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NEW STUDY FINDS THAT HOUSING PRICES VARY SIGNIFICANTLY ACCORDING TO TIME OF YEAR, LOCATION

SAN DIEGO, June 14, 2010—A new study finds that the time a house is sold during the year significantly affects the price it will fetch in almost all areas of the country. This is especially true if the house is based in an area that is considered to be a tourist destination and if it is located in the Western or Midwestern regions of the United States.

The study analyzes seasonality in house prices at the Core Base Statistical Area (CBSA) level. Using a unique database of house sales from over 270 CBSAs nationwide over the last 10 years, the study explores monthly house price variations during the year. The findings indicate significant price variations during the year for most CBSAs from an average of $\bar{6}$.13 percent to $\bar{+}$ 1.55 percent.

The results from this study have significant implications for property owners, appraisers, lenders and policymakers. Appraisers could easily be off of true values by several percentage points if they ignore seasonal price effects, especially since they use historical transactions, often from sales up to 12 months old in attempts to find good comparable property data. “Because seasonality exists in markets, incorporating these effects while valuing properties is essential to reducing appraisal errors,” says Vivek Sah, PhD, a co-author of the paper.

From a tax assessment point of view, the timing of property valuation also could have a significant financial impact on a county’s revenues. If the appraisal is conducted in months in which prices are higher, it will lead to higher property values and, therefore, increased property taxes. On the other hand, from the property owner’s perspective, appraisal appeals based on comparable properties selected from months of lower prices will benefit the owner. “There is clearly an arbitrage opportunity in the housing market for time-flexible buyers and sellers,” says Sah. “If homeowners want to maximize their gains, they would certainly sell during the peak months and purchase during the troughs.”

For the full paper, go to www.usdrealstate.com.

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