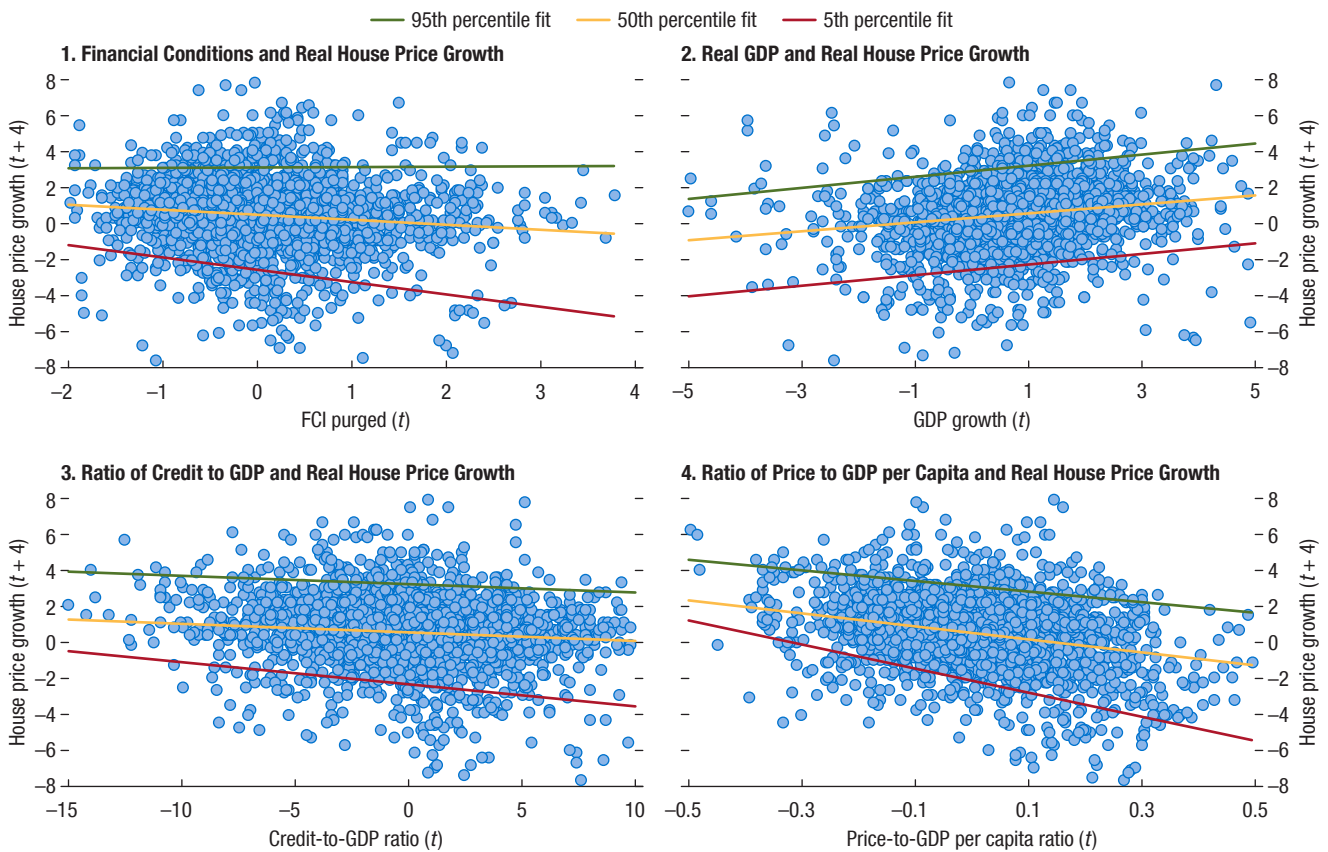


Figure 2.4. Determinants of Real House Prices

The relationship between declines in real house prices and variables related to financial conditions, real GDP growth, household leverage, and overvaluation is generally stronger in the lower tail than elsewhere.



Source: IMF staff calculations.

Note: Panels 1–4, respectively, depict the association between one-year-ahead real house price growth and current financial conditions, real GDP growth, the detrended credit-to-GDP ratio, and the detrended price-to-GDP ratio. Lines show the estimated relationship between these variables and real house prices at the 5th (red line), 50th (yellow line), and 95th (green line) quantiles. An increase in the FCI represents a tightening of the pricing of risk in the economy. FCI = financial conditions index; t = current quarter; $t+4$ = one-year (four quarters) ahead.