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House Price Volatility Trends in Turkey

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ABSTRACT

Macroeconomic importance of real estate and hence housing markets has dramatically increased in last decade. During this period, Turkish housing market has experienced several positive/negative shocks, effective on market conditions (i.e. global financial crisis, policy changes/political turbulences etc). To investigate inter-relationships between positive/negative shocks and their impacts on house prices for 2007-2014 periods, this paper empirically analyses volatility patterns of house prices in Turkey and Istanbul/Ankara/Izmir by employing the mostly used conditional variance models in the literature, including ARCH, GARCH, EGARCH and TGARCH models. By doing so, we could compare volatility patterns of Turkey and 3 biggest provinces and observe how these shocks effect Turkey and its 3 biggest provinces separately. Initial results suggest that except negative impacts of global financial crisis, house prices do not show substantial volatilities.

KEYWORDS Volatility; House price; mortgage; Turkey; global crisis

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