
Weathering the Weather: Severe Weather Events and the Housing Market

The construction industry has spent the last few years experiencing some twists and turns, with higher prices on the materials required to bring new homes onto the market. With the increasing frequency¹ of severe weather events, especially hurricanes, construction resources are spread even thinner as labor is diverted to rebuild homes in areas that have been impacted by recent waves of hurricanes.

So what impact will these massive weather events have on the housing markets in impacted areas? Unexpectedly, market research has shown that home prices immediately after a hurricane can actually rise² as hurricane damaged homes are no longer marketable and supply falls in an area. Markets may also see a short-term boost as recovery money floods into an area immediately after a major weather event. Often, federal, state, and insurance funds will temporarily overwhelm an area as recovery workers are brought into the damaged zone. This brief economic uptick is usually lost however, once the incoming recovery funds dry up. In the longer term however, it seems that home prices remain relatively stable³ following a hurricane or other major weather event.

Hurricanes are becoming more and more frequent in coastal areas across the country, so what's the moral of the story? Short-term conclusions concerning housing value may be counter-intuitive with values remaining stable or even increasing. With that said, longer term conclusions remain hazier. What impact will repeated and more violent hurricanes have on housing values, insurance rates, construction costs, and demographic trends? Unfortunately, only time will tell.

¹ <https://nca2014.globalchange.gov/report/our-changing-climate/changes-hurricanes>

² <https://www.forbes.com/sites/jordanlulich/2018/06/25/does-hurricane-damage-negatively-impact-your-real-estate-value/#5927bf9d107b>

³ <https://www.dallasfed.org/~media/documents/research/papers/2010/wp1009.pdf>
