

Does flood risk affect property prices?

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More than 16% of properties in England are exposed to flood risk and around half of those affected properties can be characterised as high risk. In this paper we examine whether the probability of flooding is capitalised in England's property market prices. We use a unique property-level data from Rightmove, UK's no.1 property website and the property-level FloodScore by Ambiental. The latter metric estimates the likelihood of an individual property being flooded due to rainfall as well as overflowing rivers and tidal surges. We find that properties at risk are sold at 8.14% discount compared to non-affected properties. The price discount reaches 14% and 32.2% for high and very high risk properties, respectively. By 2080 the average flood risk is projected to increase by 8%. Our empirical model suggests that one percentage point increase in properties' flood risk is associated with a decline of 0.12% to 0.17% in both sold and asking property prices. We then employ a quantile regression model to quantify the implicit pricing of property characteristics across the property price distribution. Our findings suggest that the effect of flood risk is asymmetric and buyers of below the average priced properties value more the low flooding exposure compared to buyers of more expensive properties.

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