Office Market Turning Points in the Financial Crisis

ELTINGA Centre for Real Estate Research and MTA KRTK KTI

Áron Horváth
Gábor Révész

ERES Istanbul
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Office market turning points in the Crisis – on average
Office market turning points during the Crisis

- An approximately **one-year** lag is calculated between office market yield and new **supply**.
- A **somewhat shorter** distance of rents and yields is revealed.
- According to the concluded calculations, **vacancy and take-up respond** after the yield.
- At the beginning of the **crisis**, **take-ups** followed the downward movement of yield somewhat **later than at the recovery**.
- A **larger gap** can be seen **between take-ups and vacancies** during the recovery.
Presentation plan

1. Lead-lag correspondences of office market indicators.
2. Turning point method.
3. Results.
1. LEAD-LAG CORRESPONDENCES OF OFFICE MARKET INDICATORS
Lead-lag on the office market

- Time-lag is consequential of numerous factors.
- Economists look for general lessons to learn.
- Results are important for practical forecasting purposes.

- Rent is referred as sticky because of living and valid contracts.
- New supply needs time to be constructed.
2. TURNING POINT METHOD
Turning point identification

Local maximum, minimum and turning points for Brussels office rents
Turning point identification

- Data series of more than **80 cities** from Europe and Asia.
- Local maximum and minimum points were identified.
- Among local maximums and minimums, **turning points** are selected.
- The series were broken down to **upturns and downturns**.

**How many days on average** do the turning points of indicators follow the turning point in yields during the Great Financial Crisis?
Turning point identification

Local maximum, minimum and turning points for **Berlin new supply / stock ratio.**
3. RESULTS
### Reaction lags (in days)

<table>
<thead>
<tr>
<th></th>
<th>yield</th>
<th>take-up/stock ratio</th>
<th>vacancy</th>
<th>rent</th>
<th>new supply/stock ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>beginning of the downturn</td>
<td>0</td>
<td>96</td>
<td>105</td>
<td>297</td>
<td>340</td>
</tr>
<tr>
<td>end of the downturn</td>
<td>0</td>
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<td>145</td>
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</tbody>
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- An approximately **one-year lag** is calculated between office market yield and new supply.
- A somewhat **shorter distance of rents** and yields is revealed.
- According to the concluded calculations, **vacancy and take-up respond earliest**.
### Reaction asymmetries

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- At the **beginning of the crisis**, take-ups followed the downward movement of yield somewhat later than at the recovery.
- A larger gap can be seen **between take-ups and vacancies during the recovery**.
- The reaction of **Supply** is **shorter** to some extent during the upturn.
- Correlations of cyclical components with yields supported the turning point method’s results.
- First take-ups react, than vacancy, and new supply in the end.
(Conclusion) Further research

- Robustness check.
- Forecast performance focusing on completion.
- Cross sectional explanatory factors of the distances.
Thank you for your attention!

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