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THE CALCULATION OF REGIONAL INDEX OF DWELLING PRICES IN CROATIA

Abstract:

In the existing literature in the field of housing economics, great attention has been paid to modeling housing prices. Residential property prices are generally very important indicator as they may indicate developments in the local economy. Moreover, many existing research have proven that there is a strong interdependence of the movement of housing prices with economic developments. Therefore, different market participants (home owners, potential buyers, lessors, tenants etc.), as well as subjects from broader economic environment (banks, local government, researchers etc.) are interested in trends on housing market, and in particular in housing prices. For that reason, constant improvement of housing prices statistics is very important for all mentioned entities.

In Croatia, the issue of housing prices has become topical in the last 15 years due to the turbulent developments in the domestic housing market. Generally, the indicator which is most available to the general public is average price which is published by real estate agencies and advertisers. Such indicator fails to reflect real prices movements since it encompasses the difference in quality of the offered/sold housing units on the market. The more reliable indicator would be one that is "cleared" from the impact that qualitative characteristics of the housing unit have on its price. The most commonly used method for constructing such price indicators is hedonic approach. Hedonic indices provide information about real change in the price between two points of time. The methodology of calculation hedonic housing price index in Croatia has advanced significantly over the last 12 years. In this research we use hedonic model approach to calculate the index of dwelling prices for Croatia, as well as for four regions (The City of Zagreb, Middle and South Adriatic, Istria and North Adriatic and the region Other). The variables which are included in the model are price of the dwelling, location, floor area, number of rooms, the construction year and time of sale. Two different indices based on asked and realized prices are calculated within this research. The comparison between calculated indices shows that there are large price differences between geographically different Croatian dwelling markets.

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Keywords:

Housing Price Index, Dwelling, Hedonic Estimation, Multiple Regression Analysis, Croatian Housing Market

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