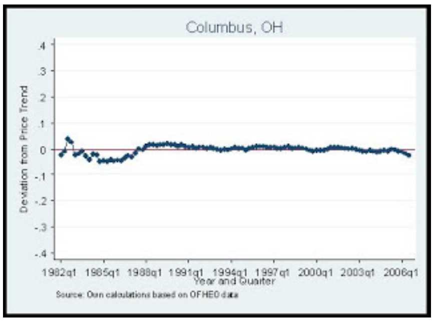
Spatial Economics Research Centre

Thursday, 19 November 2009

San Francisco versus Birmingham Part II

Just to clarify, in my post earlier this week I was talking about Birmingham, England not Birmingham, Alabama. It appears that muddling the two is an easy mistake to make.

I gave a talk at the San Francisco Federal Reserve Bank yesterday and something that came up concerned the impact of land use controls on fluctuations in prices. Conventional wisdom is that more restrictive supply leads to greater price fluctuations. So, if you take San Fran (with very restrictive land use) and compare it to Columbus OH (with plenty of open land) you see price fluctuations around trend that are far more marked for Sa Fran.



But some of the highest price falls in the US have been seen in places (like Las Vegas) that have seen huge building booms. Presumably this is becau housing supply is inelastic once houses are built (unless you knock them down again) but I am not totally clear why this should have lead to *larger* hou price falls in those markets (unless speculative demand played more of a role there than elsewhere and that component of demand has now collapsed [Thanks to Christian Hilber for the figures]

Posted by Prof Henry G. Overman on Thursday, November 19, 2009

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