Determinants of Housing Price in China

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DETERMINANTS OF HOUSING PRICE IN CHINA

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Soaring housing prices in China is causing fear that a housing price bubble may exist in the market and could cause a financial downturn like in America. According to the literature review, population percentage change, Gross Regional Product (GRP), and geographical place are the traditional factors used to explain housing prices. I collected the data from 31 cities in China from the Chinese Statistical Yearbook 2005-2009 published by National Bureau of Statistics of China. In my empirical model, I use housing price as my dependent variable, and use population percentage change, Gross Regional Product (GRP), and geographical place as my independent variables. In my multiple regression analysis, I created two dummy variables: year and city. If there are positive coefficients for some of the city variables, I can conclude that there is likely speculation in the real estate market, because the increasing housing price cannot be explained by the traditional demand side factors.