



HAL
open science

The price of climate : revealed preferences of French consumers

Jean Cavailhès, Daniel Joly, Hervé Cardot, Mohamed Hilal, Pierre Wavresky,
Thierry Brossard

► To cite this version:

Jean Cavailhès, Daniel Joly, Hervé Cardot, Mohamed Hilal, Pierre Wavresky, et al.. The price of climate : revealed preferences of French consumers. 5th Urban research Symposium, Cities and climate change : responding to an urgent agenda, Jun 2009, Marseille, France. pp.19. hal-00767207

HAL Id: hal-00767207

<https://hal.science/hal-00767207v1>

Submitted on 21 Dec 2012

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

The price of climate: revealed preferences of French consumers

Jean Cavailhès^α, Daniel Joly^β, Hervé Cardot^γ,
Mohamed Hilal^α, Pierre Wavresky^α, Thierry Brossard^β

Abstract

By the hedonic price method we study consumers' preferences for climate (temperature, very hot or cold days, and rainfall) in France, a temperate country with varied climates. Data are, on the one hand, individual attributes and prices of houses and workers and, on the other hand, climate attributes interpolated from weather stations. We show that the French households put a positive value on warmer temperatures while very hot days are a nuisance. Such climatic amenities are attributes of consumers' utility function; nevertheless, global warming assessments by economists, such as Stern Review report (2006) ignore these climatic preferences. The social welfare assessment is changed when the direct consumption of climate is taken into account: from the estimated hedonic prices, we assess that the GDP rises by about 1 per cent when temperature rises of 1°C.

Introduction

We study here the hedonic prices of climate in France.¹ A climatic change impacts on the GDP through the capitalization of these prices into the land rents and/or the wages, and therefore it cannot be ignored in the assessment of the macroeconomic warming effects.

The Stern Review Report (Stern *et al.*, 2006), a major reference in economic studies of global warming, has been approved by many economists but criticized by many specialists in the field (see, among others, the literature reviews by Nordhaus, 2007 and Weitzman, 2007). The criticisms pertain to ethical issues (how to treat future generations?) and to economic theory, especially discount rate and uncertainty. Consumers' climatic preferences are ignored in this debate. Yet there are grounds for believing that, in their private behavior, inhabitants of temperate countries put a positive value on warmer temperature while very hot or very cold days are a nuisance: applied economics studies (conducted mostly in the U.S.) converge toward these two findings. All in all, the positive effects of warming prevail over the negative ones. Such climatic amenities (and nuisances) are attributes of consumers' utility functions. Two consequences follow from this.

First, at the macroeconomic level, allowing for the value of these attributes modifies the economic welfare. In particular, the non-egalitarian effects of global warming might be greater than that sometimes estimated (see Stern *et al.*, 2006): inhabitants of temperate countries (e.g.: France, U.K.), where the mean temperature will rise, will see their welfare increase whereas inhabitants of hot countries (e.g. Mexico, Egypt), where heatwaves will be more marked, will see their welfare decline. These direct effects must be added to the indirect effects (see rise, biodiversity loss, ecosystems disturbance, etc.) in the global warming assessment. Otherwise, the international climate negotiations would be distorted.

^α INRA UMR 1041 CESAER, Dijon.

^β CNRS UMR 6049 ThéMA, Besançon.

^γ University of Burgundy, IMB, UMR CNRS 5584.

¹ This research was financed by the French *ministère de l'Emploi, de la Cohésion sociale et du Logement*. It uses data from Housing Surveys by the *Institut national de la statistique et des études économiques* (INSEE).

Second, at the microeconomic level, the contradiction between private optimum and social optimum might be greater than in the standard case (congestion, pollution, etc.). In the latter, economic agents allow for the private consequences of their behavior and ignore the social consequences, but the individual and social effects have the same signs. Whereas global warming improves the private optimum of consumers in temperate countries while diminishing the global social optimum, the two effects have opposite signs. It will therefore be more difficult to get citizens in temperate countries, which are big producers of greenhouse gases, to accept public policies combating global warming. These private effects must be taken into account in public announcement and promotion campaigns on the hazards of warming. Otherwise, the speeches would be unbelievable by people that feel a private welfare improvement.

Here we study consumer preferences for climate (yearly mean temperature, January and July mean temperature, summer heatwave, winter coldest days, yearly and monthly rainfall) in France, a temperate country with varied climates. Using the hedonic price method (Rosen, 1974), we obtain the marginal price of climatic attributes. They are capitalized into wages and/or land rents. This enables us to assess the welfare rise due to a temperature increase, without any need to estimate a demand function of temperature (Freeman, 1979). Our input into the debate on global warming, although limited to just one country, shows that omitting the direct effect of warming on consumer utility leads to errors in calculating welfare

We use individual data from housing surveys by the France's National Institute for Statistics and Economic Surveys (*Institut national de la statistique et des études économiques*, INSEE). Econometric estimates are made on real-estate values (12,298 owner-occupiers and 12,062 tenants) and on 19 063 wage-earners. Climatic variables are required for the entire country to be matched with these data. They are obtained by a method of interpolation by local regression and kriging of readings from weather stations.

Section 1 summarizes the economic literature on climate and presents the micro-economic analysis. The econometric models, economic and climatic data are covered in Section 2. The results are presented and discussed in Section 3. Section 4 concludes.

1. Climate in economics

Two strands of economic literature deal with climate. The first estimates the price of climate for consumers, generally by hedonic price models estimated on individual data. The second assesses the consequences of warming and the policies for reducing greenhouse-gas emissions on an aggregate or even global scale.

1.1. The hedonic price of climate

To the best of our knowledge, estimations of the hedonic price of climate date back to Hoch and Drake (1974). Prominent work was done in the domain by Cragg and Kahn (1997; 1999). In many other studies since Henderson (1982), climatic attributes are variables selected among other things to measure the quality of life or to control for spatial heterogeneity (cf. among others, Blomquist *et al.*, 1988). Recently, debate about climate change has led to examination of the effects of climate on welfare at a global scale (Maddison, 2003; Rehdanz and Maddison, 2005). The effect of climate on population migrations also has a long history (Graves, 1976; 1980; Graves and Linneman, 1979). Recently, Cheshire and Magrini (2006) show the impact of climate on the growth of urban populations in Europe.

These researches show that January and July temperatures command significant hedonic prices (capitalization in wages is negative for winter and positive for summer) as is general with rainfall, wind speed, and hours of sunshine. In the U.S., these attributes account for 2% to 3% of wages for a variation of one standard deviation in any one of them. While capitalization of climatic attributes in wages has often been investigated, capitalization in real-estate values seems to have grown in the course of time.

Little work has been done in Europe. In a study of Italy, Maddison and Bigano (2003) conclude that July temperatures and January rainfall have a negative effect on welfare and that the number of days of clear skies has a significant effect in Milan. Maddison (2001) shows that mean annual temperatures and rainfall are significant in a housing-price function in the U.K. Rehdanz and Maddison (2008) show that German households prefer warmer winters with less rainfall.

1.2. Economic valuation of climatic warming

Nordhaus (1991; 1992) pioneered the economic valuation of warming by developing climatic-economic models, which were rapidly followed by others. In these approaches, the results of physical models are used to conduct cost-benefit analyses of the consequences of warming. The Stern Review Report (Stern *et al.*, 2006) also relies on a climatic-economic model (Hope, 2006). Time is at the core of these studies, whether for very long-term climatic changes or for inter-temporal economic reasoning. The aim is to compare the damage and prevention costs so as to find an optimal policy pathway for reducing greenhouse-gas emissions.

The conclusions of these studies, which broadly converged until recently, can be summarized thus: emission-reducing policies are required and the optimal pace is to implement them slowly today and then intensify them progressively over time. The Stern Review (Stern *et al.*, 2006) conclusions are the other way around: highly restrictive measures should be taken immediately, because any delay will increase the subsequent cost of reduction policies for future generations in unacceptable proportions. The nub of the divergence is the discount rate. We shall steer clear of this debate.

The divergence also relates to the economic agents' capacity to adapt. For example, Mendelsohn *et al.* (1994) analyze the effects of an increase of 5 °F in temperature and of 8% in rainfall on US farming. They use agronomic data and climatic data derived from the interpolation of readings from 5511 weather stations (their method is the closest to ours among economic studies). If producer adaptations are ignored, these changes lead to a loss of income, but if production systems can be changed by the farmer the scenario results in a slight gain. This pioneering work was followed by a wave of comments and complements.

1.3. The welfare

Climate, which is an attribute of the consumer utility function that is directly consumed, must be allowed for when calculating social welfare regardless of the indirect market costs and benefits generally used in cost-benefit analysis of warming. By this way, the two strands of the literature just discussed can be unified.

Rosen (1979) and Roback (1982) provide bases of the reasoning, which are summarized by Gyourko *et al.* (1999) in this way. Let a consumer's j program in location k be:

$\max U = U(Z_j, S_j, A_k, \alpha_j)$, under the constraint: $Z_j + R_k S_j = W_k$ where R is the land rent, S the area of a residential lot, A a climatic amenity, W income, and α_j characteristics specific to consumer j . The indirect utility function V is $V_{jk} = V_j(W_k, R_k, A_k)$, and at the optimum: $V^* = V_{jk}$.

Let also a firm's profit be: $\pi_{jk} = pY_j(M_j, L_j, S_j, A_j, \beta_j) - p_M M_j - W_k L_j - R_k S_j$, where Y is output and p its price, M is capital input and p_M its price, L labor, S land, and β_j are characteristics of firm j . The indirect profit function is: $\Pi_{jk} = \Pi_j(W_k, R_k, p, p_M, A_k)$, and at optimum $\Pi^* = \Pi_k$.

Wage and rent at equilibrium are determined from the utility and profit functions. From the first order conditions, it is easy to obtain the variations in wage and rent with amenities (indexes denote partial derivatives), which are:

$$\frac{\partial W}{\partial A} = \frac{1}{V_W} \left(\frac{-V_A + V_R \frac{\Pi_A}{\Pi_R}}{1 - \frac{V_W \Pi_R}{V_R \Pi_W}} \right) \text{ (indeterminate sign) and } \frac{\partial R}{\partial A} = \frac{-\frac{V_A}{V_R} + \frac{V_W \Pi_A}{V_R \Pi_W}}{1 - \frac{V_W \Pi_R}{V_R \Pi_W}} > 0 \quad (1)$$

Land values rise with amenities. The sign is indeterminate for wages: if the amenity does not affect firms' productivity ($\Pi_A=0$), the amenity is negatively capitalized in wages. If the amenity has positive productivity, the change in wages is indeterminate, and rents increase more than in the previous case.

If warming is an amenity in temperate countries, an increase in temperature *ceteris paribus* entails an increase in consumer's utility because she enjoys a greater quantity of this good. To maintain her utility at the same level (Hicksian approach) the government has to collect a tax, which makes richer the public budget. Otherwise (Slutsky approach), the tenant pays her dwelling dearer (cf. (1)); in this case, the landowner receives an increased rent, which enters the households' account of the National Accounting. In both cases, the climatic amenity is reflected by a gain in GDP brought about by warming.

This effect depends both on consumer's preferences or firm's technology (substitutability or complementarity between goods or inputs) and on assumptions about international trade (mobility or immobility of goods, firms and people). It depends also on the initial level of temperature: all things been equal, GDP will rise in a temperate country, which is sensitive to warming, and it will decrease in a hot country, which is negatively affected. Quantification of these effects is beyond the bounds of this paper.

2. Methods and data

2.1. Econometric issues

In the absence of theoretical indication about the functional form relating housing price or worker's wage to covariates, we use a logarithmic form (a Box Cox transformation made in a preliminary stage supports this hypothesis). Then, we focus here on several issues that are usual with the hedonic method.

First, the identification problem is well-known: if general, the second step of the Rosen's method (1974) is necessary to estimate the supply and demand functions (see especially

Brown and Rosen, 1982). However, in the event that supply is price-inelastic □ households can be viewed as bidding for fixed quantities of models with desired bundles of characteristics. A regression of each household's marginal willingness to pay as measured by its implicit price against the quantity of the characteristics actually taken, incomes and other variables should identify an inverse demand function □ (Freeman, 1979, p. 158). With climate attributes, which are price inelastic, we are in this case.

Second, some explanatory variables may be endogenous (Epple, 1987), particularly in a housing equation, when the purchaser simultaneously chooses the price (dependent variable) and the quantity of certain attributes (e.g. the living space). Thus, we use the instrumental method. As theory suggests when consumers are heterogeneous in their tastes (Epple, 1987), we use as instruments personal characteristics of the households. Their exogeneity is tested by Sargan's method, and the endogeneity of the covariate(s) is tested by Hausman's method (increased regression). The main equation is then estimated by the 2SLS.

Thirdly, correlations among climatic variables are important (see Appendix 1), which may entail instability of the regression coefficients estimated by OLS/2SLS. Multicollinearity is detected by the *condition number* method (Greene, 2003, pp. 57-58). When it occurs, we use a second estimation procedure, Partial Least Squares (PLS, Wold 1985), which may be thought of as an intermediate procedure between OLS and principal component regression (Stone and Brooks, 1990). It can markedly reduce the variance of estimators by projecting the explanatory variables on a small area that takes account of the dependent variable. PLS regression consists of looking for linear combinations of the initial variables, which are not correlated with each other, that will act as new synthetic variables in the regression model. The regression coefficients are estimated iteratively on the following principle: first we look for the linear combination of explanatory variables that is most closely correlated with the dependent variable so as to determine the first axis of PLS regression. From this, we obtain the estimated residuals and we then look for a second linear combination of explanatory variables that is not correlated with the first axis, with maximum correlation with the residuals from the first stage. The procedure is reiterated and the stop criterion is generally based on the number of PLS components in the model fixed beforehand.

We used a modified version of this algorithm presented in Bastien *et al.* (2005) in which PLS components were constructed solely using variables whose correlations with the dependent variable (the estimation residuals from the preceding stage) are significant at the 10% level. This approach allows us to select just the most influential variables when constructing the PLS axes and it provides an automatic stop criterion for the algorithm, which stops when there are no more variables significantly correlated with the dependent variable. The main shortcoming of the PLS regression is the absence of inferential statistical tools with which to test the significance of the parameters estimated. We therefore used an approach based on bootstrap (Horowitz, 2001) to determine the distribution of the PLS estimators of regression coefficients, by making 2000 iterations. The empirical quantiles mean confidence intervals can be calculated and coefficient significance tested.

Finally, the spatial autocorrelation between the residuals cannot be tested because the data are anonymous: their spatial distribution is unknown.

In sum, we estimate hedonic price equations both by the instrumental method to allow for endogeneity, and by PLS, to allow for multicollinearity (if a covariate is endogenous, it is projected on instruments and this projection is used in the PLS estimation).

2.2. The economic data

The economic data are mainly from housing surveys conducted by the INSEE in 1988, 1992, 1996 and 2002. The climatic variables and the spatial variables (see below) were matched with these surveys by the INSEE.²

The Mincer-type wage equation (Mincer, 1962) was obtained from individual income data of people in the housing surveyed in 2002. After excluding state employees (whose wages are not location-dependent) and extreme wages (less than $\square 1000$ and more than $\square 150,000$ per year), the sample comprised 19,063 people. The endogenous variable is the logarithm of the annual wage earned in the 12 months preceding the survey. The explanatory variables characterizing the employee are (cf. the descriptive statistics in Appendix 2): age, sex, socio-occupational category, employment rate, employment contract type, highest diploma, nationality, and country of birth.

Regarding housing, we selected households that had moved in recently (within the last four years). Four equations were estimated for buyers and tenants crossed with detached houses and apartments. By stacking the 1988, 1992, 1996, and 2002 surveys we had a total of 9,640 buyers of single-detached houses, 2,658 buyers of apartments, 3,447 tenants of single-detached houses and 8,615 tenants of apartments (after eliminating the extreme centiles and observations with incomplete data). The data were deflated into $\square 2002$, using the GDP price index as deflator.

The explanatory variables characterizing housing are (cf. descriptive statistics in Appendix 2): detached housing or housing in apartment block, survey year, floor space, garden area for detached houses (quadratic form), sanitation facilities (bathrooms and toilets), main room size (quadratic form), heating type, garage, parking space, cellar, veranda, fireplace(s), date of construction of the structure (quadratic form), and the date the household moved in.

Spatial variables were introduced into the equations (dummies or continuous variables): INSEE typology of urban areas (1999 boundaries), population of the core commune of the area,³ and, for the commune where the housing is located (the commune is the lowest administrative tier in France): population density, mean taxable income of households, coastal commune, and unemployment rate. For the wage equation we also used a market-size variable defined as the product of the taxable income of the urban area by the number of households there (Other spatial variables were tested but were not selected as their parameters were not significant).

Lastly, variables characterizing the climate were introduced into each of these equations.

2.3. Climatic data

Climatic variables come from Météo-France (monthly data for the period 1970-2000). They are as follow (cf. descriptive statistics in Appendix 2): mean annual temperature, temperatures for January and July, number of days with temperatures of less than $\square 5$ °C in January and more than 30 °C in July, standard deviation of mean January and July temperatures, mean monthly rainfall, rainfalls in January and July, number of days \square precipitation in January and July, standard deviation of precipitation in January and July.

These data are recorded by a network of scattered weather stations (rainfall is collected by 2031 stations and temperature by 651). Interpolation is used to reconstruct a spatial

² We thank Alain Jacquot and Anne Laferrère for authorizing this operation when they were heads of the Housing Division.

³ Urban areas comprise an urban center (urban units with 5000 jobs or more) and a periurban belt (communes where 40% of active residents commute to work outside the commune but within the urban area). The delimitation method is similar to that for *Statistical Metropolitan Areas* in the US but the thresholds are lower.

continuum based on this information (Joly et al., 2008). We use first regressions between temperature/rainfall and explanatory variables suggested by climatology⁴, and then kriging of residuals from the regressions. As the models and parameters estimated are not identical over an area of the size of France, interpolation is done for small areas that are assumed to be homogenous (local interpolations from the 30 closest stations). The predicted values are computed for each French commune, and then merged with the housing survey data.

3. Results

We do not comment here on the results of the non-climatic characteristics as they are not the relevant variables in this paper (see complete results in Appendix 3).

Some climatic variables were not used in the regressions. The differences between the annual monthly mean rainfall and the rainfall in January and July were not kept because they are less significant than the number of days with rain (in the same months), probably because people are more sensitive to the fact that it rain or not than to the height of the rainfall. The inter-yearly standard deviations of precipitation and temperature in January and July, computed on the thirty years 1970-2000, were also omitted, because these variables are difficult to interpret in terms on human behavior, even if some of them are statistically significant.

Table 1 shows the results of climatic variables.

[Insert here Table 1]

Regarding the housing equations, we tested if the living space was endogenous (it is often the case due to a simultaneous choice between the size of the housing and its price). We selected two instruments: the number of consumer units of the household and the gender of the head of household. Depending on the equations, the partial R^2 s were comprised between 0.09 and 0.25 and the Sargan statistics were higher than 0.3, showing that these instruments were exogenous. The living space was endogenous in three housing equation of four (it was exogenous for single-detached houses occupied by owners); in this case its projection was used in the main equations, estimated by the 2SLS or by PLS.

The *condition number* diagnostic shows that multicollinearity anyway occurs between climatic variables; it is average-sized in spite of the high Pearson's correlation coefficients. Therefore, the PLS estimation was done in any case. In most of the equations, the results are similar to those of the OLS/2SLS, confirming that multicollinearity does not affect too much the estimates (probably due to the high number of observations).

According to the equation and the estimation method, the R^2 varies between 0.54 and 0.61.

3.1. Hedonic price of temperature and rainfall

The first finding showed by Table 1 is the insignificance of the estimates in the wage equation (the number of January days with rainfall is an exception, with an unexpected negative sign).

⁴ A GIS is made up of climatic data, geographical coordinates of the weather stations and a set of explanatory variables used in regression, made up from two information sources: a land-use image from the Corine Land Cover (CLC) European database and a digital elevation model (DEM) produced by France's *Institut géographique national* (IGN). Eleven explanatory variables are produced: latitude and longitude, a vegetation index, the distance to the nearest forest, to the nearest sea or ocean, slope angle, slope orientation, topographic ruggedness, enclosure index, and aggregate theoretical radiation for the summer solstice. Temperature and rainfall are explained by the best covariates.

In France, climatic amenities are not capitalized into wages. It is probably because wages are often independent of location (and so insensitive to climatic amenities), due to labor-market regulations at the national level. Afterwards, we focus on the real-estate findings.

The mean annual temperature has a positive significant effect on the housing price for owner-occupiers: a rise of 1 °C entails an increase in housing prices of 5.9–6.2% (according to the equation and estimation method). Housing in the ninth decile of the dwelling distribution by mean annual temperature (13.8 °C) is worth almost one sixth more than housing in the median of the distribution. The sign is also positive for tenants, with values comprise between 2.5 to 3.9% (according to the equation and estimation method), which are roughly two times lower than for owner-occupiers.

The effect of warmer summers (mean July temperature minus mean annual temperature) is added to the preceding one for single-detached houses: 1°C more entails an increase in price of 3.7 to 8.4% (according to the model). This effect is insignificant for apartments. Hot summer days (more than 30 °C) have a significant effect on real-estate values for owner-occupiers of single-detached houses and renters of apartments. At the median point, an extra day of heat counting lowers the value of housing by 4.3% (owner-occupiers) or by 1% (tenants). This effect offsets that of mean annual temperature (the correlation between the two variables is 0.63). It is quadratic, probably due to seaside sites where hot summers are appreciated. French households are insensitive to cold winters, either the January temperature minus the mean annual temperature or the number of coldest days (less than \square 5°C). These influences may be unimportant because it is easy to protect oneself both by heating and by winter clothes.

The number of days \square rain in January and July has a significant effect on real-estate values. The January sign is the expected one and the parameter is significant at the 5% level (10% level for owner-occupiers of apartments): prices or rents fall by almost 1.2–2.3% for an extra day \square rain; the drop is \square 3.2 to \square 5.2% for a standard deviation (2.3 days). The number of rainfall in July exerts also a positive effect on the price of apartments (but not on the price of single-detached houses), indicating that households pay more for their housing (1.4 to 4.4% depending on estimations) for a summer day \square rain more.

3.2. Does France benefit from warming?

It should be out of the scope of this paper to propose a scenario of climatic change and to assess its effects on the French GDP. We propose here a less ambitious assessment, to show that direct consumption of climate and its capitalisation into rents and/or wages have a significant macroeconomic effect.

Let us state some simplifying assumptions: (i) in France, the capitalization of the price of climate into wages can be ignored; (ii) the land and structure combination in the housing production function is assumed to be constant, which is an acceptable hypothesis, since housing stock in France is renewed slowly (mean construction date in our sample is 34 years); (iii) land consumption by firms is ignored; (iv) housing and workers are internationally immobile. It follows that warming does not impact on the production sectors, and that the price of warming is capitalized into the land rent. French consumers utility increases, due to the greater quantity of temperature, which is an appreciate good. The price of this good corresponds to a real increase in richness. GDP therefore rises in real terms. We assume also there is neither redistribution nor indirect effects and we do not take into account the intra-France regional effects (migrations, etc.).

By way of illustration, we study the effects of a rise of the mean temperature by 1 °C from 11.8 °C to 12.8 °C. We assume the rise in temperature is uniform nationwide. July temperature, and July days of more than 30°C (if significant) are changed when mean annual temperature rises, in accordance with the elasticity between these variables. We ignore the effects of warming on rainfall, and the effects on temperature for months other than July. The results are set out in Table 2.

[Insert here Table 2]

The effects on housing prices are important for single-detached houses (9% or so), weaker for owner-occupiers of apartments (6%) and negligible for tenants of apartments (-0.1%). In the latter case, the rise of the rent due to the increase of the mean yearly temperature is offset by the effect of the number of very hot days in July (more difficult to endure in apartments than in single-detached houses).

Housing represents 16% of GDP in France. Under our assumptions, the GDP is affected only by the variation in the price of housing that appears in the Household Account. The effect on GDP of 1 °C warming is therefore equal to one-sixth of housing prices or rents, weighted by the proportion of the two occupier-statuses (56% for owners and 44% for tenants). By the OLS/2SLS method, GDP increases by 1.0%, and by the PLS it increases by 0.8% when temperature rises by 1°C. This effect is important, contrary to the result obtained by Rehdanz and Maddison (2008), who concluded that, in Germany, the selected emissions scenario has a negligible effect because, as the authors recognize, some climatic variables are not measured with sufficient precision.

4. Conclusions

Climate is a directly-consumed, non-market good that is therefore a direct component of welfare. Analyses of the consequences of warming by cost-benefit methods do not allow for this direct effect, leading to inaccurate evaluations. In this paper we estimate the hedonic price of climatic attributes (temperature, rainfall) from individual data on housing and wages in France. Climatic variables are obtained by local interpolation (by regression and kriging) from weather stations. Econometric estimates are obtained by two methods (OLS/2SLS and PLS) for 12,298 owner-occupied houses (9,640 single-detached houses and 2,658 apartments) and 12,062 rented dwellings (3,447 single-detached houses and 8,615 apartments) and on the wage-earners occupying the housing (19,063 people).

The results show that climate is not capitalized in wages (as in France wages are often independent of location because of national labor regulations) and that capitalization is quite high in the value of housing, especially for owner-occupiers. So, housing is worth almost 6% when the mean annual temperature increases by 1°C. At the median point, an extra day of excessive July heat lowers housing values by 4.3% (owners) or by 1% (tenants). The effects of January mean temperature and of the number of days of extreme cold in winter on housing prices and rents are insignificant. Rainfall affects housing prices or rents less than temperature. The estimated average effects vary according to the type of housing (single-detached houses or apartment in collective buildings).

These results are used to calculate the variation in welfare due to warming, which is capitalized in housing values, leading to an increase in GDP. At the cost of simplifying assumptions, we obtain an increase in French GDP of 1.0% or so for a uniform 1 °C rise in mean annual temperature. Stern (2006)-type models therefore fail in estimating welfare because they ignore the direct consumption of climate. This error is not negligible.

Other studies need to be developed to analyze the economic effects of warming on other countries. In particular, these effects are probably different in temperate or cold countries and in hot ones, leading to non-egalitarian effects of global warming. Moreover, international trade is affected whenever there is an effect on production. Macroeconomic models are required to extend this analysis, but they lie outside the scope of this paper. In sum, climate consumer's preferences and climate demand functions have to be analyzed to improve the global warming studies.

