

Lecture 12: Real Estate

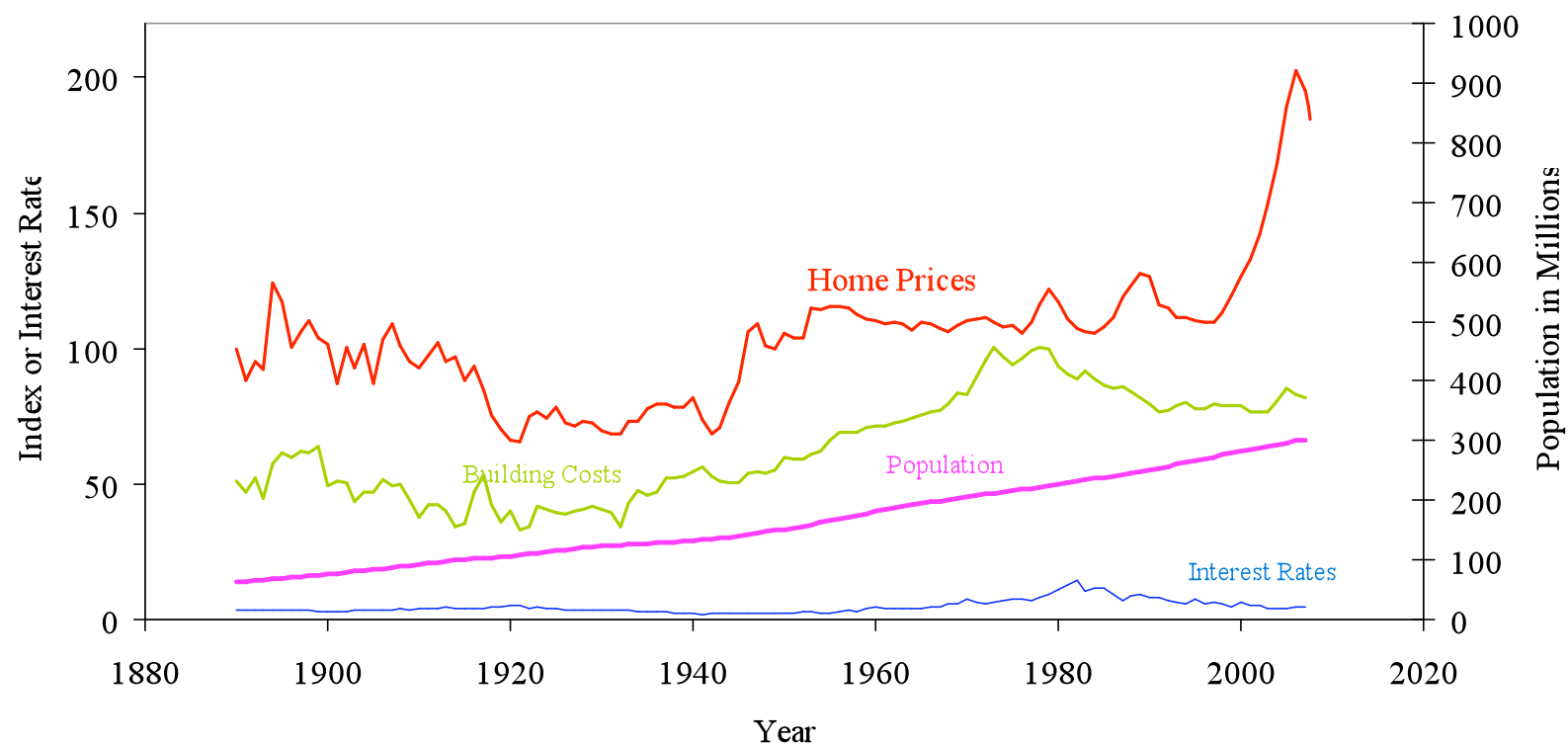
Economics 252, Spring 2008

Prof. Robert Shiller, Yale University

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Real US Home Prices 1890-2007-IV



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Figure 5 Los Angeles Real Home Price Index and Employment

