

Drivers of Housing Affordability Index: A Dynamic Multilevel Analysis

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Abstract:

Primary empirical strategy of this paper is to fill the literature gap on to estimate drivers of housing affordability in an econometric analysis of time series. To define determinants of uniquely constructed effective housing affordability index (EHAI) and house price to income ratio index, we employ bound testing approach to cointegration and error correction models, developed within an autoregressive distributed lag (ARDL) framework beside causality tests, variance decompositions and impulse response functions. We utilize Turkish data for the the period of 2007M06 and 2017M12. The evidence suggests that EHAI is a superior explanatory power and housing rent, housing credit volume and construction cost are the leading short/long term determinants of housing affordability. We also argue that affordability mostly depends on housing market dynamics rather than policies due to exogeneous/cyclical natures of drivers.

Keywords:

JEL Codes: