

[Home](#) > [The Journal of Real Estate Finance and Economics](#) > Article

# Momentum in Residential Real Estate

| Published: 10 October 2009

| Volume 43, pages 299–320, (2011) [Cite this article](#)



## [The Journal of Real Estate Finance and Economics](#)

[Aims and scope](#) →

[Submit manuscript](#) →

[Eli Beracha](#)<sup>1</sup> & [Hilla Skiba](#) <sup>2</sup>

 1299 Accesses  45 Citations [Explore all metrics](#) →

## Abstract

This paper examines whether there is return momentum in residential real estate in the U.S. Case and Shiller (American economic review 79(1):128–137, [1989](#)) document evidence of positive return correlation in four U.S. cities. Similar to Jegadeesh and Titman's (Journal of finance 56:699–720, [1993](#)) stock market momentum paper, we construct long-short zero cost investment portfolios from more than 380 metropolitan areas based on their lagged returns. Our results show that momentum of returns in the U.S. residential housing is statistically significant and economically meaningful during our 1983 to 2008 sample period. On average, zero cost investment portfolios that buy past winning housing markets and short sell past losing markets earn up to 8.92% annually. Our results are robust to different sub-periods and more pronounced in the Northeast and West regions. While zero cost portfolios of residential real estate indices is not a tradable

strategy, the implications of our results can be useful for builders, potential home owners, mortgage originators and traders of real estate options.



This is a preview of subscription content, [log in via an institution](#) to check access.

## Access this article

[Log in via an institution](#)

[Buy article PDF 39,95 €](#)

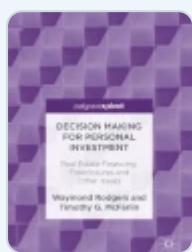
Price includes VAT (Poland)

Instant access to the full article PDF.

Rent this article via [DeepDyve](#)

[Institutional subscriptions](#)

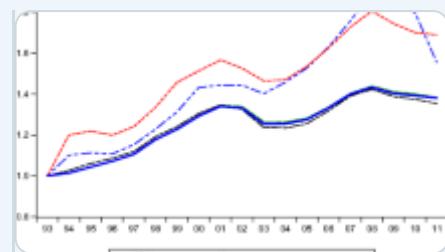
## Similar content being viewed by others



[Residential Real Estate Market Investment Decisions and the Economic Downturn](#)



[Conclusions: Reinsurance, Politics, and Missed Opportunities](#)



[Cash Flow Performance of Fannie Mae Multifamily Real Estate: Evidence from Repeated NOI and EGI Indices](#)

Chapter | © 2017

Chapter | © 2021

Article | 19 August 2015

## Notes

1. For example, a builder may alter the decision of when and where to build

based on area-specific momentum information and the projected delivery time of the structure. Similarly, potential home buyers may choose to delay their purchase if they have sufficient information that negative momentum exists in their area.

2. Mortgage lenders can use momentum information on housing to better estimate the future value of their collateral.
3. See data section for more detail about the FHFA housing indices.
4. The OFHEO index data are available at <http://www.fhfa.gov>.
5. For more detail about the index construction see Calhoun ([1996](#)) and OFHEO's website at <http://www.fhfa.gov>
6. [www.census.gov/geo/www/us\\_regdiv.pdf](http://www.census.gov/geo/www/us_regdiv.pdf) provides detailed region classification at the state level.
7. The specification suggested by the AIC is an AR model with five lags.
8. Results of the full sample Arellano-Bond estimation are similar to our autoregression results. We do not include the results for brevity, and they are available upon request.
9. The results from the full sample Arellano-Bond dynamic GMM estimation are very similar to the results in Table [2](#) in both significance and magnitude.

## References

---

Abraham, J. M. & Hendershott P. H. (1993). Patterns and Determinants of Metropolitan House Prices, 1977–1991, *Real Estate and Credit Crunch*, 18–42.