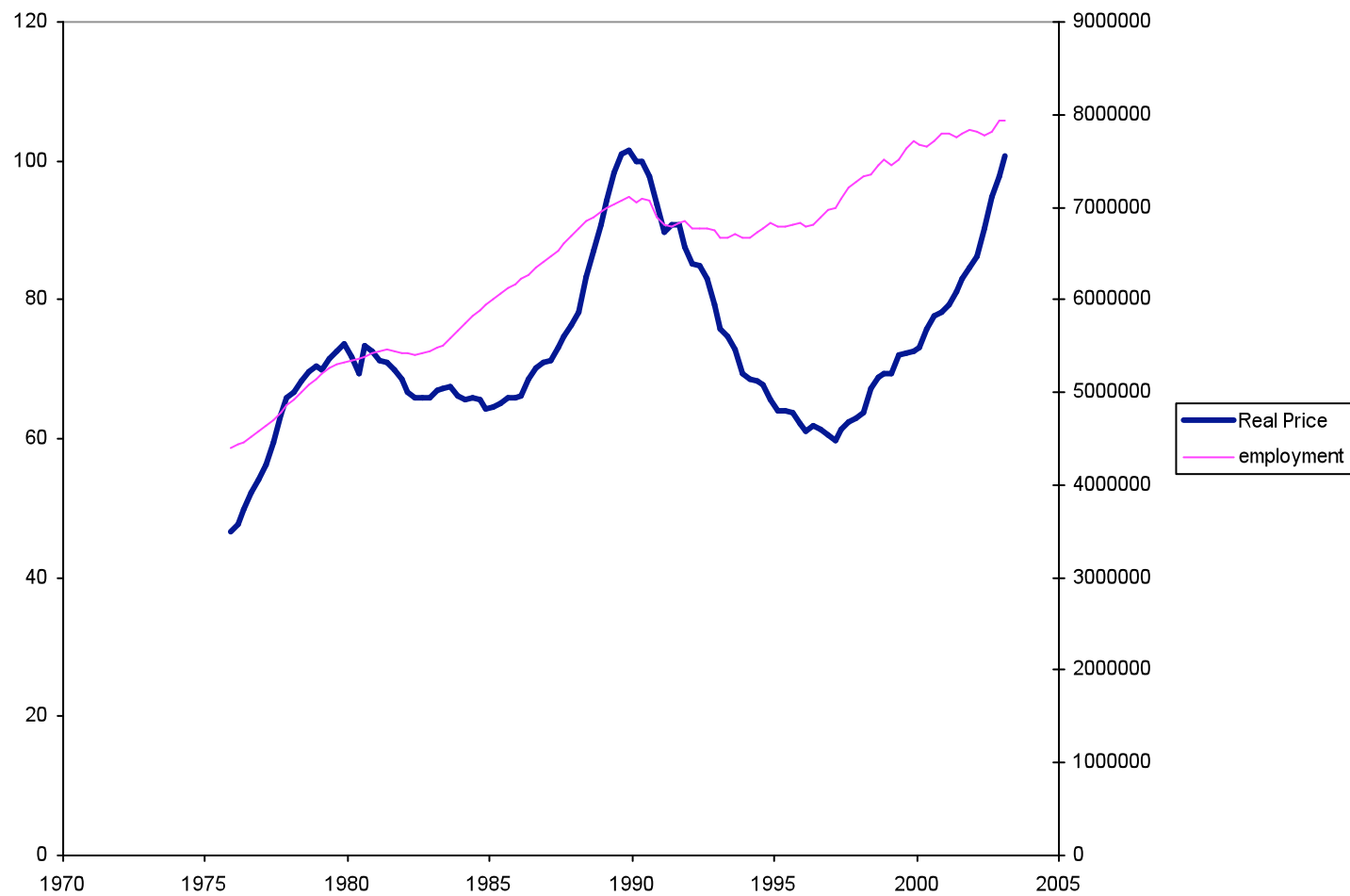
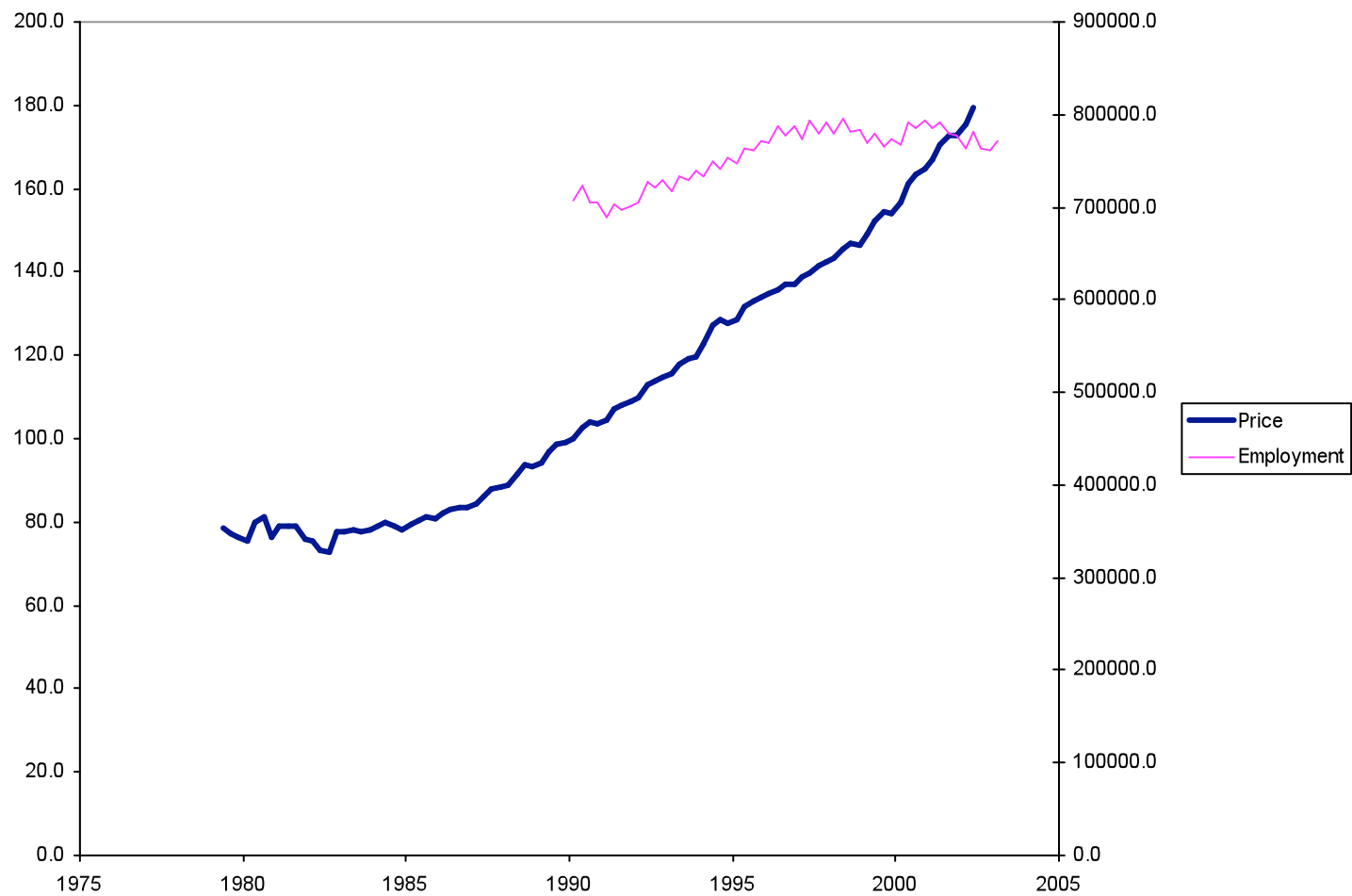


