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To analyze the effect of financial factors on housing demand based on econometric models. The Government Housing Bank during 1978-1996 is treated as the case study. The model is then selected and used to estimate the housing demand under various economic scenario during 1997-1999. The effectiveness of each variable in alleviating housing demand recession is also analyzed. The results show that the stock-flow model with a greater emphasis on financial factors is appropriate for this intended study as it produces best statistical results with least residuals. Mortgage loans availability is found to be the most significant factor influencing housing demand. Moreover, residential price level, permanent disposable income and real interest rate also play an important role in a descending order. Other indirect factors include the Government Housing Bank capital fund, deposits, bad debts and deposit interest rate. Furthermore, based on the macroeconomic variables forecasted by various research institutions, the housing demand is predicted to be reduced by 3.14%, 21.06% and 20.61% from the preceding year respectively between 1997-1999. Corresponding to the results of this study, we recommend that housing demand should be stimulated through the functional capabilities of the Government Housing Bank. First and foremost, we consider that a measure to increase mortgage loans availability is the most effective and bank's controllable policy instruments. Residential price factors is however largely dependent on the real estate entrepreneurs. The successes of the Government Housing Bank should be considered as a role model for other banks to follow