Abraham, J. M., & Hendershott, P. H. (1996). Bubbles in Metropolitan Housing Markets. *Journal of Housing Research*, 7(2), 191–207.

[Google Scholar](#)

Ali, A., & Trombley, M. (2006). Short Sales Constraints and Momentum in Stock Returns. *Journal of Business Finance & Accounting*, 33(3–4), 587–615.

[Article](#) [Google Scholar](#)

Ang, A., Hodrick, R. J., Xing, Y., & Zhang, X. (2006). The Cross-Section of Volatility and Expected Returns. *Journal of Finance*, 61(1), 259–299.

[Article](#) [Google Scholar](#)

Arellano, M., & Bond, S. (1991). Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations. *The Review of Economic Studies*, 58, 277–297.

[Article](#) [Google Scholar](#)

Atteberry, W. L., Rutherford, R. C., & Eakin, M. E. (1993). Industrial Real Estate Prices and Market Efficiency. *Journal of Real Estate Research*, 8(3), 377–386.

[Google Scholar](#)

Bloomfield, R. J., Libby R. & Nelson M. W. (1999). Confidence and the Welfare of Less-Informed Investors, *Accounting, Organizations and Society* 24(8), 623–647(25).

Brounen, D. (2008). The Boom and Gloom of Real Estate Markets, Working Paper.

Calhoun, C. A. (1996). OFHEO House Price Indices: HPI Technical Description, Office of Federal Housing Enterprise Oversight.

Carhart, M. M. (1997). On Persistence in Mutual Fund Performance. *Journal of Finance*, 52(1), 57-82.

[Article](#) [Google Scholar](#)

Case, K. E., & Shiller, R. J. (1989). The Efficiency of the Market for Single-Family Homes. *American Economic Review*, 79(1), 125-137.

[Google Scholar](#)

Case, K. E., & Shiller, R. J. (1990). Forecasting Prices and Excess Returns in the Housing Market. *Real Estate Economics*, 18(3), 253-273.

[Article](#) [Google Scholar](#)

Chan, L. K., Jegadeesh, N., & Lakonishok, J. (1996). Momentum Strategies. *Journal of Finance*, 51(5), 1681-1711.

[Article](#) [Google Scholar](#)

Chui, A. C. W., Titman, S., & Wei, K. C. J. (2003). Intra-industry Momentum: The Case of REITs. *Journal of Financial Markets*, 6, 363-387.

[Article](#) [Google Scholar](#)

Chui, A. C. Titman W., S. & Wei K.C.J. (2008). Individualism and Momentum around the World, Working paper.

Daniel, K., Hirschleifer, D., & Subrahmanyam, A. (1998). Investor Psychology and Security Market Under- and Overreactions. *Journal of Finance*, 53, 1839-1886.

[Article](#) [Google Scholar](#)

De Bondt Werner, F. M., & Thaler, R. (1985). Does the Stock Market Overreact? *Journal of Finance*, 40(3), 793–805.

[Article](#) [Google Scholar](#)

Ng, Fu. (2001). Market Efficiency and Return Statistics: Evidence from Real Estate and Stock Markets Using a Present Value Approach. *Real Estate Economics*, 29(2), 227–250.

[Article](#) [Google Scholar](#)

Gau, G. W. (1984). Weak Form Tests of the Efficiency of Real Estate Investment Markets. *Financial Review*, 19(4), 301–320.

[Article](#) [Google Scholar](#)

Gau, G. W. (1987). Efficient Real Estate Markets: Paradox or Paradigm. *Real Estate Economics*, 15(2), 1–12.

[Article](#) [Google Scholar](#)

Gervais, S., & Odean, T. (2001). Learning To Be Overconfident. *Review of Financial Studies*, 14, 1–27.

[Article](#) [Google Scholar](#)

Goetzmann, W. N., & Ibbotson, R. R. (1994). Do Winners repeat? *Patterns in Mutual Fund Performance*, *Journal of Portfolio Management*, 20, 9–18.

