What is the Value of a Name? Conspicuous Consumption and House Prices

Authors

Velma Zahirovic-Herbert and
Swarn Chatterjee

Abstract

This is the first study to lend empirical support to anecdotal media reports that indicate that real property buyers pay price premiums based on property names. Using a standard hedonic price model, we explore the price effects of property names that include the terms ''country'' and ''country club'' within a neighborhood. Buyers assign a premium of 4.2% for the term ''country'' and an additional 5.1% for the term ''country club'' in the property name. Wealthier buyers tend to be the leaders in paying this price premium, although buyers are less willing to pay these premiums during recessionary times.

It is well known that buyers pay more for products they believe showcase their greater affluence or success than others. Spending more money like this to demonstrate a higher status is known as conspicuous consumption. Many consumer product marketing strategies focus on consumer demand for status-enhancing products and use names that not only differentiate and brand, but also convey prestige and create a price premium. A key part of such strategies is product naming; consumers associate attributes of products with the name of that product and a major aspect of marketing efforts is influencing buyer behavior through product names. While there is extensive research on the value of product names, there are no empirical studies of the real property market that examine the impact of naming on house price premiums. This is despite the fact that a house or other dwelling is usually the most expensive product a buyer purchases; the price premium of such an expensive product is potentially a far greater value than that of a watch, coat, computer, car or other consumer good.

This paper is a unique study that addresses the gap in empirical analysis focused on the price premium buyers are willing to pay based on property name. In the real property market, the theory of conspicuous consumption relates to subdivision name and values. Anecdotal evidence, including an article written in the *Atlanta Journal Constitution*, asserts that prestige-related property names increase value by up to 30%. This media coverage suggests that there is a ''pride of ownership''

effect associated with having a showcase house in a particular neighborhood; this pride of ownership effect and the resulting pricing effect it creates is widely accepted by real estate professionals. In the conspicuous consumption model, consumers obtain additional utility from demonstrating their (presumably) greater affluence by buying a house that is in a particular subdivision regardless of its characteristics.[1] To explore this question with empirical study, we examine the value house buyers place on property names that include the terms ''country'' and ''country club''; mainstream media have suggested these terms create greater property value through adding prestige and driving conspicuous consumption.

While there is a dearth of empirical study of the value of property names, one area of related research on property attributes and externalities that provides some context is on historic designation of property. Casual observation may suggest that property with a historic designation may add prestige to that property; studies do show that such a designation has both tangible and intangible benefits. The intangible benefits include neighborhood pride and other attributes that serve to strengthen social capital. Asabere and Huffman (1994), Clark and Herrin (1997), Cyrenne, Fenton, and Warbanski (2006), and Diaz, Hansz, Cypher, and Hayunga (2008) find price premiums associated with historically designated residential properties. However, Schaeffer and Millerick (1991) not only find a premium on properties with the national historic designation but a discount associated with a local historic designation as well. The authors associate the national historic designation premium with prestige and the local designation discount a likely result of stringent local requirements.

Another area of related study is on the classification of business property. For example, Dermisi and McDonald (2010) show that Class A business property receives a 44% price/sq. ft. increase due to the premium classification.[2]

Rather than focus on externalities, the underlying economic foundation of our study draws from the ideas originally developed by Veblen (1899) and brought to the consideration of mainstream economic literature by Leibenstein (1950).[3] Cass and Frost (2002) find that brand names that symbolize status, high self-image, and positive feelings among consumers are more likely to be products of conspicuous consumption than products that do not convey these messages. Conspicuous consumption is perhaps best defined as lavish spending on goods/services acquired primarily for the purpose of displaying wealth and thereby attaining/maintaining social status. Thus we argue that the theory of conspicuous consumption also relates to the question of subdivision name and value when applied to real property markets.

We examine the effect of property name on real property value by analyzing data drawn from the Multiple Listing Service (MLS) sales reports for Baton Rouge, Louisiana, a medium-size urban area with a population of about half a million (during the sample period) that has been the subject of much academic housing market research. We use a sample comprising broker-assisted housing transactions completed between October, 1984 and April, 2005. We estimate equations for the

logarithm of selling price, *Ln*(*Price*), while carefully controlling for important pricing effects identified previously in the literature, including those associated with property location, marketing conditions, and atypicality. The different models include the main variables of interest: a dummy variable that captures that a house is in a subdivision that contains the word ''country'' in its name and, as an additional control, a dummy variable that identifies if a house is in a subdivision that contains ''country club'' in its name.

We find that buyers are willing to pay a price premium of over 5.5% for having the word ''country'' in the property name. This price premium is even higher for properties in subdivisions that contain ''country club'' in their names. Buyers in these subdivisions are willing to pay an additional 5.1% for having the words ''country club'' in the property name. Furthermore, our research supports literature on conspicuous consumption within a real property context, including the ideas that wealthier buyers pay more to showcase affluence and that conspicuous consumption decreases during market downturns. The implications of this are important in real property marketing strategies and the understanding of naming strategies. These results also contribute to the considerable body of research on more general consumer naming strategies and marketing approaches.

The rest of the paper is organized as follows. There is a discussion of the empirical framework and a detailed description of data and construction of the control variables. The paper continues with the empirical results for the 20-year sample, as well as closer study into how different market segments affect the conclusions. The paper closes with concluding remarks.

