

How Can Flood Affect the Real Estate Market?

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The purpose of this paper is to examine how actual flood events can affect the real estate for different case studies. Therefore, we have analysed the impact for two cases, the first is the flood event which occurred in 2013 in Boulder, Colorado, United States, city that is located in the eastern part of the Rocky Mountains, and the second event was the flood which occurred in 2010 the city of Ljubljana, capital and largest city of Slovenia, that is located between the Alpine and Balkan mountains.. The methodology that was used is comparison of mean prices of real estate, taking into account the flood events which have been chosen in accordance with the available data and previous studies, furthermore for the case study of Ljubljana, Slovenia questionnaires were sent through one civil organization which is actively working in the area (Civil Initiative for Flood Security SW part of Ljubljana).

Analysed sales prices during the period 2009-2014 in the case study of Boulder, Colorado, United States showed that the flood event in 2013 did not significantly affect the mean price of real estate within the flooded area, besides prices inside the flood plain tended to stay above the prices outside the floodplain. Nevertheless, we have found that the flood event affected the real estate sector in terms of number of sales, being that after the flood event in 2013 sales decreased 52% regarding the previous years.

For the case study of Ljubljana, Slovenia the results were unexpected somehow. In fact we expected that the prices of real estate located within the flooded areas, on average, would be lower than those located outside the flooded areas, and that was what shown in the results, which is actually opposite to what occurred for the case study of Boulder City. However the research showed that the flood event in 2010 did not affect the change in prices of real estate within the flooded areas and the trend was considerable similar to previous years the flood event in 2010, where property prices within the flooded area were during the whole period for approximately 10.6% lower than those outside the flooded area. This shows that there is a constant influence of the flood-prone area which is also confirm by the respondents of the questionnaires which were sent, however they tended to underestimate even more the actual value of the properties inside this area almost half the price of a similar property outside the flood-prone area.