ANALYSIS OF MACROECONOMIC AND MICROECONOMIC FACTORS THAT AFFECT THE PRICE AND RENT OF APARTMENTS IN THE CITY OF TIRANA: AN ECONOMETRIC APPROACH

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ABSTRACT

There are various points of views concerning determinants of apartment prices, some different factors are highlighted as the most important. None of the studies include all factors. The main purpose of the paper is to analyze determinant factors of apartment prices in the Tirana city. We estimate the relationship between various macro and micro factors and apartment prices and rent in this area. In the first part we investigate macroeconomic factors and in the second part macroeconomic factors. As it was expected deposit rate and lending rate negatively affect the price per square meters of apartments. The rate of growth of GDP negatively affects the price per squares meters. Based on the result of analysis is concluded that macroeconomic factors influence the price and rent of apartments. The year of purchase, number of rooms, presence of elevator, garage, age of the owner and monthly family income positively influence the price of apartment per square meters. Surface, zone from centre to periphery and number of members in the family negatively influence the price of apartments per square meters. We perform a principal components analysis. The purpose of the analysis is to obtain a small number of linear combinations of the 13 microeconomic variables which account for most of the variability in the data. In this case, 4 components: Bathrooms, Elevator, Floor and Garage have been extracted, since 4 components had eigen values greater than or equal to 1.0. Together they account for 52.6% of the variability in the original data. We conclude that monthly rent is inelastic in relation to the buying price per square meters and value of transaction.

Keywords: Apartment, price, factors, rent, transaction.
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