



DRIVERS OF PROPERTY PRICES

In Asia-Pacific Region

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1. Introduction

In the past decade, the liberalisation of housing markets and housing finance systems across the Asia-Pacific region has transformed the real estate landscape. The shift towards more market-based housing systems and greater availability of mortgage products has arguably improved overall market efficiency. These changes have made home ownership more accessible to a wider range of buyers, stimulating demand and contributing to the housing price growth (Glindro et al., 2007).

The Asia Pacific Property market is one of the most diverse and dynamic real estate economies in the world. It encompasses both emerging markets and mature markets with the inclusion of countries such as China, India and Indonesia alongside competitive markets like Australia, Singapore and Japan (Zhang et al., 2012). Property Markets in the Asia-Pacific region have experienced fluctuations influenced mainly by foreign investment, rapid urbanisation and varying degrees of government control. Urbanisation and government policies continue to be the primary forces shaping the property market in the Asia Pacific region. Rapid urban growth has intensified in major cities such as Beijing, Shanghai, Tokyo and Sydney due to migration, the rise in household incomes and expanding urban populations (Wu et al., 2023). Nations such as Singapore and China have implemented cooling measures to manage the excessive housing demand, while Malaysia has prioritised affordable housing measures to manage its growing population (Wu et al., 2023).

This Research paper aims to analyse the key determinants of property price drivers in the Asia Pacific region by examining short and long-term drivers. Economic factors such as interest rate changes, inflation and GDP often contribute to fluctuations in the housing market in the short term, mainly affecting affordability and investor confidence. Long-term determinants, including urbanisation and demographic changes, have a more structural influence on Property prices as they reshape housing needs over time. Moreover, Foreign Direct Investment plays an important role in shaping property markets, particularly in countries such as Singapore and Australia, where cross-border inflows have a big influence on local property prices. Theoretical models provide valuable tools for analysing determinants and enable researchers to interpret how they translate into housing price fluctuations. By examining the interplay between these determinants, this paper seeks to provide a comprehensive understanding of factors driving price volatility in the Asia Pacific region.

2. Theoretical Frameworks

It is important to understand the movements of property prices where the theory is backed up by evidence. Since property markets are influenced by a range of factors, including demand and supply interactions, this section will then explore the main theories and how models are used to work around those theories and bring evidence-based price influencers. Five models are utilised as a sample of how all the models available to forecast price changes work.

2.1 The Hedonic Pricing Model

While the Hedonic Pricing Model (HPM) does focus on GDP and unemployment, it highlights an important point about interest rates, how increased interest rates can make loans unaffordable, leading to reduced demand in housing, whereas low interest rates make the supply of housing limited as demand grows when more people can afford to pay using debt. Inflation is another factor affecting the demand and supply of property, which directly

affects the property prices. The impact of inflation on property prices is multifaceted and demonstrates the interplay of supply and demand forces. On the supply side, rising inflation increases construction material and labour costs, discouraging new developments and the supply of properties, which places upward pressure on prices (Zulkarnain & Nawi, 2024). On the demand side, the same inflation can cause an increase in property demand, as the real value of money declines, investors would run towards real property as a hedge against inflation.

The cost of capital explains it well that, when the expected capital gain from property weighs more than the cost of debt, the effective user cost falls, making the investment more attractive. The predictive power of the demand and supply equilibrium model is clearly shown in the recent Malaysian market. As Zulkarnain and Nawi (2024) explained, the property sector experienced price stagnation due to sluggish demand and a lot of unsold stock. This shows a left shift on the demand curve and market position to the right of the supply curve. With reduced purchasing power and a lot of unsold stock, prices were forced to remain low. The market theory poses a phase of downturns and recession following a period of expansion. Furthermore, the assumption that the property is a perpetual inflation hedge must be qualified, since Malaysian cases show that local factors can disrupt the relationship. The idea that property can protect against inflation only works in some situations (Zulkarnain & Nawi, 2024).

The HPM offers a practical approach to analysing the factors influencing property prices by segregating the effects of different economic factors and property-specific factors. In the Malaysian context, the model was used to examine how macroeconomic factors such as GDP, exchange rates, unemployment and wages influence residential prices. The use of HPM helps validate theories around these factors, and that broad theories may affect demand and supply, the cost of capital and market cycle, but local factors ultimately determine the direction and strength of property price movements (Zulkarnain & Nawi, 2024).

