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Home ► All Journals ► Social Sciences ► European Journal of Housing Policy ► List of Issues ► Volume 7, Issue 4 ► The Housing Rental Rate Elasticity of Ag

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The Housing Rental Rate Elasticity of Aggregate Consumption: A Panel Study for OECD Countries

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Notes



the condition of a zero elasticity for zero renter share. However, as the referee argued, zero renter shares are not observed anyway. Therefore, this violation might be considered irrelevant.

6. The P-values associated with F-tests are 0.13 for the S $_{it}$ R $_{it}$ -coefficient and 0.44 for the R $_{it}$ -coefficient.

7. See, for example <u>Pedroni (1999)</u> on explicit estimation of time effects versus demeaning.

8. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Spain, Sweden, UK and USA. For lack of relevant data, other countries like Switzerland or Portugal had to be excluded.

9. The exceptions are Germany, France, UK and the USA, for which longer series are available.

10. For a detailed, country by country description of the ILO rent indices see laborsta.ilo.org

11. These prices are the inflation adjusted residential property prices from BIS calculations based on national data.



16. Contrastingly, the same test yields p-values < 0.007 for the suspected endogenous variables, justifying their instrumentation. This does not hold for share prices, for which exogeneity is indicated at a confidence level of 0.18. Nevertheless, for a symmetric treatment of house prices and share prices, it was instrumented.

17. The maximum lag length considered for these tests was nine and the choice of the actual lag length was based on the Schwartz-Bayes information criterion. Of the original 24–34 observations, therefore, only 15–25 could be used for testing.

18. Additional testing for cointegration was carried out based on the bounds approach of <u>Pesaran et al. (2001)</u>. Given the evidence from the unit-root tests, this approach would be more appropriate particularly for specifications A and C, because it is valid also for mixtures of I(0) and I(1) variables. Due to data limitations, this type of testing could only be carried out for a maximum of three lags and specifications B and C, but the general picture emerging supports the findings above: Cointegration evidence for specification B is better than for specification C.

19. Additional estimation for specification B (without the wealth variables), for which cointegration evidence was best, lead to significantly negative rental rates elasticities in the -0.35 range (depending on the subsample used).



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