

Introduction

This special issue of *The Journal* highlights the role of uncertainty in real estate markets. Some of the latest developments in finance and information economics are presented and applied in a real estate context. New models for several real estate problems are proposed.

The first series of articles focuses on how information and uncertainty relate to brokerage, appraisal, and transaction issues. Topics therein range from principal-agent contracts in residential real estate brokerage, to by-owner versus realtor sales to the role of sellers' agents, to price formation and the appraisal function in real estate markets.

The second grouping addresses uncertainty through portfolio theory and stochastic and/or contingent claims models. It includes papers on risk and return issues, the timing of real estate development, the redevelopment option in fee-simple and leased property, the timing of real estate development and rational expectations equilibrium in land markets.

The theoretical approaches applied in the articles of this journal have already proven to be powerful tools in economics and finance. These techniques are equally powerful in a real estate context. The reader will find explanations of and resolutions to many puzzling aspects of real estate markets. These approaches are likely to become standard tools for real estate researchers in the future. My hope is that the technology transfer will be hastened and that our understanding of real estate markets will be deepened by the research in this issue. Happy reading!

Dennis R. Capozza
Department of Finance
University of Michigan