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Interest Rates and Housing Investment Decisions: Cross-Country Evidence from Selected OECD Economies

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Abstract

The residential estate market is strongly influenced by macroeconomic factors, particularly interest rate levels and the availability of credit financing. Changes in monetary policy affect borrowing costs, investment profitability and the overall attractiveness of real estate as an asset class. The aim of this study is to analyze the impact of interest rate changes on investment decisions in the housing market. The research analyzes the relationship between interest rate changes and residential investment activity using selected macroeconomic and housing market indicators. The study utilizes publicly available data on central bank interest rates, mortgage rates, housing prices, and residential construction activity. The analysis focuses on identifying trends and correlations between borrowing costs and investment behavior in the housing market. The results indicate that increasing interest rates may reduce investors' willingness to finance property purchases through credit, leading to lower investment demand and slower housing price growth. Conversely, periods of low interest rates tend to stimulate investment activity in the housing market. The findings highlight the importance of macroeconomic factors in shaping investment decisions and emphasize the strong relationship between the real estate market and monetary policy.

Keywords: Borrowing costs; Housing market; Investment decisions; Monetary policy; Real estate