Editorial: The aftermath of two consecutive crises: Volatility and property market mechanisms

The aftermath of around a decade containing two significant crises (the Global Financial Crisis-GFC and the COVID-19 pandemic) has resulted in distorted property markets. In this new environment, the volatility of returns and prices seems to have diverged, the mortgage market has experienced huge restructuring, and property price valuation methods have become crucial to understanding the new mechanisms at play. The nine papers in this issue reflect those concerns and present research and findings based on evidence from the GFC period and theoretical proposals to support investment decisions in the property market.

Three papers focus on the correlation and volatility of property assets after the GFC, with consistent findings relating to the role of diversification in predicting future risks both in the long and the short term. The focus of another three papers is the price measures after the GFC (indexes and valuation) and the need for new information to be taken into account. A conceptual paper covers an exciting view of how the mortgage market would react when a new player with different credit criteria (LTV and interest rates) enters; it advances a theoretical explanation to recover mortgage coverage in those property markets most affected by the GFC. A conceptual view of how globalisation and local culture would merge and impact property market mechanisms is the focus of a paper showing the case of Istanbul. The last article covers a new property market situation after the second significant hit in the decade, the COVID-19 pandemic.

In the first paper, *Liow and Song* examine the interdependence between corporate equity and public real estate markets in the USA and seven European economies during the boom and after the GFC period. By analysing four measures of market linkages (correlation, spillover, connectedness and causality), this paper demonstrates that portfolio diversification with corporate equity and public real estate increases in the long term and permits future market risk prediction. McGough and Berry approach the increase in the volatility in real estate markets after the GFC by using a specific measure of risk pricing related to financial market sentiment. The analysis focuses on European office markets and reveals a significant impact in the city centre market segments in the short run, reflecting how changes in risk preferences continue to drive yield movements under different market conditions. *Çelik and Arslanli* analyse the idiosyncratic features of seventeen Turkish REITs traded on the Istanbul Stock Exchange after the GFC using balance sheet data. The paper defines several ratios and finds statistically significant correlation measures that reveal the vulnerability of REITS to market volatility mainly due to the exposure to financial positions in foreign currencies.

Anundsen, Bjørlan and Hagen analyse the role of building characteristics on rents by constructing a new rent index, quality-adjusted by the building features and time of contract signature, for the office market in Oslo. The new index demonstrates that the compositional biases can significantly impact the rental index and reveals a sharp fall in rents after the GFC but less hard during 2013–14. *Edward Trevillion* presents a concept paper outlining rental systems in UK commercial property markets; it shows how systems incorporating a wide range of market variables would improve modelling and forecasting rental growth. *Dmytrów and Kuźmiński* focus on the role of attributes for valuation in real estate mass appraisal, developing a new algorithm (SAREMA) including four calibration methods of an attribute

Journal of European Real Estate Research
Vol. 15 No. 2, 2022
pp. 145-146

1753-9269
DOI 10.1108/JERER-08-2022-068

impact vector. After testing it for 318 residential properties in Szczecin, Poland, the paper recommends including econometric and expert approaches to improve the mass valuation processes.

Trond Arne Borgersen presents an interesting theoretical paper analysing the mortgage market. It defines the market as a duopoly in which a newcomer offers loans with lower interest rates and different LTVs (product differentiation), with expansive intention (amplifying the effect), and that does not maximise profits. The model finds a solution when the lower mortgage rates compete and expand the customer base. Regarding global trends, *Eren and Henneberry* examine the evolution of Istanbul's retail property market to identify how global and local agents engage each other to produce a particular form of globalisation. The paper uses a process-based theoretical framework (morphogenesis) to describe how a massive entrance of international corporates after 2004 merged with local culture has "glocalised" the property activity in the city. The analytical framework was explicitly designed to identify structural shifts in socio-economic conditions by examining the characteristics and behaviours of the actors involved.

Finally, *Hoesli and Malle* analyse the effects of the COVID-19 pandemic on commercial real estate prices. The authors emphasise differences across property types during the pandemic, confirming that retail and hospitality properties suffered the most, with less impact on office buildings. In contrast, the residential and industrial sectors suffered least. They sustain that the future trajectory of prices will vary across sectors and that the type and location of assets will become increasingly important in their valuation, consistent with findings in other papers in this issue.

I hope you enjoyed reading these nine excellent pieces of work.

Paloma Taltavull