Abstract
The uncertainty with regard to the sale price of a home may be one of the most risky aspects of owning a home. This uncertainty can be measured by the volatility of house price returns. This paper investigates the extent and development of this volatility across market segments, time, and municipalities in the Netherlands. The empirical results are based on the administrative transaction prices of all existing homes sold in the Netherlands over the period 1995-2008. The results in this paper indicate that the uncertainty in house prices can be substantial. Nevertheless, types of houses that are sold frequently have the lowest return volatility. In addition, the risk per unit of return is especially high during an economic bust. Moreover, (the volatility of) returns show a clear core-periphery pattern. Finally, a homeowner who moves has a cross-location hedging opportunity against sale price risk if he buys a new home at another location. Instead, a homeowner who moves to a rental house may only have been intertemporally hedged against price changes. This paper investigates the quality of both hedging opportunities.