



The Effect of Recent Years Inflation on the Price of Home Sales in Tehran

Case Study: Martyr Beheshti Town

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ABSTRACT: In recent years, the housing market in metropolitan cities, especially Tehran has faced with dramatic changes and housing changes often has stepwise mutation accompanied after a period of 3 to 4 year of with inflation. Due to the high share of housing in costs and incomes of urban households, especially in metropolitan, families face with many problems with the stepwise rise in housing prices. On the other hand, about 110 activities related to housing sector have been identified and any downturn in this market leads to unemployment of a large number of employees associated with this sector. If inappropriate monetary policies such as determining a mandate for rates and applying pressure on banks to implement these mandates cause deviation in the banks performance in order to supply the expected profit of depositors and shareholders, the policies must be reviewed. For proper and effective implementation of monetary policies, interest rates of deposits and loans in particular, the central bank must seriously pursue the issue of independence by removing its passive position in decisions. If institutions supervised by the central bank are responsible for such events, regulatory failures that caused the entry of banks into the housing market must be identified and corrective actions must be taken.

Keywords: Inflation, Sales, Up front selling, Housing

INTRODUCTION

Statement of the problem

In recent years, the housing market in metropolitan cities, especially Tehran has faced with dramatic changes and housing changes often has stepwise mutation accompanied after a period of 3 to 4 year of with inflation. Due to the high share of housing in costs and incomes of urban households, especially in metropolitan, families face with many problems with the stepwise rise in housing prices. On the other hand, about 110 activities related to housing sector have been identified and any downturn in this market leads to unemployment of a large number of employees associated with this sector (AbdeTabrizi, 2013). If inappropriate monetary policies such as determining a mandate for rates and applying pressure on banks to implement these mandates cause deviation in the performance of banks in order to supply the expected profit of depositors and shareholders, the policies must be reviewed. For proper and effective implementation of monetary policies, interest rates of deposits and loans in particular, the central bank must seriously pursue the issue of independence by removing its passive position in decisions. If institutions supervised by the central bank are responsible for such events, regulatory failures that caused the entry of banks into the housing market must be identified and corrective actions must be taken. In this case, it must be considered: are banks that have possibly established companies in the area of real estate prior to the notification of investment instruction, have transferred those companies' shares to the due date stated in the instruction? Inappropriate policies in the housing sector should be revised. For example, despite the fact that policy makers had awareness of the high volume of demand in the housing market (due to the growth of young population) and the problems of housing bank to meet the needs of community (due to the lack of resources), they insisted to maintain the exclusive role of the Housing Bank for payment of housing purchase facilities in recent years. So that even the project of Mehr housing failed to resolve the problems of this sector though significant resources have been allocated to it. Payment of facilities for purchasing second-hand housing will be free for all banks. This is very important due to the limited income of applicants. Like other countries, means such as the minimum pre-paid for receiving loans and threshold of loans must be added to the value of housing in order to control housing prices. This means that the amount pre-paid must be reduced during boom

and it must be left free during depression. With regard to the ratio of loan to the value of housing, it is noteworthy that this ratio is determined to 70 and 80 % in many countries and can also be used as a tool to reduce demand. This amount in regulations of the Central Bank is very low compared to other countries. Thus, it needs to be increased based on the above conditions. However, it must be noted that it is a complex situation faced by economy. In order to minimize the potential inflationary consequences of using such cautionary tools in certain conditions of the country, some deeper research should be done about how they should use. In current circumstances, namely with the loss of purchasing power of people on the one hand and increased prices on the other hand, it is much more difficult to achieve mobility in this sector in comparison to previous years. Therefore, it should be acknowledged that the delay in correcting the wrong policies has imposed the cost of irreparable and numerous opportunities on society (Housing Economics S, 2014). Increase in the liquidity of building Mehr housing is not the main reason for inflation but reasons including, failure for directing the monetary resources of country to the production sector, very weak and unstructured supervision on allocation of monetary resources from banks, inefficiency of tax organization for raising the cost of money allocation to unproductive sectors such as bank papers in the exchange, gold, land and housing market as well as unfairness of allocating facilities of bank resources from the Central Bank are the major causes of inflation in the country. Lower housing price index over the past three years than the general inflation rate (according to the statistics of the Central Bank) indicated that the housing sector could even control the general inflation to some extent. Some believe that inflationary impact of the major project of Mehr housing results from failure and jobbery of banks. They claim this by posing the question: why banks do not accept to pay 40 trillion dollars of deposits more than 460 trillion of people that is with banks to them as the housing facilities and force the government and central bank to give a credit to them increase the monetary base (Farhang News s, 2014). Since any decision in this market will be accompanied by social, economic and even political costs for the government and society, the outcome of any decision on the market should investigated and made decision with regard to its socio-economic benefits and costs.

