

Real Estate Rigidities: The Effect of Cash Transactions and the Impact of Demonetisation on Them

Authors : Dishant Shahi, Aradhya Shandilya, Nand Kumar

Abstract : We study here the impact of the black component referred to as X component in the text on Real estate transactions. The X component involved not only acts as friction in transaction but also leads to dysfunctionality in the capital market of real estate. The effect of the component is presented by using a model of economy which seeks resemblance with that of India involving property deals. The rigidities which hinder smooth transactions in property or land deals are depicted and their impact on the economy as a whole has been modelled. The effect of subprime crisis (2007) on Indian housing capital market and the role which the X component played during it, is also included in one of the sections. In the entire text, we have utilised 4 Quadrant graphs to study supply and demand causalities involved in commercial real estate. At the end we have included the impact of demonetisation as a move to counter the problem of overvaluation in the property assets arising due to the X component. The case of Demonetisation which has been the latest move by the Indian Government to control huge amount of black money in circulation has been included along with its impact on the housing and rent as well as the capital market.

Keywords : X-component, 4Q graph, real estate, capital markets, demonetisation, consumer sentiments

Conference Title : ICREUE 2017 : International Conference on Real Estate and Urban Economics

Conference Location : London, United Kingdom

Conference Dates : June 28-29, 2017