

CERF Fellow Report

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Research Title and Abstract:

Behavioural biases as an indicator for asset value uncertainty

Buyers and sellers of heterogeneous goods in thin markets are brave: Despite the lack of long histories of transactions and the absence of sufficiently high numbers of comparable sales, they still form opinions on values, agree to trade and thereby serve as trailblazers for subsequent transactions. Without hard data and economic models at hand, these pioneering investors are hypothesized to be more susceptible to behavioural biases and price heuristics than investors in markets where more and better information is available.

This project empirically investigates whether behavioural biases are more widespread in markets with relatively high uncertainty regarding fundamental asset values. As some of these biases are easy to observe, their prevalence can serve as a readily available indicator for asset value uncertainty.

Research findings to Date:

The research programme is ongoing and has not yet produced a working paper output.

Links to your research outputs:

n.a.

Publications generated during the CERF fellowship

n.a.

Seminars, conference presentations

- Since the start of my fellowship, I have presented a recent working paper titled “500 Years of Rents in Western Europe: A Long-term View on the Rental Market” (with Piet Eichhholtz and Matthijs Korevaar) at:

- American Real Estate and Urban Economics Association (AREUEA) International Meeting, Alicante (8.7.2016)
- Department of Land Economy Real Estate Finance Brown Bag Seminar (23.6.2016)
- European Macrohistory Workshop, Bonn (5.6.2016)

Press releases and other academic activities

n.a.

Comments

Since the start of my fellowship, I have sourced to proprietary datasets needed for the project: 1) All residential property transactions for East- and West-Berlin (similar to the data used in Clapp, Eichholtz and Lindenthal, 2013, Reg. Sci. Urban Econ), covering the time from the 1980s to 2015. The comparison between East and West Berlin is very promising for the first years after their German reunification, since East- and West-Berlin have very similar regulations, access to capital etc. The East, however, is lacking comparable sales, which is hypothesised to increase the influence of pricing heuristics. 2) A large database of transactions of Internet domain names has been secured. For these transactions, comparables are rare and, in addition, the fundamental determinants of value are uncertain. Again, heuristics are expected to guide buyers and sellers.