

ABSTRACT

The need for adequate housing remains a major challenge for Low-Income Communities (MBR) in Indonesia, particularly as house prices continue to rise faster than income levels. The limited financial capacity of MBR further restricts access to affordable housing. To address this issue, the government introduced the Housing Finance Liquidity Facility (FLPP) program, which provides a down payment subsidy and a fixed interest rate of 5 percent over the loan term. This study analyzes the impact of FLPP realization, Gross Domestic Product (GDP), and construction wages on house prices, with FLPP and GDP representing demand-side factors, and construction wages representing the supply side of the housing market.

The study utilizes data from 2011 to 2023 sourced from Bank Indonesia, the Central Statistics Agency (BPS), and the International Monetary Fund (IMF). The data include the Small Residential Property Price Index as a proxy for house prices, FLPP realization, GDP per capita, and construction wages. Each dataset was interpolated into quarterly intervals and analyzed using the Autoregressive Distributed Lag (ARDL) and Error Correction Model (ECM) methods.

The findings indicate that FLPP realization has a negative effect on house prices in the short term but a positive effect in the long term. Conversely, GDP per capita shows no significant impact in the short term but has a negative influence in the long term. Meanwhile, construction wages positively affect house prices in both the short and long term.

Keywords: Housing Finance Liquidity Facility, Demand-Side Subsidy, House Prices, ARDL