



Alrov Institute for Real Estate Research  
Collier School of Management  
Tel Aviv University



## "Why Have House Prices Risen So Much More Than Rents in Superstar Cities?"

Joint work by Andreas Mense, Friedrich-Alexander University Erlangen-Nuremberg.

**Thursday, April 22, 2021**

**8:00AM Pacific Time/11:00AM Eastern Time (US & Canada)**

**(INVITATION-ONLY ONLINE ACADEMIC SERIES)**



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In most countries – particularly in supply constrained superstar cities – house prices have risen much more strongly than rents over the last two decades. We provide an explanation that does not rely on falling interest rates, changing credit conditions, unrealistic expectations, rising inequality, or global investor demand. Our model distinguishes between short- and long-run supply constraints and assumes housing demand shocks exhibit serial correlation. Employing panel data for England, our instrumental variable-fixed effect estimates suggest that in Greater London labor demand shocks in conjunction with supply constraints explain two-thirds of the 153% increase in the price-to-rent ratio between 1997 and 2018.

*The Alrov Institute for Real Estate Research at Tel Aviv University, ESCP Business School, and UCLA Ziman Center for Real Estate are pleased to partner on a series of Zoom-based winter and spring 2021 research seminars with a focus on issues of housing and public policy.*

