HOUSE PRICE BUBBLE AND ANALYSIS OF THE FACTORS AFFECTING HOUSE PRICE: TURKEY CASE

Abstract

Huge increases in housing prices have been an attractive and focused subject of research. Supply and demand play an important role in housing prices. Macroeconomic variables also have a significant impact on housing prices. Based on the close relationship between the real estate market and finance, this article explores the existence of speculative bubbles in house prices in Turkey, as well as the impact of macroeconomic changes on housing market transactions. GSADF was used to determine the presence of bubbles in the housing market in Turkey and 2 bubbles are identified in the Housing Price Index series for the period 2014 - 2018 and June 2019 - June 2022. The balloon in the period of June 2019 – June 2022 is remarkable and the slope of the balloon is very steep. The long-term relationship between house price and macroeconomic variables was examined with the Vector Auto Regression (VAR) model. VAR model results are significant at 5% significance level. A statistically significant relationship emerges between the Housing Price Index and the total of sales on credit, the total of housing sales, the Consumer Price Price Index, the Turkish Lira 1-Month Deposit Purchase Interest, the Consumer Confidence Index and the Manufacturing Capacity Utilization Rate variables.

Keywords: Real Estate Price Index, Price Bubble, Financial Modelling, VAR Analysis, Turkey