Figure 8 Milwaukee Real Home Price Index and Employment



Long-Term Expectations

“On average over the next ten years, how much do you expect the value of your home to change each year?” (median answer)

Los Angeles

1988	2003	2006
10%	8%	6%

Milwaukee

1988	2003	2006
4%	5%	6%

Fears of Being Left Out

“Housing prices are booming. Unless I buy now, I won’t be able to afford a house in the future.”

	Los Angeles			Milwaukee		
	1988	2003	2006	1988	2003	2006
Agree	79.5%	48.8%	52.3%	27.8%	36.4%	43.6%
Disagree	20.5%	51.2%	47.7%	63.6%	73.6%	56.4%

Perceptions of Excitement

“There has been a good deal of excitement surrounding recent housing price changes. I Sometimes I think I may have been influenced by it.”

	Los Angeles			Milwaukee		
	1988	2003	2006	1988	2003	2006
Yes	54.3%	46.1%	58.0%	21.5%	34.8%	43.1%
No	45.7%	53.9%	32.0%	78.5%	65.2%	56.9%

“Stock Market is Best Investment”

“The stock market is the best investment for long-term holders, who can just buy and hold through the ups and downs of the market.”

	1996	1999	2000	Oct 2001	-Feb 2002
1. Strongly agree		69%	76%	63%	60%
2. Agree somewhat		25%	20%	34%	31%
3. Neutral		2%	2%	2%	3%
4. Disagree somewhat		2%	1%	1%	5%
5. Strongly disagree		1%	1%	0%	1%

(U. S. Individual investors; numbers for 2000 are mid-year, after peak of market.)

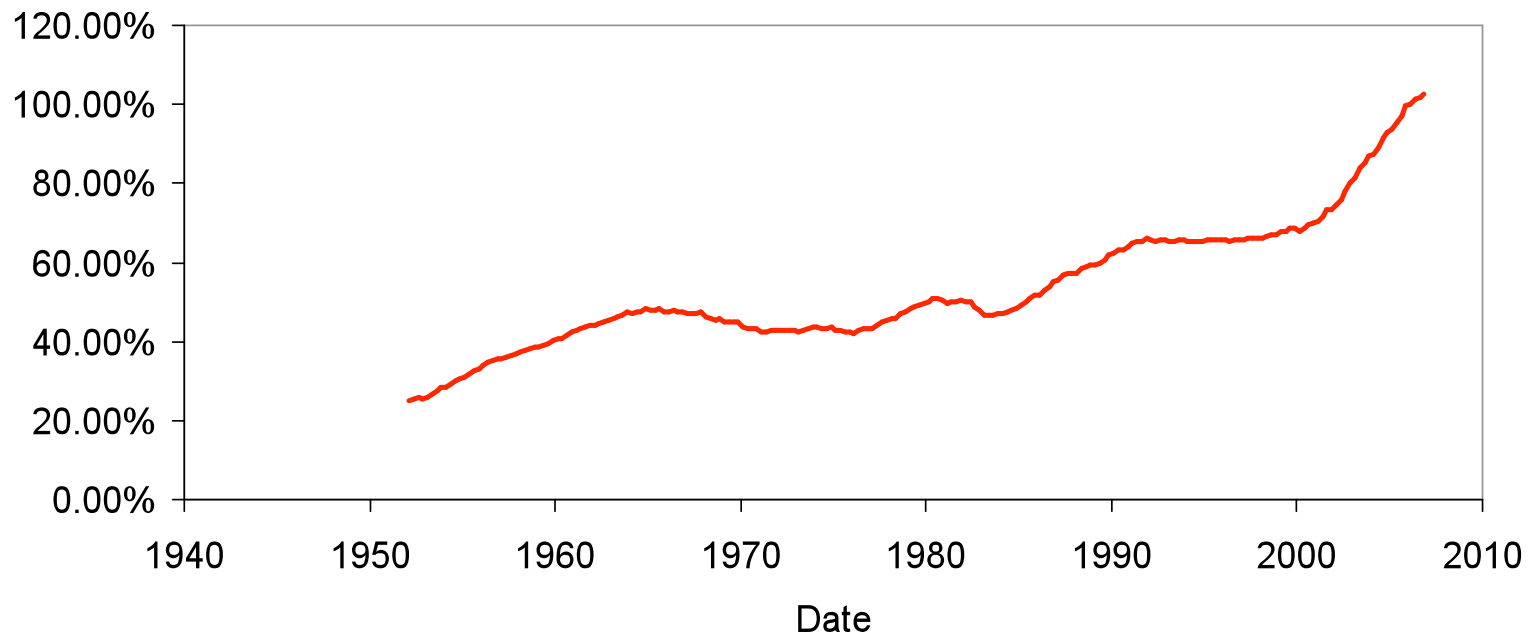
“Real Estate is Best Investment”

“Real estate is the best investment for long-term holders, who can just buy and hold through the ups and downs of the market.”

	Los Angeles		Milwaukee	
	2003	2006	2003	2006
1. Strongly agree	53.7%	37.7%		
	31.3%	41.3%		
2. Agree somewhat	33.1%	62.3%		
	45.9%	34.9%		
3. Neutral	10.3%	0.0%	11.3%	
	17.5%			
4. Disagree somewhat	2.7%	0.0%	9.1%	
	6.4%			
5. Strongly disagree	0.0%	0.0%	2.1%	0.0%

Mortgage Debt Accelerates Uptrend Since 2000

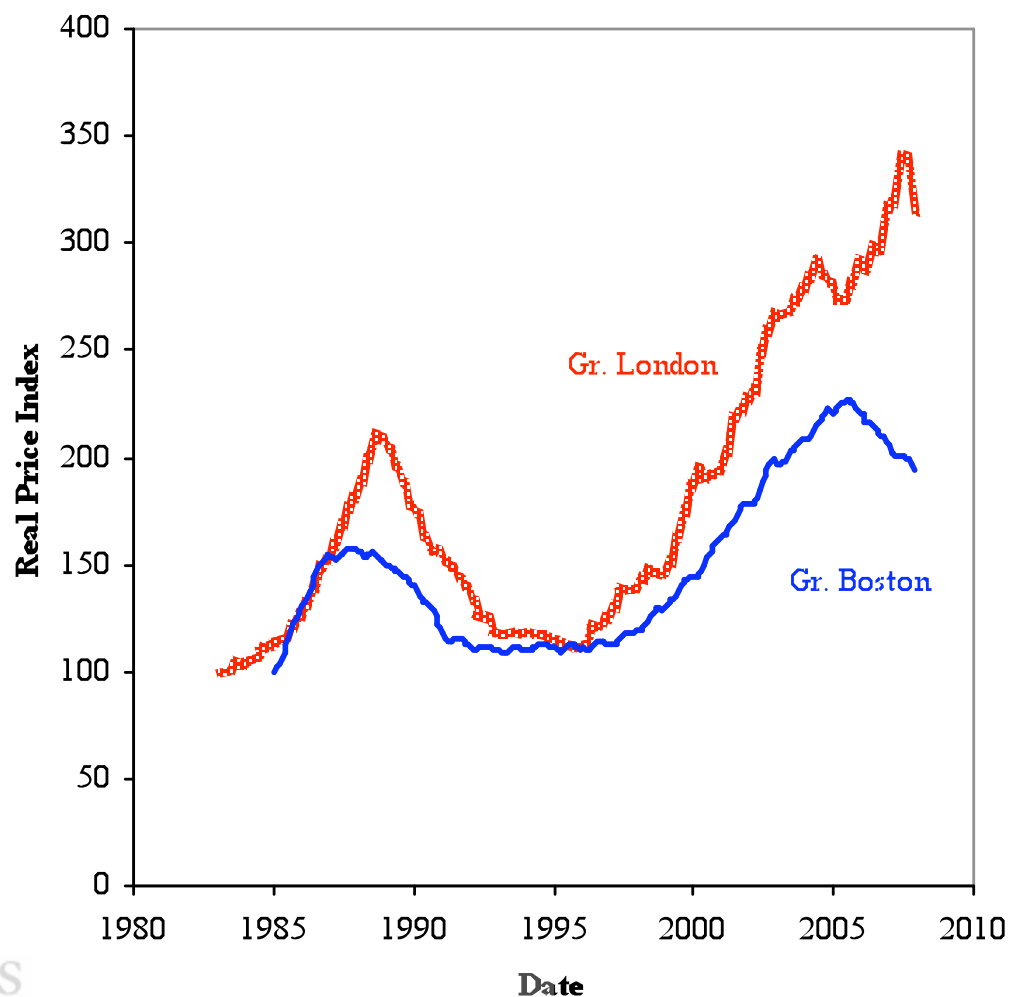
Mortgage Debt/Personal Consumption Expenditure
1952-2006



