

The 'Hungry Ghost month' effect on housing

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Just as Americans have Halloween, the Chinese have the month-long Hungry Ghost Festival, which is also known as Zhong Yuan Jie, that falls in the seventh month of the Chinese lunar calendar.

Based on Taoist beliefs, the gates separating the realm of hell and the realm of the living will open during the Hungry Ghost month.

Ghosts and spirits of deceased ancestors come out from the lower realm to visit the living. The seventh month this year falls from Aug 14 to Sept 12 of the Western calendar. Some Chinese families who follow this tradition make offerings by placing food and burning joss sticks, candles, paper monies, paper houses and paper clothes at designated spaces in housing estates.

The local authorities, including town councils, will provide large custom-made metal bins for residents who want to burn their offerings during this period.

According to traditional beliefs, the burnt paper monies and offerings will be received by their deceased ancestors for their use in the afterlife. Wandering ghosts and spirits that are well appeased with food and offerings during this period will not disturb or cause mischief to houses and workplaces.

Chinese Taoists observe certain taboos during the Hungry Ghost month, such as minimising activities like swimming or going out at night. Some also believe that

it is inauspicious to buy, renovate, or move houses during the month.

This then leads to the question of whether buying properties during the Hungry Ghost month brings bad luck. The causal effects are hard to establish scientifically; and economists call the unexplained behaviour of individuals "superstition".

Understanding how superstition influences the decision-making of the individual in daily activities has intrigued researchers in different fields.

There are many real-world examples of how superstitions influence people's behaviour.

For example, car owners pay higher prices for car-plates having the number eight. The numeral eight is pronounced "ba" in Chinese. It sounds like "fa", which means prosper in Chinese, and is believed to be auspicious.

House buyers were also found to have paid a premium for houses with unit numbers or addresses ending with the number eight. This is prevalent in places with a large Chinese population, such as Vancouver, Singapore, Hong Kong, and also China.

In housing, the issue then is whether superstition surrounding the seventh month leads to people putting off home purchases, and whether there is a corresponding fall in prices when transactions take place.

Together with Dr Choi Hyun-Soo of Singapore Management University and Dr He Jie, who obtained her PhD in real estate and urban economics from the National University of Singapore, we studied the buying behaviour of Chinese home-buyers and non-Chinese buyers during the Hungry Ghost

month, using data of 82,001 non-landed private housing transactions in Singapore from 2000 to 2009.

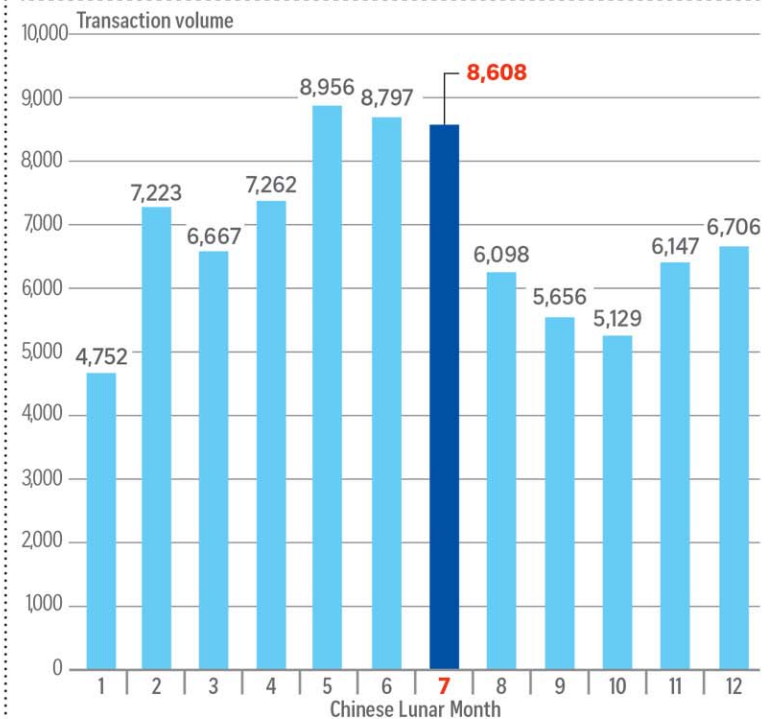
NO SIGNIFICANT DIP IN SALES

Contrary to the prediction by market analysts that buyers' interest is dampened during the seventh lunar month, we found that the cumulative seventh-month transactions over the 10-year sample period have been relatively strong. On average, the lunar seventh month recorded sales of slightly above 850 units (see chart).

The fifth, sixth and seventh lunar months were the most active in terms of the number of transactions, followed by quite a sharp fall in the eighth through to the 10th month. The strong sales during the Hungry Ghost month may have been shored up by non-superstitious buyers (including non-superstitious Chinese buyers), who found plenty of good bargains during a period

Buyers who do not find it taboo to buy houses during the Hungry Ghost month are taking the opportunity to visit developers' show-flats and to negotiate good discounts, when other superstitious Chinese buyers shun the market.

Cumulative monthly transactions for non-landed private housing from 2000 to 2009



Sources: URA REAL IS. NUS RESEARCH DATA ST GRAPHICS

when superstitious Chinese buyers stayed away.

When we plot the distributions for housing prices in the seventh lunar month relative to other months, we observed significant price discounts for houses transacted then, in the price range of between \$4,000 per sq m (psm) and \$8,000 psm.

We next ran an empirical model, controlling for housing attributes (such as size, floor level, tenure and housing type), time variations (market cycles) and the effects of location on prices.

Our results show that prices for homes are 7.43 per cent lower for Chinese buyers when the purchase is made during the Hungry Ghost month relative to other months.

Chinese house buyers who are above 50 years of age are more likely to avoid buying houses during the Hungry Ghost month.

In the event that these buyers purchased a property during the Hungry Ghost month, they enjoyed an even higher discount of 8.45 per cent, compared to houses bought in other months.

Chinese buyers enjoyed a discount of 10.89 per cent in the resale market relative to other months, if the purchase is made during the seventh lunar month. The discounts are lower – estimated at 8.09 per cent – in the developer sales market.

HOW TO TEST FOR BAD LUCK?

One way to test whether buying houses during the Hungry Ghost month brings bad luck to the buyers is to look at court records of car accident cases.

We found that Chinese buyers who bought houses in the Hungry Ghost months did not have a higher probability of getting into car accidents.

The high sales volume in the lunar seventh month over the 10-year period of 2000 to 2009 may indicate that non-superstitious buyers have been able to arbitrage for lower prices in non-landed private housing markets during the Hungry Ghost month.

It seems to suggest that buyers who do not find it taboo to buy houses during the Hungry Ghost month are taking the opportunity to visit developers' show-flats and to negotiate good discounts, when other superstitious Chinese buyers shun the market.

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