Review of the literature

In 1970, due to the Arab war with Israel, the Arab stopped oil sales to Europe and America because of their support of Israel and its price suddenly quadrupled due to the sharp drop of oil in the world market. In this year (1974), public budget was doubled by the quadrupling of oil prices. Pahlavi state increased public expectations by the slogan of free education and reduction in the prices of essential goods. However, a period of economic downturn began due to the growth of imports and reduced level of domestic production with 14 percent of reduction in oil revenues within 1976 to 1978, the annual inflation rate in 1978 reached to an average of 35 percent and due to the increased liquidity. However, the government had committed itself to spending large public costs at that time and practical ability of the government in response to public demands declined due to the reduced oil prices and lower oil revenues. Political economy problems analysts believe that excessive growth of the exchange uses of government from the oil sales has provided the conditions for spread of Dutch disease (i.e., a country with a monoculture economic, when only its important exports, for example: Iranian oil faces a drop in world prices or the currency from rising oil prices is not used to strengthen its infrastructure because of the wrong policies of the government and is spent for other costs of government and the government has budget deficit, the government simply fails investment for strengthening the infrastructures of that economic monoculture. Therefore, the result will be a country that is fully dependent on the export of a single crop, which is not able to produce and optimally export the single-product strategy) in Iran's economy (Khatabi, 2008). According to the statistical center of Iran, the average price per square meter of residential infrastructure in Tehran has increased 459 % during 2005 to 2012. While according to the Civil Commission Islamic Parliament, the housing supply is greater than demand; however, the housing price in Iran is about 5 times showing the active presence of housing speculators in the ninth and tenth states in the area of housing such As Mehr housing. Thus, the cabinet tried to fulfill its claim for having a house for the low-income population by giving long-term mortgage loans and raising threshold of housing loan to 30 million Toman. Consequently, due to the growing inflation of prices in these states that increased the price of raw material for building the housing and the final price of housing, this action was unsuccessful (Arman Np, 2014). Tehran housing prices is able to compete with housing prices in Paris so that each square meter is traded 10 to 100 million Rials (six thousand and 500 to 10 thousand and 700 dollars). One of the real estate agencies in the north of Tehran announced that the area of northern houses in Tehran is on average 200 square meters. He said to buy a house in the northern areas of city, you must pay at least a million dollars. Recently, a 1400-meters luxury Penthouse in northern Tehran was sold for 21 million dollars where its price per square meter was about 15000 dollars. However, the average monthly salary of Iranians is equal to 300 to 460 dollars a month. While the economy of Iran is under inflationary pressure, homeowners wealth in this country is rapidly increasing because of housing market bubble so that ordinary citizens cannot buy a house (Arman Np, 2014).

Experimental studies

The main causes of inflation in the country included supply of budget deficit by borrowing from the Central Bank, increased liquidity, increased energy prices, elimination of industrial and guild subsidies after the implementation of adjustment policies, increased risk of activities generating economy, weaknesses in management, particularly the management of currency and devaluation of money, and increased international prices. Since inflation is one of the most important factors of inequality of income distribution, leverage of economic pressure is on the vulnerable population and tendency to the brokerage activities. Moreover, since inflation causes economic instability, thereby reducing economic growth in the long-term, any research in this field is important to understand the factors affecting it.

Chronic inflammation has been a relatively long-term phenomenon in Iran's economy and high inflation rates is a major problem in recent years in the country. Results of the studies suggest the spreading of factors affecting inflation in Iran's economy and the most important factors are as follows. To provide the government budget deficit through borrowing from the central bank and thus increase the liquidity, to rise the price of energy carriers and eliminate industrial and corporate subsidies after the implementation of adjustment policies, increase the risk of generating economic activities, weaknesses in management, particularly the management of currency and devaluation of and finally to rise international prices. This study investigated the behavior of inflation in Iran by to adopting a monetary model with a focus on liquidity to interest rate, foreign commodity price, foreign exchange rate, production of industrial goods, and expectations of inflation and examined the relationship of inflation with these variables. Research results indicated that the general price level related to liquidity, industrial production, foreign commodity price, and foreign exchange rate in the long-term. This means that the increase in liquidity lead to a rise in the general price and increased production, particularly industrial production also lead to a reduction in the general price level over the long term. At the same time, increased price of foreign goods and exchange rate increase the general price levels in the long-term. Due to the high inflation than the nominal interest rate, increase or decrease of the interest rate in the country do not have a significant effect on the general price level. The research also investigated the dynamic and short-term relationship of inflation and one of the results is the important role of inflation expectations in the inflation process. In other words, the private sector considers inflation as an indicator of economic stability and security in its decisions being and the issue of how to allocate resources directs to the goods that have a higher degree of liquidity and less willingness to invest in the economic productive sectors. According to above discussions, it seems that policies of targeting to control inflation through monetary policy should be clearly adopted. In this respect, credibility of the adopted policy and its transparency and independence from financial policies will have a significant role in achieving the goal of reduction of inflation. Since inflation expectations, according to the obtained results, it is of high importance to have credibility and announce the policies clearly. Otherwise and in the case of no information of the private sector on the authority of stated monetary targets or its uncertainty of recognition of the stated goals, it will reduce the credibility of these policies and decrease its effectiveness. Moreover, it is very important to coordinate fiscal, trade, and currency policies with the applied monetary policies. Adoption of continual policies instead of sectional policies and prevention of the issuance of routine regulations increases the confidence of private sector to the government policies. Another key point in reducing inflation expectations of the private sector is to target and reduce the rate of indicators of inflation that private sector pays more attention to it in its own assessments. Since the country's economy is an economy dependent on raw materials, intermediate goods and foreign capital, the prices of foreign goods and exchange rates can have a significant effect on the general price level. Thus, proper foreign and exchange policies will be very fruitful to reduce inflation. Therefore, the customs duties and trade tariffs of goods and commodities and the kind of goods, to which taxes levied, must be carefully noted and management of foreign exchange has a better performance in adopting currency policies to prevent excessive loss of value of the national currency and avoiding the volatility as an indicator of economic stability is better. Adoption of shrinkage fiscal policy and establishment of greater financial discipline, especially in the implementation of civil projects and optimization of the government construction costs may be important to reduce inflation. If the effect of increased production, especially industrial production on inflation and the general level of prices are negative in all estimated equations, any attempt to attract investment and provide greater participation of private sector is of high importance in productive activities. In other words, in addition to attention to reduce the demand through control of money and liquidity in adoption of economic policies, increase of supply and growth of domestic production should also be considered. Development of diplomatic relations with other countries, especially countries popular in global trade and establishment of direct economic relationships with them can be effective to lower inflation through enjoying lower prices of foreign goods, the elimination of mediation costs, and reduction of costs related to shipping, to be effective in lowering inflation (seven factors Ir, 2014).

