Sustainable development of housing finance markets – An international perspective after the crisis

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Abstract:

Like Michel Ende’s novel “The Never-ending Story,” it seems that house price bubbles tend to occur at regular intervals. Due to the interlinkages with the banking sector, a bursting property bubble often leads to a banking crisis, damping economic growth and destroying prosperity. The objective is to show the relationship between property and bank lending. The factors which fuel a housing bubble will be discussed and the indicators pointed out that help identify rising house price inflation. In conclusion an analysis is given of the future prospects of property markets in advanced economies and in emerging markets.

1 The findings, interpretations, statements, and conclusions expressed herein are those of the author alone and do not necessarily reflect the views of the International Bank for Reconstruction and Development/The World Bank and its affiliated organizations, or those of the Executive Directors of The World Bank.

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