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# Editorial: The asymmetry of real estate market responses

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The international financial crisis has triggered a sharp correction in residential prices in various parts of the world since 2008. This was a response to a significant decrease in demand and an increased perception of investment risk in real estate assets, amongst other factors. The risk and the collapse of the asset market led to a widespread reduction in financial resources in the real estate sector, resulting in a decline in both demand and prices, occurring in two phases. The first phase coincided with the announcement of the bankruptcy of Lehman Brothers, during which prices decreased in nominal terms by approximately  $-7$  to  $-15\%$  between 2008 and 2009 in countries including the UK, Denmark, Spain, Ireland, Slovenia, France and Croatia.

The second phase was the result of the recession caused by a severe credit crunch, which prolonged the price decline in nearly all European countries. The systematic fall in housing prices had an asymmetric dynamic, rebounding quickly in many European countries whilst persisting in others. In the former group, the recovery was swift, with housing prices nearly doubling their pre-financial crisis peak levels by 2021 (despite the 2020 pandemic). However, in the latter group, the loss of residential capital gains continued for a decade following the financial shock, and by 2021, nominal prices had not exceeded the previous peak (Ireland, Italy, Greece and Spain) or only marginally reached it (Finland, Denmark, the United Kingdom, France and Croatia) (Table 1).

In the past year, we have observed a significant number of those countries that experienced substantial increases in their residential property prices, undergoing a significant correction resembling the presence of a housing bubble due to its rapid appreciation and subsequent swift decline (Figure 1, panel A). Simultaneously, other countries have managed to avoid this correction (Figure 1, panel B). As shown in Table 1, those who quickly recovered from the 2008 financial shock experienced the aforementioned rapid correction in 2022–2023, with declines of  $-6\%$  to  $-11\%$  in nominal terms and up to  $-20\%$  in real terms in their housing prices. In contrast, countries that were severely affected by the financial crisis managed to evade a burst in 2022, despite the prevailing inflation rate.

The sharp decline in housing prices in 2022 serves as a stark reminder of financial risk. This readjustment renews concerns that collateral values in long-term loans may decrease, potentially leading to an increase in underwater loans and once again highlighting macroprudential risk. However, the financial conditions are significantly different from those in 2008–2009, which seems to be the reason behind reduced concerns about the negative impact of such a correction.

The long-term price evolution described above strengthens the notion of asymmetry in global real estate markets and underscores the need for further research to identify differences and various reactions amongst residential markets. Some of these differences are explored in the papers in this issue.

The first two papers undertake the evolution of real estate prices. Professor Colin Jones proposes an alternative perspective to analyse housing cycles. He sets out a conceptualisation of the housing cycle centred on households' desire to upgrade their housing consumption in the way that a demand cycle generated by upgrading desires better explains an initial boom followed by a slow recovery.

Hoesli and Malle analyse the case of commercial real estate prices after the COVID-19 pandemic, focussing on variations across property types and predictions for the future trajectory of commercial real estate prices. The analysis supports the argument that the



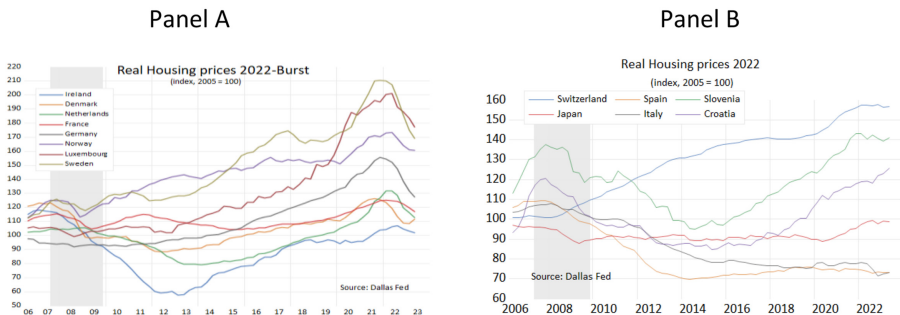
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Acc %	Nominal				Real			
	2008-2009	2008-2010	2008-2021	2022-2023	2008-2009	2008-2010	2008-2021	2022-2023
BELGIUM	2.0	7.2	46.9	3.4	1.7	4.2	17.9	-4.4
CROATIA	-8.8	-12.0	19.1	18.8	-13.9	-17.5	0.3	5.8
DENMARK	-14.0	-11.4	26.8	-4.3	-16.6	-16.2	6.2	-9.5
FINLAND	2.7	8.3	22.6	-6.2	-1.1	2.4	-1.4	-13.1
FRANCE	-7.8	-0.8	22.8	1.8	-6.9	-1.6	9.2	-6.5
GERMANY	0.3	0.7	97.6	-9.5	-1.0	-2.2	65.1	-17.4
IRELAND	-25.3	-35.1	0.2	5.2	-18.6	-29.5	-8.4	-2.3
ITALY	-5.2	-4.8	-16.4	1.4	-6.2	-7.4	-27.9	-6.4
LUXEMBOURG	1.1	6.6	130.2	-7.0	0.4	3.5	89.1	-11.6
NETHERLANDS	-4.9	-5.9	47.0	-2.6	-3.7	-6.9	21.1	-14.1
NORWAY	3.1	9.7	84.1	1.5	-1.6	2.2	36.9	-7.1
SLOVENIA	-9.5	-9.7	23.9	11.3	-11.3	-12.8	5.0	-1.5
SPAIN	-9.8	-13.0	-19.4	3.3	-10.0	-15.5	-31.2	-1.6
SWEDEN	5.4	10.9	108.3	-11.3	1.5	5.5	70.7	-19.5
SWITZERLAND	8.8	13.7	52.9	2.6	8.9	13.7	54.8	-0.4
UK	-10.6	-9.3	42.3	4.1	-13.2	-13.9	13.1	-6.2
US	-11.4	-13.0	49.7	11.2	-12.8	-15.6	18.7	5.2
AUSTRALIA	8.4	13.5	103.8	-2.0	3.4	6.8	59.9	-9.2
CANADA	-0.1	3.3	138.6	-11.0	-1.9	0.3	94.7	-15.7
JAPAN	-8.7	-7.6	0.4	4.9	-6.0	-3.9	0.4	1.5

**Table 1.**  
Housing prices in  
selected countries  
(accumulate  
growth rate)

**Source(s):** Dallasfed dataset

**Figure 1.**  
Real housing prices  
with a burst versus  
non-burst scenario



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recent increase in interest rates and geopolitical instability have had varying impacts on prices within different sectors.

Coulomb, Larceneux and Simon explore home reversion transactions (known as “viager”) in France, particularly for retired households, highlighting distinctions from reverse mortgages. Their analysis delves into the connections between annuitization, negotiation, cash extraction, age, gender and marital status. The findings indicate that challenges in selling a property under this arrangement typically lead to higher levels of annuitization and can also influence negotiation dynamics, with variations based on age and gender.

Falkenbach and Ibrahim explore the effects of international diversification on the value and operating efficiency of European real estate firms. The results offer robust statistical evidence that international diversification has a negative impact on firm value and adversely affects capital gains, including unrealised capital gains (net gains from property valuations) and realised capital gains (net profits from property disposals).

Finally, Kuenzle, Wein and Bienert cover the impact of global warming in the retail real estate sector. Based on current consumption data from German retail warehouses, the paper evaluates the amount of leakage reported by each building and, using a specific pathway of the CRREM tool, enables investors to identify solutions for mitigating potential future costs and carbon risks.

I hope you enjoy reading this issue.

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