The housing market has had irrational and uncommon growth in the past eight years. Due to uncontrollable increase of the inflation rate and growth of liquidity in the housing sector, this abnormal growth led to significant growth in land prices, housing, and rent, especially in recent year and from the second half of 2012. Investigation of housing market in recent months and years shows that the reasons for increases in recent price of housing can be a set of sectional and cross-sectional economic events that partly tuned the spring of increase in house

prices so that land and housing prices increased by 10 and six times, respectively. However, many activists of the housing market believe that the first impact of economic instability is uncertainty of the future. This factor, along with the high cost of building materials and the staggering costs of municipal and assets caused sharp increases in prices. Of course, the opportunist individuals have enjoyed from these abnormal situations by inducing an atmosphere of insecurity in the housing applicants and create a price bubble in the housing market. In recent months and years, mandatory policies exacerbated the climate of insecurity in the housing market in the tenth government (Tahlil-e-Ferraro S, 2013).

Conclusion: In general, according to the survey results and other research conducted in this field, inflation in Iran can be a monetary phenomenon where other factors, including factors related to the supply or the cost pressure have fewer effects on it. In other words, the monetary intensity of inflation phenomenon is greater than other factors in the country, and thus the effects of monetary and liquidity variables are less on the real economy.

Purpose of the study

To investigate the effect of inflation in recent years on sales of residential units

Specific objectives:

- To investigate the role of inflation in the last 5 years
- To investigate the inflation in supplying the House-makers services
- To investigate the inflation in the customers' behaviors of up front selling housings

Hypothesis

Inflation of recent years has been caused by the pressure of sanctions.

Research question:

Are the ninth and tenth government policies has been effective in the rate of inflation?

Is the impact of inflation rate on the price of up front selling housing of holding companies of housing and private builders different?

How was the process of inflation in recent years?

Variables and measurement scale:

Inflation: the word inflation is from a Latin word in flare meaning blowing and means blowing in the Arabic language from the root Varam. Inflation means enlarging without content in the economic system. Against inflation, there is another word called wrinkle, which means empty of content. There is another state called equilibrium between two states of inflation and wrinkles, in which the size and content are in balance. Effects of economic wrinkle include: reinforcement of the value of money, reduction in the goods prices, economic depression, bankruptcy of manufacturing enterprises, increase in the rate of unemployment, and so forth. Therefore, the economic policy-makers regulate the credit atmosphere so that it would provide the economic development and the growth of prices is intangible. We can conclude that:

1. Inflation is totally voluntary, and economic programmers of that country usually get the credit significantly from larger production space so that the growth of prices is intangible and incentive for investment rises.
2. Inflation and wrinkles (recession) in an economy with healthy structure do not combine with each other because inflation shows that the credit atmosphere is larger and recession also shows that the production atmosphere is larger. Thus, it is not possible that the credit space is simultaneously larger and smaller.

Usually, shrinkage and recession are resolved by supplying the money and inflation is resolved by pushing it toward the production and expansion of production and investment. However, these two variables do not properly interact in the current state of our economy as if we increase the credit, inflation exacerbates and if we reduce it, wrinkle and recession exacerbate. Therefore, it seems that our current economy is like a spinning screw weed and in complete deadlock. Considering and analyzing the downturn in the America's market, we see that the origin of this decline is in the dollar value and accordingly raising the commodity prices. With the increased production and stability of credit, it was natural that depression is dominant. Therefore, America's government has expanded the credit by injecting an amount of two hundred billion dollars to the market in order to prevent economic wrinkle and downturn so that the production removes the recession and wrinkle and increase the investment incentives. It is necessary to know that the money is directly spent on the deposited goods in the warehouse of factories and productive enterprises and the purchased goods does not enter the domestic market but they either are exported abroad directly or are destroyed somehow where put in the production cycle as raw material. Another noteworthy point is that America could allocates the money directly to the public budget deficit caused by the economic recession but he does not do so and directly spends the money to buy stagnant goods with an exact calculation so that it would not stop the flow of production, does not damage the employment, supplies the public funds, and does not fluctuate the prices with the increased liquidity (Mousavi, 2013).

The lowest and highest inflation rate respectively was in the 1970s in 1978 and 1980, in the 1980s in 1985 and 1990, in the 1990s in 1995 and 1991, in the 2000s in 2005 and 2008. The lowest inflation rate of 9.6% was in 1985, and the highest rate of inflation of 4.49% was in 1995. In the last two decades, namely the 1990s and 2000s, there were fluctuations in the inflation rate. There was an ascending trend of inflation of 7.20% in 1991 and this trend continued until 1995 when a 4.49% recession was recorded in 1995 that was the highest official rate of inflation in the country. Again, a reduced inflation was seen from 1996 and it decreased to 4.11% in 2001. Although 81 to 83 years, we have experienced a 15% inflation rate in 2002-2004, the rate of inflation reached to 10% we have seen its increase to 2008 so that inflation reached to 4.25% in this year. The last and sixth period of increased inflation rate refers to 2009 when it begins from a rate 8.10% and reached to 5.21% in 2011 (Donya-e-Eghtesad Np, 2012).