References

- Bastien P., Esposito Vinzi V. and M. Tenenhaus (2005), PLS generalised linear regression, *Computational Statistics and Data Analysis*, 48: 17-46.
- Blomquist G.C., Berger M.C., Hoehn J.P. (1988), New estimates of quality of life in urban areas, *American Economic Review*, 78 : 89-107.
- Brown J.N., Rosen H.S. (1982), On the Estimation of Structural Hedonic Price Models, *Econometrica*, 50: 765-768.
- Cheshire P., Magrini S. (2006), Population growth in European cities: Weather matters. But only nationally, *Regional Studies*, 40: 23-37.
- Cragg M., Kahn M. (1997), New estimates of climate demand: Evidence from location choice, *Journal of Urban Economics*, 42: 261-284.
- Cragg M., Kahn M. (1999), Climate consumption and climate pricing from 1940 to 1990, *Regional Science and Urban Economics*, 29: 519-539.
- Epple D. (1987), Hedonic Prices and Implicit Markets: Estimating Demand and Supply Functions for Differentiated Products, *Journal of Political Economy*, 95: 59-80.
- Freeman A.M. (1979), Hedonic Prices, Property Values and Measuring Environmental Benefits: A Survey of the Issues, *Scandinavian Journal of Economics*: 154-171.
- Graves P.E. (1976), A reexamination of migration, economic opportunity, and the quality of life, *Journal of Regional Science*, 16: 107-112.
- Graves P.E. (1980), Migration and climate, *Journal of regional Science*, 20: 227-237.
- Graves P.E., Linneman P.D. (1979), Household migration: theoretical and empirical results, *Journal of Urban Economics*, 6: 383-404.
- Greene, W. (2003) □ *Econometric analysis*, Prentice Hall, Upper Saddle River, New Jersey.
- Gyourko J., Kahn M., Tracy J. (1999), Quality of life and environmental comparisons, In Mills, E.S. and P. Cheshire (Eds), *Handbook of Regional and Urban Economics*, vol. 3, Applied Urban Economics, pp. 1413-1454.
- Henderson J.V. (1982), Evaluating consumer amenities and interregional welfare differences, *Journal of Urban Economics*, 11: 32-59.
- Hope C. (2006), The marginal impact of CO₂ from PAGE2002: an integrated assessment model incorporating the IPCC's five reasons for concern, *Integrated assessment* 6, 1: 19-56.
- Horowitz, J.L. (2001), The Bootstrap. In Heckman, J.J. and Lerner, E.E. (eds), *Handbook of Econometrics: Theory and Applications*, vol. 5, 3159-3228.

- Joly D., Brossard T., Cardot H., Cavailhès J., Hilal M., Wavresky P. (2008), Interpolation par recherche d'information locale, forthcoming in *Climatologie* (an English version of this article is submitted to an international review; available upon Editor request).
- Maddison D. (2003), The amenity value of the climate: the household production function approach, *Resource and Energy Economics*: 155-175.
- Maddison D. (2001), The amenity value of the global climate, Earthscan, London.
- Maddison D., Bigano A. (2003), The amenity value of the Italian climate, *Journal of Environmental Economics and Management*: 319-332.
- Mendelsohn R., Nordhaus W.D., Shaw D. (1994), The impact of global warming on agriculture: a ricardian analysis, *American Economic Review*, 84, 4: 753-769.
- Mincer C. (1962), On-the-job training: costs, returns, and some implications, *Journal of Political Economics*, 70: 850-879.
- Nordhaus W.D. (1991), To slow or not to slow: the economics of the greenhouse effect, *Economic Journal* 101:
- Nordhaus W.D. (1992), An optimal transition path for controlling greenhouse gases, *Science* 258 n°5086: 1315-1319.
- Nordhaus W.D. (2007), A review of the Stern report on the economics of climate change, *Journal of Economic Literature*, XLV: 686-702.
- Rehdanz K., Maddison D. (2005), Climate and happiness, *Ecological Economics*, 52: 111-125.
- Rehdanz K., Maddison D. (2008), The amenity value of climate to households in Germany, *Oxford Economic Papers*, 61: 150-167.
- Roback J. (1982), Wages, rents, and the quality of life, *Journal of Political Economy*, 90: 1257-1278.
- Rosen S. (1974), Hedonic prices and implicit markets: product differentiation in pure competition, *Journal of Political Economy* 82: 34-55.
- Rosen S. (1979), Wage-based indexes of urban quality of life. In: Mieszkowski P., Straszheim M. (Eds), *Current Issues in Urban Economics*, Johns Hopkins University Press, Baltimore.
- Stern N. (Dir.) (2006), The Stern review report: the economics of climate change, London, HM Treasury, 603 p.
- Stone M., Brooks R.J. (1990), Continuum regression: cross-validated sequentially constructed prediction embracing ordinary least squares, partial least squares and principal components regression, *J. R. Statist. Soc. B*, 52: 237-269.
- Weitzman M.L. (2007), A review of the Stern report on the economics of climate change, *Journal of Economic Literature*, XLV: 703-724.
- Wold H. (1985), Partial Least Squares. In: Kotz S., Johnson N.L. (eds) *Encyclopedia of Statistical Sciences*, vol. 6, New York, Wiley: 581-591.

Appendix 1.

Pearson correlation coefficients between climatic variables
(Example of owner-occupier single-detached houses)

| | Mean annual tempera- ture (°C) | Difference (July-mean annual temperature) (°C) | Difference (January- mean annual temperature) (°C) | July warm days (> 30° C) | Janua- ry cold days (< - 5° C) | July days with rainfall |
|---|---|--|--|-----------------------------------|---|----------------------------------|
| Mean annual temperature (°C) | 1.000 | | | | | |
| Difference (July-mean annual temperature) (°C) | 0.115 | 1.000 | | | | |
| Difference (January-mean annual temperature) (°C) | 0.026 | -0.951 | 1.000 | | | |
| July warm days (> 30° C) | 0.746 | 0.632 | -0.470 | 1.000 | | |
| January cold days (< - 5° C) | -0.650 | 0.512 | -0.606 | -0.128 | 1.000 | |
| July days with rainfall | -0.847 | -0.242 | 0.030 | -0.794 | 0.464 | 1.000 |
| January days with rainfall | -0.605 | -0.652 | 0.499 | -0.802 | 0.064 | 0.735 |

Appendix 2: descriptive statistics

Climatic variables

| | mean | std | min | max |
|---|----------|---------|----------|---------|
| Mean annual temperature (°C) | 11.6585 | 1.4248 | 7 | 15.8 |
| Difference (July-mean annual temperature) (°C) | 7.9623 | 0.8668 | 5 | 9.8 |
| Difference (January-mean annual temperature) (°C) | -7.2442 | 0.8909 | -10 | -4.3 |
| July warm days (> 30° C) | 5.7722 | 4.0067 | 0 | 23.4 |
| January cold days (< - 5° C) | 2.9790 | 1.9270 | 0 | 14.3 |
| mean monthly rainfall (mm) | 66.3353 | 15.3687 | 33.9917 | 178.025 |
| Difference (July-mean monthly rainfall) (mm) | -12.2074 | 15.7812 | -116.925 | 24.7083 |
| Difference (January-mean monthly rainfall) (mm) | 3.1912 | 12.0487 | -38.1917 | 55.0833 |
| July days with rainfall | 7.0474 | 2.0660 | 1 | 12.1 |
| January days with rainfall | 10.7308 | 2.2790 | 4.8 | 17.1 |

Appendix 2: descriptive statistics (following)

Wage equation

| | mean | std |
|-------------------------------------|------------|------------|
| management employee | 0.1357801 | 0.3425640 |
| intermediate employee | 0.2136579 | 0.4098990 |
| employee | 0.0538539 | 0.2257353 |
| in the service of an individual | 0.0791030 | 0.2699066 |
| industrial skilled worker | 0.0925265 | 0.2897755 |
| arts and crafts skilled worker | 0.0797422 | 0.2709009 |
| skilled workers (other) | 0.0614180 | 0.2401018 |
| industrial unskilled worker | 0.0820860 | 0.2745030 |
| arts and crafts unskilled worker | 0.0286582 | 0.1668483 |
| farmworker | 0.0143291 | 0.1188466 |
| full time job | 94.4587972 | 15.6109294 |
| apprentice | 0.0158739 | 0.1249909 |
| interim worker | 0.0294572 | 0.1690887 |
| contract for a limited period | 0.0798487 | 0.2710661 |
| age: <19 | 0.0192297 | 0.1373352 |
| age: 20-24 | 0.0910350 | 0.2876665 |
| age: 25-29 | 0.1381239 | 0.3450392 |
| age:30-34 | 0.1565546 | 0.3633900 |
| age: 40-44 | 0.1401481 | 0.3471499 |
| age: 45-49 | 0.1252863 | 0.3310521 |
| age:50-54 | 0.1115432 | 0.3148120 |
| age:55-81 | 0.0620039 | 0.2411691 |
| man | 0.5760933 | 0.4941890 |
| high diploma + 4 years | 0.1507484 | 0.3578130 |
| high diploma + 2 years | 0.1002504 | 0.3003415 |
| capbec | 0.4090449 | 0.4916707 |
| without diploma certificate | 0.1881958 | 0.3908789 |
| French by naturalisation | 0.0346775 | 0.1829664 |
| European nationality | 0.0279124 | 0.1647263 |
| African nationality | 0.0218399 | 0.1461644 |
| other nationality | 0.0044745 | 0.0667437 |
| born in Europe | 0.0112395 | 0.1054221 |
| born in Africa | 0.0132637 | 0.1144050 |
| born in other region | 0.9430032 | 0.2318426 |
| rural commune | 0.1522399 | 0.3592629 |
| disadvantaged region | 0.0770255 | 0.2666390 |
| size of the market | 31.3590847 | 54.4587101 |
| poor commune 1000-1500K inhabitants | 0.0698343 | 0.2548744 |
| poor commune Paris | 0.0581154 | 0.2339677 |
| poor commune 500-1000Kinhabitants | 0.0238108 | 0.1524634 |
| unemployment rate | 0.1204421 | 0.0492953 |

