

Club Convergence of House Prices in Subprovinces of Istanbul

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Abstract

This paper aims to examine the club convergence of house prices at the district level of Istanbul. We applied Phillips and Sul (2007, 2009) log-t test to identify the convergence clubs house prices for 33 selected districts of Istanbul using quarterly data between 2010 and 2019. Like advanced and emerging countries, Turkey has also experienced intense and sustained real house price increases in recent years. Housing remains one of the critical assets in Turkey's household wealth, savings, and investments. Despite its significance for policymakers and households, there is no study investigating the long-run house price convergence of districts in Istanbul. The originality of this paper is to investigate the long-run house price convergence of districts in Istanbul. The results suggest four convergence clubs that confirm the heterogeneity of Istanbul's housing market. When convergence club formation is analyzed, it is observed that it started to form after 2015. Initially, some districts such as Sisli, Uskudar, Atasehir, Esenyurt, and Silivri diverge from other convergence clubs most of the time, indicating localized house price overvaluations or bubbles. The results can help policymakers reduce the housing price bubbles if any.

Keywords: Club convergence, house prices, log-t test, Istanbul

JEL Codes: C33, O18, R31