Data and Empirical Model

Hedonic price models represent a way to estimate the marginal implicit prices of differentiated characteristics of real property (Palmquist, 1984; Rosen, 1994). Such models specify the sale price of a dwelling to be a function of the vectors of physical characteristics of the house, **H**; localized market conditions, **M**; a vector of location and time trend variables representing fixed effects for the exact geographic location, and year and season of sale, **F**; and a vector of variables of interest representing if a particular dwelling is in the subdivision that uses word ''country'' in its name, **N;** or:

$$\ln Price = c + \boldsymbol{\alpha H} + \boldsymbol{\delta M} + \boldsymbol{\varphi F} + \boldsymbol{\beta N} + \varepsilon,$$

where c is the regression constant and ε the error. Palmquist (1991) and others note that economic theory alone does not provide sufficient guidance for selecting the functional form of particular explanatory variables within hedonic equations. The log-linear hedonic specification is used due to its ease of interpretation, especially because the coefficient of a dummy variable can then be interpreted as

the percentage change in the dependant variable (house price) associated with the independent variable (subdivision name that contains word ''country'').[4] We use a sample comprising broker-assisted housing transactions completed between October, 1984 and April, 2005. The data are drawn from the Multiple Listing Service (MLS) sales reports for Baton Rouge, Louisiana, a medium-size urban area that has been the subject for much academic housing market research. The sample period ends three months before Hurricane Katrina affected the area of study.

We restrict our attention to detached single-family houses sold within a contiguous region within the urban area. There is evidence that the prices of houses in new subdivisions diverge significantly from the broader market until new development reaches a critical mass (Sirmans, Turnbull, and Dombrow, 1998); we avoid this potential pricing bias from new development by including in our sample only those houses that are at least two years old. In order to avoid outlier influence on our estimates, we exclude from the sample houses that take fewer than 14 or more than 400 days to sell, houses that sell for less than $40,000 or more than $900,000, houses with unusually small (less than 300 square feet) or large (greater than 5,500 square feet) living area and similarly for the area under roof net of living area (110 and 7,000, respectively). The resultant data set comprises 28,770 transactions.

The house characteristics, **H**, include standard features such as number of bedrooms, bathrooms, fireplaces, age and its square, living area and its square, and net area and its square. Exhibit 1 reports the means and standard deviations of the variables used in the empirical models for the full sample and for the ''country'' sample. The sales price (*Price*), days on the market prior to sale (*DOM*), number of bedrooms (*Bedrooms*), number of bathrooms (*Bathrooms*), number of fireplaces (*Fireplaces*), the age of the house (*Age*), and living area (*Living Area*) are drawn directly from the MLS report for each sale. The *Net Area* variable is calculated as the difference between the total square footage under roof less the square footage of living area, and it captures the size of utility rooms, garages, covered porches, carports, etc. Location is indicated by a set of dummy variables that control for 85 census tracts, which are measured by the census value closest in time to the observed transaction. Fixed effects for year and season of sale are obtained using appropriately defined sets of dummy variables.

Neighborhood housing market conditions, **M**, are measured in part by *Listing Density*, the number of competing houses that are for sale at the same time a house is on the market. Listing density measures the intensity of competition from other houses for sale per day on the market. A greater number of competing houses for sale surrounding a given house increases competition for buyers, but at the same time it can lead to shopping externality effects as the greater concentration of listings draws more potential buyers to the neighborhood. The signs of the coefficients on the listing density variables therefore reveal the relative strength of the spatial competition and shopping externality effects. The rationale for including neighborhood market conditions variables in the hedonic model is very

Exhibit 1 | Description of Variables and Summary Statistics

		Full Sample		"Country" Sample		Diff. in Means
Variable	Description	Mean	Std. Dev.	Mean	Std. Dev.	*T*-test
Price	Selling Price	121,121	75,182	231,237	187,565	−15.200
DOM	Days on market	87.314	72.218	94.678	79.590	−2.380
Bedrooms	Number of bedrooms	3.355	0.623	3.367	0.740	−0.426
Bathrooms	Number of bathrooms	2.057	0.522	2.456	0.714	−14.385
Fireplaces	Number of fireplaces	0.699	0.546	0.997	0.611	−12.518
Living Area	Square feet of living area	2,000.005	667.106	2,346.719	1,149.776	−7.793
Net Area	Square feet of other area	724.139	343.953	868.756	444.258	−8.387
Vacant	Vacant home dummy variable	0.296	0.456	0.253	0.435	2.481
Age	Age of house	20.866	16.146	11.652	10.404	22.361
Distance_Club	Distance to the closest country club	3.923	1.958	2.309	1.999	20.717
Smaller	Negative deviations from local mean living area	0.068	0.103	0.152	0.144	−15.075
Larger	Positive deviations from local mean living area	0.120	0.215	0.082	0.223	4.394
Discount	Discount from listing price	0.027	0.238	0.039	0.041	−5.698
Discount sq.	Discount square	0.058	1.940	0.003	0.007	4.750
Listing Density	Competing listings weighted by days	2.510	2.124	2.159	1.820	4.929
Spring	Seasonal dummy variable	0.276	0.447	0.319	0.466	−2.354
Summer	Seasonal dummy variable	0.286	0.452	0.288	0.453	−0.117
Fall	Seasonal dummy variable	0.230	0.421	0.201	0.401	1.897

Notes: There are 28,770 observations in the full sample and 643 observations in the "Country" sample.

simple (Turnbull and Dombrow, 2006). Intuitively, the number of houses for sale in a small neighborhood surrounding a particular house can have localized effects on the distribution of prospective buyers and sellers, the rationale typically used to justify spatial interdependencies in sales prices. A greater number of houses for sale increases the competition among sellers for buyers considering houses in the neighborhood—the localized competition effect. Similarly, a greater number of houses for sale may draw more prospective buyers to the neighborhood, potentially increasing the chance of matching a particular house with a buyer—the shopping externality effect.

