Abstract

This thesis studies the relationship between house prices, economic fundamentals and uncertainty using panel data from 10 OECD member countries and time series data from the United States. Traditional techniques, such as cointegration testing, are used to find a possible long-run link between house prices and their determinants. Employing both single-equation ARDL and multi-equation VEC models, we find evidence of a possible long-run relationship between house prices and fundamentals in the panel data. The results from the time series analysis are inconclusive, mostly leaning towards no presence of cointegration. A measure of interest rate is a vital determinant in most models., while income does not exhibit a long-run connection with house prices. Moreover, results indicate the importance of uncertainty in determining house price dynamics, exhibiting both negative and positive effects.