Houses cost more in the summer. Here's why

By Tim Harford
Published: September 6 2008 01:21 | Last updated: September 6 2008 01:21

It's a miserable year to be selling a house, on either side of the Atlantic. In the UK, for example, house prices fell by 1.5 per cent in April, according to the Halifax index.

Except: they didn't. The Halifax's own figures show that house prices rose in April, albeit by less than 0.2 per cent.

The 1.5 per cent fall, widely reported, is the result of "seasonal adjustment", an attempt to strip out predictable calendar patterns and report just the underlying trend. House prices usually surge in April, and this April the surge was disappointing enough to be reported as a fall.

House price indices are presented in seasonally adjusted form by researchers, and reported that way by the media. That makes some sense. For anyone trying to understand the big picture, predictable seasonal gyrations just get in the way.

But for anyone trying to buy or sell a house, predictable season gyrations can't be ignored. Nobody pays a seasonally-adjusted price. If you spend £500,000 on a house in a typical February, you might expect to have paid £530,000 had you waited until August. That £30,000 is money in your pocket, seasons or no seasons.

That raises a fairly big question. If house prices systematically surge in summer and stagnate in winter – and they do, in Belgium, France, the US and especially the UK – then why do so many people buy in summer? Why don't we make more of an effort to buy earlier, or to wait for a few months until the market cools again?

It's true that summer is a convenient time to buy a house. It is the season of weddings, and the time when families prepare to send their children to new schools. These are two popular reasons for moving home. House-hunting is nicer in the sunshine, too. But surely these conveniences aren't worth tens of thousands of pounds?

Another possibility is that summer house-buyers save on expensive summer rents, or that mortgage finance is cheaper. But no: neither rents nor mortgages fluctuate with the seasons.

A new **research paper** – still at a preliminary stage – by Rachel Ngai and Silvana Tenreyro of the London School of Economics, offers a solution to the puzzle. Start with the observation that, unlike a car or a laptop or a share in Coca-Cola, every house is a little different. Any particular house may match a family's needs awkwardly or perfectly. Finding out just how well a given house suits you is also a costly and time-consuming business.

That means that buyers like to house-hunt in "thick" markets, when lots of houses are for sale, and a very good fit is likely to come up quickly. It is no fun to house-hunt in a "thin" market, where the meagre crop of houses is unlikely to offer up the dream home.

If Ngai and Tenreyro are right, then the housing market dynamic is something like this: buyers slightly prefer to buy houses in the summer, so house prices are slightly higher in the summer, so sellers prefer to put their houses on the market in the summer, and with more houses on the market, the market is thicker. That means that buyers are more likely to find the exact house they want, and so are willing to pay more; with prices higher, more sellers are attracted into the summer market, and fewer will contemplate selling in the winter. And so on. The self-reinforcing process can produce a large gap between summer and winter prices.

So by all means, wait until winter in the hope of getting a cheaper house. But remember, a cheaper house is not necessarily a better deal – unless you are not very fussy about how well it suits you.

Tim Harford is author of 'The Logic of Life'

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