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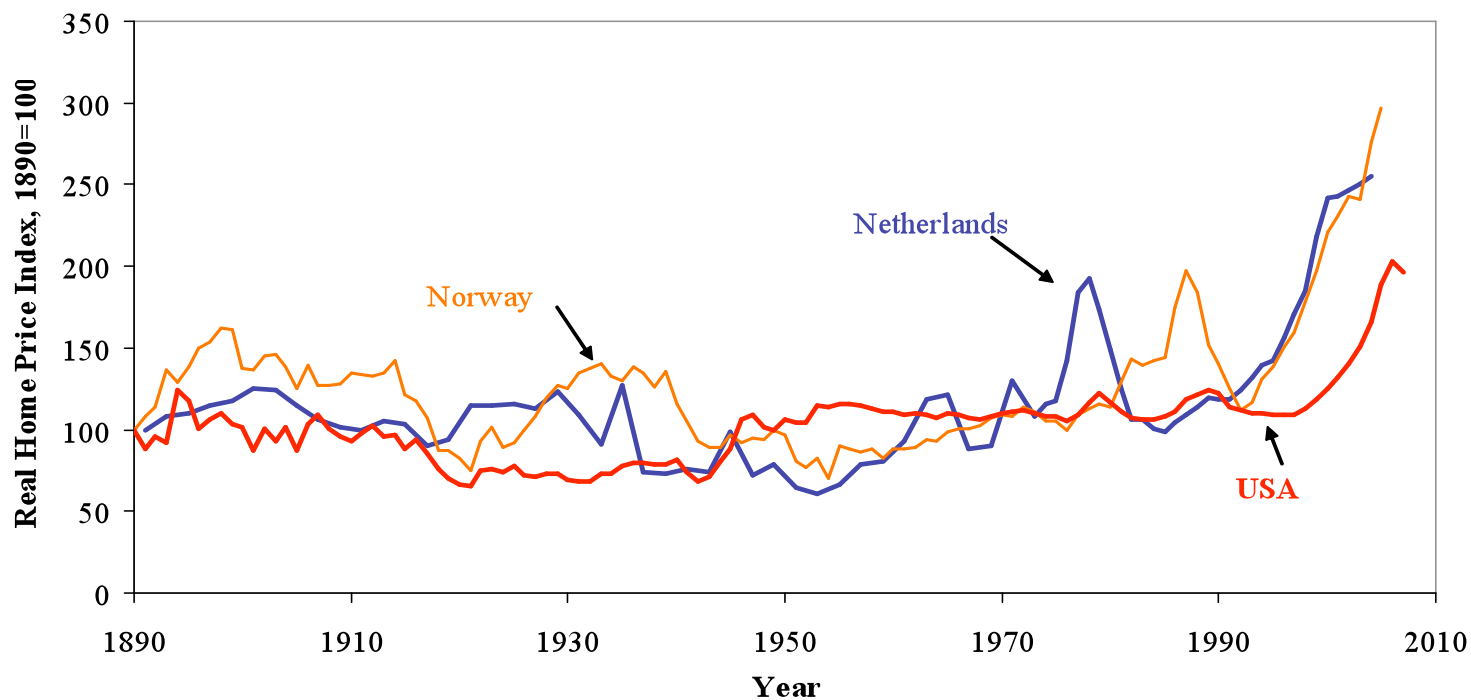
Comparing Real Home Prices in Greater London and Greater Boston 1983-2007



