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The man forecasting another housing bubble wins a Nobel Prize

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If there is one name that should survive in the annals of real estate and mortgage finance history, it's the name Robert Shiller, analysts covering the mortgage finance space said after Shiller secured a top international award.

Shiller, a Yale professor, along with Eugene Fama and Lars Peter Hansen, won the Nobel Prize for economics this week. Shiller secured the honor by developing new methods of studying trends in asset markets—housing being one of the more pronounced aspects of his work.

The **Standard & Poor's Case-Shiller Home Price Indices** have become the standard for measuring the price trajectory of single-family homes in the U.S. While indices have been debated in the past as often dependent on what data controls are built into the systems, there is no doubt that Shiller's home price data analysis is a market staple.

"He is certainly someone who has done work in finance and real estate finance that merits a Nobel prize," said Mark Calabria, director of financial regulation studies at the Cato Institute. Calabria says Shiller's work is data-driven and generated a great deal of market interest since it was often tied to the practical side of things – the Case-Shiller Home Price Indices being one of his most practical, down-to-earth formations.

So with the Nobel prize under his belt, Shiller's star is even brighter as he goes out into the market, releasing his newest fears over a new home price bubble.

At a recent ABS East conference in Miami, housing experts disagreed with Shiller's recent suggestion that the U.S. is seeing another housing bubble – one driven possibly by the entry of investors who potentially over-stimulated local markets. At the same conference, Mark Fleming, chief economist for CoreLogic, said price appreciation is slowing down, and is only correcting itself now for an overshoot in price collapse.

Calabria credits Shiller for being one of the first to spot bubbles in both the dot-com sector and housing.

“I don’t think he is always saying the sky is falling down,” he added, but Shiller is willing to point out trends in asset inflation nevertheless.

“This will give a little more weight to his willingness to call what he sees as bubbles in the marketplace,” Calabria added.

Anthony Sanders, professor of finance in the school of management at George Mason University, also sees Shiller as someone worthy of a mention.

“Robert Shiller's contributions are really about irrational expectations and asset prices (better known as bubbles),” he explained. “Economists have been developing hedonic models for decades, but Case and Shiller was the first widely watched house price index other than GSE indices.”