

ABSTRACT

Groundwater is one of the major sources of water supply in Chennai. The individual's preference for location of residence is influenced among other things by availability of good quality water. It is often hypothesized that such non-market attributes are reflected in the property prices. The main objective of this paper is to estimate the relationship between the groundwater levels and the marketed commodity namely the property prices in Chennai. The study uses secondary data from 48 wards of Chennai for 7 years. The study tries to address the choice of functional forms by using a Box-Cox transformation model. The results suggest that the depth at which ground water is available in a location do influence property prices, with prices falling with water availability at greater depths. The results also indicate that water quality – captured through the pH value – does not seem to have a significant influence on the property prices. While these results are in line with the hedonic property price theory, further robustness checks are needed to assess the willingness to pay (for increased availability and improved quality of ground water). One of the directions in which further research could be carried out include paying careful attention to control for other environmental attributes that in principle could influence the property prices.