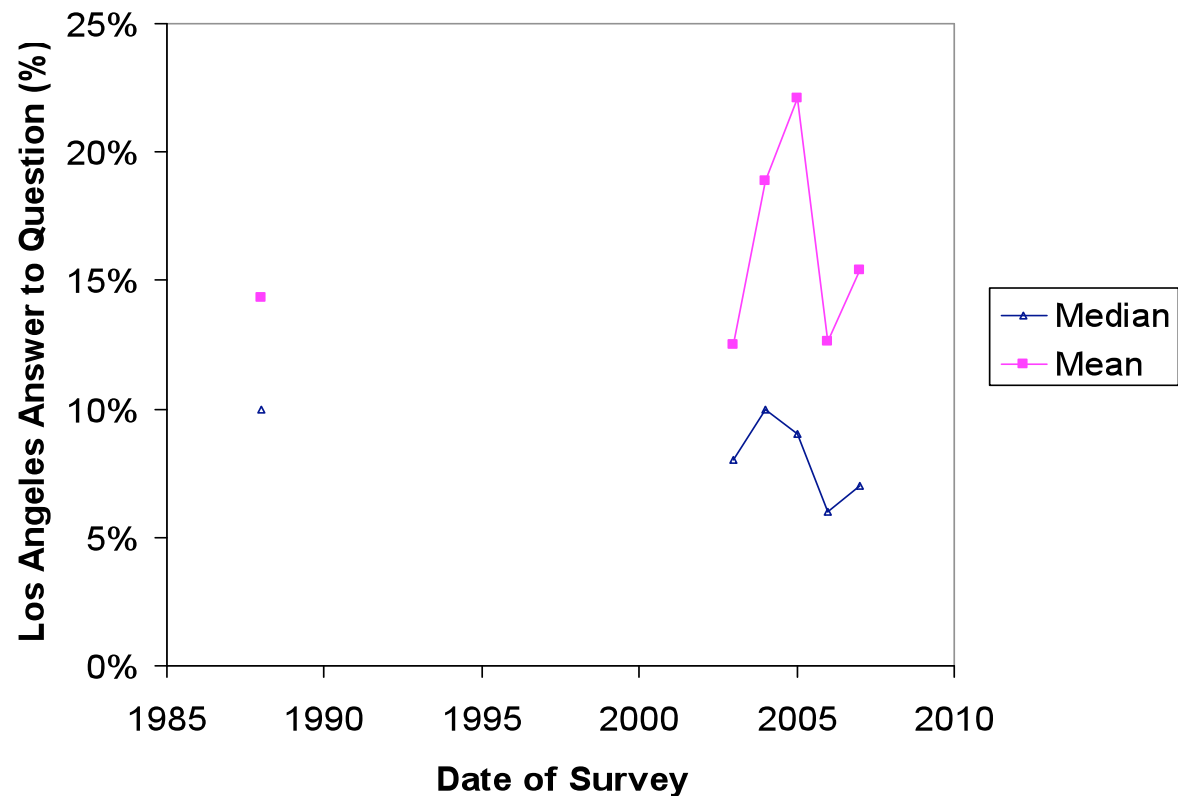
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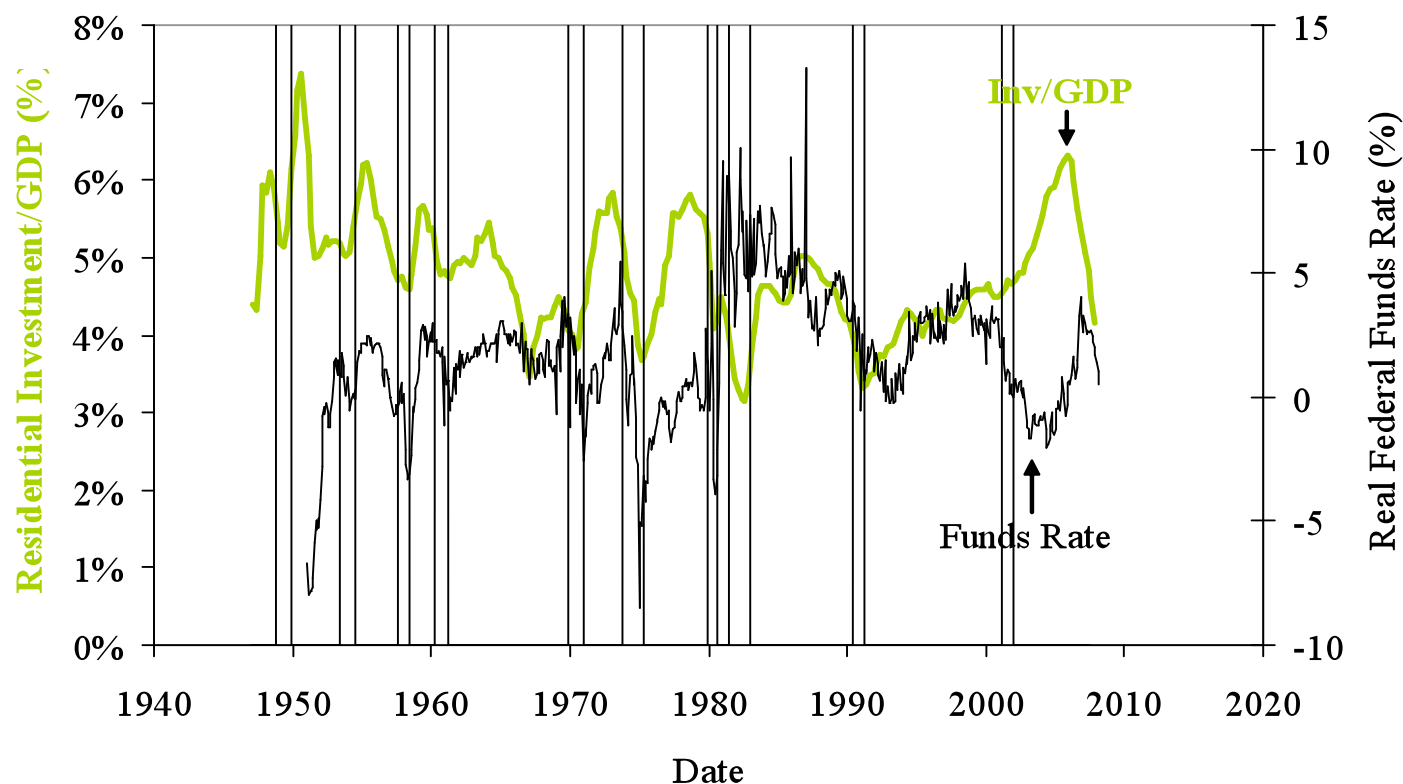
Fig. 4 Real Home Prices Netherlands,
Norway, USA 1890 to 2004-5-7



