High Quality Long-Run Real Estate Price Indices for Germany

Moritz Schularick, Francisco Amaral, Martin Dohmen and Jonas Zdrzalek (Germany)

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SUMMARY

A group of economic researchers from the Cluster of Excellence ECONtribute at the Universities Bonn and Cologne established a cooperation with the German local official appraiser institutions (Gutachterauschüsse) from the largest cities to build regional high-quality long-run housing price indices and make their archived micro-level data usable for themselves as well as for research purposes. The cooperation started with digitizing the historical city-level archives, which contain micro-level information on the universe of real estate transactions since the 1960s. The elevated degree of details in the underlying data allows us to build high quality long-run housing price indices for the largest German cities. Based on hedonic and hybrid regression techniques, we are in the position to study the long-run evolution of housing prices both across as well as within German cities, as we are able to construct high precision indices at the sub-city level. Additionally, we also analyze the price evolution in different market segments, since we build separate indices for apartments, single-family housing and multi-family houses. The long-run dimension allows German researchers for the first time to analyze multiple housing cycles and the effect of rare events like financial crises and inflation shocks while the high-quality of the transaction-level data also potentially functions as a benchmark to analyze the explanatory power of real estate advertisements data for example from online marketplaces. First results show two striking patterns: i) across cities the price evolution showed significant differences in the 70s and 80s and became very synchronous in the current boom that started around 2011, ii) within cities the city centers and gentrifying neighborhoods have witnessed the strongest price increases over decades, with the suburbs lagging behind. Finally, we compare our results with the high quality housing price indices for large European and U.S. cities we created for a different project, to show that the German experience is quite unique with two events standing out: i) the strong impact of the German reunification on the housing market in the 1990s and ii) the missing housing price crash in 2008.

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