Following Turnbull and Dombrow (2006), neighborhood market conditions are measured by the average number of competing listings in the neighborhood each day the house is on the market, *Listing Density*. This measure for each house i is calculated as follows:

$$\text{Listing Density} = \sum_{j \in I} \frac{(1 - D(i,j))^2 O(i,j)}{S(i) - L(j) + 1},$$

where the summation is taken over all houses within 20% larger or smaller (in terms of living area) that are within one mile of house i. Here, $l(i)$ and $s(i)$ are the listing date and sales date for house i, respectively, so that time-on-market is $s(i) - l(i) + 1$. $O(i,j)$ represents the overlapping marketing duration for contemporaneously listed houses i and j, and is defined as $O(i,j) = \min[s(i), s(j)] - \max[l(i), l(j)] + 1$. $D(i,j)$ is the distance in miles between houses i and j. The calculation of this variable for each house in the data set includes all applicable competing house sales, including houses in areas geographically neighboring the sample, as well as any house listed before the sample period with time-on-market that overlaps with our sample period. This variable controls for the window of opportunity to buyers who might be interested in any of the competing houses. It avoids counting as competition for the whole marketing period of house i those houses that sell before house i sells. The distance weighting reflects the assumption that houses farther away represent weaker competition than those located closer to house i.

Previous studies find that neighborhood competition variables are typically significant in the price equation (Turnbull and Dombrow, 2006; Turnbull, Dombrow, and Sirmans, 2006; Zahirovic-Herbert and Turnbull, 2008). Equally as important in this application, this variable explicitly accounts for the type of neighborhood market conditions used to rationalize the need to correct for possible spatial correlation. We model the spatial competition effects directly and therefore obviate the usual rationale for applying spatial estimation methods.

Additionally, the unique setting from which the data are drawn allows us to sidestep common difficulties encountered in other capitalization studies. In

particular, the single school district is coterminous with the unified city-parish government jurisdiction boundaries, a unique feature that minimizes spatial variation in local property tax rates, school spending, as well as other public services. Still, during part of the sample period students were randomly assigned schools with parish-wide busing, thereby eliminating variation in expected school quality usually found across neighborhoods in other urban areas.[5] It also seems reasonable to expect that services vary less within the jurisdiction than across jurisdiction boundaries. In any case, including a complete set of location dummy variables in addition to *Listing Density* in the empirical capitalization model controls for any other remaining location-specific price effects.

We also include the relative house size variables *Larger* and *Smaller* to capture the atypicality effect.[6] These variables measure the extent to which a given house is either larger or smaller than the average living area in the surrounding neighborhood. Following Turnbull, Dombrow, and Sirmans (2006), indexing all houses within a half mile radius of house i by J, the standardized measure of the relative house size is:

$$Localsize_i = \frac{Livingarea_i - \sum_{j \in J} Livingarea_j / N_j}{\sum_{j \in J} Livingarea_j / N_j},$$

where N_j is the number of surrounding houses in the neighborhood J. In order to allow for asymmetric relative house size effects on sales price, we define the relative size variables $Larger_i$ and $Smaller_i$ as the absolute values of the positive and negative values of $Localsize_i$ respectively:

$$\begin{aligned} Larger_i &= |Localsize| \text{ for } Localsize_i > 0 \\ &= 0 \text{ otherwise;} \\ Smaller_i &= |Localsize| \text{ for } Localsize_i < 0 \\ &= 0 \text{ otherwise.} \end{aligned}$$

Furthermore, the theory of conspicuous consumption studied in Turnbull, Dombrow, and Sirmans (2006), relates to the question of relative house size and value when applied to real property. In their model, consumers obtain additional utility from demonstrating their (presumably) greater affluence by buying a house that is larger than surrounding houses, so that the larger house will sell at a premium when compared to an otherwise identical house in a homogeneous neighborhood. After controlling for the relative size effect, we argue that the subdivision name captures the pricing effect over and beyond the familiar ''pride

of ownership'' effect associated with having the showcase house in a particular neighborhood.

Our variables of interest are the dummy variables *Country* and *Country Club*, which if the property is located in a subdivision with a name that includes words ''country'' or ''country club.'' Our variables of interest are dummy variables *Country* and *Country Club,* which indicate if the property is located in a subdivision with a name that includes the words ''country'' or ''country club.'' Over the 20-year sample period, 2.3% of transactions are associated with houses sold in subdivisions whose name includes ''country.'' Once we focus on those houses sold in subdivisions with the word ''country club,'' variable *Country Club*, the percentage decreases to 1.3%. Although these numbers are relatively small, they illustrate the exclusivity that is associated with adding prestige and driving conspicuous consumption.[7] It is worth noting that the *Country* variable by itself captures the price effect of ''country'' subdivisions such as *Country Walk, Country Lake, and Country Club of Louisiana.* When included with the *Country* dummy variable, the *Country Club* variable picks up the effect of the name ''country club'' associated with social status and the *Country* coefficient reflects the effects of the word ''country'' itself.

In addition, it would not be surprising that homes in subdivisions with ''country'' or ''country club'' in the name offer more amenities such as a clubhouse, walking trails, and the presence of community pools. While we cannot observe these characteristics directly in our data set, we create a new variable, *Distance_Club*, which measures the distance from house *i* to the nearest recreational facility (referring to a recreational facility typically associated with a golf course, rather than simply a residential property with the words ''country club'' appearing in the name (e.g., Country Club of Louisiana, Baton Rouge Country Club, Graystone Golf and Country Club, and others). Note that since we measure the distance from house *i* to the club facility, even some houses that are on a golf course can be some distance away from the clubhouse itself. For instance, when looking at the Country Club of Louisiana subdivision, the median distance from house *i* to the club facility is 0.7 miles and ranges from 0.2 to 2 miles.[8]

Finally, to capture real property marketing conditions, we include additional variables. *Vacant* is a dummy variable indicating an unoccupied property. When controls for spatial competition/shopping externalities and unobserved atypicality or undesirable attributes are included in the model, the *Vacant* coefficient should primarily pick up the combined effects of higher seller holding costs and lower seller bargaining power. Exhibit 1 shows that 29% of transactions are for vacant houses in the sample. The *Discount* variable is calculated as one minus the ratio of the selling price divided by the initial listing price.

Empirical Results

Exhibit 2 reports the model estimates. As indicated in the first columns, the base model, model (1), specifies the natural log of sales price as a function of the

Exhibit 2 | Regression Results Dependent Variable: *Ln*(*Price*)

Independent Variables	(1) *Ln*(*Price*)	(2) *Ln*(*Price*)	(3) *Ln*(*Price*)	(4) *Ln*(*Price*)
DOM	−0.0001***	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Bedrooms	−0.0284***	−0.0280***	−0.0280***	−0.0280***
	(0.0027)	(0.0027)	(0.0027)	(0.0027)
Bathrooms	0.0307***	0.0297***	0.0298***	0.0298***
	(0.0034)	(0.0034)	(0.0034)	(0.0034)
Fireplaces	0.0229***	0.0223***	0.0225***	0.0225***
	(0.0024)	(0.0024)	(0.0024)	(0.0024)
Living Area	0.0009***	0.0009***	0.0009***	0.0009***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Living Area_sq	−0.0001***	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Net Area	0.0002***	0.0002***	0.0002***	0.0002***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Net Area_sq	−0.0000***	−0.0000***	−0.0000***	−0.0000***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Vacant	−0.0560***	−0.0560***	−0.0559***	−0.0559***
	(0.0021)	(0.0021)	(0.0021)	(0.0021)
Age	−0.0146***	−0.0145***	−0.0145***	−0.0145***
	(0.0003)	(0.0003)	(0.0003)	(0.0003)
Age_sq	0.0001***	0.0001***	0.0001***	0.0001***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Country		0.0549***	0.0316***	0.0415***
		(0.0078)	(0.0066)	(0.0154)
Country Club			0.0499***	0.0513***
			(0.0157)	(0.0156)
*Country*Age*				−0.0008
				(0.0012)
Distance_club	−0.0240***	−0.0179***	−0.0152***	−0.0146***
	(0.0043)	(0.0044)	(0.0045)	(0.0046)
Distance_club_sq	0.0013***	0.0010***	0.0008**	0.0008**
	(0.0004)	(0.0004)	(0.0004)	(0.0004)
Smaller	0.4670***	0.4525***	0.4505***	0.4504***
	(0.0174)	(0.0174)	(0.0174)	(0.0174)
Larger	−0.3485***	−0.3421***	−0.3389***	−0.3384***
	(0.0139)	(0.0139)	(0.0141)	(0.0141)
DISCOUNT	−0.6107***	−0.6108***	−0.6118***	−0.6119***
	(0.0409)	(0.0409)	(0.0409)	(0.0409)

Exhibit 2 | (continued)

Regression Results Dependent Variable: *Ln*(*Price*)

Independent Variables	(1) *Ln*(*Price*)	(2) *Ln*(*Price*)	(3) *Ln*(*Price*)	(4) *Ln*(*Price*)
DISCOUNT_SQ	−0.0739***	−0.0739***	−0.0740***	−0.0740***
	(0.0049)	(0.0049)	(0.0049)	(0.0049)
Listing Density	0.0011**	0.0010**	0.0010**	0.0009**
	(0.0005)	(0.0005)	(0.0005)	(0.0005)
Spring	0.0001	−0.0000	−0.0000	−0.0000
	(0.0026)	(0.0026)	(0.0026)	(0.0026)
Summer	0.0095***	0.0094***	0.0094***	0.0094***
	(0.0026)	(0.0026)	(0.0026)	(0.0026)
Fall	0.0135***	0.0136***	0.0136***	0.0136***
	(0.0028)	(0.0028)	(0.0028)	(0.0028)
Constant	10.79***	10.78***	10.77***	10.77***
	(0.029)	(0.029)	(0.029)	(0.029)
R^2	0.91	0.91	0.91	0.91

Notes: Robust standard errors in parentheses. Coefficients for year sold and location controls based on 85 census tracts are not reported here. There are 28,770 observations.

*$p < 0$.

**$p < 0.05$.

***$p < 0.01$.

selling time, house characteristics, location, and time period dummy variables (not reported), as well as the set of variables capturing neighborhood housing market conditions. The coefficients on these variables follow expectations. For example, the results suggest that living area and net area have a positive effect on market value and are significant at the 1% level. In all models, living area is more valuable than net area and older houses sell for less. Also, as expected, the days-on-market coefficient is negative.

