

Faculti Summary

<https://faculti.net/time-varying-persistence-of-house-price-growth/>

This video discusses the dynamics of the housing market as an asset class, highlighting its distinct behavior compared to financial assets such as stocks. Unlike stocks, which follow a random walk process making their prices unpredictable, housing prices exhibit persistence—meaning if prices rise in one period, they are likely to continue rising in the next period. This video concept of price persistence was emphasized in a pioneering study by Case and Shiller in 1989.

The main focus of the presented research is to question whether this high persistence in housing prices is stable over time. The authors investigate whether the factors influencing this persistence change over time, drawing upon U.S. housing data since 1989. Their findings indicate that the level of price persistence is not stable; it varies significantly over time due to factors such as demand and supply dynamics in the housing market.

They specifically note a change around the mid-1990s coinciding with the deregulation of banking practices, which notably influenced credit supply and housing market behavior. The study highlights that regions with previously low persistence, particularly in the South and Midwest, experienced a significant increase in persistence post-deregulation. Future research is suggested to explore the variations in housing market cycles and to analyze more granular data to validate their findings further.

Overall, the study underscores the complexity of housing price dynamics and the impact of regulatory changes on the stability of price persistence over time.