

Sticky Asset Prices

Abstract:

We use an unexpected and geographically confined change in residential electricity prices to shock the fundamental value of a large cross section of homes. We identify a negative 4\% effect on residential real estate prices and a negative 11\% effect on sales volume. The negative effect on sales volume suggests that asset prices do not drop enough but are downward-sticky, which carries potential implications for asset pricing, macro, and monetary theory. The negative effect on sales volume suggests that asset prices do not drop enough but are downward-sticky, which carries potential implications for asset pricing, macro, and monetary theory.

Cloé Garnache

Professor of Economics at the HousingLab at Oslo Metropolitan University