Furthermore, all equations include a dummy variable for houses that are vacant during the listing period. The price equation estimates follow popular notions, as well as what has been typically found to date: vacancy leads to lower selling price. We also report the estimates when the general atypicality variables *Larger* and *Smaller* are included in the model. In line with Turnbull, Dombrow, and Sirmans (2006), we find a negative coefficient on *Larger*, which indicates that larger houses in a neighborhood of smaller houses sell at a discount relative to large houses in large-house neighborhoods. At the same time, the positive coefficient on *Smaller* indicates that smaller houses in a neighborhood of larger houses sell at a premium relative to small houses in small-house neighborhoods. When considering

atypicality, Turnbull, Dombrow, and Sirmans (2006) show theoretically that both larger- and smaller-than-average houses in a neighborhood generate lower offers from typical buyers and houses that are larger or smaller than typical for the neighborhood sell at a discount. Intuitively, if both larger and smaller houses in a neighborhood are considered atypical by potential buyers, then it is harder to find buyers for such properties. Thus, these kinds of properties are expected to sell at a discount when compared with the same size houses in homogeneous neighborhoods. Referring to Exhibit 2, *Larger* price effect estimates appear consistent with Haurin's (1988) atypicality hypothesis. In particular, a larger home in a neighborhood of smaller homes, whether prestigious or not, may have a lower value than the same house located in an area with comparably sized homes. However, *Smaller* price effect estimates are not consistent with Haurin's atypicality hypothesis. The coefficient on this variable is positive and significant, perhaps capturing the possibility that smaller homes located in more affluent communities may benefit because of their location in a desirable neighborhood.

Corresponding to Turnbull, Dombrow, and Sirmans (2006), our results on *Larger* and *Smaller* are not consistent with Veblen's (1899) conspicuous consumption hypothesis.[9] In other words, if the *Larger* variable captures any conspicuous consumption effect, then the greater values placed on the larger houses in a neighborhood further boost their market prices. Or the larger house in a neighborhood of smaller houses will sell at a premium when compared with an otherwise identical house in a homogeneous neighborhood. The argument applies to smaller houses in the neighborhood as well; living in a relatively small house in a neighborhood of larger houses signals lower wealth in the conspicuous consumption model, thereby reducing the utility from such houses. As a consequence, a small house surrounded by larger houses will sell at a discount when compared with an otherwise identical house in a homogeneous neighborhood.

Our results indicate just the opposite as *Larger* has a negative coefficient and *Smaller* has a positive coefficient; both are statistically significant. Consequently, we argue that after controlling for the relative size effect, the subdivision name is capturing the pricing effect over and beyond the familiar ''pride of ownership'' effect associated with having the showcase house in a particular neighborhood.

Marketing studies such as Byrne (1999) suggest that consumers acquire status goods to display their success and position to society. In addition, Zinkhan and Prenshaw (1994) find, similarly, that material goods with status brand names associated with higher perceived quality and prestige symbolize luxury and status to consumers and are part of conspicuous consumption. When applied to the real property market, we argue that a subdivision name can carry a certain ''snob'' value. The reason is that it captures the prestige associated with living in a particular neighborhood or subdivision and, therefore, represents conspicuous consumption. Our variable of interest, the dummy variable *Country* that indicates whether the property is located in a subdivision with a name that includes the word ''country,'' is included in model (2). The coefficient is positive and

significant at a 1% level. It indicates that there is a price premium of about 5.5% for houses located in the subdivision whose names include the word ''country.'' This value translates into more than a $6,000 price premium at the mean house price (mean house price is $121,121). Developers do spend some money coming up with appealing names, both for their projects and for the streets within them; our findings suggest that buyers are willing to pay for names associated with prestige. While our *Country* variable picks up the pricing effect of subdivision names with the word ''country,'' it does not allow us to differentiate for the price premiums associated with the symbols of prestige and style and those associated with the homey feelings one might have (country living is often associated with comfortably informal and inviting or cozy).

Thus, model (3) introduces another dummy variable, *Country Club*, which captures the effect of name ''country club'' associated solely with social status. The coefficient on this variable is also positive and significant, indicating an additional 5% price premium for houses sold in subdivisions with the word ''country club'' in their names. At the same time, the coefficient on *Country* is somewhat reduced in magnitude relative to model (2) but it is still positive and significant. The two coefficients together point to significant price premiums for properties sold in these subdivisions. In an attempt to control for older well-established subdivisions, we interact *Age* and *Country*, *Country*Age*, model (4). Our findings are no different even after we allow for this interaction.

To enhance the comparability and homogeneity of the houses, we restricted our attention to a heavily residential area that is a large contiguous region within the Baton Rouge urban area. However, housing markets are typically segmented into a number of different sub-markets that may break down not just by geography but by unit type or price as well.[10] To this point, Zietz, Zietz, and Sirmans (2008) show that purchasers of higher-priced homes value certain housing characteristics such as square footage, age, and the number of bathrooms differently from buyers of lower-priced homes. Malpezzi (2003) also notes that different consumers may value housing characteristics differently. Our test of heterogeneity allows for differences in preferences across households. We split the sample into quartiles based on the house price. Our motivation for this test is that with an income effect, purchasers of high-end properties have higher incomes and have a greater willingness to pay for goods that are considered a part of conspicuous consumption.