Appendix 2: descriptive statistics (following) Housing equations

| | owners | | renters | |
|---|-------------|------------|-------------|-------------|
| | mean | std | mean | std |
| detached house | 0.7838673 | 0.4116226 | 0.2857735 | 0.4518008 |
| housing in an apartment block | 0.2161327 | 0.4116226 | 0.7142265 | 0.4518008 |
| 1988 survey (detached house) | 0.2316637 | 0.4219124 | 0.0569557 | 0.2317676 |
| 1992 survey (detached house) | 0.1774272 | 0.3820454 | 0.0789256 | 0.2696337 |
| 1996 survey (detached house) | 0.136445 | 0.3432744 | 0.062842 | 0.2426886 |
| 2002 survey (detached house) | 0.2383314 | 0.4260802 | 0.0870502 | 0.2819204 |
| 1988 survey (housing in an apartment block) | 0.060335 | 0.2381162 | 0.1217045 | 0.3269578 |
| 1992 survey (housing in an apartment block) | 0.0500081 | 0.2179706 | 0.1967335 | 0.3975457 |
| 1996 survey (housing in an apartment block) | 0.0410636 | 0.1984454 | 0.1886918 | 0.3912798 |
| 2002 survey (housing in an apartment block) | 0.064726 | 0.2460517 | 0.2070967 | 0.4052422 |
| living space (detached house) | 112.3328838 | 36.2140997 | 90.7719756 | 29.9605117 |
| living space (housing in an apartment block) | 74.7599699 | 24.0453159 | 54.9673825 | 23.5503152 |
| garden size (detached house) | 958.4891079 | 1146.53 | 470.3263708 | 762.0989275 |
| number of bathrooms (detached house) | 2.5316909 | 0.8900301 | 2.2489121 | 0.7332841 |
| number of bathrooms (housing in an apartment block) | 2.1403311 | 0.5805972 | 1.8904817 | 0.4514918 |
| bad heating | 0.1026183 | 0.303472 | 0.1370419 | 0.3439059 |
| size of the rooms (detached house) | 23.2651831 | 6.1306681 | 22.2538758 | 5.7007738 |
| size of the rooms (housing in an apartment block) | 22.5275005 | 4.8642808 | 23.8414523 | 6.3841104 |
| garage (detached house) | 0.8655602 | 0.341142 | 0.7229475 | 0.4476076 |
| garage (housing in an apartment block) | 0.5921746 | 0.4915229 | 0.3890888 | 0.4875718 |
| cellar (detached house) | 0.4221992 | 0.4939356 | 0.3785901 | 0.4851061 |
| cellar (housing in an apartment block) | 0.7633559 | 0.4251019 | 0.5216483 | 0.4995601 |
| veranda | 0.0352903 | 0.1845201 | 0.0155861 | 0.1238728 |
| date of arrival in the housing | 2.448203 | 3.8836823 | 1.0501575 | 1.0973906 |
| before 1948 (detached house) | 0.1927386 | 0.39447 | 0.4078909 | 0.491514 |
| 1949-1974 (detached house) | 0.1207469 | 0.3258498 | 0.2164201 | 0.4118636 |
| 1975-1984 (detached house) | 0.1060166 | 0.3078748 | 0.1430229 | 0.350147 |
| after 1985 (detached house) | 0.5804979 | 0.4935031 | 0.2326661 | 0.4225925 |
| before 1948 (housing in an apartment block) | 0.1997743 | 0.3999058 | 0.3461405 | 0.3461405 |
| 1949-1974 (housing in an apartment block) | 0.3720843 | 0.4834517 | 0.3012188 | 0.3012188 |
| 1975-1984 (housing in an apartment block) | 0.1617758 | 0.3683143 | 0.10296 | 0.10296 |
| after 1985 (housing in an apartment block) | 0.2663657 | 0.4421409 | 0.2496808 | 0.2496808 |
| fireplace (detached house) | 0.4068465 | 0.4912713 | 0.2251233 | 0.4177241 |
| fireplace (housing in an apartment block) | 0.027088 | 0.1623705 | 0.0123041 | 0.1102458 |
| number of storey of the building | 1.0822085 | 2.8006593 | 2.9461118 | 3.3325853 |
| ground floor | 0.0307367 | 0.1726105 | 0.1316531 | 0.3381273 |
| urban area, center < 30 000 inhabitants | 0.0727761 | 0.2597791 | 0.0737854 | 0.2614322 |
| urban area, center 30 000 à 50 000 inhabitants | 0.0535859 | 0.2252079 | 0.0423645 | 0.2014276 |
| urban area, center 50 000 à 100 000 inhabitants | 0.0909904 | 0.2876072 | 0.0882109 | 0.2836131 |
| urban area, center 100 000 à 200 000 inhabitants | 0.0952187 | 0.2935288 | 0.0997347 | 0.2996584 |
| urban area, center 200 000 à 500 000 inhabitants | 0.126606 | 0.3325445 | 0.1713646 | 0.3768429 |
| urban area, center 500 000 à 1 million inhabitants | 0.0799317 | 0.2711985 | 0.1060355 | 0.3078958 |
| urban area, center 1 à 3 millions inhabitants | 0.0822085 | 0.2746933 | 0.092522 | 0.2897734 |
| urban area, center Paris | 0.2027972 | 0.402099 | 0.1994694 | 0.3996181 |
| rural commune | 0.1386404 | 0.345585 | 0.0984911 | 0.2979899 |
| peri-urban commune | 0.2803708 | 0.4491986 | 0.120461 | 0.3255133 |
| urban commune | 0.5809888 | 0.4934173 | 0.7810479 | 0.4135532 |
| population of the commune < 500 inhabitants | 0.0803383 | 0.2718272 | 0.0280219 | 0.1650422 |
| population of the commune 500 à 2 500 inhabitants | 0.2503659 | 0.4332414 | 0.1190516 | 0.3238626 |
| population of the commune 2 500 à 10 000 inhabitants | 0.2454871 | 0.4303931 | 0.16581 | 0.3719254 |
| population of the commune 20 000 à 50 000 inhabitants | 0.1429501 | 0.3500362 | 0.1769193 | 0.3816162 |
| population of the commune 50 000 à 200 000 inhabitants | 0.106928 | 0.3090342 | 0.2273255 | 0.4191219 |
| population of the commune 200 000 à 500 000 inhabitants | 0.0387868 | 0.1930943 | 0.1169789 | 0.3214085 |
| Paris | 0.0202472 | 0.1408505 | 0.0669043 | 0.2498666 |
| richness of the commune (log) (detached house) | 3.1395885 | 0.2465024 | 3.1136964 | 0.2197903 |
| richness of the commune (log) (housing in an apartment block) | 3.2023353 | 0.2443167 | 3.1802341 | 0.2627972 |
| density | 1718.28 | 2324.55 | 3058.21 | 2677.59 |
| unemployment rate | 0.1172443 | 0.0481474 | 0.1357735 | 0.0477133 |
| evolution of the population (1990-1999) | 6.0803383 | 10.7442968 | 3.8191013 | 8.2522482 |
| coastal commune | 0.0950561 | 0.2933043 | 0.1096833 | 0.3125076 |
| commune less than 15 mn from the coaste | 0.033664 | 0.1803701 | 0.0232963 | 0.1508492 |
| harbour | 0.0826964 | 0.2754339 | 0.0808324 | 0.2725888 |