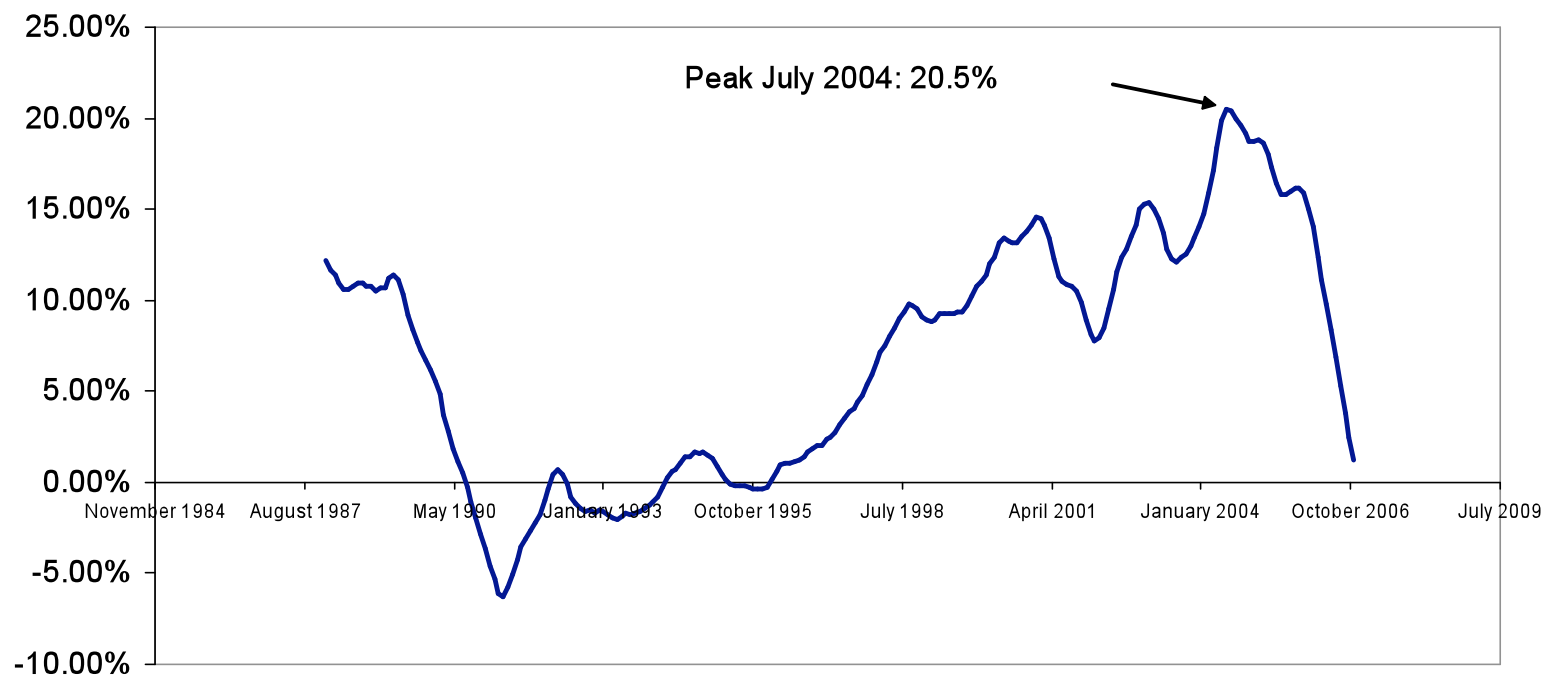
Case Shiller Surveys of Homebuyers 1988, 2003-7 “On average over the next ten years how much do you expect the value of your property to change each year?”



