

# Answer to the invited reader report 4 to the paper

Urban House Prices: A Tale of 48 Cities

April 27, 2015

## 1 Major comments:

1. The fitted price cannot be interpreted as the "fundamental price" in the standard sense (e.g. Himmelberg et al. 2005), which is essentially based on the rent level and the so-called user cost. Also, it seems to me that the rent is not included among the explanatory variables. This choice should be justified.

Our answer: Indeed, the rent is not included, because we did not dispose of the corresponding data. Unfortunately, at the time of downloading the price data (three years ago) we confined ourselves to the asking purchase prices only.

2. The rent-price ratio is a widely adopted indicator of possible overvaluation in housing markets. It would be interesting to identify overvalued cities based on rent-price ratios and compare the results with those in figures 7-8-9 (based on fitted values).

Our answer: This is true, but it is impossible to do this due to the missing rent data, see point 1.

3. Last paragraph of Section 1: there is no rent/price indices in section 3.

Our answer: This typo will be corrected.