Appendix 3 Results

| | owner-occupiers | | | | | | | |
|---|------------------------|---------|------------|---------|------------|---------|------------|---------|
| | single detached houses | | | | apartments | | | |
| | OLS | | PLS | | 2SLS | | PLS | |
| | estimate | Pr > t | estimate | p value | estimate | Pr > t | estimate | p value |
| Intercept | 9.87409 | <.0001 | / | / | 8.892751 | <.0001 | / | / |
| 1988 survey | -0.15075 | <.0001 | -0.04824 | 0.005 | -0.3255 | <.0001 | -0.2287 | <.0001 |
| 1992 survey | -0.13403 | <.0001 | -0.02829 | 0.031 | -0.06711 | 0.0008 | 0.0282 | 0.06 |
| 1996 survey | -0.13182 | <.0001 | -0.02306 | 0.02 | -0.05121 | 0.0156 | 0.04881 | 0.012 |
| 2002 survey | / | / | 0.1059 | 0.001 | | | 0.09578 | 0.004 |
| living space | 0.00413 | <.0001 | 0.004121 | <.0001 | 0.007962 | <.0001 | 0.008599 | <.0001 |
| garden size (detached house) | 0.00008105 | <.0001 | 0.00008006 | <.0001 | / | / | / | / |
| garden size (detached house) (square term) | -0.0000077 | <.0001 | 0.00000758 | <.0001 | / | / | / | / |
| number of bathrooms | 0.08094 | <.0001 | 0.08175 | <.0001 | 0.085326 | <.0001 | 0.07643 | 0.01 |
| bad heating | -0.14581 | <.0001 | -0.1461 | <.0001 | -0.03264 | 0.2677 | -0.01739 | 0.238 |
| size of the rooms | -0.00339 | 0.1125 | -0.001467 | 0.499 | 0.015499 | 0.0151 | 0.01751 | 0.052 |
| size of the rooms (square term) | 0.00004125 | 0.2298 | 0.00007572 | 0.195 | -0.00025 | 0.0242 | -0.0003022 | 0.125 |
| garage | 0.10454 | <.0001 | 0.1072 | <.0001 | 0.069522 | 0.0002 | 0.05512 | 0.006 |
| cellar | 0.06036 | <.0001 | 0.06233 | <.0001 | 0.073781 | <.0001 | 0.06694 | 0.001 |
| date of arrival in the housing | -0.03579 | <.0001 | -0.03622 | <.0001 | -0.02649 | <.0001 | -0.0269 | <.0001 |
| age of the structure | -0.00771 | <.0001 | -0.007371 | <.0001 | -0.01575 | <.0001 | -0.01583 | <.0001 |
| (age of the structure) ² | 0.00003896 | <.0001 | 0.00003626 | <.0001 | 0.00011 | <.0001 | 0.0001106 | <.0001 |
| fireplace | 0.05736 | <.0001 | 0.05688 | <.0001 | 0.179896 | <.0001 | 0.1222 | 0.034 |
| urban area. center < 30.000 inhabitants | -0.07608 | <.0001 | -0.09164 | <.0001 | -0.05553 | 0.6089 | -0.02833 | 0.075 |
| urban area. center 30.000 à 50.000 inhabitants | -0.05497 | 0.0075 | -0.06209 | <.0001 | -0.08103 | 0.4575 | -0.02036 | 0.188 |
| urban area. center 50.000 à 100.000 inhabitants | -0.03133 | 0.0853 | -0.04651 | 0.003 | -0.03667 | 0.7292 | -0.02596 | 0.045 |
| urban area. center 100.000 à 200.000 inhabitants | 0.02523 | 0.1655 | 0.002651 | 0.382 | -0.06716 | 0.5151 | -0.05251 | 0.01 |
| urban area. center 200.000 à 500.000 inhabitants | 0.02068 | 0.2464 | 0.006955 | 0.217 | -0.07155 | 0.4852 | -0.04912 | 0.037 |
| urban area. center 500.000 à 1 million inhabitants | 0.00512 | 0.8114 | -0.0132 | 0.167 | -0.04401 | 0.6789 | -0.001648 | 0.465 |
| urban area. center 1 à 3 millions inhabitants | 0.0727 | 0.0004 | 0.05852 | <.0001 | -0.00629 | 0.9516 | 0.00802 | 0.382 |
| urban area. center Paris | 0.30677 | <.0001 | 0.2921 | <.0001 | 0.199977 | 0.0523 | 0.2212 | <.0001 |
| rural commune | -0.05166 | 0.0014 | -0.06905 | <.0001 | 0.007775 | 0.9473 | -0.0147 | 0.295 |
| city and suburbs commune | 0.09756 | <.0001 | 0.101 | <.0001 | 0.113623 | 0.0143 | 0.1049 | 0.015 |
| population of the commune < 500 inhabitants | -0.14947 | <.0001 | -0.1313 | <.0001 | 0.144308 | 0.6913 | / | / |
| population of the commune 500 à 2.500 inhabitants | -0.10587 | <.0001 | -0.08941 | <.0001 | -0.1079 | 0.0895 | -0.04958 | 0.339 |
| population of the commune 2.500 à 10.000 inhabitants | -0.04746 | 0.0006 | -0.03367 | 0.065 | -0.02443 | 0.4655 | -0.01924 | 0.494 |
| population of the commune 20.000 à 50.000 inhabitants | 0.02858 | 0.0787 | 0.03163 | 0.065 | 0.052164 | 0.0401 | 0.03206 | 0.158 |
| population of the commune 50.000 à 200.000 inhabitants | 0.07578 | 0.0001 | 0.07727 | 0.016 | 0.127807 | <.0001 | 0.104 | 0.026 |
| population of the commune 200.000 à 500.000 inhabitants | 0.24651 | <.0001 | 0.2484 | <.0001 | 0.134574 | 0.0005 | 0.09113 | 0.091 |
| Paris | 0.21586 | 0.2788 | / | / | 0.523102 | <.0001 | 0.4753 | <.0001 |
| richness of the commune (log) | 0.13775 | <.0001 | 0.1513 | <.0001 | 0.266095 | <.0001 | 0.305 | <.0001 |
| density | 0.00001647 | <.0001 | 0.0000175 | <.0001 | 0.000029 | <.0001 | 0.00003084 | <.0001 |
| unemployment rate | -1.51771 | <.0001 | -1.404 | <.0001 | -2.47922 | <.0001 | -2.253 | <.0001 |
| evolution of the population (1990-1999) | 0.00116 | 0.0012 | 0.001096 | 0.002 | 0.00022 | 0.8596 | 0.00006465 | 0.46 |
| coastal commune | 0.09357 | <.0001 | 0.0897 | <.0001 | 0.114716 | 0.0028 | 0.09776 | 0.031 |
| commune less than 15 mn from the coaste | 0.07437 | 0.0002 | 0.0687 | 0.03 | 0.04371 | 0.5505 | -0.009506 | 0.361 |
| harbour | 0.05125 | 0.0001 | 0.04428 | 0.001 | 0.057143 | 0.0898 | 0.02094 | 0.428 |
| Mean annual temperature (°C) | 0.0599 | <.0001 | 0.05726 | <.0001 | 0.057262 | 0.0074 | 0.05812 | 0.009 |
| Différence (July-mean annual temperature) (°C) | 0.08037 | 0.0004 | 0.06848 | 0.001 | 0.063547 | 0.2275 | 0.04482 | 0.135 |
| Différence (January-mean annual temperature) (°C) | 0.02591 | 0.1814 | 0.01459 | 0.37 | 0.046843 | 0.2858 | 0.01777 | 0.359 |
| July warm days (> 30° C) | -0.04199 | <.0001 | -0.0405 | <.0001 | -0.01963 | 0.2092 | -0.02498 | 0.109 |
| (July warm days) ² (> 30° C) | 0.00149 | <.0001 | 0.001424 | <.0001 | 0.001413 | 0.0481 | 0.001596 | 0.031 |
| January cold days (< - 5° C) | 0.00669 | 0.4935 | 0.0009078 | 0.476 | -0.01368 | 0.5215 | -0.01974 | 0.229 |
| (January cold days) ² (< - 5° C) | 0.0014 | 0.0504 | 0.001858 | 0.011 | 0.00268 | 0.1034 | 0.002955 | 0.054 |
| July days with rainfall | 0.00948 | 0.0723 | 0.007804 | 0.088 | 0.042811 | 0.0001 | 0.03886 | <.0001 |
| January days with rainfall | -0.02237 | <.0001 | -0.02203 | <.0001 | -0.01444 | 0.076 | -0.01427 | 0.057 |

