

## 2010 School Seminar Series

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Te Raupapa



# Investigating regional house price convergence in the United States: Evidence from a pair-wise approach

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### Abstract:

In this paper we examine long-run house price convergence across US states using a novel econometric approach advocated by Pesaran (2007) and Pesaran et al. (2009). Our empirical modelling strategy employs a probabilistic test statistic for convergence based on the percentage of unit root rejections among all state house price differentials. Using a sieve bootstrap procedure, we construct confidence intervals and find evidence in favour of convergence. We also conclude that speed of adjustment towards long-run equilibrium is inversely related to distance.

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