this special issue by Richard Grover, Mika-Petteri Törhönen, Paul Munro-Faure and Aanchal Anand “Achieving successful implementation of value-based property tax reforms in emerging European economies” moves the discussion from house prices into the realm of value-based recurrent property taxes studying countries at different stages in the development of tax systems. The analysis



shows that barriers to the introduction of such systems include technical issues relating to data quality, property registration and valuation standards and political/governance issues relating to public acceptability.

Guest editorial

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