Liquidity and price discovery in real estate assets

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This dissertation covers three empirical essays on the housing market. Although we limit ourselves to the housing market, the findings might be relevant for other sectors of the real estate market or any other market that is characterized by illiquidity, indivisibility of goods and a high level of heterogeneity between goods. Chapter two tests whether the empirical predictions from housing market models with asymmetric information are true. Specifically, we test whether the probability that a house will sell will decline with the time the house has already spent on the market, and the probability that a house will be withdrawn from the market will increase with the time the house has already spent on the market. Chapter three considers the role of the list price in the housing market. List prices would have no role in a housing market with symmetric information between sellers and buyers and the probability of a sale would not be affected by reductions in the list price. Based on this observation we test for the presence of asymmetric information between sellers and buyers in the housing market by testing whether reductions in the list price affect the probability of a sale. Chapter four investigates the well know price-volume correlation in the housing market. We estimate a Vector Error Correction Model on a rich set of variables. We compare our empirical results against the empirical predictions from a number of housing market theories. Taken together, this dissertation contributes to our understanding of the selling process in the housing market and the factors affecting the liquidity of the housing market.

Erik Robert de Wit received his master’s degree in Economics from the VU University Amsterdam. Thereafter he started his PhD in finance at the University of Amsterdam and the Tinbergen Institute. He performed part of his research while attending the National University of Singapore as a visiting researcher. His work has been presented at several major international conferences including the AREUEA, AsRES and ERES conferences. In 2010 Erik won the best paper award at the AsRES annual conference in Taiwan. Erik has taught Finance to first year bachelor students and Investments to third year bachelor students at the University of Amsterdam.