Data collection: data of the prices of goods and services in all the studied cities was collected by direct reference of the central bank actuary to the sources of information and interview with them. In fact, to achieve real prices, economic actuary of the central bank refer to about forty thousand data sources every month and ask for the current prices of more than 121 thousand units of goods and services and if the price of goods or services is higher or lower than the previous month, the reasons for such fluctuations are explored and recorded. While collecting data, it is always tried to gather and report the practical prices governing the market of every city but their current prices are collected in the following ways because of multi-rate goods and services in the market rates:

a) State prices

A very small number of basic goods consumed by households that is usually associated with subsidies from the government, such as water and electricity are distributed with state prices in cities.

b) Prices of the free market

Prices of goods and services that are bought by the citizens through the free market

The method of calculating inflation index:

After collecting prices, price index formula called "Laspierez" (the inventor of the formula) is used for calculation of goods price index and consumer services that is used to calculate the inflation rate at the level of each province and then all the country. Usually, one year is selected as the basic year and importance of each goods and services is determined according to the sample survey of urban households and based on household expenditure basket that is the ratio of cost of that item to total household expenditure. Therefore, the extent of effect of each goods and services is determined in the calculation of inflation relative to their importance.

Changes in price and household consumed services at any time are measured relative to the base time according to Laspierez formula for calculating the index. In this case, the amount of consumption of each of goods and services in the base year is multiplied by the new price and the desired time is obtained in the new price. By adding all new costs, items of the household basket, the sum of the cost of urban households is calculated based on new prices. Then, this cost is divided by the household expenditure in the base year and the resulting number is multiplied by 100; therefore, the index is achieved at a desired time. More importantly, the general level of prices is calculated for computing the rate of inflation in a period of 24 months. For example, to calculate the inflation rate in November 2008, average general price level (total index of prices of goods and services in urban areas) is divided by the 12 months ending in November 2008 on the average price level in the 12 months ending in November of the year before, namely, the 2007 and the resulting number indicates the inflation rate in November 2008. However, public opinions know the mutations and fluctuations of price at the present as the inflation rate. For instance, if the price of meat in November increases by 50% compared to the previous month, a simplistic thinking is that the inflation rate of meat is reported 50% but calculation of the rate of actual inflation at the mentioned 24-months may report the inflation rate of this product as 4%. This causes that the public believe that the central bank has deliberately reported the inflation index lower than the expected level, while it is not so and what the literature of economics calls "inflation" is the same 4%, not 50%. (Rostami, 2012).

Up front selling: "with the increased population in large cities and housing is considered as basic needs and some persons with a professional skill and sometimes in the form of a legal person have been involved in the construction." Consequently, transactions and legal relations of housing have been popular and "up front selling construction contract" is the most important of such relations. In the contract, the person who makes up front selling (manufacture) is committed to build and deliver a building in accordance with the conditions and deadlines specified in the contract, against the money he receives from the person who makes up front purchasing. The nature of the contract has been not clearly and independently discussed in law but lawyers have partly dealt with it. The agreement has not been placed in certain cases in any of the similar contracts to it and is presented as "private agreements of Article 10 of the Civil Code". Therefore, this contract is considered valid and binding according to the principle of rule will and freedom of contracts and on the basis of Article 10 of the Civil Code. In addition, some of the lawyers have placed this contract under other headings such as "commitment to the sale" under Article 10 of the Civil Code that is the same as "promise" in the language of transactions and courts of justice. Conclusion of the contract has no problem according to legal system of Iran as the pending sale, in which

the property is suspended on the existence. This paper intended to explore the nature of this contract and compare it with various contracts, including definite or indefinite (Mostafavi and Rahimi, 2010).

MATERIAL AND METHODS

Instruments

Instruments of the study involving the field studies included questionnaire, interview, observation and documents.

The study reports the result of a one-hour interview with Dr. Behnam Faizabadi, director of project management department of industrial management organization. Due to the sanctions and inflation in recent years, he strongly involved in equipping Shazand refinery, Arak. The result of the interview will be discussed:

1) What are the ways to fight inflation?

- Monetary and fiscal policies: limiting demand
- Revenue policies: direct intervention in the market

2) What is the harmful effect of inflation?

- Low purchasing power

3) What is the relationship between development and inflation?

- If a country has not stability in development, stability of monetary value is meaningless.
- Investment causes inflation in the first phase and removes the inflation at the end.

4) What is the impact of inflation on the whole country?

- Countries with economic stability have political stability as well.

5) Do you know a country where inflation has been eradicated?

- Germany, with an equitable distribution of income

6) Did you see useful movements to control inflation since the change of government?

-The effect of this year's budget, how to collect oil export revenues, how to implement the second phase of targeted subsidies and the realization of revenues from the transfer of financial assets are among the most effective factors.

7) Does the new government have enough ability and time to control in this period?

-If the effects of budget on macroeconomic variables do not pay attention, the budget can have negative effects on the wheels of economy.

8) Is the control of inflation a priority or increase in cash subsidies?

-Cash subsidies; because they are somehow absorbed by the banking system and are allocated to the investment; therefore they will not leave a certain impact on inflation.

9) Does targeted subsidies result in the inflation?

- Assuming the inflation of 25 % in 2014, it can be said that above-mentioned credits with constant prices will have a growth of -16.3%. Hence, assuming constant conditions, one would expect that added value of other buildings will decrease to 16.3% in 2014 compared to the previous year. Thus, given the fact that contribution of this sector in domestic gross production is about 3% according to the last available year, it is expected that participation of this sector in the economic growth of 2014 decreases to 0.5% in comparison to 2013.

10) What is the effect of monetary power on inflation ?

