Peer Review

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

Elias Bengtsson[1]

1. Lund University, Sweden

Thank you for allowing me to review this interesting and topical paper.

I recommend a revised form of the paper taking into account the below comments.

All the best and good luck

Referee Report: Are We in a Housing Bubble? Empirical Evidence from Portugal (Cunha, 2025)

Overall Recommendation: Revise and resubmit

Summary

The paper examines affordability, speculative signals, and spillover effects in Lisbon and Porto between 2011–2022 using affordability ratios, rental yield–mortgage comparisons, and Granger causality tests. It finds worsening affordability, limited localized bubble signals, and evidence of metropolitan spillovers. The study contributes to housing market research in Southern Europe but requires methodological and theoretical strengthening.

Major Comments

Originality & Framing

The integration of affordability, bubble detection, and spillovers is relevant, but the framework is largely standard. Greater engagement with advanced bubble-detection techniques (e.g., Phillips-Shi-Yu, cointegration approaches, spatial econometrics) would improve originality.

Literature Review

Well-organized but mostly descriptive. Needs a more critical synthesis (e.g., debates on bubble indicators, speculative vs. fundamental drivers).

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Limited reference to institutional/policy literature, such as macroprudential tools and land-use planning.

H1 is sort of simply confirming a trend that is clearly visible from the data; could the analysis be investigated possibly by using more frequent data, additional postcodes, and some measure of elasticity per geographical unit?

If bubbles are defined in the manner used in the paper, what is the opposite of a bubble? Another form of mispricing that seems common too (if I understand the tables correctly). I believe some graphs would be useful here, also as they would illustrate whether bubbles build up and remain.

Some statements are not backed up by appropriate references (e.g., "few empirical studies analyse.....; Most research isolates....; Spatial propagation is increasingly recognized....etc.).

Methodology

Reliance on T-tests for bubble detection is weak, and the manuscript would improve by positioning the methodology in relation to state-of-the-art real estate economics. Spillovers are reduced to pairwise Granger tests; spatial econometric methods would capture more complex dynamics.

Robustness checks using different criteria would also be very important.

Results & Discussion

Results are presented clearly, but the discussion is narrow and misses structural drivers (e.g., ECB interest rate policy, foreign investment, tourism/short-term rentals).

The dataset ends in 2022; would it be possible to extend it to consider recent post-COVID inflationary housing trends?

Policy Implications

Metropolitan-level recommendations are valid but too general. Specific tools (affordable housing quotas, macroprudential measures, integrated metropolitan planning) should be discussed. Here, an elaboration on the policy conclusions; what is currently in place at the national level in terms of macroprudential measures and what could be done more locally?

Minor Comments

The consistency in terms of terminology needs to improve; the paper mentions mortgage yields vs. housing yields vs. rental yields; cost of capital vs. mortgage rate, etc., which is not explained in context.

Some formatting inconsistencies in equations and symbols should be corrected.

The literature review could be shortened by condensing descriptive passages.

Tables are clear and informative but could be supplemented with figures to highlight trends.

Declarations

Potential competing interests: No potential competing interests to declare.