

TAMARA SLIŠKOVIĆ

University of Zagreb Faculty of Economics and Business , Croatia

MARTINA SOLENIČKI

University of Zagreb Faculty of Economics and Business , Croatia

TOMISLAV SEKUR

University of Zagreb Faculty of Economics and Business , Croatia

DRIVERS OF HOUSING PRICES IN NEW EURO AREA COUNTRIES

Abstract:

Trends in the housing market are influenced by the development of various macroeconomic variables. A review of existing research has identified a number of variables that have been shown to be significant drivers of housing prices. These primarily include variables such as GDP, unemployment, inflation, demographic indicators and financial conditions. The aim of this paper is to identify the determinants of housing price developments in the new euro area member states, i.e. the countries that adopted the euro in the subsequent enlargements of the euro area. The sample of countries observed includes the following countries: Slovenia, Malta, Cyprus, Slovakia, Estonia, Latvia, Lithuania and Croatia in the period from 2008 to 2024. In addition to examining the impact of the standard theoretical drivers of housing prices on the demand side (GDP, inflation, population, interest rates), the variable of building permits issued, which approximates the supply side of the housing market, is also considered. A particular contribution of the paper is the assessment of the impact of the introduction of the euro on housing prices and the evaluation of the spillover effect from the housing market of Germany as the leading European economy. The significance of the variables included in the analysis was tested within the multiple linear regression framework. The results indicate that there are certain similarities between the countries observed, but at the same time they also show the specifics of the housing market of individual countries. The variables that emerge as important drivers of housing prices in a large number of estimates are GDP and inflation. The introduction of the euro has also had a significant impact on housing prices growth in most countries, and some markets show considerable sensitivity to movements in the German market.

Keywords:

housing prices, euro area, housing demand, euro adoption, spillover

JEL Classification: O18, R31, O52