- If continuous money income of a person remains constant but the price increases, the purchasing power of incomes drops. Inflation does not always mean a fall in the purchasing power of income because inflation could rise faster than price. Higher real income means higher purchasing power because real income is the one adjusted to inflation.

11) What is the role of supply and demand in inflation?

Dependence on imported materials and parts has been the failures of supply in the mining and industry sector; therefore, the exchange balance of the mining and industry sector is negative and is reliant on foreign exchange from oil sales. This failure makes the mining and industry sector highly vulnerable to fluctuations in oil sale and price.

Empty capacity in the manufacturing sector increases overhead costs and thus increases the cost of industrial and mining production. Structural weaknesses that lead to the supply constraints in the manufacturing sector are as follows:

- Low share of private sector investment
- Tenuous foreign investment
- Low share of exports in total exports
- High prices of industrial products

12) How can we exit from inflation? - To establish a single digit inflation rate

- To reform the tax codes
- To target subsidies
- To reduce government intervention in the economy

13) What is the effect of inflation on delay in construction projects?

-On average, projects have had delay two times the duration of the contract indicating a considerable delay.

According to Pareto principle, the first factor of delay in the studied projects was delay in the payment of temporary statements and the lack of timely payment of up front selling to the contractor. The second factor is the delays in days resulting from no timely ownership of lands.

14) What is the effect of inflation on public dissatisfaction with delay in the delivery of construction projects?

- Loss of purchasing power, and claim the sellers

15) What is the effect of inflation on public satisfaction in purchasing the residential units?

- As a result of delays, they had more time to save but rental prices were higher for the tenants.

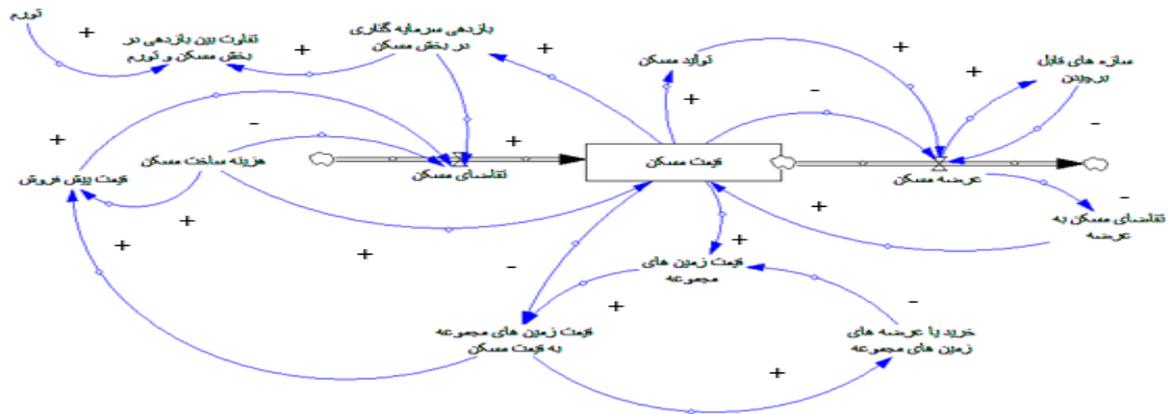
Sampling

With regard to the issue of housing prices, 100 real estates of the capital were selected for the study and investigated the impact of rising mortgage rates by Cochran formula from a sample of 46 participants, tolerance error of 0.01%, confidence level of 0.95%, the probability of 0.6% of the validity of price, and 0.4% of invalidity of the price. The accuracy of the price asked. Selection of real estates is random sampling. All real estates agreed on the subject of reduction in housing price in comparison to the past year and knew the impact of increased inflation in recent years due to spring rising of housing prices. According to the reports of Mashregh News, referring to the condition of rents on 15 days of the beginning of the summer, Hesam Oqbaei, the head of Union of Tehran Real Estate said: we have seen a controlled housing market in the first three months of this year, and this trend has continued during this time.

Rates are determined according to the opinion of owner in the rent section and no intervention can legally be made this regard, unless the real estate gives guidance. Referring to lower inflation, he continued: according to the government's policies in the housing sector along with reduction in inflation rate and increase in the supply of housing built by manufacturers, there is no reason to increase the rent by owners. Tehran Real Estate Association Chairman said that the role of the members of union is very important in the economic stability of housing market. He also mentioned that the real estates are the link to market and are considered as an option for stability of prices. The real estate cause that the housing market would be saved from stagflation. He continued: real estate have an advisory role and did not perform any notification role (Mashregh News S, 2014).

