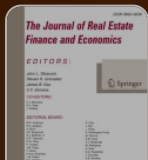


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# The Interaction between Mortgage Financing and Housing Prices in Greece

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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

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8. For a discussion of the deregulation of housing finance from an international perspective, see Girouard and Blöndal ([2001](#)) and Green and Wachter ([2007](#)).
9. To the extent that property developers in turn financed themselves through bank loans, this practice in effect amounted to indirect bank lending to housing purchasers.
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.

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15. The building permits series appears to lead residential investment significantly, since there is often a considerable lag between obtaining the building permit and actually incurring the building costs.
16. In our empirical analysis we also considered variables that were thought to 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](#)).

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due to the overparameterisation of the vector test, which results in low power of the test, given the small size of our sample. Under small sample sizes Jacobson et al. ([2001](#)) show that the asymptotic reference values used for such specification tests are poor approximations to the actual small sample distributions that would be required to draw reliable conclusions.

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.

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## Appendix

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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.

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