Dean Gatzlaff, Kathleen McCullough, Lorilee Medders, and Charles Nyce:
“Revealed Information and the Demand for Hurricane Mitigation Features”

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Research Question:
- Are known and hidden hurricane mitigation features valued by the housing market?

(known: obvious to the casual observer;
hidden: can be revealed by experts through costly verification)

Measurement/Methodology:
- Regressions of (logarithm of) transaction price (of property i at time t)
on characteristics of property, construction, location, and hurricane
mitigation features (and controls for census track and quarter of sale)
Summary – Analysis [2]

Data:

- Initial data set: ~ 370,000 housing observations in Florida
- Merging with policy level data including mitigation features and inspection dates: ~ 150,000 observations
- Exclusion of new property sales; sales < $10,000 and > $5,000,000; transactions before 2007; ...
- ~ 30,000 property sales observations, starting in 2007 (until ???)
Summary – Results

- A mitigation inspection is related to higher property values

- Known hurricane mitigation features (such as varying roof styles and shutters types) have a positive impact on housing values

- Revealed hurricane mitigation features have a positive impact on housing values, too, but not if the inspection variable is considered at the same time

- This “indicates that home buyers observe and value [...] information regarding safety/mitigation features, apart from valuing the features themselves”
Comments

**Hypotheses**
Clarity could be improved if you explicitly specify your hypotheses as H1, H2, ... or integrate a table with your hypotheses

**Variables**
The considered variables seem to be plausible, but

- Which of these variables have been used in previous studies?
- Have the considered variables been found to be significant in previous studies?
**Results**

Revealed features have a significant effect, but not if the mitigation inspection variable is considered, too

**Possible Interpretation:**

There is hidden information regarding some mitigation features (revealed)

- The coefficient is positive because these features are valued by some buyers (e.g. they instructed experts before buying the house)

- The inspection eliminates the information asymmetry so that the existence is valued by all buyers (independent of instructing experts)

- The coefficient of “inspection” is positive, but the coefficient of “revealed” is reduced
Analyses

It would be interesting to consider additional analyses regarding some subsamples, e.g.

- Old houses vs. young houses
  - As there are different building standards, the additional information of the “inspection” variable could be different

- Cheap houses vs. expensive houses
  - For expensive houses it is more likely that experts judge the quality before buying
    - “Inspection” is likely to add more value for cheaper houses
    - “Revealed features” could add more value for expensive houses
Minor remarks

- A short description of the tables in top of them would ease skimming over the article

- The variables for known/revealed mitigation features should be defined in the text (from the text I did not realize that it is a dummy variable but that the variable would be continuous representing more/less mitigation features)

- The difference between the variables age vs. effective age should be explained in the paper