Methodology

This is an applied study and is an issue that many people are involved with it in Tehran. This case study is the promotion of remaining potentials of a town project. The study analyzed economic model of the project proposed in a private construction company, which aimed to show the effects and changes in the parameters involved in the project. The study aimed to build a multi-purpose trade, administrative, and entertainment center with cross-regional performance. It also aimed to evaluate technical and economic factors and its justifiability. Above economic model has been modeled according to the hypotheses in Vensim software and the state variable in the model has been considered as the profit of construction. This profit changes with cost and revenue rates. The rate of cost changes includes the costs of construction, purchase of land, taxes and other costs and the amount of income would be obtained from the sale or up front selling of the projected uses. Moreover, parameters, such as the annual inflation rate are involved in the model. In recent years, the housing market of Iran's metropolitans, particularly Tehran has faced remarkable changes and changes in housing prices frequently have stepwise mutation with inflation after a period of 3 to 4 years. Given the large share of housing in the cost and income of urban household, especially in metropolitans (over 50% of total costs), households are faced with many problems during stepwise increase in the housing prices (which will lead to an increase in the rent). On the other hand, about 110 mortgage-related activities have been identified and any downturn in this market causes unemployment of a large number of persons employed in activities related to this sector. For these reasons, governments have sought to present strategies to prevent the rapid rise in prices and prevent stagnation of this sector through a balance in the housing market. The experience of government policy in this sector was not successful and the stated policies had not the necessary efficiency. The reasons for this failure can be a multiplicity of factors affecting the housing market, not following of factors influencing it from the linear structure (one-way causal relationship) and non-linear relationships between variables and sensitivity of society to it due to effect on quality of life of the households. In general, factors affecting the housing market in Tehran and the effect of each of these factors on the housing market have been investigated and a schematic model of the factors affecting was shown below. Dynamic systems are an appropriate framework for the analysis of such phenomena. Considering the nonlinear equations and considering a large number of variables in a system are the capabilities of dynamic systems, through which the results of adopted policies (changing one of the variables) can be seen on the market. Since any decision in this market would associate with social, economic, and even political costs for the government and society, the outcome of any decision on the market should be assessed and make decision according to the socio-economic costs and benefits (Behdad Kiani, 2008).



	Inflation	The difference between yields on housing and inflation	Return on investment in housing	Housing Demand	The cost of housing	Up front selling price	Housing demand supply	Removable Structures	Housing prices	Manufactured Housing	The difference between yields on housing and inflation	The price of land and housing prices	Purchase or supply of land	The price of land
Inflation		+	-	-	+	+	+	+	+	+	+	-	+	
The difference between yields on housing and inflation	+		-	-	+	+	+	+	+	+	+	+	-	+
Return on investment in housing	+	++		--	++	++	-	+	+	+	+	+	-	+
Housing Demand	+	++	--		++	++	++	+	+	+	+	+	-	+
The cost of housing	+	++	--	-		++	++	+	+	+	+	+	-	+
Up front selling price	+	++	--	-	++		++	+	+	+	+	+	-	+
Housing demand supply	+	++	--	-	++	++		+	+	+	+	+	-	+
Removable Structures	+	++	--	-	++	++	++		+	+	+	+	-	+
Housing prices	+	++	--	-	++	++	++	+		+	+	+	-	+
Manufactured Housing	+	++	--	-	++	++	++	+	+		+	+	-	+
The difference between yields on housing and inflation	+	++	--	-	++	++	++	+	+	+		+	-	+
The price of land and housing prices	+	++	--	-	++	++	++	+	+	+	+		-	+
Purchase or supply of land	+	++	--	-	++	++	++	+	+	+	+	+		+
The price of land	+	++	--	-	++	++	++	+	+	+	+	+	+	

The employer company is the subset of housing holding. This company made up front selling of 1440 residential units in a residential zone in 2007 and 2008 and committed to build the apartments by 2011 and deliver them to the owners of apartments. However, after 3 years of the time of delivery, we only see the metal structures in specified lands if residential areas and obligations have been not met by changing the CEO but an administrative decision has been taken in the development of residential townships, which includes the construction of high-rise residential towers, commercial, entertainment, and services centers. At this point, an engineering consulting company has entered the field as a consultant for this project, and we will act as market experts of the project so that the management of project involves in this project.

The above company has set its contracts with customers at the time of up front selling of its residential units in 2007 and 2008 in such a way that customers pay 700,000 Tomans per square meters and the cost of inflation of the next three years on the construction cost would be paid to the customers after completion and delivery of the units to them annually based on the inflation approved by the central bank. In fact, the incomes from the sale of residential units have been stated in a fixed price in the contract for 700,000 Tomans per meter. However, what happened is that during this 3 years minus 2011 that the country has been witnessed unprecedented inflation and according to the company documents, the construction of residential units per square meter reached a figure of over 1500000 Tomans and whatever he received from the customers through the amounts of up front selling of their units, has been spent on the construction and completion of its previous commitments. Thus, all these factors have been integrally caused that the company was able to meet its obligations and it lost an amount about 500 billion Tomans during 2007 to 2011. Therefore, company came to the conclusion to identify a building profitable project by an approach to a multi-purpose trans-regional commercial, cultural, and services due to lands it has at their disposal so that it is a profitable project that offsets previous losses of the company and also meets its commitment to the delivery of 1440 residential units in to realize sales.

What is ambiguous at issue whether the design of profitability is adequate and previous losses are covered or not?

Based on what was said, if the condition is left to its own, the following problems will arise, although the company has to grapple with some of these problems.

1. Influx of people who had up front selling houses to retake the initial registration fee and the amount of the next step
2. The company faced financial difficulties to repay amounts
3. Responding to customer complaints to delay project
4. Lack of funds to continue the construction of steel structures In general, according to statements by the employer, the following results were found that the last year cost of the employer company, there is no liquidity and continue building before or future construction, based on the received difference and the amount of up front selling in 2015 will be possible.

