The Time-Varying Nature of Spatial Dependencies in Commercial Real Estate Prices: A Behavioral Explanation

Prashant Das
Ecole hoteliere de Lausanne (EHL), Switzerland

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Abstract

In this study we provide a behavioral explanation for spatial dependence in commercial property asset pricing. We analyze nearly 6000 hotel transactions in the US between 2001 and 2016 applying temporal spatial autoregression with autoregressive error (T-SARAR) models to test the behavioral explanation. We show that the spatial lags are partially driven by behavioral biases whereas the spatial errors do not exhibit a distinct pattern of association with market conditions which are known to influence the investor behavior. In particular, spatial lags influence future transactions the most when irrational sentiments are the lowest (during periods of unexplained pessimism) or when the rational financial market anxiety is the highest (during periods of economic turmoil).

Speaker Profile

Prashant Das is an Associate Professor of Real Estate Finance at Ecole hoteliere de Lausanne (EHL), Switzerland and currently serves as the acting director of their proposed "Finance, Real Estate and Economics Institute". At EHL, he developed and teaches courses in real estate finance, valuation and investment. Prashant has delivered masters', executive and undergraduate level courses in Switzerland, the United States, China and India and Romania. Earlier, he served on managerial and engineering roles with several firms/organizations including HCL Infosystems Ltd. and Tata Consultancy Services. Recently, he was invited to serve on the advisory board of an Atlanta (USA)-based hotel investment fund.

His research interests include commercial real estate (REITs, CMBS, and property valuation), sustainability, sentiments, Google searches and real estate in India. Prashant has earned seven internationally competitive best research paper awards from the Journal of Real Estate Research, the American Real Estate Society and the Asian Real Estate Society. He also earned a teaching excellence award from Robinson College of Business, Atlanta. At EHL, he has been nominated every year for "researcher of the year" and "teacher of the year" awards.

He has authored a book on real estate finance in India (SAGE Publications), and edited a book on real estate in South Asia (Routledge UK). In addition, he authored two book chapters, several case studies and refereed research papers for such journals as Journal of Real Estate Research, Journal of Real Estate Finance and Economics and Journal of Property Research among others. He serves as a referee for several leading academic journals in the areas of real estate, finance, urban economics and hospitality.

Prashant has been invited to speak on public forums such as the Securities and Exchange Board of India (SEBI) and leading educational institutes globally. He often writes opinion

editorials for popular media (magazines, newspapers, newsletters) on topics related to real estate finance and has been quoted/interviewed by international trade magazines and the national TV channel of India. Prashant received his Ph.D. (Business/ Real Estate) from Georgia State University, Atlanta; M.S. (Land Development) from Texas A&M University (College Station, USA) and B.S. (Architecture) from IIT Roorkee (India).

In his free time, Prashant dabbles in oil painting on canvas, cooking, sculpting in wood/clay and writing short stories.

Personal website: http://www.prashantdas.com