Factors Affecting House Prices in Cyprus: 1988-2008
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Abstract
In this paper we investigate the impact of various macroeconomic variables on house prices in Cyprus during the period 1988-2008. Furthermore, we examine how specific characteristics of the house affect its price. We find house prices to be particularly sensitive to changes in island’s population. They are also sensitive to the cost of building materials and labour, economic growth and the sterling-euro exchange rate. As regards the question which of these factors contributed most to the large increase in house prices during the period 1988-2008, our analysis points to increase in the cost of materials and labour, the population and the per capita Gross Domestic Product (GDP). In contrast, developments in the stock market and the increase in the number of foreign workers helped towards restraining house price increases.

Keywords: housing market, hedonic analysis, macroeconomic factors.