Exhibit 3 presents our test of heterogeneity in which we allow for differences in preferences across households. We split the sample into two, separating the top quartile derived from the house price. This is based on the assumption that high income households will purchase higher quality, more expensive units. We present the full sample estimates in column one for straightforward comparison. Interestingly, we find that the coefficient on *Country* is still positive but no longer significant at the bottom end of the house price distribution, model (5). At the same time, there is no significant price effect associated with the variable *Country Club* either; this subsample includes all houses priced less than $140,000 with the

Exhibit 3 | Sub-sample Regression Results Dependent Variable: *Ln*(*Price*)

	(4)	(2)	(3)
Independent Variables	*Ln*(*Price*)	*Ln*(*Price*)	*Ln*(*Price*)
DOM	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)
Bedrooms	−0.0280***	−0.0216***	−0.0404***
	(0.0027)	(0.0029)	(0.0055)
Bathrooms	0.0298***	0.0338***	0.0221***
	(0.0034)	(0.0042)	(0.0056)
Fireplaces	0.0225***	0.0181***	0.0381***
	(0.0024)	(0.0026)	(0.0052)
Living Area	0.0009***	0.0009***	0.0009***
	(0.0000)	(0.0000)	(0.0000)
Living Area_sq	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)
Net Area	0.0002***	0.0003***	0.0001***
	(0.0000)	(0.0000)	(0.0000)
Net Area_sq	−0.0000***	−0.0001**	−0.0000
	(0.0000)	(0.0000)	(0.0000)
Vacant	−0.0559***	−0.0522***	−0.0668***
	(0.0021)	(0.0023)	(0.0049)
Age	−0.0145***	−0.0134***	−0.0168***
	(0.0003)	(0.0003)	(0.0006)
Age_sq	0.0001***	0.0001***	0.0002***
	(0.0000)	(0.0000)	(0.0000)
Country[a]	0.0415***	0.0217	0.0349
	(0.0154)	(0.0175)	(0.0307)
Country Club[b]	0.0513***	0.0021	0.1036***
	(0.0156)	(0.0227)	(0.0320)
*Country*Age*	−0.0008	0.0010	−0.0036**
	(0.0012)	(0.0014)	(0.0014)
Distance_club	−0.0146***	−0.0135**	0.0079
	(0.0046)	(0.0054)	(0.0090)
Distance_club_sq	0.0008**	0.0010**	−0.0004
	(0.0004)	(0.0004)	(0.0007)
Smaller	0.4504***	0.4413***	0.4750***
	(0.0174)	(0.0193)	(0.0573)
Larger	−0.3384***	−0.4016***	−0.2109***
	(0.0141)	(0.0174)	(0.0238)
DISCOUNT	−0.6119***	−0.6824***	−0.4534***
	(0.0409)	(0.0532)	(0.0792)

Exhibit 3 | (continued)

Sub-sample Regression Results Dependent Variable: *Ln*(*Price*)

	(4)	(2)	(3)
Independent Variables	*Ln*(*Price*)	*Ln*(*Price*)	*Ln*(*Price*)
DISCOUNT_SQ	−0.0740***	−0.0823***	−0.0544***
	(0.0049)	(0.0062)	(0.0096)
Listing Density	0.0009**	0.0009*	0.0006
	(0.0005)	(0.0005)	(0.0010)
Spring	−0.0000	−0.0005	0.0022
	(0.0026)	(0.0029)	(0.0057)
Summer	0.0094***	0.0087***	0.0146***
	(0.0026)	(0.0029)	(0.0055)
Fall	0.0136***	0.0119***	0.0202***
	(0.0028)	(0.0031)	(0.0059)
Constant	0.0415***	0.0217	0.0349
	(0.029)	(0.036)	(0.058)
R^2	0.91	0.88	0.90

Notes: Robust standard errors in parentheses. Coefficients for year sold and location controls based on 85 census tracts are not reported here. There are 21,671 observations in (2), 7,099 in (3) and 28,770 observations in (4).

*$p < 0$.

**$p < 0.05$.

***$p < 0.01$.

[a]The number of sales, $n = 336$, in the bottom end of house price quartile sub-sample. The number of sales, $n = 307$ in the top house price quartile sub-sample.

[b]The number of sales, $n = 65$, in the bottom end of house price quartile sub-sample. The number of sales, $n = 293$ in the top house price quartile sub-sample.

mean price of $88,737. This is in contrast to the findings from the model (6) house price equation for the top quartile of house price distribution, houses priced at or above $140,000 with the mean price of $217,175. The model (6) estimates suggest that conspicuous consumption is present at this submarket level. The coefficient on the *Country Club* variable is positive and significant. It points to price premiums of about 10% at the mean of this subsample. Therefore, our results show that wealthier buyers tend to practice conspicuous consumption; buyers of the top quartile of houses defined by price paid are more willing to pay a price premium for the words ''country club.''

Next, we examine the relationship between conspicuous consumption and different housing market phases. Popular media emphasizes stories that reveal how the recent global financial crisis seems to have a huge impact on consumers'

Exhibit 4 | Regression Results for Different Housing Market Phases

Dependent Variable: *Ln*(*Price*)

Independent Variables	(2) Full Sample *Ln*(*Price*)	(3) Full Sample *Ln*(*Price*)	(2) Declining Market *Ln*(*Price*)	(3) Declining Market *Ln*(*Price*)	(2) Rising Market *Ln*(*Price*)	(3) Rising Market *Ln*(*Price*)
DOM	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Bedrooms	−0.0280***	−0.0280***	−0.0221***	−0.0221***	−0.0286***	−0.0286***
	(0.0027)	(0.0027)	(0.0056)	(0.0056)	(0.0030)	(0.0030)
Bathrooms	0.0297***	0.0298***	0.0216***	0.0216***	0.0277***	0.0279***
	(0.0034)	(0.0034)	(0.0080)	(0.0080)	(0.0037)	(0.0037)
Fireplaces	0.0223***	0.0225***	0.0529***	0.0528***	0.0164***	0.0166***
	(0.0024)	(0.0024)	(0.0061)	(0.0061)	(0.0026)	(0.0026)
Living Area	0.0009***	0.0009***	0.0008***	0.0008***	0.0009***	0.0009***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Living Area_sq	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Net Area	0.0002***	0.0002***	0.0002***	0.0001***	0.0002***	0.0002***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Net Area_sq	−0.0000***	−0.0000***	0.0000	0.0000	−0.0000***	−0.0000***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Vacant	−0.0560***	−0.0559***	−0.0572***	−0.0572***	−0.0531***	−0.0530***
	(0.0021)	(0.0021)	(0.0039)	(0.0039)	(0.0024)	(0.0024)
Age	−0.0145***	−0.0145***	−0.0078***	−0.0078***	−0.0159***	−0.0158***
	(0.0003)	(0.0003)	(0.0008)	(0.0008)	(0.0003)	(0.0003)

