Figure: Dividend Yield and 7-year Return
Figure: House Prices and Rents
Survey Evidence: Stocks

Stock prices and investor optimism

% optimistic - % pessimistic

Fitted line

House prices and expected price appreciation

Expected 1-yr house price change (%)

Sources: S&P/Case-Shiller, FHFA, and Case, Shiller, and Thompson (2012). Cities included are San Francisco/Alameda County, Boston, Los Angeles/Orange County, and Milwaukee. Data are from 2003 to 2012.
Investors Seem to Extrapolate

Extrapolative expectations in the stock market

% optimistic - % pessimistic

Trailing 12-month change in S&P 500 (%)

Fitted line

Extrapolative expectations in the housing market

Expected 1-yr house price change (%)

Trailing 12-month change in house price indexes (%)

Sources: S&P/Case-Shiller, FHFA, and Case, Shiller, and Thompson (2012). Cities included are San Francisco/Alameda County, Boston, Los Angeles/Orange County, and Milwaukee. Data are from 2003 to 2012.