

Macroeconomic Factors and Structural Changes in the Housing Market

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Abstract

This study investigates the macroeconomic determinants and structural transformations that have shaped housing-price dynamics in Greece over the period 1999–2025. The Greek housing market provides a unique case study, encompassing three distinct phases: the credit-driven expansion associated with euro adoption (1999–2009), the prolonged correction and deleveraging period following the sovereign debt crisis (2010–2018), and the post-crisis recovery characterized by increased foreign direct investment (FDI), touristification, and the expansion of short-term rental platforms (2019 onwards). The paper aims to assess whether the drivers of housing prices have undergone a structural shift and to identify the macroeconomic factors influencing both short-run fluctuations and long-run equilibrium relationships.

Using quarterly data obtained from the Bank of Greece, ELSTAT, Eurostat, the European Central Bank, the World Bank, and other official sources, the study employs a multi-method econometric framework incorporating Ordinary Least Squares (OLS), Autoregressive Distributed Lag (ARDL), Error Correction Models (ECM), Vector Autoregression (VAR), and Vector Error Correction Models (VECM). The analysis considers a broad set of variables, including inflation, unemployment, mortgage interest rates, mortgage growth, construction activity, debt dynamics, tourism indicators, and FDI in real estate.

The findings reveal that Greek housing prices exhibit strong persistence and remain sensitive to macroeconomic fundamentals. Inflation and construction activity are positively associated with housing prices, while unemployment exerts a negative effect. Evidence from the ARDL and ECM specifications supports the existence of long-run equilibrium relationships, with approximately 9.4% of disequilibrium corrected each quarter. Furthermore, the results suggest that the post-2019 housing market differs substantially from the pre-crisis period, as foreign capital inflows and tourism-related demand have increasingly substituted traditional bank-based financing mechanisms. These developments indicate a transition from a domestically financed housing model towards a more financialized market structure. The study contributes to the literature by providing an integrated assessment of long-term housing dynamics in Greece and offers important policy implications regarding housing affordability, supply responsiveness, labor-market stability, and the regulation of international investment flows.

Keywords: Housing Prices; Greek Housing Market; Macroeconomic Shocks; Structural Breaks; Foreign Direct Investment; Mortgage Credit; Touristification; ARDL-ECM Framework.