2.2 Non-linear Auto Regressive Moving Average with exogenous inputs (NARMAX) and the Vector Error Correction Model (VECM)

The NARMAX model is a statistical and econometric tool used to explain and forecast how multiple macroeconomic factors, such as demand and supply, mortgage rates, exchange rates and more, affect housing prices. Zhang, Hua and Zhao (2012) use NARMAX and VECM in China, instead of using the traditional models, so that they can model complex interactions in the real world of the property market. The model helps strengthen how the demand factors drive price growth when supply cannot keep up. It also captures how supply limitations, such as land availability or government controls, interact with demand shocks to influence price cycles. An example can be found in the following statement: When interest rates fall, the housing demand rises more than the supply can meet, leading to higher property prices.

Moreover, property markets naturally move through cycles, namely recovery, expansion, boom and recession. These phases are not random but are necessarily driven by economic factors; for example, a recovery phase is influenced by the decline in the user cost of capital, which stimulates demand (Zhao et al, 2012). This leads to an expansion where supply and demand take hold, with prices rising as new construction takes over. The boom phase typically includes the feedback loop, where prices push up investments (Zhao et al, 2012).

Understanding property price movements needs the use of models that can deal with complex, nonlinear, and interdependent relationships. Globally, property markets are influenced not only by local supply and demand but also by global conditions of money, trade, and investments. Models such as NARMAX and VECM allow early detection of any bubble or imbalance signs and improve the forecasting accuracy by evaluating the importance of economic factors against financial factors that drive property prices (Zhao et al, 2012).

2.3 Spatial Durbin Model

The results using this method have indicated a positive spillover effect of home purchase limit, in 35 cities categorised into high-risk, medium-risk risk and low-risk cities around China. Property markets are inherently spatial, meaning what happens in one city often affects neighbouring cities, because of migration, investment, and policy flows. The SDM then extends the traditional econometric models by incorporating a spatial weight matrix that measures the influence of one region's housing and policies and applies it to another region. The SDM capture direct and indirect effects, for example, if City A tightens home-purchase restrictions, buyers may redirect their demand to City B, raising prices there. Conversely, developers in City A may shift construction to City B, increasing supply and reducing prices. This model reflects the connection and heterogeneous nature of property markets.

The SDM gives a spatial extension of demand and supply, which then shows that demand policies change in one area may shift demand to surrounding markets, tampering with local supply balances. The model further explains how housing booms or busts ripple outward geographically, meaning inner cities experience growth first, followed by the secondary city, and then demand will go outwards from there. Where the regions differ in interest rates, income levels and investment risks, the model shows that investors reallocate capital between cities depending on whether they are low risk, medium or high risk. Cities with stronger economic bases show price pressures mostly in the surrounding areas.

The main idea that the SDM brings to explaining the impact on property prices is to use the cross-regional spillover effect, where locations are connected to come up with similar changes that affect property prices. Which usually start at a bigger economic hub, going out to smaller hubs, and this becomes one of the best ways to measure price changes, as cities have similar functionalities, and learn from each other. It clearly shows how local effects and global effects connect, allowing better forecasting and management of policies in different regions.

2.4 Ordinary Least Squares (OLS) Model

This is one of the most used models as an econometric technique for analysing property price movements. It works by estimating the linear relationship between property prices and several economic variables, for example, in China, the model was used to assess how GDP growth, savings, unemployment, construction activity and investment levels influenced property prices. The model found a strong positive relationship between GDP and property prices, and low property prices when unemployment was higher, because of reduced demand. In property markets, prices rise when demand outstrips supply. By using variables such as population growth or housing completions, the OLS model quantifies how these forces interact (Stohldrier,2012).

