

## Response to response by Linda Kleemann

Dear Author,

I think the referees (DD and BVC) have many very valid suggestions for improvements, but they also acknowledge that the paper has potential. This is an area where not much work has been done. Therefore, I think that you should be given a chance to revise and resubmit your paper. If you revise the paper along the lines below, we would be willing to consider the paper again.

You address their comments in your response. Here are my comments on your comments:

- (1) Referee DD had several relevant points on the link(s) between the theory and the application and suggested that some of the theory was unnecessary or irrelevant. You agree that the link from theory is weak but argue that the theory is still relevant. You may have a point that the hedonic theory is of relevance, but you need to acknowledge the critical comments and rewrite the theory to make the links clearer. This section could be shortened.
- (2) Referee BVC has suggested that you use a smooth transition autoregressive model, which you agree to try out. This seems like a useful thing to try, but I agree that you can test which model works better.
- (3) You agree to go with the comments of DD on the use of the Johansen approach, which you should. You need to respond to the point about the specification of the model reported in Table 3.5.
- (4) I don't understand what you say about seasonality in your response. But maybe nothing useful can be done?
- (5) Make sure that you are clear on what data are used and defined.
- (6) On aggregation you may be right that not much can be done beyond what you have done.
- (7) Your final point relates to some details in reporting. Make sure that they are clearly explained.
- (8) Your discussion of results of the VEC model can be improved along the lines suggested by DD.