

Good things come in pairs? Block Trade in Housing Market*

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Abstract While owners of single-family homes can extend and redevelop their properties to satisfy their increased demand for space, condominium owners do not have the same flexibility. When the characteristics of the housing stock stay unchanged amidst a changing income distribution, some households may choose to get around the mismatch between the demand for and supply of space in a given location by buying multiple units in one trade, which we refer to as block trading. We develop an overlapping generation model to study this kind of block trading in the housing market and test the model's implications with microdata from Hong Kong.

JEL classification: E20, R20, R30

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