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## Maastricht–Cambridge–MIT Symposium 2006

### Editors' Introduction

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This special issue of the *Journal of Real Estate Finance and Economics* presents papers selected from the Maastricht–Cambridge–MIT Symposium, which was held at Chateau St. Gerlach, Maastricht University, in September 2006. This was the first year that the MIT Center for Real Estate was involved in organizing the Symposium. The papers presented at the Symposium covered a range of issues in real estate finance and economics. In all, 11 papers were presented, with four being selected for publication in this Special Issue. Of these four papers, one was written by a research team from the US, and three are from Europe.

David Ling and Milena Petrova answer the question of whether investors actually gain from properties acquired under the Section 1031 exchange provisions in the US. The general view in the industry is that buyers do pay more but there has been little empirical evidence on this to date. The authors argue that because of the time limitations in which a replacement property must be purchased and given the heterogeneous nature of the real estate market, the tax benefits of a deal are often exceeded by the higher price paid for a property. The actual findings depend on the market segment examined but their main conclusion is that many investors pay a price premium to acquire properties under Section 1031 exchanges that are in excess of the tax benefit gained.

Executive compensation is always a controversial topic to investors in publicly listed companies. The property sector is no exception. In a paper on Executive Compensation for UK Listed Property Companies, Piet Eichholtz, Nils Kok and Roger Otten examine the key drivers of executive compensation. The UK listed property sector provides an ideal context in which to study this issue. Very few studies have considered this topic in a European context, and by limiting the study to the property sector, the authors can abstract from different industry affects and take advantage of a particularly transparent set of accounting information, which is useful to value option packages rewarded to executives. Their main finding is that size is

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the key determinant of compensation, which is consistent with US evidence. However there are clear nonlinear effects in the relationship between size and compensation. Also important are company performance indicators and corporate governance measures.

Using an international data set Pierre Monnin and Christian Hott provide important evidence on the way in which house prices can depart from equilibrium values for extensive periods of time. This article joins a growing body of literature examining this timely question as policy makers deal with the consequences of a decade of strong house price growth and a fear of adverse macroeconomic outcomes if house prices slow or fall sharply. However, the authors also note that in terms of forecasting house prices, fundamental information does have an important role, and over horizons of 3 or 4 years, models based on fundamental information are superior to dynamic time series models.

The term structure of office rents is the focus of the article by Shaun Bond, Pavlos Loizou and Patrick McAllister. They provide an empirical analysis of the relationship between lease maturity and office rent levels. Using a database of lease contracts for properties in central London, they show that initial lease rates are upward sloping with the duration of the lease contract. Contrary to theory, which suggests that the term structure of lease contracts depends on market circumstances, and to existing empirical work, this relation is found to be constant over time. The results are robust with respect to the existence of lease breaks and the exclusion of very short leases.