The House Price Impacts of Corporate Headquarter Relocations

MOTIVATION

- Positive HQ Event → brings employees and their families, increases local economic activity, and potentially an increase in house prices
- Negative HQ Event → employees and their families exit MSA, decreases local economic activity, and potentially a decrease in house prices

SAMPLE CONSTRUCTION AND DATA ISSUES

- Sample includes 34 corporations that relocate by exiting/entering a metropolitan statistical area (MSA)
- Select house price data 3 quarters before a HQ event and 5 quarters after in order to identify a possible house price effect from a HQ event

EMPirical RESULTS

- House Price Appreciation Rates
- HPI Appreciation Rate: HQ Exit > Comparable MSA – not statistically significant
- HPI Appreciation Rate: HQ Enter > Comparable MSA – not statistically significant
- HPI Appreciation Rate: HQ Exit as Merger < Comparable MSA

ECONOMETRICS RESULTS

- Use difference-in-differences estimation to capture the impacts of a corporation’s headquarters relocation on house prices in a specific MSA and point in time

MODEL 1:

\[ R_{hpi} \text{diff} = \alpha + \beta_{event} + \epsilon_i \]

MODEL 2: Pools all Events with Interaction Term

\[ R_{hpi} \text{diff} = \alpha + \beta_{event} + \beta_{event \times good} + \epsilon_i \]

CONCLUSION

- House price appreciation rates are greater on average in MSAs experiencing an exit or entrance of a HQ than comparable MSAs
- Expect an impact of a HQ relocation event on house prices but cannot detect an effect at the MSA level
  - Improve current model with a larger sample of HQ relocation events
  - Future models → disaggregate data
  - Action is probably at the sub-city, zip-code level
  - Expect multiplier effect

References:
The American Economic Association Database (EconLit); 2010 State and Metropolitan Area Data Book produced by the U.S. Census Bureau; 2013 U.S. Department of Labor Report; Federal Housing Finance Agency (FHFA)

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