

THE EFFECT IN THE REAL ESTATE PRICE BY PRESENCE OF GUERRILLA AND PARAMILITARES: A LOCAL ANALYSIS

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The topics related to violence in Colombia generated by illegal armed groups (guerrilla and paramilitares) have been studied by different kind of actors such as academics, private sector, NGOs, multilateral agencies, United Nations – UN, and of course, the national government, presenting different methodologies and approaches for research, achieving different kind of conclusions. See: Pshisva and Suárez (2006), Sánchez and Díaz (2005, 2004, 2003), Barrera (2004), and Rubio (2002) among others.

Unlike of the articles cited before, which are related to the impact that the illegal armed groups have in topics as investment, education, drug traffic, justice, and municipalities finance. Our job has as objective to analyze the impact that the presence of illegal armed groups have in the price of real estate assets.

In order to achieve the objective to quantify impacts and estimate all externalities producing by illegal armed groups, using a hedonic focus, this research paper analyzes at municipal scale, the behavior of real estate price within the municipalities which have presence of «guerrilla» and «paramilitares».

The research is divided in five parts. First, it presents a brief introduction about historical aspects of the conflict in Colombia. Analyzing the historic context regarding to how the guerrilla groups emerged at the middle of 60s decade as a consequence of differences between main politics parties that Colombia has had. At the same time the reasons by which paramilitar groups emerged at middle of 80s decade are described.

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Second, it revises the state of the art about this field through two sections, first, present articles related to violence in Colombia, mainly associated with the different illegal activities caused by illegal armed groups. On the other hand, it focuses in articles related to hedonic price method, which, using as main control variables: land and building area of real estate due to they are the point of departure of the research methodology, likewise, the cadastral valuation is used as variable proxy of market real prices.

Third, the paper presents the theoretical assumptions and the methodology used for achieving objectives of the present research proposal. All aspects related with hedonic price and its articulation with the cadastral information are developed at this section, with the purpose to estimate the change at the real estate prices as consequence of illegal armed groups presence.

Fourth, a complete description of all variables used is developed and its descriptive statistics, source of information, spatial and temporality data. At the same time, the empiric model is shown, where illegal armed groups as individual characteristic are described, and we built a model as a whole including both illegal armed groups.

Finally, a set of interpretations and analysis of results are shown, which are presented comparative tables that permit to evaluate all results with an integral and easy manner. The important of each variable and its relevance for the whole model is evaluated. Among the main outputs of this research it can be seen that the presence of illegal armed groups have a negative effect in the real estate prices.