

# **House Price Dynamics and the Reaction to Macroeconomic Changes: The Case of Cyprus**

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## ***Abstract***

This paper applies a two-regime Markov switching model to investigate the impact of the macro-economy on the dynamics of the housing market in Cyprus for the period from 2001 to 2014. The econometric methodology implemented in this study suggests that the behaviour of housing market in Cyprus is regime dependent and allows for a clearer understanding of the drivers of the housing market during “boom” and “crash” periods.