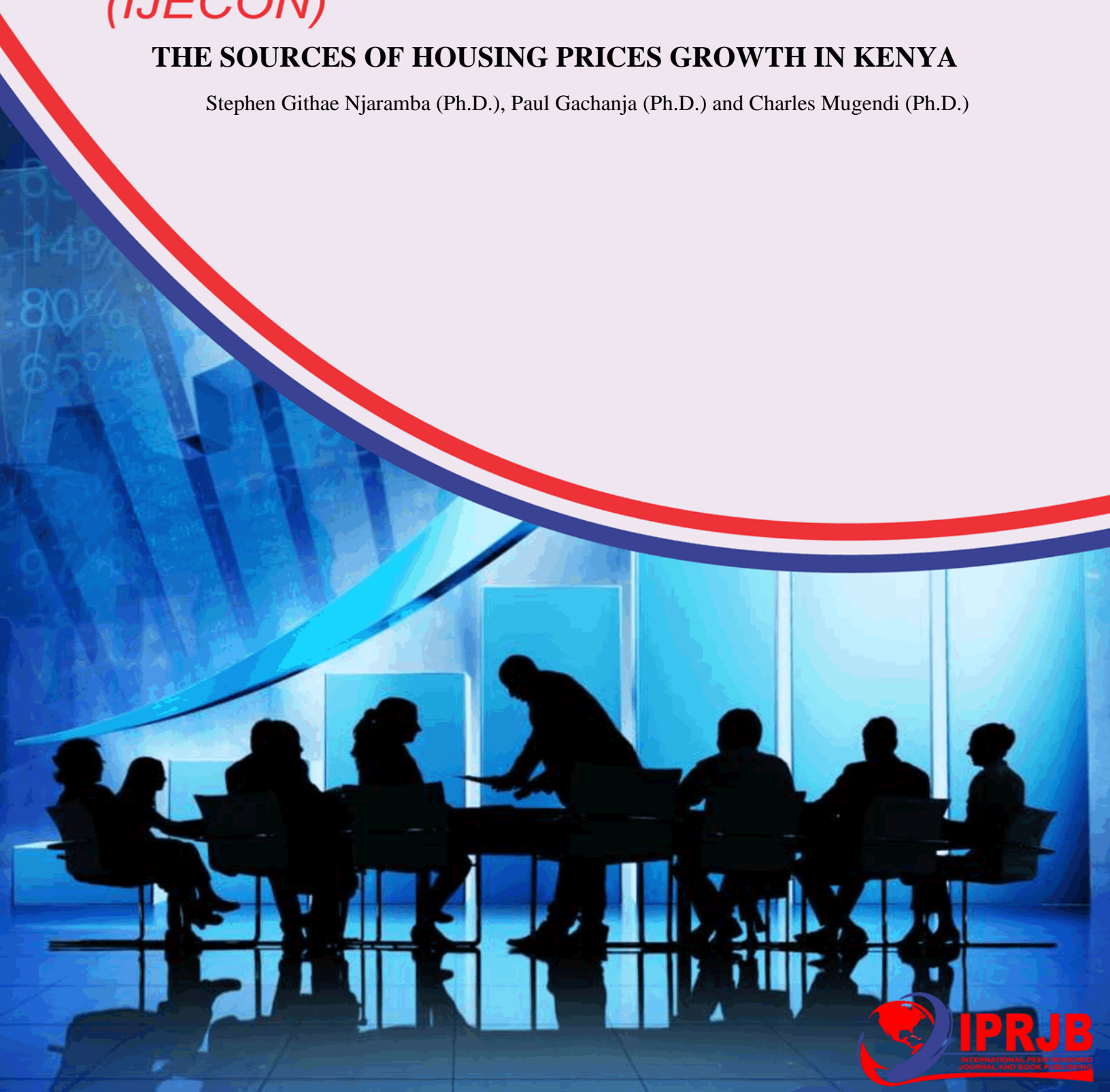


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THE SOURCES OF HOUSING PRICES GROWTH IN KENYA

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Abstract

Purpose: The objective of the study was to analyze the sources of housing prices growth in Kenya

Methodology: The study used time series data for the period 1960 to 2015 and adopted an ARDL modeling approach. The model was useful as housing prices behaves differently from other goods' prices, and as such, previous values of housing prices were necessary in estimations. The model also suited for small sample size and for its capacity to estimate short-run and long-run dynamics. The ARDL model also distinguishes dependent and explanatory variables.

Results: The study findings showed that the sources of housing prices growth included household consumption expenditure, construction cost and property taxes both in the short-run and long-run. Private capital inflows and households' indebtedness have a positive transitory effect to the housing prices. Against the popular view, supply of housing have no effect on housing prices.

Unique contribution to theory, practice and policy: The Kenya National Housing Corporation needs to make public and encourage the use of readily available alternative building material besides the conventional material while not compromising on quality to address the overreaction of housing prices.

Keywords: *Housing Prices, Macroeconomic Stability, Housing Price Boom and Affordability*