Residential Investment 1948-I-2007-IV as Leading Indicator of Recessions



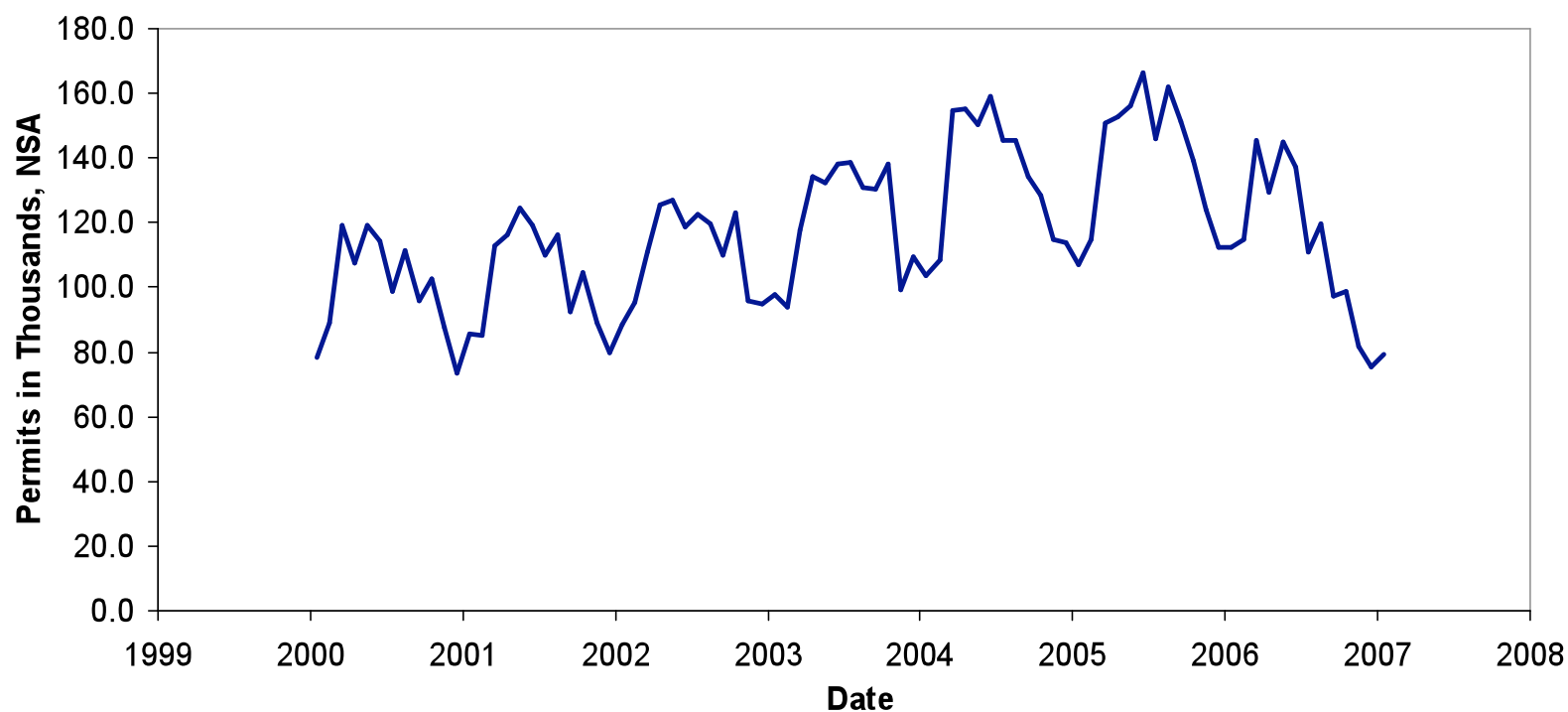
Growth Rate of Home Prices



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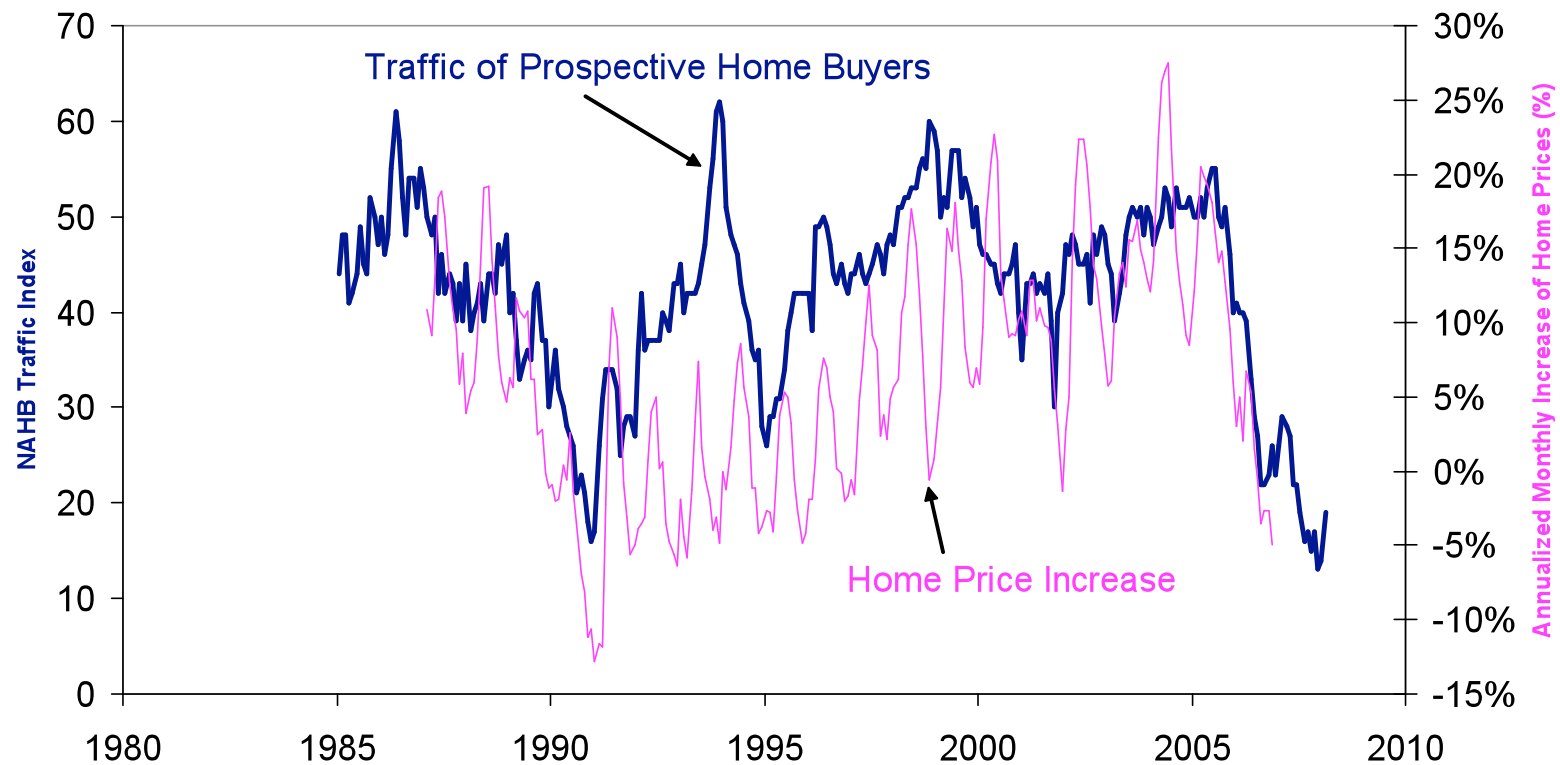
Housing Permits (One-Unit) 1999- Jan 2007 NSA



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Traffic of Prospective Home Buyers 1984-Feb 2008



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