Exhibit 4 | (continued)

Regression Results for Different Housing Market Phases

Dependent Variable: *Ln*(*Price*)

Independent Variables	(2) Full Sample *Ln*(*Price*)	(3) Full Sample *Ln*(*Price*)	(2) Declining Market *Ln*(*Price*)	(3) Declining Market *Ln*(*Price*)	(2) Rising Market *Ln*(*Price*)	(3) Rising Market *Ln*(*Price*)
Age_sq	0.0001***	0.0001***	0.0001***	0.0001***	0.0002***	0.0002***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Country[a]	0.0549***	0.0316***	0.0542**	0.0604***	0.0522***	0.0261***
	(0.0078)	(0.0066)	(0.0212)	(0.0173)	(0.0084)	(0.0073)
Country Club[b]		0.0499***		−0.0239		0.0531***
		(0.0157)		(0.0659)		(0.0165)
Distance_club	−0.0179***	−0.0152***	0.0083	0.0079	−0.0228***	−0.0200***
	(0.0044)	(0.0045)	(0.0109)	(0.0109)	(0.0047)	(0.0049)
Distance_club_sq	0.0010***	0.0008**	−0.0003	−0.0002	0.0012***	0.0011***
	(0.0004)	(0.0004)	(0.0008)	(0.0008)	(0.0004)	(0.0004)
Smaller	0.4525***	0.4505***	0.4729***	0.4732***	0.4519***	0.4498***
	(0.0174)	(0.0174)	(0.0379)	(0.0379)	(0.0192)	(0.0192)
Larger	−0.3421***	−0.3389***	−0.2792***	−0.2798***	−0.3421***	−0.3388***
	(0.0139)	(0.0141)	(0.0313)	(0.0313)	(0.0154)	(0.0156)
DISCOUNT	−0.6108***	−0.6118***	−0.4933***	−0.4933***	−0.6948***	−0.6963***
	(0.0409)	(0.0409)	(0.0584)	(0.0584)	(0.0404)	(0.0404)
DISCOUNT_SQ	−0.0739***	−0.0740***	−0.0593***	−0.0593***	−0.1111***	−0.1114***
	(0.0049)	(0.0049)	(0.0070)	(0.0070)	(0.0068)	(0.0068)
Listing Density	0.0010**	0.0010**	−0.0006	−0.0006	0.0022***	0.0022***
	(0.0005)	(0.0005)	(0.0011)	(0.0011)	(0.0005)	(0.0005)

Exhibit 4 | (continued)

Regression Results for Different Housing Market Phases

Dependent Variable: *Ln*(*Price*)

Independent Variables	(2) Full Sample *Ln*(*Price*)	(3) Full Sample *Ln*(*Price*)	(2) Declining Market *Ln*(*Price*)	(3) Declining Market *Ln*(*Price*)	(2) Rising Market *Ln*(*Price*)	(3) Rising Market *Ln*(*Price*)
Spring	−0.0000	−0.0000	−0.0001	−0.0000	0.0003	0.0003
	(0.0026)	(0.0026)	(0.0059)	(0.0059)	(0.0029)	(0.0029)
Summer	0.0094***	0.0094***	0.0010	0.0010	0.0115***	0.0115***
	(0.0026)	(0.0026)	(0.0057)	(0.0057)	(0.0029)	(0.0029)
Fall	0.0136***	0.0136***	−0.0045	−0.0044	0.0187***	0.0187***
	(0.0028)	(0.0028)	(0.0059)	(0.0059)	(0.0031)	(0.0031)
Constant	10.78***	10.77***	10.07***	10.07***	10.83***	10.83***
	(0.029)	(0.029)	(0.063)	(0.063)	(0.031)	(0.031)
R^2	0.91	0.91	0.87	0.87	0.91	0.91

Notes: Robust standard errors in parentheses. Coefficients for year sold and location controls based on 85 census tracts are not reported here. There are 28,770 observations in the Full Sample, 5,276 in the Declining Market, and 23,494 observations in the Rising Market.

*$p < 0$.

**$p < 0.05$.

***$p < 0.01$.

[a]The number of sales, $n = 71$, in the Declining Market. The number of sales, $n = 572$ in the Rising Market.

[b]The number of sales, $n = 20$, in the Declining Market. The number of sales, $n = 338$ in the Rising Market.

motivation to compete for social status, implying that conspicuous consumption tends to be on the decline during recessionary periods.[11] Our data covers two decades during which the local housing market experienced a downturn (1984–1989) followed by an extended but modestly rising market (1990–2005). Therefore, this sample also allows us to investigate the extent to which conspicuous consumption varies across declining and rising housing market phases.

