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Home-Buyer Sentiment and Hurricane Landfalls

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Home-Buyer Sentiment and Hurricane Landfalls

- The Story

- The Background

- The Audience

- The Science and the Data

- Initial Empirical Results, and Encouragements for Later Research

Home-Buyer Sentiment and Hurricane Landfalls

- *The Story*

- Sentiment is the perception of risk by investors in the securities markets, proxied by such measures as trading volume and bid/ask spreads. We hold that residential real estate markets can be framed by selected measures of sentiment, as well. We employ three proxies for homebuyer sentiment: the spread between listing (asking) and selling prices, average days of a house on the market and single-family houses sold per month. We find changes in residential market sentiment attaching to hurricane landfalls in our study region.

Home-Buyer Sentiment and Hurricane Landfalls

- *The Background*

  Bandopadhyaya   (2006)

  Morgan   (2007)

  Graham, Hall and Schuhmann   (2007)

- *The Audience*

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- *The Science and the Data*

  Realtor Data, 1995 – 2002: Homeowners in the Cape Fear Region, an area at elevated hurricane risk

  Fran, Bonnie and Floyd

  Questions concerning:
  1. Listing/Selling Price Spreads
  2. Days on the Market
  3. Units sold per month; Units sold relative to available inventory

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- *Empirical Results*

  - Data in Tables 1 and 2

Table 1: Average prices, days on the market and spreads for Coastal Areas, 1996-2002

- Year   PRICE   DOM   SPREAD

Year	PRICE	DOM	SPREAD
1996	$156,318	110	0.029
1997	174,676	113	0.031
1998	187,127	136	0.035
1999	191,341	147	0.035
2000	203,184	162	0.038
2001	197,188	152	0.034
2002	208,244	147	0.039

Table 2: Regression results for the days on the market, spread and price

Panel A: Spread

Variable	β	p-value
Intercept	0.0549	0.0062
SPDLAG	0.00003	0.0033
COAST	0.0072	0.0006
FRAN – P12	0.0141	0.0048
BONNIE – P3	-0.0053	.3224
FLOYD – P18	0.0096	0.0009
UNRATE	0.0014	0.2227
HINF	-0.0039	0.2978
INT	-0.3824	0.1327

Table 2: Regression results for the days on the market, spread and price

Panel B: Days on the Market

Variable	β	p-value
Intercept	114.3099	0.0547
TIME	0.8725	0.0000
DOMLAG	0.0356	0.3452
COAST	15.6929	0.0014
FRAN –P6	11.2910	0.1860
BONNIE – P6	12.2170	0.2177
FLOYD – R18	23.8820	0.0674
UNRATE	-1.0587	-0.7016
HINF	8.0514	0.3457
INT	-371.9153	0.6158

Table 2: Regression results for the days on the market, spread and price

Panel C: Price

Variable	β	p-value
Intercept	12.1475	0.0000
TIME	0.0052	0.0393
PRICELAG	-0.0006	0.0001
COAST	0.5486	0.0000
FRAN –P3	0.0189	0.8391
BONNIE – P12	-0.0750	0.2950
FLOYD – P30	-0.1430	0.2087
UNRATE	-0.0437	0.0524
HINF	0.0161	0.7902
INT	-6.9456	0.1316

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- *Encouragements for Later Research*

- *Concluding Remarks*