In China, migration to urban areas led to increased property demand, while land had limited availability and slow construction rates constrained supply. The OLS model shows that these imbalances contribute to rising property prices, especially in large coastal areas. When a new supply entered the market, construction activities rose, and the OLS showed dampened prices, confirming the adjustment to equilibrium. Besides the demand and supply, the OLS revealed how lower borrowing costs increase affordability and investment demand, pushing prices up (Stohldrier,2012). Moreover, when city-level data are used, the model captures spatial variations; for example, it showed properties closer to the CBD have higher prices due to accessibility advantages.

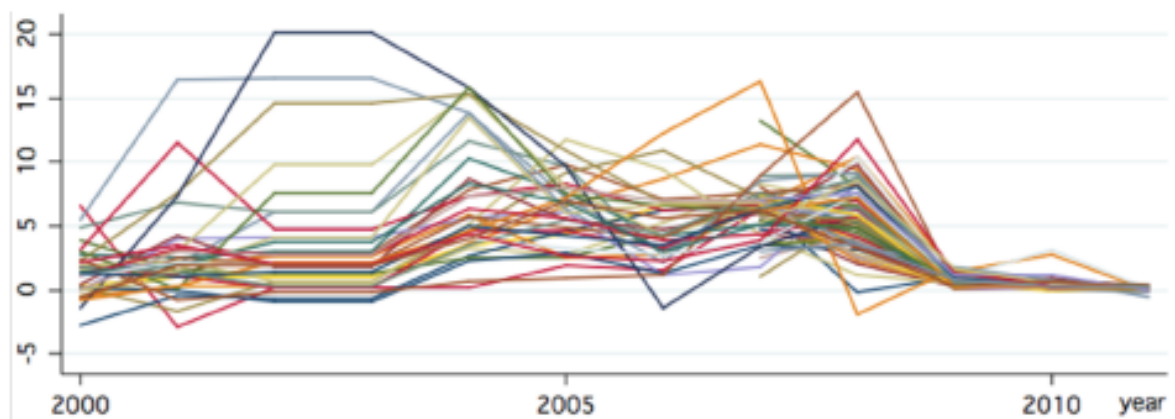


Figure 1: General property price growth in China from 2000 to 2010+ (Stohldrier,2012)

The OLS method is essential for analysing property prices globally because it gives a reliable and quantitative framework that can be applied to any property market. The model bridges the gap between theory and reality by verifying theory with real-world data. By similar variables and more, researchers can compare the behaviour of property prices in different economies and identify common drivers and unique drivers. The model can also be used by the government to adjust monetary and property policies.

In conclusion, the theories and models used around price movements, ranging from supply, user cost of capital, to urban land rent and market cycle theory, offer a deeper understanding of how prices adjust to economic and spatial forces. Models such as HPM, NARMAX/VECM, SDM and OLS give the theory strength by providing evidence of how economic factors influence property prices. Altogether, researchers and policy makers are able to analyse and interpret market trends with the help of these models, since it is important to make decisions that are evidence-based.

3. Economic and Financial Drivers

3.1 Gross Domestic Product (GDP) growth

GDP is the determinant of economic growth; it indicates a country's economic health and is a reliable variable to predict real estate prices. The state of the economy determines consumer spending behaviours; a good economic state goes with higher wages and job creation, which results in increased demand in the real estate, pushing the prices up because of consumer affordability (Zulkarnain & Nawati, 2022). GDP growth is positively correlated with residential property prices, as the Malaysian economy grows, housing demand and prices increase. In 2019,

the economic growth slowed because of COVID-19, but the property prices remained relatively stable (Bank Negara Malaysia, 2020). That was because of government incentives and policies, which indicates that several factors drive real estate.

The Real GDP growth rate in 2025 was 4.5%, which is significantly weaker than the outcome in 2024 of 5% (World Bank, 2025). According to the East Asia and Pacific forecast, GDP is expected to drop to 4% in 2026, which may affect the housing market if no strategy is adopted. Higher income levels result in expansion in property investment, which further contributes to GDP grow. Public consumption makes the highest contribution to the real GDP. The value of the Asia-Pacific market is 38.5 trillion dollars, 38% of global GDP, which makes it a priority contributor. This opened an opportunity for emerging markets in the region, like China and India, to grow due to increased exports and large industrial production.

