

https://dspace.org/

Macroeconomic determinates of housing prices in South Africa

Mwenje, Grace

2015
http://hdl.handle.net/10539/18119

Downloaded from a DSpace repository. https://dspace.org/

Abstract

This study investigates key macro-economic variables that influence housing prices in South Africa. Impact of shocks to macro-economic variables on housing prices in the short run is analysed as well as the nature of the relationship between housing prices and seven macro-economic variables in the long run. Using quarterly data from 1978 (3^{rd} quarter) to 2014 (1^{st} quarter) , the study shows that absa real house prices, rand/us$ exchange rate, household/debt disposable income, household net wealth/disposable income, new mortgage loans and prime interest rates have a long run equilibrium relationship. Macro-economic variables have a positive impact on house prices in the long run; household net wealth/disposable income and household debt/disposable income are leading variables in explanation of house price movements. Shocks to prime interest rates and rand/us$ exchange rate impact negatively on house prices in the short run.

Keywords: cointegration, house prices, impulse response, unit root, variance decomposition, vector error correction model