Exhibit 4 reports the parameter estimates of interest for the separate phases. The first two columns present the full sample estimates for comparative purposes. The next two columns show our estimates for the declining housing market phase. The final two columns represent our findings for the rising housing market phase. The coefficient on our variable of interest, *Country,* is robust across different model specifications and market phases. Yet again, the coefficient is positive and significant at the 1% level. This indicates that there is a price premium of between 2.6% to 6% for houses located in a subdivision whose names include the word ''country.'' However, the coefficient on the dummy variable, *Country Club,* which captures the effect of name ''country club'' associated solely with social status, is very different through declining and improving housing market phases. For example, the coefficient on this variable is not statistically significant for the period of the downturn market, implying no presence of conspicuous consumption during this period. In contrast, the coefficient on the variable *Country Club* becomes positive and significant, pointing to 5.3% price premiums for houses sold in subdivisions with the word ''country club'' in their name. At the same time, the coefficient on *Country* is somewhat reduced in magnitude relative to the original model but it is still positive and significant. The two coefficients together point to significant price premiums for properties sold in these subdivisions. Thus, our findings support the notions that conspicuous consumption slows during the recessionary periods.

Conclusion

In this paper, we examine whether house buyers are willing to pay for the added prestige associated with property names that include the words ''country'' and ''country club.'' We find that buyers do assign a price premium to properties that include these words in subdivision names: buyers pay an average of approximately 4.2% more for the word ''country'' in the property name and an additional 5.1% on top of that premium if the word ''club'' is added to form ''country club'' in the property name. In addition, the results also support the idea that wealthier buyers tend to practice conspicuous consumption; buyers of the top quartile of houses defined by price paid are more willing to pay a price premium for the words ''country club'' than those in the bottom quartile. Also, we find that conspicuous consumption decreases during recessionary periods, with real property buyers less willing to pay premiums for the prestige associated with these words.

The implications of this research for further study of naming strategies for the real property market and for practical application are clear. This is the first study to find through empirical research that buyers are willing to pay more for certain property names, with all other attributes of a house being equal. In fact, buyers of more expensive houses may be willing to pay more for a name that conveys prestige than they are willing to pay for a good school for their children. This implies that a more deliberate and empirically-based study of property names could enable significant improvements in return on investment for investors and long-term home owners. In addition, some assumptions about the primary drivers of home values may be challenged; buyers' perceptions of real property attributes may prove as valuable as or more valuable than the real utility of some attributes.

Endnotes

[1] There are numerous studies that examine conspicuous consumption and brand name goods. For example, Byrne (1999) finds that consumers acquired status goods to display their success and position to the society. Similarly, Zinkhan and Prenshaw (1994) find that material goods with status brand names are associated with higher perceived quality and prestige, as well as symbolize luxury and status to consumers.

[2] On the other hand, research on the branding of real estate properties (REITs) shows that brand name is not a predictor of investments in REITs (Ambrose, Ehrlich, Hughes, and Wachter, 2000).

[3] Furthermore, consumers pursue a number of different channels to gather information about a product before they make their purchase decision. Brand name is one source of such information. In addition, the consumers also engage in other forms of information search (Stigler, 1961; Carlson and MacAfee, 1983; Benabou, 1993). However, since the information search process is often expensive, time consuming and to some extent tacit, consumers may not be able to obtain complete information about their target product. Therefore, if the brand name conveys desirable information or image to the information-constrained consumer, they may rely on this ''expensive'' and sometimes ''deceptive'' information to make their purchase decision (Butters, 1977; Pashigian and Bowen, 1994; Png and Reitman, 1995).

[4] Box-Cox transformation is often used to evaluate alternative functional forms but this procedure is not appropriate for dummy variables as used in the present study (Box and Cox, 1964).

[5] In the summer of 1996, Baton Rouge established the elimination of random school assignment in favor of stable attendance zones. Nevertheless, more school reassignment and redistricting were conducted in 2001 and again in 2003, limiting schools as a major non-property characteristic.

[6] Haurin's (1988) model offers an explanation for why houses with unusual attributes sell for less and take longer to sell (Jud, Seaks, and Winkler, 1996). To capture the property atypicality effects, we use an alternative to this model that is presented in Turnbull, Dombrow, and Sirmans (2006).

[7] We also analyzed several other subdivision names and their relation to pricing premiums. For example, houses in subdivisions containing the word ''estates'' sell at no price premiums and they represent 11.2% of the sample.

[8] Even after including the *Distance_Club* variable, we note that variables ''*Country*'' and ''*Country Club*'' may also be capturing other amenities in such neighborhoods that cannot be isolated by the regressors included in the our models.

[9] Turnbull, Dombrow, and Sirmans (2006) consider these effects to be consistent with Hamilton's fiscal capitalization hypothesis.

[10] It is not uncommon in the studies of school price effects to see data divided into houses that are most likely to house families and those that are not. For example, consider four ways to divide the properties: 1) have two or more bedrooms; 2) have three or more bedrooms; 3) are in the top half in terms of unit area; and 4) have a lot size exceeding 2,000 square feet.

[11] For example a recent story in *The New York Times* concludes the recession is affecting not only the stock market but also ''the very ethos of conspicuous consumption.'' The story says even those with a regular income are trying to save money by holding onto older cars and clothes and downscaling their vacations.

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We would like to thank Ko Wang and anonymous referees for detailed suggestions.

Velma Zahirovic-Herbert, University of Georgia, Athens, GA 30602 or vherbert@uga.edu.

Swarn Chatterjee, University of Georgia, Athens, GA 30602 or swarn@uga.edu.