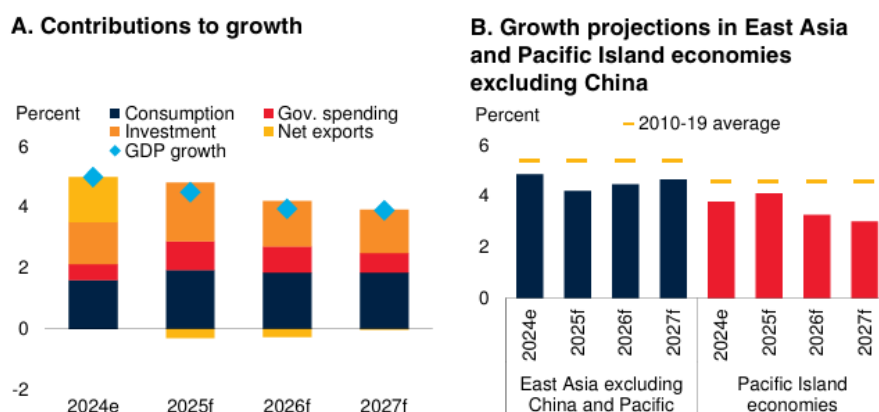


Figure 2: East Asia and Pacific Real GDP Growth Forecast, (World Bank, 2025).

3.2 Exchange Rate Fluctuation and Inflation

In Bahmani-Oskooee and Wu's (2018) study, the bootstrap panel Granger causality test was used to analyse the relationship between exchange rate and housing prices using data from 18 OECD countries covering the period 1975-2015. The study analysed both the short-run and long-run causal relationship between the two variables; the exchange rate movement is one of the important drivers of the housing market. The Asia-Pacific Region countries, like Australia, Singapore, Japan, China and South Korea, property markets are highly influenced by exchange rates. The property market exchange rate has bidirected and indirect causality on each other. An appreciation in the exchange rate strengthens a nation's currency and can lead to a rise in housing prices through increased investor real estate demand of the country because of the economic state, while a depreciation in the exchange rate tends to slow real estate price growth.

Exchange rate fluctuation also determines the inflation levels, which affects the construction cost (cement, machinery, steel, etc.), and the overall property prices in the Asia-Pacific region. In 2024, price pressure in Asia and the Pacific was easing, which made the lower than the rest of the world. The inflation rate was strengthened by a robust domestic demand for exported goods after COVID-19. The Asian-Pacific currencies often fluctuate due to changes in interest rates, trade tensions and demand for exports. The currency in many regions moves in response to U.S. dollar, whether it strengthens or weakens. According to the currency converter, Asian currencies has strengthened by 66% of their value compared to rands, which indicates the growing influence of

international financial conditions on domestic property markets, beyond traditional local factors such as income, interest rates, and supply constraints (Bahmani-Oskooee & Wu, 2018).

Table 6
Granger causality between the HP and REXR for 18 OECD countries.

Countries	Wald statistics	H_0 : HP does not Granger cause REXR			Wald statistics	H_0 : REXR does not Granger cause HP		
		Bootstrap critical value				Bootstrap critical value		
		1%	5%	10%		1%	5%	10%
Australia	10.27156 ^{***}	10.04222	6.54912	5.00764	0.450699	6.57567	4.1983	3.06774
Belgium	14.34841 ^{***}	12.12594	5.73627	3.99666	1.14E-02	7.29424	5.23461	3.70588
Canada	0.207555	6.30147	4.39455	3.45471	11.52077 ^{***}	7.31414	5.96049	4.64824
Denmark	5.733442 ^{***}	5.69989	4.65731	3.43981	7.548639 ^{***}	10.35849	3.61153	2.72147
Finland	1.205626	8.48992	5.25549	3.69998	2.786006	7.73335	5.52526	3.79685
France	1.330085	18.1244	6.48302	4.44726	0.621004	11.26807	5.30322	3.69241
Germany	3.62E-02	9.67127	4.94521	3.25948	7.952309 ^{***}	9.61302	7.72117	3.15953
Greece	1.825067	6.74429	4.84429	2.9478	5.568801 ^{***}	9.29513	6.25604	4.96103
Ireland	6.959763 ^{***}	8.06469	6.25598	4.6699	2.44E-02	10.16659	5.44875	3.98658
Italy	0.007131	7.17807	5.00377	2.662	1.512897	6.66731	4.77393	4.26888
Japan	0.876592	7.34677	4.89904	3.34991	0.691284	8.97373	5.20013	3.30517
Netherlands	0.794454	8.4512	4.95245	3.91651	2.137144	11.16996	6.7806	4.80769
Portugal	8.393719 ^{***}	9.22203	6.15346	3.84811	0.19814	8.53815	5.46624	4.21557
south Korea	0.677354	6.99007	5.45644	4.14277	9.540916 ^{***}	9.50465	4.24753	3.05185
Spain	18.9402 ^{***}	5.6984	5.15944	4.21353	8.41004 ^{***}	15.32558	6.68516	4.04419
Sweden	10.51542 ^{***}	12.12724	6.7897	5.2178	11.83989 ^{***}	9.16972	5.26146	4.36812
The UK	8.905125 ^{***}	12.5261	8.37661	6.25654	27.28869 ^{***}	7.55523	5.21293	4.27842
The US	1.813971	6.87295	4.42335	3.99167	25.19139 ^{***}	11.80501	7.05247	4.09883