Studies conducted by a consultant, to the conclusion that:

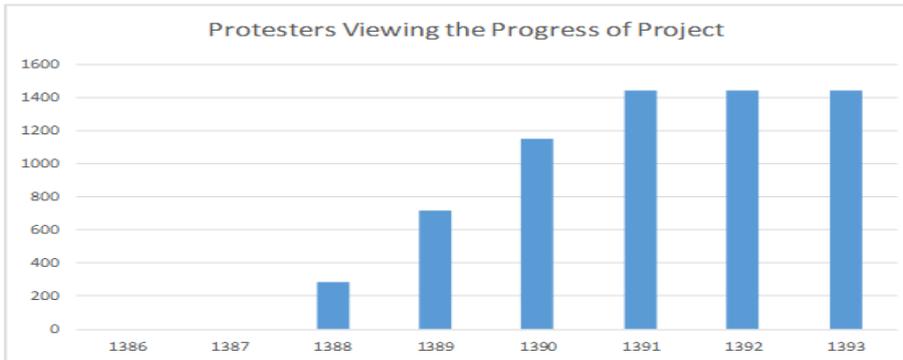
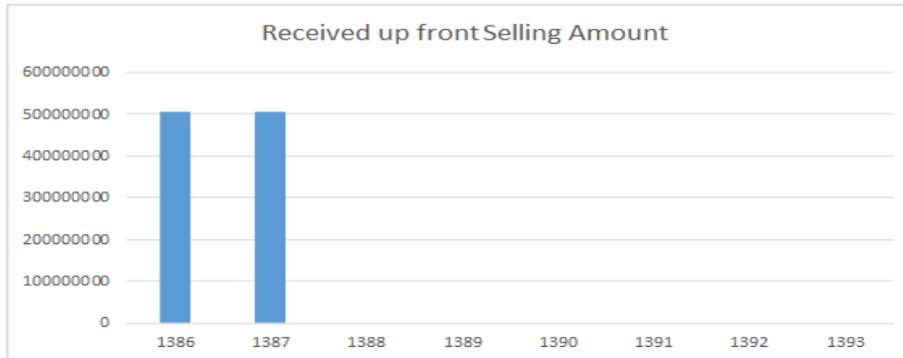
1. Establishment of a commercial center in the town martyr Beheshti
2. Dismantling of steel structures
3. The construction of high-rise residential towers in place of structures
4. Up front selling office and commercial units
5. Up front selling high-rise residential towers
6. Establishment of medical clinics
7. Construction of recreation centers

So in the considered project and plan, up front selling of residential units and commercial units has been considered. According to the 1440 unit commitment, actually proceeds from the delivered 1440 units will not be, the plan is intended to build 500 new units similarly, given the amount of up front selling in 2015, and the difference of the previous units and considering the capital sleep buyers and discounted 800000 Tomans per meter their received for 5,000 units was as follows, only part of the income of 1440, the cumulative cost proceeds from inflation is 4 years will be approximately 500,000 Tomans per meters, now the situation of company is summarized as follows:

Currently situation of company	Number
Number of residential units Town A	7310
Under Construction	389
Unfinished stopped	1116
Remaining	744
Collaborative	489

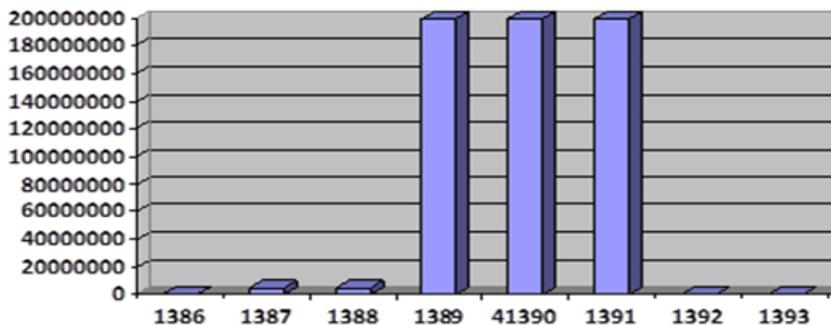
The difference amounted of up front selling 1440 units in 2015				
No	Number	Approximate metrage of each unit	Cost per meter (Tomans)	Total Cost (Million Tomans)
1	1440	90	500.000	64.800

Previous commitments					
No	up front selling Year	Number of up front selling	Cost per meter (Tomans)	Approximate meterage of each unit	Total Cost (Million Tomans)
1	2007	720	700.000	90	504
2	2008	720	700.000	90	504



If the received amount of up front selling spends for personnel costs and construction costs is equal to 1,008,000,000 Tomans, assuming a 5% share in 2007, 5% in 2008, 30% in 2009, 30% in 2010 and 30% in 2011, we find that after 2011 the employer company, company has been funded its costs of other projects. Among the measures carried to accelerate the optimization of the construction process, feasibility studies for integration of town into a urban complex, studies for the removal of water and wastewater treatment plants and connection to municipal sewage and a study on the development of towns of all commercial, residential, therapeutic, recreational and services aspects dismantling the structures non-yield (4 to 6 floors), in order to construction of the high-rise buildings (18 to 22 floors). The main reason for the delay of three years after the prescribed time of delivery are poor management, lack of capital, lack of investor, public sector projects and neglect the efficiency and profitability of the project.

If we want to draw a diagram buyers complained, to reach the approximate schema:



Therefore, we find that after shoppers observed rated residential units, that there is no sign of construction or that it has taken a slow process, the number of protesters is growing day to day and all pursue the construction

of their housing and why the structures to be demolished or why the tall towers to be built and whether they will eventually come to their house or not? 389 units are making the tough work is completed, will be assigned to the protesters buyers, who then pay the remaining amount, by the end of 2015 will be a homeowner. 1116 units have been stopped in the steel structure, faced with two possible scenarios:

1. Dismantle and sale of scrap iron.
2. Continue to build and up front selling concessions 2014 or 2015 by the new rate of 3,500,000 Tomans per meter.

For the remaining 744 units will be announced application change and new ideas to build spaces for entertainment, recreation, services, medical and commercial.

