

## **ABSTRACT**

*This study aims to determine whether there are bubbles in housing prices in Indonesia and analyze the relationship between bubble housing price with economic fundamentals in Indonesia, as well as the response of bubbles housing price caused both in the long term and short term. The research used is statistical data on house price index and economic fundamentals consisting of interest rate, inflation, national income and index of share price in Indonesia. By using time series data taken from year 2002 until 2016. Analytical technique used is analysis of Vector Error Correction Model (VECM), test of causality and test of response scale between variables. Based on the results of research conducted that the bubble housing prices may occur in Indonesia when the variable inflation, economic growth, and stock price index experienced a shock. However, statistically, housing bubbles occur in the long run and do not occur in the short term, and the response to the bubble housing price is relatively weak, so bubbles do occur and only in the initial period.*

**Keywords : Bubble, Housing Price, VECM, Fundamental, Indonesia**