Figure 3: The results about the relationship between the Housing Prices and the Real Exchange Rate in 18 OECD countries using A bootstrap multivariate panel Granger causality (Bahmani-Oskooee, M. and Wu, T., 2018).

3.3 Employment Levels

A country's employment rate helps predict real estate future trends. High employment increases household income, which boosts real estate because of people's affordability, while unemployment reduces affordability, resulting in slow price growth. For example, during the COVID-19 pandemic, the housing demand in Asian-Pacific countries was suppressed due to a rise in high unemployment rate (Zulkarnain & Nawi, 2022). Unemployment rates decreased post-COVID-19, causing improved housing demand since people started earning money and wanted to purchase property.

In countries like Singapore, Japan and Australia, there is a strong employment rate which supports housing demand and price stability. While in China and South Korea, there is high urbanisation and a shift to industrial job creation, resulting in large-scale housing development demand and employment opportunities. Overall, employment growth influences housing stability, investment demand and real estate cycles in the region.

3.4 Interest Rates

Interest rates are critical drivers of the real estate market through mortgage and the cost of debt for investors. When the interest rate is low, that reduces the cost of borrowing, increases mortgage affordability, and increases the housing demand. While higher interest rates raise the cost of financing and slow the property demand and purchases, and price growth.

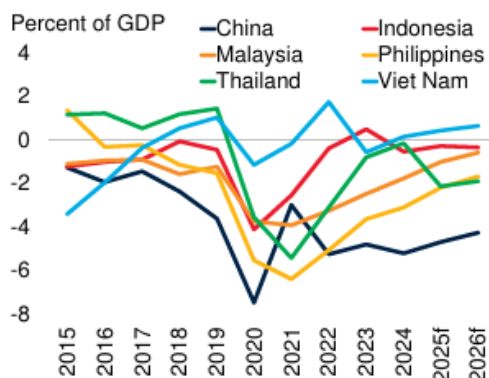
Central banks in countries like Australia, Japan and Singapore in the Asia-Pacific region use interest rate policies to mitigate inflation and GDP risks that directly affect residential and commercial real estate sectors. The cost of borrowing in the region is largely influenced by global rates, particularly the U.S. Federal Reserve, which impacts the local financing cost, investment flow and real estate cycles (Board of Governors of the Federal Reserve System, 2025). As of 22 October 2025, the Federal Reserve's effective funds rate is 4.11%. In September 2025, the Federal Reserve reduced the target

interest rate to a range between 4%--4,25% to avoid combating inflation that would impact the labour market (Herzog, R., 2025).