No	User	Infrastructure Gross Area (m ²)	Salable area (square meters foundation)
1			
2	Residential	516.000	412.800
3	Commercial	47.600	30.940
4	Office	95.200	76.160
5	Cultural	12.240	9.792
6	Therapeutic	6.120	4.896
7	Leisure	85.680	68.544
8	Sport	10.200	8.160
9	Non-sales service	15.000	0
10	Saleable services	16.858	13.486
11	Parking (number)	427.513	14.250
12	Landscaping and green space	55.000	0

No	User	The cost of construction per square meter infrastructure (Rials)
1	Residential	20.000.000
2	Commercial	15.000000
3	Office	22.000.000
5	Therapeutic	20.000.000
6	Leisure	22.000.000
7	Sport	20.000.000
8	Non-sales service	15.000.000
9	Saleable services	15.000.000
10	Parking (number)	10.000.000
11	Landscaping and green space	1.500.000

For 489 collaborative units also needs to continue to build.

So what is presented in the model if the surfaces intended for commercial, office and residential functions. The situation summarized in the table shown below:

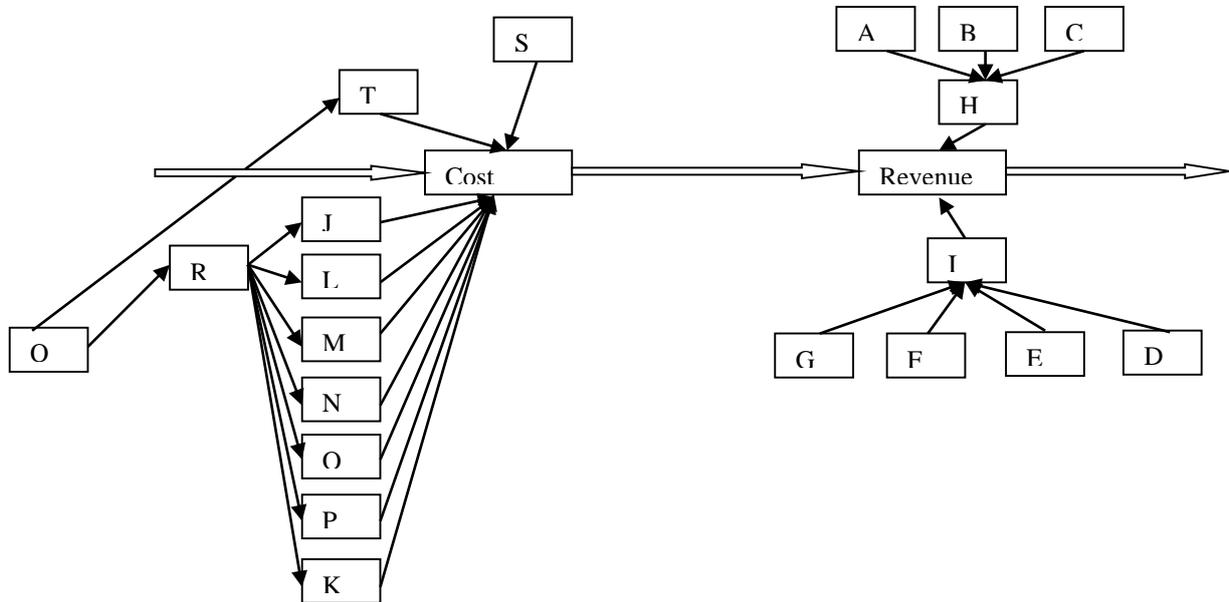
Also according to the survey results, the cost of construction of each user is presented in the following table:

Other costs include the costs of phase 1 and 2 studies and engineering services, the cost of labor and separation based on a percentage of construction cost is considered in the model.

Based on field investigations and discovered the price of strict, the sale price of user is presented in the below table separately.

No	User	Price per Sq.m
1		
2	Residential	55.000.000
3	Commercial	350.000.000
4	Office	70.000.000
5	Cultural	70.000.000
6	Therapeutic	70.000.000
7	Leisure	200.000.000
8	Sport	70.000.000
11	Parking (number)	200.000.000
12	Landscaping and green space	0
Total value of sales		

Index	Sign
The revenue from the upfront selling almost half of Business units	A
The revenue from the upfront selling almost half of office units	B
The revenue from the upfront selling almost half of the therapeutic units	C
Half of The revenue from of the mortgage business units	D
The revenue from the Mortgage half of therapeutic units	E
The revenue from the mortgage half of cultural units	F
The revenue from the mortgage half of office units	G
Revenue in 2015	H
Revenue in the Year 2017	I
Commercial construction profit	J
Therapeutic construction cost	K
Cultural construction costs	L
Office construction cost	M
Construction costs Sports	N
Green space construction costs	O
Tourism construction cost	P
Inflation rate	Q
Annual distribution costs	R
Unexpected costs in 2015	S
Complications in 2015	T
Costs in 2015	U



According to what was stated in the schematic view of an economic model is obtained as follows

CONCLUSION

Since the enhancers forces of prices are not aligned, house prices in 2014 cannot be predicted with certainty. Because of some forces, including the second phase of subsidies, liquidity and inflation, currency and exchange sanctions, remains unclear and will directly dependence on state that it will lead to greater complexity and, consequently, rising forecast errors in house prices.

In this regard, although different assumptions lead to different predictions of the housing market; however, it seems that in 2014 years, fixed housing prices have excluded, but this does not mean entry price shock in this sector, but what of the other options, it seems likely that if the implementation of the second phase of targeted subsidies for housing in 2014 is less than the central bank general inflation. It is hoped that in the above case study the predicted and true and real estate holding company to manage inflation rate and ...can be responsive and timely delivery of outstanding units and prevent further discontent of buyers of residential units and properly implement the town development plan until 2019 the company is consistently profitable.

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