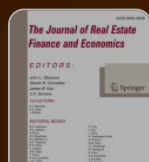


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The Interaction between Mortgage Financing and Housing Prices in Greece

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Notes

1. The role of credit developments in driving asset prices has been stressed, for example, by Kindleberger ([1996](#)).
2. For a discussion of the role of housing in the monetary policy transmission mechanism, see Mishkin ([2007](#)).
3. See, for example, Bernanke and Gertler ([2001](#)) and Cecchetti et al. ([2000](#)) for two representative, opposite views on this issue.

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10. This relates to housing loans with a floating interest rate or a rate fixed for a period of less than 1 year. Such loans represent the majority of housing loans in Greece.
11. See Follain ([1990](#)) for a review of the literature on mortgage choice prior to 1990.
12. Examples of such innovative mortgage loan products include “accordion” loans (loans where the duration is adjusted so as to maintain a constant monthly repayment in the face of interest rate changes), grace period loans, loans with capped interest rates, etc. For an analysis of the impact of mortgage innovations on homeownership, see Doms and Krainer ([2007](#)) and

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be relevant for the housing market (e.g. construction costs, measures of construction activity). However, we were not able to establish the existence of a second cointegration relationship, capturing the long-run equilibrium of the housing market. These variables were also considered in the short-run analysis, again without yielding significant results. Hence, these variables are not discussed in this section. For a cointegration analysis of the housing market, see for example Harter-Dreiman ([2004](#)).

17. Residential property prices are based on a housing price index that is not “constant quality” i.e. does not distinguish genuine price appreciation from improvements in housing quality. However, an alternative residential property price index with sufficient history is not available. Given the relatively short time period spanned by the sample available improvements in quality are not likely to be large and as a result we do not expect this

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22. The estimated elasticities are not strictly comparable to the those reported in Gimeno and Martínez-Carrascal ([2006](#)), as the latter use the credit aggregate in per household terms.
23. With the exception of Canada (0.23) and Spain (0.04 but not significant), Hofmann also reports a negative coefficient for property prices in the case of Germany.
24. The estimation results at this stage are not reported for brevity.

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Data used for the empirical analysis

l: Outstanding amount of total housing loans, including securitized loans.

Seasonally adjusted using the X12 ARIMA module of the OxMetrics econometrics suite. Deflated using the CPI and expressed in logs. Source: Bank of Greece.

hp: Housing prices. Weighted index of housing prices in Greek urban areas, defined as cities with a population of over 500,000 (Athens and Thessaloniki).

Seasonally adjusted using the X12 ARIMA module of the OxMetrics econometrics suite. Deflated using the CPI and expressed in logs. Source: Bank of Greece.

y: real GDP. Seasonally adjusted using the X12 ARIMA module of the OxMetrics econometrics suite. Expressed in logs. Source: National Statistical Service of Greece.

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