Instruments	2025 Oct 16	2025 Oct 17	2025 Oct 20	2025 Oct 21	2025 Oct 22
Federal funds (effective) 1 2 3	4.11	4.11	4.11	4.11	4.11
Commercial Paper 3 4 5 6					
Nonfinancial					
1-month	4.02	4.01	4.00	3.98	4.00
2-month	n.a.	n.a.	3.95	3.93	3.94
3-month	n.a.	n.a.	3.90	3.90	3.91
Financial					
1-month	n.a.	n.a.	4.01	4.05	3.99
2-month	3.98	n.a.	n.a.	n.a.	n.a.
3-month	3.91	n.a.	n.a.	n.a.	3.93
Bank prime loan 2 3 7	7.25	7.25	7.25	7.25	7.25
Discount window primary credit 2 8	4.25	4.25	4.25	4.25	4.25

Figure 4: Federal Funds Effective Fund Rate cut to their target rate to 4.11%, (Federal Funds, 2025)

C. Primary fiscal balance



D. Expected changes in one-year-ahead interest rates and inflation

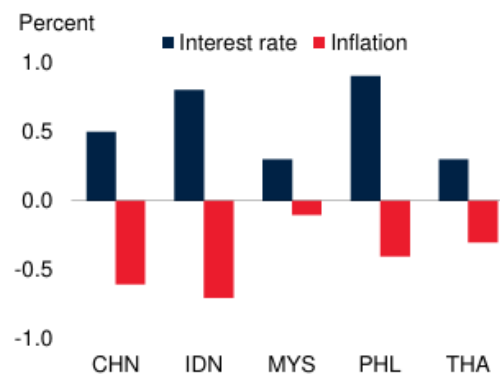


Figure 5: Expected changes in one-year ahead Interest Rate and Inflation, (World Bank,2025).

3.5 Government incentives/subsidies / taxes

Government incentives and policies play a critical role in shaping the property market by influencing development incentives and investments, and affordability. These aim to promote stability, while others lead to rapid price growth and volatility. Across the region, several mechanisms are used. The overall countries in the region have different subsidies. In Singapore, the Housing and Development Board (HDB) offers grants and subsidies for public housing and ensures affordability for homeownership. Australia and China provide grants to first-time buyers and stamp duty concessions to help young families enter the real estate market. These subsidies are more targeted towards affordable housing for low and middle-income households. The government also offers tax breaks for REITs and special zoned properties to encourage private investment in the commercial and industrial sectors.

4. Demographics, Social, & Environmental Drivers

Section Overview

Although economic elements like income, interest rates, and construction costs are central to understanding property values, studies show that demographic, social, and environmental factors also have a major influence on how property markets behave. These factors shape people's housing choices, the desirability of certain areas, and the overall direction of urban growth. This section draws on several studies, including Dziauddin, Ismail, and Othman (2015), Fotheringham and Park (2017), Kim et al. (2015), Gnagey and Tans (2018), and Glindro (2011), to explain how population changes, social behaviour, and environmental quality all affect property prices in different parts of Asia.

4.1. Demographic Factors

Demographic trends such as population growth, urbanisation, and household size are some of the biggest influences on housing demand and pricing. According to Glindro (2011), rapid urban growth and high population density in countries like the Philippines and Thailand have placed constant pressure on housing supply, causing prices to rise in major cities. Similarly, Dziauddin, Ismail, and Othman (2015) found that in Tanjong Malim, Malaysia, houses with three or more bedrooms were priced higher, showing a clear demand for family-sized homes as the population grows and family structures change.

Urbanisation is another important factor, as more people move into cities, the competition for well-located housing increases, which pushes up land and property prices. In many developing markets, young adults entering the housing market also contribute to this demand, particularly for affordable and accessible homes (Glindro, 2011; Dziauddin et al., 2015). These demographic shifts show how changes in population and family needs can directly shape both the type of housing in demand and the areas where prices increase fastest.

4.2. Social Factors

Social aspects, including education, tenure security, income differences, and neighbourhood reputation also strongly affect property values. In Seoul, Kim et al. (2015) found that being close to good quality schools had one of the strongest effects on property prices, especially for middle-income families who value education and convenience. This shows that social priorities, like access to education and safety, are often just as important as physical property features.

According to Gnagey and Tans (2018), Indonesia highlighted the role of land tenure security, which explains that properties with formal ownership rights (*sertifikat hak milik*) sold for much higher prices than those with informal or customary titles. Having legal ownership increases buyers' confidence and long-term investment security, which in turn adds value to those properties.

