Motivation or why risks?

- Increased perception of risk and a change towards more cautious and selective investment strategies in countries that were deemed among the most attractive property markets before the crisis
- Substantial uncertainty and foreignness of international investment; existence of specific real estate market risks inherent in different countries
- Necessity to understand the impact of different types of risks on real estate returns

Why the CEE region?

- Real estate markets at different maturity stages
- EU and non-EU member-states, including new EU members
- Many emerging markets: most real estate markets under consideration did not exist some 20 years ago
- Few studies on the region

Previous research on CEE

Limited number of studies that have analyzed CEE real estate markets.

Previous studies have focused mainly on three major topics:

- the perception of property markets in CEE with a main focus on the constraints (McGreal et al. 2001)

Research question

How important is country risk in international real estate investment?

Purpose

- To study the impact of country risk on international property investment returns
- To consider the relative importance of country, sector and region specific factors that determine real estate returns, as well as country risk vs. property specific risk
- To investigate if and how the impact of country risk on returns has changed after the crisis
- To explore specific real estate market risks in CEE

Structure

- Discussion on the types and elements of risks inherent in international real estate investment
- Discussion on the relationship between risk and return
- Empirical estimation of the impact of country risk on real estate returns; comparison to other factors that determine real estate returns

Methodology

- Literature review
- Quantitative methods: regression analysis

Previous research on country risks

- Very few studies have investigated real estate risks at a macro level and even less for emerging countries.
- Empirical papers have mainly focused on U.S. (Sivitanidou and Sivitanides 1996 and 1999; Sivitanides et al. 2001) or developed European markets (Bond, Karolyi and Sanders, 2003, Lee 2006).

Possible constraints for research

- Data availability: lack of reliable data in terms of quantity and quality
- Low frequency and short time series data