

The effect of flood risk information on property values around Paris

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Abstract

The paper examines the effect of flood risk information on property prices in the inner suburbs of Paris, France, over the period 2003 to 2012. We use unique data on property transactions and geo-localised amenities from a major European city exploiting the different dates of implementation of the flood risk zone regulation. Using an identification strategy based on a difference-in-differences specification, the results indicate that home prices for similar real estate are 3 to 7% lower on average when located in a flood risk zone, depending on the sub market (flats or houses). The effect persists for up to five semesters after the date of information release. The discount is higher, the higher is the flood risk designated by the regulation. We also find evidence that transactions with buyers from municipalities with a higher incidence of disaster decrees for floods display a smaller reduction in price than that of the average buyer, either because such buyers revise their probability estimates downwards or because they are more likely to accept the risk having experienced it previously.

Keywords: amenity value, flood risk, housing market, natural hazards, risk.

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