Fotheringham and Park (2017) also observed that homes located in wealthier or more developed neighbourhoods tended to obtain higher prices, as people are willing to pay more for access to job opportunities, transport routes, and commercial centres. Likewise, Dziauddin et al. (2015) found that houses located farther from noisy or congested areas, such as busy schools or mosques, were generally preferred, suggesting that people value peaceful environments and a higher standard of community living. These examples show that property values are closely linked

to people's social needs, lifestyles, and perceptions of safety and comfort (Kim et al., 2015; Gnagey & Tans, 2018; Fotheringham & Park, 2017).

4.3. Environmental Factors

Environmental conditions also play a major role in shaping property prices, as buyers tend to prefer cleaner, quieter, and visually appealing surroundings. According to Kim et al. (2015), apartments with scenic views and south-facing orientations achieved noticeably higher prices in Seoul, highlighting how natural light and good environmental quality increase housing desirability. Similarly, Fotheringham and Park (2017) found that factors like air quality, traffic congestion, and noise influenced housing values, since properties in polluted or overcrowded areas were less desirable.

In Malaysia, Dziauddin et al. (2015) noted that houses located farther from the Central Business District or busy school areas were priced higher, showing that buyers preferred less congested and quieter residential environments. In addition, Glindro (2011) linked construction costs and macroeconomic stability to broader sustainability factors, suggesting that higher costs often reflect improved building standards or environmental regulations. These examples make it clear that environmental quality is now a key part of what defines a property's value and long-term liability.

Section Summary

In conclusion, it is evident that demographic, social, and environmental influences are deeply connected to economic factors when it comes to shaping housing markets. Demographic changes, such as population growth and urbanisation, increase housing demand and affect the types of homes people look for. Social factors, including education, income, tenure security, and lifestyle preferences, determine which areas are seen as most desirable. Finally, environmental elements, such as air quality, scenic views, and noise levels, affect how people perceive comfort and quality of life in different neighbourhoods. Together, these factors show that property prices reflect more than just financial or physical characteristics; they also mirror broader human and social priorities that define where and how people choose to live (Dziauddin et al., 2015; Fotheringham & Park, 2017; Kim et al., 2015; Gnagey & Tans, 2018; Glindro, 2011).

5. Institutional, Policy, and Global Drivers

Section Overview

Property markets operate within diverse institutional environments where pricing dynamics are influenced by regulatory, fiscal, and macroeconomic conditions. This paper analyses two empirical studies, *Liu and Ma (2017)* on the Chinese housing market and *Lu et al. (2017)* on predictive housing models in developed economies, to evaluate how policy, governance, and global integration interact to shape property price movements. The analysis applies key conceptual frameworks from institutional economics and market maturity theory to explain how different governance structures produce contrasting market behaviours and outcomes. The following drivers will be discussed below.

5.1 Land-Use Regulation and Planning Systems

In China, land is publicly owned and supplied by the state, with local governments acting as monopolistic distributors through auctions and tenders introduced in the early 2000s. *Liu and Ma*

(2017) demonstrate that this system has created artificial scarcity, driving rapid price appreciation. Because land sales account for up to 30% of local government revenue, authorities are incentivised to restrict supply and promote high land prices, illustrating how policy incentives distort market equilibrium.

In contrast, *Lu et al. (2017)* describe housing markets in data-rich contexts like the United States and Singapore, where zoning and land-use systems are guided by planning regulations, infrastructure access, and amenity value. Here, urban form and locational attributes are priced transparently through hedonic mechanisms rather than administrative intervention, reflecting a mature and rule-based planning system.

5.2 Property Taxation and Fiscal Policy

In China, the absence of a comprehensive property tax has reinforced fiscal dependence on land transactions. This weakens long-term affordability and stability, as land monetisation becomes a substitute for recurrent taxation (*Liu & Ma, 2017*). Such a structure reflects institutional immaturity, where short-term fiscal incentives override sustainable policy objectives.

Conversely, *Lu et al. (2017)* note that tax rules and fiscal instruments in mature markets, such as property taxes and capital gains taxes, moderate speculation and stabilise public revenue streams. From a property economics perspective, these fiscal tools enhance governance efficiency and promote cyclical resilience in the housing sector.

