

SAROSH SHABI

School of Management, Swansea University, United Kingdom

UK HOUSE PRICES - CONNECTEDNESS OR RIPPLE EFFECT?

Abstract:

The housing market is closely associated with consumer spending, implying that an increase in house prices boosts homeowners' confidence. Similarly, a decline in house prices raises concerns for the homeowners due to the risk of losing the value of their property resulting in a reduction in spending and holding off personal investments.

Using nonlinear causality and impulse response we show bidirectional dependence between the London house prices and other UK regions' house prices except for Northern Ireland and Wales. This result has important implications for policy makers and investors.

Keywords:

Connectedness, Nonlinearity, House Prices

JEL Classification: R20, R21, R31