



Research Unit Financial and Real Estate Markets

Our Topics

The research unit “Financial and Real Estate Markets” covers topics in monetary policy and financial regulation and their relevance for corporate and real estate finance as well as for the real economy. We also cover topics in the non-financial side of the real estate markets, like housing policy and the impact of demographics on real estate markets and real estate prices. Our research includes the following areas:

Monetary Policy

The researchers monitor the ECB’s monetary policy and developments in the European banking sector and they analyse their impact on the real economy. They evaluate the effectiveness of the ECB’s monetary policy instruments in supporting the economic recovery and the impact of a change in interest rates on banks, households and non-financial companies. The interaction of monetary policy and financial regulation is also tackled as well as the interaction of monetary and macroprudential policies.

Financial Regulation

Financial regulation was toughened as a response to the global financial crisis for making the financial system more resilient to shocks. The researchers monitor the state of financial regulation, because existing rules might not effectively apply to new business developments and technologies and they might become inconsistent to global approaches to financial regulation. The current US approach to deregulating the financial system and the upcoming Brexit will possibly introduce frictions to global financial markets, which have to be analysed and evaluated.

Corporate and Real Estate Finance

The availability of funding for investments is essential to economic growth, while the regulatory environment is crucial for the way in which real estate investments and enterprises are financed. Due to new financial regulations, such as Basel III

or Solvency II, the framework for corporate and real estate financing will change. We analyse their effects on markets thoroughly and derive suggestions for improvement, if necessary.

Housing Policy

The provision of housing is a social need. We analyse the effects of state interventions on the housing market and engage in the debate on a sound design of housing regulations. Topics are rental regulations, the design of housing allowances, tax rules related to housing and incentives to stimulate energetic renovations.

Real Estate Economics

The real estate market is one of the biggest and important markets in the economy. Recent experiences in the United States and other countries show how distortions in the real estate market can initiate a deep recession of the economy as a whole. We monitor the market regularly and develop methods to detect overvaluations. Moreover, we analyse the impact of demographic trends and deduct solutions for growing and shrinking communities.

Our Positions

Financial Regulation

In response to the financial crisis the paradigm for financial regulation has changed. It seems obvious that banks and insurance companies need more equity capital as a buffer against losses to improve financial stability and to prevent taxpayers from future bail-outs. In addition to the financial stability perspective, regulations should also take the social function of financial intermediation, i.e. funding the real economy, into account. We aim at designing the financial regulation such that it balances between the robustness of the financial system and the funding needs of the real economy.

Monetary Policy

The Eurozone banking and sovereign debt crisis forced the ECB to conduct unconventional monetary policies that resulted in a low interest rate environment. Although necessary to prevent a deep recession, this policy triggers negative side-effects, e.g. stimulating an overshooting of property markets. For preventing distortions in financial markets and the real economy the ECB should return to its neutral stance as soon as possible.

Housing Policy

International experiences revealed that interventions aiming at limiting housing costs, like a rent freeze, have unintended side-effects. For instance, the lack of a bigger rental market in Spain and the UK is due to excessive rental regulations in the 1960s to 1980s. A sound housing policy should aim at using market forces to reach social goals. Instead of extending social housing, we prefer a system of housing allowances which enable low-income household to participate in the overall market.

Demographics and Real Estate

Germany is facing a shrinking population, especially in rural areas and cities with structural problems. Therefore, the vacancy rate of residential properties is increasing, initiating further problems for owners and the community as a whole. We are convinced that communities need support to deal with these problems. This includes incentives for households to move to the inner suburbs, selected removal of buildings and an extended supra-regional planning.

Selected publications

In English

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Deschermeier, Phillip / **Haas**, Heide / **Hüther**, Michael / **Voigtländer**, Michael, 2015, The importance of long-term financing by banks, IW Analyse No. 102, Cologne

In German

Demary, Markus, 2016, Lassen sich aus den Ursachen des Niedrigzinsumfeldes Wege für eine Zinswende ableiten?, Vierteljahreshefte zur Wirtschaftsforschung, 1/2016, 159-172

Deschermeier, Philipp / **Voigtländer**, Michael, 2018, Auswirkungen des demografischen Wandels auf die Büroimmobilienmärkte in Deutschland, IW-Trends, 31 Jan 2018

Henger, Ralph / **Runst**, Petrik / **Voigtländer**, Michael, 2017, Handlungsempfehlungen für mehr Investitionen in den Klimaschutz, IW-Analyse Nr. 119, Köln

Hüther, Michael / **Demary**, Markus, 2018, Dilemma ohne klaren Ausgang – Wirkung der aktuellen Geldpolitik auf Deutschland und Europa, Zeitschrift für das gesamte Kreditwesen, 71. Jahrgang, 1-2018, 27-30

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