

15th Meeting of the Ottawa Group 10 – 12 May 2017

Session 3: Hedonic methods for HPIs

How to better measure hedonic residential property price indexes

Mick Silver, Consultant

Hedonic regressions are used for property price index measurement to control for changes in the quality-mix of properties transacted. The paper consolidates the hedonic time dummy approach, characteristics approach, and imputation approaches. A quite practical hedonic methodology is developed that (i) is weighted at a basic level; (ii) has a new (quasi-) superlative form and thus mitigates substitution bias; (iii) is suitable for sparse data in thin markets; and (iv) only requires the periodic estimation of hedonic regressions for reference periods and is not subject to the vagrancies of misspecification and estimation issues.