Appendix 3. Results (following)

| | Tenants | | | | | | | |
|---|------------------------|---------|------------|---------|------------|---------|------------|---------|
| | single detached houses | | | | apartments | | | |
| | 2SLS | | PLS | | 2SLS | | PLS | |
| | estimate | Pr > t | estimate | p value | estimate | Pr > t | estimate | p value |
| Intercept | 5.366151 | <.0001 | / | / | 5.025905 | <.0001 | / | / |
| 1988 survey | -0.29258 | <.0001 | -0.1681 | <.0001 | -0.23613 | <.0001 | -0.1402 | 0.009 |
| 1992 survey | -0.16786 | <.0001 | -0.05179 | 0.001 | -0.09425 | <.0001 | 0.0000737 | 0.421 |
| 1996 survey | -0.06137 | 0.0001 | 0.06076 | <.0001 | -0.04786 | <.0001 | 0.04649 | 0.033 |
| 2002 survey | / | / | 0.1143 | <.0001 | / | / | 0.09258 | 0.009 |
| living space | 0.010031 | <.0001 | 0.009231 | <.0001 | 0.009911 | <.0001 | 0.009648 | <.0001 |
| garden size (detached house) | 0.000028 | 0.1141 | 0.00003357 | 0.026 | / | / | / | / |
| garden size (detached house) (square term) | -0.00000511 | 0.123 | 0.00000617 | 0.007 | / | / | / | / |
| number of bathrooms | -0.00744 | 0.5762 | 0.008011 | 0.318 | 0.010825 | 0.1886 | 0.0174 | 0.267 |
| bad heating | -0.15368 | <.0001 | -0.1681 | <.0001 | -0.04298 | <.0001 | -0.04495 | <.0001 |
| size of the rooms | -0.0382 | <.0001 | -0.03459 | <.0001 | -0.00207 | 0.141 | 0.0006908 | 0.441 |
| size of the rooms (square term) | 0.000397 | <.0001 | 0.0003561 | <.0001 | -0.00004 | 0.0543 | 0.0000934 | 0.037 |
| garage | 0.024669 | 0.0869 | 0.03182 | 0.019 | 0.018138 | 0.0077 | 0.02286 | <.0001 |
| cellar | -0.01766 | 0.1876 | -0.008499 | 0.242 | 0.001938 | 0.7562 | 0.007144 | 0.303 |
| date of arrival in the housing | -0.04987 | <.0001 | -0.04963 | <.0001 | -0.03738 | <.0001 | -0.03736 | <.0001 |
| age of the structure | -0.00539 | <.0001 | -0.005248 | <.0001 | -0.0057 | <.0001 | -0.005635 | <.0001 |
| (age of the structure) ² | 0.000028 | <.0001 | 0.00002659 | <.0001 | 0.000038 | <.0001 | 0.00003792 | <.0001 |
| fireplace | 0.008148 | 0.5774 | 0.01821 | 0.168 | 0.026604 | 0.2931 | 0.01049 | 0.082 |
| urban area, center < 30,000 inhabitants | -0.02982 | 0.3325 | -0.08122 | 0.001 | -0.04999 | 0.0999 | -0.06958 | 0.001 |
| urban area, center 30,000 à 50,000 inhabitants | 0.004471 | 0.893 | -0.03718 | 0.155 | -0.00873 | 0.7845 | -0.01339 | 0.022 |
| urban area, center 50,000 à 100,000 inhabitants | 0.049531 | 0.0949 | -0.0059 | 0.563 | -0.01514 | 0.6069 | -0.03375 | 0.012 |
| urban area, center 100,000 à 200,000 inhabitants | 0.09808 | 0.001 | 0.02375 | 0.003 | 0.024884 | 0.3886 | 0.004085 | 0.393 |
| urban area, center 200,000 à 500,000 inhabitants | 0.085517 | 0.0033 | 0.006764 | 0.198 | -0.01764 | 0.5334 | -0.02987 | 0.02 |
| urban area, center 500,000 à 1 million inhabitants | 0.09625 | 0.0048 | 0.008058 | 0.186 | 0.041756 | 0.1656 | 0.03093 | 0.014 |
| urban area, center 1 à 3 millions inhabitants | 0.111507 | 0.0022 | 0.02096 | 0.104 | 0.026326 | 0.3676 | 0.008716 | 0.316 |
| urban area, center Paris | 0.410022 | <.0001 | 0.3225 | <.0001 | 0.31061 | <.0001 | 0.293 | <.0001 |
| rural commune | -0.01755 | 0.4869 | -0.08567 | 0.001 | -0.09504 | 0.0006 | -0.1041 | <.0001 |
| city and suburbs commune | 0.067806 | 0.0006 | 0.08158 | <.0001 | -0.00359 | 0.8362 | 0.00696 | 0.383 |
| population of the commune < 500 inhabitants | -0.1121 | 0.0006 | -0.06681 | <.0001 | -0.27561 | <.0001 | -0.2754 | 0.001 |
| population of the commune 500 à 2,500 inhabitants | -0.06823 | 0.0091 | -0.0353 | 0.016 | -0.13712 | <.0001 | -0.1315 | <.0001 |
| population of the commune 2,500 à 10,000 inhabitants | -0.00071 | 0.9749 | 0.03168 | 0.016 | -0.04449 | 0.0007 | -0.05039 | 0.009 |
| population of the commune 20,000 à 50,000 inhabitants | 0.015431 | 0.5593 | 0.02043 | 0.041 | 0.027943 | 0.0146 | 0.006517 | 0.481 |
| population of the commune 50,000 à 200,000 inhabitants | 0.034723 | 0.2597 | 0.01205 | 0.03 | 0.04156 | 0.0006 | 0.01647 | 0.382 |
| population of the commune 200,000 à 500,000 inhabitants | 0.046914 | 0.3967 | 0.001433 | 0.184 | 0.037881 | 0.0171 | 0.003411 | 0.475 |
| Paris | / | / | / | / | 0.245218 | <.0001 | 0.2126 | <.0001 |
| richness of the commune (log) | 0.045296 | 0.0979 | 0.07457 | 0.015 | 0.143893 | <.0001 | 0.1523 | <.0001 |
| density | 0.000021 | 0.0003 | 0.00002741 | <.0001 | 0.000018 | <.0001 | 0.00001912 | <.0001 |
| unemployment rate | -0.37285 | 0.018 | -0.1117 | <.0001 | -0.8475 | <.0001 | -0.7219 | <.0001 |
| evolution of the population (1990-1999) | 0.003154 | <.0001 | 0.003377 | <.0001 | 0.004107 | <.0001 | 0.004039 | <.0001 |
| coastal commune | 0.074546 | 0.0025 | 0.03784 | 0.01 | 0.051313 | <.0001 | 0.05941 | <.0001 |
| commune less than 15 mn from the coaste | 0.074344 | 0.0116 | 0.01804 | 0.412 | -0.0052 | 0.835 | -0.01389 | 0.044 |
| harbour | 0.056488 | 0.0041 | 0.03074 | 0.076 | 0.019369 | 0.0891 | 0.003792 | 0.374 |
| Mean annual temperature (°C) | 0.037957 | 0.0162 | 0.03737 | 0.005 | 0.027625 | 0.0005 | 0.02504 | 0.004 |
| Difference (July-mean annual temperature) (°C) | 0.062578 | 0.0678 | 0.03617 | 0.022 | -0.00171 | 0.9285 | -0.002226 | 0.453 |
| Difference (January-mean annual temperature) (°C) | 0.033658 | 0.2703 | 0.005734 | 0.411 | -0.0109 | 0.5144 | -0.015 | 0.081 |
| July warm days (> 30° C) | -0.00714 | 0.4654 | -0.01138 | 0.115 | -0.02554 | <.0001 | -0.02361 | 0.001 |
| (July warm days) ² (> 30° C) | 0.000237 | 0.4755 | 0.0002927 | 0.184 | 0.001056 | <.0001 | 0.0009637 | 0.001 |
| January cold days (< - 5° C) | -0.02078 | 0.1754 | -0.02962 | 0.045 | -0.00454 | 0.6019 | -0.008856 | 0.218 |
| (January cold days) ² (< - 5° C) | 0.003287 | 0.006 | 0.004102 | 0.001 | 0.000299 | 0.6781 | 0.0005114 | 0.308 |
| July days with rainfall | 0.008452 | 0.3083 | -0.001103 | 0.443 | 0.013582 | 0.0011 | 0.01394 | 0.002 |
| January days with rainfall | -0.01335 | 0.0205 | -0.01225 | 0.022 | -0.02014 | <.0001 | -0.01987 | <.0001 |

Appendix 3. Results (following)