[Google Scholar](#)

Gupta, R & Miller, S. M. (2008). “Ripple Effects” and Forecasting Home Prices in Los Angeles, Las Vegas, and Phoenix, Working Paper.

Hamilton, B., & Schwab, R. (1985). Expected Appreciation in Urban Housing Markets. *Journal of Urban Economics*, 18, 103-118.

[Article](#) [Google Scholar](#)

Hendricks, D., Patel, J., & Zeckhauser, R. (1993). Hot Hands in Mutual Funds: Short-Run Persistence of Performance, 1974-1988. *Journal of Finance*, 48, 93-130.

[Article](#) [Google Scholar](#)

Hung, K., & Glascock, J. L. (2008). Momentum Profitability and Market Trend: Evidence from REITs. *Journal of Real Estate Finance and Economics*, 37, 51-69.

[Article](#) [Google Scholar](#)

Jegadeesh, N., & Titman, S. (1993). Returns to Buying Winners and Selling Losers: Implications for Stock market Efficiency. *Journal of Finance*, 48(1), 65-91.

[Article](#) [Google Scholar](#)

Jegadeesh, N., & Titman, S. (2001). Profitability of Momentum Strategies: An Evaluation of Alternative Explanations. *Journal of Finance*, 56, 699-720.

[Article](#) [Google Scholar](#)

Lakonishok, J., Shleifer, A., & Vishny, R. W. (1994). Contrarian Investment, Extrapolation, and Risk. *Journal of Finance*, 49(5), 1541-1578.

[Article](#) [Google Scholar](#)

Lee, C. M. C., & Swaminathan, B. (2000). Price Momentum and Trading Volume. *Journal of Finance*, 55(5), 2017-2069.

[Article](#) [Google Scholar](#)

Levy, R. (1967). Relative Strength as a Criterion for Investment selection. *Journal of Finance*, 22, 595-610.

[Article](#) [Google Scholar](#)

Linneman, P. (1986). An Empirical Test of the Efficiency of the Housing Market. *Journal of Urban Economics*, 20, 140-154.

[Article](#) [Google Scholar](#)

Piazzesi, M. & Schneider M. (2009). Momentum Traders in the Housing Market: Survey Evidence and a Search Model, NBER Working Paper 14669.

Rouwenhorst, G. K. (1998). International Momentum Strategies. *Journal of Finance*, 53(1), 267-284.

[Article](#) [Google Scholar](#)

Shiller, R. J. (2007). Understanding Recent Trends in House Prices and Home Ownership. NBER Working Paper.

Shiller, R. J. (2008). Historic Turning Points in Real Estate. *Eastern Economic Journal*, 34, 1-13.

[Article](#) [Google Scholar](#)

Zhang, X. F. (2006). Information Uncertainty and Stock Returns. *Journal of Finance*, 61(1), 105-137.

[Article](#) [Google Scholar](#)

## Author information

## Authors and Affiliations

**Department of Finance, College of Business, East Carolina University, Bate  
3129, Greenville, NC, 27858, USA**

Eli Beracha

**Department of Economics and Finance, University of Wyoming, 3985, 1000  
E. University Ave., Laramie, WY, 82071, USA**

Hilla Skiba

## **Corresponding author**

Correspondence to [Hilla Skiba](#).

## Rights and permissions

## Reprints and permissions

## About this article

## Cite this article

Beracha, E., Skiba, H. Momentum in Residential Real Estate. *J Real Estate Finan Econ* **43**, 299–320 (2011). <https://doi.org/10.1007/s11146-009-9210-2>

Published 10 October 2009 Issue Date October 2011

DOI  
<https://doi.org/10.1007/s11146-009-9210-2>

## Keywords

## Momentum

## Residential real estate

## Predictable returns

## Zero cost portfolios

# Search

Search by keyword or author



## Navigation

[Find a journal](#)

---

[Publish with us](#)

[Track your research](#)