

CERF Small Grant project titled: “Buying a house under pressure”

Brief report

I travelled to Paris to work with Edouard Challe in the period 12-17 May 2015. Before meeting, we had broadly discussed the idea that is described in the proposal. In the five days that we spent working in Paris, we achieved the following:

1. We formulated concretely the research question we have in mind and collected some supporting evidence from the UK housing market, based on simple internet searches.
2. We did an extensive review of the literature to ensure that there is no competing research on the same topic.
3. We discussed possible different modelling frameworks that could be useful for addressing our research question, and agreed on a paper that is a good candidate (from a methodological perspective) for modelling boundedly rational agents (Gabaix, 2014, *Quarterly Journal of Economics*).
4. We started formulating a model of search and matching in the housing market that will serve as the benchmark model for our analysis. We have collected the basic structure of the model, solved it in steady state and agreed on a set of equilibrium conditions for the determination of the dynamics.
5. We have kept notes on how we believe we need to extend this model in order to capture the features we want. We will continue working remotely in the next few months and we hope to meet once again to work in Fall 2015.

While we have not generated results yet (in fact the modelling is still very preliminary), we are confident that we can produce an interesting piece of work out of this research project. We hope to have at least one publishable paper out of it, but not before early 2016, due to other work commitments we have.

Cambridge, 18 May 2015