

IRES Researcher Assistant Professor Cristian Badarinza Presented at AREUEA-AFA Conference in San Francisco

“How do shocks which originate in a subset of the market lead to widespread bouts of optimism and pessimism? What is the role of liquidity in generating the substantial boom-bust patterns observed during the last years? Can these phenomena be associated with rational behaviour



or are they symptoms of psychological factors and social dynamics?” Dr Cristian Badarinza attempted to address these questions by using a spatial approach and micro-level panel data on household perceptions about the values of their own non-

traded residential properties. The results suggest that housing market liquidity is an important determinant of the correlation of prices across local districts. Dr Cristian Badarinza attributed part of the regional patterns of house prices to changes in market dynamics. Importantly, the empirical patterns are consistent with the hypothesis that households monitor the activity in neighbouring areas and are encouraged by higher observed transaction volumes to consider the price signals more plausible, therefore engaging in trading behaviour themselves.”

The conference took place in San Francisco between 3-5 January 2016 and Dr Cristian Badarinza’s session was a joint session by the American Finance Association (AFA) and the American Real Estate and Urban Economics Association (AREUEA).