| | wages | | | |
|---|-------------|---------|------------|---------|
| | OLS | | PLS | |
| | estimate | Pr > t | estimate | p value |
| intercept | 8.48484 | <.0001 | / | / |
| management employee | 0.56473 | <.0001 | 0.5804 | <.0001 |
| intermediate employee | 0.17879 | <.0001 | 0.1908 | <.0001 |
| employee | -0.13727 | <.0001 | -0.1255 | <.0001 |
| in the service of an individual | -0.31372 | <.0001 | -0.3122 | <.0001 |
| industrial skilled worker | 0.05538 | 0.0001 | 0.0661 | <.0001 |
| arts and crafts skilled worker | -0.05691 | 0.0002 | -0.03917 | 0.003 |
| skilled workers (other) | -0.01387 | 0.4061 | 0.00008014 | 0.421 |
| industrial unskilled worker | -0.07718 | <.0001 | -0.06173 | 0.001 |
| arts and crafts unskilled worker | -0.1582 | <.0001 | -0.1618 | <.0001 |
| farmworker | -0.28111 | <.0001 | -0.2453 | <.0001 |
| full time job | 0.01155 | <.0001 | 0.01154 | <.0001 |
| apprentice | -0.5666 | <.0001 | -0.5403 | <.0001 |
| temporary work | -0.34414 | <.0001 | -0.3455 | <.0001 |
| temporary contract | -0.34379 | <.0001 | -0.3403 | <.0001 |
| age: <19 | -0.57992 | <.0001 | -0.5797 | <.0001 |
| age:20-24 | -0.34235 | <.0001 | -0.3255 | <.0001 |
| age: 25-29 | -0.17752 | <.0001 | -0.1621 | <.0001 |
| age:30-34 | -0.06613 | <.0001 | -0.05018 | 0.001 |
| age: 40-44 | 0.03424 | 0.0039 | 0.04886 | <.0001 |
| age: 45-49 | 0.0494 | <.0001 | 0.0657 | <.0001 |
| age:50-54 | 0.1007 | <.0001 | 0.1204 | <.0001 |
| age:55-81 | 0.09387 | <.0001 | 0.1116 | <.0001 |
| man | 0.18547 | <.0001 | 0.1774 | <.0001 |
| high diploma + 4 years | 0.09197 | <.0001 | 0.08953 | <.0001 |
| high diploma + 2 years | 0.03469 | 0.0092 | 0.03026 | 0.028 |
| capbec | -0.05641 | <.0001 | -0.05637 | <.0001 |
| without diploma certificate | -0.17576 | <.0001 | -0.1787 | <.0001 |
| French by naturalisation | -0.07915 | <.0001 | -0.064 | 0.006 |
| European nationality | -0.039 | 0.2221 | 0.02423 | 0.12 |
| African nationality | -0.09393 | <.0001 | -0.08251 | <.0001 |
| other nationality | -0.15937 | 0.001 | -0.1198 | 0.001 |
| born in Europe | -0.00507 | 0.8872 | 0.01504 | 0.019 |
| born in Africa | -0.1259 | 0.0017 | -0.05516 | <.0001 |
| born in other region | -0.05125 | 0.0765 | 0.003248 | 0.433 |
| rural commune | -0.05078 | 0.0012 | -0.05159 | 0.002 |
| city and suburbs commune | -0.02996 | 0.0389 | -0.03389 | 0.021 |
| periurban commune | -0.03693 | 0.0155 | -0.03331 | 0.026 |
| disadvantaged region | -0.03359 | 0.0096 | -0.02752 | 0.062 |
| size of the market | 0.00096212 | <.0001 | 0.0009854 | <.0001 |
| poor commune 1000-1500K inhabitants | -0.02547 | 0.0574 | -0.03691 | 0.015 |
| poor commune Paris | -0.06509 | <.0001 | -0.08159 | <.0001 |
| poor commune 500-1000Kinhabitants | -0.04269 | 0.0509 | -0.03148 | 0.053 |
| unemployment rate | -0.4206 | <.0001 | -0.3544 | <.0001 |
| Mean annual temperature (°C) | 0.00245 | 0.7347 | 0.001933 | 0.395 |
| Difference (July-mean annual temperature) (°C) | -0.01279 | 0.5443 | -0.002569 | 0.461 |
| Difference (January-mean annual temperature) (°C) | -0.02325 | 0.2086 | -0.01892 | 0.136 |
| July warm days (> 30° C) | -0.00185 | 0.4407 | -0.002552 | 0.176 |
| January cold days (< - 5° C) | -0.00053065 | 0.8947 | -0.00178 | 0.349 |
| July days with rainfall | 0.00531 | 0.2469 | 0.005169 | 0.127 |
| January days with rainfall | -0.00819 | 0.0112 | -0.007652 | 0.011 |

| | owner-occupiers | | | | | | | |
|---|------------------------|---------|-----------|---------|------------|---------|-----------|---------|
| | single detached houses | | | | apartments | | | |
| | OLS | | PLS | | 2SLS | | PLS | |
| | estimate | Pr > t | estimate | p value | estimate | Pr > t | estimate | p value |
| Mean annual temperature (°C) | 0.0599 | <.0001 | 0.05726 | <.0001 | 0.057262 | 0.0074 | 0.05812 | 0.009 |
| Difference (July-mean annual temperature) (°C) | 0.08037 | 0.0004 | 0.06848 | 0.001 | 0.063547 | 0.2275 | 0.04482 | 0.135 |
| Difference (January-mean annual temperature) (°C) | 0.02591 | 0.1814 | 0.01459 | 0.37 | 0.046843 | 0.2858 | 0.01777 | 0.359 |
| July warm days (> 30° C) | -0.04199 | <.0001 | -0.0405 | <.0001 | -0.01963 | 0.2092 | -0.02498 | 0.109 |
| (July warm days) ² (> 30° C) | 0.00149 | <.0001 | 0.001424 | <.0001 | 0.001413 | 0.0481 | 0.001596 | 0.031 |
| January cold days (< - 5° C) | 0.00669 | 0.4935 | 0.0009078 | 0.476 | -0.01368 | 0.5215 | -0.01974 | 0.229 |
| (January cold days) ² (< - 5° C) | 0.0014 | 0.0504 | 0.001858 | 0.011 | 0.00268 | 0.1034 | 0.002955 | 0.054 |
| July days with rainfall | 0.00948 | 0.0723 | 0.007804 | 0.088 | 0.042811 | 0.0001 | 0.03886 | <.0001 |
| January days with rainfall | -0.02237 | <.0001 | -0.02203 | <.0001 | -0.01444 | 0.076 | -0.01427 | 0.057 |
| | Tenants | | | | | | | |
| | single detached houses | | | | apartments | | | |
| | 2SLS | | PLS | | 2SLS | | PLS | |
| | estimate | Pr > t | estimate | p value | estimate | Pr > t | estimate | p value |
| Mean annual temperature (°C) | 0.037957 | 0.0162 | 0.03737 | 0.005 | 0.027625 | 0.0005 | 0.02504 | 0.004 |
| Difference (July-mean annual temperature) (°C) | 0.062578 | 0.0678 | 0.03617 | 0.022 | -0.00171 | 0.9285 | -0.002226 | 0.453 |
| Difference (January-mean annual temperature) (°C) | 0.033658 | 0.2703 | 0.005734 | 0.411 | -0.0109 | 0.5144 | -0.015 | 0.081 |
| July warm days (> 30° C) | -0.00714 | 0.4654 | -0.01138 | 0.115 | -0.02554 | <.0001 | -0.02361 | 0.001 |
| (July warm days) ² (> 30° C) | 0.000237 | 0.4755 | 0.0002927 | 0.184 | 0.001056 | <.0001 | 0.0009637 | 0.001 |
| January cold days (< - 5° C) | -0.02078 | 0.1754 | -0.02962 | 0.045 | -0.00454 | 0.6019 | -0.008856 | 0.218 |
| (January cold days) ² (< - 5° C) | 0.003287 | 0.006 | 0.004102 | 0.001 | 0.000299 | 0.6781 | 0.0005114 | 0.308 |
| July days with rainfall | 0.008452 | 0.3083 | -0.001103 | 0.443 | 0.013582 | 0.0011 | 0.01394 | 0.002 |
| January days with rainfall | -0.01335 | 0.0205 | -0.01225 | 0.022 | -0.02014 | <.0001 | -0.01987 | <.0001 |
| | wages | | | | | | | |
| | OLS | | PLS | | | | | |
| | estimate | Pr > t | estimate | p value | | | | |
| Mean annual temperature (°C) | 0.00245 | 0.7347 | 0.001933 | 0.395 | | | | |
| Difference (July-mean annual temperature) (°C) | -0.01279 | 0.5443 | -0.002569 | 0.461 | | | | |
| Difference (January-mean annual temperature) (°C) | -0.02325 | 0.2086 | -0.01892 | 0.136 | | | | |
| July warm days (> 30° C) | -0.00185 | 0.4407 | -0.002552 | 0.176 | | | | |
| (July warm days) ² (> 30° C) | | | | | | | | |
| January cold days (< - 5° C) | -0.00053069 | 0.8947 | -0.00178 | 0.349 | | | | |
| (January cold days) ² (< - 5° C) | | | | | | | | |
| July days with rainfall | 0.00531 | 0.2469 | 0.005169 | 0.127 | | | | |
| January days with rainfall | -0.00819 | 0.0112 | -0.007652 | 0.011 | | | | |

Table 1. Results (climatic variables)

| | owner-occupiers | | | | tenants | | | |
|--|------------------------|--------|------------|-------|------------------------|------|------------|-------|
| | single detached houses | | apartments | | single detached houses | | apartments | |
| | OLS | PLS | 2SLS | PLS | 2SLS | PLS | 2SLS | PLS |
| Mean annual temperature (°C) (□) | 1008.8 | 963.0 | 920.3 | 934.5 | 2.67 | 2.63 | 1.79 | 1.62 |
| Difference (July-mean annual temperature) (°C) (□) | 1367.6 | 1158.3 | NS | NS | 4.47 | 2.55 | NS | NS |
| July warm days (> 30° C) (□) | -763.0 | -738.9 | NS | NS | NS | NS | -1.85 | -1.71 |
| TOTAL (□) | 1613.3 | 1382.4 | 920.3 | 934.5 | 7.14 | 5.18 | -0.07 | -0.09 |
| TOTAL (%) | 9.9% | 8.5% | 5.9% | 6.0% | 10.3% | 7.5% | -0.1 | -0.14 |

NS: insignificant

| | | |
|-----------------------------|-------------|-------------|
| global effect on GDP | 1,0% | 0,8% |
|-----------------------------|-------------|-------------|

Table 2. Effect of a 1 °C mean annual temperature rise on housing prices and GDP