5.3 Foreign Direct Investment and Global Capital Flows

Liu and Ma (2017) show that China's real estate market remains relatively insulated from foreign investment due to strict ownership and capital movement restrictions. However, indirect exposure through state-owned enterprises (SOEs) and global liquidity cycles still affects housing demand and price volatility. This limited openness demonstrates how governance and capital control policies constrain international integration. By contrast, *Lu et al. (2017)* discuss open and globally connected markets, where foreign buyer participation, cross-border lending, and economic cycles influence price levels. In these environments, FDI acts as both a driver of growth and a potential channel for contagion, reflecting the dual effect of global integration.

5.4 Global Economic Integration and Geopolitical Risk

Liu and Ma (2017) contextualise the evolution of China's property market within its broader economic liberalisation since 1978. The authors highlight how export-led growth, urbanisation, and the 2007–2009 global financial crisis have influenced property cycles. Despite state control, the market remains vulnerable to external macroeconomic shocks, illustrating the increasing integration of China's domestic housing sector into the global economy. *Lu et al. (2017)* reinforce this interdependence by recognising that interest rates, population movement, and macroeconomic cycles are universal predictors of property prices. Their machine learning model reflects the growing convergence of global housing market behaviour under shared financial and demographic trends.

5.5 Institutional Economics, Governance, and Market Maturity

Applying institutional economics, *Liu and Ma (2017)* reveal that China's real estate market remains state-driven and policy-dependent. Market outcomes are influenced by government intervention, fiscal design, and political incentives rather than pure market competition. This reflects a

transitional governance stage, where institutional rules are still evolving. In contrast, *Lu et al. (2017)* exemplify advanced governance frameworks, where predictable regulations, fiscal discipline, and information integrity enable analytical modelling and investor confidence. Mature markets, therefore, exhibit both economic efficiency and regulatory accountability, reducing the need for reactive policy control.

5.6 Transparency, Governance, and Investor Confidence

Institutional transparency is a critical determinant of market maturity and investor confidence. In China, *Liu and Ma (2017)* highlight opaque land transactions, preferential lending to SOEs, and limited public access to data, all of which constrain investor trust and price efficiency. These features exemplify a governance deficit consistent with transitional institutional systems.

In contrast, *Lu et al. (2017)* emphasise that data transparency and completeness are essential for accurate price prediction and market stability. Their model depends on high-quality, publicly available information, a hallmark of institutionally mature markets. This aligns with the institutional economics principle that efficient information flows reduce uncertainty and enhance allocative efficiency.

Section Summary

Across both readings, it is evident that governance quality and institutional design are the foundation of housing market behaviour. In China, administrative land control, limited transparency, and fiscal dependency on land sales have resulted in policy-induced price escalation and reduced affordability. In mature markets, transparent governance, data accessibility, and robust fiscal systems allow property prices to reflect true market fundamentals and global conditions. The comparative analysis demonstrates that institutional maturity rather than economic growth alone determines the stability and sustainability of property markets. Strengthening governance capacity, enhancing data transparency, and reforming fiscal structures remain essential for developing countries aiming to achieve mature and globally integrated property sectors.

6. Comparative Discussion and Conclusion

This research paper has examined the key drivers of property prices in the Asia Pacific Region with a focus on economic, social and financial factors. The overall analysis demonstrates that property markets are influenced not only by macroeconomic drivers such as GDP but also by local supply constraints such as government policies and migration. Theoretical framework models, including the Hedonic Pricing Model, Spatial Durbin Model and OLS, etc., are crucial for understanding these dynamics and to predict short and long-term price movements. Furthermore, the critical role of government and monetary policies, urbanisation and population growth will continue to be the main drivers of housing demand in the Asia Pacific Region.

In conclusion, property price dynamics in the Asia Pacific Region encompass both local and global factors. As urban populations continue to rise and investment remains robust, future property trends in this region will depend heavily on how governments and investors respond to social pressures and ensure that growth remains inclusive and sustainable for the long run. By integrating theoretical insights with investors, urban planners, there will be improvement in implementing effective and sustainable housing

policies and the promotion of stable property markets. A Comprehensive understanding of these drivers is therefore essential for making informed decisions in both private and public real estate.

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