

Measuring Property Prices

Seminar in memory of Svein Longva

Overview of the family of property price indices and their importance

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(Abstract)

In this overview we discuss statistics on dwellings that is residential properties. The focus is on price statistics but also other aspects are mentioned. The overview includes both new and old houses. Typical for the housing market is that some people live as tenants (rental segment) and some people live in dwellings that are owned (Owner occupied houses). A challenge for the statistician is that houses are unique with many quality differences – including location. The yearly turnover is very limited for used houses compared to the total stock of houses.

Houses and dwellings are a typical example of a durable consumer good and one challenge is how to measure volume and price for these services. This household production of services has always been included in the Norwegian National Accounts.

Sector statistics will cover residential houses, building/construction, and the market for houses both new and old. For new houses input price index may be used to describe the changes in cost components. Output price indices are producer price indices for the construction industry. These indices need to use methods that corrects for changes in quality.

An important part of the topic is residential property price indices (RPPI). Hedonic methods or if available repeated sales (same house) are the methods that are most common.

Cost of living and residential prices is also an important topic. Houses are regarded as durable consumer goods and three approaches – acquisition, user cost and rental equivalence - can in general be applied. Inflation, monetary policy and house prices is a topic with growing concern and ideas for improved methods relevant for this topic will be discussed.

Housing stock will in most countries be an important part of the households wealth and therefore essential in economical analyses on individual and macro level.

There is a strong link between house prices and financial stability. Bubbles on housing markets will create shocks into the financial market when the bubbles burst.