

Sunshine brings higher auction prices

November 10 2017



Credit: AI-generated image ([disclaimer](#))

Sunny days predict higher house prices at auctions, but rain and long weekends bring buyers a discount, according to new research led by the University of Technology Sydney.

"There is a link between sentiment, or mood, as measured by consumer sentiment surveys, and asset prices – including [house prices](#)," says Dr Adrian Lee, Senior Lecturer in Finance at UTS Business School.

"Weather is known to affect mood, and some studies have shown a link between the weather and stock prices, so we decided to look at weather and house prices," he says.

Lee, together with Real Estate and Finance Assistant Professor Maggie Hu from CUHK Business School, examined data from auctions and private sales in Sydney between 2000 and 2014.

They compared this with corresponding Bureau of Meteorology information, including temperature, rainfall and solar exposure, as well as consumer sentiment survey data.

They found that for auctions, but not private sales, a sunny day increased the price by 0.974 percent or nearly \$11,500, based on the current median Sydney house price of \$1,178,000.

Warmer days also achieved a higher [auction](#) price than cooler days – a 10 degree higher maximum temperature resulted in a 0.635 percent increase or around \$7,400 extra.

Rain, however, appeared to dampen enthusiasm, resulting in 0.174 percent lower prices at auction than on a clear day, or around \$2050 less on the median Sydney house price.

"Houses are not priced rationally. The price is partly driven by people's feelings, particularly at auctions. So if you are buying or selling a house, it is good to be aware of these influences," says Lee.

The analysis also found that on a long weekend, auction prices were lower than average. Selling around a public holiday resulted in a -1.3 percent discount for the buyer, who was likely forgoing a weekend away.

On the other hand, selling around Melbourne Cup, either one week

before or after, was linked to a 1.7 percent increase in auction prices in Sydney.

"Our analysis was rigorous as we adjusted our estimates for the type of home – apartment, house, townhouse – as well as number of bedrooms, bathrooms and whether there was parking among other housing characteristics.

"We also looked at the suburb, year of sale and quarter of sale – which controlled for seasonal weather patterns," says Lee.

Lee says weather influences auctions, but not private sales, because sentiment has more sway in an auction situation, which is confined to a particular day and is usually held outside.

"Private treaty sales give buyers time to negotiate, so emotions factor less in the final outcome," he says.

The analysis showed sentiment provided a premium on auction [prices](#) particularly when the housing market was booming, or there was a higher turnover.

A preliminary paper on the findings will be presented at the prestigious [American Real Estate and Urban Economics Association Conference](#) in Philadelphia in January next year and at the upcoming UTS Business School 2017 Finance Research Showcase on Monday 27 November.

Provided by University of Technology, Sydney

Citation: Sunshine brings higher auction prices (2017, November 10) retrieved 23 April 2024 from <https://phys.org/news/2017-11-sunshine-higher-auction-prices.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.