

# PROJECT IMPACT

## BUILDING A DISASTER-RESISTANT COMMUNITY

### **Home Value Increase (Storm Blinds)**

We believe in mitigation and its benefits but most citizens do not think of disaster preparation until directly affected by one. Two reports from Texas Tech University in March of 1999 have provided us with definitive results of the benefits of mitigation.

The first report by Simmons, Kruse, and Smith Valuing Mitigation: Real Estate Market Response to Storm Protection Measures evaluates the contribution of mitigation to the resale value of a home. The results of the study as indicated in the report indicate that mitigation, both retrofit (storm blinds, otherwise known as storm shutters) and new construction are significant to the selling price of the home. The results of the study on the storm blinds implies that for an average-priced home of about \$80,000, the presence of storm blinds adds more than 5% to the selling price. According to dealers, for the average home used in the study, installing storm blinds would cost about \$4,200. This implies that the investment of storm blinds will pay for itself at resale, under modest assumptions on discounting and depreciation.

The second report by Simmons and Kruse Market Value of Mitigation and Perceived Risk: Empirical Results examines the relationship between storm blinds and windstorm vulnerability using real estate transaction prices in the Gulf Coast area. An important distinction between this study and others is that many of them examine the difference in market value of residential housing either within or outside of a higher risk location. Hence, they measure the value of the risk by looking at the cost of moving out of harm's way. In contrast, this report looks at individual efforts to mitigate the risk associated with the location and the market response to the mitigation measure.

The results of this second report indicated that storm blinds do more than protect the home from damage due to flying debris. The integrity of structures is maintained to a large degree, if no openings through the exterior wall occur. Once the building is breached by a broken window, for example, pressure on the roof and walls increases and further structural damage occurs. When the building envelope is breached, average total insured losses can quadruple. Storm blinds are recognized as an effective mitigation measure.

The study found that storm blinds on homes located on an island but not directly on the beach, are very significant and add 4% to the overall value of the home. Homes that are located directly on the beach have a greater increase of about 16% in home value with the addition of storm blinds.

The studies show the quantitative benefits of hazard mitigation in a view not often discussed. The increase in home value due to mitigation is important in our strides to becoming a disaster resistant nation.