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Peer Review

Review of: "Are We in a Housing Bubble? Empirical Evidence From Portugal"

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Reviewer comment (R.C): The introduction lays out the research questions clearly, but it would be stronger if you explained more directly what is new here compared with earlier work on the Portuguese housing market.

Reviewer comment (R.C): The literature review does a good job of covering the main studies, but much of it feels like a list of findings. Try to point out the disagreements or unanswered questions in the literature to highlight the gap your study is filling.

Reviewer comment (R.C): The paper focuses on only eight municipalities, which makes sense given the scope, but the reasoning for this choice is not fully convincing. It would help to explain why these areas were selected and whether your conclusions apply to other municipalities too.

Reviewer comment (R.C): The affordability index assumes a 100 m^2 home and 14 months of salary per year. This is a common approach, but is it realistic for the average household in Lisbon or Porto? It might help to test whether the results change with different assumptions.

Reviewer comment (R.C): The bubble test using yields versus mortgage rates is sensible, but it leaves out other important costs such as taxes, maintenance, and vacancies. Please explain how ignoring these might affect your findings.

Reviewer comment (R.C): You mention running T-tests to compare yields and mortgage rates, but it is not clear how many observations were used or how robust the test is. Readers would benefit from a fuller explanation of your statistical setup.

Reviewer comment (R.C): In Table 2, the yield–mortgage gaps are tiny (Lisbon 2.48 vs 2.63). Since the difference is so narrow, please report the exact p-values alongside the stars so that readers can see how strong the evidence really is.

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Reviewer comment (R.C): The claim that Lisbon and Oeiras show bubble-like conditions in Q4 2022 feels a little too strong, since it is based on one quarter of data. It would be better to check if this pattern holds across several quarters.

Reviewer comment (R.C): The section on spillover effects mentions that lags were chosen using the Akaike Information Criterion, but it does not show the actual lag lengths. Adding those would make the results clearer and easier to verify.

Reviewer comment (R.C): Table 3 reports spillovers from central cities to neighboring municipalities, but were reverse effects also tested? It would be helpful to clarify whether causality was one-way or two-way.

Reviewer comment (R.C): The results section often repeats what is already shown in the tables. Instead of re-stating numbers, you could focus more on interpreting why these results matter and how they connect to the bigger housing debate.

Reviewer comment (R.C): The conclusion suggests that metropolitan-level policies are needed, which makes sense, but it would be more impactful if you offered some specific policy options or examples rather than a general statement.

Reviewer comment (R.C): The conclusion also notes "signs of overvaluation" in 2022 but does not discuss what might have driven this. Considering factors like tourism demand, foreign investment, or central bank policy would make the interpretation richer.

Reviewer comment (R.C): The study ends in 2022, but the housing and mortgage landscape changed quickly after that with rising interest rates. It would strengthen the paper to acknowledge this as a limitation and suggest how it might affect your conclusions.

Reviewer comment (R.C): The affordability index results in Table 1 are striking, and the growth rates look correct, but it would be useful to show the formula you used for calculating the compound annual growth rates.

Reviewer comment (R.C): The paper does not mention whether there were any missing or inconsistent data points in the INE or ECB series. Clarifying how you handled potential gaps or outliers would add confidence in the results.

Reviewer comment (R.C): You draw heavily on international literature, which is valuable, but the paper would benefit from a stronger discussion of Portuguese-specific factors like rental regulations, golden visas, or tax incentives.

Reviewer comment (R.C): The results would be easier to follow if you included charts showing affordability trends, yield trends, and spillover dynamics over time. Visuals would make the patterns much clearer than tables alone.

Reviewer comment (R.C): Some references are repeated in slightly different forms (for example, Cunha and Lobão appear multiple times with overlapping years). Please check for duplication and ensure consistent formatting.

Reviewer comment (R.C): The paper is generally clear, but sections using technical terms like “present value model” and “Granger causality” may lose less technical readers. Adding a short, plain-language explanation would make the paper more accessible.

Declarations

Potential competing interests: No potential competing interests to declare.

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