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New developments in the field of house and rental price indices in German price statistics in the light of the hedonic method

Timm Behrmann, Federal Statistical Office (Destatis)
Bernhard Goldhammer, European Central Bank

In recent years, the German price statistics have seen important developments in the field of house and rental price indices.

House price indices have been developed in German official statistics in the European context. In Germany data about transactions and prices of residential property is gathered electronically from regional Expert Committees for Property Valuation. These committees are official bodies that survey developments of the real estate market and collect data about every single transaction of real estate in Germany. As the purchase of a single dwelling is a rare event and as a single dwelling is unique, a special methodology is used in order to facilitate price comparisons between two periods: the double-imputation hedonic method. The article highlights the main challenges regarding the setting up of this new statistic and describes the hedonic model used in detail.

Rents for dwellings are closely related with purchases of residential property in economic terms. The German rental price index as included in the German consumer price statistics has also undergone major revisions during the recent years: A new sample was introduced, being stratified by type of dwelling, region, and type of landlord; an online survey was set up for the first time; the dwelling characteristics that are surveyed were revised and many more issues were touched. One major topic in this endeavor was the introduction of hedonic quality adjustment in situations of replacement and modernization of a dwelling. The article points out the highlights of the new rental price statistic, describes the used hedonic method and discusses some challenges we had to address when employing the hedonic method, like the inclusion of variables affecting price but not quality or the problem of re-transforming a double logarithmic regression result.