

**TESTING THE CONVERGENCE AND RIPPLE EFFECTS OF REGIONAL HOUSE PRICES IN CHINA**

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**ABSTRACT**

This paper investigates the convergence and ripple effects of regional house prices in China over 1998 to 2010 by using 35 main capital cities' house price indexes, by developing some innovative econometrical approaches—the pairwise Granger causality tests and the panel regression models. One of this paper's originalities is the first attempt to apply above approaches into the study of regional house prices in China; and the other originality is to add the distance factors into the house price convergence study. Generally, the empirical results suggest that there is some evidence of ripple effects but not convergence between regional house prices in China; and house price shocks in some core cities “ripple out” to other cities, wherein Beijing, Hangzhou, Guangzhou and Shenzhen are original regions of nationwide house price swings.

Keywords: *Convergence, Ripple Effects, Pairwise Granger Causality test, Panel Regression Model, Regional House Prices*