



3rd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and TOURISM,
26-28 November 2015, Rome, Italy

Influence of Macroeconomic Factors on Prices of Real Estate in Various Cultural Environments: Case of Slovenia, Greece, France, Poland and Norway

Bojan Grum^{a*}, Darja Kobe Govekar^b

^aAssoc.Prof., Phd, European Faculty of Law, Cankarjeva nabrezje 11, 1000 Ljubljana, Slovenia

^bPhd, Ministry of Defence, 1000 Ljubljana, Slovenia

Abstract

Based on the multiple linear regression model, we investigating which of the observed macroeconomic factors: the unemployment rate, the current account of the country stock index, gross domestic product and industrial production are significantly associated with property prices in relation to the different cultural environments: Slovenia, Greece, France, Poland and Norway. We found that there are statistically significant correlations between the prices of residential real estate and selected macroeconomic factors. The results show a distinct pattern that applies to France, Greece, Norway and Poland, where the price of real estate observed statistically significantly associated with unemployment. In the case of Slovenia, the results show that a statistically significant relationship reflects only to a share index. That is illustrated by the finding that prices in Slovenia on an annual basis, between the observed cultural environments in the observed time interval, most declined.

© 2016 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the Organizing Committee of BEMTUR- 2015

Keywords: Real estate, Slovenia, Poland, Greece, Norway, prices of real estate, macroeconomic factors

* Bojan Grum Tel.+38641617208; fax.+38612513722
E-mail address: grumbojan@gmail.com

1. Introduction

Real estate market and real estate prices are closely linked with general economic cycles (Quigley, 1999; Wang, 2003). Numerous researches as Hon-Chung (2009), Ludwig and Slok (2004), Case et al. (2005), Bardham et al. (2007), Goodhard and Hofmann (2007) and Zhang and Wu (2008) have revealed that among macroeconomic factors related to the real estate prices, the key factors were gross domestic product (GDP), unemployment, share index, current account of a country, demographic factors, household income, interest rate, industrial production and consumption of households. In accordance with the data of the Institute of Macroeconomic Analysis and Development (2015), the biggest influence on the price of real estate have factors associated with GDP, unemployment, current account of a country, domestic demand and share index. We follow the conclusions of Hon-Chung (2009) who said that depending on various influences of the mentioned factors on the real estate price, the results of individual researches could not be generalized to all countries and regions with different environments, but had to be considered separately. Moreover, in the opinion of Mavrodiy (2005) the prices of real estate and activity in the real estate market are connected with the economic development of an individual country. Hong-Yu and Kuentai (2011) on the other hand determined that the prices of real estate in the capitals differed considerably from the prices of real estate in other smaller cities and that it was the prices of real estate in the capitals, which created the real estate market. As in other observed countries, the most expensive real estate can be found in bigger cities. (Mavrodiy, 2005; Himmelberg et al., 2005).

In the research we are interested in the links between the price of apartments and observed macroeconomic variables in different social environments, i.e. the capitals of Slovenia, Greece as a southern member of the EU, France as a western member of the EU, Norway as a northern and Scandinavian country (non-member of the EU) and Poland as an eastern member of the EU. In the article we derive from hypothesis that selected variables: unemployment, share index, current account of a country, industrial production and GDP, in the capitals of the observed countries: Slovenia, Greece, France, Poland and Norway, are linked to the prices of residential real estate and that mutual correlations in various observed cultural and economic environments differ from each other.

1.1. Macroeconomic factor

As a strong factor, which fundamentally influences the prices of apartments, a household income is most frequently mentioned (European Central Bank, 2013). As stated by Paiella (2007) there is a strong correlation between property and consumption, which means that an increase of property value also increases property of households. Reichert (1990) studied influence of interest rates, household incomes, employments and migrations on the prices of apartments on a national level and within a region. He discovered that the largest influence on the prices on a national level had interest rates of mortgage credit, whereas on a regional level the largest influence on the prices had migration of population, employment and household incomes. In the opinion of Bardhan et al. (2007), the key factor which influences the demand for real estate is the GDP. Zull Kepili Izati and Masron (2011) also researched development of prices of real estate and GDP. In their survey, they comparatively studied the connection between real estate prices, growth of foreign investments and GDP in Malaysia and South Korea. They established that the growth of GDP and prices of real estate was higher in South Korea as a consequence of a parallel higher growth of foreign investments. In the U.S.A., the relations between the prices of real estate, index of real estate price and GDP were studied by Valadez (2010). He determined that there was a statistically significant connection between the price index of real estate and GDP, but he did not find a cause for this connection. The results of a research carried out by Giussani et al. (1993), on the other hand, showed that GDP linked also to the price of business real estate. Authors studied factors, which affected the price of business real estate rental in European cities. The study based on an analysis of supply and demand. They established that GDP and unemployment were statistically significantly connected with the prices of business real estate rental. D'Arcy et al. (1994) also arrived to similar conclusions after researching factors linked to the price of business real estate rental in 20 European cities in the period from 1982 to 1993. The outcomes of the research have shown that GDP and unemployment are the most important factors linked to the price of business real estate rental in the selected cities. Chin (2003) researched influence of macroeconomic factors on the price of business real estate rental during the period from 1988 to 2001 in five cities of Southeast Asia: Singapore, Hong Kong, Taipei, Kuala Lumpur and Bangkok. In his study, he included the following macroeconomic factors: GDP, credit interest rate, consumer price index, scope of production,

Download English Version:

<https://daneshyari.com/en/article/980560>

Download Persian Version:

<https://daneshyari.com/article/980560>

[Daneshyari.com](https://daneshyari.com)