

## **Abstract**

The burst of the housing bubble on the US market, that contributed to the start of the Great Recession, was a warning sign to many economists. Consequently, the last decade birthed important studies analysing the real estate market in the search for the driving determinants of the housing prices. This thesis continues these efforts by time series analysis of the determinants of residential real estate prices in Estonia, Latvia, and Lithuania. The VECM analysis showed that the importance of classic housing determinants differs from country to country. The price persistence is a crucial determinant of the Baltics' housing prices in the short run, but only Estonia and Lithuania showed the persistence in the long run. Latvian house price index seems to be very affected by the construction cost index, and therefore supply side of the housing market. The model also suggested an unexpected negative relationship between house and rent prices. The analysis was however done on relatively short time series and that could cause some discrepancies in the results as well. The author also used the P/I and P/R ratios and the Hodrick-Prescott filter to analyse the housing prices in the search of possible overvaluation, and concluded that these measures do not seem to indicate the existence of the housing bubble in Baltic countries.